

INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND THE FIRST NINE MONTHS
OF 2018

ARENA

HOSPITALITY GROUP

30 SEPTEMBER 2018



art'otel



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INTERIM PERFORMANCE REPORT FOR THE PERIOD JANUARY - SEPTEMBER 2018

CONSOLIDATED RESULTS

“We are pleased to report the results of Arena Hospitality Group d.d. (the Company) and the consolidated results of Arena Hospitality Group d.d., as a group (the Group) activities in Croatia, Germany and Hungary for the first nine months of 2018.



The Company continued with a strong performance throughout 2018 despite some headwinds experienced on the cost side and the fact that 2017 was a record year and not an easy benchmark to outperform. Our unique business model where we operate both, coastal hotels, self-catering holiday apartment complexes and campsites on the one hand but also city hotels on the other, is proving that our strategy of combining these two together is the right one and these operations are complementing each other extremely well. As a result of it our reported revenue during this period increased by 5.5% to HRK 678.6 million (nine months ended 30 September 2017: HRK 643.0) and EBITDA improved by 1.7% to HRK 244.9 million (nine months ended 30 September 2017: HRK 240.8 million).

CROATIA

In Croatia we have just completed our busiest quarter of the year, reporting total revenue growth of 4.7% to HRK 490.0 million (nine months ended September 2017: 467.8 million).

The most important driver of our topline performance are accommodation revenues which amounted to HRK 410.8 million (nine months ended 30 September 2017: HRK 389.4 million) which represents an increase of 5.5% over last year's performance. Growth in accommodation revenues is the result of an increase in occupancy by 20 bps to reach 50.2% coupled with an increase in average daily rates by 3.3% to HRK 524. Our performance, notably in the shoulder season was further enhanced by our recent investments in sporting facilities: during 2017, we added complementary facilities, including artificial football pitches, at our sports oriented hotel Park Plaza Belvedere Medulin. It is worthwhile highlighting that this off-season period typically generates a negative EBITDA, nevertheless this year we have managed to change this long lasting trend and post a positive EBITDA of HRK 0.8 million (first six months of 2017: negative HRK 41 thousand). Despite reporting a revenue increase during the first nine months, margins were somewhat under pressure as a result of increased labour costs, expenses for waste management and cleaning services expenses. As a result, reported EBITDA for the period was flat compared to last year and amounted to HRK 190.7 million.

Highlights during the period were the completion of the investment programme in Arena One 99 Glamping, which opened its doors in June and the addition of six brand new apartments to the inventory of Park Plaza Arena Pula (following a significant renovation from some units which were previously part of the Verudela Beach & Villas complex) in July.

GERMANY AND HUNGARY

Our operations in Germany and Hungary generated a revenue increase of 7.6% to HRK 180.6 million compared to last year (first nine months of 2017: HRK 167.8 million). The most significant contributor to our revenue growth was the continuation of the ramp up of Park Plaza Nuremberg.

Reported EBITDA increased by 19.2% to HRK 37.1 million (first nine months of 2017: HRK 31.1 million). The most important contributors to our EBITDA performance were Park Plaza Nuremberg coupled with lower rental payments as a result of the acquisition of freehold interests of art'otel cologne and art'otel berlin kudamm in 2017. The overall impact of this acquisition is lower rental payments in the amount of HRK 4.2 million previously payable to third parties. It is worthwhile highlighting that Park Plaza Nuremberg (which was opened in mid-2016) continued to mature and experienced a sharp increase in EBITDA of remarkable 47% from HRK 7.8 million in the first nine months of 2017 to HRK 11.4 million in the first nine months of 2018.

We continued to invest in our properties in Germany and, amongst other, opened our new wellness areas in art'otel cologne and in art'otel berlin mitte.

OUR TEAM

We recognise that our team members are central to the overall performance and success of the Group. We continue to invest in our employees in order to retain top talent and ensure to our guests a consistent top quality experience across our portfolio. We also continue to see the benefits arising from the synergies between our Croatian and German operations, and this is also another way we differentiate ourselves on the labour market as a unique employer that can offer the ability of international employment opportunities and new learning experiences, which enable us to continue to attract and retain top talent.

We place guest experience at the heart of everything we do through future proofing, caring for their wellbeing and ensuring their safety and security, which is confirmed by the consistently high level of guest satisfaction scores achieved across our properties.

CURRENT TRADING AND OUTLOOK

We are continuously working on the detailed plans and phasing of the investments into our properties in Croatia and our hotels in Germany and Hungary, as well as reviewing expansion opportunities in Croatia and Central and Eastern Europe.

As part of the above we are finalising our redevelopment plans at Arena Kažela Campsite, which are due to start this winter. We have made further changes to the scope of our refurbishment of Hotel Brioni and are in a new tender process for the revised scope.

In Germany, we are progressing with our investments and are planning to shortly commence the refurbishment of art'otel berlin kudamm. The programme of renovations at this hotel is planned to include a redesign and refurbishment of the public areas and all guestrooms.

Trading since 30 September 2018 has remained encouraging. The fourth quarter of the year is usually a strong quarter in Germany and Hungary whilst the Croatian operations are phasing out following the intense summer season.

The Management Board expects trading for the 2018 financial year to be in line with its current expectations."



RELI SLONIM
MANAGEMENT BOARD PRESIDENT

SIGNIFICANT EVENTS DURING THE FIRST NINE MONTHS OF 2018

- Reported revenue in the first nine months increased by 5.5% to HRK 678.6 million (first nine months of 2017: HRK 643.0 million). This growth is the result of improved trading across our Croatian, German and Hungarian operations;
- In Croatia, our operations delivered a positive EBITDA result in the first six months (this off-season period typically generates a negative EBITDA);
- The Company entered into a five-year credit facility in the amount of EUR 5 million to partly finance the investments in Arena One 99 Glamping, which opened at the end of June;
- The refurbishment of six accommodation units, which were previously part of the Verudela Beach & Villas complex, has been completed in July and added to the inventory of Park Plaza Arena Pula which now offers 187 rooms and suites;
- We have discontinued the management of art'otel dresden hotel as of 31 July 2018;
- In September 2018, an independent valuation of certain¹ of the Group's properties in Croatia and Germany was carried out. The total value of the properties valued by Savills and Zane is HRK 2,426.4 million which is a reflection of improved trading conditions since 2016 and represents a premium to the net book value of those properties at 30 June 2018 of HRK 1,750.9 million. In its accounts for the year ended 31 December 2016 the Company included the results of an impairment review of its assets that resulted in a charge of HRK 148.6 million to the profit and loss account for the year ended 31 December 2016 in respect of certain of its Croatian properties. The Company will be considering a reversal of some of all of the aforementioned impairment in conjunction with its 2018 accounts;
- Mr. Chen Carlos Moravsky, a member of the Supervisory Board of the Company resigned in June. Mr Kevin Michael McAuliffe has been appointed as a new Supervisory Board member in September; and
- A third member has been appointed to the Management Board in September, Mrs. Manuela Kraljević, who is responsible for Marketing and Sales.

¹ Hotels: Park Plaza Histria Pula, Hotel Brioni, Park Plaza Arena Pula, Park Plaza Belvedere Medulin, Arena Hotel Holiday, Hotel Medulin (Sensimar), Park Plaza Nuremberg, art'otel cologne, art'otel berlin kudamm. Resorts: Park Plaza Verudela Pula, Verudela Beach and Villas, Ai Pini Medulin, Horizont Pula. Campsites: Stoja, Stupice, Indije, Runke, Tašalera, Medulin, Kažela, Arena One 99 Glamping

Arena One 99 Glamping – new opening June 2018



OPERATING REVIEW OF THE COMPANY AND ITS SUBSIDIARIES (THE "GROUP")

The following table sets out the Group's consolidated results of operations for the first nine months of 2018.

CONSOLIDATED KEY PERFORMANCE INDICATORS

	Nine months ended 30 September 2018	Nine months ended 30 September 2017	Variance % ¹
Total revenue (HRK million)	678.6	643.0	5.5
Accommodation revenue (HRK million)	556.2	522.2	6.5
EBITDAR (HRK million)	271.5	270.1	0.5
EBITDA (HRK million)	244.9	240.8	1.7
Profit/(loss) before tax (HRK million)	171.4	169.6	1.1
Rooms available ²	1,800,780	1,774,716	1.5
Occupancy % ²	54.4	53.5	90 ⁴
Average daily rate (HRK) ³	567.9	549.9	3.3
RevPAR (HRK)	308.9	294.3	5.0

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 nine months ended 30 September 2018 with nine months ended 30 September 2017. 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 increased by 5.5% to HRK 678.6 million (first nine months of 2017: HRK 643.0 million) due to improved trading across our Croatian, German and Hungarian operations.

Accommodation revenue experienced growth of 6.5% to HRK 556.2 million compared to last year (first nine months of 2017: HRK 522.2 million) as a result of both, improved occupancy by 90 bps and higher average daily rates by 3.3% which amounted to HRK 567.9.

On a reported basis, EBITDA increased by 1.7% to HRK 244.9 million (first nine months of 2017: HRK 240.8 million). EBITDA increased by HRK 4.1 million, mainly as a result of increased revenues and lower rental expenses.

CROATIAN PORTFOLIO PERFORMANCE

The following table sets out the results for the Group's operations in Croatia for the first nine months of 2018:

KEY PERFORMANCE INDICATORS

	Nine months ended 30 September 2018	Nine months ended 30 September 2017	Variance %
Total revenue (HRK million)	490.0	467.8	4.7
Accommodation revenue (HRK million)	410.8	389.4	5.5
EBITDAR (HRK million)	198.0	198.2	(0.1)
EBITDA (HRK million)	190.7	191.4	(0.4)
Rooms available ¹	1,560,813	1,534,749	1.7
Occupancy % ¹	50.2	50.0	20 ²
Average daily rate (HRK) ³	524.0	507.4	3.3
RevPAR (HRK)	263.2	253.7	3.7
FTE ⁴	702	671	4.6

¹ Rooms available and occupancy are based on operating days.

² In Basis Points (BPS)

³ Average daily rate represents total accommodation revenues divided by the total number of paid units occupied by guests.

⁴ The FTE number is an estimate based on the total hours paid for all employees divided by the hours paid for an average full time employee to arrive at a total for Full Time Equivalent Employees.

The Group's operations in Croatia are of a highly seasonal nature with the majority of guest visits occurring from June to September. The Group's Croatian operations delivered a solid performance in the first nine months, with growth in occupancy, average daily rates and RevPAR.

Total revenue increased by 4.7% to HRK 490.0 million (first nine months of 2017: HRK 467.8 million), due to a solid performance during the high season, a strong performance in the shoulder season driven by the Easter and Pentecost holidays, alongside stronger demand for our sports related accommodation. Revenues grew across all our segments, hotels, self-catering holiday apartment complexes and campsites. During 2017, we added new facilities at our sports oriented hotel, Park Plaza Belvedere Medulin, and these additions benefited our operations during the first half of the year. This growth was underpinned by a 3.3% increase in the average daily rate and 20 bps increase in occupancy. As a result, accommodation revenue increased by 5.5% to HRK 410.8 million (first nine months of 2017: HRK 389.4 million). RevPAR was up 3.7% compared to 2017 at HRK 263.2.

The increase in revenues was offset by increasing costs of labour, property taxes (urban land and water protection fees), and costs of utilities (driven predominantly by waste management expenses and cleaning services expenses). As a result of these dynamics on the cost's side EBITDA remained flat at HRK 190.7 million.

GERMAN AND HUNGARIAN PORTFOLIO PERFORMANCE

The following table sets out the Group's results of operations in Germany and Hungary for the first nine months of 2018:

KEY PERFORMANCE INDICATORS

	Reported / in HRK			Reported Euros (€)		
	Nine months ended 30 September 2018	Nine months ended 30 September 2017	Variance %	Nine months ended 30 September 2018	Nine months ended 30 September 2017	Variance %
Total revenue (millions)	180.6	167.8	7.6	24.4	22.6	7.6
Accommodation revenue (millions)	145.4	132.8	9.5	19.6	17.8	9.5
EBITDAR (millions)	55.8	53.0	5.3	7.5	7.1	5.3
EBITDA (millions)	37.1	31.1	19.2	5.0	4.2	19.2
Rooms available ¹	239,967	239,967	0.0	239,967	239,967	0.0
Occupancy % ¹	81.5	75.9	560 ²	81.5	75.9	560 ²
Average daily rate ³	743.8	728.9	2.0	100.4	98.0	2.0
RevPAR	606.1	553.5	9.5	81.8	75.0	9.5
FTE ⁴	223	208	7.4	223	208	7.4

¹ Rooms available and occupancy are based on operating days.

² In Basis Points (BPS)

³ Average daily rate represents total accommodation revenues divided by the total number of paid units occupied by guests.

⁴ The FTE number is an estimate based on the total hours paid for all employees divided by the hours paid for an average full time employee to arrive at a total for Full Time Equivalent Employees.

The Group's operations in Germany and Hungary delivered a marked performance in the first nine months. Total reported revenue grew by 7.6% to HRK 180.6 million (first nine months of 2017: HRK 167.8 million). The most significant contributor to our revenue growth was the continuation of the ramp up of Park Plaza Nuremberg.

Reported EBITDA increased by 19.2% to HRK 37.1 million (first nine months of 2017: HRK 31.1 million). The most important contributors to our EBITDA performance were Park Plaza Nuremberg performance coupled with lower rental payments as a result of the acquisition of freehold interests of art'otel cologne and art'otel berlin kudamm in 2017. The overall impact of this acquisition is lower rental payments in the amount of HRK 4.2 million previously payable to third parties. Worthwhile highlighting that Park Plaza Nuremberg (which was opened in mid 2016) continued to mature and experienced a sharp increase in EBITDA of 47% from HRK 7.8 million in the first nine months of 2017 to HRK 11.4 million in the first nine months of 2018.

MANAGEMENT AND CENTRAL SERVICES PERFORMANCE

The following table sets out the Group's results of management and central services operations for the first nine months of 2018:

KEY PERFORMANCE INDICATORS

	Nine months ended 30 September 2018	Nine months ended 30 September 2017	Variance %
Total revenue before elimination (HRK million)	93.8	88.4	6.1
Elimination of intra group revenue (HRK million)	(84.5)	(81.0)	4.3
Total reported revenue (HRK million)	9.3	7.4	25.6
EBITDA (HRK million)	17.1	18.1	(5.5)
FTE ¹	281	277	1.5

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

Arena Hospitality Management d.o.o., a subsidiary of the Company, entered into management agreements with all the properties owned, partially owned, leased or managed by the Group in Croatia, Germany and Hungary. Arena Hospitality Management d.o.o. provides management services to all these properties and generates management fee revenues. Hotel management revenue related to hotels within the Group is eliminated upon consolidation as intra-group revenue. Furthermore all revenue generated within the Group from centralised services in Croatia and Germany is eliminated upon consolidation as intra-group revenue.

Total revenue grew by 6.1% to HRK 93.8 million as a result of revenue growth across all the regions. EBITDA decreased by 5.5% to HRK 17.1 million due to higher labour costs.

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 and/or operational decisions. The Company is controlled by Dvadeset Osam d.o.o., which owns 51.97% of the Company's shares as at 30 September 2018. The Company's ultimate parent is PPHE Hotel Group Limited which indirectly owns 100% of the shares of Dvadeset Osam d.o.o. All other subsidiaries of PPHE Hotel Group Limited are also treated as related parties. For a detailed list of all subsidiaries included in the Group, please refer to page 113 of the Company's 2017 annual report.

a. Balances with related parties

	Group		Company	
	As at 30 September 2018 HRK'000	As at 31 December 2017 HRK'000	As at 30 September 2018 HRK'000	As at 31 December 2017 HRK'000
Assets:				
Short-term receivables – Park Plaza Hotels Europe B.V.	11	10	-	10
Short-term receivables – art'otel dresden Park Plaza Betriebsgesellschaft mbH	-	323	-	-
Short-term receivables – Euro Sea Hotels N.V.	326	448	-	-
Short-term receivables – art'otel berlin mitte Park Plaza Betriebsgesellschaft mbH	3	153	3	-
Short-term receivables – PPHE (Germany) B.V.	118	-	-	-
Short-term receivables – Park Plaza Betriebsgesellschaft mbH	5	141	5	-
Short-term receivables – PPHE Nuernberg Operator Hotelbetriebsgesellschaft mbh	-	-	-	110
Short-term receivables – Arena Hospitality Management d.o.o.	-	-	688	645
Short-term receivables – Germany Real Estate B.V.	-	-	2,029	-
Short-term receivables – Sugarhill Investments B.V.	-	-	-	-
Short-term receivables – Ulika d.o.o.	-	-	16	-
Long-term loans to joint ventures	34,014	33,839	-	-
Long-term loan to Ulika d.o.o.	-	-	-	-
Long-term loan to Germany Real Estate B.V.	-	-	67,532	72,457
Liabilities:				
Trade payables – Sugarhill Investments B.V.	-	-	-	6
Trade payables – Arena Hospitality Management d.o.o.	-	-	7,136	1,869
Trade payables – PPHE (Germany) B.V.	11,693	10,688	-	-
Trade payables – Park Plaza Hotels Europe B.V.	7,391	3,732	7,391	3,732
Trade payables – Waterloo Hotel Operator Ltd.	-	2	-	2
Other current liability – Euro Sea Hotels N.V.	8,381	8,112	-	-

b. Transactions with related parties

	Group		Company	
	As at 30 September 2018 HRK'000	As at 30 September 2017 HRK'000	As at 30 September 2018 HRK'000	As at 30 September 2017 HRK'000
Management fee revenue – art'otel dresden Park Plaza Betriebsgesellschaft mbH	876	1,122	-	-
Management fee revenue from joint ventures	2,105	1,939	-	-
Service charge revenue – art'otel dresden Park Plaza Betriebsgesellschaft mbH	761	1,121	-	-
Service charge revenue – joint ventures	1,960	1,849	-	-
Reimbursement of employee expenses – Arena Hospitality Management d.o.o.	-	-	4,897	4,610
Management fees expense – Arena Hospitality Management d.o.o.	-	-	17,145	16,799
Sales and marketing fees – Park Plaza Hotels Europe B.V.	19,584	18,703	19,584	18,703
Sales and marketing fees – PPHE (Germany) B.V.	7,221	6,713	-	-
Interest expense – Euro Sea Hotels N.V.	365	3,127	-	2,760
Interest income – Germany Real Estate B.V.	-	-	2,293	2,917
Interest income – Ulika d.o.o.	-	-	16	-
Interest income – joint ventures	578	591	-	-

INVESTMENT PROJECTS AND PRODUCT IMPROVEMENTS

In the first nine months of 2018, we invested HRK 111.6 million in upgrading our Croatian operations. Our investments included the refurbishment of rooms, public areas and facilities at hotels, self-catering holiday apartment complexes and campsites. The main refurbishment projects completed in the first nine months of 2018 were:

- Park Plaza Histria Pula: refurbishment of the Wellness and Spa area, development of an additional meeting room and refurbishment of the back of house facilities;
- Park Plaza Arena Pula: refurbishment of an apartment building, previously part of the Verudela Beach Resort, which was added to the inventory of Park Plaza Arena Pula;
- Arena Hotel Holiday: refurbishment of the kitchen and restaurant; and
- Arena One 99 Glamping represents the first significant investment to our campsite portfolio. The former Arena Pomer campsite has been converted to a high-end all-Glamping offering area with 196 luxury tents, new infrastructure, reception area, grocery store and restaurant, beach bars and wellness area. Arena One 99 Glamping opened its doors on 23 June 2018.

Park Plaza Arena Pula - new apartments



Arena Hotel Holiday - new restaurant & terrace



During the first nine months of 2018, we have invested HRK 17.1 million in our German portfolio. Our investments included the upgrading of IT hardware, refurbishment of rooms and additional facilities, worthwhile highlighting:

- art'otel cologne: created a new fitness and wellness area;
- art'otel berlin mitte: completed the refurbishment of meeting rooms and created a new fitness and wellness area;
- Park Plaza Berlin Kudamm: upgraded to a new key card system and prepared sample rooms; and

art'otel berlin kudamm: created final drawings and plans for sample rooms for future refurbishment plan.

art'otel berlin mitte – new meeting rooms



art'otel cologne - new fitness centre



COMPANY BUSINESS RESULTS (CONSOLIDATED)

CONSOLIDATED INCOME STATEMENT

	30 September 2018 (Unaudited)	30 September 2017 (Unaudited)	Variance %
<i>In HRK millions</i>			
Total operating income	678.6	643.0	5.5
Total operating expenses	(433.7)	(402.2)	7.8
EBITDA from operations	244.9	240.8	1.7
Depreciation	(50.6)	(46.5)	8.8
EBIT from operations	194.3	194.3	0.0
Financial revenues	0.6	6.4	(90.6)
Financial expenses	(22.8)	(31.0)	(26.5)
Other expense	(1.7)	(0.7)	142.9
Share in result of joint ventures	1.0	0.6	66.7
Total income	680.2	650.0	4.6
Total expenditures	(508.8)	(480.4)	5.9
Profit/(loss) before tax	171.4	169.6	1.1

Total operating income has increased by 5.5% to HRK 678.6 million (first nine months of 2017: 643.0 million) as a result of growth in revenues across our regions. Total operating expenses increased by 7.8% to HRK 433.7 million (first nine months 2017: HRK 402.2 million) predominantly as a result of increased labour costs, expenses for waste management and cleaning costs services. As a result of the aforementioned EBITDA from operations posted an increase of 1.7% to 244.9 million (first nine months 2017: HRK 240.8 million). EBIT from operations remained flat at HRK 194.3 million as a result of Depreciation growth of 8.8% to HRK 50.6 million (first nine months 2017: HRK 46.5 million). Depreciation grew predominantly as a result of capital expenditures undertaken in the previous periods. The positive effect of lower interest expenses following the debt refinancing undertaken at the end of 2017 has been offset by a decrease in financial revenues resulting from a decrease in unrealised foreign exchange revenues. Other expenses mostly refer to preopening expenses recorded in Arena One 99 Glamping.

As a result of the foregoing, the consolidated profit before tax grew by 1.1% to HRK 171.4 million (first nine months of 2017: HRK 169.6 million).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in HRK millions)

	30 September 2018 (Unaudited)	31 December 2017 (Audited)	Variance %
Long-term assets	1,919.1	1,852.1	3.6
Short-term assets	981.5	824.3	19.1
Total assets	2,900.6	2,676.4	8.4
Total equity	1,700.5	1,565.8	8.6
Long-term liabilities and provisions	986.9	944.9	4.4
Short-term liabilities	213.2	165.7	28.7
Total liabilities	1,200.1	1,110.6	8.1
Total equity and liabilities	2,900.6	2,676.4	8.4

Long-term assets increased by HRK 67.0 million to HRK 1,919.1 million mostly as a result of additional capex during the year as described in detail under the section Investment Projects and Product Improvements.

Short-term assets increased by HRK 157.2 million to HRK 981.5 million mostly as a result of an increased cash position following a successful and free cash flow generating performance during the first nine months of 2018, most notably during the summer months, in the amount of HRK 88.7 million. Furthermore, receivables and other current assets have increased by HRK 69.3 million.

Long-term liabilities and provisions increased by HRK 42.0 million to HRK 986.9 million predominantly as a result of an increase in credit facilities in Croatia and Germany. In Croatia long term liabilities increased as a result of the financing structured to partly finance the investments undertaken in Arena One 99 Glamping. In Germany the refinancing of the loan on Park Plaza Nuremberg for a period of 10 years (from 29 December 2017) has enabled the increase of the debt by additional HRK 31 million. The funds were drawn under this credit facility during 2018.

Short-term liabilities increased by HRK 47.5 million to HRK 213.2 million primarily due to advances received from guests and increased trade payables.

COMPANY BUSINESS RESULTS (NON-CONSOLIDATED)

NON-CONSOLIDATED INCOME STATEMENT

	30 September 2018 (Unaudited)	30 September 2017 (Unaudited)	Variance %
<i>In HRK millions</i>			
Total operating income	497.2	473.7	5.0
Total operating expenses	(307.4)	(282.1)	9.0
EBITDA	189.8	191.6	(0.9)
Depreciation	(38.1)	(36.5)	4.4
EBIT	151.7	155.1	(2.2)
Financial revenues	2.3	8.7	(73.6)
Financial expenses	(12.1)	(23.2)	(47.8)
Other expenses	(1.7)	-	-
Total income	499.5	482.4	3.5
Total expenditures	(359.3)	(341.8)	5.1
Profit/(loss) before tax	140.2	140.6	(0.3)

Total operating income has increased by 5.0% to 497.2 million (first nine months of 2017: 473.7 million) as a result of growth in revenues in Croatia across our hotels, self-catering holiday apartment complex and campsites. Total operating expenses increased by 9.0% to HRK 307.4 million (first nine months 2017: HRK 282.1 million) predominantly as a result of increased labour costs, expenses for waste management and cleaning services expenses. As a result of the aforementioned EBITDA from operations remained flat at HRK 189.9 million. EBIT from operations decreased by 2.2% to HRK 151.7 million (first nine months of 2017: 155.1 million) as a result of an increase in Depreciation by 4.4% to HRK 38.1 million (first nine months 2017: HRK 36.5 million). Depreciation grew predominantly as a result of capital expenditures undertaken in the previous periods. The positive effect of lower interest expenses on Financial expenses following the debt refinancing undertaken at the end of 2017 has been offset by a decrease in financial revenues resulting from a decrease in unrealised foreign exchange revenues. Other expenses mostly refer to preopening expenses recorded in Arena One 99 Glamping.

As a result of the foregoing, the consolidated profit before tax remained stable at HRK 140.2 million (first nine months of 2017: HRK 140.6 million).

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2018

(all amounts in HRK million)	30 September 2018 (Unaudited)	31 December 2017 (Audited)	Variance %
Long-term assets	1,825.3	1,757.6	3.9
Short-term assets	847.4	725.9	16.7
Total assets	2,672.7	2,483.5	7.6
Total equity	1,999.7	1,885.0	6.1
Long-term liabilities and provisions	543.5	518.9	4.7
Short-term liabilities	129.5	79.6	62.7
Total liabilities	673.0	598.5	12.4
Total equity and liabilities	2,672.7	2,483.5	7.6

Long-term assets increased by HRK 67.7 million to HRK 1,825.3 million mostly as a result of additional capex during the year as described in detail under the section Investment Projects and Product Improvements.

Short-term assets increased by HRK 121.5 million to HRK 847.4 million mostly as a result of an increased cash position following a successful and free cash flow generating performance during the first nine months of 2018, most notably during the summer months, in the amount of HRK 55.4 million. Furthermore, receivables and other current assets have increased by HRK 61.3 million.

Long-term liabilities and provisions increased by HRK 24.6 million to HRK 543.5 million as a result of the financing structured to partly finance the investments undertaken in Arena One 99 Glamping.

Short-term liabilities increased by HRK 49.8 million to HRK 129.5 million primarily due to increased trade payables and liabilities related to taxes.

PRINCIPAL RISKS OF THE GROUP AND THE COMPANY
CORPORATE GOVERNANCE REPORT

ARENA

HOSPITALITY GROUP



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PRINCIPAL RISKS OF THE GROUP AND THE COMPANY

There are no changes to the principal risks as set out in the Company's consolidated financial statements for the year ended 31 December 2017, which may currently affect the Group's performance. The most significant risks relate to factors that are common to the hotel industry and beyond the Group's control, such as the global economic downturn, changes in travel patterns or in the structure of the travel industry and the increase in acts of terrorism. Further risks pertain to the legal framework which governs the concession agreements relating to some of the Company's properties in Croatia, seasonality and adverse weather conditions in the high season, information technology and systems and exchange rate fluctuations. For a detailed discussion of the risks facing the Group, please refer to pages 30 and 31 of the Company's 2017 annual report.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

Each year, the Company is obliged to state, in its annual report and on its website, in the required form, whether it complies with the recommendations of a corporate governance code. The Company applies the Corporate Governance Code of the Zagreb Stock Exchange (the **Code**). The Company complies with the recommendations of the Code based on the principle "comply or explain", so if the Company fails to comply with the recommendations of the Code, it must provide reasons for its non-compliance. The Company abides by this principle and, where relevant, provides reasons for non-compliance with the recommendations of the Code. The Company published its annual corporate governance questionnaire for 2017 on ZSE on 28 February 2018.

GENERAL ASSEMBLY MEETINGS

A General Assembly of the Company was held on 27 April 2018, where the Company's Annual Report for 2017 (consolidated and non-consolidated) was considered and the decisions on use of profit realised in 2017 and on granting discharge to the members of the Supervisory Board and the Management Board for their work in 2017 were adopted.

A General Assembly of the Company was also held on 5 September 2018, where Ernst & Young d.o.o. Zagreb was appointed as the Company's auditor for 2018 and, due to expiry of the mandate of the members of the Supervisory Board of the Company, the following members of the Supervisory Board were (re)elected: Boris Ernest Ivesha, Yoav Arie Papouchado, Kevin Michael McAuliffe, Abraham Thomas, Amra Pende and Lorena Škuflić. In addition, the Company's employees' council reappointed Vehbija Mustafić as the employees' representative to the Supervisory Board.

SUPERVISORY BOARD MEETINGS

As at 5 September 2018, the members of the Supervisory Board are: Boris Ernest Ivesha (Chairman), Yoav Arie Papouchado (Vice-Chairman), Kevin Michael McAuliffe, Abraham Thomas, Amra Pende, Lorena Škuflić and Vehbija Mustafić.

The Supervisory Board of the Company held the following meetings (including correspondence voting) in the first nine months of the year:

- on 27 February 2018 where the Annual Report of the Company for 2017 was approved;
- on 26 April 2018 where the quarterly report for the first quarter of 2018 was considered;
- on 6 June 2018 where a related party transaction (purchase of two yachts from PPHE Histria Charter d.o.o.) was approved;
- on 30 July 2018 where the quarterly report of the Company for the second quarter of 2018 and half-year report of the Company for the first six months of 2018 were considered, a third member of the Management Board of the Company, Mrs. Manuela Kraljević, was appointed for a mandate of one year starting from 6 September 2018, and a General Assembly meeting was convened for 5 September 2018; and
- on 5 September 2018 where, amongst the newly appointed members of the Supervisory Board, Boris Ernest Ivesha was elected as the Chairman and Yoav Arie Papouchado as the Vice-Chairman of the Supervisory Board, and the following persons were appointed as members of the Audit Committee and the Nomination and Remuneration Committee: Mr. Kevin Michael McAuliffe, Ms. Amra Pende (as the President of the Nomination and Remuneration Committee) and Ms. Lorena Škuflić (as the President of the Audit Committee).

SUPERVISORY BOARD COMMITTEES

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

In the first nine months of the year, the Company's Audit Committee held a meeting on 20 February 2018 and considered the Financial Statements of the Company for 2017 (consolidated and non-consolidated) and voted by correspondence on 24 July 2018 to recommend the appointment of Ernst & Young d.o.o. Zagreb as the Company's auditor for 2018.

In the first nine months of the year, the Company's Nomination and Remuneration Committee voted by correspondence on 24 July 2018 to recommend the (re)election of Supervisory Board members and the appointment of a third member of the Management Board.

MANAGEMENT BOARD MEETINGS

The Management Board primarily adopts its decisions in meetings and by correspondence in accordance with the applicable laws and the Company's Articles of Association.

The most important Management Board meetings were:

- 26 February 2018 where, *inter alia*, the interim report for the fourth quarter of 2017 and the Annual Report of the Company for 2017 (consolidated and non-consolidated) were adopted;
- 23 March 2018 where, *inter alia*, the decision on convocation of the Annual General Assembly meeting for 27 April 2018 was adopted;
- 26 April 2018 where, *inter alia*, the interim report for the first quarter of 2018 was adopted; and

- 31 July 2018 where, *inter alia*, the interim report for the second quarter of 2018 and the half-year report for the first six months of 2018 were adopted.

MAJOR SHAREHOLDERS

Following the share capital increase in May 2017, the share capital of the Company is HRK 102,574,420.00 HRK and is divided into 5,128,721 ordinary shares under the ticker ARNT-R-A, each without nominal value.

As at 30 September 2018, 169 shares were held as treasury shares.

Shareholders with holdings of 3% or more of the Company's registered capital as at 30 September 2018 are listed below:

		Percentage holding of Share Capital
1	DVADESET OSAM D.O.O. (a member of the PPHE Hotel Group)	51.97%
2	ADDIKO BANK d.d. / PBZ CO OMF-kategorije B	9.13%
3	SPLITSKA BANKA d.d. / AZ OMF kategorije B	9.06%
4	SPLITSKA BANKA d.d. / ERSTE PLAVI OMF kategorije B	6.18%
5	PRIVREDNA BANKA ZAGREB D.D./SKRBNIČKI ZBIRNI RAČUN KLIJENTA	3.98%

VALUATION

	Q3 2018		
	High	Low	Last
Share price	418.0	360.0	373.0
Market capitalization ¹	2,143,805,378	1,846,339,560	1,913,012,933
Net debt ²	68,257,951	68,257,951	68,257,951
EV ³	2,212,063,329	1,914,597,511	1,981,270,884
EV/EBITDA	10.2x	8.8x	9.1x

¹ Number of shares outstanding as at 30 September 2018 was 5,128,721

² Net debt calculated as current and non-current bank borrowings and other non-current loans less cash and cash equivalents

³ EV represents the enterprise value, calculated as the sum of market capitalisation and net debt

MANAGEMENT BOARD'S
RESPONSIBILITY STATEMENT

ARENA
HOSPITALITY GROUP



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MANAGEMENT BOARD'S RESPONSIBILITY STATEMENT


Pursuant to the provisions of Article 410, Paragraph 2 in connection with Article 407, Paragraph 2 of the Capital Market Act, the Company Management Board makes the following statement:

To the best of our knowledge:

- The short set of non-consolidated unaudited nine month financial statements of the Company (the **Financial Statements**) provides a comprehensive and true presentation of assets and liabilities, profit and loss, financial position and operation of the Company; set up in accordance with relevant financial reporting standards;
- The consolidated unaudited nine month financial statements (the **Consolidated Financial Statements**) provide a comprehensive overview of assets and liabilities, profit and losses of the Group. The consolidated financial data for the period, reported in line with the approach applied, are contained in the prescribed forms attached to this report;
- The Financial Statements and Consolidated Financial Statements have not been audited; and
- The Management Board's Interim Report for the period from 1 January to 30 September 2018 contains a true presentation of the business results and financial position and operations of the Company and the companies included in the consolidation, with a description of the most significant risks and uncertainties to which the Company and the companies included in the consolidation are exposed as a whole.

Signed by the Management Board: Reuel Israel Gavriel Slonim (President of Management Board), Milena Perković (Member of Management Board & Chief Financial Officer) and Manuela Kraljević (Member of Management Board & Marketing and Sales Director).

Management Board President, Reuel Israel Gavriel Slonim



Management Board Member & Chief Financial Officer, Milena Perković



Management Board Member & Marketing and Sales Director, Manuela Kraljević



APPENDIX 1 FINANCIAL STATEMENTS (UNAUDITED)

ARENA

HOSPITALITY GROUP



APPENDIX 1 FINANCIAL STATEMENTS (UNAUDITED)

Consolidated balance sheet

Consolidated profit and loss statement

Consolidated cash flow statement

Consolidated statement of changes in equity

Company balance sheet

Company profit and loss statement

Company cash flow statement

Company statement of changes in equity

Annex 1.

Reporting period

01.01.2018.

to

30.09.2018.

Quarterly financial report TFI-POD

Tax number (MB): 03203263

Company registration number (MBS): 040022901

Personal identification number (OIB): 47625429199

Issuing company: Arena Hospitality Group d.d.

Postal code and place: 52100 Pula

Street and house number: Smareglina ulica 3

E-mail address: uprava@arenahospitalitygroup.comInternet address: www.arenahospitalitygroup.com

Municipality/city code and name: 359 Pula

County code and name: 18 Istarska

Number of employees: 1.289

(period end)

Consolidated report: YES

NKD code: 5510

Companies of the consolidation subject (according to IFRS)

Seat:

MB:

Mažurana d.o.o. | Zagreb, Radnička cesta 80 | 080662589

Ulika d.o.o. | Zagreb, Radnička cesta 80 | 080662845

Sugarhill Investments B.V. | Nizozemska, Amsterdam | 320830051/ Trg.komora Nizozemska

Germany Real Estate B.V. | Nizozemska, Amsterdam | 35832975/Trg. komora Nizozemska

Bookkeeping service:

Contact person: Čale Neven
(only surname and name)

Telephone: 052/223 811

Telefaks: 052/212 132

E-mail address: ncale@arenahospitalitygroup.comFamily name and name: Reuel Israel Gavriel Slonim, Milena Perković, Manuela Kraljević
(person authorized to represent the company)

Documents disclosed:

1. Financial statements (Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity and notes to financial statements);
2. Management Interim Report;
3. Declaration of the persons responsible for preparing the issuer's statements;

L.S.

(signature of the person authorized to represent the company)

Balance Sheet
as at 30.09.2018

Company: Arena Hospitality Group d.d.

Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001	0	0
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	1.852.099.135	1.919.053.225
I. INTANGIBLE ASSETS (004 do 009)	003	1.335.177	1.449.184
1. Expenditure for development	004	0	0
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	777.408	891.415
3. Goodwill	006	0	0
4. Advances for purchase of intangible assets	007	0	0
5. Intangible assets in progress	008	557.769	557.769
6. Other intangible assets	009	0	0
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.785.451.049	1.852.302.032
1. Land	011	314.633.041	313.436.630
2. Buildings	012	1.320.668.857	1.359.300.636
3. Plant and equipment	013	116.181.553	134.939.546
4. Tools, working inventory and transportation assets	014	2.416.232	5.757.389
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	819.282	457.759
7. Tangible assets in progress	017	22.044.723	28.275.464
8. Other tangible assets	018	8.687.360	10.134.608
9. Investment in real-estate	019	0	0
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	37.322.574	39.298.025
1. Share in related parties	021	0	0
2. Loans to related parties	022	0	0
3. Participating interests (shares)	023	207.698	1.743.961
4. Loans to companies with participating interest	024	33.838.976	34.014.216
5. Investments in securities	025	0	0
6. Loans, deposits, etc.	026	3.275.899	3.539.848
7. Other non-current financial assets	027	0	0
8. Equity-accounted investments	028	0	0
IV. RECEIVABLES (030 do 032)	029	0	0
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	0	0
3. Other receivables	032	0	0
V. DEFERRED TAX ASSET	033	27.990.335	26.003.984
C) CURRENT ASSETS (035+043+050+058)	034	824.275.151	981.454.865
I. INVENTORIES (036 do 042)	035	4.395.963	3.876.594
1. Raw materials and supplies	036	3.892.544	3.785.029
2. Production in progress	037	0	0
3. Finished products	038	0	0
4. Merchandise	039	2.216	82.658
5. Advances for inventories	040	501.203	8.907
6. Long term assets held for sale	041	0	0
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	19.573.119	88.566.521
1. Receivables from related parties	044	781.843	463.051
2. Receivables from end-customers	045	12.969.775	73.628.170
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	0	0
5. Receivables from government and other institutions	048	1.012.963	8.721.870
6. Other receivables	049	4.808.537	5.753.430
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	205.345	205.345
1. Share in related parties	051	0	0
2. Loans to related parties	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans to companies with participating interest	054	0	0
5. Investments in securities	055	205.345	205.345
6. Loans, deposits, etc.	056	0	0
7. Other financial assets	057	0	0
IV. CASH AND CASH EQUIVALENTS	058	800.100.724	888.806.405
D) PREPAYMENTS AND ACCRUED INCOME	059	0	0
E) TOTAL ASSETS (001+002+034+059)	060	2.676.374.287	2.900.508.090
F) OFF BALANCE SHEET ITEMS	061	0	0

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	1.565.756.406	1.700.454.425
I. SUBSCRIBED SHARE CAPITAL	063	102.574.420	102.574.420
II. CAPITAL RESERVES	064	1.142.742.013	1.142.742.013
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	326.304.607	322.851.950
1. Legal reserves	066	2.182.500	5.128.721
2. Reserve for own shares	067	3.380	3.380
3. Treasury shares and shares (deductible items)	068	3.380	3.380
4. Statutory reserves	069	0	0
5. Other reserves	070	324.122.107	317.723.229
IV. REVALUATION RESERVES	071	111.690	111.690
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-94.058.950	-5.976.324
1. Retained earnings	073	0	0
2. Loss carried forward	074	94.058.950	5.976.324
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	88.082.626	138.150.676
1. Net profit for the period	076	88.082.626	138.150.676
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 do 082)	079	62.748.579	67.564.599
1. Provisions for pensions, severance pay and similar liabilities	080	1.348.259	1.348.259
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	61.400.320	66.216.340
C) NON-CURRENT LIABILITIES (084 do 092)	083	882.190.997	919.350.465
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits, etc.	085	75.135.996	74.240.150
3. Liabilities to banks and other financial institutions	086	807.055.001	844.177.153
4. Liabilities for advances	087	0	0
5. Trade payables	088	0	0
6. Commitments on securities	089	0	0
7. Liabilities to companies with participating interest	090	0	0
8. Other non-current liabilities	091	0	933.162
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	165.678.306	213.138.601
1. Liabilities to related parties	094	22.533.586	27.496.367
2. Liabilities for loans, deposits, etc.	095	0	0
3. Liabilities to banks and other financial institutions	096	38.221.202	38.647.053
4. Liabilities for advances	097	12.451.670	18.666.540
5. Trade payables	098	23.632.849	39.631.349
6. Commitments on securities	099	0	0
7. Liabilities to companies with participating interest	100	0	0
8. Liabilities to employees	101	16.091.425	17.666.595
9. Taxes, contributions and similar liabilities	102	29.754.721	48.465.887
10. Liabilities arising from share in the result	103	0	0
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	22.992.854	22.564.810
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	0	0
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	2.676.374.287	2.900.508.090
G) OFF BALANCE SHEET ITEMS	108	0	0
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	1.565.756.406	1.700.454.425
2. Attributable to minority interest	110	0	0

Income statement

period 01.01.2018 to 30.09.2018

Company: Arena Hospitality Group d.d.

Position	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 do 113)	111	642.978.434	403.596.745	678.572.808	420.141.397
1. Rendering of services	112	638.486.546	400.771.435	674.789.118	418.181.405
2. Other operating income	113	4.491.888	2.825.311	3.783.690	1.959.992
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	449.324.899	198.696.914	486.064.320	217.224.705
1. Change in inventories of work in progress	115	0	0	0	0
2. Material expenses (117 do 119)	116	202.539.203	100.847.756	217.792.870	111.511.611
a) Costs of raw materials	117	90.667.326	45.117.636	98.935.542	48.620.377
b) Cost of goods sold	118	0	0	0	0
c) Other material expenses	119	111.871.877	55.730.120	118.857.328	62.891.234
3. Employee benefits expenses (121 do 123)	120	163.205.597	67.905.097	177.027.430	73.198.047
a) Net salaries	121	109.243.028	45.464.014	116.803.679	50.500.367
b) Tax and contributions from salary expenses	122	34.346.927	14.339.152	38.927.098	14.671.504
c) Contributions on salary	123	19.615.642	8.101.931	21.296.653	8.026.176
4. Depreciation and amortisation	124	46.475.740	16.110.232	50.648.460	17.656.845
5. Other expenses	125	0	0	0	0
6. Write down of assets (127+128)	126	0	0	0	0
a) non-current assets (except financial assets)	127	0	0	0	0
b) current assets (except financial assets)	128	0	0	0	0
7. Provisions	129	0	0	0	0
8. Other operating costs	130	37.104.359	13.833.829	40.595.560	14.858.202
III. FINANCIAL INCOME (132 do 136)	131	6.355.404	0	592.387	198.437
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	0	0	0	0
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	6.355.404	0	592.387	198.437
3. Income from investments in associates and joint ventures	134	0	0	0	0
4. Unrealised gains (income) from financial assets	135	0	0	0	0
5. Other financial income	136	0	0	0	0
IV. FINANCIAL EXPENSES (138 do 141)	137	31.020.948	12.013.396	22.755.165	9.377.267
1. Interest, foreign exchange differences, dividends and similar income from related parties	138	3.126.899	1.184.256	397.275	112.220
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	27.894.049	10.829.140	22.355.667	9.262.824
3. Unrealised losses (expenses) from financial assets	140	0	0	0	0
4. Other financial expenses	141	0	0	2.223	2.223
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	621.513	582.448	1.035.896	1.035.896
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+144)	146	649.955.351	404.179.193	680.201.091	421.375.730
X. TOTAL EXPENSES (114+137+143+145)	147	480.345.847	210.710.311	508.819.485	226.601.972
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	169.609.504	193.468.883	171.381.606	194.773.758
1. Profit before taxes (146-147)	149	169.609.504	193.468.883	171.381.606	194.773.758
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	32.364.030	34.803.683	33.230.930	36.129.622
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	137.245.474	158.665.200	138.150.676	158.644.136
1. Profit for the period (149-151)	153	137.245.474	158.665.200	138.150.676	158.644.136
2. Loss for the period (151-148)	154	0	0	0	0
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	155	0	0	0	0
2. Attributable to minority interest	156	0	0	0	0
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	137.245.474	158.665.200	138.150.676	158.644.136
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	-609.584	2.380.760	-3.691.273	2.293.205
1. Exchange differences from international settlement	159	-1.460.254	2.280.323	-2.759.632	1.311.177
2. Changes in revaluation reserves of long-term tangible and intangible assets	160	0	0	0	0
3. Profit or loss from re-evaluation of financial assets held for sale	161	0	0	0	0
4. Profit or loss from cash flow hedging	162	850.670	100.437	-931.641	982.028
5. Profit or loss from hedging of foreign investments	163	0	0	0	0
6. Share of other comprehensive income/loss from associated companies	164	0	0	0	0
7. Actuarial gains/losses from defined benefit plans	165	0	0	0	0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	-609.584	2.380.760	-3.691.273	2.293.205
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	136.635.890	161.045.960	134.459.403	160.937.341
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	169	136.731.830	158.665.200	138.150.676	158.644.136
2. Attributable to minority interest	170	513.644	0	0	0

Cash flow statement - indirect method
period 01.01.2018 to 30.09.2018

Company: Arena Hospitality Group d.d.

Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	001	169.609.504	171.381.606
2. Depreciation and amortisation	002	46.475.740	50.648.460
3. Decrease of current liabilities	003	10.930.441	38.089.028
4. Decrease of current receivables	004	0	0
5. Decrease of inventories	005	0	472.302
6. Other cash flow increases	006	718.134	0
I. Total increase of cash flow from operating activities	007	227.733.819	260.591.396
1. Decrease of current liabilities	008	0	0
2. Increase of current receivables	009	39.302.270	61.281.545
3. Increase of inventories	010	563.486	0
4. Other cash flow decreases	011	0	34.841.191
II. Total decrease of cash flow from operating activities	012	39.865.756	96.122.736
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	187.868.063	164.468.660
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	015	0	0
2. Proceeds from sale of non-current financial assets	016	0	0
3. Interest received	017	0	11.306
4. Dividend received	018	0	0
5. Other proceeds from investing activities	019	7.508.371	0
III. Total cash inflows from investing activities	020	7.508.371	11.306
1. Purchase of non-current assets	021	486.444.967	126.002.552
2. Purchase of non-current financial assets	022	0	0
3. Other cash outflows from investing activities	023	0	293.487
IV. Total cash outflows from investing activities	024	486.444.967	126.296.039
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	478.936.596	126.284.733
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	027	741.892.150	0
2. Proceeds from loans and borrowings	028	425.499.565	68.075.266
3. Other proceeds from financing activities	029	0	0
V. Total cash inflows from financing activities	030	1.167.391.715	68.075.266
1. Repayment of loans and bonds	031	126.039.650	17.553.512
2. Dividends paid	032	0	0
3. Repayment of finance lease	033	0	0
4. Purchase of treasury shares	034	0	0
5. Other cash outflows from financing activities	035	61.756.080	0
VI. Total cash outflows from financing activities	036	187.795.730	17.553.512
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	037	979.595.985	50.521.754
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	0
Total increases of cash flows	039	688.527.452	88.705.681
Total decreases of cash flows	040	0	0
Cash and cash equivalents at the beginning of period	041	130.405.716	800.100.724
Increase of cash and cash equivalents	042	688.527.452	88.705.681
Decrease of cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of period	044	818.933.168	888.806.405

STATEMENT OF CHANGES IN EQUITY

period **1.1.2018** to **30.9.2018**

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	102.574.420	102.574.420
2. Capital reserves	002	1.142.742.013	1.142.742.013
3. Reserves from profit	003	326.304.607	322.851.950
4. Retained earnings or loss carried forward	004	-94.058.950	-5.976.324
5. Net profit or loss for the period	005	88.082.626	138.150.676
6. Revaluation of tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of available for sale assets	008	0	0
9. Other revaluation	009	111.690	111.690
10. Total equity and reserves (AOP 001 to 009)	010	1.565.756.406	1.700.454.425
11. Foreign exchange differences from foreign investments	011	0	0
12. Current and deferred taxes	012	0	0
13. Cash flow hedge	013	0	0
14. Change of accounting policies	014	0	0
15. Correction of significant mistakes of prior period	015	0	0
16. Other changes	016	0	0
17. Total increase or decrease of equity (AOP 011 to 016)	017	0	0
17 a. Attributable to majority owners	018	1.565.756.406	1.700.454.425
17 b. Attributable to minority interest	019	0	0

Annex 1.

Reporting period

01.01.2018.

to

30.09.2018.

Quarterly financial report TFI-POD

Tax number (MB): 03203263

Company registration number (MBS): 040022901

Personal identification number (OIB): 47625429199

Issuing company: Arena Hospitality Group d.d.

Postal code and place: 52100 Pula

Street and house number: Smareglina ulica 3

E-mail address: uprava@arenahospitalitygroup.comInternet address: www.arenahospitalitygroup.com

Municipality/city code and name: 359 Pula

County code and name: 18 Istarska

Number of employees: 1.043

(period end)

Consolidated report: NO

NKD code: 5510

Companies of the consolidation subject (according to IFRS)

Seat:

MB:

Bookkeeping service:

Contact person: Kalagac Sandra
(only surname and name)

Telephone: 052/223 811

Telefaks: 052/212 132

E-mail address: skalagac@arenahospitalitygroup.comFamily name and name: Reuel Israel Gavriel Slonim, Milena Perković, Manuela Kraljević
(person authorized to represent the company)

L.S.

(signature of the person authorized to represent the company)

Balance Sheet
as at 30.09.2018

Company: Arena Hospitality Group d.d.

Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001	0	0
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	1.753.726.899	1.825.301.696
I. INTANGIBLE ASSETS (004 do 009)	003	1.335.177	1.435.823
1. Expenditure for development	004	0	0
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	777.408	878.054
3. Goodwill	006	0	0
4. Advances for purchase of intangible assets	007	0	0
5. Intangible assets in progress	008	557.769	557.769
6. Other intangible assets	009	0	0
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.128.757.937	1.202.721.544
1. Land	011	216.589.130	216.561.697
2. Buildings	012	815.976.463	865.116.032
3. Plant and equipment	013	63.044.031	76.418.592
4. Tools, working inventory and transportation assets	014	2.416.232	5.757.389
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	819.282	457.759
7. Tangible assets in progress	017	21.225.441	28.275.464
8. Other tangible assets	018	8.687.358	10.134.611
9. Investment in real-estate	019	0	0
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	597.063.801	596.562.473
1. Share in related parties	021	528.348.609	528.552.622
2. Loans to related parties	022	68.347.402	67.532.061
3. Participating interests (shares)	023	0	0
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	0	0
6. Loans, deposits, etc.	026	367.790	477.790
7. Other non-current financial assets	027	0	0
8. Equity-accounted investments	028	0	0
IV. RECEIVABLES (030 do 032)	029	0	0
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	0	0
3. Other receivables	032	0	0
V. DEFERRED TAX ASSET	033	26.569.984	24.581.856
C) CURRENT ASSETS (035+043+050+058)	034	729.812.330	847.355.006
I. INVENTORIES (036 do 042)	035	1.923.794	2.768.017
1. Raw materials and supplies	036	1.420.375	2.676.452
2. Production in progress	037	0	0
3. Finished products	038	0	0
4. Merchandise	039	2.216	82.658
5. Advances for inventories	040	501.203	8.907
6. Long term assets held for sale	041	0	0
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	11.259.312	72.613.494
1. Receivables from related parties	044	4.877.175	2.745.667
2. Receivables from end-customers	045	1.787.176	61.468.038
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	167.785	146.581
5. Receivables from government and other institutions	048	913.701	6.416.758
6. Other receivables	049	3.513.475	1.836.450
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	218.317	205.345
1. Share in related parties	051	0	0
2. Loans to related parties	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans to companies with participating interest	054	0	0
5. Investments in securities	055	205.345	205.345
6. Loans, deposits, etc.	056	12.972	0
7. Other financial assets	057	0	0
IV. CASH AND CASH EQUIVALENTS	058	716.410.907	771.768.150
D) PREPAYMENTS AND ACCRUED INCOME	059	0	0
E) TOTAL ASSETS (001+002+034+059)	060	2.483.539.229	2.672.656.702
F) OFF BALANCE SHEET ITEMS	061	0	0

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	1.885.026.366	1.999.694.127
I. SUBSCRIBED SHARE CAPITAL	063	102.574.420	102.574.420
II. CAPITAL RESERVES	064	1.142.738.633	1.142.742.013
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	570.777.947	573.663.108
1. Legal reserves	066	2.182.500	5.128.721
2. Reserve for own shares	067	3.380	3.380
3. Treasury shares and shares (deductible items)	068	3.380	3.380
4. Statutory reserves	069	0	0
5. Other reserves	070	568.595.447	568.534.387
IV. REVALUATION RESERVES	071	111.690	111.690
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	0	65.877.456
1. Retained earnings	073	0	65.877.456
2. Loss carried forward	074	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	68.823.676	114.725.440
1. Net profit for the period	076	68.823.676	114.725.440
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 do 082)	079	62.747.172	67.563.209
1. Provisions for pensions, severance pay and similar liabilities	080	1.348.259	1.348.259
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	61.398.913	66.214.950
C) NON-CURRENT LIABILITIES (084 do 092)	083	456.126.654	475.926.240
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits, etc.	085	0	0
3. Liabilities to banks and other financial institutions	086	456.126.654	475.926.240
4. Liabilities for advances	087	0	0
5. Trade payables	088	0	0
6. Commitments on securities	089	0	0
7. Liabilities to companies with participating interest	090	0	0
8. Other non-current liabilities	091	0	0
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	79.639.037	129.473.126
1. Liabilities to related parties	094	5.600.767	14.527.126
2. Liabilities for loans, deposits, etc.	095	0	0
3. Liabilities to banks and other financial institutions	096	24.622.959	26.682.510
4. Liabilities for advances	097	4.421.887	8.271.470
5. Trade payables	098	8.065.836	22.814.416
6. Commitments on securities	099	0	0
7. Liabilities to companies with participating interest	100	0	0
8. Liabilities to employees	101	12.109.489	15.713.946
9. Taxes, contributions and similar liabilities	102	20.655.388	35.231.227
10. Liabilities arising from share in the result	103	0	0
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	4.162.711	6.232.431
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	0	0
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	2.483.539.229	2.672.656.702
G) OFF BALANCE SHEET ITEMS	108	0	0
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	0	0
2. Attributable to minority interest	110	0	0

Income statement

period 01.01.2018 to 30.09.2018

Company: Arena Hospitality Group d.d.

Position	AOP	Previous period	Previous period	Current period	Current period
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 do 113)	111	473.736.485	344.424.785	497.166.929	355.824.478
1. Rendering of services	112	472.176.531	343.677.133	494.414.785	354.032.803
2. Other operating income	113	1.559.954	747.652	2.752.144	1.791.675
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	318.612.057	163.469.503	347.268.679	176.890.044
1. Change in inventories of work in progress	115	0	0	0	0
2. Material expenses (117 do 119)	116	144.202.230	85.994.260	160.028.492	95.729.225
a) Costs of raw materials	117	61.410.844	33.257.406	66.518.959	34.621.070
b) Cost of goods sold	118	2.362	1.786	128.961	97.402
c) Other material expenses	119	82.789.024	52.735.068	93.380.572	61.010.753
3. Employee benefits expenses (121 do 123)	120	98.412.482	42.375.772	109.346.975	44.510.192
a) Net salaries	121	61.756.774	25.625.410	68.437.478	28.245.783
b) Tax and contributions from salary expenses	122	23.740.587	10.866.516	26.955.403	10.706.260
c) Contributions on salary	123	12.915.121	5.883.846	13.954.094	5.558.149
4. Depreciation and amortisation	124	36.524.269	12.417.474	38.103.741	13.373.425
5. Other expenses	125	0	0	0	0
6. Write down of assets (127+128)	126	0	0	0	0
a) non-current assets (except financial assets)	127	0	0	0	0
b) current assets (except financial assets)	128	0	0	0	0
7. Provisions	129	553.600	108.859	0	0
8. Other operating costs	130	38.919.476	22.573.138	39.789.471	23.277.202
III. FINANCIAL INCOME (132 do 136)	131	8.659.100	1.151.955	2.322.736	42.854
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	2.916.830	1.151.955	2.308.245	40.844
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	5.741.870	0	14.491	2.010
3. Income from investments in associates and joint ventures	134	0	0	0	0
4. Unrealised gains (income) from financial assets	135	0	0	0	0
5. Other financial income	136	400	0	0	0
IV. FINANCIAL EXPENSES (138 do 141)	137	23.238.925	10.670.261	12.113.558	5.364.518
1. Interest, foreign exchange differences, dividends and similar income from related parties	138	2.760.338	1.060.713	126.177	11
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	20.079.241	9.609.548	11.208.969	5.108.118
3. Unrealised losses (expenses) from financial assets	140	0	0	0	0
4. Other financial expenses	141	399.346	0	778.412	256.389
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	0	0	0	0
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+144)	146	482.395.585	345.576.740	499.489.665	355.867.332
X. TOTAL EXPENSES (114+137+143+145)	147	341.850.982	174.139.764	359.382.237	182.254.562
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	140.544.603	171.436.976	140.107.428	173.612.770
1. Profit before taxes (146-147)	149	140.544.603	171.436.976	140.107.428	173.612.770
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	25.775.940	31.336.567	25.381.988	31.335.365
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	114.768.663	140.100.409	114.725.440	142.277.405
1. Profit for the period (149-151)	153	114.768.663	140.100.409	114.725.440	142.277.405
2. Loss for the period (151-148)	154	0	0	0	0
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	155	0	0	0	0
2. Attributable to minority interest	156	0	0	0	0
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	0	0	0	0
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	0	0	0	0
1. Exchange differences from international settlement	159	0	0	0	0
2. Changes in revaluation reserves of long-term tangible and intangible assets	160	0	0	0	0
3. Profit or loss from re-evaluation of financial assets held for sale	161	0	0	0	0
4. Profit or loss from cash flow hedging	162	0	0	0	0
5. Profit or loss from hedging of foreign investments	163	0	0	0	0
6. Share of other comprehensive income/loss from associated companies	164	0	0	0	0
7. Actuarial gains/losses from defined benefit plans	165	0	0	0	0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	0	0	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	0	0	0	0
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	169	0	0	0	0
2. Attributable to minority interest	170	0	0	0	0

Cash flow statement - indirect method
period 01.01.2018 to 30.09.2018

Company: Arena Hospitality Group d.d.

Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	001	140.544.603	140.107.428
2. Depreciation and amortisation	002	36.524.269	38.103.741
3. Decrease of current liabilities	003	40.779.831	39.969.073
4. Decrease of current receivables	004	0	0
5. Decrease of inventories	005	0	0
6. Other cash flow increases	006	0	0
I. Total increase of cash flow from operating activities	007	217.848.703	218.180.242
1. Decrease of current liabilities	008	0	0
2. Increase of current receivables	009	54.275.623	56.941.291
3. Increase of inventories	010	732.049	843.102
4. Other cash flow decreases	011	5.241.342	21.177.677
II. Total decrease of cash flow from operating activities	012	60.249.014	78.962.070
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	157.599.689	139.218.172
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	015	0	0
2. Proceeds from sale of non-current financial assets	016	0	0
3. Interest received	017	0	4.388.425
4. Dividend received	018	0	0
5. Other proceeds from investing activities	019	0	2.422.097
III. Total cash inflows from investing activities	020	0	6.810.522
1. Purchase of non-current assets	021	46.839.147	112.416.767
2. Purchase of non-current financial assets	022	0	0
3. Other cash outflows from investing activities	023	67.015.064	2.926.978
IV. Total cash outflows from investing activities	024	113.854.211	115.343.745
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	113.854.211	108.533.223
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	027	741.892.150	0
2. Proceeds from loans and borrowings	028	0	36.970.000
3. Other proceeds from financing activities	029	0	0
V. Total cash inflows from financing activities	030	741.892.150	36.970.000
1. Repayment of loans and bonds	031	55.899.821	12.297.707
2. Dividends paid	032	0	0
3. Repayment of finance lease	033	0	0
4. Purchase of treasury shares	034	0	0
5. Other cash outflows from financing activities	035	61.756.082	0
VI. Total cash outflows from financing activities	036	117.655.903	12.297.707
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	037	624.236.247	24.672.293
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	0
Total increases of cash flows	039	667.981.725	55.357.242
Total decreases of cash flows	040	0	0
Cash and cash equivalents at the beginning of period	041	92.464.080	716.410.908
Increase of cash and cash equivalents	042	667.981.725	55.357.242
Decrease of cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of period	044	760.445.805	771.768.150

STATEMENT OF CHANGES IN EQUITY

period **1.1.2018** to **30.9.2018**

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	102.574.420	102.574.420
2. Capital reserves	002	1.142.738.633	1.142.742.013
3. Reserves from profit	003	570.777.947	573.663.108
4. Retained earnings or loss carried forward	004	0	65.877.456
5. Net profit or loss for the period	005	68.823.676	114.725.440
6. Revaluation of tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of available for sale assets	008	0	0
9. Other revaluation	009	111.690	111.690
10. Total equity and reserves (AOP 001 to 009)	010	1.885.026.366	1.999.694.127
11. Foreign exchange differences from foreign investments	011	0	0
12. Current and deferred taxes	012	0	0
13. Cash flow hedge	013	0	0
14. Change of accounting policies	014	0	0
15. Correction of significant mistakes of prior period	015	0	0
16. Other changes	016	0	0
17. Total increase or decrease of equity (AOP 011 to 016)	017	0	0
17 a. Attributable to majority owners	018	0	0
17 b. Attributable to minority interest	019	0	0