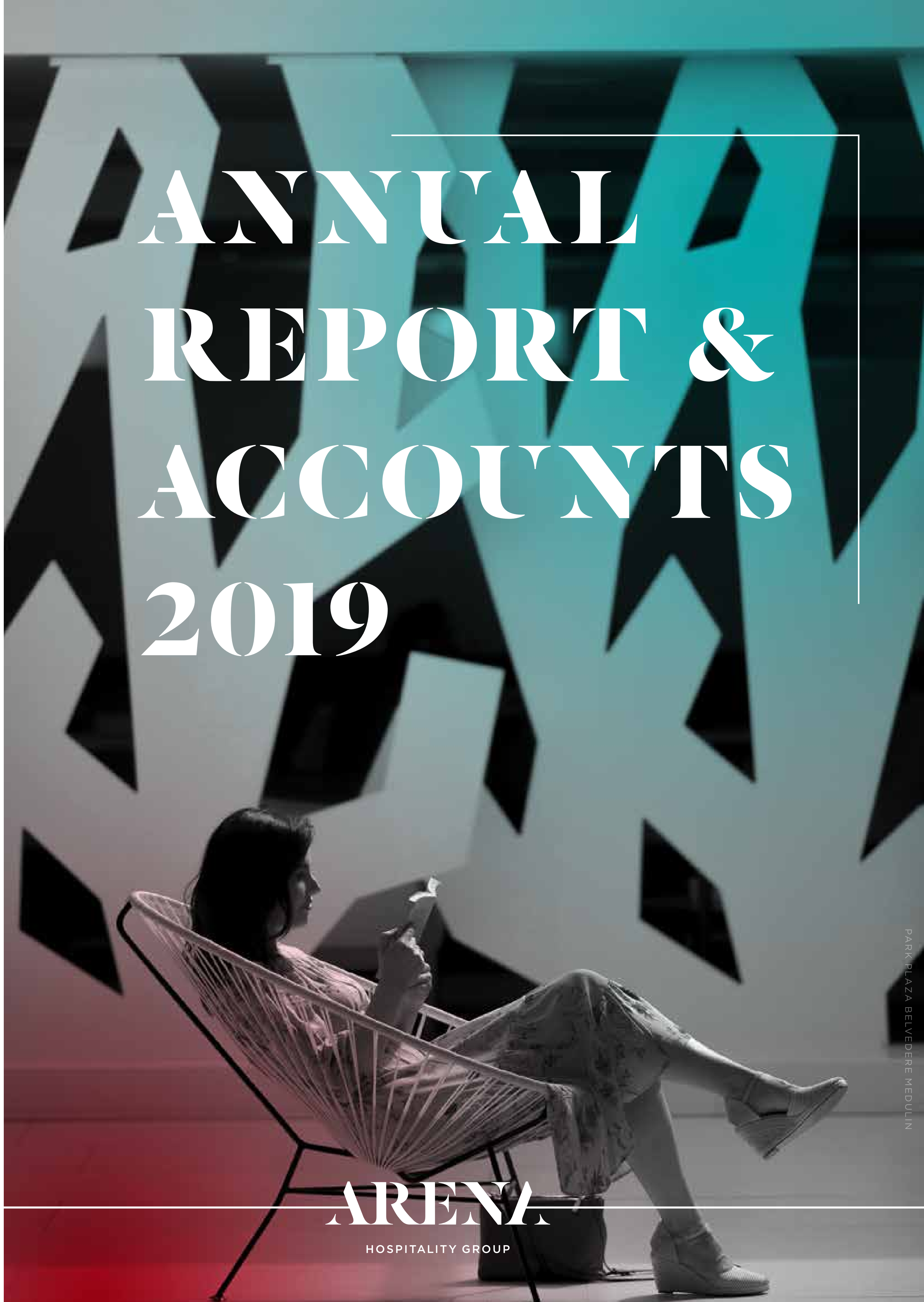
ANNUAL REPORT & ACCOUNTS 2019

UNIQUE

PARK PLAZA BELVEDERE MEDULIN

ARENA
HOSPITALITY GROUP

ANNUAL REPORT & ACCOUNTS 2019



PARK PLAZA BELVEDERE MEDULIN

ARENA

HOSPITALITY GROUP

WHO WE ARE

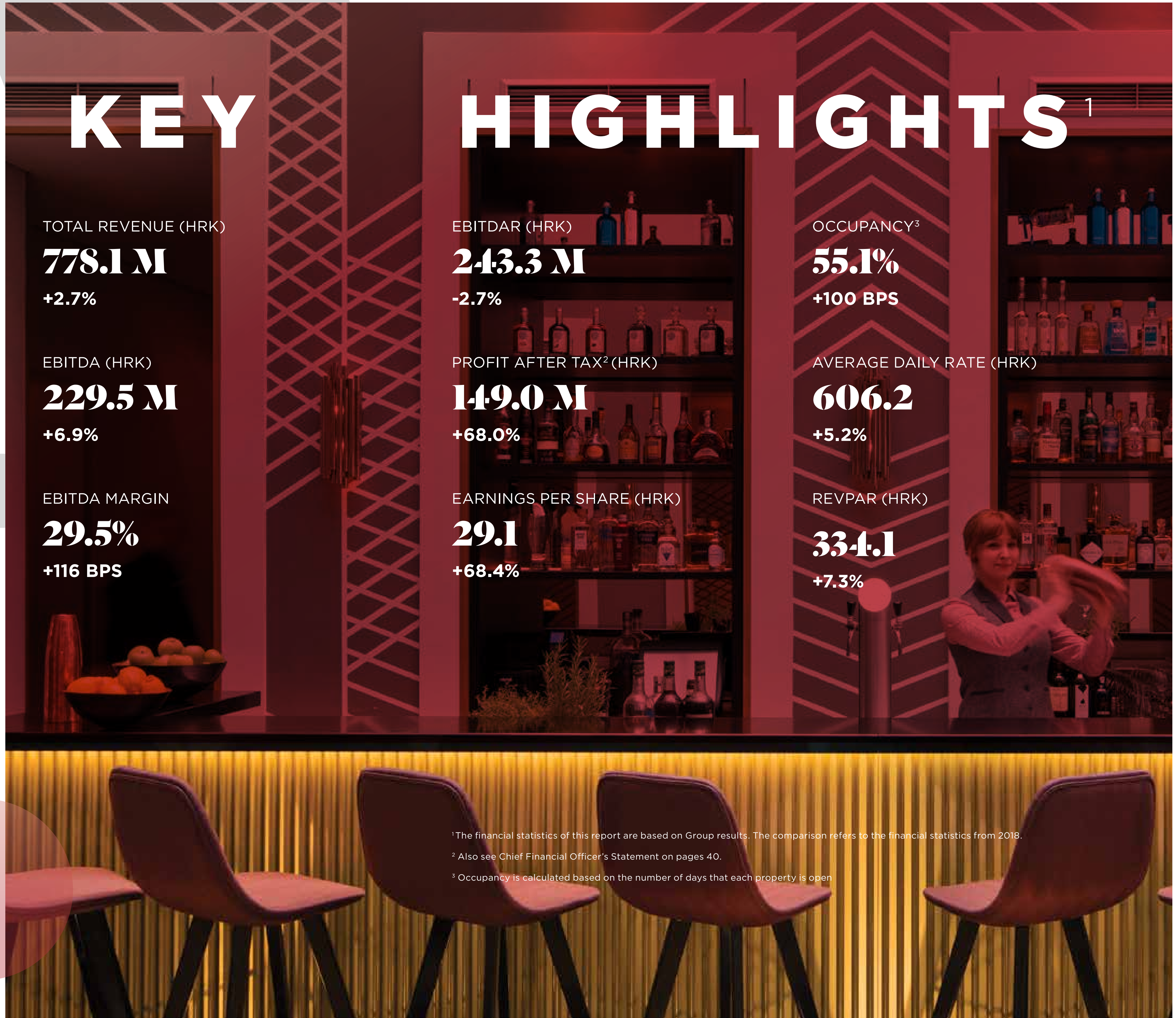
We are an international, dynamic hospitality company which owns, co-owns, leases, operates and develops full-service upscale, upper upscale and lifestyle hotels, self-catering holiday apartment complexes and campsites primarily in Croatia, Germany and Hungary. In addition to operating and developing our own brands, Arena Hotels & Apartments® and Arena Campsites®, 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') and to manage certain art'otel® branded properties, enabling us to further grow our presence.

WHAT WE DO

Since our transformation in 2016 from a Croatian domestic and locally focused company to an international dynamic hospitality group, our primary objectives are to further grow our profile in the upscale, upper upscale and lifestyle market segments in the CEE region, whilst striving to create and realise shareholder value. Our brand portfolio consisting of Park Plaza®, art'otel®, Arena Hotels & Apartments® and Arena Campsites®, across the CEE region, provides us with excellent growth opportunities.

HOW WE DO IT

Our portfolio includes 26 owned, co-owned, leased and managed properties in operation with over 10,000 units located in select resort destinations in Istria, Croatia and major cities in the CEE region such as Berlin, Cologne, Nuremberg and Budapest. Our revenue is generated from different market segments which is made up of predominantly holidaymakers in Croatia as well as a diversified business mix in Germany and Hungary, where our portfolio caters for both business and leisure travellers, as well as conference and trade fair delegates.



KEY HIGHLIGHTS[1]

TOTAL REVENUE (HRK)
778.1 M
+2.7%

EBITDAR (HRK)
243.3 M
-2.7%

OCCUPANCY[3]
55.1%
+100 BPS

EBITDA (HRK)
229.5 M
+6.9%

PROFIT AFTER TAX[2] (HRK)
149.0 M
+68.0%

AVERAGE DAILY RATE (HRK)
606.2
+5.2%

EBITDA MARGIN
29.5%
+116 BPS

EARNINGS PER SHARE (HRK)
29.1
+68.4%

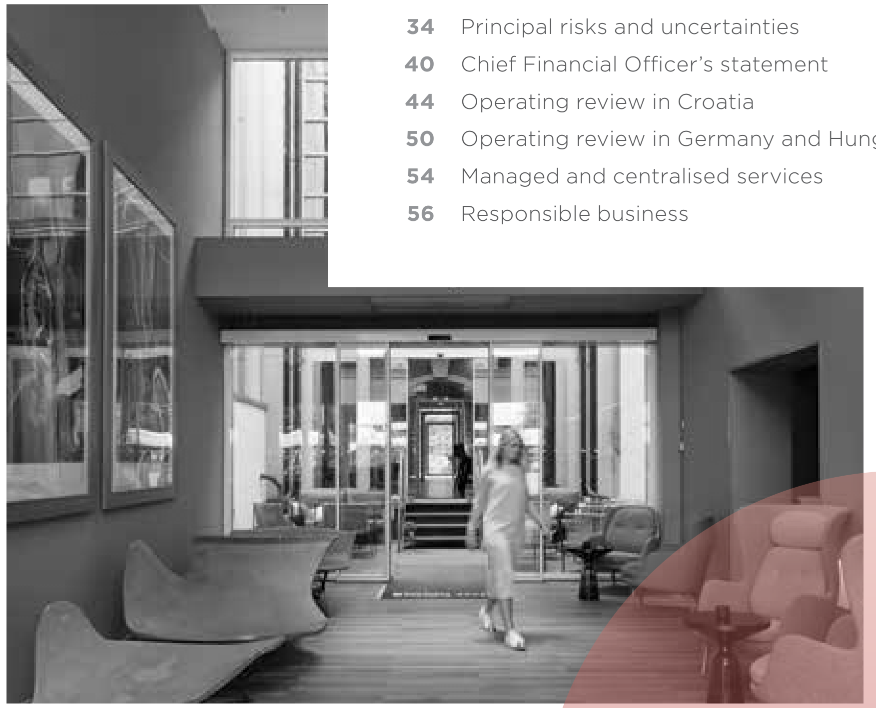
REVPAR (HRK)
334.1
+7.3%

[1] The financial statistics of this report are based on Group results. The comparison refers to the financial statistics from 2018.

[2] Also see Chief Financial Officer's Statement on pages 40.

[3] Occupancy is calculated based on the number of days that each property is open

01 Strategic Report



02 Governance

03 Financial statements

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STRATEGIC REPORT

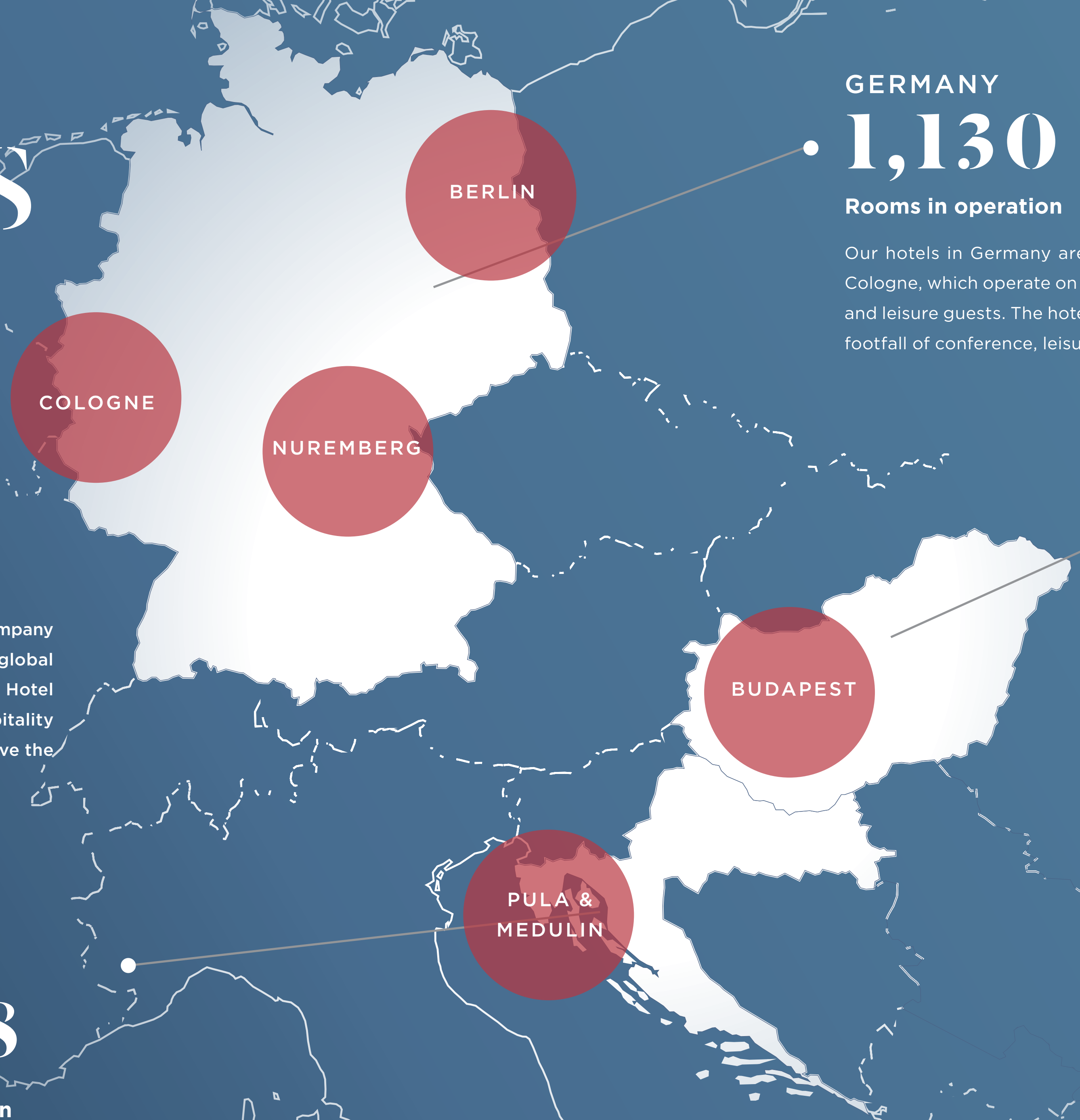
AN INNOVATIVE YEAR WITH MANY MILESTONES

ARENA ONE 99 GLAMPING

A DIVERSE PORTFOLIO

OUR BUSINESS AT A GLANCE

We are an international, dynamic hospitality owner, operator company 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.



GERMANY

1,130

Rooms in operation

Our hotels in Germany 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 located in prime city-centre locations with a high footfall of conference, leisure and business guests.

HUNGARY

165

Rooms in operation

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.

CROATIA

8,678

Rooms in operation

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 and Medulin. Over the years, Croatia has become a popular leisure destination, showing year-on-year growth in overnight stays. 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.

LONG-TERM SHAREHOLDER VALUE

CHAIRMAN OF THE SUPERVISORY BOARD'S STATEMENT

DEAR SHAREHOLDERS,

We are pleased to report our results for the year ended 31 December 2019. Arena Hospitality Group d.d. (“the Company”) and its consolidated subsidiaries (“the Group”) performed in line with the Supervisory Board's expectations. The results were particularly pleasing when put in context of strong competition and increased operating costs in our sector, demonstrating the resilience of the business.

The year was one of intensified investments for the Company, laying the foundations for the future growth of the business. In 2019 we invested HRK 240.7 million, an increase of 68.0% on 2018 (HRK 143.3 million). These investments were to upgrade and improve existing rooms, facilities and public areas, with a particular focus on Croatia. This investment programme will continue into 2020 and 2021, with a further HRK 340 million committed to the improvement of our portfolio.

As part of our city focused expansion, we successfully secured the lease renewal for art'otel budapest, and in April 2019 we entered into a framework agreement to acquire the 4-star 88 Rooms Hotel, just minutes from the historic old town of Belgrade, Serbia for HRK 47.0 million. We are expecting to close this transaction during the first half of 2020. In addition, in January 2020 we entered into a long-term 45 years lease to develop a hotel in the historic city centre of Zagreb, the capital of Croatia.

DIVIDEND AND SHARE BUY BACK

In order to support shareholder value and following a strong performance in 2018 we were very pleased to bring forward the payment of our first dividend (HRK 25.6 million) to 2019 from 2020. The Company has also initiated a share buy-back scheme. In total HRK 41.9 million was returned to shareholders during 2019 through a combination of dividends and share buybacks. As outlined in our dividend policy, going forward the Company will take into account the business performance, future investment plans and overall business environment when considering the payment of dividends.

OUR MARKETS

Despite increased competition and discounting from other Mediterranean countries in 2019, the Istria region of Croatia continues to grow as a popular leisure destination. In 2019, the region benefited by being named as one of the top 10 destinations in Europe to visit in 2019 by Lonely Planet and Pula airport saw a record number of over 770,000 passengers pass through its gates in 2019, an increase of almost 10% on 2018. In July, Pula airport also had the largest number of aviation operations (2,018 air operations). Through direct flights from Pula, passengers had the opportunity to reach 67 European destinations. This growth was supported by the addition of new flight routes, the continued marketing efforts of the Istrian Tourist Board and leisure investments in the region.

Business and leisure travel in Germany has grown steadily over the years attracting international and domestic travellers in equal measure. Conferencing and trade fairs continue to be a big draw for organisations, given the country's central location in Europe and this trend is expected to continue.

Hungary has also seen growth with yet another record year in 2019. The city, which is supported by annual music festivals, the Hungarian Grand Prix and ever popular Christmas markets, is expected to see a surge in popularity next year due to the Euro 2020 football tournament. The addition of a new airport terminal expected by 2024 in Budapest and the hosting of high profile international events positions the country's tourism industry well for long-term growth.

PROMOTING RESPONSIBLE BUSINESS

As an international, dynamic hospitality company, we recognise the responsibility we have towards all our guests, partners and local communities as well as towards the environment. We have adopted PPHE's "Responsible Business" programme which is designed to create a long-term approach to sustainable business. As part of this initiative we are proud to have been involved in a number of fundraising activities which collectively have raised HRK 1 million for causes such as UNICEF's programme for young children in Croatia and the General Hospital in Pula.

The company invested significantly into its portfolio in 2019, to grow its footprint in the CEE region and improve guest experiences

Our sustainable business strategy, is focused on; operating with an understanding of how intangible sources of value are developed, nurtured and sustained. Our intangible sources of value include our people: our team, our guests and the identity and value of our brand to them, our stakeholders and the relationships we have with each; our places: the communities that our properties call home; and the planet which sources our every supply. These assets are critical to our long term growth and development as well as to our impact on the world around us. Our approach to responsible business considers how we impact our people, places and planet in a positive way. We understand that the way we do business can have a significant impact on our communities and the world around us and that all of us have an increased level of responsibility in this area. In recognition of this, we have participated in increasing number of activities as further explained in the report.

OUR COLLEAGUES

Ms. Milena Perković retired from the Management Board and as Chief Financial Officer in September 2019 following 33 years of loyal service to the Company. On behalf of us all, I would like to extend our thanks for her dedication to the Group and wish her a very happy retirement. As a result, Mr. Devansh Bakshi, who was appointed to the Management Board in February 2019, was appointed as Chief Financial Officer after a handover period of seven months, enabling a seamless transition.

On behalf of the Supervisory Board, I would like to thank all our colleagues for their commitment to the Group, and the extra miles they go in delivering exceptional experiences to our customers. I would also like to thank all our partners and shareholders for their continued support throughout the year.

GOVERNANCE IN ACTION

High standards of governance are essential to creating long-term value for all of our stakeholders. We are committed to upscaling our corporate governance and sustainability programmes and recognise their increasing importance to our business as well as aligning them with the requirements under the new Corporate Governance Code in Croatia. Improving our transparency and reporting standards is part of our journey as a company. We are actively working on creating greater transparency in our governance activities, as this report will illuminate. For more see governance pages 70.

DIVERSITY

The Board is committed to promoting diversity across its business. Currently our representation of women on the Management Board is 33% and on the Supervisory Board is 28%. We will work towards setting a target for the increase of the percentage of female members on the Supervisory and Management Board to be achieved within the next five years.

SUMMARY AND OUTLOOK

Our investment plan of approximately HRK 500 million is well underway and is laying the foundations for sustained asset appreciation and operational excellence for the Group.

The most notable projects in 2020 will see the start of the exclusive repositioning for Hotel Brioni Pula into a luxury upscale hotel with 227 rooms, due to be launched ahead of the 2021 summer season. We are also completing the second phase of development of the Arena Kažela Campsite, which started in October 2019. When re-launched as Arena Grand Kažela in 2020, the site will be transformed into a 4-star camping resort and will enable the site to maintain its position as one the most industry awarded campsites in Croatia.

The planned addition of hotels in Zagreb and Belgrade will further add to our city portfolio supporting our strategy to create a more balanced year-round portfolio. We remain excited about the future and believe our strategy positions us well to deliver continued growth, excellent guest experiences and long-term shareholder value.

BORIS IVESHA
CHAIRMAN OF THE SUPERVISORY BOARD

ART'OTEL COLOGNE

OUR BRANDS

TRUSTED, RECOGNISED BRANDS WITH REAL POWER

WE ARE CONFIDENT IN THE POWER THAT TRUSTED AND RECOGNISED BRANDS OFFER, DELIVERED THROUGH A BESPOKE APPROACH. OUR FOUR CORE BRANDS, PARK PLAZA, ART'OTEL, ARENA HOTELS & APARTMENTS, AND ARENA CAMPSITES COMPLEMENT THIS AND ARE VIBRANT, UNIQUE AND CONTINUALLY EVOLVING.

PARK PLAZA
1,845

ART'OTEL
808

ARENA HOTELS & APARTMENTS
1,407

ARENA CAMPSITES
5,903

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

parkplaza.com

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 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 traditional hotels.

artotels.com

Arena Hotels & Apartments is a collection of hotels and self-catering apartment complexes offering relaxed and comfortable accommodation within beachfront locations across the historic settings of Pula and Medulin in Istria, Croatia. Arena Hotels & Apartments features contemporary and warm design/interiors accompanied by a welcoming and friendly service offering a holiday full of opportunities for exploration and relaxation complemented by food and drink offering with a touch of local flavor. Arena Hotels & Apartments is your destination host and guide, a home away from home catering for families, couples and friends.

arenahotels.com

Arena Campsites® is a brand of both authentic and premium campsites located in exclusive beachfront sites in preserved natural surroundings. They are situated along the very south of the Istrian peninsula within proximity of the historic towns of Pula and Medulin, stretching from the Brijuni National Park in the west, all the way to a picturesque Medulin Bay and Cape Kamenjak on the south. 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.

arenacampsites.com
arenaglamping.com

“OUR TEAM MEMBERS ARE ‘CREATORS’ AND PLAY A PIVOTAL ROLE IN DELIVERING OUR STRATEGY”

REUEL (‘RELI’) SLONIM
PRESIDENT OF THE MANAGEMENT BOARD

STEP UP IN INVESTMENTS

PRESIDENT OF THE MANAGEMENT BOARD’S STATEMENT

INTERNATIONAL DYNAMIC PROFILE

- 2.7% revenue growth in 2019
- A pleasing result which reflects the growth of our newly positioned assets
- Our team members are ‘creators’ and play a pivotal role in delivering our strategy
- We are best practice employer, paying our team members competitive rates of pay
- The significant investment in our Croatian properties has been particularly well received by guests and recognised by the industry

WELCOME,

We are pleased to report another year of progress in a year of significant investment in our business.

In 2019, the Company sustained a high level of occupancy and grew revenues despite increased competition from markets such as Turkey, Greece and Northern African countries. Our sector also faced several localised and industry-wide challenges including a labour shortage for seasonal workers and increased operating costs.

Put in this context, our performance highlights the benefit of our investment programme to improve our offer and market position, demonstrating the resilience of the business.

FINANCIAL PERFORMANCE

Reported revenue for the year increased by 2.7% to HRK 778.1 million (2018: HRK 757.7 million), a good result when compared to the strong performance of the previous year. Revenue growth from our luxury camping operations was particularly pleasing given a late season opening of Arena Kažela Campsite, which was delayed because the weather in the spring put back the completion of construction works.

Accommodation revenue grew by 3.7% to HRK 637.7 million (2018: HRK 615.1 million) driven by a 100 bps improvement in occupancy to 55.1% and a 5.2% increase in the average daily rate to HRK 606.2. Whilst pleasing, this growth was slightly hindered by our need to provide team members' accommodation within our own facilities, thus reducing the total numbers of rooms available to guests during the peak season.

Reported EBITDA improved by 6.9% to HRK 229.5 million (2018: HRK 214.7 million) with a respective margin of 29.5% (2018: 28.3%). However this result benefited from the application of IFRS 16 and on a like-for-like basis, EBITDA reduced by 3.7% to HRK 206.7 million.

The most significant challenge we faced was a domestic workforce deficit in Croatia. An increasing number of local workers are benefitting from employment opportunities accross Europe. This results in less avaiability of employees and thus greater competition for seasonal workers as well as a wage inflation. To ensure continuous and consistent service delivery to our guests, we were required to engage workers from outside Croatia. These externally resourced employees often required staff accommodation. In addition, we faced increased share of commission expenses from online travel agents who took advantage of the vacuum created by changes in the wholesale market and our shift in segmentation arising from new investments as well as business decisions.

OUR STRATEGY

We believe that our strategy to constantly improve our portfolio in order to optimise value and refresh guest experiences, whilst maintaining tight control of our operating margins, will create the best value to all our shareholders and wider stakeholders.

In parallel, our strategy to expand our presence in the CEE region, including the acquisition of city hotels to complement the seasonal Croatian operations, will support growth and help us to further stabilise our earnings through the year.

HRK 778.1M
TOTAL REVENUE

HRK 229.5M
EBITDA

83.8%
EMPLOYEE ENGAGEMENT INDEX

Our latest HRK 47.0 million acquisition target in Belgrade, Serbia, marks our expansion into new territories. The 88 Rooms Hotel is ideally positioned near the old town city centre and offers a restaurant, bar, conference room and fitness facility and has significant upside potential. The Company expects to fully take over the property during the first half of 2020.

Further more, in the first quarter of the beginning of 2020, we entered into a 45 year lease agreement with regards to a property in the centre of Zagreb, Croatia's capital. The property is developed into a 115 rooms hotel and expected to become operational within the coming 24 months.

We believe we have a unique position in terms of operating in the various countries of the CEE region and there are distinct synergies on various levels, including our ability to offer year-round employment opportunities to an increasing number of team members.

2019 INVESTMENTS

In line with our strategy, we invested HRK 240.7 million into our existing properties in 2019. The largest investment was made into the Arena Kažela Campsite, with phase one completed in readiness for the summer season 2019 and phase two now in progress.

The phase one development included the placement of 164 premium mobile homes and equipment, the redevelopment of the reception area, the creation of two swimming pools, a new bar, a coffee shop and a relaxation area. Phase two commenced in October 2019 and will include the replacement and upgrade of a further 146 number of mobile homes, the repositioning of pitches, the refurbishment of public areas, the restaurant, bar and sports centre.

We conducted a minor refurbishment of ten apartments located at Verudela Beach and performed some infrastructure works before the summer season. We are now progressing with a repositioning programme for the remaining 146 apartments at Verudela Beach.

In Arena One 99 Glamping 10 new tents were added with the total number of units increased to 193. Also, landscaping works and an upgrade to the beachfront were completed.

Public area improvements were made to Park Plaza Histria Pula and we refurbished the main swimming pool and the bar area of hotel TUI Sensimar Medulin. We also acquired some land linked to self-catering apartment complexes to consolidate our ownership on the Verudela peninsula. The renewal of the lease of art'otel budapest for a further 20 year period has provided the impetus to invest further into the property.

OUR PEOPLE

Over the last year, in conjuction with PPHE Hotel Group, senior executives across the business have worked together to define the Group's purpose and what this means to our team members. We have set out and communicated to our team members that each and every one in our business is a 'creator' and plays a pivotal role in delivering our strategy. This message has been embraced enthusiastically by our team members, and our employee engagement index for the Group has remained high at 83.8 on a scale of 1-100 (2018: 84.1) with an 87% response rate.

Our team members are at the heart of our business and in order to attract and retain the best talent it is imperative that we provide training and opportunities that allows them to reach their full potential. We strive to be a best practise employer, offering competitive compensation and benefits. In 2019 we employed nearly 1,500 people, of whom 480 (2018: 467) are permanent employees. We also strive to ensure a gender balance and the current ratio of male to female team members is 47:53.

> **Phase one of the Arena Kažela Campsite investment programme, totalling HRK 148.4 million was completed in readiness for the summer season 2019.**

During the year a total of 62 training programmes were held and a total of 826 team members received training to ensure that all team members feel they are fully supported, engaged, trained and motivated so we can consistently deliver a high service standard.

As described earlier, the hospitality sector is facing real challenges in the labour force, particularly in Croatia where many seasonal workers are now choosing to work outside their native country to gain greater experience and take advantage of the economic benefits offered in northern European countries. In order to maintain our high level of service, in 2019 we recruited additional workers from overseas on a full year contract. Our recruitment programme for 2020 is already well under way. We have also offered 66 new permanent seasonal contracts bringing us to a total of 138 permanent seasonal team members, which ensures our retention rate remains high. In addition to taking actions to recruit team members from other countries, we have also partnered with recruitment agencies in neighbouring countries. The people & culture team together with operational teams will be hosting open days in neighbouring countries in collaboration with local employment agencies.

DELIVERING EXCEPTIONAL EXPERIENCES

As a business, our purpose is to create valuable memories for our guests in vibrant destinations; we aim to delight our guests every day, through engaging service and quality products in inviting places.

The success of our strategy to turn our real estate assets into exceptional products and consistently deliver refreshed guest experiences across our properties is evidenced by the high scores on guest satisfaction we achieved across the portfolio during the year.

The significant investment in our Croatian properties has been particularly well received by guests and recognised by the hospitality industry. The Arena Kažela Campsite received considerable praise and was awarded Croatia's Best Campsite 2020 for the seventh consecutive year. Park Plaza Verudela Pula and Park Plaza Belvedere Medulin both received the Travelers' Choice Trip Advisor award, for Family Hotel Croatia and Hotel Croatia respectively. In addition, twelve of our properties received the Trip Advisor Certificate of Excellence and four properties in Germany received the GreenLeaders Programme awards.

To improve services further we are adopting new front and back of house technology. For example in Park Plaza Belvedere Medulin we are piloting a self-service check in system which allows guests to access their rooms quickly. We are also introducing technology to our laundry services wherewith the laundry process will become more environmental friendly and reduce the workload.

SALES AND MARKETING

In response to the challenges faced by tour operators and the effect this has had on the wholesale market and increased share in commissions from travel agencies, we have continued to be focused on generating direct sales and growing Arena's brand. We launched the new arenacampsites.com and arenahotels.com websites, alongside a web-optimisation programme to improve online search rankings. This has been supported by a media programme to improve brand recognition. We have also been actively promoting our campsite loyalty programme which offers holders on-site discounts and benefits as well as periodic special offers.

PPHE's strategic partnership with Radisson Hotel Group has also helped to support Arena's direct sales, giving access to a global distribution platform and a range of sales tools and initiatives, including the Radisson Rewards™ and Radisson Rewards™ for Business loyalty programmes which has over 24 million members worldwide and can be used in our Park Plaza branded properties.

INVESTING FOR FUTURE GROWTH

Our current investment plan from 2018 to 2021 commits over HRK 500 million, with the most significant investment in the repositioning of Hotel Brioni Pula. Hotel Brioni Pula will be relaunched as a luxury upscale hotel with 227 rooms in the summer of 2021. The seven floor structure will include an indoor pool, an activity outdoor pool and an infinity outdoor pool, wellness centre with saunas and relaxation rooms, a gym, kids playground, grill and snack bars, a restaurant, meeting and conferencing facilities.

We are continuing with our investment in Arena Kažela Campsite by performing a second phase, expected to be completed prior to the summer season 2020. Upon completion of this second phase, the campsite will be a modern 4-star camping resort and will be relaunched as Arena Grand Kažela maintaining its position as the Croatia's premier campsite.

We are also progressing with the larger proportion of our investment programme for the Verudela Beach self-catering apartments in Pula, transforming and repositioning the remaining 146 units of the resort. In conjunction, we are carrying out repositioning works to the Yacht Club restaurant on the Verudela peninsula, along with the refurbishment of public spaces and rooms at hotel Park Plaza Histria Pula.

CURRENT TRADING AND OUTLOOK

Whilst we are closely monitoring the current uncertain macro environmental developments related to the Coronavirus outbreak and its impact on travel patterns, trading in 2020 has started well and is in line with the Management Board's expectations. This year will be another year of considerable investment in the business and the onstruction and refurbishment programmes are now well underway and on schedule. We continue to pursue our strategy to drive growth in the CEE region with a focus on gateway cities and the future addition of new properties in Belgrade and Zagreb will further enhance our offering. With the headwinds faced in 2019 we are even more focused on maintaining and enhancing operational efficiencies, driving direct sales from sales and marketing initiatives. All the while we are constantly focused on providing our guests with memorable experiences through consistently refreshed and improved services alongside creating value in our assets. The outlook for the Group is positive and we are well positioned to capitalise on an ambitious growth strategy.

R. Slonim

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

HOTEL BRIONI

ARENA GRAND KAŽELA CAMPSITE CASE STUDY

ARENA GRAND KAŽELA CAMPSITE

Located in one of Croatia's most popular destinations, Istria, Arena Kažela Campsite is situated on the southern part of Medulin, overlooking the Kvarner Bay and is just a few kilometres away from the city of Pula. It is the largest of our eight campsites and offers holidaymakers peace and tranquillity on the edge of the Adriatic Sea, with direct access to a two-kilometre-long beach overlooking the Medulin archipelago and crystal-clear Adriatic Sea. Its stunning location made it the obvious choice to launch a brand-new style of luxury camping homes.

The campsite season in Croatia runs between April and November. Following the end of the 2018 season, we immediately began the first of a two-phase two-year investment programme to transform the site and inspire our guests with a new luxury camping offer.

ARENA GRAND KAŽELA CAMPSITE

We installed 164 new, fully equipped premium and family Camping Homes, which are situated alongside more than 1,000 spacious pitches. The new Mobile Homes have been designed to meet the needs of the modern environment-conscious traveller. Featuring ecological and recycled materials, the accommodation offers 37m² of interior space, more than 25m² of covered terrace, as well as 250m² of a private garden.

The campsite recorded an increase in average daily rate of over 40% and saw revenues increase by more than 30%.

In addition to the new luxury Camping Homes, our aim is to offer our guests an overall luxurious holiday experience with exceptional facilities. To that end, phase one of the programme included two new swimming pools - a central activity pool with a children's section and a relaxing infinity pool - new modern pool bars, an Illy coffee shop and a redeveloped reception area.

The campsite was unveiled to guests in June 2019 and was well received with high scores on various well-regarded booking channels.

This campsite was recognised for the seventh consecutive year when it listed amongst 'Croatia's Best Campsites 2020' by the Croatian Camping Union. The site was also awarded 4.5 out of 5 stars for 2019 from the ANWB campsite inspectors.

In total we plan to invest approximately HRK 200 million to fully reposition this successful site and create a new benchmark for the camping experience. During 2019 we invested HRK 164.3 million. Phase two of the project will complete in summer 2020. The performance during the season was encouraging and in line with management's expectations. The campsite recorded an increase in average daily rate of over 40% and saw revenues increase by more than 30%.

THE GROUP'S CAPITAL INVESTMENTS IN 2019

In 2019, the Group invested a total of HRK 240.7 million in upgrading campsites, self-catering holiday apartment complexes and rooms, public areas and facilities of certain hotels. The pivotal investment was the commencement of the two phase repositioning of our largest campsite, Arena Kažela Campsite. In 2019 the Group invested HRK 164.3 million in phase one of the project and the start of the second phase. The refurbishment during phase one consisted of the acquisition and placement of 164 premium mobile homes, redevelopment of the reception area, opening of two swimming pools which include an activity and a relaxation area, an Illy coffee shop and an animation/games area for the youngsters.

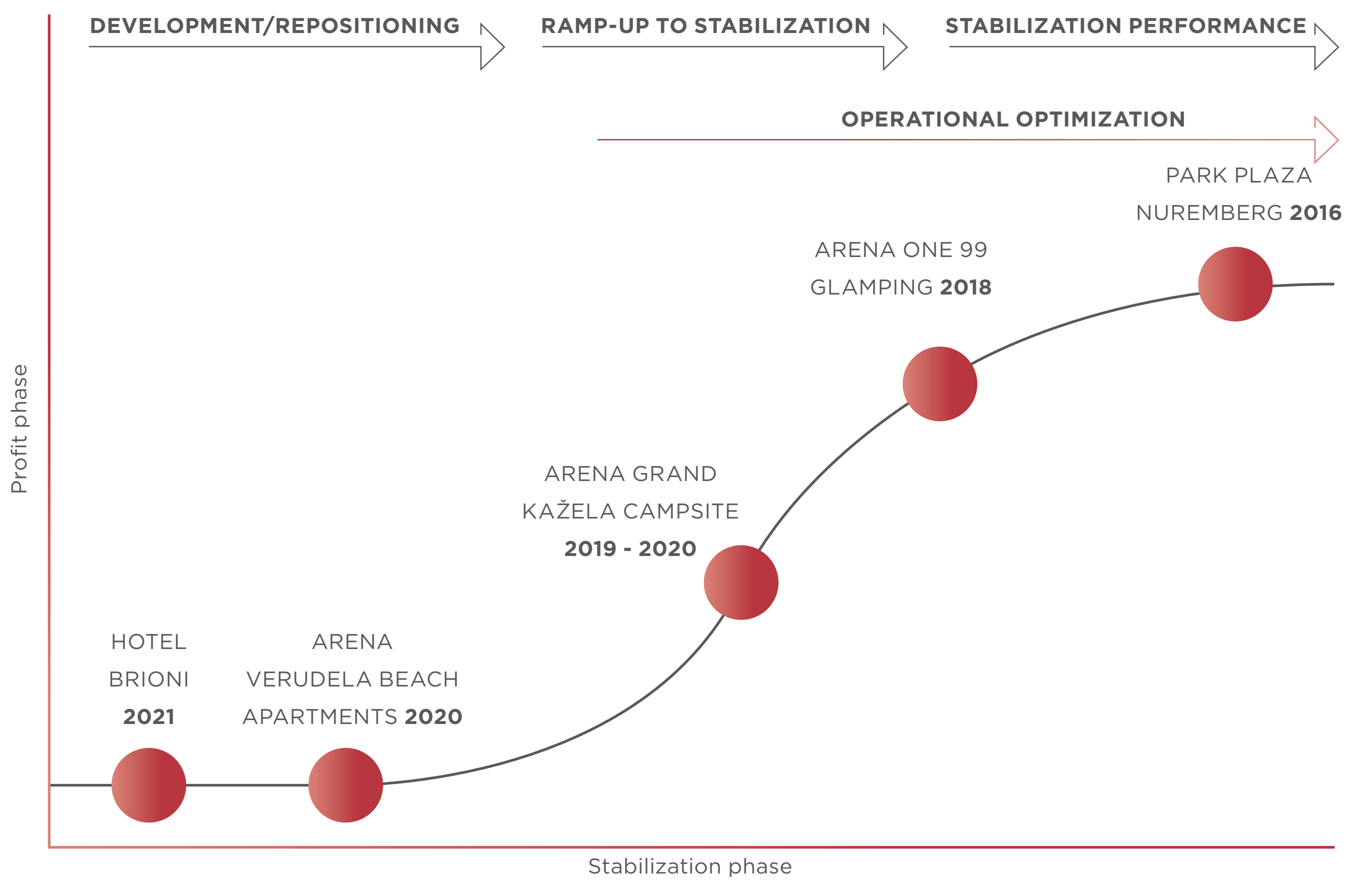
The repositioning of the Group's second (out of four) self-catering apartment complex Verudela Beach started and repositioning of the first 10 apartments was completed and successfully tested during the 2019 season.

Arena One 99 Glamping was further enhanced ahead of the 2019 season with the addition of 10 new glamping tents, improved landscaping and an upgrade of the beachfront.

Other investments during the year in preparation for the 2019 season included upgrading the outdoor furniture and decking at Park Plaza Histria Pula, refurbishment of TUI Sensimar Medulin main swimming pool and the introduction of a new bar, and the acquisition of land on and around Zlatne Stijene, Verudela Beach and Park Plaza Verudela Pula self-catering apartment complexes. Finally, in collaboration with the city of Pula, the tourism board and several local artists, on the initiation of the Company, an artpark has been created on the Verudela peninsula, to complement further guests' offering and experience.

In 2019, total investment increased 68.0% year-on-year to HRK 240.7M

REDEVELOPMENT AND POSITIONING OUR OWNED PORTFOLIO



THE GROUP'S PLANNED CAPITAL INVESTMENTS

HOTEL BRIONI

HRK 200.0M

INVESTMENT IN ARENA GRAND KAŽELA CAMPSITE

HRK 240.0M

INVESTMENT IN HOTEL BRIONI

HRK 60.0M

OF INVESTMENTS IN SELF-CATERING ARENA VERUDELA BEACH APARTMENTS

CROATIA

2019 saw the Group invest HRK 240.7 million in its property portfolio. This included the first phase of investment in Arena Kažela Campsite and the repositioning of the first 10 units at the self-catering apartment resort, Verudela Beach.

2020 will see at further intensification of the Group's investment programme. The repositioning investment programme at Arena Kažela Campsite will enter the second phase, which will transform this campsite into a modern 4 star camping resort and on completion it will be renamed and relaunched as Arena Grand Kažela Campsite. The second phase of the programme will include a further replacement of 45 mobile homes, repositioning of pitches (which will benefit from improved infrastructure, in prime seaside with an average size of 150 m^2), refurbishment of public areas, a restaurant, bar and the sports centre. On completion, the total investment Arena Kažela Campsite will amount to approximately HRK 200.0 million and will be rated as a four star campsite.

The Group continues its planned investment in the Verudela Beach self-catering apartment resort, where the remaining 146 units of the resort will be fully repositioned. Verudela Beach will be the Group's second repositioned apartment resort (with Park Plaza Verudela Pula repositioned in 2013), out of the Group's four self-catering apartment complexes. The total refurbishment investment is expected to be approximately HRK 60.0 million.

The Group is pleased to report that the repositioning of Hotel Brioni started at the beginning of 2020 and it plans to reopen the property in the summer of 2021. The hotel, which was built in early 1970', was the most prominent hotel in former Yugoslavia and many well-known personalities (politicians, artist, actors. etc) stayed at the hotel. Hotel Brioni will be repositioned into a luxury upscale hotel with 227 rooms and will build upon the hotel's iconic building status and reputation, with the ambition for it to become the most luxurious hotel in Pula and the surrounding area. The hotel, which has seven floors, will include an indoor pool, an activity and an infinity outdoor pools, wellness centre with saunas and relaxation rooms, a gym, kids playground, grill and snack bars, a restaurant, meeting and conferencing facilities. The investment will total approximately HRK 240.0 million.

The restaurant Yacht Club on the Verudela peninsula will be repositioned into an upscale restaurant. Finally, the public spaces and rooms in our hotel Park Plaza Histria Pula will be refurbished.

GERMANY AND HUNGARY

In Germany, due to challenges encountered with certain technical aspects and negotiation with contractors for the envisioned refurbishment of art'otel berlin kudamm, the Group is reassessing this investment. Meanwhile, it is also considering other investments across the portfolio. In Hungary, the plans for the refurbishment of the public spaces of art'otel budapest are in its final stages.

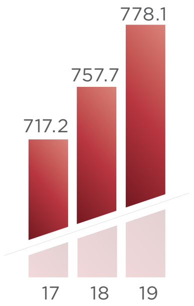
The investments above are in line with the Group's previously announced plans and fall within the strategic investment plan of over HRK half a billion, the key driver of growth in 2020 and beyond.

OTHER GROWTH OPPORTUNITIES

Additionally, the Group has plans to continue refurbishing Zlatne Stijene Resorts Pula, Arena Stoja Campsite and is considering further investments across its portfolio overall. In parallel it will continue to identify and review potential expansion opportunities in Croatia and the CEE region.

GROUP

FINANCIAL KPIs



TOTAL REVENUE (HRK MILLION)

DEFINITION

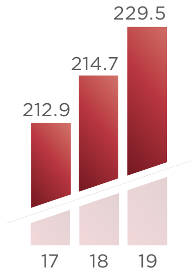
Total revenue includes all operating revenue generated by the Group's owned and leased hotels, management fees, franchise fees and marketing fees.

COMMENT

Revenue increased by 2.7% due to strong performance of campsites which were subject of investments.

FURTHER INFORMATION

Also see Member of the Management board and Chief Financial Officer's statement page 40.



EBITDA (HRK MILLION)

DEFINITION

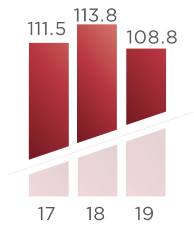
Earnings before interest, tax, depreciation and amortisation.

COMMENT

EBITDA increased by 6.9% year-on-year due to the implementation of IFRS 16.

FURTHER INFORMATION

Also see Member of the Management board and Chief Financial Officer's statement page 40.



PROFIT BEFORE TAX (HRK MILLION)

DEFINITION

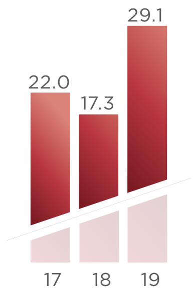
Profit before tax

COMMENT

Profit before tax decreased by 4.7% in 2019, due to increased other expenses.

FURTHER INFORMATION

Also see Member of the Management board and Chief Financial Officer's statement page 40.



EARNINGS PER SHARE (HRK)

DEFINITION

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

COMMENT

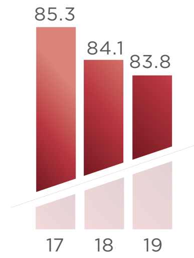
Earnings per share increased by 68.4% in 2019 mostly driven by tax incentives related to the Group's investment programme.

FURTHER INFORMATION

Also see Member of the Management board and Chief Financial Officer's statement page 40.

GROUP

OPERATING KPIs



EMPLOYEE ENGAGEMENT INDEX (%)

DEFINITION

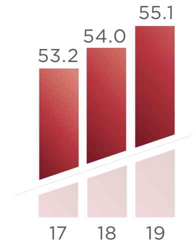
Measured through annual surveys. Team members are encouraged to share feedback about the Company, their jobs, their teams and their manager.

COMMENT

Despite a challenging season in the hospitality industry in 2019, our engagement index remains high at 83.8.

FURTHER INFORMATION

Also see President of the Management Board's statement page 18, Responsible business page 56.



OCCUPANCY (%)

DEFINITION

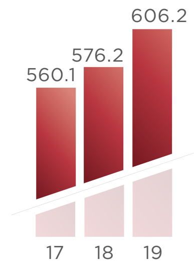
Total rooms occupied divided by the available rooms. Occupancy is calculated based on the number of days that each property is open.

COMMENT

Occupancy increased by 100 bps due to a higher occupancy achieved by the hotels and campsites.

FURTHER INFORMATION

Also see Member of the Management board and Chief Financial Officer's statement on page 40.



AVERAGE DAILY RATE (HRK)

DEFINITION

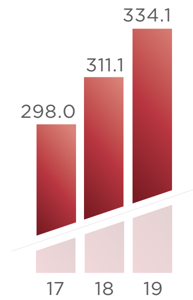
The average daily rate per paid occupied room or accommodation unit.

COMMENT

Average daily rate increased by 5.2% year-on-year due to repositioning and investment projects.

FURTHER INFORMATION

Also see Member of the Management board and Chief Financial Officer's statement on page 40.



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

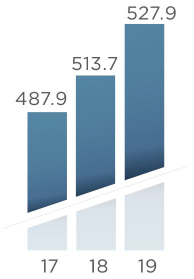
RevPAR increased by 4.5% year-on-year, as a result of increased average daily rate and occupancy.

FURTHER INFORMATION

Also see Member of the Management board and Chief Financial Officer's statement on page 40.

COMPANY

FINANCIAL KPIs



TOTAL REVENUE (HRK MILLION)

DEFINITION

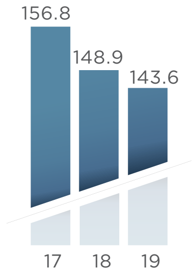
Total revenue includes all operating revenue generated by the Group's owned and leased hotels and management fees.

COMMENT

Revenue increased by 2.8% due to strong performance of our newly invested campsites.

FURTHER INFORMATION

Also see Company income statement page 100.



EBITDA (HRK MILLION)

DEFINITION

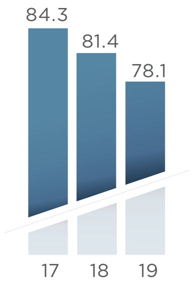
Earnings before interest, tax, depreciation and amortisation.

COMMENT

EBITDA decreased by 3.5% year-on-year due to an increase in labour costs, commissions and utilities.

FURTHER INFORMATION

Also see Company income statement page 100.



PROFIT BEFORE TAX (HRK MILLION)

DEFINITION

Profit before tax.

COMMENT

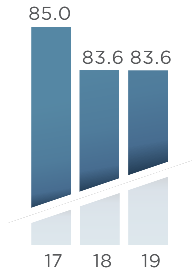
Profit before tax decreased by 4.0%, due to the decrease in EBITDA and increase in depreciation costs.

FURTHER INFORMATION

Also see Member of the Management board and Chief Financial Officer's statement page 40 and Company income statement page 100.

COMPANY

OPERATING KPIs



EMPLOYEE ENGAGEMENT INDEX (%)

DEFINITION

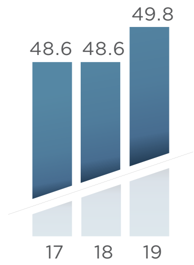
Measured through annual surveys. Team members are encouraged to share feedback about the company, their jobs, their teams and their manager.

COMMENT

Despite a challenging season in the hospitality industry in 2019, our engagement index remains high at 83.6%.

FURTHER INFORMATION

Also see Responsbile business page 56.



OCCUPANCY (%)

DEFINITION

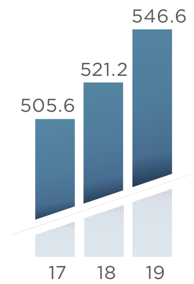
Total rooms occupied divided by the available rooms. Occupancy is calculated based on the number of days that each property is open.

COMMENT

Occupancy improved by 120 bps mostly driven by the increase in occupancy of campsites.

FURTHER INFORMATION

Also see Operating review page 42-53.



AVERAGE DAILY RATE (HRK)

DEFINITION

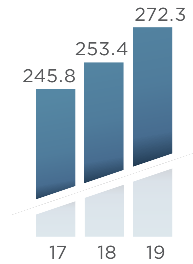
The average daily rate per paid occupied room or accommodation unit.

COMMENT

Average daily rate increased by 4.9% year-on-year due repositioning and investment projects.

FURTHER INFORMATION

Also see Operating review page 42-53.



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

RevPAR increased by 7.5% year-on-year, as a result of increased average daily rate and occupancy.

FURTHER INFORMATION

Also see Operating review page 42-53.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK AND IMPACT	MITIGATION
MARKET DISRUPTORS	
The travel industry has changed considerably in recent years as a result of changes in travel patterns, the emergence of low-cost airlines and online travel agents, new technologies and changes in 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 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. Executives and managers regularly attend seminars, workshops and trainings to ensure that their knowledge is kept up to date.
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 and Hungarian 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 focused on extending its activities in the shoulder season.
CLIMATE CHANGE	
Climate change and issues of sustainability could heighten several of our existing risks by impacting the continuity of our operations, increasing the cost of our resources, and increasing the public scrutiny of the impact that travel and tourism has on the environment.	The Group is behaving in a responsible manner and is devoted to promoting sustainable business in line with rules and regulations. For more information please refer to page 69 for our approach to doing business responsibly and our impact on communities and the environment.

RISK AND IMPACT	MITIGATION
CONCESSION AGREEMENTS	
In accordance with the provisions of the Act on the Tourist and Other Construction Land Not Appraised During the Transition and Privatisation Process (the 'Act'), the Company submitted requests to the Republic of Croatia and the relevant municipality for the award of tourist land concessions for a term of 50 years (the maximum term allowed) in relation to land areas in eight campsites and three tourist resorts in Croatia. In relation to the concession arrangements in respect of the eight campsites, the Republic of Croatia and the Company need to (i) determine the co-ownership parts in the land (based on which definite amounts of the concession fees due on that part of the land owned by the Republic of Croatia would be determined) and (ii) upon granting of the concession by the Republic of Croatia, enter into the respective concession agreements. In practice, the companies that have submitted requests for a tourist land concession regularly pay advance concession fees of 50% of the calculated concession fee in accordance with the relevant regulations. Since the adoption of the Act in 2010, as far as the Company is aware, no concession agreement has been entered into with respect to tourist land in campsites/tourist resorts in the Republic of Croatia due to ambiguities in the wording of the Act and related regulations. The status of the Company's concession requests is similar to the status of concession requests submitted by other companies in the Republic of Croatia. The government of the Republic of Croatia has in 2018 initiated and in 2019 intensely continued to work on the new law and corresponding bylaws that would replace the Act. The aim of the new legislative package is to resolve long outstanding dead lock and to provide practical solutions in relation to the unresolved issues on the use of the tourist land. The new law is expected to be adopted by mid-2020 and the bylaws required for its proper implementation by end of 2020.	The Company pays and will continue to pay 50% of the concession fees in respect of the eight campsites and to accrue the remaining 50% until determination of the concession agreements. This is presented as a provision in the financial statements. The Company is closely following the developments on the new legislative pack that the government is working on (based on the publicly available information) and is assessing the potential impact of such new developments to its situation. Once the new law and bylaws that would replace the Act will be adopted, the Company will be ready to act in line with their provisions.

RISK AND IMPACT	MITIGATION
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.	This risk is currently within the Group's levels of tolerance and aligned with its risk-reward strategy. Through the application of due diligence procedures, the Group takes calculated risk in its pursuit of new opportunities, which is aligned with its strategic agenda of disciplined, yield focused capital deployment to achieve growth and long-term value.
INFORMATION TECHNOLOGY AND SYSTEMS	
The Group and its hotels maintain, to the extent permitted by law, personal customer data, which is shared with and retained by the Group's partners pursuant to agreements that provide the necessary level of protection of such data. Such information may be misused by employees of the Group or its partners or other outsiders if there is inappropriate or unauthorised access to the relevant information systems.	The Group invests in appropriate IT systems so as to obtain as much operational resilience as possible. Further, a variety of security measures are implemented in order to maintain the safety of personal customer information. Moreover, the Group has successfully implemented the GDPR regulation, which gives additional comfort to its customers in relation to data protection.
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.

RISK AND IMPACT	MITIGATION
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 the Group's business, financial condition and results of operations and have a material adverse impact on the Group's reputation. Although the Group has not had any material industrial or labour disputes in the past, no assurance can be given that there will not be industrial or labour disputes or adverse employee relations in the future that could have a material adverse effect on the Group's operations in a specific property, country or region which in turn could have a material adverse effect on the Group's business, financial condition and results of operations. The Group's ability to support its business operations may be impaired by its ability to employ, train and retain sufficient personnel necessary to meet its requirements. In Croatia, this is true particularly during the high season of June to September and in Germany, this applies mainly to the Group's operations in Berlin. The Group may be unable to maintain an adequate labour force necessary to operate efficiently and to support its growth strategy. The Group has from time-to-time experienced shortages of certain profiles of employees. For example, the Group has experienced difficulties in hiring sufficient employees to team members its hotels in Berlin. During the high season in Croatia, it can be difficult to employ an adequate number of people and employees are frequently recruited across geographic regions to satisfy demand, however, the supply of experienced hotel industry employees and other skilled workers may not be sufficient to meet current or expected demand. The opening of new hotels may put further pressure on demand and the Group's ability to attract and retain sufficient numbers of qualified employees. If the Group is unable to attract and retain employees with the requisite skills and experience, it may be forced to incur additional training expenses. Labour shortages or increased labour costs could impair the Group's ability to execute its business strategy and growth plans. If the Group experiences shortages of sufficient labour in any of its markets this may have an adverse effect on its business, financial condition and results of operations. Moreover, the Group may encounter pressures arising from increasing labour cost which could have an adverse impact on the profitability of the Group.	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 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 intends to continue to create and deliver programmes aimed at further improving employee engagement and satisfaction and pursue further technological initiatives.

RISK AND IMPACT	MITIGATION
PHYSICAL SECURITY AND SAFETY	
Physical security and safety incidents at one or more of the Group's properties could jeopardise the safety of guests and team members as well as disrupt operations severely. A failure to take reasonable steps to prevent serious security or safety events or a failure to respond appropriately to an incident could affect the Group's reputation and result in significant loss of guest and stakeholder confidence.	Fire protection and security procedures are in place at all managed properties. The Group ensures rigorous safety measures are in place including emergency evacuation plans. Dedicated security, health and safety teams perform regular risk assessments and develop response plans in respect of significant threats to the physical security and safety of guests and team members. The Group also maintains established Crisis Plans across all of its properties, which are reviewed, tested and communicated to management regularly.
CAPITAL REQUIRED TO MAINTAIN PRODUCT STANDARDS	
The Group owns and co-owns many of its properties. As is common in owning such properties, this business model requires capital to maintain the high quality level of the products and facilities offered. In addition to maintenance costs and capex, the Group may be exposed to disruptions in revenue if those properties are to be (part) closed for product improvements.	The Group focuses heavily on preventative maintenance across its portfolio and employs engineers and technicians to ensure that its portfolio is maintained to a high standard. In addition, as part of its operating agreements, the Group has capex reserves for each property to invest in medium to large renovations and replacements of technical installations. To minimise short-term revenue displacements due to renovations, the Group develops – prior to undertaking such renovations – detailed renovation planning programmes, which take into account factors such as property closures, phased approaches, seasonality and demand patterns.
FOREIGN EXCHANGE RATE FLUCTUATIONS	
The exchange rates between the functional currency of the Group's subsidiaries operating inside the Eurozone, and the Croatian Kuna (the reporting currency for the purposes of the financial statements) may fluctuate significantly, affecting the Group's financial results. In addition, the Group may incur a currency transaction risk in the event that one of the Group companies enters into a transaction using a different currency from its functional currency.	The Group eliminates currency transaction risk by matching commitments, cash flows and debt in the same currency. After due and careful consideration, the Group decided not to hedge this currency risk.
ECONOMIC CLIMATE	
A downturn in the economic cycle could lead to margin erosion due to falling revenues and/or increasing costs. Uncertainty regarding macro-economic and socio-political conditions could affect the Group's ability to maintain or increase revenue and profitability.	The Group monitors the economic climate and hotel industry conditions closely and identifies a downturn in the economic cycle as an emerging risk, which could occur and impact its business within the next financial year. The Group has performed scenario planning for different economic cycles and developed response plans to protect its margins in a downturn.

PARK PLAZA NUREMBERG


PARK PLAZA NUREMBERG

WELCOME,

2019 was yet another year of growth, achieved in a period in which we intensified both our business and capital markets activities. Most importantly, we laid the foundations for the growth of the business for 2020 and beyond.

INVESTMENTS AND FINANCING

We have continued with our investment programme, encouraged by the successful performance of the asset investments made to date. The most significant investment during the year was phase one of the Arena Kažela Campsite repositioning, at a cost of HRK 148.4 million.

Other investments to support future growth were (i) commencement of our HRK 50.0 million second phase investment at the Arena Kažela Campsite to complete repositioning of the site, (ii) initiating the full repositioning of the self-catering apartment resort, Arena Verudela Beach, an investment totalling HRK 60.0 million and (iii) finalising plans to start the long awaited repositioning of Hotel Brioni Pula in 2020, an investment of approximately HRK 240.0 million.

In accordance with the policy of the Group, the first phase in Arena Kažela Campsite was funded with a mix of debt and equity. We have raised HRK 75.4 million through a loan agreement with Erste Bank at attractive terms with a maturity of 10 years. To support our ongoing and future investments we negotiated a HRK 60.0 million loan, due 2027, at attractive terms with Zagrebačka Banka. As part of the same transaction we have also optimised a substantial portion of the loan portfolio with Zagrebačka banka through refinancing the outstanding principal under the loan agreement dated 20 December 2017 into a HRK facility in the amount of HRK 205.0 million and a Euro facility of EUR 32.0 million. The maturity date of the new facilities remains aligned with the original date of the 2017 loan agreement and is due 2027. Both facilities are for a fixed interest rate at an improved rate compared with the refinanced loan.

The investments undertaken during 2018 and 2019 in Croatia enabled us to claim and receive a formal approval from the Croatian Ministry of Economy to use tax benefits available for capital investments. As a result, we were granted HRK 17.2 million of incentives based on investments undertaken in 2018, and redeemed HRK 11.8 million of this amount during 2019. Based on our investments in 2019 we have secured additional HRK 43.3 million of incentives and have used HRK 7.5 million to offset our tax liabilities in 2019. We are carrying forward into 2020 an amount of HRK 41.3 million of incentives, which remains to be utilised. The Company did not pay income taxes in 2019 due to the tax shield arising from the ongoing investments arising thereof. As we continue to invest, we expect to continue to use these benefits in the coming period.

Further optimising our capital structure

DIVIDEND AND CAPITAL MARKETS ACTIVITIES

On the capital markets side, we have engaged HRK 41.9 million in our efforts to enhance value, returns and cash flows to shareholders. We have paid our first dividend in the amount of HRK 5 per share, totalling HRK 25.6 million and set up a share buyback programme of up to 20,000 shares lasting until 30 June 2020. Beyond creating shareholder value, the share buyback programme aims, among other things, to increase liquidity in the shares. In accordance with the decision of the General Assembly of 30 August 2017, tthe purpose of the share buyback programme is to dispose the Shares within the framework of employees' reward programme and/or other treasury shares disposal programmes adopted by the Management Board with prior approval of the Supervisory Board. During the year we acquired 18.747 shares under this programme as well as purchased additional 25,000 shares outside of the aforementioned programme. We have invested a total of HRK 16.3 million in share buybacks during the year.

CHANGE IN ACCOUNTING STANDARDS

Lastly, our financial statements this year were impacted by the change in accounting standards and the respective implementation of IFRS 16. Although this implementation had no effect on our cash flows, it impacted our income statement and balance sheet. Notably under rules of IFRS 16, the Group no longer books any rent expense as part of operational expenses. As a result, the Group decreased the rent expense during 2019 by HRK 22.8 million, increased the depreciation expense by HRK 20.3 million and increased the interest expense by HRK 4.6 million. Moreover, the Group recognised HRK 215.0 million of right of use of assets and HRK 222.0 million of lease liability as of 31 December 2019.

The table on page 42 sets out the Group's consolidated results of operations for the year ended 31 December 2019.

CONSOLIDATED KEY PERFORMANCE INDICATORS	Year ended 31 December			
	2019 Like-for-like[1]	**2019 Reported**	**2018 Reported**	**Variance %[2]**
Total revenue (HRK million)	**778.1**	778.1	757.7	2.7
Accommodation revenue (HRK million)	**637.7**	637.7	615.1	3.7
EBITDAR (HRK million)	**243.3**	243.3	250.0	(2.7)
EBITDA (HRK million)	**206.7**	229.5	214.7	6.9
Profit/(loss) before tax (HRK million)	**108.4**	108.8	113.8	(4.7)
Rooms available[3]	**1,908,871**	1,908,871	1,975,651	(3.4)
Occupancy %[3]	**55.1**	55.1	54.0	100[5]
Average daily rate (HRK)[4]	**606.2**	606.2	576.2	5.2
RevPAR (HRK)	**334.1**	334.1	311.1	7.3

[1] Like-for-likecomparison with 2018, excluding the impact of IFRS 16.

[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 2019 with twelve months ended 31 December 2018. 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

Reported total revenue increased by 2.7% to HRK 778.1 million (2018: HRK 757.7 million). Of the reported total revenue, 67% is generated from our Croatian operations, 32% from our German and Hungarian operations, and the remaining 1% from managed and centralised services.

Reported accommodation revenue, a key metric for the business, increased by 3.7% to HRK 637.7 million (2018: HRK 615.1 million) as a result of improved occupancy by 100 bps to 55.1% and improved average daily rate by 5.2% which amounted to HRK 606.2 (2018: occupancy 54.0% and average daily rate HRK 576.2, respectively). RevPAR thereon increased by 7.3% to HRK 334.1 (2018: HRK 311.1), reflecting solid trading in all our regions.

Total operating expenses increased by 1.0% to HRK 548.6 million (2018: HRK 543.0 million). As a result, reported EBITDA increased to HRK 229.5 million, up 6.9% (2018: HRK 214.7 million) with a respective margin of 29.5% (2018: 28.3%). Reported EBITDA grew as a result of the application of IFRS 16. However, on a like-for-like basis, our EBITDA experienced headwinds primarily arising from increased labour costs and share travel agent commissions across the portfolio, waste management expenses and property taxes. Additionally, certain one offs occurred associated with payroll, severance and related expenses. Together all of the above resulted in our like-for-like EBITDA softening by 3.7% to HRK 206.7 million.

HRK 148.4M

INVESTED IN PHASE ONE REPOSITIONING OF ARENA KAŽELA CAMPSITE

HRK 41.9M

IN CAPITAL MARKETS ACTIVITIES ACROSS DIVIDEND PAY-OUT AND SHARE BUYBACKS

	Consolidated			Company		
	Year ended 31 December (HRK million)					
NORMALISED PROFIT BEFORE TAX	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
Reported profit before tax	**108,8**	113,8	111,5	**78,1**	81,4	84,3
Amortisation of capitalized refinancing costs	**-**	-	4,3	**-**	-	4,3
Settlement	**(8,5)**	-	-	**(8,5)**	-	-
Pre opening and other expenses	**1,8**	2,0	-	**1,4**	2,0	-
Normalised profit before tax	**102,1**	115,8	115,8	**71,0**	83,4	88,6

PROFIT AFTER TAX

Group's reported profit after tax increased by 68.0% to HRK 149.0 million (2018: HRK 88.7 million). The increase is entirely driven by the tax incentives received during the year and related to the Group's investment programme in Croatia.

FINANCIAL POSITION

The single most influential factor that affected the presentation of our financial position was total bank and third-party debt as at 31 December 2019 which amounted to HRK 1,200.4 million, an increase of HRK 256.5 million (as at December 2018: HRK 943.8 million). The increase in the debt position is the result of (i) HRK 222.0 million arising from the implementation of IFRS 16 and (ii) a net of HRK 34.6 million as a result of new loans raised to partly finance the investments undertaken throughout the year adjusted for the regular loan repayments throughout the year.

Our cash and cash equivalents as at 31 December 2019 amounted to HRK 718.9 million, representing a decrease of HRK 83.6 million (as at December 2018: HRK 802.5 million).

EARNINGS AND SHAREHOLDER VALUE

Earnings per share was HRK 29.1 (2018: HRK 17.3), an increase of 68.4%. Earnings per share increased due to the tax rebate related to the benefits granted by the Ministry of Economy linked to the investments the Group has undertaken. Moreover, the share buyback had a marginal positive impact, decreasing the weighted average number of ordinary shares outstanding during the year (2019: 5,117,371; 2018: 5,128,721).

LOOKING AHEAD

In the year ahead, we will remain focused on investing in our portfolio, transforming and repositioning our offer and growing our business. This is expected to create additional value for our shareholders.

The year 2020 will also mark the beginning of a transformational IT investment cycle aimed at modernising our solutions and optimising our processes.

DEVANSH BAKSHI

MEMBER OF THE MANAGEMENT BOARD & CHIEF FINANCIAL OFFICER

OPERATING REVIEW

CROATIA

The following table sets out the results for the Group's operations in Croatia for the year ended 31 December 2019:

HOTELS, SELF-CATERING HOLIDAY APARTMENT COMPLEXES AND CAMPSITE OPERATIONS	Year ended 31 December		
	2019	**2018**	**Variance %**
Total revenue (HRK million)	**519.6**	503.8	3.1
Accommodation revenue (HRK million)	**432.5**	419.4	3.1
EBITDAR (HRK million)	**164.4**	165.0	(0.4)
EBITDA (HRK million)	**154.4**	155.3	(0.6)
Rooms available[1]	**1,588,036**	1,654,816	(4.0)
Occupancy %[1]	**49.8**	48.6	120
Occupancy % 365 days	**24.7**	25.4	(70)[2]
Average daily rate (HRK)[3]	**546.6**	521.2	4.9
RevPAR (HRK)	**272.3**	253.4	7.5
RevPAR 365 (HRK)	**135.2**	132.4	2.1
FTE[4]	**608**	579	5.0

[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. Most guest visits occur in the high season between June to September, with approximately 70% of the Group's revenue in Croatia generated in the third quarter of the year.

Total revenue increased by 3.1% to HRK 519.6 million (2018: HRK 503.8 million). The most significant contributors to our revenue growth were Arena One 99 Glamping and Arena Kažela Campsite, notwithstanding late opening of the latter due to a delay in construction and bad weather conditions in spring. The rest of the portfolio experienced a stable performance apart from self-catering apartment complexes, which experienced a low single digit drop in revenues also partially attributable to the need to provide team members accommodation for employees sourced outside of the Istrian region.

Accommodation revenue grew by 3.1% to HRK 432.5 million (2018: HRK 419.4 million) led by a RevPAR growth of 7.5% to HRK 272.3. RevPAR growth was underpinned by a 4.9% growth in average daily rate to HRK 546.6 and by an occupancy growth of 120 bps to reach 49.8%.

In order to reduce a workforce deficit and to ensure a consistent service delivery to our guests, we engaged workers from outside Croatia. We provided team members accommodation in our facilities, which also affected the number of rooms available during this period, although a more significant driver of this reduction (-4.0% to 1,588,036) was the reduction in the number of pitches following our investment in Arena Kažela Campsite and the introduction of mobile homes, larger pitches and other facilities in the campsite such as pools. EBITDA remained largely stable at HRK 154.4 million (2018: HRK 155.3 million). A more significant growth in profitability generated by new investments in campsites was offset by a more pronounced increase in cost of labour, travel agent commissions, waste management and property taxes. Moreover, average daily rate within the existing portfolio (not subject to investments) remained flat in the context of prevailing competitive market conditions.

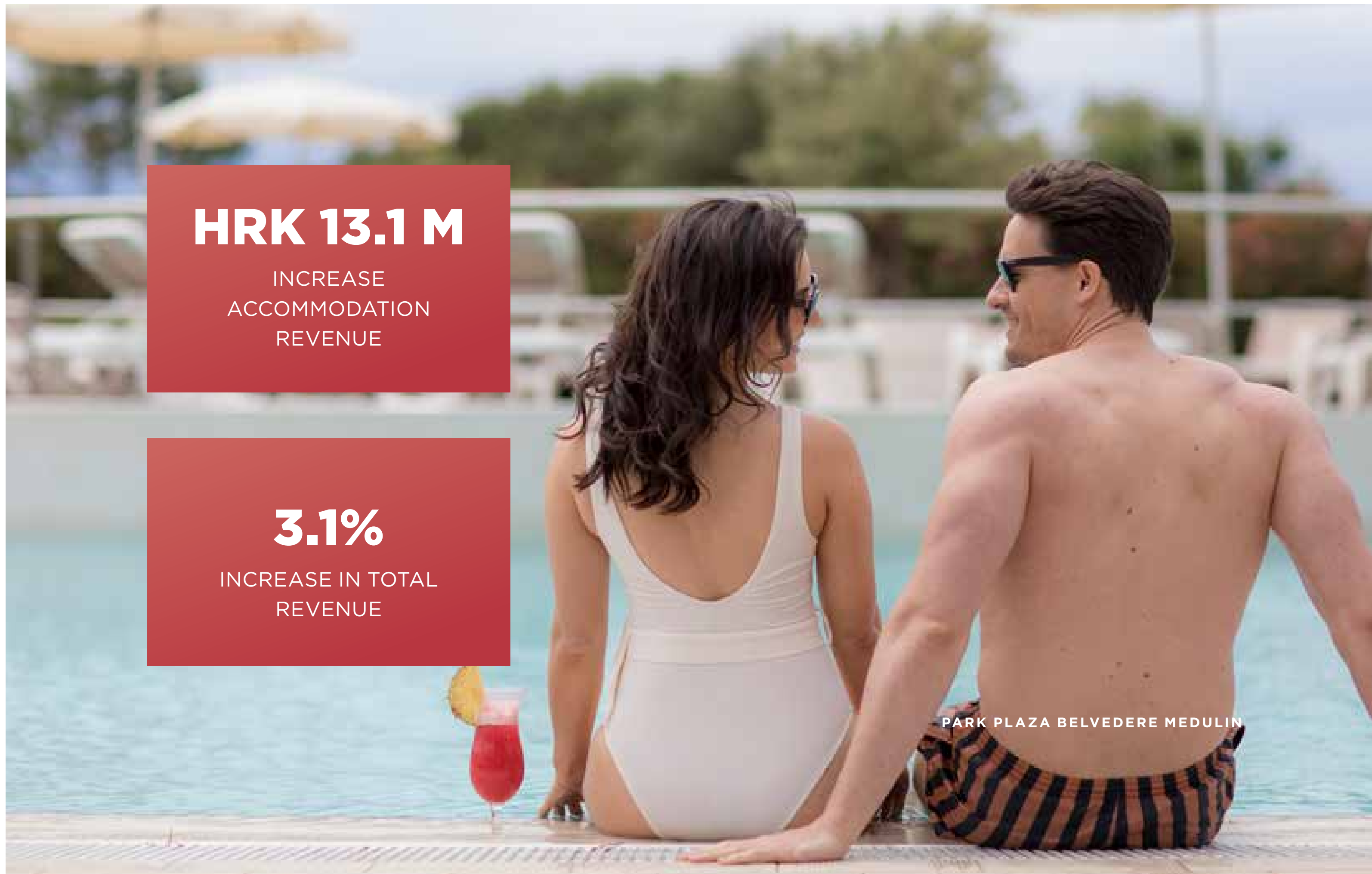
HOTEL OPERATIONS KEY PERFORMANCE INDICATORS	Year ended 31 December		
	2019	**2018**	**Variance %**
Total revenue (HRK million)	**243.8**	241.7	0.5
Accommodation revenue (HRK million)	**187.8**	185.5	1.2
EBITDAR (HRK million)	**57.0**	57.1	(0.2)
EBITDA (HRK million)	**56.3**	56.4	0.2
Rooms available[1]	**372,319**	369,147	0.9
Occupancy %[1]	**64.0**	63.7	30[2]
Occupancy % 365 days	**40.3**	39.6	70[2]
Average daily rate (HRK)[3]	**788.3**	788.6	(0.0)
RevPAR (HRK)	**504.5**	502.6	0.4
RevPAR 365 (HRK)	**317.8**	312.6	1.7

[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.

Total revenue increased by HRK 1.1 million to HRK 243.8 million (2018: HRK 241.7 million) and accommodation revenue increased by HRK 2.3 million, or 1.2%, to HRK 187.8 million (2018: HRK 185.5 million).

Accommodation revenue growth was driven predominantly by a 30 bps increase in occupancy. RevPAR increased to HRK 504.5, representing a 0.4% increase year-on-year.

Year-on-year EBITDA remained stable at HRK 56.3 million due to higher aforementioned costs.



SELF-CATERING HOLIDAY APARTMENT COMPLEXES OPERATIONS KEY PERFORMANCE INDICATORS	Year ended 31 December		
	2019	**2018**	**Variance %**
Total revenue (HRK million)	**105.4**	109.7	(4.0)
Accommodation revenue (HRK million)	**84.5**	88.4	(4.5)
EBITDAR (HRK million)	**30.1**	34.6	(13.1)
EBITDA (HRK million)	**29.3**	33.8	(13.3)
Rooms available[1]	**188,065**	191,095	(1.6)
Occupancy %[1]	**61.5**	61.1	(40)[2]
Occupancy % 365 day	**29.9**	30.5	(60)[2]
Average daily rate (HRK) [3]	**730.7**	757.4	(3.5)
RevPAR (HRK)	**449.2**	462.8	(2.9)
RevPAR 365 (HRK)	**218.4**	230.8	(5.4)

Total revenue from self-catering holiday apartment complexes decreased by 4.0% year-on-year to HRK 105.4 million (2018: HRK 109.7 million) and accommodation revenue followed the same trend and decreased to HRK 84.5 million (HRK 88.4 million). It needs to be highlighted that rooms available dropped by 1.6%. Rooms available decreased also as the Company needed to provide team members accommodation for employees sourced outside of the Istrian region. This result was driven by a decrease in average daily rate of 3.5% and occupancy showed a slight reduction of 40 bps. As a result, RevPAR experienced a decrease of 2.9% to HRK 449.2.

EBITDA posted a decrease of HRK 4.5 million to HRK 29.3 million (2018: HRK 33.8 million) due to the same aforementioned reasons.

CAMPSITE OPERATIONS KEY PERFORMANCE INDICATORS	Year ended 31 December		
	2019	**2018**	**Variance %**
Total revenue (HRK million)	**170.4**	152.4	11.8
Accommodation revenue (HRK million)	**160.2**	145.4	10.2
EBITDAR (HRK million)	**77.3**	73.3	5.4
EBITDA (HRK million)	**68.8**	65.1	5.6
Rooms available[1]	**1,027,652**	1,094,574	(6.1)
Occupancy %[1]	**42.6**	41.3	130[2]
Occupancy % 365 days	**19.7**	20.7	(100)[2]
Average daily rate (HRK) [3]	**366.2**	321.2	14.0
RevPAR (HRK)	**155.9**	132.8	17.3
RevPAR 365 (HRK)	**72.1**	66.4	8.6

[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.

The Group's campsite operations performed particularly strongly during the peak summer months. Campsite total revenue increased by 11.8% to HRK 170.4 million (2018: HRK 152.4 million). Similarly, accommodation revenue grew by 10.2% to HRK 160.2 million (2018: HRK 145.4 million).

Revenues grew due to a growth in occupancy of 130 bps to 42.6% and a 14.0% improvement in average daily rate to HRK 366.2 (2018: HRK 321.2). The revenue growth was predominantly driven by the opening of our repositioned Arena Kažela Campsite, alongside the continuation of the ramp up of our Arena One 99 Glamping opened during 2018.

The reduction in rooms available is due to the investment in Arena Kažela Campsite which reduced the number of pitches in exchange of mobile homes, pools and other related facilities

EBITDA improved by HRK 3.7 million to HRK 68.8 million (2018: HRK 65.1 million), an increase of 5.6% compared with 2018.

TOURISM IN THE ISTRIAN REGION

Istria recorded 4.6 million arrivals and 28.7 million overnights in 2019 representing an increase of 3.0% and 1.0%, respectively, over 2018. Private accommodation recorded an increase in overnights of 190,000, followed by hotels with 140,000 overnights more whilst campsites recorded a drop of 125,000 overnights.

ARENA ONE 99 GLAMPING

OPERATING REVIEW

GERMANY AND HUNGARY

The following table sets out the Group's results of operations in Germany and Hungary for the year ended 31 December 2019:

	REPORTED / IN HRK			REPORTED EUROS (€)			LIKE-FOR-LIKE[5] / IN HRK		
	Year ended 31 December								
KEY PERFORMANCE INDICATORS	2019	2018	Variance %	2019	2018	Variance %	2019	2018	Variance %
Total revenue (millions)	**250.1**	243.2	2.8	**33.7**	32.8	2.7	**250.1**	243.2	2.8
Accommodation revenue (millions)	**205.2**	195.7	4.9	**27.7**	26.4	4.9	**205.2**	195.7	4.9
EBITDAR (millions)	**75.8**	74.1	2.3	**10.2**	10.0	2.0	**75.8**	74.1	2.3
EBITDA (millions)	**72.2**	49.4	46.1	**9.7**	6.7	44.8	**50.1**	49.4	1.4
Rooms available[1]	**320,835**	320,835	0.0[2]	**320,835**	320,835	0.0[2]	**320,835**	320,835	0.0[2]
Occupancy %[1]	**81.3**	81.9	(63)[2]	**81.3**	81.9	(63)[2]	**81.3**	81.9	(63)[2]
Average daily rate[3]	**786.8**	744.7	5.6	**106.2**	100.5	5.6	**786.8**	744.7	5.6
RevPAR	**639.7**	610.1	4.9	**86.3**	82.3	4.7	**639.7**	610.1	4.8
FTE[4]	**183**	186	(1.6)	**183**	186	(1.6)	**183**	186	(1.6)

[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.

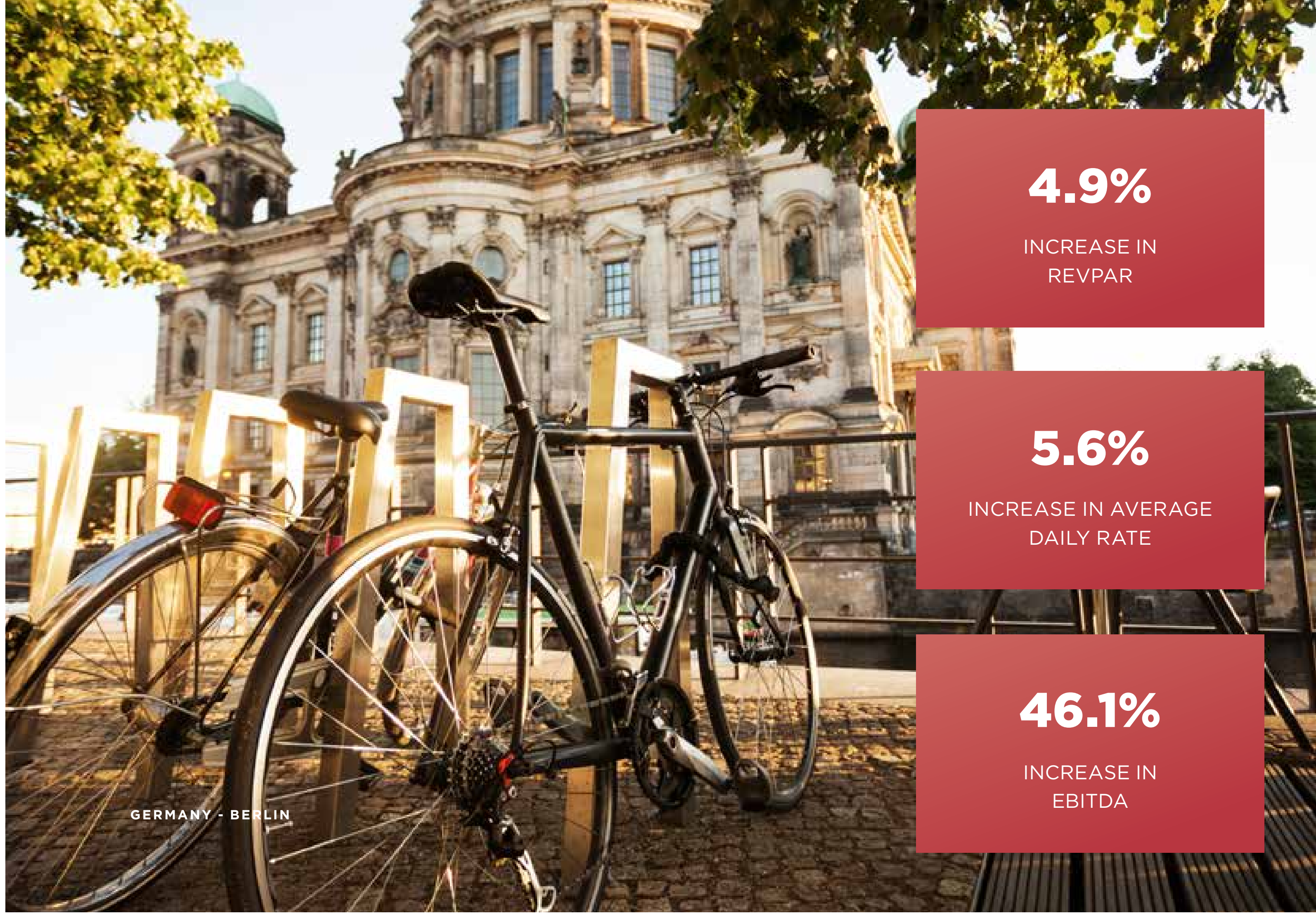
[5] Like-for-like comparison figures for 2019 exclude the influence of IFRS 16, which was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.

Reported revenue grew by HRK 6.9 million to HRK 250.1 million (2018: HRK 243.2 million), representing a 2.8% increase. Accommodation revenue posted a stronger growth of 4.9% to HRK 205.2 million (2018: HRK 195.7 million). This growth was generated by an increase in RevPAR of 4.9% to HRK 639.7 driven by an increase in average daily rate of 5.6% to HRK 786.8 and a steady occupancy of 81.3%. During the year management has decided to change the food and beverage concept with the aim of making it more profitable. This change led to a decrease in the food and beverage revenues which is visible as reported revenue grew at a slower pace than accommodation revenue. This change had a positive impact on profitability.

art'otel cologne and Park Plaza Nuremberg emerged as the main drivers of growth. art'otel cologne growth was enhances by a high volume of fairs and events in the city, many of which only take place every two years.

Park Plaza Nuremberg, on the other hand, had a regular year with no major fairs and/or events but the hotel performed well as it continued to stabilize. Moreover, there was a change in segmentation of customers with a shift away from corporate and groups, which had a beneficial impact on revenues.

Reported EBITDA improved by 46.1% to HRK 72.2 million due to the application of IFRS 16. On a like-for-like basis nevertheless, EBITDA posted an increase of 1.4% to HRK 50.1 million. The positive trading of most of our hotels, predominantly driven by art'otel cologne, was offset by increased labour costs, which are the common denominator across all the asset portfolio, and further exacerbated by higher rental costs and shared commissions. Moreover, there were certain one-off charges related to a write-off of receivables.



4.9%

INCREASE IN REVPAR

5.6%

INCREASE IN AVERAGE DAILY RATE

46.1%

INCREASE IN EBITDA

THE GERMAN AND HUNGARIAN HOTEL MARKET

The hotels in the Berlin upscale market reported a year-on-year increase of 1.6% in RevPAR to EUR 81.2. This growth was the result of a 0.5% increase in average room rate to EUR 98.7 and a 1.1% bps increase in occupancy to 82.3%. In Cologne, the hotels in the upscale and upper mid classes reported a 8.9% increase in RevPAR to EUR 89.6. This increase was a result of an 9.2% increase in average room rate to EUR 116.3 and 0.2% bps decrease in occupancy to 77.0%. In Nuremberg, the hotels in the upscale and upper mid classes reported a 3.4% decrease in RevPAR to EUR 77.3. This decrease was a result of a 4.0% decrease in average room rate to EUR 105.0 and 0.6% bps increase in occupancy to 73.6%. In Hungary, the performance of the upscale hotel market in Budapest continued to improve with RevPAR increasing by 5.6% to EUR 64.0. This growth was a result of a 8.9% increase in average room rate to EUR 80.6 and a 3.0% bps decrease in occupancy to 79.5%. (Source: STR Global, December 2019).

OWNED HOTELS

art'otel cologne
art'otel berlin kudamm
Park Plaza Nuremberg

LEASED HOTELS

Park Plaza Wallstreet Berlin Mitte
art'otel budapest

JOINTLY OWNED HOTELS*

art'otel berlin mitte
Park Plaza Berlin Kudamm

* Part owned do not count towards any of the figures presented in the table on page 54.

OPERATING REVIEW

MANAGED AND CENTRALISED SERVICES

The following table sets out the Group's results of management and central services operations for the year ended 31 December 2019:

	Year ended 31 December		
KEY PERFORMANCE INDICATORS	2019	2018	Variance %
Total revenue before elimination (HRK million)	**116.9**	116.5	0.3
Elimination of intra group revenue (HRK million)	**(108.5)**	(105.8)	2.5
Total reported revenue (HRK million)	**8.4**	10.7	(2.1)
EBITDA (HRK million)	**2.9**	10.0	(70.6)
FTE[1]	**240**	264	(9.0)

[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.

In 2016, 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 reported revenue remained flat at HRK 116.9 million (2018: HRK 116.5 million) as the structure of the portfolio did not change materially. The loss of revenues from art'otel dresden (management contract terminated effective from 31 July 2018) was compensated by the income from the other managed assets.

EBITDA decreased to HRK 2.9 million where more than half of the decrease is related to one-off costs associated with payroll, severance and related expenses.

PARK PLAZA BERLIN KUDAMM

PARK PLAZA ARENA PULA

NON FINANCIAL REPORT

RESPONSIBLE BUSINESS

2019

At Arena Hospitality Group we are regarded as one of the most dynamic hospitality groups in the CEE region.

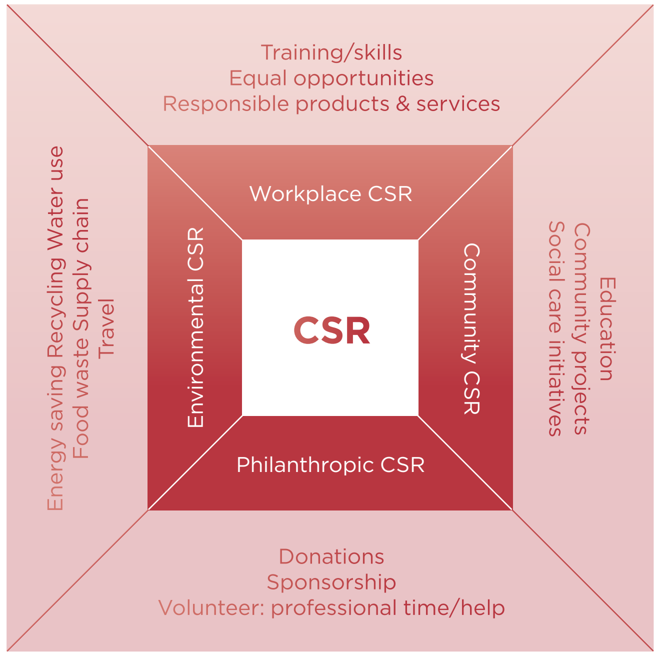
With 26 properties throughout Croatia, Germany and Hungary including campsites, mobile homes, hotels, restaurants, bars and spas both resort based and central city located, we know we have a responsibility to deliver ethical and sustainable experiences across our business.

Working with PPHE Hotel Group, we ensure that our people, places & planet are integrated into everything we do.

DOING BUSINESS RESPONSIBLY

A WORLD OF CHANGE

We understand that in order to be a sustainable business, our strategic goals should focus on our People, Places & Planet to ensure a thriving world where business can operate successfully. We adopted PPHE's Responsible Business programme in 2017 and continue to ensure we meet the desired guest experience by providing both sustainable and authentic experiences.



OUR RESPONSIBLE BUSINESS STRATEGY

As detailed in our Annual Report & Accounts for 2018, we implemented PPHE Hotel Group's Responsible Business programme across Group's business.

The strategy was originally developed by PPHE in collaboration with our Croatian, German and Hungarian team members in 2018. Building on our previous activities, it now focuses on three pillars: People, Places & Planet.

Throughout 2019 we have continued to take positive steps in setting ourselves goals and launching new projects and activities which support each pillar across our regions.

We are delighted to continue seeing the Responsible Business programme being incorporated by all team members in their day-to-day roles and activities.

In 2019, PPHE Hotel Group set-up a Responsible Business Steering Group which included Group's ambassadors representing Croatia, Germany and Hungary who are instrumental in delivering the programme within our business.

We continue to work with International Tourism Partnership (ITP), an industry body that brings together leading hotel companies to collaborate on advancing responsible business issues within the industry. This membership allows us to support industry initiatives relating to responsible business, especially with regards to sustainability and anti-slavery.

Working with PPHE, we identified a number of programmes to help manage consistency and efficiency and improve the overall reporting of our responsible business activities across our portfolio. We look forward to launching and progressing these programmes in 2020.

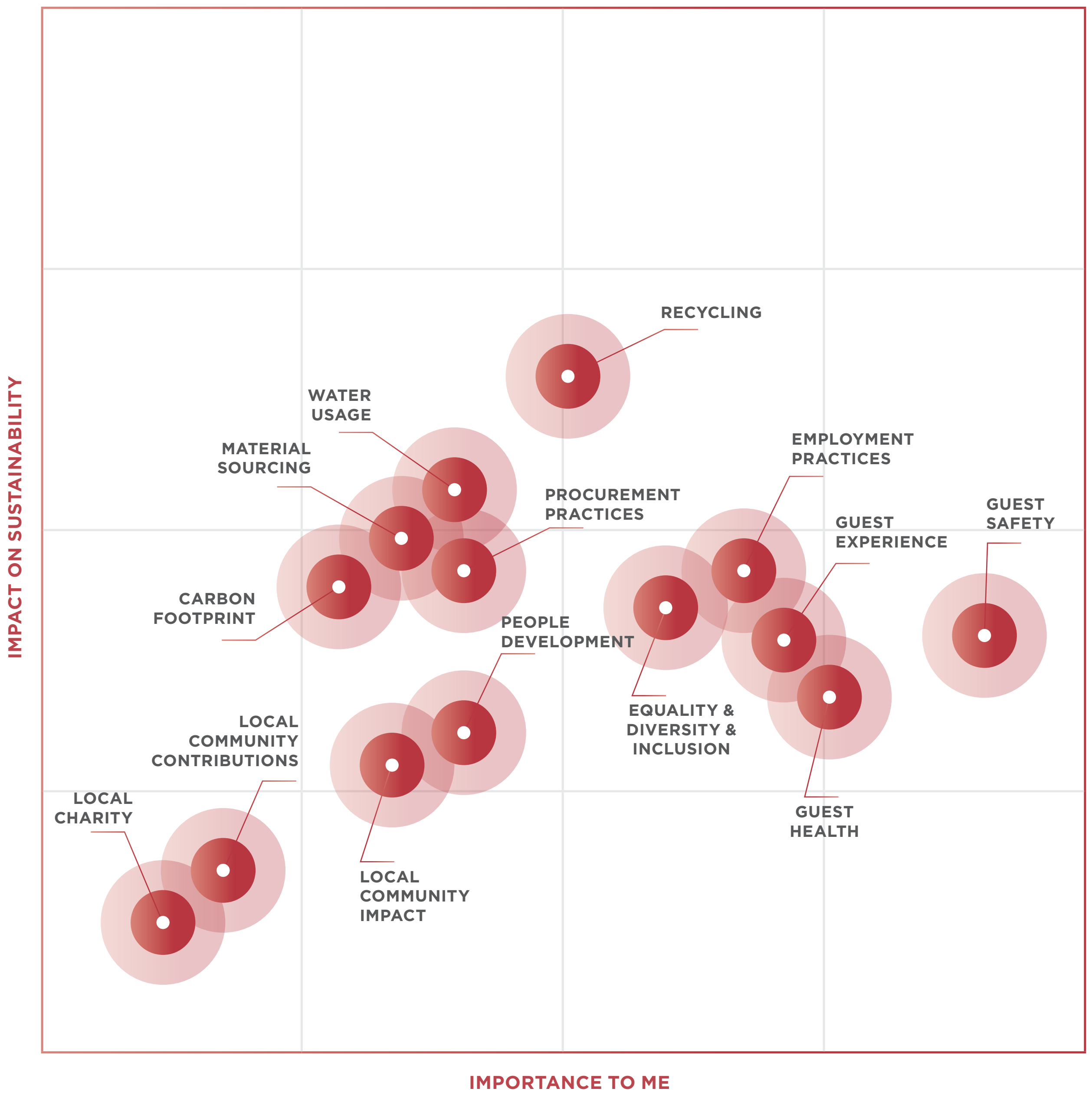
Below you can find a summary of our progress and key activities on each of the three pillars in the last 12 months.

OUR MATERIALITY ASSESSMENT

Working with PPHE in 2018 we conducted a comprehensive online materiality survey with over 4,000 key stakeholders which included Croatia, Germany & Hungary. The aim to identify our most material issues was critical in focusing our efforts and managing our risks and opportunities.

Following a thorough mapping exercise, the results were weighted and plotted by importance to stakeholders and impact on sustainability. Guest safety was ranked as the highest on importance and recycling was ranked as the highest on impact.

The results have enabled us to identify our most material issues and therefore focus our activities and reporting.



1. We analysed issues from a range of sources. The assessment considered topics included in the GRI Standards and ranked issues according to their importance to our team, partners and guests.
2. Stakeholders ranked each issues importance to them as well as the impact on global sustainability. There were 14 questions which were grouped around the three pillars of Responsible Business: People; Planet and Places. We also included an open-ended question that asked if there was anything they would like to add.
3. An online survey was sent to all key stakeholders. These were grouped into three categories:

- Guests – sub-divided by corporate guests, leisure guests, corporate meeting and events, personal event, restaurant and bar and spa;
- Partners and suppliers – sub-divided by supplier of goods and services, education partner, charity partner, corporate partner and employment partner, and
- Team members – sub-divided by hotel, corporate or regional office, restaurant and bar and spa.

This provided an opportunity to see the importance by category and to understand how aligned the responses were between guests and the Group as well as partners and the Group.

4. Scatter plots were used to summarise the results and compare responses by stakeholder. Results were also weighted to give more detailed comparisons.
5. We also reviewed the outcomes with that of the International Tourism Partnership. ITP, a non-competitive platform for hotel industry leaders, performed an industry-wide analysis and mapping of relevant ethical, social, and environmental issues. From this, a materiality matrix was developed which hotel chains can adopt as the basis to identify their own materiality.
6. The materiality assessment was reviewed by the Responsible Business Steering Group and approved by the business.

SUSTAINABLE DEVELOPMENT GOALS

In 2015, the Sustainable Development Goals (SDG's) were adopted by all United Nations Member States, calling for action for countries to address 17 goals to achieve a better future for all. The goals address global challenges and aim to end poverty, fight inequality, protect our planet and enable everyone to live in peace by 2030.

Working with PPHE, we believe that as a business we have an increased responsibility to take action. We have mapped our business activities and material topics against the SDG's to identify where we can make an impact, and identified goals where we think we can contribute to.

Whilst we were able to relate our activities to most of the 17 SDGs, there were five in particular which were most closely aligned with our purpose and values.

PEOPLE

- Linking development to learning
- Attract and retain talent
- Increase diversity in the workplace
- Improve guest experience
- Ensure guest health and wellbeing
- Ensure guest safety and security

WORKING FOR ARENA HOSPITALITY GROUP

The Group employs a diverse workforce across Germany, Hungary and Croatia and promotes an optimal work environment for all of our 1,400 team members.

Our ethos is that with the right attitude, anyone can succeed, and therefore when we recruit we look for individuals who reflect our team member behaviour. Our blueprint 'We are Creators' supports us to effectively recruit and retain team members and build links with the education sector, local authorities, and charities through creating a new way of working, supporting PPHE and Arena's intended guest experience while influencing a desired working climate.

EQUALITY, DIVERSITY AND INCLUSION

The Group ensures that diversity and inclusivity is top of the agenda and maintained throughout the business and properties. We are fully committed to delivering fair treatment for everyone whatever their background, race, ethnicity, gender, or other protected characteristics and deliver opportunity and development for all of our team members, guests and stakeholders.

The Group supports diversity and promotes equality of opportunity for all team members, students and customers regardless of their:

- age;
- disability;
- gender reassignment;
- marriage and civil partnership;
- pregnancy and paternal leave (including maternity and paternity);
- race (skin colour, ethnic or national background);
- religion or belief (including non-belief);
- sex/gender; and
- sexual orientation
- caring responsibilities for a 'protected characteristic' including dependants;
- socio-economic background/grouping;
- union activity; and
- unrelated spent criminal convictions

AGE DIVERSITY - CROATIA

31.12.2019.

AGE DIVERSITY	Permanent team members	Seasonal team members	Total
0 -17	0	1	1
18 - 30	48	44	92
31 - 40	152	46	198
41 - 50	113	35	148
50+	172	28	200
Total	**485**	**154**	**639**

15.07.2019.

AGE DIVERSITY	Permanent team members	Seasonal team members	Total
0 -17	0	2	2
18 - 30	56	610	666
31 - 40	155	143	298
41 - 50	116	110	226
50+	174	116	290
Total	**501**	**981**	**1,482**

GENDER DIVERSITY - CROATIA

On 15.07.2019 Total head count 1,482 (female: 785, male 697, ratio: 53% : 47%).

	Typical roles	Female : Male Ratio %
Team Member	All team members below supervisory level	52 : 48
Team Leaders (Supervisory)	All supervisors, team leaders	80 : 20
Hotel Management	All HOD, Assistant Managers	58 : 42
Hotel Executive team	Financial Controller, HR Business Partners, Operations Managers and equivalents	43 : 57
Senior Regional Management	GMs, Regional Directors and equivalents,	45,5 : 54,5
Senior Corporate Management	VPs, Corporate Directors, Senior professional personnel (i.e. Lawyers, Accountants)	50 : 50

DEVELOPING TALENT

Our team members are critical to the success of our business. Recruiting and inspiring talent is vital for our businesses continued success, as well as the personal success of each of our team members. As such, supporting and encouraging team members to develop and grow their careers within the business is a priority for us.

Development programmes

With talent development being a key focus, PPHE created the Apprenticeship Academy and invited the Group's eligible team members to participate.

In Croatia, the Company, in collaboration with the Ministry of Tourism, continues to offer four scholarships to students from the School of Tourism, Hospitality and Trade. As part of the programme, the Group's team members train 55 apprentices annually to be chefs, waiters, pastry chefs, and receptionists. Furthermore, team members give guest lectures at the School of Tourism and mentor students, including adults seeking qualifications. We have also continued our partnership with University of Economics and Tourism in Pula and apart from offering guest lectures in the fields of Revenue Management, Human Resources, Strategic Control, several students have done their required internships with us in the Marketing & Sales department. In 2019 one of the students that we sponsored through a scholarship successfully graduated and is currently employed in our HR team. We are also working closely with the Agency for Rural Development of Istria to provide cooking workshops in spring and autumn.

In 2019 we continued our partnership with Diopter, an open university, in regards to supporting prequalifications for local unemployed people offering programmes for future cooks, bartenders, baristas. We support the programmes in terms of practical trainings. Apart from the partnership with Diopter, in 2019 we also signed a partnership with the local School for Tourism, Hospitality and Trade, Pula, KLIK – centre of competencies. It is a 35 million Euro project funded through EU funds and will focus not only on qualifying existing high school students for careers in Tourism (cooks, waiters, pastry chefs, receptionists), but will also offer prequalification for adults looking to build careers in the aforementioned professions. Our company will support the programmes through practical training opportunities and specialist guest lectures.

In Germany, we continued our partnership with Campus Berlin Study & Life, an international university with a campus based in Berlin. Our role in this collaboration is the practical education on the job in operation and administration section. In 2019 we had three students placed in different properties in Berlin. Their major subjects of study were tourism and accounting. They will experience all operational and back off house departments in the period of three years and take part in all required trainings. That way all areas will be covered and we are striving for their retention afterwards. The Group covers the tuition fees. In 2020 we are looking into further collaboration with other universities and local hotel academies in Germany & Hungary. In terms of internships we have several partnerships with Dutch hotel schools. Students are coming to Germany to complete a semester abroad. They would normally be working in operations to gain direct job experience.

HEALTH AND WELLBEING

Embedding a long-term and positive culture to mental and physical health across the organisation is important to us. We want to promote a mentally healthy environment, stopping preventable issues and allowing people to thrive and become more productive.

The Company is collaborating with the Croatian Institute for Public Health through their "Healthy Living" programme, specifically working on implementing the module "A health friendly company". The main objective of the project, which is co-financed by the European Union from the European social funds, is to recognise and promote healthy values and, to improve work environment and health of employees. After the evaluation of Company's activities related to promotion of health and improvement of work environment and education, the certificate will be awarded for a period of two years. One of the trainings programmes relates to mental health.

TEAM MEMBER ENGAGEMENT

Working with PPHE we have been measuring team member engagement since 2015 and it continues to play an important role in the further development of Group's activities.

Each year, team members are asked detailed questions around their job, manager, team and company, and an overall engagement score is produced. Questions have been developed in multiple languages to remove as many barriers to entry as possible and encourage participation. In 2019, 1,300 team members participated in the survey at a participation ratio of 87%, our employee engagement index for the Group has remained high at 83.8.

SAFETY AND SECURITY

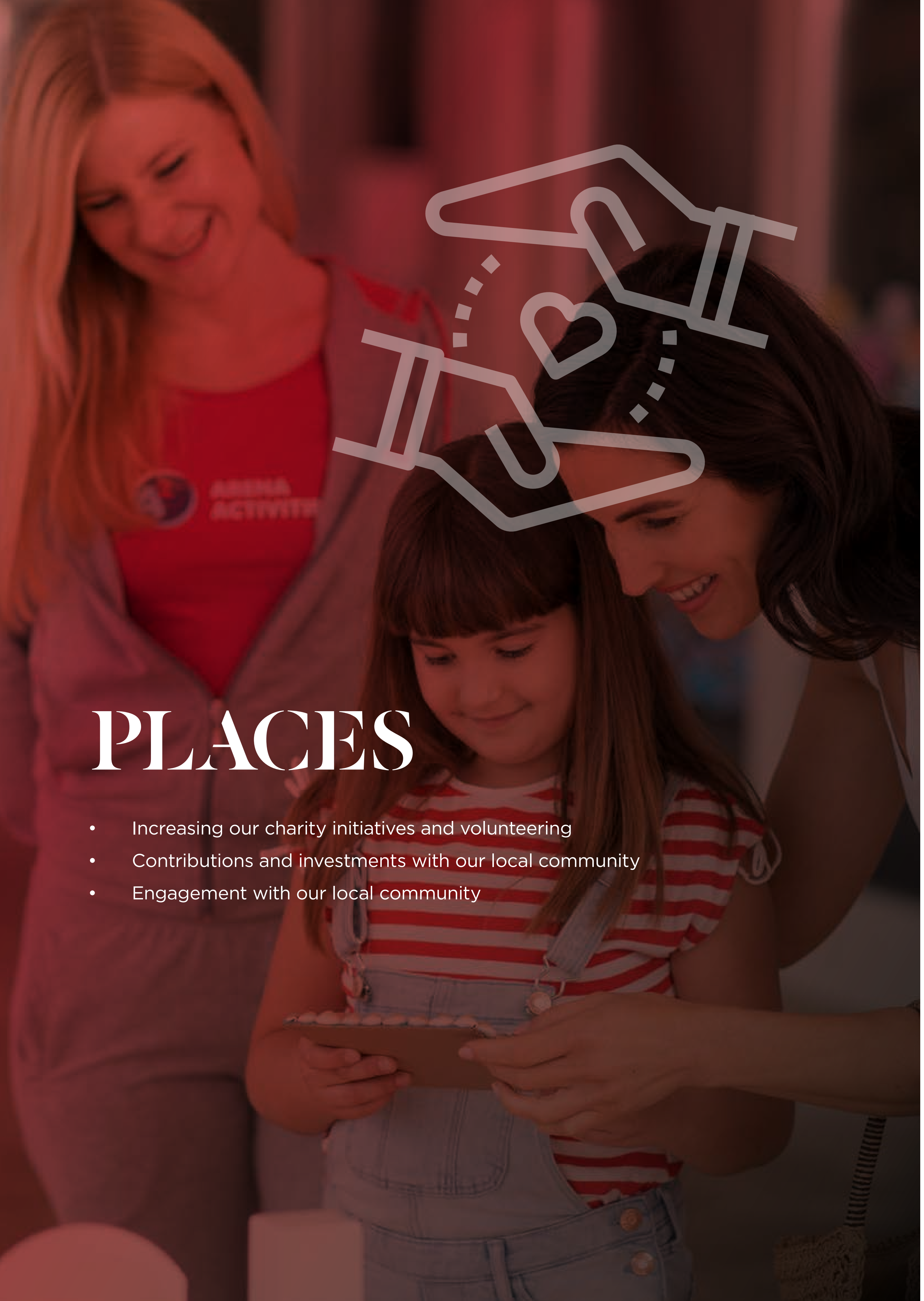
The safety, security and wellbeing of our guests and team members remains our priority. As such, it is embedded into our culture and business practices, this being top tier led and team member driven. Our Directors and management ensure that sufficient time, resources and trainings are allocated in order to, not only maintain our high standards, but to strive for continual improvement. All hotels and properties have in place a Crisis Plan with specific planning and contingency arrangements included. The plan is tested both internally and externally and taught to all hotel management and Heads of Department (HOD) on a regular basis, in order to ensure that all are fully aware and competent in their role and responsibilities in the event of any crisis incident in the hotel or near vicinity. All hotels have in place an (Accredited) Fire Risk Assessment, in full compliance with the Regulatory Reform (Fire Safety) Order 2005 and Regional Fire Statutory requirements. Each hotel has appropriate safety measures in place including emergency evacuation plans. Measures include sprinkler systems (30% of hotels), smoke detectors (90% of hotels, 50% of resorts), fireproof separation of parts of the buildings (which includes fire proof and smoke proof doors and vent systems), CCTV, team training and refresher training as well as ongoing full hotel evacuation training. All hotels are manned 24 hours a day (during the season – usually only 1-2 hotels are open throughout the year). We are actively working on improvements so each year another property gains new or renewed fire detection or fire suppressing system.

We take the privacy of our customers very seriously. Over the last year we have reviewed our systems and policies to ensure that we are GDPR compliant and keeping up to date with all data privacy regulations. In order to comply, we identified how we process data and have instituted policies to process it in line with this new European law. We have a system in place to identify when we deviate from the prescribed procedures of processing data, either by using technology or by self-reporting. We have also designed and are currently implementing a new training system for our team members, enabling them to anonymously reporting misuse of personal data, allowing us to mitigate and prevent further risk.

HUMAN RIGHTS

We require all team members to uphold the Group's and policies on business ethics and anti-bribery and corruption. We introduced a Code of Ethics and Whistleblowing Policy during 2013 that applies to all Group Team Members. We require compliance with a comprehensive suite of anti-bribery policies, including a Gifts and Entertainment Policy which extends to all business dealings and transactions in which we are involved. 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 policies and guidance in this area are routinely reviewed. These policies are included in our training and induction programme 'Feeling Welcome'. All trainings are provided in the local language.

ART'OTEL BERLIN MITTE



PLACES

- Increasing our charity initiatives and volunteering
- Contributions and investments with our local community
- Engagement with our local community

LOCAL FOOD AND CULTURE

Local gastronomy is an important part of the culture, heritage, and customs of our destinations. Not only is cuisine an increasingly important motive for travel, but also a key element in evaluating the overall experience and guest engagement.

In our Croatian region, we are proud to have created a programme called 'days of local cuisine', which enables our guests to enjoy traditional Croatian dishes and experience national costume, as well as promote local cultural and artistic organisations through the procurement of local food and crafts.

Arena Hospitality Group's team created a cookbook of Istrian specialties. With each meal, our sommelier recommends wine, and our bartender and mixologist suggests different cocktails. The recipes and cocktails presented follow us year-round, month after month, and remind us of some, perhaps forgotten, but essential scents, flavours and memories that we wanted to convey to our guests.

The quality and offering of food we serve to our customers is important and many of our restaurants source local produce direct from markets. Menus are being developed to give more choice to vegans, vegetarian and accommodate other dietary requirements. Several detox programs have been defined such as classic daily meals (breakfast / lunch) and various detox snacks, juices and tea.

WORKING WITH LOCAL COMMUNITIES

The Group is committed to working with its local communities and we are conscious of our impact on the environment and continue to aim at reducing such impact when operating our hotels, resorts and campsites, restaurants, bars and spas.

On a Group level, we support Breast Cancer Care and the Movember Foundation. For November 2019, team members across the business, both operational and corporate, organised and participated in fund raising activities and invited guests to join these initiatives.

Apart from the support to charities which are supported Group-wide, each of our hotels support their local community, with activities throughout the year. This is done in a number of ways including fundraising, volunteering and in-kind giving. Examples of such local projects are:

Supporting children and families

- The regional team in Germany invited 70 children from Kindergarten MANNA in Neukölln, which is an area of social challenge in Berlin, for a healthy lunch at the Berlin ZOO prepared by Park Plaza Berlin Kudamm.
- Park Plaza Berlin Kudamm and art'otel berlin kudamm jointly donated new sand for the playground of Kindergarten "Heilig Geist" in Willmersdorf/ Charlottenburg, which is the neighbourhood in which the mentioned hotels are located.
- As part of the first Pula Marathon held on September 22, 2019, the Company organised the first Arena Kids Run in which 100 children participated. The race was held in three categories 3-6 years, 7-10 years, 11-14 years, with a start and finish line in front of the Pula Amphitheatre. We believe that the Arena Kids Run will become a local tradition and attract a large number of children in the coming years, encouraging children to play sports and directing them towards a healthier lifestyle.

Suporting local community

- In light of the Company's view to respect equality laws, social norms and support civil rights, diversity and offer equality of opportunity for all, the Company has engaged Tekop Nova, an employment facility for disabled people, to design the Company's Christmas gift bags.
- Park Plaza Histria has made its lobby available free of charge for the concert performed by professors of Music School Ivan Matetić-Ronjgov Pula, in honour of the school's 70th anniversary.
- In 2019 the Group signed a partnership with UNICEF. The goal of this partnership is to support UNICEF's programme "For a Stronger Family" with the aim to provide adequate support for every family in need. Fundraising will be organised through various activities across departments of the Group. The Group has committed to make a yearly donation to UNICEF in 2020 and 2021 in the amount of HRK 100,000, irrespective of the amount raised by the fundraising activities. Further, some team members participated in UNICEF's educational programme "Children are our most important business". The goal of this was to respect and promote children's rights not only through various forms of donations, but with a more inclusive engagement that will help us support children and their rights through our business, environmental and social activities.

KEY MESSAGES:

The Company:

- supports UNICEF programme "For a Stronger Family" in The Company's hotels, resorts and campsites;
- is the first hospitality company in Croatia which opened doors to UNICEF programme "For a

Stronger Family" in an easy and simple way;
- partnered with UNICEF on the programme "For a Stronger Family" that helps to ensure better living conditions and a better future for vulnerable children;
- is the first hospitality company in Croatia which has a long term partnership with UNICEF;
- is the first hospitality company in Croatia to join the cooperation of UNICEF, Touristic Board and the Ministry of Tourism;
- is the first hospitality company to launch the Fundraising donation through stand-alone devices for voluntary customer donations via special POS (point of sale) terminals;
- is the first hospitality company in Croatia which conducted CRIA (Child Rights Impact Assessment).

- The Summer season of 2019 started with a humanitarian concert The Rocks & Stars @ Cave Romane Musical Festival, where the Company and Bina Istra supported UNICEF's programme for young children in Croatia. The amount of HRK 75,000 was donated to the General Hospital in Pula to, amongst other things, improve the conditions for all future mothers in the maternity clinic.
- After a successful 2019 season the Company organised its team members party events with humanitarian character theme, employees participated in Tombola and collected donations for UNICEF.

ARTS AND CULTURE

- The Company was the initiator of Verudela Art Park project with a purpose to enrich the cultural tourism offer in the destination and to promote local artists in accessible public space. The park is located at Verudela peninsula and extends to 5,500 m^2 where seven monumental works of the eight artists are exhibited. In cooperation with City of Pula, Pula Tourism Office and Zagrebačka Bank, HRK 4.4 million was invested, of which the Company invested HRK 375,000. Besides the investment, the Company is in charge of long term maintenance of the park to the benefit of local community and the guests.
- The Company sponsored the Sa(n)jam knjige u Istri (Book Fair(y) in Istria), an important cultural festival of books and authors and is the patron of the Libar za Vajk award (Book for Ever), awarded at the festival for a fifth year in a row. The amount sponsored this year is 75,000 HRK.
- In partnership with the City of Pula, the Company sponsored the humanitarian Christmas gala concert traditionally, held at the Istrian National Theatre in Pula. Funds collected (HRK 25,000) from ticket sales will be donated to "Spektar" the athletic club for people with disabilities.

Although our combined activities continue to make positive local level impact, we have identified the need for more transparency on our activities. In 2020, we have committed to develop a strategic community plan aligning to our core business purpose.

SUPPORTING OUR COMMUNITIES
INCLUSIVE WORK FOR ALL

We are committed to providing work opportunities for our local communities, and aim to support disadvantaged and underprivileged people into careers. In Croatia, we continued our partnership with Diopter for the EduTurizam project together with the Institute for Labour Market Development. During the first phase of the project a number of individuals were trained to become chefs. The second phase of the project will emphasise a development programme for entertainers and bartenders-baristas. The goal of the project is to provide skills to unemployed individuals and include them in the hospitality industry mainly for the following occupations: chefs, bartenders-baristas, and senior entertainers.

ART PARK VERUDELA PULA

PLANET

- Reduce carbon footprint
- Reduce water usage
- Reduce waste and recycle more
- Increase the use of ethically sourced and eco-friendly materials
- Futureproof our organisation

FUTUREPROOFING OUR BUSINESS

Our real estate programme invests, develops and renovates our properties to create value for our assets. Innovation in our design is critical and we have a unique opportunity to ensure that we futureproof our developments to consider guest feedback, environmental and social considerations, and future trends. Looking forward, we are focusing on a number of repositioning programmes within Croatia specifically and during the planning phase, we have considered the sustainability of our buildings from the start. Where we undertake repositioning and renovation programmes, we ensure that sustainability is central to the planning. Where possible, we upcycle, re-energise or donate used furniture to charity or local community groups.

WASTE REDUCTION

Working with PPHE we carried out a materiality assessment and identified recycling as having the largest impact on sustainability for our business. In Q4 2019, the Company worked with PPHE as part of a new Waste Strategy Steering Group to identify key priorities and to make holistic and faster decisions to curb our waste.

We work closely with PPHE's procurement team to minimise waste impact on the reduction of our operations. During tendering, we have considered the impact of products and how they are delivered. This includes 'hidden packaging', the packaging in which the products arrive, to ensure that packaging waste can be returned to the supplier, and packing that we do use is limited to re-useable, recyclable or biodegradable waste only. We encourage all of our hotels to reduce the amount of waste they produce on site and this is achieved in many different ways. In line with the Company's Responsible Business strategy, eco paper certified FSC® (FSC C017326) and Blue Angel will be used to print Arena News and Payroll Forms. In the future, the Company employees will receive two of their most-used documents on paper that is exclusively or largely made from recycled fibres and by defines criteria for the quality class of recycled paper and chemicals used in their production. In doing so, we are contributing to a long-term sustainable and responsible business model as well as to our goal to increase the use of environmentally friendly materials. We are acutely aware that the use of single-use plastics is high on the agenda for consumers and businesses. The European Parliament has backed a wide-ranging ban on single-use plastics which are to be banned from mid 2021 and working with PPHE we are currently reviewing all proposed banned items and single-use toiletries within our waste strategy, as well as putting measures in place to reduce our overall waste now and in the future.

Conversely, we have also increased the total amount of waste recycled and reused by 201.6 tons or 20.4%, to 1.192 tons (2018: 990.0 tons).

ENERGY AND EMISSIONS

Most of our energy consumption comes from the heating and cooling of our hotels. It is important for us to monitor our energy consumption through our energy-monitoring system in order to identify areas for short and long-term improvement, as well as maximise energy efficiency through our control systems. We continually invest in technology to reduce our carbon footprint and encourage our guests to be sustainable. Following the successful installation of charging stations for electric vehicles in Park Plaza Belvedere, Medulin, Park Plaza Verudela Pula and Arena One 99 Glamping, in 2019 we opened charging stations at Arena Grand Kažela Campsite. Working with PPHE, we also promote our 'Save tomorrow, today' programme, where we actively engage our guests in reducing their environmental impact through the reduction of water, electricity and cleaning materials used in our properties. In Q2, we introduced carbon neutral meetings and event rooms for our guests. Together with Radisson, we are working with First Climate, one of the largest carbon offsetting organisations in the world, to offset our carbon footprint for every meeting room. This is a complimentary service to our meeting and events customers. For every meeting or event held in one of the facilities of the Group, the carbon footprint of such meeting room and the services provided are offset through projects. As a result of the above, as a Group we have managed to successfully reduce our carbon emissions by 674.5 tons or 48.9% to 705.8 tons per year (2018: 1.380 tons per year).

WATER CONSERVATION

Water conservation is critical to us, and we continue to invest in water efficient technology. We have also committed to installing water-softening systems in to hotel rooms with the purpose of reducing lime scale, reduce the use of cleaning chemicals into the water system, and improving the quality of water. We also encourage guests to think about their impact on the environment and save water through our towel and linen reuse programme. We continue to take measures to protect our beaches and marine life, especially given we operate a number of properties in resort locations in Croatia. In 2019, we were awarded a Blue Flag Gold plaque for 15 years of ongoing activities to promote sustainability in the tourism sector, through environmental education, environmental protection and other sustainable development practices which we were delighted to receive.

GOV ERN ANC E

EXPERIENCED LEADERSHIP

SUPERVISORY BOARD

BORIS IVESHA
CHAIRMAN OF THE SUPERVISORY BOARD

SKILLS AND EXPERIENCE

Boris Ivesha has been President and Chief Executive Officer of PPHE Hotel Group since formation. 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, Boris 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.

YOAV PAPOUCHADO
VICE CHAIRMAN OF THE SUPERVISORY BOARD

SKILLS AND EXPERIENCE

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.

KEVIN MICHAEL MCAULIFFE
SUPERVISORY BOARD MEMBER

SKILLS AND EXPERIENCE

Kevin Michael McAuliffe, is the Non-Executive Deputy Chairman of the PPHE Hotel Group. 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. He also held posts in three different departments in the States of Guernsey (1973-1980).

ABRAHAM THOMAS
SUPERVISORY BOARD MEMBER

SKILLS AND EXPERIENCE

Abraham Thomas, formerly Vice President Financial Control of PPHE Hotel Group has 35 years' experience working in the hotel/leisure business. He previously worked in the Finance Department of PPHE Hotel Group, first as Financial Controller of Park Plaza Victoria Amsterdam in 1993 and then grew into the position of Vice President Financial Control in which he was actively involved in the growth of the PPHE Hotel Group to its present structure.

AMRA PENDE
SUPERVISORY BOARD MEMBER

SKILLS AND EXPERIENCE

Amra Pende currently acts as legal advisor in education area. Previously, she acted as legal counsel at Uljanik d.d. where she had worked for over 30 years. Ms. Pende has acted as the Chairwoman of the Supervisory Board of Uljanik Plovidba d.d. for the last twelve years and for the last three years has been a member of the Board of Directors of the Pula Film Festival. Ms. Pende has a law degree from the University of Zagreb.

LORENA ŠKUFLIĆ
SUPERVISORY BOARD MEMBER

SKILLS AND EXPERIENCE

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, Ms. Škuflić was employed at the Croatian Chamber of Economy – County Chamber Pula and also with the Institute of Economics, Zagreb. Ms. Škuflić obtained her PhD in economics at the University of Rijeka in 1999. Ms. Škuflić is a member of boards at the Faculty of Economics and Business, the University of Zagreb and the Ministry of Science and Education, as well as a member of different associations.

DAMIR LUČIĆ
BOARD MEMBER (APPOINTED BY WORKERS' COUNCIL)

SKILLS AND EXPERIENCE

Mr Damir Lučić has been an employee of the Company since1979, and is the member of the Company's Works Council and also the trade union representative. He has for years had a very active role in representing interest of the employees in the Company.

EXPERIENCED LEADERSHIP

MANAGEMENT BOARD

PRESIDENT OF THE MANAGEMENT BOARD'S STATEMENT

REUEL ("RELI") SLONIM

SKILLS AND EXPERIENCE

Reuel Slonim joined Arena Hospitality Group as an 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 and Belgrade. Under his tenure, Arena grew from a local company with an EBITDA of EUR 4 million in 2008 to a truly international player with an EBITDA exceeding EUR 30 million in 2019. During these years the Group introduced highly professional management procedures, updated IT systems and refined a training and development culture, all of which has solidified recognition of Arena Hospitality Group as a leading hospitality company in Croatia. In addition, Mr Slonim is active in the communities of Pula and Medulin, member of the local Tourist Boards, and a committed supporter of local culture and sports.

MEMBER OF THE MANAGEMENT BOARD AND CHIEF FINANCIAL OFFICER

DEVANSH BAKSHI

SKILLS AND EXPERIENCE

Devansh Bakshi joined Arena Hospitality Group in 2019 as Board member and Chief Financial Officer. Until end 2018, Mr. Bakshi was the 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 Mr. Bakshi joined the PPHE Hotel Group and worked for over five years as a Regional Financial Controller for the UK region leading a portfolio of owned, managed and franchised hotel finance operations. Prior to that he worked for Hilton in London UK for over 10 years, latterly as the Cluster Finance Director. Mr Bakshi obtained a Hotel Management degree and started his hospitality career in hotel operations working for Taj Group of Hotels for four years. He completed his Master of Business Administration in International Business,and is a qualified Chartered Global Management Accountant and Fellow Member of the UK Chartered Institute of Management Accountants. He is also a Financial Management Certified Associate Member of Hospitality Professionals Association in the UK. With over 23 years of experience in the hotel industry covering multiple finance disciplines he brings a wealth of industry experience.

MEMBER OF THE MANAGEMENT BOARD AND MARKETING AND SALES DIRECTOR

MANUELA KRALJEVIĆ

SKILLS AND EXPERIENCE

Manuela Kraljević joined Arena Hospitality Group as Sales and Marketing Director in January 2009, and in 2018 she became a member of the Management Board. 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. Previously to that, for the same company, she was the Contracting Director for both Istraturist Umag and Jadranturist Rovinj for four years. Since joining Arena Hospitality Group in 2009, she has repositioned seven upgraded properties, directed the development of the sales and marketing department and the introduction of revenue and yield management, the growth of new digital and online business, the introduction and launch of new technical hotel innovation. Under her leadership, developing and directing marketing and sales strategies for 15 hotels and 12 resorts and campsites, the Group is now gaining market share and penetration in Germany, Hungary and Croatia. Mrs Kraljević is a member of the following committees: the Board of Marketing Directors of the Istria Tourist Board, the Assembly of the Medulin Tourist Board and the Economic Council of the Croatian Chamber of Economy for the Istrian Region. Her marketing achievements were awarded four times with the Golden Goat Award.

GOVERNANCE

CORPORATE GOVERNANCE REPORT

Corporate Governance Code

In 2019, the Company has applied the Corporate Governance Code of the Zagreb Stock Exchange (the Old Code). The Company complied with the recommendations of the Old Code based on the principle "comply or explain". The Company abides by this principle and, where relevant, provides reasons for non-compliance with the recommendations of the Old Code. The Company will publish its annual corporate governance questionnaire for 2019 in which it will provide explanations on situations in which it does not comply with the new Corporate Governance Code on ZSE by 30 June 2020, as requested by the new Corporate Governance Code and the Rules of the ZSE (the ZSE Rules).

The Company will also, on the same "comply or explain basis" from 1 January 2020 onwards apply the new Corporate Governance Code (the New Code) as adopted by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange (the ZSE) in October 2019.

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, and the website of the ZSE and the court register web sites. Under the current Articles of Association of the Company, there is no requirement for the shareholders to register their attendance at the General Assembly meetings in advance and any shareholder registered in the Company's share register kept by the Central Depository & Clearing Company Inc. on the 21st calendar days before the day of the General Assembly meeting is entitled to participate and to vote at the General Assembly.

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

The General Assembly is, inter alia, competent for amending the Company's Articles of Association by decision adopted with the majority of 3/4 of share capital represented at the General Assembly (except in relation to the authorised share capital increase, which decision is adopted with qualified majority of 9/10 of the share capital represented at the General Assembly). Under the current Articles of Association of the Company, the Management Board may decide, with the approval of the Supervisory Board, upon authorised share capital by issuing new shares up to an amount of HRK 51,287,210, with exclusion of shareholders' pre-emptive rights in case of share capital increase up to an amount of HRK 20,000,000 in connection with acquisition of shareholdings in companies, or acquisition of assets or rights related to hospitality activities from persons, not affiliated with the Company. Pursuant to the decision of the General Assembly dated 30 August 2017, the Company may acquire treasury shares.

During 2019, one regular meeting of the General Assembly of the Company was held on 30 April 2019. On that General Assembly:

- the Company's Annual Report for 2018 (consolidated and non-consolidated) as well as the report of the Supervisory Board for its work in 2018 were considered;
- the decision on use of profit realised in 2018 was adopted;
- the decisions on granting discharge to the members of the Supervisory Board and the Management Board for their work in 2018 were adopted;
- the auditor of the Company for consolidated and non-consolidated reports for 2019 was appointed;
- the decision on dividend payment was adopted, under which a dividend of 5.00 HRK per share was paid out from part of the retained earnings from 2017.

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 5 September 2018 until closing of the General Assembly meeting to decide upon granting discharge to members of the Supervisory Board for their work in 2019. A Supervisory Board member may be recalled before expiry of his mandate by decision of the General Assembly adopted with the majority of 3/4 of votes cast or by decision of the Company's employees' council respectively.

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

The members of the Supervisory Board are: Boris Ernest Ivesha (Chairman), Yoav Arie Papouchado(Vice-Chairman), Kevin Michael McAuliffe, Abraham Thomas, Amra Pende, Lorena Škuflić and Damir Lučić. 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 six meetings (including correspondence voting) during 2019.

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 2019, the total amount of HRK 1.1 million gross was paid as remuneration of Supervisory Board members.

Acting in the spirit of provisions of the Old Code, a member of the Audit Committee of the Supervisory Board performed an internal evaluation of its work for the year 2019 which was presented to and discussed by the Supervisory Board.

Supervisory Board Committees

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

Audit Committee

The Company's Audit Committee consists of three members appointed by the Supervisory Board amongst its members: Lorena Škuflić (President), Amra Pende and Kevin Michael McAuliffe (members). In accordance with Art. 139 of the ZSE Rules, the Company confirms the independent status of its Audit Committee on the day of issuance of this Report.

The operation of the Audit Committee is regulated by decisions of the Supervisory Board, in line with the provisions of the Companies Act, the Audit Act, the Company's Articles of Association and the Rules of Procedure of the Supervisory Board. During 2019, the Company's Audit Committee held two meetings (including correspondence voting): on 22 February 2019 where the Financial Statements of the Company for 2018 (consolidated and non-consolidated) was considered and the appointment of Ernst & Young d.o.o. Zagreb as the Company's auditor for 2019 was recommended, and on 15 October 2019 where, among others, the scope and the timing of 2019 audit as well as the Policy for Approval of Non Audit Services were discussed.

Nomination and Remuneration Committee

The Company's Nomination and Remuneration Committee consists of three members appointed by the Supervisory Board amongst its members: Amra Pende (President), Lorena Škuflić and Kevin Michael McAuliffe (members).

The operation of the Nomination and 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. During 2019, the Company's Nomination and Remuneration Committee held one meeting on 30 July 2019 to recommend the prolongation of the mandate of the members of the Management Board (with exception of Mrs Milena Perković, whose mandated expired on 6 September 2019).

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 2019 and at the day of issuance of this Report, the members of the Management Board are: Reuel Israel Gavriel Slonim (President), Devansh Bakshi and Manuela Kraljević (members). The mandate of appointed members of the Management Board expires on 6 September 2021 and they 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 (from page 34 to 39).

The most important Management Board meetings held during 2019 were:

- 27 February 2019 where, inter alia, the interim report for the fourth quarter of 2018 and the Annual Report of the Company for 2018 (consolidated and non-consolidated) were adopted;
- 29 March 2019 where, inter alia, the decision on convocation of the Annual General Assembly meeting for 30 April 2019 and the decision on the pay out of the dividend in the amount of HRK 5.00 per share were adopted;
- 29 April 2019 where, inter alia, the interim report for the first quarter of 2019 was adopted;
- 28 June 2019 where, inter alia, the decision on the adoption of the Share Buy Back Programme of the Company was adopted;
- 30 July 2019 where, inter alia, the interim report for the second quarter of 2019 and the half-year report for the first six months of 2019 were adopted;
- 30 October 2019 where, inter alia, the interim report for the third quarter of 2019 was adopted.

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INVESTOR INFORMATION

Major shareholders

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 2019, 43,747 shares were held as treasury shares. Shareholders with holdings of 3% or more of the Company's registered capital as at 31 December 2019 are listed below:

SHAREHOLDERS	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%	52.93%
OTP BANKA d.d. / AZ OMF kategorije B	10.66%	10.75%
ADDIKO BANK d.d. / PBZ CO OMF-kategorije B	9.13%	9.21%
OTP BANKA d.d. / ERSTE PLAVI OMF kategorije B	6.47%	6.53%
PRIVREDNA BANKA ZAGREB D.D./SKRBNIČKI ZBIRNI RAČUN KLIJENTA	2.89%	2.91%

PPHE Hotel Group is the Company's indirect controlling shareholder, through its 100% owned subsidiaries: Park Plaza Hotels (UK) Ltd, PPHE Coop B.V., Euro Sea Hotels N.V., Bora B.V. and Dvadeset Osam d.o.o.

Valuation

VALUATION	2019		
	High	Low	Last
Share price (HRK)	386	324	370
Market capitalization[1] (HRK '000)	1,979,686	1,661,706	1,897,627
Net debt[2] (HRK '000)	481,479	481,479	481,479
EV[3] (HRK '000)	2,461,166	2,143,185	2,379,106
EV/EBITDA[4]	10.7x	9.3x	10.4x

[1] Market capitalization calculated as share price multiplied by the number of outstanding shares (5,128,721)

[2] Net debt calculated as current and non-current bank borrowings, other current and non-current loans and finance lease obligations, minus cash and cash equivalents.

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

Share price performance in 2019

The Group's share price performance during the year was positive. It started the year at HRK 340 per share and closed the year at HRK 370 per share, representing an increase of 8.8%. The share experienced a through in April at HRK 324 and a peak in August when the share traded at HRK 386. The average daily liquidity of the share during the year was HRK 0.4 million. During the year a total volume if shares traded amounted to HRK 87.4 million of which HRK 64.3 million was regular trade and HRK 23.1 million was through block trades.

The Group has two active market makers, Interkapital vrijednosni papiri d.o.o. and Zagrebačka banka d.d. and three research institutions that are following the Group: Erste bank d.d., Interkapital vrijednosni papiri d.o.o. and Zagrebačka banka d.d..

Regular meetings are held with existing and prospective investors and during 2019 more than 60 meetings were held. During the year management attended some of the most relevant investor events, amongst other, Zagreb and Ljubljana Investor conferences, Erste Investor conference in Vienna, Wood Investor conference in Prague and Belgrade, London Stock Exchange CEE conference in London and Auerbach Grayson Investor conference in New York. Moreover, an investor day was held in Berlin to present the Group's results and investment plan and showcase the assets within its German portfolio.

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

*Note: Crobex Prime and Crobex indices rebased to the share price of ARNT as at 2 January 2019

CROBEX PRIME 17,3%

CROBEX 16,7%

ARNT 8,8%

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STATEMENTS

FINANCIAL STATEMENT

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 2019 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 and Hungary (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 two distinct brands: Park Plaza® or art'otel®.

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.

2019 results

The results for the year ended 31 December 2019 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 - 39). 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 30 April 2019 for the audit of the consolidated and non-consolidated annual financial statements of the Company for 2019.

In 2019, the Company paid total fees of HRK 507,874 to its independent auditor.

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 2019 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 and in (Note 1.c), has led the Management Board to conclude that it is appropriate to prepare the 2019 financial statements of the Company (consolidated and non-consolidated) on a going concern basis.

Financial risk management objectives and policies

(from page 34 - 39) 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 and 116/2018), 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, 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:

DEVANSH BAKSHI

MANUELA KRALJEVIĆ

PARK PLAZA HISTRIA PULA

FINANCIAL STATEMENT

MANAGEMENT BOARD'S DECISION

Pula, 26.02.2020.

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 26 February 2020.

DECISION TO ADOPT THE ANNUAL FINANCIAL STATEMENTS AND PROPOSAL OF THE PROFIT DISTRIBUTION

I. The Management Board hereby determines the Annual Financial Statements of the Company for 2019 (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 2019 refer to Arena Hospitality Group d.d. The Company's consolidated Annual Financial Statements for 2019 refer to: Arena Hospitality Group d.d., Sugarhill Investment B.V. and Germany Real Estate B.V. (the "Group").

II. The Annual Financial Statements of the Company for 2019 (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 2019 (consolidated and non-consolidated), which comprises of:

- Annual financial statements of the Company for 2019 (consolidated and non-consolidated), together with the Auditor's Report;
- Statement on application of the corporate governance code;
- Management Report for 2019 (consolidated and non-consolidated), which includes the Strategic Report and the Corporate Governance Report, and
- Statement of the Company's responsible persons.

IV. The Management Board hereby determines the proposal on the use of the Company's profit realised in 2019 in the total amount of HRK 124,460,103.80 in a way that the whole amount is allocated to retained earnings.

V. This Decision, together with the Company's Annual Report for 2019 (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 2019 (consolidated and non-consolidated) and adopts thereto related decisions.

VI. This Decision and the Company's Annual Report for 2019 (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:

DEVANSH BAKSHI

MANUELA KRALJEVIĆ

FINANCIAL STATEMENT

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 26 February 2020, determined the following

REPORT TO THE ARENA HOSPITALITY GROUP D.D. GENERAL ASSEMBLY

I. During 2019, the Supervisory Board of the Company had seven members. As at 31 December 2019, the members of the Supervisory Board were: Boris Ernest Ivesha (Chairman), Yoav Arie Papouchado (Vice-Chairman), Kevin Michael McAuliffe, Abraham Thomas, Amra Pende, Lorena Škuflić and Damir Lučić.

The Supervisory Board of the Company held six meetings (including circular voting) in the year 2019.

- on 27 February 2019 where the Annual Report of the Company for 2018 was approved;
- on 29 March 2019 where the proposal on the payment of dividend of 5,00 HRK per share was adopted;
- on 29 April 2019 where quarterly report for the first quarter of 2019 was considered;
- on 28 June 2019 where approval to the Share Buy Back Programme was given;
- on 30 July 2019 where the quarterly report of the Company for the second quarter of 2019 and half-year report of the Company for the first six months of 2019 were considered and prolongation of the mandate of the Management Board of the Company was approved;
- on 30 October 2019 where, the quarterly report of the Company for the third quarter of 2019 was considered, a Supervisory Board Planner and Calendar of Important Events were adopted; and the Policy for Approval of Non-Audit Services was approved.

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

During 2019, the Audit Committee had three members: Lorena Škuflić (President), Amra Pende and Kevin Michael McAuliffe and held two meetings.

During 2019, the Nomination and Remuneration Committee had three members: Amra Pende (President), Lorena Škuflić and Kevin Michael McAuliffe, and held one meeting.

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

IV. The Management Board examined the Company's annual report for 2019 (consolidated and non-consolidated), which comprises of:

- Annual financial statements of the Company for 2019 (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 2019;
- Statement on application of the corporate governance code;
- Management Report for 2019 (consolidated and non-consolidated), which includes Strategic 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 26 February 2020 with respect to preparation and issuing of the Annual financial statements of the Company for 2019.

The Supervisory Board has no objections to the Company's annual report for 2019 (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 2019 were prepared in compliance with the state of the Company's business books and that they correctly show the financial and business state of the Company.

Therefore, the Supervisory Board approves the Company's annual report for 2019 (consolidated and non-consolidated), whereby the Annual financial statements of the Company for 2019 (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 2019 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.

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VI. 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 use of the profit of the Company realised in 2019 i.e. that the General Assembly decides that the profit of the Company realised in 2019 in the total amount of HRK 124,460,103.80 in a way that the whole amount is allocated to retained earnings.

CHAIRMAN OF THE SUPEVISORY BOARD

BORIS ERNEST IVESHA

FINANCIAL STATEMENT

SUPERVISORY BOARD'S DECISION

File No: 01-9/20
Pula, 26.02.2020.
According to Article 300c and 300d of the Companies Act and the Management Board's Decision No. 01-4/19 dated 27 February 2019, the Supervisory Board of the Company passed the following decision on 26 February 2020

DECISION TO APPROVE THE ANNUAL FINANCIAL STATEMENTS AND THE PROPOSED PROFIT DISTRIBUTION

I. The Supervisory Board hereby approves the Company's annual report for 2019 (consolidated and non-consolidated), which comprises of:

- Annual financial statements of the Company for 2019 (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 2019;
- Statement on application of the corporate governance code;
- Management Report for 2019 (consolidated and non-consolidated), which includes Strategic 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 2019 (consolidated and non-consolidated), the Annual financial statements of the Company for 2019 (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 2019 (consolidated and non-consolidated).

IV. The Supervisory Board adjoins to the proposal of the Management Board that the General Assembly decides that the profit of the Company realised in 2019 in the total amount of HRK 124,460,103.80 is allocated to retained earnings.

CHAIRMAN OF THE SUPEVISORY BOARD
BORIS ERNEST IVESHA

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ARENA HOSPITALITY GROUP D.D.
REPORT ON THE AUDIT OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

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Building a better working world

Opinion

We have audited the separate financial statements of Arena Hospitality Group d.d. (the Company), and the 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 2019, the separate and consolidated income statement, the separate and consolidated statement of other comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as at 31 December 2019 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 EU ("IFRS as adopted by EU").

Basis for opinion

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

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

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

Key audit matters

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

KEY AUDIT MATTER	HOW WE ADDRESSED THE 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 2019 was HRK 2,012,342 thousand (Company: HRK 1,376,114 thousand). Property, plant and equipment mostly consists of tourism properties and related assets and is included in the separate and consolidated statement of financial position at historical cost less accumulated depreciation and impairment, where required. Management annually conducts a test to identify assets with impairment indicators. In order to determine if there are impairment indicators, management considers occupancy rates, number of sold accommodation units, revenue per available room, gross operating profit and other measures. The estimation process is complex and highly subjective and is based on assumptions. Due to the above factors and significant impact on the separate and consolidated financial statements, impairment of tourism properties was determined as 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. We also performed assessment of the adequacy of related disclosures in the Notes 2 (j) Property, plant and equipment and 2 (k) Impairment of non-financial assets and Note 3 Property, plant and equipment to the separate and consolidated financial statements and their compliance with IFRS as adopted by EU.

Other information included in the Company's and the Group's Annual Report for year 2019

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

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

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

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

1. the information given in the enclosed Management report for the 2019 financial year are consistent, in all material respects, with the enclosed separate and consolidated financial statements;
2. the enclosed Management report for 2019 financial year is prepared in accordance with requirements of Article 21 of the Accounting Act;
3. Corporate Governance Statement, included in the Company's and the Group's Annual Report, includes the information referred to in Article 22., paragraph 1., items 2, 5, 6 and 7 of the Accounting Act; and

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

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

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

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with IFRS as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of the 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 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were initially appointed as auditors of the Company on 30 August 2017. Our appointment has been renewed annually by General Meeting of Shareholders resolution, with the most recent reappointment on 30 April 2019, representing a total period of uninterrupted engagement appointment of three 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 26 February 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

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

Report on Regulatory requirements

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

BERISLAV HORVAT
President of the Board and Certified auditor

26th February 2020
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	
		2019	2018	2019	2018
	Note	HRK	HRK	HRK	HRK
ASSETS					
Non-current assets					
Property, plant and equipment	3	**2,012,342**	1,849,759	**1,376,114**	1,203,161
Intangible fixed assets	4	**1,065**	812	**1,065**	812
Right-of-use assets	13	**215,021**	-	**-**	-
Inventories		**9,097**	8,586	**9,097**	8,586
Interest in joint ventures	5	**38,718**	35,928	**-**	-
Other non-current financial assets	6	**3,247**	3,236	**667,206**	680,251
Deferred tax asset	21	**58,650**	24,278	**58,037**	23,486
Restricted deposits and cash		**11,324**	11,427	**11,324**	11,427
		2,349,464	1,934,026	**2,122,843**	1,927,723
Current assets					
Inventories		**3,105**	3,223	**2,002**	2,055
Other current financial assets		**221**	199	**221**	199
Trade receivables	7	**14,738**	13,950	**5,320**	5,538
Other receivables and prepayments	8	**8,915**	6,916	**5,370**	6,358
Income tax receivable		**-**	-	**3,143**	-
Cash and cash equivalents	9	**718,891**	802,514	**597,071**	682,385
		745,870	826,802	**613,127**	696,535
Total assets		**3,095,334**	2,760,828	**2,735,970**	2,624,258

		As at 31 December			
		Group		Company	
		2019	2018	2019	2018
	Note	HRK	HRK	HRK	HRK
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		**(9,061)**	(5,477)	**-**	-
Other reserves		**313,983**	322,627	**556,610**	572,919
Accumulated earnings/(losses)		**206,225**	85,838	**231,245**	132,428
Total equity		**1,756,463**	1,648,304	**2,033,171**	1,950,663
Non-current liabilities:					
Bank borrowings	12	**920,126**	891,579	**568,385**	527,208
Lease liability	13	**202,355**	-	**-**	-
Provisions	14	**41,319**	67,818	**41,319**	67,818
Other liabilities		**7,992**	4,087	**1,549**	1,587
		1,171,792	963,484	**611,253**	596,613
Current liabilities:					
Trade payables		**28,758**	19,943	**15,708**	5,834
Current lease liability	13	**19,626**	-	**-**	-
Other payables and accruals	15	**46,959**	59,829	**27,631**	25,814
Income tax liabilities		**1,363**	4,940	**-**	2,335
Liabilities towards related parties		**12,110**	12,090	**4,108**	4,670
Bank borrowings	12	**58,263**	52,238	**44,099**	38,329
		167,079	149,040	**91,546**	76,982
Total liabilities		**1,338,871**	1,112,524	**702,799**	673,595
Total equity and liabilities		**3,095,334**	2,760,828	**2,735,970**	2,624,258

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

These financial statements are approved and signed by the Management board of the Company and the Group on 26 February 2020.

R. Slonim

REUEL SLONIM
PRESIDENT OF THE MANAGEMENT BOARD

DEVANSH BAKSHI
MEMBER OF THE MANAGEMENT BOARD

MANUELA KRALJEVIĆ
MEMBER OF THE MANAGEMENT BOARD

CONSOLIDATED AND COMPANY INCOME STATEMENT

		Year ended 31 December			
		Group		Company	
		2019	2018	**2019**	2018
	Note	HRK	HRK	HRK	HRK
Revenues	16	**778,104**	757,712	**527,876**	513,717
Operating expenses	17	**(534,800)**	(507,757)	**(374,200)**	(355,112)
EBITDAR		**243,304**	249,955	**153,676**	158,605
Rental expenses and concession fees: land		**(13,802)**	(35,284)	**(10,031)**	(9,726)
EBITDA		**229,502**	214,671	**143,645**	148,879
Depreciation, amortisation and impairment	3/4/13	**(99,499)**	(69,242)	**(61,436)**	(52,094)
EBIT		**130,003**	145,429	**82,209**	96,785
Financial expenses	18	**(30,255)**	(31,612)	**(16,918)**	(16,936)
Financial income	19	**849**	820	**5,780**	3,548
Other (expenses)/income	20	**6,665**	(1,998)	**7,064**	(1,988)
Share in result of joint ventures		**1,509**	1,205	**-**	-
Profit before tax		**108,771**	113,844	**78,135**	81,409
Income tax benefit/(expense)	21	**40,205**	(25,177)	**46,325**	(14,858)
Profit for the year		**148,976**	88,667	**124,460**	66,551
Profit attributable to:					
Equity holder of the parent		**148,976**	88,667	**124,460**	66,551
		148,976	88,667	**124,460**	66,551
Earnings per share	22	**29.10**	17.28	**24.31**	12.98

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

CONSOLIDATED AND COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

		Year ended 31 December			
		Group		Company	
		2019	2018	**2019**	2018
	Note	HRK	HRK	HRK	HRK
Profit for the year		**148,976**	88,667	**124,460**	66,551
Other comprehensive income/(loss) to be recycled through profit and loss in subsequent periods:					
Unrealised gains/(losses) on available-for-sale securities		**22**	(7)	**22**	(7)
Foreign currency translation adjustment of foreign operations		**348**	(2,841)	**-**	-
Loss from cash flow hedges		**(3,584)**	(2,160)	**-**	-
Other comprehensive income		**(3,214)**	(5,008)	**22**	(7)
Total comprehensive income		**145,762**	83,659	**124,482**	66,544

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	Total
Balance as at 1 January 2018	102,574	1,142,742	(3,317)	326,586	(2,829)	1,565,756
Profit for the year	-	-	-	-	88,667	88,667
Other comprehensive income	-	-	(2,160)	(2,848)	-	(5,008)
Total comprehensive income/(loss)	-	-	(2,160)	(2,848)	88,667	83,659
Minority shareholders claim	-	-	-	(907)	-	(907)
Difference in property tax connected with Sugarhill transaction	-	-	-	(204)	-	(204)
Balance as at 31 December 2018	102,574	1,142,742	(5,477)	322,627	85,838	1,648,304
Profit for the year	**-**	**-**	**-**	**-**	**148,976**	**148,976**
Other comprehensive income	**-**	**-**	**(3,584)**	**370**	**-**	**(3,214)**
Total comprehensive income/(loss)	**-**	**-**	**(3,584)**	**370**	**148,976**	**145,762**
Legal reserves distribution	**-**	**-**	**-**	**2,946**	**(2,946)**	**-**
Dividend distribution*	**-**	**-**	**-**	**-**	**(25,643)**	**(25,643)**
Treasury shares	**-**	**-**	**-**	**(16,331)**	**-**	**(16,331)**
Property tax from Sugarhill transaction received back	**-**	**-**	**-**	**4,371**	**-**	**4,371**
Balance as at 31 December 2019	**102,574**	**1,142,742**	**(9,061)**	**313,983**	**206,225**	**1,756,463**

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

*Dividend distribution refers to distribution of HRK 5 per share from the profit from 2017.

COMPANY STATEMENT OF CHANGES IN EQUITY

In HRK'000	Issued capital	Share premium	Other reserve	Accumulated earnings	Total
Balance as at 1 January 2018	102,574	1,142,742	570,887	68,823	1,885,026
Profit for the year	-	-	-	66,551	66,551
Other comprehensive income	-	-	(7)	-	(7)
Total comprehensive income	-	-	(7)	66,551	66,544
Minority shareholders claim	-	-	(907)	-	(907)
Profit allocation: legal reserves			2,946	(2,946)	-
Balance as at 31 December 2018	102,574	1,142,742	572,919	132,428	1,950,663
Profit for the year	**-**	**-**	**-**	**124,460**	**124,460**
Other comprehensive income	**-**	**-**	**22**	**-**	**22**
Total comprehensive income	**-**	**-**	**22**	**124,460**	**124,482**
Dividend distribution	**-**	**-**	**-**	**(25,643)**	**(25,643)**
Treasury shares	**-**	**-**	**(16,331)**	**-**	**(16,331)**
Balance as at 31 December 2019	**102,574**	**1,142,742**	**556,610**	**231,245**	**2,033,171**

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	
		2019	2018	**2019**	2018
	Note	HRK	HRK	HRK	HRK
CASH FLOWS FROM OPERATING ACTIVITIES:					
Profit for the year		**148,976**	88,667	**124,461**	66,551
Adjustment to reconcile profit to cash provided by operating activities:					
Financial expenses		**28,194**	28,552	**14,768**	14,397
Financial expenses – related party		**-**	385	**-**	-
Interest revenue		**(849)**	(820)	**(5,780)**	(3,548)
Unrealised foreign exchange gains/(losses)		**1,351**	(6,668)	**876**	(5,226)
Income tax (benefit)/charge	21	**(40,205)**	25,177	**(46,325)**	14,858
Share in results of joint ventures		**(1,509)**	(1,205)	**-**	-
Movements in provisions		**5,521**	6,419	**5,521**	6,419
Gain on disposal of property, plant and equipment		**(1,407)**	(58)	**(1,407)**	(58)
Release of provision for legal cases		**(8,507)**	-	**(8,507)**	-
Depreciation and amortisation	3/4/13	**99,499**	69,242	**61,436**	52,094
Disposal of property, plant and equipment		**532**	464	**532**	464
		82,620	121,488	**21,114**	79,400
Changes in operating assets and liabilities:					
Decrease/(increase) in inventories		**1,128**	(32)	**(131)**	115
Decrease/(increase) in trade and other receivables		**(1,570)**	19,405	**(1,261)**	5,957
Increase/(decrease) in trade and other payables		**(8,342)**	(3,128)	**(6,154)**	(6,357)
		(8,784)	16,245	**(7,546)**	(285)
Cash paid and received during the period for:					
Interest paid		**(27,216)**	(25,410)	**(13,992)**	(11,061)
Interest received		**38**	47	**8,298**	4,379
Taxes received		**11,774**	-	**11,774**	-
Taxes paid		**(11,336)**	(32,903)	**(5,478)**	(20,489)
Payments based on settlement in legal cases		**(23,513)**	-	**(23,513)**	-
		(50,253)	(58,266)	**(22,911)**	(27,171)
Net cash provided by operating activities		**173,167**	143,105	**123,407**	111,234

		Year ended 31 December			
		Group		Company	
		2019	2018	**2019**	2018
	Note	HRK	HRK	HRK	HRK
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investments in property, plant and equipment		**(233,159)**	(150,429)	**(227,716)**	(134,724)
Loans to related party		**-**	-	**-**	(87,037)
Cash received from disposal		**2,527**	1,125	**2,527**	1,125
Proceeds from given group loans		**-**	-	**9,201**	2,422
Decrease/ (increase) in restricted and rent deposits		**(3)**	(11,420)	**-**	(11,427)
Property tax from Sugarhill transaction		**4,372**	(204)	**4,319**	(204)
Net cash used in investing activities		**(226,263)**	(160,928)	**(211,669)**	(229,845)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Payments to old minority owners		**-**	(907)	**-**	(907)
Proceeds from bank borrowings		**79,499**	143,087	**79,499**	111,720
Dividend payment		**(25,643)**	-	**(25,643)**	-
Payment of principal portion of lease liabilities		**(19,041)**	-	**-**	-
Repayment of bank borrowings		**(48,381)**	(39,393)	**(34,577)**	(26,228)
Repayment of related-party loans		**-**	(8,059)	**-**	-
Repayment of third party loan		**-**	(74,138)	**-**	-
Purchase of treasury shares		**(16,331)**	-	**(16,331)**	-
Net cash provided by financing activities		**(29,897)**	20,590	**2,948**	84,585
(Decrease)/increase in cash and cash equivalents		**(82,993)**	2,767	**(85,314)**	(34,026)
Net foreign exchange differences		**(630)**	(354)	**-**	-
Cash and cash equivalents at beginning of year		**802,514**	800,101	**682,385**	716,411
Cash and cash equivalents at end of year		**718,891**	802,514	**597,071**	682,385
NON-CASH ITEMS:					
Outstanding payable on investments in property, plant and equipment		**11,000**	2,421	**11,000**	2,421

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 2019 were established by a decision of the Management Board dated 26 February 2020. 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 Premium Market of the London Stock Exchange (PPHE Hotel Group) which (indirectly) owns 52.93% of the registered share capital in the Company.
The financial statements of the Group are included in the financial statements of PPHE Hotel Group.

b. Description of business and formation of the Company:
The Company is a joint stock company listed on the Prime Market of the Zagreb Stock Exchange with its registered office in 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 and Budapest in Hungary 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.

c. Assessment of going concern:
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 2020, 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 2019 and 31 December 2018 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 2019. 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 entity which was acquired is an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return to investors. The following criteria which indicate acquisition of a business are considered: the variety of assets acquired, the extent to which ancillary services to operate the property are provided and the complexity of the management of the property.

Estimates and assumptions

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

Deferred tax assets

Deferred tax assets are recognised for unused carry forward tax losses, unused tax incentives and 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 21. Other critical estimates and assumptions which relates to impairment of property, plant and equipment, and estimate of the useful life of the assets are described in Notes "j" and "k".

d. Business combinations and goodwill

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

e. Acquisition of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that ultimately controls the Group are accounted for using pooling of interest accounting at the date of acquisition. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the consolidated financial statements of the parent group. Consolidated financial statements reflect the results of combining entities from the date of acquisition.

Business combinations under common control are accounted for based on carrying values recognized previously in the consolidated financial statements of the parent group, with any effects directly recognized in equity.

f. Investment in associates and joint ventures

The Group's and the Company's investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's and the Company's share of net assets of the associate or joint venture. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

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

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

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

After application of the equity method, the Group and the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group and the Company determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group and the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share in result of associate and joint ventures' in the income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group and the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

g. Investments in subsidiaries

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

h. Foreign currency translation

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

Transactions in foreign currencies are initially recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rates prevailing on the reporting date. Profits and losses arising from exchange differences are included in the income statement.

On consolidation, the assets and liabilities of the entities whose functional currency is other than the Kuna are translated at the exchange rate prevailing on the reporting date. Income and expense items are translated at the average exchange rate for the period. Equity items are translated at the historical exchange rate. Exchange differences arising on the translation are recognised in other comprehensive income and classified as a separate component of equity (foreign currency translation reserve). Such translation differences are recognised in the income statement for the period in which the entity is disposed of.Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

	As at 31 December	
	2019 HRK	2018 HRK
Euro	7.44	7.42
Hungarian Forint	2.25	2.31

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

	As at 31 December	
	2019 %	2018 %
Euro	0.3	(1.2)
Hungarian Forint	(2.6)	(4.5)

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

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 mainly focuses on the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group and the Company initially adopted IFRS 9 on 1 January 2018. The provisions of IFRS were applied retrospectively without restatement of comparative data. The adoption of IFRS 9 did not have a material effect on the financial statements. The Group and the Company continues to measure at amortised cost and fair value those financial instruments it previously held at amortised cost and fair value, respectively.

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 have applied the practical expedient, the Group and 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 adoption of IFRS 9 changed the Group's and the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group and the Company recognises an allowance for ECLs 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.

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

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.

p. Revenue from contracts with customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. IFRS 15 also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group and the Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. The Group and the Company elected to apply IFRS 15 only to contracts that were not completed at this date. The adoption of IFRS 15 did not have a material effect on the financial statements.

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 Rewards™ 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.

q. Key performance indicators

EBITDAR

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

EBITDA

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

EBIT

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

Other income and expenses

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

r. Leases

As described in section w below regarding the initial adoption of IFRS 16, Leases, the Group and the Company elected to apply the provisions of IFRS 16 using the modified retrospective method (without restatement of comparative data).

The accounting policy for leases applied effective from 1 January 2019 is as follows:

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.

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 20
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 (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

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

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

The Group and the Company as lessor

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

s. 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.

t. Borrowing costs for qualifying assets

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale, after which the borrowing costs are treated as part of general borrowings, pursuant to the amendments to IAS 23 Borrowing Costs. The amendments to IAS 23 are applied to the Group's financial statements for the first time. Since the Group's and the Company's current practice is in line with these amendments, the Group and the Company do not expect any effect on its financial statements.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

u. 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.

v. 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.

w. Changes in accounting policies and disclosures

The Group and the Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, 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 standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 (Modified retrospective method)

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group and the Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group and the Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group and the Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The Group and Company elected to apply a single discount rate to a portfolio of leases with reasonably similar characteristics. The effect of adoption IFRS 16 is as follows:

Impact on the consolidated statement of financial position (increase/decrease) as at 1 January 2019:

	According to the previous accounting policy	The change	As presented according to IFRS 16
	HRK'000	HRK'000	HRK'000
Non-current assets:			
Right-of-use assets	-	236,469	236,469
Non-current liabilities:			
Lease liability	-	223,110	223,110
Current liabilities:			
Lease liability	-	19,041	(19,041)
Accrued rent included in other payables and accruals	5,682	(5,682)	-

Impact on the consolidated income statement (increase/decrease) as at 31 December 2019:

	According to the previous accounting policy	The change	As presented according to IFRS 16
	HRK'000	HRK'000	HRK'000
Rent expenses	(36,669)	22,867	(13,802)
EBITDA	206,635	22,867	229,502
Depreciation	(79,203)	(20,296)	(99,499)
Financial expenses	(25,614)	(4,641)	(30,255)
Profit before tax	110,841	(2,070)	108,771

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items including land, buildings and equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as financial expenses) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the income statement on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets.

For leases previously classified as operating leases, the Group recognised lease liabilities for lease payments with corresponding right-of-use assets representing the right to use the underlying assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application of 2%.

In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application and accordingly, the comparative information in these financial statements has not been restated.

See section r above for the new accounting policy of the Group as of 1 January 2019 upon adoption of IFRS 16.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Group applies significant judgment in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its financial statements. The interpretation did not have an impact on the financial statements of the Group and the Company.

z. 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 IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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 2018	2,526,930	288,687	22,045	2,837,662
Additions during the year	68,147	42,555	41,203	151,905
Transfers	16,832	-	(16,832)	-
Reclassification to Intangible assets	(7,902)	-	-	(7,902)
Disposals during the year	(3,536)	(8,185)	-	(11,721)
Exchange rate differences	(7,828)	(1,462)	-	(9,290)
Balance as at 31 December 2018	2,592,643	321,595	46,416	2,960,654
Accumulated depreciation and impairment:				
Balance as at 1 January 2018	889,474	170,089	-	1,059,563
Provision for depreciation	46,244	22,998	-	69,242
Reclassification to Intangible assets	(7,090)	-	-	(7,090)
Disposals during the year	(99)	(531)	-	(630)
Exchange rate differences	(2,362)	(7,828)	-	(10,190)
Balance as at 31 December 2018	926,167	184,728	-	1,110,895
Net book value as at 31 December 2018	1,666,476	136,867	46,416	1,849,759
Cost:				
Balance as at 1 January 2019	**2,592,643**	**321,595**	**46,416**	**2,960,654**
Additions during the year	**160,956**	**27,101**	**52,963**	**241,020**
Transfers	**25,037**	**-**	**(25,037)**	**-**
Disposals during the year	**(2,275)**	**(15,649)**	**-**	**(17,924)**
Exchange rate differences	**2,037**	**(157)**	**4**	**1,884**
Balance as at 31 December 2019	**2,778,398**	**332,890**	**74,346**	**3,185,634**
Accumulated depreciation and impairment:				
Balance as at 1 January 2019	**926,167**	**184,728**	**-**	**1,110,895**
Provision for depreciation	**52,723**	**26,022**	**-**	**78,745**
Disposals during the year	**(1,047)**	**(15,232)**	**-**	**(16,279)**
Exchange rate differences	**79**	**(148)**	**-**	**(69)**
Balance as at 31 December 2019	**977,922**	**195,370**	**-**	**1,173,292**
Net book value as at 31 December 2019	**1,800,476**	**137,520**	**74,346**	**2,012,342**

a. There was no capitalisation of borrowing costs in 2019 or 2018.

b. For information regarding liens, see Note 11.

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 2018	1,915,093	216,754	22,045	2,153,892
Additions during the year	67,866	27,519	40,807	136,192
Transfer	16,832	-	(16,832)	-
Reclassification to Intangible assets	(7,902)	-	-	(7,902)
Disposals during the year	(3,536)	(8,185)	-	(11,721)
Balance as at 31 December 2018	1,988,353	236,088	46,020	2,270,461
Accumulated depreciation and impairment:				
Balance as at 1 January 2018	881,413	151,073	-	1,032,486
Provision for depreciation	38,674	13,420	-	52,094
Reclassification to Intangible assets	(7,090)	-	-	(7,090)
Disposals during the year	(2,362)	(7,828)	-	(10,190)
Balance as at 31 December 2018	910,635	156,665	-	1,067,300
Net book value as at 31 December 2018	1,077,718	79,423	46,020	1,203,161
Cost:				
Balance as at 1 January 2019	**1,988,353**	**236,088**	**46,020**	**2,270,461**
Additions during the year	**160,956**	**22,613**	**52,013**	**235,582**
Transfer	**25,037**	**-**	**(25,037)**	**-**
Disposals during the year	**(2,275)**	**(15,634)**	**-**	**(17,909)**
Balance as at 31 December 2019	**2,172,071**	**243,067**	**72,996**	**2,488,134**
Accumulated depreciation and impairment:				
Balance as at 1 January 2019	**910,635**	**156,665**	**-**	**1,067,300**
Provision for depreciation	**45,128**	**15,850**	**-**	**60,978**
Disposals during the year	**(1,046)**	**(15,212)**	**-**	**(16,258)**
Balance as at 31 December 2019	**954,717**	**157,303**	**-**	**1,112,020**
Net book value as at 31 December 2019	**1,217,354**	**85,764**	**72,996**	**1,376,114**

In 2019, there were no indications of impairment.

NOTE 4 INTANGIBLE ASSETS

	Group		Company	
	Software and licences	Total	Software and licences	Total
	HRK'000	HRK'000	HRK'000	HRK'000
Cost:				
Balance as at 1 January 2018	-	-	-	-
Reclassification from tangible asset	7,902	7,902	7,902	7,902
Balance as at 31 December 2018	7,902	7,902	7,902	7,902
Accumulated amortisation:				
Balance as at 1 January 2018	-	-	-	-
Reclassification from tangible asset	7,090	7,090	7,090	7,090
Balance as at 31 December 2018	7,090	7,090	7,090	7,090
Net book value as at 31 December 2018	812	812	812	812
Cost:				
Balance as at 1 January 2019	**7,902**	**7,902**	**7,902**	**7,902**
Additions during the year	**711**	**711**	**711**	**711**
Balance as at 31 December 2019	**8,613**	**8,613**	**8,613**	**8,613**
Accumulated amortisation:				
Balance as at 1 January 2019	**7,090**	**7,090**	**7,090**	**7,090**
Provision for amortisation	**458**	**458**	**458**	**458**
Balance as at 31 December 2019	**7,548**	**7,548**	**7,548**	**7,548**
Net book value as at 31 December 2019	**1,065**	**1,065**	**1,065**	**1,065**

NOTE 5 INTEREST IN JOINT VENTURES

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

	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Loan to joint ventures*	**35,111**	34,180	–	–
Share of net assets under equity method	**3,607**	1,748	–	–
Interest in joint ventures	**38,718**	35,928	–	–

* €4.0 million of the loan is denominated in Euro and bears an interest rate of LIBOR +2.5% per annum. This loan is due for repayment on 7 June 2023.

NOTE 6 OTHER NON-NON-CURRENT FINANCIAL ASSETS

	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Rent deposit	**3,070**	3,059	**-**	-
Long term receivables	**177**	177	**177**	177
Investment in Sugarhill Investments B.V.	**-**	-	**524,141**	528,513
Loan to Germany Real Estate B.V.	**-**	-	**142,795**	151,521
Investment in Ulika d.o.o.	**-**	-	**63**	20
Investment in Mazurana d.o.o.	**-**	-	**30**	20
Investment in Germany Real Estate B.V.	**-**	-	**-**	-
	3,247	3,236	**667,206**	680,251

NOTE 7 TRADE RECEIVABLES

a. Composition

	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Trade receivables	**17,579**	15,475	**8,122**	7,028
Less – allowance for doubtful debts	**(2,841)**	(1,525)	**(2,802)**	(1,490)
	14,738	13,950	**5,320**	5,538

Trade receivables are non-interest bearing. The Group' and the Company's policy provides an average of 30 days' payment terms.

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

	Group	Company
	HRK'000	HRK'000
As at 31 December 2018	(1,525)	(1,490)
Additions	(1,316)	(1,312)
As at 31 December 2019	(2,841)	(2,802)

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

			Past due			
	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
Group						
2019	**14,738**	**6,366**	**4,938**	**1,276**	**438**	**1,720**
2018	13,950	7,094	4,004	1,107	503	1,242
Company						
2019	**5,320**	**3,791**	**1,181**	**4**	**19**	**325**
2018	5,538	4,165	317	266	64	726

NOTE 8 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Prepaid expenses	**4,603**	4,648	**1,489**	1,915
VAT and other taxes	**3,122**	1,104	**2,544**	524
Receivable from related parties	**31**	145	**1,337**	3,919
Other	**1,159**	1,019	**-**	-
	8,915	6,916	**5,370**	6,358

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 2019, the Company's share capital amounted to HRK 102,574,000 (2018: HRK: 102,574,000) and was divided into 5,128,721 (2018: 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 2019, legal reserves amounted to HRK 5,1 million (2018: HRK 5,1 million).

As at 31 December 2019, the consolidated other reserves amounting to HRK 314.0 million (2018: HRK 322.6 million consisted of:

(i) Capital reserves of HRK 624.4 million (2018: 637.8 million) of which HRK 593.8 million (2018: HRK 607.2 million) due to the share capital decrease, reserves transferred from retained earnings from previous years in the amount of HRK 25.4 million (2018: HRK 25.4 million), revaluation reserves formed from unrealised fair value gains on available-for-sale financial assets of HRK 127,020 (2018: HRK 105,120) and 5.1 million (2018.: 5.1 million) relates to Legal reserves.

(ii) Other capital reserves which amount to HRK 329.4 million (2018: 333.8 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.

(iii) 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 equity.

(iv) Negative exchange rate differences in the amount of HRK 4.1 million (2018: 4.4 million).

(v) Treasury shares amounting to HRK 16.3 million negative.

(vi) Reserves for treasury shares amounting to HRK 16.3 million. These reserves are formed from Other capital reserves.

As at 31 December 2019, the Company's other reserves amounting to HRK 556.6 million (2018: HRK 572.9 million) consisted of:

(i) Legal reserves amounting to HRK 5.1 million (2018: HRK 5.1 million) and other capital reserves amounted to HRK 528.5 million (2018: HRK 544.8 million) which is total of HRK 533.6 million (2018: 549.9 million) out of which the amount of HRK 528.5 million is distributable (2018: HRK 544.8 million).

(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) Treasury shares amounting to HRK 16.3 million negative.

(iv) Reserves for treasury shares amounting to HRK 16.3 million.

NOTE 11 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 1,283,045 thousand (2018: 1,305,564 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. (a newly formed Croatian management Company), 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.

Up and until such amendment, restatement and novation, the Company paid annual management fees calculated as a percentage of revenue and of adjusted gross operating profit for each of its Croatian properties to PPHE Hotel Group.

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.

(ii) Capital and development commitments

As at 31 December 2019, the Company had capital commitments amounting to HRK 43.7 million for the renovation of the Arena Kažela Campsite and amount of HRK 48.9 million for the renovation of the Verudela Beach apartment complex.

Guarantees:

The Group, through its subsidiaries ACO Hotel Holding B.V. and ABK Hotel Holding B.V., has an outstanding loan facility with Deutsche Hypothekenbank AG ("Deutsche Hypo") for an aggregate principal amount of EUR 38 million. This facility includes a guarantee issued by PPHE Hotel Group up to the lower of EUR 19 million or 50% of the outstanding debt under the loan. The Company has provided a back-to-back guarantee to PPHE Hotel Group effective as of 1 January 2018.

The Group through its joint ventures ABM Hotel Holding B.V. and PPBK Hotel Holding B.V. has an outstanding loan facility with Deutsche Hypo AG for an aggregate principal amount of EUR 11.5 million. This facility includes a guarantee issued by PPHE Hotel Group for the full outstanding debt under the loan. The Company has provided a back-to-back guarantee to PPHE Hotel Group as of 1 January 2018.

c. Contingent liabilities

The Company has operated Guest House Riviera in Pula for decades and has been in discussions with the Croatian Ministry of Assets to formalise the informal arrangement and acquire the property. In March 2019, the Republic of Croatia has initiated legal proceedings against the Company for repossession and compensation. The Company has taken legal advice and disputes the claim on various grounds. Two preparatory court hearings were held so far. During the first hearing, the Company proposed to settle the dispute under the condition that the Republic of Croatia / Ministry undertakes to sell the property directly to the Company without a public tender.The Republic of Croatia / Ministry rejected the proposal. During the second hearing, the Company argued the merits of the case and continued to dispute the claims. The dispute is currently in an early stage and the discussions between the Company and the Republic of Croatia / Ministry on the possibility of reaching a settlement in this dispute are ongoing.

NOTE 12 BANK BORROWINGS

The bank borrowings of the Group are comprised as follows:

As at 31 December 2019

Currency	Outstanding amount in HRK'000	Interest rate	Maturity
EUR	**780,025**	1.95-2.7%	2023-2029
HRK	**192,998**	1.90-1.95%	2027
	973,023		
Accrued interest	**7,094**		
Capitalised transaction costs	**(1,728)**		
Total	**978,389**		

	Maturity analysis					
Outstanding amount HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
973,023	**51,169**	**51,876**	**52,222**	**67,013**	**48,761**	**701,982**

For securities and pledges, see Note 11.

The Company raised HRK 75,4 million through a loan agreement with Erste Bank with an interest rate of 2.2% fixed, maturity of 10 years. To support our ongoing and future investments the Company sign HRK 60 million, is due in 2027, at a fixed interest rate of 1.9% with Zagrebačka Banka. As part of the same transaction the Company has also optimised a substantial portion of the loan portfolio with Zagrebačka banka through refinancing the outstanding principal under the loan agreement dated 20 December 2017 into a HRK facility in the amount of HRK 205 million and a Euro facility of EUR 32 million. The maturity date of the new facilities remains aligned with the original date of the 2017 loan agreement and is due 2027. The HRK facility bears a fixed interest rate of 1.95% and the EUR denominated facility a fixed rate of 2.3%.

As at 31 December 2018

Currency	Outstanding amount in HRK'000	Interest rate	Maturity
EUR	**939,424**	1.95-2.7%	2023-2028
Accrued interest	**6,059**		
Capitalised transaction costs	**(1,666)**		
Total	**943,817**		

	Maturity analysis					
Outstanding amount HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
939,424	**46,179**	**46,179**	**46,489**	**46,833**	**61,574**	**692,170**

For securities and pledges, see Note 11.

The bank borrowings of the Company are comprised as follows:

As at 31 December 2019

Currency	Outstanding amount in HRK'000	Interest rate	Maturity
EUR	**412,651**	1.95-2.4%	2023-2029
HRK	**192,998**	1.90-1.95%	2027
	605,649		
Accrued interest	**7,094**		
Capitalised transaction costs	**(259)**		
Total	**612,484**		

	Maturity analysis					
Outstanding amount HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
605,649	**37,005**	**37,593**	**37,593**	**52,065**	**33,458**	**407,935**

For securities and pledges, see Note 11.

As at 31 December 2018

Currency	Outstanding amount in HRK'000	Interest rate	Maturity
EUR	**559,478**	1.95%-2.5%	2023-2027
Accrued interest	**6,059**		
Total	**565,537**		

	Maturity analysis					
Outstanding amount HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
559,478	**32,270**	**32,270**	**32,270**	**32,270**	**46,693**	**383,705**

For securities and pledges, see Note 11.

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 net leverage ratio is equal to or lower than 5.5 at year end 2019, is equal to or lower than 5.0 at year end 2020, is equal to or lower than 4.5 at year end 2021 and for each succeeding calendar year during the remaining life of the loan.

b. Under the Zagrebačka Banka d.d EUR 10.0 million and HRK 60.0 million facilities the borrower must ensure that at year end, based on audited consolidated financial statements of the borrower, the DSCR is equal to or greater than 1.2 during the life of the loan and that the net leverage ratio is equal to or lower than 5.5 at year end 2019, is equal to or lower than 5.0 at year end 2020, is equal to or lower than 4.5 at year end 2021 and for each succeeding calendar year during the remaining life of the loan. Moreover, under the HRK 60 million facility the amount of the loan cannot exceed 70% of the value of the properties used as collateral.

c. Under the Erste Bank EUR 5.0 million and EUR 10.2 million facilities, the borrower must ensure throughout the entire term of the loan that the interest coverage ratio ('ICR') is at least 2 times EBITDA.

d. 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.

e. 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.

For guarantees under the above facility agreements see Note 11.

As at 31 December 2019, the Group and the Company are in compliances with all its banking covenants.

NOTE 13 LEASES

Right-of-use-assets

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

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

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

	Group
	Right-of-use-assets HRK'000
Cost:	
Balance as at 31 December 2018	-
First time recognition as of January 1 2019	236,469
Additions during the year	5,443
Disposals during the year	(3,455)
Exchange rate differences	(3,730)
Balance as at 31 December 2019	234,727
Accumulated amortisation:	
Balance as at 1 January 2019	-
Provision for amortisation	20,295
Disposals during the year	(557)
Exchange rate differences	(32)
Balance as at 31 December 2019	19,706
Net book value as at 31 December 2019	215,021

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 31 December 2018	-
First time recognition as of January 1 2019	242,151
Additions during the year	5,443
Disposals during the year	(3,484)
Accretion of interest	4,641
Payments	(23,682)
Exchange rate differences	(3,088)
Balance as at 31 December 2019	221,981

The maturity analysis of lease liabilities are disclosed below:

	Maturity analysis					
Outstanding amount HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
221,981	**19,626**	**20,022**	**20,425**	**20,837**	**21,257**	**119,814**

Variable lease payments

One lease of a hotel building contains variable lease payments that are based on the sales generated.

Fixed and variable payments for the period ended 31 December 2019 were as follows:

	2019 HRK'000			
	Fixed payments	Variable payments	Total payments	Estimated annual impact on rent of a 1% increase in sale
Lease with lease payments based on sales generated	**8,900**	3,651	**12,551**	126

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 2019, the Group and the Company realised rental income in the amount of HRK 9.8 million (2018: HRK 9.5 million). The future aggregate minimum lease payments receivable of the Group and the Company from operating leases based on lease agreements concluded up to 31 December 2019 are as follows:

	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Up to 1 year	**8,985**	9,940	**8,985**	9,940
From 2 to 5 years	**18,415**	25,495	**18,415**	25,495
Over 5 years	**1,253**	1,254	**1,253**	1,254
	28,653	36,689	**28,653**	36,689

NOTE 14 PROVISIONS

	As at 31 December			
	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Provision for concessions land	**41,319**	35,798	**41,319**	35,798
Provision for litigation	**-**	32,020	**-**	32,020
	41,319	67,818	**41,319**	67,818

Movements in the Provisions were as follows

	Group	Company
	HRK'000	HRK'000
As at 31 December 2018	**67,818**	**67,818**
Additions	**5,521**	**5,521**
Used	**(23,513)**	**(23,513)**
Reversed	**(8,507)**	**(8,507)**
As at 31 December 2019	**41,319**	**41,319**

Provision for litigation

The Company was a defendant in five disputes relating to claims of utility companies Pula Herculanea d.o.o. (one case) and Vodovod Pula d.o.o. (four cases), all relating to payment of fees and charges for maintenance and development of the water supply and sewage infrastructure system charged to the Company based on water consumption. Sufficient provisions were provided for in the accounts for these disputes. These cases have now been settled. The relevant provisions in the accounts were used in the amount of HRK 23.5 million, whilst provisions in amount of HRK 8.5 million were reversed which results in HRK 8.5 million million in extraordinary revenues.

Tourist land provisions and obligations

In accordance with the provisions of the Act on the Tourist and Other Construction Land Not Appraised During the Transition and Privatisation Process (the 'Act'), the Company submitted requests to the Republic of Croatia for the award of tourist land concessions for a term of 50 years (the maximum term allowed) in relation to land areas in eight campsites and three self-catering holiday apartment complexes in Croatia. Since the adoption of the Act in 2010, as far as the Company is aware, no concession agreement has been entered into with respect to tourist land in campsites/tourist resorts in the Republic of Croatia due to ambiguities in the wording of the Act and other related regulations. The status of the Company's tourist land concession requests is similar to the status of concession requests submitted by other companies in the Republic of Croatia. In relation to the concession arrangements in respect of the eight campsites and three self-catering holiday apartment compexes, the Republic of Croatia and the Company need to (i) determine the co-ownership parts of the land (based on which definite amounts of the concession fees due on that part of the land owned by the Republic of Croatia would be determined) and (ii) upon granting of the concession by the Republic of Croatia, enter into the respective concession agreements. In practice, the companies that have submitted requests for a tourist land concession regularly pay an advance concession fee of 50% of the calculated concession fee in accordance with the relevant regulations. As such, the Company will continue to pay 50% of the concession fees in respect of the eight campsites and three self-catering holiday apartment complexes and to accrue the remaining 50% until determination of the concession agreements, which is presented as a provision in the financial statements.

NOTE 15 OTHER PAYABLES AND ACCRUALS

	As at 31 December			
	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Employees	**15,943**	16,108	**12,624**	12,771
Received advances	**13,984**	15,253	**4,796**	4,199
Accrued expenses	**6,793**	6,982	**1,541**	547
VAT and taxes	**6,230**	11,856	**4,762**	4,484
Accrued fee for the tourist land concession	**3,547**	3,467	**3,547**	3,467
Accrual lease payable	**-**	5,691	**-**	-
Other	**462**	472	**361**	346
	46,959	59,829	**27,631**	25,814

NOTE 16 REVENUES

	Year ended 31 December			
	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Accommodation	**637,693**	615,106	**432,470**	419,358
Food and beverages	**103,581**	105,101	**66,584**	65,387
Minor operating revenues*	**26,990**	27,964	**19,017**	19,460
Rent revenue	**9,840**	9,541	**9,805**	9,512
	778,104	757,712	**527,876**	513,717

* 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.

NOTE 17 OPERATING EXPENSES

	Year ended 31 December			
	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Salaries and related expenses	**250,835**	233,319	**166,765**	154,705
Franchise fees, reservation and commissions	**50,948**	46,721	**29,396**	28,206
Food and beverage	**43,374**	41,710	**31,634**	30,148
Marketing expenses	**36,063**	34,618	**25,335**	24,588
Utilities	**35,536**	35,158	**25,632**	24,827
Maintenance	**24,390**	23,361	**19,312**	18,801
Administration costs	**24,379**	26,134	**15,744**	16,840
Insurance and property taxes	**16,047**	15,218	**12,819**	12,179
Supplies	**9,571**	9,065	**6,605**	6,191
Laundry, linen and cleaning	**7,988**	7,997	**2,994**	3,009
Travel and transport	**5,782**	5,519	**3,932**	3,879
IT expenses	**5,235**	4,419	**3,674**	3,209
Management fee	**-**	-	**17,241**	17,149
Other expenses	**24,652**	24,518	**13,117**	11,381
	534,800	507,757	**374,200**	355,112

The Group's other expenses include auditors fees in amount of HRK 930 thousand (2018: 882 thousand), and auditors fees for the half year review of HRK 274 thousand (2018: 274 thousand). In addition, the Group engaged tax consultants and the tax consultancy expenses for 2019 sum up to a total amount of HRK 197 thousand (2018: 643 thousand).

The Company's other expenses include auditors fees in amount of HRK 441 thousand (2018: 334 thousand), and auditors fees for the half year review of HRK 67 thousand (2018: 67 thousand). In addition, the Company engaged used the tax consultants and tax consultancy expenses for 2019 sum up to a total amount of HRK 72 thousand (2018: 444 thousand).

NOTE 18 FINANCIAL EXPENSES

	Year ended 31 December			
	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Interest and other finance expenses on bank loans	**23,129**	22,815	**14,525**	13,365
Interest on lease liability	**4,641**	-	**-**	-
Exchange rate differences	**1,857**	2,673	**2,149**	2,387
Interest on third party loan	**-**	4,350	**-**	-
Interest on related party loans	**-**	385	**-**	-
Other	**628**	1,389	**244**	1,184
	30,255	31,612	**16,918**	16,936

NOTE 19 FINANCIAL INCOME

	Year ended 31 December			
	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Interest revenue on loans given to joint ventures	**813**	773	**-**	-
Other financial revenue	**36**	47	**33**	45
Interest revenue on related party loan	**-**	-	**5,747**	3,503
	849	820	**5,780**	3,548

NOTE 20 OTHER INCOME/(EXPENSES)

	Year ended 31 December			
	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Provision release	**8,507**	-	**8,507**	-
Other income	**16**	3	**16**	3
Pre-opening expenses	**(1,437)**	(1,319)	**(1,437)**	(1,319)
Other expenses	**(421)**	(682)	**(22)**	(672)
	6,665	(1,998)	**7,064**	(1,988)

NOTE 21 INCOME TAX

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

	Year ended 31 December			
	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Current taxes	**(5,654)**	21,483	**(11,774)**	11,774
Deferred taxes	**(34,551)**	3,694	**(34,551)**	3,084
	(40,205)	25,177	**(46,325)**	14,858

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 2017	1,420	6,315	20,255	-	27,990
Amounts credited to income statement	-	2,280	-	-	2,280
Amounts charged to income statement	(611)	(1,964)	(3,399)	-	(5,974)
Adjustment for exchange rate differences	(18)	-	-	-	(18)
Balance as at 31 December 2018	791	6,631	16,856	-	24,278
Amounts credited to income statement	**-**	**2,235**	**-**	**41,285**	**43,520**
Amounts charged to income statement	**(180)**	**(5,571)**	**(3,399)**	**-**	**(9,150)**
Adjustment for exchange rate differences	**2**	**-**	**-**	**-**	**2**
Balance as at 31 December 2019	**613**	**3,295**	**13,457**	**41,285**	**58,650**

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

	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 2017	6,315	20,255	-	26,570
Amounts credited to income statement	2,280	-	-	2,280
Amounts charged to income statement	(1,965)	(3,399)	-	(5,364)
Balance as at 31 December 2018	6,630	16,856	-	23,486
Amounts credited to income statement	**2,235**	**-**	**41,285**	**43,520**
Amounts charged to income statement	**(5,570)**	**(3,399)**	**-**	**(8,969)**
Balance as at 31 December 2019	**3,295**	**13,457**	**41,285**	**58,037**

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	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Profit/(loss) before income taxes	**108,772**	113,844	**78,135**	81,409
Expected tax at the tax rate of Croatia 18% (2018: 18%)	**19,579**	20,492	**14,064**	14,654
Adjustments in respect of:				
Effect of other Countries tax rate	**1,206**	2,135	**-**	-
Non-deductible expenses	**1,197**	1,499	**224**	245
Utilisation of carry forward losses for which deferred tax assets were not previously recorded	**(1,367)**	(47)	**-**	-
Income tax for previous years	**(11,857)**	1,139	**(11,774)**	-
Non-taxable income	**(198)**	(41)	**(74)**	(41)
Tax incentives used (recognized) in current period	**(7,480)**	-	**(7,480)**	-
Unused Tax Incentives transferred to next period	**(41,285)**	-	**(41,285)**	-
Income tax (benefit)/expense reported in the income statement	**(40,205)**	25,177	**(46,325)**	14,858

d. Tax incentives

In May 2019, based on confirmation of 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 Campsite Arena One 99 Glamping, Campsite Kažela, hotel Brioni, Verudela Beach self-catering apartment complexes, among others. The investment period relevant for the incentive allowance started beginning of 2018 and will last until the end of 2020.

During 2018 the Company invested a total amount of HRK 68.8 million eligible for incentives. Based on that investment, the Company utilized an amount of HRK 11.8 million as a tax credit for 2018. During 2019, the Company invested a further amount of HRK 173.3 million eligible for the incentive and utilized an amount of HRK 7.5 million of tax credit. For the outstanding part of unused incentives, the Company recognized deferred tax asset in an amount of HRK 41.3 million.

The Company has the right to use the investment tax credits until 2028. The execution of the investment project is subject to supervision by the relevant institutions throughout the period of use of the tax credits and the Company will need to present regular annual reports to the tax authority in which it will evidence that the conditions for the use of the tax credits are met.

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 18%.

c) Taxation in the Netherlands: corporate income tax rate is 25%.

f. Losses carried forward for tax purposes:

The Company and subsidies in Croatia have no carry forward losses for tax purposes at the balance sheet date.

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

NOTE 22 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	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Profit/(loss) for the year	**148,976**	88,667	**124,460**	66,551
Weighted average number of ordinary shares outstanding	**5,118,855**	5,128,721	**5,118,855**	5,128,721
Basic and diluted earnings per share	**29.10**	17.28	**24.31**	12.98

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

NOTE 23 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 2019

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	**493,927**	**105,362**	**170,386**	**8,429**	**-**	**778,104**
Inter segment	**-**	**-**	**-**	**108,480**	**(108.480)**	**-**
Total revenue	**493,927**	**105,362**	**170,386**	**116,909**	**(108.480)**	**778,104**
Segment EBITDA	**128,479**	**29,327**	**68,764**	**2,932**	**-**	**229,502**
Depreciation and amortisation	**(64,666)**	**(12,112)**	**(19,449)**	**(3,272)**	**-**	**(99,499)**
Financial expenses						**(30,254)**
Financial income						**849**
Other (expenses)/income						**6,665**
Share in result of joint venture						**1,509**
Profit/(loss) before tax						**108,772**

	Croatia HRK'000	Germany and Hungary HRK'000	Total HRK'000
Geographical information			
Non-current assets[1]	**1,376,480**	**635,862**	**2,012,342**

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

Year ended 31 December 2018

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	484,851	109,749	152,401	10,711	-	757,712
Inter segment	-	-	-	105,794	(105,794)	-
Total revenue	484,851	109,749	152,401	116,505	(105,794)	757,712
Segment EBITDA	105,767	33,832	65,109	9,963	-	214,671
Depreciation and amortisation	(44,131)	(11,944)	(10,845)	(2,322)	-	(69,242)
Financial expenses						(31,612)
Financial income						820
Other expenses						(1,998)
Share in result of joint venture						1,205
Profit/(loss) before tax						113,844

	Croatia HRK'000	Germany and Hungary HRK'000	Total HRK'000
Geographical information			
Non-current assets[1]	**1,203,453**	**646,306**	**1,849,759**

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

Year ended 31 December 2019

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	**243,826**	**103,830**	**170,386**	**9,834**	**-**	**527,876**
Inter segment	**-**	**-**	**-**	**66,062**	**(66,062)**	**-**
Total revenue	**243,826**	**103,830**	**170,386**	**75,896**	**(66,062)**	**527,876**
Segment EBITDA	**56,326**	**29,327**	**68,764**	**(10,772)**	**-**	**143,645**
Depreciation and amortisation	**(27,660)**	**(12,112)**	**(19,449)**	**(2,215)**	**-**	**(61,436)**
Financial expenses						**(16,918)**
Financial income						**5,780**
Other (expenses)/income						**7,064**
Profit/(loss) before tax						**78,135**
Non-current fixed assets	**597,170**	**341,759**	**361,036**	**76,149**	**-**	**1,376,114**

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

Year ended 31 December 2018

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	241,667	109,749	152,401	9,900	-	513,717
Inter segment	-	-	-	65,886	(65,886)	-
Total revenue	241,667	109,749	152,401	75,786	(65,886)	513,717
Segment EBITDA	56,387	33,832	65,109	(6,449)	-	148,879
Depreciation and amortisation	(27,266)	(11,944)	(10,845)	(2,039)	-	(52,094)
Financial expenses						(16,936)
Financial income						3,548
Other expenses						(1,988)
Profit/(loss) before tax						81,409
Non-current fixed assets	611,703	314,765	204,645	72,048	-	1,203,161

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

NOTE 24 RELATED PARTIES

Parties are considered to be related if one of the parties has the power to exercise control over the other party or if it has significant influence over the other party in making financial or operational decisions. The Company is controlled by Dvadeset Osam d.o.o., which owned 52.93% of the Company's shares as at 31 December 2019. The ultimate parent is PPHE Hotel Group Limited which owns 100% of shares of Dvadeset Osam d.o.o. Additionally, all other subsidiaries of PPHE Hotel Group are treated as related parties.

a. Balances with related parties

	As at 31 December			
	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Assets				
Short-term receivables – Park Plaza Hotels Europe B.V.	**30**	29	**-**	-
Short-term receivables – from joint ventures	**709**	388	**-**	-
Short-term receivables – PPHE (Germany) B.V.	**-**	112	**-**	-
Short-term receivables – PPHE Nuernberg Operator Hotelbetriebsgesellschaft mbh	**-**	-	**64**	-
Short-term receivables – Arena Hospitality Management d.o.o.	**-**	-	**-**	681
Short-term receivables – Germany Real Estate B.V.	**-**	-	**711**	3,222
Short-term receivables – Sugarhill Investments B.V.	**-**	-	**562**	2
Short-term receivables – Ulika d.o.o.	**-**	-	**-**	16
Long-term loans to joint ventures	**35,111**	34,180	**-**	-
Long-term loan to Germany Real Estate B.V.	**-**	-	**142,795**	151,521
Liabilities				
Trade payables – Arena Hospitality Management d.o.o.	**-**	-	**2,283**	2,990
Trade payables – PPHE (Germany) B.V.	**10,285**	10,410	**-**	-
Trade payables – Park Plaza Hotels Europe B.V.	**1,825**	1,728	**1,825**	1,728

b. Transactions with related parties

	Year ended 31 December			
	Group		Company	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Management fee revenue – art'otel dresden Park Plaza Betriebsgesellschaft mbH	**-**	877	**-**	-
Management fee revenue from joint ventures	**2,944**	2,805	**-**	-
Service charge revenue – art'otel dresden Park Plaza Betriebsgesellschaft mbH	**-**	761	**-**	-
Service charge revenue – joint ventures	**2,945**	2,870	**-**	-
Reimbursement of employee expenses – PPHE Nuernberg Operator Hotelbetriebsgesellschaft mbh	**-**	-	**62**	101
Reimbursement of employee expenses – art'otel berlin mitte Park Plaza Betriebsgesellschaft mbH	**-**	-	**-**	97
Reimbursement of employee expenses – art'otel cologne Betriebsgesellschaft mbH	**-**	-	**-**	58
Reimbursement of employee expenses – art'otel® berlin city center west GmbH	**-**	-	**41**	10
Reimbursement of employee expenses – Park Plaza Hotels Berlin Wallstrasse GmbH	**-**	-	**-**	10
Reimbursement of employee expenses – Arena Hospitality Management d.o.o.	**-**	-	**6,725**	6,529
Reimbursement of advisory expenses – Sugarhill Investments B.V.	**-**	-	**562**	-
Interest income – joint ventures	**813**	773	**-**	-
Interest income – Ulika d.o.o.	**-**	-	**-**	16
Interest income – Germany Real Estate B.V.	**-**	-	**5,747**	3,487
Management fees expense – Arena Hospitality Management d.o.o.	**-**	-	**17,241**	17,149
Other expenses – Sugarhill Investments B.V.	**-**	-	**-**	53
Reimbursement of employee expenses – Park Plaza Hotels Berlin Wallstrasse GmbH	**-**	-	**90**	-
Sales and marketing fees – Park Plaza Hotels Europe B.V.	**20,773**	20,138	**20,773**	20,138
Sales and marketing fees – PPHE (Germany) B.V.	**10,000**	9,724	**-**	-
Interest expense – Euro Sea Hotels N.V.	**-**	385	**-**	-

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 2019:

Group	Base salary and fees HRK'000	Bonus HRK'000	Pension contributions HRK'000	Other benefits HRK'000	Total HRK'000
Management Board	**5,808**	**5,333**	**1,000**	**414**	**12,555**
Supervisory Board	**1,009**	**-**	**112**	**-**	**1,121**
	6,817	**5,333**	**1,112**	**414**	**13,676**

Company	Base salary and fees HRK'000	Bonus HRK'000	Pension contributions HRK'000	Other benefits HRK'000	Total HRK'000
Management Board	**5,808**	**5,333**	**1,000**	**414**	**12,555**
Supervisory Board	**1,009**	**-**	**112**	**-**	**1,121**
	6,817	**5,333**	**1,112**	**414**	**13,676**

Compensation to key management personnel (Management and Supervisory Board members) for the year ended 31 December 2018:

Group	Base salary and fees HRK'000	Bonus HRK'000	Pension contributions HRK'000	Other benefits HRK'000	Total HRK'000
Management Board	4,363	4,370	385	382	9,500
Supervisory Board	980	-	109	-	1,089
	5,343	4,370	494	382	10,589

Company	Base salary and fees HRK'000	Bonus HRK'000	Pension contributions HRK'000	Other benefits HRK'000	Total HRK'000
Management Board	4,363	4,370	385	382	9,500
Supervisory Board	980	-	109	-	1,089
	5,343	4,370	494	382	10,589

NOTE 25 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 2019 HRK'000	Cash flows HRK'000	Reclassification HRK'000	Foreign exchange movement HRK'000	New loans HRK'000	Other HRK'000	31 December 2019 HRK'000
Non-current interest-bearing loans	**891,579**	**-**	**(53,370)**	**2,476**	**79,499**	**(58)**	**920,126**
Derivative financial instruments	**2,498**	**-**	**-**	**-**	**-**	**3,944**	**6,442**
Current interest-bearing loans	**52,238**	**(48,381)**	**53,370**	**-**	**-**	**1,035**	**58,262**
	946,315	**(48,381)**	**-**	**2,476**	**79,499**	**4,921**	**984,830**

Changes in financial liabilities arising from financing activities

Group	1 January 2018 HRK'000	Cash flows HRK'000	Reclassification HRK'000	Foreign exchange movement HRK'000	New loans HRK'000	Other HRK'000	31 December 2018 HRK'000
Non-current interest-bearing loans	**806,959**	**(1,162)**	**(46,162)**	**(11,143)**	**143,087**	**-**	**891,579**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**2,498**	**2,498**
Third party loans	**75,136**	**(74,138)**	**-**	**(998)**	**-**	**-**	**-**
Current interest-bearing loans	**38,231**	**(38,231)**	**46,162**	**(174)**	**-**	**6,250**	**52,238**
	920,326	**(113,561)**	**-**	**(12,315)**	**143,087**	**8,748**	**946,315**

Changes in financial liabilities arising from financing activities

Company	1 January 2019 HRK'000	Cash flows HRK'000	Reclassification HRK'000	Foreign exchange movement HRK'000	New loans HRK'000	Other HRK'000	31 December 2019 HRK'000
Non-current interest-bearing loans	**527,208**	**-**	**(39,312)**	**1,248**	**79,499**	**(258)**	**568,385**
Current interest-bearing loans	**38,329**	**(34,577)**	**39,312**	**-**	**-**	**1,035**	**44,099**
	565,537	**(34,577)**	**-**	**1,248**	**79,499**	**777**	**612,484**

Changes in financial liabilities arising from financing activities

Company	1 January 2018 HRK'000	Cash flows HRK'000	Reclassification HRK'000	Foreign exchange movement HRK'000	New loans HRK'000	Other HRK'000	31 December 2018 HRK'000
Non-current interest-bearing loans	**456,107**	**(1,579)**	**(32,372)**	**(6,668)**	**111,720**	**-**	**527,208**
Current interest-bearing loans	**24,548**	**(24,649)**	**32,372**	**-**	**-**	**6,058**	**38,329**
	480,655	**(26,228)**	**-**	**(6,668)**	**111,720**	**6,058**	**565,537**

The Group and the Company also enters into derivative transactions, including principally interest rate swap contracts. The purpose is to manage the interest rate risk arising from the Group's and Company's operations and its sources of finance. It is, and has been throughout the years under review, the Group's and Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's and Company's financial instruments are cash flow interest rate risk, credit risk and liquidity risk. The Management Board reviews and agrees on policies for managing each of these risks which are summarised below. The Group's and Company's accounting policies in relation to derivatives are set out in Note 2.

a. Foreign currency risk

The Group and the Company operate internationally and are exposed to foreign exchange risk. Revenues are mainly linked to the Euro, while operating costs in Croatia are mainly realised in Kuna.

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

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

The Group and the Company maintain an active policy of foreign exchange risk hedging by keeping cash in foreign currency accounts, concluding contracts with banks using a more favourable exchange rate than the one officially published, and contracting operating liabilities in Kuna without linking to the currency clause. As at 31 December 2019, if the Euro had weakened/strengthened by 1.0% (2018: 1.0%) against the Kuna, with all other variables held constant, the loss for the year would have been HRK 10.9 million higher/lower (2018: HRK 189 thousand), mainly as a result of foreign exchange gains/(losses) on conversion of EUR denominated borrowings, trade payables, trade and other receivables and foreign cash funds. This risk is reduced by the fact that the majority of revenues are contracted in Euro.

b. Interest rate risk

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

The fair value of the swaps of the Group as at 31 December 2019 amounts to a liability of HRK 6,442 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 as a risk factor in business

(i) In October 2019, the Company received the resolution from the Commercial Court in Pazin, with reference.: P-407/2019-1 informing that a lawsuit had been filed against the Company concerning the convocation of the General Assembly held on 31 August 2016. The Company has taken legal advice and believes it has a good standing on this matter. The Company has submitted the statement of defence to the court and is now waiting for the court to set a date for the first hearing.

(ii) The Company has operated Guest House Riviera in Pula for decades and has been in discussions with the Croatian Ministry of Assets to formalise the informal arrangement and acquire the property. In March 2019, the Republic of Croatia initiated legal proceedings against the Company for repossession and compensation. The Company has taken legal advice and disputes the claim on various grounds. Two preparatory court hearings were held so far. During the first hearing, the Company has proposed to settle the dispute under the condition that the Republic of Croatia / Ministry undertakes to sell the property directly to the Company without public tender. The Republic of Croatia / Ministry rejected the proposal. During the second hearing, the Company argued on the merits of the case and continued to dispute the claims. The dispute is currently in an early stage and the discussions between the Company and the Republic of Croatia / Ministry on the possibility of reaching a settlement in this dispute are ongoing.

(iii) 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.

(iv) In accordance with the provisions of the Act, the Group and the Company submitted requests to the Republic of Croatia for the award of tourist land concessions for a term of 50 years (the maximum term allowed) in relation to land areas in eight campsites and tourist land in three of its self-catering holiday apartment complexes in Croatia. Since the adoption of the Act in 2010, as far as the Group and the Company are aware, no concession agreement have been entered into with respect to tourist land in campsites/tourist resorts/hotels in the Republic of Croatia due to ambiguities in the wording of the Act and other related regulations. So far as the Group and the Company are aware, the status of the Group's and the Company's tourist land concession requests is similar to the status of tourist land concession requests submitted by other companies in the Republic of Croatia. In practice, the companies that have submitted requests for a tourist land concession regularly pay an advance concession fee of 50% of the "assumed" concession fee calculated in accordance with the relevant regulations. As such, the Group and the Company will continue to pay 50% of the concession fees in respect of the eight campsites and to accrue the remaining 50% until determination of the concession agreements, which are presented as a provision in the financial statements.

(v) The Company and the Group have entered into settlement agreements with the Republic of Croatia in regards to all eight campsites whereby it has agreed that the proportions of co-ownership shall be determined based on expert evaluations. The provisions in the Act relating to such expert evaluations are unclear, and, therefore, the Group's and the Company's requests for the award of tourist land concessions in campsites have not yet been resolved and will likely remain unresolved until the Act and relevant regulations are adequately amended.

(vi) In relation to the properties in tourist resorts and hotels, the Group's and the Company's requests for award of tourist land concessions have been rejected twice by the City of Pula as the concession grantor. Following the law suit submitted by the Group and the Company and separately also by the Republic of Croatia, the City of Pula's decision has been recently annulled by the Administrative court in Rijeka for the second time and the matter was sent back to the first instance concession granting authority (City of Pula), with an instruction to repeat the procedure and establish if the relevant criteria for qualification of the relevant area as tourist land have been satisfied.

In relation to the Groups's and the Company's resorts and hotels' tourist land areas, due to still unresolved ownership matters, the relevant municipality has not been charging the Group and the Company the respective 50% of the "assumed" concession fee and the Group and the Company have not been paying any such fee, but has made provisions in relation to the amount of the "assumed" concession fee for each year since 2011.

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 2019 and 2018 based on contractual undiscounted payments:

As at 31 December 2019

	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	**7,972**	**61,537**	**69,451**	**214,992**	**778,173**	**1,132,125**
Accrued fee for the tourist land concession	**-**	**3,547**	**-**	**-**	**-**	**3,547**
Trade payables	**28,758**	**-**	**-**	**-**	**-**	**28,758**
Liabilities toward related parties	**12,110**	**-**	**-**	**-**	**-**	**12,110**
Other payables and accruals	**15,943**	**20,777**	**-**	**-**	**-**	**36,720**
	64,783	**85,861**	**69,451**	**214,992**	**778,173**	**1,213,260**

As at 31 December 2018

	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	11,599	59,751	67,687	212,926	752,572	1,104,535
Accrued fee for the tourist land concession	-	3,467	-	-	-	3,467
Lease liability	5,691	-	-	-	-	5,691
Trade payables	19,943	-	-	-	-	19,943
Liabilities toward related parties	12,090	-	-	-	-	12,090
Other payables and accruals	20,935	17,408	-	-	-	38,343
	70,258	80,626	67,687	212,926	752,572	1,184,069

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2019 and 2018 based on contractual undiscounted payments:

As at 31 December 2019

	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	**3,073**	**46,480**	**49,737**	**155,016**	**434,587**	**689,225**
Accrued fee for the tourist land concession	**-**	**3,547**	**-**	**-**	**-**	**3,547**
Trade payables	**15,708**	**-**	**-**	**-**	**-**	**15,708**
Liabilities toward related parties	**4,108**	**-**	**-**	**-**	**-**	**4,108**
Other payables and accruals	**12,623**	**6,338**	**-**	**-**	**-**	**18,961**
	35,512	**56,365**	**49,737**	**155,016**	**434,587**	**731,549**

As at 31 December 2018

	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	6,000	42,987	45,337	145,944	422,064	662,332
Accrued fee for the tourist land concession	-	3,467	-	-	-	3,467
Trade payables	5,834	-	-	-	-	5,834
Liabilities toward related parties	4,670	-	-	-	-	4,670
Other payables and accruals	4,745	12,771	-	-	-	17,516
	21,249	59,225	45,337	145,944	422,064	693,819

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	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Interest-bearing bank loans and borrowings	**978,389**	943,817	**612,484**	565,537
Less – cash and cash equivalents	**(718,891)**	(802,514)	**(597,071)**	(682,385)
Less – other current financial assets	**(221)**	(199)	**(221)**	(199)
Net debt	**259,277**	141,104	**15,192**	(117,047)
Equity	**1,756,463**	1,648,304	**2,033,171**	1,950,663
Hedging reserve	**(9,061)**	(5,477)	**-**	-
Total capital	**1,747,402**	1,642,827	**2,033,171**	1,950,663
Capital and net debt	**2,006,680**	1,783,931	**2,048,363**	1,833,616
Gearing ratio	**12.92%**	7.91%	**0.74%**	(6.38%)

The Group and the Company manage its capital structure and make adjustments to it in light of changes in economic conditions. The Group and the Company monitor capital using a gearing ratio, which is net bank debt divided by total capital plus net bank debt. The Group's policy is to keep the gearing ratio between 30% and 50%. The Group and the Company include within net bank debt, interest bearing bank loans and borrowings, less cash and cash equivalents and other liquid assets. Capital includes equity less the hedging reserve.

g. Fair value of financial instruments

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

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

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

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

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

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

Fair value is the amount that would be received on sale at an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques based on a discounted cash flow. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity–specific estimates. If all significant inputs required to fairly value an instrument are observable, the instrument is included in Level 2.

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

Fair value hierarchy

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

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

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

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

As at 31 December 2019, the Group held the following financial instruments measured at fair value:

Liability:

	31 December 2019 HRK'000	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000
Interest rate swaps used for hedging	**6,442**	-	6,442	-

Asset:

	31 December 2019 HRK'000	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000
Available for sale – financial assets	**221**	221	-	-

During 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

As at 31 December 2018, the Group and the Company held the following financial instruments measured at fair value:

	31 December 2018 HRK'000	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000
Available for sale – financial assets	199	199	-	-

During 2017, 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	
	2019 HRK'000	2018 HRK'000	2019 HRK'000	2018 HRK'000
Financial assets Available for sale - financial assets	**221**	199	**221**	199
Financial liabilities Bank borrowings*	**978,389**	943,817	**1,001,279**	956,267

* Based on Level 2 inputs.

h. 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 26 SUBSEQUENT EVENTS

In January, the Group has entered into a 45-year lease for the development and operation of a contemporary branded hotel in Zagreb, Croatia. The development, which is subject to obtaining the necessary permits, involves the conversion of an iconic building in a prime location in the heart of the city. Once opened, this 115 room hotel will include a destination restaurant and bar, wellness and spa facilities, fitness centre, event space and parking. Opening of the hotel is expected within 24 months.

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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.[2,3]	Management Company	Croatia	HRK	100
Park Plaza Hotels (Germany) Services GmbH[2,3]	Management Company	Germany	EUR	100
PPHE Germany Holdings GmbH[2,3]	Holding Company	Germany	EUR	100
PPHE Nürnberg Operator Hotelbetriebsgesellschaft mbH[2,3]	Hotel Operation	Germany	EUR	100
Park Plaza Germany Holdings GmbH[2,3]	Holding Company	Germany	EUR	100
Park Plaza Nürnberg GmbH[2,3]	Hotel Operation	Germany	EUR	100
Park Plaza Hotels Berlin Wallstrasse GmbH[2,3]	Hotel Operation	Germany	EUR	100
art'otel berlin city center west GmbH[2,3]	Hotel Operation	Germany	EUR	100
art'otel köln Betriebsgesellschaft mbH [2,3]	Hotel Operation	Germany	EUR	100
SW Szállodaüzemeltető Kft[2,3]	Hotel Operation	Hungary	HUF	100

[1] Direct holdings

[2] Indirect holdings

[3] Subsidies (direct and indirect) 100% or 50% owned by Sugarhill

JOINTLY CONTROLLED ENTITIES

Name of Group	Principal activity	Country of incorporation	Functional currency	Proportion of ownership interest %
art'otel berlin mitte /Park Plaza betriebsgesellschaft mbH	Hotel Operation	Germany	EUR	50
Park Plaza betriebsgesellschaft mbH	Hotel Operation	Germany	EUR	50
ABK Hotel Holding B.V.	Holding Company	The Netherlands	EUR	50
ABM Hotel Holding B.V.	Holding Company	The Netherlands	EUR	50

[1] Direct holdings

[2] Indirect holdings

[3] Subsidies (direct and indirect) 100% or 50% owned by Sugarhill

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 26 owned, co-owned, leased and managed properties with more than 10,000 rooms and accommodation units in Croatia, Germany and Hungary. 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.

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 plus beginning of the year cash) 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)

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 amortisation.

EBITDA margin: EBITDA divided by total revenue.

EBITDAR: Earnings before interest, tax, depreciation, amortisation, 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.

F – O

GDPR: General Data Protection Regulation

Group: Company and its consolidated subsidiaries (companies subject of a requirement to consolidate their financial statements).

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 the Management Board), Devansh Bakshi (Member of the Management Board and Chief Financial Officer) and Manuela Kraljević (Member of the Management Board and Marketing and Sales Director).

Occupancy: total occupied rooms divided by net available rooms or RevPAR divided by average room rate.

P – Z

Park Plaza® Hotels & Resorts: Upscale and 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.

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), Abraham Thomas (Member), Amra Pende (Member), Lorena Škuflić (Member) and Damir Lučić (Member appointed by employees' council)

CONTACTS

SUPERVISORY BOARD

Boris Ivesha Chairman
Yoav Papouchado Vice chairman
Kevin McAuliffe Member
Abraham Thomas Member
Amra Pende Member
Lorena Škuflić Member
Damir Lučić Member appointed by employees' council

MANAGEMENT BOARD

Reuel ('Reli') Slonim President of the Management Board
Devansh Bakshi Member of the Management Board Chief Financial Officer
Manuela Kraljević Member of the Management Board and Marketing and Sales Director

KEY CONTACTS

Luka Cvitan Strategy, Capital Markets and IR
Neven Čale Reporting Manager
Tatiana Zanini Gavranić Strategic Controlling Manager
Zrinka Vrtarić Legal Counsel

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USEFUL LINKS

Corporate and reservation websites:
arenahospitalitygroup.com
arenahotels.com
arenacampsites.com
artotels.com
parkplaza.com

STRATEGIC PARTNERS

PPHE Hotel Group
pphe.com
Radisson Hotel Group
radissonhotelgroup.com

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