ARENA HOSPITALITY GROUP d.d.

(Joint Stock Company Incorporated under the Laws of the Republic of Croatia)

SUPPLEMENT NO. 1 TO THE PROSPECTUS DATED 26 APRIL 2017

Public offering issue and listing of up to 2,000,000 Offer Shares and listing of 1,091,250 Listing Shares

This prospectus supplement No. 1 (**Prospectus Supplement**) supplements the prospectus dated 26 April 2017 (**Prospectus**), approved by the Croatian Financial Services Supervisory Agency (Hrvatska agencija za nadzor financijskih usluga) (**CFSSA**). The Prospectus relates to (i) the listing of 1,091,250 ordinary registered shares of the tourism company ARENA HOSPITALITY GROUP d.d. (the **Company**) in the nominal amount of HRK 20.00 each on the Official Market of the Zagreb Stock Exchange (**Zagreb Stock Exchange** or **ZSE**), kept with the Croatian Central Depository & Clearing Company Inc. (CDCC) in book-entry form, which are expected to carry the ISIN HRARNTRA0004 and the ticker ARNT-R-A following their listing on the Official Market (**Listing Shares**), and (ii) the public offering and listing of a minimum of 1,000,000 up to a maximum of 2,000,000 ordinary registered shares of the Company in the nominal amount of HRK 20.00 each, which are expected to carry the ISIN HRARNTRA0004 and the ticker ARNT-R-A following their listing on the Official Market or any other ISIN and ticker as determined by the CDCC (**Offer Shares**) in conjunction with their intended listing (**Offering**).

This Prospectus Supplement constitutes a supplementary prospectus required under Article 379 of the Croatian Capital Markets Act (Official Gazette 88/08, 146/08, 74/09, 54/13, 159/13, 18/15, 110/15 and 123/16) (**Croatian Capital Markets Act** or **CMA**) implementing Article 16 of the Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (**EU Prospectus Directive**). It has been prepared to inform the Investors about new significant factors that have arisen from the condensed consolidated financial statements of the Group as at and for the three months ended 31 March 2017, together with the notes thereto, which have been prepared in accordance with International Accounting Standard 34, "Interim financial reporting", by the Company and based on the consolidated interim financial report of the Group for the first quarter of 2017 as published on the website of ZSE after the approval of the Prospectus by the CFSSA on 28 April 2017.

In case of publication of this Prospectus Supplement before commencement of the Bookbuilding Period and the Application Period, potential Investors shall not have the right from Article 379(7) of the CMA to withdraw from subscription or purchase of the Offer Shares within two business days as from the date of publication hereof. In case of publication of this Prospectus Supplement during the Bookbuilding Period and the Application Period, potential Investors shall have the right from Article 379(7) of the CMA to withdraw from subscription or purchase of the Offer Shares within two business days as from the date of publication hereof. It is expected that this Prospectus Supplement shall be published after its approval by CFSSA before or at the beginning of the Bookbuilding Period and the Application Period.

After approval of this Prospectus Supplement by HANFA, this Prospectus Supplement will be published in electronic form through the Company's website (www.arenaturist.com) and through ZSE's website (www.zse.hr) at the latest on the following business day. This Prospectus Supplement will also be available in printed form at the registered office of the Company as well as at the designated sites of the Joint Global Coordinators and Bookrunners upon request and free of charge.

This Prospectus Supplement forms part of and must be read together with, the Prospectus and any further supplements to the Prospectus that may be published in the future.

Capitalised terms used in this Prospectus Supplement which are defined in the Prospectus and not expressly defined in this Prospectus Supplement have the meanings ascribed to them in the Prospectus.

This Prospectus Supplement is subject to the approval of the CFSSA.

This Prospectus Supplement is dated 11 May 2017.

Joint Global Coordinators and Bookrunners

InterCapital Securities Ltd. | **UniCredit Bank AG** | **Zagrebačka banka d.d.**

Before continuing, prospective Investors are urged to carefully read and get familiar with the abbreviations and definitions of certain terms used throughout this Prospectus Supplement. For the abbreviations and definitions of such terms, see *Part 22* "*Definitions and Glossary*" beginning on page 197 of the Prospectus.

The Company, the members of the Board of Directors and the Executive Directors accept responsibility for the information contained in the Prospectus, as supplemented by this Prospectus Supplement. To the best knowledge and belief of the Company, the members of the Board of Directors and the Executive Directors (having taken all reasonable care to ensure that such is the case), the information contained in the Prospectus, as supplemented by this Prospectus Supplement, is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Prospectus, as supplemented by this Prospectus Supplement, has been prepared to comply with the CMA and the Commission Regulation (EC) no. 809/2004 of 29 April 2004 (**Regulation**) implementing the EU Prospectus Directive. The Prospectus and this Prospectus Supplement have been prepared in the Croatian language. Only the Croatian language version of the Prospectus has been approved by the CFSSA and only the Croatian language version of this Prospectus Supplement is subject to the approval of the CFSSA. Any unofficial translation of the Prospectus or this Prospectus Supplement into English language is not and shall not be subject to the approval of the CFSSA or any other regulatory authority. Such unofficial translation is not a substitute for the original Croatian version of the Prospectus or this Prospectus Supplement, is prepared for informational purposes only, for the convenience of non-Croatian potential Investors, and should not be relied upon by such Investors. The CFSSA shall not control or approve the accuracy, completeness or truthfulness of the information included in the Prospectus and this Prospectus Supplement including the information about the Company's or the Group's affairs. The CFSSA's approval relates to the information included herein as being prepared in accordance with the disclosure requirements.

The information contained herein is current as of the date hereof and subject to change and amendment without further notice. In accordance with the CMA, the EU Prospectus Directive and the Regulation, significant new factors, material mistakes or inaccuracies relating to the information included in the Prospectus, as supplemented by this Prospectus Supplement, which are capable of affecting the assessment of the Offer Shares from the time when the Prospectus was approved until the date of commencement of trading of the Listing Shares and the Offer Shares on the Zagreb Stock Exchange, will be included in an additional supplement to the Prospectus. Neither the publication nor distribution of the Prospectus, this Prospectus Supplement or any additional supplement to the Prospectus, as supplemented by this Prospectus Supplement, nor any sale of Offer Shares made under the Prospectus, as supplemented by this Prospectus Supplement, shall under any circumstances create any implication that there has been no change in the Group's affairs or that the information in the Prospectus, as supplemented by this Prospectus Supplement, is correct as of any date subsequent to the date hereof.

The Joint Global Coordinators and Bookrunners make no representation or warranty, whether express or implied, concerning, and accordingly they disclaim all and any responsibility for the Company's future performance or the accuracy or completeness or reliability of the information contained in the Prospectus, as supplemented by this Prospectus Supplement, apart from the responsibilities and liabilities, if any, which may be imposed by the CMA, the EU Prospectus Directive and the Regulation or the regulatory regime established thereunder. No person is authorised to give any information or to make any representation in connection with the Offering other than as contained in the Prospectus, as supplemented by this Prospectus Supplement, or any additional supplementary prospectus produced to supplement the information contained in the Prospectus, as supplemented by this Prospectus Supplement.

INTERCAPITAL securities Ltd. and Zagrebačka banka d.d. which are regulated in the Republic of Croatia by the CFSSA and the CNB, respectively, and UniCredit Bank AG, London Branch, which is authorised by the Bundesanstalt für Finanzdienstleistungsaufsicht (financial regulatory authority in Germany) and subject to limited regulation by the Financial Conduct Authority (financial regulatory authority in the United Kingdom), are acting exclusively for the Company and no one else in connection with the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to clients of the Joint Global Coordinators and Bookrunners, nor for providing advice to any other person in relation to the Offering.

Prospective Investors should only rely on the information contained in the Prospectus, as supplemented by this Prospectus Supplement, and any additional supplementary prospectus produced to supplement the information contained in the Prospectus, as supplemented by this Prospectus Supplement. No person has been authorised to give any information or make any representations other than those contained in the Prospectus, as supplemented by this Prospectus Supplement, or any additional supplementary prospectus produced to supplement the information contained in the Prospectus, as supplemented by this Prospectus Supplement, and, if given or made, such information must not be relied upon as having been authorised by the Company.

The contents of the Company's website do not form part of the Prospectus or a part of this Prospectus Supplement.

The distribution of the Prospectus or this Prospectus Supplement, and the offering and sale of the Offer Shares in certain jurisdictions may be restricted by law. Neither the Prospectus nor this Prospectus Supplement constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or sale would be unlawful. No action has been taken to permit the Offering to occur outside of the Republic of Croatia, and thus, subject to exemptions set out in *Part 7* "*Selling and Transfer Restrictions*" of the Prospectus, the offer of the Offer Shares to the public, based on the Prospectus and following the approval of this Prospectus Supplement by the CFSSA, shall be carried out exclusively in the territory of the Republic of Croatia. Accordingly, neither the Prospectus, this Prospectus Supplement nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. The Company and each Joint Global Coordinator and Bookrunner require persons in possession of the Prospectus or this Prospectus Supplement to inform themselves about and to observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of any such jurisdictions.

THE OFFER SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS. NEITHER THE PROSPECTUS NOR THIS PROSPECTUS SUPPLEMENT HAS BEEN APPROVED OR REVIEWED BY THE US SECURITIES AND EXCHANGE COMMISSION AND NEITHER THE PROSPECTUS NOR THIS PROSPECTUS SUPPLEMENT IS FOR GENERAL DISTRIBUTION IN THE UNITED STATES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

For further information on the manner of distribution of the Offer Shares and the selling and transfer restrictions to which they are subject, see *Part 7* "*Selling and Transfer Restrictions*" of the Prospectus.

The Company accepts responsibility for the content of the Prospectus, as supplemented by this Prospectus Supplement. In the Company's opinion and in accordance with the findings and data that the Company uses, the information contained in the Prospectus, as supplemented by this Prospectus Supplement, represents the true and complete status of the Company's assets and obligations, profit and loss and financial status and the rights included in the Shares, and no fact, that to the best of the Company's knowledge may affect the completeness and truthfulness of the Prospectus, as supplemented by this Prospectus Supplement, has been left out. The truthfulness and completeness of the information contained in the Prospectus, as supplemented by this Prospectus Supplement, is confirmed as at the date hereof unless otherwise explicitly stated in the Prospectus, as supplemented by this Prospectus Supplement. The Company notes that information contained in the Prospectus, as supplemented by this Prospectus Supplement, related to the business activity of the Company, its financial status and operational results may change after the date hereof.

The Prospectus, as supplemented by this Prospectus Supplement, and the terms and conditions of the Offering as set out in the Prospectus, as supplemented by this Prospectus Supplement, shall be governed by and construed in accordance with Croatian law. Croatian courts shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Offering or the Prospectus as supplemented by this Prospectus Supplement.

This document is an unofficial English translation of the Croatian Prospectus Supplement. This translation is for informational purposes only, has no legal effect and should not be relied upon. It has been prepared solely for the convenience of non-Croatian potential Investors in the Company and is not a substitute for the original Croatian version of this Prospectus Supplement.

The only official versions of the Prospectus and this Prospectus Supplement are the Croatian versions as approved by the CFSSA and available in electronic form on the website of the Company (www.arenaturist.com) and the website of the ZSE (www.zse.hr) and in hard copy at the Company's premises (Pula, Smareglina ulica 3, Croatia). This English translation of the Prospectus Supplement has not been registered with or approved by the CFSSA.

Accordingly, any prospective Investor should also refer to the official Croatian versions of the Prospectus and this Prospectus Supplement and seek appropriate professional advice before investing. While this English translation is believed to be generally accurate, it is subject to and qualified by, in its entirety, the official Croatian-language original version of the Prospectus Supplement approved by the CFSSA, which is the prevailing document for all purposes. Any discrepancies or differences created in the translation are not binding and none of the Company or the Joint Global Coordinators and Bookrunners makes any warranties or representations about the accuracy or completeness of this English translation and assumes no liability for any errors, omissions or inaccuracies in this English translation. This English translation does not contain or constitute, and should not be relied upon as, an offer or invitation or recommendation to make an offer or to acquire any securities in any jurisdiction.

CONTENTS

PART 1

AMENDMENTS TO THE PROSPECTUS

In *Part 1* "*Summary*", *Section B* "*Issuer*", Element B.7 of the Prospectus, under the heading "Analysis of Key Performance Indicators for the Group", Note 1 below the table titled "Key performance indicators for the Group" (page 4 of the Prospectus) in the right column is amended to read as follows:

"(1) Represents total paid units occupied divided by total available units, which is the number of units in a property eliminating units not available due to damage, repairs or any other reason, based on the number of operating days."

In *Part 1* "*Summary*", *Section B* "*Issuer*", *Element B.7* of the Prospectus the following is added to the end of the Element (page 6 of the Prospectus) in the right column:

"Selected key historical financial information is presented below. The reporting currency selected by the Group and the Sugarhill Group for the purpose of financial reporting in accordance with IFRS is HRK (Croatian Kuna). Unless otherwise noted, all convenience translations from HRK into EUR in the following tables were made at a rate of HRK 7.44 to EUR 1.00, the midpoint exchange rate as at 31 March 2017, which was also used by the Company in preparing the Group Interim Financial Statements.

The following tables present key financial information of the Group and have been derived from the condensed consolidated financial statements of the Group as at and for the three months ended 31 March 2017, together with the notes thereto. The Group Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, "Interim financial reporting", as adopted by the EU.

Interim condensed consolidated income statements[(1)]

	For the three months ended 31 March		
	2017 (HRK thousands) (Unaudited)	*2017 (EUR thousands) (Unaudited)*	*2016 (HRK thousands) (Unaudited)*
Revenues	63,393	8,521	12,766
Operating expenses	(71,431)	(9,601)	(32,142)
EBITDAR	(8,038)	(1,080)	(19,376)
Rental expenses and land concession fees	(11,688)	(1,571)	(2,219)
EBITDA	(19,726)	(2,651)	(21,595)
Depreciation and amortisation	(14,974)	(2,013)	(14,809)
EBIT	(34,700)	(4,664)	(36,404)
Financial expenses	(2,524)	(339)	(4,285)
Financial income	196	26	–
Other income and expense	(98)	(13)	–
Share in result of joint ventures	(289)	(39)	–
Loss before tax	(37,415)	(5,029)	(40,689)
Income tax benefit	4,656	626	6,994
Loss for the period	(32,759)	(4,403)	(33,695)

Interim condensed consolidated statements of financial position

	As at		
	31 March 2017 (HRK thousands) (Unaudited)	*31 March 2017 (EUR thousands) (Unaudited)*	*31 December 2016 (HRK thousands) (Audited)*
Non-current assets	1,904,951	256,042	1,468,819
Current assets	115,424	15,514	177,701
Total assets	2,020,375	271,556	1,646,520
Total equity	768,939	103,352	804,244
Non-current liabilities	970,552	130,451	585,380
Current liabilities	280,884	37,753	256,896
Total liabilities	1,251,436	168,204	842,276
Total equity and liabilities	2,020,375	271,556	1,646,520

Interim condensed consolidated statements of cash flows[(1)]

	For the three months ended 31 March		
	2017 (HRK thousands) (Unaudited)	*2017 (EUR thousands) (Unaudited)*	*2016 (HRK thousands) (Unaudited)*
Cash flows from/(used in) operating activities	8,474	1,139	(9,605)
Cash flows used in investing activities	(451,506)	(60,686)	(10,430)
Cash flows from/(used in) financing activities	383,996	51,612	(14,595)
Decrease in cash and cash equivalents	(59,036)	(7,935)	(34,630)
Net foreign exchange differences	(548)	(74)	–
Cash and cash equivalents at beginning of period	130,406	17,528	147,787
Cash and cash equivalents at end of period	70,822	9,519	113,157

Source: Group Interim Financial Statements

Notes:

(1) The Group's financial data for the three months ended 31 March 2016 do not include the Sugarhill Group which was not under common control with the Group until 1 April 2016. Consequently, the Group's interim condensed consolidated income statement and statement of cash flows as of and for the three months ended 31 March 2017 and 2016 are not directly comparable.

Analysis of Key Performance Indicators for the Group for the first quarter of 2017

The unaudited KPIs set forth below have been derived from the Group Interim Financial Statements and operating data.

Key performance indicators for the Group[1]

	Three months ended 31 March		
	2017	*2016*	*% change*
Rooms available[2]	130,895	99,870	31.1
Rooms sold	69,736	21,694	221.5
OCC (days in operation)(%)[3]	53.3	21.7	–
OCC (days in three month period)(%)[4]	8.0	2.7	–
Average daily rate (HRK)[5]	656.3	372.5	76.2
RevPAR (HRK)	349.7	80.9	332.3
Accommodation revenue (HRK thousands)	45,769	8,081	466.4

Source: Group Data

Notes:

(1) The Group's operating results for the three months ended 31 March 2016 do not include the Sugarhill Group which was not under common control with the Group until 1 April 2016. Consequently, the Group's key performance indicators as of and for the three months ended 31 March 2017 and 2016 are not directly comparable.

(2) Based on operating days.

(3) Represents total paid units occupied divided by total available units, which is the number of units in a property eliminating units not available due to damage, repairs or any other reason, based on the number of operating days.

(4) Represents total paid units occupied divided by total available units, which is the number of units in a property eliminating units not available due to damage, repairs or any other reason, based on the number of days in the relevant period.

(5) Represents total room revenues divided by the total number of paid units occupied by guests.

Current Trading and Prospects since 31 March 2017

The Company believes that trading since 31 March 2017 has remained encouraging across the Group's properties in Germany and Hungary and the Company expects to further benefit from the Group's recently upgraded hotels and the maturing of Park Plaza Nuremberg following its opening in 2016.

In Croatia, the majority of the Group's properties opened just before the Easter holidays and bookings for the 2017 summer season are ahead compared to the same period last year.

Since 31 March 2017, the Group has continued to invest in improvements to its Croatian properties and has finished the following works: (i) the refurbishment of the rooms and lobby area at Hotel Holiday; (ii) works related to a change in the energy source for the Group's Croatian laundry services and (iii) the replacement of external joinery in the Park Plaza Verudela Pula resort area. Additional improvements currently being made, which are all anticipated to be completed prior to the start of the 2017 summer season, include: (i) the installation of a new sewage system at Pomer Camp; (ii) the reconstruction of the diving club at Stoja Camp and (iii) the construction of a third outdoor pool at Park Plaza Belvedere Medulin.

On 28 April 2017, the CFSSA approved the Prospectus and the Underwriting Agreement among the Company, PPHE, UniCredit, ZABA and InterCapital was entered into on the same date.

Save for the foregoing, there has been no significant change in the financial or trading position of the Group since 31 March 2017, the date to which the last interim financial information of the Group was prepared."

In *Part 1* "*Summary*", *Section E* "*Offer*", *Element E.1* of the Prospectus the first paragraph (page 10 of the Prospectus) in the right column is amended to read as follows:

"The net proceeds of the Offering, following the payment of Offering related fees and expenses, will depend upon the level of Investor's demand for the Offer Shares. It is expected that the amount of the net proceeds will be up to HRK 750 million. The Company may provide updates on the expected net proceeds of the Offering which will be announced in the Public Invitation or, as the case may be, during the course of the Offering through the Company's website, the website of the court register, the ZSE's website or otherwise as may be set out in the Public Invitation."

In *Part 1* "*Summary*", *Section E* "*Offer*", *Element E.2.a* of the Prospectus the second paragraph (page 10 of the Prospectus) in the right column is amended to read as follows:

"The net proceeds of the Offering, following the payment of Offering related fees and expenses, will depend upon the level of Investor's demand for the Offer Shares. It is expected that the amount of the net proceeds will be up to HRK 750 million. The Company may provide updates on the expected net proceeds of the Offering which will be announced in the Public Invitation or, as the case may be, during the course of the Offering through the Company's website, the website of the court register, the ZSE's website or otherwise as may be set out in the Public Invitation."

In *Part 5* "*Use of Proceeds and Reasons for the Offering*" of the Prospectus, the second paragraph (page 36 of the Prospectus) is amended to read as follows:

"The net proceeds of the Offering, following the payment of Offering related fees and expenses, will depend upon the level of Investor's demand for the Offer Shares. It is expected that the amount of the net proceeds will be up to HRK 750 million. The Company may provide updates on the expected net proceeds of the Offering which will be announced in the Public Invitation or, as the case may be, during the course of the Offering through the Company's website, the website of the court register, the ZSE's website or otherwise as may be set out in the Public Invitation."

In *Part 6.18* "*Interests of Natural and Legal Persons in the Offering*" of the Prospectus, the last paragraph (page 45 of the Prospectus) is amended to read as follows:

"The underwriting agreement among the Company, PPHE, UniCredit, ZABA and InterCapital was entered into on 28 April 2017, as described in *Part 16 "Material Agreements*"."

In *Part 10.14* "*Business Overview – Employees*" of the Prospectus, at the end of the table titled "The Group's employees" (page 73 of the Prospectus), the following is added as a new table:

	Croatia	*Germany and Hungary*(1)	*Total*
As of 31 March 2017			
Full time	368	246	614
Part time	213	85	298
FTE(2)	469	313	782
As of 31 March 2016			
Full time	360	206	566
Part time	223	91	314
FTE(2)	445	278	723

Source: Group Data

Notes:

(1) The employee numbers for Germany and Hungary include all employees for art'otel berlin mitte and Park Plaza Berlin Kudamm which are owned by 50/50 joint ventures. The employee numbers for Germany and Hungary for three months ended 31 March 2016 are provided only for information purposes, as they were not part of the Group at that time.

(2) The FTE figure is an estimate based on the total hours paid for all employees during three month period divided by the hours paid for an average full time employee during the three month period.

In *Part 14.1* "*Selected Financial Information of the Group*" of the Prospectus, Note 1 below the table titled "Key performance indicators for the Group" (page 125 of the Prospectus) is amended to read as follows:

"(1) Represents total paid units occupied divided by total available units, which is the number of units in a property eliminating units not available due to damage, repairs or any other reason, based on the number of operating days."

At the end of *Part 14* "*Selected Financial Information*" of the Prospectus, after *Part 14.2* "*Selected Financial Information of the Sugarhill Group*" (page 127 of the Prospectus), the following new Part 14.3 is added:

"14.3 Selected Financial Information of the Group as at and for the period ended 31 March 2017 and 2016

The tables below set out selected financial information of the Group as at and for the three months ended 31 March 2017 and 2016. The selected financial information set out below has been extracted without material adjustment from the unaudited interim condensed consolidated financial statements of the Group as at and for the three months ended 31 March 2017, together with the notes thereto (**Group Interim Financial Statements**) included in *Appendix D* "*Group Interim Financial Statements*". The Group Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, "Interim financial reporting", as adopted by the EU.

The selected financial information included herein should be read in connection with, and is qualified in its entirety by reference to *Part 15.15* "*Operating and Financial Review of the Group for three months ended 31 March 2017 and 2016*", the Group Interim Financial Statements, the Group Financial Statements and *Part 15* "*Operating and Financial Review*". All convenience translations from HRK into EUR in the following tables were made at a rate of HRK 7.44 to EUR 1.00, the midpoint exchange rate as at 31 March 2017, which was also used by the Company in preparing the Group Interim Financial Statements.

Interim condensed consolidated income statements[1]

	For the three months ended 31 March		
	2017 (HRK thousands) (Unaudited)	*2017 (EUR thousands) (Unaudited)*	*2016 (HRK thousands) (Unaudited)*
Revenues	63,393	8,521	12,766
Operating expenses	(71,431)	(9,601)	(32,142)
EBITDAR	(8,038)	(1,080)	(19,376)
Rental expenses and land concession fees	(11,688)	(1,571)	(2,219)
EBITDA	(19,726)	(2,651)	(21,595)
Depreciation and amortisation	(14,974)	(2,013)	(14,809)
EBIT	(34,700)	(4,664)	(36,404)
Financial expenses	(2,524)	(339)	(4,285)
Financial income	196	26	–
Other income and expense	(98)	(13)	–
Share in result of joint ventures	(289)	(39)	–
Loss before tax	(37,415)	(5,029)	(40,689)
Income tax benefit	4,656	626	6,994
Loss for the period	(32,759)	(4,403)	(33,695)

Interim condensed consolidated statements of financial position

	As at		
	31 March 2017 (HRK thousands) (Unaudited)	31 March 2017 (EUR thousands) (Unaudited)	31 December 2016 (HRK thousands) (Audited)
Non-current assets	1,904,951	256,042	1,468,819
Current assets	115,424	15,514	177,701
Total assets	2,020,375	271,556	1,646,520
Total equity	768,939	103,352	804,244
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Cash flows from/(used in) operating activities	8,474	1,139	(9,605)
Cash flows used in investing activities	(451,506)	(60,686)	(10,430)
Cash flows from/(used in) financing activities	383,996	51,612	(14,595)
Decrease in cash and cash equivalents	(59,036)	(7,935)	(34,630)
Net foreign exchange differences	(548)	(74)	–
Cash and cash equivalents at beginning of period	130,406	17,528	147,787
Cash and cash equivalents at end of period	70,822	9,519	113,157

Source: Group Interim Financial Statements

Notes:

(1) The Group's financial data for the three months ended 31 March 2016 do not include the Sugarhill Group which was not under common control with the Group until 1 April 2016. Consequently, the Group's interim condensed consolidated income statement and statement of cash flows as of and for the three months ended 31 March 2017 and 2016 are not directly comparable.

Key performance indicators for the Group[(1)]

	Three months ended 31 March		
	2017	2016	% change
Rooms available[(2)]	130,895	99,870	31.1
Rooms sold	69,736	21,694	221.5
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Notes:

(1) The Group's operating results for the three months ended 31 March 2016 do not include the Sugarhill Group which was not under common control with the Group until 1 April 2016. Consequently, the Group's key performance indicators as of and for the three months ended 31 March 2017 and 2016 are not directly comparable.

(2) Based on operating days.

(3) Represents total paid units occupied divided by total available units, which is the number of units in a property eliminating units not available due to damage, repairs or any other reason, based on the number of operating days.

(4) Represents total paid units occupied divided by total available units, which is the number of units in a property eliminating units not available due to damage, repairs or any other reason, based on the number of days in the relevant period.

(5) Represents total room revenues divided by the total number of paid units occupied by guests."

In *Part 15.11* "*Operating and Financial Review—Related Party Transactions*" of the Prospectus, the first paragraph (page 160 of the Prospectus) is amended to read as follows:

"The details of the related party transactions (which for these purposes are those set out in the Standards adopted according to Regulation (EC) No 1606/2002) that were entered into by the Group during 2014, 2015, 2016, the three months ended 31 March 2017 and up to the date of the Prospectus Supplement are set out in accordance with the respective standards adopted according to Regulation (EC) No 1606/2002 in:

- *Part 12* "*Relationship with the PPHE Hotel Group*", *Part 15.8* "*Operating and Financial Review of the Group—Liquidity and Capital Resources—Related Party Loans*", *Part 15.11* "*Related Party Transactions*" and *Part 16* "*Material Agreements*";
- Note 22 of the Group Financial Statements; and
- Notes 3 and 8 of the Group Interim Financial Statements."

Part 15.13 "*Operating and Financial Review—Off Balance Sheet Arrangements*" of the Prospectus (page 162 of the Prospectus) is amended to read as follows:

"As at 31 March 2017, the Group had no significant off balance sheet arrangements."

At the end of *Part 15* "*Operating and Financial Review*" of the Prospectus, after *Part 15.14* "*Working Capital Statement*" (page 162 of the Prospectus), the following new Part 15.15 is added:

"15.15 Operating and Financial Review of the Group for three months ended 31 March 2017 and 2016

This operating and financial review should be read together with the Group Interim Financial Statements which are included in Appendix D "Group Interim Financial Statements", Part 15 "Operating and Financial Review" and the Group Financial Statements.

15.15.1 Overview

The Group's total assets as at 31 March 2017 were HRK 2.0 billion. The Group's revenue and EBITDA for the three months ended 31 March 2017 were HRK 63.4 million and HRK (19.7) million, respectively. The Group had a loss for the period of HRK 32.8 million.

15.15.2 Like-for-like Results

The Group also presents selected like-for-like financial information and key performance indicators of the Group to assist Investors in understanding its first quarter results. The Group's like-for-like figures for the three months ended 31 March 2017 and 2016 include all the Group's properties during the two periods with the following exceptions:

(i) The results for Park Plaza Nuremberg are not included in the three months ended 31 March 2017 as the hotel opened in June 2016 and so was not operating during the three months ended 31 March 2016. In the three months ended 31 March 2017 Park Plaza Nuremberg reported sales of HRK 12,069 thousand and EBITDA of HRK 2,735 thousand.

(ii) In December 2016, prior to the acquisition of the Sugarhill Group by the Company and pursuant to the Operational Restructuring, each of the Group's then-existing Prior Operating Agreements was amended, restated and novated (as applicable) in order to create two new separate agreements, an Operating Agreement and an LSM Agreement, for each of the Group's properties. Pursuant to the Operating Agreements, the supervision and operation of the properties was transferred to Arena Hospitality (a wholly owned subsidiary of the Sugarhill Group) from other members of the PPHE Hotel Group, including all obligations of the operator other than sales and marketing services and certain central services such as management and staff training. Consequently, the Group now retains the management fees that were previously paid by the Group and the Sugarhill Group to the PPHE Hotel Group. The like-for-like figures for 2016 do not include the financial effect of the changes to the management arrangements with the PPHE Hotel Group.

(iii) In February 2017, the Group completed the acquisition of the freehold interests in art'otel cologne and art'otel berlin kudamm. The EBITDA figures below are stated after the payment of HRK 4,180 thousand of rent in respect of art'otel cologne and art'otel berlin kudamm for January and February 2017 and HRK 7,073 thousand for the three months ended 31 March 2016.

Like-for-like financial information and key performance indicators for the Group

	Three months ended 31 March		
	2017	*2016*	*% change*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
Total revenue (HRK thousands)	51,324	51,371	0.0
EBITDAR (HRK thousands)	(10,773)	(11,896)	9.4
EBITDA (HRK thousands)	(22,461)	(26,786)	16.2
Loss before tax (HRK thousands)	(37,759)	(48,390)	22.0
Rooms available(1)	114,965	163,752	29.8
OCC (days in operation)(%)(2)	53.8	38.3	–
OCC (days in three month period)(%)(3)	7.3	7.3	–
Average daily rate (HRK)(4)	577.3	537.0	7.5
RevPAR (HRK)	310.9	205.7	51.1
Accommodation revenue (HRK thousands)	35,739	33,682	6.1

Source: Group Data

Notes:

(1) Based on operating days.

(2) Represents total paid units occupied divided by total available units, which is the number of units in a property eliminating units not available due to damage, repairs or any other reason, based on the number of operating days.

(3) Represents total paid units occupied divided by total available units, which is the number of units in a property eliminating units not available due to damage, repairs or any other reason, based on the number of days in the relevant period.

(4) Represents total room revenues divided by the total number of paid units occupied by guests.

15.15.3 Geographic Portfolio Results

Although the Group does not present geographical segment information in the Group's financial statements, the Company believes such data assists Investors in understanding its results of operations.

The following table sets forth selected financial information and key performance indicators of the Group in Germany and Hungary for the three months ended 31 March 2017 and 2016.

Financial information and key performance indicators for Germany and Hungary

	Three months ended 31 March			
	2017	*2016*	*2017*	*2016*
			Like-for-like(1)	
	(Unaudited)		*(Unaudited)*	
Total revenue (HRK thousands)	51,546	34,549	39,477	34,549
EBITDAR (HRK thousands)	14,558	7,370	11,823	7,372
EBITDA (HRK thousands)	5,252	(5,110)	2,517	(5,109)
Rooms available(2)	79,110	63,882	63,180	63,882
OCC (days in operation)(%)(3)	69.6	64.2	74.8	64.2
OCC (days in three month period)(%)(4)	69.6	64.2	74.8	64.2
Average daily rate (HRK)(5)	727.5	624.0	635.8	624.0
RevPAR (HRK)	506.7	400.8	475.7	400.8
Accommodation revenue (HRK thousands)	40,083	25,601	30,052	25,601

Source: Group Interim Financial Statements and Group Data

Notes:

(1) The like-for-like comparison figures exclude Park Plaza Nuremberg in 2017 as the hotel opened in June 2016.

(2) Based on operating days. See Part 15.15.2 "Like-for-like Results" for an explanation of how the Group defines its like-for-like results.

(3) Represents total paid units occupied divided by total available units, which is the number of units in a property eliminating units not available due to damage, repairs or any other reason, based on the number of operating days.

(4) Represents total paid units occupied divided by total available units, which is the number of units in a property eliminating units not available due to damage, repairs or any other reason, based on the number of days in the relevant period.

(5) Represents total room revenues divided by the total number of paid units occupied by guests.

The following table sets forth selected financial information and key performance indicators of the Group in Croatia for the three months ended 31 March 2017 and 2016.

Financial information and key performance indicators for Croatia

	Three months ended 31 March	
	2017	*2016*
	(Unaudited)	*(Unaudited)*
Total revenue (HRK thousands)	9,512	12,990
EBITDAR (HRK thousands)	(25,935)	(20,463)
EBITDA (HRK thousands)	(28,116)	(23,183)
Rooms available(1)	51,785	99,870
OCC (days in operation)(%)(2)	28.3	21.7
OCC (days in three month period)(%)(3)	1.9	2.7
Average daily rate (HRK)(4)	388.5	372.5
RevPAR (HRK)	109.8	80.9
Accommodation revenue (HRK thousands)	5,687	8,082

Source: Group Interim Financial Statements and Group Data

Notes:

(1) Based on operating days.

(2) Represents total paid units occupied divided by total available units, which is the number of units in a property eliminating units not available due to damage, repairs or any other reason, based on the number of operating days.

(3) Represents total paid units occupied divided by total available units, which is the number of units in a property eliminating units not available due to damage, repairs or any other reason, based on the number of days in the relevant period.

(4) Represents total room revenues divided by the total number of paid units occupied by guests.

15.15.4 Management and Central Services Results

In December 2016, as part of the Sugarhill Contribution, the Group indirectly acquired a controlling interest in Arena Hospitality, the Group's hotel management company in respect of each of the Group's Croatian, German and Hungarian hotels and one managed hotel, moving certain activities from outside to within the Group. Through a variety of ownership and operational structures, the Group operates a large part of its portfolio and as a result, all hotel management revenue related to those hotels is eliminated upon consolidation as intra-group revenue.

The following table sets forth selected financial and other data related to the Group's management and central services operations for the three months ended 31 March 2017 and 2016.

Financial information and other data

	Three months ended 31 March	
	2017	*2016*
	(Unaudited)	*(Unaudited)*
Total revenue before elimination (HRK thousands)	24,113	11,996
Elimination of intra group revenue (HRK thousands)	(21,778)	(12,220)
Total reported third party revenue (HRK thousands)	2,335	167
EBITDA (HRK thousands)	3,138	1,588

Source: Group Interim Financial Statements and Group Data

15.15.5 Current Trading and Prospects since 31 March 2017

The Company believes that trading since 31 March 2017 has remained encouraging across the Group's properties in Germany and Hungary and the Company expects to further benefit from the Group's recently upgraded hotels and the maturing of Park Plaza Nuremberg following its opening in 2016.

In Croatia, the majority of the Group's properties opened just before the Easter holidays and bookings for the 2017 summer season are ahead compared to the same period last year.

Since 31 March 2017, the Group has continued to invest in improvements to its Croatian properties and has finished the following works: (i) the refurbishment of the rooms and lobby area at Hotel Holiday; (ii) works related to a change in the energy source for the Group's Croatian laundry services and (iii) the replacement of external joinery in the Park Plaza Verudela Pula resort area. Additional improvements currently being made, which are all anticipated to be completed prior to the start of the 2017 summer season, include: (i) the installation of a new sewage system at Pomer Camp; (ii) the reconstruction of the diving club at Stoja Camp and (iii) the construction of a third outdoor pool at Park Plaza Belvedere Medulin.

On 28 April 2017, the CFSSA approved the Prospectus and the Underwriting Agreement among the Company, PPHE, UniCredit, ZABA and InterCapital was entered into on the same date.

Save for the foregoing, there has been no significant change in the financial or trading position of the Group since 31 March 2017, the date to which the last interim financial information of the Group was prepared.

15.15.6 Results of Operations – Comparison of the three months ended 31 March 2017 and 2016

The following table sets forth the Group's results of operations for the relevant periods and shows each line item as a percentage of revenues.

	Three months ended 31 March			
	2017		*2016*	
	(HRK thousands) (Unaudited)	*As a % of revenues (Unaudited)*	*(HRK thousands) (Unaudited)*	*As a % of revenues (Unaudited)*
Revenues	63,393	N/A	12,766	N/A
Operating Expenses	(71,431)	(113)	(32,142)	(252)
EBITDAR	(8,038)	(13)	(19,376)	(152)
Rental expenses and land concession fees	(11,688)	(18)	(2,219)	(17)
EBITDA	(19,726)	(31)	(21,595)	(169)
Depreciation, amortisation and impairment	(14,974)	(24)	(14,809)	(116)
EBIT	(34,700)	(55)	(36,404)	(285)
Financial expenses	(2,524)		(4,285)	
Financial income	196		–	
Other income and expenses	(98)		–	
Share in result of joint ventures	(289)		–	
Loss before tax	(37,415)		(40,689)	
Income tax benefit	4,656		6,994	
Loss for the period	(32,759)		(33,695)	

Source: Group Interim Financial Statements

Revenues

The following table sets out the Group's third party revenues by business segment (excluding inter-segment and intra-group eliminations for ease of presentation) for the three months ended 31 March 2017 and 2016.

	Three months ended 31 March	
	2017 (HRK thousands) (Unaudited)	*2016 (HRK thousands) (Unaudited)*
City hotels[1]	51,546	–
Resort hotels	9,164	11,787
Self-catering holiday apartment complexes	169	245
Campsites	179	567
Management and Central services	2,335	167
Totals[2]	63,393	12,766

Source: Group Interim Financial Statements

Notes:

(1) As a result of the Sugarhill Contribution, beginning in 2017, the Group presents an additional segment for city hotels.

(2) Totals include effect of inter-segment and intra-group eliminations. See Note 5 for complete segment information including inter-segment adjustments.

The Group's revenues increased by HRK 50,627 thousand, or 396.6 per cent., to HRK 63,393 thousand for the three months ended 31 March 2017 from HRK 12,766 thousand for the three months ended 31 March 2016. This increase in revenues in the first quarter of 2017 as compared to the first quarter of 2016 was principally due to the consolidation of the Sugarhill Group's operating results for the first time, which was partially offset by lower revenues in Croatia. On a like-for-like basis, total revenue decreased by HRK 47 thousand, or 0.09 per cent., to HRK 51,324 thousand for the three months ended 31 March 2017 from HRK 51,371 thousand for the three months ended 31 March 2016.

In the first three months of 2017, city hotels generated 81.3 per cent. of revenue, resort hotels accounted for 14.5 per cent., self-catering holiday apartment complexes accounted for 0.3 per cent., campsites accounted for 0.3 per cent. and management and central services accounted for 3.7 per cent..

Germany and Hungary

Because the German and Hungarian hotels were not owned by the Group in 2016, their results have not been included in the table above. In the three months ended 31 March 2016 the revenues for the German and Hungarian hotels were HRK 34,549 thousand.

The performance of the Group's hotels in Germany and Hungary improved year-on-year, with total revenue increasing by HRK 16,997 thousand, or 49.2 per cent., to HRK 51,546 thousand for the three months ended 31 March 2017 from HRK 34,549 thousand for the three months ended 31 March 2016. This increase was principally driven by Park Plaza Nuremberg, which opened in June 2016. In addition, demand in Germany and Hungary was generally lower in the first quarter of 2016.

On a like-for-like basis, total revenue in Germany and Hungary increased by HRK 4,928 thousand, or 14.3 per cent., to HRK 39,477 thousand from HRK 34,549 thousand for the three months ended 31 March 2016. This growth was the result of an increase in OCC based on operating days to 74.8 per cent. for the three months ended 31 March 2017 from 64.2 per cent. for the three months ended 31 March 2016 and a HRK 11.8, or 1.9 per cent., increase in average daily rate to HRK 635.8 for the three months ended 31 March 2017 from HRK 624.0 for the three months ended 31 March 2016.

Croatia

Total revenue in Croatia decreased by HRK 3,478 thousand, or 26.8 per cent., to HRK 9,512 thousand for the three months ended 31 March 2017 from HRK 12,990 thousand for the three months ended 31 March 2016. The primary reason for this decrease in revenue was the timing of Easter, a period of holiday activity for certain of the Group's properties, which, in 2017, took place in April rather than in March as it did in 2016.

Croatian room revenue decreased by HRK 2,395 thousand, or 29.6 per cent., to HRK 5,687 thousand for the three months ended 31 March 2017 from HRK 8,082 thousand for the three months ended 31 March 2017. OCC based on operating days increased to 28.3 per cent. for the three months ended 31 March 2017 from 21.7 per cent. for the three months ended 31 March 2016. The average daily rate increased by HRK 16.0, or 4.3 per cent., to HRK 388.5 for the three months ended 31 March 2017 from HRK 372.5 for the three months ended 31 March 2016. RevPAR based on an operating days basis increased by HRK 28.9, or 35.7 per cent., to HRK 109.8 for the three months ended 31 March 2017 from HRK 80.9 for the three months ended 31 March 2016.

Operating expenses

The Group's operating expenses increased by HRK 39,289 thousand, or 122.2 per cent., to HRK 71,431 thousand in the three months ended 31 March 2017 from HRK 32,142 thousand in the three months ended 31 March 2016. This increase primarily reflected the consolidation of the Sugarhill Group's operating results for the first time and, to a lesser extent, an increase in the Group's operating expenses in Croatia.

EBITDAR

Reflecting the factors described above, the Group's EBITDAR was negative and amounted to HRK (8,038) thousand in the three months ended 31 March 2017 as compared to HRK (19,376) thousand in the three months ended 31 March 2016.

Rental expenses and land concession fees

The Group's rental expenses and land concession fees increased by HRK 9,469 thousand, or 426.7 per cent., to HRK 11,688 thousand, for the three months ended 31 March 2017 from HRK 2,219 thousand for the three months ended 31 March 2016. This increase was principally due to the consolidation of the Sugarhill Group's operating results for the first time, including rental expenses for January and February 2017 of HRK 4,180 thousand in respect of art'otel cologne and art'otel berlin kudamm the freeholds interests of which were acquired by the Group at the end of February of 2017. The rental expenses for art'otel cologne and art'otel berlin kudamm for the three months ended 31 March 2016 were HRK 7,073 thousand.

EBITDA

Reflecting the factors described above, the Group's EBITDA was negative and amounted to HRK (19,726) thousand in the three months ended 31 March 2017 from HRK (21,595) thousand in the three months ended 31 March 2016.

For reporting purposes, the Group's activities are divided into the following segments: city hotels, resort hotels, self-catering holiday apartment complexes, campsites and management and central services. The hotels of the Sugarhill Group are included in the new city hotels segment. Except for the city hotels segment, which reported EBITDA of HRK 5,252 thousand and management and central services, which reported EBITDA of HRK 3,138 thousand, the Group's EBITDA for each of its other segments for the three months ended 31 March 2017 was negative and amounted to: resort hotels, HRK (12,077) thousand; self-catering holiday apartment complexes, HRK (6,444) thousand; and campsites, HRK (9,595) thousand.

In Germany and Hungary, EBITDA amounted to HRK 5,252 thousand for the three months ended 31 March 2017 as compared to negative EBITDA amounting to HRK (5,110) thousand for the three months ended 31 March 2016, primarily due to improved trading, the first time contribution of Park Plaza Nuremberg of HRK 2,735 thousand and the acquisition of the freehold interests in art'otel cologne and art'otel berlin kudamm.

In Croatia, the Group's EBITDA was negative and amounted to HRK (28,116) thousand for the three months ended 31 March 2017 as compared to negative EBITDA amounting to HRK (23,183) thousand for the three months ended 31 March 2016, reflecting the lower revenues (resulting from fewer operating days due to the fact that in 2017 Easter took place in April rather than in March as it did in 2016) and increased expenses in the three months ended 31 March 2017.

Depreciation and amortisation

The Group's depreciation and amortisation increased slightly by HRK 165 thousand, or 1.1 per cent., to HRK 14,974 thousand in the three months ended 31 March 2017 from HRK 14,809 thousand in the three months ended 31 March 2016.

EBIT

Reflecting the factors described above, the Group's EBIT was negative and amounted to HRK (34,700) thousand in the three months ended 31 March 2017 as compared to HRK (36,404) thousand in the three months ended 31 March 2016.

Financial expenses

The Group's financial expenses decreased by HRK 1,761 thousand, or 41.1 per cent., to HRK 2,524 thousand in the three months ended 31 March 2017 from HRK 4,285 thousand in the three months ended 31 March 2016. This decrease was primarily attributable to the replacement of the shareholder loans with bank loans which accrue interest at lower rates.

Share in result of joint ventures

The Group recorded a charge of HRK 289 thousand for share in result of joint ventures in the three months ended 31 March 2017 compared to nil in the three months ended 31 March 2016. This charge was attributable to the consolidation of the Sugarhill Group's operating results for the first time.

On a like-for-like basis the charge for 2016 was HRK 987 thousand. The results for the joint ventures in 2016 were impacted by refurbishment work at art'otel berlin mitte.

Loss before tax

Reflecting the factors described above, the Group had a loss before tax of HRK 37,415 thousand in the three months ended 31 March 2017, compared to a loss before tax of HRK 40,689 thousand in the three months ended 31 March 2016.

Income tax benefit

The Group's income tax benefit was HRK 4,656 thousand in the three months ended 31 March 2017, compared to HRK 6,994 thousand in the three months ended 31 March 2016. These income tax benefits result from the loss recorded for the period, which is expected to be offset by profits generated in the remainder of the year.

Loss for the period

Reflecting the above factors, the Group had a loss of HRK 32,759 thousand for the three months ended 31 March 2017, compared to a loss of HRK 33,695 thousand for the three months ended 31 March 2016.

15.15.7 Liquidity and Capital Resources

As at 31 March 2017, the Group's cash and cash equivalents were HRK 70,822 thousand and the Group had available HRK 15 million in undrawn credit under its revolving credit facility with Zagrebačka banka.

Cash Flows

The following table sets out the Group's cash flows for the periods indicated.

	Three months ended 31 March	
	2017 (HRK thousands) (Unaudited)	*2016 (HRK thousands) (Unaudited)*
Net cash from/(used in) operating activities	8,474	(9,605)
Net cash used in investing activities	(451,506)	(10,430)
Net cash from/(used in) financing activities	383,996	(14,595)
(Decrease)/increase in cash and cash equivalents	(59,036)	(34,630)
Net foreign exchange differences	(548)	–
Cash and cash equivalents at end of period	70,822	113,157

Source: Group Interim Financial Statements

Net cash from/(used in) operating activities

Net cash from operating activities was HRK 8,474 thousand in the three months ended 31 March 2017 as compared to net cash used in operating activities of HRK 9,605 thousand in the three months ended 31 March 2016. This increase primarily reflected the consolidation of the Sugarhill Group's operating results for the first time.

Net cash used in investing activities

Net cash used in investing activities was HRK 451,506 thousand in the three months ended 31 March 2017 as compared to HRK 10,430 thousand in the three months ended 31 March 2016. This increase primarily reflected the completion of the Group's acquisition of the freehold interests in art'otel cologne and art'otel berlin kudamm in February 2017. The total purchase price of these freeholds amounted to HRK 440,800 thousand.

Net cash from/(used in) financing activities

Net cash from financing activities was HRK 383,996 thousand in the three months ended 31 March 2017 as compared to net cash used in financing activities of HRK 14,595 thousand in the three months ended 31 March 2016. The increase of net cash provided by financing activities of HRK 398,591 thousand primarily reflected the total financing amount of the acquisitions of the freehold interests in art'otel cologne and art'otel berlin kudamm of HRK 425,500 thousand, which was partially offset by repayments of long-term bank loans during the period. The acquisitions were in part financed by a EUR 10.0 million (HRK 74,384 thousand) loan facility with Versorgungswerk der Zahnärztekammer Berlin (VZB), a EUR 38.0 million (HRK 282,658 thousand) loan facility with Deutsche Hypo and two loan facilities provided by Euro Sea totalling up to EUR 11 million, of which HRK 68,458 thousand was drawn in 2017. This increase in bank borrowings, other borrowings and borrowings from related parties was only partially offset by an increase of HRK 22,398 thousand of repayments of long term bank borrowings during the period.

Capital resources

As at 31 March 2017, the Group's bank borrowings were HRK 899.9 million. In addition, as at 31 March 2017, the Group had other borrowings of HRK 74.9 million and borrowings from Euro Sea of HRK 76.0 million which was used to partially fund the acquisition of the freehold interests in art'otel cologne and art'otel berlin kudamm."

In *Part 16.1* "*Underwriting Agreement*" of the Prospectus, the first paragraph (page 163 of the Prospectus) is amended to read as follows:

"The Underwriting Agreement among the Company, PPHE, UniCredit, ZABA and InterCapital was entered into on 28 April 2017."

In *Part 21.3* "*Additional Information—Reports Prepared by Independent Auditors and Experts Included in this Prospectus*" of the Prospectus, the following new paragraph (page 196 of the Prospectus) is added after the second paragraph:

"The unaudited interim condensed consolidated financial statements of the Group as of and for the three months ended 31 March 2017 have been reviewed by PricewaterhouseCoopers d.o.o., a limited liability company for auditing and consulting services with registered seat in Zagreb, Ulica kneza Ljudevita Posavskog 31, Croatia, registered with the court register of the Commercial Court in Zagreb under number (MBS): 080238978, personal identification number (OIB): 81744835353. Its review report dated 4 May 2017 contained in *Appendix D* "*Group Interim Financial Statements*" states that it did not audit and does not express an opinion on the Group Interim Financial Statements. Accordingly, the degree of reliance on its review report should be restricted in light of the limited nature of the review procedures applied."

In *Part 21.5* "*Additional Information—Documents on Display*" of the Prospectus, the following new bullets are added to the list of documents available for inspection (page 196 of the Prospectus):

- "Supplement no. 1 to the Prospectus
- Group Interim Financial Statements"

Appendix D "*Group Interim Financial Statements*" attached to this Prospectus Supplement is added after *Appendix C* "*Articles of Association*" of the Prospectus as *Appendix D* "*Group Interim Financial Statements*" of the Prospectus.

PART 2

RESPONSIBILITY STATEMENT

The persons responsible for the information contained in this Prospectus Supplement are:

Company: Arena Hospitality Group d.d., a joint stock company, with registered seat in Pula, Smareglina ulica 3, Croatia, registered in the court register of the Commercial Court in Pazin under registration number 040022901, personal identification number (OIB) 47625429199

Executive Directors of the Company:

- Mr. Reuel Israel Gavriel Slonim
- Mrs. Milena Perković

Members of the Board of Directors of the Company:

- Mr. Boris Ernest Ivesha, chairman
- Mr. Yoav Arie Papouchado, deputy chairman
- Mr. Chen Carlos Moravsky, member
- Mr. Abraham Thomas, member
- Mr. Denis Jukić, member
- Mr. Šime Vidulin, member
- Mr. Vehbija Mustafić, member – employee representative

We, as the persons responsible for the information contained in this Prospectus Supplement confirm that, having taken all necessary actions to ensure that such is the case, the information contained in this Prospectus Supplement is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect the meaning hereof.

Statement Signatories:

Executive Directors

Mr. Reuel Israel Gavriel Slonim	Mrs. Milena Perković

Board of Directors

Mr. Boris Ernest Ivesha, chairman	Mr. Yoav Arie Papouchado, deputy chairman
Mr. Abraham Thomas, member	Mr. Chen Carlos Moravsky, member
Mr. Denis Jukić, member	Mr. Šime Vidulin, member
Mr. Vehbija Mustafić, member	

APPENDIX D – INTERIM FINANCIAL STATEMENTS

Group Interim Financial Statements

Unaudited interim condensed consolidated financial statements of the Group as of and for the three months ended 31 March 2017

pwc

Report on review of interim financial statements

To the Shareholders and Board of Directors of Arena Hospitality Group d.d., Pula:

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of Arena Hospitality Group d.d. and its subsidiaries (the 'Group') as at 31 March 2017 and the related interim condensed consolidated income statement and statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes, comprising significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, 'Interim financial reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 31 March 2017, and its financial performance and its cash flows for the three-month period then ended in accordance with International Accounting Standard 34, 'Interim financial reporting' as adopted by the European Union.

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o., Zagreb
Zagreb, 4 May 2017

PricewaterhouseCoopers d.o.o., Ulica kneza Ljudevita Posavskog 31, 10000 Zagreb, Croatia
T: +385 (1) 6328 888, F:+385 (1) 6111 556, www.pwc.hr

Commercial Court in Zagreb, no. Tt-99/7257-2, Reg. No.: 080238978; Company ID No.: 81744835353; Founding capital: HRK 1,810,000.00, paid in full; Management Board: J. M. Gasparac, President; S. Dusic, Member; T. Macasovic, Member; Giro-Account: Raiffeisenbank Austria d.d., Petrinjska 59, Zagreb, IBAN: HR8124840081105514875.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2017 Unaudited HRK '000	31 December 2016 Audited HRK '000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	4	1,778,495	1,344,833
Inventories		8,570	9,261
Interest in joint ventures		33,055	33,294
Other non-current financial assets		7,753	9,727
Deferred tax asset		36,875	29,991
Restricted deposits and cash		40,203	41,713
		1,904,951	1,468,819
CURRENT ASSETS:			
Inventories		2,841	3,799
Other current financial assets		208	208
Trade receivables		19,923	21,140
Other receivables and prepayments		15,299	22,148
Restricted cash		6,331	-
Cash and cash equivalents		70,822	130,406
		115,424	177,701
Total assets		**2,020,375**	1,646,520
EQUITY AND LIABILITIES			
EQUITY:			
Issued capital		65,475	43,650
Share premium		438,181	-
Unregistered capital		-	460,006
Hedging reserve		(4,140)	(5,025)
Other reserves		370,179	373,305
Accumulated (losses)/ earnings		(123,105)	(90,397)
Total equity attributable to owners of Arena Hospitality Group d.d..		**746,590**	781,539
Non controlling interest		**22,349**	22,705
Total equity		**768,939**	804,244
NON–CURRENT LIABILITIES:			
Bank borrowings	3a	761,271	520,538
Other borrowings	3b	74,900	-
Borrowings from related parties	3c	75,998	7,662
Other liabilities		58,383	57,180
		970,552	585,380
CURRENT LIABILITIES:			
Trade payables		48,426	22,946
Other payables and accruals		66,302	61,408
Liabilities towards related parties		27,527	33,970
Bank borrowings		138,629	138,572
		280,884	256,896
Total liabilities		**1,251,436**	842,276
Total equity and liabilities		**2,020,375**	1,646,520

The accompanying notes are an integral part of the Interim condensed consolidated financial statements.

28 April 2017

Date of approval of the Interim condensed consolidated financial statements	Reul Slonim Chief Executive Officer	Milena Perkovic Deputy Chief Executive Officer & Chief Financial Officer

Arena Hospitality Group d.d.
Pula, Smareglina ulica 3 (1)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Three months ended	
	31 March 2017 Unaudited HRK '000	31 March 2016 Unaudited HRK '000
Revenues	63,393	12,766
Operating expenses	(71,431)	(32,142)
EBITDAR	(8,038)	(19,376)
Rental expenses	(11,688)	(2,219)
EBITDA	(19,726)	(21,595)
Depreciation and amortisation	(14,974)	(14,809)
EBIT	(34,700)	(36,404)
Financial expenses	(2,524)	(4,285)
Financial income	196	-
Other income/ expense	(98)	-
Share in result of joint ventures	(289)	-
Loss before tax	(37,415)	(40,689)
Income tax benefit	4,656	6,994
Loss for the period	(32,759)	(33,695)
Loss attributable to:		
Equity holders of the parent	(32,708)	(33,695)
Non-controlling interest	(51)	-
	(32,759)	(33,695)
Basic and diluted earnings per share	**(12.0)**	**(15.4)**

The accompanying notes are an integral part of the Interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended	
	31 March 2017 Unaudited HRK '000	31 March 2016 Unaudited HRK '000
Loss for the period	(32,759)	(33,695)
Other comprehensive income (loss) to be recycled through profit and loss in subsequent periods:		
Fair value gain on available-for-sale financial assets[1]	-	-
Profit (loss) from cash flow hedges[2]	885	-
Foreign currency translation adjustments of foreign operations[3]	(3,126)	-
Foreign currency translation adjustment of non-controlling interest	(305)	-
Other comprehensive income /(loss), net	(2,546)	-
Total comprehensive income /(loss)	(35,305)	(33,695)

[1] Included in other reserves.
[2] Included in hedging reserve.
[3] Included in foreign currency translation reserve.

The accompanying notes are an integral part of the Interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital HRK '000	Unregistered capital HRK '000	Share premium HRK '000	Hedging reserve HRK '000	Other reserve HRK '000	Foreign currency translation reserve HRK '000	Accumulated earnings. HRK '000	Total HRK '000	Non controlling interest HRK '000	Total equity HRK '000
Balance as at 1 January 2017 (audited)	43,650	460,006	-	(5,025)	373,305	-	(90,397)	781,539	22,705	804,244
Profit for the period	-	-	-	-	-	-	(32,708)	(32,708)	(51)	(32,759)
Other comprehensive income for the period	-	-	-	885	-	(3,126)	-	(2,241)	(305)	(2,546)
Total comprehensive income	-	-	-	885	-	(3,126)	(32,708)	(34,949)	(356)	(35,305)
Registration of share capital	21,825	(460,006)	438,181	-	-	-	-	-	-	-
Balance as at 31 March 2017 (unaudited)	65,475	-	438,181	(4,140)	373,305	(3,126)	(123,105)	746,590	22,349	768,939

	Issued capital HRK '000	Other reserve HRK '000	Capital and reserves of the merged entities HRK '000	Accumulated earnings Arena Hospitality Group d.d. HRK '000	Total HRK '000
Balance as at 1 January 2016 (audited)	43,650	638,801	134,335	20,942	837,728
Loss for the period	-	-	(5,747)	(27,948)	(33,695)
Other comprehensive income (loss) for the period	-	-	-	-	-
Total comprehensive income (loss)	-	-	(5,747)	(27,948)	(33,695)
Balance as at 31 March 2016 (unaudited)	43,650	638,801	128,588	(7,006)	804,033

The accompanying notes are an integral part of the Interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Three months ended	
	31 March 2017 Unaudited HRK '000	31 March 2016 Unaudited HRK '000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit (Loss) for the period	(32,759)	(33,695)
ADJUSTMENT TO RECONCILE PROFIT TO CASH FROM OPERATING ACTIVITIES:		
Interest expenses	8,360	4,515
Interest expenses – Group companies	726	3,332
Income tax (income) expense	(4,656)	(6,994)
Share in results joint ventures	289	-
Depreciation and amortization	14,974	14,809
	19,693	15,662
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
(Increase) decrease in inventories	1,619	1,691
(Increase) decrease in trade and other receivables	9,056	(3,982)
Increase (decrease)in trade and other payables	21,336	20,695
	32,011	18,404
CASH PAID AND RECEIVED DURING THE PERIOD FOR:		
Interest paid	(9,086)	(4,515)
Taxes paid	(1,385)	(5,461)
	(10,471)	(9,976)
Net cash flows from operating activities	8,474	(9,605)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in property, plant and equipment	(452,824)	(10,430)
Loans to joint venture	(195)	-
Decrease in restricted deposits	1,513	-
Net cash flows from investing activities	(451,506)	(10,430)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank long-term loans	282,658	-
Proceeds from other borrowings	74,384	-
Proceeds from related party loans	68,458	-
Repayment of long–term bank loans	(36,993)	(14,595)
Other financing activities	(4,511)	-
Net cash flows from financing activities	383,996	(14,595)
Decrease (increase) in cash and cash equivalents	(59,036)	(34,630)
Net foreign exchange differences	(548)	-
Cash and cash equivalents at beginning of period	130,406	147,787
Cash and cash equivalents at end of period	70,822	113,157

The accompanying notes are an integral part of the Interim condensed consolidated financial statements.

NOTES

Note 1 General

a. The Consolidated interim financial statements of Arena Hospitality Group d.d. (the 'Company') and its subsidiaries (together the 'Group') for the period ended 31 March 2017 were authorised for issuance in accordance with a resolution of the Board of Directors on 28 April 2017. The Company is a subsidiary of PPHE Hotel Group Limited (together with its subsidiaries, 'PPHE Hotel Group'), a Guernsey incorporated company listed on the London Stock Exchange which, as at 31 December 2016, owned 65.63% of the registered share capital of the Company.

   During the reporting period the Company changed its name from Arenaturist d.d. to Arena Hospitality Group d.d.

   In December 2016, the Company acquired 88% of the shares in Sugarhill Investments B.V. ('Sugarhill') and indirectly its subsidiaries (together, the 'Sugarhill Group') from a member of PPHE Hotel Group (see Note 3a). The Company issued 1,091,250 new shares for this acquisition for a price per share of HRK 421.54, representing a value of HRK 460 million. As at 31 December 2016, the relevant share capital increase was not registered in the court register and related new shares were not issued. The share capital increase was registered on 7 February 2017.This increased PPHE Hotel Group's indirect shareholding in the Company to 77.09% as at 31 March 2017.

   .

b. Description of business and formation of the Company:

   The Company is a joint stock company whose shares are listed on the Official Market of the Zagreb Stock Exchange with its registered office in Pula in the 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 at the Commercial Court in Rijeka.

   The business of the Group is owning, leasing, operating and developing (directly or indirectly via its subsidiaries) full service upscale, upper upscale and lifestyle hotels in major gateway cities such as Berlin, Cologne and Nuremberg in Germany and Budapest in Hungary and select resort destinations in Croatia's Istria region.

c. These financial statements have been prepared in a condensed format as at 31 March 2017 and for the three months then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual consolidated financial statements as at 31 December 2016 and for the year then ended and the accompanying notes ("annual consolidated financial statements").

d. The Board continues to monitor the Group's cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements, including compliance with loan covenants and liquidity risks arising from the maturities of the Group's loans. The Board believes that the Group has adequate resources and will generate sufficient funds in the future to serve its financial obligations and continue its operations as a going concern in the foreseeable future.

Note 2 Basis of Preparation and Changes in Accounting Treatment

Basis of preparation:

The interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements except for the estimation of income tax. Income tax in the interim periods is accrued using the tax rate which is based on the expectation of annual tax rate.

There are no new accounting pronouncements that were issued after the issuance of annual report, and no new standards were applied in preparation of these interim condensed consolidated financial statements.

In December 2016 the Company acquired 88% of the shares in Sugarhill Investments BV and (indirectly) its subsidiaries from a company within the PPHE Hotel Group. Results of Sugarhill's operations are included in the Group from 1 January 2017, therefore the data for 2017 may not be comparable with previous periods.

Note 3 Significant Events during the Reported Period

In February 2017, the Group completed its acquisition of freehold interests in art'otel cologne and art'otel berlin kudamm for an amount of HRK 440.8 million (see also Note 4). Until that time, the Group operated those two properties pursuant to operating leases with third parties. The acquisitions were in part financed by a EUR 10 million loan facility with Versorgungswerk der Zahnärztekammer Berlin (VZB), a EUR 38 million loan facility with Deutsche Hypo and two loan facilities totalling up to EUR 11 million provided by Euro Sea, a member of the PPHE Hotel Group. These hotels were previously leased, due to the acquisition part of restricted cash which was collateral on lease contracts was reclassified to short-term and released in April 2017.

NOTES

Note 3 Significant Events during the Reported Period (cont.)

a) Bank borrowings

EUR 38.0 million (HRK 282.7 million) Deutsche Hypo Facility

The loan facility with Deutsche Hypo in an aggregate principal amount of EUR 38.0 million (HRK 282.7 million). The facility is denominated in Euros and bears interest at a rate of 2.139% per annum. The term of the facility is 10 years and funds from the facility were used to partially fund the acquisition of the freehold of the properties operated as art'otel cologne and art'otel berlin kudamm. The facility is repayable in monthly instalments which began in March 2017 with a final payment of EUR 25.6 million due on 31 December 2026.

The collaterals in relation to the facility include a charge over the real property of art'otel berlin kudamm and a guarantee issued by the PPHE Hotel Group up to the lower of EUR 19 million or 50% of the outstanding debt under the loan.

b) Other borrowings

EUR 10.0 million (HRK 74.4 million) Versorgungswerk der Zahnärztekammer Facility

The loan facility with Versorgungswerk der Zahnärztekammer (Pension Fund of the Dentists' Association of Berlin) in an aggregate principal amount of EUR 10.0 million (HRK 74.4 million). The facility was entered into on 21 December 2016 and the funds were made available in 2017. The funds from the facility were used to partially fund the acquisition of the freehold of the properties operated as art'otel cologne and art'otel berlin kudamm. The facility is repayable in one lump sum 60 months after drawdown. Accrued interest is payable quarterly beginning in April 2017. The facility is denominated in Euros and bears interest at a rate of 6.5% per annum.

The collaterals in relation to the facility include a guarantee issued by the PPHE Hotel Group and the covenants include customary change of control provisions.

c) Borrowings from Related parties

Euro Sea Loans

The Group received 2 loans from Euro Sea Hotels N.V.

1. the loan facility of up to EUR 10 million (HRK 74.4 million) bear interest at a rate of 6.5% per annum and is repayable, in relation to, on the earlier of the maturity date (being eight years from 25 January 2017 or such other date as agreed between the Company and Euro Sea) and the date falling 14 days following the receipt by the Company of sufficient proceeds from the Offering. As at 31 March an amount of HRK 68.5 million has been drawn.
2. the loan facility of EUR 1 million (HRK 7.6 million), bear interest at a rate of 6.5% per annum and is repayable on the maturity date which is eight years from 6 December 2016.

The movements in the long term Bank borrowings, Borrowings from related parties and Other borrowings are presented in below table:

	Bank borrowings	Borrowings from related parties	Other borrowings
	HRK'000	HRK'000	HRK'000
Balance as at 31 December 2016	520,538	7,662	-
Proceeds from new borrowings	282,658	68,458	74,384
Repayment	(36,933)	-	-
Other movements	(4,992)	(122)	516
Balance as at 31 March 2017	761,271	75,998	74,900

NOTES

Note 4 Property, plant and equipment

Movements in Property, plant and equipment during the reported period are shown below:

	Land and buildings HRK'000	Furniture and equipment HRK'000	Property and assets under construction HRK'000	Total HRK'000
Cost:				
Balance as at 1 January 2017	2,035,753	262,007	32,322	2,330,082
Additions during the year*	415,620	18,124	19,080	452,824
Disposals during the year	(38)	(70)	-	(108)
Foreign exchange translation	(3,624)	(740)	-	(4,364)
Balance as at 31 March 2017	2,447,711	279,321	51,402	2,778,434
Accumulated depreciation and impairment:				
Balance as at 1 January 2017	831,623	153,626	-	985,249
Depreciation charge	10,544	4,430	-	14,974
Disposals during the year	(38)	(70)	-	(108)
Foreign exchange translation	(21)	(156)	-	(177)
Balance as at 31 March 2017	842,108	157,830	-	999,938
Net book value as at 31 March 2017	1,610,460	121,490	51,402	1,778,495

- As it is disclosed in Note 3, additions mostly refer to acquisition of freehold interests in art'otel cologne and art'otel berlin kudamm in total amount of HRK 440.8 million.

Note 5 Segments

For management purposes, the Group's activities are divided into City Hotel Operations, Resort Hotel Operations, Apartments Operation, Campsite Operations and Central Services Operations. The hotels of the Sugarhill Group are included in the new segment City Hotels. The hotels of the Sugarhill Group represent a different type of hotels since they are opened during the whole year opposite to Resort hotels which generate most of the revenues during summer period.

The operating results of each of the aforementioned segments are monitored separately for the purpose of resource allocations and performance assessment. Segment performance is evaluated based on EBITDA, which is measured on the same basis as for financial reporting purposes in the consolidated income statement.

	Three months ended 31 March 2017 (unaudited)						
	City hotels HRK'000	Resort hotels HRK'000	Self-Catering Holiday Apartment Complexes HRK'000	Campsites HRK'000	Management and Centralised Services HRK'000	Elimination HRK'000	Consolidated HRK'000
Revenue							
Third party	51,546	9,164	169	179	2,335	-	63,393
Inter-segment	-	-	-	-	21,778	(21,778)	-
Total revenue	51,546	9,164	169	179	24,113	(21,778)	63,393
Segment EBITDA	5,252	(12,077)	(6,444)	(9,595)	3,138	-	(19,726)
Depreciation and amortisation	(2,020)	(7,080)	(3,247)	(2,101)	(526)	-	(14,974)
Financial expenses							(2,524)
Financial income							196
Other income, net							(98)
Share in result of joint ventures							(289)
Loss before tax							(37,415)
Non-current assets	687,805	618,947	321,530	121,726	154,943	-	1,904,951

NOTES

Note 5 Segments (cont.)

	Three months ended 31 March 2016 (unaudited)					
	Resort hotels HRK'000	**Self-Catering Holiday Apartment Complexes HRK'000**	**Campsites HRK'000**	**Management and Centralised Services HRK'000**	**Elimination HRK'000**	**Consolidated HRK'000**
Revenue						
Third party	11,787	245	567	167	-	12,766
Inter-segment	273	118	-	11,829	(12,220)	-
Total revenue	12,060	363	567	11,996	(12,220)	12,766
Segment EBITDA	(7,901)	(6,027)	(9,255)	1,588	-	(21,595)
Depreciation and amortisation	(8,513)	(3,317)	(2,077)	(902)	-	(14,809)
Financial expenses						(4,285)
Financial income						-
Other income, net						-
Loss before tax						(40,689)
Non current assets	714,501	321,243	101,760	159,792	-	1,297,296

NOTES

Note 6 Financial instruments

Fair value of financial instruments:

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

The following methods and assumptions were used to estimate the fair values:

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.

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.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

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 March 2017, the Group held the following financial instruments measured at fair value:

Assets

	31 March 2017 HRK000	Level 1 HRK000	Level 2 HRK 000	Level 3 HRK 000
Available-for-sale financial assets:	208	208	-	-

During the period ended 31 March 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.

Note 7 Other Disclosures

a. Seasonality

The company is in an industry with seasonal variations. Sales and profits vary by quarter and the second half of the year is generally the strongest trading period.

Most of the Group revenues are realised in second and third quarter of the year (during summer period). In reported period (first quarter) only one of the Group's hotels from Resort hotels was open and total revenues in that segment are generated by that hotel. Increase of revenue was generated by newly acquired City hotels through acquisition of Sugarhill Group, this was also the reason for increase in rental expenses.

b. Tax position

The changes in tax rate between Q1 2017 and Q1 2016 are the result of the significant changes in Group structure. In Q1 2017 the Group included whole Sugarhill sub-group where not all deferred tax assets are recognized, and in Q1 2016 the Group consisted of Croatian entities only.

The Group recogised deferred tax assets in all subsidiaries where loss is shown during the period and where is expected to use these losses by the end of the year. In subsidiaries where profit is shown, income tax liability is shown based on effective interest rate from previous year.

c. Significant capital commitments

At 31 March 2017, the company has a total of HRK45 million in capital commitments with respect to construction projects.

NOTES

Note 7 Other Disclosures (cont)

d. Changes in business or economic circumstances

There were no material changes in interest rates that significantly affected the fair value of the companies' financial assets and liabilities. As assets are matched with liabilities in the same currency the exposure to currency risk is limited.

e. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	As at March	
	2017	2016
	HRK'000	HRK'000
Reported Profit (loss)	(32,759)	(33,695)
Weighted average number of Ordinary shares outstanding	2,727,913	2,182,331

There are no potentially dilutive instruments.

Note 8 Related parties

Parties are considered to be related if one of the parties has the power to exercise control over the other party or is under common control or has significant influence over the other party in making financial or operational decisions. The Company is controlled by Dvadeset Osam d.o.o., which as at 31 March 2017 owned 77,09% of the Company's shares. The ultimate parent is PPHE Hotel Group Limited which indirectly owns 100% of the shares of Dvadeset Osam d.o.o. Additionally, all other companies within the PPHE Hotel Group are treated as related parties.
As at 31 March 2016 and for the period then ended the Group was controlled by Goldman Sachs.

All intra-Group transactions are performed within the Company's transfer pricing policy and are under comparable market transactions

Balances with related parties:

	31.03.2017	31.12 2016
	HRK'000	HRK'000
Non-current liability - Euro Sea Hotel B.V.	**75,998**	7,662
Long-term loans to joint ventures	**32,905**	33,236
Short-term receivables Park Plaza Hotels Europe B.V.	**40**	27
Short-term receivables - art'otel Dresden	**-**	110
Short-term receivables - art'otel Berlin mitte	**108**	-
Trade receivables – art'otel Dresden	**192**	-
Trade receivables – Park Plaza Berlin Kudam	**231**	-
Trade receivables – art'otel Berlin mitte	**216**	-
Trade payables - Park Plaza Berlin	**453**	1
Trade payables – Euro Sea Hotel B.V.	**987**	788
Trade payables - PPHE (Germany) B.V.	**6,516**	13,090
Trade payables – Park Plaza Hotels Europe B.V.	**19,589**	20,091

NOTES

Note 8 Related parties (cont.)

Transactions with related parties:

	Period ended 31 March	
	2017 HRK'000	2016 HRK'000
Management fees revenue – art'otel Dresden	**191**	-
Management fees revenue – Park Plaza Berlin Kudam	**231**	-
Management fees revenue – **art'otel Berlin mitte**	**217**	-
Service charge revenue central office Berlin - art'otel Dresden	**357**	-
Service charge revenue central office Berlin - Park Plaza Berlin Kudam	**301**	-
Service charge revenue central office Berlin - **art'otel Berlin mitte**	**304**	-
Management fees expense – Park Plaza Hotels Europe B.V.	**-**	215
License, sales and marketing fees – Park Plaza Hotels Europe B.V.	**-**	133
License, sales and marketing fees – Park Plaza Hotels Europe B.V.	**2,427**	-
Interest expense Dvadeset Osam d.o.o.	**-**	3,332
Interest expense Euro Sea Hotels N.V.	**726**	-

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) are being charged at market prices. These transactions occur occasionally.

(ii) Compensation to key management personnel (Executive and Non-Executive Directors) for the period ended 31 March 2017:

	Base salary and fees HRK'000	**Bonus HRK'000**	**Pension contributions HRK'000**	**Other benefits HRK'000**	**Total HRK'000**
Chairman and Executive Directors	**620**	**-**	**67**	**48**	**735**
Non-Executive Directors	**24**	**-**	**6**	**-**	**30**
	644	**-**	**73**	**48**	**765**

Compensation to key management personnel (Executive and Non-Executive Board members) for the period ended 31 March 2016:

	Base salary and fees HRK'000	Bonus HRK'000	Pension contributions HRK'000	Other benefits HRK'000	Total HRK'000
Chairman and Executive Directors	632	-	69	45	746
Non-Executive Directors	24	-	6	-	30
	656	-	75	45	776

Note 9 Dividend

The Group have not paid or declared dividend during the reported period.

NOTES

Note 10 Post balance sheet events

On 28 April 2017, the Croatian Financial Services Supervisory Agency (CFSSA) adopted a decision on the approval of the Prospectus of the company Arena Hospitality Group d.d. (Issuer) dated 26 April 2017 (Prospectus) and related to:

1. the listing on the Official Market of the Zagreb Stock Exchange of 1,091,250 ordinary registered shares of the Issuer in the nominal amount of HRK 20.00 each, kept with the Croatian Central Depository & Clearing Company Inc. (CDCC) in book-entry form, which are expected to carry the ISIN HRARNTRA0004 and the ticker ARNT-R-A following their listing on the Official Market (Listing Shares); and

2. the public offering and listing of a minimum of 1,000,000 up to a maximum of 2,000,000 ordinary registered shares of the Issuer in the nominal amount of HRK 20.00 each, which are expected to carry the ISIN HRARNTRA0004 and the ticker ARNT-R-A following their listing on the Official Market or any other ISIN and ticker as determined by the CDCC (Offer Shares).

The Company published this approval on 28 April 2017 on its website.

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