

ARENATURIST d.d.
MANAGEMENT BOARD
In Pula, 21 December 2016

By virtue of Article 26 of the Articles of Association of the public limited company Arenaturist d.d.

C O N V E N E

a meeting of the Management Board of Arenaturist d.d. za turizam i ugostiteljstvo to be held on 23 December 2016 at 13:00 at conference hall „Bianca Istriana” hotela Park Plaza Histria, u Puli , or via a conference call at the following numbers:

- if you call from the Netherlands: 0870 001 909, Pin: 488380,
- if you call from the United Kingdom: 0844 4 73 73 73, Pin: 488380,
- other countries: +44 844 4 73 73 73, Pin: 488380

A G E N D A

1. Adoption of the last MB meeting Minutes
2. Adoption of the Report of the Executive Directors of the Company on the grounds for a partial exclusion of the pre-emptive right of the existing shareholders of the Company when subscribing new shares
3. Adoption of a Decision on a partial exclusion of the pre-emptive right of the existing shareholders of the Company when subscribing new shares of the Company
4. Adoption of a Decision on the increase of the share capital and issuance of ordinary shares against contributions in rights with a partial exclusion of the pre-emptive right of the existing shareholders when subscribing new shares in accordance with Article 308 section 4 of the Companies Act, availing itself of the exemption to a prior issue of the prospectus for issue of securities under Article 351 section 1 subsection 2 of the Capital Market Act and on changes and additions to the provision of Article 7 Section 1 and 2 of the Articles of Association of the Company
5. Report of the Executive Directors on execution of the agreement to acquire the freehold interests in art'otel cologne and art'otel berlin kudamm
6. Issuance of the approval to the Executive Directors to execute the loan agreement and to issue a counter-guarantee

III. Proposal of the Decisions of the Management Board per Agenda items:

Ad 2. Adoption of the Report of the Executive Directors of the Company on the grounds for a partial exclusion of the pre-emptive right of other shareholders of the Company in favour of the company Dvadeset Osam društvo s ograničenom odgovornošću za turizam, ugostiteljstvo i usluge, Zagreb, Radnička cesta 80, when subscribing the shares

Management Board adopts the following decision:

The Management Board accepts the Report of the Executive Directors on a partial exclusion of the pre-emptive right of the existing shareholders of the Company when subscribing new shares of the Company.

Ad 3. The Management Board, in accordance with Article 324 section 2 of the Companies Act and the authority under Article 7 section 3 of the Articles of Association of the Company, adopts the following

DECISION

on exclusion of the pre-emptive right of the existing shareholders of the Company when subscribing the new shares of the Company

Ad 4. The Management Board of the Company, in accordance with Article 323 and Article 326 of the Companies Act, by virtue of the authority under Article 7 section 3 of the Articles of Association of the Company, adopts the following

DECISION

on the increase of the share capital and the issuance of ordinary shares against contribution in rights, with a partial exclusion of the pre-emptive right of the existing shareholders when subscribing the new shares in accordance with Article 324 section 2 in conjunction with Article 308 section 4 of the Companies Act, in favour of the shareholder of the Company, the company Dvadeset Osam društvo s ograničenom odgovornošću za turizam, ugostiteljstvo i usluge, Zagreb, Radnička cesta 80 (Company No. (MBS): 080602969, PIN: 59259322415), availing itself of the exemption to a prior issue of the prospectus for issue of securities under Article 351 section 1 subsection 2 of the Capital Market Act and on changes and additions to the provision of Article 7 Section 1 and 2 of the Articles of Association of the Company.

Ad 5. The Management Board adopts the following Decision:

The Report of the Executive Directors on execution of the agreement to acquire the freehold interests in art'otel cologne and art'otel berlin kudamm is hereby acknowledged

Ad 6. The Management Board adopts the following Decision:

The approval is hereby granted to the Executive Directors of the Company to:

- Execute the Loan agreement with a member of the PPHE Hotel Group in the amount of up to EUR 10m for the purpose of payment of a part of the purchase price for the acquisition of shares in ACO Hotel Holding B.V. and ABK Hotel Holding B.V., such companies entering into an agreement to acquire the freehold interests in two hotels in Germany (i.e. art'otel cologne and art'otel berlin kudamm (formerly known as art'otel berlin city center west) from a third party (the "Acquisition");
- Issue a counter-guarantee upon first demand to PPHE Hotel Group Limited for all liabilities of PPHE Hotel Group Limited as the Original Guarantor under any or all of the following documents (i) Guarantee Agreement dated 22 October 2012 between the Original Guarantor and Deutsche Hypothekenbank (AG), Hanover in relation to a loan agreement dated 19 October 2012 to Park Plaza Nürnberg GmbH, a subsidiary of the Company (ii) Letter of Comfort issued by the Original Guarantor for the benefit of Deutsche Hypothekenbank (AG), Hanover in relation to a loan agreement dated 31 May/3 June 2013 in to ABL Hotel Holding B.V. and ABM Hotel Holding B.V, both subsidiaries of the Company, (iii) Guarantee Agreement between the Original Guarantor and Deutsche Hypothekenbank (AG), Hanover in relation to the loan agreements dated December 2016 to ACO Hotel Holding B.V and ABK Hotel Holding B.V., both subsidiaries of the Company, and (iv) Guarantee Agreement dated December 2016 between the Original Guarantor and Versorgungswerk der Zahnärztekammer Berlin, Körperschaft des öffentlichen Rechts, Berlin in relation to a loan agreement dated December 2016 with Germany Real Estate B.V., a subsidiary of the Company, as borrower.

Pursuant to Article 323, Article 324 section 1 and section 2 in conjunction with the Articles 307 through 312 of the Companies Act, the provision of Article 7 section 3 of the Articles of Association of the company Arenaturist d.d. (hereinafter referred to as: the Company) regarding the granting of the power to the Management Board of the Company to increase the share capital ("authorised share capital"), the Decision of the Management Board of the Company on the increase of the share capital of Arenaturist d.d. by issuance of new shares against contribution in rights, with a partial exclusion of the pre-emptive right of the shareholders of the Company when subscribing new shares, the Executive Directors of the Company submit to the Management Board of the Company the

REPORT ON THE GROUNDS FOR A PARTIAL EXCLUSION OF THE PRE-EMPTIVE RIGHT WHEN SUBSCRIBING NEW SHARES

Following the successful completion of a Takeover Bid in April 2016 following which 65.63% shares of the share capital of Arenaturist d.d. (the **Company**) are now owned by Euro Sea Hotels N.V. and its affiliated company Dvadeset Osam društvo s ograničenom odgovornošću za turizam, ugostiteljstvo i usluge, Zagreb, Radnička cesta 80 (Company No. (MBS): 080602969, PIN: 59259322415) (**Dvadeset Osam**), each a subsidiary of PPHE Hotel Group Limited ("**PPHE Hotel Group**"), the Company continued with the consolidation of the Croatian operations.

On 31 October 2016, the Croatian operating companies Arenaturist Zlatne stijene d.o.o., Arenaturist hoteli d.o.o. and Arenaturist turistička naselja d.o.o. were merged with the Company, continuing the Group's consolidation of the Group's Croatian operations

On 21 November 2016, the Company moved to the Official Market of the Zagreb Stock Exchange. This higher listing is a significant step for the Company, bringing with it higher standards of corporate governance. It is expected that such move may improve liquidity in the Company's ordinary shares and raise the Company's profile both domestically and internationally.

The ultimate majority owner of the Company, PPHE Hotel Group, with its affiliated companies, owns, leases, franchises and develops full service upscale hotels in major gateway cities, regional centres and select resort destinations, predominantly in Europe (together the **Group**). The Group currently operates in the markets of the United Kingdom, the Netherlands, Germany, Hungary, Croatia and Israel, having today a portfolio of more than 39 hotels (in ownership, under management, leased/franchised) and more than 8,400 accommodation units. The majority of the hotels that operate as part of the Group operate under the franchise of two separate brands Park Plaza[®] Hotels & Resorts (owned by CarlsonSM) or art'otel[®] (owned by the Group). The Group owns an exclusive license from CarlsonSM, the global hospitality and travel group for the development and management of Park Plaza[®] Hotels & Resorts in the regions of Europe, the Middle East and Africa (EMEA).

At the Company's Shareholders' Meeting on 31 August 2016, the shareholders of the Company authorised the Management Board of the Company to be able to increase the share capital of the Company constituting fifty per cent of the nominal value of the current share capital within an 18 month period as of the date of entry of the changes to the Articles of Association of the Company in the court register in order to acquire hotels and hotel operations owned by the Group, as well as a licence to use one or more of the Group's brands in certain countries in Central and Eastern Europe (the **Decision**).

In accordance with the Decision, new shares may be issued for a contribution in kind and/or rights, and under the Decision, the Management Board is authorised to exclude any pre-emptive rights of the existing shareholders when subscribing for the new shares.

In accordance with the Group's strategic plans for the development of the Company into a strong leisure and hospitality company in Central and Eastern Europe, the Group will contribute its German and Hungarian operations (consisting of companies and hotel properties) in exchange for new shares in the Company to a member of the Group (**Capital Contribution**). PPHE Hotel Group will add a portfolio of 7 owned or leased upscale hotels and one managed upscale hotel with a total of 1,295 bedrooms (the **Hotels**), these include properties in key tourist and business centres such as Berlin, Budapest, Cologne and Nuremberg. This will greatly diversify Arenaturist and its subsidiaries (**AT Group**) revenues across countries, hotel types, market segments and hotel operating agreements

whilst reducing the seasonality of operations. The Executive Directors expects that this will also allow for significant operating synergies and create a unique hospitality company in the region.

The Hotels are owned, leased and/or managed by Sugarhill Investments B.V. which is a company incorporated under the existing laws of the Netherlands, with its statutory seat at Claude Debussylaan 14, Viñoly Tower 5th Floor, 1082MD Amsterdam, registered with the Trade Register of the Dutch Chamber of Commerce under number 32083051 (**Sugarhill**). Sugarhill together with its subsidiaries (the **Sugarhill Group**) currently forms part of the Group.

Dvadeset Osam is the majority owner (88%) of Sugarhill and therefore the majority owner of Sugarhill Group.

For the purpose of further expansion of the AT Group in Croatia and other countries within the territory as defined below, PPHE Hotel Group will also, through a newly established subsidiary, Arena Hospitality Management d.o.o. (**Arena Hospitality**) (a company wholly owned by Sugarhill) transfer to the Company the hotel management agreements for the Hotels and the exclusive license to use the brand Park Plaza® (the **Licence**) in the territories of Croatia, Germany, Austria, Bulgaria, Slovenia, Bosnia and Herzegovina, Montenegro, Kosovo, Serbia, Albania, Romania, Moldavia, Ukraine, Slovakia, the Czech Republic, Poland, Belarus and Hungary (**Territory**).

Various members of the Sugarhill Group and the Company are party to the hotel operating agreements for each of the Hotels, the leases to the Hotels and the Licence.

Overview of properties within the Sugarhill Group

Hotel	Location	No. of units	Categorisation	(Co) ownership	Operating lease	Management agreement	Year ¹
art'otel berlin kudamm ²	Berlin (GER)	152	4*		x	x	2000
art'otel berlin mitte	Berlin (GER)	109	4*	x		x	2000
Park Plaza Berlin Kudamm	Berlin (GER)	133	3*	x		x	2006
Park Plaza Wallstreet Berlin Mitte	Berlin (GER)	167	4*		x	x	2006
art'otel cologne ²	Cologne (GER)	218	4*		x	x	2010
Park Plaza Nuremberg	Nuremberg (GER)	177	4*	x		x	2016
art'otel dresden	Dresden (GER)	174	4*			x	2000
art'otel budapest	Budapest (HUN)	165	4*		x	x	2000
TOTAL		1,295		3	4	8	

¹ First year of operation under the Park Plaza or art'otel brand

² On 9 December Company entered into an agreement with a third party to acquire the art'otel berlin kudamm and art'otel cologne freeholds

art'otel berlin kudamm

art'otel berlin kudamm is located in Berlin's trendy Charlottenburg area and is dedicated to the work of Andy Warhol, as well as Christopher Makos, renowned for photographing Andy Warhol with many of his celebrity friends. The rooms feature a lime green and violet colour scheme, combined with white maple wood. In 2012 an extension project was completed adding 61 new rooms to the hotel. The hotel has 152 rooms, including four art suites, 121 superior rooms, 27 executive rooms, factory restaurant and bar and flexible meeting rooms. The hotel is a leasehold property whereby the tenant is one of the subsidiaries of Sugarhill and the lease continues until 2029. The Company is in the process of finalising the acquisition of the freeholds of this hotel.

<https://www.artotels.com/berlin-hotel-de-d-10719/gerbrart>

¹ Year of commencement of operations under the Park Plaza or art'otel brand

art'otel berlin mitte

art'otel berlin mitte, located in the heart of Berlin's historic centre, combines the historic Ermelerhaus and modern architecture. Reminiscent of an art gallery, the hotel is dedicated to Georg Baselitz, one of the most famous contemporary German artists. The hotel has 109 rooms, including 10 art suites, four suites and 95 superior rooms, Upside Down Bar and Restaurant and two meeting rooms and a business centre. One of the Sugarhill Group companies co-owns the hotel.

<https://www.artotels.com/berlin-hotel-de-d-10179/germiart>

Park Plaza Berlin Kudamm

Park Plaza Berlin Kudamm is located on the Joachimstaler Strasse in the heart of Berlin. The hotel is within close proximity to the Kaiser Wilhelm Memorial Church and boulevard "Kudamm", including one of Europe's biggest department stores, the KaDeWe. The hotel has 133 rooms, including 60 double rooms, 59 double rooms with courtyard views and 14 executive rooms, breakfast restaurant and lounge, two meeting rooms and seven breakout rooms. One of the Sugarhill Group companies co-owns the hotel.

<https://www.artotels.com/berlin-hotel-de-d-10719/gerbrart>

Park Plaza Wallstreet Berlin Mitte

Park Plaza Wallstreet Berlin Mitte is a contemporary hotel situated in the heart of Berlin's historic centre close to "Alexanderplatz" and the "Reichstag" (German parliament building). The hotel, resulting from the conversion of a bank/office building, boasts superior and executive rooms along with suites and meeting room facilities. The 50-seat auditorium is a special feature of the hotel, which makes Park Plaza Wallstreet Berlin Mitte a suitable venue for movie premieres, product launches and other special events. The hotel has 167 rooms, including eight suites, 117 superior rooms and 42 executive rooms, restaurant, bar and lounge and terrace, one top floor boardroom and two meeting rooms. The Sugarhill Group's operating lease runs until 2025, with two five-year renewal options.

<https://www.parkplaza.de/berlin-hotel-de-10179/gerberwa/>

art'otel cologne

art'otel cologne is located in the prestigious Rheinuhafen development of Cologne, next to the Chocolate Museum. This riverside art'otel is within walking distance of Cologne's historic city centre. In keeping with the tradition of the art'otel concept, art'otel cologne features art from a contemporary artist SEO, a young Korean-borne master pupil of German artist Georg Baselitz, who was selected as the signature artist. The hotel has 218 rooms, including 10 suites, 21 executive rooms and 187 superior rooms, a multi-purpose ground floor with Chino Latino restaurant, a bar and terrace overlooking the Rhine River, and multi-functional meeting rooms, all with natural daylight. The Sugarhill Group's operating lease runs until 2030. The Company is in the process of finalising the acquisition of the freeholds of this hotel.

<https://www.artotels.com/cologne-hotel-de-50676/gercoart/>

Park Plaza Nuremberg

Park Plaza Nuremberg opened in June 2016. The hotel is located in the shopping and business centre of Nuremberg, a German and international centre for MICE travel. The design of each of the hotel's 177 rooms is influenced by the work of Albrecht Dürer, the legendary Nuremberg-born artist, mathematician and theorist. The hotel has 3 suites, 26 executive rooms and 148 superior rooms, a multi-purpose ground floor with the BA Beef Club restaurant, a Bavarian American Bar, and seven multi-functional meeting rooms for up to 70 delegates and a conference lobby. The Sugarhill Group owns the property.

<https://www.parkplaza.com/nuremberg-hotel-de-90402/deupnu>

art'otel dresden

art'otel dresden offers a unique opportunity to experience the combination of original art, hospitality and unique hotel design. The art'otel's entire art collection features the work of A.R. Penck, a local Dresden artist, and the interior was created by the Milanese designer, Denis Santachiara. The hotel has 174 rooms, including 7 art suites, 150 twin rooms and 17 single rooms. Facilities include a restaurant, bar, art gallery with conference facilities with capacity for up to 600 people and flexible meeting rooms. A health club with a gym, sauna and solarium is also available.

<https://www.artotels.com/dresden-hotel-de-d-01067/gerdrart/>

art'otel budapest

art'otel budapest is centrally located on the Danube river in Hungary, opposite the world famous Parliament. art'otel budapest is characterised by the works of Donald Sultan, a world renowned contemporary American artist. Similar to that of an art gallery, an exhibition of his artworks is on display in the public areas of the hotel and in every room. The art'otel integrates four baroque townhouses restored to their original splendour. The hotel has 165 rooms, including nine art suites, 149 superior rooms and seven executive rooms, Art Bistro Bar & Restaurant, flexible meeting rooms and a business centre. Sugarhill Group's operating lease runs until 2020.

<https://www.artotels.com/budapest-hotel-hu-h-1011/hunbuart/>

Key Performance Indicators of Sugarhill Hotels¹

	2016E
Average ADR (EUR)	85.3
Average Occupancy	74.4%
Average RevPar (EUR)	63.5

¹Relates only to Room Revenues and does not include Park Plaza Nürnberg, which had its soft opening in June 2016 and art'otel Dresden which is only managed by Sugarhill

German Hotel market

In comparison to Croatia, the German travel and tourism industry makes up a much smaller part of German economy and in 2015 total spending in the sector comprised 8.9% of country's GDP². Similarly to Croatia the sector is fast growing and Germany is becoming an increasingly popular destination for travellers all over the world. The World Travel & Tourism Council forecasts that over the next ten years real spending on travel and tourism in Germany will grow on average at 3.0% per annum, a much higher growth rate than the expected real growth rate of the overall economy. Alongside the United Kingdom, and London in particular, Germany is the most attractive hotel real estate market in Europe and the country is unrivalled as the world's number one destination for trade fairs, hosting two thirds of all global flagship exhibitions. Germany has more than 16,000 hotels and the market is characterised by a relatively low, but growing share of branded hotels (approximately 26%) and a very low penetration rate of large international hotel chains.

Occupancy at German hotels is at multi-decade highs and RevPAR growth has been consistently in the 4-5% range over the past five years. There are fifteen German cities with annual overnights of more than one million and most of them have been outperforming their European peers since the 2008 – 2009 economic downturn. Despite stronger recent growth, the top five performing cities in Germany (Berlin, Munich, Hamburg, Frankfurt and Cologne) are still significantly underperforming top European cities on ADR and other revenue metrics. Germany has also been witnessing a period of

² World Travel & Tourism Council

strong growth in the number of arrivals and overnight stays and in 2015 overnight stays demonstrated growth for the seventh consecutive year, reaching c. 450 million, up 3% on the previous year³. ADRs and occupancies grew in all of the biggest German cities including Berlin where close to 50% of Sugarhill's units are located.

Croatia is predominantly a summer, leisure destination for foreign visitors whereas the German travel and tourism market is much more balanced in terms of types of travel and visitors as well as seasonality. The German travel and tourism market relies much more on city hotels and corporate travel and it has a more balanced split between business and leisure spending. Moreover, the German hotel industry is predominantly oriented towards intra-country travelling and as such much less affected by competing destinations and security risks.

Berlin

Berlin is one of the most popular global tourist destinations and in terms of overnight stays it is the third most popular city in Europe, after London and Paris. Recently the city has become a centre of the European start-up scene and is also Germany's most popular city for MICE business⁴. Additionally, the city is becoming an important destination for medical tourism and the local Government is strongly supporting the expansion of clinics, hospitals and medical research institutes with the goal to become the number one location for providing medical care in Germany.

As of the end of 2015, Berlin had approximately 140,000 beds across 780 accommodation providers. In Sugarhill's targeted 4-star segment, at the end of 2015, the city held 25,796 rooms of which 20,630 were branded, which put the AT Group's share of branded rooms in the city at 3%. In 2015, Berlin had 30.2 million visitors whose arrivals exhibited limited seasonality effects. The city has a balance between domestic and foreign visitors with foreign visitors' percentage increasing year on year⁵.

Over the last ten years, the city has experienced a consistent and high annual increase in the number of visitors, their length of stay and overnight stays. Moreover, as the demand growth has accelerated over the last couple of years the supply growth has significantly slowed down resulting in a strong increase in occupancies and average daily rates, and consequently RevPARs, particularly in the 4-star hotel segment. Despite improving numbers, the city's hotels' key performance indicators are still generally lower than in other key capital cities in Europe.

Contract Models

The German hotel market, as with most Nordic and German speaking markets, is mostly lease driven and properties are typically owned by pension funds and insurance companies. These leases tend to be long-term arrangements and in most cases, monthly rental payments are based on a percentage of the operating revenues of that hotel subject, in the majority of cases, to a minimum amount which is independent of the operating revenue. Due to the high level of development of the capital markets and high economic stability, property lease financing is highly developed in Germany and has an attractive risk/reward profile. Leasing models have proven to be less interesting strategically for big international hotel chains which prefer asset light models such as franchising and hotel management.

Certain of the Sugarhill Group's hotels in Germany and the art'otel in Budapest in Hungary are operated under operating leases. These tend to be long-term arrangements under which the Group leases a hotel from a third party for a period of up to 25 years. In most cases, monthly rental payments are based on a percentage of the operating revenues of that hotel subject, in the majority of cases, to a minimum amount which is independent of the operating revenue.

Following the Capital Contribution, the Company will have significantly diversified its exposure away from predominantly summer based properties in and around the cities of Pula and Medulin and it is expected that more than 30% of revenues will come from outside of Croatia, predominantly from Berlin, an important and fast growing city destination.

³ Federal Statistical Office of Germany

⁴ Meeting & Event Barometer 2015

⁵ Statistical Office for Berlin-Brandenburg

Territorial management rights

Under a framework agreement, the Sugarhill Group holds rights to use and operate the art'otel brand and exclusive rights to use and operate the Park Plaza brand in the Territory conditional upon it meeting certain obligations, most importantly, that it actively develops new opportunities in the Territory. Under the framework agreement with members of the Group, the Sugarhill Group will need to develop and open new outlets (hotels, self-catering apartments and campsites) based on the following development schedule:

- For the first 24 months from the date of the agreement – 1 new outlet
- Every 24 months thereafter – 2 new outlets

Through acquisition of Sugarhill Group the Company will indirectly become the owner and beneficiary of above-mentioned rights. This is expected to affect business of the Company in following ways:

- 1) the Company is gaining the ability to develop and operate on an exclusive basis branded hotels and hotel operations in large geographic area of Central, Eastern and South-Eastern Europe which has more than 200 million inhabitants,
- 2) the Company will be in position to obtain contracts for management of hotels owned by third parties, which should enable revenue growth without large investments into hotel assets (through "asset light" strategies),
- 3) the Company will become the owner of a licence company which is a part of Sugarhill Group which will expose the Company to licencing revenues and improve its profitability on consolidated basis.

In order to continue to benefit from the opportunities provided by the global Park Plaza Hotels & Resorts system and the partnership of the Group with Carlson Rezidor, the hotels will each enter into a licence, sales and marketing agreement with a member of the Group which will greatly enhance the Company's ability to attract and retain guests and provide them with a world-class service in a globalising market place.

The Executive Directors regard the present moment as convenient for the implementation of the process of an increase of the share capital by virtue of the power granted to the Management Board under Article 7 section 3 of the Articles of Association, since the 2016 tourist season has been successfully brought to a close, and, currently, preparations for the 2017 tourist season are under way.

To this effect, the Management Board will consider adopting a Decision whereby the share capital of the Company will be increased from the amount of HRK 43,650,000 by the amount of HRK 21,825,000 to the amount of HRK 65,475,000 by issuance of 1,091,250 new ordinary registered shares of the Company, each in the nominal value of HRK 20.00 (the "New Shares"), against payment of contribution in rights in the value of EUR 61.092.396,62 which pursuant to the middle rate of exchange of the Croatian National Bank on the date of adoption of the Decision of the Management Board equals HRK 460,005,525, of which, taking into account the price at which the New Shares are subscribed and paid, i.e. the amount of HRK 421.54 per New Share, which represent the current average traded price for the shares of the Company on Zagreb Stock Exchange. The amount of HRK 21,825,000 will be allocated to the share capital of the Company, and the amount of HRK 438,180,525 will be allocated to the capital reserves of the Company.

In order to establish an adequate value of the Company's share in the procedure of the Capital Contribution, the Executive Directors have taken into consideration a valuation of the Company's share conducted by an independent appraiser and market prices achieved on ZSE in 2016. Average traded price of Company's shares over the last 6-month period was 400.55 HRK, over the last 3-month period was 428.37 HRK and in the last week was 421.54 HRK. Since the price for the New Shares in the amount of HRK 421.54 represents the current market price achieved in the trading on the ZSE after the Company's listing on the Official market, and since this price is in the range of values provided by independent valuation and market prices achieved on ZSE in 2016, the Executive

Directors consider the price of HRK 421.54 per New Share as an accurate assessment of the value of the Company's shares to be used in the procedure of the Capital Contribution.

The increase of the share capital of the Company against contribution in rights to the Company, completely by the company Dvadeset Osam, by investing into the Company the shares which constitute 88% of the share capital of the company Sugarhill, in a manner that the company Dvadeset Osam, in exchange for the shares it holds in the company Sugarhill and which it will invest into the Company, will acquire the New Shares in the Company, and Arenaturist d.d. will become the majority owner of Sugarhill (and thus the Sugharhill Group), and thereby, indirectly, the "owner" of the hotels and hotel operations which the Group owns independently or with partners in Germany and Hungary, including the hotel management agreements and the licence to use the brand Park Plaza® and art'otel in Territory.

The fair value of Sugarhill's share capital, against which the Company will issue new shares was ascertained by a Big Four accounting firm retained by the Executive Directors which is independent to the business of the Group and the Company. This value is also expected to be verified by the auditor appointed by the Court.

For the aforementioned reasons and resulting from the power under Article 7 section 3 of the Articles of Association of the Company, the Executive Directors consider it justified to partially exclude the pre-emptive right of other shareholders in favour of the shareholder of the Company i.e. the company Dvadeset Osam.

If other shareholders would be granted the pre-emptive right to subscribe the shares, due to the legally prescribed time limits to be obligatory obeyed in this process, and due to the need to prepare and approve detailed documents (for example, the Prospectus of Issue or the Listing of new shares), the process would be additionally prolonged and the costs of the implementation of the increase of the share capital increased.

For the reasons stated above, the Executive Directors propose that the Management Board adopts the Decision on a partial exclusion of the pre-emptive right of the shareholders to subscribe the New Shares, against payment of contribution in rights, in favour of the shareholder of the Company the company Dvadeset Osam d.o.o., a company which is part of the Group.

The Management Board, in accordance with Article 324 section 2 of the Companies Act and the authority under Article 7 section 3 of the Articles of Association of the Company, adopts the following

DECISION

on exclusion of the pre-emptive right of the existing shareholders of the Company when subscribing the new shares of the Company

I.

In order to implement the Decision on the increase of the share capital of the Company, in accordance with Article 324 section 2 of the Companies Act and the provision of Article 7 section 3 of the Articles of Association of the Company, the pre-emptive right for the shareholders of the Company is partially excluded when subscribing the new shares which will be issued in the process of the corporate action of an increase of the share capital of the Company, in favour of the shareholder of the Company, the company Dvadeset Osam društvo s ograničenom odgovornošću za turizam, ugostiteljstvo i usluge, Zagreb, Radnička cesta 80 (Company No. (MBS): 080602969, PIN: 59259322415).

II.

This Decision takes effect on the date of its adoption.

DECISION

on the increase of the share capital and the issuance of ordinary shares against contribution in rights, with a partial exclusion of the pre-emptive right of the existing shareholders when subscribing the new shares in accordance with Article 324 section 2 in conjunction with Article 308 section 4 of the Companies Act, in favour of the shareholder of the Company, the company Dvadeset Osam društvo s ograničenom odgovornošću za turizam, ugostiteljstvo i usluge, Zagreb, Radnička cesta 80 (Company No. (MBS): 080602969, PIN: 59259322415), availing itself of the exemption to a prior issue of the prospectus for issue of securities under Article 351 section 1 subsection 2 of the Capital Market Act and on changes and additions to the provision of Article 7 Section 1 and 2 of the Articles of Association of the Company.

I.

The share capital of the Company amounts to HRK 43,650,000 and is divided into 2,182,500 ordinary registered shares, each in the nominal value of HRK 20.00. The shares of the Company are kept in non-materialized form and are registered in the central securities depository of the Republic of Croatia with the Central Depository Agency under the ticker symbol: ARNT-R-A.

II.

By virtue of this Decision, the share capital is increased against payment of contribution in rights, more specifically, by transfer to the Company by the company Dvadeset Osam društvo s ograničenom odgovornošću za turizam, ugostiteljstvo i usluge, Zagreb, Radnička cesta 80 (Company No. (MBS): 080602969, PIN: 59259322415) (hereinafter in the Decision: the Investor), of 352 ordinary shares, numbered 1 up to and including 352, each share having a nominal value of one hundred Dutch guilders (NLG 100.00) and, with reference to Section 2:178c of the Dutch Civil Code, a counter value of forty-five euro and thirty-eight eurocent (EUR 45.38) of the company Sugarhill Investments B.V., a company founded and existing under the laws of the Netherlands, with its statutory seat at Claude Debussylaan 14, Vinoly Tower 5th Floor, 1082MD Amsterdam, registered with the Trade Register of the Dutch Chamber of Commerce under number 32083051, PIN: 55630861140 (hereinafter in the Decision: "Sugarhill"), whose only holder is the Investor and which constitute and represent 88% of the share capital of the company Sugarhill, with the Investor acquiring 1,091,250 new ordinary registered shares of the Company, each in the nominal value of HRK 20.00 (hereinafter in the Decision: the "New Shares"), all in compliance with the Companies Act and the Capital Market Act.

III.

The share capital of the Company is increased from the amount of HRK 43,650,000 by the amount of HRK 21,825,000 to the amount of HRK 65,475,000.

The increase of the share capital of the Company in section 1 of this Article will be executed by payment of contribution in rights - by investment in the Company of 352 ordinary shares, numbered 1 up to and including 352, each share having a nominal value of one hundred Dutch guilders (NLG 100.00) and, with reference to Section 2:178c of the Dutch Civil Code, a counter value of forty-five euro and thirty-eight eurocent (EUR 45.38) of the company Sugarhill, whose only holder is the Investor and which constitute and represent 88% of the share capital of the company Sugarhill, with issuance of the New Shares, i.e. 1,091,250 new ordinary registered shares, each in the nominal value of HRK 20.00.

IV.

The New Shares will be issued in non-materialized form, in the form of an electronic record in the computer system of the Central Depository and Clearing Company, Inc, (hereinafter: the CDCC), with a designation to be assigned by the CDCC.

Each New Share is entitled to one vote at the Shareholders' Meeting of the Company. The shares are registered shares and confer to the shareholder all such rights as are stipulated by the Law and the Articles of Association of the Company as of the date of entry of the increase of the share capital in the court register. The New Shares grant equal rights as the existing shares of the Company with the

ticker symbol ARNT-R-A. The New Shares grant to the holder the right to the dividend beginning as of the 2017 business year.

V.

The price of the New Shares is determined in the amount of HRK 421.54 per New Share.

VI.

The New Shares will be subscribed in 30 days as of the date of adoption of this Decision by the Investor stated in point II. of this Decision. The Investor will subscribe the New Shares on the basis of a written statement (hereinafter: the "Subscription Notice"). The contents of the Subscription Notice are stipulated by the provision of Article 307 and Article 326 section 2 of the Companies Act.

The New Shares are issued against investment of rights in the Company. The investment of rights in the Company and payment for the New Shares, i.e. for 1,091,250 new ordinary registered shares, each in the nominal value of HRK 20.00, will be carried out in a manner that the Investor and the Company conclude in 30 days as of the date of adoption of this Decision an Agreement on Investment of Rights in the Company (hereinafter: the "Agreement on Investment of Rights in the Company"), i.e. on investment of 352 ordinary shares, numbered 1 up to and including 352, each share having a nominal value of one hundred Dutch guilders (NLG 100.00) and, with reference to Section 2:178c of the Dutch Civil Code, a counter value of forty-five euro and thirty-eight eurocent (EUR 45.38) of the company Sugarhill, whose only holder is the Investor and which constitute and represent 88% of the share capital of the company Sugarhill, in the Company.

The value of the contribution in rights is EUR 61,092,396.62 which pursuant to the middle rate of exchange of the Croatian National Bank on the date of adoption of this Decision equals HRK 460,005,525.

Of the said amount, the amount of HRK 21,825,000 will be allocated to the share capital of the Company, and the amount of HRK 438,180,525 will be allocated to the capital reserves of the Company.

An auditor appointed by the Commercial Court of Pazin, the company PricewaterhouseCoopers d.o.o. za reviziju i konzalting, will examine the increase of the share capital against contribution in rights and draw up a report on the audit of the increase of the share capital pursuant to the Article 183 of the Companies Act.

The issue of the New Shares will be deemed successfully executed if in the period for the subscription and the payment hereinabove stipulated, i.e. 30 days as of the date of adoption of this Decision, the Investor subscribes and pays 100% of the total amount of the issue, i.e., subscribes all 1,091,250 new ordinary registered shares, each in the nominal value of HRK 20.00, and concludes with the Company the Agreement on Investment of Rights in the Company so that the Company can have the said right at its free disposal.

If the New Shares in point II. of this Decision are not subscribed and paid within the said period, i.e. 30 days as of the date of adoption of this Decision, this Decision will have no legal effects whatsoever and will not create an obligation to the Company to act on it or to register it with the competent court register.

If the subscription and payment of the New Shares are not successful, the Agreement on Investment of Rights will have no legal effect for the Company and the Investor, should it be concluded, but the New Shares unsubscribed, and the legal acts carried out for the Agreement on Investment of Rights to be fulfilled.

VII.

Based on the payment for the New Shares being made in full, after the entry of the increase of the share capital in the court register of the Commercial Court of Pazin, 1,091,250 new ordinary registered shares will be issued, each in the nominal value of HRK 20.00, in non-materialized form, with a designation ARNT-R-A or with a designation to be assigned by the CDCC.

The Investor will become the holder of the New Shares with the entry in the depository of the CDCC, and the entry will be performed in accordance with the rules of the CDCC the moment the entry of the increase of the share capital has been executed in the court register of the Commercial Court of Pazin.

VIII.

If the increase of the share capital in accordance with this Decision is not entered in the court register within a 6 month period as of the date of adoption of this Decision, the Subscription Notice will not obligate the Investor, the Agreement on Investment of Rights will have no legal effect, including the legal acts performed for the Agreement on Investment of Rights to be fulfilled.

IX.

In accordance with Article 308 section 4 of the Companies Act, the pre-emptive right when subscribing the New Shares is completely excluded for all other existing shareholders of the Company in favour of the shareholder of the Company, the company Dvadeset Osam društvo s ograničenom odgovornošću za turizam, ugostiteljstvo i usluge, Zagreb, Radnička cesta 80 (Company No. (MBS): 080602969, PIN: 59259322415) which, on the date of adoption of this Decision, holds the shares in the Company which constitute 65,63% of the share capital of the Company, as fully explicated in the Report of the Executive Directors of the Company submitted to the Management Board of the Company.

X.

In accordance with the provision of Article 351 section 1 subsection 2 of the Capital Market Act, there is no obligation to issue a prospectus since the offering of securities and the call to subscribe shares has been addressed to less than one hundred fifty natural or legal persons per member state which are not qualified investors.

XI.

This Decision takes effect on the date of its entry in the court register.

The Executive Directors and the President of the Management Board are instructed to undertake all legal actions for the entry of this Decision and its related increase of the share capital in the court register of the Commercial Court of Rijeka.

XII./XII./I.

In order to implement the Decision on the increase of the share capital of the Company adopted by the Management Board of the Company in accordance with Article 324 section 2 of the Companies Act and the provision of Article 7 section 3 of the Articles of Association of the Company on 23 December 2016, Article 7 section 1 and section 2 of the Articles of Association of the Company (the full text of the Articles of Association of the Company of 31 August 2016) are changed such that they read:

"SHARE CAPITAL AND SHARES

Article 7

The share capital of the Company amounts to HRK 65,475,000.

The share capital is divided into 3,273,750 ordinary shares, each in the nominal value of HRK 20.00."

XII./II.

All other provisions of the Articles of Association remain unchanged.

XII./III.

This Decision on changes and additions to the Articles of Association of the Company takes effect and is applied on the date of entry in the court register.

XII./IV.

The President of the Management Board of the Company is granted the authority to sign the full text of the Articles of Association in accordance with this Decision.