Arena Hospitality Group

Corporate Presentation

Today's presenters

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Board Member & CFO

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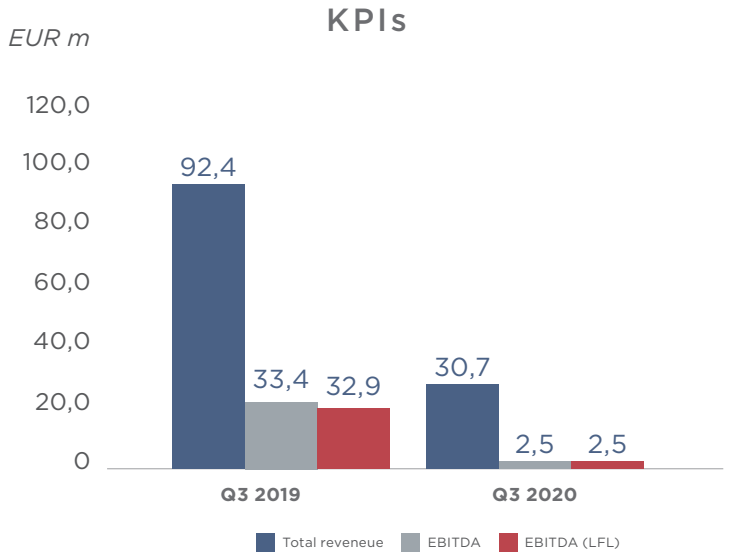
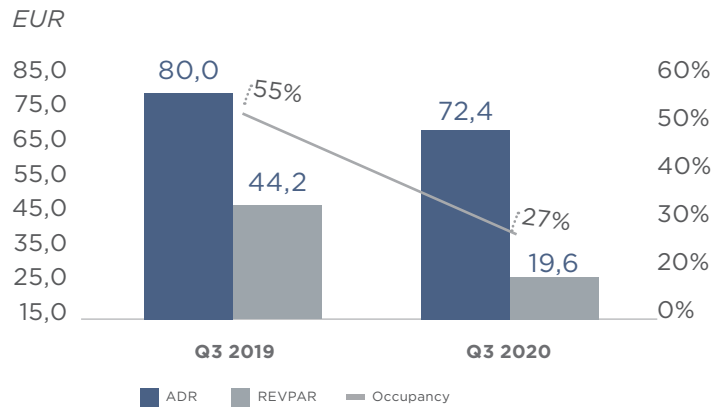




KEY COMMENTS

- The Covid -19 outbreak has increasingly taken a toll on global economies, and the hospitality industry is severely impacted. Governments in several countries have announced extraordinary measures to slow the spread of the virus. These measures have led to an immediate and significant deterioration in the hospitality market, with a high number of cancellations and no shows and very few new bookings. At the end of May lockdowns across Europe started to being lifted and travel started to gradually resume. Croatia opened up its borders and finally business started coming in and an intensifying pace from the end of June to reach its peak in mid-August, when several countries including Austria, Italy and Slovenia upgraded Croatia's risk profile as a travel destination

- Total revenues decreased by 66.8% to EUR 30.7 million (2019: EUR 92.4 million). Decrease in revenues is the outcome of occupancy that halved to 27.1% and the reduction in average daily rate by 9.5% to EUR 72.4 (2019: EUR 80.0)

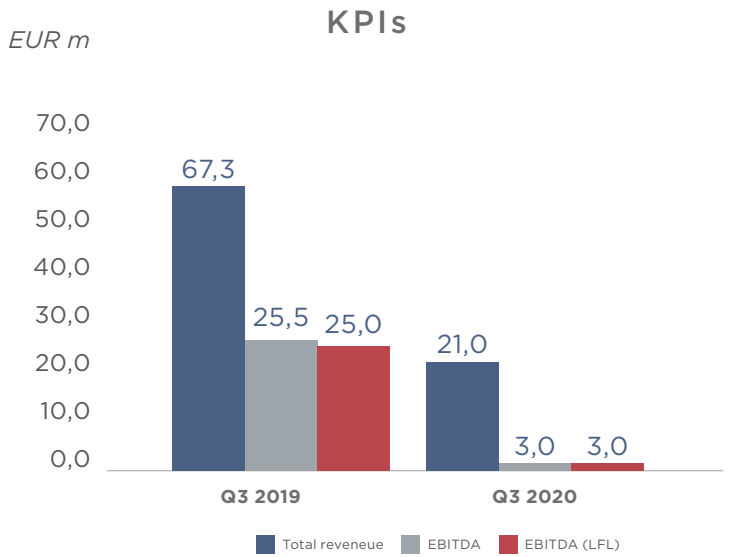
- The Group posted an EBITDA of EUR 2.5 million (2019: EUR 33.4 million)

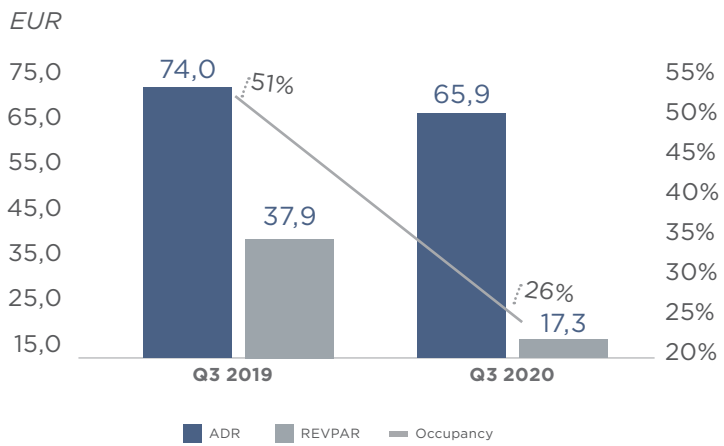
- The Group used Governments' support in its countries of operations to navigate through these challenging times. The start dates of these Government schemes vary, however all were available for a period of at least three months. In total, the Group received EUR 4.5 million in grants. Moreover, the Group is focussed on preserving its liquidity and sustainability by further optimising its costs, significantly reducing payroll, including furlough of employees, the non-renewal of fixed-term employment contracts, halting of contract labour and shortening of working hours

EUR/HRK: 7,45

Q3 2020 trading update - Croatia

KPIs





KEY COMMENTS

- Lockdowns experienced in spring were eased and as the season progressed and the booking pace and arrivals started increasing at a growing pace. Despite the favourable epidemic conditions in the Istrian region, countries from Europe started flagging Croatia as a risky destination from the epidemiologic point of view, which had a negative effect on the booking and arrivals dynamics. The outcome of this is loss of the peak of the business in the second half of August and of a, what could have had been a solid, shoulder season throughout September and partially October, which were marked by extremely good weather conditions this year

- Total revenues decreased by 68.8% to EUR 21.0 million (2019: EUR 67.3 million). Accommodation revenues decreased by 68.3% as a result of a decrease in average daily rate of 11.0% to EUR 65.9 (2019: 74.0) and a reduction in occupancy to 26.3% (2019: 51.2%)

- It is important to emphasise that the business mix was different this year with campsites contributing more to the result as opposed to previous years. Such performance is due to the investments undertaken in our campsites over the last few years coupled with the perception of safety that campsites provide to guests, particularly in an epidemic environment. Campsites contributed by over 50% to our Q3 revenues (approximately 35% last year) and over 60% in profitability (approximately 45% last year). Importantly, campsites have the highest profitability within the Group although have a comparatively a lower ADR. Therefore the changed business mix is reflected in a lower blended ADR in Croatia and therefore for the Group

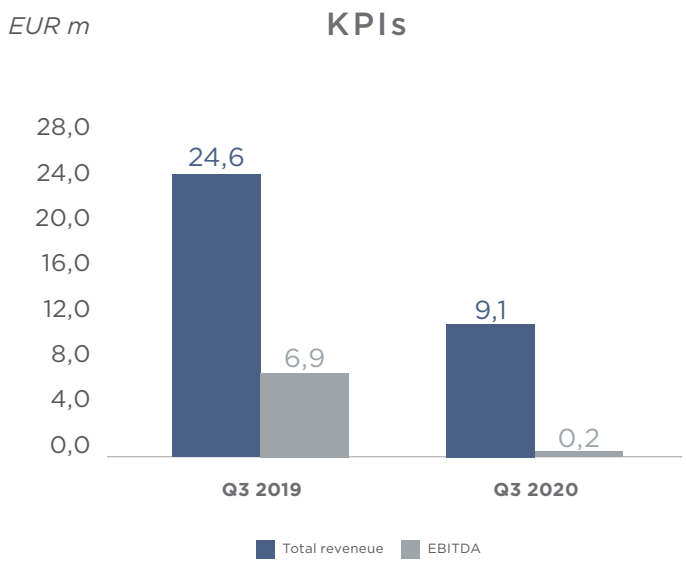
- EBITDA amounted to EUR 3.2 million (2019: EUR 25.5 million)

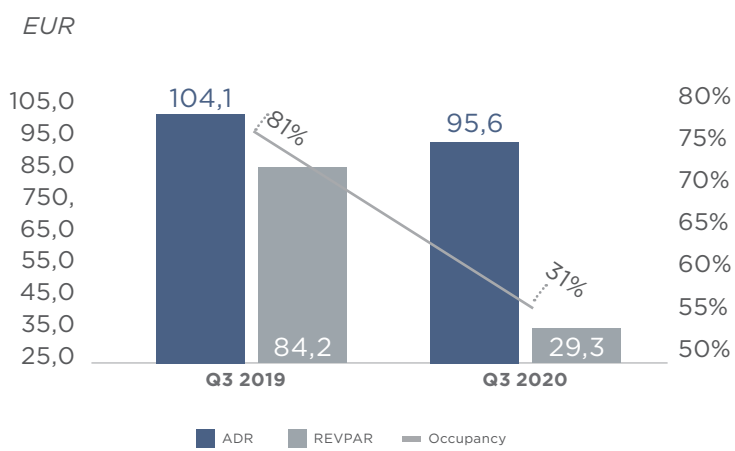
- The Company utilized Government grants. The total amount of such grants received from the Government amounted to EUR 3.5 million

EUR/HRK: 7,45

Q3 2020 trading update - Germany and Hungary

KPIs





KEY COMMENTS

- Governments in Germany and Hungary introduced lockdowns in March. The negative trends already felt in the weeks leading to the implementation of these measures were exacerbated and the business essentially stopped. The operations started gradually resuming in late May noting that pickup has been subdued over the summer months and the performance varied between cities. Cologne and Nuremberg performed comparatively better whilst our art'otel budapest was hit by lack of flights into to city, ban to host leisure travellers, and stricter measures being implemented from August already

- Total reported revenue therefore decreased by an unprecedented 62.6% to EUR 9.1 million (2019: EUR 24.6 million). Accommodation revenue dropped by 64.6% almost entirely as a result of a material drop in occupancy to 30.6% (2019: 80.9%). This resulted in RevPAR deteriorating by 64.7% to EUR 29.3 (2019: EUR 84.2)

- Reported EBITDA was breaking even at EUR 0.2 million (2019: EUR 6.9 million)

- In Germany the Group is using the "Kurzarbeit" measures. Hungary introduced the reduced working hours' programme and waiver of employment taxes. Whilst measures in Germany have been extended until year-end 2021, Hungary does not provide any support beyond the once granted during the first three months of the pandemic. During the period the Group received grants in the total amount of EUR 1.0 million

- The Group has postponed rental payments from March onwards and is currently negotiating acceptable terms with a view to get waivers and rent deferrals. Moreover, it has rescheduled its principal repayment coming due between April and September to the end of 2021.

Net debt as at 30 September 2020

	Group			Company		
EUR m	31.12.19	31.09.20	Change	31.12.19	31.09.20	Change
Total debt	**160,0**	**183,3**	**23,3**	**81,7**	**91,4**	**9,8**
Bank borrowings	130,5	140,3	9,9	81,7	91,4	9,8
Lease liabilites	29,6	43,0	13,4	0,0	0,0	0,0
Cash	**95,9**	**69,7**	**-26,2**	**79,6**	**57,7**	**-22,0**
Net debt	**64,2**	**113,7**	**49,5**	**2,1**	**33,8**	**31,7**

KEY COMMENTS

- Bank borrowings increased as the loans to fund the repositioning our self catering apartment complex Verudela Beach and the acquisition of Hotel Riviera from the Republic of Croatia were drawn
- The Company entered into a new loan agreement with OTP banka d.d. in Croatia for the purchase and refurbishment of Hotel Riviera. The facility is in a total amount of EUR 10 million (HRK 75 million), consisting of two tranches, due 2030 at a fixed interest rate of 2.125%
- Lease liabilities increased since the Group entered into a 45 year long lease agreement for a property in central Zagreb in January 2020
- The cash position decreased as a result of negative free cash flow (driven by the Covid – 19 pandemic) coupled with continuation of capital expenditures during the same period

EUR/HRK: 7,5

COVID-19: overview of actions undertaken

- The Group is utilizing Governments' support in its countries of operations to navigate through these challenging times. The start dates of these Government schemes vary, however all are available for a period of at least three months.

- The focus is on preserving liquidity and sustainability by
  - further optimizing its costs
  - reducing payroll expense (including furlough of employees, non-renewal of fixed-term employment contracts, halting of contract labour, shortening of working hours)
  - Deferral of taxes
  - Deferral of rental payments

In Croatia the Government:

- assisted companies with the payment of salaries. During 9M 2020 the Group received assistance in the amount of EUR 3.5 million

- granted a waiver for payments of concessions until November 2020

- granted a deferral of other taxes such as personal income taxes and contributions

In Germany the Government

- enacted the "kurtzarbeit" measures which enable regular working hours to be reduced and the Government compensates the difference to regular hours to employees thereby alleviating some pressure on the payroll side. During 9M 2020 the Group received assistance in the amount of EUR 1.0 million

- granted deferral of taxes until June (such as income tax and solidarity tax)

Hungary introduced the reduced working hours' programme and waiver of employment taxes.

- In addition, the Group has a long-standing and supportive group of banks with whom it is in regular dialogue to ensure there is the possibility to take all the necessary actions that are in the best interests of the Group in the current environment.

- **Importantly, the Group is liquid, and its cash position as at 30 September exceeded EUR 70.0 million, which is providing an additional safety net in the currently uncertain and unpredictable environment**

Update on investments

ARENA GRAND KAŽELA PHASE II **EUR 7 million**	**2019-2020**	• installation of 45 new mobile homes, refurbishment of existing restaurant and bar, addition of a new sanitary block and refurbishment of four existing sanitary blocks – COMPLETED
VERUDELA BEACH APARTMENT COMPLEX **EUR 8 million**	**2019-2020**	• Complete refurbishment of the units and auxiliary facilities – COMPLETED
HOTEL BRIONI **EUR 35 million**	**2020-2021**	• The refurbishment started in January 2020 • The construction works are ongoing, albeit at a slower pace
HOTEL RIVIERA **EUR 7 million**	**2020-2022**	• The Group settled with the Government to acquire this asset for a total amount of EUR 7 million • Further guidance on the timing and investment size will be communicated in due course
88 ROOMS HOTEL, BELGRADE **EUR 6 million**	**Q4 2020**	• Expected closing during Q4 2020
HOTEL IN ZAGREB	**2020-2022**	• The Group finalizing plans for the conversion of a building in central Zagreb into a 115 rooms hotel • Further guidance on the timing and investment size will be communicated in due course

APPENDIX

Overview of PPHE Hotel Group

Key Strenghts

1. Integrated and entrepreneurial approach
2. Profitable segments
3. Global partnership
4. Pipeline
5. Financial track record
6. Management team
7. Flexible partnership solutions

Business Type

Full ownership

Ownership of hotels in key gateway cities in Europe where capital value is likely toappreciate. Expertise in identifying assets with development potential

Franchise agreements

Option ideal for partners who enjoy running their own hotel but seek reassurance of industry-leading support services

Operating leases

PPHE Hotel Group leases investors' property and pays them rent. It manages all aspects of the operation of the hotel

Joint ventures

Focus on returning maximum profits for all parties involved, combining PPHE's management skills with co-investment

Operating agreements

Allows owners to retain ownership of their property while PPHE undertakes the day-to-day management

6 countries

37 hotels

8,800 rooms in operation

500 rooms under development

2,700 employees

Overview of PPHE Hotel Group

PARK PLAZA

Key features:

- Upscale and upper upscale hotels
- Individual design
- City centre locations
- Excellent meeting facilities
- Bars and restaurants

24 hotels in Europe, the Middle East and Africa

6,600 rooms in operation

art'otel

- Upper upscale lifestyle hotels
- Fuse exceptional architectural style with art-inspired interiors
- Located in cosmopolitan centres across Europe vibrant bars and restaurants

5 art'otels

751 rooms in operation

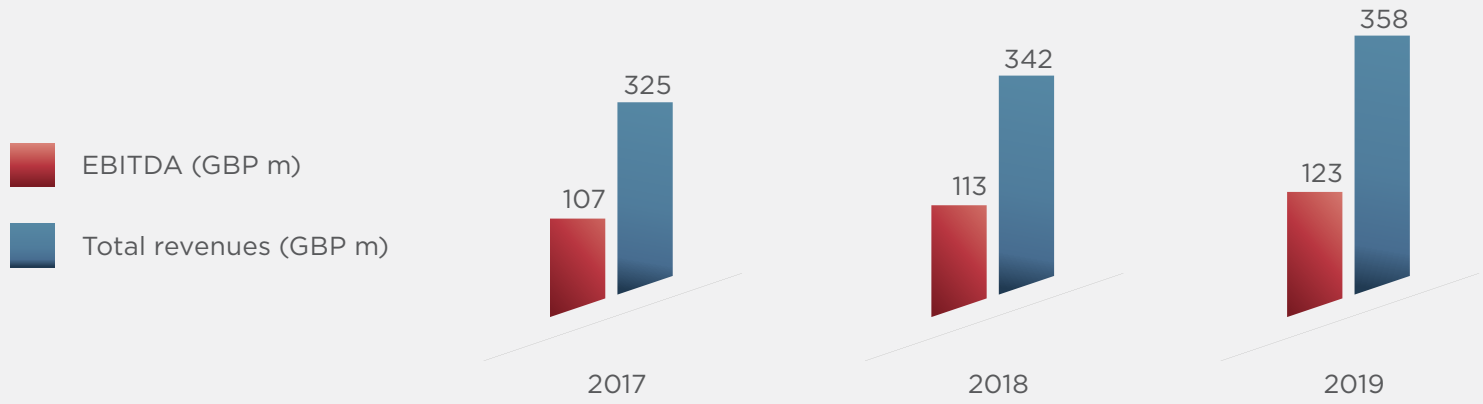
ARENA HOSPITALITY GROUP

- One of the largest tourist accommodation providers in Croatia
- It operates of seven hotels, four resorts and eight campsites
- Located in Istria, Croatia

9 hotels and self-catering holiday apartment resorts

8 Arena Hospitality Group campsites

10,000+ accommodation units



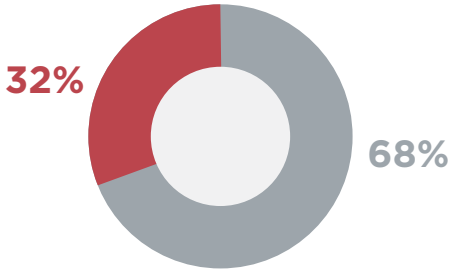
Sources: PPHE Hotel Group investor presentation, 2019 results and company profile

Arena Hospitality Group at a glance

3	4	26	10,000+	1,000+
Countries	Brands	Properties in operation	Accommodation units	Employees

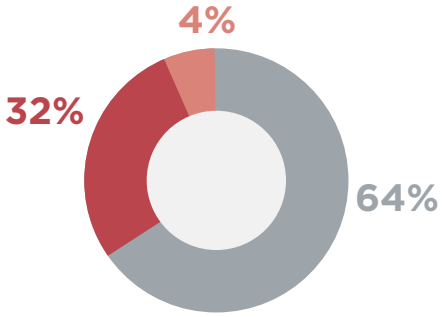
OPERATIONS SPLIT (2019)

Revenue Breakdown



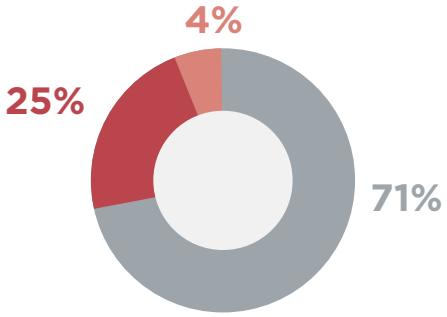
Croatia · Germany & Hungary

EBITDA Breakdown



Croatia · Germany & Hungary · Management

Units Breakdown by Country[1]

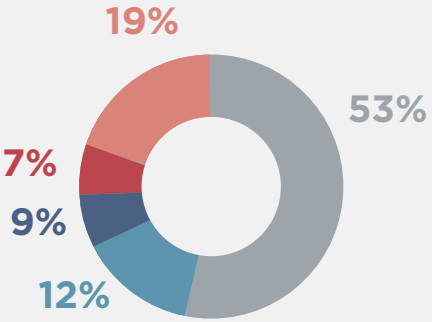


Croatia · Germany · Hungary

[1] Including rooms in 50% JVs, excluding camps.

Company has additional 5,903 units in campsites, out of which 624 are mobile homes

SHAREHOLDERS



PPHE · AZ Pension fund · PBZ CO Pension fund · Erste Plavi Pension fund · Other

Highlights of 2019

ARENA GRAND KAŽELA CAMPSITE

In 2019 we have started and completed the first phase of the repositioning of campsite Kažela into an upscale campsite with depth of offer including new mobile homes, high standard pitches, new restaurants, bars, reception, pools and activities' zones. The second phase of the repositioning is completing now!

88 ROOMS BELGRADE

Signed a framework agreement for the acquisition. Transaction to close once certain conditions are satisfied.

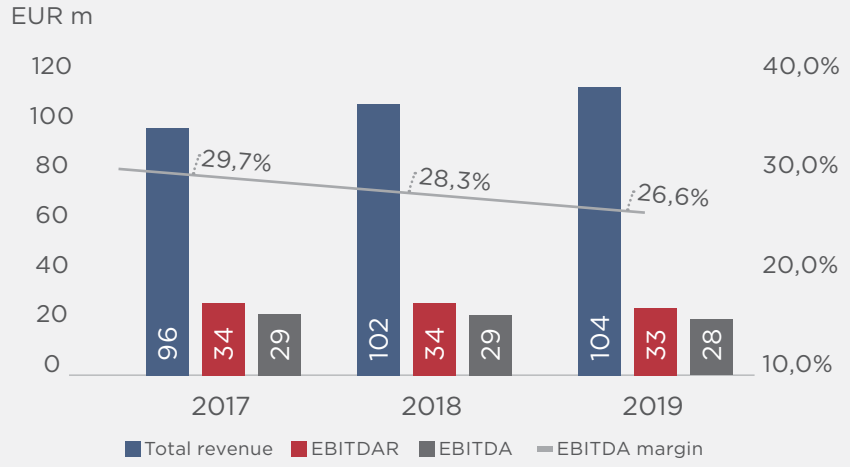
PRIME ZAGREB STOCK EXCHANGE

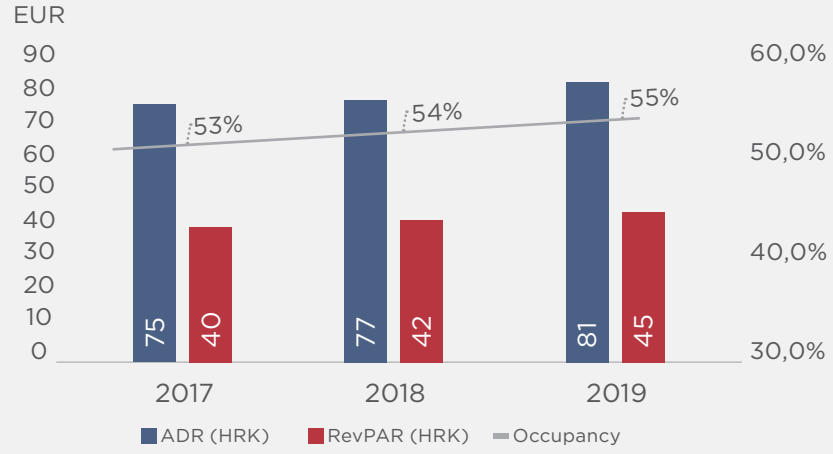
In order to support shareholder value and following a strong performance in 2018 we were very pleased to bring forward the payment of our first dividend to 2019. The Company has also initiated a share buy-back scheme. In total HRK 41.9 million was returned to shareholders through a combination of dividends and share buybacks.

ARENA HOSPITALITY GROUP

Constant optimization of our capital structure through new loan agreements at attractive terms to finance ongoing investments and partial refnancing of our existing debt with existing lenders to further improve terms and pricing.

EVOLUTION OF KEY FINANCIAL AND OPERATIONAL INDICATORS





EUR/HRK: 7,45


THANK YOU