Arena Hospitality Group

Audited FY 2019 and Interim Q1 2020 update

Today's presenters

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Board Member & CFO

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Strategy, Capital markets & IR

Contents

OVERVIEW OF THE GROUP

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

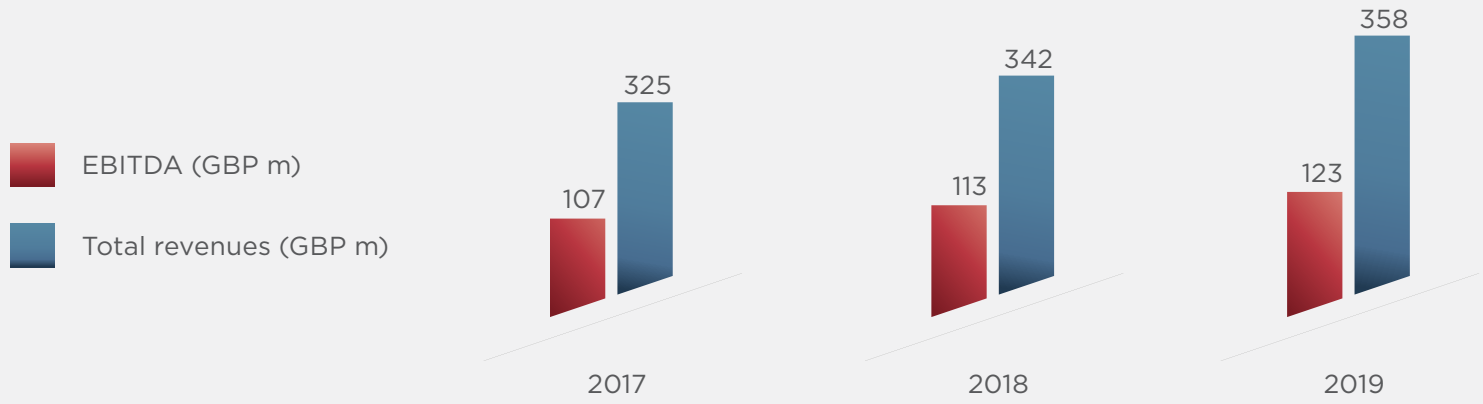
ARENA HOSPITALITY GROUP

- 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



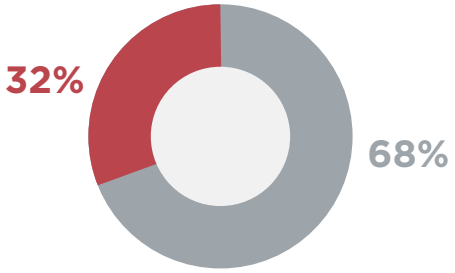
Sources: PPHE Hotel Group investor presentation, 2019 results and company profile

Arena Hospitality Group at a glance

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

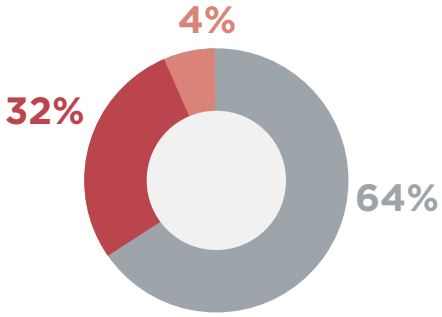
OPERATIONS SPLIT (2019)

Revenue Breakdown



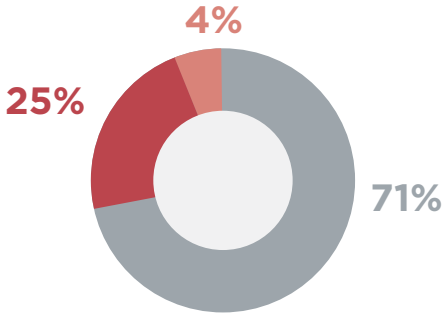
Croatia · Germany & Hungary

EBITDA Breakdown



Croatia · Germany & Hungary · Management

Units Breakdown by Country[1]

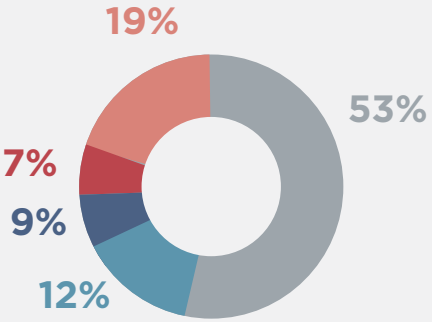


Croatia · Germany · Hungary

[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

GROUP FINANCIALS

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.

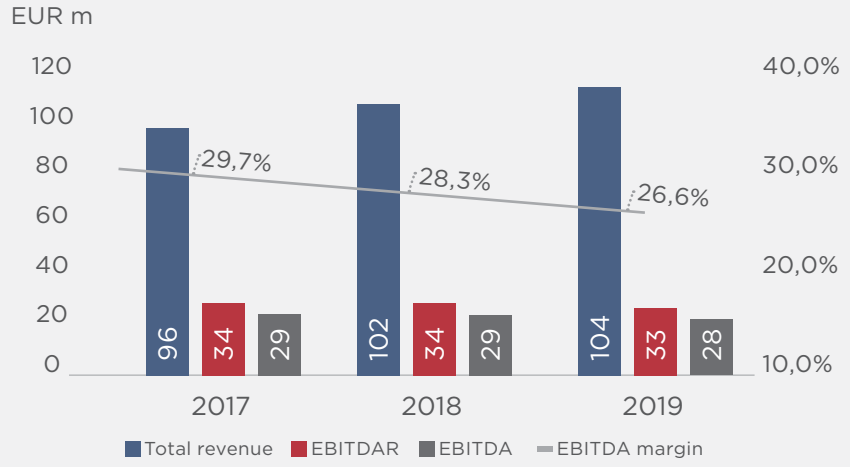
PRIME ZAGREB STOCK EXCHANGE

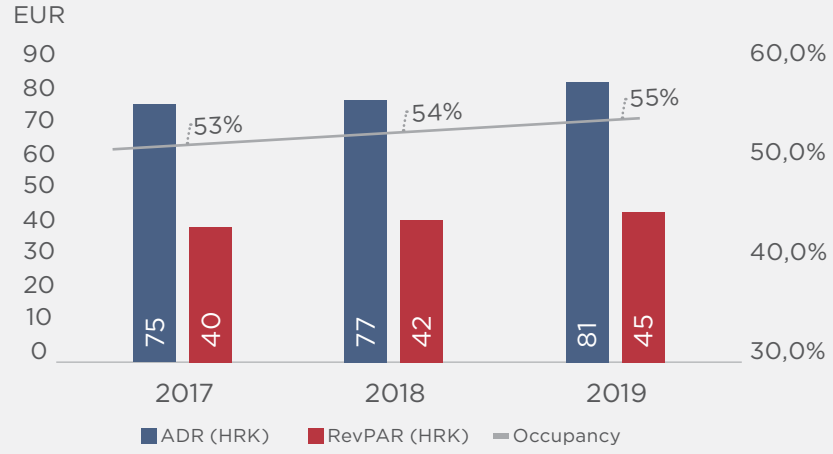
In order to support shareholder value and following a strong performance in 2018 we were very pleased to bring forward the payment of our first dividend to 2019. The Company has also initiated a share buy-back scheme. In total HRK 41.9 million was returned to shareholders through a combination of dividends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

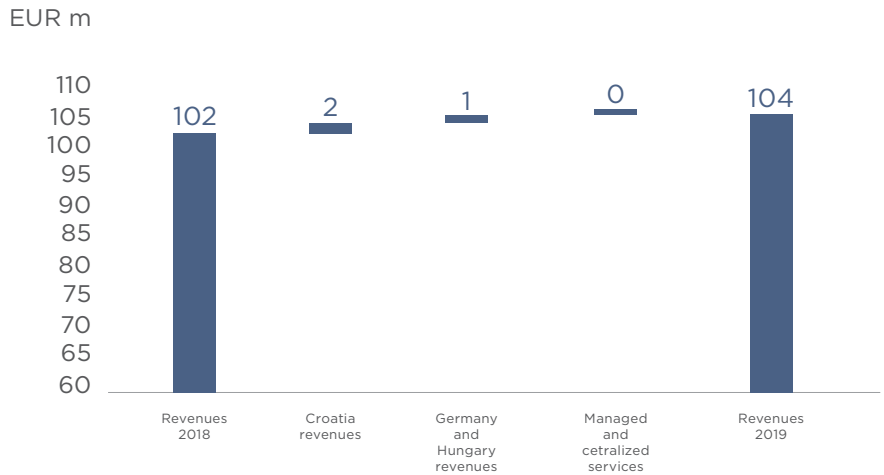




EUR/HRK: 7,45

Arena Hospitality Group
Revenues and EBITDA in 2019

REVENUE EVOLUTION



- Total revenue increased by 2.7% on top of the record breaking 2018 season. Of the reported total revenue, 67% is generated from our Croatian operations, 32% from our German and Hungarian operations, and the remaining 1% from managed and centralised
- The most significant contributors to our revenue growth were Arena One 99 Glamping and Arena Kažela Campsite. The rest of the portfolio experienced a stable performance apart from self-catering apartment complexes, which experienced a low single digit drop in revenues also partially attributable to the need to provide team members accommodation for employees sourced outside of the Istrian region
- In Germany art'otel cologne and Park Plaza Nuremberg emerged as the main drivers of growth

LFL EBITDA EVOLUTION

- Revenue growth contributed positively with EUR 3 million
- On a like for like basis EBITDA expereienced a slight drop. The positive contribution of sales to EBITDA growth experienced headwinds primarily arising from increased labour costs and share travel agent commissions across the portfolio, waste management expenses and property taxes. Additionally, certain one offs occurred associated with payroll, severance and related expenses

LFL EBITDA: without application of IFRS16

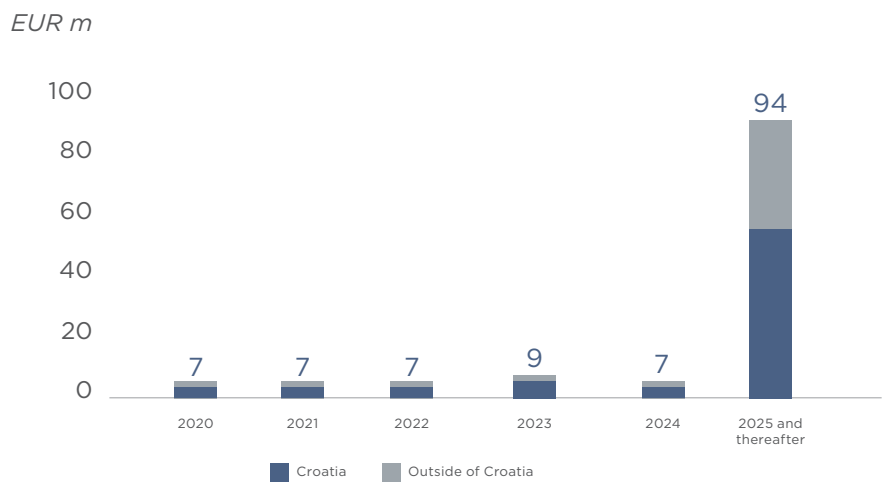
EUR/HRK: 7,45

Net debt as at 31 December 2019

	Year ended 31.12.2019			
EUR m	Group	Leverage[1]	Company	Leverage[1]
Total debt	**161,1**	**5,2x**	**82,2**	**4,3x**
Bank borrowings	131,3	4,3x	82,2	4,3x
Lease liabilites	29,8	1,0x	0	0,0x
Cash	**96,5**	**-3,1x**	**80,1**	**-4,2x**
Net debt	**64,6**	**2,1x**	**2,1**	**0,1x**

[1] Leverage calculated as debt/EBITDA. EBITDA Group EUR 31m, EBITDA Company EUR 19m

SUSTAINABLE MATURITY PROFILE



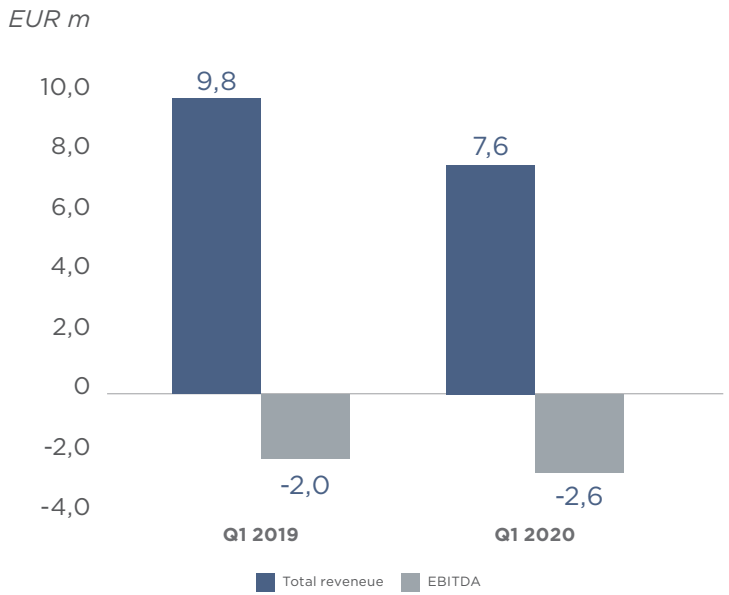
KEY COMMENTS

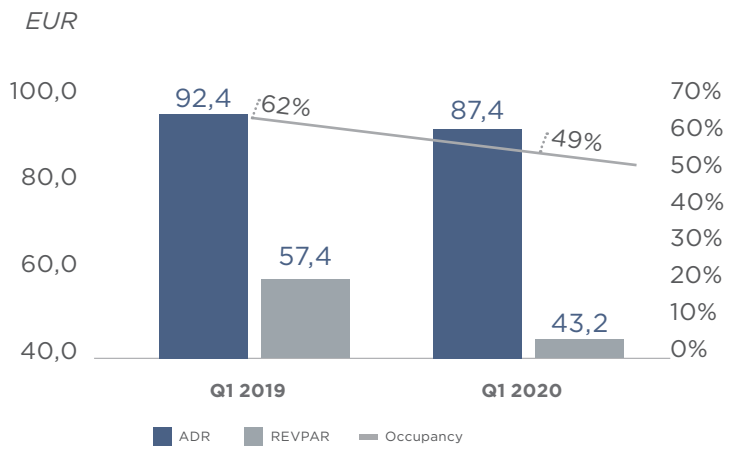
- The Company raised EUR 10 million through a loan agreement with Erste Bank with an interest rate of 2.2% fixed, maturity of 10 years
- To support our ongoing and future investments the Company signed EUR 8 million, due in 2027, at a fixed interest rate of 1.9% with Zagrebačka Banka.
- The Company has also optimised a substantial portion of the loan portfolio with Zagrebačka banka through refinancing the outstanding principal under the loan agreement dated 20 December 2017 into a HRK facility in the amount of HRK 205 million (EUR 28 million) and a Euro facility of EUR 32 million. The maturity date of the new facilities remains aligned with the original date of the 2017 loan agreement and is due 2027. The HRK facility bears a fixed interest rate of 1.95% and the EUR denominated facility a fixed rate of 2.3%.
- Loans outside Croatia are secured against the properties in Nuremberg, Cologne and Berlin kudamm
- Maturities of the loans outside Croatia are until 2026/2027
- The interest rates on all the loans are fixed

EUR/HRK: 7,45

3M 2020 trading update - consolidated

KPIs





KEY COMMENTS

- Since beginning of March the Covid-19 outbreak has increasingly taken a toll on global economies, and the hospitality industry is severely impacted. An initial reduced demand for international and domestic travel resulting in an increase in cancellations and a slowdown in bookings has escalated dramatically. Governments in several countries have announced further extraordinary measures to slow the spread of the virus. These included closure of borders, halt of travel, the adoption of social distancing policies, bans on large gatherings and events, the closure of restaurants, bars and other businesses as well as general lockdowns. 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

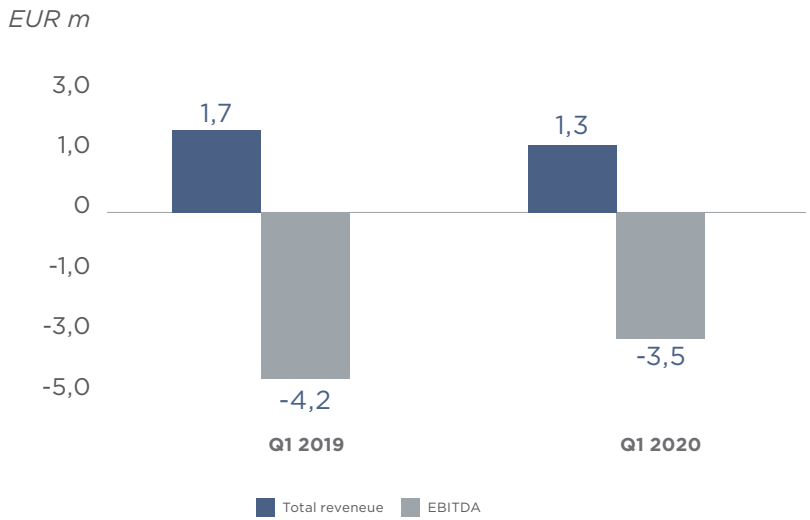
- Total revenues decreased by 22.4% to EUR 7.6 million (2019: EUR 9.8 million). Occupancy softened by 1,271.0 bps to 49.4% and the average daily rate reduced by 5.5% to EUR 87.4 (2019: EUR 92.4). The Group's operations were on a strong footing, pursuing and capitalizing on its strategy for the current year, where total revenues were growing at a pace of over 3% until the end of February. Following the worsening of the COVID-19 outbreak during March and all the related lockdowns, the Group witnessed a swift deterioration of it business whereby total revenues dropped by over 60% in March alone

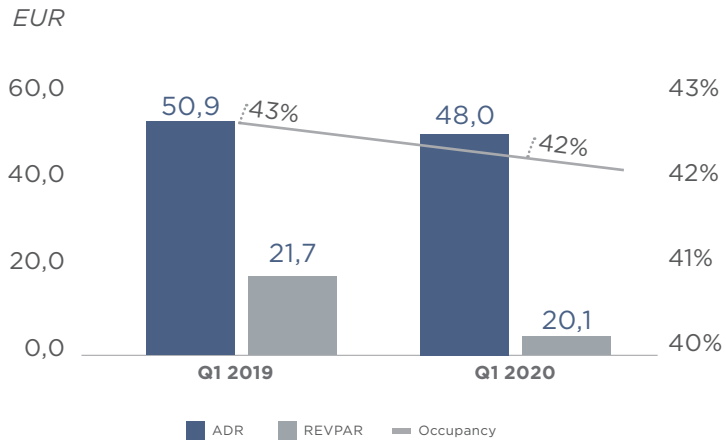
- As a result of the above, on a reported basis, EBITDA loss increased by 30.5% to negative EUR 2.6 million (2019: negative EUR 2.0 million).

EUR/HRK: 7,45

3M 2020 trading update - Croatia

KPIs





KEY COMMENTS

- The outbreak of the pandemic in Croatia led the Government to enact a total lockdown on 19 March 2020. In the weeks preceding the lockdown, the effects of the pandemic could be increasingly felt on the operations in Croatia as sport's groups started cancelling their arrivals and/or shortening their stays as their respective countries (including Italy, Slovenia, Germany, Austria) announced lockdowns. We also witnessed cancellations for the pre-season, notably for the Easter break, which this year occurred in the first half of April

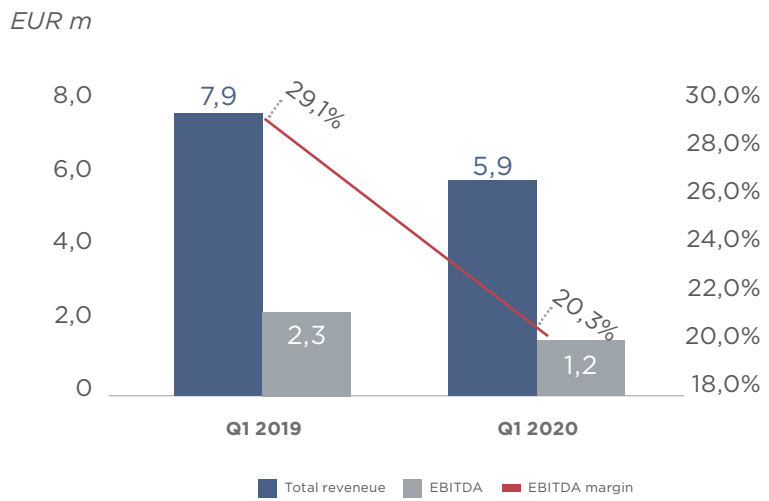
- These circumstances led to a decrease in total revenues by 21.5% to EUR 1.3 million (2019: EUR 1.7 million). Average daily rate reduced by 5.7% to EUR 48.0 (2019: EUR 50.9) and occupancy by 80 bps to 41.8% (2019: 42.6%). This translated in a RevPAR of EUR 20.1 which represents a decrease of 7.3% over last year (2019: HRK 21.7)

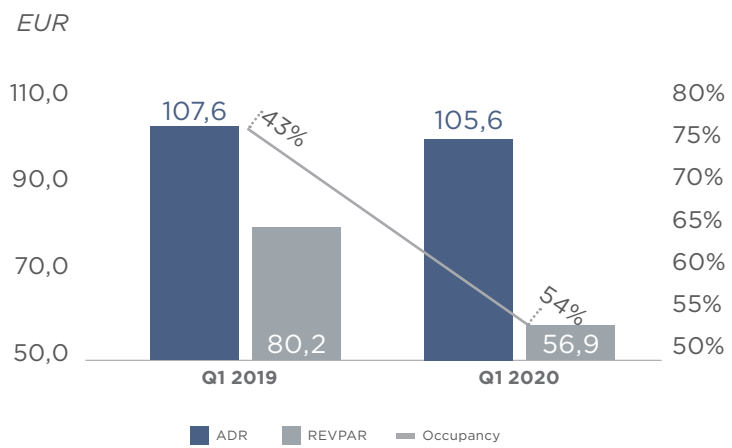
- EBITDA loss improved by 15.5% to negative EUR 3.5 million (2019: negative EUR 4.2 million). Generally, during the first quarter the Company prepares for the season, which includes hiring part time employees and incurs various costs such as those related to revamping the properties ahead of opening. As the preparation for the season is delayed due to the current circumstances, these costs were not incurred. Moreover, the Company applied for employee related measures enacted by the Government, which help companies bearing the cost of payroll. The Government assisted companies with the payment of salaries with an amount of HRK 3,250.0 (EUR 436) per employee in March. For the Company, this amounted to approximately EUR 0.3 million. The Company as at 31 March 2020 had 612 full time and/or permanent seasonal employees towards which these measures applied.

EUR/HRK: 7,45

3M 2020 trading update - Germany and Hungary

KPIs





KEY COMMENTS

- The Covid-19 outbreak had tangible repercussions on our operations. Governments in Germany and Hungary introduced lockdowns on 23 and 31 March 2020, respectively. The negative trends already felt in the weeks leading to the implementation of these measures were exacerbated and the business essentially stopped
- Total reported revenue decreased by an unprecedented 25.0% to EUR 5.9 million (2019: EUR 7.9 million) although we experienced growth until the end of February
- ADR experienced a minor reduction of 2.2% to EUR 105.6, but occupancy fell sharply by 2,068.0 bps to 53.8% (2019: 74.5%). This resulted in RevPar deteriorating by 29.3% to EUR 56.9 (2019: EUR 80.2)
- As a result of the above developments, reported EBITDA halved to EUR 1.2 million (2019: EUR 2.3 million).

EUR/HRK: 7,45

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 with an amount of HRK 3,250.0 (EUR 436) per employee in March. For the Company, this amounted to approximately HRK 2 million. The Company as at 31 March 2020 had 612 full time and/or permanent seasonal employees towards which these measures applied. This amount has been further increased to a total of HRK 5,825.0 (EUR 782) per employee from April onwards

- Granted a waiver for payments of concessions until November 2020

- Granted a deferral of other taxes such as personal income taxes and contributions for a period of 3 months.

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. In March these Government measures reduced the payroll expense only by EUR 30k as these measures were introduced only at the end of March. From April onwards the measures will assist the Group with approximately EUR 0.5 million monthly. These measures are applicable to 221 permanent employees.

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

Hungary is introducing measures with a delay, therefore no impact on our business, costs and cash flows during March. It remains to be seen the effect of these measures for the upcoming period.

- 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 5 May exceeds EUR 77 million (HRK 570.0 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 • The phase II started in autumn 2019. The investment is being finalized
VERUDELA BEACH APARTMENT COMPLEX **EUR 8 million**	**2019-2020**	• Complete refurbishment of the units and auxiliary facilities • The refurbishment started in autumn 2019. The investment is being finalized.
HOTEL BRIONI **EUR 32 million**	**2020-2021**	• The refurbishment started in January 2020 • The construction works are ongoing, albeit at a slower pace • Estimated completion still ahead of the 2021 summer season
88 ROOMS HOTEL, BELGRADE **EUR 6 million**	**H2 2020**	• The Group is still awaiting the satisfaction of certain conditions precedent. Expected closing during H2 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


THANK YOU