

ARENA

HOSPITALITY GROUP



Arena Hospitality Group PRESENTATION OF FY 2017 AUDITED RESULTS

March 2nd, 2018

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This document includes non-IFRS financial measures, such as EBIT, EBITDA and EBITDAR. The Company uses such alternative performance measures to enhance the understanding of its operating results as well as the operating results of the Group. Other companies engaged in the hospitality sector may not calculate similarly named measures on a basis consistent with that used by the Company, so these measures may not be necessarily comparable. Accordingly, no undue reliance should be placed on any such measure contained in this document.

TODAY'S PRESENTERS



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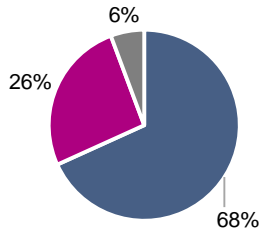
TODAY'S AGENDA

- I. Overview of the Group**
- II. Highlights of FY 2017**
- III. Financial and operating performance in FY 2017**
- IV. Debt structure**
- V. Investments and strategy**
- VI. Appendix**

ARENA HOSPITALITY GROUP AT A GLANCE

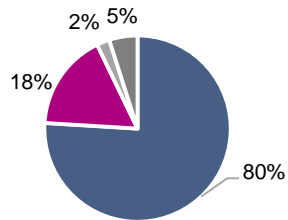
Breakdown by Segment 2017

Sales breakdown



■ Croatia ■ Germany ■ Hungary

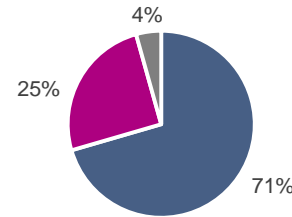
EBITDA breakdown



■ Croatia ■ Germany ■ Hungary ■ Management

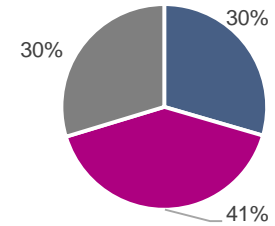
Breakdown by Units 2017¹

By Country



■ Croatia ■ Germany ■ Hungary

By Category

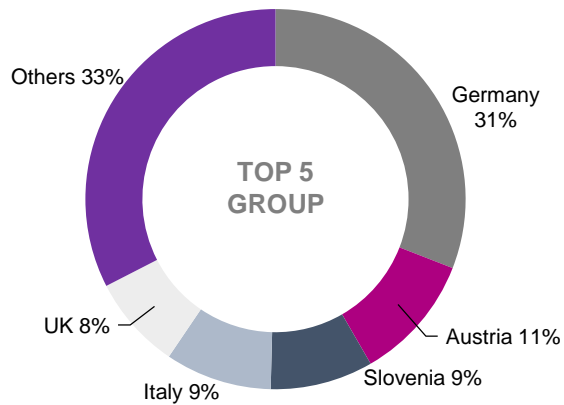


■ City hotels ■ Refurbished ■ Non-refurbished

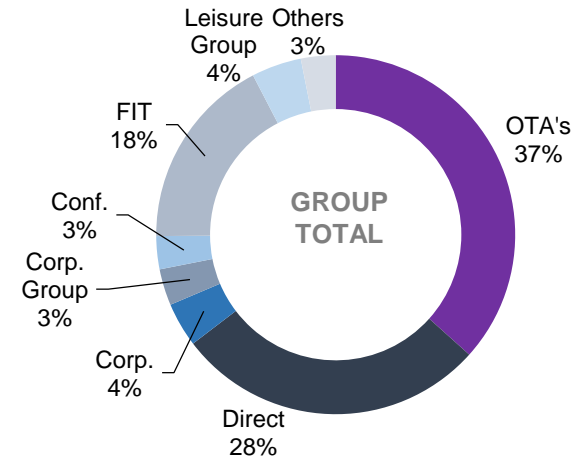
¹Including rooms in 50% JVs, excluding camps.


Company has additional 5,983 units in campsites, out of which 619 are mobile homes

Segmentation by customers



Segmentation – by sales channels





Highlights of FY 2017

2017 – A RECORD YEAR

TOTAL REVENUE

HRK 717.2 MN (+64.5%)

EBITDA

HRK 212.9 MN (+61.3%)

OCCUPANCY

53.2% (+790 BPS)

EBITDA MARGIN

29.7% (-60 BPS)

RevPar

298.0 (+39.3 %)

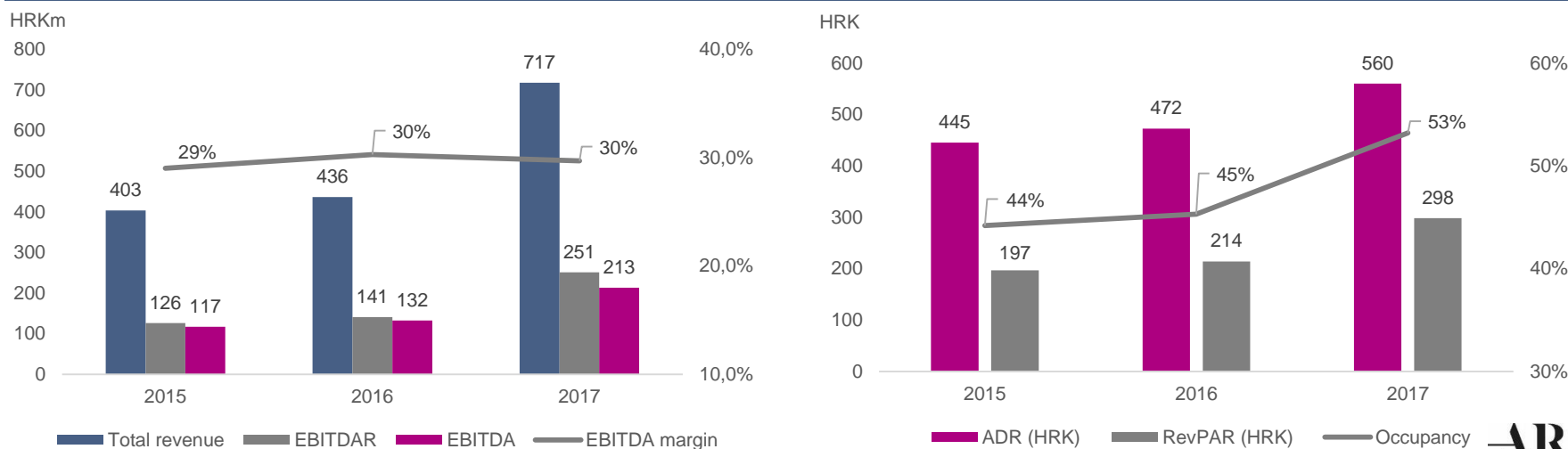
ADR

560.1 (+18.6%)

NORMALIZED EPS

22.0 (+20.9 %)

Evolution of Key Financial and Operational Indicators



2017 – A TRANSFORMATIVE YEAR

ACQUISITION OF REAL ESTATE

- In February 2017 the Group has completed the acquisition of freehold interests in art'otel cologne and art'otel berlin kudamm in Germany

RENAMING THE GROUP

- The Company was renamed Arena Hospitality Group d.d. in March 2017 to reflect and support our international operations and expansion ambitions

IPO


- In May 2017, the Company successfully completed a public offering of 1,854,971 new shares at a price of HRK 425 per new share
- HRK 788.4 million of gross proceeds were raised
- PPHE Hotel Group stake got diluted to 52.0%

COMPLETION OF SUGARHILL ACQUISITION

- In June 2017, the Company completed the Sugarhill acquisition from the PPHE Hotel Group
- Sugarhill has interests in eight hotels in Germany and Hungary

REFINANCING

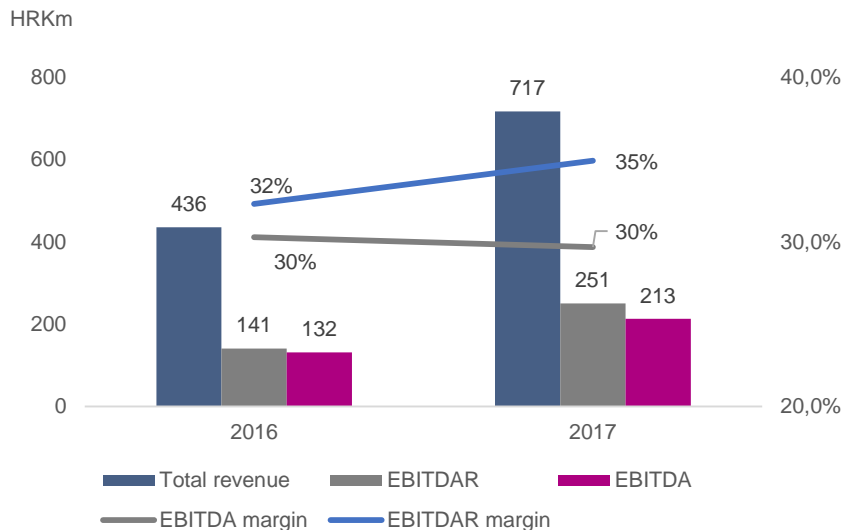
- The Company has successfully refinanced its bank loans in Croatia in the amount of EUR 64 million which resulted in optimizing its cost of debt (halving the interest expense) and terming out of its maturity profile



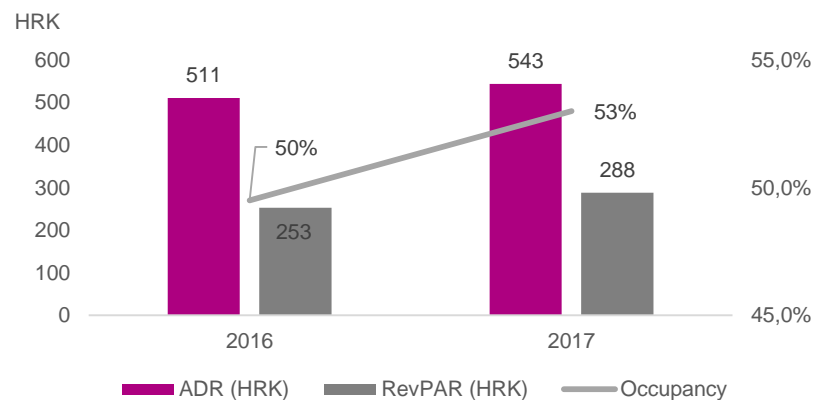
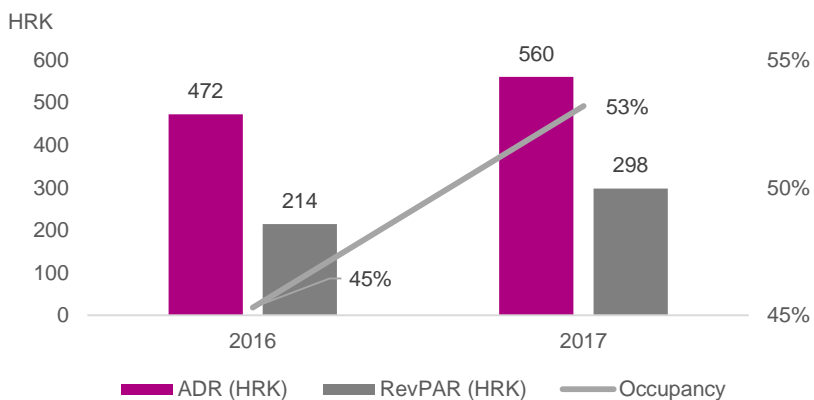
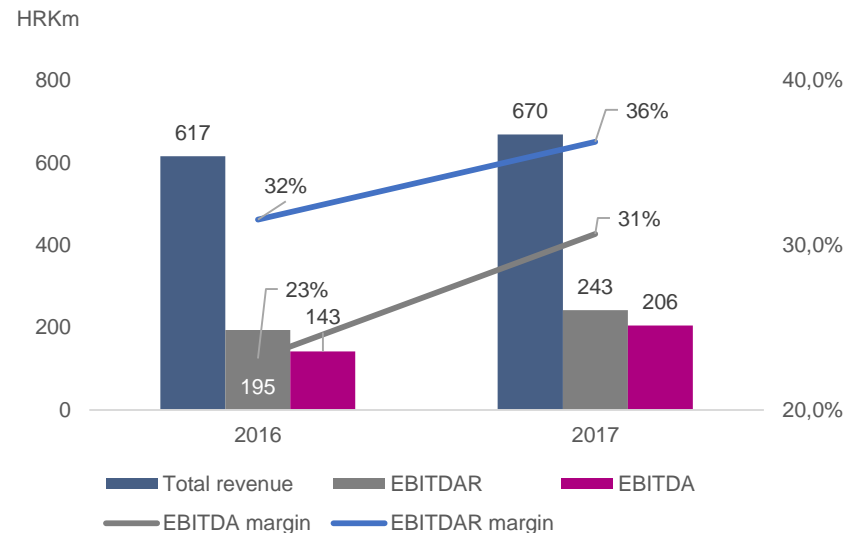
Financial and operating performance

ARENA HOSPITALITY GROUP CONSOLIDATED KPI'S

As reported 2017 vs 2016



Like for like¹ 2017 vs 2016

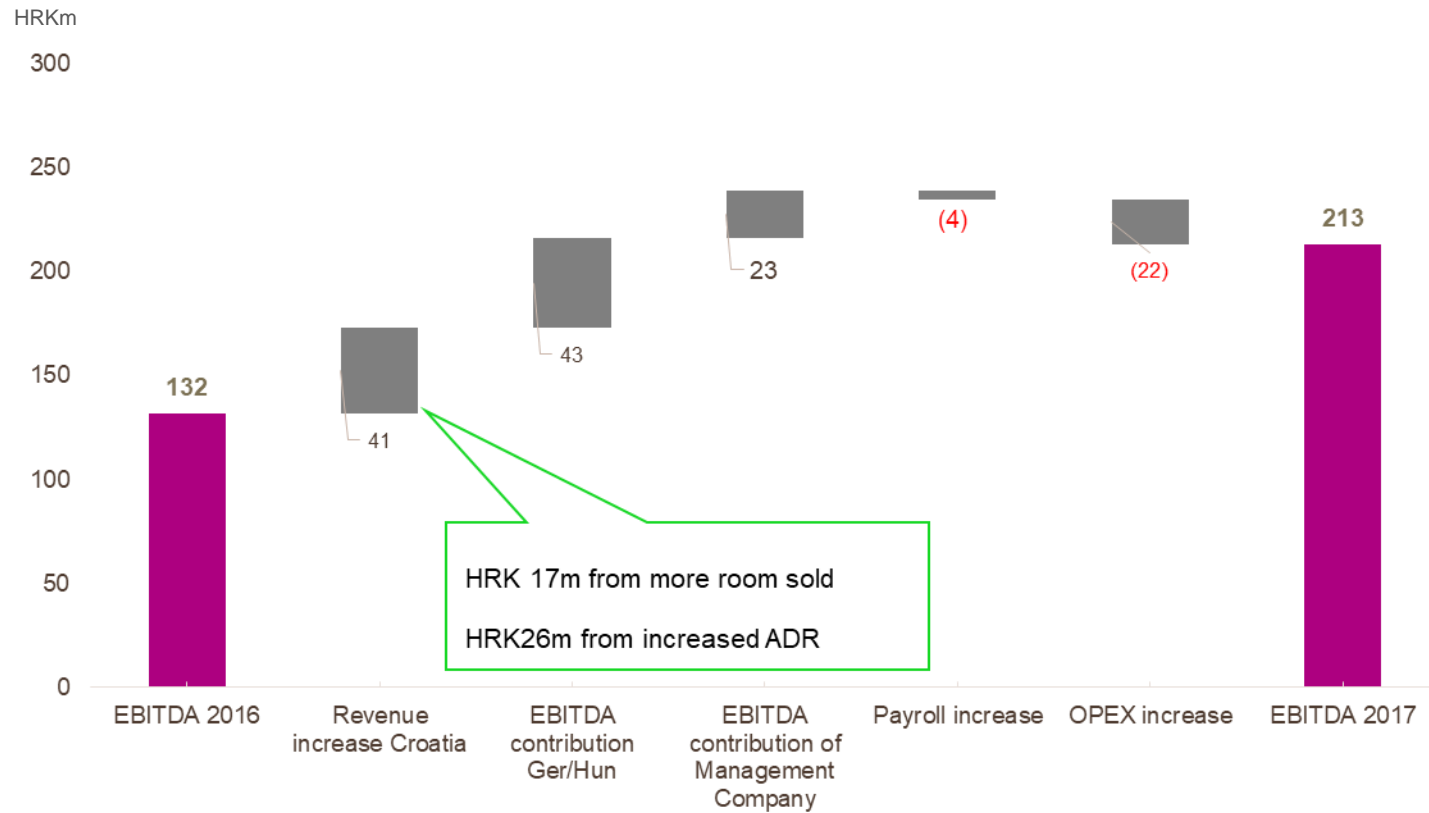


¹ Include Sugarhill and its subsidiaries as if they had been acquired on 1 January 2016 with the following exceptions:

- The results of Park Plaza Nuremberg are not included in 2016 and 2017 as the hotel opened in June 2016.

- The like-for-like figures for 2016 do not include the financial effect of the changes to the management agreements with PPHE Hotel Group.

GROUP EBITDA BRIDGE



CROATIAN PORTFOLIO KPI'S

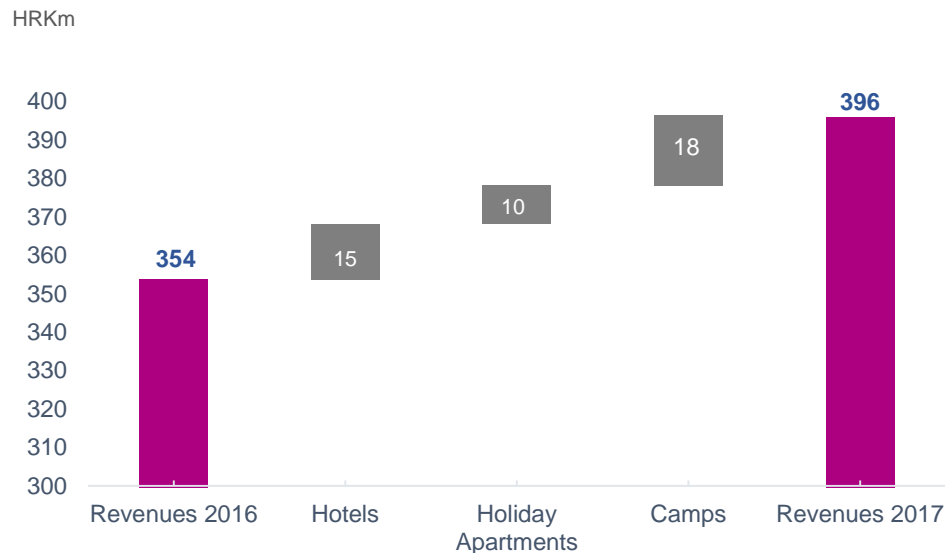
	2017	2016	Variance %
Total revenue (HRK m)	479.8	435.9	10.1%
Accommodation revenue (HRK m)	396.5	353.6	12.1%
EBITDAR (HRK m)	168.0	154.8	8.5%
EBITDA (HRK m)	159.1	143.9	10.6%
Occupancy (%)	48.60%	45.30%	3.30%
ADR (HRK)	505.6	472.4	7.0%
RevPAR (HRK)	245.8	214.0	14.9%

- Total revenue increased by primarily due to a strong performance in June, July and August. In particular, June was a record month with a significant increase in demand for hotels, self-catering holiday apartment complexes and campsites
- Increased demand result is 34.5% year-on-year growth for June only. Total revenue in July and August increased by 10.5% and 8.3%, respectively, compared with 2016
- Topline growth was underpinned by a 7.0% increase in average daily rate and 330 bps increase in occupancy
- Growth in EBITDA was a direct result of increased revenue and effective cost management during the year

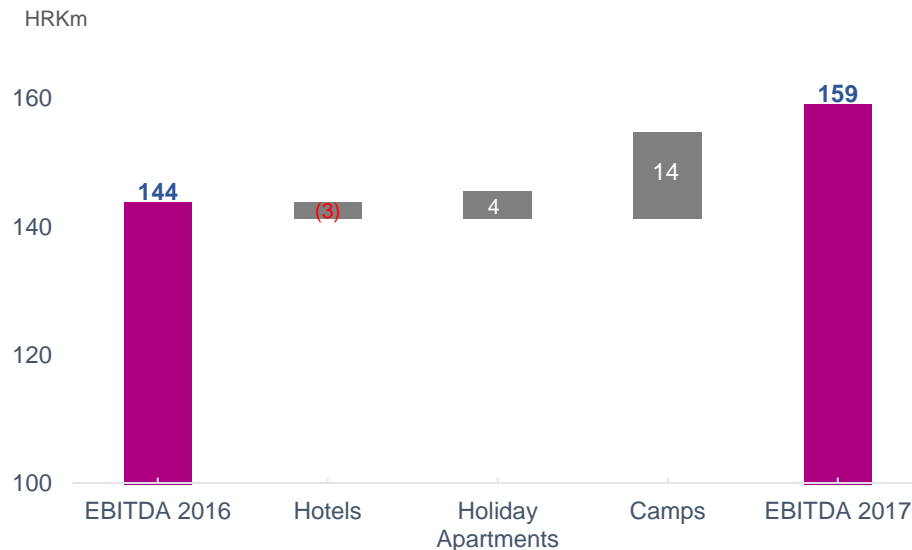
Note: Revenue, EBITDAR and EBITDA exclude central services

DISENTANGLING THE CROATIAN PERFORMANCE DRIVERS

Accommodation revenue evolution



EBITDA evolution



HOTELS

HOLIDAY APARTMENTS

CAMPS

	2017	Change vs 2016	2017	Change vs 2016	2017	Change vs 2016
Occupancy (%)	63.5%	0.9%	62.2%	12.5%	41.3%	2.9%
ADR (HRK)	788.3	10.4%	757.1	3.9%	294.5	8.4%
RevPAR (HRK)	500.6	12.0%	470.6	29.9%	121.6	16.5%

GERMAN AND HUNGARIAN PORTFOLIO KPI'S

	Reported			Like-for-like ¹		
	2017	2016	Variance %	2017	2016	Variance %
Total revenue (HRK m)	227.8	189.0	20.5%	180.2	168.1	7.2%
Accommodation revenue (HRK m)	179.9	146.6	22.7%	142.1	129.3	9.9%
EBITDAR (HRK m)	70.7	56.9	24.3%	59.3	53.5	10.8%
EBITDA (HRK m)	42.8	14.5	195.2%	31.5	11.1	183.8%
Occupancy (%)	76.3%	72.3%	4.0%	80.8%	76.8%	4.0%
ADR (HRK)	734.4	689.4	6.5%	686.5	655.6	4.7%
RevPAR (HRK)	560.7	498.7	12.4%	554.6	503.2	10.2%

- Total reported revenue growth driven by the first full year contribution from Park Plaza Nuremberg, which opened in June 2016
- In addition, several of our properties were undergoing renovations in the first quarter of 2016
- On a like-for-like basis revenue increase driven by a 400 bps increase in occupancy to 80.8% and a 4.7% improvement in average daily rate to HRK 686.5
- Reported EBITDA increased by 195.4% benefiting from the first annual contribution from Park Plaza Nuremberg, the acquisition of the freeholds of art'otel cologne and art'otel berlin kudamm and improved trading

¹ Excluding the effect of Park Plaza Nuremberg which opened mid 2016.

Note: Revenue, EBITDAR and EBITDA exclude central services

A photograph of a modern, two-story villa with a balcony and lounge chairs on a lawn. The villa has a white facade and large windows. The balcony has a glass railing. In the foreground, there are two lounge chairs with white cushions on a green lawn. The villa is surrounded by trees and a clear blue sky.

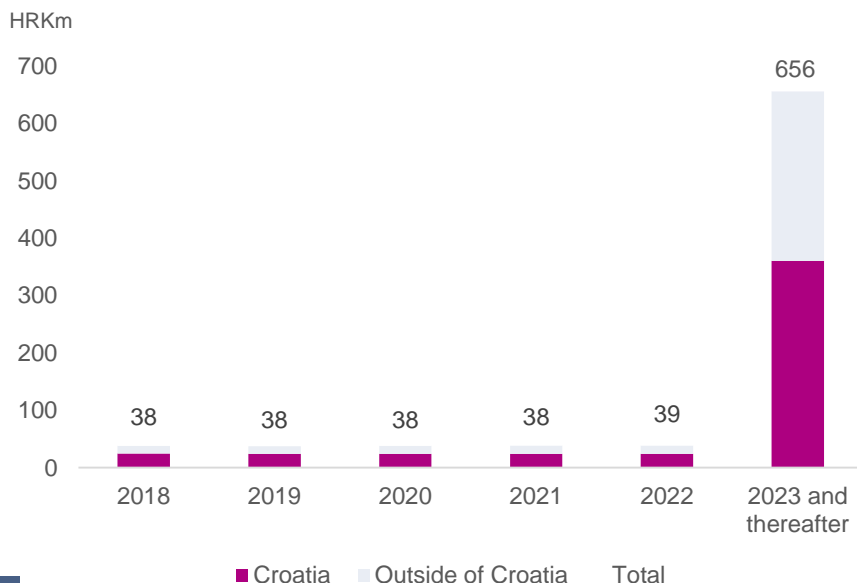
Debt structure

NET DEBT AS AT 31 DECEMBER 2017

HRK m	Year ended 31.12.2017			
	Group	Leverage	Company	Leverage
Debt	920.3	4.3x	480.7	3.1x
Zagrebačka banka	480.1	2.3x	480.1	3.1x
Addiko/Heta	0.5	0.0x	0.5	0.0x
Deutsche Hypothekenbank	366.4	1.7x	n/a	n/a
Third party loan	75.1	0.4x	n/a	n/a
Capitalized costs	-1.9	0.0x	n/a	n/a
Cash	800.1	-3.8x	716.4	-4.6x
Net debt	120.2	0.6x	-235.8	-1.5x

¹Leverage calculated as debt/EBITDA. EBITDA Group HRK 212m, EBITDA Company HRK 157m

Sustainable maturity profile

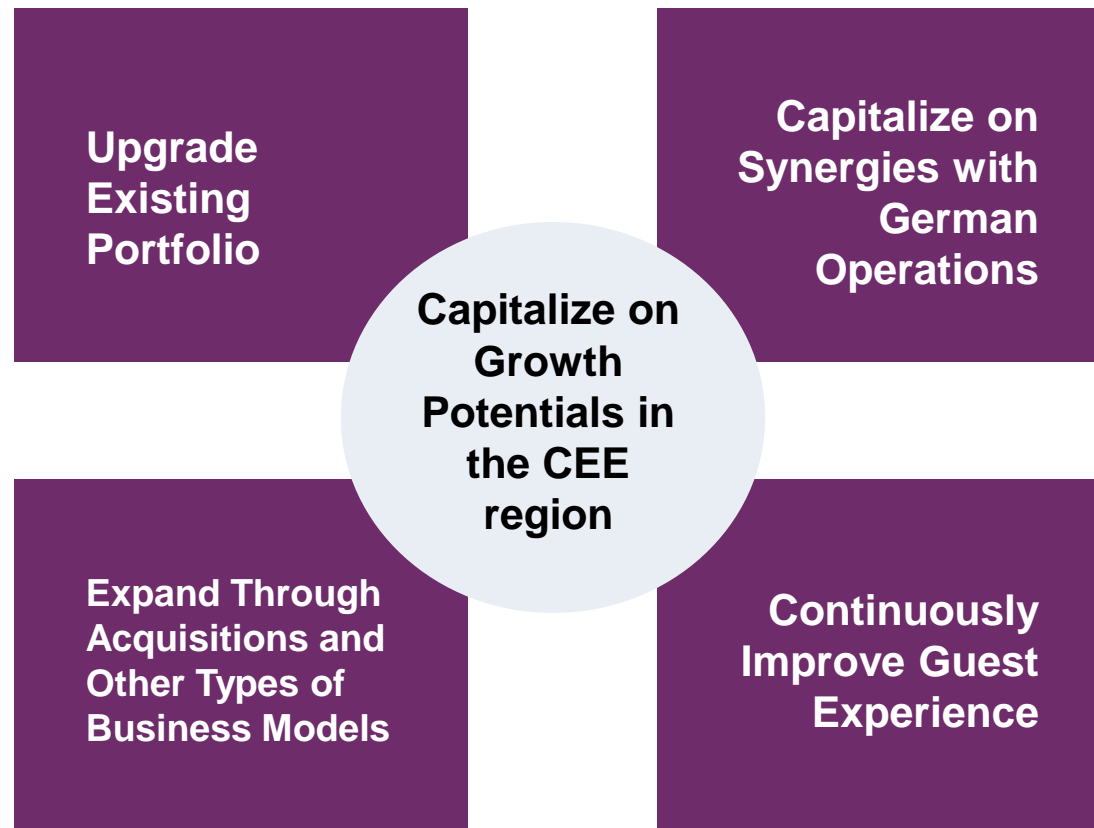


Key Comments

- Refinancing in Croatia resulted in saving annual interest expense of HRK 13m and lower amortization by HRK 33 million in 2018
- Zagrebačka banka loan in Croatia is secured on the Company's properties in Croatia
- Loans outside Croatia are secured by properties in Nuremberg, Cologne and Berlin kudamm
- Maturity of the loan in Croatia is 2027
- Maturities of the loans outside Croatia are until 2026/2027
- The interest rates on the loans are entirely fixed



Investments and Strategy

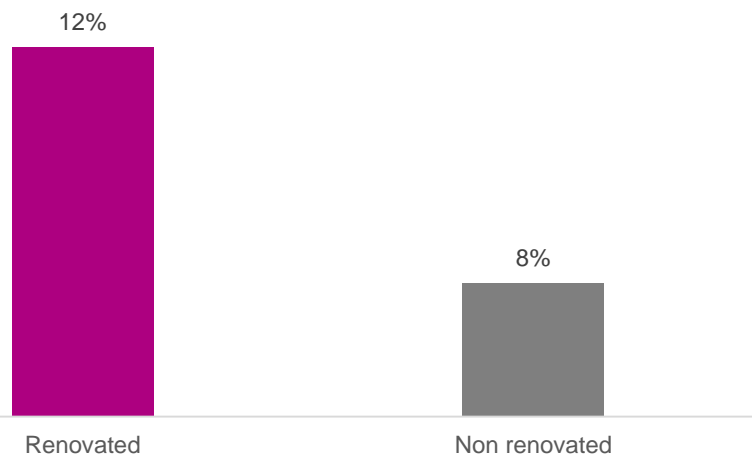


CAPITAL INVESTMENTS, REFURBISHMENTS AND EXPANSION

Pomer campsite HRK 42 million	2018	<ul style="list-style-type: none"> Pomer is the first move towards raising the scale and quality of our campsites Investments in upgrading the facilities will include outdoor wellness area, beach bars, a great offer of healthy and local food and drinks
art'otel berlin kudamm HRK 26 million	2018	<ul style="list-style-type: none"> Plans to refurbish art'otel Berlin kudamm are in final stages. Rooms and the public areas will be refurbished, upgrading the hotel to a contemporary luxurious hotel
Park Plaza Arena Garden Suites HRK 5 million	2018	<ul style="list-style-type: none"> Part of Verudela Beach self-catering holiday apartment complex will be transformed into an annex of Park Plaza Arena Pula to become a garden suite
Hotel Brioni HRK 270 million	2018-2020	<ul style="list-style-type: none"> The Group is finalising plans to reposition the property as an upper upscale Park Plaza branded hotel Construction tender is in process and the project is planned to start late 2018 with a view to re-opening in 2020
Ai Pini and Camp Kažela	TBC	<ul style="list-style-type: none"> The Group has advanced plans to continue refurbishing existing properties, Ai Pini Resort and camp Kažela are going through final drawings
Expansion	Ongoing	<ul style="list-style-type: none"> The Group continues to identify and review potential expansion opportunities in Croatia and Central and Eastern Europe
General CAPEX Guidelines	2018-2020	<ul style="list-style-type: none"> Spend 3-4% of revenues every year on routine maintenance, repairs and refurbishment to PPE Minimum of a 10% EBITDA return at the end of third year for investment capital expenditure projects in Croatia

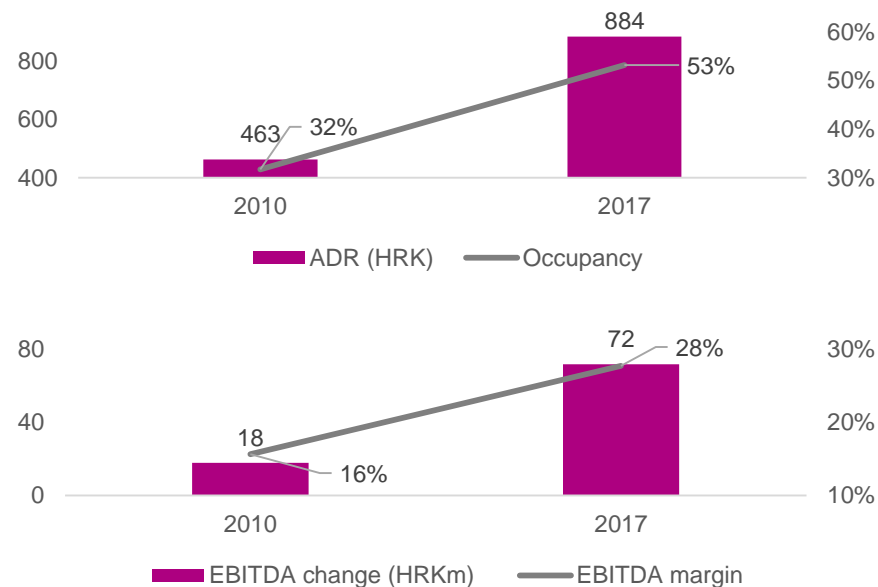
ENVIABLE RETURNS THROUGH A DISCIPLINED CAPEX APPROACH

Return on equity capital employed



Note: Calculated on 2017 data as normalized profit before tax/equity capital employed

Historical performance of investments



Note: Relates to the performance of Park Plaza Histria, Park Plaza Belvedere, Sensimar Medulin, Park Plaza Punta Verudela, Park Plaza Arena

Comments

- ADR grew at a CAGR of 10% whilst EBITDA recorded a growth of over 20%
- In 2017 the return on equity capital employed was 12.1% for renovated and 8.2% for non-renovated confirming the historical pattern that renovations do pay off

Q&A



A romantic couple is sitting on a wooden pier at sunset. The woman is wearing sunglasses and a white shirt, and the man is also wearing sunglasses and a white shirt. They are both smiling and looking at each other. The pier is made of weathered wooden planks, and the background shows a calm body of water and a hazy, orange-tinted sky.

Appendix

A GLIMPSE AT WHAT TO EXPECT

Camp Pomer



A GLIMPSE AT WHAT TO EXPECT

Park Plaza Arena Garden Suites



art'otel Berlin kudamm



A GLIMPSE AT WHAT TO EXPECT

Hotel Brioni



CONSOLIDATED AND COMPANY INCOME STATEMENT

	Note	Year ended 31 December			
		Group		Company	
		2017 HRK'000	2016 HRK'000	2017 HRK'000	2016 HRK'000
Revenues	16	717,162	435,871	487,915	390,757
Operating expenses	17	(466,618)	(295,100)	(322,148)	(268,362)
EBITDAR		250,544	140,771	165,767	122,395
Rental expenses and concession fees: land		(37,682)	(8,748)	(9,010)	(8,543)
EBITDA		212,862	132,023	156,757	113,852
Depreciation, amortisation and impairment	4	(62,471)	(222,511)	(48,888)	(204,728)
EBIT		150,391	(90,488)	107,869	(90,876)
Financial expenses	18	(39,600)	(41,007)	(28,894)	(37,740)
Financial income	19	6,061	136	9,559	132
Other expenses	20	(4,346)	(6,612)	(4,231)	(6,612)
Share in result of joint ventures		(962)	-	-	-
Profit/(loss) before tax		111,544	(137,971)	84,303	(135,096)
Income tax benefit/(expense)	21	(23,462)	23,716	(15,480)	23,160
Profit/(loss) for the year		88,082	(114,255)	68,823	(111,936)
Profit attributable to:					
Equity holder of the parent		87,568	(114,255)	68,823	(111,936)
Non-controlling interests		514	-	-	-
		88,082	(114,255)	68,823	(111,936)
Earnings/(loss) per share	22	20.87	(52.35)	16.40	(51.29)

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

		As at 31 December			
		Group		Company	
Note	2017 HRK'000	2016 HRK'000	2017 HRK'000	2016 HRK'000	
Assets					
Non-current assets:					
Property, plant and equipment	4	1,778,099	1,344,833	1,121,406	1,120,104
Inventories		8,688	9,261	8,688	9,269
Interest in joint ventures	5	34,047	33,294	-	-
Other non-current financial assets	6	3,276	9,727	600,983	460,223
Deferred tax asset	21	27,990	29,991	26,570	29,513
Restricted deposits and cash		-	41,713	-	41,713
		1,852,100	1,468,819	1,757,647	1,660,822
Current assets:					
Inventories		4,396	3,799	1,924	1,456
Other current financial assets		205	208	205	208
Trade receivables	7	12,970	21,140	3,576	10,415
Other receivables and prepayments	8	6,604	18,038	3,779	2,875
Income tax receivables		-	4,110	-	4,016
Cash and cash equivalents	9	800,101	130,406	716,411	92,464
		824,276	177,701	725,895	111,434
Total assets		2,676,376	1,646,520	2,483,542	1,772,256
Equity and liabilities					
Equity:					
Issued capital	10	102,574	43,650	102,574	43,650
Share premium		1,142,742	-	1,142,742	-
Unregistered capital		-	460,006	-	460,006
Hedging reserve		(3,317)	(5,025)	-	-
Other reserves		326,586	373,305	570,887	661,844
Accumulated earnings/(losses)		(2,829)	(90,397)	68,823	(90,952)
Total equity attributable to owners of Arena Hospitality Group d.d.		1,565,756	781,539	1,885,026	1,074,548
Non-controlling interest		-	22,705	-	-
Total equity		1,565,756	804,244	1,885,026	1,074,548
Non-current liabilities:					
Bank borrowings	12	806,959	520,538	456,107	520,538
Liabilities towards related parties		-	7,662	-	-
Other loans	13	75,136	-	-	-
Provisions	14	61,399	55,300	61,399	55,300
Other liabilities		1,446	1,880	1,444	1,705
		944,940	585,380	518,950	577,543
Current liabilities:					
Trade payables		23,633	22,946	8,106	19,742
Other payables and accruals	15	64,875	61,027	30,261	22,390
Income tax liabilities		16,407	381	11,049	-
Liabilities towards related parties		22,534	33,970	5,603	20,518
Bank borrowings	12	38,231	138,572	24,547	57,515
		165,680	256,896	79,566	120,165
Total liabilities		1,110,620	842,276	598,516	697,708
Total equity and liabilities		2,676,376	1,646,520	2,483,542	1,772,256

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

	Note	Year ended 31 December			
		Group		Company	
		2017 HRK'000	2016 HRK'000	2017 HRK'000	2016 HRK'000
Cash flows from operating activities:					
Profit/(loss) for the year		88,082	(114,255)	68,823	(111,936)
Adjustment to reconcile profit to cash provided by operating activities:					
Financial expenses	18	36,349	24,570	26,134	23,182
Financial expenses – related party	18	3,252	4,264	2,760	2,902
Interest revenue	19	(967)	-	(4,248)	-
Unrealised foreign exchange gains/(losses)		(3,914)	-	(3,915)	-
Realised loss from early repayment of related party loan	18	-	12,611	-	12,611
Income tax (benefit)/charge	21	23,462	(23,716)	15,480	(23,160)
Share in results of joint ventures		962	-	-	-
Movements in provisions		6,099	5,498	6,099	5,498
Depreciation and amortisation	4	62,471	73,927	48,888	56,144
Impairment of property, plant and equipment	4	-	148,584	-	148,584
		127,714	245,738	91,198	225,761
Changes in operating assets and liabilities:					
Decrease/(increase) in inventories		(32)	3,378	115	3,507
Decrease/(increase) in trade and other receivables		19,405	(2,071)	5,957	5,073
Increase/(decrease) in trade and other payables		(3,128)	20,563	(6,357)	9,930
		16,245	21,870	(285)	18,510
Cash paid and received during the period for:					
Interest paid		(42,284)	(25,692)	(32,036)	(22,942)
Interest received		175	-	167	-
Taxes (paid)/received		(1,347)	(9,542)	2,430	(9,465)
		(43,456)	(35,234)	(29,439)	(32,407)
Net cash provided by operating activities		188,585	118,119	130,297	99,928
Cash flows from investing activities:					
Investments in property, plant and equipment	4	(506,453)	(38,022)	(62,696)	(32,972)
Loans to related party		-	-	(68,377)	-
Acquisition of Bora companies		-	(108,551)	-	(108,551)
Decrease/ (increase) in restricted and rent deposits		48,046	(41,713)	41,713	(35,021)
Advance payment in property acquisitions		-	(7,662)	-	-
Net change in cash upon merger of Bora companies		-	37,932	-	32,445
Other (disinvestments)/investment activities		-	74	-	-
Net cash used in investing activities		(458,407)	(157,942)	(89,360)	(144,099)

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

	Year ended 31 December			
	Group		Company	
	2017	2016	2017	2016
	HRK'000	HRK'000	HRK'000	HRK'000
Cash flows from financing activities:				
Proceeds from bank borrowings	850,865	224,765	480,109	187,315
Proceeds from other long-term loans	74,602	-	-	-
Proceeds from related-party loan	68,458	-	68,458	-
Repayment of bank borrowings	(659,285)	(42,862)	(570,454)	(36,420)
Repayment of related-party loans	(68,458)	(159,461)	(68,458)	(127,685)
Purchase of shares in non-controlling interest	(68,303)	-	(68,303)	-
Proceeds from share issuance	741,658	-	741,658	-
Net cash provided by financing activities	939,537	22,442	583,010	23,210
(Decrease)/increase in cash and cash equivalents	669,715	(17,381)	623,947	(20,961)
Net foreign exchange differences	(20)	-	-	-
Cash and cash equivalents at beginning of year	130,406	147,787	92,464	113,425
Cash and cash equivalents at end of year	800,101	130,406	716,411	92,464
Non-cash items:				
Outstanding payable on investments in property, plant and equipment	1,055	13,561	1,055	13,561

OVERVIEW OF MOST SIGNIFICANT TRANSACTIONS IN THE CASH FLOWS STATEMENT

	Group		Company		
	2017	2016	2017	2016	
	HRK ^m	HRK ^m	HRK ^m	HRK ^m	
Operating cash flow	216	131	160	114	
Net change in working capital	16	22	0	19	
Net taxes, interest	-43	-35	-29	-32	
Net cash provided by operating activities	189	118	130	100	
Investments in property, plant and equipment	① -506	-38	-63	-33	① Acquisition of properties in Germany, regular capex
Loans to related party	-	-	-68	-	
Acquisition of Bora companies	-	-109	-	-109	
Decrease (increase) in restricted and rent deposits	② 48	-42	42	-35	② Release of cash deposits following the refinancing in Croatia and acquisition of real estate in Germany
Other	0	30	0	32	
Net cash used in investing activities	-458	-158	-89	-144	
Net change in bank borrowings	③ 192	182	-90	151	③ Increase in debt in Germany for the acquisition of properties. In Croatia we decreased the overall debt by HRK 90m
Net change from other long-term loans	④ 75	0	-	0	④ Third party loan to partly finance the acquisition of German properties
Proceeds from related-party loan	⑤ 68	0	68	0	
Repayment of related-party loans	⑤ -68	-159	-68	-128	
Purchase of shares in non-controlling interest	⑥ -68	0	-68	0	
Proceeds from share issuance	⑦ 742	0	742	0	⑤ Inflow of loan from Euro Sea NV for the acquisition of Sugarhill and subsequent repayment following IPO
Net cash provided by financing activities	940	22	583	23	⑥ Acquisition of Sugarhill remaining 12% following IPO
Net change in cash and cash equivalents	670	-17	624	-21	⑦ Net IPO proceeds.

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