

ARENA

HOSPITALITY GROUP



Arena Hospitality Group PRESENTATION OF FY 2018 AUDITED RESULTS

March 4th, 2019

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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



Reli Slonim
CEO



Devansh Bakshi
Board Member



Luka Cvitan
Strategy,
capital
markets & IR



Arnoud Duin
General
Manager
Germany &
Hungary

TODAY'S AGENDA

- I. About us**
- II. Highlights of FY 2018**
- III. Financial and operating performance in FY 2018**
- IV. Debt structure**
- V. Future developments and growth**
- VI. Appendix**

ARENA HOSPITALITY GROUP AT A GLANCE



3
Countries

4
Brands

26
Properties in operation

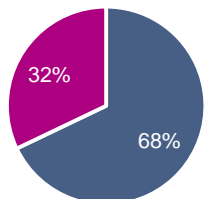


10.000+
Accommodation units

1.000+
Employees

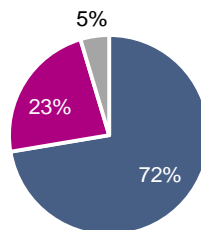
Operations split

Revenues breakdown



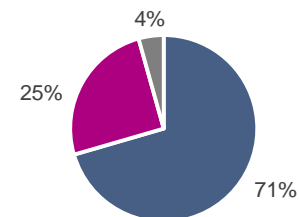
■ Croatia ■ Germany&Hungary

EBITDA breakdown

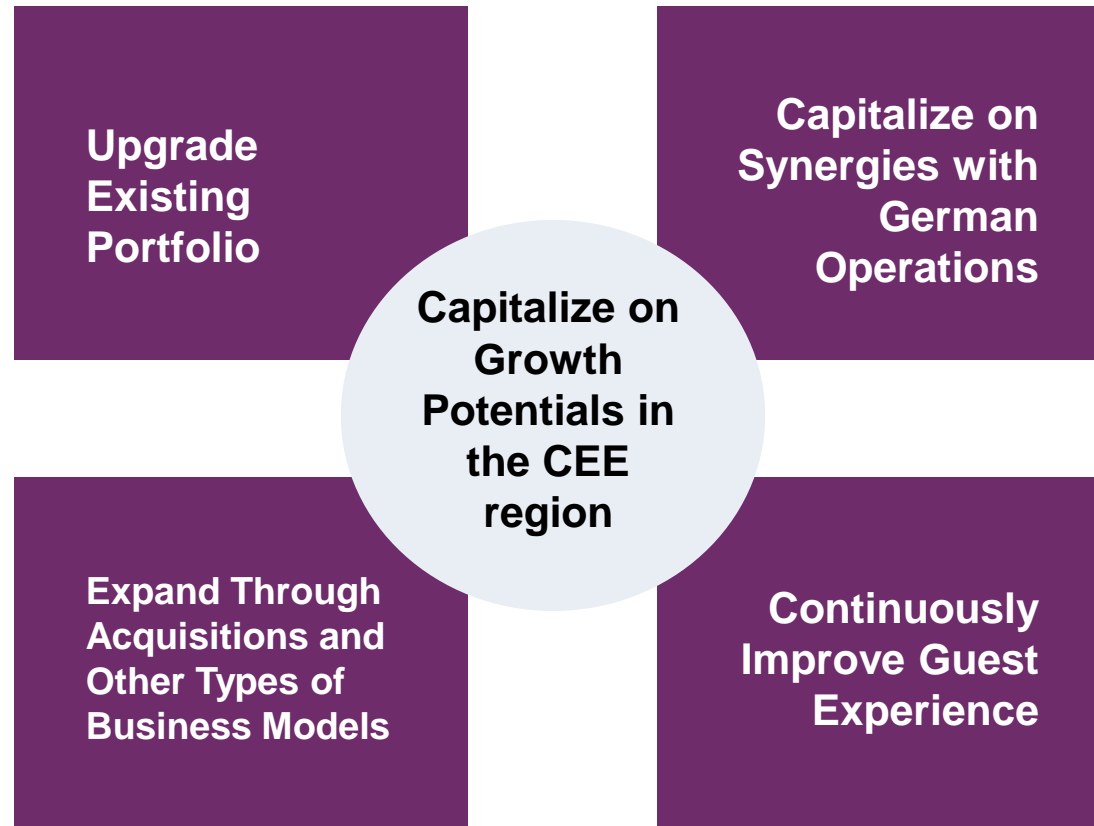


■ Croatia ■ Germany&Hungary ■ Management

Units breakdown by Country¹



■ Croatia ■ Germany ■ Hungary





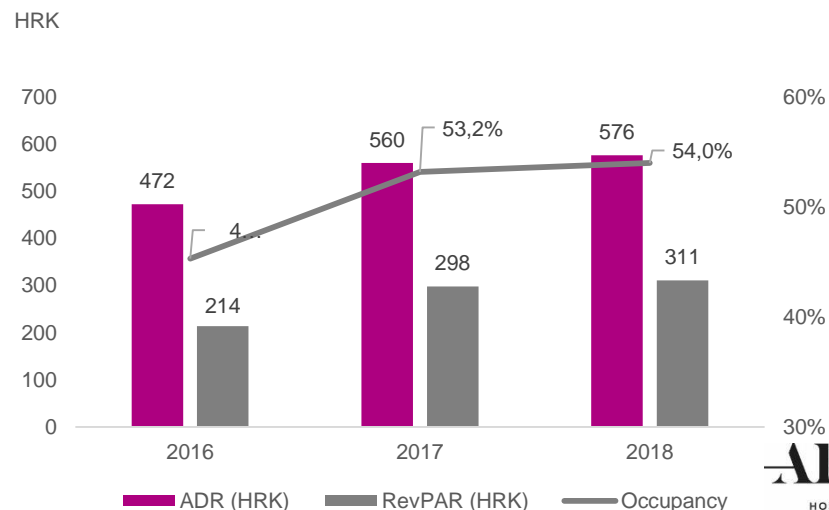
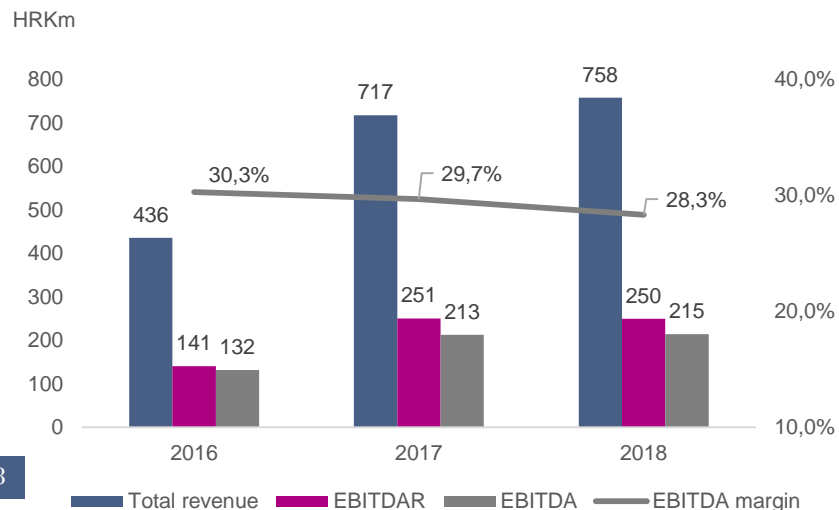
Highlights of FY 2018

2018 – HIGHLIGHTS



- We launched our innovative new all glamping concept, pioneering in Croatia such an offering, which transformed an existing campsite into a luxury glamping experience for guests.
- Trading in all Company's shares migrated from the Official Market to the Prime Market of the Zagreb Stock Exchange
- Continuation of the successful ramp-up of Park Plaza Nuremberg which recorded an EBITDA increase by 41.5%
- Positive EBITDA in the first half testament to the diversity of our international operations and benefits of our 2017 investments in high quality sporting facilities at Park Plaza Belvedere Medulin

Evolution of Key Financial and Operational Indicators

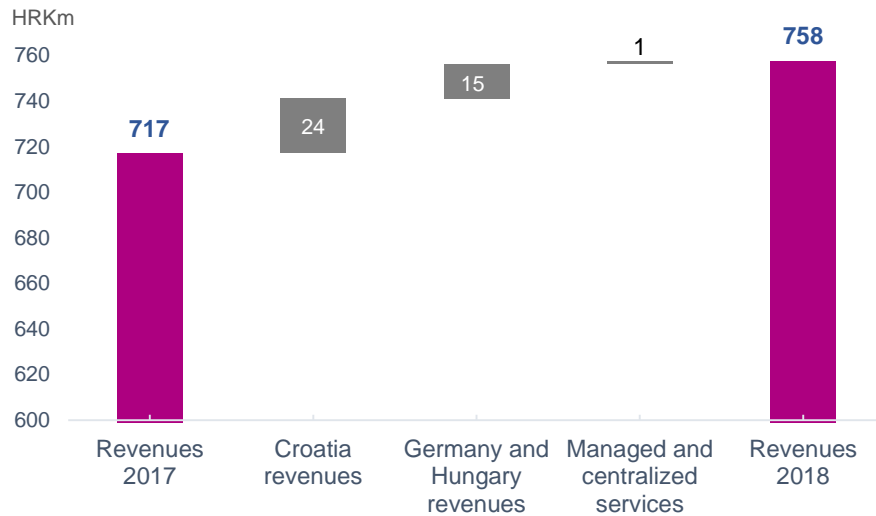




Financial and operating performance

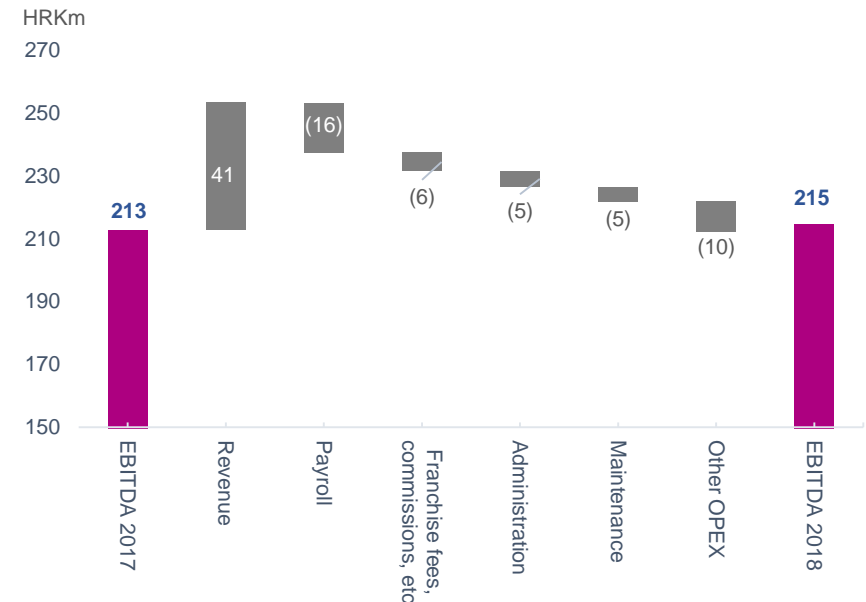
ARENA HOSPITALITY GROUP REVENUES AND EBITDA

Revenue evolution



- Total revenue increased by 5.6% on top of the record breaking 2017 season with year-on-year growth reported in all our segments; hotels, self-catering holiday apartment complexes and campsites
- In Croatia this growth was mainly due to a solid performance in the high season, underpinned by a strong performance in the shoulder season
- In Germany the growth was driven by Park Plaza Nuremberg although the other hotels had a respectable performance

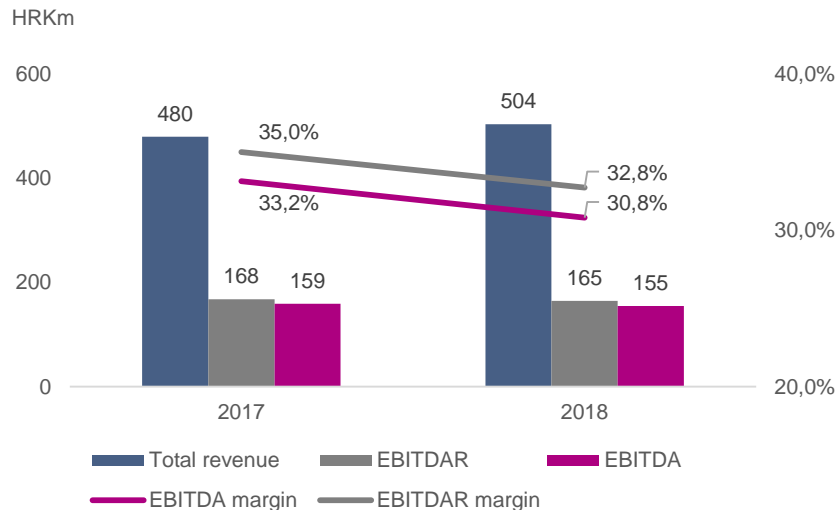
EBITDA evolution



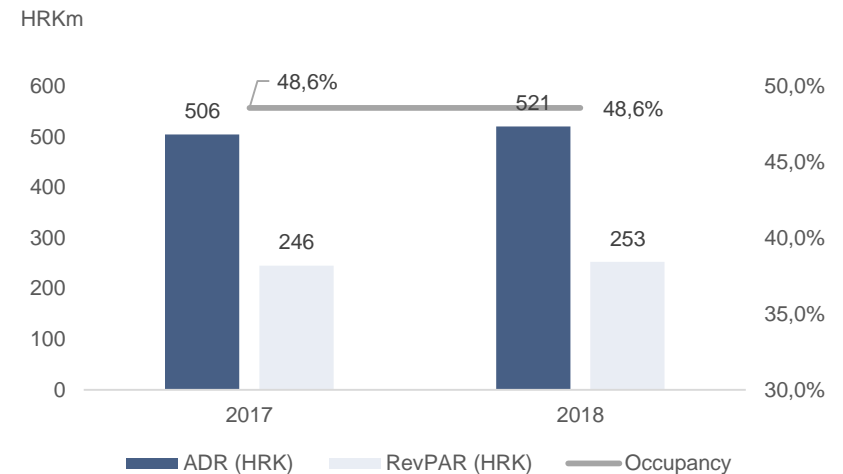
- Revenue growth contributed positively with HRK 41 million
- Payroll increased due to an overall increase in salaries but also due to an increase of # employees (48 employees more). As % of total revenues this item increased by 210 bps
- Other offsetting costs include Franchise fees, Administration and Maintenance which grew as a result of sales growth but also because some costs such as utilities and waste management increased more due to new terms imposed by the service providers

CROATIAN PORTFOLIO KPI'S

Financial KPIs



Operational KPIs



- Total revenue increased by 5.0% with year-on-year growth reported in all our segments; hotels, self-catering holiday apartment complexes and campsites. This growth was mainly due to a solid performance in the high season, underpinned by a strong performance in the shoulder season
- Accommodation revenue grew by 5.8% to HRK 419.4 million and RevPAR was up 3.1% to HRK 253.4. This improved performance was supported by a 3.1% increase in average daily rate and a 130 bps improvement in occupancy (% 365 days)
- The increase in revenue was offset by increased pressure on notably certain uncontrollable operational costs such as labour costs, waste management expenses and cleaning services expenses. As a result, EBITDA decreased by 2.4% to HRK 155.3 million

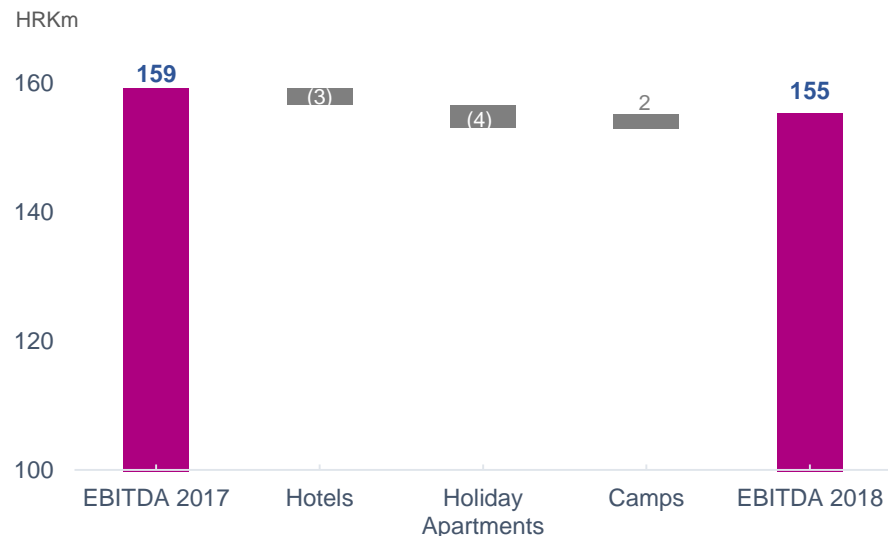
Note: Revenue, EBITDAR and EBITDA exclude central services

DISECTING THE CROATIAN PERFORMANCE DRIVERS

Revenue evolution



EBITDA evolution



HOTELS

	2018	Change vs 2017
Occupancy (%) ¹	63,7%	20
ADR (HRK)	788,6	0,0%
RevPAR (HRK)	502,6	0,4%

HOLIDAY APARTMENTS

	2018	Change vs 2017
Occupancy (%) ¹	62,2%	-110
ADR (HRK)	757,1	0,0%
RevPAR (HRK)	470,6	-1,7%

CAMPS

	2018	Change vs 2017
Occupancy (%) ¹	41,3%	0
ADR (HRK)	321,2	9,1%
RevPAR (HRK)	132,8	9,2%

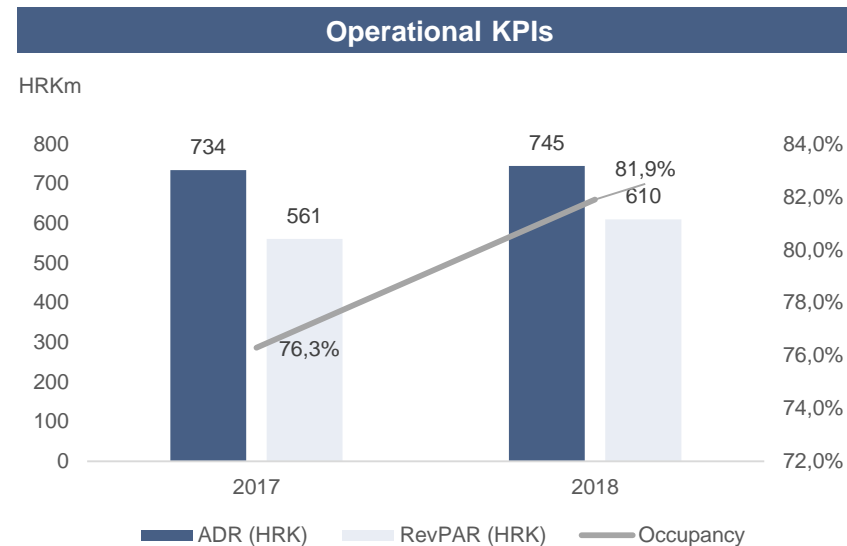
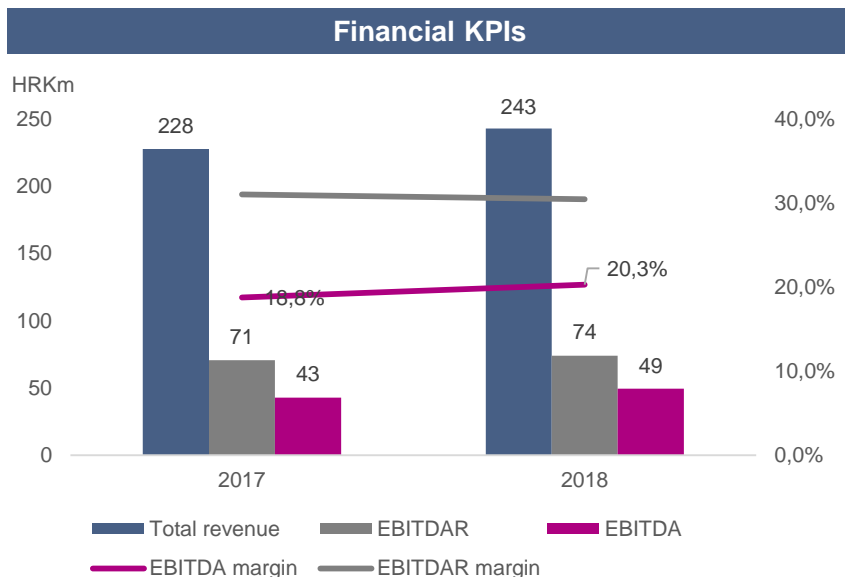
¹ In basis points

ARENA ONE 99 GLAMPING – CASE STUDY

- The first full glamping site, luxury camping in the nature, in Croatia
- 199 fully equipped luxury glamping tents for couples or families
- Outdoor wellness area with hot tubs, massage, rain room, relaxation areas, and a special deck for yoga
- Animation activities for children and adults
- Restaurants, lounge and beach bars, green market & grocery store, windsurfing centre, SUP yoga, jogging & bike trail
- Vehicle-free campsite (with secure parking in the campsite entrance)
- Winner of Croatia's best Campsite and the Golden Goat Award
- **HRK 70 million invested**



GERMAN AND HUNGARIAN PORTFOLIO KPI'S



- Reported revenue grew by 6.8% to HRK 243.2 million supported by the successful ramp-up of our Park Plaza Nuremberg coupled with increased demand for city breaks during the summer months
- Accommodation revenue growth was supported by an increase in ADR of 1.4% coupled with a 560 bps increase in Occupancy
- Reported EBITDA increased by 15.4% benefiting from the strong performance of our Park Plaza Nuremberg and further enhanced by lower rental payments following the acquisition of freehold interests of art'otel cologne and art'otel berlin kudamm in 2017

Note: Revenue, EBITDAR and EBITDA exclude central services

PARK PLAZA NUREMBERG – CASE STUDY

- Park Plaza Nuremberg opened in June 2016 with 177 rooms
- The hotel is located in the city prime position near the shopping and business centre of Nuremberg, opposite to the main train station and about 7.7 kilometres (12 minutes by subway) from the city's international airport
- Nuremberg is situated in southern Germany, halfway between Munich and Frankfurt, making it a convenient location and international centre for meetings, events and conferences (“MICE”) and travel
- Nuremberg is also among the most dynamic high-tech cities in Europe well known for a number of leading international trade fairs
- The hotel is experiencing a revenues growth of 16.5% and an EBITDA increase of staggering 41.5%



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 background shows tall pine trees under a clear blue sky.

Debt structure

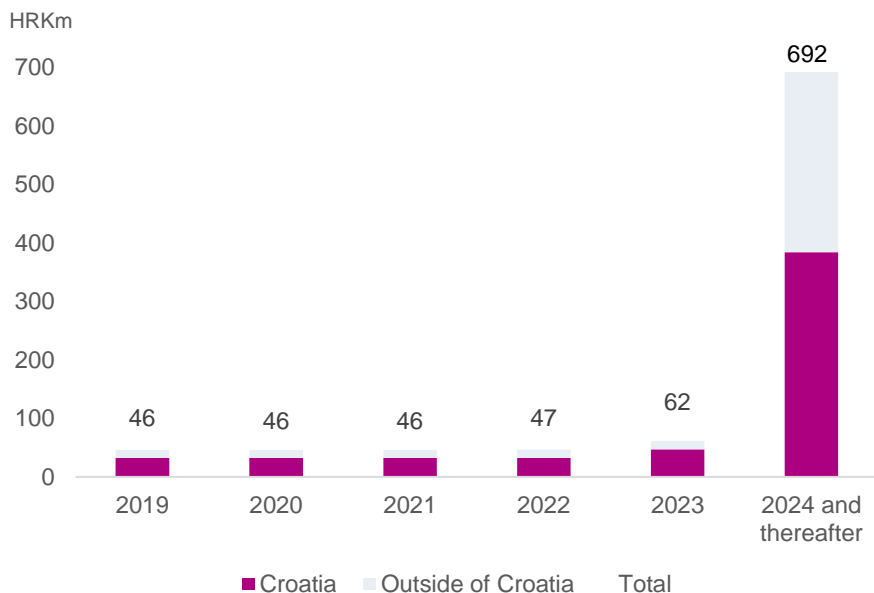
NET DEBT AS AT 31 DECEMBER 2018

Year ended 31.12.2018

HRK m	Group	Leverage	Company	Leverage
Debt	943,8	4,4x	565,5	3,8x
Zagrebačka banka	524,5	2,4x	524,5	3,5x
Erste banka	35,0	0,2x	35,0	0,2x
Deutsche Hypothekenbank	379,9	1,8x	n/a	n/a
Accrued interest and capitalized costs	4,4		6,1	
Cash	802,5	-3,7x	682,4	-4,6x
Net debt	141,3	0,7x	-116,8	-0,8x

¹Leverage calculated as debt/EBITDA. EBITDA Group HRK 215m, EBITDA Company HRK 149m

Sustainable maturity profile



Key Comments

- Refinancing of the VZB loan at the end of 2018 in Germany will enable the Group to save on the interest bill as the interest rate reduced from 6% to 2.4%
- The Group raised HRK 35.0 million with Erste bank in Croatia to partly fund the investment in Arena One 99 Glamping. The loan has a maturity of 5 years and bears an interest rate of 1.95%
- Zagrebačka banka loans in Croatia are secured with the Company's properties in Croatia
 - HRK 450.3 million matures in 2027 and bears an interest rate of 2.5%
 - HRK 75.0 million matures in 2028 and bears an interest rate of 2.4%
- 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

ARENA

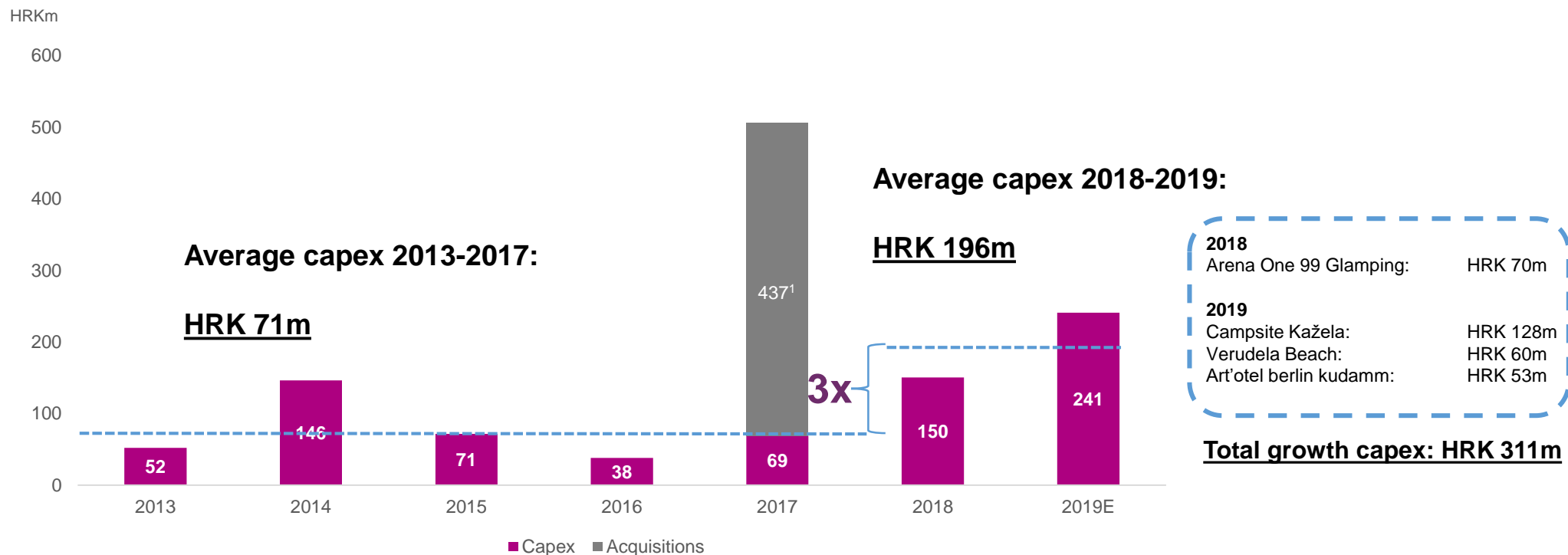
HOSPITALITY GROUP



Investments and Strategy

CAPEX OVERVIEW

- Through the public offering the Group raised **HRK 788 million** in gross proceeds
- Since the public offering the Group is **investing 3x more** on average than prior to the offering
- Total capex of the Group in 2018 and 2019 amounts to **c. HRK 400 million** (excluding the capex planned for Hotel Brioni)



¹ Acquisition of freeholds in art'otel cologne and art'otel berlin kudamm

CAPITAL INVESTMENTS, REFURBISHMENTS AND EXPANSION

<p>Campsite Kažela HRK 128 million</p>	<p>2019</p>	<ul style="list-style-type: none"> • 152 new, fully equipped premium and family Camping Homes featuring ecological and recycled materials and offers 37 m2 of interior space, more than 25 m2 of covered terrace and 250 m2 of private garden • Guest experience will be enhanced by one activity pool and one relax pool, new entrance and reception, a great offering of local food and drinks and a well-thought-out programme of activities for children and adults
<p>art'otel berlin kudamm HRK 53 million</p>	<p>2019</p>	<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
<p>Verudela Beach apartment complex HRK 60 million</p>	<p>2019-2020</p>	<ul style="list-style-type: none"> • Complete refurbishment of the units and auxiliary facilities • Sample apartments approved, 10 units will be refurbished for the 2019 season whilst the remaining 146 units and 20 villas will be ready for the 2020 summer season
<p>Hotel Brioni HRK 190 million</p>	<p>2020-2022</p>	<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 2020 with a view to re-opening in 2022 if satisfactory terms agreed with constructors
<p>Expansion</p>	<p>Ongoing</p>	<ul style="list-style-type: none"> • The Group continues to identify and review potential expansion opportunities in Croatia and Central and Eastern Europe
<p>General CAPEX Guidelines</p>	<p>2019-2020</p>	<ul style="list-style-type: none"> • Spend 3-4% of revenues every year on routine maintenance, repairs and refurbishment to PPE • Targeting 10% EBITDA return at the end of third year for investment capital expenditure projects in Croatia



ARENA KAŽELA CAMPSITE

INVESTMENT 2019 – HRK 128 million

ARENA KAŽELA CAMPSITE - Camping Villa



ARENA KAŽELA CAMPSITE - Camping Home Green



ARENA KAŽELA CAMPSITE - Camping Home Next



ARENA KAŽELA CAMPSITE - Activity pool

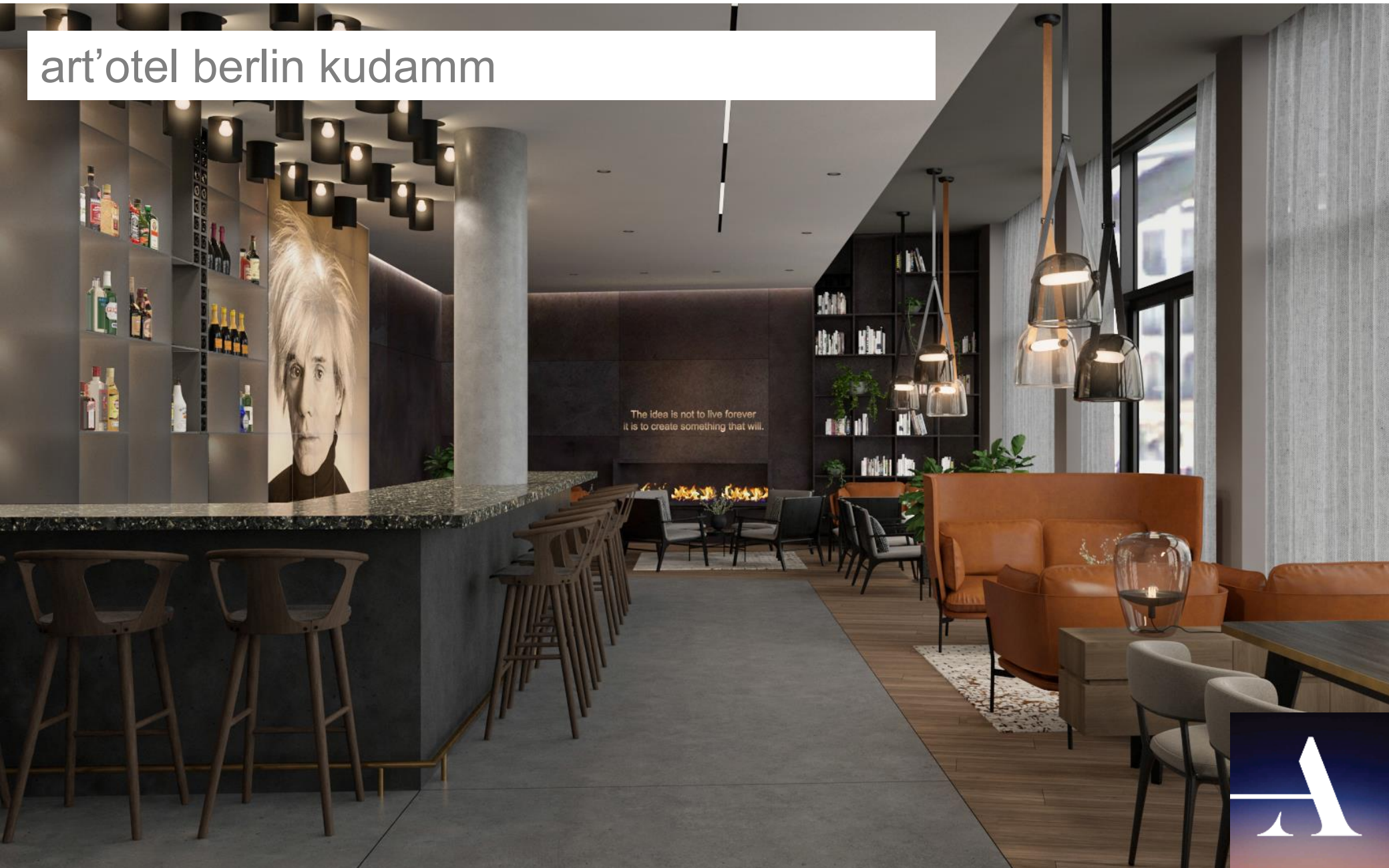


art'otel[®]

berlin
kudamm
a.warhol

INVESTMENT 2019 – HRK 53 million

art'otel berlin kudamm



art'otel berlin kudamm



art'otel berlin kudamm



art'otel berlin kudamm





ARENA

VERUDELA BEACH
APARTMENTS & VILLAS

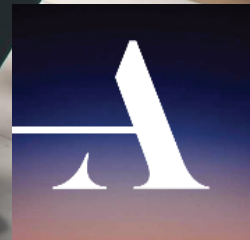
INVESTMENT 2019 – HRK 60 million

ARENA VERUDELA VILLAS & BEACH





ARENA VERUDELA VILLAS & BEACH



HOTEL BRIONI



HOTEL BRIONI



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

CONSOLIDATED AND COMPANY INCOME STATEMENT

	Note	Year ended 31 December			
		Group		Company	
		2018 HRK'000	2017 HRK'000	2018 HRK'000	2017 HRK'000
Revenues	16	757,712	717,162	513,717	487,915
Operating expenses	17	(507,757)	(466,618)	(355,112)	(322,148)
EBITDAR		249,955	250,544	158,605	165,767
Rental expenses and concession fees: land		(35,284)	(37,682)	(9,726)	(9,010)
EBITDA		214,671	212,862	148,879	156,757
Depreciation, amortisation and impairment	3	(69,242)	(62,471)	(52,094)	(48,888)
EBIT		145,429	150,391	96,785	107,869
Financial expenses	18	(31,612)	(39,600)	(16,936)	(28,894)
Financial income	19	820	6,061	3,548	9,559
Other expenses	20	(1,998)	(4,346)	(1,988)	(4,231)
Share in result of joint ventures		1,205	(962)	-	-
Profit/(loss) before tax		113,844	111,544	81,409	84,303
Income tax benefit/(expense)	21	(25,177)	(23,462)	(14,858)	(15,480)
Profit/(loss) for the year		88,667	88,082	66,551	68,823
Profit attributable to:					
Equity holder of the parent		88,667	87,568	66,551	68,823
Non-controlling interests		-	514	-	-
		88,667	88,082	66,551	68,823
Earnings/(loss) per share	22	17.28	20.87	12.87	16.40

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

	Note	Group		Company	
		2018	2017	2018	2017
		HRK'000	HRK'000	HRK'000	HRK'000
Assets					
Non-current assets:					
Property, plant and equipment	3	1,849,759	1,778,099	1,203,161	1,121,406
Intangible fixed assets	4	812	-	812	-
Inventories		8,586	8,688	8,586	8,688
Interest in joint ventures	5	35,928	34,047	-	-
Other non-current financial assets	6	3,236	3,276	680,251	600,983
Deferred tax asset	21	24,278	27,990	23,486	26,570
Restricted deposits and cash		11,427	-	11,427	-
		1,934,026	1,852,100	1,927,723	1,757,647
Current assets:					
Inventories		3,223	4,396	2,055	1,924
Other current financial assets		199	205	199	205
Trade receivables	7	13,950	12,970	5,538	3,576
Other receivables and prepayments	8	6,916	6,604	6,358	3,779
Cash and cash equivalents	9	802,514	800,101	682,385	716,411
		826,802	824,276	696,535	725,895
Total assets		2,760,828	2,676,376	2,624,258	2,483,542
Equity and liabilities					
Equity:					
Issued capital	10	102,574	102,574	102,574	102,574
Share premium		1,142,742	1,142,742	1,142,742	1,142,742
Hedging reserve		(5,477)	(3,317)	-	-
Other reserves		322,627	326,586	638,796	570,887
Accumulated earnings/(losses)		85,838	(2,829)	66,551	68,823
Total equity		1,648,304	1,565,756	1,950,663	1,885,026
Non-current liabilities:					
Bank borrowings	12	891,579	806,959	527,208	456,107
Other loans	13	-	75,136	-	-
Provisions	14	67,818	61,399	67,818	61,399
Other liabilities		4,087	1,446	1,587	1,444
		963,484	944,940	596,613	518,950
Current liabilities:					
Trade payables		19,943	23,633	5,834	8,106
Other payables and accruals	15	59,829	64,875	25,814	30,261
Income tax liabilities		4,940	16,407	2,335	11,049
Liabilities towards related parties		12,090	22,534	4,670	5,603
Bank borrowings	12	52,238	38,231	38,329	24,547
		149,040	165,680	76,982	79,566
Total liabilities		1,112,524	1,110,620	673,595	598,516
Total equity and liabilities		2,760,828	2,676,376	2,624,258	2,483,542

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

		Year ended 31 December			
		Group		Company	
	Note	2018 HRK'000	2017 HRK'000	2018 HRK'000	2017 HRK'000
Cash flows from operating activities:					
Profit/(loss) for the year		88,667	88,082	66,551	68,823
Adjustment to reconcile profit to cash provided by operating activities:					
Financial expenses		28,552	36,349	14,397	26,134
Financial expenses – related party		385	3,252	-	2,760
Interest revenue		(820)	(967)	(3,548)	(4,248)
Unrealised foreign exchange gains/(losses)		(6,668)	(3,914)	(5,226)	(3,915)
Income tax (benefit)/charge	21	25,177	23,462	14,858	15,480
Share in results of joint ventures		(1,205)	962	-	-
Movements in provisions		6,419	6,099	6,419	6,099
Gain on disposal of property, plant and equipment		(58)	-	(58)	-
Depreciation and amortisation	3	69,242	62,471	52,094	48,888
Disposal of property, plant and equipment		464	-	464	-
		121,488	127,714	79,400	91,198
Changes in operating assets and liabilities:					
Decrease/(increase) in inventories		1,128	(32)	(131)	115
Decrease/(increase) in trade and other receivables		(1,570)	19,405	(1,261)	5,957
Increase/(decrease) in trade and other payables		(8,342)	(3,128)	(6,154)	(6,357)
		(8,784)	16,245	(7,546)	(285)
Cash paid and received during the period for:					
Interest paid		(25,410)	(42,284)	(11,061)	(32,036)
Interest received		47	175	4,379	167
Taxes (paid)/received		(32,903)	(1,347)	(20,489)	2,430
		(58,266)	(43,456)	(27,171)	(29,439)
Net cash provided by operating activities		143,105	188,585	111,234	130,297
Cash flows from investing activities:					
Investments in property, plant and equipment		(150,429)	(506,453)	(134,724)	(62,696)
Loans to related party		-	-	(87,037)	(68,377)
Proceeds from sale of property, plant and equipment		1,125	-	1,125	-
Proceeds from given group loans		-	-	2,422	-
Decrease/ (increase) in restricted and rent deposits		(11,420)	48,046	(11,427)	41,713
Other		(204)	-	(204)	-
Net cash used in investing activities		(160,928)	(458,407)	(229,845)	(89,360)

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

	Year ended 31 December			
	Group		Company	
	2018 HRK'000	2017 HRK'000	2018 HRK'000	2017 HRK'000
Cash flows from financing activities:				
Payments to old minority owners	(907)	-	(907)	-
Proceeds from bank borrowings	143,087	850,865	111,720	480,109
Proceeds from other long-term loans	-	74,602	-	-
Proceeds from related-party loan	-	68,458	-	68,458
Repayment of bank borrowings	(39,393)	(659,285)	(26,228)	(570,454)
Repayment of related-party loans	(8,059)	(68,458)	-	(68,458)
Repayment of third party loan	(74,138)	-	-	-
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	20,590	939,537	84,585	583,010
(Decrease)/increase in cash and cash equivalents	2,767	669,715	(34,026)	623,947
Net foreign exchange differences	(354)	(20)	-	-
Cash and cash equivalents at beginning of year	800,101	130,406	716,411	92,464
Cash and cash equivalents at end of year	802,514	800,101	682,385	716,411
Non-cash items:				
Outstanding payable on investments in property, plant and equipment	2,421	1,055	2,421	1,055

Luka Cvitan

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