



JOY
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INNOVATION

Host Property AB

Market update

26. June 2020



STATUS HOST PROPERTY AND HOTEL MARKET

<p>Market impact historic negative</p>	<ul style="list-style-type: none"> ▪ The hotel markets in Sweden and globally are experiencing the most challenging time in history due to the negative economic effects of the precautional measures of the COVID-19 virus – There are no previous periods in modern history with similar magnitude of negative market impact ▪ Hotel bookings in Sweden have been running at historic low levels since early March 2020 and a number of hotels have been closed for the last months ▪ The international travel activity has basically been closed since March – Limited travelling domestically - Mainly “necessary traveling for critical purposes”. Improvement from low levels recently
<p>Hotel operators reducing costs</p>	<ul style="list-style-type: none"> ▪ Hotel operators have reduced the activity level, including personnel to a minimum since early March – further development is dependent on the governmental reopening process in the travel industry for business and leisure travel activity ▪ Challenging for hotel operators to comply with its rental- and other obligations for the time being – Hotel operators to find short- and long-term solutions together with the hotel property owners ▪ Host Property has not received rent from its main tenant Tribe Hotels during the second quarter of 2020 due to the general challenging market condition for all hotel operators
<p>Tenant in reconstruction</p>	<ul style="list-style-type: none"> ▪ On June 24, 2020, Hotel Management Sverige AB and 10 hotel operating hotel companies in Sweden filed for reconstruction. The reconstruction affects the hotel operating companies for the nine hotel properties in Host Property ▪ Reconstruction has been started in Hotel Management Sverige AB, Tribe Hotel Söderhamn AB, Tribe Hotel Christian IV AB, Tribe Hotel Witt AB, Tribe Hotel Statt i Karlskrona AB, Tribe Hotel Statt i Örnsköldsvik, Tribe Hotel Stadt i Härnösand AB, Tribe Hotel Olofström AB, Tribe Grand Hotel Falun AB, Tribe Hotel Strand I Sundsvall AB och Tribe Hotel Billinge AB
<p>Host Property bond amendment process</p>	<ul style="list-style-type: none"> ▪ Host Property (the issuer) is experiencing liquidity challenges due to the Property Companies’ lessees being delayed with lease payments as a result of the global outbreak of Covid-19 and its effect on the hotel industry. Rental income going forward is expected to be lower than the historic rental income over the next years ▪ Host Property is working together with Nordea Bank Abp to bring forward an amendments plan in the Terms & Conditions (T&C) for the Host Property SEK 500 million bond issue ▪ Host Property will present suggested amendments to the T&C in a bond holder meeting as soon as the amendment plan is ready



TRAVEL ACTIVITY NORDICS AND INTERNATIONAL

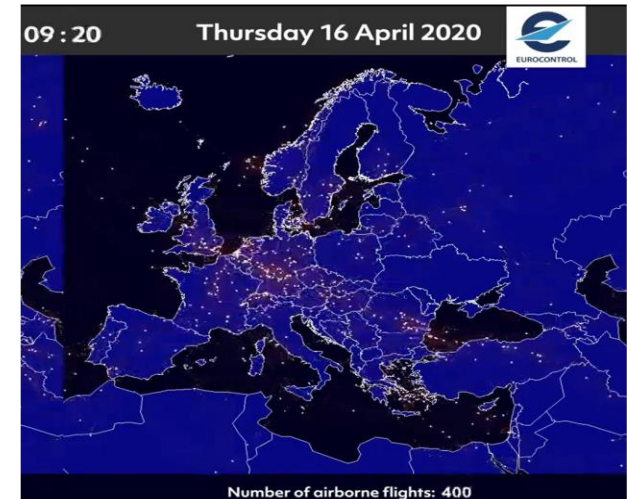
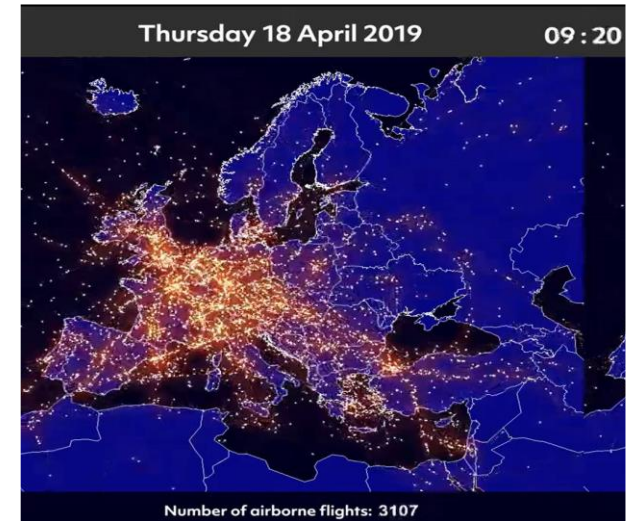
SAS Press release – April 28, 2020

«As a result of COVID-19, demand is expected to be significantly affected during the remainder of 2020 and it will take some years before demand returns to the levels experienced before the outbreak»

In a comment to E24, SAS CEO Rickard Gustafson further comments:
«We now see that this crisis (...) will have such a lasting impact that we will not have a summer season to lean on. **We do not expect to see anything close to demand in line with pre-corona levels before maybe in 2022**»

Scandic Hotels 1Q 2020 Report – May 19, 2020

«The level of uncertainty remains high and we are preparing for a slow recovery in demand with continued cost reductions and cash flow enhancing measures determining our success. For 2020, **we expect sales to be more than halved compared with 2019**»



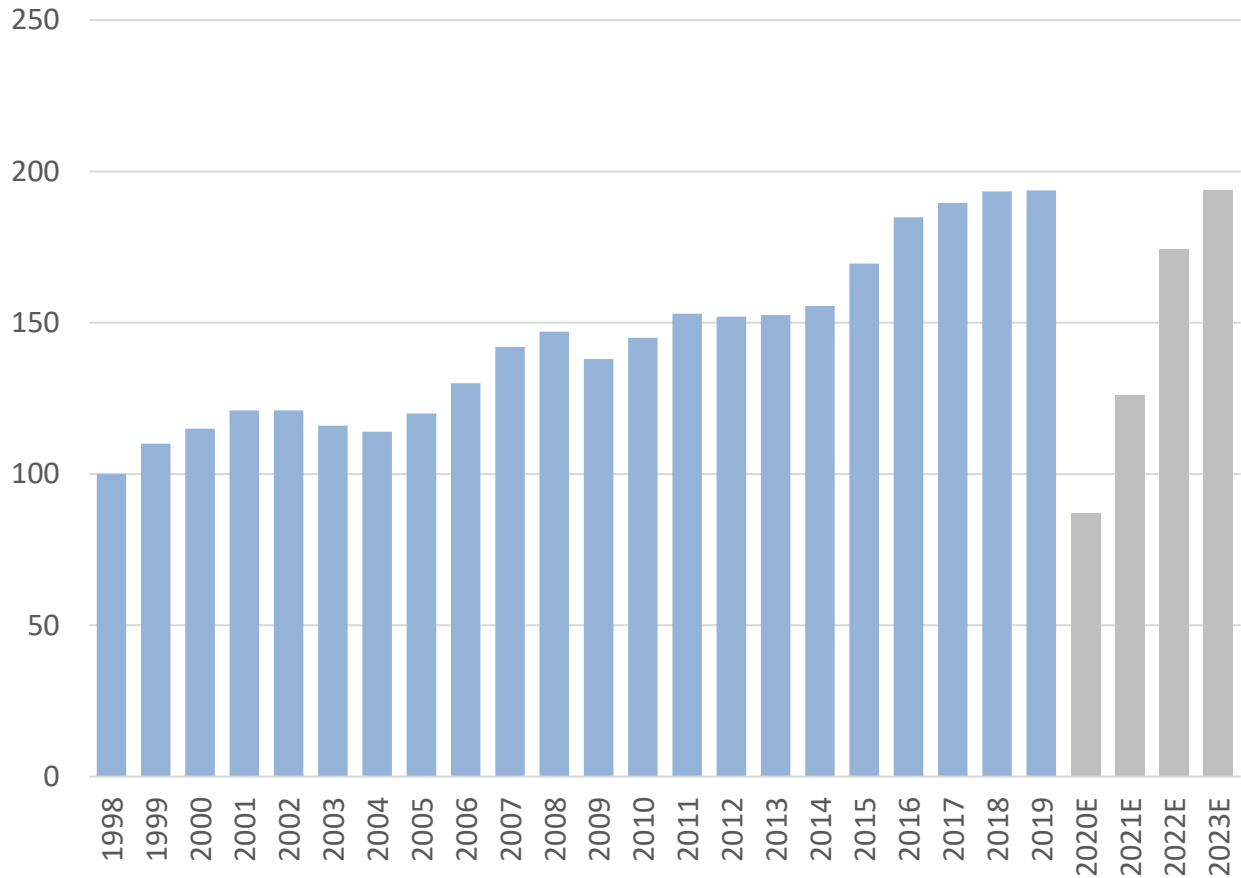


HOTEL MARKET SWEDEN – ESTIMATES GOING FORWARD

Assumptions

- Minus 55% REVPAR for 2020E compared to 2019
- Minus 35% REVPAR 2021E compared to 2019
- Minus 10% REVPAR 2022E compared to 2019
- Normalized levels 2023E
- **There is historic high uncertainty regarding the estimates going forward**

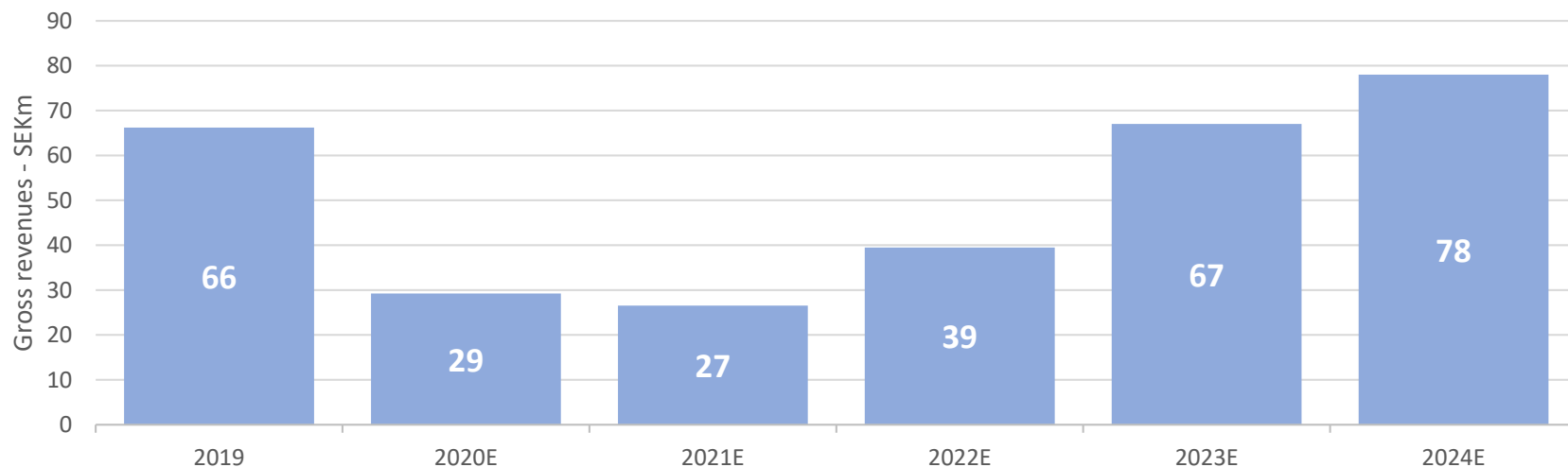
Hotel market – Sweden – REVPAR (Index 100 in 1998)



Source: Home Properties, SCB, Pangea Research, NHC and company estimates



REVENUES AND CASH FLOW – KEY CHANGES GOING FORWARD - SEKm



Key changes in estimates

Market development / REVPAR

- REVPAR expected to fall 55% from 2019 to 2020
- Tenant (Tribe) not paying rent for the time being
- Gradual expected improvement from 2021 and 2022 but still substantially below 2017-2019 levels

New lease contracts

- Most of Host Property's lease contracts have historically been trading at minimum or close to minimum levels
- Hotel operator to presumably pay rent equaling Gross Operating Profit / EBITDA going forward until more normalized markets (no minimum)
- New lease contracts expected with highly reduced minimum levels and/or no minimum levels going forward *

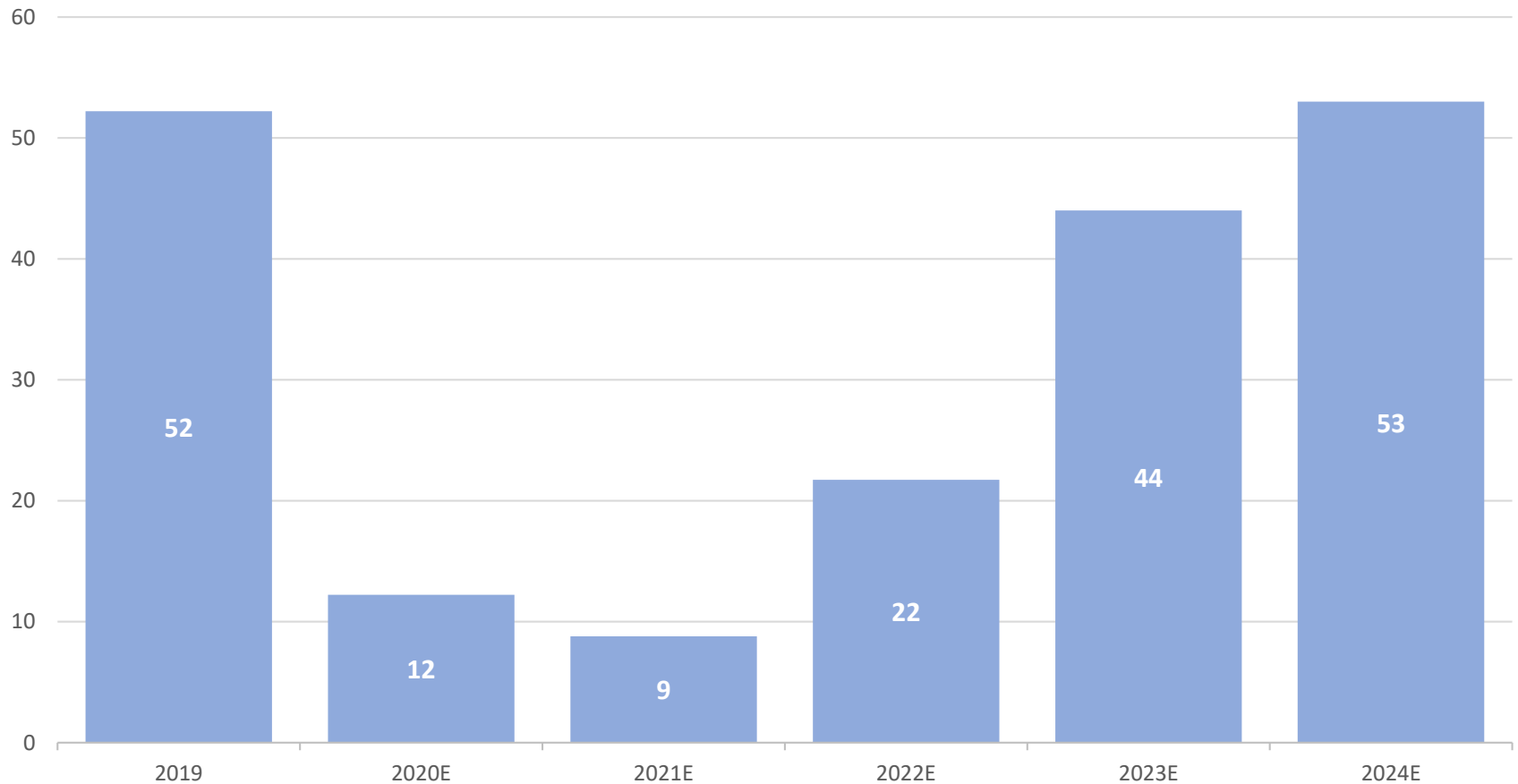
Reduced cash flow for investments

- Reduction in cash flow going forward and increased cash preservation
- Less investment capacity and opportunities to preserve and increase property values

* Possible transitional period with change of hotel operator and limited cash flow
 Estimates based on a highly uncertain market going forward, including timing and magnitude of governmental COVID-19 restrictions. Tenant situation and lease contracts going forward highly uncertain
 Source: Hotel rent estimates Annordia



EBITDA – ESTIAMTED NEW NORMAL - SEKm



Estimates based on a highly uncertain market going forward, including timing and magnitude of governmental COVID-19 restrictions. Tenant situation and lease contracts going forward highly uncertain

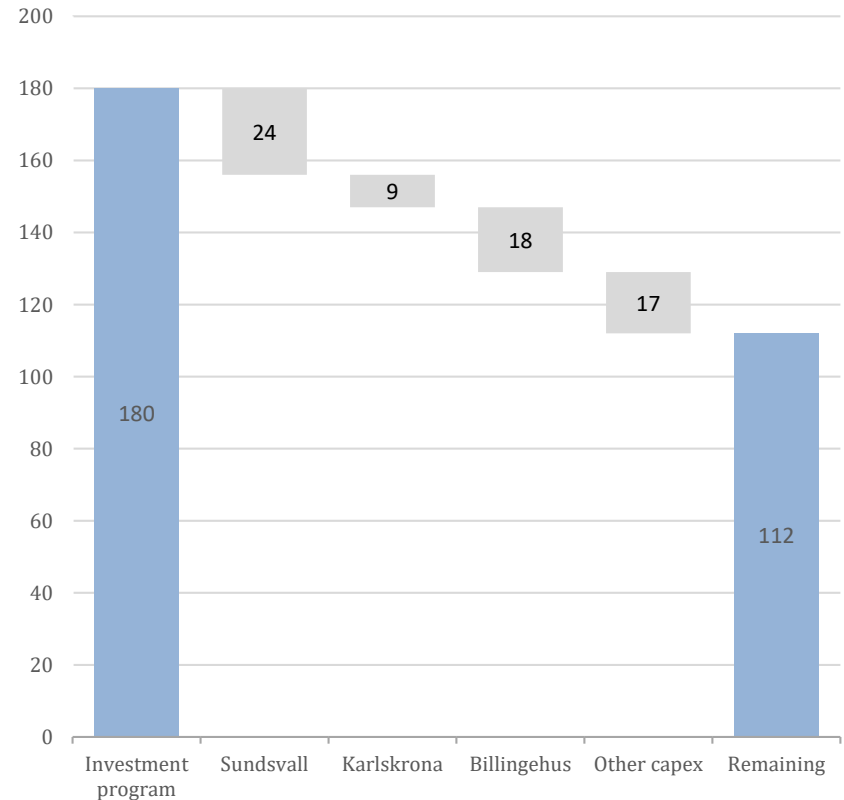


REFURBISHMENT PLAN – CURRENT STATUS OF THE PROJECTS – MAY 14, 2020

Renovation process

- Detailed refurbishment plan described at the bond issue in November 2019 - Total defined investments at SEK 180 million
- Sundsvall renovation started in November 2019 and is expected to be finalized in May 2020 - Renovation of 110 rooms, corridors and 70 windows
- After renovation, hotel with overall good standard both rooms, common areas, reception and exterior
- There is an estimated SEK 8 million in remaining payments at Sundsvall on current ongoing finalizing work
- Renovation of Karlskrona and Billinge hus started in November 2019 and are ongoing. The projects are put on hold for the time being, until the market turbulence has eased, and adjusted capex plans can be evaluated based on materially changed market conditions

Capex overview since bond issue until May 15, 2020 - SEKm



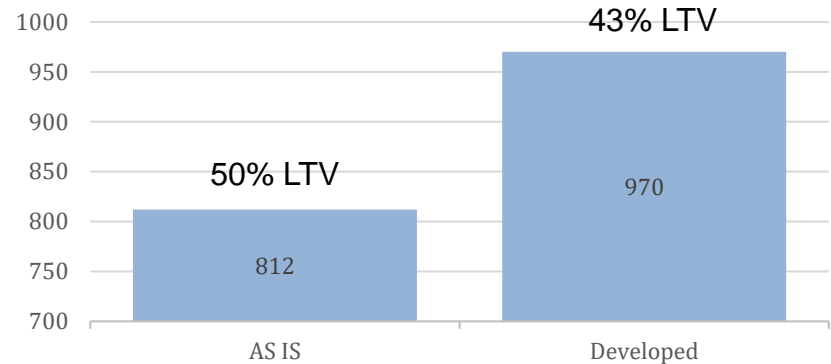


VALUATIONS – YEAR END AND CURRENT MAY 2020

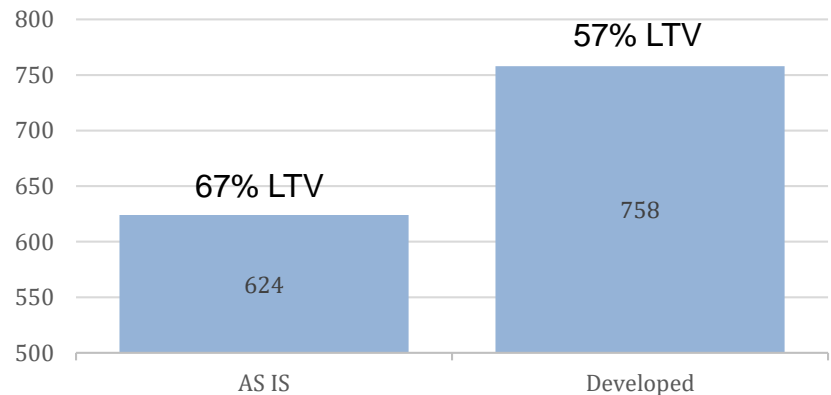
CAPEX positive to secure cash flow and long-term value

- The main purpose of the capex plan is to secure long-term cash flow and value for equity and debt investors
- The valuation is based on two scenarios:
 - AS IS valuation – Continuation of hotel as it is today with similar standard, status and profile
 - Development case with identified refurbishment initiatives to improve the hotel property’s revenue potential
- Host Property has identified substantial value potential in the current portfolio – Therefore the development value is above the AS IS valuation
- It will take time to capitalize on the full value potential – and required capital to complete the projects - still Host Property views allocated CAPEX to support a stronger cash flow and value in the long term
- Allocating cash for capex in the amended structure important to continue the revised refurbishment plan

Valuation at year end 2019 – SEKm



Value indication at year May 2020– SEKm



Do notice that the May 2020 valuation indication is not a detailed valuation but an estimate based on the current uncertain market situation. These figures may substantially change at the next upcoming valuation at the end of the 2Q 2020

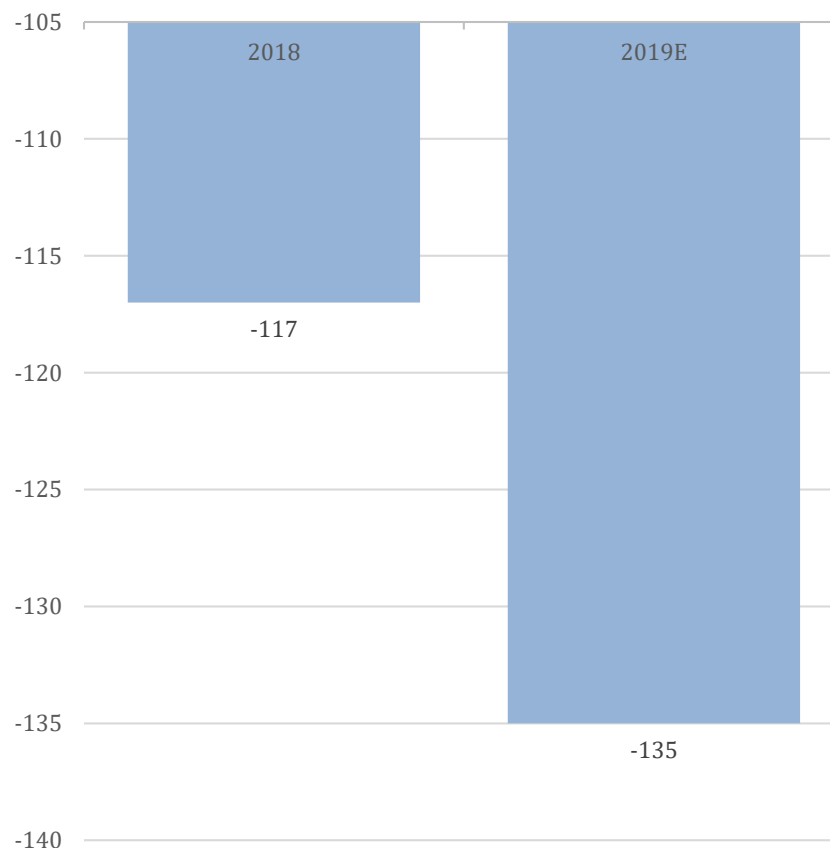


MARIBEL – COMPANY STATUS MAIN TENANT

Restructuring of hotel operator

- Maribel is, as other hotel operators, experiencing historic challenging markets – The company has reduced the activity level to a minimum with lay-offs and other cost cutting measures
- In April 2020, Maribel and Vastint (owned by IKEA) terminated the strategic partnership and lease agreement for the Continental European Hotel properties and development projects. Maribel's Continental European growth plan has therefore been abandoned
- Going forward, Maribel will first and foremost operate 30 hotels under the First and Tribe brands in the Nordic region:
 - 16 hotels lease contracts with Host
 - 14 hotels with other hotel property owners
- On June 26, 2020, reconstruction has been started in Hotel Management Sverige AB, Tribe Hotel Söderhamn AB, Tribe Hotel Christian IV AB, Tribe Hotel Witt AB, Tribe Hotel Statt i Karlskrona AB, Tribe Hotel Statt i Örnsköldsvik, Tribe Hotel Statt i Härnösand AB, Tribe Hotel Olofström AB, Tribe Grand Hotel Falun AB, Tribe Hotel Strand I Sundsvall AB och Tribe Hotel Billinge AB

Operating cash flow (EBITDA) - NOKm





MARIBEL – STRATEGIC RESTRUCTURING PROCESS (STILL) ONGOING

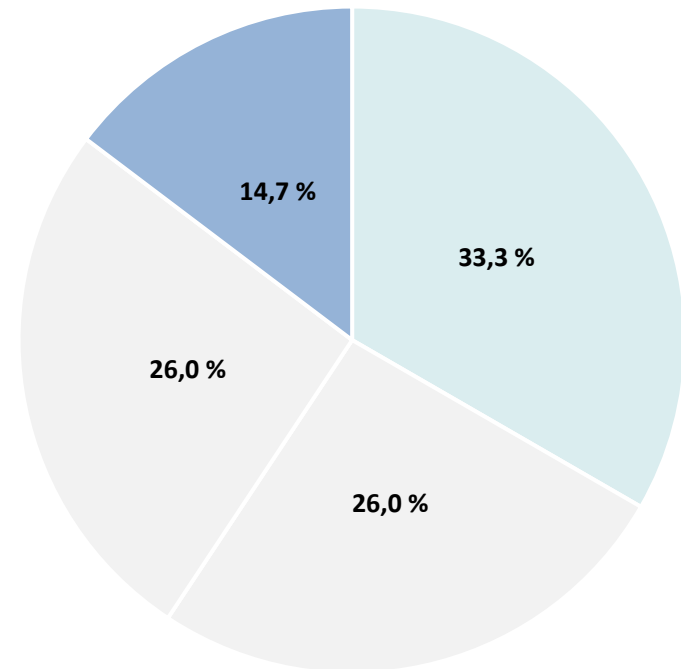
January - February 2020

- Kvalitena acquired 14.7% of the current shares in Maribel from Stranden Company AS and Kilmont AS
- Detailed plan to restructure Maribel with Kvalitena and other major stakeholders (Host, Vastint and Marriott)
- Term sheet and other main terms agreed between parties
- Strengthening of balance sheet and other strengthening measures of company part of agreement (cost cutting measures)
- Strategic European growth plan to continue and to be executed

April - May 2020

- Maribel and Vastint terminated the strategic partnership and lease agreement. Maribel's European growth plan abandoned
- Restructuring of debt and renegotiations of lease contracts likely (reduction / elimination of minimum rent and other possible changes)
- Board of directors and management working on a restructuring plan – Ongoing process not concluded

Shareholder structure



■ Flying Elephant ■ Kilmont
■ Stranden Company ■ Kvalitena



HOTEL OPERATOR – SEVERAL ALTERNATIVES AVAILABLE

Maribel (“AS IS”)

- Maribel is currently in a restructuring process where the shareholders are evaluating strategic alternatives
- Ongoing processes to reduce debt level and cost base going forward
- Outstanding debt likely to be reduced substantially (write offs)
- Kvalitena and other investors considering to strengthen the balance sheet in Maribel to develop the company in the coming years

Regain own hotel operation

- Flying Elephant to take over operation of owned hotels (and possibly) other Tribe operated hotels
- Lease contracts to be renegotiated to create a business case for the coming years
- Flying Elephant have long track record of operating hotels since 1993 and until year end 2018

Other operators

- Evaluating possible other hotel operators for all regions for Host Hoteleiendom, including Host Property

Ongoing process to evaluate best possible tenant structure going forward

During a transitional period, regardless of which of the three potential paths chosen (and/or combinations), the hotel operator is likely to pay operating cash flow (before rent) as rental payment *

In the long term, changes in lease contracts assumed to reflect earnings capacity for hotel operator – likely reduced / eliminated minimum rent clause

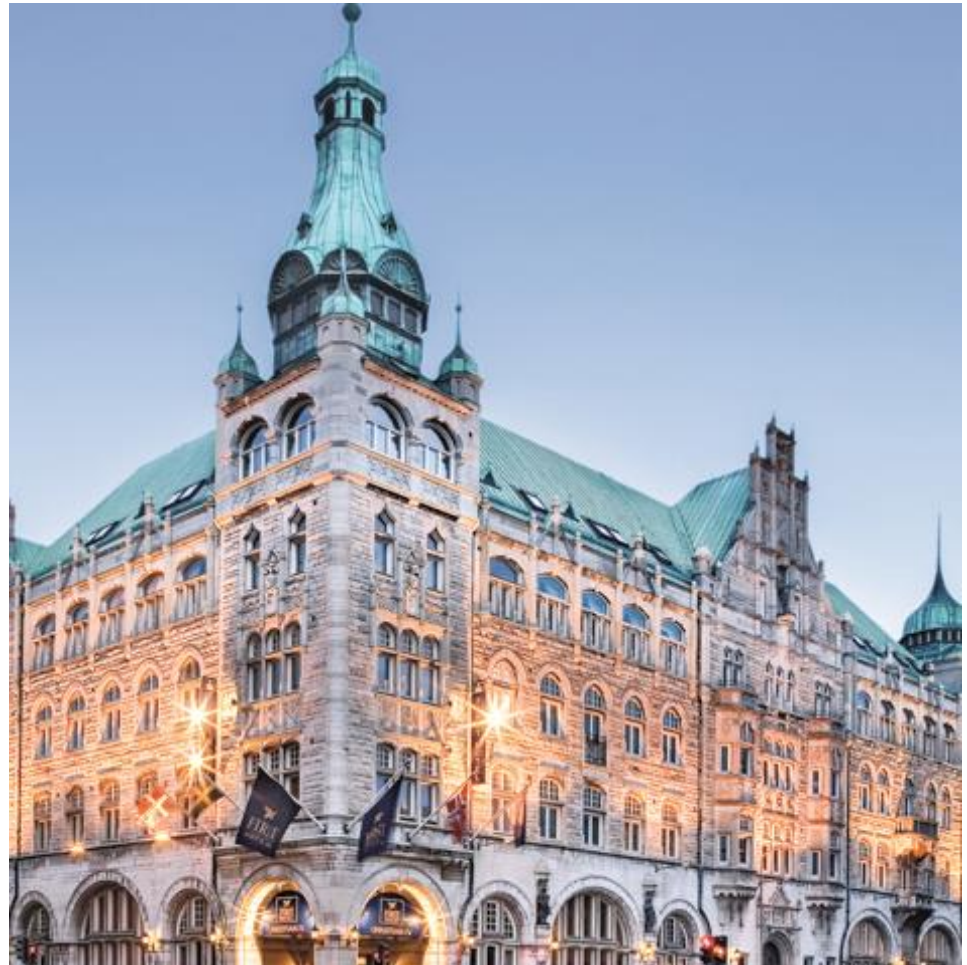
* Transitional period with change of hotel operator and limited cash flow



FLYING ELEPHANT - STRONG TRACK RECORD IN TURBULENT PERIODS

Flying Elephant Group has experience in challenging times

- Established both hotel operations and franchise during the 1990's in Sweden – took full control of the hotel ecosystem during a period when there were no alternative to outsource hotel operation
- Ownership and management of hotel properties during and the aftermath of the bank crisis in Sweden in the 1990's
- Maneuvered through the financial crisis during the 2008-2009 period and beyond as both hotel operator and hotel property owner
- **Significant knowledge and experience to manage and develop Host Property's hotel property portfolio in the coming challenging years**





THE FLYING ELEPHANT GROUP – 27 YEARS IN THE INDUSTRY

1993	First Hotels was established through the acquisition of Hotel Reisen and four other hotel properties in Sweden
1996	Division of hotel operations and property ownership (First Hotels and Host Hoteleiendom). Expansion in Sweden with the acquisition of 19 hotels
1997	Opened Millennium in Oslo and Marin in Bergen
1999	Developed and opened the 403 room Vesterbro in Copenhagen, the city's first new hotel opening in 18 years
2003	Opened the five-star First Hotel Skt. Petri in Copenhagen
2006	Acquired Noble House in Oslo and Mogenstrup Kro in Næstved
2007	Hotel Statt Karlskrona and Hotel Christian IV in Kristianstad were acquired
2008	Noble House reopened as the boutique hotel Grims Grenka
2011	Issued first bond. Took over operation of 12 hotels in Denmark which became First Hotels
2012	Sold Ambassadeur in Drammen and Plaza in Västerås
2013	Completed restructuring of the Group by selling Skt Petri and Vesterbro in Copenhagen and Amaranten in Stockholm
2013	Tribe is new tenant in the portfolio due to a split of First Hotels into one hotel operations company (Tribe) and one brand company (First)
2015	First Hotels established in Spain through dual brand agreement with Petit Palace (31 hotels)
2016	Bond issue secured in eight Swedish hotels, financing partly to cover refurbishments
2017	Total refurbishment of Hotel Reisen initiated
2018	Merged hotel chain and hotel operations with Belvar, where Flying Elephant retains 33.3% ownership
2019	Property portfolio with market value of NOK 2.5 billion with a well diversified financing structure

Kristianstad



Kalmar



Grims Grenka





SUMMARY – HOST PROPERTY PLAN GOING FORWARD

The sun will rise again

- Host Property has over the last months worked on a number of initiatives to secure operations and long-term value
- Host Property sees positive results of these initiatives but needs some more time to align and coordinate to a new normal and basis going forward
- Host Property has confidence finding good long-term solutions to bondholders and other stakeholders
- Host Property is working for the bond investors to find the best possible solution – common interest to find good long-time solutions for bondholders and the equity owner (Flying Elephant)
- Host Property is working together with Nordea Bank Abp to bring forward an amendment plan in the Terms & Conditions (T&C) for the Host Property SEK 500 million bond issue
- Host Property will present the suggested amendments to the T&C in a bond holder meeting as soon as the amendment plan is ready
- Host Property will keep the investors updated on the bond amendment process and market development in general

