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Updated announcement regarding COVID-19 impact

Sunce hoteli d.d., Trpinjska 9, Zagreb, OIB: 06916431329 ("**Sunce**" or the "**Company**"), continued on its previous announcement¹, hereby informs the public of updated information regarding the impact of COVID-19 on the Company's operations.

The text below is an excerpt from the adopted and published unaudited consolidated quarterly financial statements for the first quarter of 2020.

The domestic tourism sector is directly influenced by all disturbances caused by the COVID-19 crisis, however, due to the seasonality of the tourist season itself, the significance of the crisis will be reflected the most in July and August of this year. At the moment, it is very uncertain to predict the volume of the main tourist season, because it depends mainly on the development of the situation in the eminent markets and restrictions on travel of countries from which the majority of guests would otherwise come on vacation to the Republic of Croatia (Germany, Austria, Slovenia, Italy, etc.), and depends also on the development of the situation in the Republic of Croatia. **The current booking state of the Company's sales as of April 27, 2020 is 46% lower than in the same period of the previous year, so existing bookings were actually made prior to the escalation of the COVID-19 crisis, and in the meantime, there were no inflows of new reservations.** Bookings for the month of May have been cancelled entirely, while the cancellation of bookings for the beginning of June has been stepped up, however, cancellation of bookings for July and August are still relatively low. On the other hand, the booking process has not yet normalized and the inflow of new reservations is very low. In the case of the tourist season in July and August, it is expected that in this case potential guests will make last minute reservations.

The Company has taken a number of actions and measures in response to the disruption caused by the COVID-19 crisis in order to adapt to the new circumstances. Measures and actions taken relate to the independent measures of the Company, but also those that are enabled by legal changes to assist the tourism sector adopted by the Government of the Republic of Croatia. All measures and actions can be summarized as follows:

- 1. EMPLOYEES SAFETY** - The Company has increased the safety and disinfection of employees' workplaces at an early stage of the outbreak of the epidemic in the Republic of Croatia, however, since mid-March 2020, home-based work for all employees has been organized. Working from home in these circumstances increases the safety of our employees and their families. Depending on the development of the epidemiological situation in the Republic of Croatia and the gradual opening of various activities and freedom of movement, the Company will in the coming period make a timely decision to suspend the work of all employees from home.
- 2. CASH FLOW STABILIZATION** - After increasing the security of employees and their families, the internal team has started working on identification of the main measures and actions to be taken in order to preserve the liquidity of the Company and stabilize the cash flow that needed to be adjusted to the new circumstances.

¹ Announcement regarding COVID-19 impact <https://zse.hr/default.aspx?id=96978>

The following actions and measures have been taken with a primary focus on wages given that they account for 75% of the total fixed cost:

- a. In accordance with the measures to preserve jobs in the activities affected by the Coronavirus (COVID 19), grants were requested and approved to secure a minimum wage of HRK 4,000 for 679 employees of Sunce hoteli d.d. as well as 21 employees of the subsidiary Brač Airport d.o.o, which gives a total of 700 employees. The Contract on Grant for Preservation of Jobs in the Activities Affected by the Coronavirus with the Croatian Employment Service was signed, accepting the Request for the Grant of the Support for the company Sunce hoteli d.d. and subsidiary Airport Brač d.o.o. for payment of wages for a total of 700 workers in the period from 01.03.2020. to 31.05.2020. amounting to HRK 7.4 million.
- b. The Company is also exempted from the obligation to pay contributions for the amount of co-financed net salary paid on the basis of support to preserve jobs.
- c. At the same time, gross wages were reduced by 40% for all employees and the Management Board, at least for the period from 1 April to 30 June 2020. During the duration of the Job Preservation Grant, as well as in the subsequent period when the hotels are not working, wages will be provided at 60% of the gross salary, but not less than the amount of the grant. In addition, each worker will be paid a monthly allowance of HRK 600.
- d. Total monthly labour cost savings, including active measures and grants, are HRK 5.5 million, reducing the usual monthly labour cost from HRK 6.6 million to HRK 1.1 million.
- e. All other unnecessary costs related to current maintenance investments and operating expenses not required at this time have been stopped.

3. CREDITOR RELATIONS AND COMPANY LIQUIDITY ASSURANCE - Since the beginning of the COVID-19 crisis, the Company has been in communication with its Bank syndicate (European Bank for Reconstruction and Development (EBRD), Erste & Steiermärkische Bank d.d., Privredna banka Zagreb d.d., and Zagrebačka banka d.d.) in relation to measures of the Government of the Republic of Croatia relating to the "deferral of credit" and the measure "credit for maintaining financial stability", and a formal request was submitted through FINA, as well as a direct request to the Bank syndicate. Communication can be summarized in the following actions:

- a. With respect to financial liabilities due in the pre-season period, that is, until 30 June 2020, the Company has requested from the bank syndicate a moratorium on the loan instalment due on 30 April 2020 in the amount of 16.5 million of the principal, and a five-month moratorium was approved by the bank syndicate, which means that the loan instalment due on 30.04.2020. together with principal and interest is now due on 30.09.2020. Concerning financial liabilities beyond June 30, 2020, a payment moratorium will be sought or it will be settled from potential new liquidity and/or partially from potential inflows during the July and August tourist season.
- b. However, it is important to note that the total financial debt as of December 31, 2020 is HRK 451 million and the moratorium on the principal amount of instalment is HRK 16.5 million, which leads to the conclusion that it will not have a significant impact on the change of the total position of the existing financial debt.
- c. In addition to the aforementioned deferral of the loan instalment until June 30, 2020, the Company has also taken measures and directed communication to potential creditors of the Company to provide additional liquidity to the Company that will be required after June 30, 2020 in the event that significant inflows during the months of July and August are absent. Accordingly, the additional liquidity itself will primarily depend on (i) potential inflows during the high season and (ii) how long the Government of the Republic of Croatia measures will last.
- d. At this time, the debt structure remains the same as shown in the Balance Sheet, however, as a moratorium is requested and approved on the loan instalment due on April 30, 2020, and there is a further possibility that the Company will request a moratorium on the maturity of the credit obligations after 30.06.2020. Therefore, the structure of the financial debt itself may change in a way that either the maturity of the debt is extended or existing loan instalments are increased by the

amount of principal for which the moratorium is requested. Nor do we exclude the possibility of another structure.

- 4. CAPITAL INVESTMENTS** - The Company did not have capital investments for the 2020 season, however, all investments in the preparation of future investments were suspended until a revised capital investment plan was made depending on the development of the COVID-19 virus crisis situation.

In conclusion, all of the above measures relate to a rapid response and to mitigate the current situation of the Company. Depending on the further development of the situation, the Company will take further measures to improve financial stability and full employment while adapting the strategy to new circumstances.

Consequently, we plan to provide additional information on the impact of COVID-19 on our business operations, i.e. primarily on July and August of the current season (which make up approximately 60% of regular season revenue and are crucial for generating the Company's profitability) **when publishing the audited annual report, which the Company intends to disclose by 30 June 2020 at the latest**, in accordance with the opportunity provided by ESME and HANFA, and all in accordance with the Company's public announcement (*Impact of COVID-19 on the timing of the financial statements*)² as of 23 April 2020.

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² <https://zse.hr/userdocsimages/novosti/8r0LkFLoNdFV4bY95Ts0MQ==.pdf>