OUR PURPOSE

To create valuable memories for our guests and value for our assets.

FINANCIAL SUMMARY

- Like-for-like[1] revenue increased by 6.0%, as the Group benefited from improved trading across all operating regions and the first full year contributions of Park Plaza London Waterloo and Park Plaza London Park Royal which have continued to mature since fully opening in 2017. Reported total revenue increased by 5.0% to £341.5 million (2017: £325.1 million).
- Like-for-like[1] EBITDA improved by 5.6%. Reported EBITDA increased by 5.5% to £113.2 million (2017: £107.3 million).
- Normalised profit before tax[2] increased by 17.6% to £37.7 million (2017: £32.1 million).
- Normalised earnings per share were 69 pence (2017: 58 pence), an increase of 11 pence. Reported basic/diluted earnings per share were 90 pence (2017: 57 pence).
- Proposed final dividend of 19 pence per share (2017: 13 pence per share) bringing the total dividend for the year to 35 pence per share (including the interim ordinary dividend of 16 pence per share), an increase of 45.8%.
- In the summer of 2018 our real estate assets were independently valued by Savills at £1.6 billion.
- EPRA NAV per share (post dividend) was up 2.3% at £24.57 and adjusted EPRA earnings per share were up 10.6% to 115 pence (for the 12 months ending 31 December 2018). EPRA NAV per share was up by 3.5% excluding a 29 pence dividend paid in 2018.

1 The like-for-like figures for 31 December 2018 exclude the first two months of operation of Park Plaza London Park Royal. Furthermore, the like-for-like figures for 31 December 2017 exclude the operation of Park Plaza Vondelpark, Amsterdam from August to December (the property is temporarily closed for renovations) and art'otel dresden (the lease of which was terminated on 31 July 2018). The like-for-like EBITDA figures for 31 December 2017 have also been adjusted to reflect the acquired freeholds of art'otel cologne and art'otel berlin kudamm in 2017 (rental costs adjusted to reflect freehold).

2 A reconciliation of reported to normalised profit can be found in the Financial Review in the "Profit and Earnings per share" section on page 50.

Cover image
Park Plaza London Riverbank
The newly repositioned Park Plaza London Riverbank relaunched in 2018 after a three-year, multi-million-pound investment programme. Located in a prime location, Park Plaza London Riverbank offers 646 guestrooms and features a new guest journey at check-in and a number of refreshed public areas including Chino Latino Restaurant & Bar, an executive lounge, new spa facilities and an indoor swimming pool.

Read more – See pages 28–31

WHO WE ARE

We are an international hospitality real estate group, with a prime property portfolio consisting of 46 properties in five countries, that leverages the value of our assets and maximise profits.

WHAT WE DO

We have a clear strategy to drive growth and create long-term value while recognising and developing opportunities to help our assets reach their full potential. We delight our guests every day, through engaging service and quality products in inviting places.

HOW WE DO IT

By valuing team members, who are our creators, and by continuously investing in opportunities and our portfolio, which is designed and maintained with passion.

TOTAL REVENUE £M

2014	217.0
2015	218.7
2016	272.5
2017	325.1
2018	341.5

£341.5m

Reported total revenue increased by 5.0% to £341.5 million (2017: £325.1 million). On a like-for-like basis[1] total revenue increased by 6.0% to £340.6 million (2017: £321.4 million).

EBITDA £M

2014	76.1
2015	80.1
2016	94.1
2017	107.3
2018	113.2

£113.2m

EBITDA increased by 5.5% to £113.2 million (2017: £107.3 million). On a like-for-like basis[1] EBITDA increased by 5.6% to £113.3 million (2017: £107.3 million).

NORMALISED PROFIT BEFORE TAX £M

2014	26.4
2015	29.8
2016	31.7
2017	32.1
2018	37.7

£37.7m

Normalised profit before tax[2] increased by 17.6% to £37.7 million (2017: £32.1 million). Reported profit before tax increased by 46.3% to £46.4 million (2017: £31.7 million).

DIVIDEND PER SHARE PENCE

2014	19
2015	20
2016	21
2017	24
2018	35

35p

Ordinary dividend of 35 pence per share, up 45.8% from last year (2017: 24 pence per share), which is in line with the Company's progressive dividend policy.

NORMALISED EARNINGS PER SHARE (EPS) PENCE

2014	63
2015	71
2016	68
2017	58
2018	69

69p

Normalised EPS[3] was 69 pence (2017: 58 pence). Reported EPS was 90 pence (2017: 57 pence).

ADJUSTED EPRA EPS PENCE

2014	91
2015	96
2016	97
2017	104
2018	115

115p

Last 12 months (LTM) adjusted EPRA EPS to 31 December 2018 increased by 10.6% to 115 pence per share (12 months ending 31 December 2017: 104 pence).

EPRA NAV PER SHARE £

2014	NA
2015	NA
2016	NA
2017	24.02
2018	24.57

£24.57

The EPRA NAV per share (post dividend) as at 31 December 2018 was £24.57 per share, which is a 2.3% increase since 31 December 2017 (£24.02 per share).

REVPAR £

2014	91.2
2015	92.0
2016	84.4
2017	92.9
2018	97.7

£97.7

RevPAR increased by 5.2% to £97.7 (2017: £92.9). Like-for-like[1] RevPAR increased by 5.0% to £98.0 (2017: £93.3).

OCCUPANCY %

2014	83.7
2015	84.3
2016	76.0
2017	77.3
2018	79.4

79.4%

Occupancy increased by 210 bps to 79.4% (2017: 77.3%). Like-for-like occupancy increased by 230 bps to 79.4% (2017: 77.1%).

AVERAGE ROOM RATE £

2014	108.8
2015	109.1
2016	111.0
2017	120.2
2018	123.1

£123.1

Average room rate increased by 2.5% to £123.1 (2017: £120.2). Like-for-like[1] Average room rate increased by 2.0% to £123.4 (2017: £121.0).

1 The like-for-like figures for 31 December 2018 exclude the first two months of operation of Park Plaza London Park Royal. Furthermore, the like-for-like figures for 31 December 2017 exclude the operation of Park Plaza Vondelpark, Amsterdam from August to December (the property is temporarily closed for renovations) and art'otel dresden (the lease of which was terminated on 31 July 2018). The like-for-like EBITDA figures for 31 December 2017 have also been adjusted to reflect the acquired freeholds of art'otel cologne and art'otel berlin kudamm in 2017 (rental costs adjusted to reflect freehold).

2 A reconciliation of reported to normalised profit can be found in the Financial review in the "Profit and Earnings per share" section on page 50.

3 The normalised earnings per share amount to 69 pence, calculated with 42,335,136 average outstanding shares.

Contents

Creating destinations

From investments in London to the first all-glamping campsite in Croatia, we create destinations for our guests that inspire them to return.

Read more – See pages 22–39

President & Chief Executive Officer's statement

Our results coupled with our strategic progress reflects the strength of our business model.

Read more – See pages 10–17

Our people are creators

Empowering and coaching our team members enables us to delight our guests every day through inspirational service.

Read more – See pages 10–17 and 75–83

Financial and Business review

We have created and continue to create significant value for our shareholders since our IPO in 2007.

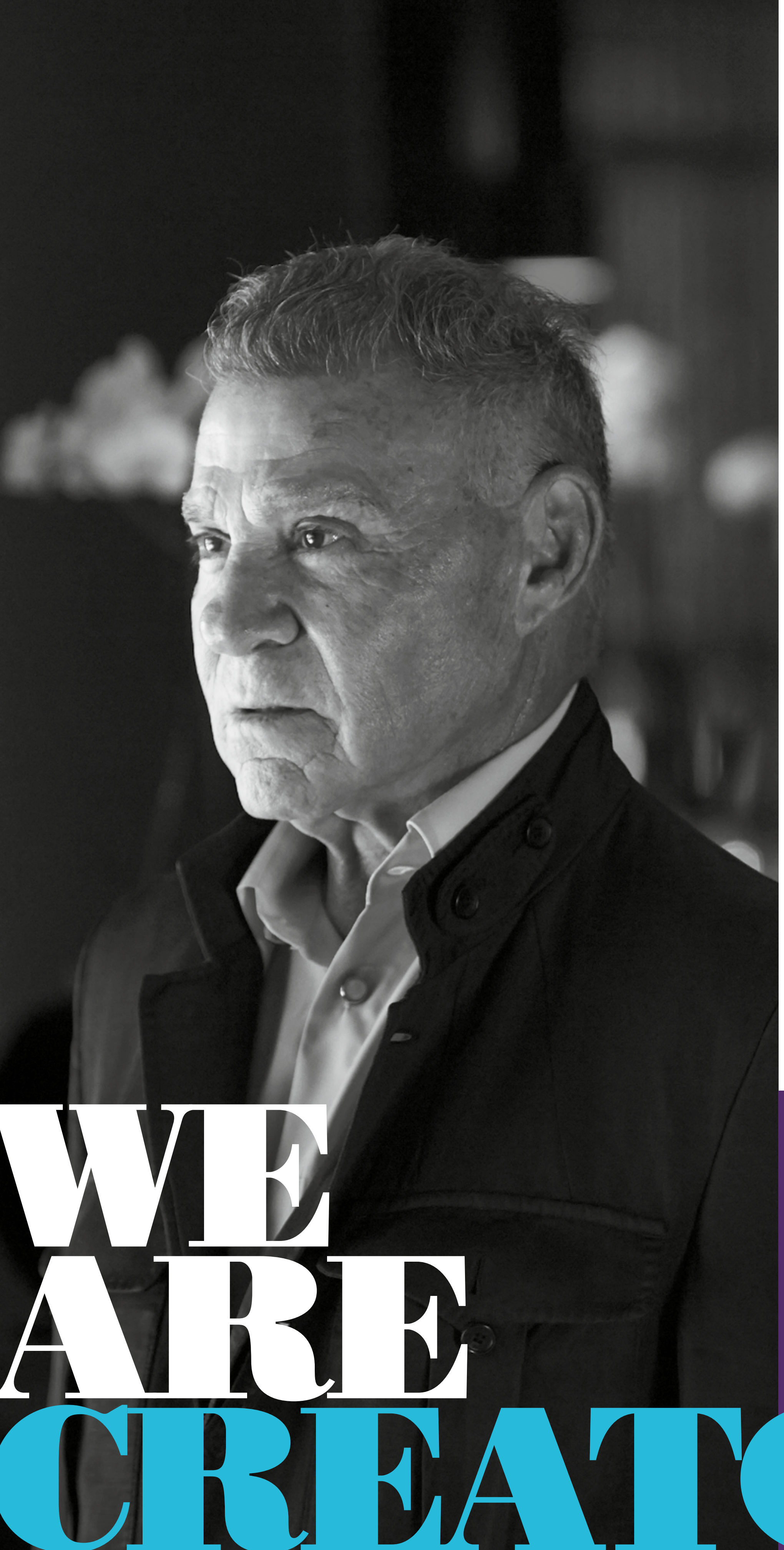
Read more – See pages 48–74

Responsible business

We have created an integrated programme, Responsible Experiences, that is at the heart of everything we do from our business model to our day-to-day activities.

Read more – See pages 75–83

Chairman's statement



Welcome

We are delighted to announce another year of operational, financial and strategic progress, achieved in a year of significant investment in our portfolio to support future growth against an ever-changing hospitality industry and macro environment.

In 2018, we demonstrated our ability to continually adapt to these challenges exploiting opportunities as they arose. As a result, the Group has once again delivered year-on-year revenue and profit growth.

Key to our continued success and value creation is our hospitality real estate ownership. We own the majority of our property portfolio (hotels, resorts and campsites). This portfolio was independently valued by Savills at £1.6 billion in the summer of 2018.

Our hybrid owner/operator model paired with development is a point of differentiation within the hospitality sector with a clear strategy to drive growth and long-term value. This model gives us full control over the maintenance of our assets along with the ability to react quickly and invest in them as necessary, enabling us to fully optimise their potential value. We take great pride in the design and hospitality experience we create for our guests and customers.

Repositioning and renovation investment projects

Over the last three years, there has been significant investment in our property portfolio to transform and reposition some of our existing real estate offering across our key markets.

2018 saw the completion of major repositioning projects at Park Plaza Victoria Amsterdam and Park Plaza London Riverbank, with construction works implemented in phases over several years. By reconfiguring and enhancing the layout of each property (public areas and rooms) to optimise the space, improve the facilities and enhance the guest experience, we have transformed these hotels in their respective markets. In Croatia, Arena One 99 was launched, the country's first all-glamping offer, which delivered encouraging results following opening.

Further repositioning projects – at Park Plaza Vondelpark, Amsterdam, Park Plaza Utrecht, Park Plaza Sherlock Holmes London and Arena Kažela Campsite Medulin are well underway and are due to complete H2 2019.

Renovation has also commenced at Park Plaza Victoria London which is expected to complete in H2 2019. This hotel will remain in operation during the renovation project, albeit with some rooms and facilities temporarily closed. Repositioning projects expected to commence in 2019 include Hotel Brioni and Verudela Beach Resort. We expect to realise the benefits of these investment projects from 2019 onwards.

Corporate activity

2018 marked a significant milestone in our corporate development. In July, our ordinary shares were transferred to the Premium Listing segment of the Main Market of the London Stock Exchange. This move was in line with our strategic goals to broaden our investor base and raise our profile amongst our shareholders. In addition, our Croatian listed subsidiary, Arena Hospitality Group d.d., transferred its listing from the Official Market to the Prime Market of the Zagreb Stock Exchange.

The Group has delivered strong shareholder returns, which reflects our focused strategy of investing in and enhancing our prime property portfolio, creating unique experiences for our guests and creating reliable and recognisable standards across our multi-brand portfolio and international network. This impressive performance highlights the strength of our leadership team, several of whom have been with the business for many years, and our ability to retain and develop talent and nurture the next generation of leaders.

The Board

Our Board is integral to our future and there were several changes to its structure over the year. We welcomed Daniel Kos to the Board on 27 February 2018, following his promotion to Chief Financial Officer. Kevin McAuliffe was appointed Non-Executive Deputy Chairman. Nigel Jones was appointed Senior Independent Director, taking over the role previously performed by Kevin McAuliffe. Chen Moravsky stepped down from the Board this year and I would like to personally thank him for his invaluable contribution to the development of our business.

The Board is committed to and recognises the importance of maintaining a high standard of corporate governance.

I would like to take this opportunity to thank the members of the Board for their guidance and I also thank all our team members for their hard work and commitment during 2018.

Dividend

The Board is proposing a final dividend payment of 19 pence per share, bringing the total ordinary dividend for the year ended 31 December 2018 to 35 pence per share. This is in line with our progressive dividend policy and reflects the Board's confidence in the Group's operations, assets and prospects.

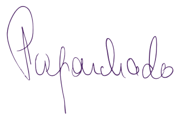
Looking ahead

We take an integrated and entrepreneurial approach to everything we do as we exploit the full potential of our hospitality real estate to create value and profits.

Looking ahead for 2019, we will continue to reposition and develop assets within our portfolio as well as focus on our committed development pipeline to deliver future growth. We retain a strong cash position and the Board will continue to consider asset acquisitions to broaden our portfolio and deliver our target returns on investment.

We are currently in advanced negotiations in respect of a joint venture opportunity for the purchase of a hotel development site in New York (approximately 100 keys), which offers an exciting prospect in a new market.

We are well placed to continue our progress and deliver excellent service for which we are renowned while we continue to create long-term value for our shareholders.



Eli Papouchado
Chairman

Investment proposition

Asset value growth
EPRA NAV per share £24.57 at 31 December 2018

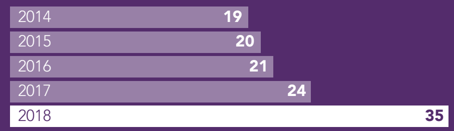
Operating earnings
EPRA adjusted earnings per share 115p LTM to 31 December 2018

Strong development pipeline & yields
A pipeline of development assets in London and Croatia ready for, or in phase of, (re)development

Healthy leverage
Historic growth funded by various types of finance arrangements without diluting PPHE shareholders

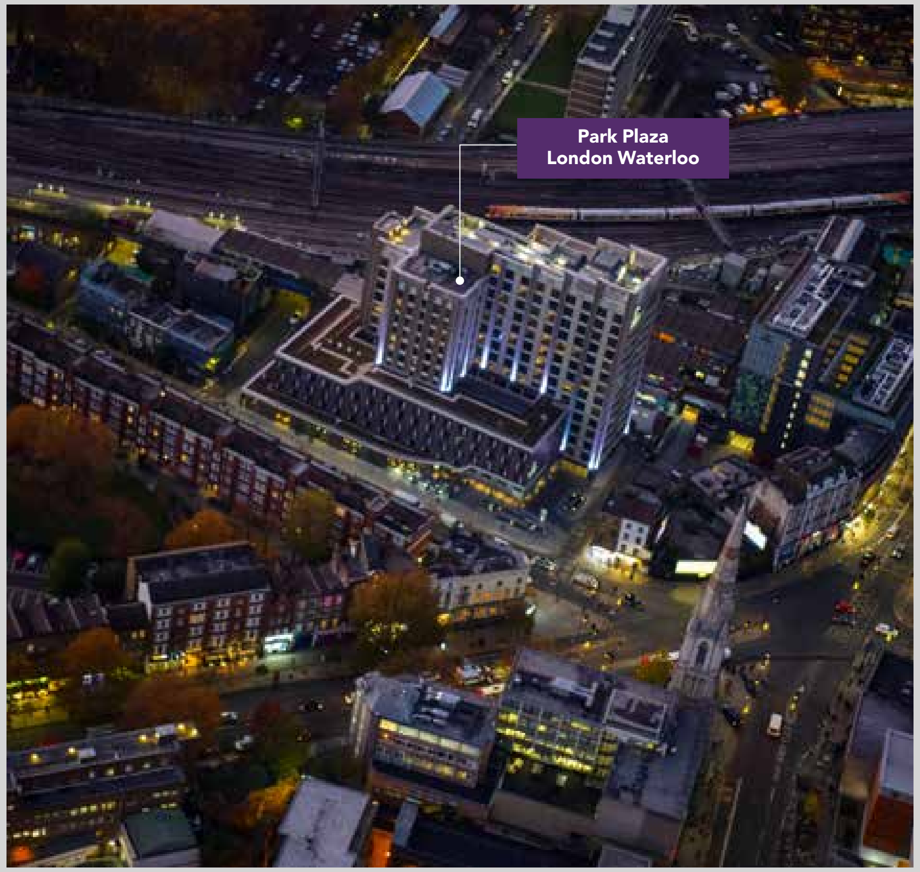
Progressive dividend policy
Dividends have grown 16.5% CAGR over last 5 years (excluding special dividend of £1 per share in 2016)

DIVIDEND PER SHARE PENCE



35p

WHAT BEING A CREATOR MEANS



For our investors

We create value for our investors through capital appreciation of our £1.6 billion property portfolio and cash returns in the form of progressive dividend payments.

Read more – See pages 12,20–21

For our suppliers

We create long-term relationships with strategic partners, many of whom are local. Sustainability and ethical operations are high on our agenda, including supply chain management.

Read more – See page 80

For our customers

We create unique hospitality experiences in vibrant destinations through our high quality offering and services including hotels, resorts, campsites and destination-led restaurants, bars and spas.

Read more – See pages 78–79

For our team members

We create award-winning Learning and Development programmes and recruitment platforms, designed to provide rewarding, international employment, across five countries, for over 4,100 team members and over 30 nationalities.

Read more – See pages 81–82

For our communities

We create positive relationships with our local communities and the people who live and work there through fundraising activities, employment opportunities, volunteering and local resourcing partnerships.

Read more – See page 83

About us
Creating value

Business model

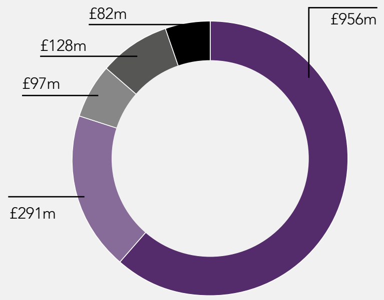
At PPHE Hotel Group, we create shareholder value through developing, owning and operating hospitality real estate.

We currently own or co-own the majority of our portfolio and have a proven track record in generating attractive operating returns and asset value appreciation.

We typically acquire properties which we believe have significant upside potential. We embark on a journey of (re) developing, redesigning and continuously improving the operation, creating significant value along every part of the value chain. This diligent process is managed by our experienced senior management team, consisting of specialists in every relevant discipline. Through refinancing our properties we are able to release capital for new investments, enabling further growth of our Group.

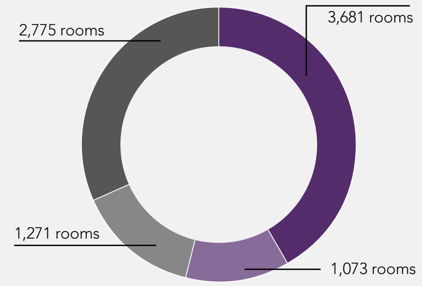
A diversified portfolio of operating assets

Value split by geography[1]



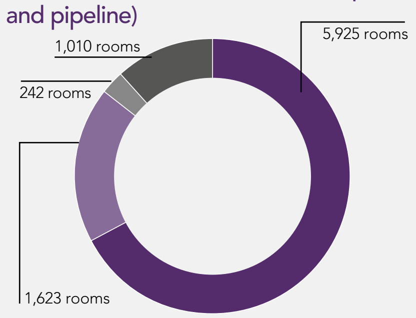
- **UK[2]**
  £956m
- **The Netherlands**
  £291m
- **Germany and Hungary**
  £97m
- **Croatia hotels and resorts**
  £128m
- **Croatia campsites**
  £82m

Hotels and resorts by geography
(Includes franchises, excludes campsites and pipeline)



- **UK**
  11 hotels
  3,681 rooms
- **The Netherlands**
  6 hotels
  1,073 rooms
- **Germany and Hungary**
  8 hotels
  1,271 rooms
- **Croatia**
  7 hotels and
  6 resorts
  2,775 rooms

Hotels and resorts by ownership type
(Includes franchises, excludes campsites and pipeline)



- **Freehold**
  18 hotels
  and 6 resorts
  5,925 rooms
- **Long leasehold**
  7 hotels
  1,623 rooms
- **Co-owned**
  2 hotels
  242 rooms
- **Managed, operated, leased or franchised**
  5 hotels
  1,010 rooms

Prime locations

Well-maintained, prime assets, with close proximity to major demand generators within leading capital cities, urban markets and resort destinations.


Park Plaza Westminster Bridge London
Opposite Big Ben on the thriving South Bank

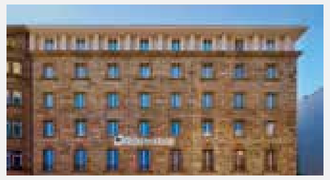

Park Plaza London Waterloo
Close proximity to Waterloo Station


Park Plaza London Riverbank
Between Waterloo Station and Nine Elms/ American Embassy

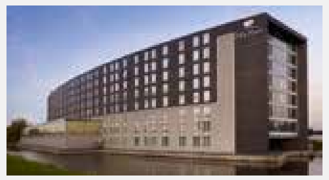

Park Plaza Victoria London
Adjacent to Victoria Station

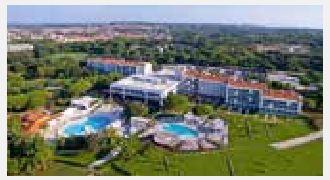

Park Plaza Victoria Amsterdam
Opposite Amsterdam Centraal Station


art'otel amsterdam
Opposite Amsterdam Centraal Station

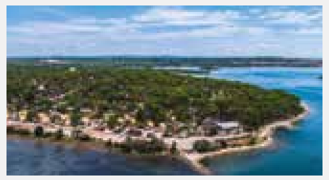

Park Plaza Nuremberg
Opposite Nuremberg's main railway station


art'otel cologne
Located in the attractive Rheinauhafen area


Park Plaza Amsterdam Airport
Close proximity to Amsterdam Airport Schiphol


Park Plaza Belvedere Medulin
Iconic leisure and sports hotel


Park Plaza Histria Pula
Dramatic beachfront setting


Arena One 99
Croatia's first all-glamping offering

Independent operator with brand flexibility and access to global brands and distribution

Within PPHE Hotel Group we are able to select the right brand to complement the value we create for our assets. We have an exclusive and perpetual licence with Radisson Hotel Group to operate the contemporary Park Plaza brand in Europe, the Middle East and Africa which complements our boutique lifestyle brand art'otel and the locally targeted Arena Campsites and Arena Hotels & Apartments brands.

Radisson Hotel Group
Radisson Hotel Group is one of the world's largest and most dynamic hotel groups with eight distinctive hotel brands with more than 1,400 hotels in destinations around the world. The portfolio of hotel brands includes: Radisson Collection™, Radisson Blu®, Radisson®, Radisson RED®, Park Plaza®, Park Inn® by Radisson, Country Inn & Suites® by Radisson and prizeotel.

- Central reservation and distribution system
- Powerful online and mobile platforms
- Radisson Rewards™ programme with 20+ million members
- Global sales, marketing and buying power

Park Plaza
An upscale and upper upscale, contemporary hotel brand featuring individually designed hotels in vibrant city centre locations and select resort destinations. Park Plaza is renowned for creating memorable moments through its inspiring service, stylish guestrooms and versatile meeting facilities which are perfectly complemented by award-winning restaurants and bars.

Our portfolio of vibrant city-centre hotels and tranquil beachside resorts in Croatia already presents a wide choice of locations and accommodation yet we are committed, with our partner Radisson Hotel Group, to bringing Park Plaza® Hotels & Resorts to even more locations.

art'otel®
art'otel® is a lifestyle collection of hotels that fuse exceptional architectural style with art-inspired interiors, located in cosmopolitan centres across Europe.

At the brand's core is the art itself. Each hotel displays a collection of original works designed or acquired specifically for each art'otel®, rendering each location a unique art gallery in its own right. art'otel has created a niche for itself in the hotel world, differentiating it from traditional hotels.

Art and culture are ingrained in every aspect of the art'otel® brand, with knowledgeable and passionate team members sharing their enthusiasm while simultaneously delivering world-class service.

art'otel® has two exciting new developments in London, with one hotel set to open in Hoxton and one as part of the Battersea Power Station development. Signature artists for both of these developments are yet to be selected.

Arena Hospitality Group
In Croatia, our subsidiary Arena Hospitality Group (Arena) is one of the most dynamic hospitality groups in central and eastern Europe.

Arena Hotels & Apartments
A collection of hotels and self-catering apartment complexes offering relaxed and comfortable accommodation within beachfront locations across the historical settings of Pula and Medulin in Istria, Croatia.

Arena Campsites
Situated within close proximity of the historical towns of Pula and Medulin, each laidback campsite provides guests with the opportunity to experience Istria's areas of natural beauty and outdoor activities from April to October. Each campsite provides a different offering, with 2018 having seen the opening of a luxury 'glamping' campsite.

1 The fair values were determined on the basis of independent external valuations prepared in the summer of 2018.
2 Excluding development site in Hoxton (London).

President & Chief Executive Officer's statement

Our results in 2018 coupled with our strategic progress once again reflect the strength of our business model, the appeal of our portfolio and our rigorous focus on performance.

Our business model is focused on real estate ownership and development and international hospitality operations, aimed at continuing to create value for all our stakeholders.

We do this by optimising the value of our existing portfolio, extracting value to fund further long-term sustainable growth, whilst consistently refreshing guest experiences across our properties, maintaining high operational margins and leveraging our scale and operational synergies.

A snapshot of 2018

Key 2018 investment projects

2018 was a year of significant investment in our hospitality assets. In total, we invested more than £60 million in our portfolio during the year. We completed a multi-million-pound repositioning programme at Park Plaza Victoria Amsterdam, our iconic hotel in the centre of Amsterdam, and an extensive programme at Park Plaza London Riverbank to transform the property into a 646-room hotel on London's South Bank. We also undertook several renovation programmes to enhance our guest offer. We opened our first all-glamping campsite in Croatia, Arena One 99, which followed a multi-million-pound investment programme to completely transform an existing campsite.

We made further progress with our development pipeline, acquiring full ownership of the development site for art'otel london hoxton in the first quarter. This is an exciting project which will bring the art'otel lifestyle brand to an area of London which is undergoing regeneration. Preliminary construction works have commenced. The hotel is expected to open in 2022.

Our ongoing investment in our property portfolio gives us the confidence that we can offer all our customers an exceptional experience, whether they are staying at one of our hotels, campsites or resorts, enjoying a meal or drinks in one of our many restaurants and bars, relaxing in one of our spas or attending a function in one of our meeting and conference rooms.

Results

We are pleased to report strong results for 2018. We delivered year-on-year revenue and profit growth despite having five hotels partly or fully closed for major repositioning and refurbishment projects during the year as we benefited from improved trading across all operating regions and the first full-year contributions of Park Plaza London Waterloo and Park Plaza London Park Royal, which have continued to mature since fully opening in 2017. In addition, the results benefited from the reinstatement of full room inventory at Park Plaza Victoria Amsterdam in the summer, following a significant investment programme. Like-for-like total revenue was up by 6.0% and EBITDA was up 5.6%.

Over the summer, our property assets were independently valued by Savills at £1.6 billion. For the first time, we disclosed certain EPRA performance measurements which, taken with our key operational metrics, help investors to analyse and better understand the performance of our property assets. EPRA NAV per share was up 2.3% at £24.57 per share as at 31 December 2018, after dividend payments of 29 pence per share relating to the 2017 final dividend of 13 pence per share and 2018 interim dividend of 16 pence per share. The adjusted EPRA Earnings per share (for the 12 months ending 31 December 2018) were up 10.6% to 115 pence per share. We will undertake a revaluation exercise on our property assets on an annual basis. Full details of the financial performance are set out in the Financial Review on page 48.

Corporate activity

We reached another significant corporate milestone in our journey as a publicly listed company, with the transfer of our ordinary shares to the Premium Listing segment of the FCA's Official List. This move will support our continued growth, raise our profile and potentially facilitate our inclusion in the FTSE Indices. We are already experiencing the benefits of this move, as we explore the opportunities to engage with a wider potential investor base and improve liquidity. The Company is in discussions with certain of its major shareholders with a view to increasing the Company's free float, with the ultimate goal of achieving the free float required for the Company to qualify for FTSE index inclusion.

In the second quarter, we exited a loss-making lease agreement in Dresden, Germany which is expected to have a positive impact on the Group's EBITDA going forward.

→

Our purpose

We create valuable memories for our guests and value for our assets.

Our two-pillar integrated owner/operator business model enables us to drive significant returns by transforming hospitality real estate potential into value and profits through developing, owning and operating those assets. By continuously investing in our existing portfolio we maintain the quality of our properties which adds value to our assets, inspires our team members, and enables us to delight our guests every day through inspirational service and quality products in attractive locations.

Our key sources of value come from our:

- Prime real estate portfolio located in central urban and beachfront resort locations;
- Passionate and well-trained team members, inspired by our leadership team;
- Multi-brand approach through which we license, create and drive various international brands which create value in experience, recognition and asset growth;
- International network and our long-term partnership with Radisson Hotel Group, which gives us access to its central reservation and distribution systems, powerful online and mobile platforms, global sales, reward programmes with more than 20 million members, marketing initiatives and buying power; and
- Financial strength, expertise and track record.

Unlike most hospitality businesses, we own the majority of our property portfolio, giving us greater control over our investment strategy, the quality of our property portfolio and operations. Most of these prime assets are centrally located in attractive growth markets, primarily major gateway cities across Europe.

There are four steps to our approach to transforming hospitality real estate potential into value and profits, we:

- Purchase land and buildings which typically have significant upside potential;
- Develop, re-develop and renovate our owned and acquired assets, drawing on the expertise of our experienced leadership team;
- Improve operating performance by striving for operational excellence and creating significant value at every point in the value chain; and
- Refinance our portfolio and release capital to fund new investments, facilitating the growth of our Group.

Our approach enables us to rapidly adapt to the ever-changing hospitality sector environment. In turn this creates considerable value for all our stakeholders.

Our growth strategy

We have a clear strategy to drive growth and long-term value through our property portfolio and our operations.

In our property portfolio, we take a disciplined, yield-focused approach to capital deployment and look to optimise the value of our existing portfolio and, where appropriate, extract value to fund longer-term sustainable growth.

In our hospitality operations, we are consistently working to deliver a refreshed guest experience across our portfolio and leverage our scale and inter-regional synergies to drive growth and maintain high operating margins.

As well as repositioning and renovating existing properties, our pipeline includes two new hotels in London, which are expected to add approximately a further 500 rooms to the portfolio by the end of 2022.

In addition, the Company continuously identifies and assesses opportunities to extend our property portfolio and our operations across prime locations in attractive destinations, which we believe will offer attractive returns to shareholders. The Company is currently in advanced negotiations around entering into a joint venture for the purchase of a site in New York, on which the Company plans to develop a mixed used scheme, including a 100 key hotel.

In 2018 we identified a substantial number of opportunities for new assets in key cities and resort locations at an international level. We are disciplined when selecting and progressing an investment opportunity, only targeting real estate with significant upside potential which fits our long-term growth strategy and above all creates strong shareholder value. From the new opportunity assets we identified, we went on to evaluate 145 opportunities of which we submitted proposals for approximately 10%.

"WE ARE CONSTANTLY INNOVATIVE. WE ARE ALWAYS LOOKING FOR NEW WAYS TO CREATE VALUE FOR OUR STAKEHOLDERS AND PROPERTIES."

Further details of the investment programmes and development pipeline are set out in the Financial review and Business Review on pages 48–74.

An update on progress in the period is detailed in the Financial Review on pages 48–57.

Inspiring our guests

Today's guests expect experiences. We are passionate about creating and delivering unique hospitality experiences in vibrant destinations, whether guests are staying at one of our properties or simply visiting our many restaurants, bars or other facilities.

We aim to create valuable memories for our customers by delighting them every day with beautiful venues and operational excellence.

We are committed to providing exceptional service quality and were delighted that our most recent online reputation score (as measured using ReviewPro's Guest Rating Score) shows that our hard work is paying off. Overall, our online reputation score increased from 85.2% in 2016 (when several repositioning programmes commenced) to 87.3% in 2018. Within this, newly renovated hotels all show an increase in their Guest Rating Score with Park Plaza Victoria Amsterdam up 7.8% and Park Plaza London Riverbank up 6.2% compared to 2016.

Creating centres of excellence

In 2018, several of our restaurants were recognised with a number of accolades, including Time Out Love London Awards for Most Loved Local Music Venue for Primo Bar (at Park Plaza Westminster Bridge London) and Most Loved Local Restaurant for both Chino Latino (at Park Plaza London Riverbank) and Florentine (at Park Plaza London Waterloo).

We now in-source housekeeping services at our UK hotels both to ensure the highest levels of service are met and to provide control over attracting, developing and retaining people in this part of the business. This initiative offers our team members job security, training, career progression and personal development and all the benefits one would expect as a team member of an international hospitality business.

In 2018, we introduced an online energy monitoring tool and the intention is to roll this initiative out across the Group. The benefits are not only commercial but allow us to reduce our carbon footprint.

Developing our people

Our people are at the heart of our business, whether they are managing our hospitality assets or delivering consistent operational excellence across our portfolio.

We are proud to create a high performing culture where engaged team members deliver best in class operations through consistent service delivery.

The Group employs more than 4,100 team members of over 30 different nationalities. Our investment in our team members is reflected in the results of our annual employee survey, which measures engagement levels. In 2018, 93% of eligible team members completed the survey and we are delighted that the engagement index score for the year was 83.6%.

President & Chief Executive Officer's statement continued

Park Plaza Victoria Amsterdam
In the second half of 2018 we relaunched our Park Plaza Victoria Amsterdam property after a multi-million-pound investment.

Q&A with Boris Ivesha

Q –Why did PPHE Hotel Group start to present property performance indicators?

We have always had two pillars to our business model: real estate ownership and development and hotel operations. Unusually in today's hospitality industry, we own the vast majority of our properties and manage/lease/franchise the remainder. In the summer of 2018, our portfolio was independently valued at £1.6 billion, which represents an EPRA NAV per share of 24.57 as at December 2018.

We have a proven track record in generating strong returns to shareholders, through both dividend distributions and return on investments. In 2018 we further demonstrated this. For example, we expect Park Plaza Victoria Amsterdam to generate a double digit return on investment following the completion of our multi-million-pound repositioning programme. Our total dividend for 2018 saw an increase of 46% compared with 2017.

We are hoteliers at heart and the operating side of PPHE's business model is as equally important as our property side in terms of priorities and business objectives. Our approach is highly collaborative, enabling us to achieve a greater level of control in our operations and investment approach, and helps us to achieve our KPIs throughout the year.

Q – Looking back at 2018, which key milestone are you most proud of?

On 28 June 2018, we were delighted to announce the transfer of the Company's ordinary shares to the Premium Listing segment of the Main Market of the London Stock Exchange Group. This move created several benefits for shareholders and has enabled the Company to access a wider international investor audience. This was a key milestone for PPHE.

2018 has been another year of significant investment in our portfolio which continues to be a priority to the business and stakeholders as well as to myself and Eli Papouchado, our Chairman. Over the last three years, we have invested significantly in repositioning and redevelopment projects to upgrade the quality of our assets and improve the experience of our guests. In 2018, major projects were completed at Park Plaza London Riverbank and Park Plaza Victoria Amsterdam and looking ahead, we will remain focused on continuing to invest in our portfolio, alongside the development of the owned and managed art'otel london hoxton.

Q – Why do you refer to certain tasks as repositioning projects, as opposed to renovation projects?

Repositioning projects are major investment programmes. They reconfigure and renovate a property, creating a new identity which capitalises on changes in the property's area, targets a different audience and improves the experience the property offers our customers. In turn, this drives a step change in performance.

In contrast, standard renovation projects maintain and evolve our offer through redecoration and new soft furnishings.

All investment projects are focused on creating an appealing product as well as excellent service levels. This is why we continue to see such high levels of guest satisfaction and investment returns.

Q – What do you see as the biggest opportunities for PPHE and the hospitality industry in 2019?

Our people will always remain pivotal to the success of the business. From investment and creative framework planning, through service level and talent management training, to reward and recognition, our talent makes us who we are today.

With the launch of our new 'Accommodation Services' business unit in the United Kingdom earlier this year, we have ensured that all agency housekeeping team members are now fully integrated into the permanent PPHE operational team structure. I am confident that this change will improve our ability to attract team members and create a secure working environment for our workers. This new business unit creates an opportunity to leverage greater control and aids us in recruiting, retaining and growing our own talent while improving our guest experience.

The hospitality sector is dedicating a great deal of resources and investment to communicating the merits of working in the hospitality sector. Through its engagement and awareness campaigns, I see an opportunity for the next generation of team members to recognise hospitality as an attractive career to work in.

With my strengthened leadership team in place, including Daniel Kos as Executive Director and Chief Financial Officer and Greg Hegarty as our recently appointed Chief Operating Officer, I am confident that PPHE is in a strong position to provide attractive returns, strong cash flow generation and long-term capital appreciation.

"WE ARE PROUD TO CREATE A HIGH PERFORMING CULTURE TO DELIVER BEST IN CLASS OPERATIONS"

Leadership site visit
On location at Park Plaza Victoria Amsterdam whilst under renovation.

Like others operating in the hospitality sector, having a highly engaged workforce and attracting and retaining the right people is a key priority for us and crucial to our success. To this end, we have various initiatives in place to support our team's career development, to ensure we offer exceptional service to our customers and become a leading employer of choice. These initiatives include our award-winning Learning and Development programme, you:niversity.

We work with schools, colleges, key recruitment organisations and charities to support and encourage young people into careers in the hospitality sector and offer a variety of apprenticeships during the year.

Our work in this area was acknowledged when we won the Excellence in Promoting Careers award at the 2018 HR in Hospitality Awards for Excellence 2018.

Being part of our communities

We are committed to making a positive impact in the local communities in which we operate and ensuring that our operations are both ethical and sustainable. We foster positive relationships through job creation, the guest experience we deliver, as well as by fundraising and volunteering partnership activities to support the local community.

In 2018 we supported two charitable initiatives across all properties at an international level: THINK PINK!, a group-wide awareness campaign to support Breast Cancer Awareness Month, and 'Save tomorrow's trees today', supporting World Childhood Foundation and Nottinghamshire Wildlife Trust. In addition to Group-wide initiatives; charity, local community and volunteering projects took place in all our operating regions.

Outside of the financial contributions we make to our local communities via charity initiatives and fundraising, we work with a number of local organisations on a benefit basis. One example is this year we have hosted and supported the International Sound & Film Music Festival held at Park Plaza Histria Pula. The ISFMS festival focuses on the promotion of film sound and music as well as education and each year offers a programme composed of lectures, panels and workshops with international guests, music professionals from around the world. This year, for the first time in Croatia, European Camille Awards for the best film composers were awarded at the festival.

Global marketing capabilities

We have a multi-brand approach to our hospitality property portfolio which is a key driver of value for the Group. This enables us to develop and operate properties across several segments of the hospitality market, and to choose the most appropriate brand for each one in order to maximise returns from our hospitality assets.

The Group has an exclusive perpetual licence from the Radisson Hotel Group, one of the world's largest hotel groups, to develop and operate Park Plaza® branded hotels and resorts in Europe, the Middle East and Africa. This strategic partnership gives us many benefits, including access to its central reservation and distribution systems, powerful online and mobile platforms, global sales, reward programmes with more than 20 million members, marketing initiatives and buying power.

In addition, we own the art'otel® lifestyle brand (whose properties we also market through the partnership with the Radisson Hotel Group) and our majority-owned Croatian subsidiary operates several of its properties under the Arena Hotels & Apartments® and Arena Campsites® brands, both of which were created and launched in 2018. Arena One 99 opened in summer 2018 and Arena Hotel Holiday is the first property to be marketed under the Arena Hotels & Apartments brand.

→

President & Chief Executive Officer's statement continued

Our talented leadership team

Our Executive Leadership Team, which includes Daniel Kos, Executive Director and Chief Financial Officer, comprises highly talented professionals with extensive experience and a strong track record of success across the hospitality real estate industry. Each member has worked for PPHE Hotel Group for at least eight years, while several have progressed through the business, demonstrating our long-standing commitment to providing career paths for the development of our future leaders.

Greg Hegarty was appointed Chief Operating Officer in November 2018. Greg has more than 22 years' hospitality experience and has worked at PPHE Hotel Group for more than ten years. He has previously held other senior roles in the business. He now has overall responsibility for delivery of the Group's commercial and operational strategy.

Robert Henke was appointed Executive Vice President Commercial & Corporate Affairs, with responsibility for overseeing all the commercial activities, investor relations, Responsible Business strategy, brand development and management of the Group's strategic partnership with Radisson Hotel Group. Robert joined in 2001, initially developing and leading our central marketing, branding and ecommerce operations.

Jaklien van Sterkenburg continues in her role of Executive Vice President People & Culture | Head of HR to ensure we remain well-placed to attract, engage and retain team members. With more than 20 years of service, she is instrumental in driving our award-winning Learning and Development programmes and talent development and retention initiatives.

Inbar Zilberman continues to lead the Group's multi-jurisdictional legal, corporate governance, insurance, regulatory compliance and corporate finance activities. Inbar was appointed as General Counsel in 2010 and is a key member of the Leadership Team.

Daniel Pedreschi was promoted to Regional General Manager, UK, the largest region in which we operate. Daniel has more than 20 years' experience in the industry; prior to his promotion he was General Manager of Park Plaza Westminster Bridge London.

Nieske van Klinken-Riezebos, Regional General Manager in the Netherlands has more than 25 years' experience in the hospitality industry and is responsible for the operational and commercial success of the six hotels across the region.

From left to right:
1/Nieske van Klinken-Riezebos
Regional General Manager the Netherlands
2/Robert Henke
Executive Vice President Commercial & Corporate Affairs
3/Greg Hegarty
Chief Operating Officer
4/Daniel Kos
Chief Financial Officer & Executive Director
5/Inbar Zilberman
General Counsel
6/Jaklien van Sterkenburg
Executive Vice President People & Culture|Head of HR
7/Daniel Pedreschi
Regional General Manager, the United Kingdom

Our team members

I would like to personally thank each of our team members for their hard work, which brings life to the strategic and operational goals of the Company, during the year.

We are sincerely grateful for your commitment, professionalism and enthusiasm.

Current trading and outlook

Trading in 2019 has started well and is in line with the Board's expectations. As the year progresses, we expect to capitalise further on the benefits of the repositioning and redevelopment investment programmes completed in 2018.

The economic and political conditions inevitably bring a level of business uncertainty, notably the UK's impending departure from the EU which we are monitoring closely. Where possible, we have put precautionary measures in place, so we can take immediate action if required including, but not limited to, a supply chain perspective to ensure we can continue to provide our customers and guests with an excellent experience.

In addition, over the last couple of years we have refinanced our portfolio with fixed interest rate loans with a ten year duration so that we have appropriate funding in place to mitigate any cost pressures.

In the year ahead, we will remain focused on investing in our portfolio and continuing to transform and reposition some of our prime properties in London, Amsterdam and Croatia to enhance the guest experience we offer, while delivering attractive and consistent cash returns for investors.

I am confident that PPHE Hotel Group can continue to create and deliver strong stakeholder value this year and beyond.

Boris Ivesha
President & Chief Executive Officer

Our markets

European travel

We transform hospitality real estate potential into value and profits through identifying and creating development opportunities, primarily within European prime locations including London, Amsterdam, Berlin and Istria, Croatia.

With Europe cited as the largest global tourism market[1], we see major opportunities for further development across the continent in 2019 and beyond. We do this by acquiring properties which we believe have a significant upside potential and are prime assets within close proximity to major demand generators within leading European capital cities, urban markets and resort destinations.

STR Market forecast for 2019 (as of November 2018 release):

Berlin

RevPAR	ADR	Occupancy
€79	102	77%

Amsterdam

RevPAR	ADR	Occupancy
€126	155	81%

London

RevPAR	ADR	Occupancy
£125	152	82%

Source: STR

STR Global Actual RevPAR Growth 2018 over 2017:

London[1] +3%

Amsterdam[1] +4.7%

Berlin[1] +6.3%

Croatia[1] +8.9%

[1] RevPAR growth is actualised and is a like-for-like comparison. Percentage increase for London in GBP, Amsterdam and Berlin in Euros and Croatia in Kuna.

EUROPEAN WORKER RETENTION AND ATTRACTION

During 2018 there has been an increase in demand for skilled hospitality workers across our European operating regions. Notably, within the UK market which in part has been attributed to the decision by the UK to withdraw from the EU. This has put pressure on recruitment and retention, particularly in housekeeping and food service. Businesses must plan for all outcomes.

2018 initiatives

– Launch of Accommodation Services in 2018, a UK business unit which has enabled us to promote from within and in-source housekeeping to provide long-term stability for our team members and business
– Introduction of Rosetta Stone language course across all regions to develop language skills to ensure that staff understand the key languages of our guests
– Launch of the Apprenticeship programme to meet increasing demand for skilled workers in the sector

DIGITALISATION

2018 has continued to be a year for companies tailoring the guest experience to the expectation of the digital traveller. Brands have needed to demonstrate agility and flexibility in their technology offering and how its products are marketed through online channels.

2018 initiatives

– WiFi improvement across the portfolio
– In-room entertainment enhancement
– Collaboration with Radisson Hotel Group to introduce new brand website platform (anticipated 2019 launch)
– Increase in our collaboration with our online travel agent partners which enables our properties to be featured in a wider distribution net – e.g. Radisson Hotel Group's new partnership agreement in 2018 with Ctrip.com provides further access to Asia Pacific markets

THE CUSTOMER IS ALWAYS RIGHT

With social media the go-to feedback, research and peer-to-peer review channel, brands have had to adapt their online behaviour to focus on social media as the first port of call to respond to queries while proactively driving buying decisions and affecting guest behaviour. How can international brands ensure that they remain at the forefront of customer service?

2018 initiatives

– A new partnership with ReviewPro was launched in 2018 to manage PPHE's Online Reputation Management and Guest Satisfaction in one centralised platform
– PPHE's senior management structure saw two new areas of responsibility created within the commercial function, focusing on Guest and Customer Experience – a range of new initiatives will be planned in 2019

GROWING SUPPLY

With European cities continuing to be of major interest to developers and new room options including homeshare businesses such as Airbnb, guests continue to be presented with a wide range of lodging and hotel options. For hospitality companies and especially those with a strong European presence, that means competition increases.

2018 initiatives

– We continue to investigate ways to attract and retain guests in London's South Bank area including the introduction of additional rooms and facilities in 2018 to ensure our properties are constantly of a high standard in a competitive market
– We invested heavily in our renovation and repositioning pipeline in 2018 and for example introduced newly repositioned products at Park Plaza Victoria Amsterdam and Park Plaza London Riverbank and progressed works at Park Plaza Vondelpark, Amsterdam and Park Plaza Sherlock Holmes London

Our business model and priorities

Transforming hospitality real estate potential into value and profits

Our purpose

Our purpose is to create valuable memories for our guests and value for our assets.

What we do

We recognise and develop opportunities to reach full potential. We delight our guests every day, through engaging service and quality products in inviting places.

How we do it

By valuing team members ('creators'), and by continuously investing in opportunities and our portfolio, which is designed and maintained with passion.

Key sources of value

- **Prime property portfolio**
- **Our people**
- **Multi-brand approach**
- **International network**
- **Financial strength**

Our business model

Our integrated model has driven significant value.

1 We purchase properties
We typically acquire properties which we believe have significant upside potential

2 We develop properties
We (re)develop and redesign our acquired assets, drawing on the skills of our experienced senior management team, with specialists in every relevant discipline

3 We improve operating performance
We strive for operational excellence, creating significant value at every point in the value chain

4 We refinance our portfolio and fund new investments
Through refinancing our properties, we are able to release capital for new investments, enabling the further growth of our Group

Strategic agenda

We have a clear strategy to drive growth and long-term value.

Property
- Disciplined, yield focused capital deployment
- Optimise the value of the existing portfolio
- Extract value from portfolio to fund further growth
- Long-term sustainability

Operations
- Consistently deliver the refreshed intended guest experience across our properties
- Maintain high operating margins
- Leverage our scale and inter-regional synergies

Strategic priorities

Our focused approach will ensure that we deliver on our strategy.

Property
- Deliver all ongoing projects and expand pipeline
- Deploy capital in projects and new properties meeting our yield profile
- Mature recent openings and repositioned and renovated properties to generate targeted yield profile
- Implement target-based sustainable business strategy 'Responsible Experiences'

Operations
- Develop a high performing culture, where engaged teams are empowered to create valuable memories for our guests and value for our assets
- Improve the overall guest experience through creating valuable memories
- Focus on total revenue generation with solid profit conversion
- Implement target-based sustainable business strategy 'Responsible Experiences'

Performance management

Our KPIs and targets.

Property
- EPRA NAV
- EPRA EPS
- Net investment yield
- Net return on shareholder capital

Operations
- EBITDA and EBITDA margin
- RevPAR
- Employee engagement
- Guest Rating Score (GRS™)

The value we create for our stakeholders

Investors
Our shareholders benefit from the attractive industry dynamics of the markets in which we operate as well as our flexible business model, developments and operating skills, in the form of progressive dividend payments

Team members
We offer rewarding international employment opportunities for over 4,100+ team members with continuous investment in training programmes

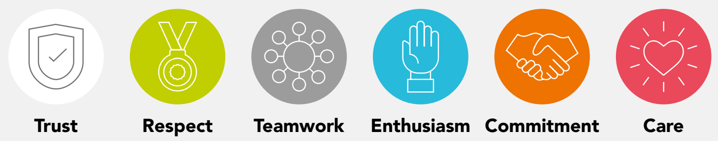
Customers
We offer unique hospitality experiences in vibrant destinations with our high quality products and services

Suppliers
As an owner/operator, long-term sustainability and ethical operations are high on our agenda including supply chain management and the development of long-term relationships with strategic partners, many of whom are local

Communities
We care about our neighbourhoods and make positive contributions to our local communities and the people who work and/or live there through fundraising activities, employment opportunities, volunteering and local resourcing partnerships and charities

Underpinned by our people, values and culture

The Group's leadership culture is one of connecting, inspiring, innovating and empowering and we foster an environment based on:



Our business model in action

CREATING DESTINATIONS

EXPERIENCE AMSTERDAM

Read more – See pages 24–27

A NEW SOUTH BANK

Read more – See pages 28–31

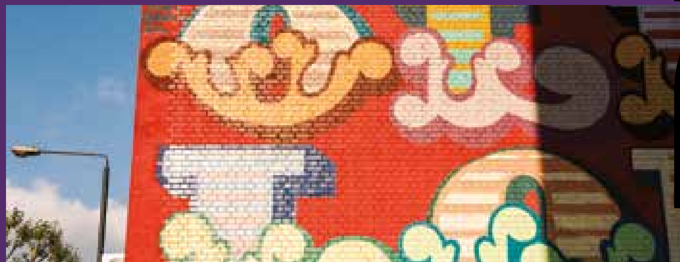
GLAMPING'S NEW WAVE

Read more – See pages 32–35

MADE IN SHOREDITCH

Read more – See pages 36–39

As a hospitality real estate group, our purpose is to create value for our property assets through creating valuable memories for our guests that inspire them to return. Whenever we acquire a new site, we look beyond the horizon to imagine the future. By developing unique concepts and properties, we create consistent returns for our investors.



EXPERIENCE AMSTERDAM

Creating destinations: Our business model in action continued

EXPERIENCE AMSTERDAM

Amsterdam is the most attractive hotel investment destination in Europe, according to Deloitte's 2018 European Hotel Investment Survey. It comes as no surprise, then that PPHE Hotel Group decided to focus on repositioning perhaps Amsterdam's most widely known property: Park Plaza Victoria Amsterdam.

Park Plaza Victoria Amsterdam reigns as the Dutch region's repositioning project of 2018

Originally opened in 1880, Park Plaza Victoria Amsterdam was named after the then Queen Victoria and soon became known as 'the' hotel to be seen in. Hosting some of the world's most iconic celebrities, including Louis Armstrong and Mata Hari, the glamorous hotel, situated opposite Amsterdam's Centraal Station and at the centre of the city's shopping and dining district, became the catwalk venue of choice for many international designers, including Christian Dior and Nina Ricci to name but two.

Having owned and operated the property since 1993, we identified an opportunity to significantly re-create and transform the design and product within Park Plaza Victoria Amsterdam to allow the hotel to continue operating in the successful footsteps of previous trading years. Plans were plentiful and construction began with a design brief to complement the hotel's fashionable history and in line with the progressive stylish interiors of the latest Park Plaza properties in London and Nuremberg, while respecting and retaining the historical architecture and long-standing charm.

Exuding sophistication and elegance, the hotel was relaunched in September 2018, showcasing 298 redesigned guestrooms and meeting rooms. A new bar, VIC's BAR, and destination restaurant, Carstens, a Dutch brasserie concept by Maik Kuijpers, opened in February 2019.

The opening event in September was a nod to the fashionable history of the hotel and a collaboration with Amsterdam Fashion Week which generated footfall from well-known influencers, multiple glossy media spreads and ongoing international and local media trips.

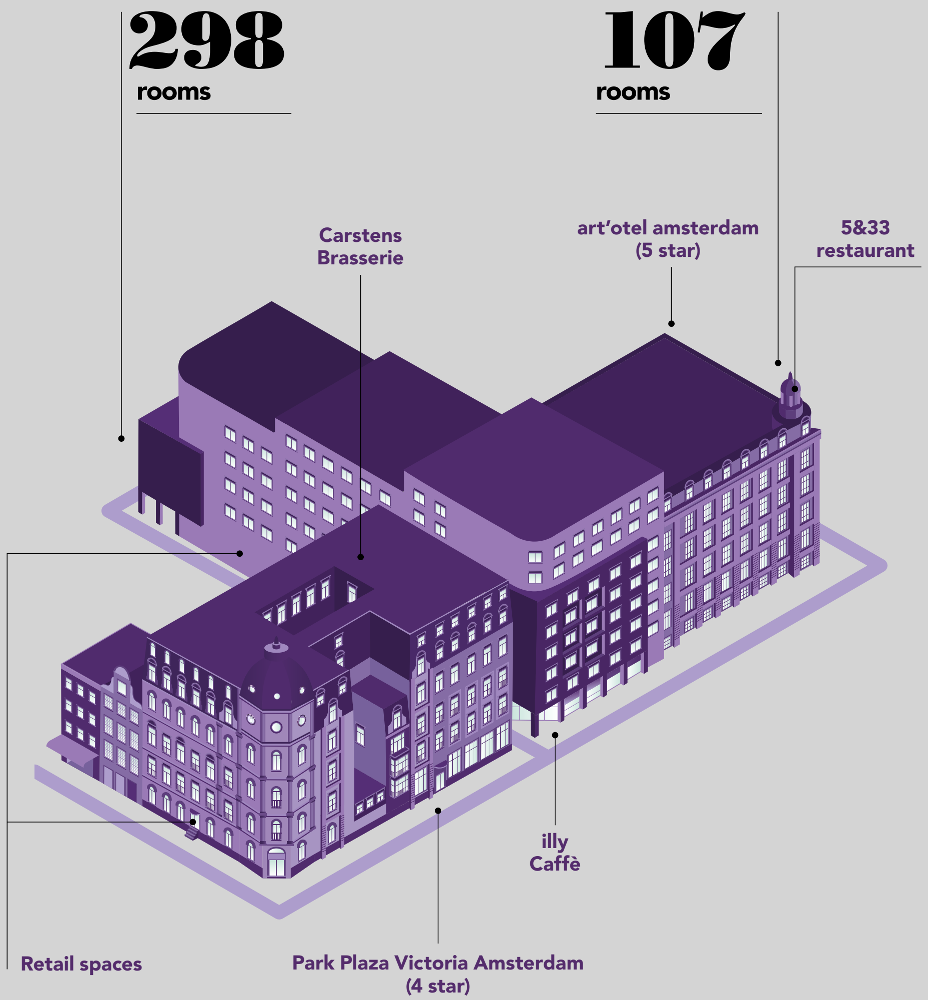
We are on track to see a 10% return on our original investment of £20 million which we expect to see towards the end of 2019. Guest feedback has been outstanding with a Guest Rating Score (GRS™) of 88.6% in 2018 – representing a 3.1% increase from 2017 and a 7.8% increase from 2016 when the repositioning programme commenced.

How we build value

Keeping our vision up to date

At a glance

- Repositioned hotel completed 2018
- All rooms refurbished in 2018
- New meeting rooms
- New reception area, bar and lounge
- New Carstens Brasserie opened February 2019
- Amsterdam Fashion Week Partnership for launch event theme
- WeAreAmsterdam marketing campaign promoting Park Plaza Victoria Amsterdam and art'otel amsterdam's unique offering

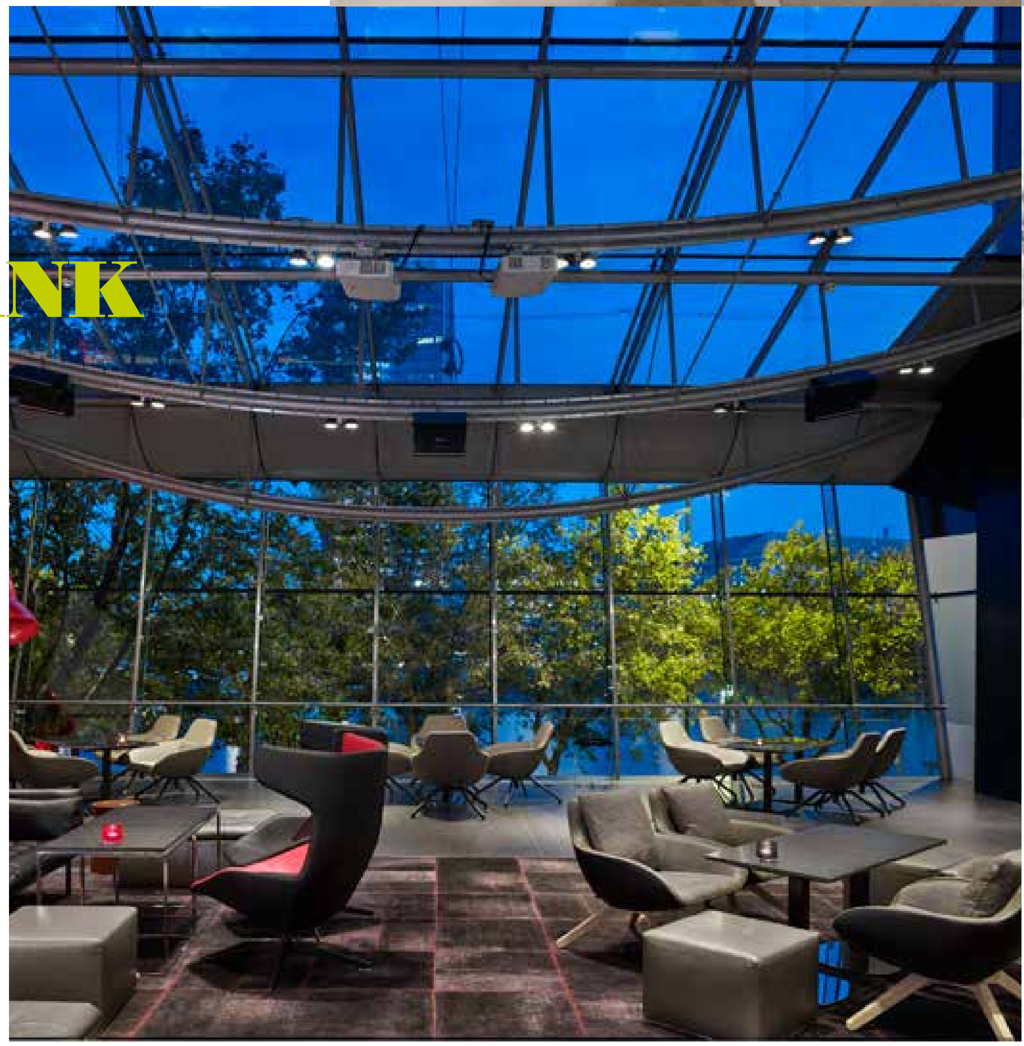


A NEW SOUTH BANK

Park Plaza London Riverbank

A NEW SOUTH BANK

London's South Bank is an area vibrant with culture, regeneration and business and has something for everyone; whether you are hosting a conference or visiting the world-famous London Eye, London Dungeons or National Theatre. PPHE Hotel Group spotted an opportunity to be one of the first international hotel developers in the area and opened the now internationally recognised Park Plaza Westminster Bridge London in 2010. 2018 has been a further year of growth in the South Bank area for the Group.



Park Plaza London Riverbank shines as the UK repositioning star for 2018

South Bank was chosen as the site of the Festival of Britain in 1951. The new millennium saw the arrival of possibly one of London's most iconic attractions: the London Eye.

Park Plaza London Riverbank first opened its doors on the South Bank in April 2005. Situated on the banks of the River Thames overlooking Tate Britain, it became a firm favourite with tourists, meeting delegates and corporate bookers alike. Its proximity to the Victoria Tube line (Vauxhall Station) and ten-minute walk to Westminster and the surrounding cultural buzz of the South Bank saw it earmarked by us in 2016 for a repositioning project.

Now fully completed, the hotel's repositioning programme included the creation of an additional seven floors of accommodation, reconfiguration of existing rooms, new meeting rooms, a new location for the award-winning Chino Latino restaurant, a 12th floor Executive Lounge and the addition of a spa with indoor swimming pool.

The South Bank itself continues to grow, with Waterloo Station set to increase by 30 million passengers to 130 million a year over the next five years, plus the redevelopment of Elizabeth House – a nearby 1960s office building – delivering world-class new office space supporting an additional 13,000 jobs.

Continued investment is going into the South Bank's neighbouring boroughs and vicinities: Vauxhall, Nine Elms and Battersea (where art'otel london battersea power station is in the pipeline) are expected to see additional regeneration with more than 18,000 new homes, 22,000 new jobs, a £1 billion extension to the Northern Tube line, improved social infrastructure and 50 acres of new public space.

In terms of guest feedback, the hotel reached an impressive 89.2% GRS™ in 2018 – representing an increase of 1.6% from 2017 and 6.2% from 2016 when the repositioning programme commenced.

Sources
lambeth.gov.uk/housing/regeneration/vauxhall-nine-elms-battersea-vneb-regeneration-guide
southbanklondon.com/history

How we build value

Keeping our vision up to date

At a glance

– Seven floors added to the property
– An additional 185 rooms created
– Indoor swimming pool and Spa added
– Chino Latino Restaurant & Bar located on the first floor
– Executive Lounge with panoramic views

646 rooms and suites

21 floors

new spa and pool

2 restaurants

including 1 river view restaurant

GLAMPING'S NEW WAVE

Arena One 99

Creating destinations: Our business model in action continued

GLAMPING'S NEW WAVE

The heart shaped peninsula of Istria in northern Croatia boasts a plentiful number of secluded spots, crystal blue sea and an abundance of sporting facilities for both professionals and tourists. Arena Hospitality Group ('Arena'), in which PPHE Hotel Group has a controlling ownership interest, recognised an opportunity to create Croatia's first all-glamping resort, and so went on to open Arena One 99 in June 2018.

Shining on a successful first season for Croatia's first all-glamping site

Located in the peaceful village of Pomer, Pula in southern Istria and originally a limited service campsite, Arena spotted an opportunity to convert the pitches into glamping sites and create the country's first luxury all-glamping resort in June 2018.

The site stretches over more than four hectares and is surrounded by nature with the very best facilities, including a private beach, open air wellness area, paddle board yoga, two beach bars and an illy Caffè. Arena One 99 offers tents to sleep up to six people with added luxury levels within the additional categories of Premium two bedroom safari loft tents and Premium three bedroom safari tents. All tents benefit from air conditioning, Wifi, bathroom, televisions and luxurious linen and amenities.

With media flocking to review the site, including international main titles such as the UK Metro, Stylist, The Sun and various titles in its main source market of Germany, it is no wonder that the site had high occupancy during the period it was open. Istria as a region continues to soar in success, with UK visitor numbers alone up by 10% compared with 2017, due in part to the increase in airlines flying direct to Pula, and also that it is continuing to be seen as a strong alternative to the main European beaches of Italy and Spain and resort holidays in Egypt, Turkey and Tunisia.

In October 2018 Arena One 99 Glamping was awarded Croatian campsite of the year at the Tourist Flower Awards of the Croatian National Tourist Board. The 2018 season also saw an average Google rating of 4.4 out of 5 and an average TripAdvisor rating of 4 out of 5 for the first season. In 2019, Arena One 99 is expected to open mid-April for its first full season operations.

183
luxury glamping tents

How we build value

Keeping our vision up to date

At a glance

- Complete transformation of campsite
- First all-glamping campsite in Croatia
- 183 glamping tents
- Pedestrian friendly site
- Kids club
- Four restaurants and bars
- 2019 will see the introduction of a new beach area

MADE IN SHOREDITCH

Creating destinations: Our business model in action continued

MADE IN SHOREDITCH

The first two London theatres were built in Shoreditch – The Theatre and The Curtain Theatre. Shoreditch became the ample home of theatre and tomfoolery as the Lord Mayor prohibited such plays to be performed within the City walls.

art'otel selects the Shoreditch area as one of the first UK destinations to launch the art-centric lifestyle brand

Shoreditch was given an injection of visitor demand around the time of the London 2012 Olympic and Paralympic Games.

Bridging The City, Bethnal Green and Haggerston and situated within the London Borough of Hackney, Shoreditch has historically been described as 'somewhat rough around the edges' but is now recognised as increasingly 'edgy', 'creative' and 'hipster'. As of 2017, 269,000 people live in Hackney, an increase of 33% in 15 years. Shoreditch and its neighbour Hoxton became a clear development contender for us to open our art-inspired lifestyle hotel concept in the UK: art'otel.

The luxury lifestyle art'otel amsterdam opened in October 2013 with a bang. People queued to get a glimpse of the most hotly anticipated opening in Amsterdam that year. The hotel and destination cultural space 5&33, which includes a kitchen, bar, lounge, library and gallery, was the first of its type in the cosmopolitan city and was embraced fully, with the restaurant tables being turned two to three times a night!

It was clear that the art'otel brand was going to be a lifestyle brand to watch.

Fast forward to 2019, Shoreditch is now recognised as the third largest technology start-up cluster following San Francisco and New York City. Shoreditch, aka Silicon Roundabout, is a leading cultivator of the art, fashion, tech and culture scenes – a place to see and be seen.

Demonstrated by the success of the South Bank journey, PPHE Hotel Group, a seasoned discoverer of the next area for regeneration, worked closely with Hackney Council and developers to gain planning permission to introduce a mixed-use scheme offering hotel, restaurant and bar, and potential retail and co-working space. The hotel and concepts will be operated as art'otel with the construction planning process crucial in integrating the local community and businesses, including the then-trading Red Gallery, and being part of Hackney's regeneration and improvement of the site and thus the area itself.

The Company completed an acquisition from its joint venture partner of its 50% interest in the company which owns the site on which art'otel london hoxton is to be developed, on 20 March 2018. As a result we are now in the driving seat when it comes to creating its own construction timetable and pre-opening planning for the site.

Sources
galliardhomes.com/investor-information/investor-guides/guide/20-facts-about-shoreditch
Hackney Borough Council Corporate Plan: hackney.gov.uk/corporate-plan

art'otel london hoxton development site

Strategy at a glance
Strategic progress for 2018

Property

Strategy
Deliver all ongoing projects and existing pipeline

Performance in the year
We successfully completed our scheduled renovations across Europe, including the repositioning of Park Plaza Victoria Amsterdam and Park Plaza London Riverbank. We also launched Croatia's first all-glamping offering, Arena One 99.

Risks linked to strategy
- Development projects
- UK's withdrawal from the European Union (Brexit)
- The Group's borrowings
- Capital required to maintain product standards

Looking forward
Continued focus on maturing product performance directly after repositioning and re-launch. Continue to work with construction partners to ensure projects are completed to a high standard, on time and on budget. The focus continues on two repositioning projects currently underway; Park Plaza Sherlock Holmes London and Park Plaza Vondelpark, Amsterdam both due to launch to markets H2 2019 along with two new build art'otels in desirable locations within London, expected to open 2022.

Strategy
Deploy capital in projects and new properties meeting our yield profile

Performance in the year
First phase renovation for Park Plaza Victoria London commenced in 2018 with completion expected in H2 2019. Repositioning projects for Park Plaza Vondelpark, Amsterdam, Park Plaza Utrecht, Park Plaza Sherlock Holmes London and Arena Kažela Campsite Medulin commenced in 2018 with all projects expected to be completed in H2 2019. In addition, preliminary construction works commenced on the development of art'otel london hoxton, following the acquisition of the remaining 50% joint venture interest earlier this year. Repositioning projects expected to commence in 2019 include among others Hotel Brioni and Verudela Beach Resort. In 2018 we identified a substantial number of opportunities and went on to evaluate 145 of which we submitted proposals for approximately 10%.

Risks linked to strategy
- Development projects
- UK's withdrawal from the European Union (Brexit)
- The Group's borrowings
- Capital required to maintain standards
- Foreign exchange rate fluctuations

Looking forward
Our current pipeline of new hotels includes two iconic developments in London, scheduled to open in 2022/2023. These are art'otel london hoxton (wholly-owned) and art'otel london battersea power station (management agreement). While the Group's focus will continue to be on repositioning and developing the Group's existing portfolio and committed pipeline, we are in an unprecedented strong cash position to consider further asset acquisitions to broaden our portfolio.

Strategy
Mature recent openings and repositioned and renovated properties to generate a targeted cash return on EPRA NAV

Performance in the year
Trading improved for the Group for the year ended 31 December 2018 with Park Plaza London Waterloo and Park Plaza London Park Royal providing first full-year contributions as the properties mature. Park Plaza Victoria Amsterdam, following its successful repositioning, is on track to deliver a positive return on investment with an increase in average room rate.

Risks linked to strategy
- Fixed operating expenses
- The Group's borrowings
- Market dynamics
- Hotel industry risks

Looking forward
Continued focus on maximising return as assets mature and establish their presence in the market.

Performance management
- EPRA EPS
- Net return on shareholder capital
- Net return on EPRA NAV

Strategy
Implement target-based sustainable business strategy 'Responsible Experiences'

Performance in the year
In 2018, we launched Responsible Experiences, our Responsible Business programme. We have defined a dedicated strategy and four pillars reflecting key areas of activity and focus for the year ahead in support of overall guest experience and future proofing. In 2018, we reviewed all activities to be measured in the Group as part of our programme along with the scoping out of our proposed targets and KPIs; both of which we intend to launch in 2019. We became a supporter of the International Tourism Partnership in 2018 and plan to progress our activities and collaborations with this key partner in 2019.

Risks linked to strategy
- Market dynamics
- Hotel industry risks
- Compliance with laws
- Capital required to maintain product services

Looking forward
In 2019 we intend to further progress our Responsible Experiences programme and ensure that targets and measurements are finalised, launched and consistently measured across the portfolio.

Operations

Strategy
Develop a high performing culture where engaged teams are empowered to create valuable memories for our guests and value for our assets

Performance in the year
2018 has seen an increased number of team members participating in our employee engagement survey and our engagement scores for 2018 remained high. The Group continues to invest in award-winning European training programmes for our team members with 2018 wins including Best Student Placement Programme of the Year 2018 (Institute of Hospitality Awards for Excellence 2018) and Excellence in Promoting Careers (HR in Hospitality Awards for Excellence 2018). We also work with external parties, including The Prince's Trust, by hosting its 'Get Hired' event to bring young people and businesses together, where we saw the highest number of young people to date in attendance. Our guest satisfaction scores have continued to increase year-on-year, with our highest performing hotels for Guest Rating Scores (as measured by ReviewPro) being Park Plaza Arena Pula (92.2%), Park Plaza Westminster Bridge London (92.1%), Park Plaza Nuremberg (90.7%) and art'otel berlin mitte (90.2%).

Performance measurement
- Employee Engagement
  - 2018 saw a total increase of 453 participants compared to 2017 (3,321 v 2,868 – PPHE Hotel Group and Arena Hospitality Group combined)
  - engagement score of 83.6%

Risks linked to strategy
- Fixed operating expenses
- Market dynamics
- The Park Plaza® Hotels & Resorts brand and reservation system
- Information technology and systems

Looking forward
We will expand and evolve a number of Learning & Development programmes in 2019 including Inspiring Leaders Programme Level 5 for our future leaders and Step Up Hospitality Supervisor Level 3, both mapped to the Apprenticeship Standard and accredited by the ILM.

Investments in refurbishments and repositioning projects are expected to influence guest satisfaction scores.

Strategy
Improve the overall guest experience through creating valuable memories

Performance in the year
In 2018, we started utilising ReviewPro, benefiting from a global Radisson Hotel Group agreement, to aggregate and monitor guest feedback. Utilising this tool we engage with customers and also integrate their feedback into our award-winning training programmes. At the end of 2018 we introduced a greater focus for Brand Marketing and Guest Experience to enhance the guest journey. Creating vibrant restaurant and bar experiences continued to positively enhance the guest experience.

Performance measurement
- Overall, our online reputation (as measured in the form of Guest Rating Score) increased from 85.2% in 2016 (when several repositioning programmes commenced) to 87.3% in 2018

Risks linked to strategy
- Capital required to maintain product standards
- Market dynamics
- Information technology and systems
- The Park Plaza® Hotels & Resorts brand and reservation system

Looking forward
Ongoing investment programme for team members and properties, along with continued focus on Guest Rating Scores across all properties are expected to deliver improved guest satisfaction and RevPAR growth. We have restructured the Brand Marketing department to have a greater focus on reviewing guest feedback and aligning our operating standards to maximise efficiencies to further enhance guest satisfaction.

Strategy
Focus on total revenue generation with solid profit conversion

Performance in the year
PPHE Hotel Group continues to benefit from Radisson Hotel Group and its brand repositioning in the hotel market with its newly launched loyalty programme Radisson Rewards (previously Club Carlson). In 2018, we undertook a commercial department restructure to improve consistent performance throughout the Group. Consolidation of supply chain and central procurement system used to track, implement and monitor KPI across the Group was also maximised.

Performance measurement
- EBITDA and EBITDA margin
- RevPAR

Risks linked to strategy
- Fixed operating expenses
- UK's withdrawal from the European Union (Brexit)
- Market dynamics
- The Park Plaza® Hotels & Resorts brand and reservation system
- Hotel industry risks

Looking forward
With investments made in our portfolio and team members throughout 2018, we believe a solid base has been established to grow further. Operational efficiencies including centralising certain key corporate/regional teams or functions, consolidating our supply chain further, implementing automation and growing the top line will all contribute to enhanced margins.

Principal risks and uncertainties

Material factors impacting our business

Risk and impact	Mitigation	Grading	Year-on-year
Market dynamics			
The travel industry has changed considerably in recent years as a result of changes in travel patterns, the emergence of low-cost airlines and online travel agents, new technologies, and changes in customer booking behaviour and travel expectations. Difficulties identifying trends and responding to changes in customer demands and preferences (e.g. digital and mobile) could threaten the Group's brand alignment with its customers' expectations	The Group invests in areas such as connectivity to third parties, distribution and marketing of its products, e-commerce and technology. The Group further mitigates this risk by working closely with Radisson Hotel Group, ensuring that global trends are identified and acted upon in a concerted manner, whilst benefiting from the scale, negotiating power, knowledge and skills that our global partnership brings. Executives and managers regularly attend seminars, workshops and training to ensure that their knowledge is kept up to date.	Medium	—
Information technology and systems			
The Group is reliant on certain technologies and systems for the operation of its business. Any material disruption or slowdown in the Group's information systems, especially any failures relating to its reservation system, could cause valuable information to be lost or operations to be delayed. In addition, failure of information systems to adequately protect data could result in a potential loss. Difficulty in defining and implementing an enterprise-wide IT and data strategy might impair the Group's ability to achieve its strategic goals.	The Group invests in appropriate IT systems to build as much operational resilience as possible. Furthermore, a variety of security measures are implemented in order to maintain the safety of personal customer information. The Group has also put in place an IT/cyber insurance policy.	High	—
Hotel industry risks			
The Group's operations and their results are subject to a number of factors that could adversely affect the Group's business, many of which are common to the hotel industry and beyond the Group's control, such as global economic uncertainties, political instabilities and an increase in acts of terrorism. The impact of any of these factors may adversely affect management's ability to execute an operating plan to achieve the Group's strategic goals.	Although management continually seeks to identify risks at the earliest opportunity, many of these risks are beyond the control of the Group. The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises and takes steps to minimise these exposures to the greatest extent possible.	High	—
Fixed operating expenses			
The Group's operating expenses, such as personnel costs, the impact of the Living Wage in the United Kingdom, property taxes, operating leases, IT and telecommunications, are to a large extent fixed. As such, the Group's operating results may be vulnerable to short-term changes in its revenues.	The Group has appropriate management systems in place (such as staff outsourcing) in certain regions which are designed to create flexibility in the operating cost base so as to optimise operating profits in volatile trading conditions.	High	—

Building on the risk areas described in the previous section, the following table shows the value we create, the material factors, and the metrics we use to assess progress.

Change year-on-year

↑ Increased
— Unchanged
↓ Decreased

Grading

High
Medium
Low

Risk and impact	Mitigation	Grading	Year-on-year
The Group's borrowings			
The Group is exposed to a variety of risks associated with the Group's existing bank borrowings and its ability to satisfy debt covenants. Failure to satisfy obligations under any current or future financing arrangements could give rise to default risk and require the Group to refinance its borrowings. In addition, some of the Group's financing arrangements contain cross-collateralisation and therefore there is a risk that more than one property may be affected by a default under these financing arrangements. The Group uses debt to partly finance its property investment. By doing so, the Group leverages its investment and is able to acquire properties without raising equity. Leverage magnifies both gains and losses, and therefore the risk of using leverage is that the loss is much greater than it would have been if the investment had not been leveraged. The risk exists that interest expenses and default on debt covenants negatively impact shareholder value and return.	The Group's internal Treasury Management monitor the financial covenants regularly. In addition, as part of the financial planning procedures, a three-year forecast is prepared which incorporates sensitivity tests for meeting the covenant ratios. The Board monitors the Group's funding needs in accordance with future plans.	High	↑
Compliance with laws			
The Group must comply with regulations and legislations in the various jurisdictions where it operates. Exposure is similar to other companies with cross-jurisdictional operations and a global customer base. However, such risks expose the Group to potential: reputational damage; financial penalties; and costs each of which could have a material adverse effect.	The Group has a well-resourced Legal Team which continuously monitors compliance with existing regulations, implements regular staff training, offers a point of contact to all staff to report a concern or raise a question and regularly reviews their compliance and governance policies and their implementation. Additionally, the General Counsel is in regular consultation with the Board of Directors and Executive Team on any material concerns or changes to compliance strategy to ensure Board and Executive Committee engagement in compliance matters.	Medium	↑
The Park Plaza® Hotels & Resorts brand and reservation system			
The Group's rights to the Park Plaza® Hotels & Resorts brand stem from a territorial licence agreement with Radisson Hotel Group, pursuant to which the Group has the exclusive right to use (and to sub-license others to use) the Park Plaza® Hotels & Resorts trademark in 56 countries within the EMEA region. This agreement also allows the Group to use Radisson Hotel Group's global central reservation system, participate in its various loyalty schemes and have access to global distribution channels connected to its central reservation system. Failure to maintain these rights could adversely affect the Group's brand recognition and its profitability. The Group is also dependent on Radisson Hotel Group to invest in the further development of its global reservation system and associated technologies and infrastructure. The Park Plaza® Hotels & Resorts outside of the EMEA region are managed or franchised by Radisson Hotel Group directly, and failure at its end to control and maintain a similar quality level of hotels may have a detrimental effect on the reputation of the Park Plaza® Hotels & Resorts brand and the hotels operating under the brand name.	The Group's rights to use the Park Plaza® Hotels & Resorts brand and Radisson Hotel Group's central reservation system are in perpetuity. This unique and exclusive partnership is reinforced by the Group's continued focus on operational efficiency and portfolio growth through its intensified cooperation with Radisson Hotel Group. To ensure that the Group's interests are represented, several of its executives and managers participate in collaborative groups initiated by Radisson Hotel Group to discuss, review and optimise the collective performance in areas such as sales, loyalty marketing, brand development, partnerships, e-commerce and distribution.	Low	↓

Principal risks and uncertainties continued

Change year-on-year

↑ Increased
— Unchanged
↓ Decreased

Grading

○ High
○ Medium
○ Low

Risk and impact	Mitigation	Grading	Year-on-year
Development projects			
The Group has various ongoing development projects which are capital intensive. These development projects may increase the Group's expenses and reduce the Group's cash flows and revenues. If capital expenditures ('capex') exceed the Group's expectations, this excess would have an adverse effect on the Group's available cash. There is a risk that such developments may not be available on favourable terms, that construction may not be completed on schedule or within budget, and that the property market conditions are subject to changes in environmental law and regulations, zoning laws, and other governmental rules and fiscal policies.	The Group tends to enter into fixed price turn-key contracts in respect of its developments in order to minimise the risk of cost overrun. The Group draws on its previous experience in running and managing developments to manage potential development risks.		↑
Capital required to maintain product standards			
The Group owns and co-owns many of its hotels. As is common in owning hotels, this business model requires capital to maintain the high quality level of the products and facilities offered. In addition to maintenance costs and capex, the Group may be exposed to disruptions in revenue if hotels are to be (part) closed for product improvements.	The Group focuses heavily on preventative maintenance across its portfolio and employs engineers and technicians to ensure that its hotels are maintained to a high standard. In addition, as part of its operating agreements, the Group has capex reserves for each hotel to invest in medium to large renovations and replacements of technical installations. To minimise short-term revenue displacements due to renovations, the Group develops – prior to undertaking such renovations – detailed renovation planning programmes which take into account factors such as hotel closures, phased approaches, seasonality and demand patterns.		—
UK's withdrawal from the European Union ('Brexit')			
The success of the Group's business is partially attributable to the efforts and abilities of its workforce, as well as the Group's ability to deliver high quality service levels with the right products and goods delivered on time. Uncertainty over the Brexit negotiations, a high turnover of team members and volatile trading conditions or delays to goods coming into the UK may threaten the consistent delivery of this service level.	The Group has put in place contingency and recovery plans from a supply chain perspective, as well as a financing perspective to minimise disruption to Group's UK operations experience in the immediate aftermath of the UK's departure from the EU. There is a level of uncertainty, and many of the factors that could adversely affect the Group's business such as political instabilities are beyond the Group's control but factors in its control such as its ability to continue to recruit and retain talent have been mitigated and appropriate systems are in place for recruitment, reward and compensation and performance management.		↑
Foreign exchange rate fluctuations			
The exchange rates between the functional currency of the Group's subsidiaries operating inside the Eurozone, and the Croatian Kuna and Pound Sterling (the reporting currency for the purposes of the consolidated financial statements) may fluctuate significantly, affecting the Group's financial results. In addition, the Group may incur a currency transaction risk in the event that one of the Group companies enters into a transaction using a currency different from its functional currency.	The Group eliminates currency transaction risk by matching commitments, cash flows and debt in the same currency. After due and careful consideration, the Group decided not to hedge this currency risk.		↓

Viability statement

In accordance with provision C.2.2 of the Corporate Governance Code, the Directors have assessed the prospects of the Group over a longer period than the 12 months required by the going concern provision. This is the first longer term viability statement the Directors have included in the annual report.

The Group developed an annual business planning process, which includes a robust three-year plan that takes into consideration the company's strategy, the principal risks and the current market conditions. This plan will be reviewed and approved each year by the Board following which it will be cascaded down across the Group and provides the basis for strategic actions taken across the business.

In addition, as part of its annual business planning process, during the year, the Group commenced a risk assessment, in conjunction with the Group's auditor, in which risks were identified and assessed by the senior executives using a combination of a likelihood and occurrence scales. The identified risks were documented in a principal risk schedule with the risks expected to have the most impact on the Group outlined on page 42. The principal risk schedule was approved by the executive management team and the Audit Committee.

The Group's viability assessment is based on the three-year financial forecast, which is directly linked to the three year financial forecast, adjusted with principal risks that are assumed to crystallise in parallel during the assessment period.

The principal risks' effect on the Group is quantified throughout the three-year financial forecast by applying the following stress testing:

– Decrease in average daily rate;
– Decrease in occupancy;
– Decrease in EBITDA margin;
– Increase in development projects investments;

A decrease in average daily rates and occupancy can result from a range of principal risks in the hospitality sector including, but not limited to, a failure to maintain a competitive pricing position due to changes in market dynamics, failure to maintain brand rights and a disruption in information systems. A decrease in EBITDA margin can result from an increase in fixed costs and operational costs. An increase in development costs is linked to the principal risk of overruns in respect of ongoing development projects and the capital required for maintaining product standards. In should be noted that development costs associated with the art'otel london hoxton project, which is expected to open in 2022, are not included in the financial forecast as this project is still in a preliminary stage and management anticipate that the development costs will be financed by third party facilities and therefore should not materially affect the Group's net cash and cash flows.

The stress tests were evaluated for various outcomes including the impact on the Group's net cash, cash flows, property fair values and the impact of a parallel crystallisation of the above mentioned stress tests on the Group's financial covenants. The underlying assumption for any potential breaches in covenants was that the company will repay part of the loan principal in order to comply with those covenants. This assumption is based on cures for covenant breaches that are included in the Group facilities agreements. Moreover, the Group's weighted average loans maturity was above 7.5 years which was also considered when assessing the solvency and liquidity of the Group.

The Board concluded that three years would be an appropriate timeframe over which to assess the Group's ongoing longer term viability, as this period aligns with the Group's own strategic planning period combined with the levels of planning certainty that can be derived from the current market conditions and the development pipeline.

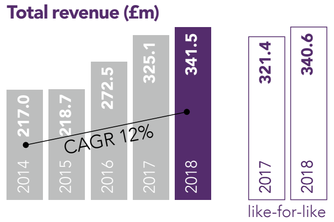
The above considerations form the basis of the Board's assessment of the viability of the Group over a three-year period to 31 December 2021 while taking account of the Group's current position, the principal risks and how these are managed as detailed in the Strategic report, the Group strategy and the Group's financial plans and forecasts. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 December 2021.

Key performance indicators

Measuring our progress

Financial KPIs

Total revenue (£m)



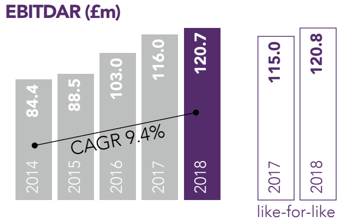
KPI definition

Total revenue includes all operating revenue generated by the Group's owned and leased hotels, management fees, franchise fees and marketing fees.

Comment

Revenue which increased by 5%, was positively affected by the completion of the repositioning projects at Park Plaza Victoria Amsterdam and Park Plaza London Riverbank and the maturing of Park Plaza London Waterloo and Park Plaza London Park Royal. However, it was negatively affected by a decrease in room inventory due to refurbishment of a few properties in the UK and the Netherlands and the termination of a lease agreement in Dresden, Germany.

EBITDAR (£m)



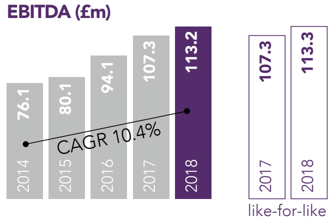
KPI definition

Earnings before interest, tax, depreciation, amortisation and rental expenses.

Comment

EBITDAR, which increased by 4%, was positively affected by the completion of the repositioning projects at Park Plaza Victoria Amsterdam and Park Plaza London Riverbank and the maturing of Park Plaza London Waterloo and Park Plaza London Park Royal. However, it was negatively affected by a decrease in room inventory due to refurbishment of a few properties in the UK and the Netherlands.

EBITDA (£m)



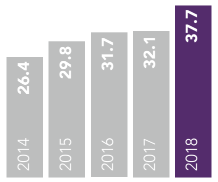
KPI definition

Earnings before interest, tax, depreciation and amortisation.

Comment

EBITDA increased by 5.5% and was positively affected by the completion of the repositioning projects at Park Plaza Victoria Amsterdam and Park Plaza London Riverbank and the maturing of Park Plaza London Waterloo and Park Plaza London Park Royal. In addition, we benefited from a decrease in rent expenses due to the acquisition of two freehold properties in Germany (which were previously held under operating leases) in 2017 and the termination of a lease agreement in Dresden. However, it was negatively affected by a decrease in room inventory due to refurbishment of a few properties in the UK and the Netherlands.

Normalised profit before tax (£m)



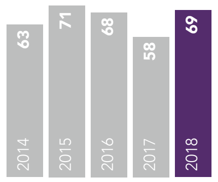
KPI definition

Profit before tax adjusted to remove unusual or one-time influences.

Comment

Normalised profit which increased by 17.6% and was positively affected by the increase in EBITDA, however this was offset by an increase in depreciation costs and a higher foreign exchange costs.

Normalised earnings per share (pence)



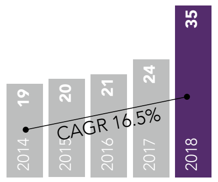
KPI definition

Earnings for the year, adjusted to remove any unusual or one-time influences, divided by the weighted average number of ordinary shares outstanding during the year.

Comment

Normalised earnings per share increased by 19.2% in line with the increase in normalised profit.

Dividend per share (pence)



KPI definition

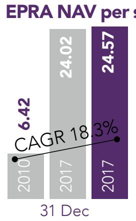
The total dividends paid out over an entire year divided by the number of outstanding ordinary shares issued.

Comment

Ordinary dividend increased 45.8% year-on-year, with a final dividend of 19 pence per share proposed.

Property KPIs

EPRA NAV per share (£)



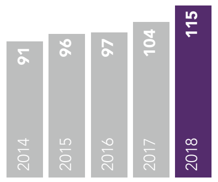
KPI definition

Net Asset Value on a fully diluted basis adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model divided by the dilutive number of shares.

Comment

EPRA NAV per share increased by 2.3% and was positively affected by the earnings for the year. However, it was negatively affected by the dividend distribution of 29p in 2018.

Adjusted EPRA EPS (pence)



KPI definition

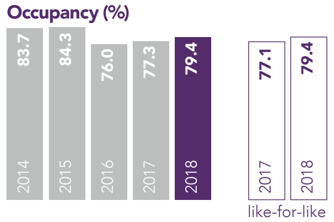
Shareholders' earnings from operational activities with the company's specific adjustments. The main adjustment to normalised profit is adding back the reported depreciation charge, which is based on assets at historical cost, and replacing it with a charge calculated as 4% of the Group's total revenues, representing the Group's expected average cost to upkeep the real estate in good quality. The adjusted Shareholders earnings from operational activities are divided by the weighted average number of ordinary shares outstanding during the year.

Comment

Adjusted EPRA earnings EPS which increased by 10.6% and was positively affected by the improved results.

Operating KPIs

Occupancy (%)



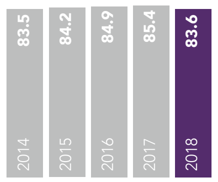
KPI definition

Total rooms occupied divided by the available rooms.

Comment

Like-for-like occupancy improved by 230 bps with reported occupancy increasing by 210 bps year-on-year. Occupancy increased across all of our operating regions.

Employee satisfaction/ engagement (scale 1–100%)



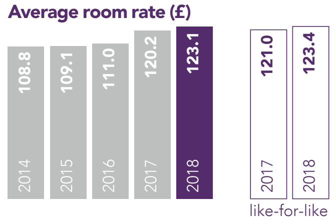
KPI definition

Measured through annual survey. Team members are encouraged to share feedback about the Company, their jobs, their teams and their manager.

Comment

We have maintained a stable and satisfactory performance in our overall score. Several hundred additional team members participated in our annual engagement survey this year following the launch of Accommodation Services. We tend to see a slight reduction in engagement when new teams are invited to participate in the survey and we are focusing on engagement initiatives to increase the score in 2019.

Average room rate (£)



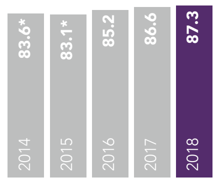
KPI definition

Total room revenue divided by the number of rooms sold.

Comment

Like-for-like average room rate increased by 2.0%, with reported average room rate increasing by 2.5%. Average room rate increased in the Netherlands region however stayed stable in the rest of our operating regions.

Guest satisfaction (scale 1–100%)



* Scores for 2014 and 2015 measure guest satisfaction as per the guest surveys sent out and have been translated from points to percentages. Therefore 2016 should be considered as the baseline for the Guest Rating Score.

KPI definition

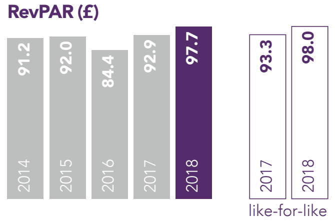
Guest Rating Score (GRS™) is the online reputation score used by ReviewPro - an industry leader in guest intelligence solutions.

It is used to benchmark individual hotel or a group of hotels, compare results between properties or against competitors and track the evolution of a hotel's performance over time, in terms of customer feedback as gathered through major online reviews websites.

Comment

The year-on-year increase reflects the positive reception of the investments we made in various properties and training, a recognition we aim to maintain in 2019.

RevPAR (£)



KPI definition

Revenue per available room; total room revenue divided by the number of available rooms.

Comment

Like-for-like RevPAR increased by 5.0%, with reported RevPAR increasing by 5.2%, due to the increase in occupancy.

Chief Financial Officer's statement
Financial review

THE GROUP'S PERFORMANCE AGAINST ITS STRATEGIC OBJECTIVES

Daniel Kos
Chief Financial Officer & Executive Director

Overview 2018

2018 has represented a year of significant investment in our property portfolio, with five hotels partly or fully closed for major repositioning and refurbishment projects. Although these closures have impacted our short-term performance as fewer rooms were available over the period, we achieved a solid financial performance over the year, reporting growth in every region.

Like-for-like[1] total revenue was up 6.0% to £340.6 million and like-for-like[1] EBITDA up 5.6% to £113.3 million. Our reported revenue growth, paired with a 33.1% EBITDA margin, resulted in a normalised profit before tax of £37.7 million, up 17.6% compared with the prior year.

The key themes for 2018 were the maturing performance of our recently opened hotels in London and our ongoing investment programme to develop a new hotel in London and extensively reposition and renovate several properties in the United Kingdom, the Netherlands and Croatia. In total, we invested more than £60 million in these initiatives over the year.

We are pleased to report an EPRA NAV per share of £24.57 and adjusted EPRA earnings per share of 115 pence, reconfirming the value we created for our shareholders through our strategic focus on our owner-operator model, combined with in-house development.

Financial Results

Key financial statistics for the financial year ended 31 December 2018

	Reported in GBP (£)		Like-for-like GBP[1] (£)	
	Year ended 31 Dec 2018	Year ended 31 Dec 2017	**Year ended 31 Dec 2018**	Year ended 31 Dec 2017
Total revenue	**£341.5 million**	£325.1 million	**£340.6 million**	£321.4 million
EBITDAR	**£120.7 million**	£116.0 million	**£120.8 million**	£115.0 million
EBITDA	**£113.2 million**	£107.3 million	**£113.3 million**	£107.3 million
EBITDA margin	**33.1%**	33.0%	**33.3%**	33.4%
Reported PBT	**£46.4 million**	£31.7 million	**–**	–
Normalised PBT	**£37.7 million**	£32.1 million	**–**	–
Reported EPS	**90p**	57p	**–**	–
Dividend per share	**35p**	24p	**–**	–
Occupancy	**79.4%**	77.3%	**79.4%**	77.1%
Average room rate	**£123.1**	£120.2	**£123.4**	£121.0
RevPAR	**£97.7**	£92.9	**£98.0**	£93.3
Room revenue	**£236.6 million**	£224.0 million	**£235.9 million**	£221.1 million
EPRA NAV per share	**£24.57**	£24.02	**–**	–
Adjusted EPRA earnings per share	**115p**	104p	**–**	–

1 The like-for-like figures for 31 December 2018 exclude the first two months of operation of Park Plaza London Park Royal. Furthermore, the like-for-like figures for 31 December 2017 exclude the operation of Park Plaza Vondelpark, Amsterdam from August to December (the property is temporarily closed for renovations) and art'otel dresden (the lease of which was terminated on 31 July 2018). The like-for-like EBITDA figures for 31 December 2017 have also been adjusted to reflect the acquired freeholds of art'otel cologne and art'otel berlin kudamm in 2017 (rental costs adjusted to reflect freehold).

Operations

Revenue

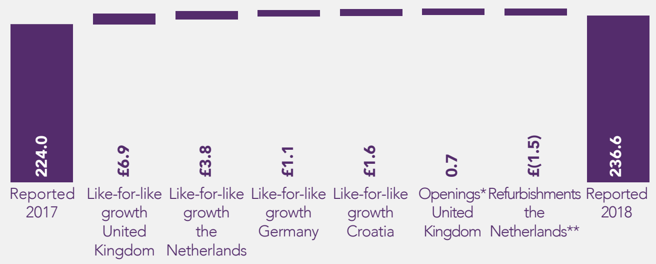
On a like-for-like[1] basis, revenue increased by 6.0% to £340.6 million and reported total revenue was up 5.0% to £341.5 million.

This growth was primarily driven by improved trading across all our operating regions, which was pleasing given the significant impact in the year pertaining to disruptions from ongoing repositioning works at five hotels; Park Plaza Sherlock Holmes London, Park Plaza London Riverbank, Park Plaza Victoria Amsterdam, Park Plaza Vondelpark, Amsterdam and Park Plaza Utrecht. All of these properties had full or significant partial closures in the period.

Like-for-like[1] RevPAR was £98.0, an increase of 5.0% (2017: £93.3), reflecting strong RevPAR growth in all regions. Like-for-like[1] RevPAR growth was achieved through a 2.0% increase in average room rate to £123.4 (2017: £121.0). Like-for-like[1] occupancy improved by 230 bps to 79.4% (2017: 77.1%). Notably, the UK region had a strong second half of 2018, which supported RevPAR growth for the year in the region. Overall, reported RevPAR was £97.7 (2017: £92.9), up 5.2%, driven by a 2.5% increase in average room rate and a 210 bps improvement in occupancy.

As a result of the strong RevPAR growth, offset by inventory disruptions, like-for-like room revenue was up 6.7% to £235.9 million (2017: £221.1 million).

YEAR-ON-YEAR ROOM REVENUE GROWTH



* Operations of Park Plaza London Park Royal for the first two months of 2018.
** Operations of Park Plaza Vondelpark, Amsterdam from August to December 2017.

Financial review continued

EBITDA and EBITDA margin

On a like-for-like[1] basis, EBTIDA increased by 5.6% to £113.3 million. Group reported EBITDA increased by 5.5% to £113.2 million and EBITDA margin increased by 15 bps to 33.1%.

The UK region delivered a sustained uplift in performance and EBITDA contribution from Park Plaza London Waterloo and Park Plaza London Park Royal as these hotels continued to mature, and at Park Plaza London Riverbank which benefited from an increased number of rooms following the extension of the hotel and reconfiguration of suites.

Although we are seeing labour related cost pressures in all the markets in which we operate, our cost focused initiatives have enabled us to retain our industry leading margins.

Profit and Earnings per share

Normalised profit before tax increased by 17.6% to £37.7 million (2017: £32.1 million). Normalised profit was positively affected by the increase in EBITDA, however this was offset by an increase in depreciation costs of £1.6 million and higher foreign exchange costs of £1.1 million. On the right is a reconciliation table from reported to normalised profit.

Depreciation increased in the year from £34.3 million to £35.9 million, mainly as a result of the related depreciation costs upon opening of repositioned and new hotels. Although depreciation is recorded in accordance with GAAP, internally we consider our ongoing average capital expenditure (capex) over the lifespan of our hotels as a more relevant measure in determining profit, which in the hospitality industry is calculated as approximately 4% of total revenue. Our EPRA earnings number disclosed further down in this statement takes into account this 4% instead of the reported non-cash depreciation.

Reported profit before tax increased by £14.7 million to £46.4 million (2017: £31.7 million), up 46.3%. 2018 profit was significantly affected by one-offs, most significant of which was the gain realised on the buyout of our joint venture partner in the art'otel london hoxton project, whereby we have revalued the development site on which the hotel will be built.

	Reconciliation reported to normalised profit	
	Year ended 31 Dec 2018 £million	Year ended 31 Dec 2017 £million
Reported profit before tax	**46.4**	31.7
Fair value movements on derivatives recognised in the profit and loss	**–**	(0.1)
Termination of operating lease	**3.1**	–
Gain on re-valuation of previously held interest in art'otel london hoxton development	**(20.3)**	–
Expenses in connection with transfer to Premium listing	**1.6**	–
Results from marketable securities	**0.7**	–
Revaluation of finance lease	**4.8**	–
Refinance costs and expenses (including termination of hedge)	**0.3**	0.5
Park Plaza Westminster Bridge London fair value adjustment on income swaps and buy back of Income Units	**1.0**	1.1
Forfeited deposits from rescinded sale contracts of Income Units at Park Plaza Westminster Bridge London to private investors	**(0.1)**	–
Pre-opening expenses	**0.2**	0.2
Gain on sale of one building in Park Plaza Vondelpark, Amsterdam	**–**	(1.3)
Normalised profit before tax[1]	**37.7**	32.1

1 The normalised earnings per share amount to 69 pence, calculated with 42,335,136 average outstanding shares.

Normalised earnings per share was 69 pence (2017: 58 pence), representing an increase of 19.2%. Reported basic/diluted earnings per share for the period were 90 pence, an increase of 56.5% (2017: 57 pence).

The table on page 51 provides some selected data for the Group's reported balance sheet and profit and loss account for the year ended 31 December 2018, prepared in Pound Sterling millions. With this table the Group aims to assist investors in making a further analysis of the Group's performance and capital allocation, separating its excess cash position (to fund further growth), the development projects and the assets of Arena Hospitality Group d.d. This data is additional to the segments that are monitored separately by the Board for resource allocations and performance assessment, which are the segments of the Group.

	PPHE Hotel Group			Arena Hospitality Group[6]		Total
	Trading properties £m	Excess Cash[4] £m	Non-trading projects[3] £m	Trading properties £m	Excess Cash[4] £m	PPHE Hotel Group Reported £m
Balance Sheet						
Book-value properties (excluding Income Units at Park Plaza Westminster Bridge London sold to third parties)[1]	828.9	–	77.1	245.6	–	1,151.6
Book value intangible assets	19.5	–	–	1.9	–	21.4
Book value non-consolidated investments	–	–	–	–	–	–
Other long-term assets	17.6	–	–	4.6	–	22.2
Working Capital	(15.3)	–	–	(8.5)	–	(23.8)
Cash and Liquid Investments	44.2	75.0	–	26.7	71.8	217.7
Bank/Institutional loans (short/long term)	(583.9)	–	–	(113.4)	–	(697.3)
Finance lease liability, land concession and other provisions	(187.7)	–	–	(4.3)	–	(192.0)
Deferred profit Income Units in Park Plaza Westminster Bridge London[5]	(10.0)	–	–	–	–	(10.0)
Other Provisions	(6.0)	–	–	(5.3)	–	(11.3)
Total capital consolidated	107.3	75.0	77.1	147.3	71.8	478.5
Minority shareholders	–	–	–	(70.6)	(34.5)	(105.1)
Total capital employed by PPHE Hotel Group shareholders	107.3	75.0	77.1	76.7	37.3	373.4
Normalised profit						
Revenue	250.5	–	0.4	90.6	–	341.5
EBITDAR	90.4	–	0.4	29.9	–	120.7
Rental expenses	(3.3)	–	–	(4.2)	–	(7.5)
EBITDA	87.1	–	0.4	25.7	–	113.2
Depreciation	(28.3)	–	–	(7.6)	–	(35.9)
EBIT	58.8	–	0.4	18.1	–	77.3
Interest expenses: banks and institutions	(20.3)	–	–	(3.8)	–	(24.1)
Interest on finance leases	(7.2)	–	–	–	–	(7.2)
Income paid to Income units sold to private investors in Park Plaza Westminster Bridge London	(10.0)	–	–	–	–	(10.0)
Other finance expenses and income	1.5	–	–	0.1	–	1.6
Minority interests	–	–	–	–	–	–
Result from equity investments	–	–	–	0.1	–	0.1
Normalised profit before tax 31 December 2018[2]	22.8	–	0.4	14.5	–	37.7
Reported tax	0.1	–	–	(3.1)	–	(3.0)
Normalised profit after reported tax	22.9	–	0.4	11.4	–	34.7
Profit attributable to minority shareholders	–	–	–	(5.4)	–	(5.4)
Profit after tax attributable to PPHE Hotel Group shareholders	22.9	–	0.4	6.0	–	29.3

1 These are stated at cost price less depreciation. The fair value of these properties is substantially higher.
2 A reconciliation of reported profit to normalised profit is provided on page 50.
3 This contains properties that are in development.
4 Excess cash is directly available for further investments and developments.
5 This is the book-value of units in Park Plaza Westminster Bridge London netted with the advanced proceeds these investors received in 2010.
6 Arena Hospitality Group d.d is listed on the Zagreb Stock Exchange. The market capitalisation at 31 December 2018 is £211.5 million.

Financial review continued

Property

EPRA NAV

In 2018, we started to disclose certain EPRA performance measurements to aid investors in analysing the Group's performance and understanding the value of the Group's assets and its earnings from a property perspective. As a developer, owner and operator of hotels, resorts and campsites, we generate returns by both developing the assets we own and operating all our assets to their best potential.

In June 2018, the Group's properties (with the exception of operating leases, managed and franchised properties) were independently valued by Savills (in respect of properties in the Netherlands, UK and Germany) and Zagreb nekretnine Ltd (ZANE) (in respect of properties in Croatia), based on that we have calculated the Group's EPRA net asset value ("EPRA NAV"). We will continue to perform this valuation exercise on an annual basis and provide investors with an EPRA NAV going forward.

The EPRA NAV as at 31 December 2018 which is set out in the table to the right amounts to £1,053 million, which reflects £24.57 per share. This is up 2.3% on 31 December 2017 and 3.5% when distributed dividends are added back.

The last time all the Group's assets were simultaneously independently valued was in 2010, when the properties were valued as part of the Group's move from the Alternative Investment Market to Standard Segment of the Official List on the Main Market for listed securities of the London Stock Exchange plc. The Group's EPRA NAV at that time amounted to £6.42. Given the EPRA NAV of £24.57 as per 31 December 2018, this represents a Compounded Annual Growth Rate ("CAGR") of 18.3% over the past eight years. Adjusted for dividends this growth equates to 19.6% compounded.

Below is a summary of the valuation criteria of our assets. The property market value, the discount rate and the cap rate have been taken from the independent valuators report.

	31 December 2018 £million	31 December 2017 £million
NAV per the financial statements	**373.5**	343.3
Effect of exercise of options	**4.7**	1.6
Diluted NAV, after the exercise of options[1]	**378.2**	344.9
Includes:		
Revaluation of owned properties in operation (net of non-controlling interest)[2]	**655.8**	643.9
Revaluation of development property (Aspirations)[3]	**5.4**	20.3
Revaluation of the JV interest held in two German properties (net of non-controlling interest)	**3.8**	3.8
Excludes:		
Fair value of financial instruments	**(0.4)**	(0.3)
Deferred tax	**(9.4)**	(11.0)
EPRA NAV	**1,053.0**	1,024.2
Fully diluted number of shares (in thousands)	**42,860**	42,645
EPRA NAV per share (in £)	**24.57**	24.02

1 The fully diluted number of shares is excluding treasury shares but including 522,500 outstanding dilutive options (as at 31 December 2017: 307,000).

2 The fair values of the properties were determined on the basis of independent external valuations prepared in the summer of 2018. The fair value for the properties as at 31 December 2017 were determined taking the 2018 valuations and deducting the value enhancing investments carried out in 2018.

3 As at 31 December 2017, the Group owned 50% in a joint venture that held a site in Hoxton, London which is under development. The Group announced on 24 January 2018 that it had agreed to purchase the remaining 50% of the site for £35.0million and on that basis the 50% it held was revalued to £35.0 million, which is reflected as the revaluation as at 31 December 2017. As at 31 December 2018, after the acquisition and revaluation of this asset in the reported NAV (total asset book value at £77.1 million), the development property was independently valued at £82.5 million, which is the basis for the revaluation.

Location	Number of hotels	Number of rooms/pitches	Property market value (£m)	Average value per room/pitch (£)	Discount rate	Cap rate
United Kingdom						
– London[1]	6	2,280	920	403,509	7.5%-9.5%	5%-7%
– Provinces	2	365	36	98,630	10.25%-10.75%	8%-8.25%
Netherlands						
– Amsterdam	4	850	255	299,647	7.25%-8.5%	5.25%-6.5%
– Provinces	2	224	37	162,946	8.25%-9%	6.25%-7%
Germany	3	547	96	175,868	8.5%-8.75%	6%-6.25%
Croatia						
– Hotels and apartments	11	2,721	128	48,806	9%-10%	8%-9%
– Campsites	8	5,756	82	14,263	10%-11%	9%-10%

1 Excluding units of the Park Plaza Westminster Bridge London owned by third parties.

The Group has a strong track record of acquiring properties which we believe have significant upside potential. We undertake (re) development and redesign of these assets to maximise operational excellence and capital appreciation. Through refinancing these properties, we are able to release capital for new investments, enabling further growth of our Group.

Park Plaza London Waterloo is an excellent example of this business model in action, demonstrating our ability to adapt approach and seize an opportunity to develop a high-quality hotel and create value for shareholders.

In June 2013, we acquired a redundant building in Waterloo and developed the site into a 494 room hotel which officially opened in June 2017. The total cost of the project (site acquisition, planning consent and construction costs) was £125.0 million (approximately £250,000 per key).

In July 2017, we completed the sale and finance leaseback of Park Plaza London Waterloo. The freehold of the property was sold for £161.5 million and we agreed a 199-year lease at an initial rent of £5.6 million per annum. This remaining leasehold was independently valued at £84 million in 2018. Our approach of building and redeveloping this property enabled the Group to create a £120.0 million capital appreciation. Currently the Group is in the process of building an art'otel in Hoxton, London.

Capex

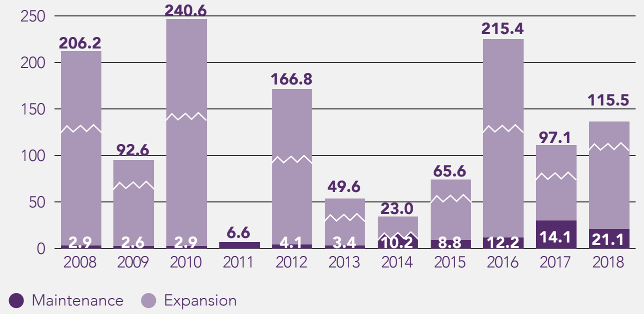
In 2018, we continued with our ongoing extensive investment programme in order to upgrade the Group's property portfolio. In total our capex investment in 2018 was more than £60 million and mainly included the extensive repositioning of Park Plaza Victoria Amsterdam, Park Plaza Utrecht and Park Plaza Vondelpark, Amsterdam in the Netherlands, as well as Park Plaza London Riverbank and Park Plaza Sherlock Holmes London in the United Kingdom. In Croatia, we opened the first all-glamping offer, Arena One 99.

In the first quarter, we completed the acquisition of our joint venture partner's 50% interest in the company which holds the freehold interest for the site on which art'otel london hoxton will be built, for a consideration of £35.0 million. We first entered this joint venture in 2008 by investing £11.0 million for a 50% ownership interest. The transaction, which was funded through cash resources, reflects the significant capital appreciation of our initial investment. This is an exciting central London development in an area of regeneration. The Group now has full control over the development site and preliminary construction works have commenced. The total cost of the project is subject to final confirmation of the scheme.

As we enter 2019, further renovation programmes are well underway across several of our hotels in London and the Netherlands with further programmes planned for Germany and Croatia during the year.

We are constantly working on improving our existing portfolio and looking for interesting opportunities to acquire further assets to broaden the Group's portfolio. The diagram below provides a summary of the investments done in the past ten years.

INVESTMENTS IN PROPERTY SPLIT BETWEEN EXPANSION/REDEVELOPMENT AND MAINTENANCE IN £'M



Maintenance capex profile has historically been 4% of revenue on average

Financial review continued

EPRA earnings and cash flow

The main adjustment to the normalised profit included in the Group's financial statements is adding back the IFRS depreciation charge which is based on assets at historical cost and replacing it with a charge calculated as 4% of the Group's total revenues, representing the Group's expected average cost to upkeep the real estate in good quality. The basis for calculating the Company's adjusted EPRA earnings of £48.5 million for the 12 months to 31 December 2018 (12 months to 31 December 2017: £43.9 million) and the Company's adjusted EPRA earnings per share of 115 pence (2017: 104 pence) is set out in the table below.

	12 months ended 31 December 2018 £million	12 months ended 31 December 2017 £million
Earnings attributed to equity holders of the parent company	**38.1**	24.3
Depreciation and amortisation expenses	**35.9**	34.3
Capital gain on divestments	**–**	(1.4)
Gain on re-measurement of previously held interest in Joint Venture	**(20.3)**	–
Early close-out costs of debt instrument	**0.3**	0.6
Changes in fair value of financial instruments	**1.0**	0.3
Non-controlling interests in respect of the above[3]	**(6.1)**	(4.6)
EPRA Earnings	**48.9**	53.5
Weighted average number of shares (LTM)	**42,335,136**	42,248,613
EPRA Earnings per share (in pence)	**116**	126
Company specific adjustments[1]:		
Capital loss on buy back of income units in Park Plaza Westminster Bridge London previously sold to private investors	**0.6**	0.7
Termination of operating lease[4]	**3.1**	–
Revaluation of finance lease[5]	**4.8**	–
Other non-recurring expenses (including pre-opening expenses)	**0.2**	0.2
Expenses in connection with transfer to premium listing	**1.6**	–
Maintenance Capex[2]	**(13.6)**	(13.0)
Non-controlling interests in respect of Maintenance Capex[3]	**2.9**	2.5
Company adjusted EPRA earnings	**48.5**	43.9
Company adjusted EPRA earnings per share (in pence)	**115**	104
Reconciliation company adjusted EPRA earnings to normalised reported profit before tax		
Company adjusted EPRA earnings	**48.5**	43.9
Reported depreciation	**(35.9)**	(34.3)
Non-controlling interest in respect of reported depreciation	**6.0**	4.6
Maintenance capex (4% of total revenues)	**13.6**	13.0
Non-controlling interest on maintenance capex	**(2.9)**	(2.5)
Profit attributable to non-controlling interest	**5.4**	5.7
Reported tax	**3.0**	1.7
Normalised profit before tax	**37.7**	32.1

1 The "Company specific adjustments" represent adjustments of non-recurring or non-trading items.
2 Calculated as 4% of revenues representing the expected average maintenance capital expenditure required in the operating properties.
3 Reflects the share of non-controlling interest in the depreciation and maintenance capex adjustments. Minorities include the non-controlling shareholders in Arena and third-party investors in income units of Park Plaza Westminster Bridge London.
4 In March 2018, the Group entered into an agreement to terminate the loss making lease agreement for the 174-room art'otel dresden, effective from 31 July 2018. To exit from this lease, the Group incurred an expense of £3.1 million. This termination will result in a rent reduction and is expected to positively affect the Group's EBITDA by approximately £0.5 million annually.
5 Non cash revaluation of finance lease liability relating to minimum future CPI increases.

Funding

Since the Company's public listing in 2007, it has funded the Group's expansion through a diverse approach, without diluting its shareholders. Alongside traditional bank funding, the Group has used various financing options in order to optimise returns while keeping at comfortable leverage levels, these include sale-and-leaseback finance arrangements, arrangements with unitholders and the SPO of a subsidiary.

Where we have used traditional bank funding, whereby assets are ring fenced into single or Group facilities, the loan to value ratio typically varies between 50% and 65%.

The Group has taken the opportunity to sell certain assets, taking a long term finance leaseback, to take advantage of the low interest rate environment and secure long term funding with no amortisation payments. All finance leases, except one, have lease payments that are fixed with annual capped/collared CPI adjustments. The finance leases, valued on a leasehold basis (i.e. the value of the assets, net of the accounted finance lease liability), have been included in the Group's EPRA NAV.

Arrangements with unitholders involve the sale of individual income units which directly relates to an individual room in a property (a "Unit") to third party investors; these investors pay upfront and receive a contractual right to the future cash flow from the individual Units with no repayment obligation on the Group. The Group raised funds through the sale of Units in its Park Plaza Westminster Bridge London Hotel during its construction.

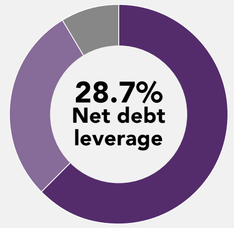
The Group raised funds through the secondary offering in Arena Hospitality Group d.d, its listed subsidiary in Croatia, in 2017, and retained a controlling shareholding.

The Group's total asset', presented in the top table on the right, represents a value after the deduction of lease liabilities and unit holder liabilities. Accordingly, in the total loan-to-value ("LTV") analysis of the of the Group, management considers the value of the freehold and long leasehold assets (net of these liabilities) compared with its bank funding (ie. excluding the lease and unit holder liabilities), which management believe is the most accurate representation of the Group's total leverage position.

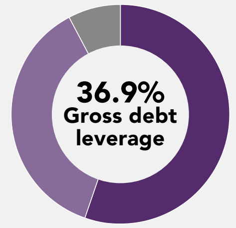
Bank financing	£'m
Over 5 year debt	627.8
Less than 5 year debt	69.5
Cash	217.7
Net bank debt	479.6
Equity	
– Reported	373.5
– Market value restatement	674.8
Equity attributable to shareholders of the Group[1]	1,048.3
– Reported	105.1
– Market value restatement[2]	37.1
Non-controlling interest	142.2
Total equity	1,190.5
Group's total asset (properties at fair value)	1,670.1

1 Equity attributable to shareholders of the Group based on EPRA NAV excluding the £4.7 million effect due to exercise of dilutive options.
2 The market value restatement for the equity attributable to non-controlling interest represents the minority's share in the EPRA NAV adjustments.

DEBT/EQUITY



- PPHE Shareholder Equity £1,048.3
- Bank debt £479.6
- Non-controlling interest £142.2



- PPHE Shareholder Equity £1,048.3
- Bank debt £697.3
- Non-controlling interest £142.2

The Group reported a gross bank debt liability of £697.3 million (31 December 2017: £700.3 million) and net bank debt of £479.6 million (31 December 2017: £408.1 million). Key movements in net bank debt in 2018 included a reduced cash position and liquid investments of £71.6 million, primarily due to the acquisition of the remaining 50% interest in the freehold site in Hoxton in London and the significant capex in our real estate investment programmes. The movement in net debt included redemption payments of £15.1 million and an increased £12.8 million due to the refinance of several loans in the UK now grouped into one new facility.

Financial review continued

Below table provides a further break down of the Group's net bank debt position.

Loan maturity profile at 31 December 2018 (£m)

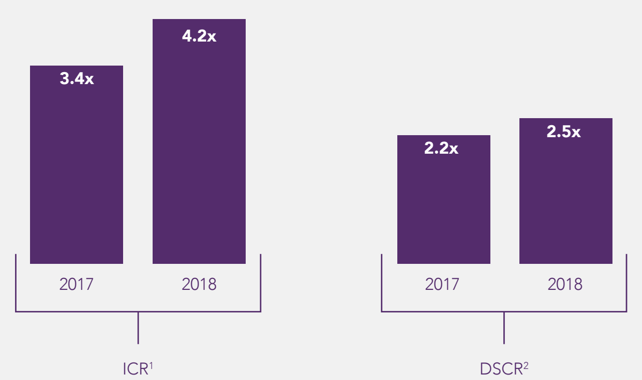
	Total	1 year	2 years	3 years	4 years	5 years	Thereafter
£m	697.3	14.7	13.2	13.2	13.3	15.1	627.8

– Average cost of bank debt 3.1%
– Average maturity of bank debt 7.9 years
– Group average bank interest cover 4.2[1]

Key characteristics debt for operating properties

– Limited to no recourse to the Group
– Asset backed
– Borrowing policy 50-65% loan to value
– Portfolio and single asset loans
– Ten facilities with seven different lenders
– Covenants on performance and value (facility level)

STRONG COVER RATIOS



1 EBITDA, less unitholder and finance lease payments, divided by bank interest.
2 EBITDA, less unitholder and finance lease payments, divided by the sum of bank interest and yearly loan redemption

Acquisitions and development pipeline

The Company continuously identifies and assesses opportunities to extend our property portfolio and our operations across prime locations in attractive destinations, which we believe will offer attractive returns to shareholders.

We have a clear strategy to drive growth and long-term value through our property portfolio and our operations. In our property portfolio, we take a disciplined, yield-focused approach to capital deployment and look to optimise the value of our existing portfolio and, where appropriate, extract value to fund longer-term sustainable growth. The Group takes an integrated and entrepreneurial approach to everything we do and will continue to reposition and develop assets within our portfolio as well as focus on our committed development pipeline to deliver future growth. We retain a strong cash position and we will continue to consider asset acquisitions to broaden our portfolio and deliver our target returns on investment. We are disciplined in selecting and progressing an investment opportunity, only targeting real estate with significant upside potential which fits our long-term growth strategy and above all creates strong shareholder value.

The Group's acquisition criteria include:

– prime location
– attractive geographies, this includes territories where the Group is not currently present
– opportunity to create significant capital value
– risk adjusted accretive IRR's

We are progressing with extensive renovation and repositioning programmes across several of our hotels in the United Kingdom and the Netherlands. In addition, we have also identified several renovation and repositioning opportunities across hotels in Germany and hotels, resorts and campsites in Croatia.

Our current pipeline of new hotels includes two iconic developments in London, both scheduled to open in 2022. These are art'otel london hoxton (wholly-owned) and art'otel london battersea power station (management agreement). While the Group's focus will continue to be on repositioning and developing the Group's existing portfolio and committed pipeline, we are in an unprecedented strong cash position to consider further asset acquisitions to broaden our portfolio.

Shareholder return

Total shareholder return

The Group has created significant value for its shareholders since IPO in 2007, with total shareholder return of 337%[1].

Total shareholder return from the Initial public offering (IPO) in 2007 to 31 December 2018

Investor Returns – per share	Pence
IPO 2007	550
Dividend paid from 12 July 2007 (IPO date) to date	232
Share price 31 December 2018	1,660
	1,892
Total return	1,342

1 Source: Bloomberg based on the Company's market share price as at 31 December 2018 (1,660 pence).

The table below shows cash returns on our operational assets and our development assets and excess cash. When development projects are operational, the yield of these operational assets will have a positive impact on the implied return.

31 December 2018	Operational assets £'m	Development asset and excess cash £'m	Total £'m
Net assets employed	1,587.6	82.5	1,670.1
Bank financing	(626.4)	146.8	(479.6)
Minority interest	(107.7)	(34.5)	(142.2)
EPRA NAV[1]	853.5	194.8	1,048.3
	81.4%	18.6%	100.0%
Recurring adjusted EPRA earnings	48.1	0.4	48.5
Implied return on EPRA NAV	5.6%	0.2%	4.6%
Implied return on company market capitalisation[2]	9.5%	0.2%	6.9%

1 EPRA NAV excluding the £4.7 million effect due to exercise of dilutive options provided on page 52.
2 Company market capitalisation is based on the market share price as at 31 December 2018 (1,660 pence)

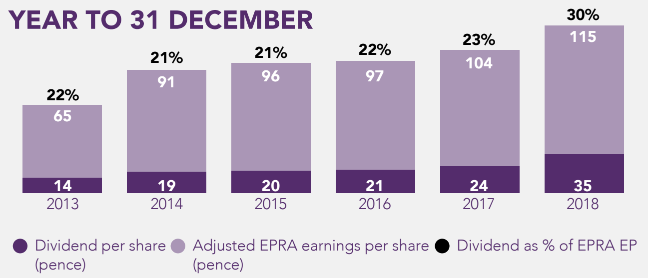
Dividend

The Board is proposing a final dividend payment of 19 pence per share (2017: 13 pence per share). When combined with the interim ordinary dividend of 16 pence per share (2017: 11 pence per share) paid to shareholders on 15 October 2018, the total ordinary dividend for the year ended 31 December 2018 to 35 pence per share (2017: 24 pence), an increase of 45.8%.

Subject to shareholder approval at the Annual General Meeting, to be held on 15 May 2019, the dividend will be paid on 20 May 2019 to shareholders on the register at 26 April 2019. The shares will go ex-dividend on 25 April 2019.

The increase in total ordinary dividends for the year is in line with the Group's progressive dividend policy whilst retaining proper and prudent reserves and reflects the Board's continued confidence in its strategy and integrated business model, which is also reflected in below graph that shows the dividend payments as a percentage of adjusted EPRA Earnings.

EPRA EARNINGS PER SHARE/DIVIDEND – YEAR TO 31 DECEMBER



Looking ahead

2018 was my first year in my new role as Chief Financial Officer & Executive Director and I have been impressed with our team's performance in the year. As we enter 2019, we are closely monitoring the wider macro-economic and geo-political developments to ensure we take precautionary measures where needed and stay focused on delivering our industry leading margins. Following several of years of extensive investments in new and improved properties, we have an excellent opportunity to start reaping the benefits and we have a solid base to further build upon.

We expect our recent investments to continue to mature in 2019 and are excited about the next phase of our repositioning, renovation and new development pipeline. This includes both committed new properties and acquisition opportunities.
In 2019, we will also continue to build on our corporate activities from recent years. This includes a consideration by the Company of FTSE index inclusion, for which it needs to meet certain free float criteria. To meet these criteria, the Company is currently in discussions with certain of its major shareholders.

Daniel Kos
Chief Financial Officer & Executive Director

Business review

A strong presence in London

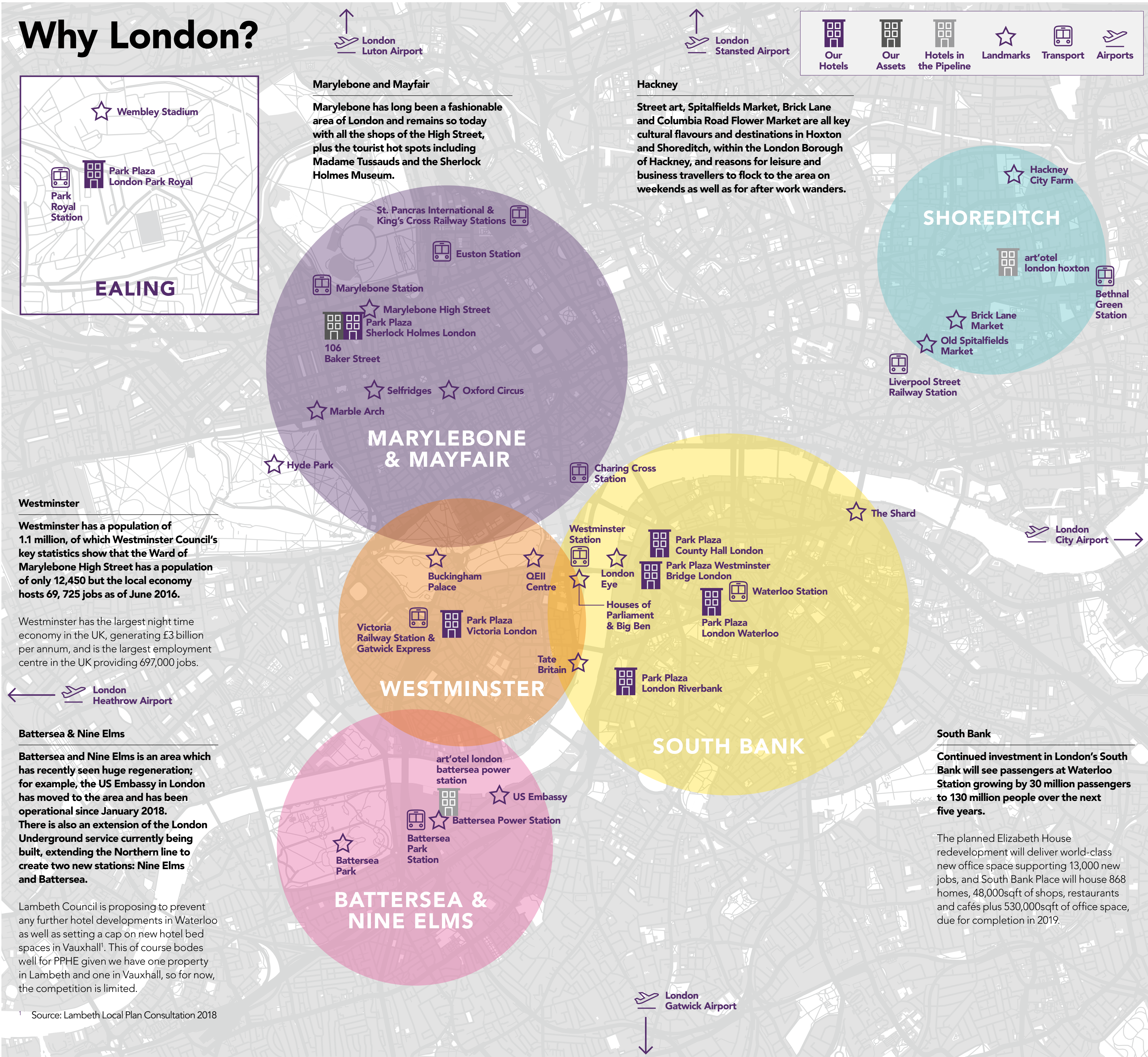
Daniel Pedreschi
Regional General Manager, UK

Introduction

With over 20 years' experience in hospitality including former General Manager at our 1,019-room Park Plaza Westminster Bridge London property, I have certainly seen at close hand how London has truly developed and continuously reinvented itself to become, as some would say, a global leader in hotels. Now as PPHE Hotel Group's Regional General Manager for the UK region, I am striving to find improvements to always keep us ahead of the competition and enhance our position in the industry.

2018 has seen us create further value in our assets, including the official relaunch of the newly repositioned Park Plaza London Riverbank on the South Bank, the initial planning works for the soon-to-be-completely-revamped Park Plaza Sherlock Holmes London and progress on our renovation programme including works at Park Plaza Victoria London. New developments remain at the forefront of the London agenda as we continue to create pre-planning programmes for the first art'otels in the UK market: at Hoxton and Battersea Power Station, both prime real estate destinations.

Why London?



Marylebone and Mayfair

Marylebone has long been a fashionable area of London and remains so today with all the shops of the High Street, plus the tourist hot spots including Madame Tussauds and the Sherlock Holmes Museum.

Hackney

Street art, Spitalfields Market, Brick Lane and Columbia Road Flower Market are all key cultural flavours and destinations in Hoxton and Shoreditch, within the London Borough of Hackney, and reasons for leisure and business travellers to flock to the area on weekends as well as for after work wanders.

Westminster

Westminster has a population of 1.1 million, of which Westminster Council's key statistics show that the Ward of Marylebone High Street has a population of only 12,450 but the local economy hosts 69, 725 jobs as of June 2016.

Westminster has the largest night time economy in the UK, generating £3 billion per annum, and is the largest employment centre in the UK providing 697,000 jobs.

Battersea & Nine Elms

Battersea and Nine Elms is an area which has recently seen huge regeneration; for example, the US Embassy in London has moved to the area and has been operational since January 2018. There is also an extension of the London Underground service currently being built, extending the Northern line to create two new stations: Nine Elms and Battersea.

Lambeth Council is proposing to prevent any further hotel developments in Waterloo as well as setting a cap on new hotel bed spaces in Vauxhall[1]. This of course bodes well for PPHE given we have one property in Lambeth and one in Vauxhall, so for now, the competition is limited.

1 Source: Lambeth Local Plan Consultation 2018

South Bank

Continued investment in London's South Bank will see passengers at Waterloo Station growing by 30 million passengers to 130 million people over the next five years.

The planned Elizabeth House redevelopment will deliver world-class new office space supporting 13,000 new jobs, and South Bank Place will house 868 homes, 48,000sqft of shops, restaurants and cafés plus 530,000sqft of office space, due for completion in 2019.

City overview

At PPHE Hotel Group we create destinations. All properties are in prime locations and it is crucial for the infrastructure to support the visitor demand. The top ten visitor attractions in England in 2017 were all in London. All our properties are located within a ten-minute walking distance of a tube line, many of which are now operated on the newly introduced 24-hour Night Tube.

New transport initiatives such as the unlimited Hopper bus fare making travel in and around London, in particular Central London, that much easier and affordable. Maintenance work was kicked off on a number of Tube lines and mainline overground stations including Victoria, thus improving travel to and from the capital, in particular when accessing London Gatwick Airport. With the Crossrail progressing, it is no wonder Condé Nast Traveller awarded London the Best UK City in the 2018 awards!

London continues to be one of Europe's main employers, with recent figures showing an employment rate of 74.8% (up 1.9% on previous year). In the City of London, which our new hotel art'otel london hoxton neighbours, 483,000 people are employed, meaning 1 in 63 of Great Britain's workforce.

The hospitality industry has historically been supported by European workers; however, ahead of withdrawal from the EU in March 2019, our London hotels have experienced a marked downturn in applications for vacant roles. As a result we decided to in-source a great number of our housekeeping team members predominantly to support recruitment in the London market and to give us greater control in recruiting, retaining and growing our own talent while improving the guest experience.

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Business review continued – United Kingdom

United Kingdom performance

Property portfolio

The Group has a strong portfolio in London with more than 3,200 rooms in operation, with further properties in Nottingham, Leeds and Cardiff. Hotels with an ownership interest include: Park Plaza Leeds, Park Plaza Nottingham, Park Plaza London Riverbank, Plaza on the River London, Park Plaza Sherlock Holmes London, Park Plaza Victoria London, Park Plaza Westminster Bridge London, Park Plaza London Waterloo, Park Plaza County Hall London[1] and Park Plaza London Park Royal. Park Plaza Cardiff[1] operates under a franchise agreement.

Value of UK property portfolio[2]

£956m

[1] Revenues derived from these hotels are accounted for in Management and Holdings and their values and results are excluded from the data provided in this section.

[2] Independent valuation by Savills in 2018, excluding the development site in Hoxton (London).

Hotel operations in the UK performed well during the year helped by the maturing of new room inventory at Park Plaza London Waterloo, Park Plaza London Park Royal and Park Plaza London Riverbank.

Trading at several of the Group's London hotels improved during the year following extensive renovation projects driving year-on-year RevPAR growth. In addition, the performance of our London meeting and events business was boosted by the increased room inventory on London's South Bank following completion of the extension at Park Plaza London Riverbank, enabling the Group to host and provide accommodation for larger events.

Total reported revenue increased by 5.0% to £195.1 million. The main contributor for this increase was the additional room inventory at Park Plaza London Waterloo, Park Plaza London Park Royal and Park Plaza London Riverbank. This increase was offset by the reduction in room inventory at Park Plaza Sherlock Holmes London due to the repositioning works currently in progress.

Reported room revenue increased by 5.7% to £140.2 million and on a like-for-like[3] basis by 5.2% to £139.5 million, due to the maturing of our recently opened hotels.

Reported EBITDAR grew by 7.0% to £66.8 million and EBITDA increased by 7.5% to £65.0 million, reflecting the improving performance as the new room inventory matures. On a like-for-like[3] basis, EBITDAR increased by 7.0% to £66.8 million and EBITDA was up 7.5% to £65.0 million.

Reported RevPAR increased by 2.6% to £124.4, driven by a 250bps increase in occupancy to 85.7%. Average room rate was broadly flat at £145.1 (2017: £145.8). On a like-for-like[3] basis, RevPAR was £125.2, up 3.2%.

In London, all the Group's hotels, except Park Plaza London Riverbank and Park Plaza Sherlock Holmes London which were both undergoing significant repositioning work during the period, delivered RevPAR outperformance compared with their competitive sets. Notably, in terms of RevPAR, Park Plaza Westminster Bridge London outperformed its competitive set by almost 30.0%.

Asset management projects

The investment programmes for our London hotels continued during the year, ensuring these properties are well-positioned within the market.

2018 investment projects

One of the most significant projects in London was the major repositioning work at Park Plaza London Riverbank which was completed at the end of 2018, following three years of reconstruction works at the property. During this period, the hotel was fully renovated, all public areas were refurbished, seven additional floors of accommodation have added 185 rooms to the inventory and a new meeting room and a 12th-floor Executive Lounge have been created. The award-winning Chino Latino Restaurant & Bar has been relocated, and now has views across the River Thames, and most recently a spa and swimming pool have been added to the property. There are plans to further improve the landscaping at the front of this hotel in early 2019. In total, we have invested approximately £54.0 million in this repositioning programme over a multi-year period and we expect an unlevered yield on investment of 7% upon maturity.

Following these works, the hotel boasts 646 rooms and, combined, the Group's hotels in London's South Bank area have an unrivalled position, offering a total of more than 2,500 rooms and state of the art conference facilities.

At Park Plaza Victoria London, refurbishment of the lobby area, bar and public spaces commenced as part of a phased refurbishment programme.

The extensive repositioning of Park Plaza Sherlock Holmes London to maximise the property's hospitality potential and capitalise on the local area's growth and high-end development in recent years, is on track. As a result, the hotel's main entrance has been moved from Baker Street to Chiltern Street, all the public areas and rooms will be redesigned and renovated, and the hotel will be relaunched as a boutique lifestyle property. A new concept restaurant has been developed, which will have an entrance separate from that of the hotel. The project is expected to be completed by mid-2019. We expect that our investment in this project will amount to approximately £9.0 million with an unlevered targeted yield of 10% upon maturity.

The Group's London portfolio consists of approximately 3,200 rooms in operation with approximately 500 rooms in the pipeline

Development pipeline projects

Preliminary construction works have commenced at the site of art'otel london hoxton, which is located on the border of lively Hoxton and Shoreditch and is close to Old Street and Liverpool Street stations. This is a substantial investment project which is expected to complete in 2022. Estimated investment on current scheme is £180.0 million with an unlevered estimated yield of 7.5% upon maturity.

The pre-opening activities for art'otel london battersea power station have continued. This lifestyle hotel is being developed adjacent to Battersea Power Station and will be managed by the Group upon completion. The hotel is expected to open in 2022.

The United Kingdom hotel market*

In Greater London, demand for hotel rooms continued to outstrip supply, up 4.0% and 2.0% respectively, reflecting London's place as one of the world's most popular cities. RevPAR increased by 3.1% to £124.7, driven by a 1.9% increase in occupancy to 83.3% and a 1.1% increase in average room rate to £149.7.

In Nottingham, the overall market saw RevPAR increase by 4.1% to £53.8, mainly due to a 3.1% increase in occupancy and a 0.9% increase in average room rate.

The Leeds hotel market reported an increase in RevPAR to £60.2, with occupancy up 1.4% and average room rate down by 1.9% respectively.

* STR Global, December 2018

Operational performance

Hotel operations	Reported in GBP (£) Year ended 31 Dec 2018	Reported in GBP (£) Year ended 31 Dec 2017	Like-for-like in GBP (£)[3] Year ended 31 Dec 2018	Like-for-like in GBP (£)[3] Year ended 31 Dec 2017
Total revenue	**£195.1 million**	£185.8 million	**£194.3 million**	£185.8 million
EBITDAR	**£66.8 million**	£62.4 million	**£66.8 million**	£62.4 million
EBITDA	**£65.0 million**	£60.5 million	**£65.0 million**	£60.5 million
Occupancy	**85.7%**	83.2%	**85.9%**	83.2%
Average room rate	**£145.1**	£145.8	**£145.8**	£145.8
RevPAR	**£124.4**	£121.3	**£125.2**	£121.3
Room revenue	**£140.2 million**	£132.6 million	**£139.5 million**	£132.6 million

[3] The like-for-like figures for 31 December 2018 exclude the first two months of operation of Park Plaza London Park Royal.

Business review continued – The Netherlands

A strong presence in Amsterdam

Nieske van Klinken-Riezebos
Regional General Manager, the Netherlands

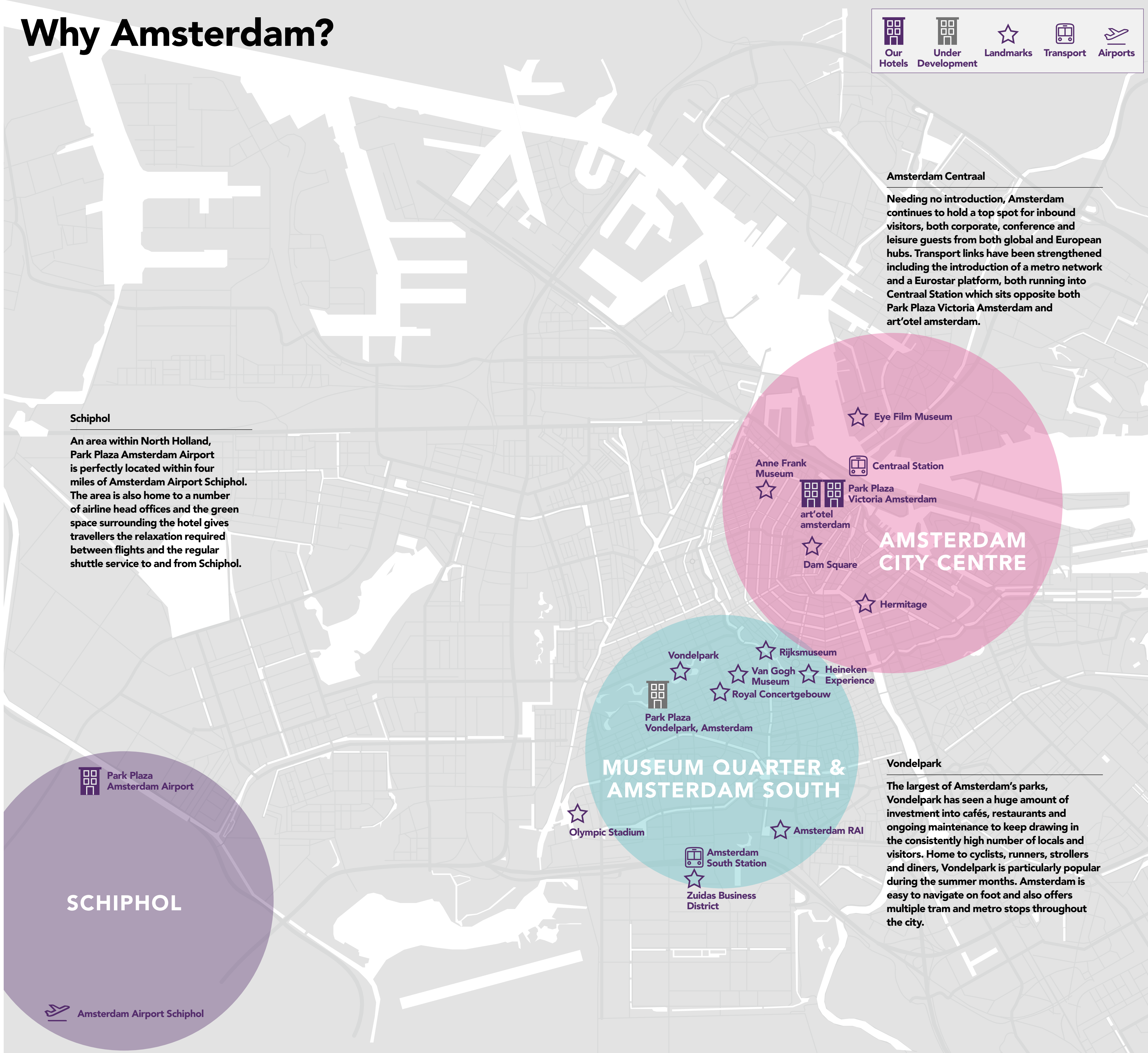
Introduction

Previously Regional HR Manager for the Netherlands and prior to that General Manager at Park Plaza Eindhoven. I have seen first hand how our capital city continues to be a city in demand.

According to Colliers, international estate agents, NL hotel market update, Amsterdam has seen a sharp increase in international visitors, in fact a 14.5% increase in business stays compared with 12.9% for leisure (Amsterdam Marketing Key Figures 2017). Tourism in the Netherlands is forecast to increase from 18 million international visitors in 2017 to 29 million in 2030, which is great news for us given we have four hotels and 849 rooms available in the city of Amsterdam and Amsterdam Airport Schiphol.

Park Plaza Victoria Amsterdam, situated in a prime location opposite Centraal Station, was fully repositioned in 2018. VIC's BAR, Carstens a destination restaurant and 298 guest rooms were part of the investments made. Repositioning works at Park Plaza Vondelpark, Amsterdam are expected to be finished in the first half of 2019 and will have a higher standard of interior design and service offering.

Why Amsterdam?



Schiphol

An area within North Holland, Park Plaza Amsterdam Airport is perfectly located within four miles of Amsterdam Airport Schiphol. The area is also home to a number of airline head offices and the green space surrounding the hotel gives travellers the relaxation required between flights and the regular shuttle service to and from Schiphol.

Amsterdam Centraal

Needing no introduction, Amsterdam continues to hold a top spot for inbound visitors, both corporate, conference and leisure guests from both global and European hubs. Transport links have been strengthened including the introduction of a metro network and a Eurostar platform, both running into Centraal Station which sits opposite both Park Plaza Victoria Amsterdam and art'otel amsterdam.

Vondelpark

The largest of Amsterdam's parks, Vondelpark has seen a huge amount of investment into cafés, restaurants and ongoing maintenance to keep drawing in the consistently high number of locals and visitors. Home to cyclists, runners, strollers and diners, Vondelpark is particularly popular during the summer months. Amsterdam is easy to navigate on foot and also offers multiple tram and metro stops throughout the city.

City overview

Amsterdam's infrastructure is constantly evolving. Short and long-haul travel continues to be popular, with Europeans able to easily access the city via a number of international airports and airlines. Schiphol is now the third largest airport in Europe and is aiming to open a third terminal in 2023 creating an additional 500,000 flights a year (source: Skylift).

It was a memorable year for the railway industry in Amsterdam too. Centraal Station opened its new North–South underground service and Eurostar launched its London to Amsterdam service to improve intercity and country connections. The Eurostar link has provided an additional option for travel to Amsterdam, originating in London King's Cross Railway Station and completing its journey at Amsterdam's Centraal Station, directly opposite Park Plaza Victoria Amsterdam and art'otel amsterdam.

We have seen the food culture explode; guests continue to be keen to experience craft and famous beers (home of Heineken) and cheeses amongst other local delicacies. At PPHE Hotel Group we believe in creating places where locals and guests wish to spend time and created 5&33, our Mediterranean destination restaurant and bar concept just opposite Centraal Station. We are working with a well-known chef, Maik Kuijpers, who opened our destination restaurant Carstens in neighbouring Park Plaza Victoria Amsterdam (relaunched in 2018) and a soon-to-be-named concept at our repositioning project for 2019, Park Plaza Vondelpark, Amsterdam.

Amsterdam continues to offer visitors an abundance of leisure reasons to visit, and remains the number one hotel investment destination at 34% according to Deloitte's 2018 European Hotel Investment Survey.

The Netherlands performance

Property portfolio

The Group is represented in the Netherlands with ownership interests in three hotels in the city centre of Amsterdam and a fourth property located near Amsterdam Airport Schiphol. The portfolio extends to include a hotel each in Utrecht and Eindhoven.

Total value of Dutch property portfolio[1]

£291m

[1] Independent valuation by Savills in 2018.

Operational performance

The region performed well and in line with expectations, despite the significant portfolio investment programmes undertaken and completed during the year, including the repositioning of Park Plaza Victoria Amsterdam and the first phase of repositioning works at Park Plaza Utrecht. In addition, during the second half of 2018, Park Plaza Vondelpark, Amsterdam closed for a complete repositioning, temporarily removing 102 rooms from the inventory.

Whilst these investment programmes had a short term impact by reducing the number of rooms in operation compared with 2017, the completed repositioning projects are expected to drive longer term growth from 2019 onwards.

In Euros, total revenue increased by 3.5% to €56.0 million, despite the disruptions related to the investment programmes. The main contributor for this increase was the completion of the repositioning at Park Plaza Victoria Amsterdam, however, this increase was offset by the reduction in room inventory at Park Plaza Vondelpark, Amsterdam and Park Plaza Utrecht.

RevPAR increased by 8.1% to €118.6, achieved through an 8.0% increase in average room rate to €138.4, and a 10bps increase in occupancy to 85.7%. Room revenue increased by 5.5% to €42.1 million and EBITDAR and EBITDA both increased by 4.8% to €16.1 million and €15.9 million respectively due to the hotel repositioning programmes mentioned above.

In sterling, RevPAR increased by 9.4% to £105.0, driven by a 9.3% increase in average room rates. Also in sterling, EBITDAR increased by 6.0% to £14.2 million and EBITDA was up 6.1% to £14.1 million.

Asset management projects

Four of the Group's six owned and operated hotels in the region underwent significant renovations in the year to reposition them and significantly enhance their offering.

Park Plaza Victoria Amsterdam is a well-known property located in the centre of the city, opposite Amsterdam Centraal Station in the heart of the shopping and dining district. The hotel has undergone extensive renovations to significantly reposition it and ensure that it remains relevant in an ever-changing market. This investment included the complete refurbishment of all public areas, 298 fully redesigned rooms and nine meeting and event rooms. A new bar, VIC's BAR, has opened, featuring an international cocktail menu, DJ sets and live jazz nights. A new destination restaurant, Carstens, led by a celebrity concept chef, opened in February 2019. Both the restaurant and bar have an entrance separate from the hotel, allowing them to be enjoyed by locals, hotel guests and visitors alike. Since relaunch, Park Plaza Victoria Amsterdam has seen a significant improvement in guest feedback. In total, we have invested approximately £20.0 million in this repositioning project and we expect an unlevered yield on investment of 7% upon maturity.

Park Plaza Vondelpark, Amsterdam, which has 102 rooms, closed for refurbishment in July 2018. It will be completely transformed and repositioned as a boutique, lifestyle hotel. Construction work is underway to reconfigure the public areas, reposition the main entrance from a busy road to a park side location and redesign and refit the guest rooms. When relaunched, the hotel will offer a destination restaurant and bar, accessible by a separate entrance, to attract local residents and tourists as well as our hotel guests. It is expected to reopen in phases during the first half of 2019. We expect that our investment in this project will amount to approximately £8.0 million with an unlevered targeted yield of 10% upon maturity.

At Park Plaza Utrecht, the first phase of construction work to reposition the hotel was completed by the year-end. This involved the repositioning of 40 rooms, including the installation of new bathrooms, and the meetings and events space. We expect that our investment in this project will amount to approximately £5.5 million with an unlevered targeted yield of 10% upon maturity.

The second phase of the programme, which involves refurbishing an additional 40 rooms and building an extension to house a new fitness centre, has started and will be completed in 2019.

Park Plaza Amsterdam Airport upgraded its meetings and events facilities, bringing the outdoors indoors, with a new interior design reflecting the hotel's surroundings. The refurbishment was completed in September 2018. The 20 meeting rooms boast natural daylight and feature a new integrated AV system. The theatre-style rooms can accommodate up to 700 delegates.

The Dutch hotel market*

Once again, the overall performance of the Dutch hotel market was driven by its key market, Amsterdam.

For Greater Amsterdam, RevPAR increased by 4.7% to €122.6, driven by a 5.0% increase in average room rate to €150.8, whilst occupancy declined by 0.3% to 81.3%.

Outside of Amsterdam, hotels in Utrecht reported a 9.0% increase in RevPAR to €82.5, as a result of a 5.2% increase in average room rate to €107.5 and a 3.7% improvement in occupancy to 76.7%.

The Eindhoven hotel market saw RevPAR grow by 5.0% to €51.9, reflecting an increase in average room rate and occupancy of 3.0% and 1.9% respectively.

* STR Global, December 2018

Hotel operations

	Reported in GBP[2] (£)		Reported in local currency Euro (€)		Like-for-like GBP[3] (£)		Like-for-like Euro[3] (€)	
	Year ended 31 Dec 2018	Year ended 31 Dec 2017	**Year ended 31 Dec 2018**	Year ended 31 Dec 2017	**Year ended 31 Dec 2018**	Year ended 31 Dec 2017	**Year ended 31 Dec 2018**	Year ended 31 Dec 2017
Total revenue	**£49.6 million**	£47.3 million	**€56.0 million**	€54.1 million	**£49.5 million**	£45.5 million	**€55.9 million**	€52.0 million
EBITDAR	**£14.2 million**	£13.4 million	**€16.1 million**	€15.3 million	**£14.4 million**	£12.8 million	**€16.3 million**	€14.6 million
EBITDA	**£14.1 million**	£13.3 million	**€15.9 million**	€15.2 million	**£14.2 million**	£12.6 million	**€16.1 million**	€14.5 million
Occupancy	**85.7%**	85.6%	**85.7%**	85.6%	**85.7%**	85.5%	**85.7%**	85.5%
Average room rate	**£122.6**	£112.2	**€138.4**	€128.2	**£122.6**	£112.2	**€138.4**	€128.3
RevPAR	**£105.0**	£96.0	**€118.6**	€109.7	**£105.0**	£95.9	**€118.6**	€109.7
Room revenue	**£37.3 million**	£35.0 million	**€42.1 million**	€39.9 million	**£37.3 million**	£33.4 million	**€42.1 million**	€38.2 million

[2] Average exchange rate from Euro to Pound Sterling for the year to December 2018 was 1.13 and for the year to December 2017 was 1.14, representing a 1.2% decrease.
[3] The like-for-like figures for 31 December 2017 exclude the operation from August until December of Park Plaza Vondelpark, Amsterdam (which is fully closed for renovations).

Business review continued – Germany and Hungary

History and culture combined

Arnoud Duin
Regional General Manager, Germany & Hungary, Arena Hospitality Group

Introduction

As Regional General Manager for Germany & Hungary at Arena Hospitality Group d.d, of which PPHE is a controlling shareholder, I will focus on Berlin as a city in more detail and why it is so favourable for European travel.

It is exciting to work in Berlin, having held roles previously in corporate international environments and I am delighted to work with the hotel teams in the region, (four out of our seven German hotels are located in Berlin).

Ranked in the top three after London and Paris,* Berlin has long been a city popular for national and international visitors be it weekend trips, a choice for convention centre locations and meetings and events.

The Alexanderplatz Berlin market is a firm favourite for tourism given the number of cultural attractions on its doorstep, the easy to navigate transport system and under an hour's proximity to both Tegel and Schönefeld airports.

With over 31 million overnight stays on average in a year in Berlin, we are positive about the city's long-tern prospects. In 2018, we have created further value in our renovation programmes which included investment in art'otel berlin mitte.

* about.visitberlin.de/en/current-figures
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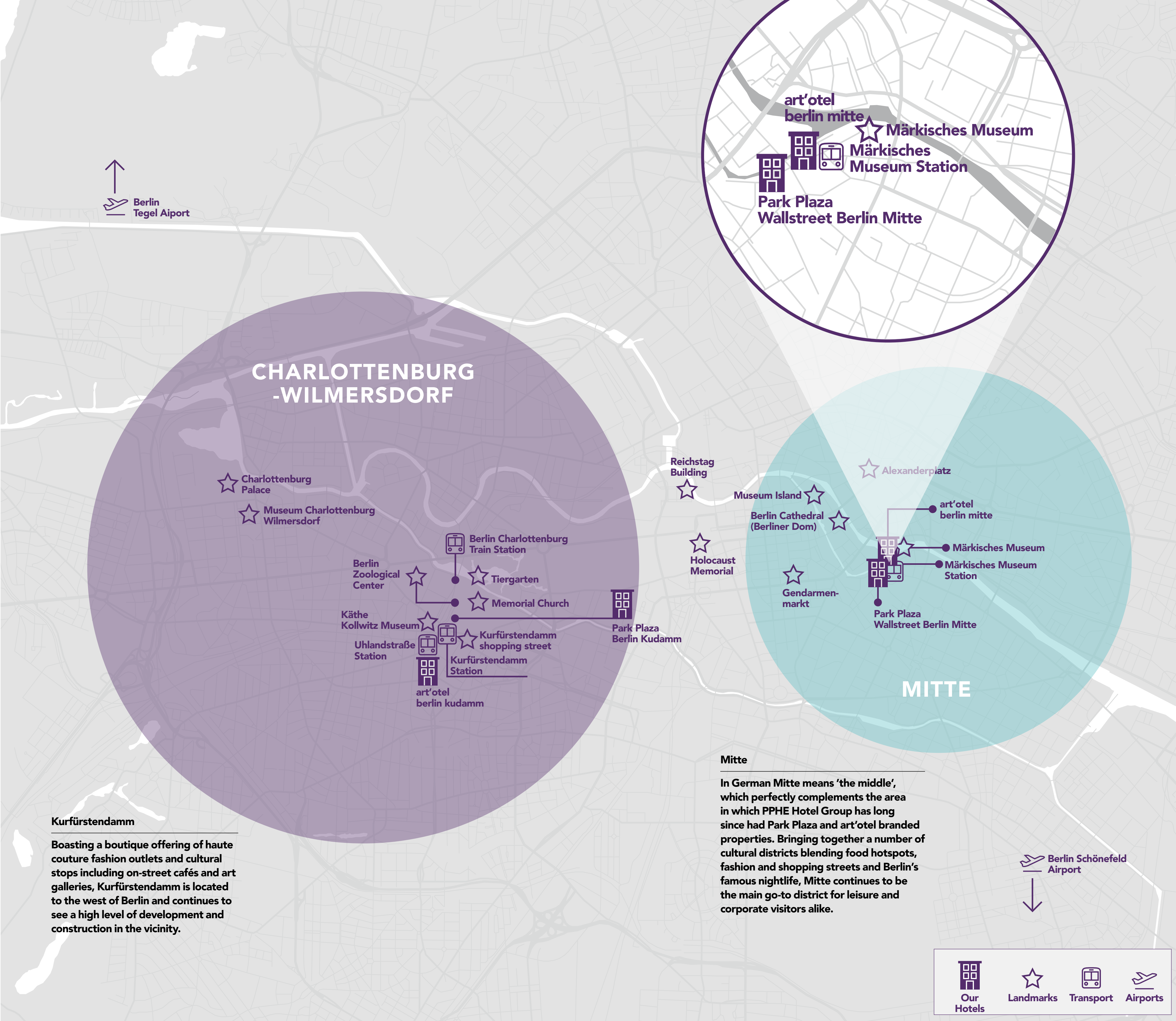
Why Berlin?



Kurfürstendamm

Boasting a boutique offering of haute couture fashion outlets and cultural stops including on-street cafés and art galleries, Kurfürstendamm is located to the west of Berlin and continues to see a high level of development and construction in the vicinity.

Mitte

In German Mitte means 'the middle', which perfectly complements the area in which PPHE Hotel Group has long since had Park Plaza and art'otel branded properties. Bringing together a number of cultural districts blending food hotspots, fashion and shopping streets and Berlin's famous nightlife, Mitte continues to be the main go-to district for leisure and corporate visitors alike.

City overview

A true landmark destination, Berlin has always been a popular city break choice. With 35 airlines flying into Schönefeld and 66 airlines to Tegel Airport, and attractions including the Brandenburg Gate, Alexanderplatz, Berlin Cathedral and Zoologischer, tourists continue to flock with German visitors remaining the most popular at 55.1%*.

With an abundance of shopping, galleries and street art including the East Side Gallery, which is a stretch of the Berlin Wall, and Museum Island, and shopping and historical city walks, Berlin continues to offer something for everyone whether you are a keen foodie wanting to visit one of the 21 Michelin-starred restaurants in the city through to micro-breweries such as the Eschenbräu brewery or a pop-up close to Mitte – there are a huge number of small independents now setting up shop in Berlin.

Berlin remains a key destination for corporate sectors including pharmaceutical and medical, with technology and politics following closely behind. The number of both congresses and delegates have seen increases according to Visit Berlin* and so our hotels are perfectly placed to provide a base for delegates and organisers during conference periods.

* about.visitberlin.de/sites/default/files/2018-02/visitBerlin_Tourismusbilanz-2017_ENG_1.6.pdf

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Germany and Hungary performance

Property portfolio

In Germany and Hungary, the Group's portfolio includes four properties in Berlin and one hotel each in Cologne, Nuremberg and Trier in Germany and Budapest in Hungary. Hotels with an ownership interest include: Park Plaza Berlin Kudamm[1], Park Plaza Nuremberg, art'otel berlin mitte[1], art'otel berlin kudamm and art'otel cologne. Park Plaza Wallstreet Berlin Mitte and art'otel budapest operate under operating leases and Park Plaza Trier[1] which operates under a franchise agreement.

Total value of German property portfolio[2]

£97m

[1] Revenues derived from these hotels are accounted for in Management and Holdings and their values and results are excluded from the data provided in this section.

[2] Independent valuation by Savills in 2018.

Operational performance

The performance in the region has continued to improve significantly year- on-year. Like-for-like[4] total revenue (in Euro) increased by 8.0% to €35.5 million and reported total revenue grew by 1.2% to €35.5 million primarily reflecting the improved trading environment and the further maturing of Park Plaza Nuremberg.

Like-for-like[4] RevPAR increased by 10.0% to €79.2. This was driven by a 590 bps increase in occupancy to 80.7% and a 1.9% increase in average room rate to €98.1.

In sterling, like-for-like[4] total revenue increased by 9.3% to £31.4 million and reported total revenue by 2.4% to £31.4 million.

Once again, Park Plaza Nuremberg was the main driver of this growth as the hotel, which opened in mid-2016, continues to mature. This hotel benefited from a high volume of fairs and events in the city, many of which only take place every two years.

The Group terminated, by mutual agreement with the owner, its loss-making lease agreement for the 174 room art'otel dresden as at 31 July 2018. The move incurred a termination cost of £3.1 million but this action will result in an overall rent reduction in the region and is expected to boost the Group's EBITDA by approximately £0.5 million annually.

Reported EBITDAR remained unchanged at £9.0 million and like-for-like[4] EBITDAR (in Euro) increased by 4.0% to €10.2 million. Reported EBITDA improved by an impressive 20.7% to £5.2 million, reflecting the improved performance at several hotels and the maturing of Park Plaza Nuremberg. In addition, the Group benefited from reduced rental expense as a result of the acquisition in 2017 of the freehold interests in art'otel cologne and art'otel berlin kudamm and the termination of the art'otel dresden lease in the second half of 2018.

All the Group's hotels outperformed their competitive set in terms of RevPAR. Notably, Park Plaza Nuremberg reported double digit growth in RevPAR and average room rate.

Asset management projects

During the year, the Group's Croatian subsidiary Arena continued its investment programme to transform operations in Germany and Hungary through asset management initiatives to drive performance in the region and create shareholder value.

At art'otel cologne and art'otel berlin mitte, the development of new wellness areas which included high-end treatment rooms were completed.

At Park Plaza Berlin Kudamm, plans are being finalised for a complete redesign and refurbishment of all rooms and public areas.

In Hungary, the lease for art'otel budapest, which was due to expire in 2020, has been renewed for a further 20 years with effect from 1 January 2019. This hotel continued to perform well in 2018, reporting double digit year-on-year growth.

The German and Hungarian hotel market*

The hotels in Berlin saw RevPAR increase by 6.5% to €78.2, driven by a 4.6% improvement in average room rate. Occupancy increased by 1.9%.

In Cologne, the hotel market reported a decline in RevPAR of 5.0% to €81.8, reflecting an 0.8% increase in occupancy offset by a 5.8% decline in average room rate.

Hotels in Nuremberg benefited from a strong fair and events season, with RevPAR up 15.1% to €77.8, average room rate up 10.2% and a 4.4% improvement in occupancy.

In Budapest, hotels experienced a 7.2% RevPAR increase to €50.4, the result of a 4.7% increase in average room rate and 2.3% increase in occupancy.

* STR Global, December 2018

Hotel operations

	Reported in GBP[3] (£)		Reported in local currency Euro (€)	
	Year ended 31 Dec 2018	Year ended 31 Dec 2017	**Year ended 31 Dec 2018**	Year ended 31 Dec 2017
Total revenue	**£31.4 million**	£30.7 million	**€35.5 million**	€35.1 million
EBITDAR	**£9.0 million**	£9.0 million	**€10.2 million**	€10.3 million
EBITDA	**£5.2 million**	£4.3 million	**€5.9 million**	€5.0 million
Occupancy	**80.7%**	75.4%	**80.7%**	75.4%
Average room rate	**£86.9**	£82.5	**€98.1**	€94.2
RevPAR	**£70.1**	£62.2	**€79.2**	€71.1
Room revenue	**£25.1 million**	£23.9 million	**€28.3 million**	€27.3 million

	Like-for-like[4] in GBP (£)		Like-for-like[4] in local currency Euro (€)	
	Year ended 31 Dec 2018	Year ended 31 Dec 2017	**Year ended 31 Dec 2018**	Year ended 31 Dec 2017
Total revenue	**£31.4 million**	£28.8 million	**€35.5 million**	€32.9 million
EBITDAR	**£9.0 million**	£8.6 million	**€10.2 million**	€9.8 million
EBITDA	**£5.3 million**	£5.0 million	**€6.0 million**	€5.7 million
Occupancy	**80.7%**	74.8%	**80.7%**	74.8%
Average room rate	**£86.9**	£84.2	**€98.1**	€96.3
RevPAR	**£70.1**	£63.0	**€79.2**	€72.0
Room revenue	**£25.1 million**	£22.5 million	**€28.3 million**	€25.8 million

[3] Average exchange rate from Euro to Pound Sterling for the year to December 2018 was 1.13 and for the year to December 2017 was 1.14, representing a 1.2% decrease.

[4] The like-for-like figures for 31 December 2017 exclude the operation from August until December of art'otel dresden (the lease of which was terminated on 31 July 2018). Furthermore, the like-for-like comparisons for 2017 exclude rent expenses for art'otel berlin kudamm and art'otel cologne, as the freehold properties were acquired in Q1 2017.

Business review continued – Croatia

Scope for development

Reuel (Reli) Slonim
President of Management Board,
Arena Hospitality Group

Introduction

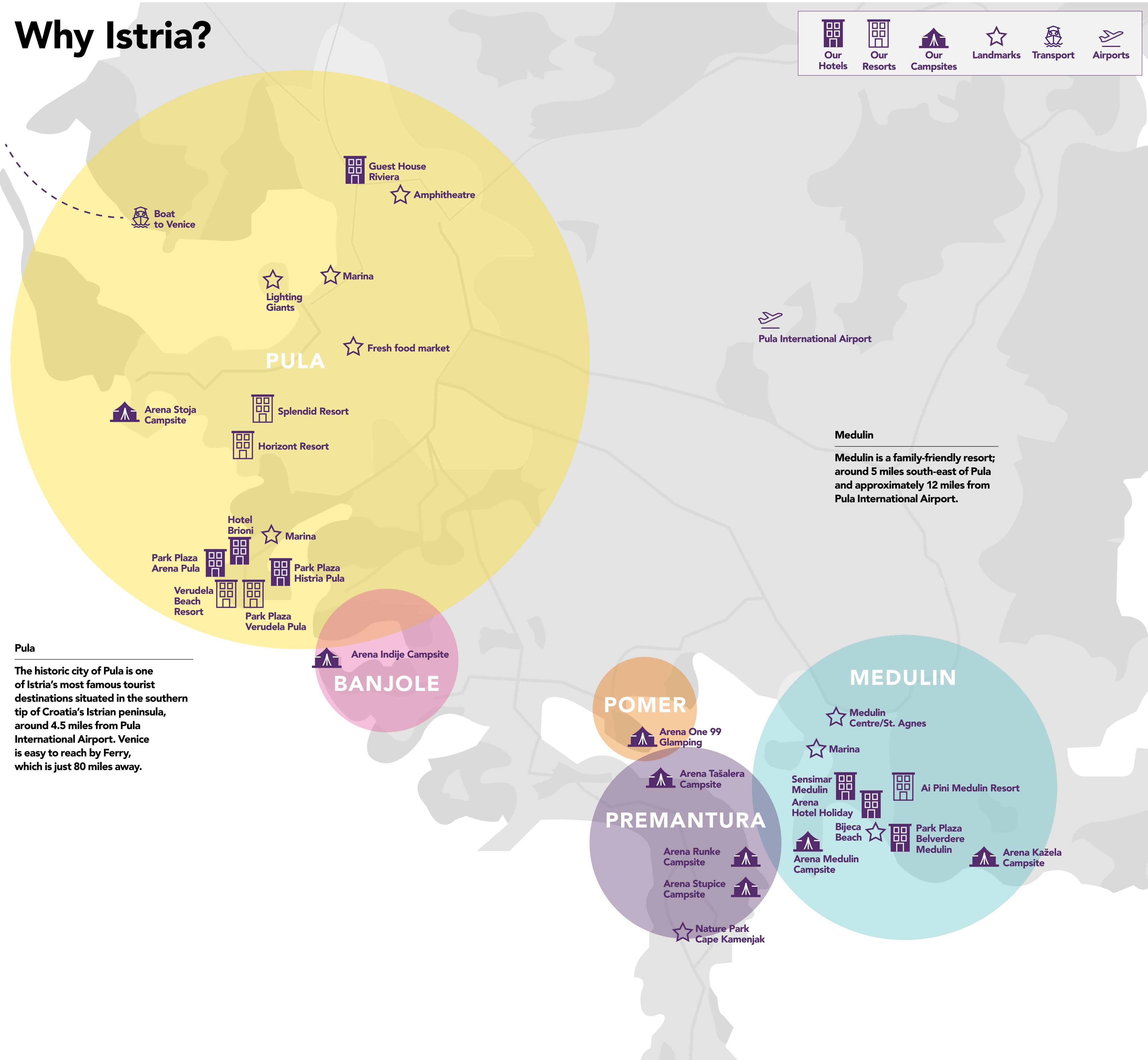
As President of the Management Board at Arena, I have overseen the strong development and growth in Croatia, in particular in the Istrian region, over the past ten years.

With more than 10,000 rooms, eight campsites and 1,060 rooms made up of self-catering holiday apartment complexes, Arena operates Arena Campsites and Arena Hotels & Apartments predominantly in the Istrian region, north of Croatia.

In 2018, we launched Arena One 99, Croatia's first all-glamping offering which we were delighted to see high occupancy in this season (our first season) and receive two awards by the Croatian Tourist Awards programme for Best Glamping and Best Campsite.

Croatia continues to grow from strength to strength with a marked increase in visitor numbers, in particular Istria, where we have a strong presence has seen an increase in airlines flying into Pula International Airport with approximately 16 carriers offering direct flights during peak season (June–September) from key European hubs including London, Milan and Basel.

Why Istria?



Pula

The historic city of Pula is one of Istria's most famous tourist destinations situated in the southern tip of Croatia's Istrian peninsula, around 4.5 miles from Pula International Airport. Venice is easy to reach by Ferry, which is just 80 miles away.

Medulin

Medulin is a family-friendly resort; around 5 miles south-east of Pula and approximately 12 miles from Pula International Airport.

Overview

Istria, Croatia's Northern peninsula, is becoming increasingly accessible – in 2018 approximately two new UK routes were introduced from London Southend and Liverpool (summer 2018). The crowds are more dispersed than Croatia's other main cities with Istria boasting historical settings in its small towns including Medulin and Pula; each of which hosts Blue Flag coastal locations and small cafés, each peppered with flavours of neighbouring Italy (Venice is a boat journey away from Pula).

With so many European beaches packed out and prices higher than ever before, Istria has become a popular summer holiday choice for many.

Pula's amphitheatre hosts international stars such as Tom Jones and Sting at huge outdoor concerts set in ancient ruins, with major dance festivals also taking place in the area, including Outlook and Dimensions, which draw in huge visitor numbers.

Istria is famed for its gastronomy including olive oil, pasta, local wine and truffle production. We have seen many journalists visiting Istria to write about the diverse cuisine on offer and local growers. We have 60 olive oil producers and are consistently named as the world's best quality olive oil growing region.

Business review continued – Croatia

Croatia performance

Property portfolio

The Group's subsidiary, Arena Hospitality Group, owns and operates a Croatian portfolio of seven hotels, six resorts and eight campsites, all of which are located in Istria, Croatia's most prominent tourist region.

Four of Arena's properties in Croatia are Park Plaza branded, one property is marketed under the Sensimar brand (part of the TUI Group) and 2018 saw the introduction of the Arena Hotels & Apartments and Arena Campsites brands for certain of Arena's properties.

Total value of property portfolio[1]

£210m

[1] Independent valuation by Zagreb nekretnine Ltd in 2018.

Operational performance

The Group's operations in Croatia reported year-on-year growth in occupancy, average daily rates and RevPAR, improving on 2017's record performance for the region.

Operations are highly seasonal with the majority of visits occurring between June and September. Most hotels open and commence trading around Easter and then close by mid-October.

That said, trading in the first half of 2018 was strong with good trading in the Easter and Pentecost holidays. The region also benefited during the winter months from good demand for sports-related accommodation at Park Plaza Belvedere Medulin.

The highlight in the second half was the launch of Arena One 99 Glamping, Croatia's first all-glamping offer, which enjoyed a soft opening in June 2018. The site is already award-winning being recognised with Best Glamping and Best Campsite (Croatian Tourist Awards), and it was awarded Croatian Campsite of the Year with Glamping at the Croatian National Tourist Board's Tourist Flower Awards. In 2019, Arena One 99 is expected to continue to mature as it will benefit from its first full season of operations.

Reported total revenue increased by 6.9% to £60.2 million. In Croatian Kuna (HRK), reported revenue was up 5.0% to HRK 503.8 million, reflecting improved trading and the new glamping offer.

RevPAR increased by 0.9% to HRK 490.4, reflecting a modest improvement in average room rate to HRK 785.8 million and a 60 bps increase in occupancy to 62.4%.

Reported EBITDA decreased to HRK 155.3 million reflecting an increase in labour costs during the year and increased expenses for waste management and cleaning services.

Asset management projects

Arena One 99 Glamping was our primary real estate investment project in the year (approximately £8.0 million). It transformed the former Pomer campsite into an all-glamping site with eight types of accommodation. This new campsite, which opened in time for the peak summer season, is the first of its kind to open in Croatia and was well received by guests. It offers well-equipped accommodation with luxury amenities, an outdoor wellness area, beach bars and activity programmes for both adults and children.

At Park Plaza Arena Pula, six accommodation units were added to the inventory following significant renovation. The hotel now has a total of 187 rooms and suites. Prior to refurbishment, these rooms were part of the Verudela Beach Resort complex. At Park Plaza Histria Pula, a new wellness centre and spa were completed.

Ahead of the 2019 summer season, Arena Kažela Campsite, located on the south part of Medulin, will undergo a significant investment programme to upgrade the site of approximately £14.0 million.

The site has been chosen due to its peaceful location close to some of the best beaches in Istria. Guests have immediate access to beaches with areas exclusively for sunbathers. Upon completion of the investment project, Arena Kažela campsite will offer 152 new, fully equipped premium and family Camping Homes, in addition to more than 1,000 spacious pitches. The new Camping Homes are aimed at the modern traveller, searching for eco-friendly choices when on holiday. Each home features ecological and recycled materials and offers 37 square metres of interior space, more than 25 square metres of covered terrace and 250 square metres of private garden. Apart from the comfortable accommodation, the new facilities are designed to provide a luxurious holiday experience to its guests. Other new facilities will include a new reception, a new central pool with a children's area and new pool reserved exclusively for luxury Camping Home guests. In addition, a variety of sports and entertainment activities, suitable for both adults and children, will be on offer.

Repositioning projects planned for 2019 include Hotel Brioni (approximately £22.0 million) and Verudela Beach Resort (approximately £8.0 million). Following the planned investment in Hotel Brioni we will rebrand the hotel to Park Plaza Brioni. There are advance plans for refurbishment of the villas at Verudela Beach Resort.

Operations

	Reported in GBP[2] (£)		Reported in local currency HRK	
	Year ended 31 Dec 2018	Year ended 31 Dec 2017	**Year ended 31 Dec 2018**	Year ended 31 Dec 2017
Total revenue	**£60.2 million**	£56.3 million	**HRK 503.8 million**	HRK 479.8 million
EBITDAR	**£19.7 million**	£19.7 million	**HRK 165.0 million**	HRK 168.0 million
EBITDA	**£18.6 million**	£18.7 million	**HRK 155.3 million**	HRK 159.1 million
Occupancy	**62.4%**	61.8%	**62.4%**	61.8%
Average room rate	**£93.9**	£92.2	**HRK 785.8**	HRK 785.6
RevPAR	**£58.6**	£57.0	**HRK 490.4**	HRK 485.8
Room revenue	**£34.1 million**	£32.5 million	**HRK 285.1 million**	HRK 277.0 million

[2] Average exchange rate from Croatian Kuna to Pound Sterling for the year to December 2018 was 8.37 and for the year to December 2017 was 8.52 representing a 1.8% decrease.

Business review continued

Management and Central Services

Our performance

Revenues in this segment are primarily management, sales, marketing and franchise fees and other charges for central services.

These are predominantly charged within the Group and therefore eliminated upon consolidation. The segment shows a positive EBITDA as management fees that are charged, both internal and external, exceed the costs in this segment.

Management, group central services, and license, sales and marketing fees are calculated as a percentage of revenues and profit, and therefore these are affected by underlying hotel performance.

Management and Central Services

	Reported in GBP (£)	
	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Total revenue before elimination	**£42.0 million**	£42.4 million
Revenues within the consolidated Group	**£(36.8) million**	£(37.4 million)
External and reported revenue	**£5.2 million**	£5.0 million
EBITDA	**£10.3 million**	£10.5 million

RESPONSIBLE BUSINESS

INSPIRING GUESTS

Read more – See page 78

CREATING CENTRES OF EXCELLENCE

Read more – See pages 79–80

DEVELOPING OUR PEOPLE

Read more – See pages 81–82

BEING PART OF OUR COMMUNITIES

Read more – See page 83

At PPHE Hotel Group we pride ourselves on delivering responsible experiences in everything we do as a business.

This approach covers the wide range of unique hospitality experiences offered across all of our hotels, resorts, campsites, restaurants, bars, spas and the operations that make up our business for our guests, team members, partners, shareholders and members of the communities in which we operate.

Responsible business continued

DOING BUSINESS RESPONSIBLY

A shifting landscape

Since we acquired our first property in Eindhoven in 1989, PPHE Hotel Group has grown into an international hospitality real estate group with prime freehold and long leasehold assets in Europe. Our primary activity of developing, owning and operating hotels, resorts and campsites and many restaurants, bars and spas creates an increased level of responsibility to our guests, team members, partners, shareholders and the communities in which we operate. In turn, these stakeholders are placing a higher value on a brand's responsible initiatives and the impact it is having on the world.

The travel and hospitality sector

For the first time in recent history it is reported that the demand for travel is outpacing demand for consumer goods. Travel and tourism bookings have hit record levels over the past two years driven by a strengthening global economy. The Global Business Travel Association (GBTA) reports that it expects global business travel spending to continue to accelerate after already seeing record levels over the past few years.

Given this unprecedented growth it is more important than ever that businesses in the property and hospitality sectors take responsibility for their impact on the world and for their team members' wellbeing. It is critical that sustainability and risk management are inextricably linked with long-term growth strategies, with vigilance around evolving, high profile forms of risk such as the General Data Protection Regulation, gender pay equality, cyber security and food safety.

At a time when the European parliament has overwhelmingly backed a wide-ranging ban on single-use plastics such as plastic straws, cotton swabs, disposable plastic plates and cutlery – all of which are to be banned by 2021, and 90% of plastic bottles to be recycled by 2025 – eco-consciousness is on the rise in the hospitality industry. Guests are also looking for sustainable and authentic experiences and hotels are going green as millennials demand sustainable travel options.

Brands who fail to innovate and adapt to this responsibility risk losing market share. Today's consumers have access to instant information and use this to compare more hotel and private accommodation options than ever before. Along with this choice, comes expectations.

Responsible Experiences

INSPIRING GUESTS

Read more – See page 78

CREATING CENTRES OF EXCELLENCE

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DEVELOPING OUR PEOPLE

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BEING PART OF OUR COMMUNITIES

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A responsible business strategy

Responsible Experiences

As outlined in our 2017 Annual Report, the Company has created a responsible business strategy – Responsible Experiences – that builds on the corporate social responsibility (CSR) activity of previous years to create a long-term sustainable and responsible business model.

Responsible Experiences was developed by our team members using our current values and the way our properties and their teams already go about their daily work. We have defined a responsible business mission and the four pillars reflecting key areas of activity and impacts.

online https://www.pphe.com/responsibility

In 2018, we have been taking positive steps to integrate Responsible Experiences into our business model and day-to-day activity. This has involved setting ourselves goals under each pillar, the majority of which are based on existing activity within our Group, while others have been set to challenge the Group and introduce new areas of activity.

Each goal has a series of measures associated with it to help us monitor and evaluate our efforts. We are currently working on internal systems and processes to ensure that we can accurately report on these.

For more information on our goals and measures visit our website https://www.pphe.com/responsibility/our-approach

We are working closely with Arena Hospitality Group to ensure that all systems, goals and measures align, which is a committed aim of the Group in 2019.

During the summer of 2018 we also conducted a comprehensive online materiality survey with over 4,000 key stakeholders. We are using the results of these findings to prioritise activity within the Group and to determine which measures to concentrate on first.

For more information on our materiality survey visit our website https://www.pphe.com/responsibility/stakeholder-engagement-materiality

This report focuses on our progress in each of the four pillars across the last 12 months. Where possible, we have highlighted key facts and figures that are considered relevant by our stakeholders and are also important to the success of our business.

In 2018, we also joined our strategic partner, Radisson Hotel Group, as a supporter of the International Tourism Partnership (ITP). The ITP supports four of the UN Sustainable Development Goals focused on carbon, water, youth employment and human rights. We welcome the opportunity this membership brings for furthering our learning, allowing us to attend stakeholder member meetings and sharing best practice alongside other supporter events and roundtables.

Managing Responsible Business at PPHE Hotel Group

We are committed to conducting our business with honesty and integrity. We provide an environment in which team members are supported and encouraged to work responsibly. Our commitment to ethics, governance and compliance starts at senior management level, with the Executive Team driving Responsible Business initiatives and supporting the Regional and Property Team Members. Collaboration ensures Responsible Business remains relevant in our day-to-day operations.

Responsible Business is a focus of our new team member integration and features in our 'Feeling Welcome' induction programme. We aim for year-on-year enhancements to our Responsible Business strategy and encourage all team members to join in our collective effort to creating an environment where Responsible Business is integral in everything that we do.

Our mission in 2019

We are proud of the progress we have made with Responsible Experiences in 2018, but we realise that we are at the start of this process and still have a long way to go before we have achieved our ambitions for this initiative.

Over the next 12 months our aim is to build a digital data collection tool that ensures that the data we collect is up-to-date and accurate. In creating this we will also produce standards and procedures to define what the data is and its source, which will enable us to create consistency across the Group, track our progress, celebrate our successes and identify areas for improvement. We can then work together to set targets and define Group-wide initiatives that will help us achieve our Responsible Experiences goals.

Responsible business continued

INSPIRING GUESTS

Guests will always be the primary focus for all Group activity. As highlighted in the materiality survey, 'Inspiring guests' was ranked as the most important Responsible Experiences pillar amongst our stakeholders. For this section, we focus on how responsible business activity is conducted with the specific aim of creating valuable memories by delighting our guests every day, through engaging service, quality products and inviting places.

Goals:

1) Improve guest experience
2) Futureproof our organisation
3) Ensure guest health and wellbeing
4) Ensure guest safety and security

The guest experience and futureproofing

One of our primary goals is to recognise and create opportunities and develop the properties in our portfolio to reach their full potential. We are committed to investing in the renovation and development of our hotels, resorts and campsites. These projects, which will enhance the quality and appeal of our offer, are part of our real estate investment programme. The feedback from our guests indicates that they appreciate these investments.

In 2018, as part of our Responsible Experiences strategy, we decided to upgrade our guest satisfaction and online reputation monitoring tools. For this purpose, we partnered with ReviewPro, which in our view is best aligned to help us meet our goals.

ReviewPro measures and ranks two main areas:

1) An analysis of online (third party) review websites. It then calculates the GRS™ (Guest Rating Score), the most important metric for measuring online reputation performance
2) An analysis of survey responses from guests. It then calculates the NPS (Net Promoter Score®), the most relevant metric for measuring our guests' feelings towards our hotels

The reasons for choosing ReviewPro lie in the unique benefits it offers:

– Unified dashboard view of both guest satisfaction results and online reputation performance according to external review websites
– Simplified platform navigation with a wide range of functionalities, which will reduce the amount of time our team members spend in responding to reviews/surveys
– New features that will help us to better understand and improve our business

Health and wellbeing

We ensure that our products and services are advertised in strict conformity with legal requirements as well as with ethical and cultural standards. We comply with our own Company-wide code of conduct, as well as with regulations, guidelines and rules laid down by national advertising boards. We are committed to complying with applicable consumer-protection regulations and to employing appropriate sales, marketing and information practices in communications with our customers.

In 2018, we have commissioned the services of Clifton Environmental Management Ltd, a leader across the Leisure and Hotel Business Industry, to carry out a programme of external Health, Safety and Food Management audits across all our properties in all regions. Clifton also acts as the approved external contractor and support the Group where needed with expert opinion and Incident and Emergency management services.

Customer satisfaction and guest complaints are key to the development of our brands and services. We have a robust process in place that addresses the issue at hand and feeds directly into how we evolve the guest experience. This ensures that we build a service offering that is tailored to our guests and is informed by guest feedback.

Safety and security

The safety and security of our guests and team members remains our priority at all times. All hotels have in place an Accredited Fire Risk Assessment, in full compliance with the Regulatory Reform (Fire Safety) Order 2005 and Regional Fire Statutory requirements. Each hotel has rigorous safety measures in place including emergency evacuation plans. Measures include sprinkler systems, smoke detectors, CCTV, team training and refresher training as well as ongoing full hotel evacuation training. All hotels are manned 24 hours a day.

In 2018, PPHE Hotel Group was successful in its application to be included in the British Safety Council 2019 'Sword of Honour' awards. The British Safety Council is widely recognised as the market leader in worldwide health and safety standards. The Sword of Honour is awarded to a maximum of 40 businesses per year and is regarded as a top standards award, only given to businesses that can prove through a rigorous audit and compliance programme they are industry leading.

We take the privacy of our customers very seriously. Over the last year we have reviewed our systems and policies to ensure that we are GDPR compliant. In order to comply, we identified how we process data and have instituted policies to process it in line with this new European law. We have a system in place to identify when we deviate from the prescribed procedures of processing data, either by using technology or by self-reporting to one of our hotlines. We have implemented two hotlines, one for the public and one for team members, both of which are directed to our compliance team. We have also designed and are currently implementing a new training system for our team members, enabling them to report any misuse of personal data to our hotline, allowing us to mitigate and prevent further risk.

Human rights

The Group requires its team members to uphold the Group's principals and policies on business ethics and anti-bribery and corruption. We introduced a Code of Ethics and Whistleblowing Policy during 2013 that applies to all Group Team Members. We require compliance with a comprehensive suite of anti-bribery policies, including a Gifts and Entertainment Policy which extends to all business dealings and transactions in which we are involved. This includes a prohibition on making political donations, offering or receiving inappropriate gifts or making undue payments to influence the outcome of business dealings. Our policies and guidance in this area are routinely reviewed. These policies are included in our training and induction programme 'Feeling Welcome'.

CREATING CENTRES OF EXCELLENCE

As a multi-brand owner and operator of 46 hotels, resorts, campsites and many restaurants, bars and spas across several key cities and resorts in Europe, it is critical that we develop a blueprint for long-term sustainable development and ethical operational practices.

Implementing our blueprint will form a critical part of our team member and guest education and engagement, having them contribute to our sustainability projects as and when appropriate. As highlighted in the materiality survey, 'Creating centres of excellence' was ranked as the Responsible Experiences pillar with the most impact.

Goals:

1) Reduce carbon footprint
2) Reduce water usage
3) Reduce waste and recycle more
4) Increase the use of ethically sourced and eco-friendly materials
5) Increase diversity in the workplace

Carbon footprint

The management of our energy use has always been important to the Group and we have had success in reducing our carbon emissions over a long period of time. All our achievements in energy saving have been made possible by the commitment of our local hotel management teams and our regional general managers. A key driver of this is our 'Save tomorrow, today' programme, where we actively engage our guests in reducing their impact on the environment through the reduction of water, electricity and cleaning materials used in our properties.

Whilst we are proud of our successes to date, we need to ensure that the Group continues to perform well. In 2018, we introduced an online energy monitoring tool for all our properties in the Netherlands, the United Kingdom and Germany with the intention to roll this out across all properties in the Group. The online tool allows us to receive accurate updates on all our energy consumption. This information provides us with the ability to monitor peaks and troughs in usage. The benefits of this are not only commercial, but will also allow us to explore ways to reduce our carbon footprint.

In addition, all our hotels are encouraged to continue to improve their ratings from independent organisations and associations such as The Green Key and The Green Tourism Business Scheme.

Visit our website at pphe.com/responsibility/creating-centres-of-excellence for more information

Responsible business continued

Water use

Alongside the online energy monitoring tool, we also plan to implement an online water usage monitoring tool for all properties in the Group in 2019. Whilst we already encourage all our hotels to minimise their water usage and this is also included in the 'Save tomorrow, today' programme, we feel the online tool will allow us to effectively monitor and manage water use in our properties.

Waste and recycling

As a Group, we encourage all our hotels to reduce the amount of waste they produce. This is achieved in many different ways, including reducing the use of consumables such as cleaning materials, packaging and paper, with a view to further minimising environmental impact.

Procurement

A key area of impact we have on the environment and the communities in which we operate is our supply chain – this being the goods and services which we buy both in the countries where we operate and from elsewhere.

It is important that all procurement decisions ensure that our hotels get the goods and services they need to operate effectively, and at the right price, whilst ensuring that robust due diligence has been performed to ensure that any social and environmental issues are properly understood and addressed. As a key component of the continuous development of our management processes, we have now implemented a centralised e-procurement system (Procure to pay) across the United Kingdom and the Netherlands. We plan to continue the rollout of this system with Croatia to follow after this. The system provides complete transparency of all our suppliers for all outlets in all regions and allows us to include a strict audit and supply chain process that can be developed as our business grows and our requirements change.

The issues we face with our supply chain are constantly changing and evolving. It is a continuing process to improve and strengthen our procurement activity to ensure that relevant issues are properly understood and managed in each buying decision we make. Our responsible business strategy will help us to identify and prioritise the areas to concentrate on.

Strategic partners/suppliers

Teamwork is a key value and we like to collaborate with our strategic partners and business suppliers. It will never be our intention to reject strategic partners and business suppliers because they present environmental or social challenges, but only if they refuse to address these. Where issues do emerge, we will always endeavour to work together to address them.

In 2019 we will be introducing a strategic partner and supplier "code of conduct" policy which will require our partners to be transparent with us and provide relevant information about the goods or services they provide. The "code of conduct" will outline how we expect all our strategic partners and business suppliers to comply with all relevant legislation in the countries where we operate or in those countries where goods or services are sourced. This includes legislation relating to the environment, health and safety and employment, as well as any other regulations relating to the goods or services they provide.

Our supplier contract management also provides us with the information we need to monitor and manage supplier activities across the Group and help improve accountability for all.

Equality and diversity

PPHE is fully committed to respect and deliver fair treatment for everyone, eliminating discrimination and actively promoting equality of opportunity and delivering fairness to all. In addition to being compliant with equality laws, public duties, and Human Rights Acts (universal and European), the Group supports diversity and promotes equality of opportunity for all team members, students and customers regardless of their:

- protected characteristics (Equality Act 2010):
  - age;
  - disability;
  - gender reassignment;
  - marriage and civil partnership;
  - pregnancy and maternity (including paternity);
  - race (colour, ethnic or national background);
  - religion or belief (including non-belief);
  - sex/gender; and
  - sexual orientation.
- caring responsibilities for a 'protected characteristic' including dependants;
- socio-economic background/grouping;
- union activity; and
- unrelated spent criminal convictions.

DEVELOPING OUR PEOPLE

We are a truly international organisation which employs more than 4,100 team members from over 30 different nationalities. With such a diverse workforce, it is important that the Group has a strong company culture and leadership that inspires our team members to share our passion to perform.

We recognise that our team members are central to the success of the Group and how we operate. Our company culture is one of trust, respect, caring and connecting, and is also about personal growth.

The overall Group's context of 'placing the guest experience at the heart of everything we do' supports this. It is critical that we invest in our talent and encourage their growth by delivering an exciting and forward-thinking workplace for them to develop their skills and knowledge, providing them with the opportunities to grow with our business.

Goals:

1) Linking development to learning

2) Attract and retain talent

We see our learning and development programmes as key to the development of our team members and, to support the professional and personal growth of every team member, we have developed the 'you:niversity'. This is an extensive resource of learning and development programmes created to enable our leaders and team members to develop the individual and organisational capability needed to achieve their personal growth, career progression potential and our overall business strategy.

In 2018, we made further progress refining our learning and development programmes for our team members. Our trainings were delivered by more than 85 internal trainers, with the support of almost 100 internal coaches. All our new team members attended our mandatory induction programme, an all-encompassing programme which ensures that new starters are off to a great start and understand our culture, values and their role in delivering inspirational guest experiences and our business objectives.

you:niversity framework

We have reviewed the current offering in the you:niversity framework and the overall learning and development strategy. The mapping of our training offering has given us better insight into the purpose of individual trainings and the priority for continuous development. Combining the development priorities with our learning and development strategy and an analysis of the changing needs of the Company has resulted in a clear vision for the future developments of our you:niversity framework. We have identified the following key objectives for 2019: enhancing our learning culture, encouraging a blended and personalised learning approach, both self-directed learning and leader-led development, supported by technology and clearly measured.

Talent management

We put great emphasis on supporting and encouraging team members to develop and grow their careers within the business. Inspiring internal talent has continued to play an important role in 2018 and will be a priority for our future success. Developing our talent as a resource is an operational responsibility, supported by the Human Resources and Learning and Development representatives in all hotels and in each region.

Responsible business continued

To help support the Group with Talent Management, a robust process is in place which ensures that leadership is actively engaged with identifying and developing our internal talents. Regular talent meetings take place where development plans are created that guarantees the team members' and our Company's growth strategy. In our four regions, 81% of our team members have had a Performance & Development Review meeting with their manager to review their personal development potential.

you:niversityplus

We benefit from strong relationships with universities and hospitality schools across Europe and, to strengthen this cooperation, we have designed our you:niversityplus programme. The aim of this programme is to attract and retain highly engaged students and apprentices. This programme is tailored to their development needs and helps them develop their communication and cooperation skills. It is also a useful way of demonstrating the diversity of job opportunities within our Group.

you:niversitynext

The you:niversitynext is our fast track Management Development Programme designed to give a clear insight into a wide range of managerial elements of our business on a two-year learning journey.

The strategic goal is to develop our talent pipeline for the future and this programme has a clear purpose as a method for growing our managers of the future, targeting four key talent streams – internal talent, recognised and nominated through Talent Bank and mobile in region, external college/university education and hospitality work experience; Hospitality or Business focused degree, Supervisor level work experience in Hospitality with suitable foundation education.

In 2018, we increased the programme to five participants in the UK, and launched the programme in The Netherlands starting with one participant to ensure that we have the right format for each market – and we expect this number to increase in the coming years as the popularity of the programme continues to grow across the Group.

This format gives the best possible exposure to the key areas of the business along with a range of opportunities to develop managerial knowledge, soft skills and leadership styles – with experiences spanning our hotels, support functions and regional offices to become a successful hotel management professional in our properties.

Employment

PPHE Hotel Group employs a diverse workforce across our four regions, with a gender mix of 45% men and 55% women. Around 70% of our workforce is between the ages of 21 and 40, followed closely by 31 to 40, after which comes our workforce of people aged 41 to 50.

Around 600 new team members joined PPHE Hotel Group as part of the UK Accommodation Services team; this decision was taken to enable a higher team member engagement in our UK-based housekeeping team.

We have been measuring employee engagement since 2015 and it continues to play an important role in the further development of the Group by helping us understand the employee experience. Developing our employee experience is critical to developing our guest experience. Having a highly engaged workforce is imperative to our success and ability to attract and retain highly competent and motivated team members. Creating a culture where team members feel safe to share their opinion and help us shape the future of our Group together is essential for the success of our business and all our managers and leaders play a vital role in this process.

To measure employee engagement, we have developed a model with four engagement drivers: My Job; My Manager; Our Team; and Our Company. By answering detailed questions across these four engagement drivers, overall engagement of our team members is established.

Our engagement survey is conducted digitally at least once a year and is available in multiple languages to remove as many barriers to entry as possible and encourage participation. In 2018, we achieved an engagement index score of 83.6. With 3,320+ team members participating in the full scale survey, the participation ratio remained steady at 93% for all Group employees.

BEING PART OF OUR COMMUNITIES

As a developer, owner and operator of hotels, resorts and campsites, restaurants, bars and spas, it is important that we work closely with our neighbourhoods and make a positive contribution to our local communities and the people who live there. We do this in a number of different ways. We are actively involved with a number of fundraising activities throughout the year that make a big difference to people's lives and the environment, and we also engage with our local communities through volunteering and local resourcing partnerships and charities.

We have a strong commitment to this pillar and are constantly reviewing our community and charitable activity to ensure that it has maximum impact at a local level, but also resonates globally and supports the Group in meeting its objectives and responsibilities.

Goals:

1) Increasing our charity initiatives and volunteering

2) Contributions and investments with our local community

3) Engagement with our local community

Charity initiatives and volunteering

Group-wide

2018 saw the Group support two charitable initiatives across all properties at an international level.

The first was THINK PINK!, PPHE's Group-wide awareness campaign which took place in October in support of the globally recognised Breast Cancer Awareness Month. An annual event, THINK PINK! saw hotels, restaurants, bars, spas and offices in the United Kingdom, the Netherlands, Germany and Hungary raise funds and drive awareness of women's and men's health through a number of initiatives including pink-themed afternoon teas, a Big Pink Day where offices and hotels could donate to wear a hint of pink for the day, and of course the annual London relay where hotel and office teams raced between five Park Plaza Hotels & Resorts properties. The total raised across all regions was £20,000.

The second was 'Save tomorrow's trees today' where Park Plaza Hotels & Resorts supported partner charities the World Childhood Foundation and Nottinghamshire Wildlife Trust (NWT) as part of Radisson Hotel Group's Community Action Month. Volunteering hours have been donated to NWT to maintain the 40 trees planted in 2016, which represent the 40 international Park Plaza Hotels & Resorts properties. Fundraising activities included a donation on sales of a Juniper and Pineapple Tree inspired Gin cocktail, hotel check-out donations, tree-themed cake sales and a PPHE Quiz Night; with all contributions going to the World Childhood Foundation.

Total cash donations across these two international initiatives equalled £29,821, while total volunteering hours amounted to 60.5 hours.

Contributions and investments

Outside of the financial contributions we make to our local communities via charity initiatives and fundraising, we work with a number of local organisations on a benefit basis. One example is this year we have hosted and supported the International Sound & Film Music Festival held at the Park Plaza Histria Pula. The ISFMS festival focuses on the promotion of film sound and music as well as education and each year offers a programme composed of lectures, panels and workshops with international guests, music professionals from around the world. This year, for the first time in Croatia, European Camille Awards for the best film composers were awarded at the festival.

Engagement with our local communities

Employing team members who live near our properties is not only good for the environment, but supports our objective to be part of our local communities.

At Group level, we partner with the EMCup Hotel Management Schools Forum, Europe's leading hotel school networking event, participating in 2018 on the Business Jury Panel to offer commercial advice to the next generation of hospitality students, and hosting the networking evening to introduce students to employment opportunities within PPHE Hotel Group.

The partnership also aids in building long-standing relationships with hospitality students and Hotel School leaders across the Netherlands, Switzerland and Ireland.

For information on our local initiatives visit our website: pphe.com/responsibility/being-part-of-our-communities