

Chairman's statement



**WE
ARE
CREATORS**

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

2014	19
2015	20
2016	21
2017	24
2018	35

35p