

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.



President & Chief Executive Officer's statement continued**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