PPHE Hotel Group Limited

("PPHE Hotel Group" or the "Company")

Unaudited Interim Results
for the six months ended 30 June 2015

27 August 2015

PPHE Hotel Group, which together with its subsidiaries (the "Group") owns, leases, develops, operates and franchises full service upscale and lifestyle hotels in major gateway cities and regional centres, predominantly in Europe, is pleased to announce its unaudited interim results for the six months ended 30 June 2015.

Financial summary[1]

- Total revenue increased by 12.4%, to €141.0 million (H1 2014: €125.4 million). On a constant currency basis, revenue increased by 3.9% to €130.2 million (H1 2014: €125.4 million).
- EBITDA increased by 21.9% to €48.4 million (H1 2014: €39.7 million).
- Normalised profit before tax for the first half of 2015 was €15.2 million (H1 2014: €7.7 million)[2].
- Reported profit before tax decreased by 16.2% to €14.8 million (H1 2014: €17.7 million), as a result of a one-off income benefit recorded in the first half of 2014.
- RevPAR increased by 12.5% to €119.8 (H1 2014: €106.5), driven by a 9.0% increase in average room rate to €144.5 (H1 2014: €132.5) and a 260 bps increase in occupancy to 82.9% (H1 2014: 80.3%).
- Normalised EPS was €0.37(H1 2014: €0.18), representing a 97.9% increase.
- Reported EPS was €0.36 (H1 2014: €0.43).
- Increased interim dividend by 11.1% to 10.0 pence per ordinary share (H1 2014: 9.0 pence per share). Dividend will be paid to all shareholders who are on the register of members at 11 September 2015 on 8 October 2015.

Commenting on the results, Boris Ivesha, President & Chief Executive Officer, PPHE Hotel Group said:

'We are pleased with our results for the first half of 2015. Demand has been strong in the destinations in which we operate and our hotels have performed well, particularly in The Netherlands and Germany. We are continuing to invest in our hotel portfolio with three new hotels under construction and renovation works being progressed.

The second half of the year is usually the strongest trading period for us and taking into account the temporary impact of our extensive renovation programme, we expect the Company's full year results to be in line with the Board's improved expectations.'

[1] Certain amounts do not correspond to the interim consolidated financial statements as at 30 June 2014 due to accounting policy adjustments as detailed in Note 2.

[2] Reconciliation of Reported profit to Normalised profit is provided on page 7.

Operational highlights

- Strong first half performance with improved trading across our portfolio, delivering year-on-year revenue growth with occupancy, average room rate and RevPAR growth ahead of the European hotel market (STR Global, June 2015).
- Acquired the loan covering the long leasehold interest in Park Plaza Nottingham, originally owed to National Westminster Bank PLC, for £5.5 million (with an aggregate nominal value of £7.6 million). See Note 3 for further details.

Ongoing investment in hotel portfolio

- Following extensive renovations, the former Hotel Park in Pula Croatia, reopened as Park Plaza Arena Pula in June 2015 and has been well received by guests.
- Construction of three new Park Plaza hotels (Nuremberg, Germany and two hotels in London in the United Kingdom) is well under way. Good progress has been made with the construction of the extension and reconfiguration of Park Plaza Riverbank London.
- Several hotel renovations commenced during 2015, with others expected to commence during 2016.

Key financial statistics

	Reported[1]		
	Six months ended 30 June 2015	Six months ended 30 June 2014	% change[2]
Total revenue	€141.0 million	€125.4 million	+12.4%
Room revenue	€95.2 million	€84.9 million	+12.1%
EBITDAR	€54.0 million	€45.3 million	+19.2%
EBITDA	€48.4 million	€39.7 million	+21.9%
EBITDA margin	34.3%	31.7%	260 bps
Reported PBT	€14.8 million	€17.7 million	(16.2)%
Normalised PBT[3]	€15.2 million	€7.7 million	98.6%
Occupancy	82.9%	80.3%	260 bps
Average room rate	€144.5	€132.5	+9.0%
RevPAR	€119.8	€106.5	+12.5%

1 Certain amounts do not correspond to the interim Consolidated financial statements as at 30 June 2014 due to accounting policy adjustments as detailed in Note 2.

2 Percentage change figures are calculated from actual figures as opposed to the rounded figures included in the above table. Unless otherwise indicated, all figures in this report compare six months ended 30 June 2015 with six months ended 30 June 2014. All financial information in this report for room revenue, total revenue EBITDAR and EBITDA reflects PPHE Hotel Group's interest.

3 Reconciliation of Reported profit to Normalised profit is provided on page 7.

Interim Management Report

This interim management report discusses the performance of PPHE Hotel Group for the six months ended 30 June 2015.

Financial Performance

Reported total revenue for the period increased by 12.4% to €141.0 million (H1 2014: €125.4 million). This growth was primarily driven by improved trading conditions in The Netherlands, Germany and Hungary and the strengthening of Sterling against the Euro.

On a constant currency basis, revenue increased by 3.9% to €130.2 million (H1 2014: €125.4 million).

Group EBITDA increased by 21.9% to €48.4 million (H1 2014: €39.7 million). EBITDA margin improved by 260 bps to 34.3%.

Normalised profit before tax for the first half of 2015 increased by 98.6% to €15.2 million (H1 2014: €7.7 million). This was the result of improved trading and margin improvement.

Reported profit before tax decreased by 16.2% to €14.8 million (H1 2014: €17.7 million), as a result of a one-off income benefit recorded in the first half of 2014, see page 7 for further details.

RevPAR increased by 12.5% to €119.8 (H1 2014: €106.5), which was driven by a 260 bps increase in occupancy to 82.9% (H1 2014: 80.3%) and 9.0% increase in average room rate to €144.5 (H1 2014: €132.5).

Normalised EPS was €0.37 (H1 2014: €0.18), representing a 97.9% increase. Reported EPS was €0.36 (H1 2014: €0.43).

Net debt increased by €52.8 million to €535.9 million, (as at 31 December 2014: €483.1 million), primarily due to €38.6 million foreign exchange rate movements and €15.6 million of Capex.

The European Hotel Market

For the first six months to June 2015, the hotel industry in Europe reported a 180 bps growth in occupancy to 67.5% (H1 2014: 65.7%), a 3.5% increase in average room rate to €110.5 (H1 2014: €106.8) and a 6.3% increase in RevPAR to €74.6 (H1 2014: €70.2).

Western Europe reported a more modest growth, with occupancy during the period increasing by 140 bps to 66.6% (H1 2014: 65.2%). Reported average room rate increased by 1.8% to €121.8 (H1 2014: €120.0). RevPAR increased by 4.0% to €81.1 (H1 2014: €78.0).

Source: STR Global, June 2015.

Enquiries

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Notes to editors

PPHE Hotel Group Limited is a Guernsey registered company and through its subsidiaries, jointly controlled entities and associates, owns, leases, develops, operates and franchises full service upscale and lifestyle hotels in major gateway cities and regional centres, predominantly in Europe.

The majority of the Group's hotels operate under two distinct brands, Park Plaza® Hotels & Resorts and art'otel®. The Group has an exclusive licence from Carlson, a global privately held hospitality and travel company, to develop and operate Park Plaza Hotels & Resorts in Europe, the Middle East and Africa. The art'otel brand is fully owned by the Group. The Group has a minority ownership interest in the Arenaturist group, one of Croatia's leading hospitality companies.

The portfolio of owned, leased, managed and franchised hotels comprises 38 hotels in operation offering a total of more than 8,300 rooms. The development pipeline includes four new hotel projects, one hotel extension and reconfiguration and one rebranding project. These developments are expected to add over 1,000 rooms to our portfolio by the end of 2016 and an additional 352 rooms by the end of 2019.

Our Company:
www.pphe.com

Our Hotel Brands:
www.parkplaza.com

www.artotels.com

www.arenaturist.com

For images and logos visit www.vfmii.com/parkplaza

Forward-looking statements

This interim management statement may contain certain "forward-looking statements" which reflect the Company's and/or the directors' current views with respect to financial performance, business strategy and future plans, both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward-looking nature. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. Any forward-looking statements in this interim management statement reflect the Group's current views with respect to future events and are subject to risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy. These forward-looking statements speak only as of the date of this interim management statement. Subject to any legal or regulatory obligations, the Company undertakes no obligation publicly to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Nothing in this publication should be considered as a profit forecast.

REVIEW OF OPERATIONS

United Kingdom

Hotel Operations

	Reported in Euros (€)[1]		Reported in local currency GBP (£)	
	Six months ended 30 June 2015	Six months ended 30 June 2014	Six months ended 30 June 2015	Six months ended 30 June 2014
Total revenue	€94.5 million	€82.7 million	**£68.5 million**	£67.7 million
EBITDAR	€34.5 million	€29.6 million	**£25.0 million**	£24.2 million
EBITDA	€33.6 million	€28.6 million	**£24.4 million**	£23.4 million
Occupancy	86.9%	85.1%	**86.9%**	85.1%
Average room rate	€181.4	€163.8	**£131.6**	£134.1
RevPAR	€157.6	€139.5	**£114.4**	£114.2
Room revenue	€63.9 million	€57.1 million	**£46.4 million**	£46.7 million

1 Average exchange rate from Sterling to Euro for June 2015 was 1.378 and for June 2014 was 1.222, representing a 12.8% increase.

UK hotel portfolio performance

Our hotels in the United Kingdom continued to deliver an improved performance during the period, with total revenue increasing by 1.3% to £68.5 million (H1 2014: £67.7 million). In Euros, total revenue for the region increased by 14.3% to €94.5 million (H1 2014: €82.7 million) aided by the strengthening of Sterling against the Euro.

In local currency, RevPAR was flat at £114.4 (H1 2014: £114.2) with a 1.8% reduction in average room rate to £131.6 (H1 2014: £134.1). In Euros, RevPAR increased by 13.0% to €157.6 (H1 2014: €139.5) and average room rate increased by 10.8% to €181.4 (H1 2014: €163.8).

Occupancy during the period increased by 180 bps to 86.9% (H1 2014: 85.1%).

Against the backdrop of marginally reduced RevPAR for the greater London market (Source: STR Global, June 2015), our teams successfully focused on maintaining RevPAR at our hotels through increasing occupancy levels.

In local currency, EBITDA increased by 4.0% to £24.4 million (H1 2014: £23.4 million). In Euros, EBITDA increased by 17.3%, to €33.6 million (H1 2014: €28.6 million).

The majority of our hotels in the United Kingdom delivered a good competitive performance, with two of our four London hotels, and both of our hotels in the provinces outperforming their competitive set in RevPAR during the first half of the year.

Park Plaza Westminster Bridge London, our UK flagship hotel for the Park Plaza brand, once again delivered a strong result with the hotel outperforming its competitive set in occupancy, average room rate and RevPAR. Park Plaza Nottingham also outperformed its competitive set across all these three metrics. All our other hotels outperformed their competitive set in occupancy, benefiting from strong demand, albeit average room rates were under pressure. The performance of Park Plaza Riverbank London was impacted due to construction work at the hotel and its immediate surroundings. Once these works and the renovation of our other London hotels are completed, we expect to further improve the competitive performance of our hotels.

Source: STR Global, June 2015.

Renovation projects and development pipeline

We are pleased to report significant progress with three of our development projects in London. Construction of the new Park Plaza London Waterloo is progressing well and we have commenced construction of the new Park Plaza London Park Royal. Both hotels are scheduled to open in 2016.

The structural work for the extension of Park Plaza Riverbank London is now completed and the new rooms are expected to be ready in the first half of 2016.

When completed these three projects will increase our room count in London by approximately 37% to more than 3,100 rooms.

We continued the preparations for extensive renovation plans for Park Plaza Victoria London and Park Plaza Sherlock Holmes London, with works commencing in 2015 and 2016 respectively. Further updates on the work to be undertaken and the commencement dates will follow in due course.

The United Kingdom hotel market

RevPAR for the greater London market decreased by 0.3% to £108.9. The decrease was the result of a 60 bps decrease in occupancy to 79.7%, whilst average room rate increased by 0.5% to £136.7.

The Leeds hotel market reported a 9.0% growth in RevPAR, to £48.2. This growth was a direct result of a 9.9% growth in average room rate to £64.5. Occupancy decreased by 60 bps to 74.7%. Double digit RevPAR growth was reported for the Nottingham hotel market, with RevPAR increasing by 14.5% to £41.1. This growth was the result of a 8.3% increase in average room rate to £56.0, with occupancy increasing by 400 bps to 73.4%.

Source: STR Global, June 2015.

REVIEW OF OPERATIONS

The Netherlands

Hotel Operations

	Reported	
	Six months ended 30 June 2015	Six months ended 30 June 2014
Total revenue	€ 28.4 million	€26.0 million
EBITDAR	€8.9 million	€7.2 million
EBITDA	€8.8 million	€7.1 million
Occupancy	79.7%	74.6%
Average room rate	€127.6	€120.7
RevPAR	€101.7	€90.1
Room revenue	€20.6 million	€18.2 million

Dutch hotel portfolio performance

The performance of our hotels in The Netherlands improved year-on-year with total revenue increasing by 9.2% to €28.4 million (H1 2014: €26.0 million).

RevPAR for our hotels increased by 12.9% to €101.7 (H1 2014: €90.1). This growth was achieved through a 5.7% increase in average room rate, to €127.6 (H1 2014: €120.7) and 510 bps increase in occupancy, to 79.7% (H1 2014: 74.6%).

EBITDA increased by 23.3% to €8.8 million (H1 2014: €7.1 million).

The Dutch market reported improved trading in the first half of 2015 and all our hotels benefited from increased demand. In Amsterdam, our two Park Plaza hotels in the city centre, as well as our hotels in Utrecht and Eindhoven, outperformed their competitive sets in occupancy, average room rate and RevPAR. Our hotel near Amsterdam Schiphol Airport reported good progress year-on-year, albeit that this growth was occupancy-led. Our flagship art'otel amsterdam has improved its performance against its competitors year-on-year and outperformed its set in occupancy.

Source: STR Global, June 2015.

Renovation projects and development pipeline

We continued to progress preparations for the extensive renovation of Park Plaza Victoria Amsterdam, Park Plaza Vondelpark, Amsterdam and Park Plaza Utrecht.

Further updates on the work to be undertaken and the commencement dates will follow in due course.

The Dutch hotel market

The hotel market in greater Amsterdam reported a 10.2% increase in RevPAR to €101.5. This growth was the result of a 6.0% increase in average room rate to €132.0 and 300 bps increase in occupancy to 76.9%.

In Utrecht, the performance of the general hotel market improved with RevPAR increasing by 2.6% to €62.7. This was the result of a 220 bps increase in occupancy to 67.3%, whilst average room rate decreased 0.7% to €93.2. RevPAR in Eindhoven increased by 1.9% to €40.1. This was driven by a 200 bps increase in occupancy to 57.2% with the average room rate decreasing to €70.1.

Source: STR Global, June 2015.

REVIEW OF OPERATIONS

Germany and Hungary

Hotel Operations

	Reported	
	Six months ended 30 June 2015	Six months ended 30 June 2014
Total revenue	€14.3 million	€13.0 million
EBITDAR	€3.8 million	€3.1 million
EBITDA	€(0.6) million	€(1.2) million
Occupancy	77.6%	75.9%
Average room rate	€73.6	€68.1
RevPAR	€57.1	€51.7
Room revenue	€10.7 million	€9.6 million

German and Hungarian hotel portfolio performance

The performance of our hotels in Germany and Hungary improved year-on-year, with total revenue increasing by 9.6% to €14.3 million (H1 2014: €13.0 million).

RevPAR increased by 10.4% to €57.1 (H1 2014: €51.7). The growth in RevPAR was the direct result of an 8.1% increase in average room rate to €73.6 (H1 2014: €68.1) and 170 bps increase in occupancy to 77.6% (H1 2014: 75.9%).

As a result of improved trading across most of our hotels operating under leases, the EBITDA loss decreased by 50.4% to €(0.6) million (H1 2014: €(1.2) million).

Two out of our three hotels in Berlin outperformed their competitive sets in RevPAR, as a result of a strong occupancy performance. Our third hotel in Berlin and our hotels in Cologne and Dresden outperformed their competitive sets in terms of occupancy, with average room rates continuing to be under pressure. Once again, our best performing hotel against its competitive set in this region was art'otel budapest which outperformed its competitive set in occupancy, average room rate and RevPAR.

Source: STR Global, June 2015.

Renovation projects and development pipeline

Renovations at art'otel cologne were progressed during the period and we started the renovations at art'otel berlin mitte and art'otel berlin kudamm; of which the latter will be rebranded as Park Plaza Berlin Kudamm on completion of the works which is anticipated for September 2015. Further updates will follow in due course.

Construction is progressing well for our new 177-room hotel in Nuremberg. The hotel will feature a restaurant, bar, gym and several meeting rooms. The hotel is expected to open in 2016.

The German and Hungarian hotel market

The hotels in greater Berlin reported a year-on-year increase of 10.3% in RevPAR to €68.7. This growth was the result of a 6.9% increase in average room rate to €94.8 and 220 bps increase in occupancy to 72.5%. The hotel performance in Cologne continued to improve, with RevPAR increasing by 18.0% to €79.4. This growth was the result of a 11.9% increase in average room rate to €112.0 and 370 bps increase in occupancy to 70.9%. In Dresden, the hotel performance improved with RevPAR increasing by 1.8% to €43.0. Occupancy decreased by 40 bps to 58.7% and average room rate increased by 2.6% to €73.3.

In Hungary, the performance of the hotel market in Budapest continued to improve with RevPAR increasing by 15.4% to HUF15,039. This growth was a result of a 6.4% increase in average room rate to HUF21,881 and a 530 bps increase in occupancy to 68.7%.

Source: STR Global, June 2015.

REVIEW OF OPERATIONS

Management and Holdings

	Reported	
	Six months ended 30 June 2015	Six months ended 30 June 2014
Total revenue	€20.0 million	€17.1 million
Revenue elimination	€(16.2) million	€(13.5) million
Total revenue	€3.8 million	€3.6 million
EBITDA	€6.6 million	€5.1 million

Our performance

PPHE Hotel Group is owner/operator of a large part of its portfolio and as a result, all hotel management revenue related to those hotels is eliminated upon consolidation as intra-Group revenue.

Prior to consolidation and elimination of intra-Group revenue, total management and holdings revenue increased by 16.7% to €20.0 million (H1 2014: €17.1 million). This increase is primarily the result of strengthening of the Sterling against the Euro and improved trading of the hotels.

After consolidation and elimination of intra-Group revenue, reported revenues increased by 4.4% to €3.8 million (H1 2014: €3.6 million).

Reported EBITDA increased by 28.0% to €6.6 million (H1 2014: €5.1 million).

Renovation projects and development pipeline

An operational highlight during the period was the completion of the renovation works for Hotel Park in Pula in Croatia, which reopened in June 2015 as the Park Plaza Arena Pula. This hotel is part of the Arenaturist group and is our fifth Park Plaza branded hotel in Croatia. It offers 176 rooms, a restaurant and bar, spa, outdoor pool and gym.

Financial Position

Our net bank debt as at 30 June 2015 was €535.9 million, an increase of €52.8 million (as at 31 December 2014: €483.1 million). This includes €56.4 million of liquid assets (as at 31 December 2014: €71.6 million), of which cash and cash equivalents were €54.9 million (as at 31 December 2014: €70.2 million) and other liquid financial assets of €1.5 million (as at 31 December 2014: €1.5 million).

During the period, the movement in net bank debt primarily included an increase of €38.6 million due to foreign exchange, a €15.6 million increase to finance the construction projects of the Group, and a decrease of €18.2 million due to redemption of loans (including the buy-back of a loan for Park Plaza Nottingham).

The Group's gearing ratio (net bank debt as a percentage of equity adjusted for the hedging reserve) increased to 59.3% (as at 31 December 2014: 58.4 %).

Reconciliation reported profit to normalised profit

In € millions	Six months ended 30 June 2015	Six months ended 30 June 2014
Reported profit	14.8	17.7
Fair value movements on derivatives recognised in the profit and loss	(0.2)	(0.2)
Fair value adjustment of the deferred purchase price of acquisitions in the United Kingdom (2010) and The Netherlands (2012)	(0.6)	(1.7)
Fair value adjustment on income swaps with private investors of Income units in Park Plaza Westminster Bridge London	1.3	1.5
Gain on buy back bank loan Park Plaza Nottingham	(0.1)	–
Capital gains	–	(1.7)
Forfeited deposits	–	(7.9)
Normalised profit	15.2	7.7

REVIEW OF OPERATIONS

For management purposes, the Group's activities are divided into owned hotel operations and management activities. The operating results of each of the aforementioned divisions are monitored separately for the purpose of resource allocations and performance assessment.

However, the Group believes that shareholders may find greater clarity on the results of the Group's owned operating assets; assets under development; leased properties; and its investment in Croatia. Set out below we provide some selected financial data for these assets for the six months ended 30 June 2015, prepared in € millions.

	Owned properties			Joint ventures and associates			
	In operation	Under development	Operating leases	In operation	Under development	Management and central costs[4]	Reported
Balance sheet							
Adjusted book value properties[1,2]	751.0	107.7	1.6	–	–	1.5	861.8
Book value intangible assets	–	–	–	–	–	31.2	31.2
Book value non-consolidated investments	–	–	–	24.9	19.7	–	44.6
Bank loans, (short restricted) cash and liquid assets (adjusted net debt)	(476.5)	(66.3)	2.9	–	–	9.0	(530.9)
Deferred contribution of sales of Income Units at Park Plaza Westminster Bridge London[6]	(21.0)	–	–	–	–	–	(21.0)
Other assets and liabilities	(43.1)	(5.5)	(2.1)	–	–	14.3	(36.4)
Capital employed	**210.4**	**35.9**	**2.4**	**24.9**	**19.7**	**56.0**	**349.3**
Normalised profit							
Revenues[3]	122.9	–	14.3	–	–	3.8	141.0
Adjusted EBITDA[5]	50.2	–	0.2	1.1	–	(3.1)	48.4
Depreciation and amortisation	(11.3)	–	(0.1)	–	–	(1.6)	(13.0)
EBIT	38.9	–	0.1	1.1	–	(4.7)	35.4
Interest expenses banks and finance leases	(16.0)	(0.6)	–	–	–	–	(16.6)
Net expenses for financial liability in respect of Income Units sold to private investors	(4.6)	–	–	–	–	–	(4.6)
Other finance expenses and income	–	–	–	1.7	0.2	1.8	3.7
Results from joint ventures and associates	–	–	–	(2.5)	(0.2)	–	(2.7)
Normalised profit before tax 30 June 2015	18.3	(0.6)	0.1	0.3	–	(2.9)	15.2
Normalised profit before tax 30 June 2014	12.7	(0.3)	(0.7)	(0.2)	–	(3.8)	7.7

1 All assets are reported at cost, less depreciation. All properties are mortgaged under bank loans. The total mortgaged asset portfolio is within a 65% loan to value requirement of banks.

2 Finance lease liabilities and deferred taxes relating to properties have been netted with the property book value.

3 Since the majority of the Group's hotels are fully owned, leased and consolidated, management and other fees generated on these hotels are fully eliminated.

4 The amounts shown in Management and central include unallocated assets and liabilities.

5 Excluding management fees from fully owned and leased hotels.

6 The profit from the sale of Income Units in Park Plaza Westminster Bridge London has been deferred until the Group loses control over these units.

Dividend

The Board has approved the payment of an interim dividend of 10 pence per ordinary share, for the period ended 30 June 2015, to all shareholders who are on the register of members at 11 September 2015. The interim dividend is to be paid on 8 October 2015.

Outlook

We are pleased with our results for the first half of 2015. The second half of the year is usually the strongest trading period for us and taking into account the temporary impact of our extensive renovation programme, we expect the Company's full year results to be in line with the Board's improved expectations.

We are continuing to invest in the expansion and improvement of our hotel portfolio. Our development pipeline includes some exciting new hotels in strong markets and we expect these hotels to add significant value to our Group.

Over the next few years we will significantly invest in extensive renovations planned across our different operating regions and these may have a temporary negative impact on our performance due to closures of rooms and public areas whilst works are underway. However, the Board believes that this investment will have a positive impact on our long-term performance.

We remain focused on revenue generation and providing exemplary service to our guests.

The Company is continuing to consider the release of part of the value of its hotel assets, whilst retaining operational control.

Principal Risks and Uncertainties

There are no changes to the risks and uncertainties as set out in the Company's consolidated financial statements for the year ended 31 December 2014, which may affect the Group's performance in the next six months. The most significant risks and uncertainties relate to factors that are common to the hotel industry and beyond the Group's control, such as the global economic downturn, changes in travel patterns or in the structure of the travel industry and the increase in acts of terrorism. For a detailed discussion of the risks and uncertainties facing the Group, please refer to page 59 of the Company's 2014 annual report.

Statement of Directors' Responsibilities

The directors confirm that, to the best of their knowledge, these interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole for the period ended 30 June 2015. The interim management report includes a fair review of the information required by DTR 4.2.7 R and DTR 4.2.8, namely:

- An indication of important events which have occurred during the first six months and their impact on the condensed set of financial statements, plus a description of the principal risks and uncertainties for the remaining six months of the financial year.
- Material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.
- The directors of the Company are listed in the Company's 2014 annual report and a current list of directors is maintained on the website of the Company (www.pphe.com).

By the order of the Board

26 August 2015	Boris Ivesha President & Chief Executive Officer	Chen Moravsky Deputy Chief Executive Officer & Chief Financial Officer

INDEPENDENT REVIEW REPORT TO PPHE HOTEL GROUP LIMITED

To: The Board of Directors of PPHE Hotel Group Limited

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of PPHE Hotel Group Limited and its subsidiaries (the Group) as of 30 June 2015 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes.

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting (IAS 34) and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

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26 August 2015

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2015 Unaudited € '000	31 December 2014 Audited € '000
ASSETS		
NON-CURRENT ASSETS:		
Intangible assets	31,181	32,588
Property, plant and equipment	1,085,168	988,667
Prepaid leasehold payments	408	417
Investment in associates	20,558	21,286
Investment in joint ventures	23,990	21,328
Other non-current financial assets	19,238	18,717
	1,180,543	1,083,003
CURRENT ASSETS:		
Restricted deposits and cash	4,986	4,107
Inventories	1,112	1,132
Other current financial assets	1,474	1,464
Trade receivables	15,365	15,096
Other receivables and prepayments	9,157	7,693
Cash and cash equivalents	54,947	70,173
	87,041	99,665
Total assets	1,267,584	1,182,668

The accompanying notes are an integral part of the Consolidated interim financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2015 Unaudited € '000	31 December 2014 Audited € '000
EQUITY AND LIABILITIES		
EQUITY:		
Issued capital	–	–
Share premium	240,410	239,814
Other reserves	(36,094)	(36,124)
Treasury shares	(3,701)	(3,701)
Foreign currency translation reserve	(21,314)	(30,305)
Hedging reserve	(17,630)	(24,104)
Accumulated earnings	187,600	178,288
Total equity	**349,271**	323,868
NON–CURRENT LIABILITIES:		
Bank borrowings	582,022	538,809
Financial liability in respect of Income Units sold to private investors	196,077	180,142
Deposits received in respect of Income Units sold to private investors	469	147
Other financial liabilities	64,448	67,665
Deferred income taxes	13,099	12,898
	856,115	799,661
CURRENT LIABILITIES:		
Trade payables	9,830	12,744
Other payables and accruals	42,050	30,432
Bank borrowings	10,318	15,963
	62,198	59,139
Total liabilities	**918,313**	858,800
Total equity and liabilities	**1,267,584**	1,182,668

The accompanying notes are an integral part of the Consolidated interim financial statements.

26 August 2015		
Date of approval of the financial statements	Boris Ivesha President & Chief Executive Officer	Chen Moravsky Deputy Chief Executive Officer & Chief Financial Officer

INTERIM CONSOLIDATED INCOME STATEMENT

	Six months ended	
	30 June 2015 Unaudited € '000[1]	30 June 2014 Unaudited Restated[2] € '000[1]
Revenues	140,952	125,359
Operating expenses	(86,971)	(80,090)
EBITDAR	53,981	45,269
Rental expenses	(5,601)	(5,578)
EBITDA	48,380	39,691
Depreciation and amortisation	(13,014)	(11,994)
EBIT	35,366	27,697
Financial expenses	(16,641)	(15,376)
Changes in fair value of derivatives	253	222
Financial income	3,786	2,221
Other income and expenses	631	11,334
Net expenses for financial liability in respect of Income Units sold to private investors	(5,920)	(5,889)
Share in results of associate and joint ventures	(2,678)	(2,551)
Profit before tax	14,797	17,658
Income tax benefit	253	220
Profit for the period	**15,050**	17.878
Basic and diluted earnings per share (in Euro)	**0.36**	0.43

1 Except earnings per share.
2 Certain amounts here do not correspond to the 2014 Consolidated interim financial statements and reflect adjustments made as detailed in Note 2.

The accompanying notes are an integral part of the Consolidated interim financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 June 2015 Unaudited € '000	30 June 2014 Unaudited € '000
Profit for the period	15,050	17,878
Other comprehensive income (loss) to be recycled through profit and loss in subsequent periods:		
Fair value gain on available-for-sale financial assets[1]	10	24
Profit (loss) from cash flow hedges[2]	6,474	(2,182)
Foreign currency translation adjustments of foreign operations[3]	8,929	2,356
Foreign currency translation adjustment of associate and joint ventures[3]	62	18
Other comprehensive income, net	15,475	216
Total comprehensive income	30,525	18,094

1 Included in other reserves.
2 Included in hedging reserve.
3 Included in foreign currency translation reserve.

The accompanying notes are an integral part of the Consolidated interim financial statements

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital[1] € '000	Share premium € '000	Other reserves € '000	Treasury shares € '000	Foreign currency Translation reserve € '000	Hedging reserve € '000	Accumulated earnings € '000	Total equity € '000
Balance as at 1 January 2015 (audited)	–	239,814	(36,124)	(3,701)	(30,305)	(24,104)	178,288	323,868
Profit for the period	–	–	–	–	–	–	15,050	15,050
Other comprehensive income for the period	–	–	10	–	8,991	6,474	–	15,475
Total comprehensive income	–	–	10	–	8,991	6,474	15,050	30,525
Share-based payments	–	–	20	–	–	–	–	20
Issue of shares upon exercise of employee options	–	596	–	–	–	–	–	596
Dividend distribution	–	–	–	–	–	–	(5,738)	(5,738)
Balance as at 30 June 2015 (unaudited)	–	240,410	(36,094)	(3,701)	(21,314)	(17,630)	187,600	349,271
Balance as at 1 January 2014 (audited restated – see note 2)	–	239,504	(36,174)	(3,701)	(34,543)	(12.642)	145,672	298,116
Profit for the period	–	–	–	–	–	–	17,878	17,878
Other comprehensive income (loss) for the period	–	–	24	–	2,374	(2,182)	–	216
Total comprehensive income (loss)	–	–	24	–	2,374	(2,182)	17,878	18,094
Share-based payments	–	–	61	–	–	–	–	61
Issue of shares	–	19	–	–	–	–	–	19
Dividend distribution	–	–	–	–	–	–	(4,058)	(4,058)
Balance as at 30 June 2014 (unaudited)	–	239,523	(36,089)	(3,701)	(32,169)	(14,824)	159,492	312,232

[1] No par value.

The accompanying notes are an integral part of the Consolidated interim financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended	
	30 June 2015 Unaudited € '000	30 June 2014 Unaudited Restated[1] € '000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	15,050	17,878
ADJUSTMENT TO RECONCILE PROFIT TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Financial expenses including changes in fair value of derivatives and expenses for financial liability in respect of Income Units sold to private investors	22,561	21,042
Financial income	(3,786)	(2,221)
Income tax benefit	(253)	(220)
Fair value gain on deferred consideration from business combinations	(566)	(1,691)
Loss on buy back of Income Units sold to private investors	42	–
Capital gain upon sale of Berlin hotels to joint venture	–	(1,753)
Gain on buy-back of bank loan for Park Plaza Nottingham	(107)	–
Share-based payments	20	61
Share in loss of associate and Joint Venture	2,678	2,551
Depreciation and amortisation	13,014	11,994
	33,603	29,763
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Decrease in inventories	78	32
Decrease in trade and other receivables	(896)	(2,910)
Increase in trade and other payables	(1,246)	6,386
	(2,064)	3,508
CASH PAID AND RECEIVED DURING THE PERIOD FOR:		
Interest paid	(20,119)	(20,115)
Interest received	78	42
Taxes paid	(30)	(45)
	(20,071)	(20,118)
Net cash flows provided by operating activities	**26,518**	31,031

The accompanying notes are an integral part of the Consolidated interim financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW continued

	Six months ended	
	30 June 2015 Unaudited € '000	30 June 2014 Unaudited Restated[1] € '000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in property, plant and equipment	(33,954)	(13,784)
Investments and loans to jointly controlled entities	(650)	–
Net change in cash upon divestment of Berlin hotels to joint venture	–	(3,000)
Decrease in restricted deposits	–	(1,186)
Net cash flows (used in) provided by investing activities	(34,604)	(17,970)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend distribution	(5,738)	(4,058)
Issue of shares	596	19
Draw down of long–term loans	15,464	26,829
Repayment of long–term loans	(20,368)	(30,530)
Buy-back of Income Units previously sold to private investors	(535)	
Proceeds from assets under a finance lease	–	6,109
Net cash flows provided by financing activities	(10,581)	(1,631)
Decrease (increase) in cash and cash equivalents	(18,667)	11,430
Net foreign exchange differences	3,441	732
Cash and cash equivalents at beginning of period	70,173	41,498
Cash and cash equivalents at end of period	**54,947**	53,660
Non cash items:		
Outstanding payables on investments in property plant and equipment	7,349	–

[1] Certain amounts here do not correspond to the interim Consolidated financial statements as at 30 June 2014 and reflect adjustments as detailed in Note 2.

The accompanying notes are an integral part of the Consolidated interim financial statements.

NOTES

Note 1: General

a. The Company's primary activity is owning, leasing, developing, operating and franchising upscale and lifestyle hotels in major gateway cities and regional centres, predominantly in Europe.

b. These financial statements have been prepared in a condensed format as at 30 June 2015 and for the six months then ended ("interim Consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual Consolidated financial statements as at 31 December 2014 and for the year then ended and the accompanying notes ("annual Consolidated financial statements").

c. The Board continues to monitor the Group's cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements, including compliance with loan covenants and liquidity risks arising from the maturities of the Group's loans. The Board believes that the Group has adequate resources and will generate sufficient funds in the future to serve its financial obligations and continue its operations as a going concern in the foreseeable future.

d. The Company is listed on the Standard Listing segment of the UK Listing Authority and its shares are admitted to trading on the main market for listed securities of the London Stock Exchange.

Note 2: Basis of Preparation and Changes in Accounting Treatment

Basis of preparation:

The interim Consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies adopted in the preparation of the interim condensed Consolidated financial statements after the changes in accounting treatment described below are consistent with those followed in the preparation of the Group's annual Consolidated financial statements, except for the following adoption of new standard effective as of 1 January 2015.

IFRIC 21 – IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. The adoption of the interpretation had no material impact on the Company's financial statements.

Changes in accounting treatment:

As described in Note 2 to the annual Consolidated financial statements for the year ended 31 December 2014 ("Note 2"), in 2014 management reconsidered the accounting treatment surrounding the sale in 2010 to private investors of approximately 535 rooms in the Park Plaza Westminster Bridge Hotel. The sale of each of the rooms was accompanied by a five year income swap agreement with the private investor, as more fully described in Note 2. As the Group will continue to effectively control the Hotel, the sale of the rooms in 2010 should not be viewed as a sale of assets but rather as a sale of future cash flows derived from the net income generated by the rooms.

Accordingly, management concluded that the more appropriate accounting treatment that should have been reflected in the Consolidated financial statements is to include the rooms as depreciable property, plant and equipment, to recognise the amounts received from the investors as a variable rate financial liability and to account for the income swap as a derivative at fair value. Furthermore, as the investors are required to fund all capital expenditures ("Capex") to be made in connection with the sold rooms, a receivable is recorded each period for any excess of depreciation expense over the amounts paid by the investors on account of Capex. This receivable is offset from the liability to the investors.

The Company has restated the 2014 interim Consolidated financial statements in order to retrospectively reflect therein the effects of the change in accounting treatment. The effects of the restatement on the Consolidated income statement for the half year ended 30 June 2014 are as follows. Depreciation expense has been increased by €1.3 million, financial income has been decreased by €1.6 million in respect of the income swap, and net expense for the liability in respect of sold units has been decreased by €1.3 million. The net effect on profit and earnings per share for the halfyear was a decrease of €1.6 million and €0.04 respectively. The beginning balance of accumulated earnings as at 1 January 2014 has been increased by € 7.5 million. The restatement had no impact on other comprehensive income for the half year.The Group has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Note 3: Significant Events during the Reported Period

Buy-back Bank Loan for Park Plaza Nottingham.

In August 2010, the Group acquired the long leasehold interest in Park Plaza Nottingham which included the assumption of £5.9 million of debt originally owed by Katmandu (a subsidiary of the Group) to National Westminster Bank PLC secured on the long leasehold interest ("the Loan"). The Loan carried fixed interest until 2027 at 6.84 per cent (plus mandatory costs) per annum and was repayable in 2027.

A member of the Group acquired the Loan on 12 June 2015 and cancelled an interest rate swap agreement associated with the Loan (which has an aggregate nominal value of £7.6 million and a book value of £6.4 million). The total consideration for the Loan and cancellation of the associated interest rate swap was £5.5 million. After recycling of hedge reserves (amounting to £(0.8) million) the total profit recognised in profit and loss on the buyback amounts to £77 thousand (€107 thousand).

NOTE 4: SEGMENT DATA

For management purposes, the Group's activities are divided into owned hotel operations and management activities. owned hotel operations are further divided into three reportable segments: The Netherlands, Germany and Hungary, and the United Kingdom. The operating results of each of the aforementioned segments are monitored separately for the purpose of resource allocations and performance assessment. Segment performance is evaluated based on EBITDA, which is measured on the same basis as the amount presented in the Consolidated income statement.

	Six months ended 30 June 2015 (unaudited)					
	The Netherlands € '000	Germany and Hungary € '000	United Kingdom € '000	Management € '000	Holding companies and adjustments € '000	Consolidated € '000
REVENUE						
Third party	28,399	14,298	94,473	3,782		140,952
Inter–segment				16,189	(16,189)	–
Total revenue	28,399	14,298	94,473	19,971	(16,189)	140,952
Segment EBITDA	8,800	(613)	33,602	6,591	–	48,380
Depreciation and amortisation						(13,014)
Financial expenses and changes in fair value of derivatives						(16,388)
Financial income						3,786
Interest expenses on advance payments for unit holders						(5,920)
Other income (net)						631
Share in loss of associate and joint ventures						(2,678)
Profit before tax						**14,797**

	Six months ended 30 June 2014 (unaudited-restated[1])					
	The Netherlands € '000	Germany and Hungary € '000	United Kingdom € '000	Management € '000	Holding companies and adjustments € '000	Consolidated € '000
REVENUE						
Third party	26,017	13,046	82,672	3,624	–	125,359
Inter–segment	–	–	–	13,484	(13,484)	–
Total revenue	26,017	13,046	82,672	17,108	(13,484)	125,359
Segment EBITDA	7,137	(1,236)	28,641	5,149	–	39,691
Depreciation and amortisation						(11,994)
Financial expenses and changes in fair value of derivatives						(15,154)
Financial income						2,221
Interest expenses on advance payments for unit holders						(5,889)
Other income (net)						11,334
Share in loss of associate and joint ventures						(2,551)
Profit before tax						17,658

[1] Certain amounts here do not correspond to the interim Consolidated financial statements as at 30 June 2014 and reflect adjustments, as detailed in Note 2.

NOTE 5: FINANCIAL INSTRUMENTS

Fair value of financial instruments:

The fair value of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables.

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques, for swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, and interest rate curves.

Fair value of the contingent consideration is estimated using the present value of the contingent cash payment, adjusted by the value of an American call options (using a binomial model).

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As at 30 June 2015, the Group held the following financial instruments measured at fair value:

Assets

	30 June 2015 €000	Level 1 €000	Level 2 €000	Level 3€000
Available-for-sale financial assets:				
Equity shares	1,474	1,474	–	–

Liabilities

	30 June 2015 €000	Level 1 €000	Level 2 €000	Level 3 €000
Financial liabilities:				
Interest rate swaps	24,918	–	24,918	–

During the period ended 30 June 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table specifies the carrying amounts and fair values of the Group's financial instruments other than those whose carrying amount approximates their fair value:

	Carrying amount €'000	Fair value €'000
Financial assets		
Other non-current financial assets	74,073	76,231

NOTE 6: OTHER DISCLOSURES

a. Seasonality

The company is in an industry with seasonal variations. Sales and profits vary by quarter and the second half of the year is generally the strongest trading period.

b. Tax position

There have not been any significant changes to the Company's tax structure during the six months under review.

c. Significant capital commitments

At 30 June 2015, the company has a total of €133 million in capital commitments with respect to construction projects.

d. Changes in business or economic circumstances

There were no material changes in interest rates that significantly affected the fair value of the companies' financial assets and liabilities. As assets are matched with liabilities in the same currency the exposure to currency risk is limited.

e. Other incomes and expenses

	Six months ended 30 June 2015 €'000	Six months ended 30 June 2014 €'000
Capital gains	–	1,753
Buy back of Income Units at Park Plaza Westminster Bridge London	(42)	–
Gain on buy-back bank loan Park Plaza Nottingham	107	
Fair value adjustment on deferred consideration from business combinations	566	1,691
Income from forfeited deposits		7,890
Total	631	11,334

f. Earnings per share

The following reflects the income and share data used in the basic earnings per share computations:

	As at 30 June	
	2015 €'000	2014 €'000
Reported Profit	15,050	17,878
Weighted average number of Ordinary shares outstanding	41,791	41,519

Potentially dilutive instruments had an immaterial effect on the basic earnings per share.

NOTE 7: SIGNIFICANT RELATED PARTY TRANSACTIONS

There were no significant transactions with related parties in the six months period ending 30 June 2015.

NOTE 8: POST BALANCE SHEET EVENTS

The Board has approved the payment of an interim dividend of 10 pence per ordinary share, for the period ended 30 June 2015, to all shareholders who are on the register of members at 11 September 2015. The interim dividend is to be paid on 8 October 2015.