28 February 2018

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

Audited Annual Results for the year ended 31 December 2017
Publication of Annual Report & Accounts and Notice of Annual General Meeting

PPHE Hotel Group Limited, an international hospitality company, is pleased to announce its audited annual results for the year ended 31 December 2017.

Financial Summary

- Reported total revenue increased by 19.3% to £325.1 million (2016: £272.5 million), mainly due to an increase in hotel room inventory following the full opening of two new hotels in London and the first full year contribution of Park Plaza Nuremberg. On a like-for-like[1] basis, total revenue increased by 10.3%.

- Reported EBITDA increased by 14.0% to £107.3 million (2016: £94.1 million) and on a like-for-like[1] basis, EBITDA improved by 8.7%. Both reported and like-for-like EBITDA benefited from improved trading across most of our operating regions, new openings and the acquisition of two freehold properties in Germany (previously held under operating leases).

- Normalised profit before tax increased by 1.1% to £32.1 million (2016: £31.7 million). Normalised profit is affected by the first year loss of new openings, which do not have mature trading profiles yet. Normalised profit is further negatively affected by the first time consolidation of the first quarter Croatian operations which, due to its seasonality, are negative.

- Normalised earnings per share was £0.58 (2016: £0.68), a decrease of 14.4%. Reported basic/diluted earnings per share was £0.57 (2016: £0.83)

- Proposed final dividend of 13 pence per share (2016: 11 pence per share). Total dividend for the year of 24 pence per share (including the interim ordinary dividend of 11 pence per share), an increase of 14.3%.

Operational highlights

- Another year of corporate activity to continue to reshape the Group for future growth.

- Capital restructuring – sale and leaseback of Park Plaza London Waterloo and refinancing of Croatian debt – raising c.£85 million in excess cash for future development and growth.

- Successful public offering of new shares in Croatian subsidiary, which raised €106 million of new capital for portfolio investment and growth.

- Full opening of Park Plaza London Waterloo and Park Plaza London Park Royal, adding 706 rooms to hotel portfolio.

- Continued investment in renovation projects across current portfolio to enhance product offering and guest experience.

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

"2017 was another year of significant progress for the Group and a number of milestones have been achieved. This strong performance was once again delivered alongside corporate activity, including a significant fundraising in Croatia, the addition of 706 rooms to the UK portfolio and refinancing of debt,

in line with our business goal of realising our growth potential and creating long-term value for our shareholders.

Trading in 2018 to date is in line with the Board's expectations and we look forward to focusing on a strong pipeline of renovations and developments which will further expand and enhance our hotel portfolio. We firmly believe that the superior quality of the new product and service offerings will stand us in good stead for healthy trading in the long term."

Key financial statistics

	Reported in GBP (£)		Like-for-like GBP[1](£)	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016
Total revenue	**£325.1 million**	£272.5 million	**£300.8 million**	£272.8 million
EBITDAR	**£116.0 million**	£103.0 million	**£109.3 million**	£99.9 million
EBITDA	**£107.3 million**	£94.1 million	**£101.1 million**	£93.0 million
Occupancy	**77.3%**	76.0%	**77.2%**	74.6%
Average room rate	**£120.2**	£111.0	**£119.7**	£111.0
RevPAR	**£92.9**	£84.4	**£92.4**	£82.9
Room revenue	**£224.0 million**	£183.2 million	**£203.3 million**	£183.2 million

[1] The like-for-like figures for the 12 months ended 31 Dcember 2017 exclude Park Plaza London Park Royal for the period, Park Plaza London Waterloo for the first 10 months of 2017 and Park Plaza Nuremberg for the first five months of 2017. Furthermore, the like-for-like comparison figures for the 12 months ended 31 December 2016 have been adjusted to exclude Park Plaza Prenzlauer Berg Berlin (the lease of which was terminated on 30 June 2016) and to include the performance of the Croatian operations for the rfiorst quarter of 2016. In addition, EBTIDA numbers in both periods up until 31December have been adjusted to reflect the new freehold position of art'otel cologne and art'otel berlin kudamm (rental costs adjusted)

Publication of Annual Report & Accounts and Notice of Annual General Meeting

PPHE Hotel Group Limited will publish later today its annual report and accounts for the year ended 31 December 2017 (the "**Annual Report**"), including the Notice of Annual General Meeting. These documents shall be available today on the Company's website www.pphe.com.

The Company's Annual General Meeting will be held on 15 May 2018 at 12 noon at 1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW.

Copies of the Annual Report and Notice of the Annual General Meeting shall be submitted later today to the National Storage Mechanism and will shortly be available for inspection at: www.hemscott.com/nsm.do

In accordance with Disclosure Guidance and Transparency Rule 6.3.5, the information in the attached Appendix consisting of a Directors' Responsibility Statement, principal risks and uncertainties and related party transactions has been extracted unedited from the Annual Report & Accounts for the year ended 31 December 2017. This material is not a substitute for reading the full Annual Report.

Enquiries:

PPHE Hotel Group Limited

Robert Henke, Executive Vice President of Corporate Affairs and Customer Experience — Tel: +31 20 717 8600

Lisa Woodman, Director of Corporate Communications — Tel: +44 (0)20 7034 4800

Hudson Sandler

Wendy Baker/Sophie Lister — Tel: +44 (0)20 796 4133
pphe@hudsonsandler.com

Notes to editors

The Company is a Guernsey registered company and through its subsidiaries, jointly controlled entities and associates, owns, leases, operates, franchises and develops full-service upscale, upper upscale and lifestyle hotels in major gateway cities, regional centres and select resort destinations, predominantly in Europe.

The majority of the Group's hotels operate under the Park Plaza® Hotels & Resorts or art'otel® brands. The Group has an exclusive licence from Carlson Hotels Worldwide Inc., one of the world's largest hotel groups, to develop and operate Park Plaza® Hotels & Resorts in Europe, the Middle East and Africa. The art'otel® brand is wholly owned by the Group.

The Group has a controlling ownership interest (51.97% of the share capital) in Arena Hospitality Group, one of Croatia's best-known hospitality groups.

The Group's portfolio of owned, leased, managed and franchised hotels comprises 39 hotels offering a total of nearly 9,000 rooms. The Group's development pipeline includes two new hotels which are expected to add an additional 500 rooms by the end of 2022.

Company websites:

www.pphe.com
www.arenahospitalitygroup.com

For reservations:
www.parkplaza.com
www.artotels.com
www.arenaturist.com
www.arenahotels.com
www.arenacampsites.com

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

Forward–looking statements

This trading 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.

CHAIRMAN'S STATEMENT

2017 has been yet another remarkable year for the Group. We continued to make significant progress in fulfilling our strategy of realising our growth potential and creating long-term value for our shareholders.

Today, the Group's portfolio of owned, co-owned, leased, managed and franchised hotels comprises 39 hotels offering a total of nearly 9,000 guest rooms in Europe.

It was a historic year of corporate activities. In the first half of 2017, we completed the successful public offering of new shares in our Croatian subsidiary, Arena Hospitality Group d.d. ("Arena"), raising approximately €106 million. The new capital will be used to accelerate our growth plans for Central and Eastern Europe and enhance the quality of our existing operations in the region.

Furthermore, we undertook a number of strategic transactions which allowed us to free up capital and reshape the business to pave the way for future redevelopment and growth opportunities.

In July 2017, we completed the sale and leaseback of the brand new Park Plaza London Waterloo for £161.5 million.

The successful debt restructuring activities completed in 2016, and the further debt refinancing of all our Croatian borrowings undertaken in 2017, means that the Group is in a unique financial position and well positioned to take advantage of opportunities which will drive further growth and shareholder returns.

Alongside the corporate activity, we have improved our operational activities, thereby increasing revenues across the business.

We have further extended our presence in the buoyant London hotel market with the full opening in summer 2017 of Park Plaza London Waterloo and Park Plaza London Park Royal. In addition, the major renovation project at Park Plaza London Riverbank has enhanced the facilities and appeal of the hotel. We now operate nearly 3,200 rooms in London.

Croatia continues to soar in popularity with both international and domestic holidaymakers and our properties in the popular tourist region of Istria are well positioned to further capitalise on this growth.

Our performance is underpinned by our strong sales and marketing capabilities, supported by our long-standing relationship with the Carlson Rezidor Hotel Group which provides us with significant scale for distribution of our offering and access to powerful international loyalty programmes.

As previously announced, Chen Moravsky stepped down from his executive roles of Deputy Chief Executive Officer and Chief Financial Officer on 31 December 2017 in order to pursue new opportunities. We are delighted that he remains on the Board in his new capacity as a Non-Executive Director and on behalf of the Board, I would like to thank Chen for his tremendous contribution during his time as an Executive Director.

Daniel Kos was promoted to Chief Financial Officer effective as of 1 January 2018 and was appointed by the Board as an Executive Director on 27 February 2018. The Board looks forward to working with him in his new roles.

We remain ever mindful of the geopolitical environment, increasing cost pressures and the uncertainties the travel industry is currently facing. Against this backdrop, I am delighted to say that our properties in operation have collectively delivered a strong performance. Looking ahead, we are committed to continuously improving and maintaining the excellent quality of our portfolio and we have several exciting renovation projects well under way in London and Amsterdam.

The Board is proposing the payment of a final dividend of 13 pence per share, bringing the total ordinary dividend for the year ended 31 December 2017 to 24 pence per share. This is in line with our progressive dividend policy and reflects the Board's confidence in the strength of the Group.

Once again, the team has worked extremely hard to achieve these results. The Board would like to sincerely thank all our team members for their continued dedication and, most of all, their passion and commitment to outstanding service and customer engagement. I would also like to thank all members of the Board for their contribution, guidance and support during what has been a milestone year.

We are excited about the year ahead and remain focused on delivering further growth and continually enhancing our hospitality offering.

Eli Papouchado
Chairman

PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

2017 was another year of significant progress for the Group. We are pleased to report a strong performance, which was delivered alongside corporate activity to enhance our business goal of realising our growth potential and creating long-term value for our shareholders.

Overview

Our reported total revenue increased by 19.3%, primarily driven by our increased room inventory following the official opening of our two new hotels in London, a full year contribution from our hotel in Nuremberg, and the extension of Park Plaza London Riverbank. Furthermore, good trading across several of our operating regions was underpinned by extensive renovation projects to upgrade our portfolio, which has resulted in improved performances at these hotels. On a like-for-like basis, total revenue was up 10.3%.

A number of milestones were passed during the year, including a historic public offering in Croatia, completion of the sale and leaseback of Park Plaza London Waterloo which opened in 2017, and the refinancing of debt, raising additional capital for future growth opportunities.

In addition, in July 2017, PPHE Hotel Group celebrated ten years of being listed on the London Stock Exchange. During the last decade, we have followed a progressive dividend policy providing stable returns to our shareholders, as illustrated by the table on page 46 of the Annual Report and Accounts 2017.

Our strategy

The Board remains focused on its aim to become one of the leading international hospitality groups within the upscale, upper upscale and lifestyle segments, thereby creating and realising shareholder value.

We have a flexible business model which enables us to consider a range of opportunities for future growth. Park Plaza London Waterloo is an excellent example of our ability to adapt our model and seize an opportunity to develop a high-quality hotel and create value for shareholders.

We acquired a redundant office building, extended the property's footprint and developed it into a world class hotel.

Following its opening, the hotel was sold and leased back, unlocking significant capital whilst securing operating income and maintaining control of operation of the hotel for many years to come.
Our strategy is based around six core business priorities, which are:

- delivering stabilised annual return on shareholder capital;
- maintaining a high EBITDA margin; improving guest experience through
- consistent service delivery and product enhancements;
- driving growth by expanding our portfolio through a variety of business models;
- improving overall performance through innovative revenue-generation and marketing initiatives; and
- continuing to leverage our Carlson Rezidor Hotel Group partnership to further grow revenues.

In 2017, we have once again delivered clear progress across these priorities.

Corporate activity

One of the main highlights of the year was the successful public offering of new shares in our Croatian subsidiary, Arena Hospitality Group ("Arena"), which is listed on the Zagreb Stock Exchange. This raised approximately €106 million of new capital and will accelerate investment plans aimed at upgrading properties whilst funding further growth through expansion in Central and Eastern Europe. PPHE Hotel Group participated in this offering and remains Arena's controlling shareholder with a 51.97% interest.

Following the fundraising, PPHE Hotel Group sold its remaining 12% direct ownership in its German and Hungarian operations to Arena, resulting in Arena having 100% ownership of these operations.

Furthermore, in February 2017, the Group completed the acquisition of the freehold interests in art'otel cologne and art'otel berlin kudamm in Germany. These art'otels are now wholly-owned and operated by Arena.

In July 2017, we completed the sale and leaseback of Park Plaza London Waterloo for £161.5 million. This transaction enabled the Group to unlock the capital invested in Park Plaza London Waterloo, whilst allowing it to continue to benefit from the hotel's operation and associated profits and to provide capital for future investments.

In the Netherlands, we completed the sale of one of the three properties that comprise Park Plaza Vondelpark, Amsterdam.

In the United Kingdom, we acquired an 11% ownership interest in Park Plaza County Hall London through the purchase of 46 apart-hotel units.

In December 2017, we successfully refinanced all of Arena's Croatian loans, a total of €64.0 million. These are now on unified and more favourable terms and the interest costs have decreased significantly. Over the last two years, PPHE Hotel Group's strategy to refinance its loan facilities has resulted in 95% of the debt being secured at an average internal rate of 3.1% with an average maturity of 8.6 years. This refinancing further demonstrates the Group's ability to manage its financial position to support growth effectively.

These corporate activities are a continuation of our strategy to create value and position the business for the next stage of its growth. See the Financial and business review 2017 on page 44 of the Annual Report and Accounts 2017 for further details.

Portfolio growth

During 2017, we fully opened two new hotels in the buoyant London market, adding a further 706 rooms to our portfolio.

Park Plaza London Waterloo, a 494-room upper upscale property, was officially opened in June 2017. The hotel is well located on London's South Bank, one of the city's main sightseeing hubs, and has great transport links, attracting both leisure and business guests from around the world. Florentine Restaurant & Bar, the hotel's all-day dining concept, has received excellent reviews since it opened.

In the same month, Park Plaza London Park Royal also officially opened. This contemporary 212-room hotel in west London has easy access to Central London, Wembley Stadium, Warner Bros. Studio Tour London and London Heathrow Airport.

Since opening, both hotels have received positive reviews and feedback from guests.

As at 31 December 2017, the Group's portfolio of owned, co-owned, leased, managed and franchised hotels comprises 39 hotels, offering a total of approximately 9,000 rooms. Our development pipeline currently includes two new hotels which are expected to add approximately 500 rooms by the end of 2022.

Ongoing investment in our portfolio

We recognise the importance of maintaining a high-quality portfolio and are committed to ongoing investment in both major renovation projects and smaller refurbishment programmes to maintain the high standards of our hotels.

During 2017, we began several refurbishment projects across our portfolio, including the extensive renovation of public areas and rooms at Park Plaza Victoria Amsterdam, and the development of additional facilities such as a swimming pool and a spa at Park Plaza London Riverbank. In Croatia, works were undertaken to upgrade a number of properties ahead of the 2017 summer season.

Looking ahead, 2018 investments include the expected completion of the projects at Park Plaza Victoria Amsterdam and Park Plaza London Riverbank, the progression of the repositioning works at Park Plaza Sherlock Holmes London and the commencement of renovation projects at Park Plaza Utrecht and Park Plaza Vondelpark, Amsterdam. Arena will also invest in renovation projects across several of its hotels in Germany and, most notably, make the first significant investment in the Arena Pomer Campsite, which plans to launch as Croatia’s first ‘all-glamping’ offer.

Service excellence

Our emphasis on the consistent delivery of exceptional customer service to provide our guests with a memorable, best-in-class experience remains at the heart of the business.

Once again, our guest satisfaction surveys show that our ongoing commitment to consistent, high-level service has been recognised through both our guest satisfaction and service performance scores. Overall, our guest satisfaction score increased from 8.39 to 8.43 (on a scale of 1-10) and our service performance score remained strong at 8.71 (on a scale of 1-10).

Other key metrics, such as net promoter score, recommendation rate and return rate, all increased year-on-year.

The strength and passion of our team is the keystone to achieving these scores and we are proud that our team’s hard work and dedication has delivered another great result.

Investment in people

Attracting, retaining and developing talented team members is a key priority for all those operating in the hospitality sector. Over the last 18 months, there has been an increasing shortage of available qualified personnel across the industry. This trend has reinforced the importance of being an employer of choice; able to attract and retain a highly committed, skilled workforce. This was particularly relevant to the Group while we filled positions at our recently opened hotels. To support this recruitment drive, the Group introduced a number of initiatives, including new apprenticeship and graduate training programmes.

In 2017, we launched the Employer Branding and Team Value Proposition for the Park Plaza brand to aid retention of the strong talented individuals within the business and to promote Park Plaza as an attractive employer to prospective talent. This initiative puts employee engagement and wellbeing at its heart to ensure we continue to attract new team members, whilst retaining and developing the best talented team members across the business. In 2018, the Group plans to develop a bespoke proposition for its wholly owned art’otel brand.

We have a number of new renovations on the horizon to ensure our product is always of the highest specification and quality.

Our People & Culture teams across Europe will support our managers in attracting new, and developing existing, talented team members and embedding our PPHE Hotel Group vision into the hotels.

We actively engage with our team members and this has been reflected in the high levels of participation in our annual employee engagement survey. In total, 2,900 team members participated in the survey. The overall employee satisfaction engagement score for the year increased to 85.4% (2016: 84.9%).

Going into 2018, we remain focused on people development, including leadership competencies and talent management, in order to ensure that the culture at PPHE Hotel Group continues to be unique for guests and team members.

Talent management remains top of our agenda in 2018 and we will be refreshing and introducing a host of new programmes and systems. Learning & Development sees another year of the successful Foundation In Management (FIM) programme and the roll-out of the you:niversity-next Management Development Programme to strengthen both current and new leaders within the Group.

Sales and marketing

Our long-standing strategic partnership with the Carlson Rezidor Hotel Group continues to bring us many benefits.

PPHE Hotel Group owns, co-owns, operates and franchises hotels under multiple brands and, through our relationship with Carlson Hotels, the Group has a perpetual exclusive licence for the Park Plaza brand for certain countries in Europe, the Middle East and Africa.

Our industry is evolving rapidly and becoming ever more global. Our partnership with the Carlson Rezidor Hotel Group gives us access to innovative state-of-the-art global distribution platforms for our products, including travel agents, online travel websites and global sales and e-commerce teams, which complement our in-house sales and marketing initiatives.

In addition, we participate in the Carlson Rezidor Hotel Group's highly successful loyalty scheme, Club Carlson^{SM}, which has more than 19 million members worldwide. As a medium-size hotel owner and operator, leveraging this extensive distribution network and the strength of the Park Plaza brand allows us to retain our operational agility, whilst enabling us to compete with the largest players in the hospitality sector.

Following a year of corporate activity, planning and restructuring under new ownership, the Carlson Rezidor Hotel Group is well-positioned to start driving various new technology, digital and commercial activities in 2018 and we fully expect to benefit from them.

The benefits from this strategic partnership and the new Carlson Rezidor Hotel Group strategy are expected to help us to further raise the profile of our properties and increase engagement with both existing and potential customers to drive revenue growth.

Awards and industry recognition

We are proud that in 2017 the quality of our hotels and our focus on delivering exceptional customer service to our guests was once again recognised through
industry accolades.

In the United Kingdom, we were recognised as the 'Number One-Mid Sized Group (UK)' by Venue Verdict. Three of our hotels in Germany were awarded 'Guest Review Award Winner' by booking.com, and art'otel cologne received a Thomas Cook 'Sunny Heart Award 2017'.

In the Netherlands, Park Plaza Vondelpark, Amsterdam achieved Gold certification under the Green Key system.

In addition, PPHE Hotel Group won 'Best Annual Report' at the 2017 Property Marketing Awards. The judges felt the report epitomised the Group's compelling brand experience and its unique and distinctive approach.

Our Croatian subsidiary, Arena, was recognised by the Zagreb Stock Exchange Awards 2017, winning the Top Turnover Gainer category, and was awarded the 'Golden Goat for the Best Technological Innovation' by the Istria Tourism Board for its complimentary guest smartphone.

Responsible business strategy - Responsible Experiences

In 2017, we committed to developing a responsible business strategy, Responsible Experiences, to ensure that we are responsible in everything we do as a business. Full details of the strategy and activity can be found in the responsible business report on page 60 of the Annual Report and Accounts 2017.

The new responsible business strategy has been developed to build upon our current corporate social responsibility (CSR) successes to help create a long-term sustainable business model. As an international business, we understand the importance of the role we can play in making a difference through initiatives to promote a sustainable environment for now and future generations, being a preferred employer of choice and supporting the local communities in which we operate, all of which strongly reflects our mission of inspiring guests through individuality and passion.

Charitable activities

Activities in the year included: support for the Carlson Rezidor Hotel Group's 'Responsible Business Action Month' under the campaign theme of 'Save Tomorrow's Trees Today'; we donated 120 volunteer hours to the Nottinghamshire Wildlife Trust; and raised funds for the World Childhood Foundation.

In addition, our teams participated in, or supported, a wide array of charitable activities and fundraising, including raising funds for The Movember Foundation.

Our team

Chen Moravsky stepped down from his executive roles on 31 December 2017. I would like to personally thank Chen for his significant and long-standing contribution to the development of the business during this period. We are delighted that the Board will continue to benefit from his experience and leadership in his new role as a Non- Executive Director.

In November 2017, we announced a number of senior appointments to strengthen our Executive Leadership Team, focused on key areas within the business to support the next stage of growth.

Daniel Kos, who joined the Group in 2011 and has worked closely with Chen Moravsky, took up his new role of Chief Financial Officer on 1 January 2018 and as Executive Director on 27 February 2018. Robert Henke was appointed Executive Vice President of Corporate Affairs and Customer Experience and, amongst other responsibilities, will oversee corporate and investor communications.

Greg Hegarty was appointed to the newly-created role of Executive Vice President UK and Chief Commercial Officer and has overall responsibility for delivery of the Group's commercial strategy. Jaklien van Sterkenburg was appointed as Executive Vice President People and Culture | Head of HR.

I would like to congratulate the four of them on their promotions and I look forward to working with them closely.

On behalf of the Board, I would also like to take this opportunity to thank everyone that has worked for the Group during the year and contributed to our success. We are sincerely thankful for all your hard work and dedication.

Current trading and outlook

Trading to date is consistent with meeting the Board's expectations for the full year. We look forward to focusing on a strong pipeline of renovations and developments across our portfolio in 2018. In early 2018, we were pleased to announce that we had exchanged contracts to acquire, from our joint venture partner, a fifty percent interest in the company that owns the site for the development of art'otel london hoxton. Once this transaction completes we will have full ownership and we are aiming to commence preliminary works in the second quarter of 2018. Hoxton's desirability as a London destination is complemented by the second art'otel development in Battersea; art'otel london battersea power station - both locations are seeing huge investment and regeneration, positioning them as European leisure districts in strong demand.

With a number of key renovation programmes taking place in 2018, we anticipate a slight reduction in services available to guests and this may result in a potential short term impact to final year-end hotel revenue levels.

2018 will also see a full year of trading for Park Plaza London Waterloo and Park Plaza London Park Royal, with a combined room count of 706 rooms. Accompanied by further inventory made available following Park Plaza London Riverbank's full re-launch later in 2018, we expect to drive further benefits from our strong London portfolio. We are equally excited about the planned re-launch of the extensively renovated Park Plaza Victoria Amsterdam and the launch of the glamping offering at Arena Pomer Campsite in Croatia.

We firmly believe that the superior quality of the new product and service offerings will stand us in good stead for healthy trading in the long term.

FINANCIAL AND BUSINESS REVIEW 2017

Strong performance and funding in place to support further growth.

	Reported in GBP (£)		**Like-for-like GBP[1] (£)**	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016
Total revenue	**£325.1 million**	£272.5 million	**£300.8 million**	£272.8 million
EBITDAR	**£116.0 million**	£103.0 million	**£109.3 million**	£99.9 million
EBITDA	**£107.3 million**	£94.1 million	**£101.1 million**	£93.0 million
Occupancy	**77.3%**	76.0%	**77.2%**	74.6%
Average room rate	**£120.2**	£111.0	**£119.7**	£111.0
RevPAR	**£92.9**	£84.4	**£92.4**	£82.9
Room revenue	**£224.0 million**	£183.2 million	**£203.3 million**	£183.2 million

1 The like-for-like figures for the 12 months ended 31 Dcember 2017 exclude Park Plaza London Park Royal for the period, Park Plaza London Waterloo for the first 10 months of 2017 and Park Plaza Nuremberg for the first five months of 2017. Furthermore, the like-for-like comparison figures for the 12 months ended 31 December 2016 have been adjusted to exclude Park Plaza Prenzlauer Berg Berlin (the lease of which was terminated on 30 June 2016) and to include the performance of the Croatian operations for the first quarter of 2016. In addition, EBTIDA numbers in both periods up until 31December have been adjusted to reflect the new freehold position of art'otel cologne and art'otel berlin kudamm (rental costs adjusted)

Performance

The Group is pleased to announce strong results for the year, in line with the Board's expectations.

Reported total revenue was up 19.3% to £325.1 million (2016: £272.5 million) and EBITDA increased by 14.0% to £107.3 million (2016: £94.1 million). This growth was mainly the result of an increase in hotel room inventory due to the full opening of two new hotels in London and the first full year contribution of Park Plaza Nuremberg (which opened in June 2016). Furthermore, we benefited from improved trading across most of our operating regions, notably Germany and Croatia.

As previously announced, renovation works during the year resulted in a reduced room inventory at some of our hotels as we invested in upgrading these properties. The hotel most affected was Park Plaza Victoria Amsterdam where only 50% of the previous year's room inventory was available, affecting the like-for-like performance.

On a like-for-like[1] basis, total revenue increased by 10.3% and EBITDA improved by 8.7%. Like-for-like performance was also positively affected by the additional rooms in Park Plaza London Riverbank.

Whilst we recognise that certain cost pressures and renovation programmes may have an effect on our performance, we are confident about our long-term prospects.

RevPAR

Like-for-like[1] RevPAR was £92.4, an increase of 11.5% (2016: £82.9), reflecting strong RevPAR growth in our German and Croatian regions, alongside the continued weakening of Pound Sterling against the Euro. Like-for-like RevPAR growth was achieved through a 7.8% increase in average room rate to £119.7 (2016: £111.0). Like-for-like occupancy improved by 260 bps to 77.2% (2016: 74.6%).

As a result, like-for-like room revenue was up 11.0% to £203.3 million (2016: £183.2 million).
Reported RevPAR was £92.9 (2016: £84.4), up 10.0%, driven by an 8.2% increase in average room rate and a 130 bps improvement in occupancy.

EBITDA

Reported EBITDA increased by 14.0% to £107.3 million (2016: £94.1 million) as a result of improved trading across most of our operating regions, new openings and the acquisition of two freehold properties in Germany (previously held under operating leases). Our reported EBITDA margin for the year reduced by 150 bps to 33.0% (2016: 34.5%). This decrease is caused, in particular, by the first time consolidation of the first quarter of the Croatian operations, which due to seasonality is negative. Furthermore, an increase in business rates in our London properties and the new openings, which have not yet reached full maturity had a negative effect.

On a like-for-like basis, EBITDA increased by 8.7% to £101.1 million (2016: £93.0 million) and our EBITDA margin reduced by 50 bps to 33.6% (2016: 34.1%).

Normalised profit before tax

	Reconciliation reported to normalised profit	
	Year ended 31 Dec 2017 £ million	Year ended 31 Dec 2016 £ million
Reported profit before tax	**31.7**	38.2
Fair value movements on derivatives recognised in the profit and loss	**(0.1)**	(0.2)
Negative goodwill and capital gains after the acquisition of the remaining interests in Arena	**-**	(26.2)
Refinance costs and expenses (including termination of hedge)	**0.5**	23.4
Park Plaza Westminster Bridge London fair value adjustment on income swaps and buy back of Income Units	**1.1**	0.6
Forfeited deposits from rescinded sale contracts of Income Units at Park Plaza Westminster Bridge London to private investors	**-**	(6.5)
Restructuring expenses and pre-opening expenses	**0.2**	2.4
Gain on sale of one building in Park Plaza Vondelpark, Amsterdam	**(1.3)**	–
Normalised profit before tax*	**32.1**	31.7

***** The normalised earnings per share amount to £0.58, calculated with 42,249,000 average outstanding shares.

Normalised profit before tax increased by 1.1% to £32.1 million (2016: £31.7 million). Normalised profit is affected by the first year loss of new openings, which do not have mature trading profiles yet. Normalised profit is further negatively affected by the first time consolidation of the first quarter Croatian operations which, due to its seasonality, are negative. Below is a reconciliation table from reported to normalised profit.

Profit before tax

Reported profit before tax decreased by £6.5 million to £31.7 million (2016: £38.2 million), down 17.1%. The profit of 2016 was significantly affected by positive one-off results, which resulted in a decrease in 2017.

Asset base and leverage

The Group realises the majority of its revenue and EBITDA from assets in ownership, primarily those assets located in Central London and Amsterdam. As well as successfully operating the hotels it owns/ co-owns, the Group has over 30 years of experience in developing and managing assets. This unique in-depth knowledge of the real estate market and its proven track record of developing and realising value from property transactions and developments over the last decade, enables the Group to act quickly on opportunities.

This business model requires significant capital investments which the Group leverages by borrowing from well-known financial institutions within a 50–65% loan-to-value ratio. The Group also relies on its extensive experience in property finance, with strong relations with funding institutions and a track record of refinancing its assets, even when met with challenging market conditions.

Over the past two years the Group has taken advantage of the low interest rate environment and has successfully refinanced over 95% of its assets, equating to approximately £670 million. Under the Group's debt restructuring, the majority of the facilities' weighted average term was extended and the average cost of borrowing decreased significantly.

Below is a synopsis of the key factors of the Group's financial position:

	2017	2016
Interest bearing debt (in £million)	**705**	**766**
Average cost of debt	**3.1%**	3.5%
Average maturity (in years)	**8.6**	7.7
Cash, deposits and liquid investment (in £million)	**291**	170

Over the past few years, both the London and the Amsterdam real estate markets have shown a strong and diversified demand for hotel investments which has led to an increase in real estate prices. As part of the process of securing the new facilities, an independent valuation of the Group's interests in the hotels was obtained. In the consolidated financial statements, the Group measures its assets at cost price less accumulated depreciation. The independent valuations obtained as part of the refinancing over the last two years indicate an addition over presented book values exceeding £500 million. The excess value is not shown in the financial statements, where properties are shown at historical cost, less depreciation.

The Group's facilities are all asset backed and have limited or no recourse to the Group. These debts are managed on either a single property or a portfolio basis. These asset backed loans contain certain debt service covenants and, most commonly, a loan to value ratio. The Company is usually permitted to rectify any potential default during the term of the loan, thus removing the threat of needing to refinance at less favourable terms.

Dividend

For the financial year 2017, the Board is proposing a final dividend payment of 13 pence per share (2016: 11 pence per share) which, when combined with the interim ordinary dividend of 11 pence per share (2016: 10 pence per share) paid to shareholders on 13 October 2017, brings the total ordinary dividend for the year ended 31 December 2017 to 24 pence per share (2016: 21 pence), an increase of 14.3%. Subject to shareholder approval at the Annual General Meeting, to be held on 15 May 2018, the dividend will be paid on 18 May 2018 to shareholders on the register at 13 April 2018. The shares will go ex-dividend on 12 April 2018.

Since the Group started paying dividends in 2012, the Group has followed a progressive dividend policy, retaining proper and prudent reserves. The chart below provides an overview of the dividend payment history.

Financial position

Net bank debt as at 31 December 2017 was £408.1 million, a reduction of £176.8 million (as at December 2016: £584.9 million). During the period, the movement in net bank debt included an increased position of cash and liquid investments of £116 million primarily due to the sale and leaseback of Park Plaza London Waterloo and a share issuance at Arena Hospitality Group. Net debt decreased due to the repayment of the construction facility in Park Plaza London Waterloo of £80 million; the early repayment of a corporate facility of £16 million and the payment of regular instalments of £17 million. Net debt increased by £32 million due to the bank funding of the acquisition of two freehold properties in Germany and increased by £9 million due to exchange results.

Earnings and shareholder value

Normalised earnings per share was £0.58 (2016: £0.68), representing a decrease of 14.4%. Reported basic/diluted earnings per share for the period was £0.57, a decrease of 31.0% (2016: £0.83).

The majority of the decrease in earnings per share was caused by an increased number of minority shareholders in Arena after the public offering.

The net asset value of the Group attributable to PPHE Hotel Group shareholders amounted to £343.3 million which includes a significant excess cash position (more details are provided on page 49 of the Annual Report and Accounts 2017). Net asset value takes into account the assets of the Group at historical cost.

Corporate activity

Investment in Croatia

2017 was an important year in our strategy to grow our operations in Central and Eastern Europe. We undertook significant corporate activity to reshape Arena into a dynamic hospitality company, whilst strengthening and developing its business and market position in the upscale, upper upscale and lifestyle segments of the hospitality market, primarily within Croatia and Germany.

In February 2017, following the completion of the acquisition of 88% of the German and Hungarian operations of PPHE Hotel Group and the grant of territorial rights for the Park Plaza brand in 18 countries, Arena completed the acquisition of the freehold interests in art'otel berlin kudamm and art'otel cologne, which the Group leased and managed, for an amount of €54.5 million (£47.4 million). Following completion, the previous lease expenses were eliminated.

Furthermore, in June 2017, Arena successfully raised €106 million (HRK 788 million) of new capital (before expenses) through a public offering of shares on the Zagreb Stock Exchange to support both organic and inorganic growth. The offering consisted of the issue of 1,854,971 new ordinary shares at a price of HRK 425 per share, which were listed and commenced trading on the Official Market of the Zagreb Stock Exchange on 6 June 2017. The public offering was deemed attractive to both domestic and international investors, with approximately 20% of the new shares subscribed for by investors located outside of Croatia. Following the public offering, the Group maintained its controlling interest in Arena, but its shareholding was diluted to 51.97%.

Following the public offering, Arena exercised the option granted to it by the Group to acquire the remaining 12% interest in the German and Hungarian operations of the Group, comprising eight Park Plaza or art'otel branded hotels, for a consideration of €8.3 million.

In December 2017, Arena successfully refinanced all of its loan agreements into one unified facility on more favourable terms, lowering interest expenses by approximately 50%.

Sale and leaseback of Park Plaza London Waterloo

The sale and leaseback of Park Plaza London Waterloo was completed in July 2017. The Group sold the freehold of the property for £161.5 million and agreed a 199-year lease at an initial rent of £5.6 million per annum, with an annual inflation adjustment subject to a cap and a collar. The independent valuation carried out by the purchaser gave an aggregate value of £250 million on a vacent possession basis (approximately £500,000 per key). The transaction enabled the Group to release 65% of that value whilst retaining a long-term lease, control of the operations and associated profits of the hotel, thereby keeping the remaining 35% within the Group. As at 31 May 2017, the hotel had a book value of approximately £124 million. Following the transaction, the Group realised approximately £80 million of available cash which it intends to utilise to further improve and grow the Group's portfolio, amongst other corporate purposes.

Other property transactions

An 11.0% ownership interest in Park Plaza County Hall London was acquired through the purchase of 46 apart-hotel units for an aggregate value of £16.7 million. One of the three properties that comprise Park Plaza Vondelpark, Amsterdam was sold for a consideration of £7 million. Together, these corporate activities well position the Group for future growth.

Looking ahead

With the significant corporate activities of the Group in 2016 and 2017, the Group is well placed to make further progress to expand its portfolio. In 2018 we will continue our renovation projects, all of which will further strengthen the Group's competitive position.

In the second quarter of 2018, works at Park Plaza Victoria Amsterdam are expected to complete and preliminary works will commence to develop art'otel london hoxton. In addition, Park Plaza London Waterloo and Park Plaza London Park Royal, which both fully opened in 2017, are expected to further mature in 2018, increasing the revenues and improving the profit conversion.

The Group is constantly looking for new acquisition opportunities and has an active pipeline of potential projects. Each project is carefully analysed by the Group's development team and selected projects should provide the Group with good returns on capital and further potential upside on the (re) development.

Return on capital employed

The Group actively pursues a strategy of hotel development and ownership, which is different from many hotel groups where ownership and development of hotel assets is separated from hotel operations.

One of the benefits of our owner/operator model is the removal of the usual conflict between the two different interests in the property. Our strategy has proven to create significant value by enabling the Group to fund its growth in recent years. The Group has the expertise to master the complexities involved in real estate ownership and transactions, including debt/equity structuring, exit strategies, and (re) developing real estate into valuable hotel properties.

Since hotel real estate is an important part of the Group's assets, it is essential to understand this ownership business model in order to be able to accurately value this critical investment. This model is capital intensive and the funding structure of these properties using debt and equity has a significant impact on the equity returns of the Group.

Properties under development and excess cash positions place a burden on the capital of the Group without creating an immediate return. However, once these developments complete, they will add to the profitability of the Group like any other trading asset it owns. Although the Group pursues full property ownership, we understand that the capital intensity required may hinder the Group's growth in other attractive markets. Therefore, the Group has a mixed portfolio approach that provides a spread of risk and reward.

Return on capital employed

The table below provides some selected data for the Group's assets for the year ended 31 December 2017, 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. 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.

Return on capital employed (continued)

	PPHE Hotel Group			Arena Hospitality Group[6]		Total
	Trading properties £m	Excess Cash[4]	Non trading projects[3]	Trading properties £m	Excess Cash[4]	PPHE Hotel Group Reported £m
Balance Sheet						
Book-value properties (excluding Income Units at Park Plaza Westminster Bridge London sold to third parties)[1]	806.8			227.9		1,034.7
Book value intangible assets	21.6			2.0		23.6
Book value non-consolidated investments			15.0			15.0
Other long-term assets	17.4			8.2		25.6
Working Capital	(16.8)			(12.2)		(29.0)
Cash and Liquid Investments	66.9	130.0		16.7	77.7	291.3
Bank/Institutional loans (short/long term)	(602.7)			(99.8)		(702.5)
Finance lease liability, land concession and other provisions	(190.4)			(17.0)		(207.4)
Deferred profit Income Units in Park Plaza Westminster Bridge London[5]	(10.4)					(10.4)
Total capital consolidated	**92.4**	**130.0**	**15.0**	**125.8**	**77.7**	**440.9**
Minority shareholders				(60.3)	(37.3)	(97.6)
Total capital employed by PPHE Hotel Group shareholders	**92.4**	**130.0**	**15.0**	**65.5**	**40.4**	**343.3**
Normalised profit						
Revenue	240.9			84.2		325.1
EBITDAR	86.6			29.4		116.0
Rental expenses	(4.3)			(4.4)		(8.7)
EBITDA	82.3			25.0		107.3
Depreciation	(27.6)			(6.7)		(34.3)
EBIT	54.7			18.3		73.0
Interest expenses: banks and institutions	(23.6)			4.0		(27.6)
Interest on finance leases	(3.9)			-		(3.9)
Income paid to Income units sold to private investors in Park Plaza Westminster Bridge London	(10.3)					(10.3)
Other finance expenses and income	0.8		0.3	0.1		1.2
Minority interests						
Result from equity investments			(0.2)	(0.1)		(0.3)
Normalised profit before tax 31 December 2017[2]	**17.7**	**-**	**0.1**	**14.3**	**-**	**32.1**
Reported tax	1.3			(3.0)		(1.7)
Normalised profit after reported tax	**19.0**	**-**	**0.1**	**11.3**	**-**	**30.4**
Profit attributable to minority shareholders	-	-	-	(5.7)	-	(5.7)
Profit after tax attributable to PPHE Hotel Group shareholders	**19.0**	**-**	**0.1**	**5.6**	**-**	**24.7**

[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 45.
[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 is listed on the Zagreb Stock Exchange. The market capitalisation at 31 December 2017 is £272 million.

UNITED KINGDOM

Hotel operations

	Reported in GBP(£)		Like-for-like in GBP (£)[1]	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016
Total revenue	**£185.8 million**	£148.7 million	**£163.8 million**	£148.7 million
EBITDAR	**£62.4 million**	£52.5 million	**£56.3 million**	£52.5 million
EBITDA	**£60.5 million**	£51.1 million	**£54.4 million**	£51.1 million
Occupancy	**83.2%**	84.2%	**83.4%**	84.2%
Average room rate	**£145.8**	£143.8	**£150.3**	£143.8
RevPAR	**£121.3**	£121.1	**£125.4**	£121.1
Room revenue	**£132.6 million**	£102.1 million	**£113.9 million**	£102.1 million

[1] Like-for-like comparison for 2017 excludes the first 10 months of Park Plaza London Waterloo and the full year of Park Plaza London Park Royal numbers.

Performance

The UK hotel portfolio delivered a strong performance. Reported total revenue grew by 25.0% to £185.8 million (2016: £148.7 million). This performance reflects strong trading in the first half of the year and the increased new room inventory at Park Plaza London Riverbank, along with the two newly opened London hotels (Park Plaza London Waterloo and Park Plaza London Park Royal).
On a like-for-like basis, revenue increased by 10.2% to £163.8 million.

Reported RevPAR was flat at £121.3 (2016: £121.1), which was the result of 1.4% growth in average room rate to £145.8 and a 100 bps decrease in occupancy to 83.2%. However, on a like-for-like basis, RevPAR increased by 3.5%, showing growth in the underlying performance.

Reported room revenue benefited from the additional room inventory, increasing by 29.9% to £132.6 million and on a like-for-like basis by 11.5% to £113.9 million.

Reported EBITDAR grew by 18.9% to £62.4 million (2016: £52.5 million) and EBITDA increased by 18.2% to £60.5 million. On a like-for-like basis, EBITDAR increased by 7.2% to £56.3 million and EBITDA was up 6.4% to £54.4 million. EBITDA was affected by a significant increase in property taxes, primarily in the London market.

The hotels in London maintained their strong competitive positions during the year. Park Plaza Westminster Bridge London delivered yet another strong performance, significantly outperforming its competitive set in occupancy, average room rate and RevPAR. Park Plaza London Waterloo and Park Plaza London Riverbank also outperformed their competitive sets in terms of average room rate. Furthermore, Park Plaza Nottingham outperformed its competitive set in occupancy, average room rate and RevPAR.

Development pipeline and renovation projects

Park Plaza Park London Waterloo and Park Plaza London Park Royal, which were both officially opened and became fully operational during the year, brought 706 additional rooms to our portfolio and have been well-received by guests. Renovation projects continued during the year with a focus on improving the competitive position of our hotels and enhancing our guest experience.

Renovation works at Park Plaza London Riverbank are continuing, with the installation of a spa, swimming pool and gym, which will improve the overall appeal of the hotel, and restructuring works to increase room count.

It is anticipated that these works will be completed in the second half of 2018. Renovation works at Park Plaza Sherlock Holmes London started in 2017 and are expected to continue throughout 2018, including the refurbishment of all guest rooms and the revision of the layout of the hotel entrance and the public areas. At Park Plaza Victoria London, renovation projects are expected in the second half of 2018. These will include the refurbishment of public areas and meeting rooms.

Our hotel pipeline includes the landmark art'otel london battersea power station, for which construction is already underway.

The Group will operate this hotel under a management agreement. In addition, the Group has its own art'otel development project, art'otel london hoxton, for which preliminary works are expected to commence in the second quarter of 2018.

Together these hotels are expected to add approximately 500 rooms to the UK portfolio by the end of 2022.

The United Kingdom hotel market*

In 2017, the overall UK hotel market reported RevPAR growth of 4.1%, driven by a 3.6% increase in average room rate and a 0.5% uplift in occupancy. This performance was largely as a result of a stong first half performance, driven by an influx of overseas visitors due to the devaluation of Pound Sterling, which made the UK market more attractive and affordable.

In the Greater London hotel market, the supply of hotel rooms increased by 3.1%, slightly below the 3.4% increase in demand. RevPAR increased by 4.4% to £121.7, driven by a 4.1% growth in average room rate and a 0.3% increase in occupancy to 81.7%.

In Nottingham, the overall market saw RevPAR decline by 1.5% due to a 1.6% decline in average room rate and a 0.1% decline in occupancy. The Leeds hotel market reported a 6.8% decline in RevPAR to £60.7, driven by a 5.5% reduction in average room rate and a 1.4% decline in occupancy.

* STR Global, December 2017

THE NETHERLANDS

Hotel operations

	Reported in GBP[1] (£)		Reported in local currency Euro (€)	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016
Total revenue	**£47.3 million**	£48.3 million	**€54.1million**	€59.0 million
EBITDAR	**£13.4 million**	£14.8 million	**€15.3 million**	€18.1 million
EBITDA	**£13.3 million**	£14.6 million	**€15.2 million**	€17.9 million
Occupancy	**85.6%**	83.3%	**85.6%**	83.3%
Average room rate	**£112.2**	£104.4	**€128.2**	€127.4
RevPAR	**£96.0**	£87.0	**€109.7**	€106.1
Room revenue	**£35.0 million**	£35.6 million	**€39.9 million**	€43.4 million

[1]Average exchange rate from Euro to Pound Sterling for year to December 2017 was 1.14 and for the year to December 2016 was1.22, representing a 6.4% increase.

Performance

The performance of the region was impacted due to the disruption in the period associated with the extensive renovation programme which limited the number of rooms, meeting rooms and food and beverage outlets in operation.

At Park Plaza Victoria Amsterdam, approximately half of the room inventory was temporarily closed and all the public areas, restaurants, bars and meeting rooms were renovated in phases.

At Park Plaza Vondelpark, Amsterdam one of the three buildings which comprised the hotel was sold, which reduced the room count by 36 rooms. Extensive renovation works are expected to commence in the second half of 2018 on the remaining two buildings.

In local currency, total revenue reduced by 8.3% to €54.1 million (2016: €59.0 million), due to the disruption detailed above. However, RevPAR increased by 3.4%, driven by a 0.6% increase in average room rate and a 230 bps increase in occupancy. Room revenue decreased by 8.0%, reflecting the reduced number of rooms in operation.

In Pound Sterling, reported EBITDAR reduced by 9.4% to £13.4 million and EBITDA declined by 9.2% to £13.3 million. In Euros, EBITDAR and EBITDA reduced by 15.2% and 15.0% respectively again affected by the disruption due to the renovation works.

In Amsterdam, Park Plaza Amsterdam Airport and Park Plaza Vondelpark, Amsterdam both outperformed their competitive sets in terms of occupancy.

Outside of Amsterdam, Park Plaza Utrecht and Park Plaza Eindhoven both significantly outperformed their competitive sets in respect of average room rate, occupancy and RevPAR.

Portfolio update

The extensive renovation works at Park Plaza Victoria Amsterdam were significantly progressed during the period and a new restaurant concept at the hotel is due to be launched in the first half of 2018. Further renovation works are expected to commence in 2018 at Park Plaza Vondelpark, Amsterdam and Park Plaza Utrecht with room renovations and the redevelopment of public areas.

The Dutch hotel market*

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

In Greater Amsterdam, RevPAR grew by 10.4% to €117.3, driven by a 6.0% improvement in average room rate to €143.9 and a 4.1% uplift in occupancy to 81.5%.

Outside of Amsterdam, hotels in Utrecht reported a 10.1% increase in RevPAR to €76.5, as a result of a 4.9% increase in average room rate to €103.4 and a 5.0% improvement in occupancy to 74.0%.

In contrast, the Eindhoven hotel market saw RevPAR decline by 4.6% to €49.1, reflecting a decline in average room rate and occupancy of 2.0% and 2.6% respectively.

* STR Global, December 2017

GERMANY AND HUNGARY

Hotel operations

	Reported in GBP[1] (£)		Reported in local currency Euro (€)	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016
Total revenue	**£30.7 million**	£25.0 million	**€35.1 million**	€30.5 million
EBITDAR	**£9.0 million**	£7.0 million	**€10.3 million**	€8.6 million
EBITDA	**£4.3 million**	£0.9 million	**€5.0 million**	€1.1 million
Occupancy	**75.4%**	70.9%	**75.4%**	70.9%
Average room rate	**£82.5**	£69.7	**€94.2**	€85.0
RevPAR	**£62.2**	£49.4	**€71.1**	€60.3
Room revenue	**£23.9 million**	£19.1 million	**€27.3 million**	€23.2 million

	Like-for-like[2] in GBP (£)		Like-for-like[2] in local currency Euro (€)	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016
Total revenue	**£28.4 million**	£23.9 million	**€32.4 million**	€29.1 million
EBITDAR	**£8.4 million**	£6.8 million	**€9.6 million**	€8.3 million
EBITDA	**£4.2 million**	£3.0 million	**€4.8 million**	€3.7 million
Occupancy	**77.3%**	71.0%	**77.3%**	71.0%
Average room rate	**£79.6**	£71.6	**€90.7**	€87.4
RevPAR	**£61.5**	£50.8	**€70.1**	€62.0
Room revenue	**£22.0 million**	£18.2 million	**€25.1 million**	€22.2 million

[1] Average exchange rate from Euro to Pound Sterling for the year to December 2017 was 1.14 and for the year to December 2016 was 1.22, representing a 6.4% decrease.
[2] The like-for-like figures for the 12 months ended 31 December 2017 exclude Park Plaza Nuremberg for the first five months of 2017. Furthermore, the like-for-like comparison figures for the 12 months ended 31 December 2016 have been adjusted to exclude Park Plaza Prenzlauer Berg Berlin (the lease of which was terminated on

30 June 2016). The like-for-like comparisons for 2017 and 2016 exclude the rent expenses for art'otel berlin kudamm and art'otel cologne (two months of rent expenses in 2017 vs 12 months in 2016).

Performance

The performance of operations in Germany and Hungary improved significantly year-on year. Reported total revenue increased by 23% to £30.7 million (2016: £25.0 million) and in local currency, total revenue improved by 15.2% to €35.1 million.

In local currency, RevPAR increased by 18.0% to €71.1, driven by a 10.8% improvement in average room rate and a 460 bps increase in occupancy to 75.4%. The main driver for this growth was the first full year contribution from Park Plaza Nuremberg, which opened in June 2016, and an improvement in the trading environment. Furthermore, in 2016 several hotels were undergoing renovation projects providing a softer year-on-year comparative.

On a like-for-like[2] basis, total revenue increased by 18.9% to £28.4 million (2016: £23.9 million), benefiting from better trading conditions. In local currency, like-for-like total revenue was up 11.1% to €32.4 million (2016: €29.1 million).

Reported EBITDAR increased by 27.8% to £9.0 million (2016: £7.0 million), and by 22.6% on a like-for-like basis to £8.4 million (2016: £6.8 million).

Reported EBITDA improved by 378.6% to £4.3 million (2016: £0.9 million), primarily due to the first-time contribution of Park Plaza Nuremberg, the reduction of rental payments associated with the acquisition of two properties formerly under operating leases and improved trading.

In Germany, Park Plaza Nuremberg performed particularly well during its first full year of operation, outperforming its competitive set in terms of occupancy and average room rate. In Hungary, art'otel budapest significantly outperformed its competitive set in occupancy, average room rate and RevPAR key metrics.

Portfolio update

Renovation projects at several hotels have been identified and are under review in order to ensure consistency of hotel quality and guest experience. At art'otel cologne, plans are being finalised for renovation of the restaurant and the bar and lobby area. At art'otel berlin kudamm, the restaurant, bar and approximately half of the room inventory is expected to be renovated during 2018.

To further enhance guest experience, a complimentary smartphone specifically designed for hotel guests was piloted at all Park Plaza branded properties in Croatia during 2017. Following the successful trial, this service will be rolled out across all German and Hungarian hotels, starting with art'otel berlin mitte and Park Plaza Wallstreet Berlin Mitte.

The German and Hungarian hotel markets*

The hotels in Berlin saw RevPAR increase by 2.0% to €73.9, driven by a 2.3% improvement in average room rate. Occupancy declined by 0.3%.

In Cologne, the hotel market reported an improved performance. RevPAR grew by 11.5% to €86.7, due to an 8.6% improvement in average room rate to €117.6 and a 2.6% improvement in occupancy to 73.2%.

RevPAR in the Dresden hotel market rose by 8.4% to €53.1, reflecting a 2.1% improvement in average room rate and a 6.1% uplift in occupancy.

In Hungary, the performance of the Budapest market continued to improve, with RevPAR up 15.5% to €65.3. Average room rate increased by 12.1% and occupancy rose by 3.0%

CROATIA

	Reported in GBP[1] (£)		Reported in local currency HRK	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016
Total revenue	**£56.3 million**	£46.4 million	**HRK 479.8 million**	HRK 425.7 million
EBITDAR	**£19.7 million**	£19.8 million	**HRK 168.0 million**	HRK 181.8 million
EBITDA	**£18.7 million**	£18.9 million	**HRK 159.1 million**	HRK 173.6 million
Occupancy	**61.8%**	61.2%	**61.8%**	61.2%
Average room rate	**£92.2**	£81.3	**HRK 785.6**	HRK 746.4
RevPAR	**£57.0**	£49.8	**HRK 485.8**	HRK 457.0
Room revenue	**£32.5 million**	£26.5 million	**HRK 277.0 million**	HRK 243.2 million

	Like-for-like in GBP[1,2] (£)		Like-for-like[2] in local currency HRK	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016
Total revenue	**£56.3 million**	£47.8 million	**HRK 479.8 million**	HRK 438.7 million
EBITDAR	**£19.7 million**	£16.9 million	**HRK 168.0 million**	HRK 154.8 million
EBITDA	**£18.7 million**	£15.7 million	**HRK 159.1 million**	HRK 143.9 million
Occupancy	**61.8%**	57.5%	**61.8%**	57.5%
Average room rate	**£92.2**	£79.1	**HRK 785.6**	HRK 726.2
RevPAR	**£57.0**	£45.5	**HRK 485.8**	HRK 417.6
Room revenue	**£32.5 million**	£27.3 million	**HRK 277.0 million**	HRK 251.0 million

[1] Average exchange rate from Croatian Kuna to Pound Sterling for year to December 2017 was 0.12 and for the year to December 2016 was 0.11, representing a 7.0% increase.
[2] The like-for-like comparison figures for 31 December 2016 have been adjusted to include the performance of the Croatian operation in the first quarter of 2016.

Performance

Reported total revenue for the Croatian operations improved by 21.4% to £56.3 million (2016: £46.4 million).

On a like-for-like basis total revenue increased by 17.8%, reflecting a record trading performance during the peak summer months and the devaluation of Pound Sterling against the Croatian Kuna.

In local currency, the like-for-like total revenue improved by 9.4%. RevPAR increased by 16.4% to HRK 485.8 (2016: HRK 417.6), mainly driven by an 8.2% increase in average room rate along with a 434 bps improvement in occupancy to 61.8%.

In Pound Sterling, like-for-like EBITDA increased by 19.1% to £18.7 million, reflecting improved trading across the portfolio and a currency exchange benefit.

Operations in Croatia are highly seasonal with the majority of guest visits occurring from June to September. Most of the hotels open and commence trading around the Easter period and close by mid-October.

Portfolio update

Ahead of the summer season, the Group invested in a number of renovation projects, including the total refurbishment of the rooms and public areas at Hotel Holiday in Medulin. Following these refurbishments, the hotel reported improved trading in the summer season.

At Park Plaza Belvedere Medulin, which is a sports-orientated hotel with facilities especially tailored to cater for sports teams and professionals, two artificial football pitches were constructed in addition to the four grass pitches already in place.

All these pitches have received FIFA Quality Pro accreditation. A third outdoor swimming pool was also added to the hotel. Due to its excellent geographical location and climate, Croatia is the ideal European destination for sports teams of all ages and levels, and Park Plaza Belvedere Medulin is ideally suited for sporting needs. The hotel is open all year around and is used for sports training outside of the peak period.

Planning and designs for the major renovation of Hotel Brioni, a hotel located within the Punta Verudela area of Pula, are being finalised. This will reposition the property as an upper upscale Park Plaza branded hotel. An update on the commencement of works will be provided in due course.

The Croatian hotel market

Croatia experienced a marked increase in visitors in 2017 compared with 2016 which generated considerable organic growth for our operations in the territory. Year-on-year tourism in Croatia has continued to increase.

This growth has been supported by an increased number of airlines flying into Pula International Airport, with 16 carriers now offering direct flights from airports such as London Heathrow, Milan and Basel, which are key target markets for visitors to Croatia.

In addition, many festivals such as the Pula Film Festival and the International Pula Bridge Festival, together with sporting events such as the Ironman 70.3 competition and the Arena Cup international football tournament, attracted visitors to the region.

MANAGEMENT AND CENTRAL SERVICES

Management and Holding Operations

	Reported in GBP (£)	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016[1]
Total revenue before elimination	**£42.4 million**	£29.2 million
Revenues within the consolidated Group	**£(37.4 million)**	£(24.8) million
External and reported revenue	**£5.0 million**	£4.4 million
EBITDA	**£10.5 million**	£8.6 million

[1] These numbers have been amended to reflect a reclassification of the central services presented in the Croatian segment in the period ended 31 December 2016

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, marketing and franchise fees are calculated as a percentage of revenues and profit, therefore these are affected by underlying hotel performance.

Revenues in the year increased primarily as a result of new openings, improved performance of the hotels and centralising services that are recharged.

Boris Ivesha
President & Chief Executive Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2017	2016
	£'000	£'000
Assets		
Non-current assets:		
Intangible assets	**23,570**	25,158
Property, plant and equipment	**1,158,442**	1,069,702
Investment in joint ventures	**18,727**	18,409
Other non-current assets	**18,828**	3,090
Restricted deposits and cash	**500**	5,235
Deferred income tax asset	**147**	713
	1,220,214	1,122,307
Current assets:		
Restricted deposits and cash	**25,561**	25,513
Inventories	**2,701**	2,412
Trade receivables	**13,392**	12,576
Other receivables and prepayments	**12,446**	10,370
Other current financial assets	**24,711**	-
Cash and cash equivalents	**241,021**	144,732
	319,832	195,603
Total assets	**1,540,046**	1,317,910
Equity and liabilities		
Equity:		
Issued capital	**–**	–
Share premium	**129,878**	129,527
Treasury shares	**(3,636)**	(3,208)
Foreign currency translation reserve	**18,816**	14,450
Hedging reserve	**(302)**	(895)
Accumulated earnings	**198,589**	159,755
Attributable to equity holders of the parent	**343,345**	299,629
Non-controlling interests	**97,593**	30,573
Total equity	**440,938**	330,202
Non-current liabilities:		
Borrowings	**666,936**	642,120
Provision for litigation	**3,659**	3,392
Provision for concession fee on land	**3,591**	2,885
Financial liability in respect of Income Units sold to private investors	**131,632**	133,983
Other financial liabilities	**192,792**	22,979
Deferred income taxes	**7,394**	9,345
	1,006,004	814,704
Current liabilities:		
Trade payables	**12,843**	10,754
Other payables and accruals	**47,314**	43,959
Borrowings	**32,947**	118,291
	93,104	173,004
Total liabilities	**1,099,108**	987,708
Total equity and liabilities	**1,540,046**	1,317,910

Date of approval of the financial statements 27 February 2018. Signed on behalf of the Board by Boris Ivesha and Daniel Kos.

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December	
	2017	2016
	£'000	£'000
Revenues	**325,118**	272,470
Operating expenses	**(209,092)**	(169,491)
EBITDAR	**116,026**	102,979
Rental expenses	**(8,722)**	(8,844)
EBITDA	**107,304**	94,135
Depreciation and amortisation	**(34,288)**	(25,330)
EBIT	**73,016**	68,805
Financial expenses	**(31,966)**	(27,220)
Financial income	**1,815**	2,559
Other expenses	**(1,503)**	(27,195)
Other income	**1,351**	33,700
Net expenses for financial liability in respect of Income Units sold to private investors	**(10,666)**	(10,680)
Share in result of associate and joint ventures	**(350)**	(1,750)
Profit before tax	**31,697**	38,219
Income tax expense	**(1,748)**	(62)
Profit for the year	**29,949**	38,157
Profit attributable to:		
Equity holders of the parent	**24,271**	35,117
Non-controlling interests	**5,678**	3,040
	29,949	38,157
Basic and diluted earnings per share (in Pound Sterling)	**0.57**	0.83

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2017	2016
	£'000	£'000
Profit for the year	**29,949**	38,157
Other comprehensive income (loss) to be recycled through profit and loss in subsequent periods[1]:		
Profit (loss) from cash flow hedges	**593**	(1,537)
Reclassification to the income statement of cash flow hedge results upon discontinuation of hedge accounting	**-**	15,586
Foreign currency translation adjustments of foreign operations	**9,996**	35,844
Reclassification to the income statement of currency translation adjustments upon the Croatian acquisition	**-**	250
Foreign currency translation adjustment of associate and joint ventures	**-**	15
Other comprehensive income	**10,589**	50,158
Total comprehensive income	**40,538**	88,315
Total comprehensive income attributable to:		
Equity holders of the parent	**33,175**	83,006
Non-controlling interests	**7,363**	5,309
	40,538	88,315

[1] There is no other comprehensive income that will not be reclassified to the profit and loss in subsequent periods.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In £'000	Issued capital[1]	Share premium	Other reserves	Treasury shares	Foreign currency translation reserve	Hedging reserve	Accumulated earnings	Attributable to equity holders of the parent	Non-controlling interests	**Total equity**
Balance as at 1 January 2016	-	129,140	-	(3,208)	(19,449)	(14,944)	176,365	267,904	–	267,904
Profit for the year	-	-	-	-	-	-	35,117	35,117	3,040	38,157
Other comprehensive loss for the year	-	-	-	-	33,840	14,049	-	47,889	2,269	50,158
Total comprehensive income	-	-	-	-	33,840	14,049	35,117	83,006	5,309	88,315
Issue of shares	-	387	-	-	-	-	-	387	-	387
Dividend distribution	-	-	-	-	-		(50,637)	(50,637)	-	(50,637)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	19,054	19,054
Transactions with non-controllinginterests	-	-	-	-	-	-	(1,031)	(1,031)	6,210	5,179
Balance as at 31 December 2016	-	129,527	-	(3,208)	14,391	(895)	159,814	299,629	30,573	330,202
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**24,271**	**24,271**	**5,678**	**29,949**
Other comprehensive income loss for the year	**-**	**-**	**-**	**-**	**8,311**	**593**	**-**	**8,904**	**1,685**	**10,589**
Total comprehensive income	**-**	**-**	**-**	**-**	**8,311**	**593**	**24,271**	**33,175**	**7,363**	**40,538**
Issue of shares	**-**	**242**	**-**	**-**	**-**	**-**	**-**	**242**	**-**	**242**
Share-based payments	**-**	**109**	**-**	**-**	**-**	**-**	**-**	**109**	**-**	**109**
Purchase of own shares	**-**	**-**	**-**	**(428)**	**-**	**-**	**-**	**(428)**	**-**	**(428)**
Dividend Distribution[2]	**-**	**-**	**-**	**-**	**-**	**-**	**(9,290)**	**(9,290)**	**-**	**(9,290)**
Acquisition of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transactions with non-controlling interests	**-**	**-**	**-**	**-**	**(3,886)**	**-**	**23,794**	**19,908**	**59,657**	**79,565**
Balance as at 31 December 2017	**-**	**129,878**	**-**	**(3,636)**	**18,816**	**(302)**	**198,589**	**343,345**	**97,593**	**440,938**

[1] No par value.
[2] The dividend distribution compromises a final dividend for the year ended 31 December 2016 (31 December 2015: 10.0 pence per share) and an interim dividend of 11.0 pence per share paid in 2017 (2016: 10.0 pence per share, additionally a special dividend of 100.0 pence per share was paid during 2016).

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2017	2016
	£'000	£'000
Cash flows from operating activities:		
Profit for the year	**29,949**	38,157
Adjustment to reconcile profit to cash provided by operating activities:		
Financial expenses and expenses for financial liability in respect of Income Units sold to private investors	**42,644**	37,900
Financial income	**(1,579)**	(2,404)
Income tax charge	**1,748**	62
Loss on buy back of Income Units sold to private investors	**721**	372
Gain on Croatian acquisition	**-**	(26,195)
Refinance expenses	**-**	23,397
Income from forfeited deposits	**-**	(6,543)
Capital gain	**(1,351)**	-
Gain from marketable securities	**(124)**	-
Share in results of joint ventures	**350**	279
Share in loss of associates	**-**	1,471
Fair value adjustment of derivatives	**(112)**	(155)
Depreciation and amortisation	**34,288**	25,330
Share-based payments	**109**	-
	76,694	53,514
Changes in operating assets and liabilities:		
Decrease (increase) in inventories	**(216)**	88
(Increase) in trade and other receivables	**(1,801)**	(6,757)
(Decrease) increase in trade and other payables	**9,019**	(6,146)
	7,002	(12,815)
Cash paid and received during the period for:		
Interest paid	**(43,323)**	(38,642)
Interest received	**203**	1,338
Taxes (paid) received	**(676)**	33
	(43,796)	(37,271)
Net cash provided by operating activities	**69,849**	41,585
Cash flows from investing activities:		
Investments in property, plant and equipment	**(107,044)**	(87,298)
Investments in jointly controlled entities and loans to partners in jointly controlled entities	**-**	(426)
Proceeds from sale of property	**7,146**	-
Purchase of Park Plaza County Hall London units	**(16,283)**	-
Decrease (Increase) in restricted cash	**5,375**	(4,786)
Increase in marketable securities, net	**(24,586)**	-
Collection of loans to related parties	**-**	13,197
Cash outflows for the Croatian acquisition	**-**	(22,030)
Net cash used in investing activities	**(135,392)**	(101,343)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Year ended 31 December	
	2017	2016
	£'000	£'000
Cash flows from financing activities:		
Issuance of shares upon exercise of options	**242**	387
Purchase of treasury shares	**(428)**	-
Proceeds from long-term loans	**42,926**	614,102
Buy back of Income Units previously sold to private investors	**(1,900)**	(1,366)
Repayment of long-term bank loans and other long term liabilities	**(133,108)**	(419,044)
Net proceeds from transactions with non-controlling interest	**79,565**	5,179
Proceeds from sale and leaseback of Park Plaza London Waterloo	**161,596**	-
Dividend payment	**(9,290)**	(50,630)
Net cash provided by financing activities	**159,603**	148,628
Increase in cash and cash equivalents	**94,060**	88,870
Net foreign exchange differences	**2,229**	5,246
Cash and cash equivalents at beginning of year	**144,732**	50,623
Cash and cash equivalents at end of year	**241,021**	144,732
Non-cash items:		
Outstanding payable on investments in property, plant and equipment	**958**	5,155

APPENDIX

Selected notes to consolidated financial statements

Note 1:

a. The consolidated financial statements of PPHE Hotel Group Limited (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2017 were authorised for issuance in accordance with a resolution of the Directors on 27 February 2017.

b. Description of business and formation of the Company:
The Company was incorporated and registered in Guernsey on 14 June 2007. The shares of the Company are publicly traded.

The Company's primary activity is owning, co-owning, leasing, developing, operating and franchising full-service upscale, upper upscale and lifestyle hotels in major gateway cities, regional centres and select resort destinations, predominantly in Europe.

The Group has interests in hotels in the United Kingdom, the Netherlands, Germany, Hungary and hotels, self-catering apartment complexes and campsites in Croatia.

c. Assessment of going concern:
As part of their ongoing responsibilities, the Directors have recently undertaken a thorough review of the Group's cash flow forecast and potential liquidity risks. Detailed budgets and cash flow projections have been prepared for 2018 and 2019 which show that the Group's hotel operations will be cash generative during the period. The Directors have determined that the Company is likely to continue in business for least 12 months from the date of the consolidated financial statements.

The Group has entered into a number of loan facilities, the details of which are set out in Note 15 of the Annual Report and Accounts 2017. The Board believes that the Group currently has adequate resources and in the future will generate sufficient funds to honour its financial obligations and continue its operations as a going concern for the foreseeable future. The Group analyses its ability to comply with debt covenants in the near future.

Note 2: Earnings per share

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

	Year ended 31 December	
	2017 £'000	2016 £'000
Profit of equity holders of the parent	**24,271**	35,117
Weighted average number of Ordinary shares outstanding	**42,249**	42,173

Potentially dilutive instruments 127,312 in 2017 (2016: 227,000) had an immaterial effect on the basic earnings per share.

Note 3 Segments

For management purposes, the Group's activities are divided into Owned Hotel Operations and Management Activities. Owned Hotel Operations are further divided into four reportable segments: the Netherlands, Germany and Hungary, Croatia 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 for financial reporting purposes in the consolidated income statement.

Year ended 31 December 2017

	The Netherlands £'000	Germany and Hungary £'000	United Kingdom £'000	Croatia £'000	Management £'000	Holding companies and Adjustments* £'000	Consolidated £'000
Revenue							
Third party	**47,323**	**30, 720**	**185,780**	**56,303**	**4,992**	-	**325,118**
Inter-segment	**-**	-	-	**-**	**37, 387**	**(37,387)**	
Total revenue	**47,323**	**30,720**	**185,780**	**56,303**	**42,379**	**(37,387)**	**325,118**
Segment EBITDA	**13,285**	**4,345**	**60,464**	**18,670**	**10,540**	**-**	**107,304**
Depreciation, amortisation and impairment	-	-	-	**-**	-	-	**(34,288)**
Financial expenses	-	-	-	**-**	-	-	**(31,966)**
Financial income	-	-	-	**-**	-	-	**1,815**
Net expenses for liability in respect of Income Units sold to private investors	-	-	-	**-**	-	-	**(10,666)**
Other income, net	-	-	-	**-**	-	-	**(152)**
Share in loss of associate and joint ventures	-	-	-	**-**	-	-	**(350)**
Profit before tax	-	-	-	**-**	-	-	**31,697**

	The Netherlands £'000	Germany and Hungary £'000	United Kingdom £'000	Croatia £'000	Holding companies and Adjustments* £'000	Consolidated £'000
Geographical information						
Non-Current assets*	**194,749**	**77,589**	**730,026**	**152,817**	**26,831**	**1,182,012**

* Non-current assets for this purpose consists of property, plant and equipment and intangible assets.

Year ended 31 December 2016

	The Netherlands £'000	Germany and Hungary £'000	United Kingdom £'000	Croatia £'000	Management £'000	Holding companies and Adjustments* £'000	Consolidated £'000
Revenue							
Third party	**48,342**	**24,978**	**148,692**	**46,089**	**4,369**	-	**272,470**
Inter-segment	**-**	-	-	**-**	**24,838**	**(24,838)**	**–**
Total revenue	**48,342**	**24,978**	**148,692**	**46,089**	**29,207**	**(24,838)**	**272,470**
Segment EBITDA	**14,637**	**908**	**51,147**	**16,764**	**10,679**	**–**	**94,135**
Depreciation, amortisation and impairment	-	-	-	**-**	-	-	**(25,330)**
Financial expenses	-	-	-	**-**	-	-	**(27,220)**
Financial income	-	-	-	**-**	-	-	**2,559**
Net expenses for liability in respect of Income Units sold to private investors	-	-	-	**-**	-	-	**(10,680)**
Other income, net	-	-	-	**-**	-	-	**6,505**
Share in loss of associate and joint ventures	-	-	-	**-**	-	-	**(1,750)**
Profit before tax	-	-	-	**-**	-	-	**38,219**

* Consist of inter-company eliminations.

	The Netherlands £'000	Germany and Hungary £'000	United Kingdom £'000	Croatia £'000	Holding companies and Adjustments* £'000	Consolidated £'000
Geographical information						
Non-Current assets*	**183,784**	**25,508**	**712,338**	**145,732**	**27,498**	**1,094,860**

* Non-current assets for this purpose consists of property, plant and equipment and intangible assets.

Note 4: Related parties

Significant other transactions with related parties

a. Balances with related parties

	Year ended 31 December	
	2017 £'000	2016 £'000
Loans to joint ventures	**17,582**	17,045
Short-term receivables	**669**	178
Construction liability WW Gear Construction Limited	**958**	5,155

b. Transactions with related parties

	Year ended 31 December	
	2017 £'000	2016 £'000
Construction charges – WW Gear Construction Limited (see (i) below)	**15,908**	51,099
GC Project Management Limited	**3,700**	-
Interest from associate – WH/DMREF Bora B.V.	**-**	651
Interest from Red Sea Hotels Limited[1]	**-**	1,128
Interest income from jointly controlled entities	**407**	415

[1] This relates to a receivable with a nominal value of Thai Baht 600 million relating to the disposal of the site in Pattaya, Thailand. The loan was paid during 2016.

c. Significant other transactions with related parties

(i) On 18 June 2014, Waterloo Hotel Holding B.V. entered into a building contract with WW Gear Construction Limited ('Gear'), a related party, for the design and construction of Park Plaza London Waterloo on a 'turn-key' basis. The basic contract price payable to Gear was approximately £70.5 million for 494 rooms.

On 1 August 2014, Riverbank Hotel Holding B.V. entered into a building contract with Gear for a six-storey extension to Park Plaza London Riverbank. The basic contract price payable to Gear was approximately £24.7 million for the 148-room extension.

On 23 December 2014, Park Royal entered into a building contract with Gear for the construction of the 166-room Park Plaza London Park Royal. The basic contract price payable to Gear was approximately £16.5 million. On 4 February 2016, the parties agreed to vary the agreement to incorporate additional works, extend the completion date and increase the contract sum. The additional works included an extra 44 rooms, a new access road and reinstatement of a higher specification, amongst others. In addition, the basic contract price was increased to approximately £24.4 million.

In June 2016, Riverbank Hotel Holding B.V. entered into a building contract with Gear for refurbishment works to the existing public areas at Park Plaza London Riverbank. The basic contract price under the building contract was approximately £6.7 million.

The Directors of the Company are of the opinion that the aforementioned building contracts were entered into on arm's length terms and are in the interests of the Group. Gear is a company in whose shares the Chairman of the Company and certain members of his family are interested. Under the relationship agreement entered into between Euro Plaza Holdings B.V. ('Euro Plaza'), the principal shareholder of the Company (in whose shares the Chairman and certain members of his family are interested) and the Company, transactions between the Company and Euro Plaza (and its associates, which include Gear) are required to be on arm's length terms.

(ii) In September 2016, the Company received the amounts outstanding in a loan to Red Sea Hotels Limited, due from the disposal of the project in Pattaya, in the amount of Thai Baht 600 million.

(iii) The Group had engaged Gear to provide certin pre-construction and project management services in connection with the ongoing refurbishments and major renovations across the Group's hotels in the UK and the Netherlands. The total fees paid in 2017 was £3.7 milllion.

(iv) Transactions in the ordinary course of business, in connection with the use of hotel facilities (such as overnight room stays and food and beverages) are being charged at market prices. These transactions occur occasionally.

(v) Compensation to key management personnel (Executive and Non-Executive Directors) for the year ended 31 December 2017:

	Base salary and fees £'000	Bonus	Pension contributions £'000	Other benefits £'000	Total £'000
Chairman and Executive Directors	773	150	170	289	1,382
Non-Executive Directors	144		-	-	144
	917	150	170	289	1,526

Directors' interests in employee share incentive plan

As at 31 December 2017, the Executive Directors held no share options to purchase ordinary shares.

As at 31 December 2016, the Executive Directors held share options to purchase 70,000 ordinary shares. All options were fully exercisable with an exercise price of £2.33. No share options were granted to Non-Executive members of the Board.

Directors' responsibility statement

The Board confirms to the best of its knowledge that the Consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole.

The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, and provides information necessary for shareholders to assess the Company's performance, business model and strategies.

Principal risks and uncertainties

Risk and impact	Mitigation	Grading	Year-on-year
Market disruptors 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. This trend is anticipated to persist and the travel industry is expected to continue to be impacted by the rise of online travel agents and other dominant forces such as search engines and social media networks. The Group is exposed to risks such as the dominance of one such third party over another, the loss of control over its inventory and/or pricing and challenges to keep up with developments in the market	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 Carlson Hotels, 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	Unchanged during the year
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, the Group and its hotels maintain personal customer data, which is shared with and retained by the Group's partners. Such information may be misused by employees of the Group or its partners or other outsiders if there is inappropriate or unauthorised access to the relevant information systems.	The Group invests in appropriate IT systems to build as much operational resilience as possible. Further, a variety of security measures are implemented in order to maintain the safety of personal customer information.	High	Unchanged during the year
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 due to the significant presence of the Group in the United Kingdom) uncertainty pertaining to Brexit and an increase in acts of terrorism. The impact of any of these factors (or a combination of them) may adversely affect sustained levels of occupancy, room rates and/or hotel values.	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	Unchanged during the year
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, information technology 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) which are designed to create flexibility in the operating cost base so as to optimise operating profits in volatile trading conditions.	High	Increased during the year
The Group's borrowings The vast majority of the Group's bank borrowings are with two banks and these financing arrangements contain either cross-collateralisation or cross-default provisions. Therefore, there is a risk that more than one property may be affected by a default under these financing arrangements. 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. 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 Board monitors funding needs regularly. Financial covenant ratios are monitored and sensitised as part of normal financial planning procedures.	Low	Decreased during the year

Risk and impact	Mitigation	Grading	Year on Year
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.	Medium	Unchanged during the year
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 Carlson Hotels, 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 Carlson Hotels' 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 Carlson Hotels 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 Carlson Hotels 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 brand and the hotels operating under the brand name.	The Group's rights to use the Park Plaza Hotels & Resorts brand and Carlson Hotels' 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 Carlson Hotels. To ensure that the Group's interests are represented, several of its executives and managers participate in collaborative groups initiated by Carlson Hotels to discuss, review and optimise the collective performance in areas such as sales, loyalty marketing, partnerships, e-commerce and distribution.	Medium	Unchanged during the 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 retains an ownership interest in the development sites and therefore it is well placed to capitalise on any future rises in property prices. 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.	Low	Decreased during the year
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.	Medium	Unchanged during the year
Employee turnover The success of the Group's business is partially attributable to the efforts and abilities of its (senior) managers and key executives. Failure to retain its executive management team or other key personnel may threaten the success of the Group's operations. The consistent delivery of high quality service levels depends on the skills and knowledge of our teams. A high turnover rate may threaten the consistent delivery of this service level.	The Group has appropriate systems in place for recruitment, reward and compensation and performance management. Development and maintenance of a Group culture and comprehensive training programmes and feedback systems also play a leading role in minimising this risk. The increased risk is due to recruitment challenges in 2018 caused by currency exchange rates (Euro v Pound Sterling) and Brexit negotiations.	Medium	Increased during the year