

## Unaudited Interim Results

6 September 2017

for the six months ended 30 June 2017

PPHE Hotel Group, which together with its subsidiaries (the "Group") owns, leases, develops, operates and franchises full service upscale, upper upscale and lifestyle hotels in major gateway cities, regional centres and select resort destinations, predominantly in Europe, is pleased to announce its interim results for the six months ended 30 June 2017.

### Financial performance

- Reported revenue increased by 27.0% to £141.8 million (H1 2016: £111.6 million), driven by a strong performance across all our operating regions, new openings, the consolidation of our Croatian operations and a currency exchange rate benefit. On a like-for-like basis<sup>1</sup>, revenue increased by 15.8% to £129.6 million (H1 2016: £111.9 million), showing a strong underlying performance.
- As a result, EBITDA increased by 22.9% to £39.9 million (H1 2016: £32.5 million). On a like-for-like basis<sup>1</sup>, EBITDA increased by 20.5% to £38.0 million (H1 2016: £31.5 million).
- RevPAR increased by 14.6% to £83.6 (H1 2016: £73.0). Like-for-like<sup>1</sup> RevPAR increased by 17.9% to £82.7 (H1 2016: £70.1). RevPAR growth was achieved through an 11.9% increase in average room rate to £115.8 (H1 2016: £103.5), with like-for-like<sup>1</sup> average room rate increasing by 10.9% to £114.7 (H1 2016: £103.4). Occupancy during the period increased by 170 bps to 72.2% (H1 2016: 70.5%). On a like-for-like<sup>1</sup> basis, occupancy increased by 430 bps to 72.1% (H1 2016: 67.8%).
- Normalised profit before tax increased by 10.3% to £3.1 million (H1 2016: £2.8 million). Reported profit before tax decreased by 71.9%, mainly as a result of one-off benefits recorded in the six months ended 30 June 2016.
- Normalised EPS was £0.08 (H1 2016: £0.09), reported EPS was £0.09 (H1 2016: £0.31).
- Interim ordinary dividend of 11.0 pence per ordinary share, up 10% (H1 2016: 10.0 pence per share), which is in line with the Company's progressive dividend policy.

<sup>1</sup> The like-for-like figures for the six months ended 30 June 2017 exclude Park Plaza London Waterloo and Park Plaza London Park Royal for the period and exclude Park Plaza Nuremberg for the first five months of 2017. Furthermore, the like-for-like comparison figures for the six months ended 30 June 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 EBITDA numbers in both periods up until 30 June have been adjusted to reflect the new freehold position of art'otel cologne and art'otel berlin kudamm (rental costs adjusted).

### Operational highlights

- Completed and launched Park Plaza London Waterloo and Park Plaza London Park Royal.
- Entered into a sale and leaseback agreement for Park Plaza London Waterloo for £161.5 million.
- Completed the sale of one of the three properties that comprised Park Plaza Vondelpark, Amsterdam reducing the room count by 36 rooms. Following renovations and subject to planning, the room count is expected to increase by 9 rooms to 111 rooms.
- Completed the acquisition of the freeholds of art'otel berlin kudamm and art'otel cologne.
- The Company's newly renamed subsidiary, Arena Hospitality Group d.d. ("Arena"), successfully raised €105.8 million through a secondary public offering of new shares on the Zagreb Stock Exchange. The Group participated in this offering following which the Group remains Arena's controlling shareholder with a 51.97% interest.
- Sold the remaining 12% interest in Sugarhill Investments B.V. to Arena for €8.33 million.

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

"We are pleased to report a strong first half year performance, with all our operating regions reporting strong growth.

In addition, we benefited from our new openings in Nuremberg and London, all of which are now fully operational. During the period we continued to invest in the renovations of Park Plaza London Riverbank and Park Plaza Victoria Amsterdam and we are excited about their future prospects.

Based on our results to date and current trading, the Board anticipates the full year results to be in line with its expectations."

**In addition, Chen Moravsky, Deputy CEO & CFO, commented:**

"One of the main highlights during the period was the successful offering of shares in our Croatian subsidiary, Arena Hospitality Group, raising approximately €106 million to accelerate the investment plan of Arena and realise further growth in Central and Eastern Europe.

In addition, we entered into a sale and leaseback for the recently opened Park Plaza London Waterloo.

These key corporate highlights, and our successful refinancing activities completed in 2016, have resulted in an unprecedented financial position for our Group, paving the way for further redevelopment and new growth opportunities."

# REVIEW OF OPERATIONS

## Ongoing investment in hotel portfolio

- During the period, we fully opened Park Plaza London Park Royal and Park Plaza London Waterloo, adding 706 rooms to our London portfolio.
- Renovation works continued at Park Plaza London Riverbank and Park Plaza Victoria Amsterdam.
- Preparations are underway in order to commence renovation programmes at Park Plaza Sherlock Holmes London, Park Plaza Utrecht and Park Plaza Vondelpark, Amsterdam.

## Post period events

- Completion of the sale and leaseback agreement of Park Plaza London Waterloo for £161.5 million.
- Acquisition of an ownership interest in Park Plaza County Hall London through the purchase of 44 apart hotel units at an aggregate value of £15.2 million.

## Interim Management Report

This interim management report sets out the performance of PPHE Hotel Group for the six months ended 30 June 2017. It contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014.

# REVIEW OF OPERATIONS

## Key Financial Statistics for the six months ended 30 June 2017

	Reported			Like-for-like <sup>1</sup>		
	Six months ended 30 June 2017	Six months ended 30 June 2016	% change <sup>2</sup>	Six months ended 30 June 2017	Six months ended 30 June 2016	% change <sup>2</sup>
Total revenue	<b>£141.8 million</b>	£111.6 million	27.0%	<b>£129.6 million</b>	£111.9 million	15.8%
Room revenue	<b>£98.4 million</b>	£75.0 million	31.1%	<b>£88.1 million</b>	£75.0 million	17.4%
EBITDAR	<b>£ 44.5 million</b>	£37.1 million	19.7%	<b>£41.9 million</b>	£34.8 million	20.5%
EBITDA	<b>£39.9 million</b>	£32.5 million	22.9%	<b>£38.0 million</b>	£31.5 million	20.5%
EBITDA margin	<b>28.1%</b>	29.1%	(100) bps	<b>29.3%</b>	28.2%	115 bps
Reported PBT	<b>£3.4 million</b>	£12.1 million	(71.9)%	<b>N/A</b>	N/A	N/A
Normalised PBT <sup>3</sup>	<b>£3.1 million</b>	£2.8 million	10.3%	<b>N/A</b>	N/A	N/A
Occupancy <sup>4</sup>	<b>72.2%</b>	70.5%	170 bps	<b>72.1%</b>	67.8%	430 bps
Average room rate	<b>£115.8</b>	£103.5	11.9%	<b>£114.7</b>	£103.4	10.9%
RevPAR	<b>£83.6</b>	£73.0	14.6%	<b>£82.7</b>	£70.1	17.9%

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

<sup>2</sup> Percentage change figures are calculated from actual figures as opposed to the rounded figures included in the above table. Unless otherwise indicated, all figures in this report compare six months ended 30 June 2017 with six months ended 30 June 2016.

<sup>3</sup> Reconciliation of Reported profit to Normalised profit is provided on page 9.

<sup>4</sup> Occupancy is calculated by dividing the available number of rooms (taking into account operating days and rooms being available) by the number of occupied rooms. Occupancy, average room rate and RevPAR exclude the campsite pitches.

## Financial Performance

Total revenue increased by 27.0% to £141.8 million (H1 2016: £111.6 million).

Group EBITDA increased by 22.9% to £39.9 million (H1 2016: £32.5 million). EBITDA margin decreased by 100 bps to 28.1% (H1 2016: 29.1%). The increase in EBITDA is the result of improved trading across all our operating regions, new openings and a currency exchange rate benefit.

Notwithstanding a sharp increase in business rates in the United Kingdom and the opening of new hotels (which are yet to mature), we maintained our operating margins. Normalised profit before tax for the first half of 2017 was £3.1 million (H1 2016: £2.8 million). The increase is mainly due to the improved performance, offset by higher depreciation and financial expenses for the newly opened properties. The normalised profit is also negatively affected by the full consolidation of the Croatian acquisition in 2017, which in the prior year's figures excluded the first quarter of 2016. The Croatian business is generally loss making in the first quarter of the year due to its seasonality.

Reported profit before tax decreased by 71.9% to £3.4 million (H1 2016: £12.1 million), as a result of a one-off income and expenses benefit recorded in the first half of 2016, see page 9 for further details.

RevPAR increased by 14.6% to £83.6 (H1 2016: £73.0), with like-for-like<sup>1</sup> RevPAR increasing by 17.9% to £82.7 (H1 2016: £70.3). This growth was achieved through an 11.9% increase in average room rate to £115.8 (H1 2016: £103.5), with like-for-like<sup>1</sup> average room rate increasing by 10.9% to £114.7 (H1 2016: £103.4). Occupancy during the period increased by 170 bps to 72.2% (H1 2016: 70.5%). On a like-for-like<sup>1</sup> basis, occupancy increased by 430 bps to 72.1% (H1 2016: 67.8%).

Normalised EPS was £0.08 (H1 2016: £0.09), reported EPS was £0.09 (H1 2016: £0.31). Net bank debt decreased by £25.9 million to £559.0 million, (H2 2016: £584.9 million). The decrease in net debt is primarily due to an increase in cash and cash equivalents of £64.0 million mainly as a result of the issuing of new shares in Croatia.

## Dividend

The Board has approved the payment of an interim dividend of 11.0 pence per ordinary share, for the period ended 30 June 2017, to all shareholders who are on the register at 15 September 2017. The interim dividend is to be paid on 13 October 2017.

# REVIEW OF OPERATIONS

## Current trading and outlook

We are pleased with our reported results and trading since 30 June 2017 has remained encouraging. The second half of the year is usually the strongest trading period for us in all of our markets. Furthermore, we expect to see a greater weighting towards the second half due to the summer seasonality of the Croatian operations.

We will remain focused on revenue generation and proactive management of our costs base. In addition, we will continue to progress the renovation programmes which are currently underway and prepare for further investments across our portfolio.

As indicated previously, the extensive renovations underway and planned across our operating regions over the next few years may have a temporary negative impact on our performance due to closure of rooms and public areas whilst works are in progress. However, the Board believes that this investment will have a positive impact on our long-term performance.

As previously announced, the Board is keen to take advantage of favourable market conditions and for it to consider various options of how best to fund future expansion. This includes the release of part of the value of hotel assets whilst retaining operational control.

Weaker Sterling has resulted in an increase in tourism to the United Kingdom boosting visitor numbers however, inflationary pressures and the uncertainty pertaining to Brexit have led to a shortage of available qualified personnel. Nonetheless, we are confident about the long term appeal of the hospitality sector in the United Kingdom and remain focused on revenue generation and providing exemplary service to our guests.

The Board expects trading for the 2017 financial year to be in line with its previous expectations.

## Enquiries:

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## Notes to editors

PPHE Hotel Group Limited is a Guernsey registered company and through its subsidiaries, jointly controlled entities and associates, owns, leases, 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® or art'otel® brands. The Group has an exclusive licence from Carlson Hotels, 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 the 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 approximately 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 2019.

### Company websites:

[www.pphe.com](http://www.pphe.com)

[www.arenahospitalitygroup.com](http://www.arenahospitalitygroup.com)

### For reservations:

[www.parkplaza.com](http://www.parkplaza.com)

[www.artotels.com](http://www.artotels.com)

[www.arenaturist.com](http://www.arenaturist.com)

For images and logos visit [www.vfmii.com/parkplaza](http://www.vfmii.com/parkplaza)

## Forward-looking statements

This announcement 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 announcement 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 announcement. 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 announcement should be considered as a profit forecast.

# REVIEW OF OPERATIONS

## United Kingdom

### Hotel Operations

	Reported in GBP (£) <sup>1</sup>		Like-for-like <sup>1</sup> in GBP (£)	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Total revenue	<b>£85.6 million</b>	£66.4 million	<b>£75.8 million</b>	£66.4 million
EBITDAR	<b>£27.1 million</b>	£21.7 million	<b>£25.1 million</b>	£21.7 million
EBITDA	<b>£26.0 million</b>	£21.0 million	<b>£24.2 million</b>	£21.0 million
Occupancy	<b>81.2%</b>	81.7%	<b>81.5%</b>	81.7%
Average room rate	<b>£143.4</b>	£133.5	<b>£147.2</b>	£133.5
RevPAR	<b>£116.4</b>	£109.0	<b>£119.9</b>	£109.0
Room revenue	<b>£60.5 million</b>	£44.8 million	<b>£52.1 million</b>	£44.8 million

<sup>1</sup> The like-for-like numbers for the six months ended 30 June 2017 exclude Park Plaza London Waterloo and Park Plaza London Park Royal.

#### UK hotel portfolio performance

Total revenue in the United Kingdom increased to £85.6 million (H1 2016: £66.4 million), representing a 28.9% increase.

This growth was the result of improved trading and the new room inventory at Park Plaza London Riverbank and two recently constructed and opened London hotels (Park Plaza London Waterloo and Park Plaza London Park Royal). As a result, EBITDA for the region increased by 23.7% to £26.0 million (H1 2016: £21.0 million). On a like-for-like basis, EBITDA improved by 15.0% to £24.2 million (H1 2016: £21.0 million).

RevPAR increased by 6.8% to £116.4 (H1 2016: £109.0), which was the result of a 7.4% growth in average room rate to £143.4 (H1 2016: £133.5). Occupancy declined by 50 bps to 81.2% (H1 2016: 81.7%). Like-for-like RevPAR increased by 10.0% to £119.9 (H1 2016: £109.0), showing a strong underlying performance.

Notwithstanding the uncertainties related to Brexit and the weaker Sterling, resulting in increased payroll expenses due to a shortage in available qualified personnel and increased imported food costs, we are pleased to report solid operating margins.

Three of our hotels in the United Kingdom delivered a good competitive performance by outperforming their competitive set in RevPAR during the first half of the year.

#### Portfolio update

We are pleased to report that both Park Plaza London Waterloo and Park Plaza London Park Royal are now fully operational, adding 706 rooms to our London portfolio.

Renovation works continued at Park Plaza London Riverbank and post period end commenced at Park Plaza Sherlock Holmes London. A renovation programme is being considered for Park Plaza Victoria London.

#### The United Kingdom hotel market\*

RevPAR for the Greater London hotel market increased by 9.7% to £114.5. This increase was the result of a 3.2% increase in occupancy to 79.8%, whilst average room rate increased by 6.2% to £143.6.

The Leeds hotel market reported a 1.2% decline in RevPAR, to £50.8. This was the result of a 0.5% decrease in average room rate to £67.6 while occupancy decreased by 0.7% to 75.1%.

In Nottingham, the overall market improved its RevPAR by 4.9% to £43.3, as the result of a 4.4% increase in average room rate to £59.6, with occupancy increasing by 0.5% to 72.7%.

\* Source: STR, June 2017.

# REVIEW OF OPERATIONS

## The Netherlands

### Hotel Operations

	Reported in GBP (£) <sup>1</sup>		Reported in local currency Euros (€)	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Total revenue	<b>£24.9 million</b>	£23.2 million	<b>€28.9 million</b>	€29.6 million
EBITDAR	<b>£7.6 million</b>	£7.5 million	<b>€8.8 million</b>	€9.5 million
EBITDA	<b>£7.5 million</b>	£7.4 million	<b>€8.8 million</b>	€9.5 million
Occupancy	<b>83.6%</b>	80.3%	<b>83.6%</b>	80.3%
Average room rate	<b>£114.1</b>	£104.0	<b>€132.5</b>	€132.8
RevPAR	<b>£95.4</b>	£83.5	<b>€110.8</b>	€106.6
Room revenue	<b>£18.4 million</b>	£17.0 million	<b>€21.4 million</b>	€21.7 million

<sup>1</sup> Average exchange rate from Euro to Sterling for June 2017 was 1.161 and for June 2016 was 1.277, representing a 9.0% decrease.

#### Dutch hotel portfolio performance

In Euros, the region reported a minor decrease in the first half performance year-on-year, due to disruption associated with the extensive renovation programme currently underway at Park Plaza Victoria Amsterdam. This resulted in a limited number of rooms, meeting rooms and food and beverage outlets in operation during the period, the room inventory at Park Plaza Vondelpark, Amsterdam decreased due to the sale of one of the three buildings which previously comprised the hotel.

Total revenue decreased by 2.4% to €28.9 million (H1 2016: €29.6 million). RevPAR increased by 4.0% to €110.8 (H1 2016: €106.6). This growth was achieved through a 330 bps increase in occupancy, to 83.6% (H1 2016: 80.3%). In Sterling, RevPAR increased by 14.3% to £95.4 (H1 2016: £83.5), with average room rates increasing by 9.7% to £114.1 (H1 2016: £104.0).

EBITDA decreased by 7.6% to €8.8 million (H1 2016: €9.5 million), which in Sterling represented a growth of 1.6% to £7.5 million (H1 2016: £7.4 million) due to the weakening of Sterling.

The Dutch market in general continued to improve year-on-year and our hotels benefited from further increased demand. In Amsterdam, one of our hotels in the city centre, as well as our hotels in Utrecht and Eindhoven, outperformed their competitive sets in RevPAR<sup>1</sup>.

#### Portfolio update

Extensive renovations of Park Plaza Victoria Amsterdam are well under way with approximately half of the room inventory temporarily closed for renovations. In addition, all public areas, restaurants, bars and meeting rooms are currently being renovated in phases. Notwithstanding this disruption, we are pleased with the hotel's performance and the positive guest feedback received. We anticipate that we will benefit from an improved overall performance once the renovation project is complete.

As part of the planned renovation and repositioning project for Park Plaza Vondelpark, Amsterdam, we sold one of the three buildings which comprised the hotel and the room count has been reduced by 36 rooms as a result. However, a detailed renovation programme is currently being prepared for this hotel, as well as for Park Plaza Utrecht, and post renovation (and subject to planning) the room count is expected to increase by 9 rooms to 111.

#### The Dutch hotel market\*

The greater Amsterdam hotel market continued to report growth with RevPAR increasing by 8.1% to €114.1. This growth was the result of a 3.9% increase in average room rate to €145.1 and a 4.0% increase in occupancy to 78.6%.

Hotels in Utrecht also continued to deliver growth, with RevPAR increasing by 7.7% to €77.2. This was the result of a 2.2% increase in average room rate to €104.0 and a 5.4% increase in occupancy to 74.3%.

RevPAR in Eindhoven decreased by 0.3% to €51.0, as a result of a 1.5% decrease in average room rate to €79.9 which was nearly offset by a 1.3% increase in occupancy to 63.8%.

\* Source: STR, June 2017.



# REVIEW OF OPERATIONS

## Germany and Hungary

### Hotel Operations

	Reported in GBP (£)		Reported in local currency Euros (€) <sup>1</sup>	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Total revenue	<b>£14.4 million</b>	£10.6 million	<b>€16.7 million</b>	€13.6 million
EBITDAR	<b>£4.1 million</b>	£2.7 million	<b>€4.8 million</b>	€3.4 million
EBITDA	<b>£1.7 million</b>	£(0.8) million	<b>€1.9 million</b>	€(1.0) million
Occupancy	<b>72.1%</b>	67.4%	<b>72.1%</b>	67.4%
Average room rate	<b>£81.0</b>	£61.1	<b>€94.1</b>	€78.0
RevPAR	<b>£58.4</b>	£41.2	<b>€67.8</b>	€52.6
Room revenue	<b>£11.1 million</b>	£7.9 million	<b>€12.9 million</b>	€10.1 million

  

	Like-for-like <sup>2</sup> in GBP (£)		Like-for-like <sup>2</sup> in local currency Euros (€) <sup>1</sup>	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Total revenue	<b>£12.0 million</b>	£9.6 million	<b>€14.0 million</b>	€12.2 million
EBITDAR	<b>£3.5 million</b>	£2.5 million	<b>€4.1 million</b>	€3.2million
EBITDA	<b>£1.5 million</b>	£0.7 million	<b>€1.8 million</b>	€0.9million
Occupancy	<b>75.6%</b>	67.0%	<b>75.6%</b>	67.0%
Average room rate	<b>£74.3</b>	£64.4	<b>€86.2</b>	€82.2
RevPAR	<b>£56.2</b>	£43.2	<b>€65.2</b>	€55.1
Room revenue	<b>£9.2 million</b>	£7.1 million	<b>€10.7 million</b>	€9.0 million

<sup>1</sup> Average exchange rate from Euro to Sterling for June 2017 was 1.161 and for June 2016 was 1.277, representing a 9.0% decrease.

<sup>2</sup> The like-for-like figures for the six months ended 30 June 2017 exclude Park Plaza Nuremberg for the first five months of 2017. Furthermore, the like-for-like comparison figures for the six months ended 30 June 2016 have been adjusted to exclude Park Plaza Prenzlauer Berg Berlin (the lease for which was terminated on 30 June 2016). In addition both periods EBITDA numbers have been adjusted to reflect the new freehold position of art'otel cologne and art'otel berlin kudamm (rental costs adjusted).

### German and Hungarian hotel portfolio performance

The performance of our operations in Germany and Hungary improved year-on-year, with reported total revenue increasing by 35.4% to £14.4 million (2016: £10.6 million). In Euros, total revenue increased by 23.2% to €16.7 million (2016: €13.6 million).

The main driver for this growth was Park Plaza Nuremberg which opened in June 2016. In addition, several of our properties were undergoing renovations in the first quarter of 2016 and markets were relatively soft at such time. On a like-for-like<sup>2</sup> basis in local currency<sup>1</sup>, total revenue increased by 14.4% to €14.0 million (2016: €12.2 million).

Overall occupancy increased by 470 bps to 72.1% (2016: 67.4%) and average room rate, in local currency, increased by 20.6% to €94.1 (2016: €78.0). RevPAR as a result increased by 28.9% to €67.8 (H1 2016: €52.6).

Reported EBITDA in 2017 increased by £2.5 million to £1.7 million (H1 2016: £(0.8) 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.

### Portfolio update

We continue to review opportunities to further upgrade the portfolio, with several projects identified under review.

#### The German and Hungarian hotel market\*

The hotels in greater Berlin reported a year-on-year increase of 4.3% in RevPAR to €71.6. This growth was the result of a 2.7% increase in average room rate to €96.0 and 1.5% increase in occupancy to 74.6%. The performance of hotels in Cologne improved, with RevPAR increasing by 18.1% to €85.5. This increase was the result of a 11.6% decrease in average room rate to €116.8 and a 5.8% increase in occupancy to 73.2%. Hotels in Nuremberg reported a 4.2% decrease in RevPAR to €72.2 as a result of a 3.5% decrease in occupancy to 67.7% and a 0.7% decrease in average room rate to €106.7. In Dresden, the performance of hotels improved with RevPAR increasing by 3.0% to €44.0. Occupancy increased by 2.3% to 59.8% and average room rate increased by 0.7% to €73.6.

In Hungary, hotels continued to report improvements with RevPAR increasing by 17.0% to €58.8. This growth was a result of a 8.2% increase in average room rate to €79.7 and a 8.2% increase in occupancy to 73.8%.

\* Source: STR, June 2017.

# REVIEW OF OPERATIONS

## Croatia

### Operations

	Reported in GBP (£) <sup>1</sup>	Like-for-like <sup>2</sup> in GBP (£)	Reported in HRK	Like-for-like <sup>2</sup> in HRK (£)
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Total revenue	<b>£14.5 million</b>	£10.9 million	<b>HRK 125.2 million</b>	HRK 105.5 million
EBITDAR	<b>£0.5 million</b>	£(0.2) million	<b>HRK 4.3 million</b>	HRK (2.3) million
EBITDA	<b>£(-) million</b>	£(0.8) million	<b>HRK (-) million</b>	HRK (7.8) million
Occupancy <sup>3</sup>	<b>47.0%</b>	40.1%	<b>47.0%</b>	40.1%
Average room rate <sup>3</sup>	<b>£64.9</b>	£52.7	<b>HRK 561.2</b>	HRK 507.7
RevPAR <sup>3</sup>	<b>£30.5</b>	£21.1	<b>HRK 263.8</b>	HRK 203.6
Room revenue <sup>3</sup>	<b>£8.4million</b>	£6.1 million	<b>HRK 72.2 million</b>	HRK 59.2 million

<sup>1</sup> Average exchange rate from Sterling to Croatian Kuna for June 2017 was 8.64 and for June 2016 was 9.63, representing a 10.3% decrease.

<sup>2</sup> The like-for-like comparison figures include the Croatian operations for the first six months of 2016.

<sup>3</sup> Occupancy is calculated by dividing the available number of rooms (taking into account operating days and rooms being available) by the number of occupied rooms. Occupancy, average room rate, RevPAR and room revenue exclude the campsite pitches.

### Croatian portfolio performance

In Croatian Kuna, on a like-for-like basis, total revenue in the first half increased by 18.7% to HRK 125.2 million (2016: HRK 105.5 million).

The main driver for this revenue growth was a strong performance in June. In Sterling, the like-for-like revenues increased with 32.3% to £14.5 million (2016: £10.9 million).

EBITDA during the period was nil (like-for-like H1 2016: £(0.8) million), primarily due to improved trading and a weaker Sterling against the Kuna.

The operations in Croatia are highly seasonal with the majority of guest visits occurring from June to September. The first quarter in Croatia is typically a period of reduced business activity, with most operations commencing around the Easter period whilst the summer months are the busiest period.

### Portfolio update

In time for the summer season, renovations of the rooms and lobby area of Hotel Holiday were completed, as well as the construction of a third swimming pool and two artificial football pitches at Park Plaza Belvedere Medulin. Additionally, we invested in the purchase of new mobile homes and improving campsite facilities.



# REVIEW OF OPERATIONS

## Management and Holdings

	Reported in GBP (£)	
	Six months ended 30 June 2017	Six months ended 30 June 2016
Total revenue	<b>£17.9 million</b>	£15.2 million
Revenue elimination	<b>£(15.5) million</b>	£(13.4) million
Total revenue	<b>£2.4 million</b>	£1.8 million
EBITDA	<b>£4.7 million</b>	£3.3 million

### Our performance

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

Prior to consolidation and elimination of intra-Group revenue, total management and holdings revenue increased by 17.8% to £17.9 million (H1 2016: £15.2 million). This increase is primarily the result of the opening of new properties and a weaker Sterling.

After consolidation and elimination of intra-Group revenue, reported revenues increased by 32.4% to £2.4 million (H1 2016: £1.8 million). This increase is, amongst other things, the result of the improved performance of hotels under management that are not consolidated.

The EBITDA increased 42.4% to £4.7 million (H1 2016: £3.3 million), mainly due to newly opened hotels and improved performance.

### Financial Position

Our net bank debt as at 30 June 2017 was £559.0 million, a decrease of £25.9 million (as at 31 December 2016: £584.9 million). During the period, the movement in net bank debt included, among others, an increase in cash and cash equivalents of £64.0 million, mainly due to the public offering of shares in Arena in Croatia; a £31.0 million increase of bank borrowings to fund the construction of recently opened hotels and the acquisition of the freeholds of art'otel cologne and art'otel berlin kudamm; and a £7 million increase which relates to foreign exchange.

The Group's gearing ratio (net bank debt as a percentage of equity adjusted for the hedging reserve) decreased to 57.2% (as at 31 December 2016: 63.9 %).

### Reconciliation of reported profit to normalised profit

In £ millions	Six months ended 30 June 2017	Six months ended 30 June 2016
<b>Reported profit</b>	<b>3.4</b>	12.1
Fair value movements on derivatives recognised in the profit and loss	<b>(0.1)</b>	–
Negative goodwill and capital gains after the acquisition of the remaining interests in Arena		(26.2)
Refinance expenses		22.9
Loss on buy back of units from private investors	<b>0.7</b>	0.4
Fair value adjustment on income swaps with private investors of Income units in Park Plaza Westminster Bridge London	<b>0.2</b>	0.2
Other non-recurring expenses	<b>0.2</b>	
Results Marketable securities	<b>0.1</b>	
Gain on sale building Park Plaza Vondelpark, Amsterdam	<b>(1.4)</b>	
Forfeited deposits	–	(6.6)
<b>Normalised profit</b>	<b>3.1</b>	2.8

# REVIEW OF OPERATIONS

## Principal Risks and Uncertainties

There are no changes to the risks and uncertainties as set out in the Company's consolidated financial statements for the year ended 31 December 2016, which may affect the Group's performance in the next six months. The most significant risks and uncertainties relate to factors that are common to the hotel industry and beyond the Group's control, such as the global economic downturn, changes in travel patterns or in the structure of the travel industry and the increase in acts of terrorism. For a detailed discussion of the risks and uncertainties facing the Group, please refer to pages 26 and 27 of the Company's 2016 annual report.

## Statement of Directors' Responsibilities

The directors confirm that, to the best of their knowledge, these interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole for the period ended 30 June 2017. The interim management report includes a fair review of the information required by DTR 4.2.7 R and DTR 4.2.8, namely:

- An indication of important events which have occurred during the first six months and their impact on the condensed set of financial statements, plus a description of the principal risks and uncertainties for the remaining six months of the financial year.
- Material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.
- The directors of the Company are listed in the Company's 2016 annual report and a current list of directors is maintained on the website of the Company ([www.pphe.com](http://www.pphe.com)).

By the order of the Board

5 September 2017



Boris Ivesha  
President & Chief  
Executive Officer



Chen Moravsky  
Deputy Chief  
Executive Officer &  
Chief Financial  
Officer

# INDEPENDENT REVIEW REPORT TO PPHE HOTEL GROUP LIMITED

To: The Board of Directors of PPHE Hotel Group Limited

## Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of PPHE Hotel Group Limited and its subsidiaries (the Group) as at 30 June, 2017 which comprise the interim consolidated statement of financial position as at 30 June 2017 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes.

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

Our responsibility is to express a conclusion on this interim financial information based on our review.

## Scope of Review

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

## Conclusion

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



KOST FORER GABBAY & KASIERER

A Member of Ernst & Young Global

Tel Aviv, Israel

5 September 2017

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2017 Unaudited £'000	31 December 2016 Audited £'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS:</b>		
Intangible assets	24,549	25,158
Property, plant and equipment	1,145,818	1,069,702
Investment in joint ventures	18,695	18,409
Other non-current financial assets	2,404	3,090
Restricted deposits and cash	5,241	5,235
Deferred income tax assets	1,009	713
	<b>1,197,716</b>	<b>1,122,307</b>
<b>CURRENT ASSETS:</b>		
Restricted deposits	25,213	25,513
Inventories	2,691	2,412
Trade receivables	20,218	12,576
Other receivables and prepayments	9,070	10,370
Investments in marketable securities	22,921	–
Cash and cash equivalents	186,108	144,732
	<b>266,221</b>	<b>195,603</b>
<b>Total assets</b>	<b>1,463,937</b>	<b>1,317,910</b>

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

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2017 Unaudited £'000	31 December 2016 Audited £'000
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY:</b>		
Issued capital	–	–
Share premium	129,527	129,527
Treasury shares	(3,208)	(3,208)
Foreign currency translation reserve	17,802	14,391
Hedging reserve	(649)	(895)
Accumulated earnings	182,176	159,814
Attributable to equity holders of the parent	325,648	299,629
Non controlling interests	91,890	30,573
Total equity	417,538	330,202
<b>NON-CURRENT LIABILITIES:</b>		
Bank borrowings	666,275	642,120
Provision for litigation	3,605	3,392
Provision for concession fee on land	3,307	2,885
Financial liability in respect of Income Units sold to private investors	132,188	133,983
Other financial liabilities	31,458	22,979
Deferred income taxes	9,536	9,345
	846,369	814,704
<b>CURRENT LIABILITIES:</b>		
Trade payables	14,978	10,754
Other payables and accruals	52,785	43,959
Bank borrowings	132,267	118,291
	200,030	173,004
Total liabilities	1,046,399	987,708
Total equity and liabilities	1,463,937	1,317,910

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

5 September 2017

Date of approval of the  
financial statements



Boris Ivesha  
President & Chief Executive Officer



Chen Moravsky  
Deputy Chief Executive Officer &  
Chief Financial Officer

# INTERIM CONSOLIDATED INCOME STATEMENT

	Six months ended	
	30 June 2017 Unaudited £'000 <sup>1</sup>	30 June 2016 Unaudited £'000
Revenues	141,770	111,641
Operating expenses	(97,290)	(74,539)
EBITDAR	44,480	37,102
Rental expenses	(4,552)	(4,604)
EBITDA	39,928	32,498
Depreciation and amortisation	(17,426)	(11,798)
EBIT	22,502	20,700
Financial expenses	(14,813)	(13,569)
Financial income	244	1,466
Other income	1,351	33,698
Other expenses	(928)	(24,317)
Net expenses for financial liability in respect of Income Units sold to private investors	(4,874)	(4,253)
Share in results of associate and joint ventures	(91)	(1,638)
Profit before tax	3,391	12,087
Income tax benefit	(414)	168
Profit for the period	2,977	12,255
Profit attributable to:		
Equity holders of the parent	3,609	13,051
Result non-controlling interest	(632)	(796)
	2,977	12,255
Basic and diluted earnings per share (in GBP)	0.09	0.31

<sup>1</sup> Except earnings per share.

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



# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 June 2017 Unaudited £'000	30 June 2016 Unaudited £'000
Profit for the period	<b>2,977</b>	12,255
Other comprehensive income (loss) to be recycled through profit and loss in subsequent periods:		
Profit (loss) from cash flow hedges <sup>1</sup>	<b>246</b>	(1,580)
Recycling of cash flow hedge reserves upon discontinuation of hedge accounting <sup>1</sup>	<b>–</b>	15,037
Foreign currency translation adjustments of foreign operations <sup>2</sup>	<b>9,960</b>	24,576
Recycling of currency-translation adjustments, previously deferred in equity, that were realised upon the Croatian acquisition <sup>2</sup>	<b>–</b>	265
Foreign currency translation adjustment of associate and joint ventures <sup>2</sup>	<b>1</b>	6
Other comprehensive income, net	<b>10,207</b>	38,304
Total comprehensive income	<b>13,184</b>	50,559
Total comprehensive income attributable to:		
Equity holders of the parent	<b>11,152</b>	50,157
Non-controlling interest	<b>2,032</b>	402
	<b>13,184</b>	50,559

<sup>1</sup> Included in hedging reserve.

<sup>2</sup> Included in foreign currency translation reserve.

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

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital <sup>1</sup> £'000	Share premium £'000	Treasury shares £'000	Foreign currency translation reserve £'000	Hedging reserve £'000	Accumulated earnings £'000	Attributa ble to equity holders of the parent £'000	Non- controlling interests £'000	Total equity £'000
Balance as at 1 January 2017 (audited)	–	129,527	(3,208)	14,391	(895)	159,814	299,629	30,573	330,202
Profit for the period						3,609	3,609	(632)	2,977
Other comprehensive income for the period				7,297	246	–	7,543	2,664	10,207
Total comprehensive income				7,297	246	3,609	11,152	2,032	13,184
Dividend distribution <sup>2</sup>	–	–	–	–	–	(4,642)	(4,642)	–	(4,642)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–
Transactions with non-controlling interests	–	–	–	(3,886)	–	23,395	19,509	59,285	78,794
Balance as at 30 June 2017 (unaudited)	–	129,527	(3,208)	17,802	(649)	182,176	325,648	91,890	417,538
Balance as at 1 January 2016 (audited)	–	129,140	(3,208)	(19,449)	(14,944)	176,365	267,904	–	267,904
Profit for the period	–	–	–	–	–	13,051	13,051	(796)	12,255
Other comprehensive income (loss) for the period	–	–	–	23,649	13,457	–	37,106	1,198	38,304
Total comprehensive income (loss)	–	–	–	23,649	13,457	13,051	50,157	402	50,559
Issue of shares upon exercise of employee options	–	380	–	–	–	–	380	–	380
Dividend distribution	–	–	–	–	–	(4,220)	(4,220)	–	(4,220)
Acquisition of a subsidiary	–	–	–	–	–	–	–	19,054	19,054
Transactions with non controlling interests	–	–	–	–	–	(1,026)	(1,026)	6,210	5,184
Balance as at 30 June 2016 (unaudited)	–	129,520	(3,208)	4,200	(1,487)	184,170	313,195	25,666	338,861

<sup>1</sup> No par value.

<sup>2</sup> Final dividend for 2016 was 11.0 pence per share (final dividend for 2015: 10.0 pence per share).

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

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 June 2017 Unaudited £'000	30 June 2016 Unaudited £'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit for the period	2,977	12,255
<b>ADJUSTMENT TO RECONCILE PROFIT TO CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Financial expenses including changes in fair value of derivatives and expenses for financial liability in respect of Income Units sold to private investors	19,687	17,863
Financial income	(244)	(1,507)
Income tax expense (benefit)	414	(168)
Loss on buy back of Income Units sold to private investors	721	369
Gain on acquisition Arena	–	(26,180)
Re-finance expenses	–	22,971
Income from forfeited deposits	–	(6,541)
Gain on sale of property	(1,351)	–
Share in loss of associate and joint ventures	91	1,638
Depreciation and amortisation	17,426	11,798
	<b>36,744</b>	<b>20,243</b>
<b>CHANGES IN OPERATING ASSETS AND LIABILITIES:</b>		
Increase in inventories	(207)	(114)
Increase in trade and other receivables	(6,312)	(7,256)
Increase in trade and other payables	18,208	6,760
	<b>11,689</b>	<b>(610)</b>
<b>CASH PAID AND RECEIVED DURING THE PERIOD FOR:</b>		
Interest paid	(20,201)	(17,980)
Interest received	42	119
Taxes paid	(370)	(29)
	<b>(20,529)</b>	<b>(17,890)</b>
<b>Net cash flows provided by operating activities</b>	<b>30,881</b>	<b>13,998</b>

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

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS continued

	Six months ended	
	30 June 2017 Unaudited £'000	30 June 2016 Unaudited £'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments in property, plant and equipment	(81,058)	(50,652)
Proceeds from disposal of property, plant and equipment	7,146	
Investments and loans to jointly controlled entities	–	(250)
Net change in cash upon acquisition of Arena	–	(14,002)
Decrease in restricted cash	1,009	–
Investments in marketable securities	(23,087)	–
Net cash flows used in investing activities	(95,990)	(64,904)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividend distribution	(4,642)	(4,220)
Issue of shares	–	380
Draw down of long-term loans	41,738	591,686
Repayment of long-term loans	(10,918)	(410,544)
Buy-back of Income Units previously sold to private investors	(1,900)	(1,359)
Net proceeds from transactions with non controlling interest	78,794	5,184
Net cash flows provided by financing activities	103,072	181,127
Increase in cash and cash equivalents	37,963	130,221
Net foreign exchange differences	3,413	4,609
Cash and cash equivalents at beginning of period	144,732	50,623
Cash and cash equivalents at end of period	186,108	185,453
<b>Non cash items:</b>		
Outstanding payables on investments in property plant and equipment	2,206	9,827
Acquisition of freehold interests in hotels	8,268	–

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

# NOTES

## Note 1: General

- a. The Company's primary activity is owning, leasing, developing, operating and franchising upscale, upper upscale and lifestyle hotels in major gateway cities, regional centres and select resort destinations, predominantly in Europe.
- b. These financial statements have been prepared in a condensed format as at 30 June 2017 and for the six months then ended ("interim Consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual Consolidated financial statements as at 31 December 2016 and for the year then ended and the accompanying notes ("annual Consolidated financial statements").
- c. The Board continues to monitor the Group's cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements, including compliance with loan covenants and liquidity risks arising from the maturities of the Group's loans. The Board believes that the Group has adequate resources and will generate sufficient funds in the future to serve its financial obligations and continue its operations as a going concern in the foreseeable future.
- d. The Company is listed on the Standard Listing segment of the UK Listing Authority and its shares are admitted to trading on the main market for listed securities of the London Stock Exchange.

## Note 2: Basis of Preparation and Changes in Accounting Policies

- a. Accounting policies

The interim Consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies adopted in the preparation of the interim Consolidated financial statements are consistent with those followed in the preparation of the Group's annual Consolidated financial statements. The adoption of the following new standards effective as of 1 January 2017 had no material impact on the interim Consolidated financial statements.

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12 from Annual Improvements Cycle – 2014-2016
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

On 7 June 2017, the International Accounting Standards Board (IASB or the Board) issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (the Interpretation). The Interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Interpretation is applicable for annual reporting periods beginning on or after 1 January 2019.

The Group is currently assessing the potential effect of IFRIC 23 on its Consolidated financial statements.

## Note 3: Significant Events during the Reported Period

- a. Acquisition of freehold of art'otel cologne and art'otel berlin kudamm in Germany

Arena Hospitality Group d.d. ("Arena") (in which the Group has a controlling interest), via its wholly owned subsidiaries, acquired the freehold interests in two hotels in Berlin, Germany: art'otel cologne and art'otel berlin kudamm (formerly known as art'otel berlin city center west) which the Group previously leased and managed. The freehold interests were acquired from a third party for an aggregate purchase amount of €54.5 million (£49.6 million) including the assumption of a loan amounting to €10.0 million (£8.6 million). The transaction is accounted for as an acquisition of assets (property, plant and equipment).

- b. Transactions with non-controlling interests

In the six months ended 30 June 2017, there were a number of transactions, as described below, that resulted in a change in the Group's ownership interest in Arena that did not result in a loss of control of this subsidiary. Accordingly, the carrying amount of the non-controlling interests were adjusted to reflect the changes in the Group's controlling interest in Arena. The difference between the amount by which the non-controlling interests was adjusted and the amount of the consideration paid or received was recognised in retained earnings in equity attributable to equity holders of the parent.

## NOTES

In addition, as Arena is a foreign operation, for each of the transactions described below, a proportionate share of the cumulative amount of foreign currency translation adjustments recognised in other comprehensive income was reattributed between the equity attributable to the equity holders of the parent (foreign currency translation reserve) and the non-controlling interests.

In January 2017, the Group transferred 88% of its German and Hungarian operations (consisting of companies and hotel properties) to Arena in exchange for 1,091,250 new shares in Arena following which the Group increased its controlling interest to 77.09% in Arena. As this was an intercompany transaction, the operations transferred were recorded at their carrying amounts in the consolidated financial statements. The difference between the carrying amount of the operations transferred and the adjustment of the non-controlling interests, amounted to approximately £6 million and was recorded in retained earnings.

On 26 May 2017, Arena successfully completed a Public share offering ("the Offering") of 1,854,971 new ordinary shares ("Shares") at a price per Share equal to HRK425, totalling HRK 788 million (£91 million, before deduction of transaction costs). As part of the Offering, the Group participated and was allocated 141,883 Shares at HRK425, which represented an aggregate value of HRK60 million (£7 million) following which the Group now holds a controlling interest in Arena of 51.97%. The difference between the adjustment of the non-controlling interests and the net proceeds received from the Offering of approximately £11 million was recorded in retained earnings.

In June 2017, the Group transferred the remaining 12% of its German and Hungarian operations (consisting of companies and hotel properties) to Arena in exchange for £7 million. As this was an intercompany transaction, the portion of the operations sold was recorded at its carrying amount in the consolidated financial statements. The difference between the carrying amount of the portion of the operations sold and the consideration received of approximately £2 million was recorded in retained earnings. The proportionate share of the cumulative amount of foreign currency translation adjustments that was reattributed to non-controlling interests in respect of the above transactions amounted to approximately £3.9 million.



# NOTES

## Note 4: Segment Data

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

Six months ended 30 June 2017 (unaudited)							
	The Netherlands £'000	Germany and Hungary £'000	United Kingdom £'000	Croatia £'000	Management £'000	Holding companies and adjustments £'000	Consolidated £'000
<b>REVENUE</b>							
Third party	24,901	14,383	85,637	14,485	2,364	–	141,770
Inter-segment	–	–	–	–	15,523	(15,523)	–
Total revenue	24,901	14,383	85,637	14,485	17,887	(15,523)	141,770
Segment EBITDA	7,540	1,697	25,990	(5)	4,706	–	39,928
Depreciation and amortisation	–	–	–	–	–	–	(17,426)
Financial expenses	–	–	–	–	–	–	(14,813)
Financial income	–	–	–	–	–	–	244
Interest expenses on advance payments for unit holders	–	–	–	–	–	–	(4,874)
Other income (net)	–	–	–	–	–	–	423
Share in loss of associate and joint ventures	–	–	–	–	–	–	(91)
Profit before tax	–	–	–	–	–	–	3,391

Six months ended 30 June 2016 (unaudited)							
	The Netherlands £'000	Germany and Hungary £'000	United Kingdom £'000	Croatia £'000	Management £'000	Holding companies and adjustments £'000	Consolidated £'000
<b>REVENUE</b>							
Third party	23,210	10,623	66,424	9,562	1,822	–	111,641
Inter-segment	–	–	–	–	13,394	(13,394)	–
Total revenue	23,210	10,623	66,424	9,562	15,216	(13,394)	111,641
Segment EBITDA	7,424	(779)	21,010	1,545	3,298	–	32,498
Depreciation and amortisation	–	–	–	–	–	–	(11,798)
Financial expenses	–	–	–	–	–	–	(13,569)
Financial income and changes in fair value of derivatives	–	–	–	–	–	–	1,466
Interest expenses on advance payments for unit holders	–	–	–	–	–	–	(4,253)
Other income (net)	–	–	–	–	–	–	9,381
Share in loss of associate and joint ventures	–	–	–	–	–	–	(1,638)
Profit before tax	–	–	–	–	–	–	12,087

# NOTES

## Note 5: Financial Instruments

### Fair value of financial instruments:

During the period ended 30 June 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

## Note 6: Other Disclosures

### a. Seasonality

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

### b. Significant capital commitments

At 30 June 2017, the Group has a total of £7.5 million in capital commitments with respect to construction projects.

### c. Changes in business or economic circumstances

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

### d. Other income

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000
Gain from sale of property	1,351	–
Gain from bargain purchase in the acquisition of Arena	–	27,157
Income from forfeited deposits	–	6,541
<b>Total</b>	<b>1,351</b>	<b>33,698</b>

### e. Other expenses

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000
Buy back of Income Units at Park Plaza Westminster Bridge London	(721)	(369)
Pre opening expenses	(119)	–
Other non-recurring expenses	(88)	–
Loss upon fair value adjustment of the previously held interest in the Croatian acquisition (1)	–	(712)
Recycling of foreign exchange results of the previously held interest in the Croatian acquisition (1)	–	(265)
Recycling of hedging reserves upon refinancing and canceling hedge accounting (2)	–	(15,037)
Other refinance expenses (2)	–	(7,934)
<b>Total</b>	<b>(928)</b>	<b>(24,317)</b>

### f. Earnings per share

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

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

	As at 30 June	
	2017 £'000	2016 £'000
Reported Profit	3,609	13,051
Weighted average number of Ordinary shares outstanding	42,204	42,138

### g. Post balance sheet events

#### 1. Sale and Leaseback of Park Plaza London Waterloo

In July 2017, the Group completed the sale and leaseback (for a term of 199 years) of Park Plaza London Waterloo for £161.5 million. The initial rent of £5.6 million per annum has annual inflation adjustments subject to a cap and a collar. As at the balance sheet date, the hotel had a book value of approximately £124 million and was financed with a £80.0 million loan facility. The net cash flow following the repayment of the existing facility and the deduction of the transaction costs associated with the sale and leaseback, was approximately £80 million. Since we consider the leaseback as a finance lease, in substance no disposal of the asset has taken place and therefore no gain or loss on this disposal is recognized. The transaction is merely a means by which the lessor provides finance to the Group. As a result of this treatment any excess of the sale proceeds over the carrying amount is not recognised as income.

#### 2. Purchase units Park Plaza County Hall London

On 14 July 2017, the Group acquired an ownership interest in Park Plaza County Hall London through its purchase of 44 apart hotel units and the associated shares in the management company of the hotel, South Bank Hotel Management Company Limited. The purchase price was £15.2 million.