

PPHE HOTEL GROUP LIMITED
(“PPHE Hotel Group” or the “Company”)

Trading Update

Trading performance for the year in line with the Board’s expectations.

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 and resort destinations, predominantly in Europe, is pleased to announce its trading update in advance of the Group’s results for the year ended 31 December 2017, which are expected to be announced late February 2018.

Financial performance

Reported group hotel revenue in 2017 increased by approximately 19.0% year-on-year. Most of this growth was the result of new room inventory in London. In addition, we benefited from improved trading across most of our operating regions and the first full year contribution of Park Plaza Nuremberg. On a like-for-like basis¹, group hotel revenue increased by approximately 10.0%.

Reported Group RevPAR increased by approximately 10.0% to £92.9 (2016: £84.4). Average room rate increased by 8.2% to £120.2 (2016: £111.0), whilst occupancy increased by 120 bps to 77.3% (2016: 76.0%).

Like-for-like¹ RevPAR increased by 11.5% to £92.4 (2016: £82.9) mainly as a result of strong RevPAR growth in our German and Croatian regions, alongside the continued weakening of sterling against the euro. This RevPAR growth was achieved through a 7.8% increase in average room rate to £119.7 (2016: £111.0). Occupancy increased by 260 basis points to 77.2% (2016: 74.6%).

The Group’s overall trading performance for the year ended 31 December 2017 is in line with the Board’s previous expectations.

¹ The like-for-like figures for the twelve months ended 31 December 2017 exclude Park Plaza London Park Royal for the period, Park Plaza London Waterloo for the first ten months of 2017 and Park Plaza Nuremberg for the first five months of 2017. Furthermore, the like-for-like comparison figures for the twelve 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.

Main corporate activities during the year

During 2017, we delivered a number of corporate initiatives in support of realising our growth potential, namely:

Capital restructuring

- The sale-and-leaseback of Park Plaza London Waterloo and refinancing of our 51.97% subsidiary’s, Arena Hospitality Group d.d. (“Arena”) debt in Croatia and Germany, raising approximately £85 million in excess cash for future development and growth, and substantially lowering the interest expenses in Croatia.

Public offering of subsidiary shares

- Arena raised €106.0 million by way of a public offering of its shares on the Zagreb Stock Exchange; the largest public offering in Croatia in recent years and the largest of its kind in the tourism sector. Arena intends to invest the capital raised in renovations, upgrading its hospitality portfolio and pursuing new opportunities in Central and Eastern Europe.

Realising shareholder value

- Interim ordinary dividend paid of 11.0 pence per ordinary share (FY 2016: 21.0 pence per share).

Hotel developments

2017 saw the full openings of the 494-room Park Plaza London Waterloo and the 212-room Park Plaza London Park Royal, bringing 706 additional rooms into the portfolio.

Renovations continued during the year at Park Plaza London Riverbank and works commenced at Park Plaza Victoria Amsterdam and Park Plaza Sherlock Holmes London, which are expected to continue throughout 2018. Further renovation works are expected to commence in 2018 at several hotels, including Park Plaza Vondelpark, Amsterdam and Park Plaza Utrecht. These renovation programmes and our general focus on maintenance, support our business priority of improving guest experience through excellent customer service and product enhancements.

In addition, we are excited to report that construction of our art'otel london hoxton project is expected to commence in the second quarter of 2018. This follows the announcement on 24 January 2018 (post the period end) that the Group had exchanged contracts to buy from its joint venture partner its 50% interest in the development site for art'otel london hoxton, for a consideration of thirty-five million pounds (subject to working capital adjustments). This acquisition will be funded through cash resources and the sale is expected to complete by the end of March 2018.

Boris Ivesha, President & Chief Executive Officer, PPHE Hotel Group said:

"A number of milestones have been achieved throughout 2017 for the Group. We realised significant fundraising in Croatia whilst retaining our controlling shareholder position in Arena. Together, we will aim to further develop Arena's portfolio and explore growth opportunities across Central and Eastern Europe. The refinancing of debt, in particular within the Croatian region along with the sale-and-leaseback of Park Plaza London Waterloo, has provided us with significant available capital to invest in and to add to our portfolio."

"We opened two London hotels and embarked on a number of extensive renovation plans across Europe, ensuring that our product remains of the highest standard at all times. Overall we saw our reported Group hotel revenue increase by 19.0% with 2017 demonstrating a strong trading year for the Group."

"2017 also saw us celebrate ten years of being listed on the London Stock Exchange and I announced a series of Executive Leadership Team promotions including that of our new Chief Financial Officer, Daniel Kos who replaced Chen Moravsky as of 1 January 2018."

"Whilst we recognise that certain cost pressures and renovation programmes may have an effect on our performance, we are confident about our long term prospect and as we enter 2018, we will remain focused on providing exemplary service to our guests, revenue generation and the delivery of our renovation projects."

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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 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 2022.

Company websites:

www.pphe.com

www.arenahospitalitygroup.com

For reservations:

www.parkplaza.com

www.artotels.com

www.arenaturist.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.