

PPHE HOTEL GROUP LIMITED
("PPHE Hotel Group, the " Group" or the "Company")

Unaudited Interim Results for the six months ended 30 June 2020

PPHE Hotel Group, the international hospitality real estate group which develops, owns and operates hotels and resorts, announces its unaudited interim results for the six months ended 30 June 2020.

Business summary

- The Group outperformed the market in January and February prior to the onset of COVID-19. Significant impact of COVID-19 from March resulted in reduced customer demand and property closures;
- COVID-19 impact resulted in reported total revenue decreasing to £61.9 million (H1 2019: £155.3 million) and EBITDA for the period was £(3.3) million (H1 2019: £45.7 million);
- 84% of property portfolio is now open, with a sharp rebound in performance seen for weekends, in our flagship properties in London and Amsterdam, outperforming the market;
- Owner / operator model enabled the Group to take decisive and swift actions to preserve cash flow and realign its operational structure to meet near-term demand to align its operating and brand standards and reprioritise its investments, including capex programmes and development pipeline projects;
- Early on during the pandemic, selected properties remained open to support key workers, giving the Group valuable insights to further adapt its health and safety programmes and enhanced protocols for both hotels and meetings and events spaces to support the health and wellbeing of guests and team members;
- Accelerated technology initiatives enabling a contactless guest experience;
- Various funding secured, including £180 million funding secured for development of art'otel london hoxton;
- Strong consolidated cash position of £137 million and access to further undrawn facilities amounting to £63 million providing additional headroom if required;
- The Group continues to closely monitor the ongoing uncertainty and disruption to the hospitality industry and will further adapt to market conditions to preserve cash and the Group's long-term growth prospects.

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

"The first half of the year has brought unprecedented challenges unlike anything the hospitality industry has seen before. In the face of these difficulties, the Group has shown its ability to adapt to the new environment, supported by the high quality of our portfolio, our flexible owner operator model and broad customer appeal.

I am delighted that the majority of our properties are safely welcoming customers once again, and I am encouraged by the strong leisure demand and resulting market outperformance we have seen in our flagship properties in London and Amsterdam.

Looking ahead, we are focused on maintaining this positive momentum and ensuring that the Group is well-positioned to navigate the ever-evolving trading environment and to capitalise on future opportunities in line with our growth strategy."

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Notes to Editors

PPHE Hotel Group is an international hospitality real estate company, with a £1.7 billion portfolio, valued as at summer of 2019 by Savills and Zagreb nekretnine Ltd (ZANE), of primarily prime freehold and long leasehold assets in Europe.

Through its subsidiaries, jointly controlled entities and associates it owns, co-owns, develops, leases, operates and franchises hospitality real estate. Its primary focus is full-service upscale, upper upscale and lifestyle hotels in major gateway cities and regional centres, as well as hotel, resort and campsite properties in select resort destinations.

PPHE Hotel Group benefits from having an exclusive and perpetual licence from the Radisson Hotel Group, one of the world's largest hotel groups, to develop and operate Park Plaza® branded hotels and resorts in Europe, the Middle East and Africa. In addition, PPHE Hotel Group wholly owns, and operates under, the art'otel® brand and its Croatian subsidiary owns, and operates under, the Arena Hotels & Apartments® and Arena Campsites® brands.

PPHE Hotel Group is one of the largest owner/operators of hotels in central London and its property portfolio comprises of 37 hotels and resorts in operation, offering a total of approximately 8,800 rooms and eight campsites, offering approximately 6,000 units. PPHE Hotel Group's development pipeline include new hotels in London, New York City, Belgrade and Zagreb which are expected to add more than 800 rooms to the portfolio.

PPHE Hotel Group is a Guernsey registered company with shares listed on the London Stock Exchange. PPHE Hotel Group also holds a controlling ownership interest in Arena Hospitality Group, whose shares are listed on the Prime market of the Zagreb Stock Exchange.

Company websites

www.pphe.com

www.arenahospitalitygroup.com

For reservations

www.parkplaza.com

www.artotels.com

www.arenahotels.com

www.arenacampsites.com

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.

BUSINESS & FINANCIAL REVIEW

Overview

The Group started the year well outperforming the market in January and February, following the completion of a £100 million plus repositioning programme in 2019.

Early March saw subdued demand and cancellations due to the spread of COVID-19 pandemic into Europe. By end of March 2020, the resulting public health measures due to the pandemic preventing the free movement of people, caused the Group to close most properties for the months of April, May and June, in line with government requirements. A small number of properties remained open offering respite primarily to key workers, including medical personnel at nearby hospital facilities.

Since July, the majority of our properties have resumed operations. Restaurant, bar, leisure and events facilities remain severely limited or closed in a number of properties across the portfolio, and occupancy and RevPAR remain subdued compared to previous years due to social distancing measures and international travel limitations. However, occupancy in city centre locations in the summer months outpaced expectations, due in large part to increased demand from domestic leisure travel and the prime locations of our properties, outperforming the market.

The Group acted swiftly and effectively to preserve its position by taking measures to conserve cash, reduce overhead costs and realign expenditure in balance with demand, in as much as reasonably possible. The Group undertook fundamental changes to its workforce through the use of government employment schemes, reductions in hours, voluntary payroll reductions and, unavoidably, through forgoing contract renewals and redundancies. A material part of the Group's expense base is variable and reduces in line with the reduced capacity of the business, including cost of sales, which decrease in line with the revenue decline. For most substantial fixed expenses (other than payroll and business rates (where government support was provided)), the Group deferred payments as far as possible and engaged in proactive discussions with landlords and lenders to agree revised payment terms.

Notwithstanding the measures implemented, the Group's performance in the first half of 2020 was significantly impacted by COVID-19, as a result of the associated property closures and dramatically reduced demand across its portfolio.

COVID-19 decisive and swift actions

Liquidity

- Strong financial position, with a total cash balance of £137 million.
- £20 million of new funding secured against Park Plaza London Waterloo, which can be used for the general working capital requirements of the Group (undrawn).
- Secured an overdraft facility of £5 million (fully drawn) and a term facility of €10 million (post balance sheet date) with the Group's current banking partners.
- Up to £180 million of funding has been secured for the completion of the construction of art'otel london hoxton. This facility also offers the Group the ability to temporarily draw up to £43 million, if required, for any cash flow needs the Group may encounter in the short term.
- Financial covenant testing of existing facilities have been postponed, where appropriate, until the summer of 2021.

Cash flow measures

- Utilisation of the government support schemes available to the business across its markets; the COVID-19 Job Retention Scheme in the UK, the Temporary Emergency Measure for Work Retention scheme in the Netherlands, the Kurzarbeit scheme in Germany and the Job Preservation scheme in Croatia. Together, these schemes provided the Group with approximately £10.8 million of support in the period.

- Additional government support measures such as the business rates holiday in the UK from 1 April 2020 until 31 March 2021, which amounts to a £1.4 million cash saving per month and deferral of VAT and PAYE.
- Ongoing restructuring programme to ensure the Group's operational structure is fit for purpose and is aligned with guest demand for the short and medium term.
- Temporary 100% cut of the fees and salary respectively for the Chairman of the Board and the President & CEO, as well as a 20% salary reduction across all members of the Executive Leadership Team.
- Deferral of 2019 discretionary staff incentive payments, at an aggregate value of £1.8 million, with such payments reconsidered, if appropriate, in due course.
- Withdrawal of proposed 2019 final dividend payment to shareholders, equating to £8.6 million., Given the uncertainty pertaining to the pandemic and its impact on the future cash requirements for the Group, the Board is not proposing an interim dividend in respect of the six-months ended 30 June 2020.
- Reviewed and reprioritised capex requirements for the development pipeline; resulting in the pausing of the project in New York.
- Deferred loan amortisations for 2020 at an aggregated amount of £6.1 million.
- Reviewed and reprioritised all areas of discretionary spend, reducing this to business-critical investments only.

The Group's cash flow measures outlined above have enabled it to reduce its quarterly cash outflow ('cash burn'). As at 30 June 2020, the cash position of the Group amounted to £137 million (£149.9 million as of 31 March 2020).

Further details on the Group's cash flow in the first and second quarter of 2020 are provided in the table below:

| | Three months ended 31 March 2020 £ million | Three months ended 30 June 2020 £ million |
|--|--|---|
| Operational cash flow (including working capital and FX) | 6.2 | (3.1) |
| Investment in properties | (18.1) | (16.3) |
| Debt service including leases and unit holders in Park Plaza Westminster Bridge London | (13.6) | (10.7) |
| New facilities | 4.9 | 16.8 |
| Other exceptional items (including FX) | 17.5 | 0.4 |
| Total cash movement | (3.1) | (12.9) |
| | | |
| Cash and cash equivalents at beginning of period | 153.0 | 149.9 |
| Cash and cash equivalents at end of period | 149.9 | 137.0 |
| Undrawn facilities at end of period¹ | 4.1 | 63.0 |

¹ The amount of undrawn facilities as at 30 June 2020 is £63.0 million which comprise of the £43 million undrawn amount in the artotel london hoxton facility and the new £20 million funding secured against Park Plaza London Waterloo.

Safety and wellbeing of guests and team members

- Launch of safety and wellbeing programmes - ‘*Reassuring Moments*’ by Park Plaza and ‘*be bold, be creative, be safe*’ by art’otel - designed to uphold enhanced and rigorous safety standards across both brands and provide effective and transparent communications to team members and guests about our safety procedures. The programmes include: updates to operating procedures, training programmes, social distancing protocols, enhanced and high frequency cleaning with disinfectant and sanitising chemicals, with a greater focus on high touch areas, improved air circulation and air purification, sanitising stations, no-contact check-in / check-out and contactless payment options.
- The Group has also implemented a new 20-step protocol for hotels and a 10-step protocol for meeting and events operations in partnership with Radisson Hotel Group and SGS, a leading inspection, verification, testing and certification company.
- Accelerated several technology initiatives, which are now in place or at trial stages, including temperature checking, new messaging options for guests such as chat and WhatsApp, online ordering of room service, contactless payment, online check-in and check-out and mobile key options.
- Launched new internal communications and ‘staying connected’ newsletters, including regular video interviews with senior leadership, business updates, mental health guidance, self-learning initiatives and working from home best practices.
- Personal protective equipment provided to all team members and temperature and symptom checks when team members report to work.

Community

- Park Plaza Westminster Bridge London was proud to support key workers, including those from our neighbouring Guy’s and St Thomas’ Hospital Trust, government workers, local schools and communities, during the COVID-19 pandemic through the provision of accommodation and other services at significantly reduced rates.
- Partnered with the Oasis Academy at South Bank to provide fresh delivered meals to underprivileged school children well as those most in need within the local community, cooking, preparing and delivering meals from Park Plaza Westminster Bridge.
- In Croatia, the Group supported Pula General Hospital with the preparation of packed lunches for personnel, donated LCD TVs and mounting racks to patient rooms, provided skilled and dedicated housekeeping team members to assist in the cleaning and preparation and purchased medical equipment in cooperation with local partners.
- In Germany, local communities were supplied with valuable activities, including donation of tableware, conference rooms free of charge and donations to the worldwide relief agency - Malteser International.
- In addition, the Non-Executive Directors of the Company have pledged to donate a significant percentage of their salary to Hospitality Action, a charity that supports hospitality employees.

Development pipeline and acquisitions

The Group is in full control over its committed pipeline and the phasing of each development and has the flexibility to review, progress and pause projects as appropriate. As such, it has reviewed and reprioritised its pipeline projects.

Construction of art’otel london hoxton is underway. This development spans multiple years and the period for completion of the mixed-use development under the building contract has been extended to 44 months from June 2020. The hotel is expected to open in 2024. The Group’s project earmarked for an art’otel in New York has been paused.

In January, the Group’s presence in Central and Eastern Europe was further extended through its Croatian subsidiary Arena Hospitality Group d.d. which entered into a 45-year lease agreement for the development and operation of a hotel in Zagreb, Croatia. This follows an agreement to acquire the 88 Rooms Hotels in Belgrade, Serbia in 2019, for which completion has been postponed.

In June, Arena acquired Guest House Riviera in Pula, which it has operated for several decades. Arena secured €10 million (post balance sheet) to acquire and reposition this hotel in due course. Construction works to reposition Hotel Brioni Pula are ongoing.

Governance and Executive Leadership team

The Company is committed to upscaling its corporate governance and recognises that high standards are essential to creating long-term value for all stakeholders.

Since the start of 2020, the Company has appointed two independent Non-Executive Directors. Nigel Keen joined the Board in February, bringing with him more than 30 years' property experience with leading blue-chip companies and an established track record as a Non-Executive Director. Nigel sits on the Audit, Remuneration and Nomination Committees. Stephanie Coxon was appointed as a Non-Executive Director in August. She is a qualified chartered accountant with over 15 years of capital market expertise, and was a capital markets director at PwC where her role included advising asset managers on listing investment funds and real estate investment trusts (UK, Guernsey and Jersey) on the London Stock Exchange. Stephanie sits on the Audit, Remuneration and Nomination Committees.

Following Nigel Jones' retirement from the Board the Annual General Meeting in May, the Board comprises four independent Non-Executive Directors.

In July, Yoav Papouchado was appointed as Alternate Director to the Group's Chairman, Eli Papouchado. Yoav, who may act in the absence of the Chairman, is currently Chairman of Red Sea Hotels Limited ("Red Sea") and President of Gear Construction, the construction arm of Red Sea. He has over 30 years of experience of residential developments and data centres worldwide, developed through his long tenure at Red Sea. Yoav is also a member of the Supervisory Board, and Deputy Chairman of the Supervisory Board of Arena Hospitality Group, the Company's subsidiary listed on the Zagreb Stock Exchange.

In addition to the Board changes, in January two senior company executives were promoted to key leadership positions as part of the Company's ongoing succession planning programme. Greg Hegarty was promoted to Deputy Chief Executive & Chief Operating Officer, taking on new responsibilities alongside his existing COO role, and working with the President & Chief Executive Officer Boris Ivesha to drive near-term growth and set the corporate vision and long-term strategy for the Group. Inbar Zilberman was promoted to Chief Corporate & Legal Officer, driving forward the Group's corporate initiatives including acquisitions and expansion, corporate governance and corporate social responsibility, alongside her existing leadership of the Group's legal and compliance functions.

The Group would like to thank all its team members for the support and professionalism they have shown during this challenging and difficult time. The health and the safety of team members and all stakeholders has been, and continues to be, of the utmost importance to the Group.

Current trends and trading

As widely reported, the travel industry has been severely impacted by the pandemic and the path to, and time period for, recovery is largely unknown. However, the Group is well positioned to benefit early from a recovery, as demonstrated when it reopened several of its properties capitalising on summer demand.

The Group's owner/operator model provides it full flexibility to control the operations, brand and operating standards, pricing and revenue management and adapt to the changes in its markets. The Groups' award-winning portfolio has been well-invested in and enjoys a strong reputation. All properties are located in key tourist and corporate travel hubs and its hotels are not dependent on a single source market or market segment. Through its partnership with Radisson Hotel Group it enjoys global distribution, reach and access to marketing platforms and customers.

Since reopening, the Group has noted that the first segment to return is domestic leisure travel or travel from surrounding countries, with strong weekend demand experienced in Amsterdam and London in particular with its flagship hotels reaching occupancy levels of 80%-90% on weekends. The current customer mix includes couples, groups of friends, guests visiting friends and family and families with children.

The period of reopening for the Group coincided with the leisure season and as a result, visibility on the recovery of the business travel segment is more limited. To fully capitalise on leisure demand, the Group entered into an exclusive partnership with Merlin Entertainments, offering guests attractive package options.

Due to the sudden impact that lockdowns, quarantine measures and restrictions may have, customers tend to make last minute buying decisions, typically giving preference to flexible booking conditions.

Customers welcomed at our properties since reopening value our stringent health and safety protocols and we will continue to adapt our operations and offering accordingly to changes in customer preferences and health and safety guidelines.

Following property closures in Q2, the Group has in July reopened most of its properties, albeit many continue to operate with limited services due to social distancing guidelines. It is currently operating 84% of its 45 properties across Europe (with Hotel Brioni closed for repositioning), with many of the hotels outperforming their local markets in July.

As hotels have reopened, the Group's strategy has been to rebuild momentum and optimise occupancy, offering guests attractive and fully flexible rates with a view to building the average room rate as guest confidence returns, travel restrictions ease and international travel resumes, resulting in an increase in the level of enquiries on long lead-time bookings.

In the United Kingdom, government restrictions on hotels were lifted on 4 July and the Group started to reopen its properties. Currently, eight out of the Group's ten UK hotels are in operation. In the Netherlands, as of June the Group is operating five out of six hotels. The Group's operations in London and Amsterdam, core markets for the Group, have outperformed the market since reopening.

In Germany and Hungary, all eight hotels have resumed operations. In Croatia, three hotels, one resort and all campsites, including the repositioned Arena Grand Kažela Campsite, reopened in May and June, with operations aligned to actual and expected guest volumes and current market dynamics. Four Croatian hotels and resorts remain closed, including Hotel Brioni, Pula which is currently going through a repositioning programme. With the summer season coming to an end in Croatia, the Group continues to carefully monitor the impact that recent travel restrictions may have on trading.

All of the Group's operations strictly adhere to the relevant local and the World Health Organisation advice, as well as the Group's new health and safety programmes launched to protect guests and team members' safety – *"Reassuring Moments"* by Park Plaza and *'be bold, be creative, be safe'* by art'otel.

The Group is closely monitoring changes to government support, border controls and quarantine rules in the respective regions, and it continues to adapt to market conditions in a manner that preserves cash, long-term growth prospects and is mindful of the culture and values of the Group.

Given the fast-moving nature of the COVID-19 pandemic and the resulting ongoing uncertainty regarding disruption to the hospitality industry and our markets, it is not possible to provide meaningful guidance for the current financial year.

However, during this challenging period the Group has demonstrated its ability to adapt quickly to changes in the external environment. This agility, combined with the broad appeal of the Group's products, its strong relationships and the implementation of various measures to protect its cash position, ensure that the Group is well-positioned to not only withstand a continued and significant decrease in business activity, but also to take full advantage of the recovery in each of its markets as and when this commences.

Market data source: STR Global, July 2020

Financial performance

Key financial statistics for the six months and three months ended 30 June 2020 (unaudited)

| H1 Reported in GBP (£) | | | |
|------------------------|----------------------------------|----------------------------------|---------------------|
| | Six months ended 30 June 2020 | Six months ended 30 June 2019 | Change ¹ |
| Total revenue | £61.9 million | £155.3 million | (60.2)% |
| Room revenue | £39.5 million | £109.1 million | (63.8)% |
| EBITDAR | £(2.8) million | £46.5 million | (106.0)% |
| EBITDA | £(3.3) million | £45.7 million | (107.3)% |
| EBITDA margin | (5.4)% | 29.4% | (3.480) bps |
| Reported PBT | £(40.7) million | £4.3 million | (1,050.5)% |
| Normalised PBT | £(44.6) million | £5.5 million | (915.0)% |
| Occupancy | 34.7% | 76.8% | (4.200) bps |
| Average room rate | £112.0 | £121.7 | (7.9)% |
| RevPAR | £38.9 | £93.4 | (58.3)% |

¹ Percentage change figures are calculated from actual figures as opposed to the rounded figures included in the above table.

| Q2 Reported in GBP (£) | | | |
|------------------------|------------------------------------|------------------------------------|---------------------|
| | Three months ended 30 June 2020 | Three months ended 30 June 2019 | Change ¹ |
| Total revenue | £10.4 million | £92.8 million | (88.8)% |
| Room revenue | £5.1 million | £65.7 million | (92.3)% |
| EBITDAR | £(6.6) million | £33.7 million | (119.7)% |
| EBITDA | £(6.8) million | £33.8 million | (120.1)% |
| EBITDA margin | (65.1)% | 36.4% | (10150) bps |
| Occupancy | 10.7% | 77.1% | (6640) bps |
| Average room rate | £94.6 | £126.1 | (25.0)% |
| RevPAR | £10.1 | £97.2 | (89.6)% |

¹ Percentage change figures are calculated from actual figures as opposed to the rounded figures included in the above table.

Reported total revenue declined by 60.2% to £61.9 million (H1 2019: £155.3 million). RevPAR declined by 58.3%, with occupancy declining to 34.7% compared with 76.8% in H1 2019. Average room rate declined to £112.0, down 7.9% (H1 2019: £121.7). As a result, the Group reported an EBITDA loss of £3.3 million, down 107.3% (H1 2019: £45.7 million) and the EBITDA margin fell to (5.4)% (H1 2019: 29.4%).

The performance reflected the dramatic downturn in activity in the second quarter. Property closures and reduced capacity led to Q2 total revenue decreasing 88.8%. RevPAR declined by 89.6%, driven by 10.7% occupancy (Q2 2019: 77.1%) and a 25% reduction in average room rate to £94.6 (Q2 2019: £126.1). EBITDA was £(6.8) million (Q2 2019: £33.8 million).

Normalised profit before tax decreased to £(44.6) million (H1 2019: £5.5 million). Reported profit before tax decreased to £(40.7) million (H1 2019: £4.3 million).

Reconciliation of reported profit before tax to normalised profit before tax

| In £ millions | Six months ended 30 June 2020 | Six months ended 30 June 2019 | 12 months to 30 June 2020 | 12 months ended 31 December 2019 |
|--|-------------------------------------|-------------------------------------|---------------------------------|--|
| Reported profit (loss) before tax | (40.7) | 4.3 | (6.5) | 38.5 |
| Net insurance proceeds received in relation to one of the Group's UK hotels | (10.0) | - | (10.0) | - |
| Execution of the sale and purchase agreement with the Republic of Croatia related to Guest House Riviera Pula | 1.6 | - | 1.6 | - |
| Loss on buy back of units in Park Plaza Westminster Bridge London from private investors | - | 0.4 | 0.3 | 0.7 |
| Fair value adjustment on income swaps with private investors of Income Units in Park Plaza Westminster Bridge London | 0.3 | 0.1 | 0.4 | 0.2 |
| Release of provision for litigation | - | (0.9) | (0.2) | (1.1) |
| Results from marketable securities | (0.1) | (0.5) | (0.5) | (0.9) |
| Revaluation of finance lease | 1.7 | 1.7 | 3.4 | 3.4 |
| Revaluation of Park Plaza County Hall London Income Units | 0.6 | - | (0.3) | (0.9) |
| Pre-opening expenses | 0.5 | 0.4 | 0.8 | 0.7 |
| Capital loss on disposal of fixed assets and inventory | 1.5 | - | 1.6 | 0.1 |
| Normalised profit (loss) before tax | (44.6) | 5.5 | (9.4) | 40.7 |

Dividend

On 19 March 2020, the Board of Directors announced its decision to withdraw its proposal for a final dividend of 20 pence per share (equating to £8.6 million) in respect of 2019 to preserve cash in the business.

Given the uncertainty pertaining to the pandemic and its impact on the future cash requirements for the Group, the Board is not proposing an interim dividend in respect of the six-month ended 30 June 2020.

The Board will continue to review its dividend policy and any future dividend payments will be aligned to performance of the business.

EPRA accounting information

The Group is a developer, owner and operator of hotels, resorts and campsites and realises returns through both developing and owning assets as well as the operations of those assets. Historically, the performance of this diverse business model, which includes a high level of property ownership, has been reported on using standard metrics such as EBITDA and PBT. However, due to the significance of asset ownership and the complex accounting of its diverse funding structure, the Company expanded its reporting to include certain EPRA reporting metrics which the Company believes investors will find useful in order to analyse the Company's performance (value, profit and cash flow) as an asset owner.

EPRA Performance indicators

The Group's last 12 months adjusted EPRA earnings per share to 30 June 2020 decreased by 69.7% to £0.39 per share. The disclosure on the Group's EPRA NAV is set out in the table below.

| | 30 June 2020 £ million | 31 December 2019 £ million |
|---|---------------------------|-------------------------------|
| EPRA earnings (LTM) ¹ | 30.2 | 66.2 |
| Adjusted EPRA earnings (LTM) ¹ | 16.4 | 54.2 |
| EPRA NAV (*) | 1,084.7 | 1,091.7 |

| Per share figures: | 30 June 2020 £ million | 31 December 2019 £ million |
|--|---------------------------|-------------------------------|
| EPRA Earnings per share (LTM) | 0.71 | 1.56 |
| Adjusted EPRA earnings per share (LTM) | 0.39 | 1.28 |
| EPRA NAV per share (*) | 25.30 | 25.46 |

¹ EPRA earnings and adjusted EPRA earnings for 30 June 2020 are calculated for the last 12-month period ended on 30 June 2020.

(*) EPRA NAV and EPRA NAV per share were calculated based on the independent external valuations prepared in the summer of 2019 which did not take into account the effect of COVID-19. For more details please refer to the EPRA net asset value section below.

EPRA performance measures

a. EPRA net asset value

To guide investors on the market value of the Group's property portfolio and performance, the Group has been reporting various EPRA key performance indicators since 2018, alongside its operational metrics. Property valuations have historically been undertaken once a year in June by independent external valuers, using established and widely recognised methods including applying appropriate discount rates to property cash flow generation and applying capitalisation rates from precedent transactions.

In the current environment, which can be best characterised as volatile due to government restrictions measures, travel restrictions and material uncertainty, the Company is of the view that an update of our existing third party valuations would be of very limited value and would not represent the underlying value of its assets. In addition, there is a lack of transactional evidence to support an accurate revaluation analysis. However, the Company aims to engage third party valuation companies in time for the full year results, on the basis that at that point in time it expects that a business rhythm has been established and visibility has improved. The results of such external valuations would be incorporated into the Company's reporting.

The table below reflects a Net Asset Value based on the current book values adjusted with a revaluation that is based on 2019 external valuations. These external valuations are sensitive to changes in future cash flows of the hotels and changes in discount rates used to value these cash flows.

| | 30 June 2020 £ million | 31 December 2019 £ million |
|---|---------------------------|-------------------------------|
| NAV per the financial statements (actual reported) | 365.8 | 377.3 |
| Effect of exercise of options | 4.0 | 4.0 |
| Diluted NAV, after the exercise of options¹ | 369.8 | 381.2 |
| Includes: | | |
| Revaluation of owned properties in operation (net of non-controlling interest) ² | 703.7 | 699.2 |
| Revaluation of the joint venture interest held in two German properties (net of non-controlling interest) | 4.0 | 3.9 |
| Excludes: | | |
| Fair value of financial instruments | (0.9) | (0.7) |
| Deferred tax | (6.3) | (6.7) |
| EPRA NAV | 1,084.7 | 1,091.7 |
| Fully diluted number of shares (in thousands) | 42,872 | 42,872 |
| EPRA NAV per share (in £) | 25.30 | 25.46 |

¹ The fully diluted number of shares is excluding treasury shares but including 412,290 outstanding dilutive options (as at 31 December 2019: 412,290).

² The fair value of the properties as at 30 June 2020 and as at 31 December 2019 were determined on the basis of independent external valuations prepared in the summer of 2019.

EPRA earnings and cash flow

The basis for calculating the Company's adjusted EPRA earnings of £16.4 million for the 12 months to 30 June 2020 (12 months to 31 December 2019: £54.2 million) and the Company's adjusted EPRA earnings per share of £0.39 for the 12 months to 30 June 2020 (12 months to 31 December 2019: £1.28) is set out in the table below.

| | 12 months ended 30 June 2020 £ million | 12 months ended 31 December 2019 £ million |
|---|--|--|
| Earnings attributed to equity holders of the parent Company | (3.5) | 33.9 |
| Depreciation and amortisation expenses | 41.7 | 41.7 |
| Revaluation of Park Plaza County Hall London Income Units | (0.3) | (0.9) |
| Changes in fair value of financial instruments | (0.1) | (0.7) |
| Non-controlling interests in respect of the above ³ | (7.7) | (7.8) |
| EPRA earnings | 30.1 | 66.2 |
| Weighted average number of shares (LTM) | 42,459,340 | 42,390,693 |
| EPRA earnings per share (in £) | 0.71 | 1.56 |
| Company specific adjustments¹: | | |
| Capital loss on buy-back of Income Units in Park Plaza Westminster Bridge London previously sold to private investors | 0.3 | 0.7 |
| Revaluation of finance lease ⁴ | 3.4 | 3.4 |
| Gain from settlement of legal claim ⁷ | (0.2) | (1.1) |
| Government settlement purchase of Guest House Riviera ⁸ | 1.6 | - |
| Write off assets ⁹ | 1.6 | 0.1 |
| Insurance settlement ¹⁰ | (10.0) | - |
| Other non-recurring expenses (including pre-opening) | 0.8 | 0.8 |
| Adjustment of lease payments ⁵ | (2.3) | (2.2) |
| One-off tax income ⁶ | (4.4) | (5.1) |
| Maintenance capex (4% of total revenues) ² | (10.6) | (14.3) |
| Non-controlling interests in respect of maintenance capex and the adjustments above ³ | 6.1 | 5.7 |
| Company adjusted EPRA earnings | 16.4 | 54.2 |
| Company adjusted EPRA earnings per share (in £) | 0.39 | 1.28 |
| Reconciliation company adjusted EPRA earnings to normalised reported profit before tax | | |
| Company adjusted EPRA earnings | 16.4 | 54.2 |
| Reported depreciation | (41.7) | (41.7) |
| Non-controlling interest in respect of reported depreciation ³ | 7.7 | 7.8 |
| Maintenance capex (4% of total revenues) ² | 10.6 | 14.3 |
| Non-controlling interests in respect of maintenance capex and the adjustments above ³ | (6.1) | (5.8) |
| Adjustment of lease payments ⁵ | 2.3 | 2.2 |
| One-off tax income ⁶ | 4.4 | 5.1 |
| Profit attributable to non-controlling interest | 2.3 | 8.7 |
| Reported tax | (5.3) | (4.1) |
| Normalised profit (loss) before tax | (9.4) | 40.7 |

1 The "Company specific adjustments" represent adjustments of non-recurring or non-trading items.

2 Calculated as 4% of revenues representing the expected average maintenance capital expenditure required in the operating properties.

3 Reflects the share of non-controlling interest in the depreciation, maintenance capex and the other adjustments. Minorities include the non-controlling shareholders in Arena and third-party investors in income units of Park Plaza Westminster Bridge London.

4 Non cash revaluation of finance lease liability relating to minimum future CPI/RPI increases.

5 Lease cash payments which are not recorded as an expense in the Group's income statement due to the implementation of IFRS 16.

6 One off tax income due to investment tax incentive received in Croatia and a change in the tax rate in the Netherlands.

7 Release of accrual as a result of a settlement reached in a legal dispute in Croatia with Pula Herculanea d.o.o (see Note 16a in the annual consolidated financial statements).

8 Execution of the sale and purchase agreement with the Republic of Croatia related to Guest House Riviera Pula.

9 Mainly relates to write-off value of fixed assets due to reconstruction of Hotel Brioni Pula (disposal of asset due to reconstruction).

10 Net insurance proceeds received in relation to one of the Group's UK hotels.

Return on capital employed

The table below provides some selected data for the Group's assets as at 30 June 2020, 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, the development projects and the

assets of Arena Hospitality Group (a 52% subsidiary of the group listed on the Zagreb stock exchange). 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.

| | PPHE Hotel Group £ million | | | Arena Hospitality Group ⁴ £ million | | Total £ million |
|--|-------------------------------|-----------------------------|--|--|-----------------------------|---------------------------------|
| | Trading Properties | Excess Cash ³ | Non- Trading projects ² | Trading Properties | Excess Cash ³ | PPHE Hotel Group Reported |
| Balance sheet | | | | | | |
| Book-value properties (net of financial liability in respect of Income Units sold to private investors) ¹ | 661.0 | – | 142.2 | 284.7 | – | 1,087.9 |
| Right to use asset | 195.1 | – | – | 36.7 | – | 231.8 |
| Book-value intangible assets | 16.4 | – | – | 1.6 | – | 18.0 |
| Book-value non consolidated investments | – | – | – | 4.4 | – | 4.4 |
| Other long-term assets | 17.0 | – | – | 7.9 | – | 24.9 |
| Working capital | (25.4) | – | (0.8) | (11.5) | – | (37.7) |
| Cash and liquid investments | 45.7 | 32.0 | 3.7 | 12.3 | 50.0 | 143.7 |
| Bank/institutional loans (short/long term) | (582.0) | – | (28.4) | (122.1) | – | (732.5) |
| Finance lease liability, land concession and other provisions | (210.0) | – | – | (43.3) | – | (253.3) |
| Other provisions | (5.8) | – | – | (2.9) | – | (8.7) |
| Deferred profit Income Units at Park Plaza Westminster Bridge London | (10.4) | – | – | – | – | (10.4) |
| Total capital consolidated | 101.6 | 32.0 | 116.7 | 167.8 | 50.0 | 468.1 |
| Minority shareholders | – | – | – | (78.9) | (23.4) | (102.3) |
| Total capital employed by PPHE Hotel Group shareholders | 101.6 | 32.0 | 116.7 | 88.9 | 26.6 | 365.8 |
| Normalised profit | | | | | | |
| Revenue | 52.6 | – | – | 9.3 | – | 61.9 |
| EBITDAR | 1.1 | – | – | (3.9) | – | (2.8) |
| Rental expenses | – | – | – | (0.5) | – | (0.5) |
| EBITDA | 1.1 | – | – | (4.4) | – | (3.3) |
| Depreciation | (15.1) | – | – | (5.9) | – | (21.0) |
| EBIT | (14.0) | – | – | (10.3) | – | (24.3) |
| Interest expenses: banks and institutions | (9.3) | – | – | (3.2) | – | (12.5) |
| Interest on finance leases | (4.5) | – | – | (0.3) | – | (4.8) |
| Expense in respect of Income Units sold to private investors | (1.5) | – | – | – | – | (1.5) |
| Other finance expenses and income | (0.4) | – | (0.7) | – | – | (1.1) |
| Results of Joint Ventures | – | – | – | (0.4) | – | (0.4) |
| Normalised profit (loss) before tax 31 December 2019⁵ | (29.7) | – | (0.7) | (14.2) | – | (44.6) |
| Reported tax | – | – | – | 3.1 | – | 3.1 |
| Normalised profit (loss) after reported tax | (29.7) | – | (0.7) | (11.1) | – | (41.5) |
| Normalised loss (profit) attributable to minority shareholders | – | – | – | 5.2 | – | 5.2 |
| Normalised profit (loss) after tax attributable to PPHE Hotel Group shareholders | (29.7) | – | (0.7) | (5.9) | – | (36.3) |

1 These are stated at cost price less depreciation. The fair value of these properties is substantially higher.

2 This contains properties that are in development.

3 Excess cash is directly available for further investments and developments.

4 Arena Hospitality Group d.d is listed on the Zagreb Stock Exchange. The market capitalisation at 30 June 2020 was £159.7 million.

5 A reconciliation of reported profit to normalised profit is provided in the Financial Performance section above.

REVIEW OF OPERATIONS

United Kingdom

Hotel operations

| | Reported in £ | |
|-------------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2020 | Six months ended 30 June 2019 |
| Total revenue | £41.8 million | £95.7 million |
| EBITDAR | £4.9 million | £31.0 million |
| EBITDA | £4.8 million | £30.8 million |
| Occupancy | 37.9% | 85.0% |
| Average room rate | £126.5 | £144.0 |
| RevPAR | £47.9 | £122.3 |
| Room revenue | £27.5 million | £68.8 million |

UK hotel portfolio performance

The Group's UK operations were well placed to benefit from the recent major investment programmes at several of its London hotels and outperformed the market in January and February. However, as of 23 March, the UK's government's lockdown restrictions to slow the spread of COVID-19 resulted in the closure of nine of the Group's ten UK hotels (owned, managed and franchised). The hotels remained closed throughout Q2 and until restrictions were eased on 4 July, when selected hotels reopened. Likewise, all restaurants and bars were similarly closed throughout Q2.

Park Plaza Westminster Bridge London remained open during Q2, albeit at significantly reduced capacity to accommodate and provide services to essential workers.

As a result of the closures, total revenue declined by 56.3% to £41.8 million (H1 2019: £95.7 million). RevPAR declined by 60.9% to £47.9 (H1 2019: £122.3), due to a significant fall in occupancy to 37.9% (H1 2019: 85.0%) and a 12.2% reduction in average room rate.

It is testament to the quality of the Group's portfolio and its recent investment programmes that, despite the significant impact of the pandemic on trading, the Group's London hotels outperformed the London market in terms of RevPAR, occupancy and average room rate. In Q1, Park Plaza Nottingham and Park Plaza Leeds both outperformed their respective markets in terms of occupancy, average room rate and RevPAR. These two hotels were closed in the second quarter.

The Group took various actions to minimise the impact of the closures on the Group, including accessing the COVID-19 Job Retention Scheme and the business rate holiday. Nevertheless, reported EBITDA for the region fell by 84.5% to £4.8 million (H1 2019: £30.8 million).

To protect both guests and team members, operations at our hotels have since been adapted, incorporating additional health and safety protocols, increased cleaning standards and frequencies and to adhere to social distancing measures.

The Group started to reopen its properties after government restrictions were lifted on 4 July.

Repositioning project and development pipeline

Following the launch of the repositioned Holmes Hotel London, the Group continued its already committed investment in the redevelopment of the meetings and events spaces at this hotel. These new facilities are expected to launch in the second half of 2020.

There are three UK projects in the pipeline.

In April 2020, the Group secured £180 million of funding to develop art'otel london hoxton. Construction is progressing on the 27-floor property which will comprise 343 hotel rooms (including 60 long-stay apartments and suites), five floors of offices, restaurants, gym facilities and meeting and events space. The property is expected to complete by 2024.

art'otel london battersea station, being developed by the Battersea Power Station Development Company, is expected to complete in 2022. The Group will manage the hotel under a long-term management contract.

Following the acquisition of a vacant freehold site on London's South Bank (79-87 Westminster Bridge Road) in December 2019, the Group is planning to submit a planning proposal for a mixed-use development consisting of a new hotel and office space.

The United Kingdom hotel market*

The hotel market experienced a sharp decline as the pandemic spread and impacted the United Kingdom from March onwards, although the market was more resilient than some other European capital cities.

RevPAR in the London market fell by 49.2% to £60.4, reflecting a 39.3% decrease in occupancy to 49.1%. Average room rate fell by 16.4% to £122.9. At the height of the COVID-19 outbreak in May and June, RevPAR in London decreased year-on-year by 85.1% and 89.6% respectively, reflecting a 70.5% decline in occupancy in May and 74.0% in June.

RevPAR in Nottingham fell by 36.3% to £29.8, driven by a 30.5% drop in occupancy to 52.1% and average room rate down 8.3% to £57.1. In Leeds, RevPAR was 40.5% lower at £31.0, due to a 33.8% decrease in occupancy to 51.1%. Average room rate fell 10.1% to £60.6.

* STR Global, June 2020

The Netherlands

Hotel operations

| | Reported in £ | | Reported in local currency € ¹ | |
|-------------------|----------------------------------|----------------------------------|---|----------------------------------|
| | Six months ended 30 June 2020 | Six months ended 30 June 2019 | Six months ended 30 June 2020 | Six months ended 30 June 2019 |
| Total revenue | £9.5 million | £25.9 million | €10.8 million | €29.6 million |
| EBITDAR | £0.4 million | £7.1 million | €0.5 million | €8.1 million |
| EBITDA | £0.4 million | £7.1 million | €0.5 million | €8.1 million |
| Occupancy | 29.5% | 86.6% | 29.5% | 86.6% |
| Average room rate | £106.9 | £126.5 | €121.7 | €145.0 |
| RevPAR | £31.5 | £109.6 | €35.9 | €125.6 |
| Room revenue | £6.2 million | £19.4 million | €7.0 million | €22.2 million |

¹ Average exchange rate from Euro to Pound Sterling for the period ended 30 June 2020 was 1.139 and for the period ended 30 June 2019 was 1.146, representing a 0.6% decrease.

Dutch hotel portfolio performance

Trading in the Netherlands from March onwards was significantly impacted by COVID-19 and the related mitigating measures implemented by the authorities. Several of the Group's hotels were temporarily closed during Q2 and the remaining hotels operated at significantly reduced capacity, with travel bans and lockdown restrictions resulting in extremely limited demand. All restaurants and bars within the properties were also closed.

As a result, total revenue in euros declined by 63.6%. RevPAR fell by 71.4% in the period, primarily due to sharp decline in occupancy to 29.5% (H1 2019: 86.6%) and a 16.1% reduction in average room rate.

Despite the steps taken by the Group to reduce costs and overhead, including utilising the Temporary Emergency Measure for Work Retention scheme, EBITDA (in euros) fell by 94.3% to €0.5 million (H1 2019: €8.1 million).

Nevertheless, the quality and strength of the Group's portfolio was shown through market outperformance in the period, despite the challenges. Its Amsterdam hotels (including Park Plaza Amsterdam Airport), outperformed the Amsterdam hotel market in terms of RevPAR, occupancy and average room rate. Park Plaza Utrecht outperformed its respective market in terms of RevPAR and average room rate, with occupancy in line with the market. Park Plaza Eindhoven outperformed its respective market in all metrics.

As government restrictions were eased in June, the Group began to reopen its properties in the Netherlands.

*The Dutch hotel market**

The Amsterdam hotel market experienced a dramatic decline in activity from March. RevPAR declined by 67.4% to €40.0, with occupancy down 56.7% to 34.6%. Average room rate decreased by 24.7% to €115.7. In Q2, RevPAR declined year-on-year by more than 92% each month in April, May and June.

Utrecht and Eindhoven hotel markets were also severely impacted. Hotels in Utrecht reported a 62.7% decline in RevPAR to €31.0, primarily due to a 58.9% decline in occupancy to 30.5%, alongside a 9.1% fall in average room rate to €101.6. In Eindhoven, RevPAR was down 56.8% at €23.3, due to a 55.6% fall in occupancy to 28.6%, and a modest 2.8% fall in average room rate to €81.6.

* STR Global, June 2020

Croatia

Operations

| | Reported in £ | | Reported in local currency HRK ¹ | |
|-------------------|--|----------------------------------|---|----------------------------------|
| | Six months ended 30 June 2020 | Six months ended 30 June 2019 | Six months ended 30 June 2020 | Six months ended 30 June 2019 |
| Total revenue | £3.3 million | £16.7 million | HRK 28.3 million | HRK 142.7 million |
| EBITDAR | £(3.5) million | £0.04 million | HRK (29.7) million | HRK 0.4 million |
| EBITDA | £(3.9) million | £(0.6) million | HRK (33.5) million | HRK (4.7) million |
| Occupancy | 35.6% | 52.7% | 35.6% | 52.7% |
| Average room rate | £50.5 | £67.2 | HRK 433.2 | HRK 571.0 |
| RevPAR | £18.0 | £35.4 | HRK 154.3 | HRK 300.8 |
| Room revenue | £1.6 million | £9.6 million | HRK 13.3 million | HRK 81.4 million |

¹ Average exchange rate from Kuna to Pound Sterling for the period ended 30 June 2020 was 8.580 and for the period ended 30 June 2019 was 8.501, representing a 0.9% increase.

Croatian portfolio performance

The first few months of the year is low season and most of the Group's operations are usually closed. From Easter onwards, the Group's hotels, resorts and campsites reopen, and business activity intensifies to its high season peak in July and August.

This year, the first half performance was significantly impacted from March, as travel restrictions and lockdown measures resulted in a high level of cancellations, no shows and very few new bookings. Consequently, the Group temporarily closed or delayed opening its hotels, resorts and campsites for the 2020 season.

From the second half of May, selected properties were opened as lockdown measures in Croatia and surrounding countries eased, and there was a subsequent positive pickup in activity in Croatia. Nevertheless, delayed openings in addition to consumer uncertainty led to an unprecedented slowdown in bookings and increase in cancellations during the period. In local currency, total revenue decreased by 80.2% to HRK 28.3 million. RevPAR declined by 48.7% to HRK 154.3, reflecting occupancy of 35.6% (H1 2019: 52.7%) and a 24.1% reduction in average room rate.

The region reported an EBITDA loss of HRK 33.5 million (H1 2019: loss of HRK 4.7 million), despite the actions taken to reduce costs and overheads, including accessing Croatian government grants such as the Job preservation scheme and other measures such as taxes and contributions.

Asset repositioning projects

In the period, the final phase of the major repositioning of Arena Grand Kažela Campsite was completed. The £6 million investment included the installation of 45 new holiday homes, the refurbishment of the existing restaurant & bar and the sports centre to enhance the overall guest experience. In addition, four existing sanitary blocks were refurbished, and a new sanitary block installed.

At Arena Verudela Beach self-catering apartment resort, the refurbishment of 146 apartments and infrastructure works (£7 million investment programme) was completed. In addition, Park Plaza Histria Pula underwent a soft refurbishment of all the rooms and both the Yacht Bar & Restaurant and Lighthouse restaurant were refurbished.

Looking ahead, the major repositioning of Hotel Brioni Pula has progressed, and construction works have begun.

Acquisitions and development

In January 2020, the Group's Croatian subsidiary, Arena, entered into a 45-year lease for the development and operation of a contemporary branded hotel in Zagreb, Croatia. The development, which is subject to obtaining the necessary permits, involves the conversion of an iconic building into a 115 room hotel with a destination restaurant and bar, wellness and spa facilities, fitness centre, event space and parking.

Completion of Arena's acquisition of an 88-room hotel in Belgrade, Serbia, has been postponed.

In June, Arena completed the purchase of Guest House Riviera from the Republic of Croatia for £4.4.million. The purchase concludes the ownership status of this historic heritage hotel, which has been operated by Arena for several decades, and enables Arena to commence with its plans to reposition the property into a luxury branded 80-room hotel in due course.

Germany & Hungary

Hotel operations

| | Reported in £ | | Reported in local currency € ¹ | |
|-------------------|----------------------------------|----------------------------------|---|----------------------------------|
| | Six months ended 30 June 2020 | Six months ended 30 June 2019 | Six months ended 30 June 2020 | Six months ended 30 June 2019 |
| Total revenue | £5.6 million | £14.1 million | €6.4 million | €16.2 million |
| EBITDAR | £0.1 million | £4.1 million | €0.1 million | €4.7 million |
| EBITDA | £0.1 million | £3.9 million | €0.1 million | €4.5 million |
| Occupancy | 29.5% | 78.0% | 29.5% | 78.0% |
| Average room rate | £91.6 million | £92.3 | €104.4 | €105.8 |
| RevPAR | £27.1 million | £72.0 | €30.8 | €82.5 |
| Room revenue | £4.3 million | £11.4 million | €4.9 million | €13.1 million |

¹ Average exchange rate from Euro to Pound Sterling for the period ended 30 June 2020 was 1.139 and for the period ended 30 June 2019 was 1.146, representing a 0.6% decrease.

German and Hungarian hotel portfolio performance

The Group's hotels in the region operated at significantly reduced capacity between March and June as travel bans and government measures adopted to slow the spread of the virus significantly impacted on domestic and international demand.

Although the majority of the Group's hotels continued to operate throughout the period, demand was extremely limited and total revenue (in euros) fell by 60.3% to €6.4 million. RevPAR was down 62.7% at €30.8, reflecting a dramatic fall in occupancy to 29.5% (H1 2019: 78.0%). Average room rate reduced by 1.3% to €104.4 (H1 2019: €105.8).

Despite the difficult market conditions, the Group's newest hotel in the region, Park Plaza Nuremberg, outperformed its respective market in terms of RevPAR and average room rate. In Hungary, art'otel budapest reported RevPAR and occupancy ahead of its respective market.

Despite steps to reduce costs and accessing Kurzarbeit, Germany's governmental short-time work scheme to support jobs, EBITDA (in euros) decreased by 98.1% to €0.1 million (H1 2019: €4.5 million).

As government lockdown measures were eased in May, operations at the Group's hotels resumed.

*The German and Hungarian hotel market**

The market in the region was severely impacted from March onwards. The hotels in Berlin saw RevPAR decline by 57.9% to €33.3, driven by a 53.5% decline in occupancy to 36.2%. Average room rate fell by 9.5% to €91.9.

In Cologne, the hotel market reported RevPAR of €41.3, down 53.1%, reflecting a 47.1% fall in occupancy to 39.1%. Average room rate decreased by 11.3% to €105.7.

Hotels in Nuremberg experienced a 50.2% decline in RevPAR to €39.1, due to a 51.2% decline in occupancy to 34.1%. Average room rate was down 2.1% at €114.7.

In Budapest, RevPAR fell by 62.3% to €24.7, with reported occupancy of 31.1%, down 58.3%. Average room rate was down 9.4% to €79.6.

* STR Global, June 2020

Management and Central Services

Reported in £

| | Six months ended 30 June 2020 | Six months ended 30 June 2019 |
|--|----------------------------------|----------------------------------|
| Total revenue before elimination | £9.1 million | £20.7 million |
| Revenues within the consolidated Group | £(7.4) million | £(17.8) million |
| External and reported revenue | £1.7 million | £2.9 million |
| EBITDA | £(4.7) million | £4.3 million |

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. For the six months ended 30 June 2020 the segment showed a negative EBITDA as management fees that were charged, both internally and externally, did not exceed the costs in this segment.

Management, Group Central Services and licence, sales and marketing fees are calculated as a percentage of revenues and profit, and therefore these are affected by underlying hotel performance.

PRINCIPAL RISKS AND UNCERTAINTIES

The COVID-19 pandemic has seen many of our principal risks triggered or heightened.

Throughout this period of turmoil, we have prioritised actions and risk responses to focus on protecting the long-term stability of the business. Whilst we remain in the midst of the crisis, we continue to re-evaluate our risk assessments frequently and look ahead to identify new areas of risk that could emerge or existing areas of risk that are likely to become greater priorities following this period of disruption.

Long-term changes in global travel patterns, new operational challenges and the long-term economic impact of the pandemic all influence our risk assessments and planned responses for several of our principal risk areas:

- **Funding:** The risk of breaching debt covenants increased significantly with the sudden loss of revenue brought about by government travel restrictions and forced hotel closures. To respond to this increased risk we have taken action to preserve cash and reduce costs. Through liaison with our lenders we have, where necessary, postponed financial covenant testing and amortisation of existing facilities until summer 2021. We expect this area of risk to remain high priority for the foreseeable future.
- **Development projects:** We expect that the COVID-19 pandemic will inevitably impact our ongoing development projects, with potential increases in material and labour costs. The pandemic has also brought about new working practices which could result in delays to programmes. We will continue to manage and contain this risk through the close monitoring and executive oversight of our construction projects.
- **Economic climate:** The pandemic has already shown signs of causing a prolonged global economic slowdown. As a business with high operational gearing, a long-term and significant decline in revenue would not convert into cost reductions at the same rate, particularly as the negative impact on demand could go well beyond the lifting of current restrictions and cessation of government support for employee costs. The reactive measures we have taken to control costs during the period of forced hotel closures also reduces the cost profile of the business for the future. Significant restructuring of the Group's hotel and corporate workforces has taken place to reduce the existing payroll cost base.
- **Market dynamics:** A significant and prolonged decline in global travel changes the dynamics within the market we operate. The impact of the pandemic on our corporate clients is likely to see a decline in business bookings and meetings and events activity. Reduced demand increases the competitive nature of the hospitality sector and places pressure on pricing. Alongside our strategy of offering attractive rates, we have focussed on preparing our hotels to meet the changing expectations of guests, particularly in respect of health and safety. We are also introducing new technologies within our properties to support a contactless guest experience.
- **Operational resilience:** The enforced hotel closures and government lockdowns in all of our regions have tested our operational resilience and crisis plans. We have been subject to enhanced risk in respect of hotel maintenance and security during periods of closure and as restrictions have been gradually lifted we are mindful of further challenges regarding supply chain stability and operating within social distancing, sanitation and hygiene guidelines. The successful implementation of our established lockdown procedures together with the lessons learned from the experience will improve our preparedness for any similar scenarios in the future. With the temporary closure of our corporate and regional offices, our remote working capabilities have also proven to be a success.
- **Physical security & safety:** The health and safety of our guests and team members remains a key priority. With the new risk of COVID-19 infections, we launched new enhanced health and safety programmes ('Reassuring Moments' by Park Plaza and 'be bold, be creative, be safe' by art'otel) to further protect guests' and team members' safety throughout the pandemic and beyond.
- **People:** Our risks with regards to human resource have changed significantly during the pandemic. Throughout this period of disruption with furloughed employees, enforced remote working and restructuring activities, our risk priority has focussed on maintaining the engagement and emotional wellbeing of team members with several internal initiatives launched. The significant restructuring also necessitates greater focus on mitigating risk around the retention of knowledge and experience within

the business. Conversely, the decline in occupancy levels results in a short-term reduction in risk in terms of employee retention and attraction. We are, however, mindful that the long-term attractiveness of hospitality as a career choice is likely to have been impacted negatively by the pandemic.

The COVID-19 pandemic has created significant uncertainty as we look ahead at our risk horizon. A second wave of the pandemic in the regions in which we operate would undoubtedly increase the extent and duration of the impact we have already felt during this unprecedented period of disruption.

While we expect the significant uncertainty to persist, we are also alert to the potential for future opportunities for growth and enhanced operational performance as the business recovers following the pandemic.

We consider that all other areas of risk priority within the 2019 Annual Report have not been subject to significant change. Despite crisis management taking precedent in recent months, we have ensured the continuation of key projects which address the Technology risks presented within the 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, give 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 2020. The interim management report includes a fair review of the information required by DTR 4.2.7 R and DTR 4.2.8 R, 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 for the year ended 31 December 2019
- The directors of the Company are listed in the last annual report for the year ended 31 December 2019, with the exception of the following change in the period:
 - Nigel Jones retiring from the Board as a non-executive director in May 2020;
 - Nigel Keen being appointed to the Board as a non-executive director in February 2020; and
 - Stephanie Coxon being appointed to the Board as a non-executive director in August 2020.

A current list of directors is maintained on the website of the Company (www.pphe.com)

GOING CONCERN

The Group has taken swift and effective actions to conserve cash. Actions include the utilisation of government support schemes available to the business across its markets, reduction in staff costs, deferral of loan amortisations and the withdrawal of the proposed 2019 final dividend payment to shareholders.

Despite the impact of COVID-19 on trading cash flows, the Group continues to hold a strong liquidity position with an overall cash balance of £137 million as at 30 June 2020. In addition, the Group has taken various actions to further strengthen its liquidity, including securing additional facilities, with an aggregated value of £34 million, which can be used for the general working capital requirements of the Group, secured a £180 million facility for the completion of the construction of art'otel london hoxton which offers the Group the ability to temporarily draw up to £43 million, if required, for any cash flow needs the Group may encounter in the short term, and the postponement of financial covenant testing of existing facilities, where appropriate, until summer 2021.

In adopting the going concern basis of preparation in the interim financial statement, the Directors have considered the current trading performance of the Group and the principal risks and uncertainties mentioned above. In addition, the Directors have considered detailed cash flow projections for the next three years which are based on two downside scenarios: The first scenario assumes a slow recovery during the rest of 2020, zero consolidated EBITDA in 2021 and returning to 2019 EBITDA levels in 2022. The second scenario assumes a slow recovery during the rest of 2020, a further gradual improvement in years 2021-2022 and returning to 2019 EBITDA levels in 2023. Both scenarios assume that covenant waivers will be extended if necessary. Having reviewed those scenarios, the Directors have determined that the Company is likely to continue in business for at least 12 months from the date of this announcement. This, taken together with their conclusions on the matters referred to herein and in Note 1 to the consolidated financial statements, has led the Directors to conclude that it is appropriate to prepare the half year consolidated financial statements on a going concern basis.

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 2020 which comprise the interim consolidated statement of financial position as at 30 June 2020 and the related interim consolidated income statement, and consolidated statements of 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 International Accounting Standard 34 Interim Financial Reporting (IAS 34) and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

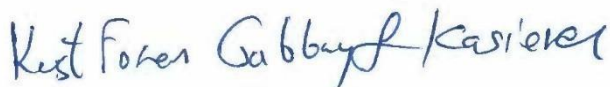
Our responsibility is to express a conclusion on this interim financial information based on our review.

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 financial information is not prepared, in all material respects, in accordance with IAS 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

By the order of the Board



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

Tel Aviv, Israel
2 September 2020

INTERIM CONSOLIDATED INCOME STATEMENT

| | 30 June 2020 Unaudited £'000 | 31 December 2019 Audited £'000 |
|--------------------------------------|------------------------------------|--------------------------------------|
| ASSETS | | |
| NON-CURRENT ASSETS: | | |
| Intangible assets | 18,023 | 18,036 |
| Property, plant and equipment | 1,203,595 | 1,113,661 |
| Right-of-use assets | 231,794 | 217,990 |
| Investment in joint ventures | 4,422 | 18,151 |
| Other non-current financial assets | 17,377 | 18,358 |
| Restricted deposits and cash | 1,939 | 1,841 |
| Deferred income tax assets | 9,091 | 5,173 |
| | 1,486,241 | 1,393,210 |
| CURRENT ASSETS: | | |
| Restricted deposits | 4,750 | 3,541 |
| Inventories | 2,031 | 2,317 |
| Trade receivables | 4,226 | 12,758 |
| Other receivables and prepayments | 13,476 | 15,065 |
| Investments in marketable securities | 27 | 5,221 |
| Cash and cash equivalents | 136,995 | 153,029 |
| | 161,505 | 191,931 |
| Total assets | 1,647,746 | 1,585,141 |

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

INTERIM CONSOLIDATED INCOME STATEMENT

| | 30 June 2020 Unaudited £'000 | 31 December 2019 Audited £'000 |
|--|------------------------------------|--------------------------------------|
| EQUITY AND LIABILITIES | | |
| EQUITY: | | |
| Issued capital | - | - |
| Share premium | 130,322 | 130,260 |
| Treasury shares | (3,636) | (3,636) |
| Foreign currency translation reserve | 27,441 | 8,094 |
| Hedging reserve | (747) | (655) |
| Accumulated earnings | 212,460 | 243,233 |
| Attributable to equity holders of the parent | 365,840 | 377,296 |
| Non-controlling interests | 102,288 | 103,465 |
| Total equity | 468,128 | 480,761 |
| NON-CURRENT LIABILITIES: | | |
| Bank borrowings | 697,549 | 664,945 |
| Provision for concession fee on land | 5,232 | 4,730 |
| Financial liability in respect of Income Units sold to private investors | 126,110 | 126,704 |
| Other financial liabilities | 246,201 | 228,973 |
| Deferred income taxes | 8,486 | 7,920 |
| | 1,083,578 | 1,033,272 |
| CURRENT LIABILITIES: | | |
| Trade payables | 15,500 | 10,466 |
| Other payables and accruals | 45,542 | 47,326 |
| Bank borrowings | 34,998 | 13,316 |
| | 96,040 | 71,108 |
| Total liabilities | 1,179,618 | 1,104,380 |
| Total equity and liabilities | 1,647,746 | 1,585,141 |

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

INTERIM CONSOLIDATED INCOME STATEMENT

| | Six months ended | |
|---|------------------------------------|------------------------------------|
| | 30 June 2020 Unaudited £'000 | 30 June 2019 Unaudited £'000 |
| Revenues | 61,856 | 155,273 |
| Operating expenses | (64,650) | (108,767) |
| EBITDAR | (2,794) | 46,506 |
| Rental expenses | (520) | (851) |
| EBITDA | (3,314) | 45,655 |
| Depreciation and amortisation | (20,999) | (21,016) |
| EBIT | (24,313) | 24,639 |
| Financial expenses | (18,622) | (15,831) |
| Financial income | 370 | 1,377 |
| Other income | 9,982 | 876 |
| Other expenses | (5,826) | (2,430) |
| Net expenses for financial liability in respect of Income Units sold to private investors | (1,850) | (4,364) |
| Share in results of associate and joint ventures | (393) | 11 |
| Profit (loss) before tax | (40,652) | 4,278 |
| Income tax benefit | 3,138 | 1,917 |
| Profit (loss) for the period | (37,514) | 6,195 |
| Profit (loss) attributable to: | | |
| Equity holders of the parent | (30,806) | 6,584 |
| Result non-controlling interest | (6,708) | (389) |
| | (37,514) | 6,195 |
| Basic and diluted earnings per share (in Pound Sterling) | (0.72) | 0.16 |

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended | |
|---|------------------------------------|------------------------------------|
| | 30 June 2020 Unaudited £'000 | 30 June 2019 Unaudited £'000 |
| Profit (loss) for the period | (37,514) | 6,195 |
| Other comprehensive income (loss) to be recycled through profit and loss in subsequent periods: | | |
| Loss from cash flow hedges ¹ | (174) | (574) |
| Foreign currency translation adjustments of foreign operations ² | 24,993 | 1,351 |
| Other comprehensive income, net | 24,819 | 777 |
| Total comprehensive income (loss) | (12,695) | 6,972 |
| Total comprehensive income (loss) attributable to: | | |
| Equity holders of the parent | (11,551) | 7,307 |
| Non-controlling interest | (1,144) | (335) |
| | (12,695) | 6,972 |

1 Included in hedging reserve.

2 Included in foreign currency translation reserve.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Issued capital ¹ £'000 | Share premium £'000 | Treasury shares £'000 | Foreign currency translation reserve £'000 | Hedging reserve £'000 | Accumulated earnings £'000 | Attributable to equity holders of the parent £'000 | Non- controlling interests £'000 | Total equity £'000 |
|--|---|---------------------------|-----------------------------|--|-----------------------------|----------------------------------|--|---|--------------------------|
| Balance as at 1 January 2020 (audited) | – | 130,260 | (3,636) | 8,094 | (655) | 243,233 | 377,296 | 103,465 | 480,761 |
| Profit (loss) for the period | – | – | – | – | – | (30,806) | (30,806) | (6,708) | (37,514) |
| Other comprehensive income (loss) for the period | – | – | – | 19,347 | (92) | – | 19,255 | 5,564 | 24,819 |
| Total comprehensive income (loss) | – | – | – | 19,347 | (92) | (30,806) | (11,551) | (1,144) | (12,695) |
| Share based payments | – | 62 | – | – | – | 33 | 95 | 30 | 125 |
| Transactions with non-controlling interests | – | – | – | – | – | – | – | (63) | (63) |
| Balance as at 30 June 2020 (unaudited) | – | 130,322 | (3,636) | 27,441 | (747) | 212,460 | 365,840 | 102,288 | 468,128 |
| Balance as at 1 January 2019 (audited) | – | 130,061 | (3,636) | 23,131 | (437) | 224,373 | 373,492 | 105,050 | 478,542 |
| Profit for the period | – | – | – | – | – | 6,584 | 6,584 | (389) | 6,195 |
| Other comprehensive income (loss) for the period | – | – | – | 1,021 | (298) | – | 723 | 54 | 777 |
| Total comprehensive income (loss) | – | – | – | 1,021 | (298) | 6,584 | 7,307 | (335) | 6,972 |
| Dividend distribution ² | – | – | – | – | – | (8,056) | (8,056) | – | (8,056) |
| Dividend distribution by a subsidiary | – | – | – | – | – | – | – | (1,449) | (1,449) |
| Share based payments | – | 100 | – | – | – | – | 100 | – | 100 |
| Refund of cost in connection with prior year's transaction with non-controlling interest | – | – | – | – | – | 290 | 290 | 250 | 540 |
| Balance as at 30 June 2019 (unaudited) | – | 130,161 | (3,636) | 24,152 | (735) | 223,191 | 373,133 | 103,516 | 476,649 |

1 No par value.

2 Final dividend for 2018 was 19.0 pence per share which was paid in May 2019.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended | |
|---|------------------------------------|------------------------------------|
| | 30 June 2020 Unaudited £'000 | 30 June 2019 Unaudited £'000 |
| Cash flows from operating activities: | | |
| Profit for the period | (37,514) | 6,195 |
| Adjustments to reconcile profit to cash provided by operating activities: | | |
| Financial expenses including changes in fair value of derivatives and expenses for financial liability in respect of Income Units sold to private investors | 20,472 | 20,195 |
| Financial income | (263) | (876) |
| Income tax benefit | (3,138) | (1,917) |
| Loss on buy-back of Income Units sold to private investors | – | 382 |
| Disposal of assets | 1,470 | – |
| Gain from marketable securities | (107) | (501) |
| Share based payments | 125 | 100 |
| Revaluation of lease liability | 1,738 | 1,666 |
| Revaluation of County Hall units | 600 | – |
| Share in loss (profit) of associate and joint ventures | 393 | (11) |
| Depreciation and amortisation | 20,999 | 21,016 |
| | 42,289 | 40,054 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in inventories | 375 | (176) |
| Decrease (increase) in trade and other receivables | 7,479 | (11,243) |
| Increase (decrease) in trade and other payables | (1,318) | 9,960 |
| | 6,536 | (1,459) |
| Cash paid and received during the period for: | | |
| Interest paid | (18,970) | (20,991) |
| Interest received | 313 | 661 |
| Taxes paid | (380) | (592) |
| Taxes received | – | 1,376 |
| | (19,037) | (19,546) |
| Net cash flows provided by operating activities | (7,726) | 25,244 |

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 2020 Unaudited £'000 | 30 June 2019 Unaudited £'000 |
| Cash flows from investing activities: | | |
| Investments in property, plant and equipment | (32,230) | (43,642) |
| Proceeds from disposal of property, plant and equipment | 85 | – |
| Loan to third party | – | (591) |
| Purchase of remaining interest in previously held joint venture | (2,207) | (13,509) |
| Decrease (increase) in restricted cash, net | (871) | 305 |
| Sale (purchase) of investments in marketable securities, net | 5,303 | (16) |
| Net cash flows used in investing activities | (29,920) | (57,453) |
| Cash flows from financing activities: | | |
| Dividend distribution | – | (8,056) |
| Dividend distribution by a subsidiary | – | (1,449) |
| Net proceeds (payments) from transactions with non-controlling interests | (63) | – |
| Proceeds from long-term loans | 21,680 | – |
| Repayment of long-term loans | (4,771) | (9,405) |
| Buy-back of Income Units previously sold to private investors | – | (880) |
| Refund of cost in connection with prior year's transaction with non-controlling interests | – | 540 |
| Net cash flows provided by (used in) financing activities | 16,846 | (19,250) |
| Increase (decrease) in cash and cash equivalents | (20,800) | (51,459) |
| Net foreign exchange differences | 4,766 | 14 |
| Cash and cash equivalents at beginning of period | 153,029 | 207,660 |
| Cash and cash equivalents at end of period | 136,995 | 156,215 |
| Non cash items: | | |
| Lease additions | 13,476 | – |
| Outstanding payables on investments in property, plant and equipment | 5,445 | – |

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

NOTES:

Note 1: General

- a. PPHE Hotel Group, which together with its subsidiaries (the 'Group'), is an international hospitality real estate group, which owns, co-owns and develops hotels, resorts and campsites, operates the Park Plaza® brand in EMEA and owns and operates the art'otel® brand.
- b. These financial statements have been prepared in a condensed format as of 30 June 2020 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 of 31 December 2019 and for the year then ended and the accompanying notes ('annual consolidated financial statements').
- c. The Company is listed on the Premium Listing segment of the Official List of the UK Listing Authority (the 'UKLA') and the shares are traded on the Main Market for listed securities of the London Stock Exchange.

d. **Going concern and liquidity**

From January 2020, COVID-19 began to spread from China to many countries across the world. The World Health Organization declared the outbreak of the virus a pandemic in March 2020. Governments and authorities across the globe took various measures to mitigate the spread of the virus, primarily by enforcing partial or complete population 'lockdowns', closing geographical borders, temporarily closing businesses and imposing social distancing.

As a result of these measures, the Group's operations were significantly impacted. In response, the Group took swift action to mitigate the impact of the pandemic, including preserving cash by reducing costs and overheads. Amongst others, the Group has taken the following actions:

Cash flow measures

- Utilisation of the government support schemes available to the business across its markets; the COVID-19 Job Retention Scheme in the UK, the Temporary Emergency Measure for Work Retention scheme in the Netherlands, the Kurzarbeit scheme in Germany and the Job Preservation scheme in Croatia. Together, these schemes provided the Group with approximately £10.8 million of support in the period which was recorded under operating expense in the consolidated income statement.
- Additional government support measures such as the business rates holiday in the UK from 1 April 2020 until 31 March 2021, which amounts to a £1.4 million cash saving per month and deferral of VAT and PAYE.
- Ongoing restructuring programme to ensure the Group's operational structure is fit for purpose and is aligned with guest demand for the short and medium term.
- Temporary 100% cut of the fees and salary respectively for the Chairman of the Board and the President & CEO, as well as a 20% salary reduction across all members of the Executive Leadership Team.
- Deferral of 2019 discretionary staff incentive payments, at an aggregate value of £1.8 million, with such payments reconsidered, if appropriate, in due course.
- Withdrawal of proposed 2019 final dividend payment to shareholders, equating to £8.6 million. Given the uncertainty pertaining to the pandemic and its impact on the future cash requirements for the Group, the Board is not proposing an interim dividend in respect of the six-months ended 30 June 2020.
- Reviewed and reprioritised capex requirements for development pipeline.
- Deferred loan amortisations for 2020 at an aggregated amount of £6.1 million.
- Reviewed and reprioritised all areas of discretionary spend, reducing this to business-critical investments only.

Liquidity

- £20 million of new funding secured against Park Plaza London Waterloo, which can be used for the general working capital requirements of the Group (undrawn) (see note 3e).
- Secured an overdraft facility of £5 million (fully drawn) and a term facility of €10 million (post balance sheet date) with the Group's current banking partners (see note f).
- Up to £180 million of funding has been secured for the completion of the construction of art'otel london hoxton (see note 3b). This facility also offers the Group the ability to temporarily draw up to £43 million, if required, for any cash flow needs the Group may encounter in the short term.
- Financial covenant testing of existing facilities have been postponed, where appropriate, until the summer of 2021, with the first test due in July 2021 based on the results for 30 June 2021.

Despite the impact of COVID-19 on trading cash flows, the Group continues to hold a strong liquidity position with an overall cash balance of £137.0 million as at 30 June 2020 and undrawn cash facilities of £63 million.

The Directors have considered detailed cash flow projections for the next three years which are based on two downside scenarios: The first scenario assumes a slow recovery during the rest of 2020, zero consolidated EBITDA in 2021 and returning to 2019 EBITDA levels in 2022. The second scenario assumes a slow recovery during the rest of 2020, a further gradual improvement in years 2021-2022 and returning to 2019 EBITDA levels in 2023. Both scenarios assume that covenant waivers will be extended if necessary. Having reviewed those scenarios, the Directors have determined that the Company is likely to continue in business for at least 12 months from the date of approval of the consolidated financial statements.

Note 2: Basis of preparation and changes in 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, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of the following new standards effective as of 1 January 2020 had no material impact on the interim Consolidated financial statements:

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018

Note 3: Significant events during the reported period

a. Acquisition of the remaining interest in the joint venture in New York City

In January 2020 the Group acquired, from its joint venture partner, its 50% interest in W29 Development LLC, a Delaware limited liability company (the "JV Company"), for a total consideration of US\$3.3 million (£2.2 million) plus associated acquisition costs. As a result, the Company now owns 100% of the JV Company and the associated joint venture arrangements have been terminated. The acquisition, which was funded from the Company's existing cash resources has been accounted for as an acquisition of land in the amount of £33.5 million and assumption of related mortgage in the amount of £16.8 million.

b. Funding for development of art'otel london hoxton

The Group has entered into a syndicated facility agreement arranged by Bank Hapoalim B.M. for a facility of up to £180 million (the "Facility") to fund the development of art'otel london hoxton (the "Hotel") on a site located by Old Street, Rivington Street, Great Eastern Street and Bath Place, London EC1 (the "Site").

The initial maturity date of the Facility is April 2024 although there are provisions, subject to certain conditions, to extend the Facility by two periods of three years each. The Facility bears a floating interest rate, reflecting an initial interest rate of LIBOR + 3.55% reducing following two consecutive quarters after practical completion of the Hotel.

The Facility contains customary debt service cover and loan to value financial covenants, applicable following practical completion of the Hotel, which must be complied with, subject to an ability to cure in certain circumstances through the injection of equity or prepayment (to the extent necessary) of the Facility.

The Facility will be secured by, among other things; mortgages over the ownership interests in the Site and security over the shares in certain group companies that own such interests in the Site. The lenders under the Facility benefit from completion and cost overrun guarantees provided by the Company.

c. New hotel development in Zagreb

On 29 January 2020 the Group through its subsidiary Arena Hospitality Group d.d. ("Arena") entered into a 45-year lease for the development and operation of a contemporary branded hotel in Zagreb, Croatia. The development, which is subject to obtaining the necessary permits, involves the conversion of an iconic building in a prime location in the historic heart of the city. Once opened, this 115 room hotel will include a destination restaurant and bar, wellness and spa facilities, fitness centre, event space and parking.

d. Settlement with the Republic of Croatia related to, and the acquisition of, Guest House Riviera Pula

Arena has been operating Guest House Riviera ("Riviera") in Pula for decades and has been in discussions with the Croatian Ministry of State Assets to formalise the informal arrangement and acquire the property. Further to legal proceedings initiated by the Republic of Croatia against Arena for repossession of the property and compensation, Arena received the decision of the Government of the Republic of Croatia to enter into a proposed settlement offer for the aforementioned court dispute for Riviera. Based on the settlement entered into on 28 April 2020, Arena compensated the State for the previous use of the property with an amount of HRK 13.9 million (£1.6 million) and was entitled to buy Riviera as its rightful longstanding possessor. On 2 June 2020, Arena signed the sale and purchase agreement for Riviera with the Republic of Croatia for an amount of HRK 36.5 million (£4.4 million). The purchase concludes the ownership status of this hotel.

e. Waterloo Hotel Holding BV financing agreement

On 23 June 2020 Waterloo Hotel Holding BV, a fully owned subsidiary of the Company, entered into a three year £20 million financing agreement with Santander UK plc which bears a rate of Libor+2.4% per annum.

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 2020 (unaudited) | | | | | | |
|---|---|---------------------------------|-------------------------|------------------|--|----------------------|-----------------------|
| | The Netherlands £'000 | Germany and Hungary £'000 | United Kingdom £'000 | Croatia £'000 | Management and holding companies £'000 | Adjustments £'000 | Consolidated £'000 |
| REVENUE | | | | | | | |
| Third party | 9,470 | 5,637 | 41,795 | 3,285 | 1,669 | - | 61,856 |
| Inter-segment | - | - | - | - | 7,420 | (7,420) | - |
| Total revenue | 9,470 | 5,637 | 41,795 | 3,285 | 9,089 | (7,420) | 61,856 |
| Segment EBITDA | 406 | 74 | 4,769 | (3,909) | (4,654) | - | (3,314) |
| Depreciation and amortisation | | | | | | | (20,999) |
| Financial expenses | | | | | | | (18,622) |
| Financial income | | | | | | | 370 |
| Net expenses for financial liability in respect of Income Units sold to private investors | | | | | | | (1,850) |
| Other income (expenses), net | | | | | | | 4,156 |
| Share in profit of associate and joint ventures | | | | | | | (393) |
| Profit before tax | | | | | | | (40,652) |

| | Six months ended 30 June 2019 (unaudited) | | | | | | |
|---|---|---------------------------------|-------------------------|------------------|--|----------------------|-----------------------|
| | The Netherlands £'000 | Germany and Hungary £'000 | United Kingdom £'000 | Croatia £'000 | Management and holding companies £'000 | Adjustments £'000 | Consolidated £'000 |
| REVENUE | | | | | | | |
| Third party | 25,859 | 14,122 | 95,656 | 16,710 | 2,926 | – | 155,273 |
| Inter–segment | – | – | – | – | 17,786 | (17,786) | – |
| Total revenue | 25,859 | 14,122 | 95,656 | 16,710 | 20,712 | (17,786) | 155,273 |
| Segment EBITDA | 7,083 | 3,947 | 30,849 | (554) | 4,330 | – | 45,655 |
| Depreciation and amortisation | | | | | | | (21,016) |
| Financial expenses | | | | | | | (15,831) |
| Financial income | | | | | | | 1,377 |
| Net expenses for financial liability in respect of Income Units sold to private investors | | | | | | | (4,364) |
| Other income (expenses), net | | | | | | | (1,554) |
| Share in loss of associate and joint ventures | | | | | | | 11 |
| Profit before tax | | | | | | | 4,278 |

Note 5: Financial instruments

Fair value of financial instruments:

During the period ended 30 June 2020, 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.

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 and the exposure to currency risk is limited.

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 stronger trading period.

b. Other income

| | Six months ended 30 June 2020 (Unaudited) £'000 | Six months ended 30 June 2019 (Unaudited) £'000 |
|--|--|--|
| Net proceeds from settlement of insurance claim ¹ | 9,982 | - |
| Gain from settlement of legal claim ² | - | 876 |
| Total | 9,982 | 876 |

1. Net insurance proceeds received in relation to one of the Group's UK hotels.

2. Release of accrual as a result of a settlement reached in a legal dispute in Croatia with Pula Herculanea d.o.o (see Note 16a in the annual consolidated financial statements).

c. Other expenses

| | Six months ended 30 June 2020 (Unaudited) £'000 | Six months ended 30 June 2019 (Unaudited) £'000 |
|---|--|--|
| Buy-back of Income Units at Park Plaza Westminster Bridge London | - | (382) |
| Other non-recurring expenses (including pre-opening expenses) | (392) | (382) |
| Disposal of assets ¹ | (1,470) | - |
| Settlement with the Republic of Croatia in relation to Guest House Riviera Pula (note 3d) | (1,626) | - |
| Revaluation of finance lease ² | (1,738) | (1,666) |
| Revaluation of Income Units at Park Plaza County Hall London | (600) | - |
| Total | (5,826) | (2,430) |

1. Mainly relates to the write-off value of fixed assets due to reconstruction of Hotel Brioni Pula (disposal of asset due to reconstruction).

2. Non cash revaluation of finance lease liability relating to minimum future CPI/RPI increases.

d. 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.

| | Six months ended 30 June | |
|---|--------------------------|---------------------|
| | 2020 (Unaudited) | 2019 (Unaudited) |
| Reported profit (loss) (£'000) | (30,806) | 6,584 |
| Weighted average number of ordinary shares outstanding (in thousands) | 42,459 | 42,368 |

e. Related parties

Construction of the art'otel london Hoxton

Following the approval by the independent shareholders, on 7 April 2020 the Group entered into a building contract with Gear Construction UK Limited ("Gear") for the design and construction of the art'otel london hoxton Hotel on a "turn-key" basis (the "building contract"). Under the building contract Gear assumes the responsibility for the design and construction of the main works for the design and build of art'otel london hoxton for a lump sum of £160 million (exclusive of VAT) (the "Contract Sum"). On top of the contract sum, the Group is entitled to novate certain existing contracts relating to the project to Gear at cost subject to a cap of £5.1 million (exclusive of VAT).

Gear is required to complete the works to be executed under the building contract by 3 February 2024.

Gear's obligations and liabilities under the building contract are supported by a corporate guarantee from Red Sea Hotels Limited, an associate of Euro Plaza Holdings B.V and therefore a related party of the Company, in the amount of 10% of the Contract Sum (the "corporate guarantee"). The corporate guarantee expires on the later of: (i) the expiry of the 2 year defects rectification period which follows practical completion of the works and (ii) the issue of the latent defect insurer's approval or final technical audit report.

As part of entering into the building contract, the Hoxton Project Management Agreement dated 21 June 2018 was terminated.

Sub-lease of office space

A member of the Group has agreed to sub-lease a small area of office space to members or affiliates of the Red Sea Group at its County Hall corporate office in London. Such sub-leases expire on 20 July 2021 and the rent payable by the Red Sea Group to PPHE is based on the cost at which the landlord is leasing such space to PPHE.

f. Post balance sheet events

Guest House Riviera financing

On 7 July 2020 Arena entered into a new loan agreement with OTP banka d.d. in Croatia for the purchase and refurbishment of Guest House Riviera. The facility is in a total amount of €10 million (£9.1 million), consisting of two tranches, due 2030 at a fixed interest rate of 2.125%.

Park Plaza Hotels Europe B.V. facility

On 7 August 2020 Park Plaza Hotels Europe B.V., a fully owned subsidiary of the Company, entered into a three year, €10 million (£9.1 million), Dutch government backed COVID-19 go-arrangement financing agreement with ABN AMRO BANK N.V. which bears a rate of EURIBOR +2.9% per annum.