

19 June 2014

**PPHE Hotel Group Limited**

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

**Funding Secured for New London Hotel**

PPHE Hotel Group Limited, which together with its subsidiaries (the "**Group**"), owns, leases, develops, operates and franchises full service upscale and lifestyle hotels in major gateway cities and regional centres, predominantly in Europe, is pleased to announce that following the completion of its acquisition of a prime site located near Waterloo London ("**Hercules House**") in June 2013 it has obtained planning permission for the redevelopment of the site into a hotel and yesterday also secured funding of up to £80 million from Banque Hapoalim (Luxembourg) S.A. (the "**Bank**") (the "**Facility**") to fund the redevelopment.

The planning permission and funding is for a hotel of 438 rooms (the "**Hotel**") which may, subject to further planning approval, be extended to 490 rooms. Additional facilities of the Hotel will include a swimming pool, spa, restaurant and bar.

Hercules House is owned by the Company's wholly-owned subsidiary, Hercules House Holding B.V. ("**Hercules**"). The Facility will be used by Hercules to:

- 1 refinance the outstanding amounts owed to the Bank under the existing acquisition facility entered into on 23 April 2013; and
- 2 fund the demolition, clearance operations and other construction and infrastructure work for the development of the Hotel.

The initial maturity date of the Facility is 18 June 2017 (the "**Initial Maturity Date**") although Hercules has the right, subject to certain conditions, to extend the Facility so that it matures on 7 April 2018.

The Facility will bear interest at 5 per cent. per annum over 3-month Sterling LIBOR and will increase to 5.50 per cent. per annum over 3-month Sterling LIBOR after the Initial Maturity Date.

Yesterday, Hercules also entered into a building contract with WW Gear Construction Limited ("**Gear**") for the design and construction of the Hotel on a "turn-key" basis. The basic contract price payable to Gear is £63.47 million for 438 rooms or, alternatively, £70.48 million if the Hotel is extended to 490 rooms. In addition, an early completion bonus is payable to Gear calculated as £75,000 (for 438 rooms) or £150,000 (for 490 rooms) multiplied by the number of months prior to September 2016 that the Hotel is completed.

Gear is a wholly owned subsidiary of Red Sea Group Limited ("**Red Sea**") which owns 44.67% of the issued share capital of PPHE. Red Sea is controlled by Euro Plaza Holdings B.V. ("**Euro Plaza**"), which is owned by family trusts of Mr Eli Papouchado, the Chairman of PPHE.

Under the relationship agreement entered into between Euro Plaza (the principal shareholder of the Company (in whose shares Mr Eli Papouchado and certain members of his family are also interested)) and the Company, transactions between the Company and Euro Plaza (and its associates, which include Gear) are required to be on arm's length terms. The non-executive Directors of PPHE had Gear's tender for the construction of the Hotel independently reviewed to ensure that it was competitive. The Directors consider that the building contract has been entered into on arm's length terms and is in the interests of the Company's shareholders as a whole.

In deciding to appoint Gear, the Directors had regard to Gear's strong track record having been responsible for the successful construction and refurbishment of many of the Company's hotels

including Park Plaza Westminster Bridge London, Park Plaza Riverbank London and art'otel amsterdam.

Construction of the Hotel commenced in April 2014.

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Notes to Editors

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

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

The portfolio of owned, leased, managed and franchised hotels comprises 38 hotels in operation offering a total of more than 8,300 rooms. The development pipeline includes four new hotel projects, one hotel extension and reconfiguration and two rebranding projects. These developments are expected to add over 850 rooms to our portfolio by mid 2016 and 350 rooms by the end of 2017.

Our Company:

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

Our Hotel Brands:

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

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

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

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