DANIEL KOS
CHIEF FINANCIAL OFFICER & EXECUTIVE DIRECTOR

BUILDING ON A STRONG TRACK RECORD

FINANCIAL RESULTS

Key financial statistics for the financial year ended 31 December 2019

	Reported in GBP (£)		Like-for-like GBP[1] (£)	
	Year ended 31 December 2019	Year ended 31 December 2018	**Year ended 31 December 2019**	Year ended 31 December 2018
Total revenue	**£357.7 million**	£341.5 million	**£355.8 million**	£338.3 million
EBITDAR	**£124.7 million**	£120.7 million	**£124.2 million**	£120.3 million
EBITDA	**£122.9 million**	£113.2 million	**£117.4 million**	£113.6 million
EBITDA margin	**34.4%**	33.1%	**33.0%**	33.6%
Reported PBT	**£38.5 million**	£46.4 million	**–**	–
Normalised PBT	**£40.7 million**	£37.7 million	**–**	–
Reported EPS	**80p**	90p	**–**	–
Dividend per share	**37p**	35p	**–**	–
Occupancy	**80.6%**	79.4%	**80.7%**	79.4%
Average room rate	**£128.5**	£123.1	**£128.5**	£124.3
RevPAR	**£103.6**	£97.7	**£103.7**	£98.7
Room revenue	**£250.6 million**	£236.6 million	**£249.1 million**	£234.3 million
EPRA NAV per share	**£25.46**	£24.57	**–**	–
Adjusted EPRA earnings per share	**128p**	115p	**–**	–

1 The like-for-like comparison for 2019 excludes the influence of IFRS 16, which was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. Furthermore, the like-for-like figures for the year ended December 2019 exclude the operation of Park Plaza Vondelpark, Amsterdam from August to December (the property was temporarily closed for renovations during this period in 2018). The like-for-like figures for the year ended December 2018 exclude the first three months of operation for Park Plaza Vondelpark, Amsterdam (the property was temporarily closed for renovations during this period in 2019). Furthermore, the like-for-like figures for the year ended December 2018 exclude the operation of art'otel Dresden (the lease of which was terminated on 31 July 2018).

OVERVIEW 2019

We are pleased to report another year of delivering results in line with our financial expectations. We achieved good growth in revenues and profits, as the financial benefits from recently completed major repositioning projects and new openings continued to come through. In the last three years we have invested over £100 million in our repositioning and refurbishment programme, which has resulted in some disruption to our operations. Notwithstanding the loss of room stock whilst these projects were undertaken, a combination of sound planning and execution, as well as a large, well positioned portfolio, has enabled us to continue to deliver annual growth in revenues and profits throughout the last three years.

The key focus for 2019 was driving the performance of our recently refurbished hotels in London, progressing our ongoing investment programme to develop a new hotel in London and reposition and renovate several properties in the United Kingdom, the Netherlands and Croatia. In total, we invested more than £72 million in these initiatives during the year. Whilst it is early days, we are on course to deliver the overall targeted return from this investment.

We are pleased to report an EPRA NAV per share of £25.46 (2018: £24.57) and adjusted EPRA earnings per share of 128 pence (2018: 115 pence), reconfirming the value we created for our shareholders through our strategic focus on our owner/operator model, combined with in-house development. As a result of the increase in our cash earnings, the Board proposed to increase the final dividend by 5.3% to 20 pence per share, which brings the total dividend over the year 2019 to 37 pence per share (2018: 35 pence per share).

OPERATIONAL PERFORMANCE

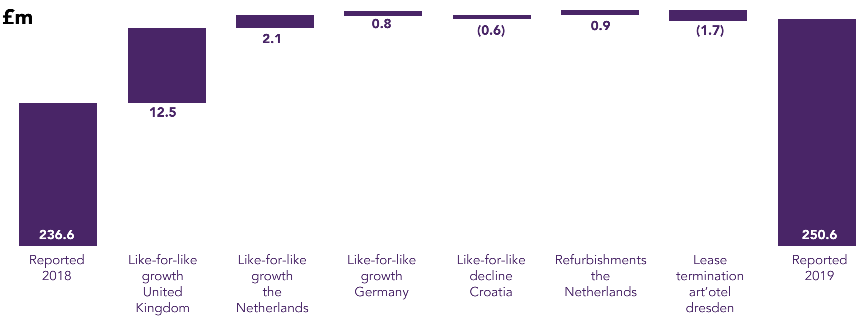
Revenue

On a like-for-like[1] basis, total revenue increased by 5.2% to £355.8 million and reported total revenue was up 4.8% to £357.7 million, notwithstanding some currency headwinds in the year.

Growth was primarily driven by roomstock coming back on stream following the completion of the repositioning programme, and a strong rate led RevPAR performance in the United Kingdom across a number of hotels.

Like-for-like[1] RevPAR was £103.7, an increase of 5.1% (2018: £98.7), led by a 3.4% increase in average room rate to £128.5 (2018: £124.3). Like-for-like[1] occupancy improved by 130 bps to 80.7% (2018: 79.4%). Whilst RevPAR growth was predominantly London led, the Netherlands region also generated a positive contribution. Overall, reported RevPAR was £103.6 (2018: £97.7), up 6.0%, driven by a 4.4% increase in average room rate and a 120 bps improvement in occupancy.

YEAR-ON-YEAR ROOM REVENUE GROWTH



As a result of the strong RevPAR growth, in combination with additional roomstock, like-for-like room revenue was up 6.3% to £249.1 million (2018: £234.3 million).

EBITDA and EBITDA margin

On a like-for-like[1] basis, EBITDA increased by 3.4% to £117.4 million. Group reported EBITDA increased by 8.6% to £122.9 million and EBITDA margin increased to 34.4%. EBITDA growth was driven by the rate led RevPAR growth and supported by the IFRS 16 changes on accounting for leases. The IFRS change mainly affected the EBITDA of two of the Group's hotels, which are operated under a short-term operating lease.

Although we continue to see labour related cost pressures in all the markets in which we operate, we were able to maintain margins in two of our four regions. The EBITDA margin in the Croatian region decreased by 110 bps to 29.8%, mainly driven by an average rate related RevPAR decline of 1.9% on the back of a softer than expected performance in high season.

IFRS 16

From 1 January 2019 the Group adopted the latest accounting standard for leases, IFRS 16, which in essence aims to recognise the assets and liabilities of virtually all leases on balance sheet. Previously leases that were classified as operating leases were not recognised on the balance sheet, with the payments charged to rent expense included in EBITDA. Following the implementation of FRS 16 from the start of 2019 the Group has recognised the future payment obligations as liabilities and the corresponding right-of-use assets as assets within the balance sheet. In accordance with the new accountng treatment, instead of a rent expense, the assets are now subject to a charge for depreciation and the liabilities incur a financial expense both classified below EBITDA in the Income statement. As described in the table below, as a result of the implementation, EBITDA increased by £5.3 million however this was offset further down the income statement by higher charges for depreciation and financial expenses causing a net decrease of £0.4 million on profit before tax.

	According to the previous accounting policy £'000	The change £'000	As presented according to IFRS 16 £'000
Operating expenses	(233,295)	271	(233,024)
Rent expenses	(6,822)	5,048	(1,774)
EBITDA	117,575	5,319	122,894
Depreciation and amortisation	(38,032)	(3,717)	(41,749)
Interest on lease liabilities	(7,114)	(2,032)	(9,146)
Profit before tax	38,907	(430)	38,477

Profit and earnings per share

Normalised profit before tax increased by 7.9% to £40.7 million (2018: £37.7 million). Normalised profit before tax was positively supported by the increased EBITDA but partially offset by an increase in depreciation costs of £2.1 million on the back of the recent investment programme. The implementation of IFRS 16 has reduced the Group's normalised profit before tax by £0.4 million. Below is a reconciliation table from reported to normalised profit.

As discussed above, depreciation increased in the year from £35.9 million to £41.7 million, mainly as a result of the implementation of IFRS 16. Although depreciation is recorded in accordance with GAAP, internally we consider our ongoing average capital expenditure (capex) over the lifespan of our hotels as a more relevant measure in determining profit, which in the hospitality industry is calculated as approximately 4% of total revenue. Our EPRA earnings number set out on page 57 of this report is calculated using the 4% rate instead of the reported non-cash depreciation charge.

Reported profit before tax decreased by £7.9 million to £38.5 million (2018: £46.4 million). 2018 reported profit was affected by non-recurring items which mainly include the one-off revaluation of the Company's previously held equity interest in art'otel london hoxton.

	Reconciliation reported to normalised profit	
	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Reported profit before tax	**38.5**	46.4
Termination of operating lease	**–**	3.1
Gain on revaluation of previously held interest in art'otel london hoxton development	**–**	(20.3)
Expenses in connection with transfer to Premium listing	**–**	1.6
Results from marketable securities	**(0.9)**	0.7
Remeasurement of lease liability	**3.4**	4.8
Refinance costs and expenses (including termination of hedge)	**–**	0.3
Park Plaza Westminster Bridge London fair value adjustment on income swaps and buy-back of Income Units	**0.9**	1.0
Forfeited deposits from rescinded sale contracts of Income Units at Park Plaza Westminster Bridge London to private investors	**–**	(0.1)
Revaluation of Park Plaza County Hall London Income Units	**(0.9)**	–
Capital loss on disposal of fixed assets and inventory	**0.1**	–
Pre-opening expenses	**0.7**	0.2
Release of provision for litigation	**(1.1)**	–
Normalised profit before tax	**40.7**	37.7

Reported basic/diluted earnings per share for the period were 80 pence, a decrease of 11% (2018: 90 pence).

The table on page 51 provides selected data from the Group's reported balance sheet and profit and loss accounts for the year ended 31 December 2019. With this table, the Group aims to assist investors in making a further analysis of the Group's performance and capital allocation, separating its excess cash position (to fund further growth), the development projects and the assets of Arena Hospitality Group d.d. 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			Arena Hospitality Group[6]		Total
	Trading properties £m	Excess Cash[4] £m	Non-trading projects[3] £m	Trading properties £m	Excess Cash[4] £m	PPHE Hotel Group Reported £m
Balance Sheet						
Book-value properties (excluding Income Units at Park Plaza Westminster Bridge London sold to third parties)[1]	645.3	–	99.3	251.9	–	996.5
Right-of-use asset[1]	194.1	–	–	24.6	–	218.7
Book value intangible assets	16.3	–	–	1.7	–	18.0
Book value non-consolidated investments	–	–	13.7	4.4	–	18.1
Other long-term assets	18.0	–	–	4.2	–	22.2
Working capital	(16.8)	–	–	(7.3)	–	(24.1)
Cash and liquid investments	46.0	34.0	–	6.8	76.8	163.6
Bank/Institutional loans (short/long term)	(567.1)	–	–	(111.2)	–	(678.3)
Finance lease liability, land concession and other provisions	(206.2)	–	–	(30.1)	–	(236.3)
Deferred profit Income Units in Park Plaza Westminster Bridge London[5]	(10.2)	–	–	–	–	(10.2)
Other provisions	(5.6)	–	–	(1.9)	–	(7.5)
Total capital consolidated	**113.8**	**34.0**	**113.0**	**143.1**	**76.8**	**480.7**
Minority shareholders	–	–	–	(67.3)	(36.2)	(103.5)
Total capital employed by PPHE Hotel Group shareholders	**113.8**	**34.0**	**113.0**	**75.8**	**40.6**	**377.2**
Normalised profit						
Revenue	265.4	–	0.4	91.9	–	357.7
EBITDAR	95.5	–	0.4	28.7	–	124.7
Rental expenses	(0.2)	–	–	(1.6)	–	(1.8)
EBITDA	95.4	–	0.4	27.1	–	122.9
Depreciation	(30.7)	–	–	(11.1)	–	(41.8)
EBIT	64.7	–	0.4	16.0	–	81.1
Interest expenses: banks and institutions	(19.9)	–	–	(3.1)	–	(23.0)
Interest on finance leases	(8.6)	–	–	(0.5)	–	(9.1)
Westminster Bridge London	(10.5)	–	–	–	–	(10.5)
Other finance expenses and income	1.2	0.2	0.5	0.1	–	2.0
Minority interests	–	–	–	0.2	–	0.2
Result from equity investments	–	–	–	–	–	–
Normalised profit before tax 31 December 2019[2]	**26.9**	**0.2**	**0.9**	**12.7**	**–**	**40.7**
Reported tax	(0.5)	–	–	4.6	–	4.1
Normalised profit after reported tax	**26.4**	**0.2**	**0.9**	**17.3**	**–**	**44.8**
Normalised profit attributable to minority shareholders	–	–	–	(8.3)	–	(8.3)
Normalised profit after tax attributable to PPHE Hotel Group shareholders	**26.6**	**–**	**0.9**	**9.0**	**–**	**36.5**

1 These are stated at cost price less depreciation. The fair value of these properties is substantially higher.
2 A reconciliation of reported profit to normalised profit is provided on page 53.
3 This contains properties that are in development.
4 Excess cash is directly available for further investments and developments.
5 This is the book value of units in Park Plaza Westminster Bridge London netted with the advanced proceeds these investors received in 2010.
6 Arena Hospitality Group d.d is listed on the Zagreb Stock Exchange. The market capitalisation at 31 December 2019 is £218.4 million.

REAL ESTATE PERFORMANCE

EPRA NAV

Given the Group's real estate driven business model, certain EPRA performance measurements are disclosed to aid investors in analysing the Group's performance and understanding the value of the Group's assets and its earnings from a property perspective. As a developer, owner and operator of hotels, resorts and campsites, we generate returns by both developing the assets we own and operating all of our properties to their full potential.

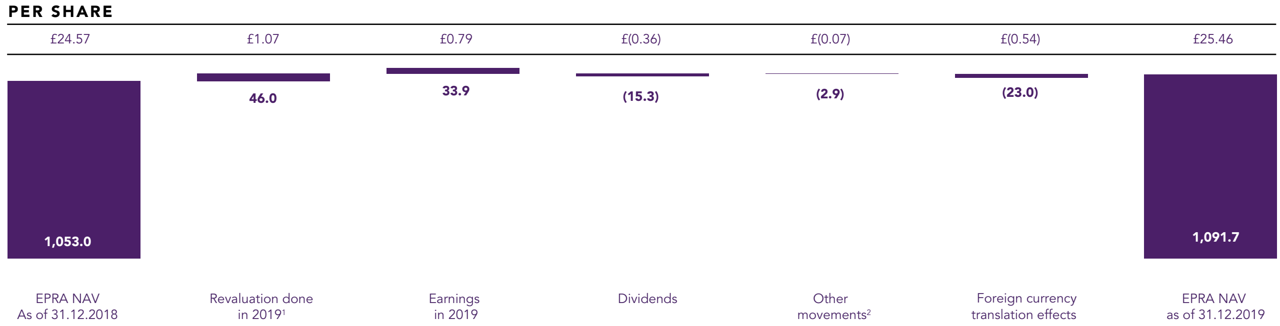
In June 2019, the Group's properties (with the exception of operating leases, managed and franchised properties) were independently valued by Savills (in respect of properties in the Netherlands, UK and Germany) and by Zagreb nekretnine Ltd (ZANE) (in respect of properties in Croatia)[1]. Based on their valuations we have calculated the Group's EPRA net asset value (EPRA NAV).

The EPRA NAV as at 31 December 2019, set out in the table below amounts to £1,091.7 million, which equates to £25.46 per share. This EPRA NAV was negatively affected by adverse currency movements and overall presented a year-on-year growth of 3.6%. On a constant currency basis, EPRA NAV (after dividends) grew by 5.9% to £26.01.

1 The properties were valued in local currency and translated to Pound Sterling using the closing exchange rate as per 31 December 2019.

EPRA NAV

£m



1 The revaluation was done based on the same foreign exchange rates as 31 December 2018.
2 Includes other changes in equity, deferred taxes, and the effects of the exercise of options.

	31 December 2019 £m	31 December 2018 £m
NAV per the financial statements	**377.3**	373.5
Effect of exercise of options	**4.0**	4.7
Diluted NAV, after the exercise of options[1]	**381.2**	378.2
Includes:		
Revaluation of owned properties in operation (net of non-controlling interest)[2]	**699.2**	655.8
Revaluation of development property (art'otel london hoxton)[3]	**–**	5.4
Revaluation of the JV interest held in two German properties (net of non-controlling interest)	**3.9**	3.8
Excludes:		
Fair value of financial instruments	**(0.7)**	(0.4)
Deferred tax	**(6.7)**	(9.4)
EPRA NAV	**1,091.7**	1,053.0
Fully diluted number of shares (in thousands)[1]	**42,872**	42,860
EPRA NAV per share (in £)	**25.46**	24.57

1 The fully diluted number of shares excludes treasury shares but includes 412,290 outstanding dilutive options (as at 31 December 2018: 522,500).
2 The fair values of the properties were determined on the basis of independent external valuations prepared in the summer of 2019.
3 In 2018 the development site of art'otel london hoxton was independently valued of £82.5 million. Given that the site is under development it was not revalued in 2019 and is measured at cost.

Below is a summary of the valuation basis of our assets. The property market value, the discount rate and the cap rate have been taken from the independent valuer's report.

Location	Number of properties	Number of rooms/ pitches	Property market value (£m)	Average value per room/pitch (£)	Discount rate	Cap rate
United Kingdom						
– London[1]	6	2,284	933	408,275	7.5%–9%	5%–6.5%
– Provinces	2	365	36	98,630	10%–10.75%	7.5%–8.25%
Netherlands						
– Amsterdam	4	849	257	302,981	7.25%–8.5%	5.25%–6.5%
– Provinces	2	224	40	179,127	9%–9.5%	7%–7.5%
Germany	3	547	94	172,073	8.25%–8.75%	6%–6.25%
Croatia						
– Hotels and apartments	13	2,775	145	52,279	8%–10%	7%–9%
– Campsites	8	5,827	99	17,010	9%–11%	7%–9%

1 Excluding units of Park Plaza Westminster Bridge London owned by third parties.

The Group has a proven track record of acquiring properties which we believe have significant upside potential. We undertake (re) development and redesign of these assets to maximise operational excellence and capital appreciation. Through refinancing these properties, we are able to release capital for new investments, enabling further growth of our Group. With our latest investments in London and New York, we aim to continue this successful strategy.

Capex

In 2019, we continued with our investment programme in order to upgrade the Group's property portfolio. In total our capex investment in 2019 amounted to £72 million, including the major repositioning projects of Park Plaza Utrecht and Park Plaza Vondelpark, Amsterdam in the Netherlands, as well as Holmes Hotel London in the United Kingdom. In Croatia, we have completed a major repositioning of the Arena Kažela Campsite.

As we enter 2020, major repositioning programmes are well underway in Croatia, where Hotel Brioni will be the most significant with a £27 million investment programme. The current 2-star hotel will be repositioned to a 5-star 227-room, full service luxury hotel, with stunning views over the Adriatic sea and the Brioni Island.

In addition to the above repositioning programme, the Group commenced construction of the art'otel london hoxton. The Group is progressing with its plans to build a 27-storey mixed-use building for an estimated further investment of £200 million. The planned scheme includes a 343-room hotel, five floors of office space, top-floor meeting and events facilities, and multiple food and beverages offerings, including a sky bar.

The average maintenance capex profile across the estate has historically been around 4% of revenue, through the hotel cycle.

EPRA EARNINGS AND CASH FLOW

The main adjustment to the normalised profit included in the Group's financial statements is adding back the IFRS depreciation charge, which is based on assets at historical cost, and replacing it with a charge calculated at 4% of the Group's total revenues. This represents the Group's expected average cost to maintain the estate in good quality. The basis for calculating the Company's 2019 adjusted EPRA earnings of £54.2 million (2018: £48.5 million) and the Company's adjusted EPRA earnings per share of 128 pence (2018: 115 pence) is set out in the table below.

	12 months ended 31 December 2019 £m	12 months ended 31 December 2018 £m
Earnings attributed to equity holders of the parent Company	**33.9**	38.1
Depreciation and amortisation expenses	**41.7**	35.9
Revaluation of Park Plaza County Hall London Income Units	**(0.9)**	–
Gain on re-measurement of previously held interest in joint venture	**–**	(20.3)
Early close-out costs of debt instrument	**–**	0.3
Changes in fair value of financial instruments	**(0.7)**	1.0
Non-controlling interests in respect of the above[3]	**(7.8)**	(6.1)
EPRA earnings	**66.2**	48.9
Weighted average number of shares (LTM)	**42,390,693**	42,335,136
EPRA earnings per share (in pence)	**156**	116
Company specific adjustments[1]:		
Capital loss on buy-back of Income Units in Park Plaza Westminster Bridge London previously sold to private investors	**0.7**	0.6
Termination of operating lease[4]	**–**	3.1
Remeasurement of lease liability[5]	**3.4**	4.8
Other non-recurring expenses (including pre-opening expenses)	**0.8**	0.2
Expenses in connection with transfer to premium listing	**–**	1.6
Gain from settlement of legal claim[8]	**(1.1)**	–
Adjustment of lease payments[6]	**(2.2)**	–
Investment tax credit[7]	**(5.1)**	–
Maintenance capex[2]	**(14.3)**	(13.6)
Non-controlling interests in respect of the above[3]	**5.8**	2.9
Company adjusted EPRA earnings	**54.2**	48.5
Company adjusted EPRA earnings per share (in pence)	**128**	115

Reconciliation Company adjusted EPRA earnings to normalised reported profit before tax		
Company adjusted EPRA earnings	**54.2**	48.5
Reported depreciation	**(41.7)**	(35.9)
Non-controlling interest in respect of reported depreciation	**7.8**	6.0
Maintenance capex (4% of total revenues)	**14.3**	13.6
Non-controlling interest on maintenance capex	**(5.8)**	(2.9)
Adjustment of lease payments[6]	**2.2**	–
Investment tax credit[7]	**5.1**	–
Profit attributable to non-controlling interest	**8.7**	5.4
Reported tax	**(4.1)**	3.0
Normalised profit before tax	**40.7**	37.7

1 The 'Company specific adjustments' represent adjustments of non-recurring or non-trading items.
2 Calculated as 4% of revenues, which represents the expected average maintenance capital expenditure required in the operating properties.
3 Non-controlling interests include the non-controlling shareholders in Arena and third-party investors in income units of Park Plaza Westminster Bridge London.
4 In March 2018, the Group entered into an agreement to terminate the loss making lease agreement for the 174-room art'otel dresden, effective from 31 July 2018. To exit from this lease, the Group incurred an expense of £3.1 million. This termination resulted in a rent reduction that benefits the Group's EBITDA by approximately £0.5 million annually.
5 Non-cash remeasurement of lease liability relating to minimum future CPI increases.
6 Lease cash payments on account of lease liabilities redemption which are not recorded as an expense due to the implementation of IFRS 16.
7 Investment tax credit received in Croatia. See note 27f in the financial statements.
8 Release of provision as a result of a settlement reached in a legal dispute in Croatia. See note 16a in the financial statements.

FUNDING

Alongside traditional bank funding, the Group has used various financing options in order to optimise returns while remaining at comfortable leverage levels. These include sale-and-finance leaseback arrangements (>100 years), arrangements whereby the returns of individual rooms were sold to investor] and the secondary purchase offer in a listed subsidiary.

Arrangements with unitholders involve the sale of individual Income Units which directly relate to an individual room in a property (a 'Unit') to third party investors; these investors pay upfront and receive a contractual right to the future cash flow from the individual Units with no repayment obligation on the Group. The Group raised funds through the sale of Units in its Park Plaza Westminster Bridge London Hotel during its construction. The proceeds were used to build the hotel.

The Group has taken the opportunity to sell the land of certain assets, whilst securing a long-term finance leaseback, to take advantage of the low interest rate environment and secure long-term funding with no amortisation payments. All finance leases, except one, have lease payments that are fixed with annual capped/collared CPI/RPI adjustments. The finance leases, valued on a leasehold basis (i.e. the value of the assets, net of the accounted finance lease liability), have been included in the Group's EPRA NAV.

In addition to the above finance arrangements, the Group also raised funds through the secondary offering in Arena Hospitality Group d.d, its listed subsidiary in Croatia, in 2017, and retained a controlling shareholding. The proceeds, totalling €100 million, are currently used to fund the expansion of Arena Hospitality Group and upgrading of certain properties.

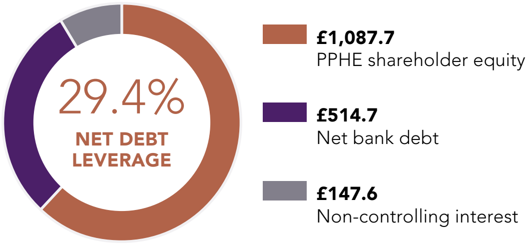
In the case of traditional bank funding, whereby assets are typically ringfenced into single or Group facilities, the loan to value ratio policy varies between 50% and 65%, depending on the location of the asset. The current net bank debt leverage of the Group stands at 29.4%, with three properties currently unencumbered, including the Hoxton development site.

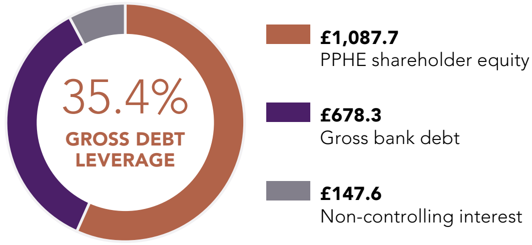
The Group's total assets (properties at fair value) represent a value after the deduction of lease liabilities and unit holder liabilities. Accordingly, in the total loan-to-value (LTV) analysis of the Group, management considers the value of the freehold and long leasehold assets (net of these liabilities) compared with its bank funding (i.e. excluding the lease and unit holder liabilities), which management believes is the most accurate representation of the Group's total leverage position.

Bank financing	£m
Over 5-year debt	609.9
Less than 5-year debt	68.4
Cash	163.6
Net bank debt	514.7
Equity	
– Reported	377.3
– Market value restatement	710.4
Equity attributable to shareholders of the Group[1]	1,087.7
Non-controlling interest	
– Reported	103.5
– Market value restatement[2]	44.1
Equity attributable to non-controlling interest	147.6
Total equity	1,235.3
Group's total asset (properties at fair value)	1,750.0

1 Equity attributable to shareholders of the Group based on EPRA NAV excluding the £4.0 million effect due to exercise of dilutive options.
2 The market value restatement for the equity attributable to non-controlling interest represents the minority's share in the EPRA NAV adjustments.

DEBT EQUITY





The Group reported a gross bank debt liability of £678.3 million (31 December 2018: £697.3 million) and net bank debt of £514.7 million (31 December 2018: £479.6 million). Key movements in net bank debt in 2019 included a reduced cash position and liquid investments of £35.0 million, primarily due to the acquisition of a 50% interest in the freehold site in Manhattan in New York, the acquisition of a freehold site close to Waterloo Station in London and the significant capex in our real estate investment programmes and a dividend payment offset by the Group cash from operations.

The table below provides a further breakdown of the Group's net bank debt position.

Loan maturity profile at 31 December 2019 (£m)

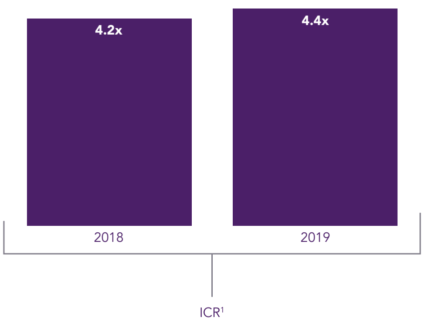
	Total	1 year	2 years	3 years	4 years	5 years	Thereafter
£m	678.3	13.4	13.4	13.4	15.1	13.1	609.9

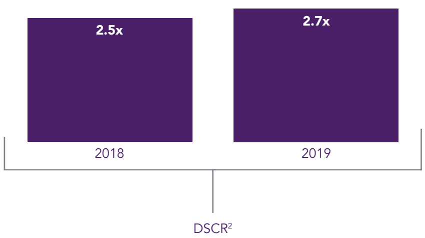
- Average cost of bank debt 3.1%
- Average maturity of bank debt 7.1 years
- Group average bank interest cover 4.4

KEY CHARACTERISTICS DEBT FOR OPERATING PROPERTIES

- Limited to no recourse to the Group
- Asset backed
- Borrowing policy 50–65% loan-to-value
- Portfolio and single asset loans
- 12 facilities with seven different lenders
- Covenants on performance and value (facility level)

STRONG COVER RATIO





1 EBITDA, less unitholder and lease payments, divided by bank interest.
2 EBITDA, less unitholder and lease payments, divided by the sum of bank interest and yearly loan redemption.

ACQUISITIONS AND DEVELOPMENT PIPELINE

Our in-house team is continuously seeking out and evaluating opportunities to expand our estate across prime locations, which we believe will offer attractive returns to shareholders.

In our strategy to drive long-term value we take a disciplined, focused approach to capital deployment. We aim to optimise the value of our existing portfolio and, where appropriate, extract value to fund new development opportunities in order to drive sustainable long-term growth. We are disciplined in selecting and progressing an investment opportunity, only targeting real estate with upside potential which fits our long-term growth strategy and above all creates strong shareholder value.

The Group's acquisition criteria include:

- prime location;
- attractive geographies, (this includes territories where the Group is not currently present);
- opportunity to create significant capital value; and
- risk adjusted accretive IRRs.

We have a £300 million plus pipeline of new hotels, including iconic development Hoxton London and New York, scheduled to open in 2023. These are art'otel london hoxton and a site in New York City, planned to open as an art'otel. The Group furthermore announced the acquisition of a plot of land near Waterloo Station in London, for which it is currently in the process of obtaining planning consent for a hotel development. The Group's Croatian subsidiary, Arena, has contracted to aqcuire a hotel in Belgrade, Serbia and, post period end, announced that it has entered into a lease agreement to develop a hotel in Zagreb Croatia.

SHAREHOLDER RETURN

The table below shows cash returns on our operational assets and our development assets and excess cash. Development assets and excess cash are not yielding until a hotel opens its operations. When development projects become operational, the yield of these operational assets will have a positive impact on the implied return.

31 December 2019	Operational assets £'m	Development asset and excess cash £'m	Total £'m
Net assets employed	1,637.0	113.0	1,750.0
Bank financing	(625.5)	110.8	(514.7)
Minority interest	(111.4)	(36.2)	(147.6)
EPRA NAV[1]	900.1	187.6	1,087.7
	82.8%	17.2%	100.0%
Recurring adjusted EPRA earnings	53.1	1.1	54.2
Implied return on EPRA NAV	5.9%	0.6%	5.0%
Implied return on Company market capitalisation[2]	8.9%	0.6%	6.9%

1 EPRA NAV excluding the £4.0 million effect due to exercise of dilutive options provided on page 55.
2 Company market capitalisation is based on the market share price as at 31 December 2019 (1,850 pence).

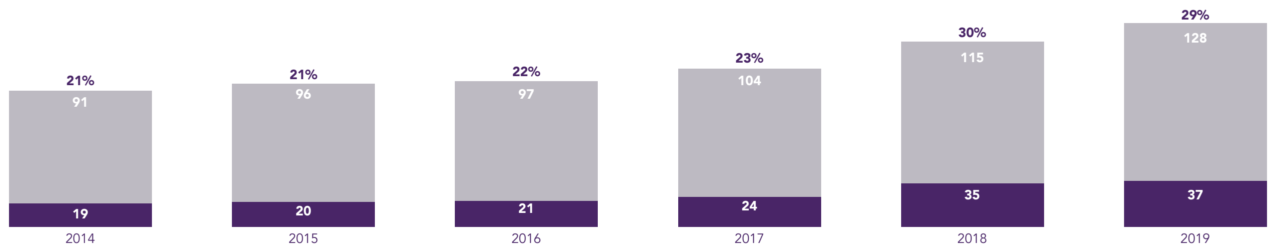
DIVIDEND

The Board is proposing a final dividend payment of 20 pence per share (2018: 19 pence per share). When combined with the interim ordinary dividend of 17 pence per share (2018: 16 pence per share) paid to shareholders on 15 October 2019, the total ordinary dividend for the year ended 31 December 2019 is 37 pence per share (2018: 35 pence), an increase of 5.7%.

Subject to shareholder approval at the Annual General Meeting, to be held on 19 May 2020, the dividend will be paid on 22 May 2020 to shareholders on the register at 24 April 2020. The shares will go ex-dividend on 23 April 2020.

The increase in total ordinary dividends for the year is in line with the Group's progressive dividend policy whilst retaining proper and prudent reserves and the capacity to secure further attractive development opportunities as and when they arise. The dividend reflects the Board's continued confidence in its strategy, integrated business model and future prospects. The graph below highlights the progressive dividend policy, showing the dividend payments as a percentage of adjusted EPRA earnings over the last 6 years.

DIVIDEND GROWTH AS A % OF ADJUSTED EPRA EARNINGS



- Dividend per share (pence)
- Adjusted EPRA earnings per share (pence)
- Dividend as % of EPRA EPS

DANIEL KOS
CHIEF FINANCIAL OFFICER & EXECUTIVE DIRECTOR