

PPHE Hotel Group Limited
("PPHE" or the "Group")

Unaudited Interim Results for the six months ended 30 June 2023

Strong Group performance across main markets

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 2023 (the "Period").

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

"We are very pleased to report a strong performance for the Group across our main markets, with record revenues following significant increases on last year and the pre-pandemic period. This momentum has continued into the second half, giving us confidence in our full-year outlook and longer-term growth.

Our strong performance also enables us to reward our shareholders for their continued trust and support by returning to our historical capital returns policy of distributing approximately 30% of adjusted EPRA earnings, whilst also continuing to support investment in future growth opportunities.

We are now entering a very exciting time for the Group, with our £300+ million pipeline nearing completion. New property openings are afoot in the next nine months, in Belgrade, Zagreb, Rome and London Hoxton and, upon stabilisation of trading, these new hotels are targeted to generate at least £25 million of EBITDA for the Group.

We are encouraged by the strong trading seen over the summer period and are thankful to our teams for delivering such exemplary results and providing our guests with great hospitality across all our destinations."

Financial highlights

- Total revenue was up 59.0% year-on-year at £180.0 million (H1 2022: £113.2 million) and up 15.9% on the pre-pandemic levels (H1 2019: £155.3 million) with strong quarter-on-quarter momentum in the Period.
- Revenue growth was led by strong room rate growth. Average room rate was £159.6, up 13.1% compared with H1 2022 and up 31.2% on H1 2019.
- The recovery in occupancy rates continues, with H1 occupancy up to 69.1% compared with 48.0% in H1 2022 and 76.8% in H1 2019.
- RevPAR at £110.3, materially above pre-pandemic levels (H1 2019: £93.4) and last year (H1 2022: £67.8).
- EBITDA of £45.2 million, up 165.7% versus H1 2022 (H1 2022: £17.0 million), and in line with H1 2019 levels (H1 2019: £45.7 million) with margins improving.
- EPRA NRV per share* at 30 June 2023 was flat at £25.05 (31 December 2022: £25.17), driven entirely by the change in the GBP/EUR currency conversion rate. Revaluations will be completed at the year end, as per usual course of business.

- Adjusted EPRA Earnings of 106 pence for the twelve months ended 30 June 2023 was up by 112% versus 2022 (31 December 2022: 50 pence).
- Given the strength of trading and confidence in outlook, the Board believes the Company is now in a position to return to its historical capital returns policy of distributing approximately 30% of adjusted EPRA earnings (reported at £1.06 in the twelve month period to 30 June 2023), while continuing to support investment in future growth opportunities. In light of the continued significant share price discount (c60% as at 31 August 2023) relative to EPRA NRV per share, the Board intends to consult with shareholders regarding the most appropriate and effective mechanism for such distributions to take place, including dividends, share buybacks, tender offers or a combination thereof. The Board looks forward to updating the market on this capital return policy in the near future.

(*) EPRA NRV and EPRA NRV per share were calculated based on the independent external valuations prepared in December 2022.

Operational highlights

- Strong growth in the Group's key markets - the United Kingdom and the Netherlands - driven by international corporate, leisure and meetings demand and a particularly strong London events calendar, even before the benefit of the coronation of King Charles III.
- The Croatian summer season has enjoyed a solid start and the Group expect to derive further benefits from recently refurbished and relaunched properties. In the smallest region, Germany, trading at the Group's properties started to improve from Q2 onwards.

Strategic highlights

- February saw the full opening of the first art'otel in the UK, art'otel London Battersea Power Station, which is operated by the Group's hospitality management platform.
- Significant progress with the development pipeline, and on track to open four properties between October 2023 and H1 2024.
 - The fourth quarter 2023 will see the opening of the Radisson RED Belgrade in Serbia, which is the second hotel to open under the recently extended partnership with Radisson and the first Radisson RED to be operated by the Group.
 - Three premium lifestyle art'otel properties are set to open, starting with art'otel Zagreb in October 2023, then art'otel London Hoxton in Q1 2024 and art'otel Rome in H1 2024.
- Regulatory approvals were obtained for the new €250 million European Hospitality Real Estate Fund, taking advantage of the Group's flexible and scalable in-house hospitality management platform. The Fund enables the Group to capture attractive acquisition opportunities via the use of non-dilutive third-party capital as well as increasing the number of assets managed on our platform.

ESG highlights

- The Company has taken several measures to increase transparency and stakeholder accountability for its ESG strategy. Management has increased its focus on the Group's strategic approach to sustainability and responsible business, with a view to publication of its strategy, targets and KPIs in the 2023 Annual Report and Accounts. This includes dedicated increased resources including staff hires to ESG as well as retaining external specialist consultancies to advise on carbon footprinting and reporting to stakeholders.
- Reporting on ESG in a way that is most useful for investors and customers is an ongoing priority. The Group has submitted its annual CDP data for 2023, which CDP expect to publish at year-end, and which will allow year-on-year progress-tracking on ESG. Globally recognised and standardised reporting channels such as CDP allow stakeholders to engage with all businesses on ESG.

- The Group completed a full carbon footprint for scopes 1, 2 and 3. This is for the purpose of analysis of the tonnage of carbon dioxide equivalent (CO2e) emitted both in operations and in the supply chain, and design actions for carbon reduction.
- The Company is in the process of reviewing its water consumption and waste outputs. The objective is to ensure robust data collection on water usage, benchmarking consumption against comparators, and identifying strategic targets and KPIs for minimising consumption and consequent contribution to water stress.

Current trading and outlook

- Entering the strongest half of the year, the previously announced strong trading conditions have been maintained through Q2 and into Q3 across all main market segments of leisure, corporate travel and meetings and events.
- Continued focus on maintaining and driving room rates, to cover inflationary pressures, while continuing to rebuild occupancy.
- The Board remains confident in the Group's longer-term growth, underpinned by the persistent strength of consumer leisure demand internationally, its quality assets, fully-funded development pipeline and strong financial position.
- As previously announced, the Group expects to deliver FY 2023 revenue of at least £400 million and EBITDA of at least £120 million.
- Entering an exciting time for the Group as £300+ million pipeline nears completion, with four new openings afoot in the next nine months, targeted to generate at least £25 million EBITDA on stabilised trading.

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Notes to Editors

PPHE Hotel Group is an international hospitality real estate company, with a £2.0 billion portfolio, valued as at December 2022 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 portfolio includes 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. The Group's strategy is to grow its portfolio of core upper upscale city centre hotels, leisure and outdoor hospitality and hospitality management platform.

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 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.artotel.com | www.arenahotels.com | www.arenacampsites.com

BUSINESS & FINANCIAL REVIEW

BUSINESS REVIEW

The first six months of 2023 saw continued strong trading conditions and positive forward booking momentum across the Group's property portfolio and regions and across all market segments of leisure, corporate travel and meetings and events. This enabled the Group to achieve record H1 revenue and a full recovery in EBITDA. When we look at the key metrics of room rate and RevPAR, the Group is now trading consistently and materially above pre-pandemic levels, whilst occupancy continues to recover strongly. We now believe the worst effects of the pandemic have been successfully overcome.

Strategically, the Group continued to take a disciplined rates-led approach across its portfolio, which helped mitigate industry-wide cost inflation and further illustrated the strong international demand for our hotels. In the Period, average room rates were up 13.1% compared with H1 2022, and up 31.2% on pre-pandemic levels reported in H1 2019. Notably, the average room rate in all our operating regions exceeded those achieved in 2019, with average room rates during Q1 up 24.6% and in Q2 up 35.6% on the same period in 2019.

The Group's hotels in the UK and The Netherlands remained the strongest performing across the portfolio, driven by a combination of continuing rate growth and occupancy recovery. Occupancy levels further improved, tracking closer to 2019 levels in the UK and The Netherlands. Meanwhile, the Group's hotel and camping assets in Croatia experienced a solid start to the summer season, supporting confidence in the Group's wider full year outlook. As previously announced, while the German region had a slower start to the year it has seen an improving trend in bookings through Q2 and into Q3.

Additionally, the Group continued to make excellent progress with its development projects with four new hotels scheduled to open during H2 2023 and H1 2024, consisting of two repositioned properties and two new hotels.

As a result, total revenue in the Period increased by 59.0% to £180.0 million, representing an improved performance of 15.9% versus pre-pandemic levels (H1 2022: £113.2m, H1 2019: £155.3m). RevPAR was £110.3 (H1 2022: £67.8, H1 2019: £93.4).

Despite macroeconomic challenges and inflationary pressures, the Group achieved enhanced operational profit in H1 2023 with EBITDA at £45.2 million, compared with £17.0 million in H1 2022. EBITDA was in line with the pre-pandemic H1 2019 of £45.7 million.

Alongside maintaining its disciplined rates-led strategy and growing occupancy, the Group successfully mitigated a number of inflationary and sector-specific issues through the implementation of innovative solutions and forward planning focused on enhancing its sustainability and energy efficiency. For example, staffing is much less of a constraint for the Group due to its proactive approach to investment in people, automation and employer brand. Furthermore, the Group's utility cost hedging has been important in mitigating energy cost increases, alongside a multitude of internal innovations and efforts to reduce energy consumption across our operations.

Given the strength of trading and confidence in outlook, the Board believes the Company is now in a position to return to its historical capital returns policy of distributing approximately 30% of adjusted EPRA earnings (reported at £1.06 in the twelve month period to 30 June 2023), while continuing to support investment in future growth opportunities. In light of the continued significant share price discount (c60% as at 31 August 2023) relative to EPRA NRV per share, the Board intends to consult with shareholders regarding the most appropriate and effective mechanism for such distributions to take place, including dividends, share buybacks, tender offers or a combination thereof. The Board looks forward to updating the market on this capital return policy in the near future.

Strategic progress and development pipeline

Reflecting its strong track record in developing, launching and operating hospitality properties, the Group remained focused on its consistent strategic investment in its portfolio of premium assets.

In London, the art'otel London Battersea Power Station fully opened to critical acclaim in February 2023, operated by PPHE under a management agreement through its hospitality management platform, and initial trading has been strong.

In Croatia, recently completed repositioning projects have supported the initial strong start to peak trading in the region. Grand Hotel Brioni in Pula will trade through its first summer season fully open as a Radisson Collection Hotel under the expanded strategic partnership with Radisson Hotel Group ("RHG"), following an extensive repositioning project completed in 2022, alongside the improvements made to properties at Arena Stoja Campsite (luxury mobile homes) in Pula. In Austria, Arena FRANZ Ferdinand hotel in Nassfeld benefited from development investment in enhanced facilities, including a pool and spa facilities.

At the International Hospitality Investment Forum in May 2023, PPHE further cemented its expanded partnership with RHG with a commitment to continue to grow and leverage the brands of each company's portfolio internationally. RHG integrated the art'otel brand as its tenth brand to be operated and marketed under one overarching Radisson Hotel Group umbrella.

Further evidence of the significant opportunity that remains in the Group's £300+ million development pipeline includes the ongoing conversion of an iconic office building in the centre of Zagreb into Croatia's first art'otel (opening H2 2023), the repositioning of a new art'otel in Rome (reopening H1 2024), and construction of art'otel London Hoxton (opening Q1 2024) which is progressing well following the appointment of globally recognised British contemporary street artist D*Face as its Signature Artist during the Period. As ever, the Company continues to invest in its development pipeline to both expand the portfolio and deliver attractive shareholder returns.

The second half of 2023 and early 2024 will be exceptionally busy for our teams as we prepare to open a number of further premium hotels internationally. In addition to the three new art'otels, the pipeline includes a Radisson RED in Belgrade, Serbia. Previously branded Arena 88 Rooms Hotel, the property is being refurbished to re-open as an upscale Radisson RED hotel.

European Hospitality Real Estate Fund

As part of the Group's long-term growth ambitions, regulatory approvals for PPHE's inaugural European Hospitality Real Estate Fund ("the Fund") were secured during the Period following its launch in March 2023. The Fund of up to €250 million equity enables the Group to further accelerate its strategy of identifying, acquiring and developing attractive hotel assets across a range of key European markets. Hotels acquired by the Fund will be operated by PPHE's hospitality management platform, building further scale in the platform.

PPHE has committed to participate in the Fund for an amount up to €50 million in cash and/or assets. In March 2023, the Group announced Clal Insurance as the Fund's cornerstone investor, which has committed to invest up to €75 million. In March, our property in Rome (soon to open as art'otel Rome) was contributed as a seed asset.

Following receipt of regulatory approvals, with full equity subscription and combined with a targeted 50% bank leverage, the investment potential of the Fund will be around €500 million.

The Fund is consistent with PPHE's longstanding approach to building shareholder value through the careful stewardship of its own balance sheet and partnership with third-party capital providers, and we look forward to sharing further progress over coming months.

The Board

The composition of the Board and its diversity remains critical to the Group's approach to governance. As previously announced, Kevin McAuliffe, Non-Executive Chairman resigned from the Board at the conclusion of the 2023 Annual General Meeting (AGM). The Board has distributed his responsibilities to other non-executive directors.

In addition, following more than a decade with the Group, Greg Hegarty, Deputy Chief Executive Officer & Chief Operating Officer, was appointed as an Executive Director of the Company and joined the Board, effective from the conclusion of the AGM. The Directors believe that Greg's appointment will enhance the leadership attributes of the Board by strengthening its strategic capacity, whilst also

providing invaluable operational expertise of the Group's day-to-day business and grassroots implementation of its strategy. Greg has significant experience in investor relations and is keen to meet with investors on a regular basis. This appointment forms part of the Group's wider commitment to periodically refresh the Board and is also in keeping with its internal talent management strategy of promoting intra-group mobility.

The Company continues to take every step to engage with shareholders both before and after the AGM, however it does recognise that shareholders expressed concerns on some elements of the Group's corporate governance. The feedback session held after the AGM in April 2023 provided very useful information regarding investor priorities, and our work to meet investor expectations is ongoing.

Environmental, Social and Governance ("ESG")

Stakeholder engagement:

The Group has taken a number of steps to increase resources within its ESG function. The Group's Corporate & Legal team has been expanded to ensure that the Group's ESG strategy implementation is appropriately resourced, including to enable ongoing reporting against KPIs and ensure greater transparency for all stakeholders. The Company completed further CDP reporting, and will further expand into the Global Reporting Initiative (GRI) and Workforce Disclosure Initiative (WDI) reporting. This will allow investors and customers alike to compare ESG scores across standardised metrics. Company disclosures made in line with UK requirements arising from the Task Force on Climate-related Financial Disclosures (TCFD) in 2021 and 2022 shall be updated in 2023. Additionally, we anticipate the introduction of new IFRS S1 and S2 reporting standards from 2024 onwards, and will be taking steps to report in the required manner when the new requirements are implemented.

People:

The Group reviewed its 'pulse' survey feedback and identified ESG as a target area for greater transparency and communications with the wider workforce. We therefore introduced new ESG communication methods, including a dedicated learning and development calendar for ESG issues such as diversity, equity and inclusion. We also identified grass-roots initiatives to support career development and local communities, and are implementing targets to ensure that the social value of these are correctly measured and communicated.

Carbon & energy:

During the Period, we completed a full Group-wide carbon footprint exercise covering all regions over the last 12 months. This is the first time our full footprint including our supply chain ("scope 3 emissions") has been mapped in its entirety. The data will be used for benchmarking the business and prioritising carbon reduction activities in order to confirm the Group's Carbon Net Zero target. This will allow us to ask the Science-Based Targets Initiative (SBTi) to verify our target, and for us to publish it alongside other ESG targets at year end in the Annual Report and Accounts.

Governance:

Details of Board changes in the Period are detailed above. We have also moved ahead with adopting ESG targets, to which we can be held publicly accountable moving forwards, and are looking ahead to new corporate governance requirements which will affect our reporting in the future. Our year end Annual Report and Accounts will contain full details.

Current trading and outlook

The second half of the year is typically the Group's strongest trading period, particularly with the onset of the summer leisure season, which leads to the opening of our well-invested portfolio of hotel and camping assets in Croatia. Strong forward booking momentum in Q2 has continued into Q3, and further significant revenue contribution is expected from the recently refurbished and relaunched properties. As previously announced, €200 million has been invested in the Croatia region in total since 2008, with €50 million alone invested in the last two years, so we are encouraged by the prospects in what is now one of the Group's largest operating regions.

As announced in our Trading Update in June 2023, the Board expects EBITDA margins to continue to improve as we continue through the second half of FY 2023, despite broader cost inflation that has been largely absorbed over the last 12 months. The Board anticipates that this cost inflation effect will diminish through FY 2024 and beyond, as forward energy cost hedges flow through at substantially lower levels than those fixed for FY 2023.

The Group continues to expect to deliver FY 2023 revenue of at least £400 million and EBITDA of at least £120 million.

In the medium to longer term, the Board's confidence in the future of the Group is stronger than ever in spite of ongoing macroeconomic uncertainties. Given the persistent strength of consumer leisure demand internationally, the Group's investment in its high-quality portfolio of assets and development pipeline, and its strong financial position, PPHE remains well-positioned to continue to take advantage of ongoing momentum in the sector and deliver enhanced returns for shareholders.

FINANCIAL PERFORMANCE

H1 Reported in GBP (£)					
	Six months ended 30 June 2023	Six months ended 30 June 2022	Change ¹	Six months ended 30 June 2019	Change ¹
Total revenue	£180.0 million	£113.2 million	59.0%	£155.3 million	15.9%
Room revenue	£133.6 million	£82.0 million	63.0%	£109.1 million	22.4%
EBITDAR	£46.4 million	£18.2 million	155.9%	£46.5 million	(0.1)%
EBITDA	£45.2 million	£17.0 million	165.7%	£45.7 million	(0.9)%
EBITDA margin	25.1%	15.0%	1,010 bps	29.4%	(430) bps
Reported PBT	£2.0 million	£(26.1) million	n/a	£4.3 million	(52.6)%
Normalised PBT	£3.6 million	£(23.9) million	n/a	£5.5 million	(32.1)%
Occupancy	69.1%	48.0%	2,110 bps	76.8%	(770) bps
Average room rate	£159.6	£141.1	13.1%	121.7	31.2%
RevPAR	£110.3	£67.8	62.6%	93.4	18.1%

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 2023	Three months ended 30 June 2022	Change ¹	Three months ended 30 June 2019	Change ¹
Total revenue	£111.2 million	£81.2 million	36.9%	£92.8 million	19.8%
Room revenue	£83.2 million	£59.4 million	40.0%	£65.7 million	26.6%
EBITDAR	£40.3 million	£22.6 million	78.2%	£33.7 million	19.6%
EBITDA	£39.7 million	£22.0 million	80.6%	£33.8 million	17.4%
EBITDA margin	35.7%	27.1%	860 bps	36.4%	(70) bps
Occupancy	70.8%	58.8%	1,200 bps	77.1%	(630) bps
Average room rate	£171.0	£148.9	14.8%	126.1	35.6%
RevPAR	£121.0	£87.5	38.2%	97.2	24.5%

H1 saw a strong rebound in activity across all of the Group's key markets, particularly in the UK. This trend continued consistently through the first half.

This recovery across our regions, driven by demand for leisure stays, helped to deliver a reported total revenue of £180.0 million; an increase of 59.0% compared with the prior year (H1 2022: £113.2 million).

In the first half RevPAR increased by 62.6% to £110.3, driven by a 13.1% increase in average room rate to £159.6 (H1 2022: £141.1). Occupancy rose by 2,110 bps to 69.1% (H1 2022: 48.0%). Notably, average room rate in the Period was 31.2% ahead of the same period pre-pandemic (H1 2019: £121.7).

In Q2 average room rate increased to £171.0; 14.8% higher than the prior year and 35.6% higher than the rates achieved in Q2 2019. Occupancy rose by 1,200 bps to 70.8% (Q2 2022: 58.8%). This delivered Q2 RevPAR of £121.0 (Q2 2022: £87.5, Q2 2019: £97.2).

Group reported EBITDA in the Period increased to £45.2 million (H1 2022: £17.0 million, H1 2019: £45.7 million) and the EBITDA margin improved to 25.1% (H1 2022: 15.0%, H1 2019: 29.4%).

Reconciliation of reported profit before tax to normalised profit before tax

In £ millions	Six months ended 30 June 2023	Six months ended 30 June 2022	12 months ended 30 June 2023	12 months ended 31 December 2022
Reported profit (loss) before tax	2.0	(26.1)	39.6	11.5
Loss on buy back of units in Park Plaza Westminster Bridge London from private investors	1.3	0.7	2.1	1.5
Revaluation of finance lease	1.9	1.8	3.8	3.7
Revaluation of Park Plaza County Hall London Income Units	-	-	(0.3)	(0.3)
Disposals and Other non-recurring expenses (including pre-opening expenses)	0.2	1.0	0.7	1.5
Revaluation of share appreciation rights	(2.4)	1.4	(3.7)	0.1
Fair value IRS	0.6	(2.7)	(6.4)	(9.7)
Normalised profit (loss) before tax	3.6	(23.9)	35.8	8.3

Shareholder returns

Given the strength of trading and confidence in outlook, the Board believes the Company is now in a position to return to its historical capital returns policy of distributing approximately 30% of adjusted EPRA earnings (reported at £1.06 in the twelvemonth period to 30 June 2023), while continuing to support investment in future growth opportunities. In light of the continued significant share price discount (c60% as at 31 August 2023) relative to EPRA NRV per share, the Board intends to consult with shareholders regarding the most appropriate and effective mechanism for such distributions to take place, including dividends, share buybacks, tender offers or a combination thereof. The Board looks forward to updating the market on this capital return policy in the near future.

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 to their full potential. Certain EPRA performance measurements are disclosed to aid investors in analysing the Group's performance and understanding the value of its assets and earnings from a property perspective.

EPRA performance indicators

The Group's last 12 months adjusted EPRA earnings per share to 30 June 2023 increased to 106 pence per share. A summary of the Group's EPRA performance measures is set out in the table below.

	30 June 2023 £ million	31 December 2022 £ million
EPRA earnings (LTM) ¹	58.1	32.7
Adjusted EPRA earnings (LTM) ¹	44.9	21.2
EPRA NRV ²	1,063.1	1,078.7
Per share figures:	30 June 2023 £	31 December 2022 £

EPRA Earnings per share (LTM)	1.37	0.77
Adjusted EPRA earnings per share (LTM)	1.06	0.50
EPRA NRV per share ²	25.05	25.17

¹ EPRA earnings and adjusted EPRA earnings for 30 June 2023 are calculated for the last 12-month period ended on 30 June 2023.

² EPRA NRV and EPRA NRV per share were calculated based on the independent external valuations prepared in December 2022.

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 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 December 2022, 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). Based on those valuations the Directors had updated the Group's EPRA NRV, EPRA NTA and EPRA NDV for 30 June 2023. The EPRA NRV as at 30 June 2023, set out in the table below, amounts to £1,063.1 million (2022: £1,078.7 million), which equates to £25.05 per share (2022: £25.17). This NRV slight decline was mainly as a result of the change in the GBP/EUR currency conversion rate and a dividend distribution in the Period. The Group's annual revaluation will take place in December 2023.

	30 June 2023 £ million		
	EPRA NRV (Net Reinstatement Value)	EPRA NTA ⁴ (Net Tangible Assets)	EPRA NDV (Net Disposal Value)
NAV per the financial statements	304.7	304.7	304.7
Effect of exercise of options	-	-	-
Diluted NAV, after the exercise of options¹	304.7	304.7	304.7
<i>Includes:</i>			
Revaluation of owned properties in operation (net of non-controlling interest) ²	747.7	747.7	747.7
Revaluation of the JV interest held in two German properties (net of non-controlling interest) ²	6.8	6.8	6.8
Fair value of fixed interest rate debt	-	-	(8.3)
Deferred tax on revaluation of properties	-	-	(31.0)
Real estate transfer tax ³	18.5	-	-
<i>Excludes:</i>			
Fair value of financial instruments	23.1	23.1	-
Deferred tax	(8.5)	(8.5)	-
Intangibles as per the IFRS balance sheet	-	11.1	-
EPRA NAV	1,063.1	1,033.5	1,019.9
Fully diluted number of shares (in thousands) ¹	42,433	42,433	42,433
EPRA NAV per share (in £)	25.05	24.36	24.04

¹ The fully diluted number of shares excludes treasury shares but includes 132,848 outstanding dilutive options (as at 31 December 2022: 407,223).

² The fair values of the properties were determined on the basis of independent external valuations prepared in December 2022. The properties under development are measured at cost.

³ EPRA NTA and EPRA NDV reflect fair value net of transfer costs. Transfer costs are added back when calculating EPRA NRV.

⁴ NTA is calculated under the assumption that the Group does not intend to sell any of its properties in the long run.

31 December 2022
£ million

	EPRA NRV (Net Reinstatement Value)	EPRA NTA ⁴ (Net Tangible Assets)	EPRA NDV (Net Disposal Value)
NAV per the financial statements	315.1	315.1	315.1
Effect of exercise of options	3.0	3.0	3.0
Diluted NAV, after the exercise of options¹	318.1	318.1	318.1
<i>Includes:</i>			
Revaluation of owned properties in operation (net of non-controlling interest) ²	746.9	746.9	746.9
Revaluation of the JV interest held in two German properties (net of non-controlling interest) ²	6.8	6.8	6.8
Fair value of fixed interest rate debt	–	–	(9.2)
Deferred tax on revaluation of properties	–	–	(31.7)
Real estate transfer tax ³	18.7	–	–
<i>Excludes:</i>			
Fair value of financial instruments	21.1	21.1	–
Deferred tax	(9.3)	(9.3)	–
Intangibles as per the IFRS balance sheet	–	12.8	–
EPRA NAV	1,078.7	1,047.2	1,030.9
Fully diluted number of shares (in thousands) ¹	42,846	42,846	42,846
EPRA NAV per share (in £)	25.17	24.44	24.06

¹ The fully diluted number of shares excludes treasury shares but includes 407,223 outstanding dilutive options (as at 31 December 2021: 585,867).

² The fair values of the properties were determined on the basis of independent external valuations prepared in December 2022.

³ EPRA NTA and EPRA NDV reflect fair value net of transfer costs. Transfer costs are added back when calculating EPRA NRV.

⁴ NTA is calculated under the assumption that the Group does not intend to sell any of its properties in the long run.

EPRA earnings

The basis for calculating the Company's adjusted EPRA earnings of £44.9 million for the 12 months to 30 June 2023 (12 months to 31 December 2022: £21.2 million) and the Company's adjusted EPRA earnings per share of 106 pence for the 12 months to 30 June 2023 (12 months to 31 December 2022: 50 pence) is set out in the table below.

	12 months ended 30 June 2023 £ million	12 months ended 31 December 2022 £ million
Earnings attributed to equity holders of the parent company	36.1	10.2
Depreciation and amortisation expenses	40.6	40.0
Revaluation of Park Plaza County Hall London Income Units	(0.3)	(0.3)
Changes in fair value of financial instruments	(10.1)	(9.6)
Non-controlling interests in respect of the above ³	(8.2)	(7.6)
EPRA earnings	58.1	32.7
Weighted average number of shares (in thousands) (LTM)	42,503	42,523
EPRA earnings per share (in pence)	137	77
Company specific adjustments¹:		
Capital loss on buy-back of Income Units in Park Plaza Westminster Bridge London	2.1	1.5
Remeasurement of lease liability ⁴	3.8	3.7
Disposals and Other non-recurring expenses (including pre- opening expenses) ⁷	0.7	1.5
Adjustment of lease payments ⁵	(2.2)	(2.2)
One off tax adjustments ⁶	(5.9)	(5.8)
Maintenance capex ²	(15.9)	(13.2)
Non-controlling interests in respect of the above ³	4.2	3.0
Company adjusted EPRA earnings¹	44.9	21.2

Company adjusted EPRA earnings per share (in pence)	106	50
Reconciliation Company adjusted EPRA earnings to normalised reported profit before tax		
Company adjusted EPRA earnings	44.9	21.2
Reported depreciation and amortisation	(40.6)	(40.0)
Non-controlling interest in respect of reported depreciation and amortisation ³	8.2	7.6
Maintenance capex ²	15.9	13.2
Non-controlling interest on maintenance capex and the company specific adjustments ³	(4.2)	(3.0)
Adjustment of lease payments ⁵	2.2	2.2
One off tax adjustments ⁶	5.9	5.8
Reported profit attributable to non-controlling interest	5.6	4.7
Reported tax	(2.1)	(3.4)
Normalised profit before tax	35.8	8.3

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, third-party investors in income units of Park Plaza Westminster Bridge London and the non-controlling shareholders in the partnership with Clal that was entered into in June 2021 and March 2023 respectively.

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 Mainly relates to deferred tax asset recorded in 2022 (see Note 22b in the 2022 annual consolidated financial statements).

⁷ Mainly relates to pre-opening expense and net profit and loss on disposal of property, plant and equipment.

REVIEW OF OPERATIONS

United Kingdom

Hotel operations

	Reported in £	
	Six months ended 30 June 2023	Six months ended 30 June 2022
Total revenue	£110.0 million	£71.1 million
EBITDAR	£32.0 million	£16.2 million
EBITDA	£31.8 million	£16.1 million
Occupancy	81.7%	56.5%
Average room rate	£184.3	£169.2
RevPAR	£150.5	£95.6
Room revenue	£85.9 million	£54.6 million

Hotel portfolio performance

The United Kingdom remained our strongest performing region, driven by a combination of growth in room rate, which continued to exceed 2019 levels, as well as an ongoing recovery in occupancy. This was achieved throughout the Group's main segments of leisure, corporate and meetings and events alike, as events such as the coronation of King Charles III and a return to business travel encouraged a good level of new bookings and activity in London.

All of the Group's UK hotels achieved or exceeded their fair market share in occupancy terms and the majority of its London hotels also outperformed their competitor sets in terms of average room rate¹.

Total revenue increased by 54.7% to £110.0 million (H1 2022: £71.1 million). The Group's disciplined focus on driving rates meant that the average room rate increased by 8.9% to £184.3 (H1 2022: £169.2), which was 28.0% higher than the average room rate pre-pandemic (H1 2019: £144.0). Occupancy improved to 81.7% (H1 2022: 56.5%), which resulted in RevPAR of £150.5 (H1 2022: £95.6).

EBITDA increased by 98.1% to £31.8 million (H1 2022: £16.1 million).

In February 2023, we fully opened – to much acclaim – the UK’s first art’otel, located at Battersea Power Station. This hotel is managed by the Group under a long-term operating agreement and as a result, its financial performance is not included in the performance reported in this segment. Management fees are accounted for in the Management and Central Services segment.

*The United Kingdom hotel market**

RevPAR was up 24.4% at £84.8 (H1 2022: £68.2), driven by a 13.4% increase in average room rate to £113.0 (H1 2022: £99.5) and a 9.7% increase in occupancy to 75.0% (H1 2022: 68.5%).

In London, RevPAR increased by 34.0% to £144.1 compared with £108.1 in H1 2022, reflecting a 15.4% increase in occupancy to 76.9% (H1 2022: 66.9%) and a 16.1% increase in average room rate to £187.5 (H1 2022: £161.5).

¹ STR Hotel Benchmarking, June 2023

*STR European Hotel Review, June 2023

The Netherlands

Hotel operations

	Reported in £		Reported in local currency € ¹	
	Six months ended 30 June 2023	Six months ended 30 June 2022	Six months ended 30 June 2023	Six months ended 30 June 2022
Total revenue	£30.2 million	£14.7 million	€34.6 million	€17.5 million
EBITDAR	£9.5 million	£3.1 million	€10.8 million	€3.6 million
EBITDA	£9.4 million	£3.1 million	€10.8 million	€3.6 million
Occupancy	79.6%	40.9%	79.6%	40.9%
Average room rate	£149.6	£139.5	€171.2	€165.3
RevPAR	£119.1	£57.0	€136.3	€67.5
Room revenue	£23.1 million	£11.1 million	€26.5 million	€13.1 million

¹ Average exchange rate from Euro to Pound Sterling for the period ended 30 June 2023 was 1.144 and for the period ended 30 June 2022 was 1.185, representing a 3.4% decrease.

Hotel portfolio performance

The Netherlands continued to perform strongly. As in the United Kingdom, the performance was also driven by a combination of rate growth and occupancy recovery.

All of the Group’s hotels in the Netherlands exceeded their fair market share in occupancy terms and two out of three of its Amsterdam city centre hotels also outperformed their competitor sets in terms of average room rate¹.

Total revenue (in local currency) increased to €34.6 million (H1 2022: €17.5 million), which represented an increase of 16.8% on H1 2019 (€29.6 million). Average room rate increased by 3.6% to €171.2 (H1 2022: €165.3); an increase of 18.0% compared to H1 2019: €145.0. Occupancy improved to 79.6% which, together with the improvement in average room rate, led to RevPAR of €136.3 (H1 2022: €67.5).

EBITDA improved by €7.2 million to €10.8 million (H1 2022: €3.6 million).

*The Dutch hotel market**

During H1 2022 RevPAR increased by 49.6% to €106.3 compared to €71.3 in H1 2022. Occupancy increased by 27.8% to 69.4% (H1 2022: 54.3%), and the average room rate was €153.2 (H1 2022: €131.3); 17.0% higher than in H1 2022.

In Amsterdam, our main market in The Netherlands, RevPAR increased by 58.0% to €132.0 (H1 2022: €84.1). Occupancy levels increased by 34.1% to 72.7% (H1 2022: 53.9%), and the average daily room rate increased by 17.9% to €181.5 (H1 2022: €155.9).

Croatia

Hotel operations

	Reported in £		Reported in local currency € ¹	
	Six months ended 30 June 2023	Six months ended 30 June 2022	Six months ended 30 June 2023	Six months ended 30 June 2022 ³
Total revenue	£22.1 million	£16.2 million	€25.3 million	€19.3 million
EBITDAR	£0.5 million	£(0.1) million	€0.6 million	€(0.1) million
EBITDA	£(0.4) million	£(0.9) million	€(0.5) million	€(1.1) million
Occupancy ²	47.2%	43.6%	47.2%	43.6%
Average room rate ²	£102.3	£84.5	€117.0	€100.2
RevPAR ²	£48.3	£36.8	€55.3	€43.6
Room revenue ²	£12.6 million	£8.7 million	€14.4 million	€10.3 million

¹ Average exchange rate from Euro to Pound Sterling for the period ended 30 June 2023 was 1.144 and for the period ended 30 June 2022 was 1.185, representing a 3.4% decrease.

² The room revenue, average room rate, occupancy and RevPAR statistics include all accommodation units at hotels and self-catering apartment complexes and excludes campsite and mobile homes.

³ The results for June 2022, which were previously presented in HRK, were translated to Euro using average exchange rate from HRK to EUR for the period ended 30 June 2023 of 7.546.

Hotel portfolio performance

The seasonality of our operations in Croatia meant that as usual, activity in the region started to accelerate during the second quarter as our hotels, apartments and campsites opened for the summer season. The Group saw strong trading in the early season with ongoing booking momentum as the period progressed.

The revenue performance for H1 showed strong growth compared with last year and exceeded the same period pre-pandemic in 2019. Total revenue (in local currency) increased significantly to €25.3 million (H1 2022: €19.3 million).

This performance was driven by strong rate growth across the Group's hotels, with average room rate up 16.9% to €117.0. Occupancy improved from 43.6% in H1 2022 to 47.2% in H1 2023. As a result, RevPAR rose significantly to €55.3 (H1 2022: €43.6); an increase of 36.3% compared with pre-pandemic levels in 2019 (H1 2019: €40.6).

Despite the strong revenue performance, EBITDA was impacted by cost inflation for utilities, food and payroll. Overall, the EBITDA loss was reduced to €0.5 million (H1 2022: €(1.1) million).

Since PPHE first acquired an interest in Arena Hospitality Group (AHG) in 2008, the business has been transformed through an extensive programme of new asset acquisitions, asset repositioning, operational improvements and ongoing capital expenditure. In total, the Group has invested approximately €200 million into the Croatian leisure assets, including approximately €50 million in the more recent relaunch of the Grand Hotel Brioni Pula and the upcoming art'otel Zagreb, which are yet to contribute meaningfully to the Group.

Further revenue contributed from a number of recently refurbished and relaunched properties is also expected to be significant. Additional works were completed at Arena Stoja Campsite, where phase two investments included the introduction of a new reception and restaurant and bar, supporting the 2022 introduction of luxury mobile homes.

From 1 January 2023, Croatia joined the Eurozone. Consequently, from the start of FY 2023 the financial performance for the region is reported in Euros.

Germany

Hotel operations

	Reported in £		Reported in local currency € ¹	
	Six months ended 30 June 2023	Six months ended 30 June 2022	Six months ended 30 June 2023	Six months ended 30 June 2022
Total revenue	£10.6 million	£6.4 million	€12.1 million	€7.6 million
EBITDAR	£2.3 million	£2.7 million	€2.6 million	€3.2 million
EBITDA	£2.3 million	£2.7 million	€2.6 million	€3.2 million
Occupancy	56.1%	42.0%	56.1%	42.0%
Average room rate	£125.1	£98.9	€143.1	€117.2
RevPAR	£70.2	£41.5	€80.3	€49.2
Room revenue	£9.1 million	£5.4 million	€10.4 million	€6.4 million

¹ Average exchange rate from Euro to Pound Sterling for the period ended 30 June 2023 was 1.144 and for the period ended 30 June 2022 was 1.185, representing a 3.4% decrease.

Hotel portfolio performance

As previously reported, the German region had a slower start to the year than other regions, due to market dynamics impacting rate and occupancy growth. However, the Group saw an improving trend in bookings through Q2 and expects this to continue into Q3 and beyond.

Total revenue (in local currency) was €12.1 million, compared with €7.6 million for the same period last year. In line with our strategy to drive rates, average room rate increased by 22.1% to €143.1 (H1 2022: €117.2) and was 29.9% above the average room rate in H1 2019 (H1 2019: €110.2). However, occupancy improved at a slower rate to 56.1% (H1 2022: 42.0%). As a result, RevPAR increased to €80.3, up from €49.2.

EBITDA decreased to €2.6 million, compared to €3.2 million in the prior year and €3.7 million in 2019. In H1 2022, our EBITDA performance included €2.5 million in government grants to support payroll and operating costs, demonstrating the underlying strong performance in 2023.

The German hotel market*

The German market experienced a 44.0% increase in RevPAR to €70.7 (H1 2022: €49.4), resulting from a 24.5% improvement in occupancy to 62.2% (H1 2022: 50.1%) and a 15.7% increase in average room rate to €113.7 (H1 2022: €98.5).

In Berlin, RevPAR increased by 44.0% to €82.1 (H1 2022: €58.6) and occupancy increased by 19.6% to 68.9% (H1 2022: 57.6%). Average room rate increased 17.0% to €119.1 (H1 2022: €101.8).

*STR European Hotel Review, June 2023

Other Markets: Austria, Hungary, Italy and Serbia

Hotel operations

	Reported in £	
	Six months ended 30 June 2023	Six months ended 30 June 2022
Total revenue	£3.8 million	£3.2 million
EBITDAR	£(0.2) million	£0.2 million
EBITDA	£(0.2) million	£0.2 million
Occupancy	36.3%	27.8%
Average room rate	£140.4	£103.9
RevPAR	£51.0	£28.9
Room revenue	£2.9 million	£2.3 million

Hotel portfolio performance

The Group's recently refurbished property in Austria, the FRANZ Ferdinand Mountain Resort Nassfeld, performed well during the winter ski season; its second under the Group's ownership. Since then, we have invested further in a number of amenities to support the hotel's opening year-round, including air-conditioning throughout the property and the creation of relaxation and wellness areas including indoor and outdoor swimming pools.

In Hungary, following its post-pandemic reopening in 2022, our refurbished property in Budapest also performed well, with a bedroom renovation programme currently at planning stages.

In Italy, the repositioning of the Group's property in Rome continued apace. The 99-room hotel in the city centre, which closed in the second half of 2022, is set to transform into an upper upscale lifestyle art'otel. The hotel is expected to reopen in H1 2024.

Finally, in Serbia, the repositioning of the 88 Rooms Hotel in Belgrade is nearing completion and the hotel is scheduled to reopen as Radisson RED Belgrade in the fourth quarter of 2023.

Total revenue was £3.8 million and EBITDA was £(0.2) million mainly as a result of the closing of our Rome property for repositioning.

*The Italian hotel market**

The Italian market experienced a 37.9% increase in RevPAR to €134.7, resulting from a 21.2% improvement in occupancy to 68.1% and a 13.8% increase in average room rate to €197.8.

In Rome, RevPAR increased by 50.2% to €160.3 and occupancy increased by 21.3% to 71.2%. Average room rate increased 23.8% to €225.1.

*The Hungarian hotel market**

The Hungarian market experienced a 39.6% increase in RevPAR to €70.1, resulting from a 18.8% increase in occupancy to 63.5% and a 17.5% increase in average room rate to €110.4.

In Budapest, RevPAR increased by 39.4% to €72.5 and occupancy increased by 19.2% to 63.1%. Average room rate increased 16.9% to €115.0.

*The Belgrade hotel market**

In Belgrade, RevPAR increased by 36.9% to €68.2 and occupancy increased by 16.5% to 61.9%. Average room rate increased by 17.6% to €110.2.

*Source STR European Hotel Review, June 2023

Management and Central Services

Reported in £

	Six months ended 30 June 2023	Six months ended 30 June 2022
Total revenue before elimination	£21.5 million	£13.3 million
Revenues within the consolidated Group	£(18.2) million	£(11.8) million
External and reported revenue	£3.3 million	£1.5 million
EBITDA	£2.3 million	£(4.0) 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 2023 the segment showed an EBITDA profit of £2.3 million, as both internally and externally charged management fees exceed the costs in this segment (H1 2022: loss of £4.0 million).

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

Our proactive risk management practices and reporting ensure that key business decisions are taken with full knowledge of both our existing risk environment and any emerging threats which could have a notable impact on our business.

While our current risk profile is largely in line with the principal risks detailed on pages 77-84 of the 2022 Annual Report, in some key areas we have updated and reduced the residual risk assessments where our mitigating actions have resulted in a more positive outlook.

Risk update

		Annual Report Assessment		Interim update		
	Principal Risks for 2023	Inherent Risk Assessment	Residual Risk Assessment	Inherent Risk Assessment	Residual Risk Assessment	Movement
1	Undetected / unrestricted cyber-attack	Very High	High	Very High	High	↔
2	Adverse economic climate	High	High	High	High	↔
3	Significant development project delays or unforeseen cost increases	Very High	High	Very High	High	↔
4	Difficulty in attracting, engaging and retaining talent	High	High	High	Medium	↓
5	Market dynamics - significant and prolonged decline in global travel and market demand	High	High	High	Medium	↓
6	Technology disruption - prolonged failure of core technology	High	Medium	High	Medium	↔
7	Serious data privacy breach (GDPR)	Very High	Medium	Very High	Medium	↔
8	Funding and liquidity risk (including breach of debt covenants)	High	Medium	High	Medium	↔
9	Significant operational disruption	High	Medium	High	Medium	↔
10	Negative stakeholder perception of the Group with regard to Environmental, Social and Governance (ESG) matters	High	Medium	High	Medium	↔
11	Serious threat to guest, team member or 3rd party health, safety and security	High	Medium	High	Medium	↔
12	Fraud	High	Medium	High	Low	↓

The adverse economic climate continues to pose a threat, with uncertainty driven by high inflation and interest rate increases. While the risk remains high, we are well positioned to withstand these pressures and continue to thrive in the challenging conditions.

While the labour market continues to present challenges, we are pleased that our initiatives to tackle the difficulties in attracting and retaining talent have seen improved results and decreased the residual risk impact. As such, our overall assessment of this key risk area has reduced from High to Medium.

Our assessment of our market dynamics risk has also been downgraded since the year-end as our performance to date and business on the books continues to outperform expectations.

We have reduced our residual risk assessment for the threat of fraud as our internal control environment has continued to mature throughout 2023. The inherent assessment is still considered to be high, and the risk will continue to be monitored closely.

The Group has not identified any new principal risks or emerging risks that will impact the remaining six months of the financial year.

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" and 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 2023. 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; and
- 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 2022; and
- The directors of the Company are listed in the last annual report for the year ended 31 December 2022. A current list of directors is maintained on the website of the Company (www.pphe.com).

GOING CONCERN

The Board believes it is taking all appropriate steps to support the sustainability and growth of the Group's activities. Detailed budgets and cash flow projections have been prepared for 2023 and 2024 which show that the Group's hotel operations will be cash generative during the period. The Directors have assessed the viability of the Group over a period to 31 December 2025, as set out further on page 85 of the last annual report for the year ended 31 December 2022. 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 of 30 June 2023 which comprise the interim consolidated statement of financial position as of 30 June 2023 and the related interim consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows statement 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.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed 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.

Kost Forer Gabbay and Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel Aviv, Israel
30 August 2023

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2023	31 December 2022
	Unaudited	Audited
	£'000	£'000
ASSETS		
NON-CURRENT ASSETS:		
Intangible assets	11,120	12,805
Property, plant and equipment	1,362,370	1,335,184
Right-of-use assets	228,038	225,443
Investment in joint ventures	5,715	4,961
Other non-current financial assets	52,652	47,245
Restricted deposits and cash	9,123	9,272
Deferred income tax assets	12,735	12,909
	1,681,753	1,647,819
CURRENT ASSETS:		
Restricted deposits and cash	2,900	9,229
Inventories	3,351	3,181
Trade receivables	23,296	18,533
Other receivables and prepayments	35,602	17,866
Cash and cash equivalents	137,765	163,589
	202,914	212,398
Total assets	1,884,667	1,860,217

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2023 Unaudited £'000	31 December 2022 Audited £'000
EQUITY AND LIABILITIES		
EQUITY:		
Issued capital	–	–
Share premium	133,336	133,177
Treasury shares	(6,888)	(5,472)
Foreign currency translation reserve	10,882	20,039
Hedging reserve	13,355	10,950
Accumulated earnings	154,017	156,364
Attributable to equity holders of the parent	304,702	315,058
Non-controlling interests	213,785	188,187
Total equity	518,487	503,245
NON-CURRENT LIABILITIES:		
Bank borrowings	810,884	817,631
Provision for concession fee on land	5,168	5,331
Financial liability in respect of Income Units sold to private investors	117,722	121,084
Other financial liabilities	271,296	265,494
Deferred income taxes	5,835	5,922
	1,210,905	1,215,462
CURRENT LIABILITIES:		
Trade payables	14,837	13,565
Other payables and accruals	94,204	80,844
Bank borrowings	46,234	47,101
	155,275	141,510
Total liabilities	1,366,180	1,356,972
Total equity and liabilities	1,884,667	1,860,217

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

INTERIM CONSOLIDATED INCOME STATEMENT

	Six months ended	
	30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000
Revenues	179,971	113,191
Operating expenses	(133,525)	(95,040)
EBITDAR	46,446	18,151
Rental expenses	(1,210)	(1,129)
EBITDA	45,236	17,022
Depreciation and amortisation	(20,071)	(19,488)
EBIT	25,165	(2,466)
Financial expenses	(18,039)	(18,724)
Financial income	2,826	539
Other income	2,348	2,670
Other expenses	(4,036)	(4,922)
Net income (expense) for financial liability in respect of Income Units sold to private investors	(6,188)	(3,103)
Share in results of associate and joint ventures	(50)	(95)
Profit (loss) before tax	2,026	(26,101)
Income tax benefit (tax expense)	(1,082)	144
Profit (loss) for the period	944	(25,957)
Profit (loss) attributable to:		
Equity holders of the parent	3,858	(22,110)
Non-controlling interests	(2,914)	(3,847)
	944	(25,957)
Basic and diluted earnings per share (in Pound Sterling)	0.09	(0.52)

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000
Profit (loss) for the period	944	(25,957)
Other comprehensive income (loss) to be recycled through profit and loss in subsequent periods:		
Profit from cash flow hedges ¹	5,860	8,735
Foreign currency translation adjustments of foreign operations ²	(13,117)	10,005
Other comprehensive income (loss), net	(7,257)	18,740
Total comprehensive loss	(6,313)	(7,217)
Total comprehensive income (loss) attributable to:		
Equity holders of the parent	(2,211)	(9,592)
Non-controlling interest	(4,102)	2,375
	(6,313)	(7,217)

1 Included in hedging reserve.

2 Included in foreign currency translation reserve.

The accompanying notes are an integral part of the Condensed 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 2023 (audited)	–	133,177	(5,472)	20,039	10,950	156,364	315,058	188,187	503,245
Profit (loss) for the period	–	–	–	–	–	3,858	3,858	(2,914)	944
Other comprehensive income (loss) for the period	–	–	–	(9,047)	2,978	–	(6,069)	(1,188)	(7,257)
Total comprehensive income (loss)	–	–	–	(9,047)	2,978	3,858	(2,211)	(4,102)	(6,313)
Share based payments	–	293	–	–	–	–	293	44	337
Share buy back (note 3c)	–	–	(1,620)	–	–	–	(1,620)	–	(1,620)
Exercise of options	–	(134)	204	–	–	–	70	–	70
Dividend distribution ²	–	–	–	–	–	(5,119)	(5,119)	–	(5,119)
Dividend distribution by a subsidiary to non-controlling interests	–	–	–	–	–	–	–	(1,444)	(1,444)
Transactions with non-controlling interests (note 3a & 3b)	–	–	–	(110)	(573)	(1,086)	(1,769)	31,100	29,331
Balance as at 30 June 2023 (unaudited)	–	133,336	(6,888)	10,882	13,355	154,017	304,702	213,785	518,487
Balance as at 1 January 2022 (audited)	–	131,229	(3,482)	3,806	(434)	147,350	278,469	168,742	447,211
Loss for the period	–	–	–	–	–	(22,110)	(22,110)	(3,847)	(25,957)
Other comprehensive income (loss) for the period	–	–	–	7,780	4,738	–	12,518	6,222	18,740
Total comprehensive income (loss)	–	–	–	7,780	4,738	(22,110)	(9,592)	2,375	(7,217)
Share based payments	–	1,024	–	–	–	–	1,024	37	1,061
Share buy back	–	–	(12)	–	–	–	(12)	–	(12)
Balance as at 30 June 2022 (unaudited)	–	132,253	(3,494)	11,586	4,304	125,240	269,889	171,154	441,043

1 No par value.

2 The dividend distribution comprises a final dividend for the year ended 31 December 2022 of 12.0 pence per share.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000
Cash flows from operating activities:		
Profit (loss) for the period	944	(25,957)
Adjustments to reconcile profit (loss) to cash provided by operating activities:		
Financial expenses including expenses for financial liability in respect of Income Units sold to private investors	24,227	21,827
Financial income	(2,826)	(539)
Income tax expense (tax benefit)	1,082	(144)
Gain on disposal of assets	–	45
Loss on buy-back of Income Units sold to private investors	1,289	733
Share based payments	337	1,061
Revaluation of lease liability	1,914	1,841
Share in results of associate and joint ventures	50	95
Share appreciation rights revaluation	(2,348)	1,350
Fair value movement derivatives through profit and loss	569	(2,670)
Depreciation and amortisation	20,071	19,488
	44,365	43,087
Changes in operating assets and liabilities:		
Increase in inventories	(252)	(940)
Increase in trade and other receivables	(5,453)	(9,105)
Increase in trade and other payables	7,833	25,881
	2,128	15,836
Cash paid and received during the period for:		
Interest paid	(24,071)	(18,653)
Interest received	1,128	420
Taxes paid	(242)	(168)
	(23,185)	(18,401)
Net cash flows provided by operating activities	24,252	14,565

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Six months ended	
	30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000
Cash flows from investing activities:		
Investments in property, plant and equipment	(54,525)	(46,885)
Investment in intangible assets	(11)	(77)
Loan to Joint Venture	(912)	(844)
Decrease (increase) in restricted cash, net	6,211	(776)
Net cash flows used in investing activities	(49,237)	(48,582)
Cash flows from financing activities:		
Net proceeds from transactions with non-controlling interests	13,790	–
Proceeds from long-term loans	17,829	39,019
Repayment of long-term loans	(15,483)	(12,093)
Repayment of leases	(2,178)	(2,538)
Purchase of treasury shares	(1,621)	–
Exercise of options settled in cash	70	–
Interest rate cap	(4,080)	–
Dividend payment	(5,119)	–
Dividend payment by a subsidiary to non-controlling interests	(1,444)	–
Buy-back of Income Units previously sold to private investors	–	(2,231)
Net cash flows provided by financing activities	1,764	22,157
Decrease in cash and cash equivalents	(23,221)	(11,860)
Net foreign exchange differences	(2,603)	1,065
Cash and cash equivalents at beginning of period	163,589	136,802
Cash and cash equivalents at end of period	137,765	126,007
Non-cash items:		
Lease additions and lease remeasurement	6,481	4,978
Outstanding payables on investments in property, plant and equipment	12,471	4,606
Receivables in respect of transaction with non-controlling interests	15,541	–

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

NOTES:

Note 1: General

- a. PPHE Hotel Group, 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 2023 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 2022 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**

As part of their ongoing responsibilities, the Directors have recently undertaken a thorough review of the Group's cash flow forecast and potential liquidity risks. Detailed budgets and cash flow projections, which take into account the current trading environment and the industry-wide cost pressures, have been prepared for 2023 and 2024 and show that the Group's hotel operations are expected to be cash generative during the Period. Having reviewed those cash flow projections, 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 2023. 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 2023 had no material impact on the interim consolidated financial statements:

- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

Note 3: Significant events during the reported period

- a. European Hospitality Real Estate Fund

In March 2023, the Group launched a new European Hospitality Real Estate Fund ("the Fund") with a target size of up to €250 million. Clal Insurance ("Clal"), one of Israel's leading insurance and long-term savings companies, participated as a cornerstone investor, committing up to €75 million (limited to 49% of total participation). The Group also committed to invest up to €50 million in the Fund. Additional investors have the opportunity to participate in the Fund for the remaining €125 million of equity.

Upon full subscription and with a targeted 50% bank leverage, the Fund's investment potential is expected to reach approximately €500 million. The Fund has a planned duration of seven years and aims to provide an attractive double-digit internal rate of return (IRR) for its investors. The primary investment focus will be on value-add opportunities, and the Fund will employ the well-established and successful PPHE strategy.

As part of the agreement signed with Clal, it was decided to incorporate the fund under Signature Top II Ltd ("Signature Top II"), a UK incorporated company, with a 51% ownership by the Group and 49% by Clal, until additional investors join.

At the inception of the fund, PPHE contributed the shares of Società Immobiliare Alessandro De Gasperis S.r.l., the owner of the Londra & Cargill Hotel in Rome, Italy ("Londra"), valued at €29.3 million (£25.8 million), for its 51% participation in Signature Top II. Clal made an initial cash contribution of €28.1 million (£24.8 million), payable at the Group's request, for its 49% participation. As of the reporting date, Clal transferred €10 million out of the €28.1 million, with an additional €10 million transferred after the reporting date. The outstanding €8.1 million is expected to be received within the next few months.

The Group has assessed the transaction and determined that it exercises control over Signature Top II. Consequently, the change in the ownership interest of Londra does not trigger a change of control and is therefore accounted for as an equity transaction in accordance with IFRS 10 Consolidated Financial Statements. The excess of consideration received over the carrying amount of the non-controlling interests (net of £0.8 million in transaction costs) amounting to £0.4 million is recognised in the parent company's equity. The Group has chosen to recognise this amount in accumulated earnings. Additionally, £0.6 million was reclassified from the Foreign currency translation reserve and hedging reserve to accumulated earnings.

b. art'otel London Hoxton Development

During the reporting period, the expected construction costs of art'otel London Hoxton, in which Clal holds a minority interest through the joint venture vehicle Signature Top Limited, have increased mainly due to the interest to be incurred throughout the construction phase.

On April 27, 2023, both the Group and Clal mutually agreed that the sharing of these cost referred to above, would be funded by 65% from the Group and 35% from Clal. The excess consideration of £2.2 million paid by the Group is recognised in the equity of the parent company. The Group has chosen to recognise this amount in accumulated earnings.

c. Share buyback programme

During the reporting period, the Company completed a purchase of 138,611 shares under share buy-back programme that was approved on 18 November 2022, for a total consideration of £1,621 thousand, representing an average price of 1,162 pence per share. The Company re-issued 59,000 treasury shares in connection with the exercise of options. The total number of treasury shares as at 30 June 2023 is 1,988,653.

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*, *Croatia* and *the United Kingdom*. *Other* includes individual hotels in Hungary, Serbia, Italy and Austria. 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 for financial reporting purposes in the consolidated income statement.

Six months ended 30 June 2023 (unaudited)								
	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other ¹ £'000	Management and holding companies £'000	Adjustments ² £'000	Consolidated £'000
REVENUE								
Third party	30,244	10,560	109,989	22,071	3,802	3,305		179,971
Inter-segment			200	71		18,146	(18,417)	
Total revenue	30,244	10,560	110,189	22,142	3,802	21,451	(18,417)	179,971
Segment EBITDA	9,438	2,303	31,820	(402)	(236)	2,313		45,236
Depreciation and amortisation								(20,071)
Financial expenses								(18,039)
Financial income								2,826
Net expenses for financial liability in respect of Income								
Units sold to private investors								(6,188)
Other income (expenses), net								(1,688)
Share in results of associate and joint ventures								(50)
Profit before tax								2,026

¹ Includes Park Plaza Budapest in Hungary, 88 Rooms Hotel in Belgrade, Serbia, Londra & Cargill Hotel in Rome, Italy, FRANZ Ferdinand Mountain Resort in Nassfeld, Austria.

² Consist of inter-company eliminations.

Six months ended 30 June 2022 (unaudited)								
	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other ¹ £'000	Management and holding companies £'000	Adjustments ² £'000	Consolidated £'000
REVENUE								
Third party	14,743	6,374	71,098	16,230	3,234	1,512		113,191
Inter-segment			102	72		11,776	(11,950)	
Total revenue	14,743	6,374	71,200	16,302	3,234	13,288	(11,950)	113,191
Segment EBITDA	3,050	2,700	16,061	(944)	192	(4,037)		17,022
Depreciation and amortisation								(19,488)
Financial expenses								(18,724)
Financial income								539
Net income for financial liability in respect of Income								
Units sold to private investors								(3,103)
Other income (expenses), net								(2,252)
Share in results of associate and joint ventures								(95)
Loss before tax								(26,101)

¹ Includes Park Plaza Budapest in Hungary, 88 Rooms Hotel in Belgrade, Serbia, Londra & Cargill Hotel in Rome, Italy, FRANZ Ferdinand Mountain Resort in Nassfeld, Austria.

² Consist of inter-company eliminations.

Note 5: Financial instruments

Fair value of financial instruments:

The Company has entered into interest rate swap contracts with unrelated financial institutions in order to reduce the effect of interest rate fluctuations or risk of certain real estate investment's interest expense on its variable rate debt. The Company is exposed to credit risk in the event of non-performance by the counterparty to these financial instruments. Management believes the risk of loss due to non-performance to be minimal and therefore decided not to hedge this.

The accounting treatment for the interest rate swaps and whether they qualify as accounting hedges under IFRS 9 is determined separately for each contract. If the contract qualifies as accounting hedge then the unrealised gain or loss on the contract is recorded in the consolidated statement of comprehensive income. If the contract does not qualify as accounting hedge then the gain or loss on the contract is recorded in the consolidated income statement. The fair value of the interest rate swaps is determined by taking into account the present interest rates compared to the contracted fixed rate over the life of the contract. The valuation models incorporate various market inputs such as interest rate curves and the fair value measurement is classified to Level 2 of the fair value hierarchy.

For the six months ended June 30, 2023, the Company recorded a loss of £0.6 million in Other expenses in the consolidated income statement and an unrealised profit of £5.9 million in the consolidated statement of comprehensive income representing the change in the fair value of these interest rate swaps during the period. The aggregate fair value of the interest rate swap contracts was £40.5 as of June 30, 2023 and is included in Other receivables and prepayments and Other non-current financial assets on the consolidated statements of financial position.

During the period ended 30 June 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Note 6: Other disclosures

a. Seasonality

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

b. Revenues

	Six months ended 30 June 2023 (Unaudited) £'000	Six months ended 30 June 2022 (Unaudited) £'000
Rooms	133,570	81,956
Campsites and mobile homes	4,919	3,967
Food and beverage	33,808	22,627
Minor operating	3,347	2,403
Management fee	1,412	729
Franchise and reservation fee	719	172
Marketing fee	399	214
Rent revenue	1,346	1,035
Other	451	88
Total	179,971	113,191

c. Other income

	Six months ended 30 June 2023 (Unaudited) £'000	Six months ended 30 June 2022 (Unaudited) £'000
Revaluation of interest rate swap	-	2,670
Revaluation of share appreciation rights	2,348	-
Total	2,348	2,670

d. Other expenses

	Six months ended 30 June 2023 (Unaudited) £'000	Six months ended 30 June 2022 (Unaudited) £'000
Revaluation of finance lease ¹	(1,914)	(1,841)
Capital loss on buy-back of income units previously sold to private investors	(1,289)	(733)
Revaluation of share appreciation rights	-	(1,350)
Revaluation of interest rate swap	(569)	-
Loss on disposal of property, plant and equipment	-	(45)
Other non-recurring expenses (including pre-opening expenses)	(264)	(953)
Total	(4,036)	(4,922)

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

e. Earnings per share

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

In 2023 the effect of Potentially dilutive instruments on diluted EPS is immaterial, in 2022, Potentially dilutive instruments are not considered since their effect is antidilutive (increase of loss per share).

	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
Reported profit (loss) attributable to Equity holders of the parent (£'000)	3,858	(22,110)
Weighted average number of ordinary shares outstanding (in thousands)	42,368	42,545

f. Related parties

Balances with related parties

	30 June 2023 £'000 (Unaudited)	31 December 2022 £'000 (Audited)
Loans to joint ventures	6,464	5,573
Short-term receivables	78	100
Payable to GC Project Management Limited	-	(185)
Payable to Gear Construction UK Limited	(13,523)	(6,218)

Transactions with related parties

	Six months ended 30 June 2023	Six months ended 30 June 2022
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	(Unaudited) £'000	(Unaudited) £'000
Cost of transactions with GC Project Management Limited	(270)	(60)
Cost of transaction with Gear Construction UK Limited	(30,654)	(27,057)
Rent income from sub lease of office space	28	39
Management fee revenue from joint ventures	419	322
Interest income from jointly controlled entities	169	59