

# Momentum Continues into First Half of 2016

ISE: DHG      LSE: DAL

**Dublin & London | 6 September, 2016:** Dalata Hotel Group plc (“Dalata” or the “Group”), the largest hotel operator in Ireland, today announces results for the six months ended 30 June 2016 (“H1 2016”).

## Key Highlights

- Revenue up 33% to €130.1 million generating Profit before Tax of €18.2 million
- Adjusted EBITDA (excluding acquisition-related costs, revaluation gains/losses and stock exchange listing costs) increased by 50% to €35.3 million
- Net upward property revaluation of €41.5 million
- Diluted EPS increased from 0.429 cent to 8.429 cent
- Construction of four new hotels in Dublin, Belfast and Cork and extensions at four other hotels to add 400 full time roles to current employee base of 3,610 people

## Announcing Today

- Completed the purchase of the freehold interest of Maldron Hotel Cork for €8.1 million
- Exchanged contracts to purchase three buildings adjacent to Maldron Hotel Parnell Square for €5.0 million with a view to extending that hotel
- As announced in August, entered into exclusive discussions to acquire the operating interest and commit to a leasehold interest in Doubletree by Hilton Hotel, Burlington Road, Dublin

## Financial KPIs

- Segments EBITDAR margin increased from 36.9% to 38.7% as a result of strong conversion of like for like revenue growth
- RevPAR for the Group increased significantly by 11.2% to €74.90
- Net debt to Adjusted EBITDA ratio of 2.6x (using annualised adjusted EBITDA)
- Weaker sterling exchange rate in H1 2016 reduced ‘euro denominated’ UK earnings by €0.6m

## Strategic and Operating Highlights

- €38.9 million spent on acquisition of leasehold interests and businesses of four Choice Hotels in March 2016; €34.5 million spent on acquisition of freehold interest of three hotels
- €30.8 million spent on acquisition of three hotel development sites in Dublin and Cork. Exchanged contracts for purchase of development site in Belfast during the period which subsequently completed on 5 August 2016. The four projects will create circa 675 rooms on the island of Ireland
- Increase in room numbers at owned and leased hotels to 6,601 at the end of June 2016
- €13.2 million invested in hotel development and refurbishment in H1 2016
- Admitted to the main market listing of the Irish Stock Exchange and the London Stock Exchange

## Results Summary

Key Figures	Six months to 30 June 2016	Six months to 30 June 2015	Variance
Revenue	€130.1m	€97.7m	1.3x
Segments EBITDAR	€50.4m	€36.0m	1.4x
Adjusted EBITDA	€35.3m	€23.6m	1.5x
Profit before tax	€18.2m	€2.7m	6.7x
<b>KPIs</b>			
Occupancy (%)	79.0%	78.8%	
Average Room Rate (€)	€94.78	€85.48	
RevPAR (€)	€74.90	€67.34	

## Outlook

The second half of 2016 is continuing to be a very busy and exciting time for Dalata with the announcement today of the acquisition of the freehold interests of the Maldron Hotel Cork and three buildings adjacent to Maldron Hotel Parnell Square. We will progress our plans to develop new hotels in Dublin, Cork and Belfast and obtain planning permission for extensions to four of our hotels in Dublin and Galway. This will create a very strong pipeline of additional rooms for 2018.

Prospects remain very strong for the hotel market in Dublin and the regional cities in Ireland. The impact of Brexit on the UK hotel market is not yet clear.

The Group remains very focused on maximising the returns from its existing portfolio. We plan to rebrand the three Clarion hotels to Clayton in November which will effectively complete the integration of the hotels purchased in the first half of 2016. We will also continue our room refurbishment programme which will ensure that we continually improve our product offering to our customers. We continue to invest in our people through extensive training and development programmes and we also continue to invest in our food and beverage product offering at our hotels.

The reduction in the value of sterling continues to have a significant negative impact on the 'euro translated' earnings from our UK hotels. Trading in July and August has been very strong in Ireland and we expect RevPARs to continue to grow, albeit at a somewhat reduced pace for the remainder of 2016. Trading in our UK hotels has met our expectations in July and August and we have yet to see any impact of Brexit on business levels.

## Principal Risks and Uncertainties

The decision of the United Kingdom to leave the European Union has created some uncertainty for the Group. The principal risks and uncertainties for the remainder of 2016 are:

- Significant fluctuations in the value of sterling could affect the reported earnings and asset values of the Group as UK subsidiaries are reported in sterling and translated into Euro.
- A significant reduction in the value of sterling would also make Ireland a more expensive destination for UK visitors which in turn could impact on the number of UK residents staying in Irish hotels.
- The decision may have an impact on general economic activity in the UK and Ireland which in turn would impact on the numbers of people looking to stay at hotels in both countries.

**Pat McCann, Dalata Group CEO, said:**

“The first half of 2016 has been another very busy and rewarding period for Dalata Hotel Group. Trade has been ahead of our expectations with the Irish hotel market performing exceptionally well in the period. We have continued our acquisition and development programme as well as further developing the Clayton and Maldron brands in the UK and Ireland.

We are delighted with the acquisition of the freehold interest of three hotels in Dublin, Sligo and Limerick in addition to the purchase of the leasehold interests of the former Choice hotels in Dublin, Croydon, Cork and Limerick. All of the acquired hotels have been successfully integrated into the Group. We recognise that in some locations it makes more economic sense to develop new hotels as opposed to acquiring existing hotels. As a result we have acquired city centre sites in Dublin (two), Cork and Belfast on which we will develop new hotels. These hotels are all scheduled to open in 2018 and will add approximately 675 rooms to our portfolio as well as creating over 400 new jobs on the island of Ireland, on top of our 3,610 existing jobs.

The continued recovery of the Irish economy has allowed us to benefit strongly from the growth in RevPAR in Dublin and the other large cities in Regional Ireland. All our Irish hotels have performed very well and we have converted the additional revenue strongly to the bottom line. Sterling weakness has had a negative impact on the ‘euro translated’ earnings from our UK hotels and this impact has increased since Brexit. We were disappointed with the outcome of the Brexit vote in the UK due to the uncertainty it creates and its potential negative impact on the future prospects of the UK and Irish economies. To date, we have not seen any impact on trading at our hotels but we are monitoring booking levels closely to ensure that we react quickly to any impact.

We refurbished 517 bedrooms during the period as well as completing the redevelopment of Maldron Hotel Pearse Street in Dublin. We are also currently completing external landscaping works at Clayton Hotel Chiswick after which the extension and full refurbishment of the hotel will be complete. We are currently refurbishing the Ballroom and Event Centre at Clayton Hotel Silver Springs in Cork. We are planning to refurbish a further 243 bedrooms in the second half of the year.

We are delighted to announce today the acquisition of the freehold interest of Maldron Hotel Cork (€8.1 million) and three buildings adjacent to Maldron Hotel Parnell Square (€5 million). Discussions are continuing with a view to the Group committing to a leasehold interest in the Double Tree by Hilton Hotel located at Burlington Road in Dublin 4. Any proposed deal will be subject to the approval of the CCPC.

The Group moved to a main listing on both the Irish and London Stock Exchanges in June and I believe that these listings will further enhance the Group’s profile and open up the possibility of a wider group of investors trading in our shares.

The second half of 2016 will continue at the energetic pace of the first half of the year. We will continue to work on our four hotel development projects as well as progressing plans to build extensions to our Clayton Dublin Airport, Clayton Ballsbridge and Maldron Sandy Road, Galway hotels. We will also rebrand three of our acquired hotels to Clayton in November. Trade in our Irish hotels has been very strong in July and August while it has been in line with our expectations in our UK properties”.

ENDS

## **Conference Call Details | Analysts & Institutional Investors**

Management will host a conference call for analysts and institutional investors at 08.30 BST, today 6 September 2016, and this can be accessed as follows:

From Ireland dial: **(01) 696 8154**

From the UK dial: **0203 139 4830**

From the USA dial: **(1) 718 873 9077**

From other locations dial: **+353 1 696 8154**

**The participant PIN code is 42426784#**

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### **Note on forward-looking information**

This Announcement contains forward-looking statements, which are subject to risks and uncertainties because they relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company or the industry in which it operates, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements referred to in this paragraph speak only as at the date of this Announcement. The Company will not undertake any obligation to release publicly any revision or updates to these forward-looking statements to reflect future events, circumstances, unanticipated events, new information or otherwise except as required by law or by any appropriate regulatory authority.

## H1 2016 Performance Overview

6 Months ended 30 June 2016 - €'000

	<u>Dublin</u>	<u>Regional Ireland</u>	<u>UK</u>	<u>Managed Hotels</u>	<u>Central Office</u>	<u>Total</u>
Revenue	68,304	28,739	31,746	1,261	-	<b>130,050</b>
Segments EBITDAR	31,519	6,209	11,361	1,261	-	<b>50,350</b>
Rent	(8,590)	(1,119)	(1,995)	-	-	<b>(11,704)</b>
Segments EBITDA	<u>22,929</u>	<u>5,090</u>	<u>9,366</u>	<u>1,261</u>	<u>-</u>	<u><b>38,646</b></u>
Central overhead	-	-	-	-	(3,835)	<b>(3,835)</b>
Rental income	-	-	-	-	537	<b>537</b>
<b>Adjusted EBITDA</b>	<b><u>22,929</u></b>	<b><u>5,090</u></b>	<b><u>9,366</u></b>	<b><u>1,261</u></b>	<b><u>(3,298)</u></b>	<b><u>35,348</u></b>
Acquisition-related costs	-	-	-	-	(2,023)	<b>(2,023)</b>
Stock Exchange listing costs	-	-	-	-	(1,423)	<b>(1,423)</b>
Net revaluation loss	-	-	-	-	(910)	<b>(910)</b>
Group EBITDA	<b><u>22,929</u></b>	<b><u>5,090</u></b>	<b><u>9,366</u></b>	<b><u>1,261</u></b>	<b><u>(7,654)</u></b>	<b><u>30,992</u></b>

6 Months ended 30 June 2015 - €'000

	<u>Dublin</u>	<u>Regional Ireland</u>	<u>UK</u>	<u>Managed Hotels</u>	<u>Central Office</u>	<u>Total</u>
Revenue	52,917	17,959	24,884	1,951	-	<b>97,711</b>
Segments EBITDAR	21,789	3,164	9,123	1,951	-	<b>36,027</b>
Rent	(7,051)	(972)	(1,396)	-	-	<b>(9,419)</b>
Segments EBITDA	<u>14,738</u>	<u>2,192</u>	<u>7,727</u>	<u>1,951</u>	<u>-</u>	<u><b>26,608</b></u>
Central overhead	-	-	-	-	(3,024)	<b>(3,024)</b>
<b>Adjusted EBITDA</b>	<b><u>14,738</u></b>	<b><u>2,192</u></b>	<b><u>7,727</u></b>	<b><u>1,951</u></b>	<b><u>(3,024)</u></b>	<b><u>23,584</u></b>
Acquisition-related costs	-	-	-	-	(13,539)	<b>(13,539)</b>
Net revaluation loss	-	-	-	-	(908)	<b>(908)</b>
Group EBITDA	<b><u>14,738</u></b>	<b><u>2,192</u></b>	<b><u>7,727</u></b>	<b><u>1,951</u></b>	<b><u>(17,471)</u></b>	<b><u>9,137</u></b>

The continued transformation of Dalata's business is reflected in the growth in revenue and EBITDA.

- Group revenue has increased by 33% to €130.1 million with 48% of this increase achieved in the Dublin hotels.
- Adjusted EBITDA (excluding acquisition-related costs, revaluation gains/losses and stock exchange listing costs) increased by €11.7 million to €35.3 million.
- Revenue from managed contracts decreased in line with the Group's expectation as receivers continued to sell managed hotels over the last year.
- Rental income includes rent earned on the freehold of Clarion Cork before the Group acquired the leasehold interest and business of this hotel in March 2016.
- Acquisition costs decreased significantly due to a reduction in stamp duty costs and acquisition activity.

The Group's total number of rooms at leased and owned hotels has increased from 5,484 at 31 December 2015 to 6,601 at 30 June 2016. The split of room numbers across the three regions is as follows:

<b>Region</b>	<b>Room numbers</b>	<b>%</b>
Dublin	3,196	48.4%
Regional Ireland	1,637	24.8%
UK	1,768	26.8%
Total room numbers	<b>6,601</b>	

*Split of assets and liabilities at 30 June 2016*

<b>€ million</b>	<b>ROI</b>	<b>UK</b>	<b>Total</b>
<i>Assets</i>			
Goodwill	64.8	18.8	83.6
Property, plant and equipment	514.8	217.5	732.3
Investment property	1.9	-	1.9
Other non-current assets	0.9	-	0.9
Current assets	59.3	40.6	99.9
<b>Total assets excluding derivatives and deferred tax assets</b>	<b>641.7</b>	<b>276.9</b>	<b>918.6</b>
<i>Liabilities</i>			
Loans and borrowings	85.3	181.5*	266.8
Trade and other payables	36.9	13.0	49.9
<b>Total liabilities excluding derivatives and tax liabilities</b>	<b>122.2</b>	<b>194.5</b>	<b>316.7</b>

\* Includes €160.1 million (£132.4 million) of Sterling loans held in Ireland which financed the original acquisition of certain UK operations and the €21.8m (£18m) drawn in June 2016

## Profit Bridge

The table below highlights the key drivers of the strong performance in H1 2016.

	6 months ending 30 June 2015	Dublin				Regional Ireland			United Kingdom				Net loss of managed contracts	6 months ending 30 June 2016
		Full period impact of properties acquired in 2015	Properties acquired in H1 2016*	Effect of Clyde Court closure	Like for Like performance increase	Full period impact of properties acquired in 2015	Properties acquired in H1 2016*	Like for Like performance increase	Full period impact of properties acquired in 2015	Properties acquired in H1 2016*	Effect of FX	Like for Like performance increase		
Revenue	97,711	3,258	6,400	(4,307)	10,036	1,660	7,365	1,755	4,369	2,646	(1,835)	1,682	(690)	130,050
Segments														
EBITDAR	36,027	1,053	2,499	(1,284)	7,462	(102)	2,029	1,118	984	886	(678)	1,046	(690)	50,350
Rent	(9,419)	228	(1,404)	1,072	(1,435)	52	(72)	(127)	(60)	(678)	83	56	-	(11,704)
<b>Segments</b>														
<b>EBITDA</b>	<b>26,608</b>	<b>1,281</b>	<b>1,095</b>	<b>(212)</b>	<b>6,027</b>	<b>(50)</b>	<b>1,957</b>	<b>991</b>	<b>924</b>	<b>208</b>	<b>(595)</b>	<b>1,102</b>	<b>(690)</b>	<b>38,646</b>
<i>Segments</i>														
<i>EBITDAR</i>														
<i>margin</i>	36.9%													38.7%

\* Dublin –The Gibson Hotel and Tara Towers Hotel; Regional Ireland – the Clarion Hotel Cork, Clarion Hotel Limerick, Clarion Hotel Sligo; UK – the Croydon Park Hotel

- The increase in Revenue and EBITDA is driven by a combination of (i) results from new hotels acquired in 2016 (ii) full period impact of hotels acquired in 2015 and (iii) uplift due to enhanced performance across all regions. 51% of the increase in revenue came from new hotels acquired in 2016.
- Performance at the UK hotels has been mixed with the Provincial UK hotels growing revenue and EBITDA strongly, the Northern Ireland hotels being compared to a very strong H1 2015 and the London hotels being impacted by a reduction in RevPAR in that city.

## Segmental Review

The next section analyses the results of the Group's portfolio of hotels by the following regions:

1. Dublin hotel portfolio
2. Regional Ireland hotel portfolio
3. United Kingdom hotel portfolio

### 1. Dublin Hotel Portfolio

#### *Earnings Summary*

€million	6 months ended June 2016	6 months ended June 2015
Room revenue	48.2	36.3
Food and beverage revenue	15.7	13.5
Other	4.4	3.1
Revenue	68.3	52.9
EBITDAR	31.5	21.8
Rent	(8.6)	(7.0)
<b>EBITDA contribution</b>	<b>22.9</b>	<b>14.8</b>
EBITDAR margin	46.1%	41.2%

*Performance Statistics (reflect full six months performance of the hotels in this portfolio for both periods regardless of when acquired)*

	1 Jan 16 to 30 Jun 16	1 Jan 15 to 30 Jun 15
Occupancy	82.8%	79.8%
ADR	€103.07	€86.07
RevPAR	€85.34	€68.70

The Dublin hotel portfolio includes six Maldrón Hotels, four Clayton Hotels, Ballsbridge Hotel, the Tara Towers Hotel and The Gibson Hotel. The Dublin market represents 48.4% of the Group's total owned and leased room count and the market continued to benefit from increased demand currently being experienced across the city.

Revenue in Dublin increased by 29.1% year on year. Together, the full period impact of the hotels acquired during 2015 and the new additions in 2016 at The Gibson Hotel and Tara Towers Hotel accounted for €9.7 million of the increase in revenue year on year. This was offset by a loss in revenue of €4.3 million due to closure of the Clyde Court Hotel in early January 2016. RevPAR at the Group's hotels increased on a like for like basis by 24.2% compared to the market increase of 21.6%.

The Dublin hotels were strong in both the leisure and corporate markets. In particular, the newly refurbished Maldrón Hotel Pearse Street has achieved a substantial growth in RevPAR following extensive renovations at the hotel in 2015.

EBITDAR margin increased by 4.9 percentage points to 46.1% demonstrating a strong conversion of revenue to the bottom line. Rent has increased despite the closure of Clyde Court due to the acquisition of the leasehold interest in The Gibson Hotel and strong trading in hotels with performance related rent.



## 2. Regional Ireland Hotel Portfolio

### *Earnings Summary*

<b>€million</b>	<b>6 months ended June 2016</b>	<b>6 months ended June 2015</b>
Room revenue	14.6	8.3
Food and beverage revenue	10.9	7.6
Other	3.2	2.1
	<hr/>	<hr/>
Revenue	28.7	18.0
	<hr/>	<hr/>
EBITDAR	6.2	3.2
Rent	(1.1)	(1.0)
	<hr/>	<hr/>
<b>EBITDA contribution</b>	<b>5.1</b>	<b>2.2</b>
	<hr/> <hr/>	<hr/> <hr/>
EBITDAR margin	21.6%	17.8%

*Performance Statistics (reflect full six months performance of the hotels in this portfolio for both periods regardless of when acquired)*

	<b>1 Jan 16 to 30 Jun 16</b>	<b>1 Jan 15 to 30 Jun 15</b>
Occupancy	69.3%	68.1%
ADR	€80.46	€73.13
RevPAR	€55.79	€49.78

The twelve hotels in Regional Ireland comprise six Maldron hotels, three Clayton hotels and three Clarion hotels. The Clarion hotels will be rebranded as Clayton hotels over the coming months.

The results from Regional Ireland account for 22.1% of the Group's revenue and 14.4% of the Group's adjusted EBITDA.

On an overall basis occupancy has remained constant in Regional Ireland. Revenue has increased by 59.4% to €28.7 million. The new Clarion hotels and the full period impact of the hotels acquired during H1 2015 accounted for €9.0 million of the increase. The remaining increase in revenue of €1.8 million is driven by an increase in RevPAR year on year. RevPAR in the Regional Ireland hotels increased on a like for like basis by 12.1%.

There has been a strong positive impact from the Choice acquisition. Clarion Cork and the Clarion Limerick achieve significantly higher room revenues compared to other hotels in Cork and Limerick due to their prime location. The Clarion hotels would have generated €10.2 million in revenue for the Group if they had been owned and operated by the Group for the full six months.

Food and beverage revenue accounts for 38% of total revenue in Regional Ireland compared to 23% in the Dublin region. EBITDAR margin is lower in the Regional Ireland hotels due to lower average room rates and this higher mix of food and beverage revenue. EBITDAR margin has increased from 17.8% to 21.6% due to strong conversion of additional revenue and the addition of higher margin hotels such as Clarion Hotel Cork and the Clarion Hotel Limerick.

### 3. United Kingdom Hotel Portfolio

#### *Earnings Summary*

<b>£million</b>	<b>6 months ended June 2016</b>	<b>6 months ended June 2015</b>
Room revenue	16.9	12.3
Food and beverage revenue	6.0	4.5
Other	1.8	1.2
	<hr/>	<hr/>
Revenue	24.7	18.0
	<hr/>	<hr/>
EBITDAR	8.8	6.6
Rent	(1.5)	(0.9)
	<hr/>	<hr/>
<b>EBITDA contribution</b>	<b>7.3</b>	<b>5.7</b>
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EBITDAR margin	36.0%	36.7%

*Performance Statistics (reflect full six months performance of the hotels in this portfolio for both periods regardless of when acquired)*

	<b>1 Jan 16 to 30 Jun 16</b>	<b>1 Jan 15 to 30 Jun 15</b>
Occupancy	78.0%	79.3%
ADR	£70.68	£68.32
RevPAR	£55.10	£54.20

The UK hotel portfolio comprises three hotels in London, three hotels in provincial UK and two hotels in Northern Ireland. There are six Clayton hotels, one Maldron hotel and the Croydon Park Hotel.

The results from the United Kingdom account for 24.4% of the Group's revenue and 26.5% of the Group's adjusted EBITDA.

Revenue has increased by 37.2% to £24.7 million. The full period impact of the hotels acquired during H1 2015 and the new hotel acquired in 2016 accounted for £5.4 million of the increase. The remaining increase in revenue of £1.3 million is primarily driven by the performance of the provincial UK hotels which achieved increases in RevPAR of 7.7%, surpassing the performance of the markets in which they operate.

RevPAR in the London hotels fell by 3.6% on a like for like basis due to additional rooms in Clayton Hotel Chiswick and the general weakness of RevPAR in the London market which fell by 3.5%.

RevPAR in the Northern Ireland hotels fell by 11.2% on a like for like basis. In 2015, Clayton Hotel Belfast obtained significant revenue from business generated in the city from projects which did not repeat in 2016.

## Financial Review

### Central Office Costs

€million	6 months ended June 2016	6 months ended June 2015
Central overhead	3.8	3.1
Acquisition-related costs	2.0	13.5
Stock exchange costs	1.4	-
Foreign exchange gain	-	(0.1)
	<hr/>	<hr/>
Total Central Office costs	<b>7.2</b>	<b>16.5</b>
	<hr/> <hr/>	<hr/> <hr/>

Central overheads increased as the Group continued to invest in additional resources in accounting and finance, internal audit, marketing, business development and operations. The central function has been strengthened to support the enlarged business, manage the governance and financial management obligations of operating as a listed company and increase the Group's capacity to evaluate and develop further business growth opportunities.

€2.0 million was spent on acquisition-related costs in the first six months of 2016. €1.0 million related to stamp duty, €0.6 million related to professional fees and €0.4 million was spent on restructuring costs to integrate the hotels acquired from the Choice Hotel Group into the Group. Acquisition and integration costs have significantly reduced due to the level and type of acquisitions in 2016 compared to 2015. €1.0 million was spent on stamp duty in 2016 compared to €11.1 million in 2015.

Stock exchange costs include professional fees and listing costs associated with the admission to the main market listings on the Irish Stock Exchange and the London Stock Exchange in June 2016.

### Depreciation, Revaluation of Asset Values and Impairment of Goodwill

€million	6 months ended June 2016	6 months ended June 2015
Depreciation	7.2	4.0
Loss on revaluation of land and buildings	1.8	1.2
Reversal of prior period losses on revaluation of land and buildings	(0.9)	-
Fair value gain on investment property	-	(0.5)
Impairment of goodwill	-	0.2
	<hr/>	<hr/>
	<b>8.1</b>	<b>4.9</b>
	<hr/> <hr/>	<hr/> <hr/>

### *Depreciation*

The Group's depreciation charge increased by €3.2 million to €7.2 million in the 6 months ended 30 June 2016. The increase is primarily driven by the following:

- An increase of €2.8 million in depreciation on fixtures, fittings and equipment driven by the additional capital investment in the hotels during the first half of 2016 and the second half of 2015
- Depreciation of €0.4 million on property, plant and equipment following the acquisition of hotels from the Choice Hotel Group and other acquisitions

### *Loss on revaluation of land and buildings*

The Group reports land and buildings at fair value at each reporting date. This has resulted in a reduction in the value of its investment in Clayton Hotel Chiswick of €1.2 million which is charged against profit. Acquisition costs of €0.5 million which were capitalised on the development sites were also written off to the profit and loss account following the period-end revaluations.

### *Reversal of prior period losses on revaluation of land and buildings*

The valuations of the land and buildings at the Clarion Hotel Cork and Maldrón Hotel Derry improved during the first half of 2016. As a result the Group recorded a reversal of prior period losses on revaluation totalling €0.9 million.

### **Net Finance Costs**

<b>€million</b>	<b>6 months ended June 2016</b>	<b>6 months ended June 2015</b>
Finance income	-	1.9
Finance costs	(5.7)	(4.3)
	<hr/>	<hr/>
	<b>(5.7)</b>	<b>(2.4)</b>
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Finance costs includes interest expense of €4.4 million (including impact of hedging), €0.4m of foreign exchange losses and €0.9m of commitment fees and amortisation of capitalised debt costs. Finance costs increased due to the full period impact of the drawdown of €282m of senior debt facilities in February 2015.

## **Balance Sheet**

### *Financial Structure*

On 9 June 2016 the Group drew down £18 million and €7.7 million from its new multi-currency loan facility. On 30 June 2016 the Group had cash and cash equivalent balances of €75.4 million of which €5.9 million was held in money market funds. The Group had net bank debt of €191.4 million at 30 June 2016 and a net debt to full year Adjusted EBITDA ratio of 2.6x (calculated based on earnings for the period 1 July 2015 to 30 June 2016).

### *Revaluation Reserve*

In accordance with the Group's accounting policies, land and buildings are stated at fair value. Reductions in value (where there was previously no revaluation reserve for the asset) are accounted for in the profit for the period, whereas upward revaluations are generally accounted for in the revaluation reserve on the balance sheet. The Group is permitted to recognise an increase in value in the profit for the period to the extent that it reverses a previous revaluation loss for that property which was charged against profits in prior periods.

At 30 June 2016, the Group recognised a net revaluation gain of €41.5 million on its properties. €42.4 million of upward revaluations on land and buildings were recognised in other comprehensive income and €0.9 million was recognised as a net revaluation loss in the profit for the period.

### *Acquisitions*

During the first half of 2016 the Group spent €38.9 million on the acquisition of the leasehold interests and businesses of four hotels from the Choice Hotel Group, €26.0 million on the acquisition of the Tara Towers Hotel and Clarion Sligo Hotel and €8.5 million on the freehold interest of the Clarion Limerick Hotel (for which it had just acquired the leasehold interest).

A further €30.8 million was spent on the acquisition of three hotel development sites in Dublin and Cork.

### *Capital Expenditure*

The group invested a further €13.2 million in its refurbishment programme in the first 6 months of 2016. €3.0 million was spent completing the extension at Clayton Hotel Chiswick, London. The remaining €10.2 million was invested in other large development and refurbishment works notably at Clayton Hotel Manchester, Clayton Hotel Leopardstown, Clayton Hotel Dublin Airport, Clayton Hotel Leeds, Clayton Hotel Silver Springs, Cork, Clayton Hotel Cardiff Lane, Dublin and Maldron Hotel Newlands Cross.

### *United Kingdom operations*

At 30 June 2016 the Group operated eight hotels in the United Kingdom; three in London, three in Provincial UK and two in Northern Ireland. A summary of the assets and liabilities relating to foreign operations is shown below.

<b>£million</b>	<b>6 months ended June 2016</b>
<i>Assets in United Kingdom</i>	
Property, plant and equipment	179.8
Goodwill	15.4
Current assets	33.7
	—————
<b>Total assets excluding derivatives and deferred tax assets</b>	<b>228.9</b>
	=====
<i>Liabilities in United Kingdom</i>	
Loans and borrowings denominated in Sterling *	150.4
Other liabilities	10.7
	—————
<b>Total liabilities excluding derivatives and tax liabilities</b>	<b>161.1</b>
	=====

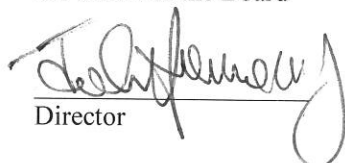
\* Loans and borrowings denominated in Sterling are classified as liabilities in the United Kingdom. This amount includes £132.4 million of Sterling loans held in Ireland which financed the original acquisition of certain UK operations in addition to the further £18m drawn down in June 2016.

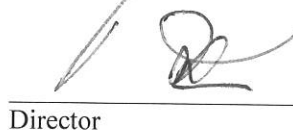
### Statement of the directors in respect of the half-yearly financial report

Each of the directors, whose names and functions are listed on pages 45 to 47 of the 2015 Annual Report, confirm our responsibility for preparing the half year financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Central Bank of Ireland and the Disclosure and Transparency Rules of the UK Financial Conduct Authority and with IAS 34 *Interim Financial Reporting*, as adopted by the EU, and to the best of each person's knowledge and belief:

- (a) the condensed interim financial statements comprising the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 26 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.
- (b) the interim management report includes a fair review of the information required by:
  - (i) *Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (ii) *Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

  
Director

  
Director



Unaudited condensed consolidated  
interim financial statements

**for the six months ended 30 June 2016**



# Dalata Hotel Group plc

## Unaudited condensed consolidated interim financial statements

<i>Contents</i>	<i>Page</i>
Unaudited condensed consolidated statement of comprehensive income	1
Unaudited condensed consolidated statement of financial position	2
Unaudited condensed consolidated statement of changes in equity	3
Unaudited condensed consolidated statement of cash flows	5
Notes to the condensed consolidated financial statements	6
Independent auditor's review report	34

# Dalata Hotel Group plc

## Unaudited condensed consolidated statement of comprehensive income for the six months ended 30 June 2016

	Note	6 months ended 30 June 2016 €'000	6 months ended 30 June 2015 €'000
<b>Continuing operations</b>			
Revenue	4	130,050	97,711
Cost of sales		(50,569)	(38,794)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>79,481</b>	58,917
Administrative expenses, including acquisition costs of €2.0 million (2014: €13.5 million)	5	(56,191)	(54,236)
Other income		537	452
		<hr/>	<hr/>
<b>Operating profit</b>		<b>23,827</b>	5,133
Finance income	6	-	1,857
Finance costs	7	(5,661)	(4,338)
		<hr/>	<hr/>
<b>Profit before tax</b>		<b>18,166</b>	2,652
Tax charge	9	(2,641)	(2,063)
		<hr/>	<hr/>
<b>Profit for the period attributable to owners of the Company</b>		<b>15,525</b>	589
		<hr/>	<hr/>
<b>Other comprehensive income</b>			
<i>Items that will not be classified to profit or loss</i>			
Revaluation of property		42,453	24,079
Related deferred tax		(5,167)	(3,382)
		<hr/>	<hr/>
		<b>37,286</b>	20,697
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Exchange difference on translating foreign operations		(29,353)	11,917
Gain/(loss) on net investment hedge		20,193	(10,044)
Fair value movement on cashflow hedges	14	(4,685)	129
Cashflow hedges – reclassified to profit or loss	14	595	-
Related deferred tax		511	(16)
		<hr/>	<hr/>
		<b>(12,739)</b>	1,986
		<hr/>	<hr/>
<b>Other comprehensive income for the period, net of tax</b>		<b>24,547</b>	22,683
		<hr/>	<hr/>
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>40,072</b>	23,272
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share</b>			
Basic earnings per share	24	8.485 cent	0.430 cent
		<hr/> <hr/>	<hr/> <hr/>
Diluted earnings per share	24	8.429 cent	0.429 cent
		<hr/> <hr/>	<hr/> <hr/>

# Dalata Hotel Group plc

## Unaudited condensed consolidated statement of financial position

at 30 June 2016

	<i>Note</i>	<b>30 June 2016</b>	31 December 2015
		<b>€'000</b>	€'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	<i>11</i>	<b>83,664</b>	46,803
Property, plant and equipment	<i>12</i>	<b>732,245</b>	608,792
Investment property	<i>13</i>	<b>1,885</b>	37,285
Deferred tax assets	<i>20</i>	<b>4,676</b>	3,936
Trade and other receivables	<i>15</i>	<b>900</b>	2,216
Derivatives	<i>14</i>	<b>17</b>	26
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>823,387</b>	699,058
		<hr/>	<hr/>
<b>Current assets</b>			
Trade and other receivables	<i>15</i>	<b>22,950</b>	11,774
Inventories		<b>1,509</b>	1,349
Cash and cash equivalents	<i>18</i>	<b>75,422</b>	149,155
		<hr/>	<hr/>
<b>Total current assets</b>		<b>99,881</b>	162,278
		<hr/>	<hr/>
<b>Total assets</b>		<b>923,268</b>	861,336
		<hr/> <hr/>	<hr/> <hr/>
<b>Equity</b>			
Share capital	<i>23</i>	<b>1,830</b>	1,830
Share premium	<i>23</i>	<b>503,113</b>	503,113
Capital contribution		<b>25,724</b>	25,724
Merger reserve		<b>(10,337)</b>	(10,337)
Share-based payment reserve		<b>1,473</b>	912
Hedging reserve		<b>(4,467)</b>	(888)
Revaluation reserve		<b>84,796</b>	47,510
Translation reserve		<b>(8,280)</b>	880
Retained earnings		<b>(15,923)</b>	(31,448)
		<hr/>	<hr/>
<b>Total equity</b>		<b>577,929</b>	537,296
		<hr/>	<hr/>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	<i>19</i>	<b>251,017</b>	250,168
Deferred tax liabilities	<i>20</i>	<b>21,075</b>	15,859
Derivatives	<i>14</i>	<b>4,966</b>	885
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>277,058</b>	266,912
		<hr/>	<hr/>
<b>Current liabilities</b>			
Loans and borrowings	<i>19</i>	<b>15,810</b>	15,970
Trade and other payables	<i>16</i>	<b>49,908</b>	40,180
Current tax liabilities		<b>2,563</b>	978
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>68,281</b>	57,128
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>345,339</b>	324,040
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>923,268</b>	861,336
		<hr/> <hr/>	<hr/> <hr/>

# Dalata Hotel Group plc

## Unaudited condensed consolidated statement of changes in equity for the six months ended 30 June 2016

	Attributable to owners of the company									
	Share capital €'000	Share premium €'000	Capital contribution €'000	Merger reserve €'000	Share-based			Translation reserve €'000	Retained earnings €'000	Total €'000
					payment reserve €'000	Hedging reserve €'000	Revaluation reserve €'000			
<b>At 1 January 2016</b>	<b>1,830</b>	<b>503,113</b>	<b>25,724</b>	<b>(10,337)</b>	<b>912</b>	<b>(888)</b>	<b>47,510</b>	<b>880</b>	<b>(31,448)</b>	<b>537,296</b>
<b>Comprehensive income:</b>										
Profit for the period	-	-	-	-	-	-	-	-	15,525	15,525
<i>Other comprehensive income</i>										
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	(29,353)	-	(29,353)
Gain on net investment hedge	-	-	-	-	-	-	-	20,193	-	20,193
Revaluation of property	-	-	-	-	-	-	42,453	-	-	42,453
Fair value movement on cashflow hedges	-	-	-	-	-	(4,685)	-	-	-	(4,685)
Cashflow hedges – reclassified to profit or loss	-	-	-	-	-	595	-	-	-	595
Related deferred tax	-	-	-	-	-	511	(5,167)	-	-	(4,656)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,579)</b>	<b>37,286</b>	<b>(9,160)</b>	<b>15,525</b>	<b>40,072</b>
<b>Transactions with owners of the company:</b>										
Equity-settled share-based payments	-	-	-	-	561	-	-	-	-	561
<b>Total transactions with owners of the company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561</b>
<b>At 30 June 2016</b>	<b>1,830</b>	<b>503,113</b>	<b>25,724</b>	<b>(10,337)</b>	<b>1,473</b>	<b>(4,467)</b>	<b>84,796</b>	<b>(8,280)</b>	<b>(15,923)</b>	<b>577,929</b>

# Dalata Hotel Group plc

## Unaudited condensed consolidated statement of changes in equity for the six months ended 30 June 2015

	Attributable to owners of the company									Total €'000
	Share capital €'000	Share premium €'000	Capital contribution €'000	Merger reserve €'000	Share-based payment reserve €'000	Hedging reserve €'000	Revaluation reserve €'000	Translation reserve €'000	Retained earnings €'000	
<b>At 1 January 2015</b>	1,220	295,133	25,724	(10,337)	273	-	7,341	40	(46,681)	<b>272,713</b>
<b>Comprehensive income:</b>										
Profit for the period	-	-	-	-	-	-	-	-	589	<b>589</b>
Other comprehensive income	-	-	-	-	-	113	20,697	1,873	-	<b>22,683</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113</b>	<b>20,697</b>	<b>1,873</b>	<b>589</b>	<b>23,272</b>
<b>Transactions with owners of the company:</b>										
Issue of shares, net of issue costs	183	48,407	-	-	-	-	-	-	-	<b>48,590</b>
Equity-settled share-based payments	-	-	-	-	270	-	-	-	-	<b>270</b>
<b>Total transactions with owners of the company</b>	<b>183</b>	<b>48,407</b>	<b>-</b>	<b>-</b>	<b>270</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,860</b>
<b>At 30 June 2015</b>	<b>1,403</b>	<b>343,540</b>	<b>25,724</b>	<b>(10,337)</b>	<b>543</b>	<b>113</b>	<b>28,038</b>	<b>1,913</b>	<b>(46,092)</b>	<b>344,845</b>

# Dalata Hotel Group plc

## Unaudited condensed consolidated statement of cash flows for the six months ended 30 June 2016

	<b>6 months ended 30 June 2016 €'000</b>	6 months ended 30 June 2015 €'000
<b>Cash flows from operating activities</b>		
Profit for the period	15,525	589
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	7,165	4,004
Impairment of goodwill	-	199
Net losses on revaluation of property, plant and equipment	910	1,161
Increase in fair value of investment property	-	(452)
Share based payment expense	561	270
Finance costs	5,661	4,338
Finance income	-	(1,857)
Tax charge	2,641	2,063
	<hr/>	<hr/>
	32,463	10,315
Increase in trade and other payables	6,306	10,078
Increase in trade and other receivables	(7,055)	(6,287)
Decrease in inventories	96	130
Increase in derivatives	-	(157)
Tax paid	(1,593)	(500)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	30,217	13,579
<b>Cash flows from investing activities</b>		
Acquisitions of undertakings through business combinations, net of cash acquired	(63,787)	(479,087)
Purchase of property, plant and equipment	(53,669)	(14,402)
Interest received	-	6
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(117,456)	(493,483)
<b>Cash flows from financing activities</b>		
Interest and finance costs paid	(5,067)	(8,142)
Receipt of bank loans	30,645	283,090
Repayment of bank loans	(8,400)	(9,490)
Proceeds from issue of ordinary share capital, net of expenses	-	15,040
	<hr/>	<hr/>
<b>Net cash from financing activities</b>	17,178	280,498
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	(70,061)	(199,406)
<b>Cash and cash equivalents at beginning of period</b>	149,155	217,807
Effect of movements in exchange rates	(3,672)	1,862
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	75,422	20,263
	<hr/> <hr/>	<hr/> <hr/>

# Dalata Hotel Group plc

## Notes to the condensed consolidated financial statements

### 1 General information and basis of preparation

Dalata Hotel Group plc ('the Company') is a company incorporated in the Republic of Ireland. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 (the 'Interim Financial Statements') include the Company and its subsidiaries (together referred to as the 'Group'). The Interim Financial Statements were authorised for issue by the Directors on 5 September 2016.

These unaudited Interim Financial Statements have been prepared by Dalata Hotel Group plc in accordance with the recognition and measurement requirements of IAS 34, "*Interim Financial Reporting*" (IAS 34) as adopted by the European Union. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS as adopted by the European Union. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since 31 December 2015. They should be read in conjunction with the consolidated financial statements of Dalata Hotel Group plc, which were prepared in accordance with IFRS as adopted by the European Union, as at and for the year ended 31 December 2015.

These Interim Financial Statements are presented in Euro, rounded to the nearest thousand, which is the functional currency of the parent company and also the presentation currency for the Group's financial reporting.

The preparation of Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results could differ materially from these estimates. In preparing these Interim Financial Statements, the critical judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

Key judgments and estimates impacting these Interim Financial Statements are:

- Accounting for acquisitions, including the allocation of consideration to assets and liabilities acquired (Note 10)
- Carrying value and depreciation of own-use property measured at fair value (Note 12)
- Carrying value of goodwill (Note 11)
- Hedging arrangements (Note 14 and Note 18)

The Interim Financial Statements do not constitute statutory financial statements. The statutory financial statements for the year ended 31 December 2015, together with the independent auditor's report thereon, have been filed with the Companies Registration Office and are available on the Company's website [www.dalatahotelgroup.com](http://www.dalatahotelgroup.com). The auditor's report on those financial statements was not qualified and did not contain an emphasis of matter paragraph.

# Dalata Hotel Group plc

## Notes (continued)

### 2 Significant accounting policies

The accounting policies applied in these Interim Financial Statements are consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2015.

None of the new IFRS standards, amendments to standards or interpretations that are effective for the first time in the financial year ending 31 December 2016 have had an impact on the Group's reported profit or net assets in these Interim Financial Statements.

### 3 Seasonality

Hotel revenue and operating profit are driven by seasonal factors as July and August are typically the busiest months in the operating cycle. The table below analyses revenue, operating profit and profit before tax for the first half and second half of the year ended 31 December 2015.

	<b>6 months ended 30 June 2015 €'000</b>	<b>6 months ended 31 December 2015 €'000</b>	<b>Total year ended 31 December 2015 €'000</b>
Revenue	97,711	127,962	225,673
Operating profit	5,133	31,824	36,957
Profit before tax	2,652	25,805	28,457

This table is provided for explanatory purposes. The actual split of revenue, operating profit and profit before tax for financial year 2016 will differ from the results above.

Acquisition-related costs of €13.5 million were incurred in the 6 months ended 30 June 2015, and reflected in operating profit and profit before tax above.

### 4 Operating segments

The segments are reported in accordance with IFRS 8 Operating Segments. The segment information is reported in the same way as it is reviewed and analysed internally by the chief operating decision makers, primarily the CEO, and Board of Directors.

In 2015 the Group grew rapidly in size through acquisition and became more focused on maximising the returns from its portfolio of leased and owned hotels. As a result, earnings from management agreements represent a significantly lower proportion of the Group's overall result. The segmental analysis was amended in the 31 December 2015 financial statements to reflect this and is no longer segmented on the basis of results from 'Leased and owned' hotels and 'Managed' hotels.



# Dalata Hotel Group plc

## Notes (continued)

### 4 Operating segments (continued)

The group now segments its leased and owned business by geographical region within which the hotels operate – Dublin, Regional Ireland and United Kingdom. These, together with Managed hotels, comprise the Group's four reportable segments. Prior year comparatives have been restated to reflect this change.

#### **Dublin, Regional Ireland and United Kingdom segments:**

These segments are concerned with hotels that are either owned or leased by the Group. As at 30 June 2016, the Group owns 20 hotels and has effective ownership of one further hotel which it operates. It also owns part of one of the other hotels which it operates. The Group also leases 11 hotel buildings from property owners and is entitled to the benefits and carries the risks associated with operating these hotels.

The Group derives revenue from leased and owned hotels primarily from room revenue and food and beverage revenue in restaurants, bars and banqueting. The main costs arising are payroll, cost of goods for resale, other operating costs and, in the case of leased hotels, rent paid to lessors.

#### **Managed Hotels:**

Under management agreements, the Group provides management services for third party hotel proprietors.

<b>Revenue</b>	<b>30 June 2016 €'000</b>	30 June 2015 €'000
Dublin	<b>68,304</b>	52,917
Regional Ireland	<b>28,739</b>	17,959
United Kingdom	<b>31,746</b>	24,884
Managed Hotels	<b>1,261</b>	1,951
<b>Total revenue</b>	<b>130,050</b>	97,711

Revenue for each of the geographical locations represents the operating revenue from leased and owned hotels situated in (i) Dublin, (ii) the rest of the Republic of Ireland and (iii) the United Kingdom.

Revenue from managed hotels represents the fees and other income earned from services provided in relation to partner hotels which are not owned or leased by the Group.

# Dalata Hotel Group plc

Notes (continued)

## 4 Operating segments (continued)

	<b>30 June 2016 €'000</b>	30 June 2015 €'000
<b>Segmental results - EBITDAR</b>		
Dublin	<b>31,519</b>	21,789
Regional Ireland	<b>6,209</b>	3,164
United Kingdom	<b>11,361</b>	9,123
Managed Hotels	<b>1,261</b>	1,951
	<hr/>	<hr/>
<b>EBITDAR for reportable segments</b>	<b>50,350</b>	36,027
	<hr/>	<hr/>
<b>Segmental results - EBITDA</b>		
Dublin	<b>22,929</b>	14,738
Regional Ireland	<b>5,090</b>	2,192
United Kingdom	<b>9,366</b>	7,727
Managed Hotels	<b>1,261</b>	1,951
	<hr/>	<hr/>
<b>EBITDA for reportable segments</b>	<b>38,646</b>	26,608
	<hr/>	<hr/>
<b>Reconciliation to results for the period</b>		
Segments EBITDA	<b>38,646</b>	26,608
Rental income	<b>537</b>	-
Central costs	<b>(3,835)</b>	(3,024)
	<hr/>	<hr/>
Adjusted EBITDA	<b>35,348</b>	23,584
	<hr/>	<hr/>
Acquisition-related costs	<b>(2,023)</b>	(13,539)
Stock Exchange listing costs	<b>(1,423)</b>	-
Loss on revaluation of land and buildings	<b>(1,751)</b>	(1,161)
Reversal of prior period revaluation losses	<b>841</b>	-
Impairment of goodwill	-	(199)
Fair value gain on investment properties	-	452
	<hr/>	<hr/>
<b>Group EBITDA</b>	<b>30,992</b>	9,137
	<hr/>	<hr/>
Depreciation of property, plant and equipment	<b>(7,165)</b>	(4,004)
Finance income	-	1,857
Finance costs	<b>(5,661)</b>	(4,338)
	<hr/>	<hr/>
<b>Profit before tax</b>	<b>18,166</b>	2,652
Tax	<b>(2,641)</b>	(2,063)
	<hr/>	<hr/>
<b>Profit for the period</b>	<b>15,525</b>	589
	<hr/>	<hr/>

# Dalata Hotel Group plc

## Notes (continued)

### 4 Operating segments (continued)

Group EBITDA represents earnings before interest, tax, depreciation and amortisation.

Adjusted EBITDA represents Group EBITDA before Stock Exchange listing costs and acquisition related costs (Note 5), losses and reversal of prior period losses on revaluation of property, plant and equipment, revaluation gains on investment property and impairment charges on goodwill.

The line item 'Central costs' includes costs of the Group's central functions including operations support, technology, sales and marketing, human resources, finance, corporate services and business development.

'Segmental results – EBITDA' for Dublin, Regional Ireland and United Kingdom represents the 'Adjusted EBITDA' for each geographical location before central costs and excluding rental income. It is the net operational contribution of leased and owned hotels in each geographical location.

'Segmental results – EBITDA and EBITDAR' for managed hotels represents fees earned from services provided in relation to partner hotels. All of this activity is managed through group central office and specific individual costs are not allocated to this segment.

'Segmental results – EBITDAR' for Dublin, Regional Ireland and United Kingdom represents 'Segmental results – EBITDA' before rent. For leased hotels, rent paid to lessors amounted to €11.7 million for the first six months of 2016 (6 months to 30 June 2015: €9.4 million).

### Other geographical information

#### Assets and liabilities at 30 June 2016

	Republic of Ireland €'000	United Kingdom €'000	Total €'000
<i>Assets</i>			
Goodwill	64,886	18,778	83,664
Property, plant and equipment	514,760	217,485	732,245
Investment property	1,885	-	1,885
Other non-current assets	900	-	900
Current assets	59,293	40,588	99,881
	_____	_____	_____
<b>Total assets excluding derivatives and deferred tax assets</b>	<b>641,724</b>	<b>276,851</b>	<b>918,575</b>
	=====	=====	
Derivatives			17
Deferred tax assets			4,676
			_____
<b>Total assets</b>			<b>923,268</b>
			=====

# Dalata Hotel Group plc

Notes (continued)

## 4 Operating segments (continued)

### Other geographical information (continued)

#### Assets and liabilities at 30 June 2016

	Republic of Ireland €'000	United Kingdom €'000	Total €'000
<i>Liabilities</i>			
Loans and borrowings	85,339	181,488	<b>266,827</b>
Trade and other payables	36,940	12,968	<b>49,908</b>
	-----	-----	-----
<b>Total liabilities excluding derivatives and tax liabilities</b>	<b>122,279</b>	<b>194,456</b>	<b>316,735</b>
	=====	=====	
Derivatives			4,966
Current tax liabilities			2,563
Deferred tax liabilities			21,075
			-----
<b>Total liabilities</b>			<b>345,339</b>
			=====

#### Assets and liabilities at 31 December 2015

	Republic of Ireland €'000	United Kingdom €'000	Total €'000
<i>Assets</i>			
Goodwill	28,875	17,928	<b>46,803</b>
Property, plant and equipment	365,198	243,594	<b>608,792</b>
Investment property	37,285	-	<b>37,285</b>
Other non-current assets	2,216	-	<b>2,216</b>
Current assets	155,194	7,084	<b>162,278</b>
	-----	-----	-----
<b>Total assets excluding derivatives and deferred tax assets</b>	<b>588,768</b>	<b>268,606</b>	<b>857,374</b>
	=====	=====	
Derivatives			26
Deferred tax assets			3,936
			-----
<b>Total assets</b>			<b>861,336</b>
			=====

# Dalata Hotel Group plc

Notes (continued)

## 4 Operating segments (continued)

### Other geographical information (continued)

#### Assets and liabilities at 31 December 2015

	Republic of Ireland	United Kingdom	Total
<i>Liabilities</i>	€'000	€'000	€'000
Loans and borrowings	86,289	179,849	<b>266,138</b>
Trade and other payables	30,619	9,561	<b>40,180</b>
	-----	-----	-----
<b>Total liabilities excluding derivatives and tax liabilities</b>	<b>116,908</b>	<b>189,410</b>	<b>306,318</b>
	=====	=====	
Derivatives			885
Current tax liabilities			978
Deferred tax liabilities			15,859
			-----
<b>Total liabilities</b>			<b>324,040</b>
			=====

Loans and borrowings are categorised according to their underlying currency. Loans and borrowings denominated in Sterling, including the borrowings which act as a net investment hedge of €160.1 million (£132.4 million) at 30 June 2016 (€180.4 million (£132.4 million) at 31 December 2015) and the £18m drawn during June 2016 are classified as liabilities in the United Kingdom. Loans and borrowings denominated in Euro are classified as liabilities in the Republic of Ireland.

## 5 Administrative expenses

	30 June 2016	30 June 2015
	€'000	€'000
Other administrative expenses	<b>32,974</b>	26,026
Acquisition related costs	<b>2,023</b>	13,539
Hotel rental expenses	<b>11,704</b>	9,419
Depreciation	<b>7,165</b>	4,004
Loss on revaluation of property, plant and equipment	<b>1,751</b>	1,161
Impairment of goodwill	-	199
Reversal of prior period losses on revaluation of property, plant and equipment	<b>(841)</b>	-
Stock Exchange listing costs (Note 21)	<b>1,423</b>	-
Foreign exchange gains	<b>(8)</b>	(112)
	-----	-----
	<b>56,191</b>	54,236
	=====	=====

# Dalata Hotel Group plc

## Notes (continued)

### 5 Administrative expenses (continued)

#### Acquisition-related costs

Acquisition-related costs include professional fees, stamp duty costs, redundancy and other costs associated with the acquisitions outlined in Note 10. Details of the acquisition-related costs charged to profit or loss are outlined below.

	<b>30 June 2016 €'000</b>	30 June 2015 €'000
Stamp duty incurred on acquisitions	<b>1,056</b>	11,105
Professional fees incurred on acquisitions	<b>606</b>	1,649
Integration costs	<b>361</b>	785
	<hr/> <b>2,023</b> <hr/>	<hr/> 13,539 <hr/>

Integration-related costs for the period ended 30 June 2016 include primarily severance costs and certain other non-recurring costs directly related to the acquisition of the leasehold interest in four hotels from the Choice Hotel Group (Note 10).

### 6 Finance income

	<b>30 June 2016 €'000</b>	30 June 2015 €'000
Interest income on bank deposits	-	6
Exchange gain on cash and cash equivalents	-	1,851
	<hr/> - <hr/>	<hr/> 1,857 <hr/>

### 7 Finance costs

	<b>30 June 2016 €'000</b>	30 June 2015 €'000
Interest expense on bank loans and borrowings	<b>4,692</b>	3,896
Cashflow hedges - reclassified from other comprehensive income	<b>595</b>	-
Net exchange loss on loans, borrowings, cash and cash equivalents	<b>374</b>	-
Other finance costs	-	442
	<hr/> <b>5,661</b> <hr/>	<hr/> 4,338 <hr/>

# Dalata Hotel Group plc

Notes (continued)

## 8 Long term incentive plan

### *Equity-settled share-based payment arrangements*

During the six months ended 30 June 2016, the Remuneration Committee of the Board of Directors approved the conditional grant of 639,911 ordinary shares pursuant to the terms and conditions of the Group's Long Term Incentive Plan. The award was for eligible service employees across the Group (59 in total) and vests over a three year service period from the grant date (3 March 2016). The number of awards which will ultimately vest will depend on the Group achieving targets relating to Total Shareholder Return ("TSR") as measured against a comparator peer group of companies over a 3 year performance period.

In relation to TSR performance, 25% of an award will vest for TSR performance equal to the median TSR return of the comparator peer group of companies over the performance period and 100% of an award shall vest for TSR performance equal to the 75<sup>th</sup> percentile or greater TSR return of the comparator group. Awards shall vest on a pro-rated basis for TSR performance falling between these thresholds.

The total expected cost of this award was estimated at €1.43 million over three year service period of which €0.16 million has been charged against profit for the period to 30 June 2016. The remaining €1.27 million will be charged to profit or loss in equal instalments over the remainder of the three year vesting period.

€0.4 million has been charged against profit for the period to 30 June 2016 for the awards made in 2015 and 2014.

	<b>Number of share awards granted</b>
Outstanding share awards granted at beginning of period	1,448,468
Share awards granted during the period	639,911
	<hr/>
Outstanding share awards granted at end of period	<b>2,088,379</b>
	<hr/> <hr/>

# Dalata Hotel Group plc

Notes (continued)

## 8 Long term incentive plan (continued)

### Measurement of fair values

The fair value of the conditional share awards granted in the period ended 30 June 2016 was measured using Monte Carlo simulation. Service conditions attached to the awards were not taken into account in measuring fair value. The valuation and key assumptions used in the measurement of the fair values at grant date were as follows:

	<b>March 2016</b>	<b>March 2015</b>	<b>October 2015</b>	<b>March 2014</b>
Fair value at grant date	€2.45	€1.92	€2.43	€1.49
Share price at grant date	€4.69	€3.55	€4.27	€2.50
Exercise price	€0.01	€0.01	€0.01	€0.01
Expected volatility	30.20% pa.	26.03% pa.	26.40% pa.	35.29% pa.
Dividend yield	1.5%	1.5%	1.5%	1.5%
Performance period	3 years	3 years	3 years	3 years

Expected volatility has been based on the historical volatility of the Company's share price for the 2016 award and the comparator group of companies for awards in prior periods.

## 9 Tax charge

	<b>30 June 2016 €'000</b>	30 June 2015 €'000
<b>Current tax</b>		
Irish corporation tax	<b>2,109</b>	1,330
UK corporation tax	<b>762</b>	802
Deferred tax credit	<b>(230)</b>	(69)
	<hr/>	<hr/>
	<b>2,641</b>	2,063
	<hr/> <hr/>	<hr/> <hr/>



# Dalata Hotel Group plc

Notes (continued)

## 10 Business combinations

### *Acquisition of Choice Hotel Group*

On 11 March 2016, the Group completed the acquisition of the leasehold interests in four hotels from the Choice Hotel Group for a consideration of €38.9 million, as a result of which the Group directly operates the hotel businesses in these properties. The transaction further increases the scale and geographical reach of the Group.

The hotel leasehold interests acquired were as follows:

- The Gibson Hotel Dublin
- The Croydon Park Hotel, Croydon, UK
- The Clarion Hotel Cork
- The Clarion Hotel Limerick

The Group previously purchased the freehold of the Clarion Hotel Cork in a separate transaction in November 2015 and this was accounted for as an investment property in the financial statements for the year end 31 December 2015. As a result of the acquisition of the leasehold interest, that property was transferred to property, plant and equipment during the period (Notes 12 and 13).

In a separate transaction to this business combination the Group purchased the freehold of the Clarion Hotel Limerick in June 2016 for €8.5 million (Note 12).

	<b>11 March 2016 Fair Value €'000</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed:</b>	
<i>Non-current assets</i>	
Fixtures, fittings and equipment	1,907
<i>Current assets</i>	
Inventories	223
Trade and other receivables	2,509
Cash	1,122
<i>Current liabilities</i>	
Trade and other payables	(5,769)
	<hr/>
<b>Total identifiable liabilities</b>	<b>(8)</b>
Goodwill	38,931
	<hr/>
<b>Total consideration</b>	<b>38,923</b>
	<hr/>
<b>Satisfied by:</b>	
Cash	38,923
	<hr/>

# Dalata Hotel Group plc

## Notes *(continued)*

### **10 Business combinations** *(continued)*

The acquisition method of accounting has been used to consolidate the businesses acquired in the Group's financial statements.

The goodwill is attributable to factors including expected profitability and revenue growth, increased market share, increased geographical presence, the opportunity to develop the Group's brands and the synergies expected to arise within the Group after acquisition.

Acquisition-related costs of €0.8 million were charged to administrative expenses in profit or loss.

From the acquisition date to 30 June 2016, this acquisition contributed revenue of €13.2 million and profit before tax of €1.6 million to the consolidated results of the Group. Had the acquisition occurred at 1 January 2016 it would have contributed revenue of €19.7 million and profit before tax of €2.0 million (excluding acquisition-related costs – see Note 5) to the consolidated results of the Group. This assumes that the Group also owned the freehold of the Clarion Hotel Limerick, which was acquired separately on 3 June 2016, for the full period.

#### ***Acquisition of Tara Towers Hotel, Dublin***

On 15 January 2016, the Group acquired full ownership of the property and business of Tara Towers Hotel, Dublin for a total cash consideration of €13.2 million. The fair value of the identifiable assets and liabilities acquired related to hotel property (land and buildings) of €13.2 million. The fair value of fixtures, fittings and equipment and net working capital assets was minimal. No goodwill arose on this acquisition. From the acquisition date to 30 June 2016, this acquisition contributed revenue of €1.4 million and profit before tax of €0.3 million to the consolidated results of the Group. The additional revenue and profit before tax had the acquisition occurred at 1 January 2016 is immaterial.

#### ***Acquisition of Clarion Hotel, Sligo***

On 18 March 2016, the Group acquired full ownership of the property and business of the Clarion Hotel, Sligo for a total cash consideration of €12.8 million. The Group had been managing the property on behalf of an appointed receiver since April 2013.

The fair value of the identifiable assets and liabilities acquired was: hotel property (land and buildings) €12.9 million, fixtures, fittings and equipment €0.2 million and net working capital liabilities of €0.3 million. No goodwill arose on this acquisition. From the acquisition date to 30 June 2016, this acquisition contributed revenue of €1.8 million and profit before tax of €0.2 million to the consolidated results of the Group. Had the acquisition occurred at 1 January 2016 it would have contributed revenue of €2.7 million and profit before tax of €0.3 million to the consolidated results of the Group.

# Dalata Hotel Group plc

## Notes (continued)

11 Goodwill	30 June 2016 €'000	31 December 2015 €'000
<b>Cost</b>		
At beginning of period	82,194	42,258
Additions (see Note 10)	38,931	39,557
Effect of movement in exchange rates	(2,070)	379
	<u>119,055</u>	<u>82,194</u>
<b>Impairment losses</b>		
At beginning of period	(35,391)	(35,192)
During the period	-	(199)
	<u>(35,391)</u>	<u>(35,391)</u>
<b>Carrying amount</b>		
At end of period	<u>83,664</u>	<u>46,803</u>
At beginning of period	<u>46,803</u>	<u>7,066</u>

# Dalata Hotel Group plc

Notes (continued)

## 12 Property, plant and equipment

	Land and buildings €'000	Assets under construction €'000	Fixtures, fittings and equipment €'000	Motor vehicles €'000	Total €'000
<i>Cost or valuation</i>					
At 1 January 2016					
Valuation	585,101	-	-	-	585,101
Cost	-	-	30,970	203	31,173
	<u>585,101</u>	<u>-</u>	<u>30,970</u>	<u>203</u>	<u>616,274</u>
Acquisitions through business combinations	26,101	-	2,084	-	28,185
Other additions	11,618	30,757	10,210	59	52,644
Transfer from investment properties	35,400	-	-	-	35,400
Revaluation gain through OCI	42,026	-	-	-	42,026
Revaluation loss through OCI	(3,069)	-	-	-	(3,069)
Reversal of revaluation loss through profit or loss	827	-	-	-	827
Revaluation loss through profit or loss	(1,285)	(466)	-	-	(1,751)
Translation adjustment	(26,471)	-	(930)	(15)	(27,416)
	<u>670,248</u>	<u>30,291</u>	<u>42,334</u>	<u>247</u>	<u>743,120</u>
<b>At 30 June 2016</b>					
Valuation	670,248	30,291	-	-	700,539
Cost	-	-	42,334	247	42,581
	<u><b>670,248</b></u>	<u><b>30,291</b></u>	<u><b>42,334</b></u>	<u><b>247</b></u>	<u><b>743,120</b></u>
<i>Accumulated depreciation</i>					
At 1 January 2016	-	-	7,439	43	7,482
Charge for the period	3,587	-	3,543	35	7,165
Elimination of depreciation on revaluation gain through OCI	(2,463)	-	-	-	(2,463)
Elimination of depreciation on revaluation loss through OCI	(1,033)	-	-	-	(1,033)
Elimination of depreciation on revaluation loss through profit or loss	(14)	-	-	-	(14)
Translation adjustment	(77)	-	(183)	(2)	(262)
	<u>-</u>	<u>-</u>	<u>10,799</u>	<u>76</u>	<u>10,875</u>
<b>At 30 June 2016</b>	<u>-</u>	<u>-</u>	<u>10,799</u>	<u>76</u>	<u>10,875</u>
<i>Net Book Value</i>					
<b>At 30 June 2016</b>	<u><b>670,248</b></u>	<u><b>30,291</b></u>	<u><b>31,535</b></u>	<u><b>171</b></u>	<u><b>732,245</b></u>
At 31 December 2015	<u>585,101</u>	<u>-</u>	<u>23,531</u>	<u>160</u>	<u>608,792</u>

# Dalata Hotel Group plc

## Notes *(continued)*

### **12 Property, plant and equipment** *(continued)*

The carrying value of land and buildings, revalued at 30 June 2016, is €670.2 million. The value of these assets under the cost model is €572.9 million.

In the period ended 30 June 2016 unrealised revaluation gains arising of €42.5 million have been reflected through other comprehensive income and in the revaluation reserve in equity. This amount includes revaluation gains on revalued assets recognised in other comprehensive income of €44.5 million and revaluation losses on revalued assets recognised in other comprehensive income of €2.0 million.

At 30 June 2016 the revaluation reserve included €4.8 million (£3.9 million) of unrealised revaluation gains relating to UK properties.

In the period ended 30 June 2016 a net revaluation loss of €0.9 million has been reflected in administrative expenses through profit or loss, which includes revaluation losses recognised in profit or loss of €1.7 million and revaluation losses reversed in profit or loss of €0.8 million. Included in land and buildings at 30 June 2016 is land at a carrying value of €104.4 million which is not depreciated.

Acquisitions through business combinations in the period ended 30 June 2016 include the following:

- Clarion Hotel Sligo (see Note 10)
- Tara Towers Hotel Dublin (see Note 10)
- Fixtures and fittings relating to four hotels from Choice Hotel Group (see Note 10)

Other additions to land and buildings in the period ended 30 June 2016 include the following properties:

- Freehold of Clarion Hotel Limerick for €8.5 million

Additions to assets under construction in the period ended 30 June 2016 include the following:

- Development site at Charlemont Mall, Dublin 2 for €12.0 million
- Part completed hotel at Beasley Street Cork for €10.5 million
- Development site at Kevin Street, Dublin for €8.3 million

The value of the Group's property at 30 June 2016 reflects open market valuations carried out in June 2016 by independent external valuers having appropriate recognised professional qualifications and recent experience in the location and value of the property being valued. The external valuations performed were in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors.

#### **Measurement of fair value**

The fair value measurement of the Group's own-use property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

# Dalata Hotel Group plc

## Notes (continued)

### 12 Property, plant and equipment (continued)

The principal valuation technique used in the independent external valuations was discounted cash flows. This valuation model considers the present value of net cash flows to be generated from the property over a ten year period (with an assumed terminal value at the end of Year 10) taking into account expected EBITDA and capital expenditure. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the property and its location.

The significant unobservable inputs are:

- Forecast EBITDA
- Risk adjusted discount rates of 8.70% - 13.25% (Years 1-10)
- Terminal (Year 10) capitalisation rates of 6.25% - 11.25%

The estimated fair value under this valuation model would increase or decrease if:

- EBITDA was higher or lower than expected; or
- The risk adjusted discount rate and terminal capitalisation rate was higher or lower

Valuations also had regard to relevant recent data on hotel revenue activity metrics.

### 13 Investment property

	<b>30 June 2016 €'000</b>	31 December 2015 €'000
<b>Cost or valuation</b>		
At beginning of period	<b>37,285</b>	1,248
Transfer to property, plant and equipment	<b>(35,400)</b>	-
Acquisitions through business combinations	-	585
Other additions - cost	-	35,098
Capitalised transaction costs	-	799
Net loss from fair value adjustments	-	(445)
	<hr/> <b>1,885</b> <hr/>	<hr/> 37,285 <hr/>

The freehold interest in the Clarion Hotel Cork was acquired on 9 October 2015 for a total cash consideration of €35.1m plus direct transaction costs of €0.8m. At 31 December 2015, this investment property was leased to a third party for a lease term of 35 years, with 24 years remaining.

On 11 March 2016, the Group acquired the leasehold interest of the Clarion Cork hotel as part of a wider Choice Hotel Group acquisition (see Note 10) and became the operator of that hotel. Consequently, this property is accounted for as property, plant and equipment in the interim financial statements for the period ended 30 June 2016.

# Dalata Hotel Group plc

Notes (continued)

## 14 Derivatives

In June 2015, the Group entered into interest rate swaps and a cap agreement with a syndicate of financial institutions in order to manage the interest rate risks arising from the Group's borrowings (see Note 19). Interest rate swaps are employed by the Group to partially convert the Group's borrowings from floating to fixed interest rates.

An interest rate cap is employed to limit the exposure to upward movements in floating interest rates. The terms of the derivatives are as follows:

- Interest rate swaps with a maturity date of 3 February 2020, covering approximately 68% of the Group's sterling denominated borrowings at 30 June 2016. These swaps fix the LIBOR benchmark rate to 1.5025%.
- Interest rate cap with a maturity date of 30 September 2019, covering approximately 45% of the Group's Euro denominated borrowings at 30 June 2016. The cap limits the Group's maximum EURIBOR benchmark rate to 0.25%.

<i>Fair value</i>	<b>30 June 2016</b>	31 December 2015
<i>Non-current</i>	<b>€'000</b>	€'000
Interest rate cap asset	<b>17</b>	26
<b>Total derivative asset</b>	<b>17</b>	26
<i>Non-current</i>		
Interest rate swap liabilities	<b>(4,966)</b>	(885)
<b>Total derivative liability</b>	<b>(4,966)</b>	(885)
<b>Net derivative financial instrument position at period-end</b>	<b>(4,949)</b>	(859)

# Dalata Hotel Group plc

## Notes (continued)

### 14 Derivatives (continued)

#### Included in Other Comprehensive Income

	<b>30 June 2016 €'000</b>	30 June 2015 €'000
<i>Fair value losses on derivative instruments</i>		
Fair value (loss)/gain on interest rate swap liabilities	(4,677)	157
Fair value loss on interest rate cap asset	(8)	(28)
	<hr/>	<hr/>
	(4,685)	129
Reclassified to profit or loss (Note 7)	595	-
	<hr/>	<hr/>
	<b>(4,090)</b>	<b>129</b>
	<hr/> <hr/>	<hr/> <hr/>

The amount reclassified to profit or loss during the period represents the incremental interest expense arising under the interest rate swap with actual LIBOR rates lower than the swap rate.

### 15 Trade and other receivables

	<b>30 June 2016 €'000</b>	31 December 2015 €'000
<i>Non-current</i>		
Other receivables	900	900
Deposits paid on acquisitions	-	1,316
	<hr/>	<hr/>
	900	2,216
	<hr/> <hr/>	<hr/> <hr/>
<i>Current</i>		
Trade receivables	10,412	6,001
Other receivables	1,279	-
Prepayments	8,429	3,315
Accrued income	2,830	2,458
	<hr/>	<hr/>
	<b>22,950</b>	<b>11,774</b>
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2015 non-current assets included deposits paid of €1.3 million in relation to the acquisition of the Tara Towers Hotel Dublin which completed on 15 January 2016 (Note 10).

Other receivables includes:

- A non-current deposit required as part of a hotel property lease contract. The deposit is interest-bearing and refundable at the end of the lease term.
- A current amount outstanding from the vendor relating to the acquisition of the Choice Hotel Group following the final agreement of the value of working capital acquired (Note 10). This was received in July 2016.



# Dalata Hotel Group plc

## Notes (continued)

### 16 Trade and other payables

	<b>30 June 2016 €'000</b>	31 December 2015 €'000
Trade payables	<b>16,692</b>	12,216
Accruals	<b>23,480</b>	21,569
Deferred income	<b>5,609</b>	3,091
Value added tax	<b>2,524</b>	1,894
Payroll taxes	<b>1,603</b>	1,410
	<hr/>	<hr/>
	<b>49,908</b>	40,180
	<hr/> <hr/>	<hr/> <hr/>

### 17 Commitments

#### *Operating leases*

Minimum future lease payments in aggregate under existing non-cancellable operating leases are payable by the Group as follows:

	<b>30 June 2016 €'000</b>	31 December 2015 €'000
Less than one year	<b>21,334</b>	14,182
Between one and five years	<b>75,751</b>	49,192
After more than five years	<b>284,904</b>	212,986
	<hr/>	<hr/>
	<b>381,989</b>	276,360
	<hr/> <hr/>	<hr/> <hr/>

Under the terms of certain hotel operating leases, contingent rents are payable, in excess of minimum lease payments, based on the financial performance of the hotels. The expiry dates of operating leases with contingent rental arrangements at 30 June 2016 ranged from April 2018 to July 2036.

# Dalata Hotel Group plc

## Notes (continued)

### 17 Commitments (continued)

#### Capital expenditure commitments

The group has the following commitments for future capital expenditure under its contractual arrangements.

	<b>30 June 2016 €'000</b>	31 December 2015 €'000
Contracted but not provided	<b>907</b>	2,237

Capital commitments at 30 June 2016 primarily includes the contractual commitment to complete the development work on Clayton Hotel Silver Springs.

On 15 April 2016, the Group signed a development contract, contingent on planning permission which was received in August 2016, with McAleer & Rushe to deliver a 206 room Maldron Hotel on Brunswick Street in central Belfast representing an investment of €25.4 million (£21 million). The Group completed the acquisition of the hotel development site in August 2016 (Note 25).

### 18 Financial risk management

The Group is exposed to various financial risks arising in the normal course of business. Its financial risk exposures are predominantly related to the creditworthiness of counterparties and risks relating to changes in interest rates and foreign currency. The Group uses financial instruments to manage exposures arising from the interest rate risks. The Group uses a net investment hedge with sterling denominated borrowings to hedge the translation risk from investments in certain UK operations.

#### Fair value hierarchy

The Group measures the fair value of financial instruments based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements. Financial instruments are categorised by the type of valuation method used. The valuation methods are as follows:

- Level 1: Quoted prices (unadjusted in active markets for identical assets or liabilities).
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the financial instrument that are not observable market data (un-observable inputs).

Discounted cash-flow analyses have been used to determine the fair value of the interest rate swaps and the interest rate cap, taking into account current market inputs and rates (Level 2).

The Group's policy is to recognise any transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer occurred. During the period ended 30 June 2016, there were no reclassifications of financial instruments and no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.

# Dalata Hotel Group plc

## Notes (continued)

### 18 Financial risk management (continued)

#### (a) Credit risk

##### *Exposure to credit risk*

Credit risk arises from granting credit to customers and from investing cash and cash equivalents with banks and financial institutions.

##### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk or dependence on individual customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

##### *Cash and cash equivalents*

Cash and cash equivalents give rise to credit risk on the amounts due from counterparties. The maximum credit risk is represented by the carrying value at the reporting date. The Group's policy for investing cash is to limit risk of principal loss and to ensure the ultimate recovery of invested funds by limiting credit risk. The Group limits its exposure to credit risk on money-market funds by only investing in liquid securities which are held by counterparties which have AAA ratings from Standard & Poor's or equivalent credit ratings from other established rating agencies.

The carrying amount of the following financial assets represents the Group's maximum credit exposure. The maximum exposure to credit risk at the period end was as follows:

	<b>30 June 2016 €'000</b>	31 December 2015 €'000
Trade receivables	<b>10,412</b>	6,001
Other receivables	<b>2,179</b>	900
Accrued income	<b>2,830</b>	2,458
Cash at bank and in hand	<b>69,455</b>	25,202
Money-market funds	<b>5,967</b>	123,953
	<hr/>	<hr/>
	<b>90,843</b>	158,514
	<hr/> <hr/>	<hr/> <hr/>

# Dalata Hotel Group plc

## Notes (continued)

### 18 Financial risk management (continued)

#### (b) Liquidity risk

The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to:

- fund its ongoing operations;
- allow it to invest in hotels that may create value for shareholders; and
- maintain sufficient financial resources to mitigate against risks and unforeseen events.

On 6 May 2016, the Group improved its liquidity position by entering into a new multicurrency loan facility of €80 million (having a maturity date of 3 February 2020) and increased its revolving credit facility from €20 million to €30 million. On 9 June 2016, the Group drew down £18 million in Sterling and €7.7 million in Euro from the new facility. The revolving credit facilities were undrawn at 30 June 2016.

#### (c) Market risk

Market risk is the risk that changes in market prices and indices, such as interest rates and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments.

##### *Interest rate risk*

The Group is exposed to floating interest rates on its debt obligations and uses hedging instruments to mitigate the risk associated with interest rate fluctuations. The Group has entered into interest rate swaps and an interest cap (see Note 14) which hedge the variability in cash flows attributable to the interest rate risk.

##### *Foreign currency risk*

The Group is exposed to transactional foreign currency risk on trading activities conducted by subsidiaries in currencies other than their functional currency and to translation foreign currency risk on the retranslation of foreign operations to Euro.

Group policy is to manage foreign currency exposures commercially and through netting of exposures where possible. The Group's principal transactional exposure to foreign exchange risk relates to interest costs on its sterling borrowings. This risk is hedged by the earnings from UK subsidiaries which are denominated in sterling.

The Group's gain or loss on retranslation of the net assets of foreign currency subsidiaries is taken directly to the translation reserve.

The Group financed certain operations in the UK acquired in 2015 by obtaining funding at Group level through external borrowings denominated in sterling. These borrowings amounted to £132.4 million (€160.1 million) at 30 June 2016 and are designated as net investment hedges. This enables gains and losses arising on retranslation of those foreign currency borrowings to be recognised in Other Comprehensive Income, providing a partial offset in reserves against the gains and losses arising on translation of the net assets of those UK operations.

# Dalata Hotel Group plc

Notes (continued)

## 18 Financial risk management (continued)

### Fair values

The following tables show the carrying amount of Group financial assets and liabilities including their values in the fair value hierarchy. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	<b>Financial assets measured at fair value 30 June 2016 €'000</b>	<b>Loans and receivables 30 June 2016 €'000</b>	<b>Total carrying amount 30 June 2016 €'000</b>	<b>Level 1 30 June 2016 €'000</b>	<b>Fair value</b>		<b>Total 30 June 2016 €'000</b>
					<b>Level 2 30 June 2016 €'000</b>	<b>Level 3 30 June 2016 €'000</b>	
<b>Financial Assets</b>							
Derivatives (Note 14)	17	-	17		17		17
Trade and other receivables, excluding prepayments and deposits (Note 15)	-	15,421	15,421				
Cash at bank and in hand	-	69,455	69,455				
Money-market funds	5,967	-	5,967	5,967			5,967
	<u>5,984</u>	<u>84,876</u>	<u>90,860</u>				
	<u><u>5,984</u></u>	<u><u>84,876</u></u>	<u><u>90,860</u></u>				
				<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Liabilities</b>							
Secured bank loans (Note 19)	-	(266,827)	(266,827)				
Trade payables and accruals (Note 16)	-	(40,172)	(40,172)				
Derivatives (Note 14)	(4,966)	-	(4,966)		(4,966)		(4,966)
	<u>(4,966)</u>	<u>(306,999)</u>	<u>(311,965)</u>				
	<u><u>(4,966)</u></u>	<u><u>(306,999)</u></u>	<u><u>(311,965)</u></u>				

# Dalata Hotel Group plc

Notes (continued)

## 18 Financial risk management (continued)

### Fair values

The following tables show the carrying amount of Group financial assets and liabilities including their values in the fair value hierarchy. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Financial assets measured at fair value 31 Dec 2015 €'000	Loans and receivables 31 Dec 2015 €'000	Total carrying amount 31 Dec 2015 €'000	Fair value			Total 31 Dec 2015 €'000
				Level 1 31 Dec 2015 €'000	Level 2 31 Dec 2015 €'000	Level 3 31 Dec 2015 €'000	
<b>Financial Assets</b>							
Derivatives (Note 14)	26	-	26		26		26
Trade and other receivables, excluding prepayments and deposits (Note 15)	-	9,359	9,359				
Cash at bank and in hand	-	25,202	25,202				
Money-market funds	123,953	-	123,953	123,953			123,953
	<u>123,979</u>	<u>34,561</u>	<u>158,540</u>				
	<u><u>123,979</u></u>	<u><u>34,561</u></u>	<u><u>158,540</u></u>				
				Level 1	Level 2	Level 3	Total
<b>Financial Liabilities</b>							
Secured bank loans (Note 19)	-	(266,138)	(266,138)				
Trade payables and accruals (Note 16)	-	(33,785)	(33,785)				
Derivatives (Note 14)	(885)	-	(885)		(885)		(885)
	<u>(885)</u>	<u>(299,923)</u>	<u>(300,808)</u>				
	<u><u>(885)</u></u>	<u><u>(299,923)</u></u>	<u><u>(300,808)</u></u>				

# Dalata Hotel Group plc

Notes (continued)

## 19 Interest bearing loans and borrowings

	<b>30 June 2016 €'000</b>	31 December 2015 €'000
<i>Repayable within one year</i>		
Bank borrowings	<b>16,800</b>	16,800
<i>Less:</i> deferred issue costs	<b>(990)</b>	(830)
	<b>15,810</b>	15,970
<i>Repayable after one year</i>		
Bank borrowings	<b>253,610</b>	252,728
<i>Less:</i> deferred issue costs	<b>(2,593)</b>	(2,560)
	<b>251,017</b>	250,168
Total interest-bearing loans and borrowings	<b>266,827</b>	266,138

On 17 December 2014, the Group entered into a loan facility of €318 million (comprising of a €142 million Euro facility and a £132 million Sterling facility) with a syndicate of financial institutions. On 3 February 2015, the company drew down €282 million (comprising of a €106 million Euro facility and a £132 million Sterling facility) through five year term loan facilities with a maturity of 3 February 2020. The total loan facility of €318 million included a standby facility of €16 million which was not drawn and has since expired.

On 6 May 2016, the Group entered into a new multi-currency loan facility of €80 million with a maturity date of 3 February 2020 and increased the revolving credit facility from €20 million to €30 million. On 9 June 2016, the Group drew down £18 million and €7.7 million. €49.2 million of this multi-currency loan facility was undrawn at 30 June 2016. The revolving credit facilities of €30 million were undrawn at 30 June 2016.

The loans bear interest at variable rates based on 3 month EURIBOR/LIBOR plus applicable margins. The Group has entered into certain derivative financial instruments to hedge interest rate exposure on a portion of these loans (see Note 14). The loans are secured on the Group's hotel assets. Under the terms of the loan facility agreement, an interest rate floor is in place which prevents the Group from receiving the benefit of sub-zero benchmark LIBOR and EURIBOR rates.

# Dalata Hotel Group plc

## Notes (continued)

### 20 Deferred tax

	<b>30 June 2016 €'000</b>	31 December 2015 €'000
Deferred tax assets	<b>4,676</b>	3,936
Deferred tax liabilities	<b>(21,075)</b>	(15,859)
Net liability	<b>(16,399)</b>	(11,923)

### 21 Stock Exchange listing

On 30 June 2016, the Company moved the listing of its entire issued share capital from the AIM market of the London Stock Exchange (“LSE”) and the ESM market of the Irish Stock Exchange (“ISE”) to the primary listing segment of the Official List of the ISE and the standard listing segment of the Official List of the UK Listing Authority and to trading on ISE’s and the LSE’s respective main markets for listed securities.

It is expected that these listings will further boost the company’s profile as well as potentially increasing the liquidity of trading in its securities enabling its ordinary shares to be acquired by a wider group of investors.

The company did not raise any funds or issue any new shares in connection with admission. Accordingly the interests of existing shareholders of the company were not diluted or affected as a result of the move to the Official Lists. On admission there were 182,966,666 ordinary shares in issue.

### 22 Related party transactions

Under IAS 24, Related Party Disclosures, the company has a related party relationship with its fellow group undertakings, shareholders and directors of the company. All transactions with subsidiaries eliminate on consolidation and are not disclosed.

There were no changes in related party transactions in the six months ended 30 June 2016 that materially affected the financial position or the performance of the Group during that period.



# Dalata Hotel Group plc

Notes (continued)

## 23 Share capital and premium

At 30 June 2016 and 31 December 2015

<b>Authorised Share Capital</b>	<b>Number</b>	<b>€'000</b>
Ordinary shares of €0.01 each	10,000,000,000	100,000
	<hr/> <hr/>	<hr/> <hr/>
<b>Allotted, called-up and fully paid shares</b>	<b>Number</b>	<b>€'000</b>
Ordinary shares of €0.01 each	182,966,666	1,830
	<hr/> <hr/>	<hr/> <hr/>
<b>Share premium</b>		503,113
		<hr/> <hr/>

## 24 Earnings per share

Basic earnings per share (EPS) is computed by dividing the profit for the period available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is computed by dividing the profit for the period by the weighted average number of ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares. The following table sets out the computation for basic and diluted earnings per share for the periods ended 30 June 2016 and 30 June 2015:

	<b>30 June 2016</b>	<b>30 June 2015</b>
Profit attributable to shareholders of the parent company (€'000) – basic and diluted	15,525	589
Earnings per share – Basic	8.485 cent	0.430 cent
Earnings per share – Diluted	8.429 cent	0.429 cent
Weighted average shares outstanding – Basic	182,966,666	136,862,431
Weighted average shares outstanding – Diluted	184,181,634	137,393,531

The difference between the basic and diluted weighted average shares outstanding for the period ended 30 June 2016 is due to the dilutive impact of the conditional share awards granted (see Note 8).

# Dalata Hotel Group plc

Notes *(continued)*

## **25 Events after the reporting date**

On 5 August 2016, the Group acquired a hotel development site on Brunswick Street in central Belfast for €3.7 million (£3.1 million). The site will be developed into a new hotel with construction expected to be completed in the first half of 2018. Planning permission has been granted for the development of a 206 room Maldron Hotel representing an additional investment of €25.4 million (£21 million).

In August 2016, the Group exchanged contracts to acquire three Georgian buildings on Granby Row, adjacent to the Maldron Hotel Parnell Square for €5 million. The Group expects to add approximately 35 bedrooms to the hotel through the conversion of these buildings. The Group are projecting a construction cost of €4.6 million. It is expected that the transaction will complete during September 2016.

In August 2016, the Group also announced it had entered into exclusive discussions to acquire the operating interest and commit to a leasehold interest in Doubletree by Hilton Hotel, Burlington Road, Dublin. Any proposed deal will be subject to the approval of the CCPC.

On 2 September 2016, the Group completed the acquisition of the freehold of Maldron Hotel Cork for €8.1 million. The hotel is a 3 star hotel located at Shandon, Cork city centre. The hotel contains 101 ensuite bedrooms, a bar and restaurant, a leisure centre and meeting room facilities. The Group, prior to acquisition of the freehold, held a long leasehold on the property until 2030.

## **26 Approval of financial statements**

The Board of Directors approved the interim condensed consolidated financial statements for the six months ended 30 June 2016 on 5 September 2016.

# Dalata Hotel Group plc

Notes *(continued)*

## **Independent Review Report to Dalata Hotel Group plc**

### **Introduction**

We have been engaged by the Company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cashflows, and the related explanatory notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (“IFRS”) as adopted by the EU. Our review was conducted in accordance with the Financial Reporting Council’s (“FRCs”) International Standard on Review Engagements (“ISRE”) (UK and Ireland) 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, the TD Regulations and the Transparency Rules of the Central Bank of Ireland, and the Disclosure and Transparency Rules of the UK’s Financial Conduct Authority.

### **Basis of our report, responsibilities and restriction on use**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the TD Regulations and the Transparency Rules of the Central Bank of Ireland, and the Disclosure and Transparency Rules of the UK’s Financial Conduct Authority. As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the EU. The directors are responsible for ensuring that the condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

We conducted our review in accordance with the Financial Reporting Council’s International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making enquiries, 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 (UK and Ireland) 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.

We read the other information contained in the half-yearly financial report to identify material inconsistencies with the information in the condensed set of consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

# Dalata Hotel Group plc

Notes *(continued)*

## **Independent Review Report to Dalata Hotel Group plc** *(continued)*

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Transparency (Directive 2004/109/EC) Regulations 2007 as amended (“the TD Regulations”) and the Transparency Rules of the Central Bank of Ireland, and the Disclosure and Transparency Rules of the UK’s Financial Conduct Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

KPMG  
*Chartered Accountants*  
1 Stokes Place  
St. Stephen’s Green  
Dublin

5 September 2016