Building for the Future - People and Property

ISE: DHG LSE: DAL

Dublin and London | 26 February 2019: Dalata Hotel Group plc ("Dalata" or "the Group"), the largest hotel operator in Ireland with a growing presence in the United Kingdom, announces its results for the year ended 31 December 2018.

Results Summary - €million	2018	2017[1]	Variance
Revenue	393.7	352.2	11.8%
Segments EBITDAR[2]	168.3	149.5	12.6%
Adjusted EBITDA[2]	119.6	104.9	14.0%
Profit before tax	87.3	77.3	13.0%
Basic EPS	40.9 cent	37.2 cent	9.9%
Adjusted basic EPS[2]	42.8 cent	38.3 cent	11.7%
Key performance indicators *(reflect hotel performance for the period owned by the Group)*			
Occupancy %	**83.7%**	83.1%	60 bps
Average room rate (€)	**112.51**	108.19	4.0%
RevPAR[2] (€)	**94.13**	89.92	4.7%

STRONG OPERATING PERFORMANCE

- Strong revenue growth of 11.8% to €393.7 million
- Revenue per available room[2] (RevPAR) increased 4.7% to €94.13
- Adjusted EBITDA[2] increased 14.0% to €119.6 million
- Adjusted basic EPS[2] increased 11.7% to 42.8 cent
- Strong free cash flow[2] of €86.6 million

STRONG BALANCE SHEET SUPPORTING FUTURE GROWTH

- Hotel assets[2] of c. €1.2 billion including 2018 net upward property revaluation gain of €99.8 million
- Net Debt to Adjusted EBITDA[2] of 2.3x
- Over 1,150 new rooms opened in Dublin, Belfast, Cork, Galway and Newcastle
- Pipeline of over 2,190 rooms in excellent locations delivering between now and 2021

ANNOUNCING TODAY

- The Board has proposed a final dividend of 7.0 cent per share
- Acquisition of a site adjacent to Clayton Hotel Cardiff Lane in Dublin for €5.5 million and plan to redevelop the area into circa 70 rooms and ancillary facilities

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[1] Revenue and cost of sales and the KPI's calculated thereon have been restated for the year ended 31 December 2017 as a result of the retrospective application of IFRS 15. The impact is limited to a reclassification between revenue and cost of sales in profit or loss. See note 1 in the condensed financial statements for the year ending 31 December 2018 for further information

[2] See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ("APM") and other definitions

STRATEGIC AND OPERATING HIGHLIGHTS

- Over 1,150 new rooms opened during 2018:
  - Opened Clayton Hotel Charlemont in Dublin and four new Maldron hotels in Dublin, Cork, Belfast and Newcastle
  - Completed four extensions to existing hotels in Dublin (Clayton Hotel Dublin Airport, Maldron Hotel Parnell Square and Clayton Hotel Ballsbridge) and Maldron Hotel Sandy Road in Galway

- Met target of adding 1,200 new rooms to pipeline in 2018:
  - 3 new leased hotels in Manchester, Bristol and Birmingham
  - 2 new owned hotels, Clayton Hotel City of London (which opened on 24 January 2019) and Maldron Hotel Merrion Road in Dublin

- Continuing to grow in 2019 - announced a new leased hotel with 200 rooms at Spencer Place, Dublin and the purchase of a building adjacent to Clayton Hotel Cardiff Lane, Dublin (circa 70 bedrooms)

- €15.9 million invested in capital refurbishment across all areas of the Group's hotels with 830 rooms refurbished in 2018

- Agreed a new €525 million debt facility completing the refinance of previous debt facilities. The new facilities are on improved terms and include increased flexibility which will support Dalata in delivering its growth strategy

- Commenced the payment of dividends with an interim dividend of 3.0 cent per share paid on 12 October 2018. The Board has proposed a final dividend of 7.0 cent per share

OUTLOOK

Trading across our three regions is in line with our expectations for the first quarter of 2019. We are confident in our outlook and we note the positive economic projections for Ireland and the increasingly strong tourist numbers. We continue to monitor the ongoing uncertainty surrounding Brexit but we have seen no impact on trading.

We are very happy with trading at the hotels opened in the second half of last year. We fully expect them to contribute positively to earnings in 2019.

We continue to seek opportunities to expand our portfolio in the UK and Ireland. We are very confident that we will meet our target of announcing 1,200 new rooms in 2019 through new build hotels, extensions of our existing hotels and opportunistic acquisitions which fit our strategic and operational criteria. We are delighted to have already announced in 2019 two new projects in Dublin which will deliver circa 270 rooms.

Commenting on the results, Pat McCann, Dalata Group CEO, said:

"I am delighted to report that 2018 was another year of record earnings growth with Adjusted EBITDA increasing 14% to €119.6 million and Adjusted basic EPS increasing 11.7% to 42.8 cent. As I reflect on 2018, I am very pleased with our performance and achievements which required a tremendous amount of hard work. Together, we opened over 1,150 new rooms, executed valuable deals and delivered a strong operating performance. These results embody the innovative and ambitious spirit of our people at Dalata and their dedication to excel at everything they do.

The operating performance of the business continues to be very strong with 'like for like' RevPAR growth of 8.8%[1] in Dublin outperforming the market growth of 7.2%. Our hotels in Regional Ireland and the UK also performed strongly with 'like for like' RevPAR growth of 5.2%[1] and 3.1%[1] respectively.

Our Segments EBITDAR margin for the Group increased from 42.4% to 42.8%. I am very pleased with this increase given that the new hotels opened in 2018 initially operate at a lower margin until revenues and costs hit normalised levels. Additionally, those hotels that were extended would have faced challenges in both revenue generation and cost control during construction.

We opened over 1,150 new rooms, all on time and on budget. Maldron Hotel Belfast City and Maldron Hotel Kevin Street in Dublin opened in March and July respectively and these hotels continue to perform very strongly. We also opened three hotels in the final quarter of 2018, Clayton Hotel Charlemont in Dublin, Maldron Hotel Newcastle and Maldron Hotel South Mall in Cork. These hotels are performing in line with expectations and will be earnings enhancing in 2019. We completed four extensions to existing properties in Dublin (x3) and Galway and we continue to see a strong return on these investments.

We continue to grow our pipeline and over the last twelve months, we entered into agreements to lease three new hotels in Bristol, Birmingham and Manchester. We completed the acquisition of the Clayton Hotel City of London at the start of January 2019. It opened on January 24th and I am particularly excited about the potential of this hotel. I am also delighted that we were able to secure such a valuable asset in London. I am hopeful it will lead to further opportunities for us in London.

We are always looking at different ways in which we can extract value from our existing portfolio. I am very pleased with the way we have forward sold 69 residential units to be developed on the site of the former Tara Towers hotel which helps us fund a brand new Maldron Hotel as part of a mixed-use development.

Our customers continue to be at the centre of everything we do. We refurbished 830 rooms to ensure our product is of a high standard for our guests. In 2018, we received approximately 134,000 customer reviews and achieved a proprietary customer satisfaction survey result of

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[1] RevPAR growth reflects full twelve-month performance of hotels regardless of when acquired and excludes the new hotels opened during 2018 and the Tara Towers Hotel which closed in September 2018. In Dublin, Clayton Hotel Dublin Airport is also excluded due to the significant extension completed during 2018 which distorts comparability.

84%. We continue to listen to our customers' feedback and take action to address areas of weakness and build upon our areas of strength.

To complement our 'Click on Clayton', we launched 'Make it Maldron' in March 2018 which gives our customers the opportunity to sign up to our closed user group and receive discounts. We continue to see a strong take up of 'Click on Clayton' and 'Make it Maldron'.

We continue to invest in our people at Dalata. I am delighted to report that 305 people were promoted internally at our hotels. All of the General Managers of the hotels opened in the last twelve months have been appointed from within, while the majority of the senior management positions were filled by internal candidates. Our strong dedication to training and the pipeline of new hotels means our people have the tools and opportunities to develop further.

We also successfully agreed a new €525 million debt facility on improved terms and with greater flexibility that will support the Group as it continues to grow. Last month we announced that we have agreed to lease a new 200 room hotel superbly located in Spencer Place, Dublin. Due to the quality and quantity of deals we are seeing, I am confident we will meet our target of announcing 1,200 new rooms in 2019.

In line with our commitment last year, we commenced the payment of dividends in 2018. Subject to approval of the final dividend by shareholders, we will pay a total dividend per share of 10 cent for 2018. This represents c. 25% of our profit after tax. This dividend level reflects our commitment to drive returns for our shareholders and the Board's confidence in the prospects of the business.

Dalata continues to grow its presence and profitability across Ireland and the UK. We monitor and assess the potential challenges from the eventual Brexit outcome but we do not let it distract us from continuing to develop our people, serve our customers and deliver strong returns to our shareholders".

ENDS

Principal Risks and Uncertainties

The Group's principal risks and uncertainties for 2019 are:

- The manner and impact of the UK's departure from the European Union remains uncertain. Brexit may have a negative impact on both the UK and Irish economies. This, in turn, could impact on demand for hotel rooms in both countries

- Other geo-political events could result in uncertainty and have an impact on general economic activity in the UK and Ireland and further afield which in turn could impact the number of people looking to stay at hotels in both countries

- Significant fluctuations in exchange rates can make destinations more expensive or cheaper for potential customers to visit. The current uncertainty around Brexit has caused notable fluctuations in the value of sterling versus other currencies. A significant reduction in the value of sterling would make Ireland a more expensive destination for UK visitors which in turn could impact on the number of UK residents staying in Irish hotels. While UK visitors are an important part of our business in Ireland, 85% of our rooms in Dublin are sold to either domestic consumers or visitors from countries other than the UK. Only 9% of our rooms sold in our Regional Ireland hotels are to UK customers. Additionally, the reduction in UK visitors to Ireland is currently being more than offset by the growth in visitors from other markets such as North America and Europe

- A very significant proportion of EBITDA is generated by the Dublin hotel portfolio, and therefore any downturn in the Dublin market is likely to have a material impact on the Group's performance. There is also risk associated with an increase in the supply of rooms in the Dublin market in the future. However, demand for hotel rooms in Dublin continues to grow and the Group believes the market can support increases in supply. Additionally, our UK expansion strategy will reduce the proportion of EBITDA produced out of Dublin over time

- The opening of new hotels presents an operational risk that expected earnings may not materialise. The Group is minimising this risk by having teams in place and contracting business with corporates and tour operators well in advance of the hotels' opening dates. Senior management have considerable past experience and a strong track record of success in opening new hotels

- As Dalata expands there is a risk that the organisation's unique culture and values could be damaged. The rollout of the Dalata business model is dependent on the retention of its strong culture. The Group is actively managing this risk by focusing on the behaviours of executive management and through its employee engagement programme

- Dalata's business model is built on the ability to grow and retain expertise. There is a risk to the Group's ongoing and future success if it fails to retain key people and develop new talent within the Group. To minimise this risk the Group invests in training and development programmes and reviews market remuneration trends

About Dalata

Dalata Hotel Group plc was founded in August 2007 and listed as a plc in March 2014. Dalata has a strategy of owning or leasing its hotels and also has a small number of management contracts. The Group's portfolio consists of 30 owned hotels, ten leased hotels and three management contracts with a total of 9,046 bedrooms. In addition to this, the Group is currently developing eight new hotels with a total of 2,193 bedrooms and these will open over the next three years. This will bring the total number of bedrooms in Dalata to over 11,000. Dalata now has close to 5,000 employees. For the full year 2018, Dalata reported revenue of €393.7 million and a profit after tax of €75.2 million. Dalata is listed on the Main Market of Euronext Dublin (DHG) and the London Stock Exchange (DAL). For further information visit: www.dalatahotelgroup.com.

Conference Call Details | Analysts & Institutional Investors

Management will host a conference call for analysts and institutional investors at 08:30 GMT (03:30 ET), today 26 February 2019, and this can be accessed using the contact details below.

From Ireland dial: **(01) 4311252**
From the UK dial: **(0044) 333 300 0804**
From the USA dial: **631 913 1422**
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Participant PIN code: **18870216#**

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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.

Full Year 2018 Financial Performance

€million	2018	2017[1]
Revenue	**393.7**	352.2
Segments EBITDAR[2]	**168.3**	149.5
Rent	**(32.9)**	(30.8)
Segments EBITDA[2]	**135.4**	118.7
Central costs	**(13.3)**	(12.4)
Share-based payments expense	**(2.8)**	(1.7)
Rental income	**0.3**	0.3
Adjusted EBITDA[2]	**119.6**	104.9
Adjusting items to EBITDA[2]	**(3.0)**	(2.2)
Group EBITDA[2]	**116.6**	102.7
Depreciation and amortisation charge	**(19.8)**	(15.8)
Operating profit	**96.8**	86.9
Finance costs	**(9.5)**	(9.6)
Profit before tax	**87.3**	77.3
Tax	**(12.1)**	(9.0)
Profit for the year	**75.2**	68.3
Basic earnings per share	**40.9 cent**	37.2 cent
Adjusted basic earnings[2] per share	**42.8 cent**	38.3 cent
Segments EBITDAR margin[2]	**42.8%**	42.4%

Summary of hotel performance

In 2018, Dalata delivered a revenue increase of 11.8% to €393.7 million and a Segments EBITDA increase of 14.1% to €135.4 million. €24.8 million of the revenue growth was due to better performance in the existing hotel portfolio, €13.2 million due to the full year impact of new hotels acquired during 2017 and €9.6 million due to the opening of five new hotels in 2018. These gains were offset by a loss of revenue of €3.7 million due to the sale of the Croydon Park hotel in June 2017, €0.9 million due to the closure of Tara Towers Hotel in September 2018 and €0.9 million due to the reduction in the number of management contacts.

The additional revenue was converted strongly to the bottom line with Segments EBITDAR increasing by €18.8 million. Segments EBITDAR margin for the Group increased by circa 40 bps. This is a strong result as four hotels were managing disruptions caused by building work on extensions and the five newly opened hotels were operating at lower initial margins.

The significant increase in segments EBITDA of €16.7 million can largely be attributed to the strong conversion at the existing hotel portfolio which accounted for €11.4 million of the increase. The full year impact of hotels acquired in 2017 contributed €4.2 million to the increase in EBITDA. Newly opened hotels contributed a further €3.2 million.

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Adjusted EBITDA bridge

The table below shows by region how Adjusted EBITDA has grown from €104.9 million in 2017 to €119.6 million in 2018.

		Dublin				Regional Ireland			UK							
€million	FY 2017[10]	Full year impact of acquisitions in 2017[1]	New builds[2]	Closure of Tara Towers	Like for like performance increase	Full year impact of freeholds acquired in 2017[3]	New builds[4]	Like for like performance increase	Full year impact of properties acquired in 2017[5]	New builds[6]	Full year impact of disposal of Croydon[7]	Full year impact of sale and leaseback transaction[8]	Effect of FX	Like for like performance increase	Movement in group income and expenses[9]	FY 2018
Revenue	352.2	9.0	3.9	(0.9)	19.5	-	0.1	3.1	4.2	5.6	(3.7)	-	(0.6)	2.2	(0.9)	393.7
Segments EBITDAR	149.5	3.2	1.6	(0.4)	10.6	-	(0.1)	1.3	1.1	1.8	(1.0)	-	(0.2)	1.8	(0.9)	168.3
Rent	(30.8)	0.8	-	-	(2.0)	0.2	-	(0.1)	(1.1)	(0.1)	1.0	(0.6)	-	(0.2)	-	(32.9)
Segments EBITDA	**118.7**	**4.0**	**1.6**	**(0.4)**	**8.6**	**0.2**	**(0.1)**	**1.2**	**-**	**1.7**	**-**	**(0.6)**	**(0.2)**	**1.6**	(0.9)	**135.4**
Rental income	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.3
Central costs	(12.4)	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.9)	(13.3)
Share-based payments expense	(1.7)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.1)	(2.8)
Adjusted EBITDA	**104.9**	**4.0**	**1.6**	**(0.4)**	**8.6**	**0.2**	**(0.1)**	**1.2**	**-**	**1.7**	**-**	**(0.6)**	**(0.2)**	**1.6**	**(2.9)**	**119.6**
Segments EBITDAR margin	42.4%				54.4%			41.9%						81.8%		42.8%

1. Includes (i) the step acquisition of Clayton Hotel Liffey Valley beginning in August 2017 and continuing through 2018 and (ii) the rent saving due to the acquisition of the freehold interest of certain elements of Clayton Hotel Cardiff Lane in various transactions
2. Includes Maldron Hotel Kevin Street which opened in July 2018 and Clayton Hotel Charlemont which opened in November 2018
3. Includes the acquisition of the Maldron Hotel Portlaoise freehold (May 2017)
4. Includes Maldron Hotel South Mall, Cork which opened in December 2018
5. Includes the acquisition and subsequent sale and leaseback of Clayton Hotel Birmingham (formerly Hotel La Tour, Birmingham) in August 2017
6. Includes Maldron Hotel Belfast City which opened in March 2018 and Maldron Newcastle which opened in December 2018
7. Includes the disposal of a non-core asset at Croydon Park Hotel in June 2017
8. Includes the increased rent from the sale and leaseback of Clayton Hotel Cardiff in June 2017
9. Group income and expenses includes revenue from management contracts, rental income, central costs and the share-based payments expense
10. Revenue and cost of sales and the KPI's calculated thereon have been restated for the year ended 31 December 2017 as a result of the retrospective application of IFRS 15. The impact is limited to a reclassification between revenue and cost of sales in profit or loss. See note 1 in the condensed financial statements for the year ending 31 December 2018 for further information

Performance Review – Segmental Analysis

Overview at 31 December 2018					
	Dublin	Regional Ireland	UK	Managed Hotels	Group
Hotels	16	13	10	3	42
Room numbers	4,460	1,797	2,233	256	8,746
% of revenue	60%	20%	20%	<1%	
% of Segments EBITDAR	68%	13%	18%	1%	
% of Segments EBITDA	64%	16%	19%	1%	
RevPAR growth[6]	8.8%	5.2%	3.1%	n/a	
EBITDAR margin	48.5%	28.5%	39.0%	n/a	

The following section analyses the results from the Group's portfolio of hotels in Dublin, Regional Ireland and United Kingdom.

1. Dublin Hotel Portfolio – Continuing to outperform the market, RevPAR growth of 8.8%[3]

€million	2018	2017[7]
Room revenue	**168.7**	144.4
Food and beverage revenue	**50.6**	46.2
Other revenue	**15.6**	12.8
Total revenue	**234.9**	203.4
EBITDAR	**114.0**	99.0
Rent	**(27.6)**	(26.4)
EBITDA	**86.4**	72.6
EBITDAR margin %	**48.5%**	48.7%

Performance statistics[8]	2018	2017
Occupancy	**88.1%**	85.6%
Average room rate (€)	**129.49**	122.59
RevPAR (€)	**114.07**	104.89
RevPAR increase %	**8.8%**	

Dublin owned & leased portfolio	2018	2017
Hotels	**16**	15
Room numbers	**4,460**	3,992

Our sixteen hotels in the Group's Dublin portfolio consists of seven Maldron hotels, seven Clayton hotels, the Ballsbridge Hotel and The Gibson Hotel. Maldron Hotel Kevin Street (137 rooms) opened in July 2018, Clayton Hotel Charlemont (177 rooms open at year end) opened in November 2018 and three extensions to existing hotels were completed, altogether adding 182 rooms. The Tara Towers Hotel closed in September 2018 to allow the building of the new Maldron Hotel Merrion Road to commence, resulting in a loss of 109 rooms.

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[6] *RevPAR growth reflects full twelve-month performance of hotels regardless of when acquired and excludes the new hotels opened during 2018 and the Tara Towers Hotel which closed in September 2018. In Dublin, Clayton Hotel Dublin Airport is also excluded due to the significant extension completed during 2018 which distorts comparability.*

[7] *Revenue and cost of sales and the KPI's calculated thereon have been restated for the year ended 31 December 2017 as a result of the retrospective application of IFRS 15. The impact is limited to a reclassification between revenue and cost of sales in profit or loss. See note 1 in the condensed financial statements for the year ending 31 December 2018 for further information.*

[8] *Performance statistics reflect full twelve-month performance of the hotels in this portfolio for both years regardless of when acquired and exclude the new Clayton Hotel Charlemont and Maldron Hotel Kevin Street which opened during 2018 and the Tara Towers Hotel which closed in September 2018. Clayton Hotel Dublin Airport is also excluded due to the significant extension completed during 2018 which distorts comparability*

2018 was another excellent year where the Dublin hotels achieved a 'like for like' RevPAR growth of 8.8%[9] versus the market growth of 7.2% (STR). All of the Dublin hotels achieved growth on 2017 which was a very positive result given the extra capacity arising from the extensions at Clayton Hotel Ballsbridge, Clayton Hotel Dublin Airport and Maldron Hotel Parnell Square and the disruption caused by works at these hotels. On a 'like for like' basis occupancy at our Dublin hotels increased by 250 bps to 88.1% compared to the market occupancy of 83.8%.

Food and beverage revenue increased by €4.4 million due to the additional capacity at Clayton Hotel Dublin Airport, the full year impact of Clayton Hotel Liffey Valley and the opening of Maldron Hotel Kevin Street.

EBITDAR in Dublin increased by €15.0 million to €114.0 million primarily driven by the strong performance of the existing portfolio (€10.6 million). The full year impact of the acquisition of Clayton Hotel Liffey Valley in various transactions added €3.2 million. Maldron Hotel Kevin Street and Clayton Hotel Charlemont, which opened in 2018, contributed EBITDAR of €1.7 million and negative EBITDAR of €0.1 million respectively.

Our Dublin hotels continue to convert additional sales strongly to the bottom line. The EBITDAR margin in 2018 has decreased principally due to the full year impact of Clayton Hotel Liffey Valley which was acquired in August 2017. Excluding the impact of this acquisition the EBITDAR margin would have increased to 49.0%. The EBITDAR margin at this hotel is lower than the average Dublin hotel margin due to its location and the high proportion of food and beverage revenue.

Rent increased by €1.2 million due to increases of €1.8 million in performance related rent, €0.3 million due to a rent review at one property during 2018 and the fact that the 2017 rent charge included a €2.0 million release of estimated accruals and liabilities. These increases were offset by the rent saving of €2.3 million due to acquisitions of elements of Clayton Hotel Cardiff Lane in various transactions during 2017 and 2018 and the full year impact of a revised lease for one property which resulted in a saving of €0.6 million.

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[9] *Performance statistics reflect full twelve-month performance of the hotels in this portfolio for both years regardless of when acquired and exclude the new Clayton Hotel Charlemont and Maldron Hotel Kevin Street which opened during 2018 and the Tara Towers Hotel which closed in September 2018. Clayton Hotel Dublin Airport is also excluded due to the significant extension completed during 2018 which distorts the comparability from year to year.*

2. Regional Ireland Hotel Portfolio – Maintaining performance but opportunities for improvement exist

€million	2018	2017[10]
Room revenue	**45.2**	42.0
Food and beverage revenue	**26.4**	26.5
Other revenue	**8.0**	7.9
Total revenue	**79.6**	76.4
EBITDAR	**22.7**	21.5
Rent	**(1.1)**	(1.2)
EBITDA	**21.6**	20.3
EBITDAR margin %	**28.5%**	28.1%

Performance statistics[11]	2018	2017
Occupancy	**75.2%**	75.5%
Average room rate (€)	**97.98**	92.79
RevPAR (€)	**73.64**	69.99
RevPAR increase %	**5.2%**	

Regional Ireland owned & leased portfolio	2018	2017
Hotels	**13**	12
Room numbers	**1,797**	1,643

Our thirteen hotels in the Regional Ireland portfolio comprise seven Maldron hotels and six Clayton hotels located in Cork (x4), Galway (x3), Limerick (x2), Wexford (x2), Portlaoise and Sligo. In 2018, Dalata added 154 rooms with the opening of Maldron Hotel South Mall, Cork in December (93 rooms open at year end) and the completion of the extension at Maldron Hotel Sandy Road, Galway in June (net 61 rooms).

Dalata's hotels in Cork, Galway and Limerick account for 71% of rooms and generate 70% of revenue and 73% of EBITDAR in the Regional Ireland portfolio.

'Like for like' RevPAR increased by 5.2% in 2018. Our hotels in Regional Ireland were broadly in line with the market in Cork and behind in Galway and Limerick. The additional capacity of 61 rooms at Maldron Hotel Sandy Road decreased our RevPAR growth for Galway in 2018. Excluding this hotel our RevPAR growth in Galway was 3.2%.

2018 RevPAR growth in Regional Ireland cities	Dalata	Market*
Cork	**9.7%**	10.0%
Galway	**1.6%**	7.0%
Limerick	**2.5%**	3.8%
**Source: Trending.ie*		

Food and beverage revenue was flat year on year. There will be a focus on improving food and beverage revenue and profitability in 2019.

EBITDAR margin increased by 40 bps to 28.5%. If we exclude the early trading losses for Maldron Hotel South Mall, Cork the EBITDAR margin would have been 28.7%. There are opportunities to increase this further in 2019.

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[11] Performance statistics reflect full twelve-month performance of the hotels in this portfolio for both years regardless of when acquired and exclude the new Maldron Hotel South Mall which opened in December 2018

3. UK Hotel Portfolio – Strong operating performance underpins growth strategy

Local currency - £million	2018	2017[12]
Room revenue	**48.1**	42.5
Food and beverage revenue	**15.2**	14.0
Other revenue	**5.8**	5.2
Total revenue	**69.1**	61.7
EBITDAR	**27.0**	23.7
Rent	**(3.7)**	(2.9)
EBITDA	**23.3**	20.8
EBITDAR margin %	**39.0%**	38.4%

Performance statistics[13]	2018	2017
Occupancy	**84.7%**	82.9%
Average room rate (£)	**82.33**	81.54
RevPAR (£)	**69.70**	67.58
RevPAR increase %	**3.1%**	

UK owned & leased portfolio	2018	2017
Hotels	**10**	8
Room numbers	**2,233**	1,731

At the end of 2018, our UK hotel portfolio comprised seven Clayton hotels and three Maldron hotels with two hotels situated in London, five hotels in regional UK and three hotels in Northern Ireland. In 2018, Dalata opened two new hotels, Maldron Hotel Belfast City (237 rooms) in March 2018 and Maldron Hotel Newcastle (265 rooms) in December 2018. Clayton Hotel City of London opened in January 2019.

2018 was another positive year for our UK hotels with RevPAR increasing by 3.1%. Dalata had a very strong year in Manchester and Cardiff. Clayton Hotel Chiswick significantly outperformed its local competitive set ("comp set") with RevPAR growth of 3.7% while Clayton Crown Hotel had a more challenging year due to a decrease in demand and increased competition in its area of London.

[12] Revenue and cost of sales and the KPI's calculated thereon have been restated for the year ended 31 December 2017 as a result of the retrospective application of IFRS 15. The impact is limited to a reclassification between revenue and cost of sales in profit or loss. See note 1 in the condensed financial statements for the year ending 31 December 2018 for further information.

[13] Performance statistics reflect full twelve-month performance of the hotels in this portfolio for both years regardless of when acquired and exclude the new Maldron Hotel Belfast City and Maldron Hotel Newcastle which opened in March and December 2018 respectively

2018 RevPAR growth in UK cities	Dalata	Market*
London	**2.3%**	3.1%
Manchester	**4.5%**	(0.3%)
Leeds	**0.2%**	0.6%
Birmingham	**3.6%**	5.0%
Cardiff	**3.9%**	0.9%
Belfast	**(0.2%)**	(6.3%)
**Source: STR*		

The additional revenue was converted strongly with EBITDAR increasing by 13.9% to £27.0 million. EBITDAR margin increased by 60 bps to 39.0% despite the impact of two new hotels opening in 2018. Excluding the impact of Maldron Hotel Newcastle and Maldron Hotel Belfast City, which initially operate at lower margins, the EBITDAR margin would have been 39.7% in 2018. Clayton Hotel Chiswick in London achieved a very strong conversion of additional sales.

Central costs and share-based payments expense

In 2018, central costs increased by 7.5% to €13.3 million due to pay increases and additional headcount across all central office functions.

The share-based payments expense increased by €1.1 million mainly as a result of a higher cost being attributed to the 2017 and 2018 LTIP grants for accounting purposes due to the EPS related performance condition attracting a higher fair value. In addition, there were more employees in the LTIP and SAYE schemes.

Adjusting items to EBITDA

€million	2018	2017
Acquisition-related costs	**-**	(1.3)
Gain on disposals	**-**	0.5
Proceeds from insurance claim	**2.6**	-
Hotel pre-opening expenses	**(2.5)**	-
Net revaluation movements through profit or loss	**(3.1)**	(1.4)
Adjusting items to EBITDA	**(3.0)**	(2.2)

Adjusted EBITDA is presented as an alternative performance measure to show the underlying operating performance of the Group. Consequently, items which are not reflective of normal trading activities or distort comparability either 'year on year' or with other similar businesses are excluded.

The Group received a commercial settlement amounting to €2.6 million from an insurance claim as a result of a fire which destroyed a vacant building located at Clayton Hotel Silver Springs, Cork. The proceeds have been recorded within other income in the profit or loss account.

In 2018, the Group incurred pre-opening expenses amounting to €2.5 million for six new hotels which opened in 2018 and early 2019. Pre-opening expenses typically include staff training costs, wages and salaries of the core hotel management team and sales and marketing expenses. They are incurred in advance of a newly built hotel becoming operational.

€2.3 million of the €3.1 million revaluation loss on land and buildings is related to Clayton Hotel Silver Springs in Cork. The large investment to address structural and fire safety issues, in addition to investing in the conference centre and bedrooms, has not yet been reflected in the capital value of the hotel. €1.0 million relates to Clayton Whites Hotel in Wexford which has traded behind our expectations despite capital investment.

Depreciation

Depreciation increased by €4.0 million to €19.7 million driven by the completion of five new hotels and four extensions to existing properties (€2.0 million) and the acquisition of certain elements of Clayton Hotel Liffey Valley and Clayton Hotel Cardiff Lane (€0.6 million). The remaining increase relates to the depreciation of refurbishment capital expenditure which replaced items that had already been fully depreciated in previous accounting periods.

Finance Costs

€million	2018	2017
Interest expense on loans	**7.8**	7.3
Impact of interest rate swaps	**1.0**	1.4
Other finance costs	**2.8**	2.3
Net exchange (gain)/loss on financing activities	**(0.3)**	0.2
Interest capitalised to property, plant and equipment	**(1.8)**	(1.6)
Finance costs	**9.5**	9.6

Finance costs are in line with 2017 despite the write off of certain original facility unamortised costs at the date of refinance (€0.9 million). The weighted average interest rate for 2018 was 2.94% (2017: 3.16%), of which 2.15% (2017: 2.42%) related to margin.

Tax charge

The Group's effective tax rate[14] increased from 11.6% in 2017 to 13.8% in 2018 largely due to the non-recurring benefit in 2017 of tax losses from previous acquisitions to which no value had been initially attributed.

Earnings per share

Cents (€)	2018	2017
Basic earnings per share	**40.9**	37.2
Diluted earnings per share	**40.4**	36.9
Adjusted basic earnings per share[1]	**42.8**	38.3

The Group's strong operating performance has translated into an increase in basic earnings per share and adjusted basic earnings per share of 9.9% and 11.7% respectively.

[14] *See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ("APM") and other definitions*

Strong operating cash flows re-invested in the business

€million	2018	2017
Adjusted EBITDA	**119.6**	104.9
Add back: Share-based payments expense	**2.8**	1.7
Adjusted Cash EBITDA	**122.4**	106.6
Net cash from operating activities	**115.8**	95.2
Finance costs paid	**(13.2)**	(10.1)
Refurbishment capital expenditure	**(15.9)**	(14.6)
Exclude adjusting items to EBITDA which have a cash effect	**(0.1)**	1.3
Free cash flow[1]	**86.6**	71.8
Free cash flow conversion[1]	**70.8%**	67.3%

Cash conversion was very strong in 2018 and increased by 350 bps. Cash conversion is marginally higher than a normalised 2017 due to the cash inflow from working capital (including from newly opened hotels) offset by the additional finance costs paid relating to the refinance of debt facilities and the timing of rent payments. There are a number of other different factors impacting the movement year on year. The conversion in 2017 was lower due to the non-cash release of €2.0 million of estimated accruals and liabilities relating to the successful conclusion of negotiations on a number of leased properties. The 2017 conversion would have been 70.5% excluding the impact of these items.

Balance Sheet

€million	2018	2017
Non-current assets		
Property, plant and equipment	**1,176.3**	998.8
Goodwill and intangible assets	**54.4**	54.6
Other non-current assets	**28.0**	9.5
Current assets		
Trade receivables, inventory and other	**24.5**	22.5
Cash	**35.9**	15.7
Total assets	**1,319.1**	1,101.1
Equity	**902.6**	737.4
Loans and borrowings	**301.9**	260.1
Trade and other payables	**65.2**	64.9
Other liabilities	**49.4**	38.7
Total equity and liabilities	**1,319.1**	1,101.1
Net Debt to Adjusted EBITDA[15]	**2.3x**	2.4x

Dalata's strong balance sheet is vital as it will help support future growth. Maintaining a strong covenant with well-located property assets and low levels of gearing allows Dalata to attract and partner with strong fixed income investors and enter into leases at relatively low yields. This is critical for the Group's strategy of expanding in the UK using the leasing model.

Dalata remains lowly geared with Net Debt to Adjusted EBITDA of 2.3x. Post year end, the Group completed the acquisition of Clayton Hotel City of London which increased pro-forma Net Debt to EBITDA to 3.0x. This still remains below our guided upper level of 3.5x and is projected to fall again during 2019.

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[15] *See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ("APM") and other definitions*

Dalata also monitor a ratio, referred to as our 'Debt and Lease Service Cover[1]', to assess the Group's ability to meet interest, rent and capital repayment commitments. At the end of 2018, this ratio amounted to a very strong 2.2x. Under the new debt facility, following the refinancing, the term debt is a non-amortising facility. This ratio would have been 2.7x if we excluded the quarterly capital repayments (prior to refinancing) which totalled €12.6 million in 2018.

In 2018, Dalata achieved a return on capital employed[1] of 11.2%. Excluding the capital cost and trading impact of the five new hotels which opened during 2018 and assets under construction at year end, the normalised return on capital employed[16] was marginally ahead of 2017 at 12.6%.

Property, plant and equipment

Property, plant and equipment was almost €1.2 billion at the end of 2018. The increase of €177.5 million since 2017 is driven by additions of €105.5 million, a net revaluation gain of €99.8 million, capitalised borrowing costs of €1.8 million, offset by the depreciation charge of €19.7 million and adverse foreign exchange movements which decreased the value of the UK hotel assets by €1.8 million. €8.1 million was also reclassified from property, plant and equipment to contract fulfilment costs within non-current assets representing the value attributable to the portion of the Merrion Road site (formerly the site of the Tara Towers hotel) which will be developed into residential units.

Additions through acquisitions and capital expenditure €million	2018	2017
Development capital expenditure:		
Acquisitions through business combinations	-	57.5
Acquisition of freeholds or site purchases	**9.2**	71.5
Hotel extensions and renovations	**31.9**	16.8
Construction of four new build hotels	**44.2**	42.3
Other development expenditure	**4.3**	7.6
Total development capital expenditure	**89.6**	195.7
Total refurbishment capital expenditure	**15.9**	14.6
Additions to property plant & equipment	**105.5**	210.3

In 2018, Dalata acquired 34 suites in the Clayton Hotel Liffey Valley, Dublin and two suites in Clayton Hotel Cardiff Lane, Dublin for €8.3 million and €0.9 million respectively.

The Group typically allocates 4% of revenue to refurbishment capital expenditure. In 2018, €6.1 million was spent refurbishing bedrooms and a further €9.8 million was spent on public areas and completing health and safety works. €31.9 million was spent in 2018 on the construction of the new restaurant, meeting rooms and additional bedrooms at Clayton Hotel Ballsbridge, the additional bedrooms at the three other hotel extensions and the development work commenced at Clayton Hotel Burlington Road. A further €44.2 million was spent on the construction of four new hotels in Belfast, Dublin (x2) and Cork.

Capital Structure

Dalata are committed to carefully managing our capital structure to ensure it has the right mix of leases, bank debt and equity. We aim to generate strong returns for shareholders without excessive leverage.

1. Debt

On 26 October 2018, Dalata successfully agreed a €525 million debt facility on improved terms, completing the refinance of the previous debt facilities due to expire in February 2020. The new financing package

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[16] *See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ("APM") and other definitions*

ensures Dalata has sufficient funding and flexibility to deliver its growth strategy in the period to October 2023 in addition to benefitting from savings in margin and fees.

The existing banking partners, AIB Bank, Bank of Ireland, Barclays Bank and Ulster Bank, have been joined by HSBC Bank and Banco de Sabadell, demonstrating the growing attraction of Dalata to international lending institutions.

The new five-year multicurrency facility agreement consists of a €200 million term loan facility and €325 million revolving credit facility (RCF). The Group has the ability to extend the facilities for a further two years and also avail of an accordion facility to obtain an additional €175 million subject to approval by the lenders at the time. The term loan facility is fully repayable at the end of the five years in October 2023.

The Group limits its exposure to foreign currency by using sterling term debt to act as a natural hedge against the impact of sterling rate fluctuations on the euro value of the Group's UK assets. These borrowings amounted to £176.5 million (€197.3 million) at 31 December 2018 (2017: £174.4 million (€196.5 million)) and are designated as net investment hedges.

The Group is also exposed to floating interest rates on its debt obligations and uses hedging instruments to mitigate the risk associated with interest rate fluctuations. This is achieved by entering into interest rate swaps and an interest rate cap which hedge the variability in cash flows attributable to the interest rate risk. As at 31 December 2018, the interest rate risk on approximately 99% of our sterling denominated borrowings was hedged by interest rate swaps.

2. Leases

IFRS 16 became effective on 1 January 2019 and will result in almost all leases being reflected in the statement of financial position. As a result, an asset (the right-of-use of the leased item) and a financial liability to pay rental expenses are recognised. Fixed rental expenses will be removed from profit or loss and replaced with finance costs on the lease liability and depreciation of the right-of-use asset.

As companies are adopting a variety of transition approaches (fully retrospective and modified retrospective) which, coupled with normal commercial and timing differences, this will make comparison difficult. As previously indicated, Dalata will operate the modified retrospective approach.

The Group is finalising the work on the discount rates of individual leases. The discount rate will be largely based upon the incremental borrowing rate and, with the vast majority of leasehold commitments guaranteed by Group, this should be closely aligned with recently refinanced bank borrowing rates as adjusted for tenor and asset specific considerations. Based on the work completed to date, we expect the discount rate not to be considerably different to the notional rate of 5% used for illustrative purposes in our financial statements and our Capital Markets Day (November 2017) presentation on IFRS 16.

Using an indicative discount rate of 5% would result in the recognition of a lease liability of circa €350 million and a corresponding right-of-use asset of circa €350 million. Profit after tax would decrease by circa €7 million. As the Group has entered into most of its leases relatively recently, there are significant unexpired terms. This together with the fact that they are guaranteed by the Group means the impact of front loading finance costs under IFRS 16 is more pronounced compared to companies with a more mature lease portfolio.

IFRS 16 will have no impact on strategy, commercial negotiations on leases or calculation of covenants which per the terms of the facility agreements are based on GAAP calculated without the application of IFRS 16.

3. Equity

In 2018, Dalata announced it has adopted a progressive dividend policy with the level of payment based on a percentage of profit after tax. An interim dividend for 2018 of 3.0 cent per share was paid on 12 October 2018 on the ordinary shares in Dalata Hotel Group plc amounting to €5.5 million. On 25 February 2019, the Board proposed a final dividend of 7.0 cent per share. Subject to shareholders' approval at the Annual General Meeting on 2 May 2019, the payment date will be 8 May 2019 for the final dividend to shareholders registered on the record date 12 April 2019.

Supplementary Financial Information

Alternative Performance Measures ('APM') and other definitions

The Group reports certain alternative performance measures ('APMs') that are not required under International Financial Reporting Standards ('IFRS'), which is the framework under which the condensed consolidated financial statements are prepared. These are sometimes referred to as 'non-GAAP' measures.

The Group believes that reporting these APMs provides useful supplemental information which, when viewed in conjunction with our IFRS financial information, provides investors with a more meaningful understanding of the underlying financial and operating performance of the Group and its operating segments.

These APMs are primarily used for the following purposes:

- to evaluate the historical and planned underlying results of our operations; and
- to discuss and explain the Group's performance with the investment analyst community.

The APMs can have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results in the condensed consolidated financial statements which are prepared under IFRS. These performance measures may not be calculated uniformly by all companies and therefore may not be directly comparable with similarly titled measures and disclosures of other companies.

The definitions of and reconciliations for certain APMs are contained within the condensed consolidated financial statements. A summary definition of these APMs together with the reference to the relevant note in the condensed financial statements where they are reconciled is included below. Also included below is information pertaining to certain APMs which is not mentioned within the consolidated financial statements but which are referred to in other sections of this announcement. This information includes a definition of the APM in addition to a reconciliation of the APM to the most directly reconcilable line item presented in the condensed consolidated financial statements. References to the condensed consolidated financial statements are included as applicable.

(i) EBITDAR and Segments EBITDAR

EBITDAR is a non-GAAP measure representing earnings before rent, interest and finance costs, tax, depreciation and amortisation. A reconciliation is presented in note 2 to the condensed consolidated financial statements for the year ended 31 December 2018.

Segments EBITDAR is a non-GAAP measure representing earnings before rent, interest and finance costs, tax, depreciation and amortisation of intangible assets for each of the reportable segments: Dublin, Regional Ireland, United Kingdom and Managed Hotels. Refer to note 2 to the condensed consolidated financial statements for the year ended 31 December 2018 for the reconciliation.

(ii) EBITDA and Segments EBITDA

EBITDA is a non-GAAP measure representing earnings before interest and finance costs, tax, depreciation and amortisation of intangible assets. A reconciliation is presented in note 2 to the condensed consolidated financial statements for the year ended 31 December 2018.

Segments EBITDA represents the EBITDA for the Group's reportable segments: Dublin, Regional Ireland, United Kingdom and Managed Hotels. A reconciliation is presented in note 2 to the condensed consolidated financial statements for year ended 31 December 2018.

(iii) Segments EBITDAR margin

Segments EBITDAR margin represents "Segments EBITDAR" as a percentage of the total revenue for the following Group segments: Dublin, Regional Ireland and United Kingdom.

(iv) Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure representing earnings before interest and finance costs, tax, depreciation and amortisation of intangible assets adjusted to show the underlying operating performance of the Group and excludes items which are not reflective of normal trading activities or distort comparability either 'year on year' or with other similar businesses. A calculation is presented in note 2 to the condensed consolidated financial statements for the year ended 31 December 2018.

(v) Adjusted basic earnings per share (EPS)

Adjusted Basic EPS is a non-GAAP measure representing EPS adjusted to show the underlying operating performance of the Group excluding the tax adjusted effects of items which are not reflective of normal trading activities or distort comparability either 'year on year' or with other similar businesses. The calculation is presented in note 12 to the condensed consolidated financial statements for the year ended 31 December 2018.

(vi) Net Debt to Adjusted EBITDA

Net Debt to Adjusted EBITDA represents loans and borrowings (gross of unamortised debt costs) less cash and cash equivalents divided by the "Adjusted EBITDA" for the year. See note 9 to the condensed consolidated financial statements for the year ended 31 December 2018.

(vii) Effective tax rate

The Group's effective tax rate represents the annual tax charge divided by the profit before tax presented in the condensed consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

Calculation - €'000	Reference in Condensed Financial Statements	31 Dec 2018	31 Dec 2017
Tax charge	Statement of profit or loss and	**12,077**	8,979
Profit before tax	other comprehensive Income	**87,301**	77,287
Effective tax rate		**13.8%**	11.6%

(viii) Free cash flow

Free cash flow is presented to show the cash available to fund acquisitions, development expenditure and dividends. The Group calculates free cash flow as net cash from operating activities, less amounts paid for interest, finance costs and refurbishment capital expenditure and after adding back cash paid in respect of adjusting items to EBITDA. The adjusting items which have a cash effect are added back to show how much cash would be generated by the underlying operating performance of the Group. The Group allocates approximately 4% of annual revenue to refurbishment capital expenditure to ensure the portfolio remains fresh for its customers and adheres to brand standards.

Calculation - €'000	Reference in Condensed Financial Statements	2018	2017
Net cash from operating activities	Statement of cash flows	**115,754**	95,207
Less cash outflows:			
Interest and finance costs	Statement of cash flows	**(13,188)**	(10,101)
Refurbishment capital expenditure[1]		**(15,868)**	(14,633)
Add back adjusting items to EBITDA which have a cash impact:			
Hotel pre-opening costs	Note 3	**2,487**	-
Proceeds from insurance claim	Note 4	**(2,598)**	-
Acquisition-related costs	Note 3	**-**	1,260
Free cashflow		**86,587**	71,733

[1] *Reconciliation of refurbishment capital expenditure:*

Calculation - €'000	Reference in Condensed Financial Statements	31 Dec 2018	31 Dec 2017
Hotel extensions and renovations		**31,885**	16,746
Construction of new hotels		**44,198**	42,318
Other development expenditure		**4,384**	7,547
Refurbishment capital expenditure		**15,868**	14,633
Other additions through capital expenditure	Note 7	**96,335**	81,244

(ix) Free cash flow conversion

Free cash flow conversion is presented to show the proportion of the Group's Adjusted EBITDA, after adding back non-cash adjusting items, that is converted to free cash flow. The accounting cost of the LTIP and SAYE are excluded from Adjusted EBITDA as these items do not have an impact on cash.

Calculation - €'000	Reference in Condensed Financial Statements	31 Dec 2018	31 Dec 2017
Adjusted EBITDA	Note 2	**119,583**	104,873
Add back non-cash items:			
Share-based payments expense	Note 6	**2,800**	1,690
Adjusted Cash EBITDA		**122,383**	106,563
Free cash flow - see above (viii)		**86,587**	71,733
Free cash flow conversion		**70.8%**	67.3%

(x) Return on capital employed (ROCE)

Return on capital employed represents adjusted EBIT (see calculation at (xii) below) expressed as a percentage of the Group's average capital employed. The Group defines capital employed as total assets less total liabilities and excludes the accumulated revaluation gains/losses included in property, plant and equipment, net debt, derivative financial instruments and taxation related balances. The Group's net assets are also adjusted to reflect the average level of acquisition investment spend and the average level of working capital for the accounting period. The average capital employed is the simple average of the opening and closing capital employed figures.

Adjusted EBIT represents the Group's adjusted earnings before interest, finance costs and tax and excludes items which are not reflective of normal trading activities or distort comparability either 'year on year' or with other similar businesses.

Calculation - €'000	Reference in Condensed Financial Statements	31 Dec 2018	31 Dec 2017
Net assets at balance sheet date	Statement of Financial Position	**902,577**	737,393
Revaluation uplift in Property, Plant and Equipment[2]		**(273,774)**	(171,200)
Deferred tax assets	Statement of Financial Position	**(2,613)**	(3,571)
Deferred tax liabilities	Statement of Financial Position	**41,129**	31,858
Current tax liabilities	Statement of Financial Position	**309**	351
Derivative asset	Statement of Financial Position	**-**	(1)
Derivative liabilities	Statement of Financial Position	**1,306**	1,778
Net debt	Note 9	**270,171**	246,564
Capital employed		**939,105**	843,172
Average capital employed		**891,139**	782,883
Adjusted EBIT - see below (xii)		**99,841**	89,139
Return on average capital employed		**11.2%**	11.4%

[2] Includes the combined net revaluation uplift included in property, plant and equipment since the revaluation policy was adopted in 2014 or in the case of hotel assets acquired after this date, since the date of acquisition. The value of property plant and equipment at 31 December 2018 was €1,077.2 million (2017: €848.8 million) and the corresponding value under the cost model as disclosed in note 7 to the condensed financial statements was €803.4 million (2017: €677.6 million). Therefore, the revaluation uplift included in property plant and equipment is €273.8 million (2017: €171.2 million).

(xi) Normalised return on capital employed (ROCE)

Normalised return on capital employed is presented to show the Group's return on capital excluding the impact of the investment in future hotel openings or hotels which have not traded for a full twelve months.

Calculation - €'000	Reference in Condensed Financial Statements	31 Dec 2018	31 Dec 2017
Capital employed - see above (x)		**939,105**	843,172
Less assets under construction at year end	Note 7	**(26,404)**	(97,365)
Assets recently completed in the year[3]		**(112,005)**	-
Normalised capital employed		**800,696**	745,807
Average normalised capital employed		**773,252**	712,768
Adjusted EBIT excluding results from recently completed hotels[4] - see below (xii)		**97,760**	89,139
Normalised return on average capital employed		**12.6%**	12.5%

[3] Assets recently completed in the year include the cost of constructing the five new hotels which opened during 2018: Maldron Hotel Belfast City (March 2018), Maldron Hotel Kevin Street, Dublin (July 2018), Clayton Hotel Charlemont, Dublin (November 2018), Maldron Hotel Newcastle (December 2018) and Maldron Hotel South Mall, Cork (December 2018) which completed during 2018 and therefore did not benefit from a full twelve months of trading.
[4] Amount represents Adjusted EBIT of €99.8 million (2017: €89.1 million) as calculated in (xii) below and excludes EBIT of €2.1 million from new build hotels recently completed during the year, Maldron Hotel Belfast City, Maldron Hotel Kevin Street, Clayton Hotel Charlemont, Maldron Hotel Newcastle and Maldron Hotel South Mall which are also excluded from "normalised capital employed" to ensure consistent comparability.

(xii) Adjusted earnings before interest and tax (Adjusted EBIT)

Adjusted EBIT comprises profit before tax as reported in the condensed consolidated statement of profit or loss and other comprehensive income, before interest and finance costs, and excludes items which are not reflective of normal trading activities or distort comparability either 'year by year' or with similar businesses. The table below calculates the adjusted EBIT for the year ending 31 December 2018 and 31 December 2017 for use in the calculation of return on capital employed in (x) and (xi) above.

Calculation - €'000	Reference in Condensed Financial Statements	2018	2017
Profit before tax	Statement of profit or loss and other comprehensive income	**87,301**	77,287
Add back: Finance costs	Note 5	**9,514**	9,636
Adjusting items:			
Acquisition–related costs	Note 3	**-**	1,260
Gain on disposals	Note 4	**-**	(469)
Proceeds from insurance claim	Note 4	**(2,598)**	-
Hotel pre-opening expenses	Note 3	**2,487**	-
Net revaluation movements through profit or loss	Note 2	**3,137**	1,425
Adjusted EBIT		**99,841**	89,139
Adjusted EBIT from recently completed hotels		**(2,081)**	-
Adjusted EBIT excluding results from recently completed hotels		**97,760**	89,139

(xiii) Calculation of debt and lease service cover

Debt and lease service cover is presented to show the Group's ability to meet its debt and lease commitments. It is calculated as free cash flow calculated in (viii) above before rent, interest and finance costs divided by the total amount paid for interest and finance costs, rent and committed loan repayments.

Calculation - €'000	Reference in Condensed Financial Statements	31 Dec 2018
Free cash flow - see (viii) above		86,587
Add back rent paid		37,375
Add back interest and finance costs paid	Statement of cash flows	13,188
Free cash flow excluding rent, interest and finance costs (A)		137,150
Rent paid		37,375
Interest and finance costs paid	Statement of cash flows	13,188
Total rent, interest and finance costs paid (B)		50,563
Debt and lease service cover excluding term loan repayments (A/B)		**2.7x**
Term loan repayments (C)		12,600
Total rent, interest and finance costs paid and term loan repayments (D=B+C)		63,163
Debt and lease service cover (A/D)		**2.2x**

Other definitions:

Revenue per available room (RevPAR)

Revenue per available room is calculated as total rooms revenue divided by number of available rooms, which is also equivalent to the occupancy rate multiplied by the average daily room rate achieved.

Hotel assets

Hotel assets represents the value of property, plant and equipment per the condensed consolidated statement of financial position at 31 December 2018.

Dalata Hotel Group plc

Condensed consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2018

	Note	2018 €'000	Restated* 2017 €'000
Continuing operations			
Revenue	*2*	**393,736**	352,172
Cost of sales		**(142,275)**	(131,956)
Gross profit		**251,461**	220,216
Administrative expenses		**(157,515)**	(134,032)
Other income	*4*	**2,869**	739
Operating profit		**96,815**	86,923
Finance costs	*5*	**(9,514)**	(9,636)
Profit before tax		**87,301**	77,287
Tax charge		**(12,077)**	(8,979)
Profit for the year attributable to owners of the Company		**75,224**	68,308
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property	*7*	**102,946**	53,533
Related deferred tax		**(9,634)**	(5,498)
		93,312	48,035
Items that are or may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**(2,667)**	(9,309)
Gain on net investment hedge		**1,625**	7,127
Fair value movement on cash flow hedges		**(554)**	269
Cash flow hedges – reclassified to profit or loss		**1,026**	1,348
Related deferred tax		**(59)**	(203)
		(629)	(768)
Other comprehensive income for the year, net of tax		**92,683**	47,267
Total comprehensive income for the year attributable to owners of the Company		**167,907**	115,575
Earnings per share			
Basic earnings per share	*12*	**40.9 cents**	37.2 cents
Diluted earnings per share	*12*	**40.4 cents**	36.9 cents

**Revenue and cost of sales have been restated for the year ended 31 December 2017 as a result of the retrospective application of IFRS 15. The impact is limited to a reclassification between revenue and cost of sales in profit or loss (note 1).*

Dalata Hotel Group plc

Condensed consolidated statement of financial position

at 31 December 2018

	Note	**2018**	2017
Assets		**€'000**	€'000
Non-current assets			
Intangible assets and goodwill		**54,417**	54,562
Property, plant and equipment	*7*	**1,176,260**	998,812
Investment property		**1,560**	1,585
Deferred tax assets		**2,613**	3,571
Contract fulfilment costs	*8*	**9,066**	-
Other receivables		**14,759**	4,343
Derivatives		**-**	1
Total non-current assets		**1,258,675**	1,062,874
Current assets			
Trade and other receivables		**22,566**	20,704
Inventories		**1,954**	1,765
Cash and cash equivalents		**35,907**	15,745
Total current assets		**60,427**	38,214
Total assets		**1,319,102**	1,101,088
Equity			
Share capital		**1,843**	1,837
Share premium		**503,113**	503,113
Capital contribution		**25,724**	25,724
Merger reserve		**(10,337)**	(10,337)
Share-based payment reserve		**4,232**	2,753
Hedging reserve		**(1,279)**	(1,692)
Revaluation reserve		**248,418**	155,106
Translation reserve		**(13,198)**	(12,156)
Retained earnings		**144,061**	73,045
Total equity		**902,577**	737,393
Liabilities			
Non-current liabilities			
Loans and borrowings	*9*	**301,889**	241,933
Deferred tax liabilities		**41,129**	31,858
Derivatives		**1,306**	1,778
Provision for liabilities		**4,783**	4,716
Total non-current liabilities		**349,107**	280,285
Current liabilities			
Loans and borrowings	*9*	**-**	18,206
Trade and other payables		**65,250**	64,853
Current tax liabilities		**309**	351
Provision for liabilities		**1,859**	-
Total current liabilities		**67,418**	83,410
Total liabilities		**416,525**	363,695
Total equity and liabilities		**1,319,102**	1,101,088

On behalf of the Board:

John Hennessy Chairman	Patrick McCann Director

Dalata Hotel Group plc
Condensed consolidated statement of changes in equity
for the year ended 31 December 2018

	Attributable to owners of the Company									
	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	Total €'000
At 1 January 2018	**1,837**	**503,113**	**25,724**	**(10,337)**	**2,753**	**(1,692)**	**155,106**	**(12,156)**	**73,045**	**737,393**
Comprehensive income:										
Profit for the year	-	-	-	-	-	-	-	-	**75,224**	**75,224**
Other comprehensive income										
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	**(2,667)**	-	**(2,667)**
Gain on net investment hedge	-	-	-	-	-	-	-	**1,625**	-	**1,625**
Revaluation of properties	-	-	-	-	-	-	**102,946**	-	-	**102,946**
Fair value movement on cash flow hedges	-	-	-	-	-	**(554)**	-	-	-	**(554)**
Cash flow hedges – reclassified to profit or loss	-	-	-	-	-	**1,026**	-	-	-	**1,026**
Related deferred tax	-	-	-	-	-	**(59)**	**(9,634)**	-	-	**(9,693)**
Total comprehensive income for the year	-	-	-	-	-	**413**	**93,312**	**(1,042)**	**75,224**	**167,907**
Transactions with owners of the Company:										
Equity-settled share-based payments (note 6)	-	-	-	-	**2,800**	-	-	-	-	**2,800**
Vesting of share awards (note 6)	**6**	-	-	-	**(1,321)**	-	-	-	**1,321**	**6**
Dividends paid	-	-	-	-	-	-	-	-	**(5,529)**	**(5,529)**
Total transactions with owners of the Company	**6**	-	-	-	**1,479**	-	-	-	**(4,208)**	**(2,723)**
At 31 December 2018	**1,843**	**503,113**	**25,724**	**(10,337)**	**4,232**	**(1,279)**	**248,418**	**(13,198)**	**144,061**	**902,577**

Dalata Hotel Group plc
Condensed consolidated statement of changes in equity
for the year ended 31 December 2017

	Attributable to owners of the Company									
	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	Total €'000
At 1 January 2017	**1,830**	**503,113**	**25,724**	**(10,337)**	**2,126**	**(3,106)**	**107,531**	**(9,974)**	**3,475**	**620,382**
Comprehensive income:										
Profit for the year	-	-	-	-	-	-	-	-	**68,308**	**68,308**
Other comprehensive income										
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	**(9,309)**	-	**(9,309)**
Gain on net investment hedge	-	-	-	-	-	-	-	**7,127**	-	**7,127**
Revaluation of properties	-	-	-	-	-	-	**53,533**	-	-	**53,533**
Transfer of revaluation gains to retained earnings on sale of property	-	-	-	-	-	-	**(460)**	-	**460**	-
Fair value movement on cash flow hedges	-	-	-	-	-	**269**	-	-	-	**269**
Cash flow hedges – reclassified to profit or loss	-	-	-	-	-	**1,348**	-	-	-	**1,348**
Related deferred tax	-	-	-	-	-	**(203)**	**(5,498)**	-	-	**(5,701)**
Total comprehensive income for the year	-	-	-	-	-	**1,414**	**47,575**	**(2,182)**	**68,768**	**115,575**
Transactions with owners of the Company:										
Equity-settled share-based payments (note 6)	-	-	-	-	**1,690**	-	-	-	-	**1,690**
Vesting of share awards (note 6)	**7**	-	-	-	**(1,063)**	-	-	-	**1,063**	**7**
Additional costs of prior period share issues	-	-	-	-	-	-	-	-	**(261)**	**(261)**
Total transactions with owners of the Company	**7**	-	-	-	**627**	-	-	-	**802**	**1,436**
At 31 December 2017	**1,837**	**503,113**	**25,724**	**(10,337)**	**2,753**	**(1,692)**	**155,106**	**(12,156)**	**73,045**	**737,393**

Dalata Hotel Group plc

Condensed consolidated statement of cash flows

for the year ended 31 December 2018

	2018	2017
	€'000	€'000
Cash flows from operating activities		
Profit for the year	**75,224**	68,308
Adjustments for:		
Depreciation of property, plant and equipment	**19,698**	15,710
Net revaluation movements through profit or loss	**3,137**	1,425
Share-based payments expense	**2,800**	1,690
Finance costs	**9,514**	9,636
Tax charge	**12,077**	8,979
Gains on disposal of property freehold interests and subsidiary	**-**	(469)
Amortisation of intangible asset	**44**	24
	122,494	105,303
Increase in trade payables and provision for liabilities	**7,950**	4,484
Increase in current and non-current receivables	**(2,414)**	(5,253)
(Increase)/decrease in inventories	**(191)**	62
Tax paid	**(12,085)**	(9,389)
Net cash from operating activities	**115,754**	95,207
Cash flows from investing activities		
Acquisitions of undertakings through business combinations, net of cash acquired	**-**	(56,719)
Purchase of property, plant and equipment	**(112,692)**	(136,060)
Contract fulfilment cost payments	**(304)**	-
Costs paid on entering new leases and agreements for leases	**(3,734)**	-
Deposits and costs paid for future acquisitions	**(5,613)**	-
Proceeds from sale of properties resulting in operating leases	**-**	57,985
Net cash used in investing activities	**(122,343)**	(134,794)
Cash flows from financing activities		
Interest and finance costs paid	**(13,188)**	(10,101)
Receipt of bank loans	**137,902**	36,680
Repayment of bank loans	**(92,563)**	(49,896)
Dividends paid	**(5,529)**	-
Proceeds from vesting of share awards	**6**	7
Net cash from/(used in) financing activities	**26,628**	(23,310)
Net increase/(decrease) in cash and cash equivalents	**20,039**	(62,897)
Cash and cash equivalents at the beginning of the year	**15,745**	81,080
Effect of movements in exchange rates	**123**	(2,438)
Cash and cash equivalents at the end of the year	**35,907**	15,745

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 domiciled in the Republic of Ireland. The Company's registered office is 4th Floor, Burton Court, Burton Hall Drive, Sandyford, Dublin 18.

The financial information presented here in these condensed consolidated financial statements does not comprise full statutory financial statements for 2018 or 2017 and therefore does not include all of the information required for full annual financial statements. The condensed consolidated financial statements of the Group for the year ended 31 December 2018 comprise the Company and its subsidiary undertakings and were authorised for issue by the Board of Directors on 25 February 2019. Full statutory financial statements for the year ended 31 December 2018, prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU, together with an unqualified audit report thereon under Section 391 of the Companies Act 2014, will be annexed to the annual return and filed with the Registrar of Companies. The full statutory financial statements for 2017 have already been filed with the Registrar of Companies with an unqualified audit report thereon.

These condensed consolidated financial statements are presented in Euro, rounded to the nearest thousand or million (this is clearly set out in the condensed financial statements where applicable), which is the functional currency of the parent company and also the presentation currency for the Group's financial reporting.

The preparation of financial statements in accordance with IFRS as adopted by the EU requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Such estimates and judgements are based on historical experience and other factors, including expectation of future events, that are believed to be reasonable under the circumstances and are subject to continued re-evaluation. Actual outcomes could differ from those estimates.

The key judgements and estimates impacting these condensed consolidated financial statements are:

- Carrying value and depreciation of own-use property measured at fair value (note 7); and
- Carrying value of goodwill and intangible assets including assumptions underpinning the impairment tests.

The accounting policies applied in these condensed consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended 31 December 2017, except the following standards and interpretations which were effective for the Group for the first time from 1 January 2018. Their impact on the Group's reported profit and/or net assets in these condensed consolidated financial statements are discussed below.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* replaced the previous guidance in IAS 18 *Revenue*. The Group has undertaken an assessment of revenue earned in respect of its customer agreements. The Group previously accounted for revenue earned in connection with certain customers, net of commissions.

Under IFRS 15, all such revenue is now recorded on a gross basis with commissions deducted separately as cost of sales. Accordingly, the impact is limited to a reclassification between revenue and cost of sales in profit or loss.

1 General information and basis of preparation *(continued)*

IFRS 15 *Revenue from Contracts with Customers* *(continued)*

The Group has applied IFRS 15 retrospectively. The effect of applying IFRS 15 in the prior year would have resulted in an increase in revenue of €3.7 million for the year ended 31 December 2017, with a corresponding increase in cost of sales of the same amount. These comparatives have been restated in the current condensed consolidated statement of comprehensive income. The impact of this change on the condensed financial statements for the Group for the year ended 31 December 2018 is presented hereafter.

	As reported in 31 December 2017 Financial Statements €'000	31 December 2017 Adjustments €'000	31 December 2017 Restated €'000
Continuing operations			
Revenue	**348,474**	**3,698**	**352,172**
Cost of sales	**(128,258)**	**(3,698)**	**(131,956)**
Gross profit	**220,216**	**-**	**220,216**

If the Group applied the previous standard IAS 18 *Revenue* in accounting for revenue earned in connection with certain customers, net of commissions, this would have resulted in a decrease in reported revenue of €4.7 million for the year ended 31 December 2018, with a corresponding decrease in cost of sales of the same amount.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* replaced the previous guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has assessed the impact from the application of IFRS 9 on its consolidated financial statements. The vast majority of financial assets held are trade receivables and cash, which continue to be accounted for at amortised cost. The derivatives continue to be accounted for at fair value and as they are an effective hedge, any gains or losses are recorded in other comprehensive income and equity. On this basis, the classification and measurement changes have not resulted in a material impact on the Group's consolidated financial statements, and comparatives have not been restated for the impact of IFRS 9.

Given historic loss rates, normal receivable ageing and the significant portion of trade receivables that are within agreed terms, the move from an incurred loss model to an expected loss model has not had a material impact.

On 26 October 2018, the Group completed the refinance of its debt facilities. This was accounted for in accordance with the requirements of IFRS 9 *Financial Instruments* (note 9).

1 General information and basis of preparation *(continued)*

Standards not yet effective

The following standard has been endorsed by the EU, is available for early adoption and is effective from 1 January 2019 as indicated below. The Group has not adopted this standard early.

IFRS 16 *Leases*

IFRS 16 *Leases* was issued in January 2016 and replaces IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 *Leases*, will have a significant effect on the Group's financial statements as the Group is a lessee in a number of material property operating leases.

Under the new standard, the distinction between operating and finance leases is removed for lessees and almost all leases are reflected in the statement of financial position. As a result, an asset (the right-of-use of the leased item) and a financial liability to pay rental expenses are recognised. Fixed rental expenses will be removed from profit or loss and will be replaced with finance costs on the lease liability and depreciation on the right-of-use asset. The only exemptions are short-term and low-value leases. Variable lease payments which are dependent on external factors such as hotel performance will continue to be recognised directly in profit or loss.

The standard introduces new estimates and judgemental thresholds that affect the identification, classification and measurement of lease transactions. More extensive disclosures, both qualitative and quantitative, are also required. The full impact of this standard on the Group's financial position and performance has been assessed. The following conclusions and decisions have been made by the Group:

- the Group did not early adopt IFRS 16;
- the Group intends to use the modified retrospective approach, under which, prior year financial information will not be restated. Upon transition, the lease liability will be based on the present value of remaining lease payments and the right-of-use asset will be an amount equal to the lease liability adjusted for prepayments and initial direct costs. This means that, generally, information only available at the date of transition will be used to apply IFRS 16 and there will be no impact on retained earnings on transition;
- the Group intends to use the practical expedient whereby it will not reassess whether contracts in place at the date of initial application are or contain leases;
- the Group will avail of exemptions for short term leases and low-value items in relation to a small number of leases for equipment;
- the Group intends to avail of the practical expedient to apply a single discount rate to a portfolio of leases for multiple rooms within a single hotel property;
- the Group intends to exclude initial direct costs from measuring the right-of-use asset at the date of initial application for certain leases; and
- the Group does not intend to use practical expedients to review for impairment.

The adoption of the new standard will have a material impact on the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position as follows.

1 General information and basis of preparation *(continued)*

Standards not yet effective *(continued)*

IFRS 16 *Leases* *(continued)*

Consolidated statement of profit or loss and other comprehensive income

Administrative expenses will decrease, as the Group currently recognises rental expenses therein. The Group's rental expenses for 2018 were €33.2 million (2017: €31.0 million) and are disclosed in note 3 of these condensed consolidated financial statements. Under IFRS 16, contingent rents will not form part of the lease liability measurement and will remain in administrative expenses. 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 amount of contingent rent expense charged to profit or loss in the year ended 31 December 2018 was €7.5 million (2017: €7.6 million).

Depreciation and finance costs as currently reported in the Group's condensed consolidated statement of profit or loss will increase, as under the new standard a right-of-use asset will be capitalised and depreciated over the term of the lease and a finance cost will be applied annually to the lease liability.

Consequently, EBITDA and Adjusted EBITDA (existing alternative performance measures as defined in note 2), will be significantly impacted by the implementation of IFRS 16 due to the effective reclassification of non-contingent rent (currently included in EBITDA) to depreciation and interest (not included in EBITDA). Total lease expenses will increase in the early years of implementation of IFRS 16 due to the front-loading effect of finance costs versus the existing straight-line rent expense under IAS 17 *Leases*.

Covenants as currently calculated under existing debt arrangements will not be amended as their calculation in accordance with generally accepted accounting principles, policies, standards and practices applicable on the date of entry into the agreements. IFRS 16 is not expected to have any impact on strategy or commercial negotiation.

Consolidated statement of financial position

As at the transition date, the Group will calculate the lease commitments outstanding and apply the appropriate discount rate to calculate the present value of the lease commitment which will be recognised as a liability and a right-of-use asset on the Group's statement of financial position. The Group's outstanding non-cancellable commitments on all operating leases as at 31 December 2018 are €672.7 million (31 December 2017: €624.4 million) (note 10). The Group's commitments at that date provide an indication of the scale of leases held and how significant leases currently are to the Group's business. However, this figure is undiscounted and is not therefore an accurate measure of the impact of IFRS 16.

The Group has set out in note 10 an illustrative impact of the application of IFRS 16 in 2019 using a notional discount rate to enable users of the financial statements to appreciate the potential magnitude of the impact on the financial statements at that rate. Despite being used purely for illustrative purposes, based upon the work completed to date, we do not expect the weighted average discount rate to be considerably different.

2 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, Deputy CEOs and the Board of Directors.

The Group 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.

Dublin, Regional Ireland and United Kingdom segments

These segments are concerned with hotels that are either owned or leased by the Group. As at 31 December 2018, the Group owns 27 hotels (31 December 2017: 24 hotels) and has effective ownership of one further hotel which it operates (31 December 2017: 1 hotel). It also owns the majority of one of the other hotels which it operates (31 December 2017: 1 hotel). The Group also leases ten hotel buildings from property owners (31 December 2017: 9 hotels) and is entitled to the benefits and carries the risks associated with operating these hotels.

The Group's revenue from leased and owned hotels is primarily derived from room sales and food and beverage sales in restaurants, bars and banqueting. The main costs arising are payroll, cost of goods for resale, commissions paid to online travel agents on room sales, other operating costs and, in the case of leased hotels, rent paid to lessors.

Managed Hotels segment

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

Revenue	**2018** **€'000**	Restated* 2017 €'000
Dublin	**234,907**	203,402
Regional Ireland	**79,554**	76,367
United Kingdom	**78,107**	70,417
Managed Hotels	**1,168**	1,986
Total revenue	**393,736**	352,172

**Revenue and cost of sales have been restated for the year ended 31 December 2017 as a result of the retrospective application of IFRS 15. The impact is limited to a reclassification between revenue and cost of sales in profit or loss (note 1).*

Revenue for each of the geographical locations represents the operating revenue (room revenue, food and beverage revenue and other hotel revenue) from leased and owned hotels situated in (i) Dublin, (ii) Regional 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)*

2 Operating segments *(continued)*

	2018	2017
	€'000	€'000
Segmental results - EBITDAR		
Dublin	**114,007**	99,006
Regional Ireland	**22,679**	21,450
United Kingdom	**30,494**	27,036
Managed Hotels	**1,168**	1,986
EBITDAR for reportable segments	**168,348**	149,478
Segmental results - EBITDA		
Dublin	**86,368**	72,630
Regional Ireland	**21,577**	20,271
United Kingdom	**26,298**	23,777
Managed Hotels	**1,168**	1,986
EBITDA for reportable segments	**135,411**	118,664
Reconciliation to results for the year		
Segmental results - EBITDA	**135,411**	118,664
Rental income	**271**	270
Central costs	**(13,299)**	(12,371)
Share-based payments expense	**(2,800)**	(1,690)
Adjusted EBITDA	**119,583**	104,873
Net property revaluation movements through profit or loss	**(3,137)**	(1,425)
Proceeds from insurance claim	**2,598**	-
Hotel pre-opening expenses	**(2,487)**	-
Acquisition-related costs	**-**	(1,260)
Gains on disposal of property freehold interests and subsidiary	**-**	469
Group EBITDA	**116,557**	102,657
Depreciation of property, plant and equipment	**(19,698)**	(15,710)
Amortisation of intangible assets	**(44)**	(24)
Finance costs	**(9,514)**	(9,636)
Profit before tax	**87,301**	77,287
Tax charge	**(12,077)**	(8,979)
Profit for the year attributable to owners of the Company	**75,224**	68,308

2 Operating segments *(continued)*

Group EBITDA represents earnings before interest and finance costs, tax, depreciation and amortisation of intangible assets.

Adjusted EBITDA is presented as an alternative performance measure to show the underlying operating performance of the Group excluding items which are not reflective of normal trading activities or distort comparability either period on period or with other similar businesses. Consequently, Adjusted EBITDA represents Group EBITDA before:

- Acquisition-related costs in 2017 (note 3);
- Net property revaluation movements through profit or loss (note 7);
- Gains on disposal of property freehold interests and subsidiary in 2017 (note 4);
- Proceeds from insurance claim (note 4); and
- Hotel pre-opening expenses (note 3).

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. Share-based payments expense is presented separately from Central costs as this expense relates to employees across the Group.

'Segmental results – EBITDA' for Dublin, Regional Ireland and United Kingdom represents the 'Adjusted EBITDA' for each geographical location before Central costs, share-based payments expense and 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 amounted to €32.9 million in 2018 (2017: €30.8 million).

Disaggregated revenue information

Disaggregated revenue is reported in the same way as it is reviewed and analysed internally by the chief operating decision makers, primarily the CEO, Deputy CEOs and the Board of Directors. The key components of revenue reviewed by the chief operating decision makers are:

- Room revenue which relates to the rental of rooms in each hotel. Revenue is recognised when the hotel room is occupied, and the service is provided;
- Food and beverage revenue which relates to sales of food and beverages at the hotel property. This revenue is recognised at the point of sale;
- Other revenue includes revenue from leisure centres, car park revenues, meeting room hire and other revenue sources at the hotels. Leisure centre revenue is recognised over the life of the membership while the other items are recognised when the service is provided; and
- Revenue from management fees are earned from hotels managed by the Group under contracts with the hotel owners. Management fees are normally a percentage of hotel revenue and/or profit and are recognised under the terms of the contract. Management fee revenues are not disaggregated.

2 Operating segments *(continued)*

Disaggregated revenue information *(continued)*

Revenue review by segment – Dublin	**2018**	Restated* 2017
	€'000	€'000
Room revenue	**168,642**	144,422
Food and beverage revenue	**50,640**	46,198
Other revenue	**15,625**	12,782
Total revenue	**234,907**	203,402

Revenue review by segment – Regional Ireland	**2018**	Restated* 2017
	€'000	€'000
Room revenue	**45,167**	41,975
Food and beverage revenue	**26,441**	26,529
Other revenue	**7,946**	7,863
Total revenue	**79,554**	76,367

Revenue review by segment – United Kingdom	**2018**	Restated* 2017
	€'000	€'000
Room revenue	**54,416**	48,525
Food and beverage revenue	**17,167**	16,000
Other revenue	**6,524**	5,892
Total revenue	**78,107**	70,417

Other geographical information

Revenue		**2018**			Restated 2017*	
	Republic of Ireland	**United Kingdom**	**Total**	Republic of Ireland	United Kingdom	Total
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Leased and owned hotels	**314,461**	**78,107**	**392,568**	279,769	70,417	350,186
Managed hotels	**747**	**421**	**1,168**	1,728	258	1,986
Total revenue	**315,208**	**78,528**	**393,736**	281,497	70,675	352,172

**Revenue and cost of sales have been restated for the year ended 31 December 2017 as a result of the retrospective application of IFRS 15. The impact is limited to a reclassification between revenue and cost of sales in profit or loss (note 1).*

2 Operating segments *(continued)*

Other geographical information *(continued)*

Assets and liabilities	**At 31 December 2018**			At 31 December 2017		
	Republic of Ireland	**United Kingdom**	**Total**	Republic of Ireland	United Kingdom	Total
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Assets						
Intangible assets and goodwill	**41,588**	**12,829**	**54,417**	41,588	12,974	54,562
Property, plant and equipment	**930,676**	**245,584**	**1,176,260**	758,192	240,620	998,812
Investment property	**1,560**	**-**	**1,560**	1,585	-	1,585
Other non-current assets	**12,725**	**11,100**	**23,825**	3,231	1,112	4,343
Current assets	**44,016**	**16,411**	**60,427**	29,708	8,506	38,214
Total assets excluding derivatives and tax assets	**1,030,565**	**285,924**	**1,316,489**	834,304	263,212	1,097,516
Derivatives			**-**			1
Deferred tax assets			**2,613**			3,571
Total assets			**1,319,102**			1,101,088
Liabilities						
Loans and borrowings	**102,508**	**199,381**	**301,889**	63,627	196,512	260,139
Trade and other payables	**54,225**	**11,025**	**65,250**	52,978	11,875	64,853
Total liabilities excluding provisions, derivatives and tax liabilities	**156,733**	**210,406**	**367,139**	116,605	208,387	324,992
Provisions			**6,642**			4,716
Derivatives			**1,306**			1,778
Current tax liabilities			**309**			351
Deferred tax liabilities			**41,129**			31,858
Total liabilities			**416,525**			363,695
Revaluation reserve	**225,290**	**23,128**	**248,418**	139,802	15,304	155,106

The above information on assets and liabilities and revaluation reserve is presented by country as it does not form part of the segmental information routinely reviewed by the chief operating decision makers.

Loans and borrowings are categorised according to their underlying currency. Loans and borrowings denominated in Sterling are classified as liabilities in the United Kingdom, €197.3 million (£176.5 million) of which acts as a net investment hedge as at 31 December 2018 (2017: €196.5 million (£174.4 million)). Loans and borrowings denominated in Euro are classified as liabilities in the Republic of Ireland.

Dalata Hotel Group plc
Notes *(continued)*

3 Other information

	2018	2017
	€'000	€'000
Depreciation of property, plant and equipment	**19,698**	15,710
Hotel pre-opening expenses	**2,487**	-
Operating lease rentals: Land and buildings (including central office lease costs)	**33,171**	31,047
Acquisition-related costs	**-**	1,260

Hotel pre-opening expenses relate to costs incurred by the Group in 2018 in advance of six new hotels which opened in 2018 and 2019. These costs primarily relate to payroll expenses, sales and marketing costs and training costs of new staff.

4 Other income

	2018	2017
	€'000	€'000
Rental income	**271**	270
Proceeds from insurance claim	**2,598**	-
Gains on disposal of freehold interests and subsidiary	**-**	469
	2,869	739

In October 2018, the Group received a commercial settlement amounting to €2.6 million from an insurance claim as a result of a fire in December 2016 at Clayton Hotel Silver Springs, Cork in which a vacant building located on the grounds, but separate to, and unused by the hotel, was destroyed.

In 2017, the Group completed the sale and operating leaseback of the Clayton Hotel Cardiff for €25.1 million, resulting in a gain on sale of €0.2 million (after transaction costs of €0.1 million).

In 2017, the Group disposed of a subsidiary undertaking which held the leasehold interest in the Croydon Park Hotel, UK for €0.1 million and recorded a gain on disposal of €0.2 million.

In 2017, the Group sold the freehold interest of a stand-alone residential property previously owned by the Group, resulting in a gain on disposal of €0.1 million.

5 Finance costs

	2018	2017
	€'000	€'000
Interest expense on bank loans and borrowings	**7,801**	7,346
Cash flow hedges – reclassified from other comprehensive income	**1,026**	1,348
Other finance costs	**2,760**	2,327
Net exchange (gain)/loss on financing activities	**(325)**	204
Interest capitalised to property, plant and equipment	**(1,748)**	(1,589)
	9,514	9,636

The Group uses interest rate swaps to convert the interest rate on part of its debt from floating rate to fixed rate. This cash flow hedge net cash outflow is shown separately within finance costs and represents the additional interest the Group paid under the interest rate swaps.

Other finance costs include the amortisation of capitalised debt costs, the write-off of unamortised arrangement fees relating to the original loan facility on modification of €0.9 million (note 12), commitment fees and other banking fees.

Exchange gain/loss on financing activities relates principally to loans which did not form part of the net investment hedge.

Interest on loans and borrowings amounting to €1.7 million was capitalised to assets under construction on the basis that this cost was directly attributable to the construction of qualifying assets (note 7) (2017: €1.6 million). The capitalisation rates applied by the Group, which were reflective of the weighted average interest cost in respect of Euro denominated borrowings and Sterling denominated borrowings for the year, were 2.03% (2017: 2.45%) and 3.43% (2017: 3.43%) respectively.

6 Share-based payments expense

The total share-based payments expense for the Group's employee share schemes charged to the profit or loss during the year was €2.8 million (2017: €1.7 million), analysed as follows:

	2018	2017
	€'000	€'000
Long Term Incentive Plans	**2,374**	1,375
Save As You Earn Scheme	**426**	315
	2,800	1,690

Details of the schemes operated by the Group are set out below:

Long Term Incentive Plans

During the year ended 31 December 2018, the Board approved the conditional grant of 743,795 ordinary shares ('the Award') pursuant to the terms and conditions of the Group's 2017 Long Term Incentive Plan ('the 2017 LTIP'). The Award was made to senior employees across the Group (89 in total). Vesting of the Award is based on two independently assessed performance targets, each one representing 50% of the Award. The first is based on earnings per share ('EPS') and the second on total shareholder return ('TSR'). The performance period for the award is 1 January 2018 to 31 December 2020 and 25% of the award will vest at threshold performance, provided service conditions attaching to the awards are met. Threshold performance for the TSR condition is performance in line with the Dow Jones European STOXX Travel and Leisure Index with 100% vesting for outperformance of the index by 10% per annum. Threshold performance for the EPS condition, which is a non-market based performance condition, is based on the achievement of adjusted basic EPS, as disclosed in the Group's 2020 audited consolidated financial statements, of €0.43 with 100% vesting for adjusted basic EPS of €0.54 or greater. Awards will vest on a straight-line basis for performance between these points. EPS targets may be amended in restricted circumstances if an event occurs which causes the Remuneration Committee to determine an amended or substituted performance condition would be more appropriate and not materially more or less difficult to satisfy.

Movements in the number of share awards are as follows:

	2018	2017
	Awards	Awards
Outstanding at the beginning of the year	**2,114,579**	2,088,379
Granted during the year	**743,795**	829,049
Forfeited during the year	**(30,415)**	(88,551)
Exercised during the year	**(668,550)**	(714,298)
Outstanding at the end of the year	**2,159,409**	2,114,579

6 Share-based payments expense *(continued)*

Save As You Earn Scheme

During the year ended 31 December 2018, the Remuneration Committee of the Board of Directors approved the granting of share options under a Save As You Earn ('SAYE') Scheme (the 'Scheme) for all eligible employees across the Group. 379 employees availed of the 2018 Scheme (515 employees availed of the 2017 Scheme). The Scheme is for three years and employees may choose to purchase shares at the end of the three year period at the fixed discounted price set at the start. The share price for the Scheme (as per the 2017 scheme) has been set at a 25% discount for Republic of Ireland based employees and 20% for United Kingdom based employees in line with the maximum amount permitted under tax legislation in both jurisdictions.

Movements in the number of share options and the related weighted average exercise price ("WAEP") are as follows:

	2018		2017	
	Options	WAEP € per share	Options	WAEP € per share
Outstanding at the beginning of the year	**1,429,099**	**3.52**	**837,545**	**2.94**
Granted during the year	**411,966**	**5.02**	**702,888**	**4.13**
Forfeited during the year	**(202,794)**	**3.94**	**(111,334)**	**2.98**
Exercised during the year	**(152)**	**2.91**	**-**	**-**
Outstanding at the end of the year	**1,638,119**	**3.85**	**1,429,099**	**3.52**

The weighted average remaining contractual life for the share options outstanding at 31 December 2018 is 1.7 years (2017: 2.3 years).

7 Property, plant and equipment

	Land and buildings €'000	Assets under construction €'000	Fixtures, fittings and equipment €'000	Total €'000
At 31 December 2018				
Valuation	1,077,208	-	-	1,077,208
Cost	-	26,404	106,680	133,084
Accumulated depreciation (and impairment charges) *	-		(34,032)	(34,032)
Net carrying amount	**1,077,208**	**26,404**	**72,648**	**1,176,260**
At 1 January 2018, net carrying amount	848,777	97,365	52,670	998,812
Additions through freehold or site purchases	9,187	-	-	9,187
Other additions through capital expenditure	1,133	76,231	18,971	96,335
Reclassification from assets under construction to land and buildings and fixtures, fittings and equipment for assets that have come into use	140,194	(152,047)	11,853	-
Transfer from land and buildings to asset under construction for land which is being developed into a new hotel	(6,615)	6,615	-	-
Transfer from land and buildings to contract fulfilment costs (note 8)	(8,085)	-	-	(8,085)
Capitalised borrowing costs (note 5)	-	1,748	-	1,748
Transfer of capitalised borrowing costs from assets under construction to land and buildings for assets that have come into use	3,300	(3,300)	-	-
Revaluation gains through OCI	111,221	-	-	111,221
Revaluation losses through OCI	(8,275)	-	-	(8,275)
Reversal of revaluation losses through profit or loss	290	-	-	290
Revaluation losses through profit or loss	(3,402)	-	-	(3,402)
Depreciation charge for the year	(8,927)	-	(10,771)	(19,698)
Translation adjustment	(1,590)	(208)	(75)	(1,873)
At 31 December 2018, net carrying amount	**1,077,208**	**26,404**	**72,648**	**1,176,260**

The equivalent disclosure for the prior year is as follows.

	Land and buildings €'000	Assets under construction €'000	Fixtures, fittings and equipment €'000	Total €'000
At 31 December 2017				
Valuation	848,777	-	-	848,777
Cost	-	97,365	75,931	173,296
Accumulated depreciation (and impairment charges) *	-	-	(23,261)	(23,261)
Net carrying amount	**848,777**	**97,365**	**52,670**	**998,812**
At 1 January 2017, net carrying amount	744,611	42,865	34,968	822,444
Acquisitions through business combinations	57,265	-	284	57,549
Other additions through freehold or site purchases	71,478	-	-	71,478
Other additions through capital expenditure	381	59,064	21,799	81,244
Disposals of property, plant and equipment	(61,139)	-	(922)	(62,061)
Reclassification from land and buildings to assets under construction and fixtures, fittings and equipment	(6,960)	495	6,465	-
Reclassification from assets under construction to land and buildings and fixtures, fittings and equipment for assets that have come into use	5,967	(7,020)	1,053	-
Transfer from investment properties	-	585	-	585
Transfer to investment properties	(385)	-	-	(385)
Capitalised borrowing costs (note 5)	-	1,589	-	1,589
Revaluation gains through OCI	55,176	-	-	55,176
Revaluation losses through OCI	(1,643)	-	-	(1,643)
Reversal of revaluation losses through profit or loss	1,295	-	-	1,295
Revaluation losses through profit or loss	(2,471)	-	(284)	(2,755)
Depreciation charge for the year	(7,686)	-	(8,024)	(15,710)
Translation adjustment	(7,112)	(213)	(2,669)	(9,994)
At 31 December 2017, net carrying amount	**848,777**	**97,365**	**52,670**	**998,812**

*Accumulated depreciation of buildings is stated after the elimination of depreciation, revaluation, disposals and impairments.

7 Property, plant and equipment *(continued)*

The carrying value of land and buildings (revalued at 31 December 2018) is €1,077.2 million. The value of these assets under the cost model is €803.4 million. In 2018, unrealised revaluation gains of €111.2 million and unrealised losses of €8.3 million have been reflected through other comprehensive income and in the revaluation reserve in equity. A revaluation loss of €3.4 million and a reversal of prior period revaluation losses of €0.3 million have been reflected in administrative expenses through profit or loss.

Included in land and buildings at 31 December 2018 is land at a carrying value of €412.7 million which is not depreciated.

Additions to land and buildings during the year ended 31 December 2018 include the following asset purchases:

- Purchase of the long leasehold interest (freehold equivalent) of 34 suites in the Clayton Hotel Liffey Valley for €7.6 million plus capitalised acquisition costs of €0.7 million; and
- Purchase of the long leasehold interest (freehold equivalent) of two suites in the Clayton Hotel Cardiff Lane for €0.8 million plus capitalised acquisition costs of €0.1 million.

Additions to assets under construction during the year ended 31 December 2018 include the following:

- Development expenditure incurred on new build hotels of €44.6 million;
- Development expenditure incurred on hotel extensions and renovations of €31.6 million; and
- Interest capitalised on loans and borrowings relating to qualifying assets of €1.7 million (note 5).

Property previously classified as assets under construction (€152.0 million) and interest capitalised on loans and borrowings relating to qualifying assets previously classified as assets under construction (€3.3 million) has been transferred to land and buildings and fixtures and fittings as a result of the assets coming into use during the year ended 31 December 2018. This includes the following:

- The completed construction of Maldron Hotel Belfast City with operations beginning 13 March 2018;
- The completed construction of Maldron Hotel Kevin Street, Dublin with operations beginning 6 July 2018;
- The completed construction of Clayton Hotel Charlemont, Dublin with operations beginning 23 November 2018;
- The substantially completed construction of Maldron Hotel South Mall, Cork with operations beginning 20 December 2018;
- Additional bedrooms at Clayton Hotel Dublin Airport;
- Additional bedrooms at Maldron Sandy Road, Galway;
- Additional bedrooms at Maldron Parnell Square, Dublin; and
- New restaurant, meeting rooms and additional bedrooms at Clayton Hotel Ballsbridge, Dublin.

Arising from a change in use by the Group of previously recognised property plant and equipment during the year there has been a transfer to contract fulfilment costs (€8.1 million) relating to the element of the land on the site of the former Tara Towers hotel which is to be used to build a residential development (note 8). The Group has a forward sale agreement on this development with completion expected late 2020/early 2021.

Also, arising from a change of use of property previously recognised as land and buildings, there has been a transfer to assets under construction (€6.6 million) relating to the element of the land on the site of the former Tara Towers hotel which is to be used to build a new hotel which will be operated by the Group.

7 Property, plant and equipment *(continued)*

The Group operates the Maldron Hotel Limerick and, since the acquisition of Fonteyn Property Holdings Limited in 2013, holds a secured loan over that property. The loan is not expected to be repaid. Accordingly, the Group has the risks and rewards of ownership and accounts for the hotel as an owned property, reflecting the substance of the arrangement.

The value of the Group's property at 31 December 2018 reflects open market valuations carried out in December 2018 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.

At 31 December 2018, properties included within land and buildings with a carrying amount of €895.9 million (2017: €848.8 million) were pledged as security for loans and borrowings.

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. At 31 December 2018, 29 properties were revalued by independent external valuers engaged by the Group (31 December 2017: 25).

The principal valuation technique used by the independent external valuers engaged by the Group 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). Valuers' forecast cashflow included in these calculations represents the expectations of the valuers for EBITDA (driven by revenue per available room ("RevPAR") calculated as total rooms revenue divided by rooms available) for the property and also takes account of the expectations of a prospective purchaser. It also includes their expectation for capital expenditure which the valuers, typically, assume as approximately 4% of revenue per annum. This does not always reflect the profile of actual capital expenditure incurred by the Group. On specific assets, refurbishments are, by nature, periodic rather than annual. Valuers' expectations of EBITDA are based off their trading forecasts (benchmarked against competition, market and actual performance). 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 final valuation also includes a deduction of full purchaser's costs based on the valuers' estimates at 8.46% for Republic of Ireland domiciled assets (2017: 8.46%) and 6.8% for United Kingdom domiciled assets (2017: 6.8%).

7 Property, plant and equipment *(continued)*

Measurement of fair value *(continued)*

The valuers use their professional judgement and experience to balance the interplay between the different assumptions and valuation influences. For example, initial discounted cash flows based on individually reasonable inputs may result in a valuation which challenges the price per key metrics in recent transactions. This would then result in one or more of the inputs being amended for preparation of a revised discounted cash flow. Consequently, the individual inputs may change from the prior period or may look individually unusual and therefore must be considered as a whole and the individual importance of any should not be over-estimated in the context of the overall valuation.

The significant unobservable inputs and drivers thereof are summarised in the following table.

Significant unobservable inputs

	31 December 2018			
	Dublin	Regional Ireland	United Kingdom	Total
	Number of hotel assets			
RevPAR				
< €75/£75	**2**	**7**	**5**	**14**
€75-€100/£75-£100	**3**	**4**	**2**	**9**
> €100/£100	**5**	**1**	**-**	**6**
	10	**12**	**7**	**29**
Terminal (Year 10) capitalisation rate				
<8%	**4**	**2**	**2**	**8**
8%-10%	**6**	**10**	**5**	**21**
	10	**12**	**7**	**29**
Price per key*				
< €150k/£150k	**2**	**9**	**5**	**16**
€150k-€250k/£150k-£250k	**2**	**2**	**1**	**5**
> €250k/£250k	**7**	**-**	**1**	**8**
	11	**11**	**7**	**29**

	31 December 2017			
	Dublin	Regional Ireland	United Kingdom	Total
	Number of hotel assets			
RevPAR				
< €75/£75	1	7	4	**12**
€75-€100/£75-£100	3	3	2	**8**
> €100/£100	4	1	-	**5**
	8	**11**	**6**	**25**
Terminal (Year 10) capitalisation rate				
<8%	1	2	2	**5**
8%-10%	7	9	4	**20**
	8	**11**	**6**	**25**
Price per key*				
< €150k/£150k	2	10	4	**16**
€150k-€250k/£150k-£250k	2	-	1	**3**
> €250k/£250k	4	1	1	**6**
	8	**11**	**6**	**25**

*Price per key represents the valuation of a hotel divided by the number of rooms in that hotel.

The valuers also applied risk adjusted discount rates of 9.25% to 11.25% for Dublin assets (31 December 2017: 9.50% to 11.75%), 9.50% to 12.00% for Regional Ireland assets (31 December 2017: 9.00% to 12.00%) and 8.25% to 12.00% for United Kingdom assets (31 December 2017: 8.50% to 12.50%).

The most significant factors which have impacted valuations this year are the uplifts on newly built hotels and extensions which were built at a cost below fair value and reflection of continued improvements in trading performance across hotels.

7 Property, plant and equipment *(continued)*

Measurement of fair value *(continued)*

The manner and potential impact of the United Kingdom's departure from the European Union may have a negative impact on both the United Kingdom and Irish economies. The Group continues to monitor the ongoing uncertainty surrounding Brexit but has seen no impact on trading and there is no indicator of impairment at 31 December 2018 as a result of this.

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

- Valuers' forecast cashflow was higher or lower than expected; and/or
- The risk adjusted discount rate and terminal capitalisation rate was lower or higher.

Valuations also had regard to relevant price per key metrics from hotel sales activity.

8 Contract fulfilment costs

	2018	2017
Non-current asset	**€'000**	€'000
At 1 January	**-**	-
Transfer from land and buildings to contract fulfilment costs (note 7)	**8,085**	-
Other costs incurred in fulfilling contract to date	**981**	-
At 31 December	**9,066**	-

Contract fulfilment costs, within non-current assets, relate to the Group's contractual agreement with Irish Residential Properties REIT PLC ("IRES") entered into on 16 November 2018, for IRES to purchase a residential development which the Group is developing (comprising 69 residential units) on the site of the former Tara Towers hotel.

Revenue and the associated cost will be recognised on this contract in profit or loss when the performance obligation in the contract has been met. Based on the terms of the contract this will be on legal completion of the contract which will occur on practical completion of the development project which is expected to be late 2020/early 2021. As a result, revenue will be recognised at a point in time in the future when the performance obligation is met, rather than over time.

Arising from the change in use by the Group of previously recognised property plant and equipment during the year, following the closure of the former Tara Towers Hotel, there was a transfer to contract fulfilment costs within non-current assets (€8.1 million) relating to the element of the land on the site of the former Tara Towers hotel (note 7) which will be used for the residential development. Other costs incurred during the year in fulfilling the contract (€1.0 million) which relate directly to this contractual arrangement with IRES are also included within non-current assets at 31 December 2018. These costs have enhanced the asset which will be used for the residential development, have been used in order to satisfy the contract and the costs are expected to be recovered. They primarily relate to legal costs, architectural and planning costs and other professional fees incurred up to 31 December 2018 in fulfilling the contract.

The overall sale value of the transaction is expected to be up to €42.4 million (excluding VAT). The overall value of the transaction will vary depending on how Part V obligations (Social and Affordable housing allocation) are settled with Dublin City Council.

9 Interest-bearing loans and borrowings

	2018 €'000	2017 €'000
Repayable within one year		
Bank borrowings	-	19,300
Less: unamortised debt costs	-	(1,094)
	-	18,206
Repayable after one year		
Bank borrowings	**306,078**	243,010
Less: unamortised debt costs	**(4,189)**	(1,077)
	301,889	241,933
Total interest-bearing loans and borrowings	**301,889**	260,139

On 26 October 2018, the Group successfully completed the refinancing of its existing debt facility with a banking club of six lenders - four original lenders who had participated in the previous facility and two new lenders to the Group. A new €525 million five-year multicurrency facility was entered into consisting of a €200 million term loan facility and a €325 million revolving credit facility. The new maturity date of the facility is 26 October 2023.

In line with IFRS 9 derecognition criteria the Group assessed whether the terms and cash flows of the modified liability were substantially different on refinancing. The Group derecognises a financial liability when the terms and the cash flows of a modified liability are substantially different. The terms are substantially different if the discounted present value of the cash flows under the new terms, discounted using the original effective interest rate, including any fees paid net of any fees received, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability, the '10% test'.

Based on the '10% test', the loans and borrowings which were repriced to current market terms and which related to the original lenders were deemed to be non-substantially modified. As they are floating rate liabilities, the amortised cost of the loans and borrowings relating to the original lenders was recalculated by discounting the modified cash flows at an effective interest rate which reflected the current market terms of the refinanced liabilities on 26 October 2018, which resulted in no gain or loss. The current market terms are the margin and applicable variable interest rates at that date. These loans and borrowings are recognised at amortised cost with directly attributable costs of €3.5 million being amortised to profit or loss on an effective interest rate basis over the five year term. Unamortised arrangement fees of €0.9 million on the original loans that are not reflective of current market terms at the modification date are recognised immediately in finance costs in profit or loss (note 5).

The loans and borrowings drawn with the two new lenders on 26 October 2018 are accounted for as new financial liabilities and accounted for at fair value less directly attributable transaction costs on initial recognition and subsequently, stated at amortised cost with directly attributable costs amortised to profit or loss on an effective interest rate basis over the five year term. The directly attributable costs in relation to the two new lenders totalled €0.8 million.

9 Interest-bearing loans and borrowings *(continued)*

As at 31 December 2018, the drawn loan facility was €306.1 million consisting of Sterling term borrowings of £176.5 million (€197.3 million) and revolving credit facility borrowings of €108.8 million - €106.7 million in Euro and £1.9 million (€2.1 million) in Sterling. Unamortised debt costs at that date total €4.2 million.

The undrawn loan facilities as at 31 December 2018 were €216.2 million. On 2 January 2019, £60 million and €30.5 million were drawn from the multicurrency revolving credit facility to fund the acquisition of Hintergard Limited (note 11).

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. The loans are secured by the Group's 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.

9 Interest-bearing loans and borrowings *(continued)*

Reconciliation of movement in net debt

	Sterling facility £'000	Sterling facility €'000	Euro facility €'000	Total €'000
Interest-bearing loans and borrowings (excluding unamortised debt costs)				
At 1 January 2018	174,352	196,512	65,797	262,309
Cash flows				
Loans drawn down	43,251	48,726	89,176	137,902
Loan repayments	(39,251)	(44,287)	(48,276)	(92,563)
Non-cash changes				
Effect of foreign exchange movements	-	(1,570)	-	(1,570)
At 31 December 2018	**178,352**	**199,381**	**106,697**	**306,078**
Cash and cash equivalents				
At 1 January 2018				15,745
Movement during the year				20,162
At 31 December 2018				**35,907**
Net debt at 31 December 2018				**270,171**
At 1 January 2017	174,352	203,639	80,097	283,736
Cash flows				
Loans drawn down	30,000	34,180	2,500	36,680
Loan repayments	(30,000)	(33,096)	(16,800)	(49,896)
Non-cash changes				
Effect of foreign exchange movements	-	(8,211)	-	(8,211)
At 31 December 2017	174,352	196,512	65,797	262,309
Cash and cash equivalents				
At 1 January 2017				81,080
Movement during the year				(65,335)
At 31 December 2017				15,745
Net debt at 31 December 2017				**246,564**

Net debt is calculated in line with the Group's loan facility agreement. As a result, at 31 December 2018, it excludes unamortised debt costs of €4.2 million (2017: €2.2 million) and interest rate swap liabilities of €1.3 million (2017: €1.8 million).

9 Interest-bearing loans and borrowings *(continued)*

The Group monitors capital using a ratio of net debt to Adjusted EBITDA (note 2) ratio and seeks to keep it below 3.50. The net debt to Adjusted EBITDA as at 31 December 2018 is 2.3.

	2018	2017
	€'000	€'000
Adjusted EBITDA (note 2)	**119,583**	104,873
Net debt	**270,171**	246,564
Net Debt to Adjusted EBITDA as at 31 December	**2.3**	2.4

10 Lease commitments

Non-cancellable operating lease rentals payable under operating lease and agreements for lease are set out below. These represent the minimum future lease payments in aggregate that the Group is required to make under existing lease arrangements. An agreement for lease is a binding agreement between prospective landlords and the Group to enter into a lease at a future date.

At 31 December 2018

	Less than 1 year*	**1 - 2 years**	**2 - 5 years**	**5 - 15 years**	**15 -25 years**	**After 25 years**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Operating lease	**26,576**	**24,106**	**73,587**	**226,560**	**200,273**	**121,606**	**672,708**
Agreements for lease	**2,585**	**9,947**	**55,660**	**181,086**	**192,114**	**240,088**	**681,480**
	29,161	**34,053**	**129,247**	**407,646**	**392,387**	**361,694**	**1,354,188**

At 31 December 2017

	Less than 1 year	1 - 2 years*	2 - 5 years	5 - 15 years	15 -25 years	After 25 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Operating lease	24,827	21,859	66,065	205,313	192,771	113,569	624,404
Agreements for lease	448	1,792	22,850	94,527	100,979	133,117	353,713
	25,275	23,651	88,915	299,840	293,750	246,686	978,117

*2019 financial year

10 Lease commitments *(continued)*

The significant movement since the year ended 31 December 2017 is due principally to the following:

- The Group entered into a 35 year operating lease of a Maldron Hotel in Newcastle with an annual rent of £1.6 million per annum which had previously been disclosed as a commitment under an agreement for lease;
- The Group has signed an agreement to lease a Maldron Hotel, to be built in Manchester. On completion of construction, Dalata will commence operations in the hotel through a 35 year operating lease;
- The Group has signed an agreement to lease a Clayton Hotel, to be built in Bristol. On completion of construction, Dalata will commence operations in the hotel through a 35 year operating lease;
- The Group has signed an agreement to lease a Maldron Hotel, to be built in Birmingham. On completion of construction, Dalata will commence operations in the hotel through a 35 year operating lease; and
- The Group has signed an agreement to lease a hotel, to be built in Dublin. On completion of construction, Dalata will commence operations in the hotel through a 35 year operating lease.

The weighted average lease life of future minimum rentals payable under leases is 30.3 years (2017: 30.7 years).

The operating lease charges during 2018 amounted to €33.2 million (2017: €31.0 million). 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 amount of contingent rent expense charged to profit or loss in the year ended 31 December 2018 was €7.5 million (2017: €7.6 million).

IFRS 16 impact

Note 1 contains details of the impact of IFRS 16 *Leases* on the Group.

An illustrative disclosure of one potential quantitative impact of IFRS 16, using a notional discount rate of 5% is included in the following table. While this rate is not a prediction of the discount rate as this rate was adopted merely to enable users of the financial statements to appreciate the potential magnitude of the impact on the financial statements at the date of implementation of IFRS 16, based on the work completed to date we expect the weighted average discount rate will not be considerably different to this.

The Group is finalising work on the discount rates of individual leases and the opening adjustments by lease. It is expected that the rate will be based largely upon the Group incremental borrowing rate as evidenced by the recent refinancing and adjusted for tenor of leases, expected risk free rates over the relevant periods and asset specific adjustments. The significant element of lease commitments benefit from a guarantee by the ultimate parent, Dalata Hotel Group plc and consequently will be closely aligned with Group borrowing rates. This coupled with historic low funding rates in both Euro and Sterling, the strength of the Group's covenant, and the quality of the leased assets having long remaining terms (weighted average lease life remaining of 30.3 years) means that the Group expects to have a relatively low discount rate and consequently a significant lease liability.

Operating leases at 1 January 2019 have been incorporated into the following illustrative IFRS 16 impact analysis. The actual impact of applying IFRS 16 on the 2019 financial statements will depend on the composition of the Group's lease portfolio throughout the year and is subject to change driven by any additional leases, lease modifications and/or movements in the timing of opening new hotels.

10 Lease commitments *(continued)*

IFRS 16 impact *(continued)*

Illustrative impact on consolidated statement of financial position at 1 January 2019 using 5% notional discount rate

	€'000
Lease liability[1]	(355,951)
Right-of-use asset	355,951
Retained earnings	-
Impact on net assets	**-**

Illustrative impact on consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 using 5% notional discount rate

	€'000
Remove: Operating lease rentals[2]	26,652
Add: Depreciation of right-of-use asset	(17,807)
Add: Interest on lease liability	(17,234)
Impact on profit before taxation	**(8,389)**
Lease liability[1] : operating lease rentals[2]	13.4x*

**This has been determined by dividing the opening lease liability by the fixed operating lease rental expense.*

11 Subsequent events

Acquisition of Hintergard Limited – Clayton Hotel City of London

On 2 January 2019, The Group drew down £60.0 million and €30.5 million from the multicurrency revolving credit facility to fund the acquisition of Hintergard Limited (note 9).

On 3 January 2019, the Group completed the acquisition of the long leasehold (effective freehold) interest of a newly built hotel, located in Aldgate, London for total consideration of £91 million through acquiring the entire issued share capital of Hintergard Limited. The acquisition will be treated as an acquisition of property, plant and equipment in line with IAS 16 *Property, Plant and Equipment*. The hotel opened on 24 January 2019 and has been branded Clayton Hotel City of London.

On 9 January 2019, two interest rate swaps were entered into with an effective date of 29 March 2019 and a maturity date of 31 December 2020 to hedge the LIBOR benchmark rate on a portion of the £60 million Sterling revolving credit facility borrowings. The swaps hedge the LIBOR benchmark rate at 1.086%.

Acquisition of site adjacent to Clayton Hotel Cardiff Lane

On 8 January 2019, the Group acquired a site adjacent to Clayton Hotel Cardiff Lane, Dublin for €5.5 million. The Group has plans to redevelop the area into circa 70 bedrooms and ancillary facilities.

11 Subsequent events *(continued)*

Proposed dividend

On 25 February 2019, the Board proposed a final dividend of 7 cent per share. This proposed dividend is subject to approval by the shareholders at the Annual General Meeting. These condensed consolidated financial statements do not reflect this dividend.

12 Earnings per share

Basic earnings per share is computed by dividing the profit for the year available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is computed by dividing the profit for the year available to ordinary shareholders 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 years ended 31 December 2018 and 31 December 2017.

	2018	2017
Profit attributable to shareholders of the parent (€'000) – basic and diluted	**75,224**	68,308
Adjusted profit attributable to shareholders of the parent (€'000) – basic and diluted	**78,821**	70,228
Earnings per share – Basic	**40.9 cents**	37.2 cents
Earnings per share – Diluted	**40.4 cents**	36.9 cents
Adjusted earnings per share – Basic	**42.8 cents**	38.3 cents
Adjusted earnings per share – Diluted	**42.3 cents**	37.9 cents
Weighted average shares outstanding – Basic	**184,125,709**	183,430,226
Weighted average shares outstanding – Diluted	**186,156,827**	185,243,000

The difference between the basic and diluted weighted average shares outstanding for the year ended 31 December 2018 is due to the dilutive impact of the conditional share awards granted in 2015, 2016, 2017 and 2018 (note 6). There have been no adjustments made to the number of weighted average shares outstanding in calculating adjusted basic earnings per share and adjusted diluted earnings per share.

Adjusted diluted earnings per share is presented as an alternative performance measure to show the underlying performance of the Group excluding the tax adjusted effects of items considered by management to not reflect normal trading activities or distort comparability either period on period or with other similar businesses (note 2).

12 Earnings per share *(continued)*

Reconciliation to adjusted profit for the year	**2018 €'000**	2017 €'000
Profit before tax	**87,301**	77,287
Finance costs	**9,514**	9,636
Profit before tax and finance costs	**96,815**	86,923
Adjusting items (note 2)		
Proceeds from insurance claim	**(2,598)**	-
Hotel pre-opening expenses	**2,487**	-
Net revaluation movements through profit or loss	**3,137**	1,425
Acquisition-related costs	**-**	1,260
Gains on disposal of property freehold interests and subsidiary	**-**	(469)
Adjusted profit before tax and finance costs	**99,841**	89,139
Finance costs	**(9,514)**	(9,636)
Adjusting items in finance costs		
Write off of unamortised arrangement fees on original loans (note 5)	**946**	-
Adjusted profit before tax	**91,273**	79,503
Tax charge	**(12,077)**	(8,979)
Tax adjustment for adjusting items	**(375)**	(296)
Adjusted profit for the year	**78,821**	70,228

13 Board approval

This announcement including the condensed consolidated financial statements was approved by the Board on 25 February 2019.