pphe
HOTEL GROUP

ANNUAL REPORT
AND ACCOUNTS 2020

DECISIVE ACTIONS AND MAINTAINING A LONG-TERM VIEW

art'otel®
PARK PLAZA
ARENA HOTELS & APARTMENTS®
ARENA CAMPSITES®

The results and commentary presented in this Annual Report reflect PPHE Hotel Group's performance over the last year. Since our 2019 report, **the whole world including our communities have been struck by the COVID-19 pandemic**, which has created huge disruption to most aspects of everyday life and **generated an understandable widespread effect on our market and industry.**[1]

We had a great start to the year but from March our operations were impacted by the pandemic, resulting in lockdowns and property closures. We had to take decisive actions to preserve cash and realign our operational structures. But throughout we have looked after our communities and **we were proud to help support key workers during these challenging times.**

Strategic Report

Corporate Governance

Financial statements

Appendices

We are fully focused on **reassuring our guests, team members and local communities** of our **commitment** to upholding an even higher standard of cleanliness and wellness with **our new health and safety programme** following weeks of dedicated research, development and testing.[2]

We are pleased to have **secured funding to develop art'otel london hoxton,** located in one of **London's most exciting neighbourhoods**. This 27-storey building will include 343 hotel rooms and suites, five floors of office space, a gym, swimming pool and wellness facilities and an art gallery space. We have also strengthened our pipeline through acquisitions in Croatia and Serbia to expand our offer.[3]

We are committed to play our part to face up to and overcome the challenges ahead. Together we create a safe place to be and to enjoy.[4]

1. Read more about our response to COVID-19 on pages 10 and 11

2. Read more on our 'Reassuring Moments' programme on pages 22 and 23

3. Read more about Strengthening our long-term pipeline on pages 24 and 25

4. Read more on our road to recovery on pages 26 and 27

HIGHLIGHTS

Despite our strong start to the year, in which we had anticipated to benefit from our recently completed £100m property repositioning programme, 2020 will always be remembered for the pandemic. Our Board and Executive Leadership Team took decisive and swift actions to preserve the cash position of the Group, whilst retaining a long term view. As part of our 30-year track record we have managed through economic cycles and although the severity of the pandemic is unprecedented, our markets have previously proven to be resilient and we are ready for the recovery which we anticipate to build momentum in 2021. Our decisive actions have resulted in protecting the Group, whilst we have also been able to extend our future pipeline which is filled with great potential. We encourage readers of this report to review our responses to the pandemic and the progress made against our longer-term strategic agenda and priorities.

Financial KPIs

Total revenue	Normalised loss before tax
£101.8m	**£89.8m**
Adjusted EPRA EPS	**Property Value**
(123)p	**£1.7bn**
EBITDA	**EPRA NRV per share**
£(10.1)m	**£22.08**

Operating KPIs

Occupancy
28.0%
Average room rate
£105.1
RevPAR
£29.4

We create **memorable guest experiences** by **owning, developing** and **operating** hotels and resorts in **dynamic, vibrant** cities and leisure destinations. Our properties are managed by **experienced teams living our values every day, creating unique experiences**. We **create stakeholder value** at every step of the value chain as our properties provide **attractive returns and long-term capital appreciation.**

Our Strong Foundation

Full value chain approach

Value creation through development, repositioning, operations and brand ownership and access; resulting in a 30-year track record of NAV growth and industry-leading EBITDA margins

Diversified portfolio in key cities

New and renovated property portfolio of 46 prime assets in operation; consisting of hotels, resorts and campsites

Independent operator with brand flexibility

Integrated owner / operator model with access to brands, global distribution and marketing

Sources of funding

Asset backing used as source of funding and longstanding banking relationships

Planned capex in active pipeline of £200m+

Attractive projects in London, Pula, Zagreb and Belgrade

Track record of successfully managing through the cycles

Experienced developers and operators managing through economic cycles

UNDERSTANDING PPHE HOTEL GROUP

Our purpose

Creating valuable memories for our guests and value for our assets, people and local communities.

Who we are

We are an international hospitality group with a strong prime real estate portfolio consisting of 46 properties under operation in six countries, that transforms an asset's potential into value and profits.

What we do

We have a clear strategy to drive growth and create long-term value while recognising and developing opportunities to help our assets reach their full potential. We delight our guests every day, through engaging service and quality products in inviting places.

How we do it

By valuing our people, being led by an entrepreneurial Executive Leadership Team and through investing in our portfolio, opportunities with upside potential and local communities.

OPERATING ACROSS THE VALUE CHAIN

PPHE Hotel Group operates a highly differentiated business model to peers, who are increasingly focused on either the property or operational aspects of the hotel value chain. With in-house expertise across the value chain, PPHE is able to control all aspects of its guest offering, whilst retaining all of the economic upside. By contrast those offering either an asset-light or asset-heavy model relinquish some control of the guest experience as well as pay away fees to third parties.

0%

	PPHE HOTEL GROUP				
	Total value chain	Business model benefits	Shareholder value proposition	Typical asset-light model adopted by large hotel groups	Typical asset-heavy model
Site acquisition	✓	Secure best locations and control over all aspects of the hotel design	Value gains through development and repositioning		
Development/ repositioning	✓				
Hotel ownership	✓	Independence and control, no conflict of interest	Rental income and value appreciation		✓ Asset owned and leased to third party
Hotel operation	✓	Ensure consistency of brand standards and guest service levels are maintained throughout the estate	Net operating profit from rooms, food & beverage	✓ Asset operated under operational lease agreement	✓ Asset owned but managed by third party
Hotel management	✓		Fee-based income as a % of revenue and profit		✓ Management agreement to earn a fee based income as a % of revenue and profit
Brand	✓			✓ Franchise agreement (or the usage of a brand, income as a % of revenue)	
Asset management	✓	Optimise timing to refurbish and reposition	Value gains		
Extracting value	✓	(Re) finance with asset backing to extract value	Source for funding future growth		✓ Sale of asset
Reinvestment/ cash recycling	✓	Re-invest extracted cash to enable further growth			

100%

BUSINESS MODEL

At PPHE Hotel Group, we are focused on creating value for stakeholders through developing, owning and operating hospitality real estate with upside potential.

We own or co-own most of our portfolio and our proven business model is centred around delivering asset value appreciation, generating attractive operating returns and creating valuable memories for our guests. We are proud of our track record.

Our experienced senior leadership team identifies and acquires properties which we believe have significant upside potential. We then embark on transforming these assets through (re)developing redesigning and continuously improving operating performance through our in-house management platform, and in doing so create significant value along every part of the value chain. Through refinancing our properties, we are able to release capital for new investments, enabling further sustainable growth.

For more see business model on page 20

Prime locations

Well-maintained, prime assets, with proximity to major demand generators within leading capital cities, urban markets and resort destinations.

Park Plaza Westminster Bridge London
Opposite Big Ben on the thriving South Bank
1,019 rooms

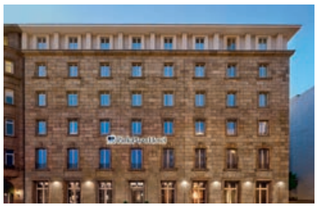
Park Plaza London Waterloo
Close proximity to Waterloo Station
494 rooms

Park Plaza London Riverbank
Between Waterloo Station and Nine Elms/American Embassy
646 rooms

Holmes Hotel London
On Chiltern Street, close to Marylebone Village, Marylebone Station and Baker Street Station
118 rooms

Park Plaza Victoria Amsterdam
Opposite Amsterdam Central Station
298 rooms

art'otel amsterdam
Opposite Amsterdam Central Station
107 rooms

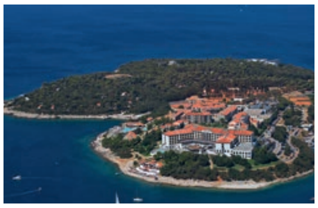


Park Plaza Nuremberg
Opposite Nuremberg's main railway station
177 rooms

art'otel cologne
Located in the attractive Rheinauhafen area
218 rooms

Park Plaza Amsterdam Airport
Close proximity to Amsterdam Schiphol Airport
342 rooms

Park Plaza Belvedere Medulin
Iconic leisure and sports hotel
423 rooms

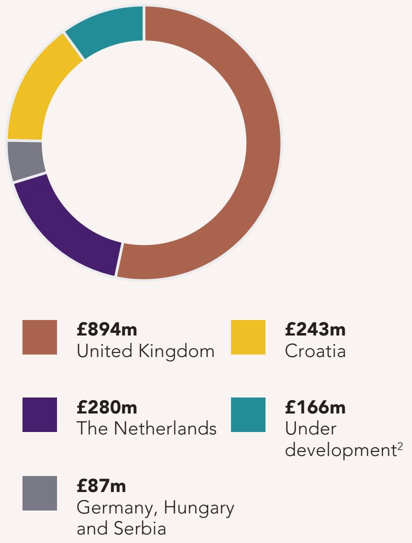


Park Plaza Histria Pula
Dramatic beachfront setting
369 rooms

Arena One 99
Croatia's first all-glamping offering
193 luxury tents

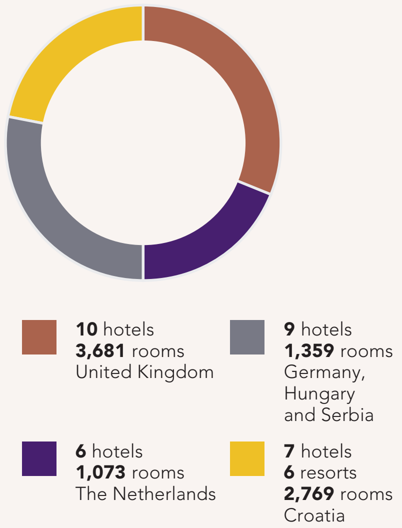
Value split by geography[1]

(Excludes managed, operated, leased, franchised and co-owned hotels)



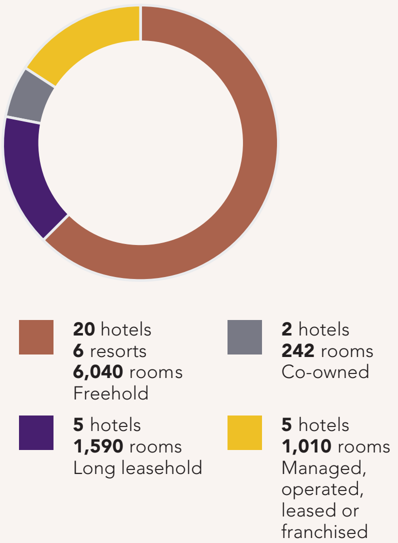
Hotels and resorts by geography

(Includes franchises, excludes campsites and pipeline)



Hotels and resorts by ownership type

(Includes franchises, excludes campsites and pipeline)



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1 The fair values were determined on the basis of independent external valuations prepared in December 2020.

2 Properties under development include: New York, art'otel london hoxton (London), Westminster Bridge Road (London), Hotel Brioni (Pula) and Zagreb.

Independent hospitality real estate owner and operator with brand flexibility and access to global brands and distribution network
Within the Group we have the ability and flexibility to select the right brand to complement our hospitality assets. We have an exclusive and perpetual licence with Radisson Hotel Group to operate the upper upscale Park Plaza® brand in Europe, the Middle East and Africa which complements our wholly-owned upper upscale lifestyle brand, art'otel® and Arena Hotels & Apartments® and Arena Campsites® brands which are operated by Arena Hospitality Group, our Croatian listed subsidiary.

Radisson Hotel Group
Radisson Hotel Group has nine distinctive hotel brands with more than 1,400 hotels in operation and development in destinations across the globe. Its portfolio of hotel brands includes: Radisson Collection™, Radisson Blu®, Radisson®, Radisson RED®, Radisson Individuals, Park Plaza® and Park Inn® by Radisson®, Country Inn & Suites by Radisson and Prizeotel. Radisson Hotel Group is part of Jin Jiang and together they form the world's second largest hotel group in terms of rooms.

Central reservation and distribution system

Powerful online and mobile platforms

Radisson Rewards™ programme with 24 million members

Global sales, marketing and buying power

art'otel
art'otel is a contemporary collection of upper upscale lifestyle hotels that fuse exceptional architectural style with art-inspired interiors. Located in cosmopolitan centres across Europe, each hotel displays a collection of original works designed or acquired specifically for each art'otel, with each property offering a unique art gallery. art'otel has created a niche for itself in the hotel world, differentiating it from traditional hotels.

Art and culture are ingrained in every aspect of the art'otel brand. Knowledgeable and passionate team members share their enthusiasm while simultaneously delivering world-class service, creating a superior guest experience.

art'otel has three exciting new projects in the development pipeline. Two are in London, with one hotel set to open in Hoxton and one as part of the Battersea Power Station development, and a third in New York City, USA.

Park Plaza
Park Plaza is an upper upscale contemporary hotel brand featuring individually designed hotels in vibrant city-centre locations and select resort destinations. The Park Plaza brand is renowned for creating memorable moments through inspiring service, stylish guestrooms and versatile meeting facilities, which are complemented by award-winning restaurants and bars. Our portfolio of vibrant city-centre hotels and tranquil beachside resorts in Croatia already presents a wide choice of locations and accommodation, and we are committed, with our partner Radisson Hotel Group, to bringing Park Plaza to even more locations.

Arena Hospitality Group
Our subsidiary Arena Hospitality Group (Arena) is a leading dynamic hospitality group in Central and Eastern Europe.

Arena Hotels & Apartments
A collection of hotels and self-catering apartment complexes offering relaxed and comfortable accommodation within beachfront locations across the historical settings of Pula and Medulin in Istria, Croatia.

Arena Campsites
Situated close to the historical towns of Pula and Medulin, each campsite provides a relaxed environment from which guests can experience Istria's areas of natural beauty and enjoy outdoor activities from April to October. Each campsite provides a distinctive offering, from traditional camping to a luxury 'glamping' offer.

A thirty-year track record

Eli Papouchado
Chairman

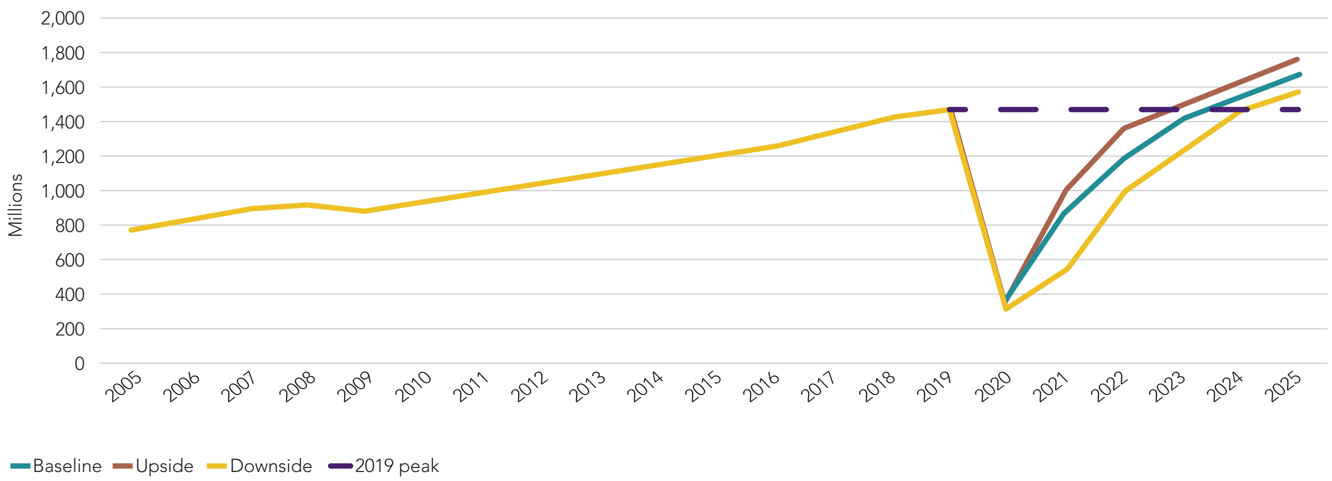
Our resilient model

2020 will always be remembered as the year in which the COVID-19 pandemic impacted the world, its citizens and the global economies. Notwithstanding the major challenges this presented, our long-term development ambitions remain strong. Transforming properties and spaces and evolving our product offering to remain current and responsive to our markets has always been at the centre of our success. The strength and value driven from our repositioning programme is a testament to how well our hospitality offering satisfies the needs and trend appetites of the market at any given time. Our development goals, our drivers and our reliable success in developing and repositioning properties and spaces remained untouched by the many forces that otherwise tore through society and markets in 2020. With the obvious external macro challenges we consistently monitor our development projects and adapt where deemed appropriate. During 2020, we continued to progress several development projects and, as we discuss throughout the report, the business has expanded and diversified its approach to development.

We were able to progress with several developments and acquisitions through securing new funds or using resources earmarked specifically for such investments.

Following the successes of 2019, the Group was progressing with the continued aim of delivering another year of record growth. We were set to progress against our strategic objectives and drive value for stakeholders through our existing prime property portfolio and strong development pipeline. However, the past year has brought change and challenge unlike

Inbound arrivals by scenario, 2005–25, World



(e) Estimate.
* Data for 2020 is preliminary and based on estimates for countries which have not yet reported results.
Source: World Tourism Organization, January 2021.

anything I have ever witnessed during my decades-long career. As the co-founder of a hospitality business, but also as a global citizen and a member of many communities and groups professionally and personally, I am humbled by the challenges and struggles faced by many in 2020.

This is my 31st year paving the path of our Group's growth and it has been without a doubt the most testing year. We could not control whether the pandemic impacted our business, but we were able to control the damage caused and are focussed in our swift and healthy recovery. As Chairman of the Group, I focus this statement on the steps taken in 2020 to chart the way toward an eventful and expeditious recovery and leave the reader to see, please see the financial review on page 44, how our inherent tenacity and ability to make good decisions without delay, carried us through 2020.

The Group has a strong 30-year track record of navigating markets and economic cycles, and this experience stood us in good stead in the face of the unprecedented disruption caused by the onset of COVID-19 and provided us with a strong and resilient foundation from which to steer the business through the challenges presented by the pandemic.

It is during these difficult months that our unique owner and operator model – which enables the Group to maximise revenue, drive value through its assets and provides the asset backing for financial flexibility – has shown its adaptability and strength. This model, together with our committed and experienced team and well-invested property portfolio, positions us well to benefit from the market recovery as a sense of normality resumes. We were encouraged to see that several of our properties outperformed the market during the year despite the challenges we faced, which is testament to the quality and attractive locations of our assets and the hard work of our teams.

Unfortunately the Group had to undertake fundamental changes to its' workforce by reducing work hours and, unavoidably, through forgoing contract renewals and redundancies. We would like to thank all past and present staff for their hard work and commitment.

Responsible business

We aim to play a critical role in the communities where we operate. The 2020 year saw our communities hit by the devastation of the pandemic. This crisis underscored the key role that we as community members can play in helping to fill the gaps in support and care, caused by the pandemic. As a business, we are proud of the vital role our team members played in addressing local community needs by leveraging their skills, hospitable expertise and our collective resources.

For more information on our Responsible Business programme, please see page 72

Governance and Board changes

The governance programme has continued to evolve with the 2020 year, and in some ways benefited from the tests presented by the diverse and unanticipated business changes felt in 2020. In keeping with our Board succession plans, the 2020 year provided the opportunity to diversify our Board by integrating new Non-Executive Directors, whose varied skills, background and interests facilitated the continued evolution and growth of our governance programme. This was further enhanced by the changes our Nomination Committee Chairman, Kenneth Bradley, implemented with regard to our approach toward nominations and induction programmes for new Board Members.

We were delighted to welcome Nigel Keen as an independent Non-Executive Director on 20 February 2020. Nigel's wealth of property experience will be invaluable as the Group's property capability and development pipeline grows. Nigel sits on the Audit, Remuneration and Nomination Committee.

We also welcomed Stephanie Coxon to the Board as an independent Non-Executive Director on 7 August. Stephanie's strong capital markets expertise, spanning more than 15 years, will be invaluable as we continue to address the unprecedented impact of the COVID-19 pandemic and support our long-term growth in exploring new development opportunities. Stephanie sits on the Audit, Remuneration and Nomination Committees.

Dividend

In March, the Board took the decision to withdraw its proposed 2019 final dividend payment to shareholders to enhance financial flexibility. Due to the ongoing uncertainty regarding restrictions on international travel, the Board continued to take a prudent approach to cash conservation and did not propose an interim or final dividend for the 2020 financial year.

The Board will continue to review the Group's dividend policy and will resume dividend payments when it is deemed appropriate.

For further details on dividend please see the Financial Review on page 44

Looking ahead

After years of negotiations, the UK Government and the European Union finalised their new partnership agreement at the end of December, marking the end of the Brexit transition period. The main areas of impact for our Group of this new partnership are expected to be centred around employment and the delivery of food, drinks and products. Since the outcome of the Brexit referendum, our teams have been very proactive to mitigate the potential risks where possible and we have taken many steps to improve our employer value proposition and conducted a full supply chain analysis. However, the full economic impact of this new partnership is yet unclear and is currently masked by the pandemic.

2020 was truly the year of adversity for the hospitality industry, but both adversity and challenge bring opportunities to improve, strengthen and ultimately, succeed. Through cycles of challenge and opportunity the sector has time and again demonstrated its ability to bounce back. The European travel market, the largest in the world, has delivered sustained growth* for more than 70 years, despite cycles of downturns and upticks.

As the COVID-19 vaccines are rolled out, borders reopen and restrictions are eased, we expect to see a phased recovery.

Our owner operator model, well-invested portfolio and strong development pipeline means PPHE Hotel Group is well-placed to benefit from the market recovery and to capitalise on future opportunity in line with our growth strategy.

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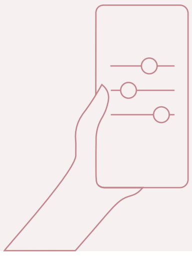
* Source: UN World Tourism Organisation, World Tourism Barometer 2019.

Papouchado

Eli Papouchado
Chairman

How we have navigated through the pandemic in 2020



MARCH – MAY

Sudden impact and decisive decisions

On 30 January, the World Health Organization declared the COVID-19 outbreak a global health emergency and it declared a pandemic on 11 March. By 20 April, 100% of worldwide travel destinations had introduced travel restrictions. Global travel came to a halt and our Board and Executive Leadership Teams focused on managing this crisis situation.

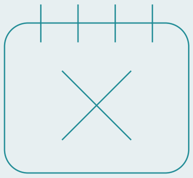
Reopening and peak

- Started reopening with restrictions
- Ramping up to peak leisure months of July-August
- Built base quickly, with market outperformance at flagship hotels
- Demand driven by last minute, domestic leisure and from neighbouring countries
- Younger than usual guest demographics
- Health and safety protocols part of booking decision-making process
- Contactless Services introduced

End of summer

- Early September was the transition point from the leisure to business travel season
- Started to experience the return of some government and corporate demand
- Weekend leisure demand holding strong
- Hosted small and medium sized events
- Restaurants and bars started trading
- However, due to increased infection rates, several markets started to reinforce further restrictions

A challenging end to the year, but optimism boosted by start of vaccinations and pent up demand for travel and hospitality



MID SEPTEMBER – DECEMBER

Demand severely reduced due to stricter measures, tier systems and (partial) lockdowns

The last quarter is best described as highly volatile due to extensive and frequent changes in government measures and policies in all of our operating markets. Including further lockdowns, restrictions and mandated property closures. Booking trends for our main operating regions for the Christmas holiday period were very encouraging but unfortunately this didn't materialise due to the government measures introduced.

Sudden impact of pandemic

- International and domestic travel came to a halt
- Unprecedented cancellations and rebookings
- Mandated lockdowns and property closures
- Selected properties remained open to accommodate essential workers
- Occupancy bottomed out in April

Decisive actions

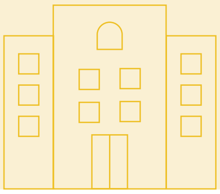
- Activated business continuity plans enabling head office and support teams to work from home
- Executed profit protection plans to preserve cash and secured debt covenant waivers and new loan facilities
- Developed 'Reassuring Moments' health & safety programme and protocols
- Utilised all available government support schemes
- Developed takeaway and delivery options for selected restaurants
- Prepared operational and commercial plans for reopening
- Accelerated technology initiatives to provide guests with Contactless Services
- Restructuring progress to ensure the Group's operational structure is aligned with guest demand for the short and medium term

LATE MAY – EARLY SEPTEMBER

Reopening and market outperformance during summer at flagship hotels

At the end of May, restrictions started easing in some of our markets and approximately 84% of our portfolio had reopened by July. Demand was predominately last minute and leisure-focused, from domestic markets and neighbouring countries. Our flagship hotels significantly outperformed their markets during the summer.

A much welcomed reopening and experienced an immediate return of demand



A volatile year end

- Encouraging bookings forecasts for Christmas holidays period
- However, new international, domestic and local measures were introduced to combat the new rise in infections
- Quarantine measures, travel guidance and other measures continue to negatively impact performance

But well prepared, ready and filled with optimism

- However, most properties stayed open to maintain a heartbeat within the estate and allow a rapid recovery when measures are lifted
- Cost base significantly reduced to minimise losses
- Start of vaccination programmes in several of our operating regions

Well positioned to benefit from market recovery

Boris Ivesha
President & Chief Executive Officer

As we entered 2020, the Group was well positioned for future growth following completion in 2019 of our multi-year £100 million plus investment programme, coupled with a strong pipeline of planned developments. However, the COVID-19 pandemic brought unprecedented challenges unlike anything the hospitality industry has experienced before. In the face of these difficulties, the Group has been resilient and has proven its ability to adapt to the ever-changing market conditions underpinned by its well-invested portfolio, flexible owner operator model and broad customer appeal.

2020 at a glance

Many hotels of the Group outperformed the market in January and February prior to the onset of COVID-19. However, from early March to May the pandemic unmistakably impacted operations. International and domestic travel came to a halt and the whole hospitality industry saw an unprecedented level of cancellations and re-bookings. Governments across Europe implemented extensive public health measures including lockdowns and property closures to restrict the movement of people. Consequently, most of our properties were closed for the months of April, May and June, with only a small number of properties remaining open to support key workers, such as medical personnel at nearby hospitals.

The Board and Executive Leadership Team took swift and decisive actions. We activated our business continuity plans enabling our corporate and regional office teams to work remotely. We prepared operational and commercials plans so we were ready to reopen properties when safe to do so. At the forefront of our plans was the safety and well-being of our team members and guests. We developed third party accredited health and safety programmes and protocols; 'Reassuring Moments' by Park Plaza and 'be bold. be creative. be safe' by art'otel. At selected restaurants, we developed takeaway and delivery options and various technology initiatives across our hotels were accelerated to provide guests with a contactless experience where desired.

To preserve cash and reduce costs and overheads, we secured additional new funding, we reduced payroll costs through utilising government job retention schemes available to the business across its operating markets, reduced employee working hours, implemented voluntary salary reductions and – as a last resort – restructurings and forgoing contract renewals. We utilised the business rates holiday in the UK and liaised with landlords on our rent arrangements. Shareholder dividends were withdrawn.

Full details of the liquidity and cash flow measures taken are set out in the Financial Review on pages 44–57

Holmes Hotel London

From late May as restrictions were eased in some of our markets, we began to reopen properties with new protocols in place, and operations increased for the peak leisure months of July and August. By July, 84% of operations had resumed. Nevertheless, restaurants, bars, leisure and events facilities remained severely limited or closed in a number of our properties. Bookings during this period were dominated by domestic leisure stays and demand from neighbouring countries, with high occupancy on weekends, often with short-lead time bookings. Our flagship, well-invested city centre properties benefited from this trend, outperforming the market in the third quarter. Nevertheless, curbs on international travel and social distancing meant that RevPAR and occupancy remained subdued compared with the same period last year.

Early September is typically the transition point from leisure to business travel and the fourth quarter is usually the busy quarter for meetings and events. Whilst we saw some return of government and corporate demand and some small and medium sized events, activity remained subdued, although weekend leisure demand held strong. Restaurants and bars started trading again.

However, by mid-September demand was once again severely impacted as infection rates increased across Europe and stricter measures, lockdowns, travel restrictions and quarantine measures were reintroduced in all our key and secondary markets.

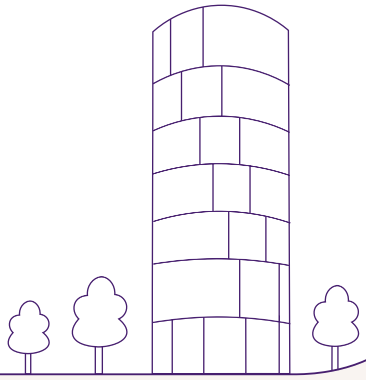
November and December were particularly challenging months again with further lockdowns and increased tier restrictions, eradicating all demand for the remainder of the year. However, most of our hotels remained open to allow us to respond and recover quickly when measures are lifted. Having taken many actions to significantly realign our operations to demand, we were able to minimise losses in the fourth quarter.

Financial performance

The overall financial performance in the year was significantly impacted by the dramatic downturn in activity from March onwards. Reported total revenue declined by 71.5% to £101.8 million (2019: £357.7 million) and EBITDA fell to £(10.1) million (2019: £122.9 million), resulting in an EBITDA margin of (9.9)%.

The key operating metrics were severely impacted by property closures and reduced capacity across the Group's operations. RevPAR was down by 71.6% to £29.4, reflecting unprecedented low levels of occupancy of 28.0%, compared with 80.6% in 2019 and an 18.2% reduction in average room rate to £105.1 (2019: £128.5).

As a result of the decisive COVID-19 actions taken, the Group finished the year in a strong financial position with a total consolidated cash balance of £114.2 million at 31 December 2020. During this period, the health and safety of team members, and all stakeholders was prioritised with the utmost importance.



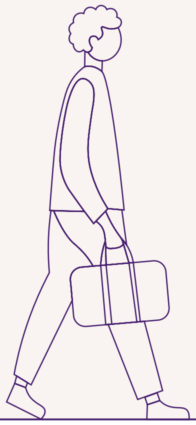
art'otel london hoxton
For more see page 24

The annual independent revaluation exercise on our operational property assets was carried out by Savills and ZANE and valued our portfolio at £1.7 billion (as at 31 December 2020). EPRA NRV per share decreased by 14.8% to £22.08 per share (as at 31 December 2020). The adjusted EPRA earnings per share were down to (123) pence (2019: 128 pence).

Full details of the financial performance are set out in the Financial Review on pages 44–57

Strategic process

We continued to make strategic progress despite the disruption caused by the pandemic. The Board takes a long-term view, and our owner operator business model gives us full control over the scope and phasing of investment projects and our development pipeline. This enabled us to evaluate and prioritise pipeline projects in the current environment.



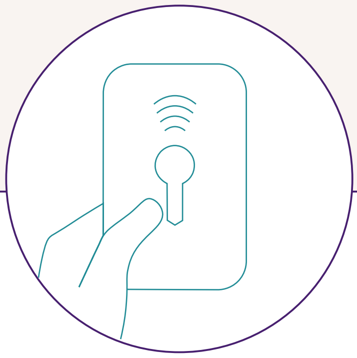
Our largest development project is art'otel london hoxton. In April, in the midst of the pandemic, we secured £180 million of funding and construction of this mixed-use development is underway and will span multiple years. The hotel is expected to open in 2024. This new facility also offers the Group the ability to temporarily draw up to £41.1 million, if required, for any cash flow needs the Group may encounter in the short term. We took the decision to pause our development project in New York City, which is earmarked for an art'otel. Construction of art'otel london battersea power station progressed to plan and this hotel will be operated by the Group under a management agreement when it opens in 2022.

During the year, the Group secured planning permission to develop a 29,000 square metre mixed-use scheme, including a 465-key hotel, adjacent to our Park Plaza London Park Royal property. In 2012, the Group acquired a significant site opposite Park Royal London Underground Station, providing easy access to central London and Heathrow, for £7 million. It subsequently developed Park Plaza London Park Royal, which opened in 2017, using approximately only one third of the overall site. The additional land is earmarked for light industrial use and the Group has now successfully secured planning to develop a contemporary select service hotel, allowing for differentiation and creating further value for the Group.

Through our Croatian subsidiary Arena Hospitality Group d.d. we continued to invest in Central and Eastern Europe. In Croatia, committed investment projects at Arena Grand Kažela Medulin and Arena Verudela Beach Apartments in Pula were completed, and work continued on the approximately £30.9 million investment to reposition Hotel Brioni Pula.

art'otel london hoxton development

Arena Verudela Beach Pula



Reassuring Moments
For more see pages 22–23

> "The safety and well-being of our people continued to be key priority and in the current environment more important than ever."

The acquisition of Guest House Riviera Pula completed and plans to develop and then operate (under a 45-year lease agreement) a 115-room hotel in Zagreb moved forward.

Further details on our progress are set out on pages 24–25, in the business review on pages 60–67, and in the Financial Review on pages 44–57

Radisson Hotel Group Partnership

Since 2002, PPHE Hotel Group has benefited from an exclusive perpetual licence from Radisson Hotel Group ("Radisson"), giving it the rights to develop and operate Park Plaza branded hotels and resorts in Europe, the Middle East and Africa. Radisson is part of the world's second largest hotel group by number of rooms. This strategic partnership gives the Group access to Radisson's central reservation and global distribution systems, its powerful online and mobile platforms, global sales and marketing capabilities, as well as its loyalty programmes with more than 24 million members. These benefits are also extended to the Group's wholly owned art'otel brand.

Radisson continued to progress its multi-million-dollar technology investment programme which will transform, for all hotels on its reservations system, the core booking, selling and marketing capabilities. We anticipate that our hotels will start benefiting from this transformation from mid-2021. Furthermore, there has been continued investment to improve the radissonhotels.com multi-brand platform.

Our people and values

Our people and our values of Trust, Respect, Teamwork, Enthusiasm, Commitment and Care are at the heart of everything that we do, whether managing our hospitality assets or delivering consistent operational excellence across our portfolio.

We are proud to create a high performing culture, cultivated by our leadership team. This approach, with backing of our bespoke learning and development programmes, supports our delivery of best-in-class operations and high quality service to create memorable experiences for guests.

Experienced Leadership Team

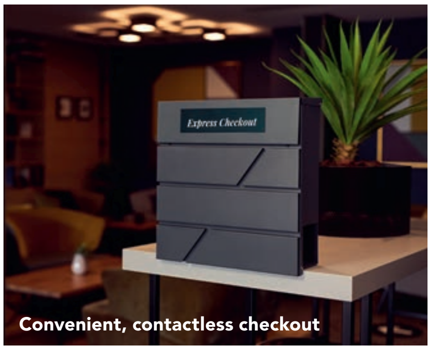
We have a highly experienced Executive Leadership Team. These talented individuals have decades of experience and an impressive track record in the hospitality real estate industry. They drive the corporate vision and long-term strategy for the Group.

As part of the Company's ongoing succession planning programme, two senior company executives were promoted to key leadership positions in January 2020. Greg Hegarty was promoted to Deputy Chief Executive & Chief Operating Officer, taking on new responsibilities alongside his existing COO role. Inbar Zilberman was promoted to Chief Corporate & Legal Officer, driving forward the Group's corporate initiatives, including acquisitions and expansion, corporate governance and corporate social responsibility, alongside her existing leadership of the Group's legal and compliance functions.

Our team members

We aim to create an inclusive, open and fun working environment where our team members feel supported, motivated and empowered. The safety and well-being of our people continued to be key priority and in the current environment more important than ever. We adapted the way we communicate with our team members to ensure we maintained strong engagement with all our team members. We launched new internal communications initiatives and 'staying connected' newsletters. These weekly communications include video interviews with senior leadership, business updates, mental health guidance, self-learning initiatives and advice on best practice ways to work from home. For operational team members, we provided personal protective equipment and we introduced temperature and symptom checks when team members report to work.

Reassuring Moments check-in



Convenient, contactless checkout

The significantly lower consumer demand enforced property closes and reduced capacity had a direct impact on our team members across the business. Where possible, colleagues worked remotely. We utilised, and continue to access, job retention schemes available across our markets. Nonetheless, the prolonged disruption meant we had to take the difficult decision to reduce payroll costs, restructure our operations to ensure they were fit for purpose, and align them to guest demand for the short and medium term. As a result, we significantly restructured our hotel and corporate and regional workforces.

2020 was a difficult year for everyone and we are proud of the way our teams responded and adapted to the ever-changing market dynamics. On behalf of the Board, I would like to thank both present and past team members for their commitment, professionalism and hard work throughout these unprecedented times.

Supporting the safety of our guests

Our dedicated team members are at the forefront of creating memorable experiences to all our guests, underpinned by our high quality and well-invested portfolio of properties.

When our properties re-opened, we launched our 'Reassuring Moments' and 'be bold. be creative. be safe' guest safety and well-being programmes across all Park Plaza and art'otel hotels. The programmes are designed to uphold enhanced and rigorous safety standards and provide effective and transparent communications to team members and guests about our health and safety procedures. The programmes include updates to operating procedures, training programmes, social distancing protocols, enhanced and high frequency cleaning with disinfectant and sanitising chemicals, with a greater focus on high touch areas, improved air circulation and air purification and sanitising stations to name but a few.

The Group also implemented a new 20-step protocol for hotels and a 10-step protocol for meeting and events operations in partnership with Radisson Hotel Group and SGS, a leading inspection, verification, testing and certification company. All our Park Plaza and art'otel hotels have received SGS accreditation.

We understand the important role that technology plays in our guests' overall experience. The roll out of initiatives such as Contactless Services were accelerated as we adapted our service offer to reduce person-to-person contact. Contactless Services available through a dedicated Park Plaza App include online check-in prior to arrival or self check-in on arrival, digital room keys via smartphone, contactless payment options, new messaging options for guests such as a real time messaging through chat or WhatsApp and online ordering of room service. Guests also receive a pre-arrival email with ancillary services to personalise their stays, including room upgrades, early check-in and late check-outs, breakfast and dinner options or special amenities. We also introduced a new in-room entertainment system across our hotels, enabling guests to play their own content on the Smart TVs through Chromecast (i.e. Netflix). We will continue implementing, and expanding upon, these solutions throughout our portfolio in 2021.

Community engagement

We remain committed to being part of and making a positive contribution to the communities in which we operate. Below is an overview of some of our activity during the year, particularly in response to the pandemic.

Among other initiatives, our team members focused on how we could provide service, resources and stewardship to those in our community who were most in need. We continued our partnership with Oasis Academy on London's South Bank to provide fresh delivered meals to underprivileged school children as well as those most in need within the local community, by cooking, preparing and delivering meals from Park Plaza Westminster Bridge London.

In Croatia, our teams prepared packed lunches for Pula General Hospital personnel, and provided equipment and hands on support for local partners, including those working in the hospital.

In Germany, we continued to support our local communities tableware donations to a local day care centre and offering conference rooms free of charge and donations to the worldwide relief agency – Malteser International.

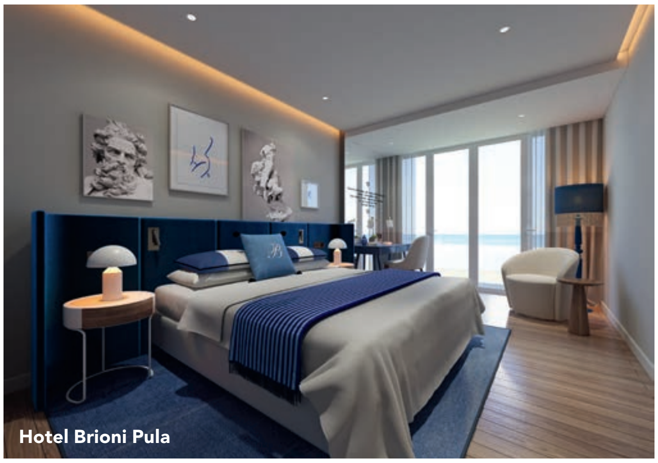
In the early days of the pandemic, our own Board took the decision to forgo their own fees to support Hospitality Action, a charity that supports hospitality sector employees.

Further details of our Responsible Business Section are set out on pages 72–81

Looking ahead

Looking ahead, our flexible owner operator model means we are well placed to benefit from a recovery when it comes. We anticipate there will be a phased recovery across the travel and hospitality sector. This will be kick started through the continued roll-out of the COVID-19 vaccines and we expect occupancy levels to recover initially, followed by room rates as consumer confidence returns.

In the first phase of recovery, hotel room demand is likely to continue to be predominately domestic leisure travel as local lockdown measures are gradually eased. In phase two, as a further easing of global measures occurs, we anticipate an increase in international travel and the gradual return of corporate business from small and medium sized domestic organisations, and medium scale meetings and events. The third phase will be the return to normal and stabilised trading environments, where large scale, international events are permitted, such as sporting events, large scale meetings and events and travel by international and large corporates.



Hotel Brioni Pula

At each phase of recovery, our high quality portfolio of newly refurbished properties, in superb locations will be extremely well placed to benefit. Our full value chain approach enables us to rapidly adapt our offer between guest segments and scale our offer to respond to demand. We have a strong development pipeline and have full control to prioritise and assess projects as we see fit.

Boris Ivesha
President &
Chief Executive Officer

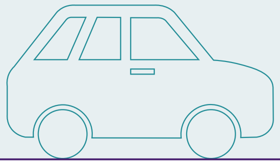
AN INTERNATIONAL HOSPITALITY REAL ESTATE GROUP IN A CHANGING CLIMATE

1

Domestic and regional city breaks and staycations

As a result of travel restrictions, quarantine measures and varying infection rates by country, consumers have favoured domestic travel and regional travel over international travel. Domestic travel has grown substantially and is expected to remain strong whilst countries manage through the pandemic and roll out their vaccination programmes. Consumers have embraced travelling by car and trains, versus flying.

At PPHE Hotel Group, we are fortunate that the domestic and surrounding markets were already our strongest markets for our properties in the UK, the Netherlands and Germany. For example, in July and August 2020, when lockdowns and travel restrictions were eased, domestic travel accounted for almost 90% of room revenue in the UK, 76% in Germany and in the Netherlands 84% of room revenue was either domestic or from bordering countries. Our properties are typically located in very close proximity to main train stations and in city centre locations, ensuring easy access, nearby parking and in walking distance to the main sights and attractions in our markets. Croatia benefits from being predominantly a car destination, with the majority of guests travelling independently by car from Germany, Italy, Austria, Slovenia and the Netherlands to name but a few.

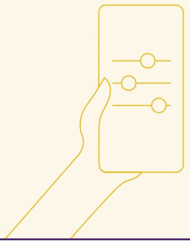


2

Digitalisation is making things easier

The pandemic has accelerated digital transformation across many sectors, including hospitality. Many consumers want to minimise contact and interactions and self-manage and personalise their stay.

We have also brought forward many of our planned initiatives and have developed and launched Contactless Services across our property portfolio. Contactless Services is a full suite of technology solutions, aimed to reduce guest and team member interactions and provide a 24/7 service to our guests to personalise and manage their stays. Our current offering includes: Online check-in, contactless payments, guest messaging with our guest services teams, live chat with our reservations teams, online ordering of food and drink and a bespoke Services App which integrates all solutions. In 2021 we are planning to introduce online check out, self check in and more.

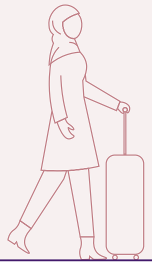


3

Younger age demographics

Another emerging trend experienced by hospitality is the younger guest demographics of travellers. With the health risks for this group less significant than older generations, access to discretionary spend and the desire for unique experiences, guest demographics have changed considerably, at least for the short term. More mature travellers and retirees are expected to return once the vaccination programmes are more advanced.

We have also experienced a younger than usual guest profile and have tailored some of our procedures, payment types and our messaging, communications and promotions accordingly. Additionally, we have also introduced additional family rooms and rooms for friends travelling together.



4

Health and Safety protocols and accreditation part of the decision-making

Health and safety measures have become a much more important factor in travel buying decisions. Consumers want to be reassured that travel providers and hospitality have taken all necessary precautions, ensuring their safety and wellbeing. This is where larger hotel groups and brands may have an edge over independent operations, due to significant amount of time and funds required for research, planning, implementation and constant monitoring and evolution.

We have always had very high health, safety and security standards and protocols, ensuring we provide safe and clean places to stay for our guests and work at for our team members. However, in response to the pandemic we developed extensive new protocols and measures, which have been externally accredited by SGS – the world's leading company in this area. Our Reassuring Moments by Park Plaza programme has been developed by our senior team, working alongside experts from the NHS, SGS, Radisson Hotel Group and Clifton and this programme ensures safety and peace of mind from check-in to check-out.

5

Supporting our communities

With the pandemic impacting many sectors, from retail, to health care, from hospitality and travel to the arts and culture sector, people have really gained a real appreciation for their local communities. There have been countless great initiatives which were introduced to support local companies, organisations, charity and volunteer work and to simply be nice neighbours and look out for one another.

Our Responsible Business programme is designed around three pillars: People, Planet and Places and our community focused activities are considered part of the Places pillar. Our properties are typically located in the heart of city centres or in resort locations in Croatia and each has played its own role during the pandemic. Our support activities have included for example providing shelter to victims of the earthquake in Croatia, to accommodating key workers, volunteer charity lunches for Christmas, donating food and drinks to underprivileged families and temporary event space for schools.

6

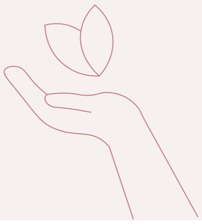
Sustainability and climate change

Maintaining an exacting watch over the ecosystem in which we operate is an integral element of our business model.

We build, develop and create experiences throughout our properties. Whether in our capacity as an operator, owner-operator, or owner-operator and developer of our properties, we are empowered to create a profitable business which positively impacts the world around us. We are uniquely positioned when it comes to integrating sustainability into our business, starting from the point of development all the way to day-to-day operations. This, in turn, enables us to deliver long-term value for all our stakeholders and long-term profitability.

2020 saw the completion of various investment projects aimed at improving our energy performance, reducing water usage, waste and resource consumption and supporting biodiversity. Amongst them were new boilers, air-cooling systems, laundry machines, water efficient shower heads and more. Our impact was further mitigated by a number of operational policies and measures, both existing and newly introduced. Several of our properties were also re-certified in accordance with internationally recognised standards.

For more information, please see Our Planet section on pages 78–81



OUR PURPOSE

Our purpose

Creating valuable memories for our guests and value for our assets, people and local communities.

Who we are

We are an international hospitality real estate group, with a prime property portfolio consisting of 46 properties in operation in six countries, that transforms an asset's potential into value and profits.

What we do

We have a clear strategy to drive growth and create long-term value while recognising and developing opportunities to help our assets reach their full potential. We delight our guests every day, through engaging service and quality products in inviting places.

How we do it

By valuing our people, being led by an entrepreneurial Executive Leadership Team and through investing in our portfolio, opportunities with upside potential and local communities.

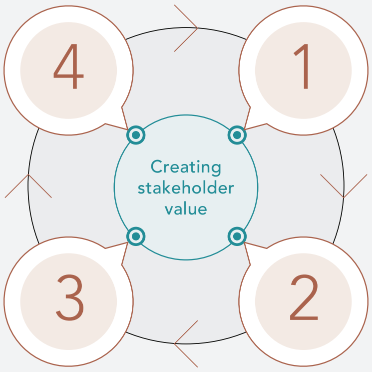
Key sources of value

- Prime property portfolio
- In-house management platform
- Our people
- Multi-brand approach
- International network
- Financial strength

OUR BUSINESS MODEL

Read more – page 6

Our integrated model has driven significant value.



1 We purchase

We typically acquire properties which we believe have significant upside potential

2 We develop

We (re)develop and redesign our acquired assets, drawing on the skills of our experienced senior management team, with specialists in every relevant discipline

3 We brand properties and improve operating performance

We brand properties and strive for operational excellence, creating significant value at every point in the value chain

4 We (re)finance to fund further investments

Through refinancing our properties, we are able to release capital for new investments, enabling the further growth of our Group

STRATEGIC AGENDA

Read more – pages 28–30

We have a clear strategy to drive growth and long-term value.

Property

Disciplined, focused capital deployment

Optimise the value of the existing portfolio

Extract value from portfolio to fund further growth

Pursue growth opportunities to drive long-term value

Continue to diversify our asset portfolio in different segments of the hospitality industry

Operations

Consistently deliver the refreshed intended guest experience across our properties

Maintain high operating margins

Leverage our scale and inter-regional synergies

Further investment in art'otel brand in preparation for new openings and future pipeline

Underpinned by our people, values and culture

The Group's leadership culture is one of connecting, inspiring, innovating and empowering, and we foster an environment based on:

STRATEGIC PRIORITIES

Read more – pages 28–30

Our focused approach will ensure that we deliver on our strategy.

Property

- Continuously drive pipeline projects and assess projects in line with market demand
- Deploy capital in projects and new properties meeting our yield profile
- Reopen hotels when markets stabilise and continue to optimise asset values through extensions, repositioning and alternative use of spaces
- Extend pipeline by securing properties with joint venture partners and further targeting management agreements
- Pursue future growth across different geographies, market segments and brands

Operations

- Align and further develop our organisational structures in line with demand and market conditions
- Develop a high performing culture, where engaged teams are empowered to create valuable memories for our guests and value for our assets
- Improve the overall guest experience through creating valuable memories
- Focus on total revenue generation with solid profit conversion, benefiting from the new Group operating structure
- Maintain and continue to evolve our Reassuring Moments programme (COVID-19 health & safety protocols) for guests and team members, including innovative technologies, testing and Contactless Services

PERFORMANCE MANAGEMENT

Read more – pages 42–43

Our KPIs and targets.

Property

- EPRA NRV
- EPRA EPS
- Net investment yield
- Net return on shareholder capital

Operations

- EBITDA and EBITDA margin
- RevPAR
- Employee engagement
- Guest Rating Score (GRS™)
- Health & Safety assessment scores

Trust **Respect** **Teamwork** **Enthusiasm** **Commitment** **Care**

THE VALUE WE CREATE FOR OUR STAKEHOLDERS

Read more – pages 68–71

Team members

We offer rewarding international employment opportunities for our team members with continuous investment in training programmes.

Guests

We offer memorable hospitality experiences in vibrant destinations with our high quality products and services.

Investors

Our shareholders benefit from the attractive industry dynamics of the markets in which we operate as well as our flexible business model, developments and operating skills, in the form of progressive dividend payments.

Local communities

We care about our neighbourhoods and make positive contributions to our local communities and the people who work and/or live there through fundraising activities, employment opportunities, volunteering and local resourcing partnerships and charities.

Affiliates

Our partnership with Radisson Hotel Group gives us access to global distribution systems, powerful online and mobile platforms and global sales, marketing and buying power.

Suppliers

As an owner/operator, long-term sustainability and ethical operations are high on our agenda including supply chain management and the development of long-term relationships with strategic partners, many of whom are local.

Reassuring Moments

Ensuring the health and safety of our team members and guests has always been our number one priority. At the onset of the pandemic, we recognised the importance of reviewing all our procedures, services and amenities offered, cleaning products used and third party relationships to name but a few areas. We instantly created a dedicated task force to ensure all of these areas were thoroughly reviewed in light of the new risks associated with COVID-19.

> "Our **Reassuring Moments Programme** is in place to create the **confidence** and **freedom** to enjoy the **comfort of our hospitality** and the fun and **excitement of travel.**"
>
> Greg Hegarty, Deputy Chief Executive Officer & Chief Operating Officer

We have introduced temperature and symptom checks

Our team collaborated with experts from the NHS, SGS (the world's leading inspection, verification, testing and certification company), Radisson Hotel Group and several other third parties, to develop a robust new set of standards and protocols, which also incorporated all relevant guidelines from the World Health Organization and national and local authorities.

Following several weeks of research, development and testing, we created and launched Reassuring Moments by Park Plaza (and be bold. be creative. be safe by art'otel). Our work has been accredited by SGS and our owned/managed properties in the United Kingdom have obtained additional accreditation from the AA, MIA and VisitBritain

The Reassuring Moments programme consists of a 20-step protocol for the overall hotel and an additional 10-step protocol for meetings and events hosted by us. The programme leverages expert advice, global health recommendations, bespoke technologies and innovative procedures to both enhance the safety and well-being protocols within our hotels and empower our team members to support and care for our guests in light of the COVID-19 pandemic.

Upon entering the hotels and through all communal areas, guests are asked to comply with social distancing in line with government guidance. Sanitising stations have been installed near the front entrances and throughout all public spaces. Guests will see that screens are in place at all check in, concierge and host desks, whilst cashless and contactless payment options are encouraged to further minimise contact.

RADISSON HOTELS
Safety Protocol
In partnership with
SGS

Our work has been accredited by SGS, the world's leading inspection, verification, testing and certification company.

Our Contactless Services

BEFORE ARRIVAL
- Online check-in

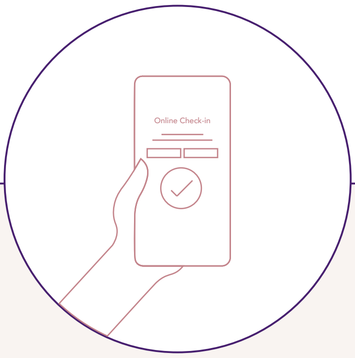
AT THE HOTEL
- Digital key
- Instant messaging
- Online food and drinks ordering
- Contactless payments

Technologies are also on offer to provide services like 'express' no-contact check-in, to ask questions or to order room service. Each hotel room is fully cleaned with updated disinfectant and sanitising products, and each room's furnishings have been adapted to facilitate the higher frequency and intensity of cleaning, with even greater focus on high touch areas. Systems have been updated to improve air circulation and air purification. In the morning, customers will be able to enjoy breakfast either through in-room dining or the convenient grab-and-go options. All team members are provided with personal protective equipment, and we have introduced temperature and symptom checks when team members report to work. These measures ensure we are offering our team members a safe environment where they can feel confident that their health is well considered.

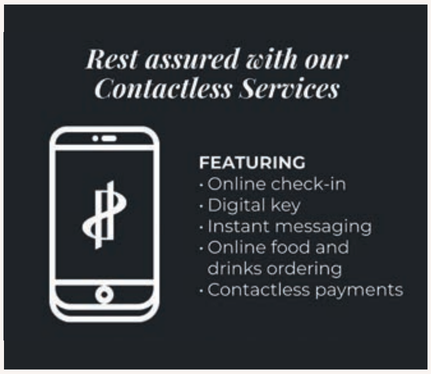
A key part of our programme are our Contactless Services solutions, through which we minimise guest and team member interaction and enable our guests to self-manage their stays. Our new offering includes Online check-in, mobile key access (whereby guests can use their personal phone as door key), contactless payments, guest messaging options via WhatsApp and web chat, online ordering of food and drinks and live chat options online.

> "We have been working with **top experts** and are using **new technologies** to ensure the continued **safety and well-being** of our **team members and guests.**"

Greg Hegarty, Deputy Chief Executive Officer & Chief Operating Officer



Our new offering includes Online check-in and mobile key access



Rest assured with our Contactless Services

FEATURING
- Online check-in
- Digital key
- Instant messaging
- Online food and drinks ordering
- Contactless payments

Strengthening our long-term pipeline

art'otel london hoxton artist impression

Our pipeline contains several exciting projects which will deliver future value to our stakeholders. During 2020, we strategically advanced many projects and strengthened our future pipeline and we are pleased with the progress made.

Property construction

Our wholly-owned flagship art'otel development is well underway in London's vibrant Hoxton area, which has seen significant investment in regeneration in recent years.

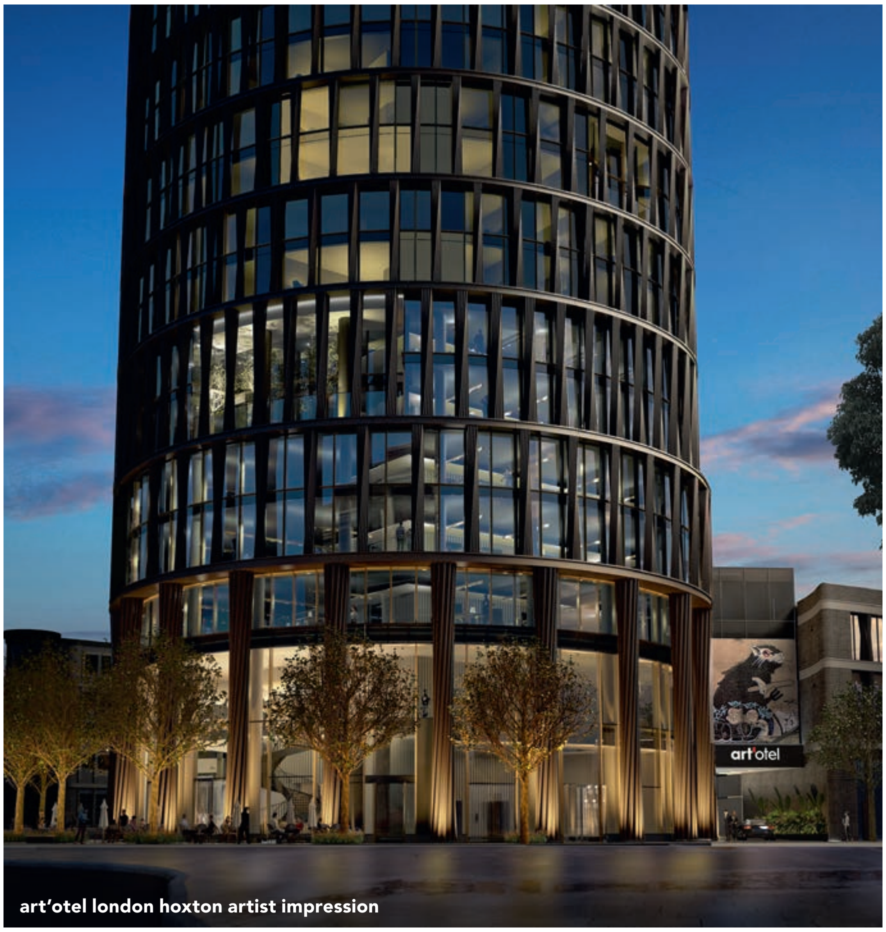
art'otel london hoxton, expected to open in 2024, is our mixed-use scheme which will bring the contemporary upper upscale lifestyle art'otel brand to the area. During 2020, we secured a £180 million construction facility to develop the scheme and construction is now well underway with the substructure work nearly completed. Two pieces of Banksy artwork, which were on site, have been preserved. Our property will consist of 27 floors, comprising 343 hotel rooms including (60 long-stay apartments) and five floors of office space of approximately 5,900 square metres. The space will also comprise an 80-seat ground floor restaurant, a bar, gym facilities and flexible meetings and events space which will be spread across two floors and offer breathtaking views of East London. Located on the 25th floor will be a bar and restaurant with access to seven terraces. The amenities will also include a gym for guests and members. In keeping with the art'otel brand, the hotel will feature a fully accessible art gallery which will bring contemporary as well as traditional art to the local community, and a VIP cinema space for conferences, corporate events and private hire. We are currently in discussions with a number of artists regarding partnerships for the hotel.

Expected to open in 2022, the **art'otel london battersea power station** is one of two exciting art'otels coming to London over the next few years. Positioned in the heart of one of London's best-known regeneration schemes, it will be a vibrant area with restaurants, bars and good transport links. Our wholly-owned lifestyle art'otel™ brand fuses art and life and will offer guests a sensational hotel experience spanning art galleries, a skyline restaurant and a stunning rooftop swimming pool with Power Station views. The 164 room hotel is being developed by the Battersea Power Station Development Company. The hotel will be managed by the Group on completion.

In light of the capital outlay required to drive our **art'otel development in New York City** forward, we have decided to temporarily halt this project until the market stabilises.

The Group also owns **two sites in London,** both with significant development potential. In December 2020, we were pleased to receive planning permission to develop a 29,000 square metre mixed-use scheme, including a 465 key hotel, adjacent to our Park Plaza London Park Royal. A second site is owned by the Group on Westminster Bridge Road in London (in close proximity to Park Plaza London Waterloo) in respect of which the Group has submitted a planning application for a 186 key hotel and office space.

art'otel london hoxton artist impression



art'otel london hoxton artist impression

Property conversion

In January 2020, our Croatian subsidiary entered into a 45-year lease for the development and operation of a branded hotel in **Zagreb, Croatia.** During the year, we applied for planning permission to convert the property into a 115-room hotel which was granted in early 2021. This hotel will be located in an iconic building in a prime location in the heart of Croatia's capital.

Property repositioning

We delivered two committed repositioning programmes during 2020, which included the second and final phase of investment in **Arena Grand Kažela Medulin Campsite,** where we added an additional 45 new premium mobile homes and upgraded several bar and leisure areas. In addition, **Arena Verudela Beach Resort Pula** was repositioned following the upgrade of 146 self-catering apartments and refurbishment of several restaurants and investment in the general infrastructure.

In April 2020, an agreement was entered into with the Republic of Croatia for the purchase of the **Guest House Hotel Riviera in Pula**, which has already been managed by the Group for several decades. This acquisition will enable us to reposition the historic property into a premium branded hotel consisting of approximately 80 rooms in the centre of Pula, Croatia.

We are particularly excited about the progress made with the repositioning of **Hotel Brioni Pula in Croatia**. In December 2020, we secured a loan facility of approximately €24 million (£21.5 million) to further fund the repositioning and this property is expected to reopen ahead of the 2021 summer season. The property will be restored to its former standing as one of the premier upper upscale hotels on the Adriatic Coast and, once complete, will offer 227 premium rooms over seven floors with three indoor and outdoor pools, an extensive wellness centre with saunas and relaxation rooms, a gym, kids' playground, several restaurants and bars and meeting and event facilities.

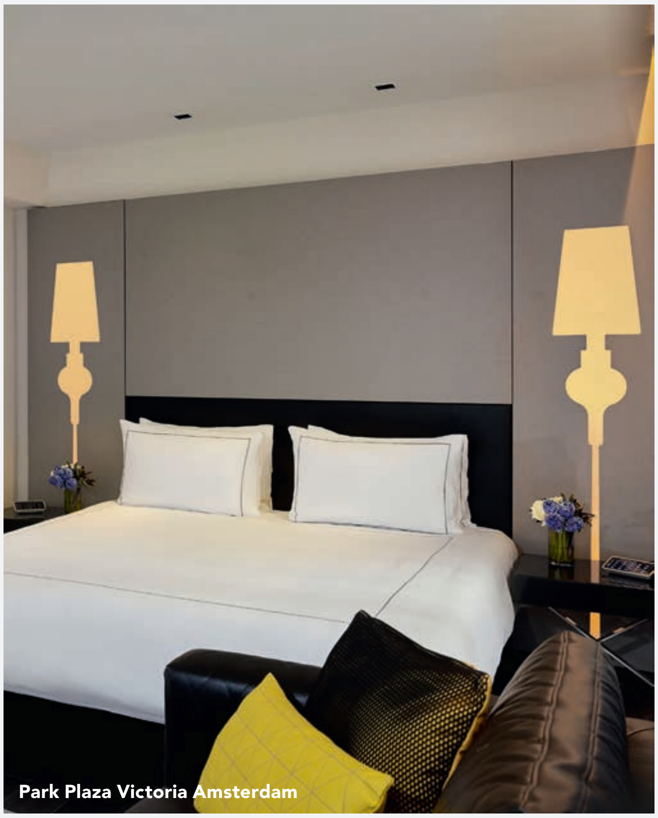
In December 2020, we completed the acquisition of the **88 Rooms Hotel in Belgrade**, Serbia. The Group intends to invest in the property and reposition and relaunch the hotel in the course of 2021. The hotel is located minutes away from the Serbian capital's historic old town and marked the Group's entry into a new territory.

art'otel budapest is expected to undergo a light refurbishment of the public areas and guestrooms.

Our road to recovery

At PPHE Hotel Group we believe of the travel and tourism sectors will start to recover as soon as the vaccinations have their desired effects and measures are eased across our markets. Removal of measures will lead to the return of domestic leisure and restaurant, bar and small meetings bookings first and, with time progressing, the reopening of international markets and the return of business travel, large events and ultimately group travel.

Following the 2020 lockdowns, we experienced favourable booking trends as soon as measures were eased and we are confident we will see a similar trend in 2021, potentially even resulting in a strong summer driven by staycations. Our recently completed property repositioning programme, our prime locations, excellent guest reviews and strong revenue management discipline all give us comfort for the recovery ahead.



Park Plaza Victoria Amsterdam

2021 AND BEYOND

Vaccination programmes are well underway in all our operating regions

Q1 2021

Expected to remain relatively slow due to restrictions

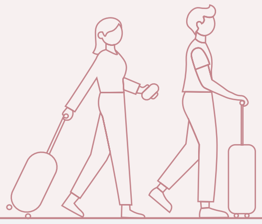
Q2 2021

Expected to mark the return of travel, with demand growing gradually as time progresses

ANTICIPATED RECOVERY PHASES

PHASE 1

Some of the measures eased, not all international markets yet open



Demand to gradually return as domestic markets open:

Hotel room demand to be predominantly domestic from:

- Leisure market (focused on weekends and school holiday periods)
- Government and key sectors such as education and health care
- Business travel from Small and Medium sized Enterprises (SME) segment
- Construction projects-related
- Demand for small to medium size meetings
- Demand for restaurants and bars

PHASE 2

Further measures are eased, international markets reopen

Phase one travel demand is extended with:

- The addition of demand from neighbouring countries (driving distance and short haul)
- Leisure – domestic leisure and interregional leisure
- Business travel from SME segment plus return of travel demand from some of the larger corporate companies

PHASE 3

Measures are eased, markets are open and ramp up to full recovery

Phase two travel demanded is extended with:

- Demand from international markets including long haul
- International business travel from large corporate companies
- Demand for large meetings and events, including international trade fairs
- Sports and city-wide events
- Return of international leisure groups

Strategic progress in 2020

The Group's long-term strategy to generate value for its stakeholders remains in force, further building on its successful track record of over 30 years. However, in 2020 the Group has had to refocus and reprioritise to manage through the pandemic and safeguard the Group's future. Many industries were significantly impacted by the pandemic and the hospitality and travel sectors were particularly impacted.

The Group faced an unprecedented economic downturn, with country lockdowns, travel restrictions and severe health and safety risks. As a result, the Group's debt service covenants (which are income based) were at risk of being breached and the Company suddenly faced a cash burn scenario. The Group has taken decisive and swift actions which included, among many others, protecting its cash position, property closures and restructuring of its workforce all with a view to manage the short-to-medium-term impact.

Nevertheless, the longer-term position for the Group was enhanced with the progression of several development projects and acquisitions extending its pipeline and securing loans. Looking ahead, the Group will continue to use an agile approach, ensuring it adequately adapts to the rapid changes in market conditions and capitalise on opportunities presented by the pandemic.

PRIMARY SHORT-TERM STRATEGIC PRIORITIES

Strategic priority			
Manage balance sheet risks and protect the cash position	**Adjust organisation to macro-economic environment**	**Protect our stakeholders**	**Prepare for the recovery**
Performance in the year			
– Cash flow protection plans implemented including withdrawn dividend payments, agreed amortisation waivers with banks and voluntary salary reductions of Senior Management – Debt covenant waivers agreed with all lenders until 2022 – Liaised with landlords on our rent arrangements – Secured new facilities on the back of our strong balance sheet pre-COVID-19, to provide the Company with cash in this period – CAPEX reduced to essential repairs only (the Group's portfolio was recently refurbished) – Renegotiated the majority of the Group's fixed cost base – Pipeline projects reviewed and progressed those where funding was secured, certain projects temporarily paused – All government support that was available during this pandemic has been utilised – Restructured organisation in line with severely reduced demand and to reduce payroll costs	– Business continuity plans activated – Created homeworking solutions for corporate and regional support team members – Stringent health and safety protocols introduced – Team members seconded to the NHS – Introduced weekly communications with leadership interviews to maintain engagement and provide insights and transparency – Executive Leadership Team joined virtual Town Hall meetings for Q&A – Mental health trainings developed and procured – Introduced engagement pulse survey to gauge team members' concerns and needs – Launched 'recreate and reconnect' training programmes, to re-engage team members when lockdowns were removed	– Developed and implemented robust new health, safety and well-being protocols in collaboration with the NHS, Clifton, SGS and Radisson Hotel Group – Provided reassurance to guests and team members by communicating new protocols proactively as 'Reassuring Moments' by Park Plaza and 'be bold. be creative. be safe.' by art'otel – Proactively engaged with our supplier base and partners	– Accelerated technology projects by developing and introducing 'Full Contactless Services' to minimise interaction between guests and team members – Contactless Services includes Online check-in, room key enabled on mobile devices, contactless payment, instant messaging, live chat, online ordering of food and drinks – Launched tactical promotions strategy for an early summer re-opening following lockdown, leading to market outperformance in flagship hotels – Focused primarily on leisure segment, predominately domestic or from surrounding countries – Evolved products and services offering in line with changing customer expectations and behaviour – Maintained a highly adaptive approach to our products and services offering and guests and team member communications, adjusting to highly frequent changes in markets, measures and expectations

PROPERTY

Strategic priority	Deliver all ongoing projects and existing pipeline	Deploy capital in new properties meeting our yield profile	Mature recent openings and repositioned and renovated properties to generate a targeted cash return on EPRA NRV	Drive responsible business strategy
Performance in the year	The following committed projects were delivered in 2020: – Arena Grand Kažela Medulin; phase two of repositioning consisting of 45 new premium mobile homes and general upgrades; and – Arena Verudela Beach Pula; repositioning of 146 self-catering apartments. In addition, we continued with two developments and/or repositioning programmes for which we secured dedicated funding in 2020: – art'otel london hoxton; and – Hotel Brioni Pula. Works progressed at art'otel london battersea power station, which the Group will manage on completion (expected 2022). The Group has temporarily paused the development of the site earmarked for an art'otel in New York City.	Several acquisitions were completed during the period including, with each property representing significant repositioning potential: – a long lease interest in an iconic property located in the city centre of Zagreb, Croatia's, was entered into. Planning has since been secured to convert this property into a 115 room hotel; – acquired Guest House Hotel Riviera Pula in Croatia. This striking property is located the city centre of Istria's largest city and has been under management for several decades. It offers significant repositioning potential and is expected to be converted into an 80 room premium hotel; – 2020 saw the completion of the acquisition of 88 Rooms Hotel in Belgrade, Serbia, minutes away from the historic city centre. This hotel offers repositioning potential and marks the entry into a new country for the Group; and – the planning application for a hotel development on Westminster Bridge Road in London has been submitted and the Group successfully secured planning permission to develop a 29,000 square metre mixed-use scheme including a hotel, adjacent to its Park Plaza London Park Royal property.	2020 was marked by lockdowns, tier restrictions and rapidly changing market conditions, which significantly impacted the Group's trading. However, the Group takes confidence from the strong demand it has experienced over the summer period when measures where eased and our flagship hotels outperformed their markets. The Group's properties are well located in central locations of resilient markets and the £100m+ repositioning programme completed late 2019, supported by strong guest review scores, provide a powerful underlying foundation.	We see our people, our places and our planet as our intangible sources of value. True to our values and purpose, we continue to drive our responsible business strategy as one of the key priorities. In 2020, we adapted the way we support, engage and communicate with our team members, continued to provide for our communities in the time of need and sustained our efforts to mitigate the climate change.
Performance management in normal market conditions	– EPRA EPS – Net return on shareholder capital – Net return on EPRA NRV			
Risks linked to strategy	– Adverse Economic Climate (page 35) – Funding and liquidity risk (page 35) – Development Projects – delays or unforeseen cost increases (page 36) Emerging (page 33): – New sustainability regulation / expectation impacting both operations and approach to future property development	– Adverse Economic Climate (page 35) – Funding and liquidity risk (page 35) – Development Projects – delays or unforeseen cost increases (page 36) Emerging (page 33): – New sustainability regulation / expectation impacting both operations and approach to future property development	– Market Dynamics (page 34) – Adverse Economic Climate (page 35) – Funding and liquidity risk (page 35)	– Market Dynamics (page 34) – Decline in employee engagement and difficulty in retaining and attracting talent (page 40) Emerging (page 33): – Transition to a low-carbon economy
Looking forward	We will continue to drive the projects forward where funding has been secured and will continue to assess the most appropriate options for and phasing of our other pipeline projects. We will also continuously review the expected returns for projects currently on hold, given the change in market dynamics.	Given the significant cash burn throughout 2020, the Group will aim to restore its previously strong balance sheet. Our future pipeline is filled with potential and we will proceed those projects where funding has been secured and continue to assess the most appropriate options for, and phasing of, our other pipeline projects. This could include the consideration for alternative funding structures, joint venture partnerships, minority shares and asset-light growth opportunities.	We aim to reopen those hotels that are currently closed, subject to sufficient market stability and demand, and will maintain a highly agile approach for operational properties ensuring we capitalise on all revenue generating opportunities in the market. We will focus on protecting profitability whilst ramping up, maintaining efficiencies which were realised as part of our 2020 measures taken. This is expected to improve our profit conversion longer-term.	Our ambitions and commitments to operating responsibly remain as strong as ever and are firmly rooted in our DNA. Moving forward, our goals and progress will be reported extensively in the dedicated Responsible Business section of this report.

OPERATIONS

Strategy		
Develop a high performing culture where engaged teams are empowered to create valuable memories for our guests and value for our assets	**Improve the overall guest experience through creating valuable memories**	**Focus on total revenue generation with solid profit conversion**
Performance in the year		
We are grateful for the flexibility and commitment shown by our team members. The pandemic has brought many uncertainties and our operating teams continued to deliver exemplary service to our guests during these uncertain times, whilst adjusting to the changed environment and workplace. In addition, we have had team members seconded, on furlough or working from home for a large part of the year. Unfortunately, we have also had to rescind contracts and restructure certain parts of our organisation, resulting in redundancies. We launched several solutions which will help our recovery, including a bespoke web-based Learning Management System containing a range of training programmes and a new Careers website with an integrated Application Tracking System. Further details are reported above as part of the COVID-19 Strategic Priorities.	The Group's performance against this strategic priority was significantly impacted by the pandemic and its main progress is reported above as part of the COVID-19 Strategic Priorities. The Group has accelerated many technology initiatives during 2020, which are expected to provide permanent benefits to our guests and team members.	Similarly, revenue generation and profit conversion opportunities were severely impacted during 2020, with reduced and/or closed operations and measures in place for most of the year. However, we have focused on protecting cash, renegotiating supplier agreements, eliminating all non-essential expenditure and capitalising on revenue generating opportunities as and when they were available. Further details are reported above as part of the COVID-19 Strategic Priorities.
Performance management in normal market conditions		
– Employee engagement – Engagement survey participation ratio	– Guest Rating Score – Guest Surveys Score	– EBITDA and EBITDA margin – RevPAR – Total revenue
Risks linked to strategy		
– Market Dynamics (page 34) – Decline in employee engagement and difficulty in retaining and attracting talent (page 40) Emerging (page 33): – Decline in attractiveness of hospitality as a career and a decreased labour pool	– Market Dynamics (page 34) – Cyber Security Incident (page 36) – Data Privacy Breach (page 37) – Technology Resilience (page 37) – Operational Disruption (page 38) – Serious Health, Safety and Security Incidents (page 39) – Decline in employee engagement and difficulty in retaining and attracting talent (page 40)	– Market Dynamics (page 34) – Adverse Economic Climate (page 35) – Operational Disruption (page 38) – Decline in employee engagement and difficulty in retaining and attracting talent (page 40)
Looking forward		
In 2021, our activities will focus on supporting the Group in its recovery and reopening efforts. This includes the continuous alignment of organisational requirements with future demand levels. We will maintain a culture of flexibility, responding to changes in the market and adapt our policies and procedures accordingly. Additional key priorities for the year are resourcing and talent management, whilst continuously focusing on engagement and providing a safe workplace. A robust recruitment, re-engagement and training programme has been developed , including practical skills, managerial tools and recruitment activities. Mental health of our team members and retaining our strong Company culture and values remain high on our strategic agenda.	We will retain a highly adaptive and proactive approach, ensuring we constantly adjust our products and services offering in light of changing market conditions, restrictions and measures and guest expectations. We will continue our roll-out of our Contactless Services solutions introduced in 2020 and aim to introduce additional features such as: – Online check-out and self check-out: – a bespoke art'otel brand app; and – alternative payment methods. Following our successful centralisation of managing, and responding to, an approximate 74,000 guest reviews posted online annually in 2019, for our hotels in the UK and the Netherlands, we intend to centralise the management of 44,000 guest surveys per annum within the same team. This will provide us with highly valuable customer feedback enabling us to further improve our product and service offering.	We will continue to apply the learnings from 2020 and focus on generating top line revenues, whilst closely monitoring our cost base. The cost savings achieved in 2020 are expected to have a long-term benefit to the Group's overall profitability. We aim to continue to leverage our scale, centralised buying power and the use of technology and data and will continue to work alongside our strategic partner, the Radisson Hotel Group, to drive optimum commercial results for our properties.

OUR APPROACH TO RISK MANAGEMENT

Considerate and timely risk management is integral to managing and succeeding through turbulent times. The success of our re-launch of our Enterprise Risk Management ("ERM") programme in 2019, proved vital in our approach to managing the implications of the COVID-19 pandemic. Continuing on from the foundation built in 2019, risk management is now a mainstay in our leadership meeting agendas and is integrated into the strategy of each corporate function within the business. As the COVID-19 pandemic, and the methods employed by governments to reduce its spread, took hold of our industry, our Company was able to rely on the regular updates to our risk assessments to make swift and well-informed decisions.

The improved integration of risk management and routine assessments of risks within each corporate function allows us greater information at the leadership level to ensure each function remains alert and accountable to assess and report on risks on a regular basis, whether or not the risk profile of an area has changed. The risk information also drives the focus of our Internal Audit function.

This year the COVID-19 pandemic triggered or heightened many of our principal risks. The business spent the majority of 2020 in a crisis management situation, prioritising actions and risk responses which focused on protecting the safety and well-being of our team members and guests and the long-term stability of the business while maintaining the agility for decisive and swift action in the face of new opportunities.

Our risk-reward approach which demonstrates our appetite for taking appropriate levels of risk has also been dynamic as the strategic priorities of the Group have changed throughout the COVID-19 pandemic. The situation has challenged our stance on risk appetite and we have needed to adapt, sometimes accepting levels of risk exposure that we had previously seen as being beyond our appetite.

In 2021 we look to further embed our risk management activities within the strategic plans of each business function.

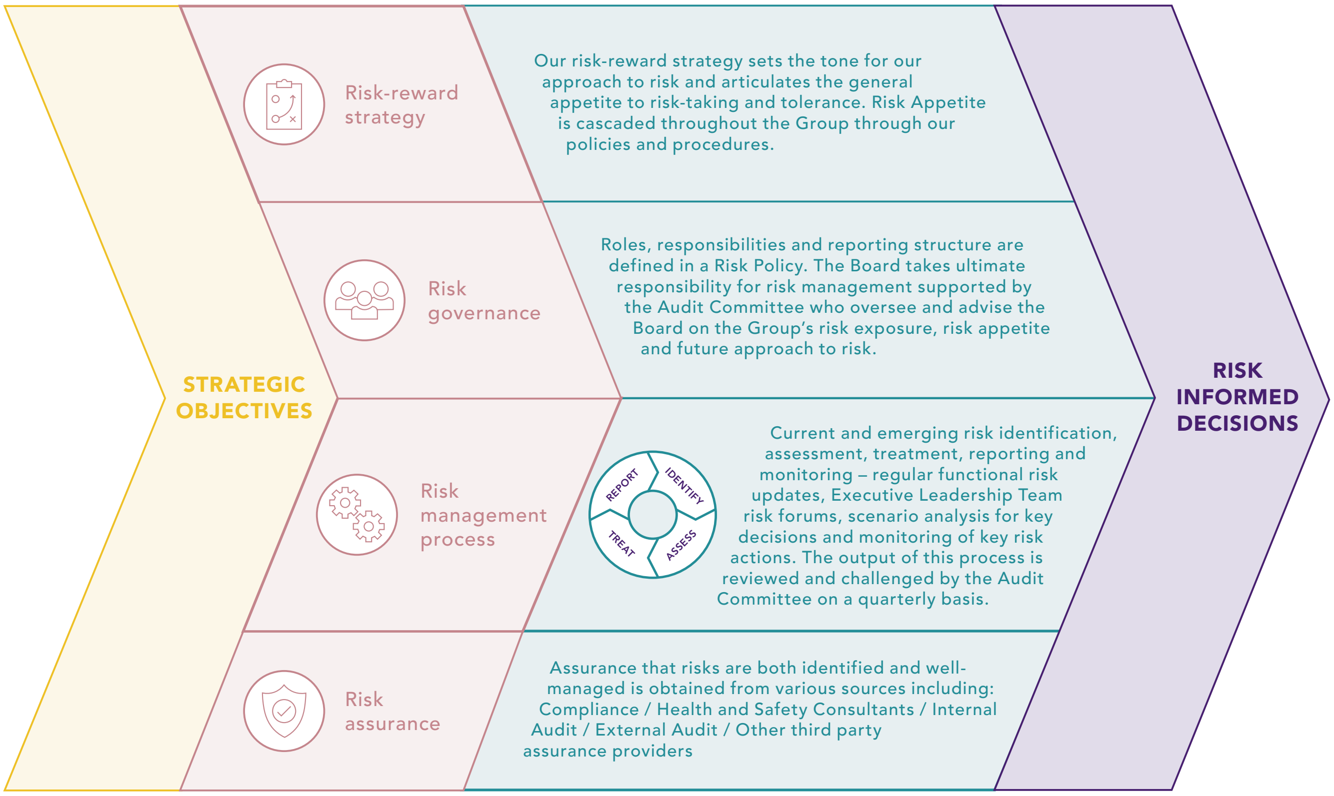
The lessons learned from the COVID-19 pandemic will also be valuable as will be the use of scenario analysis to better understand the impact of significant risk events across our principal areas of risk.

We continue to re-evaluate our risks frequently and look ahead to identify new threats that could emerge or long-term changes to existing areas of risk that are likely to become greater priorities following this prolonged period of disruption.

Our risk management framework

Our ERM framework supports the pursuit of our objectives through enabling informed and calculated risk-taking, while protecting our financial strength and reputation.

To deliver effective risk management our risk appetite is aligned to our strategic objectives. The framework defines clear accountabilities through our risk governance model and our risk management process.



Our risk-reward strategy sets the tone for our approach to risk and articulates the general appetite to risk-taking and tolerance. Risk Appetite is cascaded throughout the Group through our policies and procedures.

Roles, responsibilities and reporting structure are defined in a Risk Policy. The Board takes ultimate responsibility for risk management supported by the Audit Committee who oversee and advise the Board on the Group's risk exposure, risk appetite and future approach to risk.

Current and emerging risk identification, assessment, treatment, reporting and monitoring – regular functional risk updates, Executive Leadership Team risk forums, scenario analysis for key decisions and monitoring of key risk actions. The output of this process is reviewed and challenged by the Audit Committee on a quarterly basis.

Assurance that risks are both identified and well-managed is obtained from various sources including: Compliance / Health and Safety Consultants / Internal Audit / External Audit / Other third party assurance providers

OUR APPROACH TO RISK MANAGEMENT CONTINUED

OUR CHANGING RISK ENVIRONMENT AND THE IMPACT OF COVID-19

Response to COVID-19

The pandemic has had a profound effect on the hospitality sector and corporate meetings and events business. The spread of the virus heightened many of the key risks inherent to our business model.

The immediate impact of the COVID-19 pandemic was severe, with prolonged periods of enforced hotel closures, restricted capacities and travel restrictions, all of which required a fast and coordinated response. Given that our resilience has been tested to such an extreme we are pleased with the proactive nature of our risk response to protect the future prospects of the Group. Our established hotel lockdown procedures were implemented effectively and with the temporary closure of our corporate and regional offices, our remote working capabilities have also proven to be successful in continuing operations. We also met the challenge of operating within the new social distancing and health and safety requirements, which has included the rapid roll-out of technology to support a contactless guest experience.

The pressure that these immediate changes brought on cash flow and profitability called for crucial action, like delaying both capital and discretionary expenditure, agreeing debt covenant waivers with our existing lenders and securing additional facilities to aid liquidity. It has also been necessary to take difficult decisions, including significant restructuring and reduction in staff numbers.

Our responses to the risks heightened by the COVID-19 pandemic along with further planned mitigations are covered in more detail on pages 34-40.

2021 and beyond

As we look ahead to 2021 and beyond, our risk environment could see longer-term change, with the COVID-19 pandemic having potential consequences on global travel patterns for several years. The volatility of the long-term economic outlook is also a factor which could impact the speed of recovery and restrict the accessibility of finance to fund future opportunities for growth.

Our approach to risk and reward has needed to adapt across our business model:

1. We purchase

Our appetite for growth through the acquisition of new properties remains intact but could be restricted in the short term by insufficient capacity to fund such investments. We continue to ensure that the decisions we take are risk-informed and aligned with our strategic agenda of disciplined, focused capital deployment. When seeking new acquisition or development opportunities, we are willing to form new strategic partnerships or joint ventures, where we assess the benefits of the arrangement to be greater than the related risk.

2. We develop

Risks inherent to the delivery of major construction projects, repositioning and refurbishment projects are likely to be heightened in the short to mid-term with both the COVID-19 pandemic and Brexit impacting the cost of supply, working practices and project delivery. We accept and closely monitor these inherent risks as we view the delivery of new developments as fundamental to ensuring that we optimise the value of our portfolio and deliver long-term growth.

3. We brand properties and improve operating performance

Through our response to the COVID-19 pandemic we continue to demonstrate our zero tolerance approach for taking any actions which would increase our risk profile in respect of our guest and team member safety, our reputation, or our compliance with laws and regulations.

We continue to realise commercial benefits from the licence agreement with Radisson Hotel Group ("RHG") to operate or sub-license the Park Plaza® brand within the EMEA region. We take a diligent approach to working with third parties for core business activities where we perceive the benefits of such arrangements to far outweigh the related risks.

4. We (re)finance to fund further investments

It has been essential to adapt our approach and risk appetite in respect of financing in response to the impact of the COVID-19 pandemic. To secure our long-term future it has been necessary to accept levels of leverage beyond our previous appetite. We have also accepted greater risk by changing our approach towards ring-fencing loans, by taking up new Group facilities to support our operating entities.

For more information on funding, please see page 55

EMERGING RISK

Future threats that cannot be accurately assessed at the current time but could have a material impact on the business in the future are considered alongside existing risks with a view to improving our response plans and exploit potential opportunities.

Our view of emerging risk includes several trends which could form part of the legacy of the COVID-19 pandemic. In most cases these trends could heighten our existing principal risks. For example, a decline in the appeal of hospitality as a career choice would add to the challenge of retaining and attracting the talent needed to ensure we continue to consistently deliver the intended guest experience across our properties.

See page 40 for our planned response to this threat

The macroeconomic outlook could also see an increased threat of further disruption in the coming years, through social and political instability. We continue to build on the operational resilience shown throughout 2020 to ensure we can withstand any future threats.

Emerging trends can also present opportunity. We take a proactive approach to the changing market conditions and patterns in corporate travel and embrace digital change to ensure we continue to meet the expectations of our guests and corporate customers.

Climate change and the transition to a low carbon economy could present some of our most significant challenges and opportunities in the future. Government commitments to reduce the carbon emissions are expected to lead to further developments and changes in regulation across travel and tourism, construction and property management.

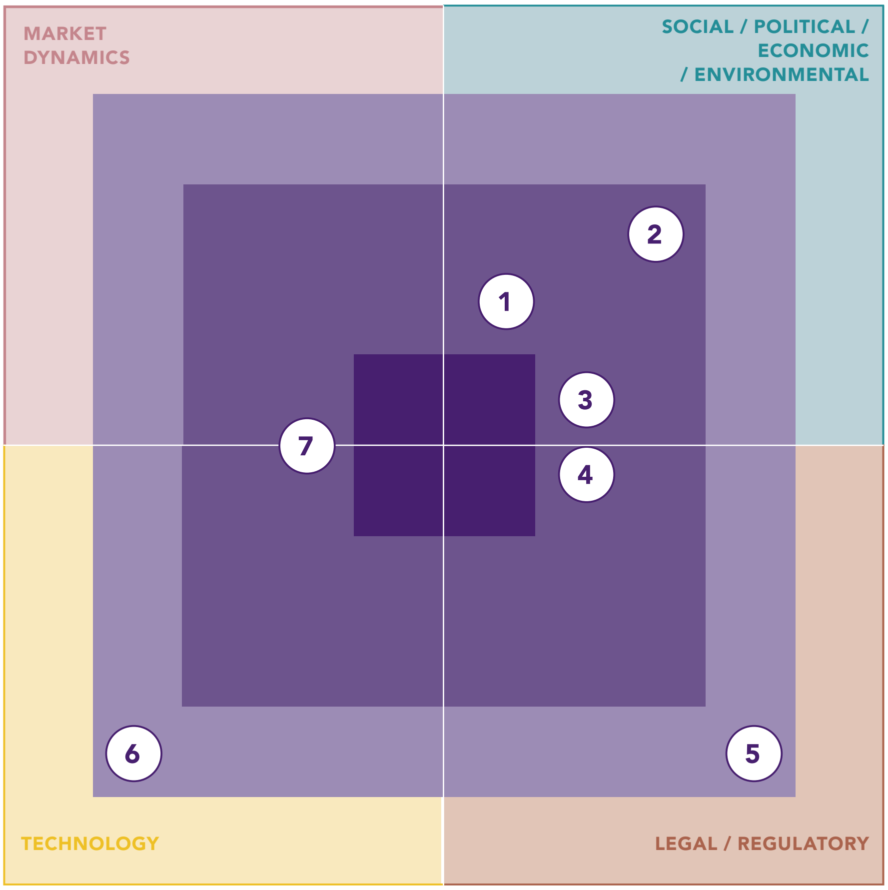
There is significant opportunity in addressing climate-related matters to meet guest expectations and secure the reputation of our brands in respect of their sustainability credentials.

See pages 72–81 for our approach to doing business responsibly and our impact on our communities and the environment

Time horizon

● Some impacts already seen/significant impact could be expected within two years

● Significant impact could be expected in two to five years



1. Decline in attractiveness of hospitality as a career and a decreased labour pool

2. Global or regional disruption through future pandemics, conflict or social unrest or environmental disasters

3. Transition to a low-carbon economy

4. New sustainability regulation / expectation impacting both operations and approach to future property developments

5. UK law divergence from EU law

6. Speed of digital change and increased prominence of Robotics and Artificial Intelligence in the service sector

7. New working arrangements and changing patterns in corporate travel and corporate meetings and events

OUR APPROACH TO RISK MANAGEMENT CONTINUED

Our risk priority is decided through an assessment of the likelihood of the risk and its impact should it materialise. Our assessments are weighted towards impact to encourage prioritisation of high impact risks. We have several areas of active risk, triggered by the COVID-19 pandemic, for which the response and oversight will continue to be our primary focus.

The table below details our principal risks and uncertainties for the year ahead. These are considered to be the most significant threats to the achievement of our objectives but are not an exhaustive list of all risks identified and monitored through our risk management process, which includes the consolidation of 10 underlying functional risk registers into the single view of risk reported to the Board.

Strategic Agenda references

① Disciplined, focused capital deployment
② Optimise the value of the existing portfolio
③ Extract value from portfolio to fund further growth
④ Pursue growth opportunities to drive long-term value
⑤ Continue to diversify our asset portfolio in different segments of the hospitality industry
⑥ Consistently deliver the refreshed intended guest experience across our properties
⑦ Maintain high operating margins
⑧ Leverage our scale and interregional synergies
⑨ Further investment in art'otel brand in preparation for new openings and future pipeline

↔ Unchanged from prior year
↑ Increased from prior year
↓ Reduced from prior year

MARKET AND MACRO ENVIRONMENT

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2021
Market Dynamics – Significant and prolonged decline in global travel and market demand The restricted market conditions during the COVID-19 pandemic and the associated decline in demand over a prolonged period has had a major impact on the hospitality industry as a whole. Revenue generation has been severely impacted with consumer confidence low and corporate budgets significantly reduced. A failure to adapt to changing guest expectations in respect of health & safety, technology, sustainability and service could threaten our ability to recover from the COVID-19 pandemic and grow market share. The recovery of international travel will be largely influenced by the speed and success of vaccination programmes across the world. In the short-term, a reliance on domestic travel to drive demand will continue. Strategic objectives under threat: ③ Extract value from portfolio to fund further growth ④ Pursue growth opportunities to drive long-term value ⑥ Consistently deliver the refreshed intended guest experience across our properties ⑦ Maintain high operating margins	Very High ↑	Established Mitigating Controls – Consistent brand standards applied across all hotels. – Close collaboration with Radisson Hotel Group. – Responsible Business strategy. – Monitoring and analytics of customer feedback to identify issues and improve operations. Response to COVID-19 – Introduced COVID-19 Health & Safety standards through our 'Reassuring Moments' and 'be bold. be creative. be safe' programmes. – Achieved SGS accreditation for passing the Cleaning and Disinfection Pledge Assessment in all of our hotels. – Accelerated roll-out of technology improvements to introduce a contactless guest experience. – Targeted promotional activity and an aggressive pricing approach. – Adapted our service offering in line with governmental guidance including the introduction of takeaway and delivery options. – Modified operations at Park Plaza Westminster Bridge London to accommodate and support NHS frontline healthcare. Outlook for 2021 The long-term impact of COVID-19 on global travel and hotel demand is uncertain, though we expect difficult market conditions throughout 2021. Actions to contain the impact of this risk include: – Commercial initiatives to identify and target opportunities for new contracted business. – Continued close monitoring of market conditions and pricing accordingly. – Marketing activity targeting the domestic market. – Continued roll-out of technology for the contactless guest experience. – Maintaining the highest standards for cleanliness and wellness through our advanced health and safety programmes, to boost consumer confidence.

MARKET AND MACRO ENVIRONMENT CONTINUED

Principal Risk Description | **Risk Priority** | **Risk Response and Outlook for 2021**

Adverse Economic Climate

Both COVID-19 and Brexit have increased macroeconomic volatility and the threat of a deeper and longer economic downturn in our regions. Increased national debt, coupled with falling domestic output, could be expected to impact future taxation and disposable income.

Combined with the Market Dynamics risk, a prolonged economic downturn impacts our ability to protect revenue and profitability. Brexit has also led to volatility in the cost of supply and could impact the cost of labour in the UK, with new restrictions on European workers.

Strategic objectives under threat:

④ Pursue growth opportunities to drive long-term value
⑦ Maintain high operating margins
⑧ Leverage our scale and interregional synergies

Very High
↑

Established Mitigating Controls

- Cash preservation and scenario stress testing.
- Profit protection plans (with operational impact assessed).
- Budgetary control and frequent forecasting across all regions and property type.

Response to COVID-19

- Proactive measures to control costs during the period of forced hotel closures and reduce the cost profile of the business for the future.
- Significant restructuring of the hotel and support teams to reduce the existing payroll cost base.
- Fixed costs deferred and reduced wherever possible.
- Regular open/closed scenario analysis to support informed decisions.

Outlook for 2021

Economic conditions are expected to be challenging throughout 2021. As the threat of adverse economic conditions cannot be prevented, our actions are focused on containing the impact on the business as much as possible. These include:

- Further adapting the business model and centralising processes to reduce fixed costs.
- Benchmarking and verifying market pricing in respect of our supply chain.
- Monitoring changes in taxes.

FUNDING AND INVESTMENT

Principal Risk Description | **Risk Priority** | **Risk Response and Outlook for 2021**

Funding and liquidity risk: including breach of debt covenants, inability to service existing debt and cash restrictions

The risk of breaching debt covenants and liquidity concerns increased significantly this year with the sudden loss of revenue brought about by government travel restrictions and temporary hotel closures.

The impact of failing to act and contain these threats during the COVID-19 pandemic and beyond would be severe, including an increased risk of cash traps being applied to hotel specific loans.

Strategic objectives under threat:

① Disciplined, focused capital deployment
③ Extract value from portfolio to fund further growth
④ Pursue growth opportunities to drive long-term value
⑨ Further investment in art'otel brand in preparation for new openings and future pipeline

Very High
↑

Established Mitigating Controls

- Monthly forward covenant testing with sensitivity and stress modelling.
- Robust treasury monitoring and reporting to the Board.

Response to COVID-19

- Actions taken to preserve cash and reduce costs, including use of government payroll support schemes across our regions, redundancies, salary reductions and salaries taken as share options.
- Proactive and transparent relation with lenders.
- Debt covenant waivers agreed with lenders to 2022.
- Deferred amortisation payment schedules.
- Daily cash monitoring.
- Deferral of liabilities where possible.
- New facilities signed to support Group cash and meet obligations.

Outlook for 2021

This risk will continue to be active throughout 2021. Actions will include:

- Continued enhanced monitoring controls.
- Use of Group funds to service debt and avoid cash trapping where possible.
- Regular liaison with lenders.
- Potential for securing alternative sources of finance.

OUR APPROACH TO RISK MANAGEMENT CONTINUED

FUNDING AND INVESTMENT CONTINUED

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2021
Development Projects – delays or unforeseen cost increases As we continue with significant development projects, we could experience delays, unforeseen increase in costs, disputes with contractors or inconsistent quality. The long-term effects of the COVID-19 pandemic and Brexit include potential increases in material and labour costs, and new working practices impacting the timeline for project delivery. **Strategic objectives under threat:** ② Disciplined, focused capital deployment ③ Optimise the value of the existing portfolio	High ↔	**Established Mitigating Controls** – Fixed price agreement for the Group's key construction project. – Senior leadership team oversight and close monitoring and support from our in-house Technical Services team. **Response to COVID-19** – Reassessment of pipeline projects and decisions taken to progress projects with secured funding and pausing others temporarily. **Outlook for 2021** The risk will be managed and contained throughout 2021 through: – Continued close monitoring and executive oversight of our construction projects timelines and costs. – Regular meetings with our key contractors to identify and tackle approaching issues which could impact the overall cost, targeted delivery schedule or the expected quality standards.

TECHNOLOGY AND INFORMATION SECURITY

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2021
Cyber Security Incident The Group could be subject to a serious cyber attack resulting in significant disruption to operations and financial loss from falling revenues, cost of recovery and significant fines in the event of a related data breach. The presence of effective technical controls and team member awareness programmes remained essential this year, with corporate and regional teams switching to remote working and an increased threat from email phishing attacks. **Strategic objectives under threat:** ⑥ Consistently deliver the refreshed intended guest experience across our properties ⑦ Maintain high operating margins	Very High ↑	**Established Mitigating Controls** – Email protection and end-point protection and detection controls. – Network security systems. – Virtual Private Network (VPN) connections for securing remote connections to the corporate network. – IT security policies. – Relocated core technology infrastructure to a third party secure data centre. – Incident response plans. **Response to COVID-19** – Remote working awareness training rolled out. – Phishing security tests performed. **Outlook for 2021** Cyber risk remains a significant priority for the business. Projects are ongoing to further strengthen the security of our IT infrastructure and improve employee awareness. Ongoing actions include: – Continued roll-out of a Network Access Control Solution across all properties. – Further roll-out of an Identity Access Management tool. – Review and enhancement of physical security of hardware. – Updated cyber security awareness online training. – Third party cyber security testing.

Strategic Agenda references

① Disciplined, focused capital deployment
② Optimise the value of the existing portfolio
③ Extract value from portfolio to fund further growth
④ Pursue growth opportunities to drive long-term value
⑤ Continue to diversify our asset portfolio in different segments of the hospitality industry
⑥ Consistently deliver the refreshed intended guest experience across our properties
⑦ Maintain high operating margins
⑧ Leverage our scale and interregional synergies
⑨ Further investment in art'otel brand in preparation for new openings and future pipeline

↔ Unchanged from prior year
↑ Increased from prior year
↓ Reduced from prior year

TECHNOLOGY AND INFORMATION SECURITY CONTINUED

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2021
Data Privacy Breach The Group could experience a serious data privacy breach which could result in ICO investigation, significant fines in accordance with the GDPR and subsequent reputational damage. Strategic objectives under threat: ⑥ Consistently deliver the refreshed intended guest experience across our properties ⑦ Maintain high operating margins	High ↔	Established Mitigating Controls – Information Security and Data Privacy policies. – Internal awareness communications and training. – Breach protocols, reporting hotlines for team members and incident response plans. – Use of third party experts for technical support when necessary. – Credit card tokenisation with the introduction of a new payment solution. Outlook for 2021 This risk is inherently very high and will remain an area of focus in 2021. The various technology projects to improve data security coupled with initiatives to improve team member awareness should contain the risk and potentially reduce it. Ongoing action includes: – Further strengthening of internal communications for greater awareness. – Enhanced technology controls – see Cyber Security risk.
Technology Resilience A prolonged failure in our core technology infrastructure could present a significant threat to the continuation of our business operations, particularly where failures impact hotel management and reservation systems. Strategic objectives under threat: ⑥ Consistently deliver the refreshed intended guest experience across our properties ⑦ Maintain high operating margins	Medium ↓	Established Mitigating Controls A significant project has been delivered in 2020 to reduce the threat to the resilience of our core technology. – Project completed to relocate our core technology infrastructure to a third party secure data centre and build redundancy to provide a robust back-up and recovery solution. Outlook for 2021 The completion of the data centre project alongside other ongoing projects should see the risk of technology disruption reduce further in 2021. Ongoing actions include: – Testing the resilience of the new core infrastructure. – Continued roll-out of converged networks across our hotels.

OUR APPROACH TO RISK MANAGEMENT CONTINUED

SAFETY & CONTINUITY

Principal Risk Description

Operational Disruption

We could experience disruption to our operations from incidents at our hotels or in the immediate vicinity, for example floods, extreme weather, social unrest, terrorism.

We would also be exposed to significant operational disruption from global events such as conflict, environmental disasters or future pandemics.

Hotel closures and lockdowns in all of our regions during the COVID-19 pandemic have been an extreme test of our operational resilience and crisis plans.

This risk remains active due to the dynamic nature of the pandemic and frequently changing government restrictions across our regions.

Strategic objectives under threat:

- ② Optimise the value of the existing portfolio
- ③ Extract value from portfolio to fund further growth
- ⑥ Consistently deliver the refreshed intended guest experience across our properties
- ⑦ Maintain high operating margins

Risk Priority

Very High

↑

Risk Response and Outlook for 2021

Established Mitigating Controls

- Hotel lockdown procedures.
- Hotel crisis plans including crisis communications.
- Business Continuity Plans.
- Contingency in place for critical supplies.

Response to COVID-19

- Cost control measures to reduce impact of closures and reduced capacity, including organisational restructuring.
- Services adapted to continue operations where possible.
- Remote working capabilities for corporate and regional teams, including Central Reservations and Customer Support.
- Close monitoring of key supplier stability and regular communications regarding anticipated demand levels.
- Robust procedures to open up closed hotels upon easing of government measures.

Outlook for 2021

Uncertainty regarding the continued operational disruption from COVID-19 persists, although we would expect the inherent risk level to reduce as vaccine programmes are rolled out across our markets.

We will continue to closely monitor and adapt to the changing nature of the COVID-19 pandemic. Ongoing actions include:

- Continued project for ensuring hotels are operating as efficiently as possible and in line with government guidance while offering guests the best possible experience.
- Regular updates of the open/closed scenario analysis, to support informed decision-making.
- Building on lessons learned from the COVID-19 pandemic to review and enhance existing Business Continuity and Crisis Plans.

Strategic Agenda references

① Disciplined, focused capital deployment
② Optimise the value of the existing portfolio
③ Extract value from portfolio to fund further growth
④ Pursue growth opportunities to drive long-term value
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↔ Unchanged from prior year
↑ Increased from prior year
↓ Reduced from prior year

SAFETY & CONTINUITY CONTINUED

Principal Risk Description | **Risk Priority** | **Risk Response and Outlook for 2021**

Serious Health, Safety and Security Incidents

The Group could experience significant health and safety, food safety or physical security incidents.

A failure to take reasonable steps to prevent such incidents, or a failure to respond appropriately, could impact our reputation, disrupt our operations and result in significant loss of guest, team member and stakeholder confidence.

Note that this year we have merged both the Physical Security and Safety and Food Safety risks under a single Principal risk heading.

Strategic objectives under threat:

⑥ Consistently deliver the refreshed intended guest experience across our properties
⑦ Maintain high operating margins

Medium

↔

Established Mitigating Controls

– Regular risk assessments.
– Security and fire safety procedures.
– Health & safety audit programmes.
– In-house and supplier food safety audit programme.
– Team member training programmes.
– Incident reporting.
– Hotel crisis plans.

Response to COVID-19

– 'Reassuring Moments' and 'be bold. be creative. be safe' programmes.
– Regular COVID-19 related Health & Safety audits and SGS accreditation for cleanliness and disinfection.
– Technology for temperature checking introduced within our hotels and corporate offices.
– COVID-19 incident protocol and centralised tracking of identified cases.
– Mental health and well-being training.
– Adapted security measures introduced for closed hotels.

Outlook for 2021

The actions taken during the COVID-19 pandemic to mitigate this risk will continue and where necessary be adapted to respond to any regulatory changes in 2021:

– Planning for health & safety requirements of national or regional tiered COVID-19 restrictions and reacting to future changes.
– Continuation of enhanced health & safety programmes.
– Roll-out of enhanced system for centralised incident reporting.

OUR APPROACH TO RISK MANAGEMENT CONTINUED

PEOPLE

Principal Risk Description

Decline in employee engagement and difficulty in retaining or attracting talent

The significant restructuring activity during the COVID-19 pandemic, along with enforced remote working and the need to furlough team members in the UK, is likely to have affected employee engagement negatively.

This could lead to increased difficulty in recruiting and retaining team members which would be detrimental to our recovery from the COVID-19 pandemic.

New barriers to entry for European workers, following Brexit, further exacerbates this threat by reducing the available labour pool in the UK.

Strategic objectives under threat:

⑥ Consistently deliver the refreshed intended guest experience across our properties

⑦ Maintain high operating margins

Risk Priority

Very High

↑

Risk Response and Outlook for 2021

Established Mitigating Controls

- Recruitment and talent management strategy and processes.
- Employee engagement initiatives.
- Regular internal communications.
- Learning & development strategy.

Response to COVID-19

- Re-connect and Re-create programmes designed to re-engage and support team members following periods of lockdown.
- Increased focus on emotional well-being of team members and the impact of significant change on mental health.
- Regular communications and updates to remote working and furloughed team members.
- Development of online learning.
- Introduction of pulse survey to measure engagement and well-being.
- Introduction of COVID-19 related policies and procedures.

Outlook for 2021

This risk remains a high priority following the significant restructuring and disruption caused by the COVID-19 pandemic. The reduction in workforce during 2020 necessitates a greater focus on mitigating the risk around the retention of knowledge and experience within the business.

We will take various actions to meet the challenge of retaining employees and recruiting new team members, to scale back up as the business recovers from the COVID-19 pandemic, including:

- Continuation of Re-connect and Re-create programmes.
- Continued focus on employee well-being.
- Finalising new career site and Applicant Tracking System in readiness for scaling-up.
- Re-engagement activities with Hotel Schools.
- Different sourcing strategies available to include volume recruitment.
- Enhanced digital performance and development process to increase engagement and identifying development needs.
- Leadership Development available to drive change.
- Continuation of We are Creators – culture programme.
- Development of in-house training content for the new Learning Management System.
- Introduce enhanced Talent Management strategy and technology to ensure full visibility of talent and succession planning.
- New set up of Annual Engagement Survey – Climate Analysis.

VIABILITY STATEMENT

In addition to the going concern statement (Note 1c of the Consolidated Financial Statements on page 134), the Directors have considered the viability of the business.

The COVID-19 pandemic has seen many of our principal risks triggered or heightened. Throughout this period of turmoil, we have prioritised actions and risk responses to focus on protecting the long-term stability of the business. The Group has taken steps to strengthen its liquidity, including waivers of existing covenants on all its credit facilities until 2022 and taking additional £50 million of revolving credit facilities, maturing throughout 2023.

The enforced hotel closures and government lockdowns in all of our regions have tested our operational resilience, crisis plans and overall viability of the business. The introductions of these travel restrictions continue to have a volatile impact on demand, and occupancy levels in all our territories.

With vaccine roll-outs now underway across Europe, including in all the Group's countries of operation, the Group's hotels are excellently positioned to benefit from a phased recovery. The majority of its hotels are located in desirable city hubs, additionally the portfolio has benefited from completion of an extensive multi-year investment and repositioning programme in 2019.

As lockdowns and travel restrictions are gradually eased, the Group anticipates strong domestic demand will return in the first instance, as seen in July and August 2020, followed by international leisure and business travel. Domestic business in July and August last year accounted for almost 90% of Group room revenue in the UK and 76% in Germany, and in the Netherlands 84% of room revenue was either domestic or from bordering countries. This demonstrates the appeal of the Group's hotels in their domestic markets.

Although the vaccine roll-outs provide better perspective for the industry in the near future, the Group continues to closely monitor the current ongoing uncertainty and disruption the business faces. The Group will continue to adapt to market conditions to preserve cash and protect the Group's long-term growth prospects.

In the current volatile trading environment the Group's annual business planning process has been amended. Ongoing government restrictions currently provide high volatility to the Group's results and therefore significantly impact estimates and long-term growth planning. Business planning for the coming year trading has been performed on a bottom up basis, with high level assumptions on the easing of government measures, stopping government support from the summer onwards and different business segmentation. To provide guidance through this trading environment the Group continually monitors a three-year base case and a downside case cash flow forecast which takes into consideration different market recovery assumptions, ongoing and planned cash protection measures and the Company's long-term strategy. In assessing the Group's viability, the Board carried out a robust assessment of the current principal and emerging risks facing the Group, which could impact the strategy, focusing specifically on COVID-19 and the impact this could have on future performance and liquidity of the Group.

Since the start of the COVID-19 pandemic multiple cash flow forecasts showing various scenarios have been modelled and reviewed by the Board to provide the basis for strategic actions taken across the business. The Directors have considered detailed cash flow projections for the next three-year period to 31 December 2023 which are constructed on a base case and a downside case basis. The base case assumes a very slow recovery in 2021 with EBITDA levels at approximately 10% of 2019, the 2022 EBITDA at 70% of 2019 and returning to 2019 EBITDA levels in 2023. The downside case assumes zero EBITDA for 2021, the 2022 EBITDA at 50% of 2019 and returning to 2019 EBITDA levels in 2023.

Detailed consideration of various third party market predictions were taken into account by the Directors in determining the assumptions used in each scenario. As such, at this point in time, the Board felt these assumptions to be a reasonable worst case. The estimates in both scenarios have a high degree of uncertainty, mainly with respect to assumptions on when the pandemic is under control and normal trading will commence.

The downside case requires further extension of covenant waivers, refinancing of maturing credit facilities and use of the undrawn cash facilities, having reviewed both the base case and downside case, the Directors have determined that the Company is likely to continue in business for the period under review without implementing any further protective measures to the operational structure. Should the pandemic continue for longer, the Group's viability will depend on its access to additional liquidity.

The Board concluded that three years would be an appropriate timeframe over which to assess the Group's longer-term viability, as this period aligns with the assumed recovery period and with the limited levels of planning certainty that can be derived from the current market conditions.

The above considerations form the basis of the Board's assessment of the viability of the Group over a three-year period to 31 December 2023 while taking account of the Group's current position, the principal risks and how these are managed as detailed in the Strategic Report, the Group strategy and the Group's financial plans and forecasts. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 December 2023.

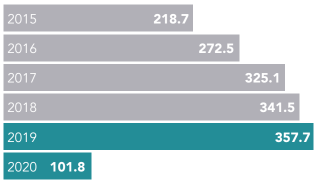
KEY PERFORMANCE INDICATORS: MEASURING OUR PROGRESS

FINANCIAL KPIs

Total revenue

£m

£101.8m



KPI definition

Total revenue includes all operating revenue generated by the Group's owned and leased hotels, management fees, franchise fees and marketing fees.

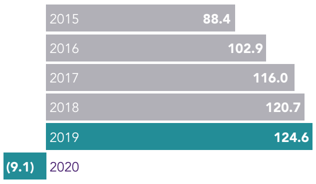
Comment

Having completed an extensive multi-year investment and repositioning programme at the end of 2019, the year started well for the Group. However, since March due to the COVID-19 pandemic most of the Group's properties were closed or partially closed throughout all the regions resulting in a decrease in revenue by 71.5%.

EBITDAR

£m

£(9.1)m



KPI definition

Earnings before interest, tax, depreciation, amortisation and rental expenses.

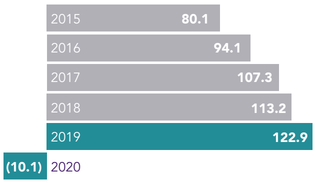
Comment

EBITDAR, which decreased by 107.3%, was negatively affected by COVID-19 pandemic in line with the drop in revenue. In order to minimise its operating expenses, the Group took swift actions which mainly include the utilisation of the available government support schemes and ongoing restructuring programme to ensure the Group's operational structure is fit for purpose and is aligned with guest demand for the short and medium term.

EBITDA

£m

£(10.1)m



KPI definition

Earnings before interest, tax, depreciation and amortisation.

Comment

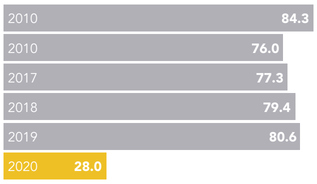
EBITDA, which decreased by 108.2%, was negatively affected by COVID-19 pandemic in line with the drop in revenue. In order to minimise its operating expenses, the Group took swift actions which mainly include the utilisation of the available government support schemes and ongoing restructuring programme to ensure the Group's operational structure is fit for purpose and is aligned with guest demand for the short and medium term.

OPERATING KPIs

Occupancy

%

28.0%



KPI definition

Total rooms occupied divided by the available rooms.

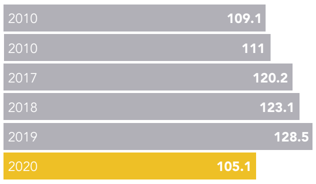
Comment

In 2020, due to the COVID-19 pandemic, most of the Group's properties were closed or partially closed throughout all the regions which resulted in a decrease in occupancy to 28.0% (2019:80.6%).

Average room rate

£

£105.1



KPI definition

Total room revenue divided by the number of rooms sold.

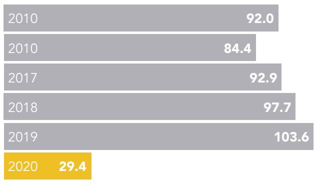
Comment

Average room rate decreased by 18.2% as a result of the lower guest demand and the higher orientation to the domestic leisure travel segment.

RevPAR

£

£29.4



KPI definition

Revenue per available room; total room revenue divided by the number of available rooms.

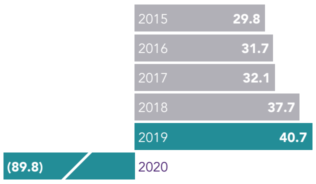
Comment

RevPAR decreased by 71.6%, in line with the decrease in average room rate and occupancy.

Normalised profit before tax

£m

£(89.8)m



KPI definition

Profit before tax adjusted to remove unusual or one-time influences.

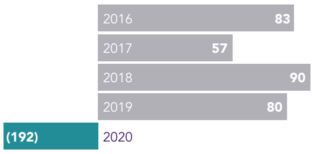
Comment

Normalised profit which decreased by 320.7% was negatively affected by the negative EBITDA and the increase in finance costs mainly due to foreign exchange differences. However this was offset by a decrease in the net expense in respect of the Income units sold to private investors in Park Plaza Westminster Bridge London.

Reported earnings per share

Pence

(192)p



KPI definition

Earnings for the year, divided by the weighted average number of ordinary shares outstanding during the year.

Comment

Reported earnings per share decreased by 340% in line with the decrease in reported profit.

Employee engagement

%

KPI definition

Measured through annual engagement survey. Team members are encouraged to share feedback about the Company, their jobs, their team and their manager – these engagement drivers showed an increase compared to the previous year.

Comment

Developing a high performing culture, where engaged teams are empowered to create valuable memories for our guests and value for our assets is one of our strategic priorities. We therefore measure employee engagement annually, achieving a 84.4 score in 2019. Due to the disruption in 2020, no surveys were conducted and we intend to resume these once markets stabilise.

Guest rating score

%

KPI definition

Guest satisfaction and a strong reputation are paramount to our long-term success. These are measured through guest surveys completed by guests and reviews posted online on travel review websites and booking platforms. The Guest Rating Score reported is based on guest reviews posted on external websites.

Comment

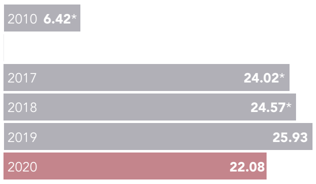
Improving the overall guest experience through creating valuable memories is one of our strategic priorities. We therefore measure the Global Rating Score, which is the online reputation score for our properties and which is based on review data collected from many of the world's leading online travel agencies and review sites. The score is calculated by an algorithm that generates a score from 0 to 100. In 2019 our score was 88.0, representing 0.7 increase year-on-year. However, due to the extended lockdown periods, the ability to accommodate key workers only in certain regions, subdued demand generally and imposed restrictions on services and facilities offered, the 2020 data is not considered indicative.

PROPERTY KPIs

EPRA NRV per share

£

£22.08



KPI definition

Recognised equity, attributable to the parent company's shareholders on a fully diluted basis adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model divided by the dilutive number of shares.

Comment

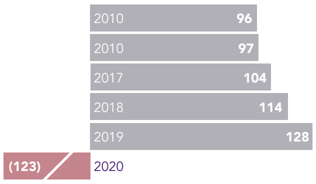
EPRA NRV per share which decreased by 14.8% was negatively affected by the loss attributed to shareholder for the year and the decrease in the revaluation of the properties in operation due to the effect of COVID-19.

* EPRA NAV in accordance with the previous EPRA NAV guidelines.

Adjusted EPRA EPS

Pence

(123)p



KPI definition

Shareholders' earnings from operational activities with the Company's specific adjustments. The main adjustment is adding back the reported depreciation charge, which is based on assets at historical cost, and replacing it with a charge calculated as 4% of the Group's total revenues, representing the Group's expected average cost to upkeep the real estate in good quality. The adjusted shareholders' earnings from operational activities are divided by the weighted average number of ordinary shares outstanding during the year.

Comment

Adjusted EPRA earnings EPS decreased by 196.1% in line with normalised profit before tax.

Daniel Kos
Chief Financial Officer
& Executive Director

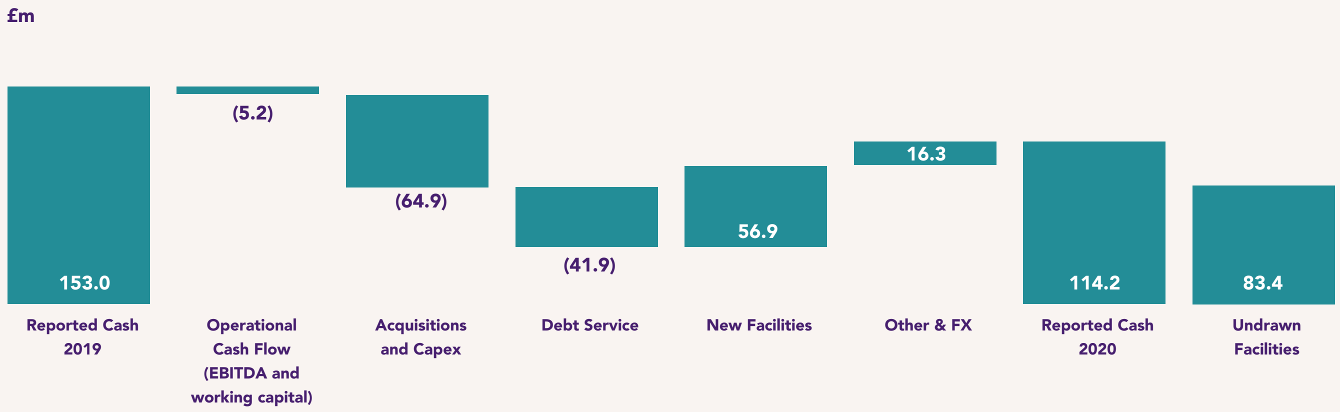
Protecting cash flow with focus on long-term strategy

Financial Results

Key financial statistics for the financial year ended 31 December 2020.

	Year ended 31 December 2020	Year ended 31 December 2019
Total revenue	**£101.8 million**	£357.7 million
Room revenue	**£63.6 million**	£250.6 million
EBITDAR	**£(9.1) million**	£124.7 million
EBITDA	**£(10.1) million**	£122.9 million
EBITDA margin	**(9.9)%**	34.4%
Reported PBT	**£(94.7) million**	£38.5 million
Normalised PBT	**£(89.8) million**	£40.7 million
Normalised EPS	**(181)p**	85p
Occupancy	**28.0%**	80.6%
Average room rate	**£105.1**	£128.5
RevPAR	**£29.4**	£103.6
EPRA NRV per share	**£22.08**	£25.93
Adjusted EPRA earnings per share	**(123)p**	128p

Year-on-year cash flow



Overview of 2020
The Group's performance in the 2020 financial year was severely impacted by the COVID-19 pandemic and ever-changing government lockdowns and travel restrictions across its markets throughout the year. The pandemic resulted in an unprecedented overnight sharp economic downturn, paired with extreme health and safety risks.

Within days, the Group saw a strong start to a forecasted record year change into a year mired by hotel closures and single digit occupancy in the majority of its hotels for the remainder of the year. As a result, the strong cash flow position changed and turned into a cash burn scenario.

Our owner operator model enabled the Group to take decisive and swift actions to preserve cash flow and realign its operational structure to meet near-term demand, to align its operating and brand standards and reprioritise its investments, including capex programmes and development pipeline projects.

Measures to conserve cash mainly focused on reducing overhead costs and realigning expenditure in balance with the significantly subdued demand. This resulted in the Group undertaking fundamental changes to its workforce through reduced work hours, voluntary payroll reductions by senior team members and, unavoidably, through forgoing contract renewals and redundancies. The Group was also able to use the several government job retention schemes available, which helped maintain staffing levels to cope with sudden demand changes when restrictions were eased in certain months.

A material part of the Group's expense base is variable and is reduced in line with the reduced demand, including cost of sales. For most substantial fixed expenses (other than payroll and business rates, where government support was provided), the Group deferred payments to the extent possible and engaged in proactive discussions with landlords and lenders to agree revised payment terms. The Group is thankful to its partners that were supportive in these discussions.

Although demand was heavily impacted by government restrictions, the Group also saw a strong rebound of leisure demand during the months when government restrictions were lifted, which gives confidence for the domestic recovery, when restrictions are lifted with the added benefits of the vaccination programmes aiding consumer confidence.

Operational performance

Revenue

In January and February, revenue grew by 8.7%, driven by an overall strong performance across the Group's key markets and an increase in room inventory versus the prior year as we continued to benefit from the property repositioning projects completed in recent years.

During March, sudden government restrictions started to be implemented throughout the regions we operate in, with Germany as one of the first countries to be locked down, followed by the Netherlands and the UK several weeks after. During the first lockdown, some properties remained open for key workers that we provided accommodation for.

With the first lockdown restrictions easing from the end of May, our revenue strategy led to some properties outperforming the market significantly, particularly with our flagship properties reaching full occupancy in certain periods. The demand in this period for most regions was dominated by domestic leisure and, in the Netherlands, arrivals from surrounding countries. Croatia started the season slow as expected, with occupancy increasing with the season progressing, however declining again at the end of August with surrounding countries imposing travel restrictions.

With autumn arriving, a second wave of COVID-19 cases appeared, causing most governments to impose heavier restrictions, again leading to loss of demand in all territories. Demand in the UK picked up again particularly for the Christmas and New Year's period, however also during that period increased restrictions caused a loss of those bookings.

For the year as a whole, reported total revenue declined by 71.5% to £101.8 million (2019: £357.7 million), reflecting the dramatic downturn in activity, property closures and reduced capacity from the second quarter onwards.

RevPAR fell 71.6% to £29.4 (2019: £103.6), with occupancy declining to 28.0%, compared with 80.6% in 2019. Average room rate decreased by 18.2% to £105.1 (2019: £128.5).

EBITDA Profit and Earnings Per Share

As a result of the revenue decline, Group Reported EBITDA was £(10.1) million (2019: £122.9 million). During this period, the hotels that reached an occupancy of approximately 30.0% were able to break even operationally (before debt service and ground rent payments), however properties trading below that level were unable to maintain positive EBITDA. The Group is grateful for the government support received over the period, which prevented many redundancies it throughout the pandemic and maintaining a certain staffing level helped during a sharp rebound of demand over the summer period. In total the Group has received £24.1 million in government grants relating to employment and the Group received a business rates holiday in the UK amounting to a £12 million reduction in costs.

Normalised profit before tax fell to £(89.8) million (2019: £40.7 million). Reported profit before tax decreased by £133.2 million to £(94.7) million (2019: £38.5 million). Below is a reconciliation table from reported to normalised profit.

In £ millions	**12 months ended 31 December 2020**	12 months ended 31 December 2019
Reported (loss) profit before tax	**(94.7)**	38.5
Net insurance proceeds received in relation to one of the Group's UK hotels	**(10.0)**	–
Execution of the sale and purchase agreement with the Republic of Croatia related to Guest House Riviera Pula	**1.5**	–
Loss on buy back of units in Park Plaza Westminster Bridge London from private investors	**–**	0.7
Fair value adjustment on income swaps with private investors of Income Units in Park Plaza Westminster Bridge London	**0.3**	0.2
Release of provision for litigation	**–**	(1.1)
Results from marketable securities	**(0.1)**	(0.9)
Revaluation of finance lease	**3.4**	3.4
Revaluation of Park Plaza County Hall London Income Units	**2.4**	(0.9)
Pre-opening expenses	**0.6**	0.7
Capital loss on disposal of fixed assets and inventory	**1.5**	0.1
Impairment of property, plant and equipment and right-of-use assets	**5.3**	–
Normalised (loss) profit before tax	**(89.8)**	40.7

Reported basic/diluted earnings per share for the period were (192) pence (2019: 80 pence).

Depreciation excluding impairment in the year was £41.3 million (2019: £41.7 million). Depreciation is recorded in accordance with IFRS, nevertheless internally we consider our ongoing average capital expenditure (capex) over the lifespan of our hotels as a more relevant measure in determining profit, which in the hospitality industry is calculated as approximately 4% of total revenue. Our EPRA earnings number set out below is calculated using the 4% rate instead of the reported non-cash depreciation charge.

Capex

Despite the disruption caused by the pandemic, the Group continued to make strategic progress on its capex projects through 2020. Whilst bearing the Group's liquidity in mind, we have completed and progressed most of our committed investment projects as part of our strategy to upgrade our property portfolio. In total, our cash capex investment including acquisitions in the year amounted to £64.9 million.

We completed the final phase of investment to reposition Arena Grand Kažela Campsite, upgrade projects at Arena Verudela Beach Pula and Park Plaza Histria Pula and the final phase of works to reposition Holmes Hotel London.

In addition to the above we progressed selected development pipeline projects. Site works continued for the construction of art'otel london hoxton, and we started the HRK 260 million (£30.9 million) investment programme to reposition Hotel Brioni Pula in Croatia to an upper upscale 227-room, full-service hotel due to launch in summer 2021.

Finally, we have acquired two hotels for a total of £9.8 million in Eastern Europe. One hotel is located in the old city of Pula, Croatia and another in the city centre of Belgrade, Serbia. In addition, we entered into a 45-year lease agreement at a property in the centre of Zagreb, Croatia. These three hotels are earmarked for either full repositioning (Pula and Belgrade) or conversion from office to hotel (Zagreb).

The Group's development project in New York has been put on a hold temporarily and will be reviewed again post the pandemic.

The average maintenance capex profile across the estate has historically been around 4% of revenue, through the hotel cycle. Given the significant spend in the previous three years and the cycles of these expenses, the Group expects a low maintenance spend in the coming years.

Analysis on capital employed

The table below provides selected data from the Group's reported balance sheet and profit and loss accounts for the year ended 31 December 2020. With this table, the Group aims to assist investors in making a further analysis of the Group's performance and capital allocation, separating the Group's Zagreb listed subsidiary Arena Hospitality Group. This data is additional to the segments that are monitored separately by the Board for resource allocations and performance assessment, which are the segments of the Group.

	PPHE Hotel Group		Arena Hospitality Group[5]		Total
	Trading properties £m	Non-trading projects[3] £m	Trading properties £m	Non-trading projects[3] £m	PPHE Hotel Group Consolidated £m
Balance Sheet					
Book-value properties (excluding Income Units at Park Plaza Westminster Bridge London sold to third parties)[1]	647.5	154.3	270.9	12.9	1,085.6
Right-of-use asset[1]	191.9	–	19.2	12.7	223.8
Book value intangible assets	16.1	–	1.6	–	17.7
Book value non-consolidated investments	–	–	4.7	–	4.7
Other long-term assets	15.6	–	5.3	–	20.9
Working capital	(32.8)	(1.9)	(3.9)	(0.2)	(38.8)
Cash and liquid investments	65.0	4.1	52.1	–	121.2
Bank/Institutional loans (short/long-term)	(590.6)	(40.5)	(126.3)	–	(757.4)
Finance lease liability, land concession and other provisions	(210.7)	–	(32.2)	(11.7)	(254.6)
Deferred profit Income Units in Park Plaza Westminster Bridge London[4]	(5.5)	–	(2.3)	–	(7.8)
Other provisions	(10.4)	–	–	–	(10.4)
Total capital consolidated	86.1	116.0	189.1	13.7	404.9
Minority shareholders	–	–	(89.0)	(6.4)	(95.4)
Total capital employed by PPHE Hotel Group shareholders	86.1	116.0	100.1	7.3	309.5
Normalised profit					
Revenue	73.7	–	28.0	0.1	101.8
EBITDAR	(7.5)	(0.1)	(1.5)	–	(9.1)
Rental expenses	(0.3)	–	(0.7)	–	(1.0)
EBITDA	(7.8)	(0.1)	(2.2)	–	(10.1)
Depreciation[6]	(29.2)	–	(12.0)	(0.1)	(41.3)
EBIT	(37.0)	(0.1)	(14.2)	(0.1)	(51.4)
Interest expenses: banks and institutions	(20.1)	(0.3)	(3.0)	–	(23.4)
Interest on finance leases	(8.8)	–	(0.5)	–	(9.3)
Westminster Bridge London	(2.3)	–	–	–	(2.3)
Other finance expenses and income	(0.8)	–	(1.6)	(0.2)	(2.6)
Result from equity investments	–	–	(0.8)	–	(0.8)
Normalised loss before tax 31 December 2020[2]	(69.0)	(0.4)	(20.1)	(0.3)	(89.8)
Reported tax	0.1	–	0.6	–	0.7
Normalised loss after reported tax	(68.9)	(0.4)	(19.5)	(0.3)	(89.1)
Normalised profit attributable to minority shareholders	–	–	12.2	–	12.2
Normalised loss after tax attributable to PPHE Hotel Group shareholders	(68.9)	(0.4)	(7.3)	(0.3)	(76.9)

[1] These are stated at cost price less depreciation. The fair value of these properties is substantially higher.
[2] A reconciliation of reported profit to normalised profit is provided on page 47.
[3] This contains properties that are in development.
[4] This is the book value of units in Park Plaza Westminster Bridge London netted with the advanced proceeds these investors received in 2010.
[5] Arena Hospitality Group d.d is listed on the Zagreb Stock Exchange. The market capitalisation at 31 December 2020 is £204.5 million.
[6] Depreciation excluding impairments of property, plant and equipment and right-of-use assets.

Real estate performance

EPRA NAV

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

New EPRA guidelines

On 4 November 2019, the European Public Real Estate Association (EPRA) announced changes to its reporting guidelines for the Net Asset Value (NAV) performance measure, effective for the accounting period starting on 1 January 2020. The main reason for this change is to provide investors with information on different levels of assets' fluidity. The original EPRA NAV was created to capture the traditional investment property business model, which is based on long-term ownership, however over the years more real estate companies started to adopt a more flexible approach in the fluidity of their real estate asset ownership. As a result, EPRA NAV has been replaced by the following three new Net Asset Value performance measures:

– EPRA Net Reinstatement Value (EPRA NRV)

The objective of the EPRA NRV measure is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses, are therefore excluded.

EPRA NRV is calculated based on the same principles used for the EPRA NAV calculation in 2019 except for adding back the real estate transfer costs which were excluded from the EPRA NAV calculation for 2019.

As at the balance sheet date, the Group's intangible assets mainly include the management and franchise rights for the Park Plaza Hotels & Resorts and art'otel brands. Under those rights, the Group currently provides: management services to all the operating properties in the Group's portfolio, management services to Park Plaza County Hall London, and has two franchise agreements with Park Plaza Trier and Park Plaza Cardiff. Consistent with previous years, the Group's approach is not to revalue these intangible assets, although Management believe that their fair value significantly exceeds their book value.

– EPRA Net Tangible Assets (EPRA NTA)

The underlying assumption behind the EPRA NTA calculation assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability. In addition, intangible assets included in the Group's consolidated financial statement should be excluded.

It should be noted that the Group does not intend to sell any of its properties in the long run and as such all the deferred taxes that directly relate to the properties have been excluded (similar to EPRA NRV calculation).

– EPRA Net Disposal Value (EPRA NDV)

This represents the value to shareholders under a disposal scenario, where deferred tax, financial instruments and fixed interest rate debt are calculated to the full extent of their liability.

EPRA NRV for 31 December 2020

In December 2020, the Group's properties (with the exception of operating leases, managed and franchised properties) were independently valued by Savills (in respect of properties in the Netherlands, UK and Germany) and by Zagreb nekretnine Ltd (ZANE) (in respect of properties in Croatia). Based on their valuations we have calculated the Group's EPRA NRV, EPRA NTA and EPRA NDV. The EPRA NRV as at 31 December 2020, set out in the table below amounts to £960.8 million, which equates to £22.08 per share. EPRA NRV decreased by £150.8 (£3.85 per share) due to losses of the Company during the pandemic and negative property valuations. In the valuations performed by external valuers the discount and cap rates remained largely unchanged, value declines are therefore mainly attributable to the income declines in all properties due to the pandemic and the effect this has on the discounted cash flows used in the valuation.

Our portfolio is made up of assets that were recently repositioned or built and assets that had reached operational maturity. Particularly assets that have reached operational maturity were affected more by a negative revaluation compared to the assets that were recently built or repositioned. In their valuation models, the valuators have assumed the income in 2024 will return to, or to exceed, 2019.

	31 December 2020 £ million		
	EPRA NRV (Net Reinstatement Value)	**EPRA NTA[4] (Net Tangible Assets)**	**EPRA NDV (Net Disposal Value)**
NRV per the financial statements	**309.6**	**309.6**	**309.6**
Effect of exercise of options	**13.2**	**13.2**	**13.2**
Diluted NRV, after the exercise of options[1]	**322.8**	**322.8**	**322.8**
Includes:			
Revaluation of owned properties in operation (net of non-controlling interest)[2]	**602.1**	**602.1**	**602.1**
Revaluation of the JV interest held in two German properties (net of non-controlling interest)	**3.2**	**3.2**	**3.2**
Fair value of fixed interest rate debt	**–**	**–**	**(84.5)**
Deferred tax on revaluation of properties	**–**	**–**	**(13.1)**
Real estate transfer tax[3]	**18.6**	**–**	**–**
Excludes:			
Fair value of financial instruments	**(0.7)**	**(0.7)**	**–**
Deferred tax	**(13.4)**	**(13.4)**	**–**
Intangibles as per the IFRS balance sheet	**–**	**17.8**	**–**
NRV	**960.8**	**924.4**	**830.5**
Fully diluted number of shares (in thousands)[1]	**43,521**	**43,521**	**43,521**
NRV per share (in £)	**22.08**	**21.24**	**19.08**

1 The fully diluted number of shares excludes treasury shares but includes 1,196,996 outstanding dilutive options (as at 31 December 2019: 412,290).
2 The fair values of the properties were determined on the basis of independent external valuations prepared in December 2020. The properties under development are measured at cost.
3 EPRA NTA and EPRA NDV reflect fair value net of transfer costs. Transfer costs are added back when calculating EPRA NRV.
4 NTA is calculated under the assumption that the Group does not intend to sell any of its properties in the long run.

	31 December 2019 £ million			
	EPRA NRV Net Reinstatement Value)	EPRA NTA[4] (Net Tangible Assets)	EPRA NDV (Net Disposal Value)	EPRA NAV (as reported in the 2019 financial statement)
NRV per the financial statements	377.3	377.3	377.3	377.3
Effect of exercise of options	4.0	4.0	4.0	4.0
Diluted NRV, after the exercise of options[1]	381.2	381.2	381.2	381.2
Includes:				
Revaluation of owned properties in operation (net of non-controlling interest)[2]	699.2	699.2	699.2	699.2
Revaluation of the JV interest held in two German properties (net of non-controlling interest)	3.9	3.9	3.9	3.9
Fair value of fixed interest rate debt	–	–	(86.4)	–
Deferred tax on revaluation of properties	–	–	(29.9)	–
Real estate transfer tax[3]	19.8	–	–	–
Excludes:				
Fair value of financial instruments	(0.7)	(0.7)	–	(0.7)
Deferred tax	(6.7)	(6.7)	–	(6.7)
Intangibles as per the IFRS balance sheet	–	18.0	–	–
NRV	1,111.5	1,073.7	968.0	1,091.7
Fully diluted number of shares (in thousands)[1]	42,872	42,872	42,872	42,872
NRV per share (in £)	25.93	25.04	22.58	25.46

[1] The fully diluted number of shares excludes treasury shares but includes 412,290 outstanding dilutive options (as at 31 December 2018: 522,500).

[2] The fair values of the properties were determined on the basis of independent external valuations prepared in the summer of 2019. The properties under development are measured at cost.

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

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

Below is a summary of the valuation basis of our assets as at 31 December 2020. The property market value, the discount rate and the cap rate have been taken from the independent valuer's report.

Region	Properties	Property market value £million	Discount Rate	Cap Rate
United Kingdom				
London	6	864.1	7.0% – 8.5%	5.0% – 6.5%
Provinces	2	29.9	9.5% – 9.8%	7.5% – 7.8%
The Netherlands				
Amsterdam	4	242.2	7.3% – 8.5%	5.3% – 6.5%
Provinces	2	37.7	9.3% – 9.5%	7.3% – 7.5%
Germany, Hungary and Serbia	6	87.2	8.5% – 8.8%	6.5% – 6.8%
Croatia				
– Hotels and apartments	11	141.0	9.0% – 10%	7.0% – 9.0%
– Campsites	8	102.1	9.0% – 11%	7.0% – 9.0%

Other EPRA measurements

Given that the Group's asset portfolio is comprised of hotels, resorts and campsites which are also operated by the Group, a few of EPRA's performance measurements, which are relevant to real-estate companies with passive rental income, have not been disclosed as they are not relevant or non-existent. Those EPRA performance measurements include EPRA Net Initial Yield, EPRA 'Topped-up' NIY, EPRA Vacancy Rate and EPRA Cost Ratios.

Cash flow and EPRA Earnings

At the onset on the pandemic, the Group had a healthy balance and a strong cash position, with a total cash balance of £153 million (cash balance as of 31 December 2019) and a net bank debt leverage of 29.4%. However, when the scale of the pandemic became known and it was apparent that the Group would move into a cash burn scenario, immediate steps were taken to mitigate the impact and preserve cash. The actions taken in the year included:

- Utilisation of the government support schemes available to the business across its markets; the COVID-19 Job Retention Scheme in the UK, the Temporary Emergency Measure for Work Retention scheme in the Netherlands, the Kurzarbeit scheme in Germany and the Job Preservation scheme in Croatia. Together, these schemes provided the Group with approximately £24.1 million of support in the period.
- Using additional government support measures, such as the business rates holiday in the UK from 1 April 2020 until 31 March 2021, which amounted to a £1.4 million cash saving per month (total of £12 million in the period) and deferral of VAT and PAYE.
- Withdrawal of the proposed 2019 final dividend payment to shareholders, equating to £8.6 million, and no interim dividend paid, which last year amounted to £6.8 million.
- Restructuring programme (which is ongoing) to ensure the Group's operational structure is fit for purpose and is aligned with guest demand for the short and medium term.
- Voluntary temporary fees and salary reductions in the second quarter of 2020; 100% cut of the fees and salary respectively for the Chairman of the Board and the President & CEO, as well as a 20% salary reduction across all members of the Executive Leadership Team.
- Deferral of 2019 discretionary staff incentive payments (for which targets have been met), at an aggregate value of £1.8 million with such payments reconsidered, if appropriate, in due course.
- Reviewed and reprioritised capex requirements for the development pipeline; resulting in the pausing of the project in New York.
- Reviewed and reprioritised all areas of discretionary spend, reducing this to business-critical investments only.
- Deferred loan amortisations for 2020 at an aggregated amount of £6.1 million.
- In addition to cash flow saving measures, the Group also secured four facilities that provide the Group with further cash support throughout this period of cash burn. These include two revolving credit facilities totalling £50 million, one term loan totalling to €10 million and one construction loan that provides for a temporary £41.1 million to be drawn for general purposes.

The Group's cash flow measures outlined above have enabled it to reduce its quarterly cash outflow ('cash burn'). Further details in the Group's cash flow in the four quarters of 2020 are provided in the table below:

	Three months ended 31 March 2020 £ million	Three months ended 30 June 2020 £ million	Three months ended 30 September 2020 £ million	Three months ended 31 December 2020 £ million	**Twelve months ended 31 December 2020 £ million**
Operational cash flow (including working capital)	6.2	(3.1)	(3.9)	(4.4)	**(5.2)**
Investment in properties	(18.1)	(16.3)	(19.5)	(11.0)	**(64.9)**
Debt service including leases and unit holders in Park Plaza Westminster Bridge London	(13.6)	(10.7)	(7.8)	(9.8)	**(41.9)**
New facilities	4.9	16.8	26.5	8.7	**56.9**
Other exceptional items (including FX)	17.5	0.4	0.1	(1.7)	**16.3**
Total cash movement	(3.1)	(12.9)	(4.6)	(18.2)	**(38.8)**
Cash at beginning of period	153.0	149.9	137.0	132.4	**153.0**
Cash at end of period	149.9	137.0	132.4	114.2	**114.2**
Undrawn facilities at end of period[1]	4.1	63.0	63.0	83.4	**83.4**

[1] The amount of undrawn facilities as at 31 December 2020 is £83.4 million which comprise the £41.1 million undrawn amount in the art'otel london hoxton facility and an undrawn amount of £42.3 million in the two revolving credit facilities.

The main adjustment to the normalised profit included in the Group's financial statements is adding back the IFRS depreciation charge, which is based on assets at historical cost, and replacing it with a charge calculated at 4% of the Group's total revenues. This represents the Group's expected average cost to maintain the estate in good quality. The basis for calculating the Company's 2020 adjusted EPRA earnings of £(52.1) million (2019: £54.2 million) and the Company's adjusted EPRA earnings per share of (123) pence (2019: 128 pence) is set out in the table below.

	12 months ended 31 December 2020 £ million	12 months ended 31 December 2019 £ million
Earnings attributed to equity holders of the parent company	**(81.7)**	33.9
Depreciation and amortisation expenses	**46.6**	41.7
Revaluation of Park Plaza County Hall London Income Units	**2.4**	(0.9)
Changes in fair value of financial instruments	**0.2**	(0.7)
Non-controlling interests in respect of the above[3]	**(8.1)**	(7.8)
EPRA earnings	**(40.6)**	66.2
Weighted average number of shares (LTM)	**42,466,006**	42,390,693
EPRA earnings per share (in pence)	**(96)**	156
Company specific adjustments[1]:		
Capital loss on buy-back of Income Units in Park Plaza Westminster Bridge London	**–**	0.7
Remeasurement of lease liability[4]	**3.4**	3.4
Other non-recurring expenses (including pre-opening expenses)[9]	**2.0**	0.8
Government settlement purchase of hotel Riviera[7]	**1.5**	–
Gain from settlement of legal claim[6]	**–**	(1.1)
Adjustment of lease payments[5]	**(2.6)**	(2.2)
Insurance settlement[10]	**(10.0)**	–
Investment tax credit[8]	**(1.8)**	(5.1)
Maintenance capex[2]	**(4.0)**	(14.3)
Non-controlling interests in respect of the above[3]	**–**	5.8
Company adjusted EPRA earnings[1]	**(52.1)**	54.2
Company adjusted EPRA earnings per share (in pence)	**(123)**	128

Reconciliation Company adjusted EPRA earnings to normalised reported profit before tax		
Company adjusted EPRA earnings	**(52.1)**	54.2
Reported depreciation[11]	**(41.3)**	(41.7)
Non-controlling interest in respect of reported depreciation	**8.1**	7.8
Maintenance capex[2]	**4.0**	14.3
Non-controlling interest on maintenance capex and the company specific adjustments	**–**	(5.8)
Adjustment of lease payments[5]	**2.6**	2.2
Investment tax credit[8]	**1.8**	5.1
(Loss) profit attributable to non-controlling interest	**(12.2)**	8.7
Reported tax	**(0.7)**	(4.1)
Normalised (loss) profit before tax	**(89.8)**	40.7

[1] The 'Company specific adjustments' represent adjustments of non-recurring or non-trading items.
[2] Calculated as 4% of revenues, which represents the expected average maintenance capital expenditure required in the operating properties.
[3] Non-controlling interests include the non-controlling shareholders in Arena and third party investors in income units of Park Plaza Westminster Bridge London.
[4] Non-cash revaluation of finance lease liability relating to minimum future CPI/RPI increases.
[5] Lease cash payments which are not recorded as an expense in the Group's income statement due to the implementation of IFRS 16.
[6] Release of accrual as a result of a settlement reached in a legal dispute in Croatia with Pula Herculanea d.o.o (see Note 25b in the annual consolidated financial statements).
[7] Execution of the sale and purchase agreement with the Republic of Croatia related to Guest House Riviera Pula (see Note 5d in the annual consolidated financial statements).
[8] Relates to investment tax credit received in Croatia and change in tax rate (see Note 27 in the annual consolidated financial statements).
[9] Mainly relates to write-off value of fixed assets due to reconstruction of Hotel Brioni Pula (disposal of asset due to reconstruction).
[10] Net insurance proceeds received in relation to one of the Group's UK hotels.
[11] Reported depreciation excluding impairments of property, plant and equipment and right-of-use assets.

Funding

During the year additional funding was secured, the Group utilises various financing options. Additional funding was secured during the year to strengthen liquidity.

A new three-year £20 million Rolling Credit Facility was secured against Park Plaza London Waterloo, which can be used for the general working capital requirements of the Group. £14.7 million of this facility was undrawn at the year end.

The Group also agreed a three-year £30 million revolving credit facility backed by the UK Government (£27.5 million undrawn at balance sheet date), and it entered into a three-year €10 million (£9.1 million) term facility backed by the Dutch government in August 2020. Both these facilities were secured with the Group's current banking partners.

Despite the pandemic, the Group secured up to £180 million of funding for completion of the construction of art'otel london hoxton, its largest pipeline development project. This facility offers the Group the ability to temporarily draw up to £41.1 million, if required, for any cash flow needs the Group may encounter in the short term.

In the case of traditional bank funding, whereby assets are typically ringfenced into single or Group facilities, the loan to value ratio policy varies between 50% and 65%, depending on the location of the asset. The current net bank debt leverage of the Group stands at 37.1% (2019: 29.4%).

Through liaison with our lenders we have, where necessary, postponed financial covenant testing and amortisation of existing facilities until 2022. Deferred loan amortisations for 2020 and 2021 at an aggregated amount of £6.1 million and £7.9 million respectively. The Group is currently in compliance with respect to its loan-to-value covenants.

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

	£m
Bank financing	
Over 5-year debt	609.4
Less than 5-year debt	148.0
Cash and cash equivalents	121.2
Net bank debt	**636.2**
Equity	
– Reported	309.6
– Market value restatement	638.0
Equity attributable to shareholders of the Group[1]	**947.6**
Non-controlling interest	
– Reported	95.4
– Market value restatement[2]	34.9
Equity attributable to non-controlling interest	**130.3**
Total equity	**1,077.9**
Group's total asset (properties at fair value)	**1,714.1**
Net bank debt leverage	**37.1%**

[1] Equity attributable to shareholders of the Group based on EPRA NRV excluding the £13.2 million effect due to exercise of dilutive options.

[2] The market value restatement for the equity attributable to non-controlling interest represents the minority's share in the EPRA NRV adjustments.

The Group reported a gross bank debt liability of £757.4 million (31 December 2019: £678.3 million) and net bank debt of £636.2 million (31 December 2019: £514.7 million). Net bank debt increased by £121.5 primarily due to the cash burn during the period of COVID, capital expenditures as part of our development pipeline and the first time consolidation of the bank loan for the New York project after the acquisition of the remaining interests in the project in January 2020.

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

Loan maturity profile at 31 December 2020 (£m)

	Total	1 year	2 years	3 years	4 years	5 years	Thereafter
£m	757.4	36.4	22.0	25.1	45.4	19.1	609.4

- Average cost of bank debt 3.1%
- Average maturity of bank debt 5.8 years
- Group average bank interest cover (1.2) (2019: 4.4)

Key characteristics debt for operating properties

- Limited to no recourse to the Group for the asset backed loans
- Asset backed
- Borrowing policy 50–65% loan-to-value
- Portfolio and single asset loans
- 21 facilities with 11 different lenders
- Covenants on performance and value (facility level)

Cover Ratios

	ICR[1]	DSCR[2]
2019	4.4x	2.7x
2020	(1.2)x	(0.4)x

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

Acquisitions and development pipeline

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

The Group's acquisition criteria include:

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

In 2020, we completed a sale and purchase agreement for Guest House Hotel Riviera in Pula, Croatia (£4.4 million) and acquired 88 Rooms Hotel in Belgrade (£5.4 million). In addition, we entered into a 45-year lease agreement at a property in Zagreb Croatia, for the planned development and operation of a 115-room hotel.

The Group has an active pipeline of £200+ million plus development pipeline of new hotels, including the development in Hoxton, London. Our owner operator model enables us to have full control over this pipeline and considering the challenging market conditions, we thoroughly reviewed and reprioritised our development capex requirements. In the summer of 2020, we took the decision to pause our project in New York.

Dividend

On 19 March 2020, the Board of Directors announced its decision to withdraw its proposal for a final dividend of 20 pence per share (equating to £8.6 million) in respect of 2019 to preserve cash in the business in light of the severe cash flow implications that COVID-19 has on the Group's cash flow.

The Group recognises the importance of dividend, however, given the uncertainty pertaining to the pandemic and its impact on the future cash requirements for the Group, the Board did not propose an interim dividend in respect of the six-month period ended 30 June 2020 and nor is it proposing a final dividend for the year ended 31 December 2020.

Dividend growth as % of adjusted EPRA earnings:

	Dividend per share (pence)	Adjusted EPRA earnings per share (pence)	Dividend as % of EPRA earning per share
2014	19	91	21%
2015	20	96	21%
2016	21	97	22%
2017	24	104	23%
2018	35	115	30%
2019	17	128	13%
2020	–	(123)	–

The Group does intend to pay its shareholders a dividend, although does not consider this appropriate with the current negative cash flows. The Board will continue to review its dividend policy and any future dividend payments will be aligned to performance and underlying free cash flows of the business.

Daniel Kos
Chief Financial Officer & Executive Director

Our focus is on opening our properties and delivering on our long-term strategy

Greg Hegarty
Deputy Chief Executive Officer & Chief Operating Officer

> "As soon as measures are eased we will be focusing on reopening our properties, rebuilding our teams, capturing market share and delivering on our longer-term strategy"

We were thrilled to be entering 2020 as we had just come out of a major repositioning and investment programme of well over £100 million and we were well on track for 2020 to be our best financial year ever. The pandemic took the world by surprise and left many in shock and distress. Our experienced Board and leadership started taking decisive actions, dealing with both the immediate impact, whilst also preserving a long-term view for our Group see pages 28–30.

Team strength

I have been with PPHE Hotel Group for well over a decade and 2020 was the first year in my new role of Deputy CEO and COO. It has naturally been a very testing year for us all, but for me personally it has also been rewarding in many ways, as I feel privileged to be working with so many incredible team members who stood up and really gave their all to manage our Group through this unprecedented crisis.

OUR CORE FOCUS LOOKING FORWARD

Cash preservation

Aligning organisation to new demand levels

Safety and well-being of team members and guests

Revenue generation

Motivating and engaging teams

There are countless examples of individuals and teams who went above and beyond in their actions to protect our guests, our team members, people in our local communities and to support our Company.

Throughout this report, and especially in the Responsible Business section (pages 72–81), you will find examples of some of the excellent work undertaken, from providing accommodation to key workers, to secondments at the NHS and from providing safer places for guests to stay, and for team members to work at, by implementing rigorous new cleaning protocols.

We will forever be grateful to our team members – both past and current – for their dedication, hard work and support during this difficult period.

The DNA of each property

As owner/operator, we are fully involved from property acquisition or development, through to the design and development and ultimately, the day-to-day operation. This means that each and every property has a special place in our hearts but what makes each property special is the teams that operate these hotels. It was therefore with much regret that we had to make significant changes to our workforce during 2020. The severity of the pandemic was as such that, despite utilising all government support scheme, voluntary pay reductions and many other sacrifices that we had to restructure most of our teams, both in the properties and in the support offices.

Such decisions were not made easily and we wish all of those that left our Group under these circumstances all the best for the future, and perhaps our paths may cross again.

Protecting future margins

One of our key areas of focus was to protect the Company's cash position and we had to ensure that our teams were going to be aligned to new demand and more subdued demand levels, and factoring in property closures, distancing measures and other macro factors.
The changes implemented, paired with the many operational and capital expenditure savings achieved, should result in a positive impact on margins when we reopen.

Evolving our operations

Our operating teams deserve a lot of credit for the constant changes in the properties, with several periods of closure and reopening and with frequent changes to our product and service offering, new measures being introduced and guest expectations.
One of the areas we are very proud of is the acceleration of our Contactless Services offering, which minimises guest and team member interactions for matters such as check-in, ordering of food and drink, contactless payment options and real time messaging and chat. Together with our Reassuring Moments programme, outlined in more detail on pages 22 and 23, they have provided us with a very solid platform for our guests to use and take comfort from.

The recovery

The road ahead will be one of recovery and rebuilding and the vaccination programmes give us confidence that recovery is on the horizon. Throughout history, the travel sector has proven to be highly resilient and I believe we are well placed to benefit early from such recovery.

What gives us confidence

Our property portfolio is new, or has been significantly invested in, our properties are typically located in highly central locations, our teams are keen to start welcoming guests again and they are well prepared with robust training programmes and protocols in place. When markets reopen, we anticipate the initial demand to be domestic or from surrounding countries and these are typically our strongest markets already, and we demonstrated this in our 2020 summer performance.

See road to recovery on page 26

A 30-year plus growth track record

Expansion and new developments are an essential part of our Group's DNA and our future pipeline is filled with great potential. Under the leadership of Regional Vice Presidents and Arena's leadership team, I am excited about the next chapter for our portfolio. We will be further strengthening our position in London, with two hotels under construction and two land sites earmarked for development, in 2021 we will see the relaunch of our flagship art'otel in Amsterdam and we have several projects in Croatia and Serbia.

Delivering on our strategy

Rest assured that as soon as measures are eased and markets reopen and stabilise, we will be focusing on reopening our properties, re-engaging and rebuilding our teams, capturing market share, driving our developments and delivering on our longer-term strategy.

Greg Hegarty
Deputy Chief
Executive Officer &
Chief Operating Officer

UNITED KINGDOM PERFORMANCE

Property portfolio

The Group has a well-invested portfolio in the upper upscale segment of the London hotel market, consisting of approximately 3,200 rooms in operation with a further approximate 1,100 rooms in the pipeline. Four of the Group's London hotels are in the popular South Bank area of London, with further properties in the busy Victoria, fashionable Marylebone and well-connected Park Royal areas. There are also three properties in the UK regional cities of Nottingham, Leeds and Cardiff.

Hotels with an ownership interest include: Park Plaza London Riverbank, Holmes Hotel London, Park Plaza Victoria London, Park Plaza Westminster Bridge London, Park Plaza London Waterloo, Park Plaza County Hall London[2], Park Plaza London Park Royal, Park Plaza Leeds and Park Plaza Nottingham. Park Plaza Cardiff[2] operates under a franchise agreement.

Total value of UK property portfolio[1]

£894m

Operational performance

The Group's UK operations were well-placed to benefit from the recently completed major investment programmes at several of its London hotels.

In January and February trading was strong, and all of our central London hotels outperformed the market. However, when the nationwide lockdown came into force on 23 March, nine of the Group's 10 UK hotels (owned, managed, franchised) were closed in line with government requirements and these properties remained closed throughout the second quarter. As per the government mandate, all restaurants and bars were also closed in the quarter.

Park Plaza Westminster Bridge London was kept open to support key workers including government workers and local schools and communities. The hotel provided accommodation, meals and other services such as laundry at significantly reduced rates. In addition, the Group seconded more than 70 team members to provide facility services at the hospital and this number has since increased to 145 team members working at the Guy's and St. Thomas Trust, assisting with support services (including 70 team members assisting with the roll-out of the vaccination programme).

When government restrictions were eased on 4 July, several hotels were reopened with enhanced health and safety protocols in place to protect guest and team members. However, from October onwards, the government's tiered system, restricting movement in certain areas of the country, a second national lockdown from 5 November and 2 December, followed by further tightening of restrictions in London and the South East of England in December had a significant impact on performance in the region.

Consequently, total reported revenue fell by 72.7% to £56.5 million. Reported RevPAR was 74.7% lower than the prior year. Occupancy fell to 29.0% and average room rate was 23.5% lower at £116.6. The Group took rapid action to minimise the impact of the closures, including accessing the COVID-19 Job Retention Scheme, business rate holidays and restructuring operations to lower demand in the short to medium-term, resulting in a reduction in operational and support roles.

Notwithstanding the actions taken, Reported EBITDAR was £1.9 million (2019: £71.0 million), and EBITDA declined to £1.5 million (2019: £70.7 million).

UK hotel performance compared to the wider market has been quite positive. We were quick to respond to the changes in the market and opened nearly all hotels when the restrictions eased, with only Park Plaza London Waterloo and Park Plaza London Riverbank remaining closed throughout. Park Plaza Westminster Bridge London remained open and accommodated essential workers. From July up to the end of September, before the introduction of the UK Government's Tier system in October, the majority of our operational London hotels performed ahead of their respective markets. Both Leeds and Nottingham performed well against their markets in both occupancy and average room rate over summer. The type of business was primarily leisure-focused and was predominantly domestic.

Asset management projects

The final phase to reposition Holmes Hotel London was completed in the year. The subterranean self-contained space has been reconfigured into meetings and events space, with break out spaces and a private pantry. These uniquely designed spaces, ideal for team away days and brainstorm sessions, will be launched in 2021 when market conditions allow.

Development pipeline

The Group has various developments in its London pipeline. In April, the Group secured £180 million of funding with Bank Hapoalim B.M. for the development of art'otel london hoxton. The development, which is in one of London's most exciting neighbourhoods, will comprise a new 27-storey building accommodating 343 hotel rooms and suites, five floors of office space, gym, swimming pool, wellness facilities and art gallery space. The development project is progressing, and construction has been extended to 44 months from June 2020. The project is expected to complete by 2024.

Operations

	Reported in GBP (£)		
UK	**Dec-20**	Dec-19	% change
Total revenue	**£56.5 million**	£207.4 million	(72.7)%
EBITDAR	**£1.9 million**	£71.0 million	(97.3)%
EBITDA	**£1.5 million**	£70.7 million	(97.9)%
Occupancy	**29.0%**	87.7%	(5,870) bps
Average Room Rate	**£116.6**	£152.4	(23.5)%
RevPAR	**£33.8**	£133.7	(74.7)%
Room revenue	**£39.0 million**	£152.7 million	(74.5)%
EBITDA %	**2.6%**	34.1%	(3,150) bps

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[1] Independent valuation by Savills in December 2020 and excluding the London development sites art'otel london hoxton and Westminster Bridge Road.

[2] Revenues derived from these hotels are accounted for in Management and Holdings and their values and results are excluded from the data provided in this section.

In December 2019, the Group acquired a vacant freehold site on London's South Bank (79-87 Westminster Bridge Road) with the intention of converting the property into a new hotel and office space. Planning for the mixed-use development has been submitted.

Late 2020, the Group successfully obtained planning permission for the development of a mixed-use scheme consisting of a 465-room hotel, 6,000m² of light industrial space and 3,000m² of state of the art co-working offices, gym and swimming pool adjacent to its Park Plaza London Park Royal property, an ideal location in close proximity to Heathrow Airport, Wembley Stadium, various film studios and with easy access to central London. The Group intends to secure funding and commence development in due course, creating further value for the Group.

Development of art'otel london battersea power station by the Battersea Power Statement Development Company is progressing. On completion, which is expected by 2022, the hotel will be managed by the Group under a long-term contract.

The UK hotel market*

COVID-19 severely disrupted the hospitality industry in 2020, with many countries imposing restrictions on domestic and international travel, country and regional level lockdowns, restrictions on services offered by hotels due to social distancing measures and in some cases, total hotel closures. This has restricted visibility on performance at a hotel competitor set level but at a Country/City market data level, the impact can be assessed. The below is based on full inventory availability compared to the same period in 2019.

United Kingdom

On a full year basis, the impact on the UK market was a 69.2% reduction in RevPAR to £22.5; which was the result of 60.0% reduction in occupancy to 30.8% and a 22.9% reduction in average room rate, to £73.0.

Full year performance saw London, which is PPHE Hotel Group's main market in the UK, fall 77.5% in RevPAR to £28.6. The impact to occupancy was a drop of 68.9% to 25.7% and a drop in average room rate of 27.8% to £111.3.

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* Source: STR European Hotel Review TRI: December 2020.

art'otel london hoxton

In April 2020, the Group secured £180 million of funding to develop art'otel london hoxton. Construction is progressing on the 27-storey property which will comprise 343 hotel rooms (including 60 long-stay apartments and suites), five floors of offices, restaurants, gym facilities and meeting and events space. The property is expected to complete by 2024.

art'otel london hoxton development February 2021

art'otel london hoxton artist impression

THE NETHERLANDS

Property portfolio

The Group has ownership interests in three hotels in the city centre of Amsterdam and a fourth property located near Amsterdam Airport Schiphol. The portfolio also extends to include two owned hotels in Utrecht and Eindhoven.

Total value of the Netherlands property portfolio[1]

£280m

Operational performance

Due to the pandemic, several Dutch hotels and all restaurants and bars within the Group's properties were temporarily closed in the second quarter. The remaining hotels operated at significantly reduced capacity as travel and lockdown restrictions hindered demand. As government restrictions were lifted in the summer, the Group reopened properties in the Netherlands with new health and well-being protocols in place. However in the autumn, the rise in infections in the country resulted in the reintroduction of government restrictions which were then further tightened in December. While the Group's hotels remained open, restaurants and bars in the properties were closed.

As a result, total revenue in euros fell to €16.8 million (€61.4 million). RevPAR was significantly impacted in the period and fell to €28.0 million (2019: €122.9), due to the sharp decline in occupancy to 25.3% (2019: 86.2%) and 22.4% reduction in average room rate to €110.6 (2019: €142.6).

The Group took various steps to reduce costs and overheads in the region and utilised the Temporary Emergency Measure for Work Retention scheme. From February 2020, the Group reviewed and made decisions on the non-extension temporary contracts. Further measures were taken from October onwards, restructuring and reducing both operational and regional support roles working proactively with two Unions and the PPHE Hotel Group Works Council. Nevertheless, EBITDA (in euros) fell to €(0.1) million (2019: €17.1 million).

It is worth noting that despite the extremely challenging market conditions, the quality and strength of the portfolio in the region, with several properties benefiting from major investment programmes, resulted in a Park Plaza Victoria Amsterdam and art'otel amsterdam outperformed the market in January and February before the implementation of global travel bans, due to the pandemic, which severely affected business. Park Plaza Vondelpark, Amsterdam narrowly performed below fair share. However it was starting to gather positive momentum after a €9.0 million repositioning project which completed in 2019. Park Plaza Eindhoven and Park Plaza Utrecht performed above fair share in January and February against their markets.

Over summer (July to September) the demand for Amsterdam was primarily leisure driven with Park Plaza Victoria Amsterdam proving to be exceptionally popular with guests compared with considerable higher occupancies than the market. Guest nationality was largely European with a high percentage of guests coming from Germany, the Netherlands, France and Belgium. Park Plaza Victoria Amsterdam and Park Plaza Vondelpark, Amsterdam performed in excess of fair share against the Amsterdam market. Park Plaza Eindhoven also performed above fair share over this period. art'otel amsterdam has remained closed over summer.

Operations

	Reported in GBP [2] (£)			Reported in Local Currency Euro (€)		
The Netherlands	**Dec-20**	Dec-19	% change	**Dec-20**	Dec-19	% change
Total revenue	**£14.9 million**	£53.8 million	(72.2)%	**€16.8 million**	€61.4 million	(72.6)%
EBITDAR	**£0.0 million**	£15.0 million	(100.1)%	**€0.0 million**	€17.2 million	(100.1)%
EBITDA	**£(0.1) million**	£15.0 million	(100.4)%	**€(0.1) million**	€17.1 million	(100.4)%
Occupancy	**25.3%**	86.2%	(6,090) bps	**25.3%**	86.2%	(6,090) bps
Average Room Rate	**£98.3**	£124.8	(21.2)%	**€110.6**	€142.6	(22.4)%
RevPAR	**£24.9**	£107.6	(76.9)%	**€28.0**	€122.9	(77.2)%
Room revenue	**£9.8 million**	£40.3 million	(75.7)%	**€11.0 million**	€46.0 million	(76.1)%
EBITDA %	**(0.4)%**	27.9%	(2,830) bps	**(0.4)%**	27.9%	(2,830) bps

[1] Independent valuation by Savills in December 2020.

[2] Average exchange rate from Euro to Pound Sterling for the year to December 2020 was 1.12 and for the year to December 2019 was 1.14, representing a 1.6% decrease.

Netherlands hotel market*

COVID-19 severely disrupted the hospitality industry in 2020, with many countries imposing restrictions on domestic and international travel, country and regional level lockdowns, restrictions on services offered by hotels due to social distancing measures and in some cases, total hotel closures. This has restricted visibility on performance at a hotel competitor set level but at a Country/City market data level, the impact can be assessed. The below is based on full inventory availability compared to the same period in 2019.

The Netherlands

On a full year basis, the impact on the Netherlands market was a 71.7% reduction in RevPAR to €26.1; which was the result of 62.8% reduction in occupancy to 28.1% and a 23.9% reduction in average room rate, to €93.3.

Full year performance saw Amsterdam, PPHE Hotel Group's main market in the Netherlands, fall 79.3% in RevPAR to €24.7. The impact to occupancy was a drop of 70.9% to 23.7% and a drop in average room rate of 28.8% to €104.7.

* Source: STR European Hotel Review TRI: December 2020.


Park Plaza Victoria Amsterdam


Park Plaza Vondelpark, Amsterdam

CROATIA

Property portfolio

The Group's subsidiary, Arena Hospitality Group (Arena), owns and operates a Croatian portfolio of seven hotels, four resorts and eight campsites, all of which are located in Istria, Croatia's most prominent tourist region. Four of Arena's properties in Croatia are Park Plaza branded whereas the remainder of their portfolio operates independently or as part of the Arena Hotels & Apartments and Arena Campsites brands.

Total value of Croatian property portfolio[1]

£243m

Operational performance

The Group's Croatian operations are highly seasonal. Most of the properties are closed in the first quarter, and usually trade from Easter with peak season in July and August. Two thirds of revenue in the region is generated in the third quarter.

The pandemic and associated government lockdowns led to a delayed opening of hotels, resorts and campsites for the 2020 summer season. As lockdown restrictions in Croatia and the surrounding countries were eased from the end of May, campsites on the Istrian Peninsula began to reopen, closely followed by the opening of selected hotels and resorts. Summer season bookings and arrivals gradually increased throughout June, intensifying in July and peaking in mid-August. The business mix was substantially different this year, with the Campsites contributing proportionally more to the overall results due to their increased popularity and high margins.

However, from mid-August, several feeder countries, including Austria, Italy and Slovenia, changed their foreign travel advice on Croatia. This led to a sudden change in demand, early departures, cancellations and limited new bookings, curtailing the peak season.

Throughout the period, the Group utilised employee-related support schemes as well as other measures to reduce tax and contributions available from the government. Nevertheless, total revenue (in Croatian Kuna) was HRK 158.7 million. RevPAR declined to HRK 231.1, reflecting occupancy of 30.4% (2019: 63.1%) and a 1.4% reduction in average room rate to


Hotel Brioni Pula

Operations

	Reported in GBP [2] (£)			Reported in Local Currency HRK		
Croatia	**Dec-20**	Dec-19	% change	**Dec-20**	Dec-19	% change
Total revenue	**£18.7 million**	£61.1 million	(69.4)%	**HRK 158.7 million**	HRK 519.6 million	(69.5)%
EBITDAR	**£1.1 million**	£19.4 million	(94.3)%	**HRK 9.4 million**	HRK 164.4 million	(94.3)%
EBITDA	**£0.4 million**	£18.2 million	(98.0)%	**HRK 3.1 million**	HRK 154.4 million	(98.0)%
Occupancy[3]	**30.4%**	63.1%	(3,272) bps	**30.4%**	63.1%	(3,272) bps
Average Room Rate[3]	**£89.8**	£91.1	(1.4)%	**HRK 761.1**	HRK 772.1	(1.4)%
RevPAR[3]	**£27.3**	£57.5	(52.6)%	**HRK 231.1**	HRK 487.1	(52.6)%
Room revenue	**£8.1 million**	£33.5 million	(75.9)%	**HRK 68.4 million**	HRK 283.5 million	(75.9)%
EBITDA %	**1.9%**	29.8%	(2,787) bps	**1.9%**	29.7%	(2,779) bps

1 Independent valuation by Zagreb nekretnine Ltd in December 2020 and excluding Hotel Brioni (Pula) and Zagreb which are under development.

2 Average exchange rate from Croatian Kuna to Pound Sterling for the year to December 2020 was 8.47 and for the year to December 2019 was 8.47, representing a 0.0% change.

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

HRK 761.1 (2019: HRK 772.1). The region reported an EBITDA of HRK 3.1 million (2019: HRK 154.4 million).

Asset repositioning projects

The second and final phase of the major repositioning of the Arena Grand Kažela Campsite in Medulin was completed ahead of the summer season at an investment of £6.0 million (this followed a 2019 investment of £19.0 million). The project included the installation of 45 new holiday homes, the refurbishment of the existing restaurant & bar and sports centre, refurbishment of four existing sanitary blocks and the installation of one new sanitary block. The repositioning of this campsite, the largest in the Group's portfolio, is now completed.

Two further investment upgrade projects were completed. The refurbishment of 146 apartments and infrastructure works at Arena Verudela Beach Pula, a self-catering apartment resort (a £7 million investment). Park Plaza Histria Pula which underwent a soft refurbishment of all rooms, and the Yacht Bar & Restaurant and Lighthouse restaurant were refurbished.

The major repositioning of Hotel Brioni Pula commenced in January 2020 and phase one of the construction works has been completed. On 8 December, Arena entered into a new loan agreement with Erste & Steiermärkische banka d.d, and Zagrebačka banka d.d. in Croatia, for €24 million (£21.5 million) to partly fund the project. Phase two of the repositioning and redevelopment is underway and Arena is expected to open the repositioned hotel during the 2021 summer season. The hotel occupies a spectacular location on a cliff providing views of the Adriatic and Brijuni islands. The total investment of HRK 260 million (£30.9 million) investment will reposition the property as a luxury upper upscale hotel with 227 rooms, offering an indoor pool, gym, kids playground and several restaurants, bars and meeting and events facilities.

Acquisitions and development projects

On 30 January, Arena entered into a 45-year lease agreement for the development and operation of a 115-room hotel in Zagreb, Croatia, further extending its presence in Central Eastern Europe.

On 2 June, Arena signed a sale and purchase agreement for Guest House Hotel Riviera in Pula, with the Republic of Croatia, for a consideration of HRK 36.5 million (£4.4 million). Completion of the purchase allows Arena to commence plans to reposition the property into a luxury branded, 80-room hotel.

Together these projects further the Group's strategic aim to increase its footprint in attractive locations in Central and Eastern European cities.


Park Plaza Histria Pula


Arena Grand Kažela Campsite

GERMANY, HUNGARY AND SERBIA

Property portfolio

The Group's portfolio in the region includes four properties in Berlin and one hotel each in Cologne, Nuremberg and Trier in Germany and Budapest in Hungary. Hotels with an ownership interest include: Park Plaza Berlin Kudamm[3], Park Plaza Nuremberg, art'otel berlin mitte[3], art'otel berlin kudamm and art'otel cologne. Park Plaza Wallstreet Berlin Mitte and art'otel budapest operate under operating leases and Park Plaza Trier operates under a franchise agreement.

Total value of Germany, Hungary and Serbia property portfolio[1]

£87.2m

Operational performance

Whilst the year started as expected, from March onwards the performance in the region was severely impacted by the pandemic. While most of the Group's hotels in the region remained opened and continued to operate, this was at a much reduced capacity. As government lockdown measures were eased in the summer, operations resumed at all the Group's hotels. art'otel cologne and Park Plaza Nuremberg performed above fair share against their markets over summer with occupancies fairly consistent across each weekday. This was almost exclusively from the domestic market.

However, during the autumn months increasing infection rates in Germany lead to further government restrictions. Christmas markets and fairs which typically drive demand for our hotels were cancelled. From November overnight accommodation was limited to essential travel only, not for tourism purposes, until mid-January 2021. A national lockdown was imposed in December.

As result of the above, total revenue (in euros) was €9.9 million (2019: €33.7 million). RevPAR was €23.8 (2019: €86.2), due to the dramatic drop in occupancy to 25.5% (2019: 80.7%). Average room rate reduced by 12.7% to €93.4 (2019: €106.9).

During the period the Group accessed Kurzarbeit, the German government's short-term work scheme to support jobs and it will continue to utilise this scheme as required in 2021. Nonetheless, despite Kurzarbeit and other steps taken to reduce costs in the region, EBITDA (in euros) decreased by 106.2% to €(0.1) million (2019: €9.9 million).

Acquisition and asset management projects

Arena announced on 17 December that it had entered into a HRK 32.0 million loan agreement with AIK Banka a.d for the acquisition of 88 Rooms Hotel in Belgrade, Serbia.

The purchase completed on 29 December 2020 for a total consideration of HRK 45.0 million (£5.4 million).

The Group intends to invest in a soft refurbishment of public areas and rooms at art'otel budapest.

Germany hotel market*

COVID-19 severely disrupted the hospitality industry in 2020, with many countries imposing restrictions on domestic and international travel, country and regional level lockdowns, restrictions on services offered by hotels due to social distancing measures and in some cases, total hotel closures. This has restricted visibility on performance at a hotel competitor set level but at a Country/City market data level, the impact can be assessed. The below is based on full inventory availability compared to the same period in 2019.

Germany

On a full year basis, the impact on the German market was a 65.1% reduction in RevPAR to €25.7; which was the result of 59.9% reduction in occupancy to 28.6% and a 12.9% reduction in average room rate, to €89.8.

Full year performance saw Berlin, PPHE Hotel Group's main market in Germany, fall 69.1% in RevPAR to €24.2. The impact to occupancy was a drop of 63.8% to 28.7% and a drop in average room rate of 14.8% to €84.5.

* Source: STR European Hotel Review TRI: December 2020.

Operations

	Reported in GBP [2] (£)			Reported in Local Currency Euro (€)		
Germany	**Dec-20**	Dec-19	% change	**Dec-20**	Dec-19	% change
Total revenue	**£8.8 million**	£29.5 million	(70.2)%	**€9.9 million**	€33.7 million	(70.6)%
EBITDAR	**£(0.1) million**	£9.1 million	(106.0)%	**€(0.1) million**	€10.4 million	(105.9)%
EBITDA	**£(0.1) million**	£8.7 million	(106.3)%	**€(0.1) million**	€9.9 million	(106.2)%
Occupancy	**25.5%**	80.7%	(5,514) bps	**25.5%**	80.7%	(5,514) bps
Average Room Rate	**£83.0**	£93.6	(11.3)%	**€93.4**	€106.9	(12.7)%
RevPAR	**£21.2**	£75.5	(71.9)%	**€23.8**	€86.2	(72.4)%
Room revenue	**£6.8 million**	£24.2 million	(71.9)%	**€7.7 million**	€27.7 million	(72.3)%
EBITDA %	**(6.2)%**	29.5%	(3,572) bps	**(6.2)%**	29.5%	(3,572) bps

[1] Independent valuation by Savills in December 2020 with the exception of the 88 Rooms Hotel in Belgrade, Park Plaza Wallstreet Berlin Mitte and art'otel budapest which are measured at book value.

[2] Average exchange rate from Euro to Pound Sterling for the year to December 2020 was 1.12 and for the year to December 2019 was 1.14, representing a 1.6% decrease.

[3] Revenues derived from these hotels are accounted for in Management and Central Services performance and their values and results are excluded from the data provided in this section.

MANAGEMENT AND CENTRAL SERVICES PERFORMANCE

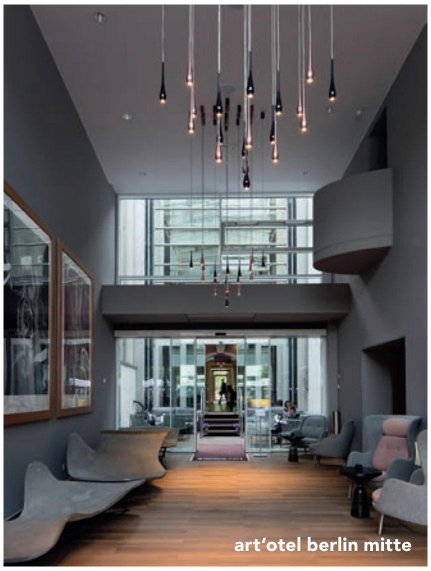
Our performance

Revenues in this segment are primarily management, sales, marketing and franchise fees, and other charges for central services.

These are predominantly charged within the Group and therefore eliminated upon consolidation. For the year ended 31 December 2020, the segment showed a negative EBITDA as both internally and externally charged management fees did not exceed the costs in this segment.

Management, Group Central Services and licence, sales and marketing fees are calculated as a percentage of revenues and profit, and therefore these are affected by underlying hotel performance.

	Reported in GBP (£)	
	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Total revenue before elimination	**£14.4 million**	£44.3 million
Revenues within the consolidated Group	**£(11.6) million**	£(38.4) million
External and reported revenue	**£2.8 million**	£5.9 million
EBITDA	**£(11.3) million**	£10.3 million



art'otel berlin mitte

Park Plaza Nuremberg

Fostering communication in all of our business relationships and understanding the views of all our stakeholders

TEAM MEMBERS

The Board relies heavily on site visits as a means of interacting with the workforce in an authentic yet punctilious manner. Site visits allow the opportunity to plan meetings with specific teams and team members while allowing for organic engagement by way of the Directors staying at the property and interacting with team members in the same manner as any other guest. This approach has proven highly effective, therefore the Board targeted at least two site visits for each Director in 2020, as provided in the 2019 Annual Report and Accounts. The Non-Executive Directors were also due to participate in our recently launched Responsible Business Communities Programme and work directly with the hotels' Responsible Business Ambassadors. Furthermore, the Board has appointed our Deputy Chairman to act as the dedicated workforce engagement member of the Board. Finally, the Remuneration Chair has been tasked to review the gender pay gap on an annual basis.

For more information, please see Remuneration Committee Report on pages 111 to 118

Each of these approaches has been stifled by the COVID-19 pandemic, resulting in more limited workforce engagement. Restricted operations caused nearly all properties to close for at least some portion of the year resulting in limited workforce with which to engage. Gender pay gap reporting was suspended for the 2020 year. Travel restrictions prevented Site visits from March onwards. Our dedicated Non-Executive Director was unable to meet with the workforce in person from March onwards, although sessions with the Executive Leadership were continuing online. The Board utilised technology in as much as possible and was on target with engagement prior to the lockdown, however, the Board acknowledges that the limitations of the COVID-19 pandemic proved challenging for the workforce engagement programme.

Why they matter to us:

Our team members create and deliver our guest experiences, ensuring that guests' expectations are fully met. Investment into our talented team members is an investment into our pool of future leaders and into our ability to offer exceptional service.

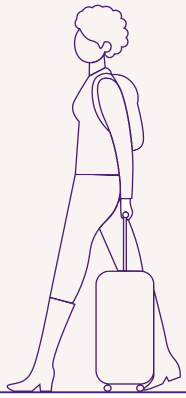
What matters to them:

- Feeling safe at work
- Feeling valued for their work and skill set
- Being rewarded for their work and dedication
- Opportunities for career progressions and internal promotions
- Developing their own skills and experience through training and learning
- Open conversation about work environment, benefits and opportunities
- Opportunities to engage in Responsible Business initiatives and support social and community causes through their work
- Being a part of an engaging, positive culture
- Feeling welcome, secure and part of a culture of respect and collaboration
- Knowing that their concerns are communicated, heard and considered with care from the Leadership Team at the hotel, at the corporate level and by the Board

How we engaged:

- Site visits in January and February by our Deputy Chair, Remuneration Chair, Nominations Committee Chair
- Site visits as frequently as possible by our Chair and CEO/ Executive Director
- Regular site visits in the Netherlands throughout lockdowns by our CFO/Executive Director
- Pulse survey conducted in the Netherlands and operational settings with results reported to our Deputy Chairman;
- Weekly 'Staying Connected' email newsletters sent to business email addresses and personal addresses for those team members on furlough, with video interviews and Q&A sessions with Executive Directors and senior leadership, business updates, mental health guidance, self-learning initiatives and advice on best practice ways to work from home
- Updates on workforce well-being provided to the Non-Executive Directors
- Open dialogue on redundancies between regional HR and Non-Executive Directors throughout the year

For more information on workforce engagement, please see the Deputy Chairman statement on page 82 and Our People section on pages 74 to 77



GUESTS

Whether we welcomed our longstanding guests or opened our doors to new ones, including many healthcare and other key workers, their safety and comfort remained our highest priority, as always. As we understood that fewer guests would want to come into physical contact with people during their stay, our focus again was accelerating digital transformation initiatives.

Why they matter to us:

We put guests at the heart of everything we do. We aim to create valuable memories for our guests, because it is a central value of our Company and drives immediate value to our operations in the form of revenue, loyalty, reviews and feedback and increasing brand recognition and brand value.

What matters to them:

- Feeling safe when using our facilities
- Providing access to customer support if and where required through multiple communication channels
- Offering recognisable and consistent standards across our diverse portfolio; yet tailored to each brand with local flair
- Providing unique experiences which guests will remember and may share with their personal or professional network
- Personalisation of guests' stay and engaging service
- Ease of making or adjusting reservations
- Giving access to diverse portfolio for loyalty redemption

How we engaged:

- Despite lockdowns, received regular feedback, insights and data from the c.14,000 guest surveys collected in the year, in addition to c.48,000 online guest reviews
- Created new online and e-tools to allow for tailored, dedicated service with minimal in-person contact during times of heightened social distancing measures, including online check-in, online ordering of food and drinks, guest messaging online and via WhatsApp and contactless payments
- Ensuring access and ease of use of our website and loyalty programme
- Extended loyalty status for an additional 12 months for Radisson Rewards loyalty programme members whose status was due to expire in February 2020
- Frequently adjusted our booking terms and cancellation policies.
- Obtained SGS accreditation, as well as additional accreditations for owned/managed in the UK from the AA, VisitBritain and MIA, underwriting our new health and safety protocols
- Regularly sent newsletters, social media posts and website updates on changes in local legislation and health and safety measures
- Received updates from our dedicated Guest Service team specifically to engage with guests and gather insights on our products and services from guest reviews, surveys and posts on social media
- Engagement through social media contests and promotions and real time interaction with guests

LOCAL COMMUNITIES

In 2020, we saw an increased level of support of and engagement with our local communities. We were touched to see many of our colleagues – from Board members and senior management to operational team members – volunteer their time, donating money or taking an initiative in organising fund-raising activities to support our neighbourhoods. Our Responsible Business Communities Programme was launched in February 2020 and well received by our teams across the UK, the Netherlands and Germany. While the programme has been paused, we anticipate its welcome return upon the renewal of normalised operations.

Why they matter to us:

Our local communities in which we operate are vital to our success. We understand that building lasting relationships with our neighbours through proactive engagement, dialogue and support fosters community growth and attraction to our destinations, increases asset values and builds opportunities. We are passionate about supporting them and in turn being supported by them.

What matters to them:

- Providing local employment opportunities and employing members of the local community
- Supporting local institutions and participating in local initiatives
- Attracting consumers to local businesses
- Being a good neighbour by respecting noise levels and use of shared resources
- Engaging local suppliers, using locally sourced products and highlighting local culture
- Improving business-to-business opportunities
- Attracting investment

How we engaged:

- Non-Executive Directors donated 50% of their salaries in the second quarter and 20% in the third and fourth quarters to Hospitality Action, a charitable organisation that offers assistance to all who work, or have worked within hospitality in the UK
- Supported our team members who participated in local charity initiatives
- Provide event space and equipment without charge for certain community events and initiatives
- Supported local food banks and food drives
- Supported front line workers and medical personnel through various local activities across Croatia, the UK and Germany
- Provided free meals to local hospital staff in communities within the UK, Germany and Croatia
- Participated in digital events for students providing advice and support
- Engagement in local business associations
- Engage in hotel trade associations in all of our operating regions

For more information on how we engage and support our local communities, please see the Our Places section on pages 76 to 77

INVESTORS

It was especially important in 2020 to ensure our investors received frequent updates on the business and had ongoing access to complete and transparent information on our governance.

Why they matter to us:

Building long-term relationships with supportive high quality investors who understand and support our vision is essential for the future funding and continued growth of the business.

What matters to them:

- Clear strategy for long-term growth
- Assurances that losses are managed and minimised
- Financial performance
- Sustainability and durability of the Company to withstand risks and unexpected change
- Governance and transparency
- Confidence in Company's leadership
- Predictability
- Environment, social and governance activities

How we engaged:

- Releasing frequent and comprehensive business updates
- Maintaining and frequently updating our investor website
- Holding e-roadshows with investors
- Offering teleconferencing access to our AGM
- Responding to shareholder questions
- Publishing of Annual Report and Accounts and half year results announcements, Stock Exchange announcements and press releases on corporate developments

AFFILIATES

Building on our longstanding successful partnership with the Radisson Hotel Group was a key long-term priority for the Company in 2020. We believe that the strength of this relationship can and should be utilised to expand our development aspirations.

Why they matter to us:

We have an exclusive and perpetual licence with Radisson Hotel Group to operate its upper upscale Park Plaza brand in Europe, the Middle East and Africa, which complements our upper upscale lifestyle brand art'otel (which is also marketed through the Radisson Hotel Group). In Croatia, some of our properties utilise the locally targeted Arena Campsites and Arena Hotels & Apartments brands.

Ensuring we fully utilise the benefits of the Park Plaza perpetual licence, we work closely with Radisson Hotel Group. Key benefits derived from this strategic partnership include brand recognition, technology infrastructure such as the central reservations system, websites and apps, as well as global buying power and the Radisson Rewards™ loyalty programme. Maintaining our mutually supportive and collaborative relationship supports our long-term strategy and stability as a business.

What matters to them:

- Integration and participation in key commercial drivers and programmes such as radissonhotels.com, Radisson Rewards™ and the Radisson Meetings programme
- Alignment for the future direction of the Park Plaza brand in areas such as brand positioning, brand standards, technical standards, concepts, service culture and marketing
- Financial growth and expansion

How we engaged:

- Non-Executive Directors received monthly updates on the affiliate relationship and discussed additional follow-up items
- The Board reviewed the strategic plan with consideration given to the strength and development of the relationship

SUPPLIERS

Although our purchasing volume was affected by COVID-19, we continued to see the supply chain as a vital element of hospitality eco-system.

Why they matter to us:

Ensuring that we create close, collaborative and mutually beneficial relationships with key suppliers helps us to streamline processes and provide consistent standards across our portfolio, which in turn benefits our guests and other stakeholders.

What matters to them:

- Fair and cooperative practices
- Predictable demand
- Mutually beneficial terms
- Commitment to consider responsible business practices in our ways of working

How we engaged:

- Reviewed internal practices and policies, including Ethical Sourcing Policy
- Worked closely with various suppliers to eliminate single-use plastic stirrers, cups and other utensils
- Maintained supplier relationships and open dialogue throughout the year

Creating value for Our People, Our Places and Our Planet

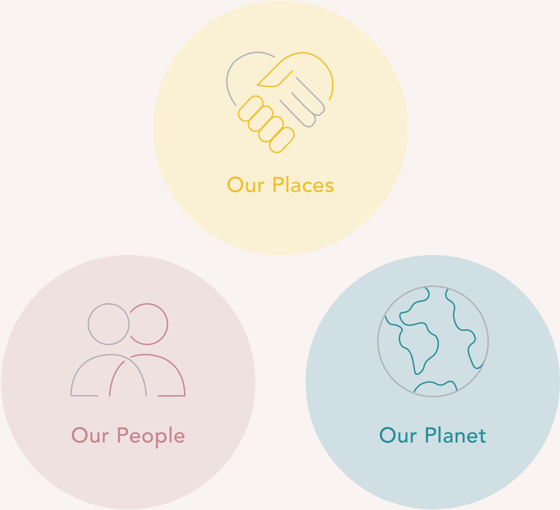
Inbar Zilberman
Chief Corporate and Legal Officer

OUR INTANGIBLE SOURCES OF VALUE

Our People: our team, guests and the identity of our brands to them, our stakeholders and the relationships we have with each

Our Places: our properties and the communities that our properties call home

Our Planet: our Planet which provides for our every need



THESE ASSETS ARE CRITICAL TO OUR LONG-TERM GROWTH AND DEVELOPMENT AS WELL AS TO OUR IMPACT ON THE WORLD AROUND US

> "Our business is driven by purpose, strong management and a commitment to performance and service. 2020 reminded us of the value we can create in our communities simply by doing what inspires us: creating inspirational hospitality."

2020 presented a number of shifts in the way we, as a business, operated directly with our stakeholders and presented an unprecedented humanitarian challenge globally. The events of the year had a significant impact on our team members, altered consumer behaviour, upended our supply chains, stretched charitable and public services beyond capacity and challenged even the most fundamental of societal tenets.

The year also called us all to act and to take decisive actions. Some of these, we did not wish to take, such as making redundancies; others, we embraced, such as improving communications to ensure we could care for one another remotely, supporting food banks stretch beyond capacity and supporting the health care system and front line workers through hospitality.

What we can see as we look back and when we eye the future is the great value we have in the strength of character in our team members, many of whom overcame personal struggles throughout the year and others volunteered their time and energy to support those in need within their local communities and their own team members. Through the collective voice of individuals, we created value for our stakeholders and in particular for our local communities throughout 2020.

We leave the year knowing that at our core, we remain steadfast to our values and purpose as a Company and have continued to develop our business model, our governance and our strategy to support a brighter tomorrow.

OUR CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

As of 2019, we restructured our Responsible Business programme to ensure our efforts contributed to the United Nations Sustainable Development Goals ("SDGs").

While we are able to relate our activities to most of the 17 SDGs, we believe our purpose and values are most closely aligned with five SDGs in particular.

In 2020 we added SDG 11, Sustainable Cities and Communities, to our Responsible Business programme to account for the inherent emphasis placed on integrating sustainable and smart technologies in our properties as we develop and refurbish our properties.

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Our People

Our goals:

1. Linking development to learning
2. Attract and retain talent
3. Increase diversity in the workplace

Sustainable Development Goals:

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

Over the years we have cultivated a team of individuals, each of whom strives to create memories and experiences for guests that long outlive the stay at our properties. With the forced closures and limitations on operations, our team members and our business faced an improbable frustration of purpose in not being able to do the work that drives them. In the face of limited opportunities to serve and create, our team members led one another to find ways to express their passion for hospitality through supporting one another, their community and continuing their efforts to integrate green practices and approaches into our operations.

Supporting health and safety – Reassuring Moments Programme

Ensuring our hotels and offices are COVID-secure was a top priority for the Company. We launched a comprehensive health and well-being programme which implemented practical tools and mechanisms to maintaining COVID-safety protocols alongside a full training suite of the protocols in place. This training, termed our Reassuring Moments programme included webinars, on-the-job-training and a suite of standard operating procedures to cover every element of the new protocols and procedures.

Following the implementation of the Reassuring Moments programme, we utilised pulse surveys in selected offices and hotels to assess how the procedures and the training were received by team members and what changes they would suggest. The Company then aggregated the responses of the pulse survey and made changes to the approach in response to team member feedback.

We continue to put the health and well-being of our team members and guests at the heart of our operations.

Healthy Hospitality at Home

(Re)Connect & (Re)Create

Our (Re)Connect & (Re)Create Programme was created specifically to ensure we had the opportunity to 'check in' and 'engage' with team members. Part of the programme, that was delivered in live sessions and attended by more than a thousand colleagues in the first few months, focused on mental health and well-being.

The restrictions on movement and in person socialising in 2020 were undoubtedly a challenge to both mental and physical health. To overcome these challenges we created a number of interactive and web tools to encourage physical and mental health. Included in those was reformatting our Mental Health first aiders programme across our UK region to encourage people to speak up and contact one of our nominated mental health first aider if they needed support.

Creating a culture that supports mental and physical well-being across the organisation is important to us. We want to promote an environment where mental health and physical health issues are treated without stigma and where everyone feels accepted and supported if dealing with wellness and health issues. We encourage all of our team members to take part in internal events to promote health and well-being and continue to invest our efforts in growing our Mental Health First Aiders programme in the UK and promoting healthy initiatives in our other operating regions.

We rolled out a weekly newsletter with links to free programmes, classes, tools and applications to support mental and physical health. Many of our team members stepped up and took the initiative, with, for example, some of our award-winning chefs offering cooking classes and sharing easy-to-follow recipes or our colleagues with interest in fitness hosting free online fitness classes.

The weekly news updates were seen as a big success and is something we hope to continue with well into the future.

Weekly newsletters

Our weekly newsletters and other digital channels proved to be useful tools not only to create a network of support and promote well-being in challenging times, but generally allowed our leadership to continue to communicate with team members. Travel restrictions, social distancing measures and other limitations caused by COVID-19 meant that conducting our usual extensive programme of face-to-face town hall meetings, workshops, and other events was no longer possible. Therefore, we completely restructured our communications with the emphasis on digital channels. Our weekly newsletters featured regular updates from leadership of all ranks including our CEO, Executive Leadership team and senior management, pre-recorded webinars and various other business updates. To ensure that we maintain effective two-way communication we encouraged our team members to submit their questions and each weekly newsletter featured a pre-recorded Q&A session with our Deputy CEO.

Greg Hegarty, Deputy Chief Executive Officer & COO, speaks to Team Members in weekly video message

> "It was important to myself and the Executive Leadership team to continue to communicate with our team members through various communication channels."
>
> **Boris Ivesha**
> President & Chief Executive Officer

Developing talent

Our team members are critical to the success of our business. Development and learning is a key element of our talent retention programme and it underpins our success as a Company. As such, supporting and encouraging team members to develop and grow their careers within the business is a priority for us.

Notwithstanding the pandemic, we strived to continue our learning and development programmes where possible. This included our Foundation in Management programme designed to develop managers over a nine-month period.

We were proud to have 19 colleagues successfully pass their assignments in 2020. Our greater team members were also offered some easy-to-access and free-to-use courses via our newsletters. Although we did not have many new openings to fill, we maintained contact and collaboration with schools and universities with whom we had established good relationships and participated in various digital events and activities throughout 2020.

Our Places

Our goals:

1. Increasing our charity initiatives and volunteering
2. Contributions and investments with our local community
3. Engagement with our local community

Sustainable Development Goals:

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

> "True to our values, purpose, and strategy, we remained committed to playing an active role in our local communities. Our individual team members led the charge to support those in need, filling gaps in service, care and support that were left exposed by the COVID-19 pandemic. We remain eager to do more and to be present in bringing positive support to our communities."

Inbar Zilberman
Chief Corporate & Legal Officer

The 2020 Communities Programme

Our Communities Strategy is designed to create sustainable relationships with each of the neighbourhoods which we call home. The Communities Strategy, approved in 2019 by our Executive Team and implemented by our Responsible Business Team, included the roll-out of our Responsible Ambassadors Programme in early 2020.

The programme allowed each hotel to nominate a Responsible Business Ambassador from within the workforce who received training on our Responsible Business Programme, were each allotted monthly work hours to promote local community initiatives, in line with our SDGs, and report their efforts to other Ambassadors during frequent training and collaboration sessions led by our central Responsible Business Team. The intended outcome of the programme was to present to the Board and panel of colleagues at various levels of the business, on the community efforts of their hotel and allow the panel to select an annual Group charity for the regional and corporate offices to support. The programme was rolled out across the UK, Netherlands and Germany in early March 2020 and was well received. As COVID-19 took hold, the programme was placed into temporary hibernation. By late spring, our Responsible Business Ambassadors along with their colleagues had picked up the reigns and resumed their efforts to support those in their local communities through various charitable and public service groups.

NHS Secondment Programme

Our team members are passionate about delivering exceptional hospitality experiences. Creating great hospitality experiences requires a number of skills and disciplines, many of which are symbolic of the hotel experience. The welcoming greeting and memorable sense of arrival as you enter a hotel at the start of your holiday, the scent of a perfectly cooked dinner as it is delicately placed in front of each guest at a table, the flurried scene of people arranging every detail in the final minutes before the doors open at the annual company event are all quintessential features of true hospitality. These fond memories that outlive a stay at our hotels are created for each individual guest and curated by the dedicated work of our skilled team members.

In 2020, many of our colleagues found that their expertise, training and passion for hospitality could be of great value and use at hospitals and medical facilities, where the demand for staff was outpacing the supply.

With the unexpected onset of the pandemic, the healthcare industry found itself facing increased demand, practically overnight. Similarly, our industry saw a shortage of work, creating a challenge for us to remain certain roles where operations were closed or limited. Our UK operations and human resources teams collaborated with the UK National Health Service ("NHS") to create a unique secondment programme for our team members. The programme invited team members of all skillsets and backgrounds to volunteer to work directly in the healthcare sector during times of need, while maintaining their employment with the Group. This allowed us to maintain roles which otherwise would not have been needed while operations were limited and it allowed the NHS access to the exceptional support of our team members across a number of disciplines.

Be it the logistics mastery of our marketing and events teams, the culinary expertise of our chefs and the hospitable yet watchful eye of our security team, our team members found that they could use their talents to support health services throughout the pandemic.

Without this crisis, the speed and magnitude of reskilling to leverage the talents of our team members would never have been contemplated. We have learned that when there is a need, there is most certainly a way to help one another, even across differing industries. We remain humbled by the efforts of our colleagues who welcomed the secondment opportunity, even in the early days of the pandemic when so much about COVID-19 remained a mystery.

As part of the programme we have seconded team members for roles in:

Meet & Greet
From March 2020

Porters
From March 2020

Food Service Assistants
From March 2020

Vaccination recruitment
From December 2020

Vaccination Support
From December 2020

Chefs
From March through June 2020 & from December 2020

As of Christmas Day 2020, we had 70 team members seconded to St Thomas' & Guy's Hospitals. As we ended 2020, we began the effort of quickly enrolling our operational managers and meeting and events teams for new roles to support the vaccination roll-out.

We want to thank our colleagues for their eagerness to lend their talents to the NHS, in even the darkest days of the pandemic, and who continue their secondment in 2021 in hospitals, medical facilities and in aiding with the logistics and roll-out of COVID-19 vaccines.

Supporting Local Hospitals & Health Care

From the outset of the pandemic during the months of March, April and May, our colleagues in Croatia undertook a series of activities to help the local community cope with the crisis. Amongst those were co-financing the purchase of Ultraviolet-360 Room Sanitizer for Pula General Hospital and donation of 35 LCD television sets for the use of patients. Our team also prepared more than 6,000 packed lunches for hospital staff over a two-month period and some 20 of our colleagues assisted in the preparation and cleaning of new hospital spaces.

Helping Our Key Workers

The pandemic highlighted how vividly dependent our communities are on key workers. Millions of front-line staff left their homes every day to help maintain key services and a semblance of normality and we felt it was important to support them where we could and as well as to show our appreciation. The team at Park Plaza Victoria London, for example, offered first respondents, including firefighters, police officers and medical staff, respite in-between shifts and call outs; Park Plaza Eindhoven offered free parking spaces to those working in healthcare, teachers or individuals involved in other initiatives in support of the crisis; and Holmes Hotel London delivered 78 boxes of chocolate Easter Eggs to St John's Ambulance headquarters as a small act of kindness to show their gratitude.

Supporting Local Business

In some of our properties, we lease commercial spaces to tenants. Whether it is a cheesemonger selling traditional, local varieties of cheese or a family-run jeweller, most of those are small local enterprises that play an important role in the local communities. We recognised the devastating effect various social distancing measures and falling footfall had on their cash flow and general sales in 2020 and we were glad to work with our tenants to offer special support and arrangements to assist them through hardship.

Supporting Local People in Need

The novel coronavirus pandemic had a devastating social economic impact on some of the most vulnerable members of our societies. As many local services had to close their doors, we supported a London charity that provided free meals to those in need at a local church. As part of the effort, more than 24,000 meals were served over the period of six weeks providing breakfast and lunch to up to 200 people a day. In December 2020, Park Plaza Westminster Bridge London further partnered with Lambeth Council to join its Helping Hands programme. The hotel donated 2,000 roast dinners, bringing together a team of 36 volunteers from the business to prepare and pack food boxes for distribution to elderly and vulnerable residents across Lambeth area of London.

2020 saw several other activities aimed at supporting local communities and charities. In September, for example, TOZI London partnered with a charity which provides financial and emotional support to theatre workers and designed a special dish which was sold with a £1 donation alongside an additional discretionary £1 on every bill. Team members at Park Plaza Victoria London donated dry goods, cereals and canned items to a charity that caters for vulnerable families as well as toilet rolls, toiletries and soaps to a homeless outreach centre; and our colleagues in Berlin donated 250 chocolate bunnies to a local charity for Easter. Park Plaza Utrecht offered complimentary rooms for parents staying with or visiting their children at a local oncology hospital. We were also pleased to hear of several grass-root initiatives spearheaded by team members who organised bake sales, sold face masks or otherwise raised money for a charity of choice.

70 team members seconded to St Thomas' & Guy's Hospitals, London

24,000 meals provided over 6 weeks at a local London church

Donated 35 LCD television sets to a Croatian hospital

Park Plaza Westminster Bridge London donated 2,000 meals

Berlin team members donated 250 chocolate bunnies to a local charity

Holmes Hotel London delivered 78 boxes of chocolate Easter eggs to St John's ambulance

36 volunteers prepared packed food boxes for the elderly residents in Lambeth

Croatian team members prepared +6,000 packed lunches for hospital staff

Our Planet

Our goals:

1. Reduce carbon footprint
2. Reduce water usage
3. Reduce waste and recycle more
4. Increase the use of ethically sourced and eco-friendly materials

Sustainable Development Goals:

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

An area of focus

We understand that the way we do business can have a significant impact on the world around us and that all of us have an increased level of responsibility in this area. Assessing our climate and impact on the world around us, be it our operational ecosystem and cultural atmosphere or the environmental footprint of our operations, is and will continue to be an area of focus for our Board.

As a company that develops, owns/co-owns and manages many of our properties, we are in a unique position when it comes to integrating sustainability into our business from the point of development all the way to day-to-day operations. This, in turn, enables us to deliver long-term value for all our stakeholders.

2020: Investing in the wider climate and doing more to ensure we protect the planet which sources our every supply. Where possible, we work with local certification agencies to have our operations certified. These are local to our operations and are internationally recognised by the Global Sustainable Tourism Council. More than two-thirds of our owned/managed hotels in the UK, the Netherlands, Hungary, Germany and Croatia are certified by Green Key, Green Globe, Green Tourism, Travelife or in accordance with the relevant ISO standard, as appropriate. We strive to continually improve our social and environmental performance year-on-year.

Green accreditations and certifications

NETHERLANDS

Green Globe

Park Plaza Amsterdam Airport

Park Plaza Victoria Amsterdam

art'otel amsterdam

Green Key

Gold
Park Plaza Vondelpark, Amsterdam

Gold
Park Plaza Eindhoven

Gold
Park Plaza Utrecht

GERMANY & HUNGARY

DIN EN ISO 50001:2018

Park Plaza Wallstreet Berlin Mitte

Park Plaza Berlin Kudamm

Park Plaza Nuremberg

art'otel berlin mitte

art'otel berlin kudamm

art'otel cologne

art'otel budapest

UK

Green Tourism

Gold
Park Plaza Westminster Bridge London

Gold
Park Plaza County Hall London

Gold
Park Plaza London Waterloo

Gold
Park Plaza London Riverbank

Silver
Park Plaza Victoria London

Gold
Park Plaza Nottingham

Silver
Park Plaza Leeds

CROATIA

Travelife

Gold
Park Plaza Belvedere Medulin

Gold
Hotel Medulin

Blue Flag Beach

Yacht Beach, Park Plaza Verudela Pula

Energy and emissions

Heating and cooling represents the majority of our energy consumption. Continual improvement of energy performance, including energy efficiency, energy use and consumption is a key metric for us.

For properties in development, we consider sustainability from the start with, for example, our art'otel london hoxton targeting for BREEAM assessment 'excellent'. For existing properties, refurbishments are planned with the latest efficient fittings and a robust design that ensures our assets are built to last.

Investment projects into existing properties that we completed in 2020 included new air-cooling systems, new high-efficiency boilers and water systems, heat pumps, double-glazed windows, new laundry machines, occupancy sensors and automated lighting, replacement of existing lights with more energy efficient LEDs and more. 2021 will see the completion of various other capital investment and other projects such as, for example, Hotel Brioni Pula with works being done on the façade, replacement of old windows, new air-cooling system, new energy-efficient boilers and more – all in line with the most recent climate-related regulations.

art'otel berlin mitte: thinking a decade ahead

In January 2020, art'otel berlin mitte became the first hotel in Germany to install the next-generation air cooling system AirBlue. This three-ton device improved the energy efficiency, reduced energy consumption and operating noise while increasing the cooling capacity. It covers all of the hotel's guest bedrooms, conference and food and office spaces. The new system works with a natural refrigerant and already meets the legal requirements of the European Union, which will only come into force in a decade, in 2030.

13 CLIMATE ACTION

On an operational level, team members actively engage our guests to reduce their impact on the environment through the reduction of water, electricity and cleaning materials used in our properties. This includes our 'Save tomorrow, today' programme that rewards guests for opting out of daily cleaning services participating in a linen and towel reuse programme. We also offer our guests low emissions vehicle alternatives, such as bicycles, and electric car charging facilities, where possible and relevant. Thus, more than two-thirds of our hotels offer bike rentals within the hotel or in close vicinity.

In the second quarter of 2019, we introduced carbon neutral meetings and event spaces for our guests. With Radisson Hotel Group, we are working with First Climate, one of the largest carbon offsetting organisations in the world, to offset our carbon footprint for every meeting space. This is a service that is totally free to our meeting space customers. For every meeting or event held at a Park Plaza hotel or art'otel, the carbon footprint of the meeting space and services is offset through projects in the USA, Peru, Turkey, Kenya and India. All offset projects are VCS or Gold Standard certified. Although 2020 saw some major disruptions to meeting & events operations, in 2019 the programme helped us to offset 780 tonnes of CO_2 proving its potency for success. This programme is expected to continue in 2021.

Water stewardship and biodiversity

We currently have no operations or development projects in countries considered 'Extremely-high' or 'High' for baseline water stress, nor in areas considered 'Extremely-high' or 'High' for overall water risk . Nevertheless, we recognise that water stress poses a serious threat to livelihoods and business stability and we continue to invest in water efficient technology and encourage guests to consider the environment and save water.

In line with our commitment to reduce water consumption at source, in 2020 we continued the introduction of water-saving bathroom mixers and general investment in our water systems. These included, for example, Verudela Beach Apartments with 300+ new shower heads and taps that use less water or Park Plaza Verudela Pula where more than one kilometre of water pipes was replaced. These are in addition to our existing initiatives in various other hotels, such as eco shower heads, water-softening systems to reduce limescale, collection of grey water, Ozone cleaning of guest rooms and more.

Our Planet continued

Hotel for bees

Bees play a critical role in healthy ecosystems and through their pollination, they are essential for food production. Sadly in recent years, changes in our environment have meant that bees are significantly declining in numbers. In 2019, Park Plaza London Waterloo partnered with Dr. Luke Dixon – an expert in rooftop beekeeping and a member of the British Beekeepers Association – to create a safe haven atop its fourth floor, giving the bees an opportunity to form colonies and produce local honey, leaving the bees with ample honey to thrive. London's mild climate and wide range of food has provided a welcome environment and our rooftop is now home to 140,000 honey bees. Fresh honey collected is used in the menu of our all-day dining restaurant, Florentine, where 10% of the sales go to the Bee Friendly Trust charity.

As our Hotels for Bees at Park Plaza London Waterloo proved to be a success, in May 2020 we expanded this initiative to Park Plaza Nottingham that is now a home to approximately 30,000 bees. Our team tended to the hive twice a month during summer and left all the harvest in the hive to provide feed for the bees to survive over the winter. The bees have cemented themselves in their hive surviving a number of large storms and high winds, which provides us with a lot of confidence of a strong harvest in 2021.

11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Hotel for trees

Our hotel for Trees, the Park Plaza Vondelpark, Amsterdam continues to grow its 300-square-meter garden and pond, welcoming local birds and critters alike. The focus on growing a natural enclave on the hotel grounds encourages a harmony between the hotel operations and the wildlife residents of Vondelpark.

The garden with a pond was created in 2019 with the help of a local Amsterdam landscape designer to provide refuge to local wildlife. It provides a good shelter for animals and insects and the pond is an ecological system with its own biodiversity of plants, animals and insects. The trees, shrubs, plants and bushes chosen were a combination of both cultivated and native to the region. The eco balance was carefully thought through so the garden would not need regular maintenance with the flora existing in harmony. Thus, nature is left to her own devices with minimal human intrusion and minimal disturbance to the wildlife. A big percentage of the garden at Park Plaza Vondelpark, Amsterdam is also used as plant borders. The borders have a high density of plants, preventing the ground from drying out quickly acting as a natural water management system for dry summers.

11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Hotel for the seas

We care about the world around us and have taken measures to protect our beaches and oceans. Our Croatian subsidiary, Arena Hospitality Group, was recently awarded a Blue Flag plaque for their 16th year of ongoing activities to promote sustainability in the tourism sector, through environmental education, environmental protection and other sustainable development practices relating to the beach serving Park Plaza Histria Pula.

The Blue Flag programme is a global programme recognising beaches, marinas, and sustainable boating tourism operators. To qualify for the Blue Flag, a series of stringent environmental, educational, safety, and accessibility criteria must be met and maintained. The aim of the Blue Flag programme is to connect the public and their surroundings while encouraging them to learn more about their environment.

11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Waste and use of resources

Finding a solution to reducing food waste was one of the key priorities for our Waste Strategy Steering Group. In 2020, we ran a pilot project with a global marketplace for unsold, surplus food with four of our properties joining the trial in the UK and the Netherlands. Although the project only lasted for three months after which it was out into hibernation due to the pandemic, it showed great potency with more than 500 meals prevented from being thrown away. This work is expected to continue in 2021.

By December 2020, all single-use plastic cutlery, cups, straws and stirrers from all hotels in the UK, the Netherlands, Germany and Hungary were replaced with more environmentally friendly alternatives.

Where appropriate, we upcycle or donate to charity or local community groups to avoid waste. In January 2020, together with a national linen distributor, we donated 26 pallets of linen, towels and bathmats to Clean Conscience, a UK charity that redistributes and repurposes toiletries and other items. Included in those, were 500 pillowcases which are now used by an NHS hospital in London as wash bags.

Our Waste Strategy Steering Group will continue to look for effective solutions to reduce our waste and use of resources.

Support mitigation of climate change

We embrace opportunities to work collaboratively via our collective networks. Through our relationship with the Radisson Hotel Group, we work with the Sustainable Hospitality Alliance (previously known as the International Tourism Partnership). The Alliance, which covers more than 25% of the hotel sector worldwide by rooms, is committed to driving continued action on climate.

Team member working at St. Thomas' Hospital

The Strategic Report was approved by the Executive Leadership Team and will be reviewed regularly for materiality and signed on its behalf by Boris Ivesha.

Boris Ivesha
President &
Chief Executive Officer