



Boris Ivesha
President & Chief
Executive Officer

Well positioned to benefit from market recovery

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.

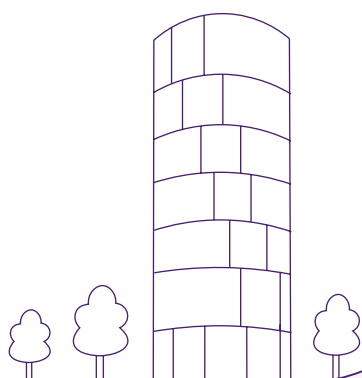
November and December were particularly challenging months again with further lockdowns and increased tier restrictions, eradicating all demand for the remainder of the year. However, most of our hotels remained open to allow us to respond and recover quickly when measures are lifted. Having taken many 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.

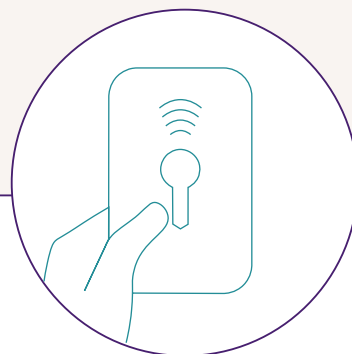
Through our Croatian subsidiary Arena Hospitality Group d.d. we continued to invest in Central and Eastern Europe. In Croatia, committed investment projects at Arena Grand Kažela Medulin and Arena Verudela Beach Apartments in Pula were completed, and work continued on the approximately £30.9 million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



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.

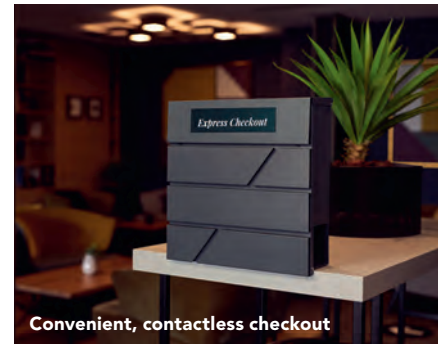
Supporting the safety of our guests

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



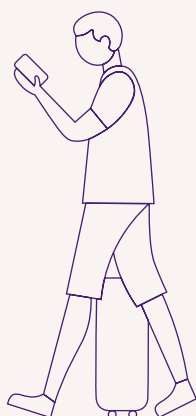
offer to reduce person-to-person contact. Contactless Services available through a dedicated Park Plaza App include online check-in prior to arrival or self check-in on arrival, digital room keys via smartphone, contactless payment options, new messaging options for guests such as a real time messaging 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.



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