PPHE HOTEL GROUP

pphe HOTEL GROUP

CONNECTING OPPORTUNITIES

ANNUAL REPORT AND ACCOUNTS 2021

art'otel

PARK PLAZA

ARENA HOTELS & APARTMENTS

ARENA CAMPSITES

Highlights

Financial KPIs[1]

Total revenue
£141.4m
2020: £101.8m

Normalised profit before tax
£(47.5)m
2020: £(89.8)m

Adjusted EPRA EPS
(44)p
2020: (123)p

Property value
£1.8bn
2020: £1.7bn

EBITDA
£25.1m
2020: £(10.1)m

EPRA NRV per share
£22.15
2020: £22.08

Operating KPIs[1]

Occupancy
30.7%
2020: 28.0%

Average room rate
£117.0
2020: £105.1

RevPAR
£35.9
2020: £29.4

1. Details of Alternative Performance Measures (APMs) can be found in the APM glossary on page 209.

Responsible Business

Our People

- Linking development to learning
- Attracting and retaining talent
- Increasing diversity in the workplace

Our Places

- Increasing our charity initiatives and volunteering
- Contributing to and investing in our local community

Our Planet

- Reducing our carbon footprint
- Conserving water
- Recycling more and reducing waste
- Increasing the use of ethically sourced and eco-friendly materials

Learn more – See our Responsible Business strategy on pages 74 to 89.

Business highlights

- The Group's attractive locations and quality and depth of its portfolio have enabled it to outperform when restrictions were eased
- Successfully secured contracted business in times of uncertainty and volatility, including government and essential travel contracts and serving as the host hotel for the players and support teams of the Wimbledon Championships
- Winner of The Caterer's 2021 Best Employer in Hospitality Award
- Raised £125.8 million of cash to pursue new growth opportunities by entering into a joint venture partnership on two of our London properties
- Progressed our £200m+ development pipeline and repositioning projects and acquired hotels in Austria (Nassfeld) and Italy (Rome)
- Looking ahead at 2022 with confidence in demand for travel and excitement for our several new (re)openings

Learn more – see our Business review

Our vision

To deliver a best-in-class performance through building further scale and depth in our real estate portfolio and growing the platform with our integrated **'Buy, Build, Operate'** model.

Who we are

We are an international hospitality group with a strong prime real estate portfolio consisting of 48 properties under operation in eight 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.

Our purpose

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

HOLMES HOTEL LONDON

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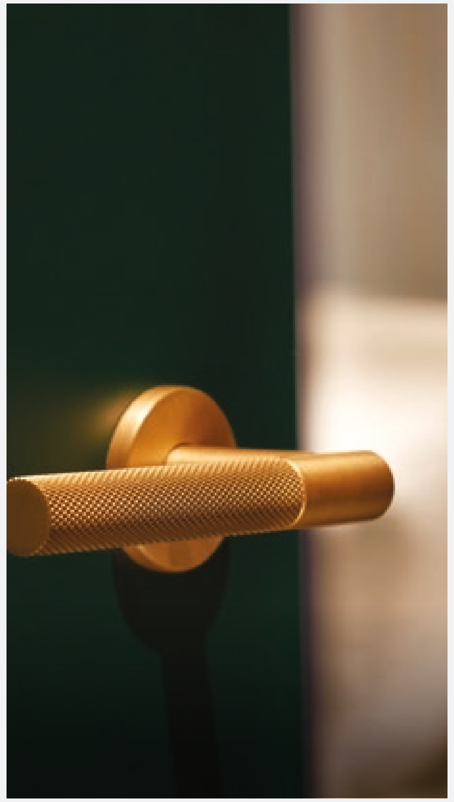

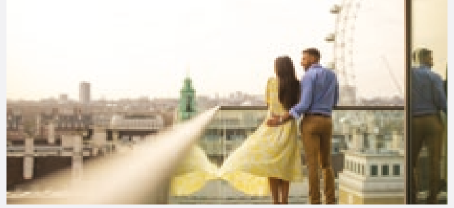

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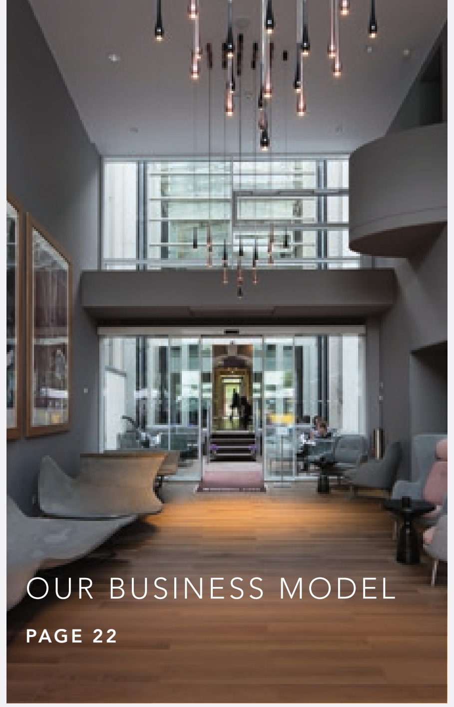

OUR BUSINESS MODEL
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We create memorable guest experiences by **owning, developing** and **operating** hotels and resorts in dynamic, vibrant cities and leisure destinations. Our properties are managed by experienced teams **living our values every day, 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 investment case

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

Sources of funding

Asset backing used as source of funding, all growth post 2007 IPO realised without diluting shareholders

Diversified portfolio in key cities and leisure locations

New and renovated property portfolio of 48 prime assets in operation; consisting of hotels, resorts and campsites

Planned capex in active pipeline of £200m+

Attractive projects in London, Pula, Zagreb and Rome

Independent operator with brand flexibility

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

Track record of successfully managing through the cycles

Experienced developers and operators, with 35 year track record of managing through economic cycles

We have **three strategic blocks** which are supported by PPHE's pillars and enablers to achieve our vision

We have a framework for our future strategy which is built across a series of distinctive strategic blocks, underpinned by PPHE's pillars and enablers

OUR VISION

To deliver a best-in-class performance through building further scale and depth in our real estate portfolio and growing the platform with our integrated **'Buy, Build, Operate'** model.

STRATEGIC BLOCKS

- Core, upper upscale, city centre hotels
- Leisure and outdoor hospitality
- Hospitality management platform

REAL ESTATE

PPHE PILLARS AND ENABLERS

- Restaurants and bars
- Diversification of property portfolio
- Non-dilutive capital approach
- People and culture
- Guest satisfaction
- ESG

BUSINESS MODEL

Learn more – see pages 22 and 23

Operating across the **value chain**

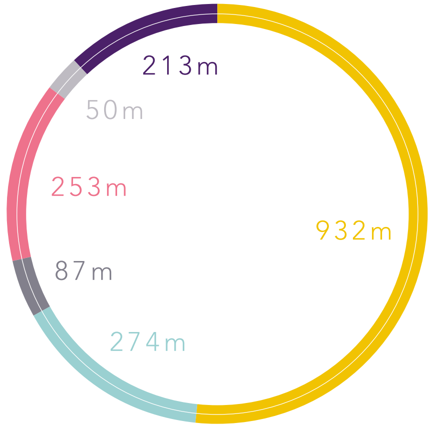
PPHE Hotel Group operates a highly differentiated business model to peers, who are increasingly focused on either the property or operational aspects of the hotel value chain. With in-house expertise across the value chain, PPHE is able to control all aspects of its guest offering, while retaining all 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.

✓ PPHE's offer

TOTAL VALUE CHAIN		PPHE HOTEL GROUP: BUSINESS MODEL BENEFITS	PPHE HOTEL GROUP: SHAREHOLDER VALUE PROPOSITION	OTHER HOTEL OPERATORS: TYPICAL ASSET-LIGHT MODEL ADOPTED BY LARGE HOTEL GROUPS	OTHER HOTEL OPERATORS: 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	✓	Aligned interests	Rental income and value appreciation		✓ Asset owner and leased to, or managed by a 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	
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	✓	Reinvest extracted cash to enable further growth			

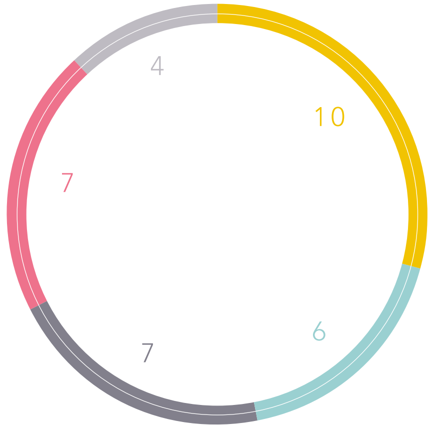
We are an integrated hospitality real estate group with a **£1.8bn portfolio** of primarily prime freehold and long-leasehold assets in Europe

Value split by geography[1]
(Excludes managed, operated, leased, franchised and unconsolidated hotels)



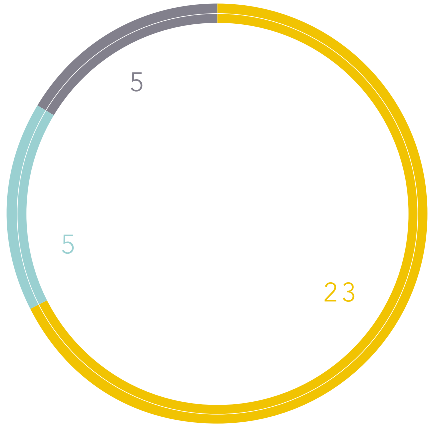
- United Kingdom
- The Netherlands
- Germany
- Croatia
- Other
- Under development[2]

Hotels and resorts by geography
(Includes franchises, excludes campsites and pipeline)



- United Kingdom **10** hotels, **3,681** rooms
- The Netherlands **6** hotels, **1,073** rooms
- Germany **7** hotels, **1,106** rooms
- Croatia **7** hotels, **6** resorts, **2,769** rooms
- Other **4** hotels, **498** rooms

Hotels and resorts by ownership type
(Includes franchises, excludes campsites)



- Freehold **23** hotels **7** resorts **6,527** rooms
- Long leasehold **5** hotels **1,590** rooms
- Managed, operated, leased or franchised **5** hotels **1,010** rooms

1 The fair values were determined on the basis of independent external valuations prepared in December 2021
2 Properties under development include: New York, art'otel London Hoxton (London), Westminster Bridge Road (London), Hotel Brioni (Pula) and Zagreb

at a glance

Countries	Total rooms
8	9,100
Total properties	**Campsite pitches**
48	5,800

Gateway cities

London

With a portfolio of seven hotels and approximately 3,200 rooms in operation and another 1,100 rooms at various stages of development, the UK's capital is the Group's most important single market. From London's highly popular South Bank to urban chic Marylebone, from hipster Hoxton to the well-connected Victoria and Park Royal areas, our hotels are located in highly desirable and easily accessible locations.

Rome

We are thrilled to be entering Italy, with our acquisition in 2021 of the historic Londra & Cargill hotel in the centre of Rome. Located near Via Veneto and within walking distance of some of Rome's main attractions, this hotel will be completely transformed and will become the first art'otel in Italy.

Amsterdam

Our portfolio in the Dutch capital is strong with three hotels in the city centre and one hotel located near Amsterdam Airport. Our portfolio includes Park Plaza Victoria Amsterdam, which is located opposite the main train station and is arguably one of the best-known hotels in The Netherlands due to its rich history, and its bold, colourful and artistic neighbour, the award-winning art'otel Amsterdam.

Berlin

We have four hotels in the buzzing German capital, including two properties in the former East Berlin (Mitte), close to the Brandenburg Gate, Tiergarten, Museum Island and cafés and shops. Our other two hotels are located in the west of the city near the famous Kurfürstendamm, which is often considered the Champs-Élysées of Berlin and is lined with shops and restaurants.

Pula

Pula, home to Istria's main international airport, serves each year as the starting point for many holidaymakers. Pula is a popular leisure destination and is not only steeped in Roman history, it provides easy access to historic sites, pristine nature and an appealing coastline. Our portfolio in and around Pula includes 21 properties, from campsites to luxury glamping and from self-catering apartments to premium full-service resorts.

Zagreb

With our strong presence in and around Pula, we were keen to secure a property in the Croatian capital and further build our property portfolio in key capital cities in the Central and Eastern Europe (CEE) region, adding to our hotels in Belgrade and Budapest. We are currently converting a former office building in the heart of Zagreb into the country's first art'otel.

Budapest

One of Eastern Europe's first design hotels when it first opened, our art'otel Budapest is located on the banks of the Danube providing stunning views and easy access to the city's main attractions. The building combines several historic former fishermen's houses with a new frontage. During 2022 the hotel will undergo an extensive renovation programme, aligning its offering with the new generation art'otels.

STRATEGIC REPORT | CORPORATE GOVERNANCE | FINANCIAL STATEMENTS | APPENDICES

Our brands

art'otel

HOTELS — CAPITAL CITIES / SECONDARY CITIES / CITY CENTRE


art'otel London Hoxton

art'otel
A place to dream and be inspired, art'otel is a hotel like no other.

A contemporary collection of upper upscale, lifestyle hotels, each inspired by a signature artist, forming a cultural, gastronomic and social hub in the most creative areas of the most interesting cities attracting international, domestic and local guests.

The art
art'otel is an arts and premium lifestyle hotel devoted to creating and presenting original work. Unlike hotels with décor art, art'otel invites guests to create art, to interact with and immerse themselves in art, not just to view.

The art'otel experience:

- Each art'otel is inspired by a dedicated signature artist.
- Interactive art discovery programme with contemporary art, frequent exhibitions and hosted art tours for creative escapists.
- Rich, art-led events programme celebrating arts, fashion and music for cultural explorers.

New developments
art'otel has several exciting new developments in its pipeline, including two flagship developments in London. art'otel London Battersea Power Station is expected to open in 2022 and art'otel London Hoxton in 2024. Plans are also advanced to convert hotels in Rome, Zagreb and Pula. Signature artists for these developments are yet to be revealed.

Be bold. Be creative. Be original.
artotel.com


art'otel London Battersea Power Station

PARK PLAZA

HOTELS — CAPITAL CITIES / SECONDARY CITIES / CITY CENTRE


Park Plaza Vondelpark, Amsterdam


Park Plaza London Riverbank

Park Plaza
An upper upscale, contemporary hotel brand featuring individually designed hotels in vibrant city-centre locations and select resort destinations.

Renowned for creating memorable moments, Park Plaza caters to both leisure and business travellers with stylish guest rooms and versatile meeting facilities which are perfectly complemented by award-winning restaurants and bars. We present a wide choice of travel destinations and accommodation options, from vibrant city-centre hotels to tranquil beachside resorts, all united by authentic service and modern, inviting spaces.

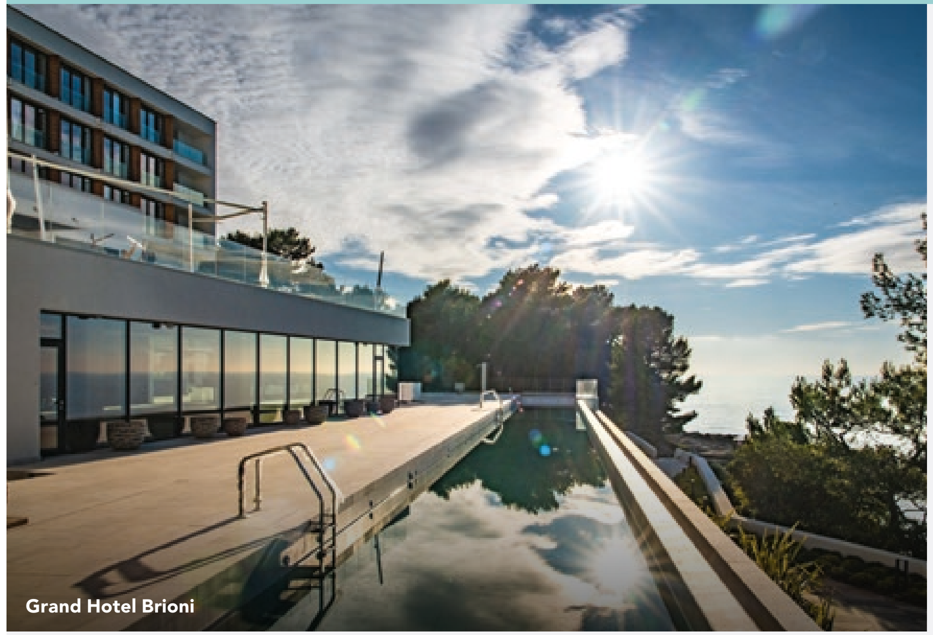
Authenticity is at the heart of Park Plaza. We believe in providing a hotel experience that is tailored to the individual and their needs. Our commitment to originality gives each guest a real experience, all against the elegant backdrop of a modern space with leading design. We pride ourselves on delivering comfort, impeccable service and the chance to explore a destination like the locals do through one-of-a-kind dining experiences. Guests cherish our warm and vibrant atmosphere, often coupled with live music and entertainment.

Feel the authentic
parkplaza.com


Park Plaza Westminster Bridge London

Our brands
continued

LEISURE AND OUTDOOR RESORTS / CAMPING & GLAMPING / SELF-CATERING

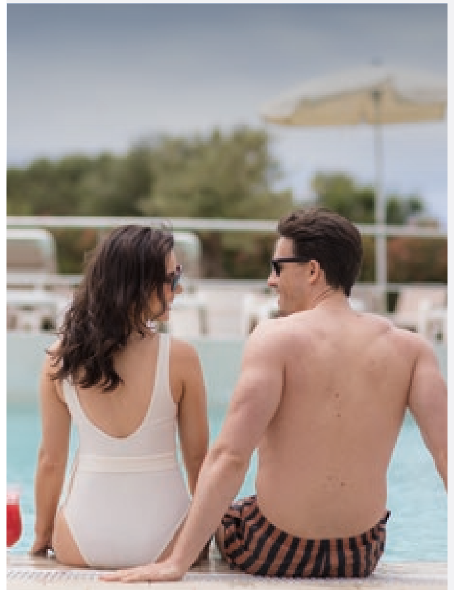

Grand Hotel Brioni

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

Arena Hotels & Apartments features contemporary and warm design/interiors accompanied by welcoming and friendly service, offering a holiday full of opportunities for exploration and relaxation complemented by a food and drink offering with a touch of local flavour.

Arena Hotels & Apartments is your destination host and guide, a home away from home catering for families, couples and friends.

arenahotels.com



LEISURE AND OUTDOOR RESORTS / CAMPING & GLAMPING / SELF-CATERING

Arena Campsites
Arena Campsites are located in exclusive beachfront sites across the southern coast of Istria, Croatia. Situated within close proximity of the historic towns of Pula and Medulin, each campsite provides a distinctive offering and relaxed environment from which guests can experience Istria's areas of natural beauty and enjoy outdoor activities from April to October.

We have consistently invested in the portfolio, with significant investments in repositioning two campsites between 2018 and 2020, relaunching as Arena One 99 Glamping and Arena Grand Kažela Campsite.

We are excited about our third repositioning of, and investment in, Arena Stoja Campsite.

arenacampsites.com
arenaglamping.com


Arena One 99 Glamping


Camping Home Next - Arena Kažela

Chairman's statement

Eli Papouchado Chairman

Adapting to new challenges
Reflecting on 2021, I am very humbled by the adaptability, skill and dedication of our teams across the business. Their hard work during the last two years has aided the Group immensely in navigating through the most difficult trading conditions ever seen in our industry. Despite these unprecedented trading conditions progress has been made against our strategic priorities.

Many of our teams have had to work hard to rebuild momentum following extended periods of government-financed support, such as furlough, but they have come together stronger than ever, continuing to welcome our guests where we can and with the best safety and customer service possible. Our Executive Leadership in particular voluntarily signed up to a number of salary sacrifice schemes, deferments and waiver of incentives throughout 2020 and 2021. I would like to place on record my gratitude for our teams and leadership's support, commitment and exceptional efforts during these difficult times.

PPHE has continued to make strong progress throughout the year, and we are proud that the value of our property portfolio now stands at £1.8 billion. Our £200+ million pipeline is robust and includes flagship developments such as art'otel London Hoxton and Grand Hotel Brioni Pula, alongside repositioning projects in Croatia and Italy. There will be many great openings to watch out for over the next few years which we are very excited for, and our long-term partnership with Clal Insurance ("Clal"), which unlocked £113.7 million of equity, has enabled us to pursue further strategic growth opportunities and will continue to do so as the pandemic subsides.

Delivering for all stakeholders
We recognise the unique but vital role that each of our stakeholders plays in the Group's success. As such, creating and delivering value for their benefit is the driving force in all that we do. This is visible in: our passion for creating memorable guest experiences; our commitment to maintaining an open and constructive dialogue with investors; our prioritisation of the well-being and development of our team members; and our willingness to serve the communities in which we operate. I was pleased to see the progress made in our stakeholder engagement activities over the course of the year, particularly the active dialogue maintained with representatives of independent shareholders in order to remain guided by their views and allowing us to adapt our approach wherever possible in response.

The maintenance of a robust governance framework is key to the delivery of long-term sustainable value and has been crucial to navigating the circumstances of the pandemic as well as the recovery process. 2021 saw us make a number of important strides in corporate governance, including establishing a designated Environmental, Social and Governance (ESG) Committee to add necessary rigour and structure to the manner in which we deliver our governance goals and delivering our first Task Force on Climate-related Financial Disclosures (TCFD) Report, which we welcomed as an opportunity for meaningful and structured engagement with the risks and opportunities presented by climate change, as well as an advisory vote to shareholders on the Remuneration Report included in the financial statements and the Remuneration Policy applicable as of 2022. The Deputy Chairman spearheads our corporate governance strategy, and full details of our activities this year are set out in his statement on pages 90 to 135.

Dividend
Having suspended dividend payments in light of ongoing uncertainty due to COVID-19, we have continued to review our policy in line with business performance and cash flow. Government measures have continued to restrict travel demand and the Group has subsequently received government support during the year across its different operating regions. The Board is therefore of the view that it is neither sustainable nor appropriate to propose a dividend in respect of 2021. The Board appreciates the importance of dividends and will continue to review any future dividend payments in line with the recovery trajectory and the business returning to cash flow positive trading.

Looking ahead
We were heartened to see momentum return to the business from May 2021 onwards, as many of our markets opened up, albeit with a few restrictions, and international travel resumed. During this period, it was clear that demand for our high quality, well-located hotels remained strong. The emergence of the Omicron variant in November resulted in new measures being introduced and demand declining.

We are well-aware that there will continue to be industry-wide challenges ahead throughout this road to recovery. While uncertainty will continue as individual markets react to their own evolving situations that cannot be fully predicted, we will continue to deliver on our strategy, opening our doors where we can and delivering the best experience possible for our customers. As vaccination and booster programmes continue to be rolled out in countries all over the world, I expect that our recovery will remain strong, as it was in the UK and Croatia in the second half of this year.

The Board's optimism for the future is founded on our proven ability to recover through challenging times. We are well-placed to continue to outperform the sector whenever and wherever restrictions are eased, as our unique business model, strong financial position, proven management team, superior expertise and exciting development pipeline continue to position us well into 2022 and beyond.

Eli Papouchado
Chairman

PPHE WINS AWARD AS TOP 6 BEST PLACES TO WORK

President and CEO's review

Boris Ivesha President & Chief Executive Officer

"Our recovery is well-underway and we are **regaining momentum.** We are building future value through a pipeline filled with potential."

Throughout 2021, we continued to manage effectively the ongoing challenges presented by the pandemic and the subsequent industry-wide uncertainty and disruption this caused. Once again, our dynamic owner/operator business model gave us the ability to adapt to ever-changing market conditions, underpinned by the Group's strong financial position and our well-invested portfolio following our recent £100+ million investment programme. The Group is well-positioned to benefit from market recovery.

2021 in review

Trading in the year was challenging in the first six months as the ongoing pandemic severely reduced activity levels due to government-imposed domestic and international travel restrictions and social-distancing measures. Consequently, most of the Group's properties were temporarily closed or operating at reduced capacity.

During Q2, travel restrictions were progressively eased across the Group's operating markets, to varying degrees and at varying times. From mid-May in the UK and from June in Continental Europe, activity increased gradually, driven primarily by leisure demand from domestic markets with bookings characterised by short lead times. By the end of Q2, the majority of the Group's properties were open.

With vaccination programmes across all our operating markets firmly underway in the second half of the year, international travel restrictions were eased, supported by widespread lateral flow and PCR testing as well as the introduction of vaccination passports across Europe. This led to good trading momentum and revenue generation in the second half of the year, underpinned by a strong performance in the UK and Croatia and our successful room rate-focused strategy. Additionally, the Group benefited from sports events, such as the 2020 UEFA Championships and the Cricket Hundred Series, going ahead. Corporate travel and meetings and events demand continued to grow, and the booking pace improved until mid-November when demand slowed due to the spreading of the Omicron variant. This new variant resulted in governments temporarily introducing measures. Once these are again eased we expect to regain momentum. Against this backdrop, the revenue performance of several of our properties outperformed the market.

The Group's proactive commercial strategy enabled us to secure contracted group business, alongside demand generated by essential stays. Park Plaza Victoria London and Park Plaza London Waterloo operated as UK Government quarantine hotels for part of the year, which supported revenue generation during a period of low demand. Park Plaza Westminster Bridge London was proud to be chosen as the exclusive host hotel for players and support teams of the 2021 Wimbledon Championships.

Throughout this period of uncertainty for the hospitality industry, we took pride in our responsiveness and adaptability to ever-changing market conditions, which include an increasingly pressured labour market. While we are not immune to this well-documented issue, which spans a number of sectors, our continuous focus on being an employer of choice to attract and retain talent has positioned us strongly in the current labour market. Furthermore, our decision pre-pandemic to bring housekeeping services in-house has helped insulate the Group from the disruption to operations caused by these labour shortages. We are delighted that our efforts in this area have been recognised by several industry accolades, and throughout the year, the health and safety of our colleagues, and all stakeholders, have remained our priority.

Full details on the Group's operational performance by region are set out in the Business Review.

Improved financial performance

The Group's overall financial performance improved year-on-year, reflecting some recovery in activity levels as the year progressed, albeit from a low base. Reported total revenue increased by 38.9% to £141.4 million (2020: £101.8 million) and EBITDA improved to £25.1 million (2020: £(10.1) million), resulting in an EBITDA margin of 17.7% (2020: (9.9)%).

Once again, key operating metrics were impacted by property closures and reduced capacity in the first half of the year, however the Group's rate-focused strategy delivered a year-on-year recovery in average room rate to £117.0 (2020: £105.1), with a more gradual improvement in demand during the year resulting in occupancy of 30.7% (2020: 28.0%). RevPAR increased by 22.1% to £35.9 (2020: £29.4), 34.6% of the level reported in FY 2019.

The Group's financial position remains strong, with a total consolidated cash balance of £136.8 million at 31 December 2021 (31 December 2020: £114.2 million).

Our property portfolio was predominantly valued by Savills and Zane at £1.8 billion as at 31 December 2021. EPRA NRV per share increased by 0.3% to £22.15 per share. The adjusted EPRA earnings per share was (44) pence (2020: (123) pence).

Full details of the financial performance are set out in the Financial Review.

Delivering strategic progress

Throughout 2021 we made good progress against the Group's long-term growth strategy while continuing to navigate the ongoing disruption to operations. The flexibility that our owner/operator model provides enables the Board to take a long-term view and gives us control over the scope and phasing of our £200+ million development pipeline and investment projects.

This development pipeline underpins long-term sustainable growth. Our long-term partnership with Clal, announced earlier in the year, has unlocked equity to give the Group further financial headroom to capitalise on growth opportunities to the benefit of all stakeholders, as well as support our recovery.

Development pipeline update

In the UK, construction of the new art'otel London Hoxton, our largest development project, continued to plan. The new building which will comprise a premium lifestyle hotel and office space is expected to complete by 2024.

art'otel London Battersea Power Station, which is to be operated by the Group under a long-term management agreement, is expected to open during the second half of 2022.

Two further projects are planned in London: a mixed-use scheme including a 465-room hotel adjacent to Park Plaza London Park Royal; and a mixed-use scheme including a 186-room hotel and office space close to our London South Bank hotels.

President and CEO's review continued

RESTAURANTS AND BARS

Arca Amsterdam

In Croatia, the repositioning of Hotel Brioni in Pula is almost complete. This 227-room, full-service hotel is expected to relaunch for the 2022 summer season. In Q4, works started on the conversion of the Group's property in the centre of Zagreb into a luxury hotel.

As previously announced, we took the decision in 2020 to pause and reassess our development project in New York City.

New hotel acquisitions

In Q4, we announced two strategic acquisitions which have strengthened our pipeline, expanded our presence in Europe and marked our entry into two new and exciting markets: Austria and Italy.

We acquired the FRANZ Ferdinand Mountain Resort in Nassfeld, Austria, a strategic fit that complements our summer leisure business in Central and Eastern Europe and the DACH region. This acquisition also builds on the seasonal synergies which can be achieved due to the hotel's proximity to our Croatian operations. In addition, Austria is one of the Group's largest customer markets for our Croatian operations, and this hotel will help us further raise the Group's profile in this important market.

The city of Rome is one of southern Europe's key gateway cities and has been a strategic target for the Group. The acquisition in November of a 4-star, 101-room property adds another key capital city to our portfolio. The site provides the opportunity to reposition the property and further bolster our development pipeline.

Further details about our development pipeline projects and acquisitions are outlined on pages 42 and 43.

Our partnership with Radisson Hotel Group

For more than two decades, PPHE Hotel Group has had an exclusive perpetual licence from Radisson Hotel Group ("Radisson"), which gives the Group the right 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 (including its wholly owned art'otel brand) access to Radisson's state-of-the-art central reservation and global distribution systems, its global sales and marketing capabilities, and more than 24 million loyalty programme members.

Employer of choice

Our people and values are at the heart of our business and at the core of everything we do. We harness an open, honest, family values culture across the business, whether managing our hospitality assets or delivering consistent operational excellence across our portfolio. As well as developing this culture, a key focus has been safeguarding the well-being of our team members throughout the pandemic.

We recognise the importance of a strong employer brand, particularly in the current recruitment environment, and we have a strong track record of investing in our team members to attract and retain talent. Ongoing investment in the development of new technologies to facilitate people management, learning and development, communications, and data and analytics, coupled with our values, strong culture and industry-leading people initiatives, further strengthen the Group's position for recruitment.

Industry wide, recruitment has become increasingly challenging across all our operating markets. We have proactively enhanced our recruitment approach to enable the Group to stand out from the competition. We have bolstered our talent management and recruitment teams to ensure we retain talent and recruit new team members. Our recruitment strategy is centred around talent and brand attraction, promotion of PPHE Hotel Group as an employer of choice, showcasing the Company's culture, and targeting candidates via LinkedIn and other social media and online platforms. We have ensured that our pay rates remain competitive, and we have introduced retention bonuses and have relaunched our 'recommend a friend' incentive scheme, through which more than 125 people have joined the Group in the UK and The Netherlands.

During the year, we recruited more than 1,350 team members across the Group. In London, we have launched our own centralised recruitment service and we have strengthened our partnerships with local job centres. In the CEE region, we have benefited from our ability to share team member resources across our countries of operation.

'Best Employer in Hospitality' and other industry recognition

We are proud that our ongoing investment in our people has been recognised through a number of awards during the year: 'Best Employer in Hospitality' award and 'Top-6 Best Places to Work in Hospitality' by leading UK hospitality trade publication The Caterer; winner of the 'Best Management Preparation Award' at the HR in Hospitality Awards 2021; and our team was voted 'HR team of the Year' at the HR in Hospitality Awards 2021. Additionally, in Croatia, the Group's subsidiary Arena Hospitality Group d.d. ("Arena") was awarded the national 'Safe Stay in Croatia' label.

In addition to recognition of our business, we were delighted that a number of our people were identified for their talent, excellence and contribution. This included Chief Corporate & Legal Officer Inbar Zilberman, who was featured in 'Women to Watch and Role Models for Inclusion in Hospitality'; Daniel Pedreschi, Regional Vice President Operations, the UK, was awarded the coveted Hotelier of the Year at the 2021 Hotel Cateys; and Park Plaza Westminster Bridge London's Executive Chef Oliver Ruiz won the Hotel Chef of the Year (more than 250 covers) Award at the 2021 Hotel Cateys, a huge achievement against strong competition.

Committed to creating a memorable guest experience

We are committed to creating memorable experiences for all our guests, underpinned by our high quality, well-invested portfolio of properties in desirable locations. Our guest safety and well-being programmes were once again accredited by SGS, a leading inspection, verification, testing and certification company.

We have continued to adapt our offer, and the way we engage with our guests has evolved, with an acceleration in digitalisation trends during the pandemic. Digital services and dedicated Apps for Park Plaza and art'otel offer guests reduced person-to-person contact during their stay. These technologies enable guests to check-in online and have a digital room key via their smartphone. 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. During their stay, real-time messaging options through chat or WhatsApp enable guests to communicate with our team members, and they are able to order room service online. Contactless check-out and various new payment options are available on departure.

Our team members

2021 has been another challenging year for our team members. We have stayed connected with our team members to support their well-being, training and career development. The internal communications initiatives we have put in place during the pandemic, including re-boarding colleagues as hotels reopened and enhanced learning and development programmes, have helped drive engagement and loyalty and have helped us nurture and support our teams.

On behalf of the Board, I would like to thank all our team members for their commitment, professionalism and hard work throughout the year.

Strategy update

During 2021 we refined our strategy, intended to guide us through our next phase of growth by continuing to do what we do well, taking advantage of opportunities and continuing to mitigate risks through further diversification. Our aim is to continue to focus on upper upscale city centre and lifestyle hotels and continue our investment in our leisure and outdoor offering. In addition, we recognise that our award-winning hospitality management platform presents an excellent growth opportunity through managing hospitality assets for our joint venture partners and third-party owners.

Looking ahead

As we have demonstrated throughout the pandemic, as soon as measures are eased we are able to capitalise on travel demand, which at the early stage is predominantly driven by domestic leisure travel. The New Year started with restrictions and lockdown measures in place across all our operating regions. However, with the impact of the Omicron variant on hospitalisation rates less significant than initially feared late in 2021, governments started easing measures in January, which immediately resulted in an increase in new bookings. In the UK, our most important market, new bookings are currently trending at 65% of the levels in 2019. We have also seen an increase in international bookings as travelling between countries has become easier. We expect these trends to continue and are confident that in addition to leisure travel, we will shortly see a return of corporate travel with the 'working-from-home' guidance now removed across most of our operating regions. The number of new meetings and events enquiries has remained solid throughout and we expect a particularly buoyant second half of 2022 in this segment.

Our well-invested portfolio, our proactive leadership team and our dedicated and passionate team members will drive our recovery as we prepare for the next phase of growth with several exciting new openings this year and next.

Boris Ivesha
President & Chief Executive Officer

Business model

OUR PURPOSE

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

KEY SOURCES OF VALUE

Prime property portfolio
Our real estate portfolio consists of properties in the heart of strategic gateway cities and resort destinations.

In-house hospitality management platform
Our expert team of hospitality specialists manage our own properties as well as those of third parties.

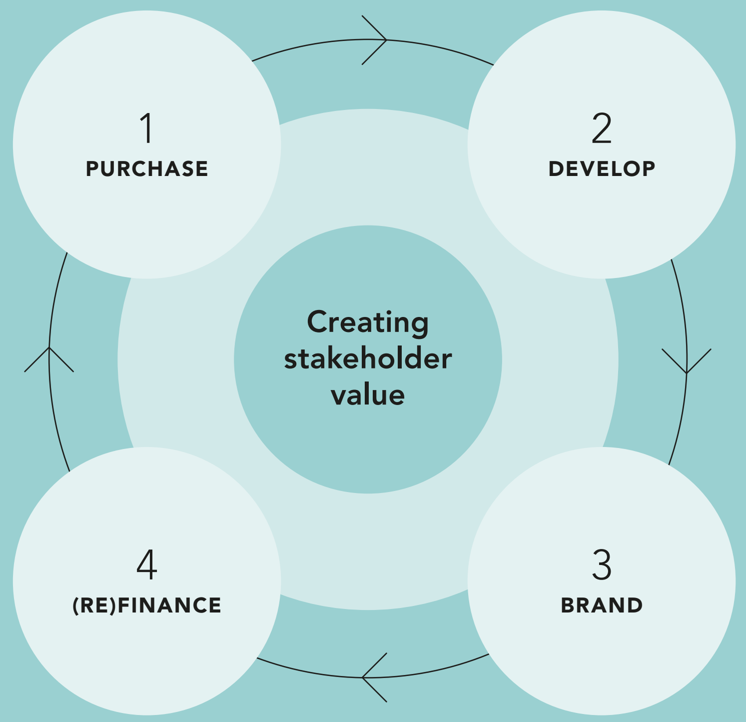
Our people
Our strong track record of creating memorable guest experiences is consistently delivered by our team members.

Multi-brand approach
We select the right brand for each property, using our own as well as those from the Radisson Hotel Group.

International network
Our strong international network cultivated in the past 30 years includes banks, contractors, suppliers and strategic partners.

Financial strength
Our portfolio has grown from a single property into a £1.8 billion portfolio without diluting shareholders, and we enjoy a strong cash position.

HOW WE CREATE SHAREHOLDER 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

HOW WE CREATE VALUE

STRATEGIC BLOCKS

THE VALUE WE SHARE

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.

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:

Trust
Respect
Teamwork
Enthusiasm
Commitment
Care

Strategy at a glance

REAL ESTATE

Strategic block: Core, upper upscale, city-centre hotels

2021 Performance

Property:
- Progressed investments in pipeline projects, including art'otel London Hoxton and Zagreb
- Extended pipeline with acquisition in Rome, Italy
- Submitted planning application to develop new hotel near Waterloo Station
- Procured renewable energy in the UK, The Netherlands and Germany
- Continued to maintain Green accreditations

Operations:
- Reopened majority of portfolio post lockdowns
- Revenue generation focus, balancing contracted business with driving top line growth from leisure travel
- Reengaged and rebuilt teams

2022 Priorities

Property:
- Progress development projects in London and Zagreb
- CAPEX allocation for repositioning programmes in Zagreb, Rome and Budapest
- Pursue new growth opportunities
- Property site visits to review utility use in our hotels
- Environmental assessment of construction sites to achieve highest standard of certification

Operations:
- Continue to rebuild the teams and overcome recruitment challenges
- Drive the recovery of all properties
- Focus on mitigating supply chain disruptions
- Continue to drive efficiencies through technology implementations

Related risks and opportunities

Property:
- Development project delivery page 31
- Funding and liquidity page 30
- ESG – stakeholder perception page 34

Operations:
- Talent attraction, engagement and retention page 33
- Market dynamics page 29
- Economic climate page 30
- Operational disruption page 32
- Technology disruption page 32

KPIs

Property:
- Successfully deliver openings and repositioning projects
- EPRA NRV
- EPRA EPS
- Net return on shareholder capital
- Disclosure of Scope 1, 2, and 3 carbon emissions in TCFD report
- Carbon neutrality no later than 2050

Operations:
- EBITDA and EBITDA margin
- RevPAR
- Recruitment and retention
- Employee engagement
- Guest rating score
- Health and safety assessment scores

Strategic block: Leisure and outdoor hospitality

2021 Performance

Property:
- Progressed investments in pipeline projects most notably Grand Hotel Brioni Pula
- Extended pipeline with acquisition in Nassfeld, Austria

Operations:
- Reopened majority of portfolio post lockdowns
- Revenue generation focus, delivering a strong summer season in Croatia
- Reengaged and rebuilt teams
- Integrated new property in Nassfeld, Austria

2022 Priorities

Property:
- Launch Grand Hotel Brioni Pula
- Progress CAPEX investment in third campsite, Arena Stoja
- Start repositioning programmes for hotels in Austria and Pula (Hotel Riviera)
- Pursue additional growth opportunities

Operations:
- Continue to rebuild the teams and overcome recruitment challenges
- Drive the recovery of all properties
- Focus on mitigating supply chain disruptions
- Continue to drive efficiencies through technology implementations

Related risks and opportunities

Property:
- Development project delivery page 31
- Funding and liquidity page 30
- ESG – stakeholder perception page 34

Operations:
- Talent attraction, engagement and retention page 33
- Market dynamics page 29
- Economic climate page 30
- Operational disruption page 32
- Technology disruption page 32

KPIs

Property:
- Successfully deliver openings and repositioning projects
- EPRA NRV
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- Net return on shareholder capital
- Disclosure of Scope 1, 2, and 3 carbon emissions in TCFD report
- Carbon neutrality no later than 2050

Operations:
- EBITDA and EBITDA margin
- RevPAR
- Recruitment and retention
- Employee engagement
- Guest rating score
- Health and safety assessment scores

Strategic block: Hospitality management platform

2021 Performance

Operations:
- Continued implementation of digital services including online check in and check-out, digital key, online ordering, chat and more
- Outperformed on recruitment and managing staff shortages
- Further consolidation of supply chain and leveraging our scale
- Engaged specialist support on carbon emissions strategy and reporting
- Continued to create safe environments for our team members and our guests
- Increased engagement with our team members
- Championed diversity and inclusion
- Supported local hospitals and key workers
- Provided education opportunities for local schools and graduates

2022 Priorities

Operations:
- Opening of art'otel London Battersea Power Station, managed by the Group
- Continue to integrate Austria and Italy as new regions for the Group
- Deliver elevated art'otel brand experience and pipeline projects
- Pursue growth opportunities for the platform through third party or joint venture management agreements
- Continue to drive efficiencies for the managed properties through centralisation and technologies
- Continue development of ESG strategy
- Appoint Responsible Business Ambassadors at every property
- Continue to drive recruitment programmes to create jobs and opportunities for local communities

Related risks and opportunities

Operations:
- Market dynamics page 29
- Economic climate page 30
- Talent attraction, engagement and retention page 33
- Operational disruption page 32
- Technology disruption page 32
- Unrestricted cyber attack page 31
- Data privacy page 32
- Health, safety and security page 33
- ESG – stakeholder perception page 34

KPIs

Operations:
- EBITDA
- Successful launch of new openings
- Growth in portfolio
- Growth in fee-based income through third party or joint venture management agreements
- Monitoring of gender pay gap for the UK and The Netherlands
- Identifying metrics for diversity and inclusion

Our approach to risk management

Our embedded and proactive approach to risk management continues to help us navigate the significant challenges we face. Through our risk management process we maintain a clear view of our most prominent threats and look ahead at the emerging risk trends which could have a notable impact on our business. The strength of our risk management programme means leadership decisions are aligned with our risk appetite and are made in full awareness of the threats we face.

The integration of risk management and routine assessments within each corporate function allows us greater information at the leadership level and ensures each function remains alert to risks and is accountable for reporting on them on a regular basis, whether or not their profile has changed.

A solid foundation of risk awareness and focused risk mitigation has underpinned our resilience during the COVID-19 pandemic and supported the proactive response of our teams to the various related risk impacts.

In 2021, our leadership team has maintained its flexible and proactive approach to the challenging risk environment. Key actions during the year have included the strengthening of our cash position, the rebuilding of our teams to meet demand during periods of recovery and upholding the high standards of health and safety within our hotels and resorts.

Our Risk Reward strategy is aligned to our strategic objectives and has been updated and reviewed by the Board during the year. This year we have demonstrated that our appetite for taking new opportunities through acquisitions remains intact. In obtaining Board approval for acquisitions or development projects, the capacity of management to manage or deliver the project and the impact on the financial stability of the Group are both key areas of focus.

We are not willing to increase our exposure in matters of environmental and climate related risk, and we are committed to tackling the risks associated with the transition to a low-carbon economy.

This year we have looked in greater depth at various climate related risk scenarios to identify and assess the key threats to our long-term objectives.

See our TCFD Report on Page 88.

OUR RISK MANAGEMENT FRAMEWORK

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

The ERM framework defines clear accountabilities through our risk governance model and our risk management process.

OUR CHANGING ENVIRONMENT – RISK DRIVERS AND EMERGING THREATS

We recognise the importance of understanding the lasting impacts of major events such as the COVID-19 pandemic and Brexit, as well as emerging threats like climate change, economic volatility and political instability, to ensure we maintain our organisational and strategic resilience in the years ahead.

Our business model and operations could be influenced by many external developments including post Brexit changes to the UK regulatory environment, potential changes in tax legislation, long-term shifts in consumer behaviours following the pandemic, labour market pressures through restricted migration, growing pressure on the cost of living and an increased threat to social cohesion across our regions and markets.

We will respond proactively to the changing business environment by focusing on our strategic pillars such as the diversification of our property portfolio, our people and culture, guest satisfaction and our ESG credentials.

Global disruption
The COVID-19 pandemic has been the biggest risk event we have experienced, and there is potential for further global or regional disruption through new waves or variants of the virus emerging.

The future direction of the pandemic will determine the severity of our exposure to many of our principal risks. Global travel restrictions have a significant impact on market demand and economic growth. We could see further disruption through restrictions imposed on our hotel operations or through supply chain issues and labour shortages.

Other global conditions such as the conflict in Eastern Europe could also disrupt some of our markets through restricted travel and dampened demand. As events unfold, the Board will continue to monitor the impact.

We have proven our resilience in the face of COVID-19, and we are well-prepared for future disruption, with robust plans in place to address heightened risk and protect the stability and future growth potential of our business.

Macro-economic volatility
Volatility of the long-term economic outlook will also influence our assessment of risk in the year ahead. Changing macro-economic conditions with inflationary pressure and slowing growth could impact the speed of recovery for the hospitality sector and affect the accessibility of finance to fund future opportunities.

We take a proactive approach to monitoring macro-economic factors and act to ensure we are well-positioned to withstand times of stress and maximise our opportunities as conditions improve.

Climate change
The impact of climate change will emerge through risks that we are already exposed to. Increasing physical risks such as flooding, water stress and rising mean temperatures across our regions would heighten our principal risk of operational disruption and could increase costs.

The global response to climate change could drive changes in our market over the long term. Carbon pricing and taxes could see the cost of international travel increase which may impact travel patterns from certain market segments. Our guests' increased awareness and concern regarding their individual environmental footprint could also impact market dynamics, presenting as both a risk and an opportunity as more booking decisions would be influenced by environmental credentials. This will also be increasingly important for securing corporate contracts and new meetings and events business with many organisations acting to deliver upon net-zero carbon pledges.

Several of our principal risks could be exacerbated by government commitments to reduce carbon emissions which could lead to further developments and changes in regulation across travel and tourism, construction and property management. Funding could also become increasingly difficult to secure as banks increase scrutiny on the environmental credentials and carbon impact of a business as part of their lending process.

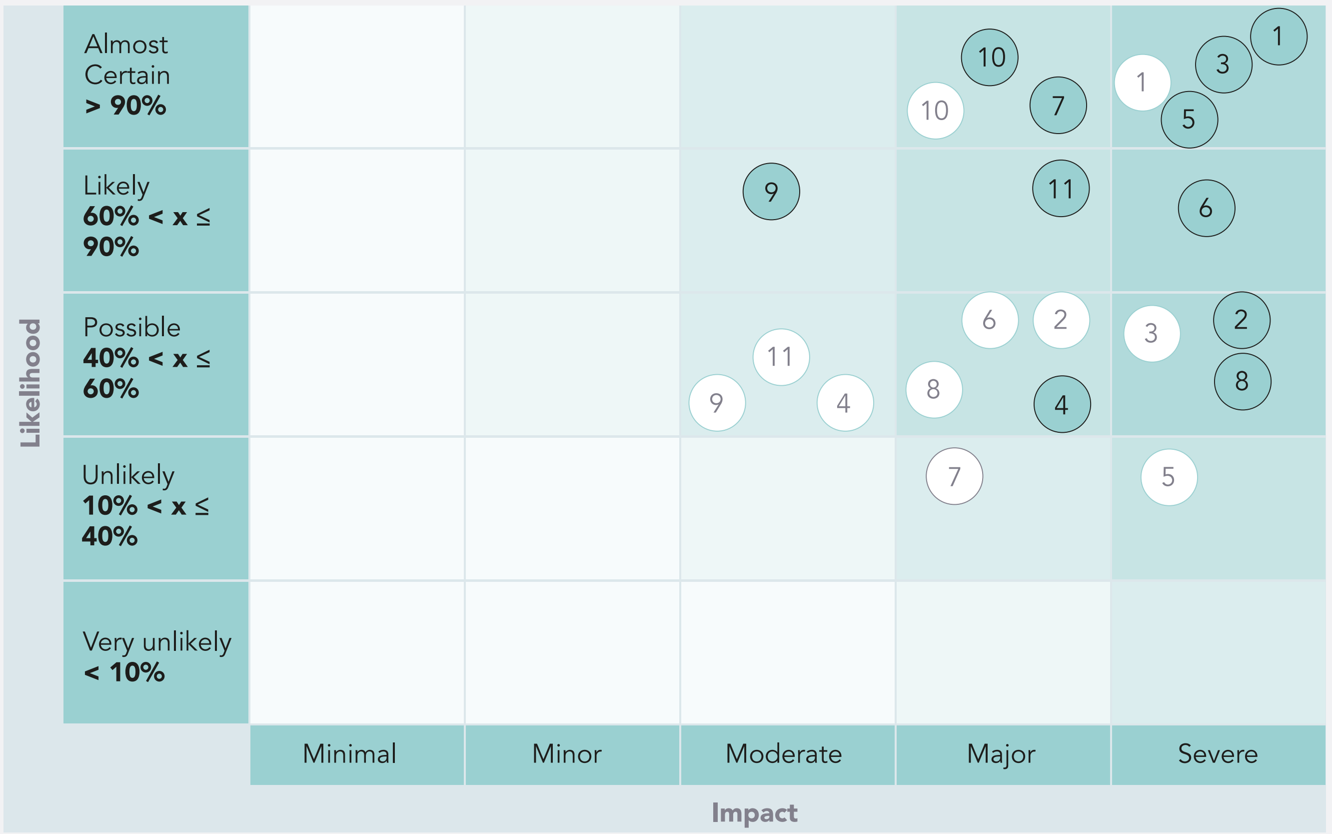
This year we have performed scenario analysis to improve our understanding of the various physical and transition risks we face in respect of climate change as well as any associated opportunities. The analysis considered short, medium and long-term threats under three potential scenarios for average temperature increases which are used to assess the risks and to plan and prioritise any associated mitigating activity.

See our TCFD Report on pages 87 to 89.

With increasing scrutiny on environmental matters from investors, customers and partners, this year we have included a new principal risk regarding stakeholder perception of the Group in respect of ESG matters.

Principal risks and uncertainties

Our residual risk level 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. This risk map shows our assessment of each area of principal risk before and after risk mitigation.



Inherent risk
Residual risk

1 Market dynamics
2 Economic climate
3 Funding and Liquidity
4 Development project delivery
5 Unrestricted cyber attack
6 Data privacy
7 Technology disruption
8 Operational disruption
9 Health, safety and security
10 Talent attraction, engagement and retention
11 ESG – stakeholder perception

The tables below detail 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 underlying functional and subsidiary risk registers into a single view of risk reported to the Board.

Movement from last year

Increased · Reduced · No change · NEW Newly reported

Strategic blocks

1 Core, upper upscale City-Centre Hotels – growth plan and opportunity pipeline
2 Leisure and outdoor hospitality – further expand our offering
3 Hospitality management platform – diversify revenue generation through further opening our expert platform to third parties

Strategic pillars and enablers

4 Diversification of property portfolio
5 Non-dilutive capital approach – flexibility in how we acquire, purchase or develop assets
6 People and culture – entrepreneurial, people-oriented and creator culture to underpin growth agenda
7 Guest satisfaction – memorable and superior guest experiences
8 ESG – meaningful ESG impact for the benefit of all stakeholders
9 Restaurants and bars – destination-led restaurant and bar experience with ambitious growth plans

MARKET AND MACRO-ECONOMIC ENVIRONMENT

Principal risk description

Market dynamics – significant and prolonged decline in global travel and market demand

Further waves of COVID-19 with new variants could continue to impact the hospitality sector and hinder our recovery to pre-pandemic levels of revenue and profitability.

There is likely to be continued uncertainty in demand with continued trends of late bookings and late cancellations, increasing the challenge to forecast accurately and manage costs effectively.

Related strategic blocks, pillars and enablers:

1 2 3 4 9

Risk response and actions for 2022

How we mitigate and respond to this risk

We have demonstrated our ability to adapt quickly to changing market conditions throughout the COVID-19 pandemic by identifying new opportunities for revenue generation and focusing on delivering the highest standards to our guests.

In the year ahead we will continue to monitor closely and anticipate changes in market dynamics to ensure we remain prepared and respond quickly.

We will do the following:
- Maintain an agile approach to revenue management and marketing tactics, adapting quickly to changes in the market.
- Introduce new leisure and domestic focused promotional initiatives and leverage our partnerships for distribution and marketing.
- Price test in line with demand and the wider markets.
- Continue our close collaboration with Radisson Hotel Group and leverage their reach for promotional campaigns.
- Seek opportunities to add new contracted business and consider potential bespoke agreements during times of operational restrictions, e.g. government support, quarantine hotels, NHS contracts, 'bubble' hotels for major events.
- Drive consistent brand standards across all of our properties.
- Monitor and analyse customer feedback to identify issues quickly and improve operations.
- Drive use of our digital and contactless services such as online check-in/check-out, digital key, online food ordering and real-time messaging.
- Maintain team member levels to the appropriate scale for the trading environment and flex our costs based on business levels.
- Continue to secure SGS accreditation for cleanliness and disinfection, supported with our own programme of brand audits across all hotels.

Residual risk

Very high

No change

Our approach to risk management
continued

MARKET AND MACRO-ECONOMIC ENVIRONMENT CONTINUED

Principal risk description	Risk response and actions for 2022	Residual risk
Economic climate – adverse macro-economic conditions The macro-economic environment is expected to remain volatile in 2022, with slowing growth, global supply chain issues, labour shortages, energy price increases, other inflationary pressures and potential interest rate rises. A prolonged period of stress for the global economy could contribute to reduced demand and increased costs, impacting our ability to protect our revenue and profitability. **Related strategic blocks, pillars and enablers:** 3 5 6	**How we mitigate and respond to this risk** Although this external threat remains significant, we have reduced the overall assessment of the risk compared to last year due to several factors including our financial stability and strong cash position, our leaner operating model and our properties holding their value. We have built our resilience to both economic and market forces through the following: – Cash preservation and scenario stress testing. – Profit protection plans (with operational impact assessed). – Budgetary control and frequent forecasting across all regions and property types. – Regular open/closed scenario analysis to support informed decisions during the COVID-19 pandemic. – An adapted business model with more centralised processes to reduce fixed costs where possible. – Benchmarking and verification of market pricing in respect of our supply chain and a policy of sourcing locally where possible. – Process automation and investment in IT to gain efficiencies.	High ↓

FUNDING AND INVESTMENT

Principal risk description	Risk response and actions for 2022	Residual risk
Funding and liquidity – risk of breaching debt covenants, an inability to service existing debt and cash restrictions The ongoing disruption caused by COVID-19 means that funding and liquidity risk will remain a significant risk in the year ahead. The impact of failing to manage this threat proactively would be severe, including an increased risk of cash traps being applied to hotel-specific loans. The cost of debt is likely to be under increasing pressure in the year ahead with economic conditions potentially leading to interest rate rises. **Related strategic blocks, pillars and enablers:** 5	**How we mitigate and respond to this risk** The risk of breaching debt covenants remains very high due to suppressed revenues caused by the ongoing disruption of COVID-19. By maintaining strong relations with our lenders we have continued to mitigate the threat through securing extended debt covenant waivers. We also strengthened our cash position during the year when we entered into a long-term partnership with Clal Insurance in respect of Park Plaza London Riverbank and art'otel London Hoxton. Our key mitigating actions and controls include the following: – Monthly forward covenant testing with sensitivity and stress modelling. – Agreed debt covenant waiver extensions with lenders to 2023. – Robust treasury monitoring and reporting to the Board. – Proactive and regular liaison with our lenders. – Fixed interest rates for the majority of our loans. Our actions and the controls we implement have contained the funding and liquidity risk, but it will remain a priority while the COVID-19 pandemic continues to impact our performance. The speed at which the hospitality sector can return to more normal trading conditions will determine the longevity of this threat to our business.	Very high ↔

FUNDING AND INVESTMENT CONTINUED

Principal risk description	Risk response and actions for 2022	Residual risk
Development project delivery – disruption to projects causing delays or unforeseen cost increases Global supply chain concerns and a challenging labour market driven by both Brexit and the COVID-19 pandemic could result in potential increases in our development project costs or impact the timeline for project delivery. **Related strategic blocks, pillars and enablers:** 1 2 9	**How we mitigate and respond to this risk** Although this remains an area of risk requiring close attention we have reduced the overall assessment to 'Medium' with good progress made in 2021 and pricing largely fixed for key projects. Our senior leadership team oversees the progress of all key development projects, supported by our in-house Technical Services team, by closely monitoring project timelines and costs, holding regular meetings with our key contractors to identify and tackle any approaching issues which could impact the overall cost, targeted delivery schedule or the expected quality standards.	Medium ↓

TECHNOLOGY AND INFORMATION SECURITY

Principal risk description	Risk response and actions for 2022	Residual risk
Cyber threat – undetected / unrestricted cyber security incidents 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. **Related strategic blocks, pillars and enablers:** 3 7	**How we mitigate and respond to this risk** As cyber security incidents such as ransomware attacks continue to be a significant threat, we are focused on strengthening our defences and response mechanisms to provide us with suitable levels of protection. During the year we introduced enhanced security controls, new threat management tools and improved disaster recovery procedures which led to a slight reduction in our overall assessment of this risk. Our mitigating actions include the following: – Implementation of a new threat management solution. – Team member awareness training. – Email protection and end-point protection and detection controls. – Network security systems. – Network Access Control solution. – Virtual Private Network (VPN) connections for securing remote connections to the corporate network. – IT security policies. – Incident response plans. – Third party expert penetration testing. – Phishing security tests. – Identity Access Management tool. – Development of Disaster Recovery procedures and Business Continuity Plans for key applications.	High ↓

Our approach to risk management
continued

TECHNOLOGY AND INFORMATION SECURITY CONTINUED

Principal risk description	Risk response and actions for 2022	Residual risk
Data privacy – risk of data breach The Group could experience a serious data privacy breach which could result in investigation, significant fines in accordance with the GDPR and subsequent reputational damage. **Related strategic blocks, pillars and enablers:** 3 7	**How we mitigate and respond to this risk** Our mitigating controls reduce the likelihood of a large-scale data privacy breach, and our processes ensure any incidents are dealt with in compliance with the GDPR. Our controls include the following: – 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 through our payment systems. – Enhanced technology controls – see Cyber threat risk. – Process improvements to reduce the threat of data fraud.	High
Technology disruption 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. **Related strategic blocks, pillars and enablers:** 3 7	**How we mitigate and respond to this risk** The fast-changing digital landscape and rapid roll out of new technologies within our business during 2021 mean that the risk of disruption from technology failures remains an area of focus. Our controls and actions to reduce our risk exposure and build resilience include the following: – Core technology infrastructure hosted by third party secure data centre. – Set-up of back-up and disaster recovery site for core infrastructure. – Disaster Recovery and Business Continuity Plans for key business applications. – Roll out of converged networks across our hotels.	Medium

SAFETY & CONTINUITY

Principal risk description	Risk response and actions for 2022	Residual risk
Operational disruption We have experienced significant operational disruption during the COVID-19 pandemic. Other global events such as conflict or environmental disasters could also cause significant disruption. We could also experience more localised disruption to our operations from incidents at our hotels or in the immediate vicinity, for example floods, extreme weather, social unrest, conflict, terrorism. **Related strategic blocks, pillars and enablers:** 3 7 9	**How we mitigate and respond to this risk** The volatile nature of the COVID-19 pandemic continues to disrupt operations with increased team member absence, supply chain pressures and government restrictions changing frequently across our regions. Our overall assessment of the risk sees a slight reduction from our most severe categorisation as we have demonstrated an ability to adapt our business operations in response to new challenges, and our properties have continued to operate effectively through the more recent waves of the pandemic. We continue to manage this threat with the following measures: – Hotel crisis plans and crisis communications. – Hotel lockdown procedures. – Business Continuity Plans. – Cost control measures to reduce impact of closures and reduced capacity. – Adapted services 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. – Contingency in place for critical supplies.	High

SAFETY & CONTINUITY CONTINUED

Principal risk description	Risk response and actions for 2022	Residual risk
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. **Related strategic blocks, pillars and enablers:** 3 6 7 9	**How we mitigate and respond to this risk** We do not accept any actions which would increase our risk profile in respect of health, safety and security. With the COVID-19 pandemic ongoing we continue to focus on delivering our enhanced health and safety programmes to provide a safe stay for our guests and a safe working environment for our team members. We actively mitigate and respond to this area of risk through the following: – Regular risk assessments. – Security and fire safety procedures. – Health and safety audit programmes including regular COVID-19 related audits and SGS accreditation for cleanliness and disinfection. – In-house and supplier food safety audit programme. – Team member training programmes. – Incident reporting. – Hotel crisis plans. – 'Reassuring Moments' and 'be bold, be creative, be safe' programmes. – COVID-19 incident protocol and centralised tracking of identified cases. – Mental health and well-being training. – Centralised system for incident reporting. – Proactive gathering of intelligence and advice on potential security risks through regular liaison with local police and security services.	Medium

PEOPLE

Principal risk description	Risk response and actions for 2022	Residual risk
Talent attraction, engagement and retention – challenge of maintaining an engaged and suitably skilled workforce Difficulty in attracting, engaging and retaining team members is a significant matter within the hospitality sector, driven by the impact of both COVID-19 and the reduced availability of labour brought about by Brexit. Tough labour market conditions could drive up costs and potentially disrupt our operational effectiveness. **Related strategic blocks, pillars and enablers:** 3 6 7 9	**How we mitigate and respond to this risk** A challenging labour market is expected to persist in 2022 and will remain an important area of focus. Our proactive approach to mitigate this area of risk includes the following: – Boosting our in-house recruitment team. – Set-up of a new dedicated Hospitality Career Centre (recruitment office) in London. – Employer brand and talent attraction strategy. – Optimising and simplifying the candidate experience. – Social media strategy to increase presence and labour market penetration. – Exploring opportunities to attract skilled workers from international labour markets. – Multi-skilling existing team members to improve the flexibility of our workforce. – Building a central bank of casual workers available to work across London and Amsterdam properties. – Provision of guaranteed hours for certain roles. – Employee engagement initiatives and retention strategy. – Pulse employee surveys to measure engagement and identify and address any areas of concern. – Increased recognition activity. – Talent reviews. – Learning and development strategy with enhanced online learning content. – Mental health and emotional well-being initiatives. – New onboarding experience.	High

Our approach to risk management
continued

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Principal risk description	Risk response and actions for 2022	Residual risk
ESG stakeholder perception – negative perception of the Group with regard to ESG matters Corporate governance and matters of environmental and social responsibility are of significant importance to our stakeholders. Investors and customers prepare detailed information requests on ESG activities, metrics, targets and performance. We are expected to have detailed knowledge of the ESG performance of our supply chain. Customers and employees cite ESG reputation as a driver of behaviour. A perception that the Group does not apply best practice corporate governance principles, does not suitably mitigate both the physical and transitional risks of climate change, or does not act responsibly to protect the environment and the communities we operate in, could impact our performance by damaging our appeal to customers, investors and other business partners. It could also affect our ability to retain and attract talent. **Related strategic blocks, pillars and enablers:** 3 6 7 8	**How we mitigate and respond to this risk** To strengthen our approach to ESG matters and respond to increasing investor focus we have established an ESG Committee to develop, monitor and re-evaluate policies on ESG matters. Our ongoing mitigating activity include the following: – Responsible Business Programme (aligned to Radisson Hotel Group). – Participation in the Radisson Responsible Business Survey. – Externally certified performance against recognised standards, e.g. Green Key. – Climate related risk scenario analysis and reporting (TCFD). – Initiatives to reduce energy consumption in our properties. – Active engagement with investors by CEO, Chair and Senior Independent Director. – Documentation of Governance practices and procedures to ensure compliance with Corporate Governance Code (2018) requirements, or satisfactory explanation thereof. – Deputy Chairman acting as a dedicated workforce representative. – Active monitoring of gender pay gap.	Medium NEW

Viability statement

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 2023 and taking additional £76.8 million of revolving credit facilities, maturing throughout 2023. Furthermore the Group entered into a joint venture transaction on two of its London assets in June 2021, raising £125.8 million additional liquidity.

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

While the vaccine has proven to be effective in reducing the number of hospitalisations and deaths, it is apparent that new strains of the virus continue to hold grip on society and winter restrictions are again reality. The current restrictions are anticipated to be short-term with the western side of the world discussing treating COVID-19 as an endemic illness like the flu. The Group anticipates trading to remain volatile, but it's well-placed to handle short-lead bounce backs of demand. Over the last year the Group's hotels have proven to be excellently positioned to benefit from a recovery, with the majority of its hotels being located in desirable city hubs.

The Group will continue to adapt to market conditions to preserve cash and protect the Group's long-term growth prospects.

Ongoing government restrictions currently provide high volatility to the Group's results and therefore significantly impact estimates and long-term growth planning. As such the Group's annual business planning process has been amended for the coming year where trading has been forecast on a bottom-up basis, with high level assumptions on the easing of government measures, stopping government support in some regions 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 trading 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 2024 which are constructed on a base case and a downside case basis. The base case assumes a recovery in 2022 with EBITDA levels at approximately 50% of 2019, the 2023 EBITDA at 70% of 2019 and returning to 2019 EBITDA levels in 2024. The downside case assumes EBITDA for 2022 at 25% of 2019, the 2023 EBITDA at 50% of 2019 and returning to 2019 EBITDA levels in 2024.

Detailed consideration of various third party market predictions were taken into account by the Directors in determining the assumptions used in each scenario. 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 will be under control and normal trading will commence.

The downside case requires a further extension of covenant waivers.
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 be more severe and give rise to further government lockdowns, the Group's viability will depend on its access to additional liquidity. The joint venture transaction in the past year, whereby the Group raised £125.8 million, shows the ability of the Group to raise large amounts of cash using its balance sheet.

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 2024 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 2024.

Key performance indicators: Measuring our progress

FINANCIAL KPIs

Total revenue £m

2021	141.4
2020	101.8
2019	357.7
2018	341.5
2017	325.1

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

Revenue showed a recovery and increased by 38.9% compared to 2020 due to the reopening of most of the hotels and the uplift of the travel restrictions in the second half of the year. Revenue in 2021 represents 39.5% of the levels reported in 2019.

EBITDAR £m

2021	27.6
2020	(9.1)
2019	124.6
2018	120.7
2017	116.0

KPI definition

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

Comment

EBITDAR which recovered to £27.6 million was mainly generated in the second half of 2021 due to the uplift of the travel restrictions. Operating expenses increased due to the inflation pressure and shortage of workforce however this increase was partially offset by the utilisation of the available Government support schemes throughout the regions.

EBITDA £m

2021	25.1
2020	(10.1)
2019	122.9
2018	113.2
2017	107.3

KPI definition

Earnings before interest, tax, depreciation and amortisation.

Comment

EBITDA which recovered to £25.1 million was mainly generated in the second half of 2021 due to the uplift of the travel restrictions. Operating expenses increased due to the inflation pressure and shortage of workforce however this increase was partially offset by the utilisation of the available Government support schemes throughout the regions.

Normalised profit before tax £m

2021	(47.5)
2020	(89.8)
2019	40.7
2018	37.7
2017	32.1

KPI definition

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

Comment

Normalised profit before tax which improved to a loss of £47.5 million was positively affected by the increase in EBITDA and the decrease in finance costs mainly due to rent waivers received in the period and foreign exchange differences.

Reported earnings per share Pence

2021	(123)
2020	(192)
2019	80
2018	90
2017	57

KPI definition

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

Comment

Reported earnings per share improved to a loss of £1.23 per share in line with the change in profit.

OPERATING KPIs

Occupancy %

2021	30.7
2020	28.0
2019	80.6
2018	79.4
2017	77.3

KPI definition

Total rooms occupied divided by the available rooms.

Comment

Occupancy which was severely impacted by travel restrictions increased by 270 bps year-on-year. The increase in occupancy was notable in the UK and Croaria regions however it decreased in the Netherlands and Germany regions.

Average room rate %

2021	117.0
2020	105.1
2019	128.5
2018	123.1
2017	120.2

KPI definition

Total room revenue divided by the number of rooms sold.

Comment

Average room rate increased by 11.4% and represents 91.1% of 2019 levels. Average room rate increase was notable across all of our operating regions with the exception of Germany.

RevPAR

2021	35.9
2020	29.4
2019	103.6
2018	97.7
2017	92.9

KPI definition

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

Comment

RevPAR increased by 22.1%, in line with the increase in ADR and occupancy.

Employee engagement %

Introduction of pulse surveys	
2020 No surveys conducted	
2019	84.4
2018	83.6
2017	85.4

KPI definition

Previously measured through annual engagement surveys, team members were encouraged to share feedback about the Company, their jobs, their team and their manager. Notwithstanding the high scores achieved, we will be changing our measurements to be more regular and topical in the form of pulse surveys.

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. During 2021, we have trialled several pulse surveys in the UK and The Netherlands and will be implementing this approach across all operating regions during 2022. From 2022 onwards we will be reporting this new metric. In addition, in the UK many of our team members participated in surveys from The Caterer, the UK's leading hospitality media platform, which contributed to the Group being recognised as the 'Best Employer in Hospitality'.

Guest rating score %

2021	85.5
2020 Data not indicative	
2019	83.6
2018	85.4

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 Guest 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. Notwithstanding the lockdown periods, restrictions on travel and various government measures in place, we have continued to deliver a strong guest rating score finishing the year with an 85.5 rating.

PROPERTY KPIs

EPRA NRV per share £

2021	22.15
2020	22.08
2019	25.93
2018	24.57*
2010	6.42*

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

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 increased by 0.3% was positively affected by the increase in the revaluation of the properties in operation due to the recovery in the 'business' that was noted in 2021, however it was negatively affected by the loss attributed to shareholder for the year and foreign exchange differences

Adjusted EPRA EPS Pence

2021	(44)
2020	(123)
2019	128
2018	115
2017	104
2010	97

KPI definition

Shareholders' earnings from operational activities with the Company's specific adjustments. The main adjustments includes removal of unusual or onetime influences and 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 per share improved to a loss of 44 pence per share in line with normalised profit before tax.

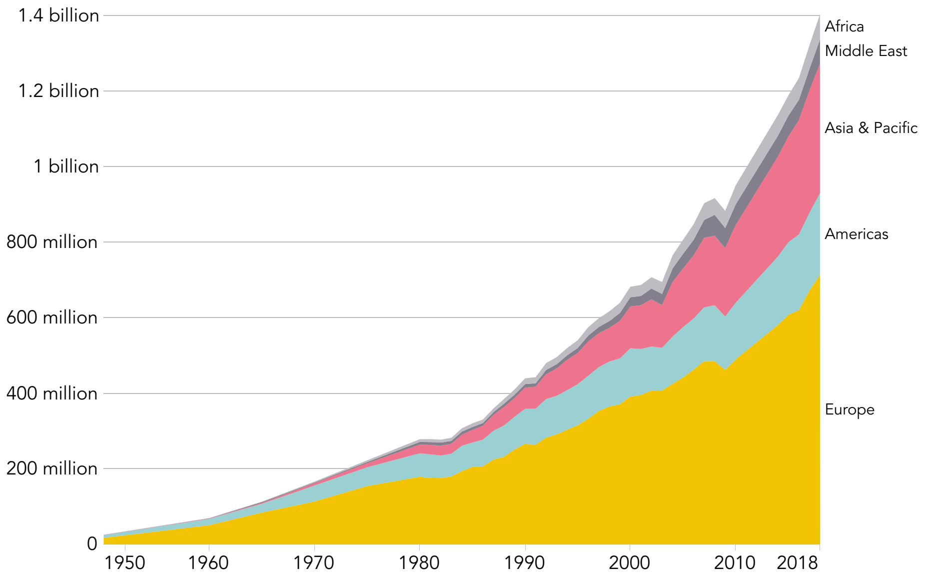
The traveller in 2022

The strong appeal of the European travel market

Notwithstanding the turbulent past two years, we strongly believe in the underlying strength of the European travel market. Prior to COVID-19, European international travel has, apart from some macro-economic glitches, consistently grown since the 1950s.

While there are an increasing number of companies and countries committing to carbon footprint reductions, globalisation is expected to continue and we expect the European travel market to remain strong post COVID-19. Europe represents the greatest inbound tourism market accounting for approximately 50% of all international travel worldwide.

INTERNATIONAL TOURIST ARRIVALS PER YEAR BY REGION



Source: United Nations World Tourism Organization World Tourism Barometer (2019)

ourworldindata.org/tourism

EUROPEAN HOTEL MARKET
WORLD'S STRONGEST INTERNATIONAL HOTEL MARKET

2019 European international tourist arrivals[1]

742.3m

(2010: 487m)

The most visited region:

50.9%

of international arrivals

The biggest region for tourism spend:

€483bn

of international receipts

Strong demand drivers with growing market forecasts

1 UNWTO, January 2020

The changing face of travel and how we adjusted

Throughout history, guest expectations and behaviour have changed consistently, and the past two years during the pandemic have not been an exception. Guests now favour flexibility over lower prices, cleanliness and hygiene have taken centre stage, customers have embraced local and domestic travel and digitisation and automation have progressed substantially.

As owner/operators, we have taken a very proactive stance towards adjusting our offering accordingly accelerating investments in technology and continuously reviewing guest feedback and sentiment.

New target audiences and evolving offerings

The domestic markets were always strong for us in Germany and in the UK but were even more prevalent during the pandemic. For our smaller operating markets, such as The Netherlands and Croatia, neighbouring markets and destinations within driving distance became much more important. As a result, we changed our focus accordingly adjusting our marketing activities, partnering with locally relevant third parties and localising our offering and messaging.

Some of our hotels which usually focus on corporate travellers were now targeting leisure travellers and families, adjusting their services, amenities and messaging to capture prospective customers.

For our meetings and events hotels we introduced hybrid meetings and offered planners flexible booking conditions. In addition, in collaboration with Radisson Hotel Group, we offer carbon neutral meetings.

Operational changes were frequent and in line with changes in government measures, while protecting the guest experience. Our teams have been fully trained in our robust health and safety standards, which were created in partnership with expert consultants, Radisson Hotel Group and accredited by SGS.

Several years ago, we decided to invest in our own housekeeping team (accommodation services) instead of continuing to use third party agencies for these services which is pretty much the norm in the London hospitality market.

It was a bold decision which has proven to be of great benefit during the recovery phase. Our team has shown great flexibility and have worked relentlessly to cope with the returning demand.

Several of our restaurants and bars now offer our guests the opportunity to order online and enjoy our food at their home, through delivery options or collection. These initiatives proved particularly popular during lockdown and to celebrate special occasions.

Listening to our guests' needs

In the second year of the pandemic retaining flexibility and being able to change or cancel reservations was still important for our customers. We have therefore retained very flexible booking conditions for our guests and event planners throughout the period. In addition, recognising the macro uncertainty, Radisson Rewards members have seen their loyalty status extended.

We have further centralised our customer service focused teams, including reservations, customer service and customer experience. We have invested, and are continuing to invest, in robust technology systems which make interactions with our customers easy and frictionless while we also collect valuable insights based on which we can further improve the guest experience.

Digitalisation and automation

A significant change we have seen is the acceleration of digital services in hospitality which we have fully embraced and we have implemented many initiatives across our Group. Our guests now have the choice to completely self-manage and personalise their stay, by using our Apps for online check-in and check-out, using their mobile phone as a digital key, ordering room service online, making swimming pool reservations or asking for that extra pillow through the real-time messaging options we offer such as WhatsApp and chat.

Environmental, social and governance

There are plentiful industry reports on the growing importance of sustainability in the travel and tourism industry for customers and other stakeholders. Having a defined framework of ESG targets enables us to communicate our ambitions and progress made to all stakeholder groups. We also note that the main booking channels and distribution partners are adding ESG criteria into their decision-making process for customers to select and more and more corporate travel agreements have ESG mandates. We closely work with regional and international organisations, from local councils (for property developments), to Tourists Boards, accreditation schemes, Radisson Hotel Group and other stakeholder groups. For our ESG strategy and progress, please refer to pages 74 to 89.

Award-winning hospitality management platform

Our business model consists of value creation through ownership and development of hospitality real estate as well as through our hospitality management platform.

Our expert team of passionate hospitality professionals located in London, Amsterdam, Berlin and Pula, collectively manages 48 properties across eight countries. This central team also drives the preopening activities for the properties in our pipeline.

Properties under the team's management range from premium lifestyle hotels to upper upscale and upscale hotels, conference hotels, airport hotels, resort hotels, self-catering apartments, campsites, glamping and destination restaurants and bars.

Every expertise required to successfully develop, operate and commercialise hospitality properties is offered by our support platform. Included in our services is the ability to provide access to our brands as well as those from strategic partners, such as Radisson Hotel Group, which with its Jin Jiang ownership ranks as the world's second largest hotel group.

The multi-billion property portfolio managed by our team is either owned by PPHE Hotel Group, owned or part-owned by third parties or leased from institutional investors. Asset management and relationship management with owners is core to our strategy and we are a trusted fiduciary partner for multiple joint ventures with global institutional capital partners.

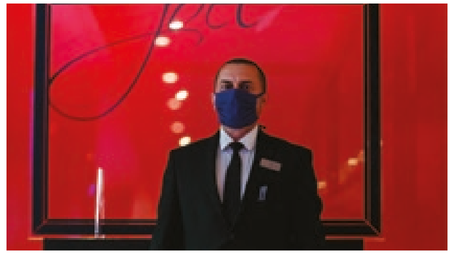
Our hospitality management platform allows for further growth of the portfolio and the Group aims to leverage its scale and grow the external offering in a 'plug and play' manner.

We are expert operators who understand owners' needs and have a strong 30-year track record of delivering outstanding results – from financial returns for owners, to high ratings for employee engagement and excellent guest satisfaction scores and online reviews.

Services we typically provide to owners include the following:

- Access to brands
- Day-to-day operations
- Asset management and optimisation
- Technical services and renovations
- Legal and administrative support
- People, learning and culture programmes and initiatives
- Guest experience management and customer service
- Brand standards and concept development
- Commercial services, including distribution, sales and PR and marketing
- Revenue management, analytics and digital marketing
- Technology solutions, including contactless services

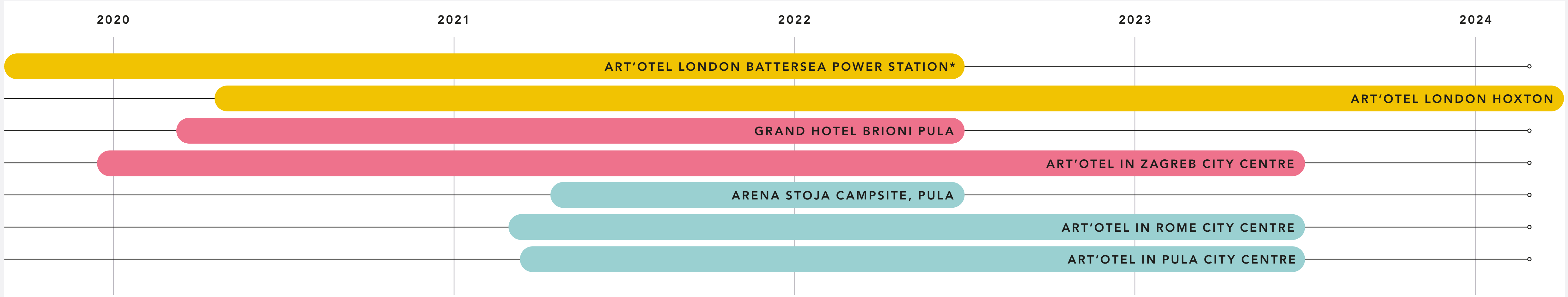
Our team's work is recognised internationally in the form of awards and in 2019–2020 we were awarded 'Best Large Hotel Group' by the AA in the UK and in 2021 we won the prestigious 'Best Employer in Hospitality' award from The Caterer, the UK's leading hospitality media brand. Further recognition in the year went to some of our star team members, including our Executive Chef Oliver Ruiz at Park Plaza Westminster Bridge London who was voted 'Best Chef of the Year' (>250 covers) by The Caterer and Daniel Pedreschi, VP Operations UK, won 'Hotelier of the Year', also from The Caterer. Inbar Zilberman, our Chief Corporate & Legal Officer, was featured in 'Women to Watch and Role Models for Inclusion in Hospitality'. However, for us, all our team members deserve praise and recognition for their outstanding performance during the year.



Our pipeline

Our exciting £200+ million pipeline is filled with potential and ranges from high profile ground-up development projects to conversions, and from land sites to existing hotels with repositioning potential.

Additional repositioning projects are under review in Berlin, Cologne and Budapest.



* art'otel London Battersea Power Station is owned by the Battersea Power Station Development Company and will be operated by the Group under a management agreement, generating fee-based income.

PROPERTY CONSTRUCTION — PROPERTY CONVERSION — PROPERTY REPOSITIONING

ART'OTEL LONDON BATTERSEA POWER STATION, UK

LONDON

Entering its final stage of construction, art'otel London Battersea Power Station represents the first art'otel opening in the UK's capital. Part of the Battersea Power Station redevelopment scheme, this iconic premium lifestyle hotel will offer 164 rooms, an art gallery, cultural programming, rooftop garden with swimming pool and destination restaurant and bar.

Total rooms
164

ART'OTEL LONDON HOXTON, UK

LONDON

Our largest current construction project, expected to be completed in H1 2024. Occupying a prime location in Hoxton, this 27-storey mixed-use scheme will include a premium lifestyle art'otel with 343 rooms (including 60 suites), an art gallery, two original Banksy artwork pieces, destination restaurants, a bar, leisure facilities, events space and 5,900m² of office space.

Total rooms
343

LONDON PIPELINE, UK

LONDON

The Group has applied for planning to develop a mixed-use scheme consisting of a 186-room hotel and 750m² of office space. This development site is located near the Group's Park Plaza London Waterloo property. In addition, the Group has planning to develop a 465-room hotel on the site adjacent to its Park Plaza London Park Royal property for which it is designing plans.

Total rooms
651

GRAND HOTEL BRIONI PULA, CROATIA

PULA

Following two years of extensive redevelopment, Grand Hotel Brioni is set to reopen. The spectacularly located hotel has been transformed into a premium resort, consisting of 227 rooms and suites, an infinity outdoor pool, indoor swimming pool, several restaurants and bars and a children's club.

Total rooms
227

ART'OTEL IN ZAGREB, CROATIA

ZAGREB

Marking the Group's debut in the Croatian capital, construction work has commenced to convert a former office building into a 118-room premium lifestyle art'otel. Located in the city centre, this hotel will offer an art gallery, a rooftop pool, destination restaurant, bar and leisure facilities.

Total rooms
118

ARENA STOJA CAMPSITE PULA, CROATIA

PULA

Located on a peninsula, offering 360° views of the Adriatic, Arena Stoja Campsite will be transformed into an upper upscale property with a choice of premium mobile homes and glamping lodges. Guests will benefit from a newly created on-site restaurant, bar and espressamente illy.

Total units
75

ART'OTEL IN ROME, ITALY

ROME

Marking the Group's entry into Italy, the historic Londra & Cargill hotel in the centre of Rome will be transformed into the Group's first art'otel in Italy. Following repositioning, this hotel will offer 101 rooms, an art gallery, a destination restaurant and bar, leisure facilities and parking.

Total rooms
101

ART'OTEL IN PULA, CROATIA

PULA

Located in the centre of Pula, with its rich Roman-era history, this hotel is near the marina and close to the Roman amphitheatre. Following extensive transformation, this art'otel will offer 80 rooms, an art gallery, a rooftop garden with pool, a destination restaurant and bar and leisure facilities.

Total rooms
80

Financial review

Daniel Kos
Chief Financial Officer
& Executive Director

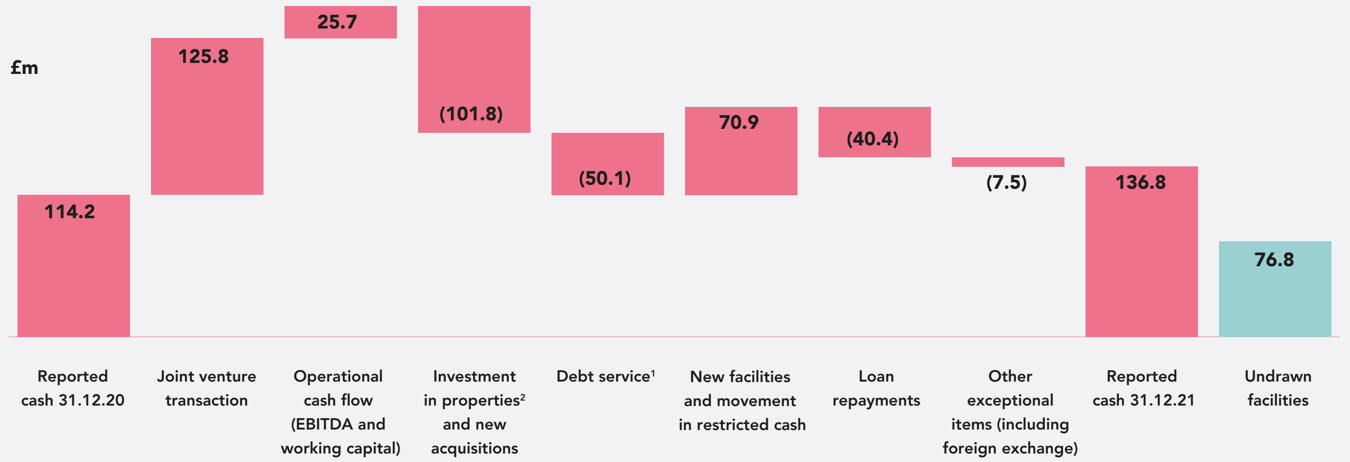
Pipeline growth and a solid financial position

FINANCIAL RESULTS

Key financial statistics for the financial year ended 31 December 2021.

	Year ended 31 December 2021	Year ended 31 December 2020
Total revenue	**£141.4 million**	£101.8 million
Room revenue	**£84.4 million**	£63.6 million
EBITDAR	**£27.6 million**	£(9.1) million
EBITDA	**£25.1 million**	£(10.1) million
EBITDA margin	**17.7%**	(9.9)%
Reported PBT	**£(57.6) million**	£(94.7) million
Normalised PBT	**£(47.5) million**	£(89.8) million
Reported EPS	**(123)p**	(192)p
Occupancy	**30.7%**	28.0%
Average room rate	**£117.0**	£105.1
RevPAR	**£35.9**	£29.4
EPRA NRV per share	**£22.15**	£22.08
Adjusted EPRA earnings per share	**(44)p**	(123)p

YEAR-ON-YEAR CASH FLOW



1 Including leases and unit holders in Park Plaza Westminster Bridge London
2 £8 million reflects regular CAPEX

Overview of 2021

For the second consecutive year the Group's financial performance was severely impacted by the COVID-19 pandemic. The first half of the year was dominated with lockdowns and travel restrictions in all of our operating regions, however trading bounced back quickly in the second half-year due to pent-up leisure demand. A strong leisure season caused our Croatian region to reach 93% of its 2019 revenues in the third quarter of 2021.

Although this was the second time the Group faced severe lockdown and travel restrictions, reopening the hotels after this period has proved more challenging than in 2020. Our significantly reduced workforce at reopening, paired with a challenging labour market, caused staff shortages in all our operating regions. Thanks to the dedication and hard work of our staff we were able to cope with the demand fluctuations throughout the last six months of the year. However, as a consequence of these shortages we are faced with increased wage inflation in all our operating regions.

Despite inflationary pressures, the Group continued to take a highly disciplined approach to expenditure with a large focus on further automation and centralisation of back office functions. Furthermore demand growth throughout the second half of the year showed to have a positive drive to our average room rates, which in some properties were starting to exceed 2019 levels.

During the year we entered into a significant joint venture transaction, whereby we divested 49% of two of our London assets to Clal Insurance. With this transaction the Group was able to raise £125.8 million, retaining a long-term management contract and control over the assets. The transaction was largely done at the latest reported NRV of the Group. The proceeds are earmarked to pursue new growth opportunities.

Throughout last year we have been active on growing and progressing our pipeline, with the acquisition of two new hotels in Italy and Austria, the start of the redevelopment of a new hotel in Zagreb, and we are entering the completion stages of a two-year redevelopment of Grand Hotel Brioni in Pula (Croatia).

With current trading impacted again by new government restrictions, at the end of the year the Group's hotels returned to reduced occupancy levels, albeit higher than those experienced in the previous lockdowns of the pandemic.

Operational Performance

Revenue

The first six months of the year were dominated by world-wide lockdowns, amid a vaccine roll out programme. The Group's occupancy levels reached a record low in Q1 given these lockdowns and limited essential worker stays. From May onwards restrictions were progressively eased across our operating markets and demand started to build up during the summer months.
The Group was fortunate to secure an exclusive agreement for Park Plaza Westminster Bridge London to act as official player hotel for the 2021 Wimbledon Championships; furthermore the Group secured a contract to operate two hotels exclusively as part of the UK Government's hotel quarantine programme. These three exclusive contracts provided the UK with contracted business coming out of a lockdown period, enabling the Group to build up a revenue base.

Financial review
continued

Trading in Q3 benefited from pent-up demand after months of travel restrictions, particularly in Croatia, where revenue reached 93% of its 2019 levels in Q3. However, from late autumn demand and consumer sentiment was again affected by increased infection rates and enhanced government measures imposed across Europe to tackle the spread of the virus, followed by further strict government restrictions.

After a period of two years trading in a pandemic, with multiple periods of trading under strict lockdowns or travel restrictions, the Group has significant learnings from booking cycles and trading patterns. Coming out of a period of government-restriction period, we notice a less severe impact to our occupancy compared to other lockdown periods and a quicker reverse of the downward booking trends seen after these restrictions were made.

Reported total revenue for the financial year increased by 38.9% to £141.4 million (2020: £101.8 million). Revenue recovered to 39.5% of 2019 levels (2019: £357.7 million) RevPAR was £35.9, up 22.1% (2020: £29.4), and at 34.6% of 2019 levels. Average room rate increased by 11.4% to £117.0 (2020: £105.1) and was at 91.1% of 2019 levels. Occupancy improved to 30.7% (2020: 28.0%), reflecting our focus on room rates. Predominantly the summer season in Croatia and the Q4 in the UK showed a rate profile exceeding 2019 on many occasions.

EBITDA, profit and earnings per share
The Group Reported EBITDA is £25.1 million (2020: £(10.1) million), of which £(14.0) million relates to the first six months of 2021 and £39.1 million to the last six months of 2021.

Due to the different periods of lockdown, comparing trading periods is increasingly difficult, however the Group believes its third quarter of 2021 was the least distorted trading-wise in terms of government restrictions, with an EBITDA of £33.7 million. This shows a 38.0% decline when compared to the 'COVID-free' 2019 trading period, when the Group delivered a £54.4 million EBITDA in Q3.

The hospitality industry is currently experiencing a challenging labour market as many hospitality workers have left the industry during the second period of lockdowns in early in 2021, causing staff shortages in all our operating regions. Besides this, many European hospitality workers have left the UK during the pandemic, not being able to return due to a change in immigration rules, which adds to the already limited pool of available people. These staff shortages are causing inflationary pressures in payroll cost across all operating regions. The Group is mitigating these inflationary pressures with the implementation of automation, process improvement and centralisation of back office functions.

Similar to 2020, the Group continued to access government support and grants during periods where government restrictions were imposed and materially impacted the Group's normal trading. These support schemes helped to manage the fixed costs within the business during a period of severe revenue decline. In total, the Group received £29.7 million (2020: £34.1 million) of financial support in the year.

Normalised profit before tax improved to £(47.5) million (2020: £(89.8) million). Reported profit before tax improved by £37.1 million to £(57.6) million (2020: £(94.7) million). Below is a reconciliation table from reported to normalised profit.

In £ millions	12 months ended 31 December 2021	12 months ended 31 December 2020
Reported (loss) profit before tax	**(57.6)**	(94.7)
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	**0.5**	–
Fair value adjustment on income swaps with private investors of Income Units in Park Plaza Westminster Bridge London	–	0.3
Settlement of legal claim	**3.1**	–
Results from marketable securities	–	(0.1)
Revaluation of finance lease	**3.6**	3.4
Revaluation of Park Plaza County Hall London Income Units	**(0.6)**	2.4
Preopening expenses	**0.3**	0.6
Capital (profit) loss on disposal of fixed assets	**(1.0)**	1.5
Impairment of property, plant and equipment and right-of-use assets	**4.4**	5.3
Business combination acquisition costs	**1.0**	–
Loan prepayment break costs	**0.5**	–
Revaluation of share appreciation rights	**(1.7)**	–
Normalised (loss) profit before tax	**(47.5)**	(89.8)

Reported basic/diluted earnings per share for the period were (123) pence (2020: (192) pence).

Depreciation excluding impairment in the year was £38.9 million (2020: £41.3 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 on page 52 is calculated using the 4% rate instead of the reported non-cash depreciation charge.

CAPEX, acquisitions and pipeline update
While the pandemic continued to cause operational disruption, we remained focused on implementing our strategy, progressing our development pipeline, and expanding our footprint into new, highly attractive markets.

We progressed planned development projects, which include a new build hotel in Shoreditch, London (art'otel London Hoxton), a repositioning of a hotel on the Croatian coast (Grand Hotel Brioni) and an office to the hotel conversion in the city centre of Zagreb.

In our flagship art'otel London Hoxton development, the building's core is now reaching the 17th floor of the total 27 floors. After expected completion in early 2024, this mixed-use development will have 343 large hotel rooms, 5,900m² of office space, a spa, gym, pool and multiple food and beverage outlets, including a stunning rooftop bar.

The two-year HRK 260 million (£30 million) repositioning of Grand Hotel Brioni Pula in Croatia is nearing its completion and expected to open before the 2022 season. This luxury hotel features 227 rooms and is located at a spectacular location on the Verudela peninsula.

In Zagreb, interior demolition has started and works are underway to convert this former office into a 118-room luxury hotel in the city centre. This hotel will feature a rooftop pool that overlooks the entire city.

Throughout the year the Group also succeeded in acquiring two new hotels. One hotel is located in Nassfeld, Austria. This 4-star mountain resort includes 144 rooms and is located directly next to the ski lifts of the Nassfeld ski area, featuring 110 kilometres of slopes and excellent summer sports facilities. The hotel was acquired for £12.8 million and complements the Group's leisure and outdoor segment. The resort is closely located to the Group's operations in Croatia and its seasonal operations will complement each other.

The Group furthermore acquired a 4-star hotel in Rome. This hotel, acquired for £28.3 million, has 101 rooms and is located in a prime central location in the city. The Group is planning a significant repositioning of the hotel to an upper upscale lifestyle offering, with opening expected in 2023.

	Summary of EPRA Performance indicators			
	Year ended 31 December 2021		Year ended 31 December 2020	
	£ million	Per Share	£ million	Per Share
EPRA NRV (Net Reinstatement Value)	951.2	£22.15	960.8	£22.08
EPRA NTA (Net Tangible Assets)	919.7	£21.42	924.4	£21.24
EPRA NDV (Net Disposal Value)	857.5	£19.97	830.5	£19.08
EPRA earnings	(17.5)	(41)p	(40.6)	(96)p
Adjusted EPRA earnings	(18.8)	(44)p	(52.1)	(123)p

Together the above developments total a £200+ million plus active development pipeline of hotels in development or repositioning. Our owner/operator model enables us to have full control over the timing of the completion of this pipeline. Considering the challenging market conditions, the Group took the decision in summer 2020 to pause its project in New York until further notice.

Real estate performance valuations
As a developer, owner and operator of hotels, resorts and campsites, the Group has a real estate driven business model. Returns are generated by both developing the assets we own and operating our properties to their full potential, thus driving increased value for all stakeholders. 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.

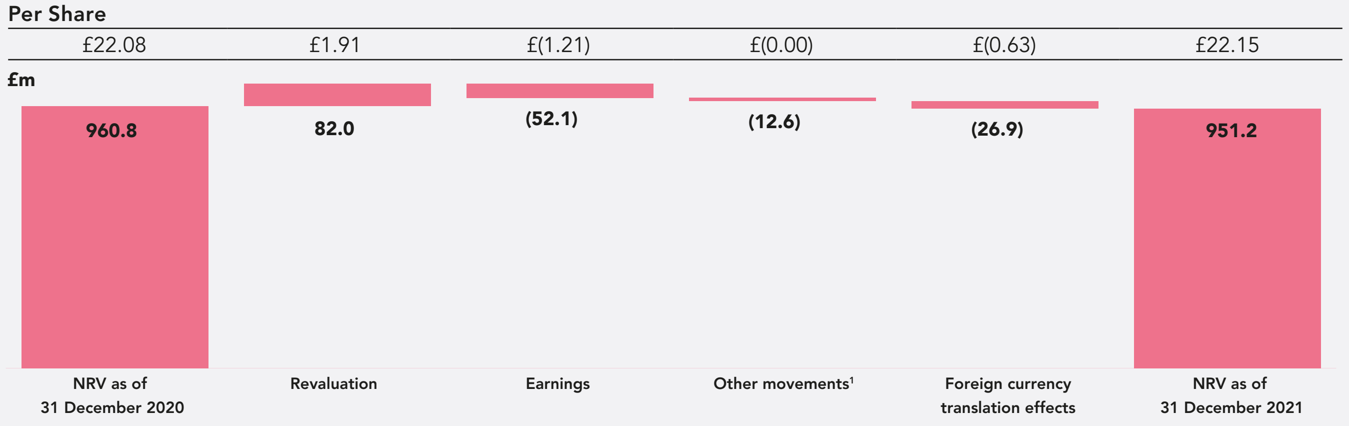
Financial review
continued

In December 2021, 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 2021, set out in the table below, amounts to £951.2 million, which equates to £22.15 per share. The EPRA NRV was negatively impacted by the loss in the year of £52.1 million and positively impacted by a revaluation of £82.0 million. The positive revaluation follows an improved forward looking cash flow profile, with the expectation that the worst period of trading is in the past. In its cash flow forecast, the independent valuer assumes trading will be largely in line with 2019 in the year 2024. Discount and caprates used increased slightly in some instances, reflecting a higher inflationary environment and added risk profile due to the ongoing pandemic.

In the summer of 2021 the Group completed a joint venture transaction with Clal Insurance, divesting a non-controlling 49% stake in two hotels in London. This transaction largely reflects the values that had been included in the Group's EPRA NRV as per 31 December 2020 and reconfirmed the externally valued NRV.

REAL ESTATE PERFORMANCE



1 Includes other changes in equity, deferred taxes, and the effects of the exercise of options. The per share movement also includes the dilution effect as a result of options exercise.

The basis for calculating the Company's EPRA NRV for 31 December 2021 is set out in the table below:

	31 December 2021 £ million		
	EPRA NRV (Net Reinstatement Value)	EPRA NTA[4] (Net Tangible Assets)	EPRA NDV (Net Disposal Value)
NAV per the financial statements	278.5	278.5	278.5
Effect of exercise of options	6.2	6.2	6.2
Diluted NAV, after the exercise of options[1]	284.7	284.7	284.7
Includes:			
Revaluation of owned properties in operation (net of non-controlling interest)[2]	636.1	636.1	636.1
Revaluation of the JV interest held in two German properties (net of non-controlling interest)	3.4	3.4	3.4
Fair value of fixed interest rate debt	–	–	(53.7)
Deferred tax on revaluation of properties	–	–	(13.0)
Real estate transfer tax[3]	17.2	–	–
Excludes:			
Fair value of financial instruments	(0.4)	(0.4)	–
Deferred tax	(9.4)	(9.4)	–
Intangibles as per the IFRS balance sheet	–	14.3	–
NRV/NTA/NDV	951.2	919.7	857.5
Fully diluted number of shares (in thousands)[1]	42,935	42,935	42,935
NRV/NTA/NDV per share (in £)	22.15	21.42	19.97

1 The fully diluted number of shares excludes treasury shares but includes 585,867 outstanding dilutive options (as at 31 December 2020: 1,196,996).
2 The fair values of the properties were determined on the basis of independent external valuations prepared in December 2021. 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.

Financial review
continued

	31 December 2020 £ million		
	EPRA NRV (Net Reinstatement Value)	EPRA NTA[4] (Net Tangible Assets)	EPRA NDV (Net Disposal Value)
NAV per the financial statements	309.6	309.6	309.6
Effect of exercise of options	13.2	13.2	13.2
Diluted NAV, 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/NTA/NDV	960.8	924.4	830.5
Fully diluted number of shares (in thousands)[1]	43,521	43,521	43,521
NRV/NTA/NDV 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.

Below is a summary of the valuation basis of our assets as at 31 December 2021. 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	901.9	7.5% – 9.0%	5.0% – 6.5%
Provinces	2	29.9	9.8% – 10.0%	7.3% – 7.5%
The Netherlands				
Amsterdam	4	238.5	8.0% – 9.8%	5.5% – 7.3%
Provinces	2	35.9	9.8% – 9.8%	7.3% – 7.3%
Germany	3	87.2	8.5% – 9.3%	6.0% – 6.8%
Croatia				
Hotels and apartments	10	139.7	9.0% – 10.0%	7.0% – 8.0%
Campsites	8	113.4	9.0% – 11.0%	7.0% – 9.0%
Others	3	50.4	6.3% – 9.5%	5.0% – 9.0%

Cash flow and EPRA earnings

2021 is the second consecutive year the Group's trading is heavily affected by the pandemic. Although the valuations reflect a forward outlook and expected recovery of the industry, the reported cash flow and earnings look backwards. The Group reported adjusted EPRA earnings of £(18.8) million (2020: £(52.1) million) and adjusted EPRA earnings per share of (44) pence (2020: (123) pence). These negative earnings are in sharp contrast to the Groups' 2019 EPRA earnings of 128 pence per share). In their valuations, valuators assess a return to 2019 trading in 2024.

Group's quarterly cash flow for 2021

	£ million				
	Q1	Q2	Q3	Q4	Total
Operational cash flow (EBITDA and working capital)	(8.2)	3.0	31.7	(0.8)	25.7
Investment in properties and new acquisitions	(10.6)	(17.5)	(16.2)	(57.5)	(101.8)
Debt service[3]	(9.1)	(11.5)	(11.5)	(18.0)	(50.1)
New facilities and movement in restricted cash	16.4	18.3	8.1	28.1	70.9
Loan repayments	–	(40.4)	–	–	(40.4)
Joint venture transaction[2]	–	125.8	–	–	125.8
Other exceptional items (including FX)	(2.8)	0.3	(4.5)	(0.5)	(7.5)
Total cash movement	(14.3)	78.0	7.6	(48.7)	22.6
Cash and cash equivalents at beginning of period	114.2	99.9	177.9	185.5	114.2
Cash and cash equivalents at end of period	99.9	177.9	185.5	136.8	136.8
Undrawn facilities at end of period[1]	69.0	60.0	77.2	76.8	76.8

1 The amount of undrawn facilities as at 31 December 2021 and 30 September 2021 comprise of the £40 million undrawn amount under the CLBILS facility and the £20 million undrawn amount under the Park Plaza London Waterloo facility and €20 million undrawn amount under the working capital facility entered by Arena on 20 September 2021. The amount of undrawn facilities as at 30 June 2021 comprise of the £40 million undrawn amount under the CLBILS facility and the £20 million undrawn amount under the Park Plaza London Waterloo facility. The amount of undrawn facilities as at 31 March 2021 comprise of £17.0 million undrawn amount under the CLBILS facility, £14.8 million undrawn amount under the Park Plaza London Waterloo facility and access to £37.2 million undrawn amount under the art'otel london hoxton facility which was cancelled due to the Group entering into a joint venture with Clal.
2 Comprise of the £113.7 million cash received as part of entering into a long-term partnership with Clal, including the further cash injection of £12.1 million to fund the remaining equity commitments of the art'otel london hoxton development project.
3 Including leases, unit holders in Park Plaza Westminster Bridge London.

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Financial review
continued

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 2021 adjusted EPRA earnings is set out in the table below:

Reconciliation of reported earnings to adjusted EPRA earnings

	12 months ended 31 December 2021 £ million	12 months ended 31 December 2020 £ million
Earnings attributed to equity holders of the parent company	**(52.1)**	(81.7)
Depreciation and amortisation expenses	**43.3**	46.6
Revaluation of Park Plaza County Hall London Income Units	**(0.6)**	2.4
Changes in fair value of financial instruments	**(1.7)**	0.2
Non-controlling interests in respect of the above[3]	**(6.4)**	(8.1)
EPRA earnings	**(17.5)**	(40.6)
Weighted average number of shares (LTM)	**42,539,340**	42,466,006
EPRA earnings per share (in pence)	**(41)**	(96)
Company-specific adjustments:[1]		
Capital loss on buy-back of Income Units in Park Plaza Westminster Bridge London	**0.5**	–
Remeasurement of lease liability[4]	**3.6**	3.4
Other non-recurring expenses (including preopening expenses)[9]	**(0.7)**	2.0
Loan early repayment break costs[13] (see note 15b)	**0.5**	–
Business combination acquisition costs[12]	**1.0**	–
Government settlement purchase of Hotel Riviera[7]	**–**	1.5
Settlement of legal claim[6]	**3.1**	–
Adjustment of lease payments[5]	**(2.3)**	(2.6)
Insurance settlement[10]	**–**	(10.0)
One off tax adjustments[8]	**(3.6)**	(1.8)
Maintenance CAPEX[2]	**(5.7)**	(4.0)
Non-controlling interests in respect of the above[3]	**2.3**	–
Company adjusted EPRA earnings[1]	**(18.8)**	(52.1)
Company adjusted EPRA earnings per share (in pence)	**(44)**	(123)
Reconciliation company adjusted EPRA earnings to normalised profit before tax		
Company adjusted EPRA earnings	**(18.8)**	(52.1)
Reported depreciation[11]	**(38.9)**	(41.3)
Non-controlling interest in respect of reported depreciation	**6.3**	8.1
Maintenance CAPEX[2]	**5.7**	4.0
Non-controlling interest on maintenance CAPEX and the company-specific adjustments	**(2.3)**	–
Adjustment of lease payments[5]	**2.3**	2.6
One off tax adjustments[8]	**3.6**	1.8
(Loss)/profit attributable to non-controlling interest	**(0.4)**	(12.2)
Reported tax	**(5.0)**	(0.7)
Normalised (loss)/profit before tax	**(47.5)**	(89.8)

1 The 'Company-specific adjustments' represent adjustments of non-recurring or non-trading items.
2 Calculated as 4% of revenues, which represents the expected average maintenance capital expenditure required in the operating properties.
3 Non-controlling interests include the non-controlling shareholders in Arena, third-party investors in income units of Park Plaza Westminster Bridge London and the non-controlling shareholders in the partnership with Clal that was entered into in June 2021.
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 Relates to a settlement reached in a legal dispute in Croatia (see Note 25a 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 Mainly relates to deferred tax asset recorded in 2021 and investment tax credit received in Croatia in 2020. (see Note 27f in the annual consolidated financial statements)
9 Mainly relates to profit and loss on disposal of property, plant and equipment
10 Net insurance proceeds received in relation to one of the Group's UK hotels.
11 Reported depreciation excluding impairments.
12 Business combination acquisition costs (see Note 3a and 3b in the annual consolidated financial statements).
13 Loan early repayment break costs (see note 15b in the annual consolidated financial statements).

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.

Funding
Throughout the pandemic, in the last two years, all our lenders have again been supportive by providing additional facilities, providing waivers on debt covenant testing and by waiving amortisation obligations. After reviewing forecast scenarios we have liaised again with our lenders and agreed postponement of financial covenant testing on trading until 2023. The Group is currently in compliance with respect to all its loan-to-value covenants.

The Group increased a £30 million revolving credit facility, backed by the UK Government, to £40 million (fully undrawn at balance sheet date), and entered into a €20 million (£16.8 million) working capital facility in Croatia (fully undrawn at balance sheet date). Post balance sheet it extended a €10 million (£9.1 million) term facility, backed by the Dutch Government, with one year, now maturing in August 2024. All these facilities are secured with the Group's current banking partners.

In addition, the Group signed a new €10.5 million (£8.8 million) facility to fund the acquisition in Austria. Post balance it signed a €25 million mortgage facility to fund the acquisition and planned refurbishment of the hotel in Rome.

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.

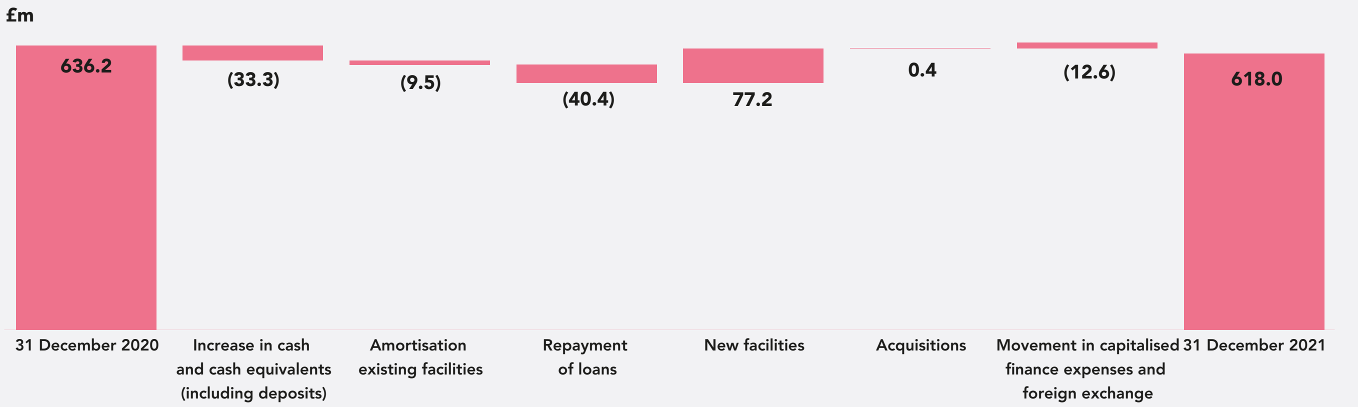
Financial review
continued

Net debt leverage reconciliation

	£ million		
	As report in the annual financial statement	EPRA NRV adjustment	EPRA NRV values
Balance sheet			
PP&E	1,236.0	597.8	1,833.8
Right-of-use asset	215.9	(215.9)	-
Lease Liabilities	(251.6)	251.6	-
Liability to income units in Westminster Bridge hotel	(124.6)	124.6	-
Net PP&E	**1,075.7**	**758.1**	**1,833.8**
Intangible assets	14.3		14.3
Investments in Joint ventures	4.3	6.5	10.8
Other assets and liabilities, net	(29.1)	11.7	(17.4)
Total assets net of finance leases and excluding cash	**1,065.2**	**776.3**	**1,841.5**
Bank/ institutional loans (short/long term)	768.1		768.1
Cash & cash equivalent and restricted cash	(150.1)		(150.1)
Net bank Debt	**618.0**		**618.0**
Total capital	**447.2**	**776.3**	**1,223.5**
Capital and net debt	**1,065.2**	**776.3**	**1,841.5**
Minority shareholders	**(168.7)**	**(109.8)**	**(278.5)**
Total capital employed PPHE shareholders	**896.5**	**666.5**	**1,563.0**
Gearing ratio	**58.0%**		**33.6%**

The Group reported a gross bank debt liability of £768.1 million (31 December 2020: £757.4 million) and net bank debt of £618.0 million (31 December 2020: £636.2 million). This reflects a net bank debt leverage of 33.6% (2020: 37.1%).

NET DEBT



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

Loan maturity profile at 31 December 2021 (£m)

	Total	1 year	2 years	3 years	4 years	5 years	Thereafter
£m	768.1	38.8	22.1	16.5	57.0	354.5	279.2

- Average cost of bank debt 3.1%
- Average maturity of bank debt 5.3 years

Key characteristics debt for operating properties
- Limited to no recourse to the Group
- Asset backed
- Borrowing policy 50–65% loan-to-value
- Portfolio and single asset loans
- 24 facilities with 12 different lenders
- Covenants on performance and value (facility level)

Financial review
continued

Cover ratios

	ICR[1]	DSCR[2]
2021	0.4x	0.2x
2020	(1.2)x	(0.4)x
2019	4.4x	2.7x

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.

Other

Long-term partnership with Clal Insurance (Clal)

In June, the Group entered into a long-term partnership with Clal, a leading insurance and long-term savings company, in respect of Park Plaza London Riverbank and art'otel London Hoxton. As part of the transaction, PPHE received £125.8 million in cash and Clal was granted 5 million share appreciation rights (SAR) to have a value upside if the gap between the Group's latest reported EPRA NRV and its current market price narrows over the maturity period.

The SAR has a seven-year maturity with a strike price of £16 per share and the upside is capped at £21 per share. Clal has also committed to a further cash injection of £12.1 million to fund its portion of the remaining equity commitments of the art'otel London Hoxton development project. Clal's investment, taking into account existing bank debt and remaining development costs, is based on a £263 million property valuation for Park Plaza London Riverbank and an all-in development budget cost of £279.3 million for the art'otel London Hoxton project. These valuations are in line with the Groups' reported NRV in December 2020.

The Group remains the majority owner of the hotels by retaining a 51% controlling stake in one joint venture company holding (JVCo), and through its management company has secured a 20-year hotel management agreement in respect of both hotels. Clal became a minority partner and owner of 49% of the shares in JVCo, holding indirectly the real estate and operations of these two properties.

This agreement provided the Group with an opportunity to raise liquidity on the back of its assets and leverage the equity invested in those assets, which is part of its strategy to have innovative ways in raising cash on the back of its balance sheet. Given the gap in the share price and the Group's NRV, management believes this method of raising liquidity is in the best interest of the Group. The additional liquidity will be recycled into the business and used to pursue new growth opportunities and to support the recovery ahead.

Dividend

Given the impact of the government restrictions due to the pandemic and the Group receiving substantial government support during the year across our operating regions, the Board is of the view that it is neither sustainable, nor appropriate to propose a dividend in respect of the year 2021.

The Board appreciates the importance of dividends and will review dividend payments during the next half year reporting period, in line with the recovery trajectory, the receipt of government support and the business returning to cash flow positive trading. Should the analysis on the financial performance allow, the Board intends to reinstate its progressive dividend policy. The recent investments made in progressing and extending our pipeline should aid the Group in achieving a positive cash flow in the near future.

Daniel Kos
Chief Financial Officer & Executive Director

Park Plaza Westminster Bridge London

Business review

Greg Hegarty
Deputy Chief Executive Officer & Chief Operating Officer

What sets us apart is our strong sense of purpose

"When the time came to reopen our properties to the public, we were ready and filled with excitement"

In my second year as the Group's Deputy CEO and COO I have been immensely impressed by our team's flexibility, commitment and passion shown. We ended 2020 filled with optimism for 2021, driven by the various vaccine developments which were widely seen as the way out of the pandemic. We all hoped that a short period of lockdown over the 2020/2021 winter period would allow us to reopen again early in the New Year.

However, strict measures remained in place for a prolonged period of time and we were only able to reopen our UK portfolio fully in May, and on the continent this was even as late as June and July. In this interim period, however, we maintained many of our teams, made voluntary personal sacrifices and successfully secured several government and essential business travel agreements. Two of our hotels in the UK were included in the UK Government's quarantine hotel programme, and they delivered an outstanding performance. Our teams worked day and night to prepare the hotels for welcoming guests who were required to isolate. The hotel teams had to constantly find a balance between delivering the contracted set of services and amenities, which were all geared around minimising guest contact, and offering a hospitable environment.

As soon as restrictions were eased, demand returned quickly, driven by strong domestic leisure markets and several key sports events, such as the Euros, Cricket and, most notably, The Championships, Wimbledon, for which our Park Plaza Westminster Bridge London was chosen as the official host hotel for the players and support teams.

When the time came to reopen our properties to the public, we were ready and filled with excitement. Our teams were expanded in line with demand and fully trained and reenergised. During these volatile and uncertain times, we welcomed back several hundred team members who were on furlough (or equivalent support programmes in The Netherlands or Germany), we recruited and onboarded several hundred new team members and delivered the excellent guest experiences in which we take enormous pride.

We can reflect on a strong summer for the UK properties and most notably in our Croatian portfolio where in July and August we delivered a record performance.
The momentum experienced in summer unfortunately didn't last in continental Europe as several countries experienced yet another increase in infections, leading to the reintroduction of restrictions. The UK started introducing measures again towards the end of 2021.

However, two years into the pandemic, every time measures are lifted we see an immediate pickup in demand for our properties. This gives us great confidence about the future of our industry and the prospects of our Group. As we entered 2020, we had just completed a £100 million investment programme and in 2021 we continued to invest in our pipeline, we completed several acquisitions and upgraded properties. The quality, depth and locations of our portfolio, the excellent guest ratings and highly motivated teams will continue to drive our recovery.

The pandemic, combined with the effects of Brexit in the UK, has had a significant impact on the availability of labour in the hospitality industry. Many hospitality professionals have pursued other careers and employee shortages across our sector have been widely reported. We are not immune to these trends but have benefited enormously from our earlier strategic decision to employ our own accommodation services teams, reducing our exposure. Our in-house team has helped us to cope with the peaks in demand and was able to move between properties. In addition, our recruitment teams were extended, and several new strategies and initiatives were introduced to increase our talent pool.

In my view, what sets our Group apart is our strong sense of purpose, which is built around creating valuable memories for our guests and value for our assets, people and local communities. 2021 was another year where we placed these stakeholders at the centre of the decisions we made. Our team members agreed and voted en masse for our Group to be recognised by The Caterer as the 'Best Employer in Hospitality'. In light of the dramatic changes we have experienced as hoteliers and the ways we have had to adjust, I am humbled and feel privileged to be working with so much talent.

During 2021 we engaged KPMG to help us sharpen our overall strategy, ensuring we continue to do what we do well, and explore further growth opportunities. Under the guidance of our Board and leadership team, we refined our corporate strategy, identifying strategic pillars and enablers. Our future focus remains centred around our owner/operator business model, leveraging our real estate ownership and expertise while growing our hospitality management platform. We are confident about our road to recovery and are excited about our pipeline, with several new openings and repositioning programmes planned for 2022, 2023 and 2024. I invite you to read more about our performance and various key developments in each of our operating markets in the section ahead.

Greg Hegarty
Deputy Chief Executive Officer & Chief Operating Officer

Business review continued

United Kingdom performance

Total value of UK property portfolio[1]

£932m

2020: £894m

Property portfolio

The Group has a well-invested portfolio consisting of approximately 3,200 rooms in operation in the upper upscale segment of the London hotel market, and approximately 1,100 rooms in its London development 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.[2]

The Group has an ownership interest in nine properties: Park Plaza Westminster Bridge London, Park Plaza London Riverbank, Park Plaza London Waterloo, Park Plaza County Hall London,[2] Park Plaza Victoria London, Park Plaza London Park Royal, Holmes Hotel London, Park Plaza Leeds and Park Plaza Nottingham. Park Plaza Cardiff[2] operates under a franchise agreement.

Portfolio performance

The quality and location of the Group's portfolio in London positioned it well to benefit from improved activity as restrictions were eased.

Most of the Group's hotels in the UK (the Group's largest market) were closed from 6 January until 17 May 2021, in line with the UK Government's international and domestic travel restrictions due to the pandemic. All restaurants and bars within properties were also closed, significantly impacting the first half performance.

To help mitigate the impact of the property closures, the Group secured a commercial agreement with the Department of Health and Social Care (DHSC) to provide temporary accommodation for individuals arriving from 'red-list' countries. Park Plaza London Waterloo and Park Plaza Victoria London operated solely as quarantine hotels from May and July respectively. The DHSC set the service requirements to be provided by these hotels and was responsible for the provision of medical and security staff. The hotel team members had limited contact with guests during their stay. These agreements ceased in early November and both hotels reopened to the public.

Financial performance

	Reported in GBP (£)		
UK	Year ended 31 Dec 2021	Year ended 31 Dec 2020	% change
Total revenue	**£75.3m**	£56.5m	33.1%
EBITDAR	**£11.7m**	£1.9m	505.5%
EBITDA	**£11.2m**	£1.5m	665.5%
Occupancy	**31.9%**	29.0%	290 bps
Average room rate	**£136.2**	£116.6	16.8%
RevPAR	**£43.4**	£33.8	28.5%
Room revenue	**£49.9m**	£39.0m	28.2%
EBITDA %	**14.9%**	2.6%	1,230 bps

Furthermore, the Group was very proud to be selected as the exclusive Official Player Hotel for the Wimbledon Championships by the All England Lawn Tennis Club (AELTC). Park Plaza Westminster Bridge London accommodated all the players and their support teams. The hotel provided full-service hospitality including testing and recovery centres, gyms, hospitality desks for players and highly tailored nutritional food and beverage offerings.

Together these commercial agreements provided the Group with alternative revenue streams during a period of property closures and low demand for non-essential stays.

On 17 May restrictions were eased which allowed the Group's UK hotels to reopen and welcome back guests for non-essential travel. Thereafter, activity levels and booking pace gradually improved, with demand primarily generated by domestic leisure guests. This trading momentum continued into the second half aided by the return of international travel, which resulted in both strong revenue generation and recovery in average room rates during Q3, in line with the Group's rate-driven strategy.

Corporate travel and meetings and events continued to grow month-by-month in the second half, albeit demand remained behind 2019 levels, and several events, such as awards dinners, took place in Q4. Booking pace slowed down from the second half of November due to the emerging of the Omicron variant.

1. Independent valuation by Savills in December 2021 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.

Total reported revenue was £75.3 million (2020: £56.5 million), 36.3% of 2019 levels. Reported RevPAR was £43.4 (2020: £33.8 million), 32.5% of 2019 levels, driven by a recovery in average room rate to £136.2 (2020: £116.6), and occupancy of 31.9% (2020: 29.0%).

Notwithstanding the actions taken, Reported EBITDAR was £11.7 million (2020: £1.9 million), and EBITDA was £11.2 million (2020: £1.5 million). During the period, the Group benefited from approximately £12.1 million of support in the form of grants and business rates relief.

Asset management projects

The Residence at Holmes Hotel London is a unique self-contained event space, which was completed and launched during 2021. This versatile meeting and events space offers several uniquely designed meeting rooms which can be booked individually or together, including the use of a private pantry and billiards room, to host a fully private function such as team away days and collaborative group sessions.

Development pipeline

The Group's largest pipeline project is the development of art'otel London Hoxton, located in one of London's most exciting neighbourhoods. This £180+ million mixed-use scheme will accommodate a premium lifestyle hotel with 343 rooms and suites, five floors of office space, as well as wellness facilities, a gym and swimming pool, and art gallery space. Construction of the building has progressed to plan, with subterranean works and the core structure complete, and 17 out of 27 floors constructed. The project is expected to complete in early 2024.

Two further mixed-use development projects are planned for London. In west London, detailed plans are being prepared for the Group's site adjacent to Park Plaza London Park Royal. The plans include a 465-room hotel, 6,000m² of light industrial space and 3,000m² of state-of-the-art co-working offices, a gym and swimming pool. The site benefits from its proximity to London Heathrow Airport and Wembley Stadium, and it has easy access to central London via road and rail. Planning permission was successfully obtained in late 2020.

Planning applications for the Group's vacant freehold site on London's South Bank (79–87 Westminster Bridge Road) have been submitted. Subject to obtaining planning, the Group intends to convert the property into a new 186 room hotel and approximately 750m² earmarked for office space and light industrial use.

Furthermore, development of art'otel London Battersea Power Station by the Battersea Power Station Development Company is progressing well and the hotel is expected to open during the second half of 2022. The hotel will be managed by the Group under a long-term contract.

The two high-profile London art'otel projects are part of the Company's strategic plan to operate and develop a collection of premium lifestyle art'otels across existing and new markets including Amsterdam, London, Rome and Zagreb.

The UK hotel market*

Following on from a severely disrupted 2020, COVID-19 continued to negatively affect the hospitality industry in 2021 with many countries extending or reimposing restrictions on domestic and international travel with the rise of the Omicron variant. This led to hotels in our markets either closing completely or having their offerings severely restricted and therefore affecting their attractiveness to the limited demand.

This inconsistency in the market has made performance comparisons, at a hotel competitor set level, very unpredictable and unreliable but at a Country/City market data level, through the STR TRI Report, we can see the year-on-year changes. Below is based on full inventory availability versus 2020.

On a full-year basis, the impact on the UK market was an 80.4% increase in RevPAR to £40.3, which was the result of a 53.1% increase in occupancy to 46.8% and a 17.8% increase in average room rate, to £86.2.

Full-year performance saw London, our main UK market, improving by 59.7% in RevPAR to £45.3. Occupancy increased by 46.8% to 37.4% with an increase in average room rate of 8.8% to £121.0.

* Source: STR European Hotel Review TRI: December 2021.

ART'OTEL LONDON HOXTON

The construction of art'otel London Hoxton in the heart of London Shoreditch is progressing well, with external cladding expected to commence installation in the first half of 2022. The 27-storey property will comprise 343 hotel rooms, including 60 long-stay apartments and suites.

PPHE Hotel Group entered into a joint venture in June 2021 with Clal Insurance, one of Israel's leading insurance and long-term savings companies.

Business review continued
The Netherlands

Total value of the Netherlands property portfolio[1]

£274m

2020: £280m

Property portfolio

The Group has an ownership interest in three hotels in the centre of Amsterdam and a fourth property located near Amsterdam Airport Schiphol, and it has two owned hotels in Utrecht and in Eindhoven.

Portfolio performance

Trading in the year was severely impacted by extremely low demand due to government lockdown measures such as travel restrictions, curfews and the temporary closure of restaurants, cafés and bars. While hotels could remain open throughout, the impact of restrictions on demand resulted in the Group's hotels being either temporarily closed or operating at significantly reduced capacity during the first half. All restaurants and bars within the properties were closed.

Restrictions were eased from June and all properties (apart from one) reopened. Park Plaza Amsterdam Airport remained closed all year. As the second half progressed, restrictions on international travel were eased, particularly from the UK, an important source market, which led to improved booking momentum in the second half. Nonetheless, demand was primarily from domestic guests, with the Group's regional properties experiencing greater demand than city-centre locations.

However, in the autumn virus infection rates began to rise in The Netherlands, resulting in further government restrictions such as coronavirus entry-pass requirements for food and drink venues and events, and a 5pm evening curfew from 28 November. On 18 December a lockdown was introduced, adversely impacting trading.

Consequently, total revenue in Euros was €12.1 million (2020: €16.8 million), 19.6% of 2019 levels. RevPAR decreased to €20.8 (2020: €28.0). Average room rate increased to €128.1 (2020: €110.6). Occupancy reflected extremely low demand at 16.3% (2020: 25.3%).

EBITDA (in Euros) was €1.2 million (2020: €(0.1) million), despite the Group's continued focus on its cost base and usage of the government support schemes available. During the period, the Group benefited from approximately £6.5 million (€7.5 million) of payroll support and fixed costs subsidies.

Financial performance

	Reported in Pound Sterling[2] (£)			Reported in local currency Euro (€)		
The Netherlands	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020	% change	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020	% change
Total revenue	**£10.4m**	£14.9m	(30.8)%	**€12.1m**	€16.8m	(28.2)%
EBITDAR	**£1.1m**	£0.0m	N/A	**€1.3m**	€0.0m	N/A
EBITDA	**£1.1m**	£(0.1)m	N/A	**€1.2m**	€(0.1)m	N/A
Occupancy	**16.3%**	25.3%	(910)bps	**16.3%**	25.3%	(910)bps
Average room rate	**£109.9**	£98.3	11.7%	**€128.1**	€110.6	15.8%
RevPAR	**£17.9**	£24.9	(28.2)%	**€20.8**	€28.0	(25.6)%
Room revenue	**£7.0m**	£9.8m	(28.4)%	**€8.2m**	€11.0m	(25.8)%
EBITDA %	**10.4%**	(0.4)%	1,070bps	**10.4%**	(0.4)%	(1,070)bps

1 Independent valuation by Savills in December 2021.
2 Average exchange rate from Euro to Pound Sterling for the year to December 2021 was 1.17 and for the year to December 2020 was 1.12, representing a 3.6% increase.

Asset management projects

The Group's flagship property, art'otel Amsterdam, reopened in June. In November, a brand new restaurant design and concept was launched in partnership with two Michelin starred Portuguese chef Henrique Sá Pessoa. The Group also completed a refurbishment of a new all-day café, Carsten's Café Amsterdam, positioned near the entrance of the hotel.

Due to the measures introduced, both restaurants have been open for a short period of time, but when they were they generated excellent guest reviews and publicity and we expect that when markets reopen both will regain momentum.

Asset management projects under consideration for 2022 include the redevelopment and launch of the gym, wellness and swimming pool areas of Park Plaza Victoria Amsterdam and art'otel Amsterdam.

The Netherlands hotel market*

Following on from a severely disrupted 2020, COVID-19 continued to negatively affect the hospitality industry in 2021 with many countries extending or reimposing restrictions on domestic and international travel with the rise of the Omicron variant. This led to hotels in our markets either closing completely or having their offerings severely restricted and therefore affecting their attractiveness to the limited demand.

This inconsistency in the market has made performance comparisons, at a hotel competitor set level, very unpredictable and unreliable but at a Country/City market data level, through the STR TRI Report, we can see the year-on-year changes. Below is based on full inventory availability versus 2020.

On a full-year basis, the impact on the Dutch market was a 11.8% increase in RevPAR to €29.3, which was the result of a 10.9% increase in occupancy to 31.1% and a 0.8% increase in average room rate, to €94.1.

Full-year performance saw Amsterdam, our main market in the Netherlands, improving 5.3% in RevPAR to €26.4. Occupancy increased by 7.7% to 25.7% with a reduction in average room rate of 2.3% to €102.7.

* Source: STR European Hotel Review TRI: December 2021.

ART'OTEL AMSTERDAM

ARCA opens at art'otel Amsterdam

Award-winning two Michelin starred Portuguese chef Henrique Sá Pessoa, recently named 38th Best Chef in the World, opened ARCA in November 2021 as his first restaurant in Europe outside of Lisbon, and the funkier, more relaxed sister to his other outposts. ARCA brings a relaxed and approachable Portuguese sharing plates concept with modern flavours, Asian influences and impressive cocktails. Find ARCA at Amsterdam's art'otel!

arcaamsterdam.com

Business review continued

Croatia

Total value of Croatian property portfolio[1]

£253m

2020: £243m

Property portfolio

The Group's subsidiary, Arena Hospitality Group d.d. (Arena), owns and operates a Croatian portfolio of seven hotels, four resorts and eight campsites, all of which are 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. Hotel Brioni was closed during the season with our repositioning programme nearing completion and Hotel Riviera was closed while we are finalising our redevelopment plans.

Portfolio performance

Operations in Croatia are highly seasonal, with guest visits mainly occurring from June to September. Most of the Group's properties typically open and commence trading around the Easter period and close by late September to mid-October.

In 2021, the opening of the majority of the Group's hotels and apartment complexes was delayed until June due to government restrictions.

By the end of June, all properties had reopened and were operating at full capacity. As travel restrictions were eased booking activity began to increase, driven by strong demand from Germany, Austria and other Central Eastern European countries. As a service to guests, Arena provided PCR test locations at several of its properties.

As a result of the above, revenue in the third quarter (peak season) recovered strongly, to approximately 93% of revenue in the same period in 2019. This was achieved despite continued travel restrictions from the UK (an important source market), and a reduced number of flights to and from Pula airport. Notably the financial contribution from the Group's campsites, which are high margin, was greater than in previous years due to their accessibility by car from surrounding countries and the customer perceptions of their safety.

In 2021, total revenue (in Croatian Kuna) was HRK 392.2 million (2020: HRK 158.7 million). RevPAR increased to HRK 412.6, reflecting an improvement in occupancy to 46.6% (2020: 30.4%) and a 16.4% improvement in average room rate to HRK 885.8 (2020: HRK 761.1).

Financial performance

	Reported in Pound Sterling[2] (£)			Reported in local currency HRK		
Croatia	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020	% change	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020	% change
Total revenue	**£44.6m**	£18.7m	138.6%	**HRK 392.2m**	HRK 158.7m	147.2%
EBITDAR	**£16.4m**	£1.1m	1,381.1%	**HRK 143.4m**	HRK 9.4m	1,432.8%
EBITDA	**£14.6m**	£0.4m	3,923.6%	**HRK 127.6m**	HRK 3.1m	4,064.1%
Occupancy[3]	**46.6%**	30.4%	1,620bps	**46.6%**	30.4%	1,620bps
Average room rate[3]	**£101.0**	£89.8	12.5%	**HRK 885.8**	HRK 761.1	16.4%
RevPAR[3]	**£47.1**	£27.3	72.5%	**HRK 412.6**	HRK 231.1	78.5%
Room revenue[3]	**£21.6m**	£8.1m	167.7%	**HRK 189.6m**	HRK 68.4m	177.0%
EBITDA %	**32.6%**	1.9%	3,070bps	**32.6%**	1.9%	3,070bps

1 Independent valuation by Zagreb nekretnine Ltd in December 2021 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 2021 was 8.77 and for the year to December 2020 was 8.47, representing a 3.5% change.
3 The room revenue, average room rate, occupancy and RevPAR statistics include all accommodation units at hotels and self-catering apartment complexes and excludes campsite and mobile homes.

The region reported an EBITDA of HRK 127.6 million, up 4,064.1% year-on-year (2020: HRK 3.1 million). This included the utilisation of government grants to support payroll costs and fixed costs subsidies until July 2021, which amounted to approximately HRK 23.6 million (£2.7 million).

The Group employs local seasonal workers and workers from abroad, mainly neighbouring countries, during the peak trading period. However, the European labour market pressures experienced by all hotel companies made recruit particularly challenging in the year. To mitigate this, operations in Croatia were supported by German and Hungarian team members, and colleagues took on versatile roles in the hotels with office staff supporting hotel operations, such as housekeeping and food and beverage, during the peak season.

Looking ahead to 2022, the Group has agreed a partnership with TUI to market the Arena Hotel Medulin, located on the Istrian Peninsula, on an exclusive basis under its TUI Blue Hotel brand. The partnership signals confidence both in the Group's proposition and wider market recovery.

Development projects

The Group's most significant investment project in Croatia is the extensive repositioning of Grand Hotel Brioni in Pula to an upper upscale 227-room full-service hotel, at an investment of HRK 260 million (£30 million). The property, which is located 50 metres from, and with stunning views over, the Adriatic Sea, will be relaunched for the 2022 summer season as Grand Hotel Brioni Pula.

In September, the Group commenced conversion of its iconic property (under a 45-year lease agreement) in Zagreb city centre from office space to a premium lifestyle art'otel. The project is estimated to cost HRK 135 million (£15 million), and the hotel is expected to be relaunched in Q4 2022.

The Group is also investing HRK 38 million (£4 million) in the Arena Stoja Campsite. The project will be split into two phases. Phase one, which is expected to complete in Q2 2022, will see an investment in 75 new mobile homes, a new campsite entrance and Reception, and a new Illy Café.

These investment projects will further strengthen the Group's presence in these attractive locations.

GRAND HOTEL BRIONI

The Grand Hotel Brioni Pula is one of the most highly regarded hotels in Croatia, enjoying a superb location overlooking the Istrian Peninsula and seafront promenade. The 227-room hotel is surrounded by lush Mediterranean greenery which is typical of this beautiful stretch of Adriatic coast. The Grand Hotel Brioni Pula is connected to the sea via a series of terraced beaches.

Business review continued

Germany

Total value of German property portfolio[1]

£87m

2020: £87m

Property portfolio

The Group's portfolio in the region includes four properties in Berlin and one hotel each in Cologne, Nuremberg and Trier. 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 operates under an operating lease and Park Plaza Trier[3] operates under a franchise agreement.

Portfolio performance

The region showed varying signs of recovery as the year progressed, supported by the markets reopening and the continuation of vaccination programmes. As restrictions were eased in the third quarter, the Group saw good demand for weekend leisure business. Park Plaza Nuremberg and art'otel Cologne performed better than the Group's Berlin hotels due to a strong domestic leisure demand for these destinations. Business travel remained subdued. Rising infection rates in Germany resulted in the increasing of restrictions in the autumn and the cancellation of Christmas markets and fairs which typically support demand for guest stays.

As demand improved, measures were taken to mitigate labour constraints, including an increased focus on recruitment from international markets, increased recruitment activity through digital platforms, sharing resources with Croatia and Hungary and more housekeeping services were brought in-house to reduce exposure to third party agencies.

Total revenue was €7.7 million (2020: €8.7 million). RevPAR was €23.8 (2020: €26.0), due to a sharp fall in occupancy to 26.5% (2020: 27.1%). Average room rate reduced by 6.3% to €89.8 (2020: €95.9).

EBITDA was positively impacted as the Group continued to utilise government grants to support payroll expenses ('Kurzarbeit' German state scheme) and received fixed costs subsidies until August 2021, which amounted to €9.8 million (£8.4 million).

German hotel market

The hospitality industry continued to be negatively affected by the pandemic in 2021, with hotels in our markets closing completely or having their offerings severely restricted. These inconsistencies in the market have made performance comparisons, at a hotel competitor set level, unpredictable and unreliable. However, at a Country/City market data level, we can see the year-on-year changes. Below is based on full inventory availability versus 2020. The impact on the German market was a 7.0% increase in RevPAR to €27.6; a result of an 8.1% increase in occupancy to 30.8% and a 1.0% reduction in average room rate, to €89.5. Berlin, our main market in Germany, improved 19.5% in RevPAR to €28.8. Occupancy increased by 21.2% to 34.6% with a reduction in average room rate of 1.4% to €83.2.

Financial performance

	Reported in GBP[2] (£)			Reported in local currency Euro (€)		
Germany	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020	% change	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020	% change
Total revenue	**£6.6m**	£7.8m	(14.6)%	**€7.7m**	€8.7m	(11.5)%
EBITDAR	**£6.7m**	£(0.3)m	N/A	**€7.8m**	€(0.3)m	N/A
EBITDA	**£6.7m**	£(0.3)m	N/A	**€7.8m**	€(0.3)m	N/A
Occupancy	**26.5%**	27.1%	(60)bps	**26.5%**	27.1%	(60)bps
Average room rate	**£77.1**	£85.3	(9.6)%	**€89.8**	€95.9	(6.3)%
RevPAR	**£20.4**	£23.1	(11.5)%	**€23.8**	€26.0	(8.3)%
Room revenue	**£5.3m**	£6.0m	(11.7)%	**€6.2m**	€6.8m	(8.5)%
EBITDA %	**100.8%**	(3.3)%	10,410bps	**100.8%**	(3.3)%	10,410bps

1 Independent valuation by Savills in December 2021 with the exception of Park Plaza Wallstreet Berlin Mitte which is measured at book value.
2 Average exchange rate from Euro to Pound Sterling for the year to December 2021 was 1.17 and for the year to December 2020 was 1.12, representing a 3.6% increase.
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.

Other markets
(Italy, Hungary, Serbia and Austria)

Due to the Group's recent acquisitions, the German portfolio will now be reported on a standalone basis, with the performance of the Group's properties in Austria, Hungary, Italy and Serbia, reported separately.

In line with the Group's strategy to expand its presence across Central, Eastern and Southern Europe, the Group has had an exciting 24 months, with new acquisitions in Belgrade (Serbia), Nassfeld (Austria) and Rome (Italy).

Rome, Italy

In November 2021 the Group entered the Italian hotel market with the €33.1 million (£28.3 million) acquisition of the Londra & Cargill hotel, a 4-star property in a prime central location in the city of Rome. Rome is one of southern Europe's key gateway capital cities which offers robust fundamentals for hotel investment over the medium to long term. The Group has continued to operate the hotel, which currently offers 101 rooms and suites, a restaurant, bar, meeting facilities and private parking. Plans are being finalised to reposition the property to an upper upscale lifestyle art'otel and increase the number of rooms from 101 to 110. The Group expects to relaunch the hotel in early 2023.

Nassfeld, Austria

In December 2021, the FRANZ Ferdinand Mountain Resort Nassfeld in Austria was acquired for approximately £12.8 million. The property is superbly located next to the valley station of the Nassfeld Ski Resort in Carinthia, providing access to 100 kilometres of ski slopes. This 4-star hotel offers 144 family rooms, a restaurant, bar, conference rooms, private car park, wellness and sauna and children's facilities. The acquisition also included a detached property consisting of 21 rooms currently used as employee accommodation, and a site adjacent to the hotel, currently in use as a terrace, which is earmarked for future development of a swimming pool. The transaction was completed prior to the start of winter season 2021/2022.

Belgrade, Serbia

In December 2020, we completed the acquisition of 88 Rooms Hotel near the old town of Belgrade in Serbia. We subsequently reopened the hotel in May 2021 when the markets started reopening. During the period the Group received approximately £4,300 (DNR 587,105) in payroll grants. We are currently developing plans to refurbish and relaunch this hotel in due course.

Budapest, Hungary

art'otel Budapest in Hungary was closed throughout the year (and remains closed) due to low levels of demand resulting from government lockdown measures. The Group utilised a government scheme which provided 50% payroll support during the first five months of the year at a value of approximately £39,000 (HUF 16.2 million). The Group has started to prepare refurbishment plans for this property in 2021.

Management and central services

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 2021, 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 2021	Year ended 31 Dec 2020
Total revenue before elimination	**£18.0m**	£14.4m
Revenues within the consolidated Group	**£(14.3)m**	£(11.6)m
External and reported revenue	**£3.7m**	£2.8m
EBITDA	**£(7.6)m**	£(11.3)m

Stakeholder Engagement

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

OUR GUESTS

Welcoming back our guests after the closures at the end of 2020 was our driving passion for 2021. We understood that whether we were reconnecting with familiar faces, or bringing in new clientele, that the priority was the highest possible standard of health and safety.

Creating social distancing measures and other ways of reducing exposure to risk of infection involved measures to minimise physical contact as much as possible through digital services.

Why they matter to us:

We put guests at the heart of everything we do. Our vision to create great experiences, value for all our stakeholders, and make a positive contribution is only possible if we start with our guests' needs first.

What matters to them:
- Confidence in clean, healthy and safe facilities.
- Feeling heard and listened to through multiple communication channels.
- Reliable, consistent excellence across our diverse locations, with tailoring to the unique opportunities in each place.
- Providing unique experiences which guests will remember and may share with their personal or professional network.
- A personalised approach to each guest's stay.
- Confidence that we adjust to guests' needs when their plans change.
- Rewarding their loyalty.

How we engaged
Creating memories
As we began to reactivate our hotels in early 2021 with the easing of restrictions in different locations in the UK, Netherlands and rest of Europe we conducted some exciting activities in our hotels and offices. This included 'The Big Welcome' onboarding programme and 'Creating Memories', our new service delivery programme. Our service delivery programme has been designed to support our guest-facing team members to engage and create valuable memories for our guests. This programme is also linked to our 'We are Creators' culture programme which is attended by all new starters who join the Group.

All hotel delivery teams 'Inspirators' in the UK and Netherlands hotels were fully trained on the content of this programme and provided all the materials necessary to facilitate these inspiring sessions in the hotels. The objectives of the 'Creating Memories' programme were:

- to further embed the 'We are Creators' culture to ensure it influences our service style and standards;
- to integrate our new digital experience so that our technology developments evolve and enhance our guest experience;
- to constantly improve our guest experience; and
- to form part of our 'Big Welcome' onboarding programme.

We continued to gain thorough insights from our guests through our different channels for receiving feedback and in 2021 we received 43,697 online responses. This valuable feedback allowed us to ensure continuous evolution of our offerings and services by:

- creating 'Go Digital', our suite of digital services, allowing a seamless contactless arrival, in-stay and departure experience for our guests. These included online check-in, online ordering of food and drinks, self-service option for booking facilities and live guest messaging via WhatsApp. These initiatives led to the Group being shortlisted in the 'Technology innovation – Traveller experience' category for the Business Travel Awards Europe 2021;
- ensuring access and ease-of-use of our website and loyalty programme;
- frequently adjusting our booking terms and cancellation policies;
- renewal of the SGS accreditation obtained in 2020, as well as additional accreditations for the owned/managed category in the UK from the AA 'COVID confident', VisitBritain 'We are good to go' and MIA 'AIM secure', underwriting our new health and safety protocols;
- continuing to engage with guests and team members by regularly sending newsletters, social media posts and website updates on changes in local legislation and health and safety measures;
- receiving 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; and
- engagement through social media contests and promotions and real-time interaction with guests.

OUR INVESTORS

Why they matter to us:

Without our investors, nothing can be achieved. Ensuring our investors are confident in our long-term ability to create value and our short-term ability to respond to crises such as those created by the COVID-19 pandemic is critical to delivering our strategy.

What matters to them:
- Confidence in the business's leadership.
- A long-term, sustainable strategy for success.
- Reassurance that the business is an ethical, responsible channel for growth.
- Reward for confidence during the pandemic.

How we engaged
Investor roadshows
Our leadership team proactively seeks out investor input through investor roadshows conducted by Mr. Kos, our Chief Financial Officer, and Mr. Hegarty, our Deputy Chief Executive Officer & COO. These are exercises in gathering feedback from investors that can be fed back to the Board. The roadshows involved discussions of our pipeline and future growth.

Our investors proactively sought out information from us on environmental, social and governance ("ESG") matters, and we enjoyed a productive correspondence with investors directly, and indirectly through investor information services, to bring more and more of this information to the market.

Our Senior Independent Director, Nigel Keen, has also met with investors.

OUR TEAM MEMBERS

Why they matter to us:

Our team members are creators of all our guests' experiences. In a challenging year, with periodic travel restrictions and other pandemic-related difficulties affecting our business, investment into our talented team members demonstrated its value.

As we began 2021 in lockdown, we were still continuing to adapt to the unprecedented environment and the pandemic scenario. The Board's focus was implementation of plans and procedures to gradually reopen our properties and create growth opportunities as the impact of the pandemic began to ease.

Stakeholder Engagement continued

OUR TEAM MEMBERS CONTINUED

Our enhanced safety protocols are our way of reassuring team members and guests that they are looked after and welcome to once again enjoy our hotels and services. We were eagerly looking forward to getting back into the business of helping create valuable memories for our guests.

Results of the pulse surveys which measured engagement were shared and reviewed by the Board. We chose to have a different set of questions tailor-made to the circumstances of that moment. Results show that team members felt leadership was really prepared for (re)opening and were up to the challenge of managing our new ways of working.

The Board considers site visits the best means of interacting with our team members, and engaging them as stakeholders in the success of the business overall. The ongoing travel restrictions in place during 2021 made this less practicable. In addition, some sites were in use as quarantine hotels for part of the year, which precluded site visits during those periods.

What matters to them:

- An inclusive, clean, safe and supportive work environment.
- A flexible employer that is adaptive to their needs.
- A fun place to work.
- An employer that takes care of them during lockdowns.
- Prioritising health, mental and physical.
- Being rewarded for loyalty and dedication.
- Growing with the business through opportunities for internal promotion and career progression.
- Developing and learning at work.
- Passion for excellence and giving guests the best possible experience.
- Feeling respected, valued and heard.

How we engaged:

- Site visits to hotels in London by all Non-Executive Directors.
- Regular and frequent site visits to all locations by the Chairman and the Chief Executive Officer.
- Regular site visits in the Netherlands by the Chief Financial Officer and Executive Directors.
- Establishment of a new employee forum in the UK, and continued engagement with our Works Council in the Netherlands.
- Reopening and re-engagement programme 'The Big Welcome' to connect and refresh our relationships with team members following lockdown.
- Re-boarding programme 'Welcome Back!' aimed at enabling our team members to return confidently to their workplace and feel engaged, safe and compliant.

Read more about the engagement calendar of our Non-Executive Director responsible for Workforce Engagement on page 91.

In 2020, we had launched the Responsible Business communities programme and the intention was for the Non-Executive Directors to participate in this programme and work directly with the newly appointed hotels' Responsible Business ambassadors for most of the hotels. This initiative has been rescheduled to 2022 when the pandemic situation improves. Throughout the period, the Deputy Chairman has acted as a dedicated workforce engagement Board member. This has meant that the Board has received updates on the welfare of our team members, and of the success of preserving employment wherever possible during closed periods.

Following the disruption caused by the business closures during the pandemic and extension granted by the Equality and Human Rights Commission, UK, and the Government Equalities Office, UK, in the prior year, the Group published its gender pay gap report for 2020 in late 2021 and it is available on our website. Our statutory gender pay gap report for 2021 will be available on our website.

2021 saw us take advantage of the easing of restrictions in the spring and summer to increase our engagement levels. We found new ways of working, brought team members back from furlough, and we were very proud of the measures taken to re-employ team members whom we had regrettably been forced to make redundant during the pandemic.

The use of the furlough scheme allowed us to avoid as many redundancies as possible, and re-employ staff. In the Netherlands the NOW scheme supported us in avoiding redundancies. While scaling up as part of the reopening and reengagement programme, 'The Big Welcome', team members were approached and re-hired where possible.

To facilitate workforce engagement, we are introducing new mechanisms for communication up and down the management chain. An employee forum was established in the UK region to bring it more closely into line with other regions with Works Council representation.

Looking after our people

We delayed redundancy and furlough decisions until we could make the right choices with a support strategy and infrastructure in place to retain our talent and reassure our people through employment, deployment, and furlough. From the beginning, we have had our teams' safety and welfare at the heart of everything we do, including:

- ongoing support for our team members' health and well-being through our (free-to-access) employee assistance programme; and
- increased number of trained mental health first aiders in the UK.

Keeping connected

Whether our team members were working or still not able to do so yet, we had made it our priority to keep in touch with as many as them as possible throughout, and continued to do so after they returned with:

- digital weekly newsletters and updates on our intranet;
- organised show rounds so they felt safe and confident;
- regular one-to-one check-ins with their line managers; and
- short and effective pulse surveys conducted in the UK and Netherlands to monitor how they are doing and what more we can do.

Getting back to work

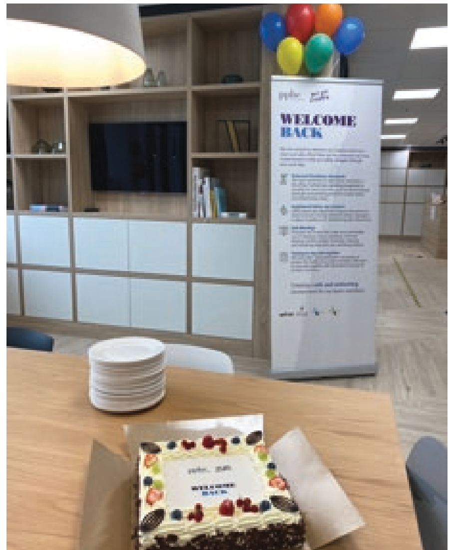
Our priorities of respecting well-being, safety and mental health have enabled us to balance business implications and safety needs to successfully reactivate our hotels and offices across all our regions:

- In March 2021 we won the Springboard Award for Excellence and for Best Management Preparation for our '(Re) Connect & (Re) Create' programme.
- Our 'Welcome Back' programme was updated and fully activated so that no one returned to work without the necessary training and preparation to do so including:
  - carefully crafted protocols and guidelines to keep team members safe and secure while at work;
  - flexible start times and staggered arrivals to avoid busy travel times when getting to work; and
  - increased bike storage for those team members who didn't want to use public transport in the UK.
- This hard work on the part of our 'People & Culture' teams was rewarded in the UK by the 2021 Cateys award for employer of the year.

Looking forward

There is no doubt that our future is bright, exciting and vibrant. Because of everyone's contribution throughout 2021, we were in a strong position to:

- develop our people;
- open new hotels; and
- take on new management contracts and implement new technologies.



Stakeholder Engagement continued

LOCAL COMMUNITIES

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.

In a period where restrictions on travel meant that our hotels were more dependent on domestic customers, this investment in our communities showed its value.

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

- In the UK, we participated in the NHS secondment programme and our team members were working in different roles to support the NHS.
- In several regions, we provided support to healthcare workers, such as food and accommodation.
- Engaged with London schools and colleges on careers in hospitality.
- In Amsterdam, provided space for classrooms to allow lessons to be socially distanced.

For more information on how we engage and support our local communities, please see the 'Our Places' section on pages 79 to 81

AFFILIATES

RHG RADISSON HOTEL GROUP™

Radisson Hotel Group

We continued to build our long-standing successful partnership with the Radisson Hotel Group in 2021. We believe that the strength of this relationship can and should be utilised to expand our development aspirations.

Why they matter to us:

Radisson Hotel Group is a key business partner. We cooperate in vital infrastructure such as our central reservation system, the Radisson Rewards™ loyalty programme and our online booking presence.

The heart of our collaboration is our exclusive and perpetual licence to operate the Park Plaza brand in Europe, the Middle East and Africa. This complements our other branding elements, art'otel and Arena.

What matters to them:

- A reliable business partner worthy of carrying valuable brand assets.
- An affiliate to be proud of.
- An enthusiastic partner in responsible business.

How we engaged:

All Group hotels were invited to participate in Radisson's 'Responsible Business' survey in 2021. This will allow hotels to benefit from central data upload giving us peer-to-peer benchmarking accessible through a 'Responsible Business' dashboard at the end of Q1 2022.

As part of the carbon neutral meetings initiative launched by Radisson Hotel Group, all meetings booked and held between 18 October 2020 and 31 January 2022 were carbon negative.

By making our meetings carbon negative for this limited period of time, we went above and beyond our carbon neutral promise.

For more information on carbon negative meetings, please see 'Our Planet' section on pages 82 to 89.

SUPPLIERS

Why they matter to us::

Strong, collaborative relationships with our suppliers allow us to have confidence in responsible business, and apply consistent standards across the Group. This gives our guests what they want, and adds value and reduces costs to all our 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:

- Ensured orders were split between suppliers wherever possible to help sustain the largest number of business relationships possible.
- Reviewed internal practices and policies, including updating the Responsible and Ethical Sourcing Policy.
- Worked to maintain valuable relationships in a time of uncertainty.
- Maintained supplier relationships and open dialogue throughout the year.
- Worked with suppliers to pause contracts while working through the impact of disrupted supply chains and gently reactivated contracts as and when both parties were able to support or it became a business critical need.
- Worked closely with suppliers on those contracts which did need to be in place so that they were able to trade through; changing delivery days, and changing frequencies so that we were protecting our key supplier partners which in turn protected us.
- Stretched some contracts out over a longer period of time so that we had certainty of pricing where possible and suppliers had certainty of custom, protecting us and protecting them.
- Ensured that orders were split between nominated suppliers where possible to help sustain the largest number of suppliers as possible.

Responsible Business

Inbar Zilberman
Chief Corporate & Legal Officer

CREATING INSPIRATIONAL HOSPITALITY

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

While the pandemic has presented numerous obstacles for our business, it has also provided an opportunity for rebuilding business in a manner that will foster a brighter tomorrow

As we have navigated our way through this period of recovery, our actions have been guided by our Responsible Business goals. The manner in which we reengaged our team members, reopened our properties and reactivated our operations were all informed by our purpose and goals.

The circumstances of the pandemic and the need to take difficult but essential steps to protect the future of the business, gave us a whole new awareness and appreciation for the direct impact that our decisions and business have on Our People, Our Places and Our Planet. While the pandemic has presented numerous obstacles for our business, it has also provided an opportunity for rebuilding our business in a manner that will foster a brighter tomorrow.

We were happy to turn a story of regrettably necessary redundancies during the pandemic into one of re-employing many of our team members and creating new recruitment opportunities in 2021. We were also aware of the feelings of nervousness and anxiety that may have existed in the workforce as they came back to work and emerged from lockdowns, and we made significant efforts to ensure that people felt comfortable performing their roles in our hotels and offices. This was done through continuing our comprehensive health and safety and well-being programme 'Reassuring Moments' and a number of new initiatives aimed at supporting the mental and physical well-being of our team as well as continuing to provide training and inspiring career opportunities aimed at promoting their development. We utilised a number of tools to remain in tune with the views of the workforce which in turn guided our approach and activities as necessary.

Find out more about these initiatives on page 77.

We also continued our approach of using hospitality as a tool to serve the communities in which we operate. By leveraging our experience and skills in providing excellent service and using innovative solutions in the delivery of this service where necessary, we were able to: support the NHS as well as hospitals and key workers across our regions during their time of need; ensure that mass events that lift morale in the communities in which we serve could go ahead within the challenging context of the pandemic; and support the government in facilitating essential travel in a safe manner.

Find out more about how we supported Our Places on page 79.

We also formed a new ESG Committee to whom the new data we collect will be reported and will help set targets for carbon reduction, and set the benchmarks by which our progress will be measured year on year to hold the business accountable. For the first time the Group's owned and managed hotels across the UK, the Netherlands and Germany became wholly reliant on electricity generated from 100% renewable sources, and we also launched our Task Force on Climate-related Financial Disclosures ("TCFD") reporting (see page 87) .
We welcomed the opportunity of greater transparency on our carbon emissions and strategy and for more meaningful engagement with the risks and opportunities presented to us by different climate change scenarios. We were pleased with the progress made in 2021 refining and further developing our environmental strategy. For the first time, the Group's hotels across the UK, the Netherlands and Germany became wholly reliant on electricity generated from 100% renewable source.

Find out more about how we sought to be responsible stewards of Our Planet on pages 82 to 89.

Our priority is to deliver a long-term, sustainable business model which adds value for our stakeholders and society as a whole. We look forward to continuing to build on the good work we have done to continue to create value for Our People, Our Places and Our Planet.

OUR PEOPLE, OUR PLACES AND OUR PLANET AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

In order to ensure that our organisational goals have universal relevance and significance, we have aligned our Responsible Business programme to the United Nations Sustainable Development Goals ("SDGs"). We relate our activities to all 17 of the SDGs, but we believe our purpose and values are most closely related to:

Responsible Business continued

Our People

OUR GOALS

- Linking development to learning.
- Attracting and retaining talent.
- Increasing diversity in the workplace.

Sustainable Development Goals

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

Our team members are central to our ability to satisfy our purpose of creating valuable memories for our guests. There can be no denying that the pandemic has been tough on all of us including our people. As we reengaged the workforce following lockdowns and welcomed new team members, we therefore prioritised taking the necessary steps to ensure that our people felt heard, looked-after and fully engaged with our vision and strategy.

Creating healthy and safe environments
As our team members returned to work, ensuring our hotels and offices were COVID-secure so that our people felt comfortable in carrying out their roles was a top priority for the Company and was a prerequisite to achieving our goals. In April 2021 we launched our specially designed re-boarding programme, 'Welcome Back!', aimed at enabling all our team members across the UK and Netherlands to return confidently to their workplace. This included a series of workshops, tools, materials, communication and a detailed training plan for all the teams in the UK and Netherlands.

Under the 'Reassuring Moments' programme which was launched in 2020, we continued our ongoing efforts to periodically update health and safety measures and provided training and protective equipment. In the UK and Netherlands we also partnered with local health services to provide complimentary lateral flow test kits.
In Croatia, Arena organised test sites across various locations to support guests and team members should the need arise.

Creating a culture that supports mental and physical well-being across the organisation is important to us. We endeavour to promote an environment where mental health and physical health issues are treated without stigma and where everyone feels supported.

As part of this we have continued to invest our efforts in growing our mental health first aiders programme in the UK and currently have 30 mental health first aiders who are on hand to assist any team members who may be struggling. We have also developed a programme of activities to support Mental Health Awareness Week and developed a mental health awareness training programme.

Meaningful engagement with our people
Staying in tune with the views and perceptions of our team is essential in order to take the necessary steps to retain talent and direct our People & Culture activities. We utilised pulse surveys to regularly measure team member satisfaction and make any necessary adjustments to our approach following feedback received. Examples of actions implemented in response to feedback received included: the development of an updated training programme to support ongoing learning and development; the continued use of company newsletters (an initiative started during lockdown) to keep team members informed on business developments; and the launch of a team member forum composed of elected representatives to assist in leadership and team member communication in the UK and continuing our partnership with the Works Council in the Netherlands.

Innovative recruitment
Given the current competition for the labour pool in the industry, we have had to adopt an innovative and novel approach in order to reach our goal of attracting the most talented employees. An example of how we leveraged this approach in the Netherlands was a mass recruitment event held at Park Plaza Victoria Amsterdam which involved inviting 46 potential candidates to participate in interviews held all over the hotel. Team members welcomed candidates in the same manner as guests to showcase the property and our culture with a view to

inspiring candidates to join our team. In the UK, we participated in the 'Introduction to Hospitality Recruitment' event in partnership with the Department of Works and Pensions with 700 candidates attending the event, 60 offers made on the day resulting in 42 new starters to showcase careers in hospitality at Park Plaza to young people in the community. In order to connect with new hires and drive cohesion in our teams following recruitment, we launched a new onboarding programme called the 'Big Welcome'. This is a new approach that is designed to create the best possible experience during the first three months of employment with a view to attracting and retaining the best possible talent and equipping them for long-term success.

Developing and retaining talent
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 and providing the necessary opportunities for growth is a priority for us.

We love developing people and that is why we have invested in our own internal apprenticeship academy. The Group's vision is to embed an apprenticeship framework giving us considerable flexibility and control over how best to train our apprentices, design our programmes and integrate our learning and development offering to suit a wide range of needs. In the Group, we offer multiple apprenticeship programmes at a variety of levels.

We also have an undergraduate placement programme which is an integral part of our talent development strategy. Our strategic goal is to develop our talent pipeline for the future, and this programme has a clear purpose as a method for growing our managers of the future.

Our People & Culture team also conducted periodic talent review meetings to identify gaps and development opportunities, identify high performers, promote internal development and progression and ensure a healthy talent pipeline. An online personal development review process was also launched to begin our journey to a full digital talent management approach that will facilitate aligning organisation and individuals' objectives, succession planning, career and personal development.
The process has a focus on a well-being check, training managers on giving feedback and listening skills, promoting engagement, goal-setting to drive ownership, and career and personal development. To assist with ongoing talent management, we also introduced 'Learn & Grow', our online learning and development system, which allows us to train and develop talent internally. Learn & Grow promotes self-directed learning, and encourages team members to develop career goals and plans for achieving them.

2021 AWARDS AND ACHIEVEMENTS

Best Management Preparation Award at Springboard Awards for Excellence

The Caterer Top 6 Best Places to Work in Hospitality

The Caterer Best Employer of the Year

HR in Hospitality HR Team of the Year

TRAINING AND DEVELOPMENT HIGHLIGHTS

Other highlights of our activities aimed at linking development to learning and retaining talent included:

- Apprenticeship Academy Programmes established in the UK for all our team members looking to develop and grow in the Company and 39 team members began their apprenticeships during the pandemic in 2021.
- Clinical cleanliness level 3 training programme provided for our housekeeping teams. We also offered 50 NCFE-accredited training courses for all our teams, ranging from 'Understanding Data Protection & Security' and 'Principles of Team Leading', to 'Understanding Behaviour That Challenges'.
- Enhanced standard pay for critical recruitment and retention needs in the UK: recruitment for key hospitality roles and pay enhancement was triggered by the low number of applications to our vacant roles. We conducted salary analysis comparing our offering to our competitors.
- One-off non-contractual loyalty bonus to most eligible new team members employed by the Company on or before 1 July 2021 who remain in employment by 30 June 2022 as a token of our gratitude for their support and dedication throughout the pandemic.

Responsible Business
continued

CHAMPIONING DIVERSITY AND INCLUSION

In our Group, we seek to promote an environment in which all of our team members are welcome and free to be themselves, no matter who they are, and we pride ourselves in authentic service that is reflective of the communities we serve.

We are proud to have a number of role models for diversity within our Company whom we actively seek to celebrate and champion wherever possible.

International Women's Day 2021
We are proud to share that on International Women's Day, Jennifer McCabe, General Manager of Holmes Hotel, London, joined a panel discussion which was initiated by the Baker Street Quarter Partnership. The Panel features women from the Quarter sharing their success stories, how they have been mentored in their careers and how they continue to develop their skills to keep moving forward.

Our Chief Corporate & Legal Officer was featured in the Women to Watch and Role Models in Hospitality, Travel & Leisure Index 2021.

In our Company, we value diversity and inclusivity. To celebrate and support the LGBTQ+ community, we ensure a safe and inclusive workplace – not just for Pride Month in June but 365 days a year. We were delighted that Park Plaza Vondelpark, Amsterdam, officially became certified by Booking.com as LGBTQ+ friendly. We are committed to offering inclusive hospitality and as part of this certification so we completed training to become 'Proud Certified'. Park Plaza Westminster Bridge, London, were proud to host attendees and nominees of the Pride of Britain Awards, which included actors, musicians, Olympians, Paralympians and other sports personalities. The awards ceremony is an annual event recognising unsung heroes across the UK, and is a star-studded event that is televised nationally.

OTHER AWARDS WON BY OUR PEOPLE

We are incredibly proud that, not only did Daniel Pedreschi receive his official Hotelier of the Year 2021 award in front of a packed Hotel Cateys audience, but our very own Olivier Ruiz won Head Chef of the Year. Olivier heads up the chef brigade at Park Plaza Westminster Bridge London, and has been an incredible asset to PPHE Hotel Group and Park Plaza.

In order to support inclusion wherever possible, we also introduced a number new employee policies on diversity, stress management and well-being.

Our Places

OUR GOALS

- Increasing our charity initiatives and volunteering.
- Contributions and investments in our local community.
- Engagement with our local community.

Sustainable Development Goals

We recognise that local business, education, arts, sports and culture are key pillars within our communities. In line with our purpose, we seek to support a diverse array of organisations and charities within these sectors in order to give back and add value to the communities in which we operate.

NHS secondment programme
Since the outset of the pandemic, our UK operations and human resources teams have collaborated with the UK National Health Service ("NHS") to provide support wherever possible. In 2020 we worked with the NHS to create a unique secondment programme for our team members allowing us simultaneously to support the NHS at a time when it needed extra resources and to maintain roles which otherwise would not have been needed while operations were limited. This initiative continued into 2021 with 172 team members seconded to St. Thomas' Hospital in London to support the NHS vaccination project in various roles. We want to thank our colleagues for their eagerness to lend their talents by participating in our NHS secondment programme.

Supporting local hospitals and helping our key workers
The pandemic highlighted how vividly dependent our communities are on key workers. We felt it was important to support them where we could and show our appreciation for their efforts in keeping key services running. Park Plaza Westminster Bridge remained open while the UK was still in lockdown in the first half of the year, with team members supporting key workers by providing them with accommodation services, meals and laundry services. At a time when staff shortages in the health sector was an issue, we also engaged 11 of our team members to provide support to a clinic in London, including across front-of-house, housekeeping and the clinic kitchen.

We were also pleased to see our colleagues in Croatia carry out a series of activities to help the local community with the pandemic crisis. Among those activities were contributing to the purchase of a vehicle by emergency medical services in Pula and furniture for a new pathology ward in a local hospital, as well as providing accommodation to doctors and specialists from local hospitals and clinics at Park Plaza Verudela and Splendid Resort.

ANONYMOUS TEAM MEMBER TESTIMONIALS

"Working for the NHS has been a pleasant experience for me. I had to deal with different people so I developed my human relationships to a greater level. Also I realised that I am capable of doing more things than I thought, as I have been assigned to various tasks over the months. I learned that helping others makes a big difference in their lives and definitely increased my confidence to work in a team. Also a positive side was that I was entitled to have some perks because of my NHS badge. Overall being with the NHS was a very good experience for me."

"I was scared to work there in the beginning, hospitals have always terrified me. When I started to work there I realised it is nothing to be afraid of. I had the opportunity to meet and work with some amazing people. Overall it was a very good experience and learned a lot."

"I want to start by thanking the Company for the opportunity to support with the NHS during the pandemic. It was a new, beneficial and unforgettable experience. It definitely helped me to develop my skills: especially communication and listening, innovative thinking, confidence and the self-belief to try something new."

Responsible Business continued

"We were allocated this hotel for quarantine. The staff have been amazing. Always friendly and helpful. Our room is very comfortable and has everything we need. Wi-fi is excellent. The food is plentiful and enjoyable. I am happy to have quarantined here."

(Park Plaza London Waterloo guest – TripAdvisor review)

Supporting the travel industry in its time of need

We were proud to support the UK Government with its plans to facilitate safe travel for those needing to travel during the pandemic. Park Plaza Waterloo and Park Plaza Victoria London operated as quarantine hotels for travellers arriving into the UK who were required to isolate. There was an unprecedented amount of planning required to ensure the hotels could participate in the scheme. This included stringent checks and inspections in order to assess the suitability of the hotels against the Government's requirements, and the implementation of complex cross-property food logistics in order to serve the volume of guests and the security staff on the sites. In the first week of operation, the teams at Westminster Bridge and Waterloo were preparing and serving up to 2000 meals a day for Park Plaza Waterloo guests and were able to serve over 350 room service meals three times a day in Park Plaza Victoria London. In addition, a full test and trace facility was set up on site and all staff and associated agency staff were tested daily as they came on shift. Given the somewhat strange circumstances of our quarantine guests' stay at our hotels, our team members endeavoured to ensure that each guest was given a particularly warm welcome and fully briefed on how their stay would work. We were pleased to see our efforts recognised by the positive online reviews received.

Supporting local business

The circumstances of the pandemic have led to an even greater need for us to foster a collaborative, flexible and innovative approach that prioritises the health, safety and well-being of guests when working with local businesses. An example of when we had to channel this approach in a unique and unprecedented way in order to work with a key local business to facilitate an event, was when Park Plaza Westminster Bridge London was awarded with the opportunity of being the exclusive host hotel for players and support teams of the 2021 Wimbledon Championships. We were proud to have been chosen, however, given the challenges of holding a mass international event as the country emerged from lockdown, we had to work very closely with the organisers of this sporting event to create a 'secure bubble' to address the pandemic risks. This included tailoring our services app and operations specifically for the event.

Within the London sporting scene, we have also continued our support of a local rugby club by sponsoring a board on the rugby pitch and offering favourable rates at Park Plaza County Hall during special events. There are also plans in place by the hotel to sponsor a youth development team in the future at the club. In Croatia, Arena continued with their long-standing initiatives to help sports clubs, athletes and specifically athletes with disabilities reach their full athletic potential. Arena provided support in the form of financial sponsorship and the use of sports facilities within our properties. They also continued with their support of selected cultural and sports events in Pula such as the Pula Film Festival, the international maxi cruiser regatta, the marathon and numerous musical concerts.

Wimbledon – Park Plaza Westminster Bridge London

71%
of all drink orders in the bar were received via the online ordering system

200
covers an evening delivered during dinner service, with no delays or issues

47%
of all room service orders were received via the app

Pressure on the operations team was reduced as a result, ensuring efficiency and speed of service

492
guest conversations via instant messaging, with each conversation averaging 2.9 interactions, resolved on average in 1.55 minutes

Supporting local people in need

Given the particularly disruptive impact that the pandemic has had on young people, during the year we have supported a number of initiatives benefiting young people as well as working with students and young people across the regions to share our expertise and provide career opportunities. In early 2022 the Group were proud to support a local UK newspaper's 'Step Up Skill Up' campaign to tackle youth unemployment in London by pledging 50 jobs in this fantastic scheme.

In London, we hosted a site visit for interior design students at the art'otel London Hoxton development site and also put on showcases in partnership with Springboard Charity UK at Park Plaza Westminster Bridge and Park Plaza County Hall, through which our teams shared their career journeys and offered advice to young people interested in pursuing a career in hospitality. We have also continued to work with a local academy school in London by donating laptops and providing regular work experience opportunities. We also continued to support a UK charity benefiting young people leaving foster or residential care, by supplying them with a venue for their award ceremony and hosting their Christmas lunch.

In the Netherlands, Park Plaza Amsterdam Airport supported a local school in being able to continue to educate children while observing social-distancing measures by providing classroom space for 400 students a day from March to April 2021. Park Plaza Victoria Amsterdam and Park Plaza Vondelpark, Amsterdam, also deployed additional team members to assist with cleaning and sanitising duties throughout the day. As a follow up, we were also in contact with their careers department to offer work placements to a new generation of school leavers. We also hosted internship events at Park Plaza Victoria Amsterdam to offer job opportunities in the hotel for hotel school students.

In the German region, team members participated in a number of grassroots initiatives in partnership with numerous local charities, including making contributions to a charitable organisation to support the people who were affected by the floods which destroyed parts of Western Germany in summer 2021.

As part of our more general efforts to support those vulnerable members of our communities who have been particularly impacted by the pandemic, we were also pleased to partner with Lambeth Council to join its annual 'Helping Hands' programme in December 2021. We brought together over 50 of our team members in Park Plaza Westminster Bridge London to prepare 2,000 hot meals during the Christmas week for distribution to elderly, vulnerable and homeless people in Lambeth and other parts of London.

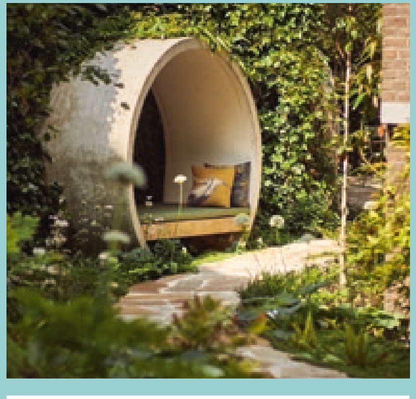
In response to the crisis in Afghanistan that unfolded in August 2021, our team members in Park Plaza Victoria London worked with several charities who were providing clothing, toys and other supplies for Afghan refugees. We provided facilities to sort the donations and hotel meeting room space for storage. Our team members also assisted with sorting through donations and distributing them to refugees.

As well as providing local hands-on assistance in the pandemic response, team members in Croatia were also able to provide ten, fully equipped mobile homes from its campsites to impacted communities within 24 hours of an earthquake striking Sisak-Moslavina County in July 2021.

Across the regions we also frequently donate complimentary stays at our hotels as prizes in charity fundraising galas. We were also pleased to hear of several grassroots initiatives spearheaded by team members who organised bake sales or otherwise raised money for a charity of choice.

Responsible Business continued

Our Planet



OUR GOALS

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

Sustainable Development Goals

11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

An area of focus

We are aware of the significant impact that tourism, travel and hospitality can have on the world around us and the urgency of the need to neutralise that impact. At a time when the importance of the development of sustainable business models and the need for businesses to reduce their carbon footprint has become glaringly obvious, we have sought to sharpen our resolve to achieving our environmental goals. As a Company that develops, owns/co-owns and manages many of our properties, we recognise that we have a unique opportunity to integrate sustainability into our business from the point of development all the way to day-to-day operations. While progress has been made, we recognise that there is still work to be done in structuring our business in a way that safeguards the planet for future generations and are committed to doing that work. We are also reviewing the manner in which we measure our progress and are looking at adding structure in this regard.

GREEN ACCREDITATIONS AND CERTIFICATES

The Global Sustainable Tourism Council recognises a number of environmental certification programmes. This gives stakeholders confidence in international recognition of environmental standards. We are supporters of these initiatives, and maintain certificates for our properties listed below.

THE NETHERLANDS

Green Globe

Park Plaza Amsterdam Airport
art'otel Amsterdam

Green Key

Gold
Park Plaza Vondelpark, Amsterdam
Gold
Park Plaza Eindhoven
Gold
Park Plaza Utrecht

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
Silver
Holmes Hotel London

GERMANY AND 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 köln
art'otel Budapest

CROATIA

Travelife

Gold
Park Plaza Belvedere
Park Plaza Histria
Hotel Medulin

Blue Flag Beach

Yacht Beach, Park Plaza Verudela Pula

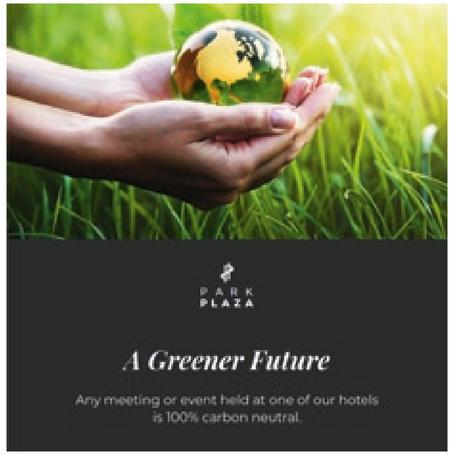
Energy and emissions

All locations in UK, the Netherlands and Germany have 100% renewable power

We are proud to announce that in 2021 the Group's owned and managed hotels across the UK, the Netherlands and Germany are now reliant on electricity generated from 100% renewable sources. All of these hotels have 100% of their electricity backed by UK REGOs, or European GoOs, as applicable, from a blend of renewable sources including hydro, wind, solar, biomass and landfill gas. This is a significant milestone in our journey towards a more sustainable future.

13 CLIMATE ACTION

Energy efficiency: 100% carbon neutral meetings



We are pleased to be working with Radisson Hotel Group and First Climate, one of the world's largest carbon offset organisations, on the carbon neutral initiative for meetings. Pursuant to this initiative, any meeting or event held at any participating Park Plaza hotel was 100% carbon neutral at no additional cost to guests. For each meeting, the carbon footprint was calculated and then offset through projects in Europe, Middle East, Africa, Asia Pacific and the Americas that combat climate change and contribute to sustainable development. At the final quarter of 2021, Radisson also launched a carbon negative initiative for meetings and events held up to 31 January 2022 in which the majority of our hotels participated. Pursuant to this initiative, double the carbon emissions produced by a meeting or event were offset, making them carbon negative.

Energy efficiency measures in our hotels

Heating and cooling represents the majority of our energy consumption. Continual improvement of energy efficiency is a key target for us and our guests and team members are empowered to participate in our common goal to reduce energy consumption. For further details of energy efficiency measures across our hotels refer to page 85.

Water stewardship

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.

The Group's commitment to reducing water consumption across the regions continued in 2021. The water conservation measures carried out in different hotels included: raising awareness of our 'Save Tomorrow, Today' linen and towel reuse programme that rewards guests for opting out of daily linen cleaning services; ozone cleaning of guest rooms and introducing a new three-day room cleaning cycle; use of washable and reusable items instead of disposable items in guest rooms.

Biodiversity

Biodiversity plays an important role in the lifespan of a hotel. This ranges across: restaurant food; wood used in hotel furniture; spa amenities; green spaces; and the conservation of animals and birds in the a hotel's public areas and gardens. Incorporating biodiversity considerations in planning and operational decisions for a hotel and resort is a key factor for the continued sustainability and conservation of the ecosystems in which we operate.

Hotel for bees

Bees play a critical role in healthy ecosystems and through their pollination, they are essential for production. Sadly in recent years, changes in our environment have meant that bees are significantly declining in numbers. Since 2019, Park Plaza London Waterloo, together with Barnaby Shaw from Bee Urban, creates a safe haven atop its fourth floor, giving the bees an opportunity to form colonies and produce local honey, while leaving the bees with ample honey to thrive.

Green hotels

In the Holmes Hotel Greenhouse Terrace, our team members grow fresh herbs, fruit and vegetables which are available in the hotel restaurant and 106 Coffee Shop.

Arena participated in the Croatian national campaign, 'Plant a tree, don't be a stump', and donated seedlings for educational institutions in the Pula area. In this way, Arena helped reduce the impact of climate change. As part of this project, local kindergarten children helped our team members to plant pine trees in the Arena One 99 Glamping site in an effort to educate future generations on the importance of being responsible stewards of the planet.

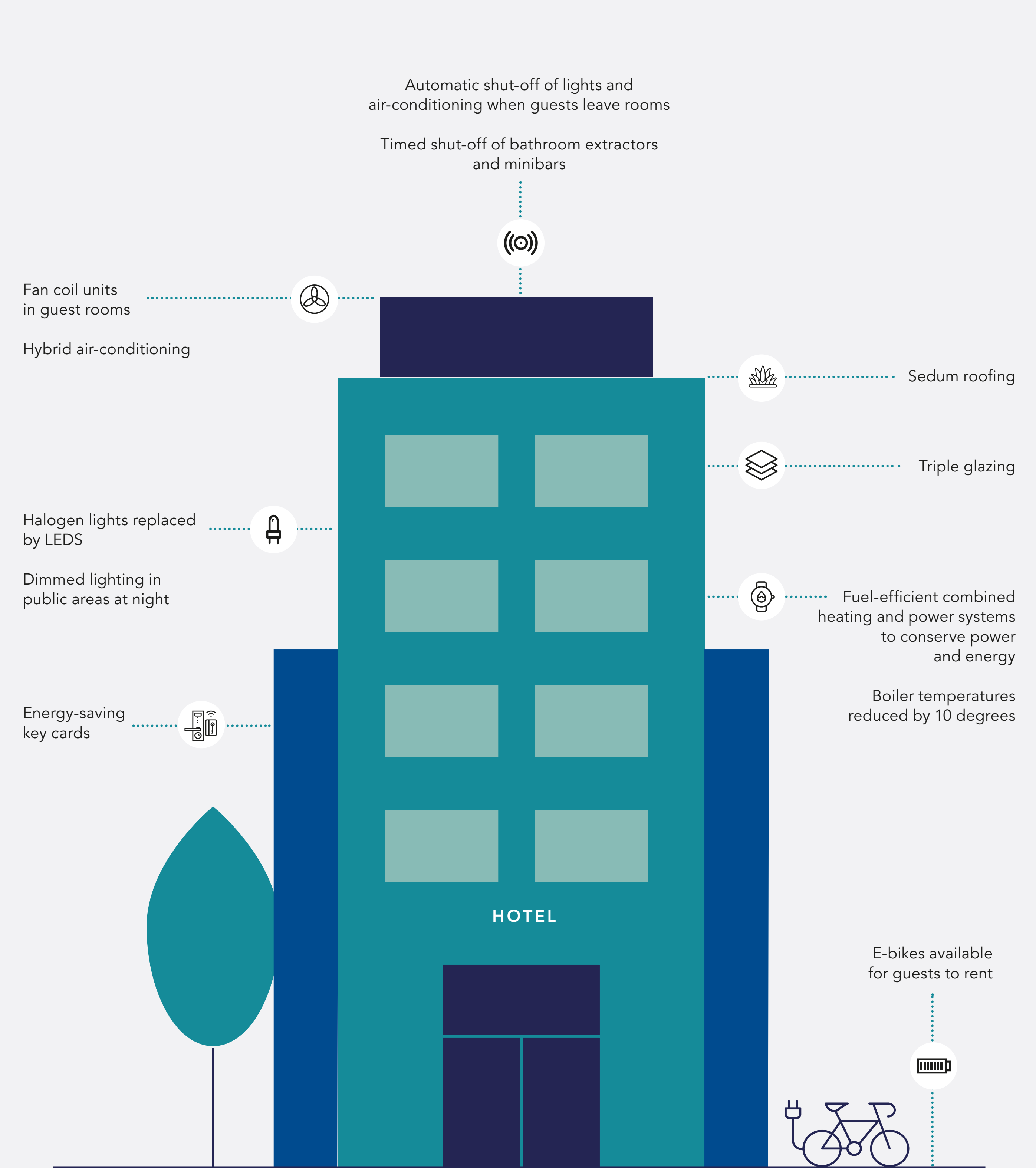
Responsible Business Our Planet
continued

Waste and use of resources
Our dedicated green team members are committed to carrying on waste management and recycling activities in all our properties. Some examples of waste management in the hotels and in the regional offices include: recycling, using biodegradable straws, promoting online services (check-in/check-out/mobile key, etc), reducing physical menus (using QR codes), making use of digital authorisation of invoices which reduces the amount of printing required, implementation of new systems such as Raet, Dyflexis and Eversign which reduces paper usage, certified low-impact paper napkins, minimising food waste by being more creative in the kitchen with new recipes, eco-friendly shampoo, shower gel and other bath products available in guest rooms, use of bio-degradable detergents, recycling glass, mixed recycling and food recycling on property, waste disposal and reduced pickups constantly based on occupancy levels, food digester for food waste disposal, batteries and light bulbs recycled, no vegetables or meat/fish products accepted in plastic, all food items to be delivered in cardboard only, no paper TV guides in guest rooms (as these are all available directly in the TVs), reusable laundry bags in guest rooms and many more.

Sustainable development
UK
For properties in development, sustainability is key. In the UK, the Group is on-target to achieve an 'Excellent' Building Research Establishment Environmental Assessment Method (BREEAM) sustainability rating for art'otel London Hoxton.

Croatia
In Croatia, in preparation for the refurbishment of Grand Brioni Hotel, Arena changed one-and-a-half kilometres of old water pipes, which supply the Punta Verudela peninsula. This significant improvement of infrastructure resulted in lower water consumption due to better monitoring and no leakages. As part of that project, Arena installed one-and-a-half kilometres of new gas pipes that now supply the properties located on Punta Verudela with natural gas. This enabled Arena to use a more environmentally friendly energy source for their hotel boiler rooms and kitchens. These activities reduced our environmental footprint by reducing our energy consumption.

ENERGY EFFICIENCY MEASURES ACROSS OUR HOTELS



Responsible Business Our Planet continued

SUSTAINABLE DEVELOPMENT CASE STUDY – GRAND BRIONI HOTEL, CROATIA

Roof with thermal insulation and new aluminium joinery to improve the physics of the building

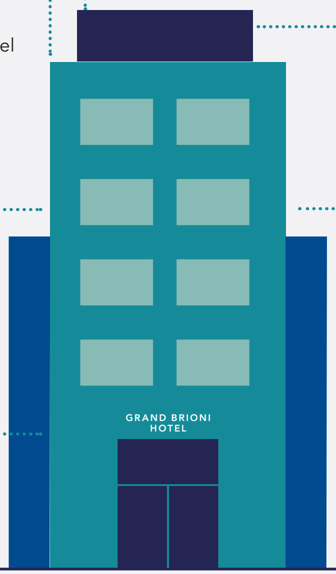
Heating/cooling system via high-efficiency air/water heat pumps and condensing gas boilers, with partial recovery of waste cooling heat for domestic hot water heating

Forced ventilation via air chambers with heat recovery from waste air

Installation of LED lighting fixtures throughout the hotel with a centralised lighting management system to save energy

Installation of sanitary fittings with low water consumption

New facade



Implementation of the smart room system to increase guest comfort and energy savings

Implementation of a central monitoring system for the management of thermo-technical installations and remote reading of electric meters for the rational use of energy

Implementation of a remote water consumption reading system to control and reduce losses

SUSTAINABLE DEVELOPMENT CASE STUDY – REFURBISHMENT OF ARENA GRAND KAŽELA CAMPSITE

Procurement of low-energy mobile homes, with built-in thermal insulation of the facade and roof

Heating/cooling system in solid buildings and mobile homes via high-performance VRF and split systems

Preparation of domestic hot water in sanitary facilities via condensing gas boilers, air/water heat pumps and solar collectors

Installation of LED lighting fixtures in toilets, solid buildings and mobile homes

Implementation of a remote water consumption reading system to control and reduce losses

Construction of a new facade on solid structures, as well as a roof with thermal insulation and new aluminium joinery to improve the physics of the building

Reverse osmosis seawater system for the production of sanitary water for irrigating green areas and filling the swimming pool, with remote monitoring and control of the operation of the irrigation and osmosis system to reduce water consumption

Installation of sanitary fittings with low water consumption in sanitary facilities, solid buildings and mobile homes

TCFD Reporting – A new way to engage

Changes to the Listing Rules have led to new ways to engage with our impact on the world around us. TCFD reporting is now mandatory, and we are pleased to provide this summary of our first annual TCFD report, the full version of which is published on our website. We have covered in summary all aspects of our TCFD report here. Where space prevents us going into further detail, we will make reference to the full report. We welcome the opportunity for progress afforded by the new regime which provides a framework allowing investors to compare businesses in their portfolios on an equal footing and facilitates meaningful engagement with the risks and opportunities presented to us by different climate change scenarios. We also welcome the opportunity to be transparent about how our business is rising to the generational challenge of climate change.

This section summarises our climate-related financial disclosures from the standalone 2021 TCFD Report, published online. Building on our Responsible Business reporting, TCFD represents the next step in our journey of improving our sustainability and transparency as a business.

The TCFD guidelines set out a framework for disclosing climate-related risks and opportunities, split into four core elements: governance, strategy, risk management and metrics & targets. Following the recommended disclosures ensures climate change considerations are embedded throughout our business.

The Group has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures. With regards to metrics and targets, we are in the process of setting carbon reduction targets based on an emissions reduction pathway to reach net zero by 2050 at the latest. The standalone 2021 TCFD report will be published on our website by April, providing more granularity on our climate-related risk management processes.

Overview – **Where do we stand with TCFD?**
We recognise that climate change is a complex issue and acknowledge our responsibility to minimise our impact on the planet. We have been tracking our energy use and emissions since 2011 to guide us in reducing our consumption.

This year we have focused our efforts on three key areas. First, to understand our Scope 3 emissions to set carbon emission reduction targets. Our Scope 3 inventory is published in our 2021 TCFD report. Second, to integrate climate risks into our risk management framework using climate scenarios to determine the material climate risks to our operations. Third, to strengthen our climate-related governance with the first meetings of our ESG Committee.

Governance – Ensuring accountability and responsibility for climate-related risks.
At PPHE, the management of climate-related topics is integrated into our existing governance structures and processes to ensure it is part of everything we do. We have a collaborative governance approach that starts with our Board and cascades to every aspect of our business via our executive vice-presidents, (regional) general managers, hotel managers and hotel Responsible Business teams, ultimately reaching all team members.

As with all matters that may present challenges to our business model, the Board has overall responsibility for climate-related issues, including risk management. The Board has delegated responsibility for developing and evaluating climate-related policies to the ESG Committee. The Audit Committee oversees and advises the Board on the Group's risk exposure, risk appetite and future approach to risk.

Our ESG Committee met for the first time in 2021. It supports the Board by reviewing and monitoring the processes for setting climate-related targets and collecting the data and information required to support the TCFD reporting and strategy.

The Audit Committee also assists the Board by monitoring financial and non-financial climate-related risks. It is responsible for tracking changes in this area that could alter the risk profile.

Full details of how climate-related matters are managed, including Committee members and Executive Leadership Team roles, are available in our 2021 TCFD report.

Strategy – Building climate resilience into our business strategy.
We understand that the way we do business can significantly impact the world around us and that we all have an increased level of responsibility in this area. Assessing our impact on the world around us is essential to our Board.

The TCFD recommendations will help us better understand the climate-related risks we face and inform how we monitor and manage climate-related risks and opportunities.

Responsible Business Our Planet
continued

Climate scenarios help us assess the future impacts of potential climate change pathways on our business. Scenarios enable us to evaluate our operational resilience to climate-related issues under a range of uncertainties and future states. We modelled our climate scenarios across three potential futures using the CORDEX, CLIMADA and IAM models .
We modelled climate data for the 16 cities across Europe where we have hotels.
The scenarios were:

- <2°C by 2100; high levels of transitional risks but limited physical risks
- 2-3°C by 2100; the highest level of transitional risks with some physical risks
- >3°C by 2100; limited transitional risks but the highest level of physical risks.

For each scenario and risk, we assessed how impacts might change over the short-term (0–5 years), medium-term (5–10 years) and long-term (10–15 years). The impacts inform our internal climate risk framework.

Our analysis determined that climate change presents four key transitional risks (Table 1).
Full details of our climate-related risks can be found in our 2021 TCFD report.

Risk management - Embedding climate into our risk management framework.
We have recognised climate change as a risk formally since 2019, both as an independent risk and for its potential to exacerbate several principal risks. Our well-established risk registry prioritises each risk based on assessing impact, likelihood, and mitigation actions.

Enterprise risk assessments are reviewed quarterly. Assessments and reviews evaluate the potential financial costs of each risk.

To ensure we understand the severity of each risk, we align the identified climate-related issues with our Enterprise Risk Management (ERM) programme. An executive or senior manager is assigned responsibility for each risk to introduce sufficient mitigation measures, or to adapt the business to opportunities.

This year we engaged with a third party to model and identify climate-related risks to our strategy, objectives, assets and business operations. The climate modelling considered physical and transitional risks on both a Group and site level. Overall, our risk level was low, and key risks are outlined below. All risks identified are detailed in our TCFD report.

Physical risks
We identified five potential physical risks to our hotels and resorts: flash flooding, rising mean temperatures, water stress, coastal flooding (for Amsterdam) and forest fires (for Belgrade / Pula). Rising mean temperatures are almost certain to happen, but the impact on our operations are deemed to be low. We will continue to monitor this. The other risks were not considered likely in the short-to-medium term. We will continue to monitor these and implement mitigation actions as necessary. Existing controls including insurance and crisis management plans will continue to be assessed for adequacy.

Transitional risks
We identified four transitional risks for which we already have mitigating actions in place, shown in Table 1. Two other transitional risks were identified, which we are monitoring: increased regulation and potential cost and disruption from phasing out non-renewable energy sources.

Table 1: Key climate-related risks to PPHE for which mitigating actions are in place displaying assessment of residual risk

Transitional risk	Timeline	Likelihood	Financial impact
Negative stakeholder perception if PPHE is not seen to be doing enough on climate-related matters	Short/ Medium	Unlikely	Moderate*
Exposure to carbon pricing	Short/ Medium	Almost Certain	Minor**
The increasing influence of climate-related matters on customer preferences and market demand	Short	Almost Certain	Minor**
Increased material costs	Short/ Medium	Almost Certain	Minor**

* Moderate – £1.2m - £6m (annual impact)
** Minor - <£1.2m (annual impact)

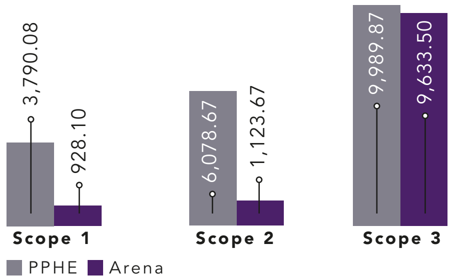
1 CORDEX: Co-ordinated Regional Climate Downscale Experiment – this model applies the methodology to localities of approximately 1,000 x 1,000 km permitting more localised analysis than global models, and more appropriate to local landscapes.
CLIMADA: a probabilistic climate risk assessment tool. Users can create impact data customised to their own data inputs.
IAM: Integrated Assessment Models are used to evaluate the technological and economic feasibility of climate goals.

Metrics & targets – Measuring and managing our climate impact.
This year we calculated our Scope 1, 2 and 3 emissions for PPHE and Arena Hotel Group available in our separate TCFD report.
Our Scope 3 emissions cover all our emissions within our value chain, including those from upstream and downstream activities.
Understanding our total emissions gives us a strong starting point on our carbon reduction journey, which is a top priority for the Group in 2022 and beyond. Emissions and energy performance are the metrics we use to assess our progress.

We are in the process of setting emission reduction targets. In 2022, we will commit to setting at least near-term targets through the Science Based Targets initiative (SBTi).
We acknowledge the net-zero targets that are in place in the jurisdictions in which we operate and aim to align with these ambitions. In 2022, we will undertake further work to establish pathways to achieve these targets and to be net zero by 2050 at the latest.

We engage external specialists to determine our carbon emissions to ensure accuracy.
The Greenhouse Gas Protocol is used as the basis of the calculations for our Scope 1, 2 and 3 emissions. This year, we have calculated our full carbon balance sheet for the first time, which includes our upstream and downstream value chain. This is our first step towards setting targets according to the standards of the SBTi, which we plan to submit in 2022.

The chart below compares carbon emissions between 2021 and 2020 for the PPHE and the Arena Hotel Group. Scope 1 and 2 emissions have risen slightly compared to 2020. This is due to the impact of the pandemic on the business in the previous year and our gradual reopening in 2021. Scope 3 was calculated for the first time in 2021. Full details are available in our 2021 TCFD report.



SECR reporting
In compliance with the UK government Streamlined Energy and Carbon Reporting, UK Scope 1, Scope 2 and Scope 3 emissions, intensity ratio and yearly comparisons are provided below.

Emission Type	Total Volume (kWh)	Calculated Emissions (Tonnes of CO_2e)
Scope 1 (direct)	20,280,122	3,725
Scope 2 (indirect)	23,338,58	4,955
Scope 3 (indirect)	N/A	N/A
2021 Total	**43,618,708**	**8,680**
2020 Total for comparison	**39,991,198**	**8,379**

Our Goals
Emissions:
- Net zero by no later than 2050.
- We are in the process of gathering the data to set Science Based Targets (SBTs) to reduce our direct and indirect GHG emissions (Scope 1 and 2). We plan to commit to setting SBTs in 2022.
- Understanding our Scope 3 emissions and working with our suppliers to lower carbon emissions.

Sites have been identified for detailed assessment during 2022. These will be surveyed for upgrading infrastructure to reduce carbon output

Water:
- Monitoring and managing water use in our properties to reduce water consumption.
- We are encouraging the use of our 'Save Tomorrow, Today' programme.

Environment:
- Developing a climate policy is the responsibility of our ESG Committee.
- We reduce our environmental impact by reducing our waste and optimising how we use resources.
- We are increasing the use of ethically sourced and eco-friendly materials across our properties.

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