

**PPHE Hotel Group Limited**  
**("PPHE Hotel Group", "PPHE" or the "Company")**

**Audited Annual Results for the financial year ended 31 December 2022**  
**Publication of Annual Report & Accounts**

***Trading and operational outperformance leading to NRV growth and dividend reinstated***

PPHE Hotel Group, the international hospitality real estate group which develops, owns and operates hotels and resorts, is pleased to announce its audited annual results for the financial year ended 31 December 2022.

**Financial highlights**

- Total revenue increased by 133.5% to £330.1 million (2021: £141.4 million), exceeding previously upgraded market expectations<sup>1</sup>, as demand for leisure and corporate travel and meetings and events continued to strengthen across all markets, despite ongoing macroeconomic challenges globally.
- Rate-led strategy continued to support strong financial performance and helped mitigate inflationary headwinds. Average room rate was up 37.1% to £160.4 (2021: £117.0), exceeding pre-pandemic levels.
- Occupancy improved throughout the year to 60.0% (2021: 30.7%), with Q4 occupancy at 72.1%, only 10.7% behind Q4 2019. RevPAR was up 168.0% year-on-year to £96.2 (2021: £35.9), and at 92.8% of 2019 levels. Staffing no longer a constraint on occupancy due to proactive and innovative staffing strategy.
- EPRA NRV per share increased materially, by 13.6%, to £25.17 (2021: £22.15). Year-on-year, property valuations were positive across all the Group's key territories (led by Croatia and Germany, up 11% and 17% respectively), driven by the faster than expected post COVID trading recovery and broadly stable yields more than offsetting rate rises.
- Reported EBITDA improved by 277.4% to £94.6 million (2021: £25.1 million), exceeding previously upgraded market expectations<sup>1</sup>. EBITDA margin of 28.7% (2021: 17.7%).
- Revenue during the second half of 2022 rose to £216.9 million and reported EBITDA increased to £77.6 million, both ahead of 2019 comparable periods.
- Normalised profit before tax was £8.3 million (2021: loss of £47.5 million).
- Strong financial position, with a total consolidated cash balance of £163.6 million at 31 December 2022 (2021: £136.8 million) and access to available facilities of £60 million.
- Adjusted EPRA earnings improved to 50 pence per share (2021: (44) pence).
- Reinstated dividend payments, with an interim dividend of 3.0p per share and a recommended final dividend of 12p per share, bringing the total dividend for the year to 15p per share.
- A £3.7 million share buyback programme commenced in June 2022 has led to 288,858 shares being bought back so far, for a total amount of £3.6 million.

**Strategic highlights**

- Long-standing partnership with Radisson Hotel Group significantly extended to allow PPHE and Radisson to leverage their respective brand strengths across the portfolio.

- Opened two premium hotels in prime locations, enhancing leading proposition for customers, with:
  - Grand Hotel Brioni Pula, Croatia, a Radisson Collection Hotel, following an extensive repositioning project.
  - The UK's first art'otel, located at London Battersea Power Station. This hotel is operated by the Group's Hospitality Management Platform under a long-term agreement.
- Good progress made on the £200m+ development pipeline, in line with plans, with forthcoming openings in Zagreb (opening H1 2023), Rome (opening Q1 2024) and London Hoxton (opening H1 2024).
- Investments in technology, automation and energy efficiency helped to mitigate headwinds around rising labour and energy costs. Established investment in people and focus on rebuilding our teams benefited the Group at a time when a tight labour market has proven challenging across the industry.

## Post-Period end

- Separately announced European Hospitality Fund of up to €250 million to be established to acquire hotel properties which will be managed by the Group's hospitality management platform. PPHE will contribute the art'otel Rome as a seed asset into this Fund.

## Outlook

- Booking momentum has continued into January and February, supporting the Board's confidence in the outlook despite the ongoing challenging macroeconomic environment.
- Event bookings strong, and F&B now back to full strength.
- New openings during 2022 and opening of art'otel Zagreb during H1 2023 expected to deliver additional upside in 2023.
- As previously announced, widely reported inflationary pressures are likely to impact the Group's margins, albeit modestly due to the offset by room rate increases.
- The Board expects to continue to grow revenue and EBITDA in FY23.

## Key financial statistics

Reported in GBP (£)

	Year ended 31 December 2022	Year ended 31 December 2021
Total revenue	£330.1 million	£141.4 million
EBITDAR	£97.0	£27.6 million
EBITDA	£94.6 million	£25.1 million
EBITDA margin	28.7%	17.7%
Reported PBT	£11.5 million	£(57.6) million
Normalised PBT	£8.3 million	£(47.5) million
Reported EPS	24.0	(123)p
Occupancy	60.0%	30.7%
Average room rate	£160.4	£117.0
RevPAR	£96.2	£35.9
Room revenue	£237.8 million	£84.4 million
EPRA NRV per share	£25.17	22.15
Adjusted EPRA earnings per share	50p	(44)p

<sup>1</sup> PPHE compiled analyst consensus forecast range for the year ended 31 December 2022 shows total revenue of £310.0m - £315.0m and EBITDA of £85.1m - £90.2m.

**Boris Ivesha, President & Chief Executive Officer, PPHE Hotel Group said:**

"The strength of the Group's performance in 2022 is testament to the adaptability and talent of our world-class teams, the fundamental resilience of the business model, our consistently industry-leading proposition and successful implementation of our proven strategy. Our well-invested portfolio and strong financial position enabled us to benefit strongly from the market recovery seen as the year progressed, and we returned to – and in some cases exceeded – 2019 levels across a number of key metrics including total revenue, RevPAR and EBITDA. We take significant momentum into 2023 and I am pleased that this, in turn, has supported our recommencement of capital returns to shareholders.

Our confidence for the future is stronger than ever in spite of the ongoing macroeconomic uncertainties. The Group's progress in 2022 and strengthened foundations are fundamental in supporting our future prospects, and we look forward to continuing to deliver for all stakeholders over the coming years."

**Publication of Annual Report & Accounts**

PPHE Hotel Group Limited will publish later today its annual report and accounts for the financial year ended 31 December 2022 (the "Annual Report"). This document shall be available today on the Company's website: [www.pphe.com](http://www.pphe.com)

The Company's Annual General Meeting will be held on 23 May 2023 at 12 noon at 1st Floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW.

Pursuant to UK Listing Rule 9.6.1, copies of the Annual Report shall be submitted later today to the National Storage Mechanism and will shortly be available for inspection at: <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>

In accordance with Disclosure Guidance and Transparency Rule 6.3.5, the information in the attached Appendix consisting of a Directors' Responsibility Statement, principal risks and uncertainties and related party transactions has been extracted unedited from the Annual Report & Accounts for the financial year ended 31 December 2022. This material is not a substitute for reading the full Annual Report.

This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of the Company is Daniel Kos, Chief Financial Officer & Executive Director.

**Enquiries:**

**PPHE Hotel Group Limited**

Daniel Kos, Chief Financial Officer & Executive Director  
Robert Henke, Executive Vice President of Commercial Affairs

Tel: + 31 (0) 202 717 8600

**Hudson Sandler**

Wendy Baker / Charlotte Cobb / Ben Wilson

Tel: +44 (0)20 7796 4133

Email: [pphe@hudsonsandler.com](mailto:pphe@hudsonsandler.com)

**Notes to Editors**

PPHE Hotel Group is an international hospitality real estate company, with a £2.0 billion portfolio, valued as at December 2022 by Savills and Zagreb nekretnine Ltd (ZANE), of primarily prime freehold and long leasehold assets in Europe.

Through its subsidiaries, jointly controlled entities and associates it owns, co-owns, develops, leases, operates and franchises hospitality real estate. Its portfolio includes full-service upscale, upper upscale and lifestyle hotels in major gateway cities and regional centres, as well as hotel, resort and campsite properties in select resort destinations. The Group's strategy is to grow its portfolio of core upper upscale city centre hotels, leisure and outdoor hospitality and hospitality management platform.

PPHE Hotel Group benefits from having an exclusive and perpetual licence from the Radisson Hotel Group, one of the world's largest hotel groups, to develop and operate Park Plaza® branded hotels and resorts in Europe, the Middle East and Africa. In addition, PPHE Hotel Group wholly owns, and operates under, the art'otel® brand and its Croatian subsidiary owns, and operates under, the Arena Hotels & Apartments® and Arena Campsites® brands.

PPHE Hotel Group is a Guernsey registered company with shares listed on the London Stock Exchange. PPHE Hotel Group also holds a controlling ownership interest in Arena Hospitality Group, whose shares are listed on the Prime market of the Zagreb Stock Exchange.

**Company websites**

[www.pphe.com](http://www.pphe.com) | [www.arenahospitalitygroup.com](http://www.arenahospitalitygroup.com)

**For reservations**

[www.parkplaza.com](http://www.parkplaza.com) | [www.artotel.com](http://www.artotel.com) | [www.arenahotels.com](http://www.arenahotels.com) | [www.arenacampsites.com](http://www.arenacampsites.com)

## **CHAIRMAN'S STATEMENT**

### **A year of strong recovery**

I write this year's annual Chairman's statement with a lot of pride in what our teams delivered and how we drove our recovery.

We have a very keen awareness of the ongoing external challenges that continue to face the business and wider sector. However, the strength of our teams and senior leadership remains the backbone of PPHE's ability to bounce back after difficult periods.

Our team members have continued to work extremely hard to adapt to changing circumstances, helping to ensure the longer-term success of the business. I have great gratitude for everything that they continue to do.

As a result of this resilience, and the strength of the Group's business model and customer proposition, PPHE has achieved significant recoveries across its key markets over the course of the last year, whenever and wherever restrictions were lifted. It was clear that there had been significant pent-up demand for both leisure and, increasingly, business related travel over the last two years, and our well-invested in hotels and appealing brands welcomed visitors back in their swathes as soon as it was possible and safe. I am very proud of our post pandemic recovery, which has continued unabated, and in spite of the onset of a number of new external challenges that have arisen over recent months.

### **Mitigating new external challenges**

Over the last year, a variety of new and emerging macro pressures – both economic and geo-political – have become dominant issues for business, including ours. These have had clear and significant impacts on the supply chain, inflation and the labour markets, among other areas.

The last few years have shown how resilient the business is to external pressures through swift adaptation. We remain confident in the fundamental resilience of our business model and strategy, and our leading proposition. PPHE's ability to weather future challenges, including the possible onset of economic downturns and recessions which are predicted across some of our key markets in coming months and potentially years, is tried and tested.

### **Ensuring our future sustainability**

Ensuring the long-term sustainability of the Group has also been a key focus. A number of initiatives have been deployed across our operations this year in order to help us minimise our impact on the environment and maximise our positive impact on our communities and people. Most notably, on the former, in joining the Zero Carbon Forum and Energy and Environment Alliance, we have taken crucial steps in the journey to reaching net zero.

The governance of the Group remains fundamental to its long-term success. We have continued to regularly engage with our investors and are focused on ensuring the Board's alignment with the priorities of shareholders.

### **Board changes**

Kevin McAuliffe, Non-Executive Deputy Chairman of the Group, informed the Board in November of his intention to gradually retire from business life. Consequently, he will not stand for re-election at the next Annual General Meeting and will resign from the Board at the conclusion of the meeting.

I would like to express my gratitude to Kevin for his dedication and service. He has been an integral and valued Board member since the Company's IPO in 2007.

Marcia Bakker was appointed as an independent Non-Executive Director on 6 December 2022. I am delighted to welcome Marcia to the Board. Her varied industry background in finance, recruitment and HR, in conjunction with her experience working with large and international corporations, will provide invaluable insights for the Board and support our overall long-term growth.

Marcia's appointment further demonstrates our ongoing commitment to strengthening the corporate governance of the Company for the benefit of all stakeholders.

## **Shareholder returns**

The Board understands the importance of returning capital to shareholders. The positive trading momentum and strong financial performance allowed us to reinstate dividend distributions to our shareholders with an interim dividend of 3 pence paid in October and a final dividend of 12 pence recommended, which will bring the total dividend to 15p per share. Going forward the Group will reinstate its progressive dividend policy.

Furthermore, we commenced a share buy-back programme in June 2022, which is further evidence of our confidence in the Group's performance to date and the strength of its future development pipeline. Further details about dividends and the share buy-back programme are set out in the Financial Review.

## **Looking ahead with confidence**

Despite the external challenges that are ongoing, our confidence in the future is stronger than ever. The Group's development progress has been significant, and we have a strong pipeline of new properties and openings upcoming to further delight and excite visitors. This includes our expanded relationship with long-standing partner Radisson Hotel Group (more on pages 24 and 25 of our 2022 Annual Report) which will help bring further and new opportunities for enhanced value both to the business and, as a result, our shareholders.

While uncertainties undoubtedly remain, our world-class teams continue to adapt and perform at the top of their game, doing everything they can to drive the business forward and help to secure its future. The Group's progress made this year and our strengthened foundations through 2022 are fundamental in supporting our future prospects, and we look forward to continuing to deliver for all stakeholders over the coming years.

Eli Papouchado  
Chairman

## **PRESIDENT & CEO'S REVIEW**

### **Regaining momentum**

We look forward to an exciting year ahead, further building on our already strong 2022 recovery performance.

### **2022 in review**

Following the easing of restrictions across the majority of our key operating markets during Q1, the beginning of the year brought a return to positive booking momentum. This was initially the case across our UK portfolio, as the UK government was the first to lift any remaining restrictions, in the second half of January. In the Netherlands and Germany, these were lifted in February and March, and in Croatia in time for the summer season. Thereafter, all of our operating markets continued to recover as the months progressed, driven in particular by a strong rebound in leisure bookings. Our London hotels and Croatia assets (comprising hotels, resorts and premium campsites) performed extremely well during the summer season.

From midway through the year, corporate activity also started to increase, driven by rising demand for meetings and events spaces. This positive trend continued throughout the second half of the year.

Throughout the year, we maintained our disciplined rates-led strategy, which reflects the high quality and prime locations of our properties. As a result, pleasingly, average room rates returned to at least the levels achieved before the pandemic in 2019, and in many cases, rates exceeded these levels.

Alongside the improving trading environment, we made excellent strategic progress on key positioning projects, with the opening of two highly impressive upper upscale properties; Grand Hotel Brioni Pula, a Radisson Collection Hotel, and art'otel London Battersea Power Station. Completion of these major projects has added two new premium hotels to our portfolio, strengthening our foundations for long-term success. We also extended our long-term partnership with Radisson Hotel Group during the year, a move that supports our multi-brand approach for our properties.

We are extremely pleased with our 2022 performance, which was delivered despite a number of well-documented macro-economic challenges, including industry-wide inflationary pressures, the increased cost of energy and the ongoing tough labour market. We have invested in a number of initiatives to mitigate the impact of these on the Group, including through technology, increased automation and energy efficiency across our operations.

### **Strong start of financial recovery**

Reported total revenue increased by 133.5% to £330.1 million (2021: £141.4 million) and EBITDA improved 277.4% to £94.6 million (2021: £25.1 million), resulting in an EBITDA margin of 28.7% (2021: 17.7%).

During the year, we saw a strong year-on-year recovery across all our key operating metrics, with average room rate exceeding levels achieved in 2019. Revenue growth was driven by both strong growth in rates as well as a good improvement in occupancy. The average room rate increased significantly to £160.4 (2021: £117.0) and was 24.8% higher than pre-pandemic levels (2019: £128.5). Occupancy recovered to 60.0% (74.4% of 2019 levels). As a result, RevPAR improved to £96.2 (2021: 35.9), 92.8% of 2019 levels.

The Group's financial position remains strong, with a total consolidated cash balance of £163.6 million at 31 December 2022 (31 December 2021: £136.8 million).

Our property portfolio was predominantly valued by Savills and Zane at £2.0 billion as at 31 December 2022. EPRA NRV per share increased by 13.6% to £25.17 per share (2021: £22.15 per share). The adjusted EPRA earnings per share was 50 pence (2021: (44) pence).

After a pause in dividend payments to shareholders during the pandemic, the ordinary dividend has been reinstated, with the total dividend for the year of 15 pence per share. We also commenced a share buy-back programme.

### **Our business model and growth strategy**

The Group operates a highly differentiated integrated 'Buy, Build, Operate' business model, which sees it operate across the whole value chain, and in turn drives enhanced value for all our stakeholders. We purchase assets that we believe have significant upside potential, and apply our expertise to (re)develop and redesign these acquired assets. Furthermore, we strive for operational excellence across all portfolio assets, underpinned by our access to a variety of attractive brands. Our financial model enables us to leverage these assets to fund future investments to facilitate further growth. This model is supported by our financial strength and our £2.0 billion property portfolio.

Our proven growth strategy is built across three strategic blocks: (i) our core upper upscale city centre hotels; (ii) our leisure and outdoor hospitality offerings, both of which are asset-backed; and (iii) our hospitality management platform, through which we manage the hospitality assets of our joint venture partners and third party owners. This presents excellent growth potential for the Group, and these three strategic blocks are all reflected within our active development pipeline during the year.

### **Extension of our strategic partnership with Radisson Hotel Group**

Our long-standing strategic partnership with Radisson Hotel Group (RHG) spans more than 20 years. Through this partnership, the Group has an exclusive and perpetual territorial licence of the RHG-owned Park Plaza brand in Europe, the Middle East and Africa (EMEA), which has been instrumental in the expansion of the brand in the region. Moreover, the Group (including its wholly owned art'otel brand) has access to Radisson's state of the art central reservation and global distribution systems, its global sales and marketing capabilities, and more than 11 million loyalty programme members.

In May, we were pleased to announce an extension of this successful partnership which provides the Group the opportunity to diversify our market segments and our product offer. Through the extended partnership, the Group has the ability to access and leverage RHG's full suite of brands, including Radisson Collection, Radisson Blu and Radisson RED. RHG benefits from access to PPHE's wholly owned art'otel brand and the Park Plaza brand in certain regions within EMEA, which are primarily outside of the Group's core markets. Through this arrangement, PPHE is entitled to a fee-based income for the use of both brands and will benefit from the portfolio's growth and the resulting greater brand awareness. The first hotel launched under this new partnership arrangement was Grand Hotel Brioni Pula, a Radisson Collection Hotel.

### **Two new premium hotels opened**

We remained highly focused on delivering on our £200+ million development pipeline. Excellent progress was once again made during the year, including the opening of two stunning premium hotels.

In May, we relaunched Grand Hotel Brioni in Croatia, a 5-star upper upscale hotel which offers guests quality services, dining and wellness. The hotel opened on schedule and in time for the summer season following a two-year c. £30 million repositioning project. This is the first of our three planned premium hotels in Croatia, with two further properties expected to open during 2023 and 2024. This involves the conversion of an iconic office building in the centre of Zagreb to become Croatia's first art'otel, and the repositioning of our hotel in the centre of Pula.

Our second hotel opening in the year was the spectacular art'otel London Battersea Power Station, our first art'otel in the UK, which opened its doors to guests in December. This is a one-of-a-kind hotel experience that fuses art, design and hospitality with fabulous views across London. The interior of the hotel was designed by award-winning Signature Artist Jaime Hayon. The art'otel brand is wholly owned by the Group and the Group operates the hotel under a long-term management agreement through our hospitality operating platform, which we believe offers us significant and further long-term growth opportunities.

### **Development pipeline update**

In the UK, construction of our flagship property, art'otel London Hoxton, continued to plan. We recognise the importance of taking a sustainable approach to development and are pleased to report that this property remains on target to achieve an 'Excellent' BREEAM sustainability rating. It will not use any gas for energy supply, save for minimal use in the kitchens for burners. Development of the property remains on track, with opening expected in H1 2024. We also have two further, longer-term development projects in London over the coming years, at Westminster Bridge Road and Park Royal.

In Italy, we commenced the planned repositioning of our hotel in the centre of Rome to transform our existing hotel into an upper upscale lifestyle art'otel. The hotel is expected to reopen during Q1 2024.

During the year, we also completed various investments across the rest of our estate to renovate and upgrade properties and enhance the customer experience. This included investments positioning FRANZ Ferdinand Mountain Resort in Austria as a year-round destination, upgrades to Arena Stoja campsite in Croatia, and updates to 88 Rooms Hotel in Serbia.



## **Investing in our people**

Our people and values drive our success. We have a strong track record of creating memorable guest experiences by delivering consistently high levels of customer service in line with the high quality of our well-invested property portfolio. We recognise the importance of a highly engaged workforce and a strong employer brand to enable us to achieve this.

2022 was a year of rebuilding our teams post COVID. Our long-standing commitment and track record of investing in our team members has clearly benefited the Group at a time when a tight labour market is proving challenging across the hospitality industry.

In the UK and the Netherlands, our centralised approach to recruitment, which sees our recruitment teams working directly to support hotel teams by sourcing and often completing the initial rounds of the recruitment process, drives a more proactive and efficient approach. Year-on-year, we increased our workforce by more than 61% in the UK and the Netherlands.

Furthermore, we are focused on creating more part-time employment opportunities. In doing so, we can maximise the talent available to the Group by reaching those that may not have previously had the opportunity to work in hospitality, as well as increasing diversity and inclusion in our workforce. Our innovative walk-in Hospitality Career Centre at Park Plaza London Victoria, close to Victoria Station, also enables our recruitment team to attract external talent in an accessible manner and complements our online application process. We welcome around 20 walk-ins per week, and this resulted in 163 hires in 2022.

The Group's approach to recruitment is supported by its complementary partnerships with universities, colleges, local councils and the government. We believe apprenticeship schemes are an important gateway for school leavers entering the industry and each year we employ between 20 and 30 chefs, property maintenance and hospitality manager apprentices. Our graduate scheme (c. six graduates per year) offers post-graduates an 18-month programme based around five core modules which include a six-month rotation in roles across operations (meetings & events, Food & Beverage and front of house) with a quarterly review with the General Manager. We will be running a 'sandwich' placement programme in 2023. Furthermore, in the UK, we work with the Department for Work and Pensions, and have successfully recruited over 100 Jobcentre Plus customers across our London hotels through this partnership since 2021.

In the Netherlands, from next year we will similarly work with universities and offer internships and sandwich-year placements to students. To help address labour shortages, we have also started to recruit candidates from across the European Union, offering them relocation support, including accommodation for six months. In Croatia, a combination of recruiting the full headcount for the start of the season (rather than ramping up recruitment as the season progressed) and scaling overseas recruitment is behind how the brand is futureproofing its approach to talent. Through responsible recruitment partnerships in Asia, for instance, more than 250 jobs (with accommodation and catering) were created.

We are committed to taking a holistic approach to supporting our team members. We have refreshed our onboarding process for new team members, as we recognise that many new starters have not worked in the hospitality sector before and require additional training and support from their manager, particularly in the first three months. Alongside offering competitive pay rates, we provide a breadth of financial, social, mental and physical wellbeing support, such as access to Wagestream, a financial wellbeing provider, PPHE BenefitHub, and two free meals a day (even on days off). We also understand the challenges of finding suitable affordable accommodation in city centres and provide help to address this with 15 bedrooms available for team members in London and 50 across Amsterdam.

The positive results of our ongoing investment in our team members are reflected in the results of our 2022 employee survey, which measures engagement levels including key drivers of engagement, enablement, autonomy, leadership and rewards. More than 2,260 responses were received to June 2022 survey and we are delighted that the engagement index score for the year was 81%. During the year, we recruited a total of more than 1,400 new team members across the Group.

## **Ongoing investment in technologies**

A move to embed greater digitalisation and increased automation is being seen across the sector, to support an improved guest experience and drive efficiencies. This is a trend which accelerated during the pandemic, as operators needed to work faster to evolve the ways in which they interacted with customers.

We know that technology plays a huge part in our guests' overall experience, and we have continued to invest in this area and adapt the ways in which we engage with our guests. Our dedicated apps for Park Plaza and art'otel enable

guests to message team members through chat and WhatsApp in real time, to access guest services such as ordering room service. Self-check-in and check-out are now available at all our hotels, giving guests the option for an in-person or contactless experience.

We have also continued to invest in front and back office technologies to improve customer service and drive efficiencies. During the pandemic, we centralised our customer service operations and some of our finance administrative functions and, to facilitate this process, we have introduced one of the market leading contact centre software solutions, resulting in a holistic view of customer profiles and improved workflows and automation. We have also continued to leverage robotics initiatives. In 2023, we will be investing in automation solutions for our engineering, front office and housekeeping functions, with a ticketing system for room status, faults and guests' requests, giving front office colleagues greater visibility and improving internal communications, planning and guest services. Furthermore, we will be continuing our implementation of two revenue management systems across our Group.

### **Our team members**

Across the Group, our people have once again demonstrated their ability to adapt to market conditions, whether in an office-based role or as part of our operational teams focused on delivering a consistent and best-in-class guest experience. On behalf of the Board, I would like to thank all of our team members for their commitment, professionalism and hard work throughout the year, and I look forward to the year ahead.

### **Current trading and outlook**

Our room rate focused strategy has continued to deliver into 2023, with average room rates in all our regions exceeding pre-pandemic levels. The forward booking pace continues to be solid, and we are not seeing consumer price resistance or cooling of leisure demand. Demand for business travel and meetings and events is continuing to grow. As previously commented, the widely reported inflationary pressures are likely to impact the Group's margins, albeit modestly due to the offset by room rate increases.

As a result, the Board expects to continue to grow revenue and EBITDA this year.

We look forward to an exciting year ahead, further building on our already strong 2022 recovery performance and preparing for our new openings in Zagreb, Rome and Hoxton in 2023 and 2024.

### **Boris Ivesha**

President & Chief Executive Officer

## FINANCIAL REVIEW

### Overview of 2022

The Omicron COVID variant caused governments to respond and reintroduce measures at the end of 2021, resulting in a sharp drop in trading. 2022 started with most government intervention measures in place across all markets, including a lockdown in the Netherlands. In the United Kingdom, guidance was still for the general public to stay at home as much as possible. During this period, the Group continued to focus its efforts on protecting its cash position, navigating a challenging and uncertain trading environment and generally ensuring that our health and safety protocols were followed through to protect our team members and guests.

Governments started easing measures once the risks associated with the new variant became more evident. The United Kingdom was the first of our markets to reopen and start. While it took several weeks into 2022 to gain traction, thereafter demand for leisure travel returned swiftly. Our other operating regions started to gain momentum towards the end of the first quarter and at a much slower pace than compared with the United Kingdom. During the second quarter, we ramped up operations and focused on recruiting and onboarding new team members across our Group, while ensuring that we also increased our offerings and service levels.

During the second quarter, our operating margins started to improve, albeit they were still impacted by reopening costs. In the summer, demand levels increased significantly for our London hotels, with events such as Wimbledon, the Farnborough International Airshow and the state funeral of Her Majesty Queen Elizabeth II adding to already high leisure demand. This strong demand positively affected our room rates.

Our Croatian resorts reported a record performance over the summer season, benefiting from pent-up demand from holidaymakers and the limited reopening of long-haul holiday destinations. The fourth quarter saw a return for our corporate travel and meetings and events segments, and we benefited from strong demand during the half-term school holiday period and the Christmas holidays, plus a record trading performance on New Year's Eve.

Although we achieved record average room rates in 2022, which were up 24.8% compared with 2019 (pre-COVID), we also saw a sharp increase in our cost base, most noticeably due to increased payroll costs, which increased substantially in all territories. Payroll costs in the United Kingdom topped the list of countries in which we operate due to the high demand for talent across the entire hospitality industry, combined with a significantly reduced labour pool with a lack of available talent from outside the country as a result of the Brexit transition period ended on 1 January 2021.

Utility prices across our operating regions increased sharply during 2022; however, as the Group had hedges in place for 2022, the effect of this increase was only marginal.

Throughout the year, we spent approximately £100 million on capital expenditure, with our development projects in Croatia, Austria and the United Kingdom taking up the majority of this investment. Some of our development projects, such as Grand Hotel Brioni Pula, opened in 2022; however, the majority of our pipeline is due to open in the next 18 months and these are expected to result in a step change in our trading performance.

### Financial Results

Key financial statistics for the financial year ended 31 December 2022.

	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2019
Total revenue	<b>£330.1 million</b>	£141.4 million	£357.7 million
Room revenue	<b>£237.8 million</b>	£84.4 million	£250.6 million
EBITDAR	<b>£97.0 million</b>	£27.6 million	£124.7 million
EBITDA	<b>£94.6 million</b>	£25.1 million	£122.9 million
EBITDA margin	<b>28.7%</b>	17.7%	34.4%
Reported PBT	<b>£11.5 million</b>	£(57.6) million	£38.5 million
Normalised PBT	<b>£8.3 million</b>	£(47.5) million	£40.7 million
Reported EPS	<b>24p</b>	(123)p	80p
Occupancy	<b>60.0%</b>	30.7%	80.6%

Average room rate	<b>£160.4</b>	£117.0	£128.5
RevPAR	<b>£96.2</b>	£35.9	£103.6
EPRA NRV per share	<b>£25.17</b>	£22.15	£25.93
Adjusted EPRA earnings per share	<b>50p</b>	(44)p	128p

## Operational performance

### Revenue

As the first three months of the year were dominated by government measures, lockdowns and “stay at home” guidance in the regions we operate, the Group’s occupancy levels in the quarter were at 34.2%.

As the first quarter progressed, restrictions were progressively eased across our operating markets and demand gradually returned, eventually resulting in a strong performance in London and Croatia during the summer. Occupancy levels increased in the second quarter to 58.8%, and improved to 70.8% in Q3 and 72.1% in Q4.

This varied performance by quarter has led to the Group’s total revenue amounting to £330.1 million, which was up 133.5% versus 2021 and at 92.3% of the levels reported in 2019.

Although we experienced strong pent-up demand in the third quarter, combined with city-wide events, the shortage of team members has contributed to the Group focusing on a rate-led strategy. This means that we strategically chose to run the hotels at reduced occupancy levels compared with pre-pandemic occupancies. Room rates were subsequently increased to make up for lost capacity and mitigate wider cost pressures. This strategy has led to a 24.8% increase in average room rates in 2022 compared with 2019. Though occupancy reported in 2022 was 60.0%, up 2,930 bps from 2021, it was still 2,070 bps behind 2019 occupancy levels.

RevPAR was £96.2, up 168.0% (2021: £35.9), and at 92.8% of 2019 levels. RevPAR in the last two quarters of the year was ahead compared with the levels reported in the same period of 2019. Average room rate increased by 37.1% to £160.4 (2021: £117.0) and increased 24.8% compared with 2019 levels.

These RevPAR levels led to a total room revenue of £237.8 million, up 181.6% from 2021 and at 94.9% of 2019 room revenue.

### EBITDA, profit and earnings per share

The Group reported EBITDA is £94.6 million (2021: £25.1 million), of which £17.0 million relates to the first six months of 2022 and £77.6 million to the last six months of 2022.

Due to the COVID restrictions in the first quarter and the ramp-up in the second quarter, comparing trading periods in this financial year is challenging. Nonetheless, the Group believes its third and fourth quarter performance in 2022 was more in line with pre-pandemic trading levels. The EBITDA margin reported for the year was 28.7%, versus a margin of 34.4% in 2019. When looking at the second half of 2022, we reported an EBITDA margin of 35.8%, which compares with 38.2% in 2019.

As outlined above, labour shortages are causing inflationary pressures in payroll cost across all operating regions. Normalised profit before tax improved to £8.3 million (2021: £(47.5) million). Reported profit before tax improved by £69.1 million to £11.5 million (2021: £(57.6) million). Below is a reconciliation table from reported to normalised profit.

Reported basic/diluted earnings per share for the period were 24 pence (2021: (123) pence). Depreciation excluding impairment in the year was £40.0 million (2021: £38.9 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 41 of the 2022 Annual Report is calculated using the 4% rate instead of the reported non-cash depreciation charge.

### Normalised profit

£m	12 months ended 31 December 2022	12 months 31 December 2021
Reported profit (loss) before tax	<b>11.5</b>	(57.6)
Loss on buy-back of units in Park Plaza Westminster Bridge London from private investors	<b>1.5</b>	0.5

Settlement of legal claim	–	3.1
Revaluation of finance lease	3.7	3.6
Revaluation of Park Plaza County Hall London Income Units	(0.3)	(0.6)
Pre-opening expenses and other non-recurring expenses	1.4	0.3
Capital (profit) loss on disposal of fixed assets and inventory	0.1	(1.0)
Impairment of property, plant and equipment	–	4.4
Business combination acquisition costs	–	1.0
Loan prepayment break costs	–	0.5
Changes in fair value of financial instruments	(9.6)	(1.7)
Normalised profit (loss) before tax	8.3	(47.5)

## Real estate performance

### Valuations

As an integrated 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.

In December 2022, the Group's properties (with the exception of operating leases and managed and franchised properties) were once again 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 2022, set out in the table on page 40 of the 2022 Annual Report, amounts to £1,078.7 million (2021: £951.2 million), which equates to £25.17 per share (2021: £22.15 per share).

The EPRA NRV was positively impacted by the profit in the year of £10.2 million and positively impacted by a revaluation of £104.0 million. The positive revaluation follows a significantly improved forward-looking cash flow profile, as the Company recovered from its COVID distorted trading sooner than expected. In their 2021 valuations, the independent valuers had assumed the Group's trading would be largely in line with 2019 from the 2024 financial year onwards; however, this has occurred sooner than they anticipated. Discount and cap rates stayed relatively stable, increased by a higher inflationary environment and higher interest rate risks; however, these rates now have a lower added risk profile due to uncertainties around the pandemic.

The table below provides additional information regarding the discount and cap rates used. As most of the valuation increase was a consequence of a change in cash flows, we provide more insight into the trading assumptions that were used in the 2021 valuations for the financial years 2022 and 2023, compared with the actual trading in 2022 and internal budgets for 2023.

### Actualised trading vs assumption in 2021 valuations

	Discount rates		Cap rates	
	2021 Valuations	2022 Valuations	2021 Valuations	2022 Valuations
United Kingdom	7.75%-10.50%	7.50%-10.00%	5.25%-8.00%	5.00%-7.50%
The Netherlands	7.75%-9.50%	8.00%-9.80%	5.25%-7.00%	5.50%-7.30%
Germany	8.00%-9.25%	8.50%-9.30%	5.50%-6.75%	6.00%-6.80%
Croatia	9.00%-11.00%	9.00%-11.00%	7.00%-9.00%	7.00%-9.00%

	Revenue		Gross Operating Profit	
	2022 Actual	2023 Budget	2022 Actual	2023 Budget

United Kingdom	15.4%	20.5%	24.4%	6.2%
The Netherlands	12.9%	16.2%	6.0%	7.2%
Germany	-13.7%	12.4%	-9.2%	16.5%
Croatia	12.4%	22.1%	13.2%	15.2%

## Valuation Comparison

### 2022 vs 2019 valuation - Total portfolio +4.8%

United Kingdom	+2.6%
The Netherlands	-0.7%
Germany	+11.1%
Croatia	+17.7%

### 2022 vs 2021 valuation – Total portfolio +8.0%

United Kingdom	+6.7%
The Netherlands	+5.9%
Germany	+16.9%
Croatia	+10.9%

## Cash flow and EPRA earnings

In the first quarter of 2022, the Group incurred negative operational cash flow, due to low occupancy levels around the portfolio during the COVID restrictive period. From the second quarter onwards, we reversed a two-year period of negative cash flows and started reporting more normal levels of positive operational cash flow.

Investment cash flows reported an outflow of £96.1 million, of which about 85.0% was due to development projects and £14.0 million regarding our usual maintenance CAPEX projects. Most noticeable was the £60.0 million CAPEX related to our development project in Hoxton London. This project is fully funded, and all expenditure is drawn down from the £180 million construction loan.

Furthermore, our cash flow this year was negatively impacted by working capital payments and extra amortisation which were postponed during the COVID period.

The Group has a healthy balance sheet, no significant refinancing in the near future and a total cash position of £163.6 million, with access to a further £60.0 million of undrawn facilities.

The Group reported adjusted EPRA earnings of £21.1 million (2021: £(18.8) million) and adjusted EPRA earnings per share of 50 pence (2021: (44) pence). This is the first year since the start of COVID in early 2020 that the Group had reported a positive earnings number, albeit still below the EPRA earnings per share reported in 2019 (2019: 128 pence per share).

## EPRA Performance measurement

### EPRA summary

#### Summary of EPRA Performance indicators

	Year ended 31 December 2022		Year ended 31 December 2021	
	£ million	Per Share	£ million	Per Share
EPRA NRV (Net Reinstatement Value)	1,078.7	£25.17	951.2	£22.15
EPRA NTA (Net Tangible Assets)	1,047.2	£24.44	919.7	£21.42
EPRA NDV (Net Disposal Value)	1,030.9	£24.06	857.5	£19.97
EPRA earnings	32.7	77p	(17.5)	(41)p
Adjusted EPRA earnings	21.1	50p	(18.8)	(44)p

### EPRA NRV

	31 December 2022 £ million			31 December 2021 £ million		
	EPRA NRV (Net Reinstatement Value)	EPRA NTA (Net Tangible Assets) <sup>4</sup>	EPRA NDV (Net Disposal Value)	EPRA NRV (Net Reinstatement Value)	EPRA NTA (Net Tangible Assets) <sup>4</sup>	EPRA NDV (Net Disposal Value)
NAV per the financial statements	315.1	315.1	315.1	278.5	278.5	278.5
Effect of exercise of options	3.0	3.0	3.0	6.2	6.2	6.2
Diluted NAV, after the exercise of options <sup>1</sup>	318.1	318.1	318.1	284.7	284.7	284.7
Includes:						
Revaluation of owned properties in operation (net of non-controlling interest) <sup>2</sup>	746.9	746.9	746.9	636.1	636.1	636.1
Revaluation of the joint venture interest held in two German properties (net of non-controlling interest)	6.8	6.8	6.8	3.4	3.4	3.4
Fair value of fixed interest rate debt	–	–	(9.2)	–	–	(53.7)
Deferred tax on revaluation of properties	–	–	(31.7)	–	–	(13.0)
Real estate transfer tax <sup>3</sup>	18.7	–	–	17.2	–	–
Excludes:						
Fair value of financial instruments	21.1	21.1	–	(0.4)	(0.4)	–
Deferred tax	(9.3)	(9.3)	–	(9.4)	(9.4)	–
Intangibles as per the IFRS balance sheet	–	12.8	–	–	14.3	–
<b>NAV</b>	<b>1,078.7</b>	<b>1,047.2</b>	<b>1,030.9</b>	<b>951.2</b>	<b>919.7</b>	<b>857.5</b>
Fully diluted number of shares (in thousands) <sup>1</sup>	42,846	42,846	42,846	42,935	42,935	42,935
<b>NAV per share (in £)</b>	<b>25.17</b>	<b>24.44</b>	<b>24.06</b>	<b>22.15</b>	<b>21.42</b>	<b>19.97</b>

1 The fully diluted number of shares excludes treasury shares but includes 407,223 outstanding dilutive options (as at 31 December 2021:585,867).

2 The fair values of the properties were determined on the basis of independent external valuations prepared in December 2022.

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.

## EPRA earnings

	12 months ended 31 December 2022 £ million	12 months ended 31 December 2021 £ million
Earnings attributed to equity holders of the parent company	10.2	(52.1)
Depreciation and amortisation	40.0	43.3
Revaluation of Park Plaza County Hall London Income Units	(0.3)	(0.6)
Changes in fair value of financial instruments	(9.6)	(1.7)
Non-controlling interests in respect of the above <sup>3</sup>	(7.6)	(6.4)
<b>EPRA Earnings</b>	<b>32.7</b>	<b>(17.5)</b>
Weighted average number of ordinary shares outstanding	42,522,523	42,539,340
<b>EPRA Earnings per Share (EPS)</b>	<b>77</b>	<b>(41)</b>
<b>Company specific adjustments<sup>1</sup>:</b>		
Capital loss on buy-back of Income Units in Park Plaza Westminster Bridge London	1.5	0.5
Remeasurement of lease liability <sup>4</sup>	3.7	3.6
Disposals and Other non-recurring expenses (including pre-opening expenses) <sup>8</sup>	1.5	(0.7)
Loan early repayment break costs <sup>11</sup>	–	0.5
Business combination acquisition costs <sup>10</sup>	–	1.0
Settlement of legal claim <sup>6</sup>	–	3.1
Adjustment of lease payments <sup>5</sup>	(2.2)	(2.3)

One off tax adjustments <sup>7</sup>	(5.8)	(3.6)
Maintenance CAPEX <sup>2</sup>	(13.2)	(5.7)
Non-controlling interests in respect of Maintenance CAPEX and the adjustments above <sup>3</sup>	3.0	2.3
<b>Company specific Adjusted Earnings<sup>1</sup></b>	<b>21.2</b>	<b>(18.8)</b>
<b>Company specific Adjusted EPS</b>	<b>50</b>	<b>(44)</b>
<b>Reconciliation Company adjusted EPRA earnings to normalised PBT</b>		
<b>Company adjusted EPRA earnings:</b>	<b>21.2</b>	<b>(18.8)</b>
Reported depreciation and amortisation <sup>9</sup>	(40.0)	(38.9)
Non-controlling interest in respect of reported depreciation <sup>3</sup>	7.6	6.3
Maintenance CAPEX <sup>2</sup>	13.2	5.7
Non-controlling interest on maintenance CAPEX and the Company specific adjustments <sup>3</sup>	(3.0)	(2.3)
Adjustment of lease payments <sup>5</sup>	2.2	2.3
One off tax adjustments <sup>7</sup>	5.8	3.6
Profit attributable to non-controlling interest <sup>3</sup>	4.7	(0.4)
Reported tax	(3.4)	5.0
<b>Normalised profit before tax</b>	<b>8.3</b>	<b>(47.5)</b>

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 24a in the annual consolidated financial statements).

7 Mainly relates to deferred tax asset on carry forward losses recorded in 2022 and 2021.

8 Mainly relates to pre-opening expense and net profit and loss on disposal of property, plant and equipment.

9 Reported depreciation excluding impairments.

10 Business combination acquisition costs (see Note 3a and 3b in the annual consolidated financial statements).

11 Loan early repayment break costs (see Note 14b 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. Furthermore, the Group did not include EPRA LTV and instead decided to present an alternative calculation of the Group's net debt leverage which we believe is more reflective and relevant to investors. The Net Debt Leverage reconciliation table can be found on page 43 of the 2022 Annual Report.

## Capital structure

As part of our strategy, we unlock capital on the back of our assets in many different ways. We do this by raising debt, raising equity through several different forms of partnerships or sometimes by entering into 100+ year ground rent structures. This funding strategy gives us access to capital on the back of the fair value of our assets and also balances the liquidity and interest rate risk attached to our capital structure.

Our partnerships, such as the third party unit holders in Park Plaza Westminster Bridge London, the third party shareholders in our listed Croatian subsidiary or the individual professional partners we work with on several assets, provide us with long-term equity and therewith sharing of the risks and returns on each asset.

The 100+ year ground rent structures give us long-term access to capital, with no covenants, no recourse to the Group and no refinance risk or interest rate exposure. These structures are typically linked to inflation, although these are often capped at around 4–5% annually.



Finally, our asset-backed mortgages are mostly entered into with long-standing banking partners, with a five-to ten-year maturity and with a fixed rate or a variable rate with hedging arrangements. Our mortgages have covenants around the value of assets (Loan to Value, or LTV) and trading (interest or debt service cover ratios). The level of debt raised on trading assets is typically around 50% of the value of these assets and appropriate buffers are kept towards the covenants on the loan. Furthermore, most of our loans are amortised annually around 2.5% of the nominal amount over the term.

The current net bank debt leverage percentage is 32.9%. During the period of the pandemic, all our banks waived the covenants requirements of the respective loans.

Although our mortgages are exposed to interest rate risks, most of these were entered into years ago, averaging at 3.1% interest (fixed) and with an average remaining maturity of 4.6 years. In early 2022, the Group entered into multiple forward starting hedges (starting when loans roll over or refinance in 2024 and 2026) for approximately £380 million, around 1.4%–1.9% swap rate, significantly below current market levels. The loans on trading assets are non-recourse. Due to the remaining maturity and the forward starting swaps, we estimate that the current higher interest rate environment will start affecting the cash flows on or around 2027.

## **Acquisitions and pipeline update**

With an expansion CAPEX of £82 million, we remained focused on implementing our strategy, progressing our development pipeline, and expanding our footprint into new, highly attractive markets. We progressed well with our new build hotel in Hoxton London (art'otel London Hoxton), which reached its highest point on the 27th floor early in 2022 and is expected to be waterproof by the end of May 2023. We expect the soft opening of this hotel in the first half of 2024. The office-to-hotel conversion project in Zagreb city centre is proceeding well, with the art'otel expected to open in the first half of 2023.

We have successfully opened our newly transformed luxury hotel on the Croatian coast, Grand Hotel Brioni Pula, just before the start of the main summer season in Croatia. This followed a two-year repositioning programme at an investment of HRK260 million (£30 million).

In Rome, the complete interior demolition of the Londra & Cargill Hotel located in the city centre started in July 2022. Works are underway to reposition this 99-room property into an art'otel, which is now expected to open in the first quarter of 2024. The Group also completed the development of pool and spa facilities at our recently acquired mountain 4-star resort in Nassfeld, Austria, which we anticipate will broaden the appeal and demand for the resort, thereby increasing the average room rates of this property.

On the above £200+ million pipeline, the Group has a remaining commitment of approximately £120 million.

## **Dividend**

At the start of the pandemic, the Group withdrew its declared final dividend over 2019, in line with multiple other cash saving initiatives, and communicated its intention to reinstate its progressive dividend policy when the financial performance allowed. In light of the positive trading momentum that started in the second quarter and given the Group's strong balance sheet, the Board reinstated its progressive dividend policy and declared a modest interim dividend of 3 pence per ordinary share in September 2022.

This reinstatement of dividends was further to the commencement to a £3.7 million share buy-back programme which started during the summer of 2022.

Further to the above and in line with the Board's confidence in the Group's performance to date, current trading and the strength of its future development pipeline, the Board is proposing a final dividend payment of 12 pence per share. The amounts proposed enable the Group to retain proper and prudent reserves, and the capacity to secure further attractive development opportunities as and when they arise. When combined with the interim ordinary dividend, it will bring the total dividend for the year to 15p per share.

Subject to shareholder approval at the Annual General Meeting, to be held on 23 May 2023, the dividend will be paid on 31 May 2023 to shareholders on the register at 28 April 2023. The shares will go ex-dividend on 27 April 2023.

## Net debt leverage reconciliation

	£ million		
	As report in the annual financial statements	EPRA NRV adjustment	EPRA NRV values
<b>Balance sheet</b>			
PP&E	1,335.2	711.5	2,046.7
Right-of-use asset	225.5	(225.5)	–
Lease Liabilities	(267.1)	267.1	–
Income Units sold to private investors	(121.1)	121.1	–
<b>Net PP&amp;E</b>	<b>1,172.5</b>	<b>874.2</b>	<b>2,046.7</b>
Intangible assets	12.8	–	12.8
Investments in joint ventures	5.0	12.8	17.8
Other assets and liabilities, net	(4.4)	2.1	(2.3)
<b>Total assets net of finance leases and excluding cash</b>	<b>1,185.9</b>	<b>889.1</b>	<b>2,075.0</b>
Bank/institutional loans (short/long term)	864.7	–	864.7
Cash and cash equivalent and restricted cash	(182.1)	–	(182.1)
<b>Net bank Debt</b>	<b>682.6</b>	<b>–</b>	<b>682.6</b>
	–	–	–
<b>Total Equity</b>	<b>503.3</b>	<b>889.1</b>	<b>1,392.4</b>
<b>Equity and net debt</b>	<b>1,185.9</b>	<b>889.1</b>	<b>2,075.0</b>
<b>Minority shareholders</b>	<b>(188.2)</b>	<b>(128.5)</b>	<b>(316.7)</b>
<b>Total capital employed PPHE shareholders</b>	<b>997.7</b>	<b>760.6</b>	<b>1,758.3</b>
<b>Gearing ratio</b>	<b>57.6%</b>		<b>32.9%</b>

## BUSINESS REVIEW

### UNITED KINGDOM

#### Property portfolio

The Group has a well-invested property portfolio, consisting of approximately 3,400 rooms in operation in the upper upscale segment of the London hotel market, and approximately 1,000 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. In December 2022, the Group opened the only hotel which is part of the Battersea Power Station development scheme. There are also three properties located in the UK regional cities of Nottingham, Leeds and Cardiff<sup>2</sup>. The Group has an ownership interest in 10 properties: Park Plaza Westminster Bridge London, Park Plaza London Riverbank, Park Plaza London Waterloo, Park Plaza County Hall London<sup>2</sup>, Park Plaza Victoria London, Park Plaza London Park Royal, art'otel London Hoxton, Holmes Hotel London, Park Plaza Leeds and Park Plaza Nottingham. Park Plaza Cardiff<sup>2</sup> operates under a franchise agreement. Following its opening in late 2022, the Group operates the art'otel London Battersea Power Station<sup>2</sup> hotel under a long-term management agreement through its hospitality platform.

**Total value of the UK property portfolio<sup>1</sup> £991m (2021: £932m)**

#### Financial performance

Reported in Pound Sterling (£)

UK	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change
Total revenue	<b>£190.1m</b>	£75.3m	152.5%
EBITDAR	<b>£56.8m</b>	£11.7m	384.6%
EBITDA	<b>£56.2m</b>	£11.2m	401.0%
Occupancy	<b>67.8%</b>	31.9%	3,590 bps
Average room rate	<b>£192.3</b>	£136.2	41.2%
RevPAR	<b>£130.3</b>	£43.4	200.2%
Room revenue	<b>£149.9m</b>	£49.9m	200.2%
EBITDA %	<b>29.6%</b>	14.9%	1,470 bps

1 Independent valuation by Savills in December 2022 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.

#### Portfolio performance

The Group's UK portfolio performance started slowly, due to government-imposed restrictions as a result of the continued presence of the Omicron variant of COVID-19.

However, restrictions were lifted in the second half of January; earlier than the Group's other operating markets. Following this, and echoing customer behaviour seen after previous lockdowns, the Group experienced a strong and swift rebound in demand for leisure bookings. This was supported by the quality and excellent city centre locations of the portfolio, particularly in London.

The Group maintained its disciplined rates-led strategy, with room rates for the financial year, exceeding 2019 levels, led by its London properties.

Demand for leisure and weekend stays continued throughout the second quarter, while demand for meetings and events, particularly in London, showed a more gradual recovery. In July and September, London assets saw unusually elevated demand due to various events taking place in the city, including the state funeral of Her Majesty Queen Elizabeth II. This strong forward booking momentum continued into Q4 and there was a return to larger meetings and events, such as corporate conferences and award dinners during November and December.

Total reported revenue was £190.1 million (2021: £75.3 million), 91.7% of 2019 levels. Reported RevPAR was £130.3 (2021: £43.4 million), 97.5% of 2019 levels, driven by a significant increase in average room rate to £192.3 (2021: £136.2), and occupancy of 67.8% (2021: 31.9%). Reported EBITDAR was £56.8 million (2021: £11.7 million), and EBITDA was £56.2 million (2021: £11.2 million).

### **Development pipeline**

Development of the Group's flagship London project, art'otel London Hoxton, continued as planned during the year. The premium lifestyle hotel will comprise 357 rooms and suites, five floors of 5,900m<sup>2</sup> office space, wellness facilities, a gym and swimming pool, and an art gallery space. Located in the vibrant Shoreditch area in East London, the property is now 'topped' out to the 27th floor. Cladding of the building is now complete until 22nd floor, with the remainder expected to be completed by the third quarter. The structural works for the spa, auditorium and art gallery have also been completed. The impressive Banksy artworks have now been installed on the exterior of the building. The property is due to be completed in H1 2024. Two further mixed-use longer-term development projects located in London are being progressed. The first is a site adjacent to Park Plaza Park Royal in West London, for which the Group is exploring options to enhance the scheme. The Group is also progressing with its planning application and is engaging with the local community at a second site, at 79–87 Westminster Bridge Road, which is situated close to the Group's Park Plaza London Waterloo and Westminster Bridge properties.

### **Hospitality management platform projects**

The highly anticipated art'otel London Battersea Power Station opened its doors to guests in December 2022. The property, which is located within the Battersea Roof Gardens, features 164 bedrooms, a Venetian inspired Italian TOZI restaurant and bar, a skyline destination restaurant, JOIA, and a spectacular rooftop swimming pool. The hotel also offers a gym, spa, event facilities, and an art gallery with regular art programmes throughout the hotel. Jaime Hayon is the hotel's interior designer and Signature Artist, and two Michelin starred Portuguese chef Henrique Sá Pessoa is the JOIA restaurant Concept Chef. The hotel officially launched in February 2023. The Group operates the hotel under a management agreement through its hospitality operating platform.

### **The United Kingdom hotel market\***

RevPAR was up 76.1% at £80.7, driven by a 28.1% increase in average room rate to £109.8 and a 37.5% increase in occupancy to 73.5%.

In London, RevPAR increased by 145.8% to £135.1 compared with 2021, reflecting a 61.9% increase in occupancy to 73.8%, and a 51.8% increase in average room rate to £183.1.

\*Source STR European Hotel Review, December 2022

## THE NETHERLANDS

### Property portfolio

The Group has an ownership interest in three hotels in the centre of Amsterdam (Park Plaza Victoria Amsterdam, art'otel Amsterdam and Park Plaza Vondelpark, Amsterdam), and a fourth property located near Schiphol Airport (Park Plaza Amsterdam Airport). It also owns Park Plaza branded hotels in Utrecht and Eindhoven.

**Total value of the Netherlands property portfolio<sup>1</sup> £307m (2021: £274m)**

### Financial performance

The Netherlands	Reported in Pound Sterling <sup>2</sup> (£)			Reported in local currency Euro (€)		
	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change
Total revenue	<b>£41.6m</b>	£10.4m	301.6%	<b>€48.7m</b>	€12.1m	303.8%
EBITDAR	<b>£11.2m</b>	£1.1m	916.6%	<b>€13.1m</b>	€1.3m	922.1%
EBITDA	<b>£11.2m</b>	£1.1m	941.8%	<b>€13.1m</b>	€1.2m	947.4%
Occupancy	<b>57.3%</b>	16.3%	4,110 bps	<b>57.3%</b>	16.3%	4,110 bps
Average room rate	<b>£142.2</b>	£109.9	29.4%	<b>€166.6m</b>	€128.1	30.1%
RevPAR	<b>£81.5</b>	£17.9	356.2%	<b>€95.5m</b>	€20.8	358.7%
Room revenue	<b>£31.9m</b>	£7.0m	356.2%	<b>€37.4m</b>	€8.2m	358.7%

1 Independent valuation by Savills in December 2022.

2 Average exchange rate from Euro to Pound Sterling for the period ended 31 December 2022 was 1.172 and for the period ended 31 December 2021 was 1.165 representing a 0.5% increase.

### Portfolio performance

The introduction of a COVID-19 lockdown by the government in December 2021 severely impacted trading across the Group's properties in the Netherlands at the outset of the financial year. However, restrictions were lifted in late February, following which all of the Group's properties in the Netherlands – except Park Plaza Amsterdam Airport – reopened fully. Park Plaza Amsterdam Airport reopened in April to accommodate 180 Ukrainian refugees displaced by the ongoing conflict arising from Russia's invasion of Ukraine. The hotel was subsequently open to all guests from June.

From May onwards, customer demand increased, driven initially by leisure stays, and predominately for the weekends. Our City Centre Amsterdam hotels were in line with our competitors. The provincial hotels were strong with corporate pick up and were ahead of the competition. This recovery across leisure, and subsequently corporate travel, meetings and events, continued throughout the remainder of the year, with a particularly strong meetings and events performance at the Park Plaza Utrecht.

After a significant refurbishment in 2021 and the lifting of restrictions, the Group's Amsterdam restaurants were also able to regain momentum. Notably, ARCA restaurant, located at art'otel Amsterdam, performed very well, garnering excellent customer feedback.

Total revenue was €48.7 million (2021: €12.1 million), 79.3% of 2019 levels. RevPAR increased to €95.5 (2021: €20.8). The average room rate increased to €166.6 (2021: €128.1). Occupancy improved significantly to 57.3% (2021: 16.3%). EBITDA was €13.1 million (2021: €1.2 million). The region exceeded budget expectations for GOP.

### The Dutch hotel market\*

RevPAR increased by 182.2% to €86.4 compared with 2021. Occupancy increased by 92.9% to 63.0%, and the average room rate was €137.2, 46.3% higher than in 2021.

In Amsterdam, our main market in the Netherlands, RevPAR increased by 272.6% to €104.0. Occupancy levels increased by 133.7% to 63.7%, and the average daily room rate increased by 59.4% to €163.1.

\*Source STR European Hotel Review, December 2022

## CROATIA

### 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 located in Istria, Croatia's most prominent tourist region. Four of these properties are Park Plaza branded, and Grand Hotel Brioni is a Radisson Collection hotel. The remainder of its portfolio operates independently or as part of the Arena Hotels & Apartments, with Hotel Arena Hotel Medulin exclusively marketed as TUI Blue Medulin, and Arena Campsites brands. Planning permission for Hotel Riviera was granted in February 2023 and development of the property to become our third premium hotel in Croatia is in its planning phase. The Group is developing a leased property in the centre of Zagreb.

**Total value of the Croatian property portfolio<sup>1</sup> £334m (2021: £253m)**

### Financial performance

Croatia	Reported in Pound Sterling <sup>2</sup> (£)			Reported in local currency HRK		
	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change
Total revenue	<b>£69.2m</b>	£44.6m	55.2%	<b>HRK 612.8m</b>	HRK 392.2m	56.2%
EBITDAR	<b>£23.3m</b>	£16.4m	42.2%	<b>HRK 205.3m</b>	HRK 143.4m	43.2%
EBITDA	<b>£21.4m</b>	£14.6m	47.2%	<b>HRK 189.2m</b>	HRK 127.6m	48.2%
Occupancy <sup>3</sup>	<b>55.1%</b>	46.6%	850 bps	<b>55.1%</b>	46.6%	850 bps
Average room rate <sup>3</sup>	<b>£123.2</b>	£101.0	22.0%	<b>HRK 1,087.8</b>	HRK 885.8	22.8%
RevPAR <sup>3</sup>	<b>£67.8</b>	£47.1	44.2%	<b>HRK 599.0</b>	HRK 412.6	45.2%
Room revenue <sup>3</sup>	<b>£36.1m</b>	£21.6m	67.1%	<b>HRK 318.9m</b>	HRK 189.6m	68.2%

1 Independent valuation by Zagreb nekretnine Ltd in December 2022 and excluding Zagreb which is under development.

2 Average exchange rate from Croatian Kuna to Pound Sterling for the period ended 31 December 2022 was 8.829 and for the period ended 31 December 2021 was 8.768, representing a 0.7% increase.

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

### Portfolio performance

The majority of the Group's Croatian properties close in Q1 of each year, in line with the seasonality of operations in the country. However, during Q2 – and particularly from around Easter – business activity intensifies as hotels, resorts and campsites open for the season and are fully open and trading. After the peak summer season in June, July and August, most properties are closed in late September/mid-October for winter.

All properties performed strongly during the important summer trading period, and ahead of initial expectations. This reflected pent-up guest demand in the absence of COVID-19 related restrictions. Following the completion of a number of customer experience enhancing repositioning investments in recent years to elevate properties to upscale market positions, including the repositioning of Grand Hotel Brioni, Arena One 99 Glamping and the Arena Grand Kažela campsite, the Group was able to command higher rates across much of its Croatian portfolio, particularly its campsites. Notably, trading in Q3 (high season) saw total revenue and RevPAR surpass that of Q3 2019, driven by strong rate growth.

Total revenue (in Croatian Kuna) was HRK 612.8 million (2021: HRK 392.2 million). On average, rates increased 22.8% to HRK 1,087.8 (2021: HRK 885.8), exceeding 2019 levels and occupancy also improved considerably to 55.1% (2021: 46.6%). Consequently, RevPAR was HRK 599.0, an increase of 45.2%, primarily driven by the growth in rates.

The region reported EBITDA of HRK 189.2 million, an increase of 48.2% year-on-year (2021: HRK 127.6 million). This included the negative impact of increased cost inflation for utilities, food and payroll expenses, but excluding nonrecurring expenses related to the opening of Grand Hotel Brioni. In 2022, the Group did not receive any Croatian government grants or subsidies to support payroll costs and fixed costs (2021: HRK 23.6 million). From 1 January 2023, the Group's Croatian portfolio performance will be reported in Euros, following Croatia's admission to the eurozone.

## Asset management projects

In May, Hotel Grand Brioni reopened following a two-year HRK 260 million (£30 million) repositioning project to create a luxury 5-star, 227-room full-service hotel, offering guests an infinity pool, indoor pool and extensive health and wellness facilities, and several restaurants and bars. It is a Radisson Collection Hotel and is the first property to operate and be marketed under the Group's extended partnership with RHG. Since opening for the summer season, the property has performed well, with its upper upscale positioning achieving a very strong average room rate of more than HRK 2,500 per night.

During Q2, phase one of the planned investment to upgrade Arena Stoja Campsite was completed. This included an investment in 75 new upscale mobile homes, a new campsite entrance and reception area.

## Development projects

The development pipeline, which is focused on luxury to further enhance the guest experience and support increased rates, consists of two further premium hotels in Croatia. In Zagreb, the development of an art'otel is underway, with an expected investment of €18 million (£16 million). The project involves the conversion of an iconic building in a prime location in the heart of the city into an upper upscale lifestyle hotel containing a restaurant and bar, swimming pool, wellness and spa facilities, fitness centre and events space. The project is expected to complete in Q2 2023, subject to any impact on the work schedule from supply chain related delays and complications. Acquired in April 2020, plans to reposition Hotel Riviera Pula are currently being prepared.

Phase two of the repositioning investment programme for Arena Stoja Campsite commenced in late 2022 and is expected to be completed in time for the 2023 summer season (total expected investment €6.6 million (£5.8 million)). This phase includes a new arrival and entrance area, an extensive renovation of the main restaurant and major infrastructure upgrades such as sanitary blocks.

## GERMANY

### Property portfolio

The Group's portfolio in Germany includes four properties in Berlin and one hotel each in Cologne, Nuremberg and Trier. Hotels with an ownership interest include Park Plaza Berlin Kudamm<sup>3</sup>, Park Plaza Nuremberg, art'otel Berlin Mitte<sup>3</sup>, Park Plaza Berlin (converted in the year from art'otel Berlin Kudamm) and art'otel Cologne. Park Plaza Wallstreet Berlin Mitte operates under an operating lease and Park Plaza Trier<sup>3</sup> operates under a franchise agreement.

### Total value of the German property portfolio<sup>1</sup> £100m (2021: £87m)

### Financial performance

	Reported in Pound Sterling <sup>2</sup> (£)			Reported in local currency Euro (€)		
	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change
<b>Germany</b>						
Total revenue	<b>£17.7m</b>	£6.6m	167.8%	<b>€20.8m</b>	€7.7m	169.2%
EBITDAR	<b>£6.4m</b>	£6.7m	(4.6)%	<b>€7.5m</b>	€7.8m	(4.1)%
EBITDA	<b>£6.4m</b>	£6.7m	(4.5)%	<b>€7.5m</b>	€7.8m	(4.0)%
Occupancy	<b>53.0%</b>	26.5%	2,640 bps	<b>53.0%</b>	26.5%	2,640 bps
Average room rate	<b>£110.3</b>	£77.1	43.2%	<b>€129.3m</b>	€89.8	44.0%
RevPAR	<b>£58.4</b>	£20.4	185.9%	<b>€68.5m</b>	€23.8	187.4%
Room revenue	<b>£15.2m</b>	£5.3m	185.9%	<b>€17.8m</b>	€6.2m	187.4%

1 Independent valuation by Savills in December 2022.

2 Average exchange rate from Euro to Pound Sterling for the period ended 31 December 2022 was 1.172 and for the period ended 31 December 2021 was 1.165, representing a 0.5% 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.

## Portfolio performance

In March, COVID-19 restrictions were lifted and booking activity levels gradually recovered, driven predominantly by leisure demand at the Group's city centre hotels. This positive booking momentum continued and the return of fairs and events, particularly in Berlin and Nuremberg in September, further benefited the Group, with the average room rate in Q3 exceeding that of Q3 2019 by 36%. In the second half of the year the properties in the region outperformed the competitors ADR.

As a result, all operational metrics recovered strongly. Total revenue (in local currency) was €20.8 million (2021: €7.7 million). RevPAR increased by 187.4% to €68.5 (2021: €23.8), due to a sharp recovery in average room rate to €129.3, up 44.0% compared with the prior year (2021: €89.8), and some strong improvement in occupancy to 53.0% (2021: 26.5%).

In 2021, our EBITDA performance benefited from €9.8 million in government support and, following markets reopening and government support reducing, we reported an improved EBITDA of €7.5 million for 2022.

## Asset management projects

Investment programmes are being planned for two of the Group's properties in Berlin. In December, art'otel Berlin Kudamm was converted to Park Plaza Berlin and soft refurbishment plans are being prepared for art'otel Berlin Mitte and Park Plaza Berlin Kudamm. These projects are expected to commence in 2023.

## The German hotel market\*

The German market experienced a 104.0% increase in RevPAR to €62.8, resulting from a 68.5% improvement in occupancy to 58.2% and a 21.1% increase in average room rate to €108.0.

In Berlin, RevPAR increased by 133.5% to €73.5 and occupancy increased by 73.4% to 65.7%. Average room rate increased 34.7% to €111.8.

\*Source STR European Hotel Review, December 2022

## OTHER MARKETS

### ITALY, HUNGARY, SERBIA AND AUSTRIA

	Reported in Pound Sterling (£)		
	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change
Total revenue	£6.3m	£0.9m	644.0%
EBITDAR	£(0.6)m	£(0.8)m	28.7%
EBITDA	£(0.6)m	£(0.9)m	26.2%
Occupancy	34.3%	8.8%	2,550 bps
Average room rate	£97.2	£68.4	42.2%
RevPAR	£33.4	£6.0	453.8%
Room revenue	£4.6m	£0.5m	743.0%

The Group's focus in the region has been on developing the acquisitions made over the past three years in Belgrade (Serbia), Nassfeld (Austria) and Rome (Italy).

### Nassfeld, Austria

The FRANZ Ferdinand Mountain Resort located in Nassfeld, Austria performed well during the winter ski season, the first under the Group's ownership. The 144-room hotel was closed in March and underwent a soft refurbishment prior to reopening in early June for the summer season. The hotel then closed for more extensive development works to support year-round occupancy, including the installation of air conditioning and heating systems throughout the property and the creation of a wellness and spa centre, including indoor and outdoor swimming pools. The Group plans to invest in the hotel's remaining communal areas over the longer term. The total investment in upgrading the property is €3.6 million (£3.2 million).



## **Rome, Italy**

Londra & Cargill Hotel, the Group's 4-star property in a prime central location in the city of Rome, traded in the first half of the year. The hotel was closed on 1 July to undergo a €17 million repositioning project to become an upper upscale 99-room lifestyle art'otel. Construction works to strip-out and reconfigure the layout of the hotel and interior design are ongoing. The project is on track to see the hotel reopen during H1 2024.

### **The Italian hotel market\***

The Italian market experienced a 108.0% increase in RevPAR to €186.8, resulting from a 59.5% improvement in occupancy to 63.3% and a 30.4% increase in average room rate to €118.2.

In Rome, RevPAR increased by 149.1% to €127.7 and occupancy increased by 93.7% to 65.5%. Average room rate increased 28.6% to €195.1.

\* Source STR European Hotel Review, December 2022.

## **Belgrade, Serbia**

The 88 Rooms Hotel is a 4-star hotel located minutes from Belgrade's historic old town, with a restaurant, bar, conference room and fitness facilities. A repositioning programme is underway, and works are scheduled to start in the first half of 2023. The hotel will undergo a substantial redesign and transformation of all public areas, bedrooms and services.

## **Budapest, Hungary**

art'otel Budapest was reopened in June following a period of pandemic related closure. During the closure, the Group completed phase one of its planned repositioning of the property, with an extensive redesign of all public areas including the lobby, wellness area, restaurant, bar and meeting spaces. The second phase, which will see all of the hotel's 165 bedrooms refurbished, is currently being planned.

### **The Hungarian hotel market\***

The Hungary market experienced a 116.0% increase in RevPAR to €61.7, resulting from a 86.5% increase in occupancy to 60.8% and a 15.8% increase in average room rate to €101.5.

In Budapest, RevPAR increased by 117.7% to €64.2 and occupancy increased by 90.9% to 60.6%. Average room rate increased 14.0% to €105.9.

\*Source STR European Hotel Review, December 2022

## MANAGEMENT AND CENTRAL SERVICES

### Our performance

Revenues in this segment are primarily related to 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 2022, the segment showed a significant improvement due to the recovery.

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

	Reported in Pound Sterling (£)	
	<b>Year ended 31 Dec 2022</b>	Year ended 31 Dec 2021
Total revenue before elimination	<b>£37.5m</b>	£18.0m
Revenues within the consolidated Group	<b>£(32.4)m</b>	£(14.3)m
External and reported revenue	<b>£5.1m</b>	£3.7m
EBITDA	<b>£0.0m</b>	£(7.6)m

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

	As at 31 December	
	2022	2021
	£'000	£'000
<b>Assets</b>		
<b>Non-current assets:</b>		
Intangible assets	12,805	14,290
Property, plant and equipment	1,335,184	1,236,000
Right-of-use assets	225,443	215,921
Investment in joint ventures	4,961	4,315
Other non-current assets	47,245	16,386
Restricted deposits and cash	9,272	8,121
Deferred income tax asset	12,909	10,221
	<b>1,647,819</b>	<b>1,505,254</b>
<b>Current assets:</b>		
Restricted deposits and cash	9,229	5,204
Inventories	3,181	1,840
Trade receivables	18,533	6,811
Other receivables and prepayments	17,866	19,457
Cash and cash equivalents	163,589	136,802
	<b>212,398</b>	<b>170,114</b>
<b>Total assets</b>	<b>1,860,217</b>	<b>1,675,368</b>
<b>Equity and liabilities</b>		
<b>Equity:</b>		
Issued capital	–	–
Share premium	133,177	131,229
Treasury shares	(5,472)	(3,482)
Foreign currency translation reserve	20,039	3,806
Hedging reserve	10,950	(434)
Accumulated earnings	156,364	147,350
Attributable to equity holders of the parent	315,058	278,469
Non-controlling interests	188,187	168,742
<b>Total equity</b>	<b>503,245</b>	<b>447,211</b>
<b>Non-current liabilities:</b>		
Borrowings	817,631	729,284
Provision for concession fee on land	5,331	5,057
Financial liability in respect of Income Units sold to private investors	121,084	124,551
Other financial liabilities	265,494	253,362
Deferred income taxes	5,922	7,236
	<b>1,215,462</b>	<b>1,119,490</b>
<b>Current liabilities:</b>		
Trade payables	13,565	16,650
Other payables and accruals	80,844	53,177
Borrowings	47,101	38,840
	<b>141,510</b>	<b>108,667</b>
<b>Total liabilities</b>	<b>1,356,972</b>	<b>1,228,157</b>
<b>Total equity and liabilities</b>	<b>1,860,217</b>	<b>1,675,368</b>

The accompanying notes are an integral part of the consolidated financial statements. Date of approval of the financial statements 1 March 2023. Signed on behalf of the Board by Boris Ivesha and Daniel Kos.

**Boris Ivesha**

President & Chief Executive Officer

**Daniel Kos**

Chief Financial Officer & Executive Director

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	£'000	£'000
Revenues	330,091	141,377
Operating expenses	(233,087)	(113,808)
<b>EBITDAR</b>	<b>97,004</b>	<b>27,569</b>
Rental expenses	(2,421)	(2,504)
<b>EBITDA</b>	<b>94,583</b>	<b>25,065</b>
Depreciation and amortisation	(40,006)	(43,283)
<b>EBIT</b>	<b>54,577</b>	<b>(18,218)</b>
Financial expenses	(37,257)	(31,369)
Financial income	1,516	333
Other expenses	(6,791)	(9,418)
Other income	9,992	3,784
Net expenses for financial liability in respect of Income Units sold to private investors	(10,783)	(1,949)
Share in results of joint ventures	202	(718)
<b>Profit (loss) before tax</b>	<b>11,456</b>	<b>(57,555)</b>
Income tax benefit	3,356	5,051
<b>Profit (loss) for the year</b>	<b>14,812</b>	<b>(52,504)</b>
Profit (loss) attributable to:		
Equity holders of the parent	10,159	(52,129)
Non-controlling interests	4,653	(375)
	<b>14,812</b>	<b>(52,504)</b>
<b>Basic and diluted profit (loss) per share (in Pound Sterling)</b>	<b>0.24</b>	<b>(1.23)</b>

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	£'000	£'000
Profit (loss) for the year	14,812	(52,504)
<b>Other comprehensive income (loss) to be recycled through profit and loss in subsequent periods:<sup>1</sup></b>		
Profit from cash flow hedges	21,133	507
Foreign currency translation adjustments of foreign operations	22,000	(23,083)
Other comprehensive income (loss)	43,133	(22,576)
Total comprehensive loss	57,945	(75,080)
Total comprehensive loss attributable to:		
Equity holders of the parent	37,732	(68,858)
Non-controlling interests	20,213	(6,222)
	57,945	(75,080)

1 There is no other comprehensive income that will not be reclassified to the profit and loss in subsequent periods.

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

In £'000	Issued capital <sup>1</sup>	Share premium	Treasury shares	Foreign currency translation reserve	Hedging reserve	Accumulated earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
<b>Balance as at 1 January 2022</b>	–	131,229	(3,482)	3,806	(434)	147,350	278,469	168,742	447,211
Profit for the year	–	–	–	–	–	10,159	10,159	4,653	14,812
Other comprehensive income for the year	–	–	–	16,191	11,382	–	27,573	15,560	43,133
Total comprehensive income	–	–	–	16,191	11,382	10,159	37,732	20,213	57,945
Share-based payments	–	2,056	–	–	–	–	2,056	81	2,137
Share buy-back	–	–	(2,098)	–	–	–	(2,098)	–	(2,098)
Dividend distribution <sup>2</sup>	–	–	–	–	–	(1,278)	(1,278)	–	(1,278)
Exercise of options	–	(108)	108	–	–	–	–	–	–
Transactions with non-controlling interests	–	–	–	42	2	133	177	(849)	(672)
<b>Balance as at 31 December 2022</b>	–	133,177	(5,472)	20,039	10,950	156,364	315,058	188,187	503,245
Balance as at 1 January 2021	–	131,389	(3,482)	20,804	(703)	161,587	309,595	95,358	404,953
Loss for the year	–	–	–	–	–	(52,129)	(52,129)	(375)	(52,504)
Other comprehensive income (loss) for the year	–	–	–	(16,998)	269	–	(16,729)	(5,847)	(22,576)
Total comprehensive income (loss)	–	–	–	(16,998)	269	(52,129)	(68,858)	(6,222)	(75,080)
Share-based payments	–	1,182	–	–	–	–	1,182	86	1,268
Exercise of options settled in cash	–	(1,342)	–	–	–	–	(1,342)	–	(1,342)
Transactions with non-controlling interests	–	–	–	–	–	37,892	37,892	79,520	117,412
<b>Balance as at 31 December 2021</b>	–	131,229	(3,482)	3,806	(434)	147,350	278,469	168,742	447,211

1 No par value.

2 The dividend distribution comprises an interim dividend of 3 pence per share paid in 2022 (2021: nil pence per share).

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	£'000	£'000
<b>Cash flows from operating activities:</b>		
Profit (loss) for the year	14,812	(52,504)
Adjustment to reconcile loss to cash provided by operating activities:		
Financial expenses and expenses for financial liability in respect of Income		
Units sold to private investors	48,040	33,318
Financial income	(1,516)	(333)
Income tax benefit	(3,356)	(5,051)
Loss on buy-back of Income Units sold to private investors	1,499	543
Re-measurement of lease liability	3,704	3,565
Revaluation of Park Plaza County Hall London Units	(300)	(602)
Capital loss (gain) on sale of fixed assets, net	47	(996)
Impairment of property, plant and equipment	–	4,424
Share in results of joint ventures	(202)	718
Share appreciation rights revaluation	119	(1,750)
Fair value movement derivatives through profit and loss	(9,692)	–
Depreciation and amortisation	40,006	38,859
Share-based payments	2,137	1,268
	80,486	73,963
Changes in operating assets and liabilities:		
(Increase) decrease in inventories	(1,228)	337
(Increase) decrease in trade and other receivables	(16,118)	(19,167)
Increase in trade and other payables	20,772	21,679
	3,426	2,849
Cash paid and received during the period for:		
Interest paid	(43,520)	(33,729)
Interest received	1,728	316
Taxes paid	(311)	(469)
Taxes received	87	–
	(42,016)	(33,882)
<b>Net cash provided by (used in) operating activities</b>	<b>56,708</b>	<b>(9,574)</b>
<b>Cash flows from investing activities:</b>		
Investments in property, plant and equipment	(90,870)	(58,582)
Disposal of property, plant and equipment	–	1,406
Investments in intangible assets	(386)	(176)
Acquisition of Londra & Cargill in Rome, Italy	–	(28,298)
Acquisition of Arena FRANZ ferdinand, Austria	–	(12,783)
Loan to joint venture	(403)	(400)
Increase in restricted cash	(4,695)	(6,332)
<b>Net cash used in investing activities</b>	<b>(96,354)</b>	<b>(105,165)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from loans and borrowings	106,879	53,666
Buy-back of Income Units previously sold to private investors	(4,887)	(1,934)
Dividend payment	(1,278)	–
Repayment of loans and borrowings	(31,087)	(26,653)
Repayment of leases	(4,890)	(6,825)
Net proceeds from transactions with non-controlling interest	(672)	124,562
Purchase of treasury shares	(2,098)	–
Exercise of options settled in cash	–	(1,342)
<b>Net cash provided by financing activities</b>	<b>61,967</b>	<b>141,474</b>
Increase in cash and cash equivalents	22,321	26,735
Net foreign exchange differences	4,466	(4,104)
Cash and cash equivalents at beginning of year	136,802	114,171
Cash and cash equivalents at end of year	163,589	136,802

<b>Non-cash items:</b>		
Lease additions and lease re-measurement	<b>14,499</b>	4,226
Outstanding payable on investments in property, plant and equipment	<b>5,786</b>	3,469

The accompanying notes are an integral part of the consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1: General

- a. The consolidated financial statements of PPHE Hotel Group Limited (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2022 were authorised for issuance in accordance with a resolution of the Directors on 1 March 2023.

The Company was incorporated in Guernsey on 14 June 2007 and is listed on the Premium Listing segment of the Official List of the UK Listing Authority (the UKLA) and the shares are traded on the Main Market for listed securities of the London Stock Exchange.

- b. Description of the Group business:

The Group is an international hospitality real estate group, which owns, co-owns and develops hotels, resorts and campsites, operates the Park Plaza® brand in EMEA and owns and operates the art'otel® brand.

The Group has interests in hotels in the United Kingdom, the Netherlands, Germany, Hungary, Serbia, Italy and Austria and hotels, self-catering apartment complexes and campsites in Croatia.

- c. Assessment of going concern and liquidity:

As part of their ongoing responsibilities, the Directors have recently undertaken a thorough review of the Group's cash flow forecast and potential liquidity risks. Detailed budgets and cash flow projections, which take into account the current trading environment and the industry-wide cost pressures, have been prepared for 2023 and 2024, and show that the Group's hotel operations are expected to be cash generative during this period. Furthermore, under those cash flow projections it is expected that the Group will comply with its' loan covenants and no further covenant waivers will be required (for more details see note 14c of the 2022 Annual Report). Having reviewed those cash flow projections, the Directors have determined that the Company is likely to continue in business for at least 12 months from the date of approval of the consolidated financial statements.

### Note 2: Earnings per share

The following reflects the income and share data used in the basic earnings per share computations:

	Year ended 31 December	
	2022 £'000	2021 £'000
Profit (loss) attributable to equity holders of the parent	<b>10,159</b>	(52,129)
Weighted average number of ordinary shares outstanding	<b>42,523</b>	42,539

Potentially dilutive instruments 399,294 in 2022 had an immaterial effect on the basic earnings per share (2021: 177,027 were not considered, since their effect is antidilutive).

### Note 3: Segments

For management purposes, the Group's activities are divided into Owned Hotel Operations and Management and Central Services Activities (for further details see Note 13(c)(i) of the 2022 Annual Report). Owned Hotel Operations are further divided into four reportable segments: the Netherlands, Germany, Croatia and the United Kingdom. Other includes individual hotels in Hungary, Serbia, Italy and Austria. The operating results of each of the aforementioned segments are monitored separately for the purpose of resource allocations and performance assessment. Segment performance is evaluated based on EBITDA, which is measured on the same basis as for financial reporting purposes in the consolidated income statement.



**Year ended 31 December 2022**

	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other <sup>1</sup> £'000	Management and Central Services £'000	Adjustments <sup>2</sup> £'000	Consolidated £'000
Revenue								
Third party	41,573	17,724	190,105	69,237	6,344	5,108		330,091
Inter-segment		16	302	168		32,365	(32,851)	
Total revenue	41,573	17,740	190,407	69,405	6,344	37,473	(32,851)	330,091
Segment EBITDA	11,163	6,368	56,218	21,426	(629)	37		94,583
Depreciation, amortisation								(40,006)
Financial expenses								(37,257)
Financial income								1,516
Net expenses for liability in respect of Income Units sold to private investors								(10,783)
Other income (expenses), net								3,201
Share in result of joint ventures								202
Profit before tax								11,456

1 Includes art'otel Budapest in Hungary, 88 Rooms Hotel in Belgrade, Serbia, Londra & Cargill Hotel in Rome, Italy, and FRANZ Ferdinand Mountain Resort in Nassfeld, Austria.

2 Consist of inter-company eliminations.

	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other £'000	Adjustments <sup>2</sup> £'000	Consolidated £'000
Geographical information							
Non-current assets <sup>1</sup>	194,833	72,537	949,931	241,312	59,307	55,512	1,573,432

1 Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets and intangible assets.

2 This includes the non-current assets of Management and Central Services.

**Year ended 31 December 2021**

	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other <sup>1</sup> £'000	Management and Central Services £'000	Adjustments <sup>2</sup> £'000	Consolidated £'000
Revenue								
Third party	10,352	6,618	75,277	44,618	853	3,659		141,377
Inter-segment						14,308	(14,308)	
Total revenue	10,352	6,618	75,277	44,618	853	17,967	(14,308)	141,377
Segment EBITDA	1,071	6,671	11,221	14,556	(853)	(7,601)		25,065
Depreciation, amortisation and impairment								(43,283)
Financial expenses								(31,369)
Financial income								333
Net expenses for liability in respect of Income Units sold to private investors								(1,949)
Other income (expenses), net								(5,634)
Share in result of joint ventures								(718)
Profit before tax								(57,555)

1 Includes art'otel Budapest in Hungary, 88 Rooms Hotel in Belgrade, Serbia, Londra & Cargill Hotel in Rome, Italy, and FRANZ Ferdinand Mountain Resort in Nassfeld, Austria.

2 Consist of inter-company eliminations.

	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other £'000	Adjustments <sup>2</sup> £'000	Consolidated £'000
Geographical information							
Non-current assets <sup>1</sup>	188,701	71,402	869,324	217,779	64,442	53,878	1,465,526

1 Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets and intangible assets.

2 This includes the non-current assets of Management and Central Services.

#### Note 4: Related parties

##### a. Balances with related parties

	As at 31 December	
	2022 £'000	2021 £'000
Loans to joint ventures (see Note 6a of the 2022 Annual Report)	5,573	5,222
Short-term receivables	100	56
Payable to GC Project Management Limited	(185)	(125)
Payable to Gear Construction UK Limited	(6,218)	(1,082)

##### b. Transactions with related parties

	As at 31 December	
	2022 £'000	2021 £'000
Cost of transactions with GC Project Management Limited	(300)	(60)
Cost of transactions with Gear Construction UK Limited	(47,872)	(27,735)
Rent income from sub-lease of office space	67	173
Management fee revenue from jointly controlled entities	822	271
Interest income from jointly controlled entities	118	101

##### c. Significant other transactions with related parties

- i. Construction of the art'otel London Hoxton – Following the approval by the independent shareholders, on 7 April 2020 the Group entered into a building contract with Gear Construction UK Limited ('Gear') for the design and construction of the art'otel London Hoxton hotel on a 'turn-key' basis (the 'building contract'). Under the building contract Gear assumes the responsibility for the design and construction of the main works for the design and build of art'otel London Hoxton for a lump sum of £160 million (exclusive of VAT) (the 'Contract Sum'). Of this amount, c.£24.6 million is based on provisional sums, primarily in respect of FF&E and fit out the hotel which are detailed and set out provisional sums in the building contract. This might cause the total amount payable to Gera UK under the building agreement to be greater or less than the Contract Sum.

On top of the Contract Sum, the Group is entitled to novate certain existing contracts relating to the project to Gear at cost subject to a cap of £6 million (exclusive of VAT). Gear is required to complete the works to be executed under the building contract by 2024.

Gear makes monthly applications for payments in line with the building contract and following construction industry contractual norms. The applications will be valued by AECOM acting as the Employer's agent and providing cost management services, who is appointed by the Employer but has a duty to act fairly in accordance with the terms of the contract. The Employer's Agent will also be responsible for assessing any applications by Gear for extensions of time, variations or additional scope of work or additional loss and/or expense under the building agreement.

Gear's obligations and liabilities under the building contract are supported by a corporate guarantee from Red Sea Hotels Limited, an associate of Euro Plaza Holdings B.V. and therefore a related party of the Company, in the amount of 10% of the Contract Sum (the 'corporate guarantee'). The corporate guarantee expires on the later of: (i) the expiry of the two-year defects rectification period which follows

practical completion of the works; and (ii) the issue of the latent defect insurer's approval or final technical audit report.

As part of entering into the building contract, the Hoxton Project Management Agreement dated 21 June 2018 was terminated.

- ii. Sub-lease of office space – A member of the Group has agreed to sub-lease a small area of office space to members or affiliates of the Red Sea Group at its County Hall corporate office in London. The rent payable by the Red Sea Group to PPHE Hotel Group is based on the cost at which the landlord is leasing such space to PPHE Hotel Group.
- iii. Pre-Construction and Maintenance Contract – The Group frequently uses GC Project Management Limited (GC) to undertake preliminary assessment services, including appraisal work, and provide initial estimates of the construction costs. Further, GC provides ad-hoc maintenance work when required to the Group's various sites. Accordingly, the Group has entered into an agreement with GC for the provision of pre-construction and maintenance services by GC to the Group for a fixed annual retainer of £60,000.
- iv. Transactions in the ordinary course of business, in connection with the use of hotel facilities (such as overnight room stays and food and beverages) are being charged at market prices. These transactions occur occasionally.
- v. Londra & Cargill project management agreement – On 26 August 2022, the Group entered into an agreement with GC Project Management Limited for the provision of project management services to the Group in respect of the redevelopment of Hotel Londra & Cargill in Rome, Italy for a fixed total fee of £640,000 to be paid in monthly instalments for the duration of the project. The contractual framework is the same as for all such prior project management agreements entered into with GC Project Management Limited.

#### Summary of the remuneration for Executive and Non-Executive Directors for the year ended 31 December 2022:

	Base salary and fees £'000	Bonus £'000	Pension contributions £'000	Other benefits £'000	Total £'000
Chairman and Executive Directors	1,148	531	64	13	1,756
Non-Executive Directors	284	–	–	–	284
	1,432	531	64	13	2,040

#### Summary of the remuneration for Executive and Non-Executive Directors for the year ended 31 December 2021:

	Base salary and fees £'000	Salary sacrifice options £'000	Bonus £'000	Pension contributions £'000	Other benefits £'000	Total £'000
Chairman and Executive Directors	953	47	–	115	16	1,131
Non-Executive Directors	269	–	–	–	–	269
	1,222	47	–	115	16	1,400

#### Directors' interests in employee share incentive plan

As at 31 December 2022, the Executive Directors held share options to purchase 70,000 ordinary shares (2021: 29,308). 25,000 options were fully exercisable with an exercise price of £14.30 (2021: 25,000) and 23,000 options were fully exercisable with a £nil exercise price (2021: 4,308). No share options were granted to Non-Executive Directors of the Board.

## PRINCIPAL RISKS AND UNCERTAINTIES – AT A GLANCE

Movement from last year: Unchanged, Increased, Reduced

Principal Risks for 2023	Inherent Risk Assessment	Residual Risk Assessment	Since last year	Commentary on movements	Interconnected risk dependency	Oversight responsibility
1 Difficulty in attracting, engaging and retaining talent	High	High	Unchanged		3. Adverse economic climate 11. Negative stakeholder perception – ESG matters 12. Serious threat to guest, team member or third party health, safety and security	DCEO & COO
2 Undetected/unrestricted cyber attack	Very High	High	Unchanged			CFO
3 Adverse economic climate (including steep cost increases)	High	High	Unchanged		5. Market Dynamics	CFO
4 Significant development project delays or unforeseen cost increases	Very High	High	Increased	Inflationary pressure and supply chain challenges combine to increase our residual risk assessment in respect of potential development project cost increases.	3. Adverse economic climate	DCEO & COO
5 Market dynamics – significant and prolonged decline in global travel and market demand	High	High	Reduced	Strengthened trading throughout 2022 with high Average Daily Rates achieved and positive forecasts for 2023 indicate a slight reduction in this risk compared with last year.	3. Adverse economic climate	EVP Commercial Affairs
6 Technology disruption – prolonged failure of core technology	High	Medium	Unchanged		2. Undetected/unrestricted cyber attack	CFO
7 Funding and liquidity risk (including breach of debt covenants)	High	Medium	Reduced	Strengthened trading throughout 2022 and positive forecasts for 2023 have eased the risk of breaching debt covenants. With most loan facilities on fixed terms, the impact of increased interest rates is minimised in the medium term.	3. Adverse economic climate 5. Market Dynamics	CFO
8 Fraud	High	Medium	Increased	In the current volatile business and economic environment, the inherent threat of fraud occurrences could be heightened. Our focus on internal controls means we assess the residual risk to be very unlikely but consider that the potential impact could be severe.	1. Difficulty in attracting, engaging, and retaining talent 3. Adverse economic climate	CFO
9 Serious data privacy breach (GDPR)	Very High	Medium	Reduced	Introduction of monitoring technology/tools for company devices and systems, alongside refreshed mandatory training, have reduced our residual impact assessment. The risk remains closely linked to cyber threat, as one of several potential consequences of a cyber-attack.	2. Undetected/unrestricted cyber attack	CCLO
10 Significant operational disruption	High	Medium	Reduced	The reduction in assessment reflects easing concerns of wide scale operational disruption following the Pandemic. Business critical supply chain concerns are also judged to have reduced.	1. Difficulty in attracting, engaging and retaining talent 2. Undetected/unrestricted cyber attack 6. Technology disruption	DCEO & COO
11 Negative stakeholder perception of the Group with regard to ESG matters	High	Medium	Unchanged		1. Difficulty in attracting, engaging and retaining talent	CCLO
12 Serious threat to guest, team member or third party health, safety and security	High	Medium	Unchanged			DCEO & COO

## PRINCIPAL RISKS AND UNCERTAINTIES – DETAIL

The tables below detail our principal risks and uncertainties for the year ahead. The reported risks are those we consider could have the greatest impact on our business and represent the most significant threats to the achievement of our objectives.

This is 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. Our 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.

### Strategic blocks

1. Core, Upper End 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 management 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

Movement from last year: Unchanged, Increased, Reduced

MARKET AND MACRO-ECONOMIC ENVIRONMENT		
Principal risk description	Residual risk	Outlook and risk response for 2023
<p><b>Economic climate – adverse macro-economic conditions</b></p> <p>Geo-political factors which drive a prolonged period of stress and volatility for the global economy, with continued steep inflation and interest rate volatility, could restrict our growth and profit margins.</p> <p>In particular, the Group's costs could be impacted by further increases in the cost of energy, steep wage inflation or Increased food and material costs.</p> <p>A lasting adverse economic climate is also likely to influence market dynamics, resulting in reduced demand and revenue.</p> <p><b>Related strategic blocks, pillars and enablers:</b></p> <p>1, 2, 3, 5, 6</p> <p><b>Risk appetite:</b> Not applicable</p>	<p>High</p> <p>Unchanged</p>	<p>In recent years, we have taken action to improve our resilience to difficult economic conditions, including a more flexible cost base with more centralised processes. Although the inherent threat from these external factors remains high, we are well prepared for further challenges in 2023 and remain focused on preparing for and responding to the impact of changes in the macro-economic environment.</p> <p>Mitigating the impact of spiralling energy costs has been a key area of action during 2022. Concerns have eased partially due to government intervention and our initiatives to reduce consumption.</p> <p>The impact of inflation across our supply chain has been largely offset by the high room rates achieved. Any negative changes in hospitality market dynamics could elevate the impact of this risk.</p> <p><b>How we mitigate and respond to this risk</b></p> <p>General:</p> <ul style="list-style-type: none"> <li>– Close monitoring of economic and market forces.</li> <li>– Budgetary control and frequent forecasting across all regions and property type.</li> <li>– Monitoring of market pricing in respect of our supply chain and a policy of sourcing locally where possible.</li> <li>– Dynamic room rate strategy.</li> </ul> <p>Energy costs:</p> <ul style="list-style-type: none"> <li>– Use of third party experts to support the energy procurement strategy and partial hedging arrangements for the Group's energy supply requirements throughout most of 2023.</li> <li>– Real time analysis of energy consumption across properties.</li> <li>– Energy consumption reduction initiatives and targets across all properties.</li> <li>– Capital expenditure to reduce energy consumption in our least efficient properties.</li> </ul>

MARKET AND MACRO-ECONOMIC ENVIRONMENT		
Principal risk description	Residual risk	Outlook and risk response for 2023

<p><b>Market dynamics – significant and prolonged decline in global travel and market demand</b></p> <p>Uncertainty in future market demand due to volatile macroeconomic conditions and cost-of-living pressures could reduce consumer confidence and impact corporate budgets.</p> <p>Conversely, UK economic conditions which result in a weaker pound could present an upside, with increased demand from international travellers to the UK.</p>	<p>High Reduced</p>	<p>Following our positive trading performance in 2022, we are optimistic that the hospitality market will be resilient across our regions throughout 2023. Some uncertainty is likely to continue due to the ever-changing nature of the many external factors that can impact our market dynamics.</p> <p><b>How we mitigate and respond to this risk</b></p> <p>We closely monitor and anticipate changes in market dynamics to ensure that we remain prepared and respond quickly.</p> <p>Our risk mitigation includes the following:</p> <ul style="list-style-type: none"> <li>– Introducing improved revenue management systems to support the rate strategy.</li> <li>– Focused promotional initiatives and leveraging our partnerships for distribution and marketing.</li> <li>– Continuing our close collaboration with Radisson Hotel Group and leveraging its reach for promotional campaigns.</li> <li>– Driving consistent guest experience and brand standards across all of our properties with routine brand audits and enhanced training.</li> <li>– Analysing customer feedback to quickly identify issues and improve operations.</li> <li>– Digital services such as online check-in/check-out, digital key online food ordering and real time messaging.</li> </ul>
<p><b>Related strategic blocks, pillars and enablers:</b> 1, 2, 3, 4, 9</p> <p><b>Risk appetite:</b> Neutral</p>		

## FUNDING AND INVESTMENT

Principal risk description	Residual risk	Outlook and risk response for 2023
<p><b>Funding and liquidity – risk of breaching debt covenants, an inability to service existing debt and cash restrictions</b></p> <p>The impact of failing to proactively manage funding and liquidity risk could include cash restrictions, loss of stakeholder confidence and less favourable terms when refinancing in the future.</p> <p><b>Related strategic blocks, pillars and enablers:</b> 1, 2, 5</p> <p><b>Risk appetite:</b> Neutral</p>	<p>Medium Reduced</p>	<p>This threat has eased considerably this year due to the Group's improved trading performance.</p> <p>The cost of debt finance could be under increasing pressure in the year ahead, with economic conditions leading to further possible interest rate rises. With the interest rates fixed on the majority of the Group's loans, the impact of a steep rate increase is largely mitigated in the medium term.</p> <p><b>How we mitigate and respond to this risk</b></p> <p>Our key mitigating actions and controls include the following:</p> <ul style="list-style-type: none"> <li>– Monthly forward covenant testing with sensitivity and stress modelling.</li> <li>– Robust treasury monitoring and reporting to the Board.</li> <li>– Proactive and regular liaison with our lenders.</li> <li>– Fixed interest rates for the majority of our loans.</li> </ul>
<p><b>Development project delivery – disruption to projects causing delays or unforeseen cost increases</b></p> <p>Global supply chain concerns and a challenging labour market could persist and cause disruption to existing and future construction or refurbishment projects.</p> <p>Increasing interest rates coupled with inflationary pressure could combine to increase the Group's development project costs.</p> <p><b>Related strategic blocks, pillars and enablers:</b> 1, 2, 9</p> <p><b>Risk appetite:</b> Neutral</p>	<p>High Increased</p>	<p>As we continue to pursue growth through our construction projects, external factors driven by the changing geo-political and macroeconomic conditions are likely to present continued challenges to our project delivery in 2023. We are focused on closely monitoring our project timelines and costs to mitigate this risk proactively.</p> <p>Project cost increases could result from interest rate rises with construction related loans on variable rates until completion.</p> <p><b>How we mitigate and respond to this risk</b></p> <p>Our Executive Leadership Team oversees the progress of all key development projects, supported by our in-house Technical Services team. Our key oversight controls include the following:</p> <ul style="list-style-type: none"> <li>– Regular meetings with our key contractors to identify and tackle any approaching issues which could impact the overall cost, targeted delivery schedule or expected quality standards.</li> </ul>

– Independent monitoring of major projects by appointed third party experts.

## FINANCIAL CONTROL

Principal risk description	Residual risk	Outlook and risk response for 2023
<b>Fraud</b> The Group could suffer financial loss and reputational damage from individuals acting with dishonesty or deception to obtain undue benefits; avoid obligations; cause loss to another party; remove funds; or misrepresent the financial position or affairs of the business.  <b>Related strategic blocks, pillars and enablers:</b> 3, 6  <b>Risk appetite:</b> Averse	Medium Increased	We maintain a strong focus on internal controls to mitigate the inherent risk of fraud. In the current volatile business and economic environment, the inherent threat of fraud occurrences could be heightened. Factors such as steep inflation and the cost-of-living crisis could increase both the motivation and rationalisation for an individual to commit fraud. Additionally, the challenging labour market which can lead to resource constraints or high staff turnover could also increase the threat of fraudulent activity if it impacts the application of expected internal controls.  <b>How we mitigate and respond to this risk</b> We have conducted an annual Fraud Risk Assessment to identify and assess the existing internal fraud risks across the Group and map them against our internal controls. Our key oversight controls include the following: – Financial Control Framework. – Internal Financial Assurance Programme. – Physical security controls. – IT access management and information security controls. – Anti-bribery and corruption policy and procedures. – Independent third party verifications and confirmations on large transactions.

## TECHNOLOGY AND INFORMATION SECURITY

Principal risk description	Residual risk	Outlook and risk response for 2023
<b>Cyber threat – undetected/unrestricted cyber security incidents</b> 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.  <b>Related strategic blocks, pillars and enablers:</b> 3, 7  <b>Risk appetite:</b> Averse	High Unchanged	We have continued to invest in strengthening our defences to contain this area of risk. Despite the improved controls, our residual risk assessment remains high, with cyber attacks widely reported to have increased significantly across all sectors in 2022, a trend we expect to continue throughout 2023.  <b>How we mitigate and respond to this risk</b> With cyber attacks being very high risk inherently, our controls are focused on containing the threat through prevention, detection and planned response. Our controls include the following: – Cyber security monitoring solution. – Team member awareness training including in-house phishing simulations. – 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. – Identity Access Management tool. – Disaster Recovery procedures for core infrastructure and key applications.
<b>Data Privacy – risk of data breach</b> The Group could experience a serious data privacy breach which could result in investigation, significant fines in	Medium Reduced	Our established data privacy compliance programme coupled with the introduction of monitoring tools for company devices and systems, and refreshed mandatory

accordance with the GDPR and subsequent reputational damage.

**Related strategic blocks, pillars and enablers:**  
3, 7

**Risk appetite:** Averse

training, have reduced our residual impact assessment. The risk remains closely linked to cyber threat, as a data breach is one of several potential consequences of a cyber attack.

**How we mitigate and respond to this risk**

Our mitigating controls are focused on reducing the likelihood of a large scale data privacy breach and our processes ensure that any incidents are dealt with in compliance with the GDPR.

Our controls include the following:

- Information Security and Data Privacy policies.
- Internal awareness campaigns and mandatory training.
- Programme of Compliance team onsite data privacy audits.
- 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.
- Technical monitoring controls – see Cyber Threat risk.

## TECHNOLOGY AND INFORMATION SECURITY

Principal risk description	Residual risk	Outlook and risk response for 2023
<p><b>Technology disruption</b> 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.</p> <p><b>Related strategic blocks, pillars and enablers:</b> 3, 7</p> <p><b>Risk appetite:</b> Averse</p>	<p>Medium Unchanged</p>	<p>As a key area of potential business interruption, we have delivered several projects to improve our resilience and contain the threat.</p> <p>In the year ahead, our work will continue to further improve our resilience.</p> <p><b>How we mitigate and respond to this risk</b> Our controls and actions to reduce our risk exposure and build resilience include the following:</p> <ul style="list-style-type: none"> <li>– Core technology infrastructure hosted by third party secure data centre.</li> <li>– Back-up and disaster recovery site for core infrastructure.</li> <li>– Disaster Recovery plans for key business applications.</li> <li>– Network monitoring solution.</li> <li>– SOC reporting from key third party technology service providers.</li> <li>– Review and update of network design.</li> <li>– Continued roll-out of converged networks across our hotels.</li> </ul>

## SAFETY AND CONTINUITY

Principal risk description	Residual risk	Outlook and risk response for 2023
<p><b>Operational disruption</b> Major global events such as pandemic, war or environmental disasters could result in widespread disruption to our markets and operations.</p> <p>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 or terrorism.</p> <p><b>Related strategic blocks, pillars and enablers:</b> 3, 7, 9</p> <p><b>Risk appetite:</b> Averse</p>	<p>Medium Reduced</p>	<p>In the short term, concerns over wide scale operational disruption have reduced since the height of the pandemic. In recent years, we have demonstrated resilience to significant business disruption and an ability to adapt and operate effectively in challenging circumstances.</p> <p>The threat of operational disruption could become more prevalent in the long term if the frequency and impact of climate-induced disasters becomes more significant across our regions (see our TCFD report on pages 70 to 73).</p> <p><b>How we mitigate and respond to this risk</b> Our key mitigating controls include the following:</p> <ul style="list-style-type: none"> <li>– Hotel crisis and continuity plans, and crisis communications.</li> <li>– Hotel lockdown procedures.</li> </ul>



		<ul style="list-style-type: none"> <li>– Cost control measures to reduce impact of closures and reduced capacity.</li> <li>– Adapted services to continue operations where possible.</li> <li>– Remote working capabilities for corporate and regional teams, including Central Reservations and Customer Support.</li> <li>– Close monitoring of key supplier stability and regular communications regarding anticipated demand levels.</li> <li>– Contingency in place for areas of critical supply.</li> </ul>
<b>Serious health, safety and security incidents</b> 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.	Medium Unchanged	We remain committed to providing a safe stay for our guests and a safe working environment for our team members, and do not accept any actions which would increase the threat to their health, safety or security. The risk is contained to a tolerable level due to our extensive controls and assurance programmes. <b>How we mitigate and respond to this risk</b> We actively mitigate and respond to this area of risk through the following measures: <ul style="list-style-type: none"> <li>– Regular risk assessments.</li> <li>– Security and fire safety procedures.</li> <li>– Health &amp; Safety audit programmes.</li> <li>– In-house and supplier food safety audit programme.</li> <li>– Team member training programmes.</li> <li>– Incident reporting.</li> <li>– Hotel crisis plans.</li> <li>– Mental health and wellbeing training.</li> <li>– Centralised system for incident reporting.</li> <li>– Proactive gathering of intelligence and advice on potential security risks through regular liaison with local police and security services.</li> </ul>

**Related strategic blocks, pillars and enablers:**  
3, 6, 7, 9

**Risk appetite:** Averse

## PEOPLE

Principal risk description	Residual risk	Outlook and risk response for 2023
<b>Talent attraction, engagement and retention – challenge of maintaining an engaged and suitably skilled workforce</b> Difficulties in maintaining an engaged and suitably skilled workforce could impact our service standards, drive up operating costs, disrupt operations and impact the overall delivery of our key strategic objectives.	High Unchanged	Current labour market conditions suggest that difficulties in attracting, engaging and retaining team members is likely to persist as a significant matter within the hospitality sector throughout 2023. <b>How we mitigate and respond to this risk</b> A proactive approach to mitigating this area of risk has underpinned our improved trading performance throughout 2022. Our initiatives to focus on talent attraction and engagement of our team members to combat the labour market challenges include the following: <ul style="list-style-type: none"> <li>– In-house recruitment team.</li> <li>– Dedicated Hospitality Career Centre (recruitment office) in London.</li> <li>– Employer brand and talent attraction strategy.</li> <li>– Optimising and simplifying the candidate experience.</li> <li>– Social media strategy to increase presence and labour market penetration.</li> <li>– Attracting skilled workers from international labour markets using international recruitment agencies.</li> <li>– Talent management and succession planning to promote intra-Company mobility options.</li> <li>– Employee engagement initiatives and retention strategy.</li> <li>– Pulse employee surveys to measure engagement and identify and address any areas of concern.</li> <li>– Recognition and reward programmes.</li> <li>– Regular talent reviews.</li> <li>– Learning and development strategy with enhanced online learning content.</li> <li>– Mental health and emotional wellbeing initiatives.</li> </ul>

**Related strategic blocks, pillars and enablers:**  
3, 6, 7, 9

**Risk appetite:** Averse

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Principal risk description	Residual risk	Outlook and risk response for 2023
<p><b>ESG – stakeholder perception – negative perception of the Group with regard to ESG matters</b></p> <p>Corporate governance and matters of environmental and social responsibility are of significant importance to our stakeholders.</p> <p>A perception that the Group does not apply best practice corporate governance principles, does not suitably mitigate both the physical and transition 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.</p> <p>In taking a proactive approach to key ESG matters, there is a considerable opportunity to strengthen our reputation and stakeholder confidence.</p> <p><b>Related strategic blocks, pillars and enablers:</b> 1, 2, 3</p> <p><b>Risk appetite:</b> Averse</p>	<p>Medium Unchanged</p>	<p>The trend of increased scrutiny on matters of environmental impact, social responsibility and corporate governance is expected to continue in the year ahead. Key areas of concern for investors and regulators include climate related risk, carbon reduction programmes and targets, the threat of biodiversity loss and social inequality.</p> <p><b>How we mitigate and respond to this risk</b></p> <p>Our ongoing activities to meet the ESG expectations of our stakeholders include the following:</p> <ul style="list-style-type: none"> <li>– Updating materiality assessment of stakeholder ESG priorities (completed 2022 – recommend updates every three years).</li> <li>– Participation in the Radisson Responsible Business Survey.</li> <li>– Externally certified performance against recognised standards, e.g. Green Key.</li> <li>– Membership of industry organisations (Zero Carbon Forum and Energy and Environment Alliance) to achieve best practice</li> <li>– Reporting on climate related financial disclosures under the Listing Rules (LR 9.8.6R)</li> <li>– Engagement of specialist third parties to gather data for reducing energy consumption</li> <li>– Documentation of governance practices and procedures to ensure compliance with Corporate Governance Code 2018 ('Code') requirements, or satisfactory explanation thereof.</li> <li>– Active monitoring of gender pay gap across the organisation.</li> </ul>

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Each of the directors named on pages 92 and 93 of the Annual Report & Accounts 2022 as of the time of the publication, confirms to the best of his or her knowledge that:

- (i) the consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole.
- (ii) The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, and provides information necessary for shareholders to assess the Company's performance business model and strategies.
- (iii) The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board by

**Boris Ivesha**

President & Chief Executive Officer

**Daniel Kos**

Chief Financial Officer & Executive Director

2 March 2023