

STRATEGIC PROGRESS IN 2019

PROPERTY

Strategy	Strategy	Strategy	Strategy
Deliver all ongoing projects and existing pipeline	Deploy capital in new properties meeting our yield profile	Mature recent openings and repositioned and renovated properties to generate a targeted cash return on EPRA NAV	Drive responsible business strategy
Performance in the year	Performance in the year	Performance in the year	Performance in the year
<p>We entered into a joint venture for a new art'otel in New York City in 2019. In 2020 PPHE acquired the joint venture interest enabling the Company to retain full control of the project and construction timetable.</p> <p>We continued to work with all stakeholders on development of the two new build art'otels in desirable locations within London (one of which will be managed by the Group on completion and one which is owned and developed by the Group), which are expected to open in 2022/23. In addition, our future pipeline was extended, with a site acquisition on Westminster Bridge Road in London. Our subsidiary, Arena, has contracted to acquire a hotel in Belgrade Serbia and, post period end, extended its pipeline with a project in Zagreb, Croatia.</p>	<p>Our focus during the year was on repositioning and developing the Group's existing portfolio and committed pipeline.</p> <p>Our pipeline of new hotels includes two iconic developments in London, scheduled to open in 2022/23. These are art'otel london hoxton (wholly-owned) and art'otel london battersea power station (management agreement). In addition, we acquired the freehold interest in a site located in London SE1 with a view to developing the site into a hotel, subject to planning permission being obtained.</p> <p>Further to an announcement on 14 March 2019, we have acquired from our joint venture partner their 50% interest in W29 Development LLC, which owns the properties located at 538, 540 and 542 West 29th Street, New York. We plan to develop these properties into our first art'otel in New York.</p> <p>In Serbia, Arena Hospitality acquired a hotel in Belgrade in line with its strategy to expand its CEE presence.</p> <p>In addition, Arena Hospitality also acquired a long lease interest in a property located in Zagreb, Croatia with a view to developing the site into a hotel, subject to planning permission being obtained.</p>	<p>Trading improved for the Group for the year ended 31 December 2019, supported by the improved performance of repositioned properties which were relaunched in 2018 such as Park Plaza London Riverbank, Park Plaza Victoria London Amsterdam and Arena One 99 Glamping, as well as early benefits derived from the repositioning projects completed in 2019 (which included Holmes Hotel London, Arena Kažela Campsite, Park Plaza Vondelpark Amsterdam and Park Plaza Utrecht.</p>	<p>From the outset of all new development projects, including our project in Hoxton, sustainability is a central pillar of the hotel design, aiming for BREEAM assessment 'excellent' in design and operation.</p> <p>Our new buildings are built with the latest water and energy efficient fittings and a robust design that ensures our assets are built to last. Where possible, we source responsible and low environmental impact materials, upcycling or donating to charity or local community groups, and reducing our waste.</p> <p>At our recent Park Plaza Vondelpark, Amsterdam repositioning project which was completed in 2019, we aimed to bring the outside in to promote guest and team wellbeing, which included 300m² of plants, trees and flowers inside the hotel.</p>
Performance management			
<ul style="list-style-type: none"> • EPRA EPS • Net return on shareholder capital • Net return on EPRA NAV 			
Risks linked to strategy	Risks linked to strategy	Risks linked to strategy	Risks linked to strategy
<ul style="list-style-type: none"> • Breach of debt covenants and cash restrictions (pg 42) • Delays or unforeseen costs in development projects (pg 42) • Downturn in economic cycle (pg 43) <p>Emerging (pg 41):</p> <ul style="list-style-type: none"> • Changing sustainability regulations and expectations for property development 	<ul style="list-style-type: none"> • Breach of debt covenants and cash restrictions (pg 42) • Delays or unforeseen costs in development projects (pg 42) • Acquisitions and new developments not meeting targeted returns (pg 43) • Downturn in economic cycle (pg 43) <p>Emerging (pg 41):</p> <ul style="list-style-type: none"> • Changing sustainability regulations and expectations for property development 	<ul style="list-style-type: none"> • Breach of debt covenants and cash restrictions (pg 42) • Downturn in economic cycle (pg 43) • Changes in market dynamics (pg 43) 	<ul style="list-style-type: none"> • Changes in market dynamics (pg 43) • Reduction in availability of labour (pg 46) <p>Emerging (pg 41):</p> <ul style="list-style-type: none"> • Climate change related threats and increased scrutiny on the environmental impact of the travel and hospitality sector
Looking forward	Looking forward	Looking forward	Looking forward
<p>We will focus on delivering several repositioning projects, including Verudula Beach Pula, Hotel Brioni Pula and phase two of Arena Kažela Campsite. In addition, we will progress the development of the various projects in our pipeline.</p>	<p>Our future pipeline includes key projects namely; Zagreb, Croatia, Belgrade, Serbia, Hoxton and Battersea Power Station, London and New York City, USA.</p>	<p>We will drive the organic growth of key repositioning projects including Park Plaza Vondelpark, Amsterdam and Holmes Hotel London which launched in 2019.</p>	<p>In 2020 we intend to further progress our Responsible Business programme and ensure that targets and measurements are finalised, launched and consistently measured across the portfolio.</p>

OPERATIONS

Strategy

Develop a high performing culture where engaged teams are empowered to create valuable memories for our guests and value for our assets

Performance in the year

In January 2019, we launched our internal blueprint which aligned our culture and business strategy. The blueprint sets out 'the way we do things', which enables our leadership team to develop a high performing culture through optimal team member behaviour and an empowering working environment, supported by strong leadership.

Following the January launch for Senior Managers, a series of in-country training workshops were conducted throughout 2019 across three out of our four operating regions, to ensure all our team members live and breathe our renewed blueprint.

Performance management

- Employee engagement
- 2019 saw participants to 3,409, compared to 3,321 in 2018 (PPHE Hotel Group and Arena Hospitality Group combined)
- Engagement score of 84.4% (2018: 83.6%)
- 2,000+ number of team members participated in blueprint launch training

Risks linked to strategy

- Changes in market dynamics (pg 43)
- Reduction in availability of labour (pg 46)

Emerging (pg 41):

- Political change reducing the available labour pool

Looking forward

In 2020, we will continue to deliver in-country workshops to maintain this momentum.

Employee engagement remains high on our strategic agenda and we will endeavour to further build on our strong score, by listening to team member feedback.

Our teams will also be equipped with additional tools and insights to maintain our high performing culture, including the 2020 launch of a digital learning management system.

Strategy

Improve the overall guest experience through creating valuable memories

Performance in the year

We continued our ongoing investment programme for team members and properties, along with a greater focus on reviewing guest feedback and aligning our operating standards to maximise efficiencies to further enhance guest satisfaction. Following repositioning, our properties delivered improved guest satisfaction and RevPAR growth.

During the year we created a dedicated customer service team which monitors and responds to guest feedback posted online on travel web sites and review platforms, ensuring guest feedback is managed and queries are responded to. This team also provides detailed data driven insights to our operating teams enabling them to further improve our service and product offering.

Additional initiatives undertaken to further enhance the guest experience were the implementation of new TV in-room entertainment systems with Chromecast, enabling guests to play their own content, as well as upgrades of our Wifi infrastructure and further cyber protection initiatives. In collaboration with Radisson Hotel Group a brand new website platform was launched in July 2019 as well as a multi-brand booking and rewards app.

Performance management

- Overall, our Guest Rating Score increased from 87.3% to 88% in 2019
- Number of reviews posted online exceeded 100,000

Risks linked to strategy

- Changes in market dynamics (pg 43)
- Cyber attack (pg 44)
- Data privacy breach (pg 44)
- Technology failures (pg 44)
- Food safety incidents (pg 45)
- Physical security and safety incidents (pg 45)
- Operational disruption (pg 45)

Looking forward

We intend to further invest in guest facing technologies and collaborate with Radisson Hotel Group on additional digital marketing enhancements. Our operations and brand teams will regularly revisit our offering and make improvements as and where appropriate, based on changing customer preferences and trends, guest feedback and insights provided by the dedicated customer service team.

Strategy

Focus on total revenue generation with solid profit conversion

Performance in the year

Following investments made in our portfolio and team members throughout 2018 and 2019, we now have a solid base upon which to grow further.

In 2019, we optimised our commercial organisation to align it further with our market segmentation, customer preferences, booking methods and internal requirements. As a result several new commercial leadership roles and teams were created. Our key commercial areas of focus include Sales, Revenue Management, Digital Marketing and Analytics, Guest Experience and Customer Service to name but a few. To further improve our efficiency and leverage our scale we have also thoroughly reviewed our supply chain and have further consolidated the procurement of goods and services.

Across several disciplines in our business we have introduced robotics in the year, improving overall efficiency.

Performance management

- EBITDA and EBITDA margin
- RevPAR
- Total revenue

Risks linked to strategy

- Downturn in economic cycle (pg 43)
- Changes in market dynamics (pg 43)
- Reduction in availability of labour (pg 46)

Emerging (pg 41):

- Potential increase in cost of imported goods

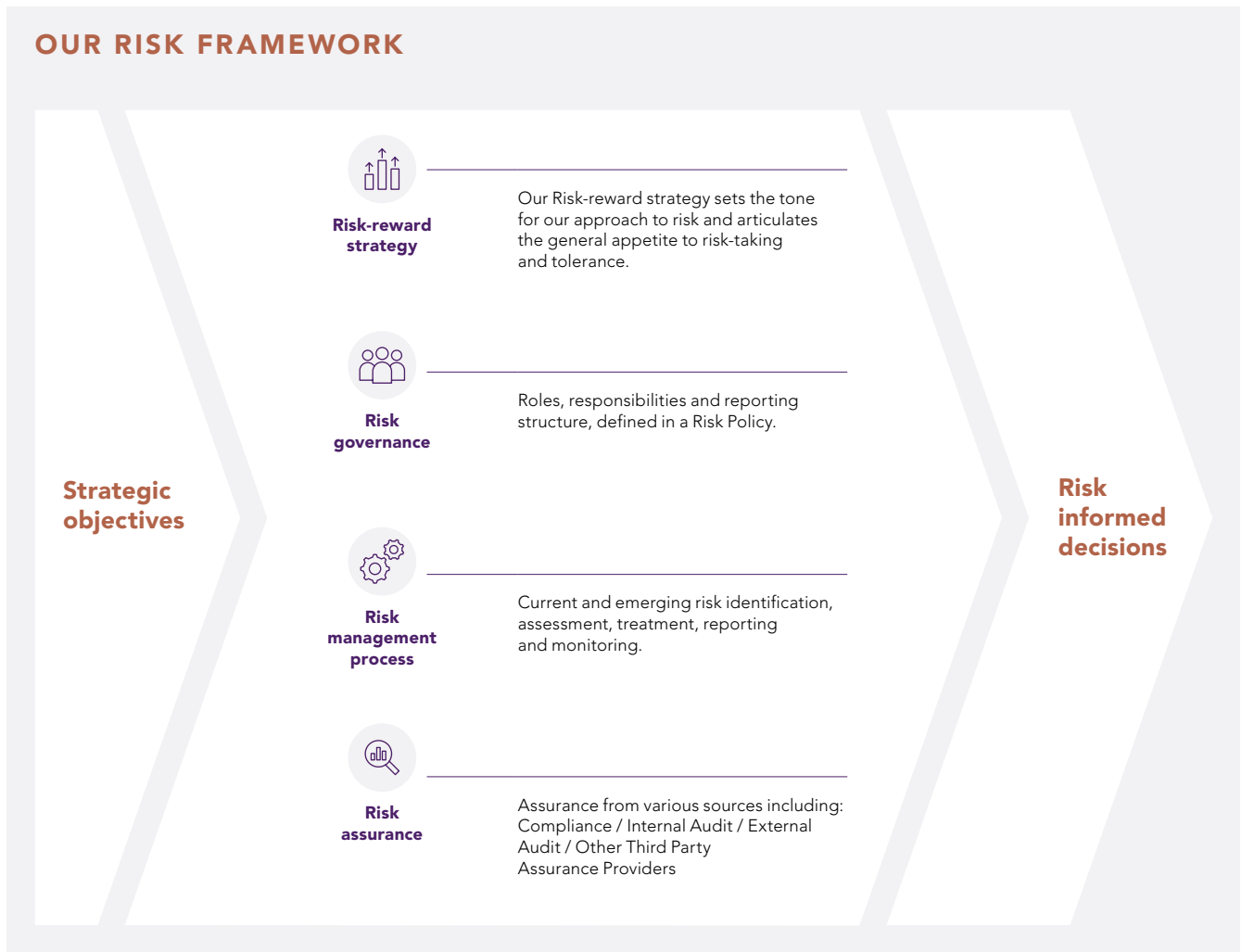
Looking forward

We will continue to focus on driving top line growth through our commercial strategies and initiatives and in collaboration with key partners, such as travel buyers, clients, meeting planners and also our strategic partner Radisson Hotel Group. We aim to implement several new technologies in the year to become more data driven and operate more efficiently. This includes the introduction of new automation and business intelligence software for our revenue management teams and a learning management system across the Group. We will aim to further improve efficiency by continuing our consolidation activities in procurement and the progression of our robotics programme.

OUR APPROACH TO RISK MANAGEMENT

We create value and profits through our entrepreneurial approach and an attitude to risk and reward which allows us to exploit opportunities and deliver growth. Our Enterprise Risk Management (ERM) framework supports the pursuit of our objectives through enabling informed and calculated risk-taking, while protecting our financial strength and reputation.

During 2019 we reviewed and enhanced our approach to ERM, culminating in a revised Framework and Policy. We strive to maintain an embedded and forward-looking ERM programme for identifying and managing the risks that could affect the achievement of our objectives. We will focus on improving and further embedding the programme across the Group throughout 2020, including regular review of our risk-reward approach to ensure that it remains aligned with our strategic agenda.



RISK MANAGEMENT PROCESS

During 2019 we undertook a thorough review of the risks threatening the achievement of our objectives. The consolidated Principal Risks were assessed by the senior leadership team and the Audit Committee, before being agreed by the Board. See pages 42 to 46.

Our approach to ERM is consistent across all areas of the business:

Risk Identification – Group-wide awareness of risk, both existing and emerging, is critical to the achievement of our business objectives.

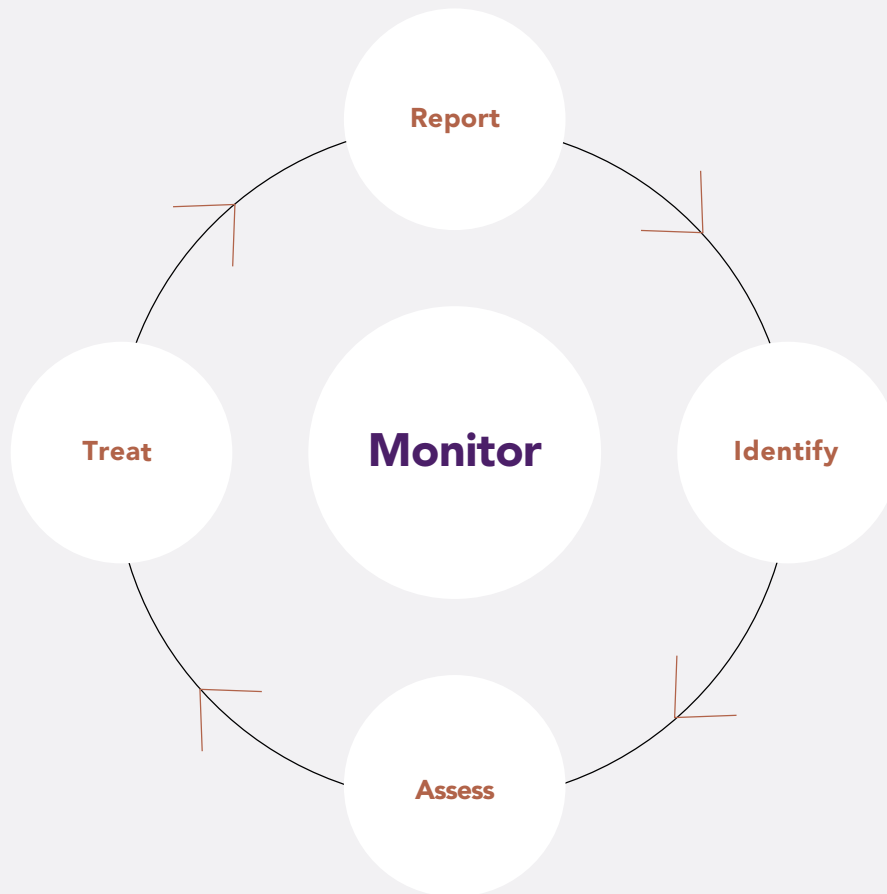
Risk Assessment – In order to prioritise our key risks and determine those that require management attention, the likelihood and severity of each risk is assessed using the Group risk assessment criteria.

Risk Treatment – Having assessed the risk, we determine whether the current status can be tolerated or whether further mitigation is required. This part of the process is critical to ensuring ongoing business improvement and proactive management of risk.

Risk Reporting – Regular risk reporting supports informed decision-making and prioritisation of resources. It enables the Board and others to fulfil their risk oversight responsibilities.

Risk Monitoring – Ongoing monitoring for any changes to the risk environment and monitoring progress of agreed risk actions. We recognise the importance of horizon scanning for identifying the potentially significant threats we face in the years to come. We include consideration of emerging risk throughout each stage of our ERM cycle and consider the following drivers of change:

- Market Dynamics
- Technology
- Social, Political, Economic and Environmental
- Legal and Regulatory



OUR APPROACH TO RISK MANAGEMENT CONTINUED

OUR RISK ENVIRONMENT

As both a real estate business and hospitality operator, we are exposed to a wide array of risks. Our risk environment and approach to risk and reward are explained in the context of our business model.

1. We purchase

As a real estate business, we are exposed to economic and property market risk. We seek investments which we believe have significant upside potential, delivering long-term value where the projected returns outweigh the associated risk. We ensure that the decisions we take are risk-informed and aligned with our strategic agenda of disciplined, focused capital deployment.

When seeking new development opportunities, we are willing to form new strategic partnerships or joint ventures, where we assess the benefits of the arrangement to be greater than the related risk.

2. We develop

As a property developer, we understand and manage the inherent risks associated with the delivery of major construction, repositioning and refurbishment projects (see Principal Risks pages 42 to 46). We are also exposed to risks related to increasing sustainability regulations and expectations within the real estate and construction sectors. The successful delivery of new developments is fundamental to ensuring that we optimise the value of our portfolio and deliver long-term sustainability.

3. We brand properties and improve operating performance

As a hospitality operator, we identify and manage a variety of inherent risks which threaten our ability to deliver the intended guest experience and maintain high operating margins.

We have zero tolerance for taking any actions which increase our risk profile in respect of guest or team member safety, operational disruption, reputational damage or non-compliance with laws and regulations.

We are exposed to various external risks common within the hospitality sector and beyond our control, such as changes in market conditions, global economic uncertainty, political instability and climate change. With our operations dependent on more than 4,700 team members, we are also vulnerable to shifts in the labour market.

The prominence and prime location of our operations also means we can be exposed to externally-driven direct threats such as fraud, cyber crime or physical security incidents.

We work with third parties for core business activities where we perceive the benefits of such arrangements to outweigh the related risks, providing that appropriate diligence and safeguards are in place. The nature of our business model means that we carry an element of counter-party credit risk requiring close management oversight. We remain aware of the importance of monitoring third party dependence and any related financial exposure.

4. We (re)finance to fund further investments

Our strategy of extracting value from the portfolio to fund further growth means we actively take measured funding related risks, in line with our risk-reward approach and treasury policy. We use debt to partly finance our property investments. By leveraging our investments, we enhance our returns but also accept the risk of magnifying any associated losses.

Some of our financing arrangements contain cross-collateralisation and we therefore accept the risk that more than one property may be affected by a default under these financing arrangements.

Funding is a key area of risk and the associated activity is closely monitored and reported on frequently within the business.

 For more information on funding, please see page 58

EMERGING RISK

We define emerging risk as future threats that cannot be accurately assessed at the current time but could have a material impact on the business in the future. These are considered alongside existing risks at each stage of our risk management process with a view to improving our response plans and exploit potential opportunities.

Most of these changes could heighten existing principal risks while some could present new risks or opportunities for the Group.

During the year we have modelled the impact an economic downturn could have on Group performance. The understanding gained from this exercise allows us to develop suitable response plans.

🔗 For more information, please see page 43

Similarly, a Brexit steering group with representatives from around the business continued to monitor the potential strategic and operational consequences that the UK leaving the EU could have on the business, particularly the impact on our supply chain and labour availability in the UK. An increasingly challenging labour market caused by a changing political landscape and changing demographics is an emerging trend which we already acknowledge and manage as a principal risk.

🔗 For more information, please see page 46

Climate Change and issues of sustainability could heighten several of our existing principal risks by impacting the continuity of our operations, increasing the cost of resources and increasing public scrutiny of the impact that travel and tourism has on the environment. See pages 80 to 89 for our approach to doing business responsibly and our impact on our communities and the environment.

External events which threaten to disrupt global travel and significantly reduce occupancy can emerge in various forms. We are closely monitoring the impact of the Coronavirus outbreak in China, on travel and occupancy levels in Europe.

The possibility of an outbreak of Coronavirus in the locations we operate, and any associated quarantine measures, heighten our principal risk of operational disruption. See page 45.

TRENDS AND FUTURE THREATS

Market Dynamics:

- Increasing prominence of private rental market
- Mainstream use of digital currency potentially increasing exposure to price volatility and requiring new processes and technologies

Social / Political / Economic / Environmental:

- Downturn in economic cycle leading to pressure on our margins and property price volatility
- Brexit-related threats including increasing cost of imported goods and reduction of the available labour pool within the UK
- Changing demographics e.g. ageing population leading to changing guest expectations and an increasingly challenging labour market
- Rising urbanisation placing increased demands on resources in the areas we operate
- Climate change related incidents with a direct impact on our guests and operations (e.g. water shortages / floods) plus increased scrutiny on the environmental impact of the travel and hospitality sector and associated transition risks such as changes in government policy
- Significant events restricting travel to our key locations

Regulatory / Legal:

- UK law divergence from EU law increasing the cost of compliance
- Sustainability regulations and expectations impacting the approach to future hotel property developments and operations
- EU legislation banning single-use plastics, impacting our costs and operations

Technology:

- Increasing speed of technology change impacting the hospitality sector

PRINCIPAL RISKS AND UNCERTAINTIES

This year we have articulated some of our principal risks differently from the 2018 Annual Report. The table shows movement in the risk level against related prior year risks and also highlights any which are newly added.

We have removed foreign exchange rate fluctuations as a principal risk as we regard this to be a low risk area due to our approach of matching our commitments, cash flow and debt in the same currency. We continue to monitor the risk and would forward hedge any sizeable cash flows should any future transactions occur which are not in a functional currency of the Group.

The prior year risk relating to capital requirements to maintain product standards has been removed this year as it is considered to be a well mitigated, low risk area.

Similarly, the extent of our fixed operating expenses and vulnerability to short-term changes in revenue no longer features as a separate area of principal risk, but remains closely linked to the principal risks of a downturn in the economic cycle and changing market dynamics.

We also removed the key partnership risk relating to our licence agreement with Radisson Hotel Group (RHG) to operate or sub-license the Park Plaza brand within the EMEA region. We consider the benefits of the partnership to far outweigh any related risks. We continue to monitor the risk but consider it to be low and aligned with our current risk appetite.

Risk Priority: Our risk priority is decided through an assessment of the likelihood of the risk and its impact should it materialise. Our assessments are weighted towards impact to encourage prioritisation of high impact risks.

The table below represents our risk priorities for the year ahead. We believe these to be the most significant threats to the achievement of our objectives but are not an exhaustive list of all risks identified and monitored through our risk management process.

INVESTMENT		
Principal Risk Description	Risk Priority	Risk Response and Outlook for 2020
<p>Funding</p> <p>The Group could experience a breach of debt covenants leading to cash restrictions, loss of stakeholder confidence, less favourable terms when refinancing in the future and a potential going concern threat.</p> <p>Strategic objectives under threat:</p> <ul style="list-style-type: none"> ③ Extract value from portfolio to fund further growth ② Optimise the value of the existing portfolio ④ Long-term sustainability 	<p>Medium</p> <p>↓</p>	<p>Our strategic approach of using debt to partly finance our property investments and enhance returns demonstrates an appetite to accept a measured level of funding related risk. This is aligned with our risk-reward approach with assets typically ring fenced into single or group facilities and maximum loan to value ratios of between 50% and 65% depending on location.</p> <p>👁️ See page 58 for details</p> <p>We have reduced our assessment of this risk as we closely monitor and forward test to ensure compliance with debt covenants and other covenants in the loan facilities. We nurture the long term relationships we have with our funding banks and ensure we have cash reserves to enable us to respond quickly to any potential breaches if these were to occur. We perform forward covenant testing on a monthly basis. The forward testing applies sensitivity and stress modelling. On a semi annual basis the working capital model is updated. The model was developed in order to assess the Company's viability over a period of three years using stress tests which include, amongst others, reduction of average room rate, occupancy and EBITDA margins and the effect that those would have on the loan covenants and our cash flow. The model is reviewed by the Board on an annual basis.</p> <p>Outlook for 2020</p> <p>We continually monitor this risk closely to optimise returns while remaining at comfortable leverage levels.</p>
<p>Development Projects</p> <p>Through the delivery of our development pipeline, we could experience delays, unforeseen increase in costs, disputes with contractors or inconsistent quality.</p> <p>Any of these could reduce cash flow, profitability and stakeholder confidence.</p> <p>Strategic objectives under threat:</p> <ul style="list-style-type: none"> ① Disciplined, focused capital deployment ② Optimise the value of the existing portfolio ④ Long-term sustainability 	<p>High</p> <p>↑</p>	<p>The successful delivery of our development pipeline is fundamental to the achievement of our strategic objectives. With several significant projects in our development pipeline the profile of this risk has increased for the year ahead.</p> <p>Our key projects are subject to ongoing senior leadership team oversight and close monitoring and support from our in-house Technical Services team.</p> <p>Regular meetings with our key contractors are held to identify and tackle approaching issues which could impact the overall cost, targeted delivery schedule or the expected quality standards.</p> <p>Outlook for 2020</p> <p>Our diligent approach to development project delivery continues in 2020. With several significant projects underway or planned, we continue to review our approach and resource requirements in respect of centralised project management.</p>

Strategic Agenda references

① Disciplined, focused capital deployment	④ Long-term sustainability	↔ Unchanged
② Optimise the value of the existing portfolio	⑤ Consistently deliver the refreshed intended guest experience across our properties	↑ Increased
③ Extract value from portfolio to fund further growth	⑥ Maintain high operating margins	↓ Reduced

INVESTMENT		
Principal Risk Description	Risk Priority	Risk Response and Outlook for 2020
<p>Acquisitions and New Developments</p> <p>Market changes or inaccurate assessments of development opportunities could lead to poor investment decisions and impact our ability to drive growth and long-term value.</p> <p>Strategic objectives under threat:</p> <ul style="list-style-type: none"> ① Disciplined, focused capital deployment ③ Extract value from portfolio to fund further growth 	<p>Medium</p> <p><i>Newly Reported</i></p>	<p>Through the application of our due diligence procedures we take informed, calculated risk in pursuing new opportunities, which is aligned with our strategic agenda of disciplined, focused capital deployment to achieve growth and long-term value.</p> <p>Outlook for 2020</p> <p>This risk is currently within our levels of tolerance and continues to be managed to remain closely aligned with our approach to risk and reward.</p>

MARKET AND MACRO ENVIRONMENT		
Principal Risk Description	Risk Priority	Risk Response and Outlook for 2020
<p>Economic Climate</p> <p>A downturn in the economic cycle could lead to margin erosion due to falling revenues and/or increasing costs. Uncertainty regarding macro-economic and socio-political conditions including the future impact of Brexit, could affect our ability to maintain or increase revenue and profitability.</p> <p>Strategic objectives under threat:</p> <ul style="list-style-type: none"> ⑥ Maintain high operating margins ④ Long-term sustainability 	<p>High</p> <p>↔</p>	<p>As referred to in the emerging risk section of this report, we have performed scenario planning for different economic cycles and developed response plans to best protect our margins in a downturn. We have also assessed and planned for the potential impact of the UK exit arrangements from the EU.</p> <p>Outlook for 2020</p> <p>Continued political and economic uncertainty means we must be prepared for the possibility of a downturn in the economic cycle to emerge in 2020. While the risk is largely outside of our control, we continue to monitor the economic climate closely to ensure that we continue to be well placed to respond to changing conditions.</p>
<p>Market Dynamics</p> <p>The travel industry could continue to change considerably with increased competition driven by the influence of major booking platforms, consolidation in the hotel market, increase in home market rentals and other disruptors.</p> <p>Additionally a failure to adapt to changing guest expectations in respect of technology, sustainability and service could threaten our ability to retain and grow market share.</p> <p>Strategic objectives under threat:</p> <ul style="list-style-type: none"> ④ Long-term sustainability ⑤ Consistently deliver the refreshed intended guest experience across our properties ⑥ Maintain high operating margins 	<p>Medium</p> <p>↔</p>	<p>The ever-changing nature of the hospitality industry means we closely monitor trends and developments within the sector, giving us the ability to react quickly. We also continue to use guest survey and guest review monitoring software to focus on recognising guest feedback, engaging with guests and enhancing our guest experience. To further improve our performance, we introduced a dedicated customer service team to manage these activities.</p> <p>Our exclusive and perpetual licence with RHG provides us the benefits of scale, negotiating power and market knowledge. During 2019 we worked in collaboration with RHG on the development of its main new website, app and reservation system.</p> <p>Our Responsible Business strategy considers how we monitor and respond to guest expectations regarding matters of sustainability. (see pages 80 to 89)</p> <p>Outlook for 2020</p> <p>As an externally driven area of risk, changing market dynamics will always be a threat to our existing business model.</p> <p>To continue to meet guest expectations and control this risk as best as possible we have several activities ongoing in 2020 which includes the continued progress against our three-year technology road map and the delivery of our Responsible Business strategy.</p>

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

TECHNOLOGY AND INFORMATION SECURITY		
Principal Risk Description	Risk Priority	Risk Response and Outlook for 2020
<p>Cyber Security</p> <p>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.</p> <p>Strategic objectives under threat:</p> <ul style="list-style-type: none"> ④ Long-term sustainability ⑤ Consistently deliver the refreshed intended guest experience across our properties 	<p>High</p> <p>↔</p>	<p>As one of the most significant risks to the business, there has been focus throughout 2019 on strengthening our defence against cyber attacks, including improved technical controls and enhanced awareness of the threats within our teams.</p> <p>We introduced improved email protection to combat the threat of phishing scams and added new endpoint protection and detection controls.</p> <p>We also commissioned external consultants to perform several penetration tests to highlight security weaknesses and help prioritise mitigating actions.</p> <p>Outlook for 2020</p> <p>Although we accept that this risk is likely to remain high, we continually work to further protect our business from the likelihood of a severe threat materialising.</p> <p>A number of projects are underway which will see controls strengthened in respect of network access control and security incident & event management.</p> <p>We will continue to further enhance our team members' awareness of information security with the roll-out of online training.</p> <p>The threat of cyber attack could also arise through the targeting of our third party partners and suppliers. Further assessment of this particular threat and review of third party security measures will continue to be an area of focus in the year ahead.</p>
<p>Data Privacy</p> <p>The Group could experience a serious data privacy breach which could result in investigation by the regulator, significant fines in accordance with the GDPR and subsequent reputational damage.</p> <p>Strategic objectives under threat:</p> <ul style="list-style-type: none"> ④ Long-term sustainability ⑤ Consistently deliver the refreshed intended guest experience across our properties 	<p>High</p> <p>↔</p>	<p>We are committed to protecting the personal data of our employees and guests. As with 2018, we continued to invest in team member awareness and tailor our processes and services to best mitigate the inherent personal data processing risks.</p> <p>The 2019 investment in strengthening our defence against cyber attack and the provision of a secure environment for all of the personal data that we process has enhanced our control environment.</p> <p>Alongside our Information Security and Data Privacy policies, there are established breach protocols, reporting hotlines for team members and incident response plans. We also engage with third party experts for technical support when necessary.</p> <p>Outlook for 2020</p> <p>The nature of our operations means the risk of a serious data privacy breach is likely to remain a significant threat and a high priority.</p> <p>To further embed our approach to GDPR compliance during the year, we are continuing to review and strengthen our procedures and internal awareness to counter this threat.</p>
<p>Technology Resilience</p> <p>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>Strategic objectives under threat:</p> <ul style="list-style-type: none"> ④ Long-term sustainability ⑤ Consistently deliver the refreshed intended guest experience across our properties 	<p>High</p> <p>↔</p>	<p>During 2019 we performed a review of IT Business Continuity and assessed current backup and recovery arrangements for all critical systems. Through this review, we identified a number of options for strengthening the resilience of our core infrastructure.</p> <p>Outlook for 2020</p> <p>We currently and will continue strengthening our technology infrastructure throughout 2020 and mitigate this risk providing suitable levels of protection and built-in redundancy for our core systems.</p>

SAFETY & CONTINUITY		
Principal Risk Description	Risk Priority	Risk Response and Outlook for 2020
<p>Food Safety</p> <p>The Group could experience significant food safety or allergen related incidents through failings in food preparation, storage or our supply chain.</p> <p>A serious incident could damage our reputation and lead to falling revenue.</p> <p>Strategic objectives under threat:</p> <ul style="list-style-type: none"> ④ Long-term sustainability ⑤ Consistently deliver the refreshed intended guest experience across our properties 	<p>High</p> <p><i>Newly Reported</i></p>	<p>The health and well-being of our guests is a key priority and fundamental to our success. To monitor performance against our expected high standards, we engage third party food safety experts to conduct a thorough in-house and supplier audit programme.</p> <p>Continued consolidation of our food supply chain during the year has allowed us to strengthen our control with improved supplier visibility and audit coverage.</p> <p>Outlook for 2020</p> <p>Although we acknowledge food safety to be a high inherent risk area within the hospitality sector, our focus continues on minimising the likelihood of incidents occurring.</p> <p>In particular, we continue to review the strength of our communications in respect of allergens and improve on team member training and awareness.</p>
<p>Physical Security and Safety</p> <p>Physical security and safety incidents at one or more of our properties could jeopardise the safety of our guests and team members as well as disrupt operations severely.</p> <p>Although the prime city centre location of many of our properties is a strategic strength, it also heightens the inherent risk of security threats. A failure to take reasonable steps to prevent serious security or safety incidents, or a failure to respond appropriately, could impact our reputation and result in significant loss of guest and stakeholder confidence.</p> <p>Strategic objectives under threat:</p> <ul style="list-style-type: none"> ④ Long-term sustainability ⑤ Consistently deliver the refreshed intended guest experience across our properties 	<p>Medium</p> <p><i>Newly Reported</i></p>	<p>Security and fire safety procedures are in place at all of our managed properties, including emergency evacuation plans. Our dedicated security, health and safety teams perform regular risk assessments and develop response plans in respect of significant threats to the physical security and safety of our guests and team members.</p> <p>We also maintain established Crisis Plans across all of our properties, which are reviewed, tested and communicated to management regularly.</p> <p>Outlook for 2020</p> <p>The safety and security of our guests and team members will remain a priority at all times. We continue to monitor threats, maintain our standards and strive for continual improvement.</p>
<p>Operational Resilience</p> <p>We could experience disruption to our operations from incidents at our hotels or in the immediate vicinity, for example floods, extreme weather, social unrest, terrorism.</p> <p>As the current Coronavirus outbreak evolves it could present a temporary threat to the continuity of our services and operations.</p> <p>Strategic objectives under threat:</p> <ul style="list-style-type: none"> ④ Long-term sustainability ⑤ Consistently deliver the refreshed intended guest experience across our properties 	<p>Medium</p> <p><i>Newly Reported</i></p>	<p>To respond appropriately to external incidents which threaten the continuity of our operations, there are established Crisis Plans and longer-term Business Continuity Plans in place for each of our hotels.</p> <p>Although the extent of impact to our operations is dependent on the severity of an incident and largely outside of our control, our ability to respond quickly and our insurance coverage can minimise the financial impact.</p> <p>Outlook for 2020</p> <p>We continue to monitor the Coronavirus outbreak closely and conduct ongoing reviews of our response plans and measures.</p> <p>Throughout 2020, we will continue strengthening our Business Continuity and Crisis Plans with particular focus on critical roles and operational areas.</p>

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

PEOPLE		
Principal Risk Description	Risk Priority	Risk Response and Outlook for 2020
<p>Availability of Labour in the UK</p> <p>Changes in demographics and migration could result in a reduction in available labour. The UK's departure from the EU is likely to accelerate this threat.</p> <p>Difficulties in recruiting and retaining team members could damage profitability through increased people costs and/or falling revenues following a negative impact on service.</p> <p>Strategic objectives under threat:</p> <ul style="list-style-type: none"> ⑤ Consistently deliver the refreshed intended guest experience across our properties ⑥ Maintain high operating margins 	<p>High</p> <p>↑</p>	<p>We continue to manage this significant threat proactively with several initiatives in place or underway.</p> <p>In London, we acquired property for the development of employee accommodation to drive attraction and retention of hotel workers.</p> <p>Our housekeeping in London is managed in-house by our Accommodation Services team, giving us greater control in recruiting, retaining and growing our own people while improving the guest experience.</p> <p>We promote flexible working hours for relevant roles and provide guaranteed hours and greater job security.</p> <p>We have also increased our focus on talent development and invested more in developing people and new technology.</p> <p>To attract talent, we have built a new careers website (launching early 2020), engaged with schools to build early engagement and continued with our apprenticeships programme within the UK.</p> <p>We also work with selected partners to reach out to the communities in which we operate.</p> <p>Outlook for 2020</p> <hr/> <p>The influence of the political, economic and social environment means the availability of labour is likely to continue to remain a high priority risk area.</p> <p>We continue to address this risk through longer term workforce planning, improving our attractiveness as an employer and targeted retention strategies.</p>

VIABILITY STATEMENT

In addition to the going concern statement, the Directors have considered the viability of the business.

The Group developed an annual business planning process, which includes a robust three-year plan that takes into consideration the Company's strategy, the principal risks and the current market conditions. This plan will be reviewed and approved each year by the Board, following which it will be cascaded down across the Group and provide the basis for strategic actions taken across the business.

In addition, during the year, the Group updated its enterprise-wide risk assessment, facilitated by the Enterprise Risk Manager, in which risks were identified and assessed by the senior executives using the Group risk assessment criteria based on the combination of the likelihood of risk and the impact should it materialise. The principal risks are documented on pages 42 to 46. The principal risk schedule was approved by the executive management team, the Audit Committee and the Board.

The Group's viability assessment is based on the three-year financial forecast, adjusted with principal risks that are assumed to crystallise in parallel during the assessment period.

The principal risks' effect on the Group is quantified throughout the three-year financial forecast by applying the following stress testing:

- Decrease in average daily rate
- Decrease in occupancy
- Decrease in EBITDA margin
- Increase in project costs

Many of the principal risks can result in a decrease in average daily rates and occupancy. Changes in the economic environment or market dynamics could impact our ability to maintain a competitive pricing position. Principal risks which directly impact our brand reputation or disrupt our operations could also reduce ADR and occupancy.

As an owner/operator of hotels the Group has higher operational leverage than those operating an asset light model. This has a positive benefit on EBITDA margins when revenue growth is increasing but has a negative impact on margins when trading slows. A reduction in the EBITDA margin can be caused by changes in the macro environment or the materialisation of a number of the principal operational and reputational risks, as well as an increase in fixed costs.

An increase in project costs is linked to the principal risk of overruns in respect of ongoing development projects. It should be noted that only the preliminary development costs associated with the art'otel Hudson Yards New York project, which is expected to open in 2023, were included in the financial forecast as this project is still in its early stages and management anticipate that the additional development costs will be financed by third party facilities and therefore should not materially affect the Group's net cash and cash flows.

The stress tests were evaluated for various outcomes including the impact on the Group's net cash, cash flows, property fair values and the impact of

a parallel crystallisation of the above mentioned stress tests on the Group's financial covenants. The underlying assumption for any potential breaches in covenants was that the Company will repay part of the loan principal in order to comply with those covenants. This assumption is based on cures for covenant breaches that are included in the Group facilities agreements. Moreover, the Group's weighted average loans maturity was above 7 years which was also considered when assessing the solvency and liquidity of the Group.

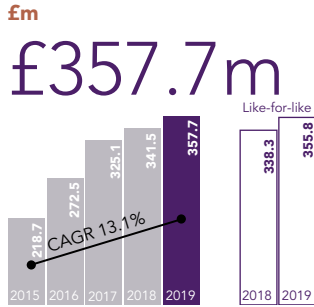
The Board concluded that three years would be an appropriate timeframe over which to assess the Group's ongoing longer term viability, as this period aligns with the Group's own strategic planning period combined with the levels of planning certainty that can be derived from the current market conditions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

The above considerations form the basis of the Board's assessment of the viability of the Group over a three-year period to 31 December 2022 while taking account of the Group's current position, the principal risks and how these are managed as detailed in the Strategic Report, the Group strategy and the Group's financial plans and forecasts. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 December 2022.

STRATEGIC REPORT
KEY PERFORMANCE INDICATORS:
MEASURING OUR PROGRESS

FINANCIAL KPIs

TOTAL REVENUE



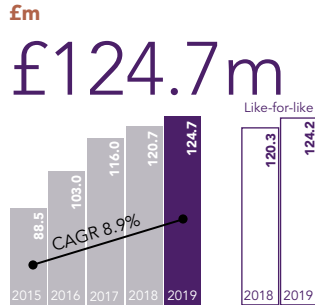
KPI definition

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

Comment

Revenue, which increased by 4.8%, was positively affected by the maturing of Park Plaza Victoria Amsterdam and Park Plaza London Riverbank, which were repositioned in 2018 and improved trading throughout our London and Amsterdam hotels. However, it was negatively affected by a decrease in room inventory due to the repositioning of a number of properties in the United Kingdom and the Netherlands and the termination of a lease agreement in Dresden, Germany in July 2018.

EBITDAR



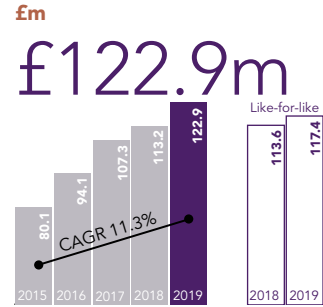
KPI definition

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

Comment

EBITDAR, which increased by 3.3%, was positively affected by the maturing of Park Plaza Victoria Amsterdam and Park Plaza London Riverbank, which were repositioned in 2018 and improved trading throughout our London and Amsterdam hotels. However, it was negatively affected by a decrease in room inventory due to the repositioning refurbishment of a number of properties in the United Kingdom and the Netherlands.

EBITDA



KPI definition

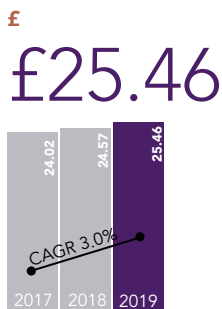
Earnings before interest, tax, depreciation and amortisation.

Comment

EBITDA, which increased by 8.6%, was positively affected by the maturing of Park Plaza Victoria Amsterdam and Park Plaza London Riverbank, which were repositioned in 2018 and improved trading throughout our London hotels. In addition, EBITDA increased as a result of the first time adoption of IFRS 16 and the termination of the loss making lease agreement in Dresden in July 2018. However, EBITDA was negatively affected by a decrease in room inventory due to the repositioning refurbishment of a number of properties in the United Kingdom and the Netherlands.

PROPERTY KPIs

EPRA NAV PER SHARE



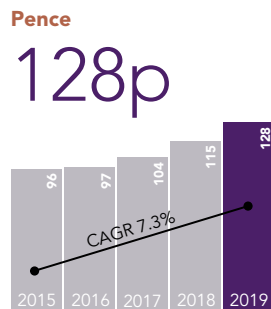
KPI definition

Net Asset Value on a fully diluted basis adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model divided by the dilutive number of shares.

Comment

EPRA NAV per share, which increased by 3.6%, was positively affected by the revaluation of the recently repositioned properties and the earnings for the year. However, it was negatively affected by the divided distribution of 37p in 2019 and the weakening of the Euro and Croatian Kuna compared to Pound Sterling.

ADJUSTED EPRA EPS



KPI definition

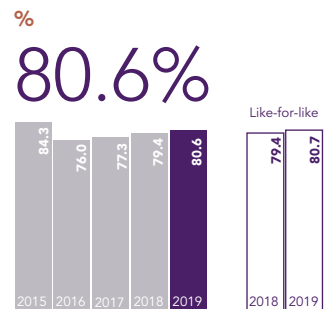
Shareholders' earnings from operational activities with the Company's specific adjustments. The main adjustment is adding back the reported depreciation charge, which is based on assets at historical cost, and replacing it with a charge calculated as 4% of the Group's total revenues, representing the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

Comment

Adjusted EPRA earnings EPS, which increased by 11.7%, were positively affected by the improved results.

OPERATING KPIs

OCCUPANCY



KPI definition

Total rooms occupied divided by the available rooms.

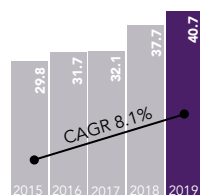
Comment

Like-for-like occupancy improved by 130 bps with reported occupancy increasing by 120 bps year-on-year. Occupancy increased across all of our operating regions, except Germany where occupancy was flat.

NORMALISED PROFIT BEFORE TAX

£m

£40.7m



KPI definition

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

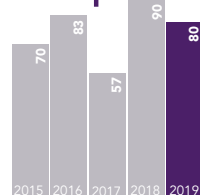
Comment

Normalised profit, which increased by 7.9%, was positively affected by the increase in EBITDA. However, this was offset by an increase in depreciation costs.

REPORTED EARNINGS PER SHARE

Pence

80p



KPI definition

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

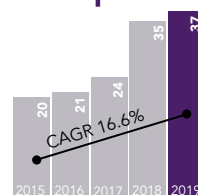
Comment

Reported earnings per share decreased by 11.0% in line with the decrease in reported profit.

DIVIDEND PER SHARE

Pence

37p



KPI definition

The total dividends paid out over an entire year divided by the number of outstanding ordinary shares issued.

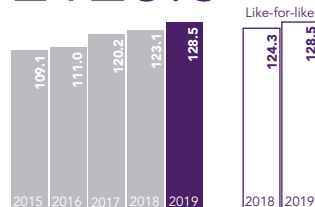
Comment

Ordinary dividend increased by 5.7% year-on-year, with a final dividend of 20 pence per share proposed.

AVERAGE ROOM RATE

£

£128.5



KPI definition

Total room revenue divided by the number of rooms sold.

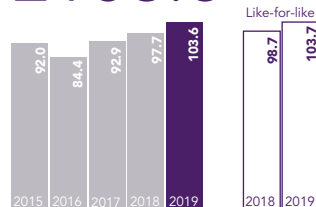
Comment

Like-for-like average room rate increased by 3.4%, with reported average room rate increasing by 4.4%. Average room rate increased in the UK and Dutch regions but stayed stable in the rest of our operating regions.

REVPAR

£

£103.6



KPI definition

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

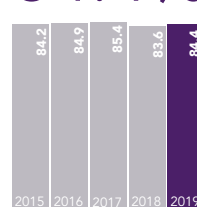
Comment

Like-for-like RevPAR increased by 5.1%, with reported RevPAR increasing by 6.0%, due to the increase in occupancy.

EMPLOYEE ENGAGEMENT

%

84.4%



KPI definition

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

Comment

We have increased our overall engagement score. In 2019 we focused on embedding our renewed Company culture. Many initiatives took place that helped create an optimal working climate for our team members. We are happy to see this reflected in our engagement score and we will focus on maintaining this upwards momentum in 2020.

GUEST RATING SCORE

%

88.0%



KPI definition

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

Comment

We have continued to improve our Guest Rating Score in 2019, with our overall performance increasing by 0.7 to 88.0%. This is the result of our continued investments in properties and training of our teams.