Playa Hotels & Resorts N.V.

Dutch statutory board report and financial statements

for the fiscal year ended December 31, 2017

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1. INTRODUCTION

1.1 Preparation

Unless the context requires otherwise, in this annual report, we use the terms "the Company," "Playa," "our company," "we," "us," "our" and similar references to refer to Playa Hotels & Resorts N.V., a Dutch public limited liability company (*naamloze vennootschap*), and, where appropriate, its subsidiaries.

This annual report has been prepared by the Company's board of directors (the "Board") pursuant to Section 2:391 of the Dutch Civil Code ("DCC") and also contains (i) the Company's statutory annual accounts within the meaning of Section 2:361(1) DCC and (ii) to the extent applicable, the information to be added pursuant to Section 2:392 DCC. This annual report relates to the fiscal year ended December 31, 2017 and, unless explicitly stated otherwise, information presented in this annual report is as of December 31, 2017.

The consolidated financial statements included in chapter 7.1 of this annual report (the "Consolidated Financial Statements") have been prepared in accordance with the International Financial Reporting Standards ("IFRS") established by the International Accounting Standards Board and approved by the European Committee. The Company financial statements included in chapter 7.2 (the "Company Financial Statements") have been prepared in accordance with the accounting principles promulgated by Title 9 of Book 2 DCC ("Dutch GAAP").

1.2 Forward-looking statements

This annual report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Forward-looking statements reflect our current views with respect to, among other things, our capital resources, portfolio performance and results of operations. Likewise, all of our statements regarding anticipated growth in our operations, anticipated market conditions, demographics and results of operations are forward-looking statements. In some cases, you can identify these forward-looking statements by the use of terminology such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words or phrases.

The forward-looking statements contained in this annual report reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- *general economic uncertainty and the effect of general economic conditions on the lodging industry in particular;*
- *the popularity of the all-inclusive resort model, particularly in the luxury segment of the resort market;*
- *the success and continuation of our relationship with Hyatt (as defined below);*
- *the volatility of currency exchange rates;*
- *the success of our branding or rebranding initiatives with our current portfolio and resorts that may be acquired in the future, including the rebranding of two of our resorts under the all-inclusive "Panama Jack" brand;*
- *our failure to successfully complete acquisition, expansion, repair and renovation projects in the timeframes and at the costs and returns anticipated;*
- *significant increases in construction and development costs;*
- *our ability to obtain and maintain financing arrangements on attractive terms;*

- *the impact of and changes in governmental regulations or the enforcement thereof, tax laws and rates, accounting guidance and similar matters in regions in which we operate;*

- *the effectiveness of our internal controls and our corporate policies and procedures and the success and timing of the remediation efforts for the material weakness that we identified in our internal control over financial reporting;*

- *changes in personnel and availability of qualified personnel;*

- *environmental uncertainties and risks related to adverse weather conditions and natural disasters;*

- *dependence on third parties to provide Internet, telecommunications and network connectivity to our data centers;*

- *the volatility of the market price and liquidity of our ordinary shares and other of our securities; and*

- *the increasingly competitive environment in which we operate.*

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. The Company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes after the date of this annual report, except as required by applicable law. You should not place undue reliance on any forward-looking statements, which are based only on information currently available to us (or to third parties making the forward-looking statements).

1.3 Explanatory Note

At 12:00 a.m. Central European Time on March 12, 2017 (the "Closing Time"), we consummated a business combination (the "Business Combination") pursuant to a transaction agreement by and among us, Playa Hotels & Resorts B.V. (our "Predecessor") and Pace Holdings Corp. ("Pace"), an entity that was formed as a special purpose acquisition company, for the purpose of effecting a merger or other similar business combination with one or more target businesses, and New Pace Holdings Corp. ("New Pace"). In connection with the Business Combination, which is described in detail in our Current Report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on March 14, 2017, we changed our name from Porto Holdco N.V. to Playa Hotels & Resorts N.V. In addition, in connection with the Business Combination, (i) prior to the consummation of the Business Combination, all of our Predecessor's cumulative redeemable preferred shares ("Preferred Shares") were purchased and were subsequently extinguished upon the reverse merger of our Predecessor with and into us, and (ii) Pace's former shareholders and our Predecessor's former shareholders received a combination of our ordinary shares and warrants as consideration in the Business Combination. Our Predecessor was the accounting acquirer in the Business Combination, and the business, properties, and management team of our Predecessor prior to the Business Combination are the business, properties, and management team of the Company following the Business Combination.

Our financial statements, other financial information and operating statistics presented in this annual report reflect the results of our Predecessor for all periods prior to the Closing Time. Our financial statements and other financial information also include the consolidation of Pace from the Closing Time of the Business Combination to December 31, 2017.

2. BUSINESS

2.1 Overview

We are a leading owner, operator, manager and developer of all-inclusive resorts in prime beachfront locations in popular vacation destinations in Mexico and the Caribbean. As of December 31, 2017, we owned a portfolio consisting of 13 resorts (6,130 rooms) located in Mexico, the Dominican Republic and Jamaica and managed one resort (184 rooms) owned by a third party, located in the Dominican Republic. We believe that the resorts we own, as well as the resort we manage, are among the finest all-inclusive resorts in the markets they serve. All of our resorts offer guests luxury accommodations, noteworthy architecture, extensive on-site activities and multiple food and beverage options. Our guests also have the opportunity to purchase upgrades from us such as premium rooms, dining experiences, wines and spirits and spa packages.

We believe that our resorts have a competitive advantage due to their location, extensive amenities, scale and guest-friendly design. Our portfolio is comprised of all-inclusive resorts that share the following characteristics: (i) prime beachfront locations; (ii) convenient air access from a number of North American and other international gateway markets; (iii) strategic locations in popular vacation destinations in countries with strong government commitments to tourism; (iv) high quality physical condition; and (v) capacity for further revenues and earnings growth through incremental renovation or repositioning opportunities.

We focus on the all-inclusive resort business because we believe it is a rapidly growing segment of the lodging industry that provides its guests with compelling opportunities. Our all-inclusive resorts provide guests with an attractive vacation experience that offers value and a high degree of cost certainty, as compared to traditional resorts, where the costs of discretionary food and beverage services and other amenities can be unpredictable and significant. We believe that the all-inclusive model provides more predictable revenue, expenses and occupancy rates as compared to other lodging industry business models because, among other reasons, guests at all-inclusive resorts often book and pay for their stays further in advance than guests at traditional resorts. Since stays are generally booked and paid for in advance, customers are less likely to cancel, which allows us to manage on-site expenses and protect operating margins accordingly. These characteristics of the all-inclusive model allow us to more accurately adjust certain operating costs in light of expected demand, as compared to other lodging industry business models. We also have the opportunity to generate incremental revenue by offering upgrades, premium services and amenities not included in the all-inclusive package. For the year ended December 31, 2017, approximately 58.8% of our guests came from the United States. We believe that guests from the United States purchase upgrades, premium services and amenities that are not included in the all-inclusive package more frequently than guests from other markets.

Our portfolio consists of resorts marketed under a number of different all-inclusive brands. Hyatt Ziva, Panama Jack International, Inc., a consumer products company that focuses on resort clothes and furnishings and sun care products and Dreams are all-ages brands. Sanctuary, Hyatt Zilara, THE Royal and Secrets are adults-only brands. We entered into an exclusive agreement with Panama Jack that provides us with the right to develop and own, and/or manage all-inclusive resorts under the Panama Jack brand in certain regions. We rebranded two of our resorts under the Panama Jack brand. We believe that these brands enable us to differentiate our resorts and attract a loyal guest base.

We have a strategic relationship with Hyatt, a global lodging company with widely recognized brands, pursuant to which we jointly developed the standards for the operation of the all-ages Hyatt Ziva and adults-only Hyatt Zilara brands (the "Hyatt All-Inclusive Resort Brands"). Playa currently is the only Hyatt-approved operator of the Hyatt All-Inclusive Resort Brands and we have rebranded five of our resorts under the Hyatt All-Inclusive Resort Brands since 2013. Pursuant to the Hyatt Strategic Alliance Agreement, as amended by the First Amendment to the Hyatt Strategic Alliance Agreement (the "Hyatt Strategic Alliance Agreement"), Playa and Hyatt have provided each other a right of first offer through December 31, 2021 with respect to any proposed offer or arrangement to acquire the rights to own and operate an all-inclusive hotel property at the level of quality and service consistent with the Hyatt All-Inclusive Resort Brands (a "Hyatt All-Inclusive Opportunity") in Mexico, Costa Rica, the Dominican Republic, Jamaica and Panama (the "Market Area"). Specifically, if we intend to accept a Hyatt All-Inclusive Opportunity in the Market Area (and if Hyatt exercises the right of first offer), we must negotiate in good faith with Hyatt the terms of franchise agreement and related documents with respect to such property, provided that we acquire such property on terms acceptable to us within 60 days of offering such opportunity to Hyatt, and if Hyatt intends to accept a Hyatt All-Inclusive Opportunity in the Market Area (and if we exercise the right of first offer), Hyatt must negotiate in good faith with us the terms of a management agreement and other documents under which we would manage the resort (subject to a franchise agreement between Hyatt and the affiliate of Hyatt that would own such property), provided that Hyatt acquires such property on terms acceptable to it within 60 days of offering such opportunity to us. The Hyatt Strategic Alliance Agreement also provides that if either party is approached by a third party with respect to the management or franchising of an all-inclusive resort in the Market Area, and such third party has not identified a manager or franchisor for the resort, the parties will notify each other and provide an introduction to the third party for the purposes of negotiating a management agreement or a franchise agreement, as the case may be.

In addition to creating potential future opportunities to expand our business, we believe that our strategic relationship with Hyatt will further establish Playa as a leader in the all-inclusive resort business by providing its Hyatt All-Inclusive Resort Brand resorts access to Hyatt's distribution channels and guest base that includes leisure travelers. We believe that our strategic relationship with Hyatt and the increasing awareness of our all-inclusive resort brands among potential guests will enable us to increase the number of bookings made through lower cost sales channels, such as direct bookings through Hyatt, with respect to our Hyatt All-Inclusive Resort Brand resorts, and our company and resort websites. For the year ended December 31, 2017, 30.6% of the bookings at our

Hyatt All-Inclusive Resort Brand resorts came from direct, group and World of Hyatt (previously Hyatt Gold Passport®) sources, as compared to 12.5% of the bookings at our other resorts. Direct and group bookings from all of our resorts totaled 19.4%.

We consider each one of our hotels to be an operating segment, none of which meets the threshold for a reportable segment. For further discussion about our operating segments and financial information about the geographic regions in which we operate, please see Note 17 to the accompanying Consolidated Financial Statements.

Recent Developments - Sagicor Contribution

On February 26, 2018, we entered into a Share Exchange Implementation Agreement (the "Contribution Agreement") with certain companies affiliated with the Sagicor Group (collectively, the "Sagicor Parties"). The Contribution Agreement provides that, subject to the satisfaction or waiver of certain customary and other closing conditions, the Sagicor Parties will contribute to a subsidiary of our Company a portfolio of all-inclusive resorts in Jamaica, two adjacent developable land sites and a management contract for an all-inclusive resort (the "Sagicor Assets") in exchange for consideration consisting of, subject to adjustment pursuant to the Contribution Agreement, 20 million of our ordinary shares and $100.0 million in cash (such transaction, the "Sagicor Contribution").

The Sagicor Assets consist of the following:

- The Hilton Rose Hall Resort (currently 489 rooms);
- The Jewel Runaway Bay Resort (currently 268 rooms);
- The Jewel Dunn's River Resort (currently 250 rooms);
- The Jewel Paradise Cove Resort (currently 225 rooms);
- The 88 units comprising one of the towers in the multi-tower condominium currently at Jewel Grande Resort;
- A developable land site adjacent to The Jewel Grande Resort;
- A developable land site adjacent to The Hilton Rose Hall Resort;
- The management contract for a portion of the units owned by the Sagicor Parties at the Jewel Grande Resort; and
- All rights to "The Jewel" hotel brand.

Our obligation to close the Sagicor Contribution is subject to us entering into a franchise agreement, relating to the Hilton Rose Hall Resort, with Hilton Worldwide Franchising LP on terms and conditions acceptable to us in our sole discretion. Each party's obligation to close the Sagicor Contribution is subject to certain other conditions provided in the Contribution Agreement. The closing of the Sagicor Contribution is expected to occur in the second quarter of 2018.

Our Competitive Strengths

We believe the following competitive strengths distinguish us from other owners, operators, developers and acquirers of all-inclusive resorts:

- ***Premier Collection of All-Inclusive Resorts in Highly Desirable Locations***. We believe that our portfolio represents a premier collection of all-inclusive resorts. Our resorts, a number of which have received public recognitions for excellence, are located in prime beachfront locations in popular vacation destinations, including Cancún, Playa del Carmen, Puerto Vallarta and Los Cabos in Mexico, Punta Cana in the Dominican Republic and Montego Bay in Jamaica. Guests may conveniently access our resorts from a number of North American and other international gateway markets.

- ***Well-Maintained Portfolio with Significant Embedded Growth Opportunities.*** Our portfolio has been well-maintained and, in some cases, recently renovated and is in excellent physical condition. Since January 2014, we have made development capital improvements at seven of our resorts, including the addition of 350 rooms, of $258.9 million, or approximately $82,300 per room. We believe there are other significant opportunities within our current portfolio and the Sagicor Assets to increase revenue and Adjusted EBITDA (as defined in chapter 6 of this annual report) through expansions, renovations, repositionings and rebrandings of certain of our resorts. By redeveloping and rebranding our properties and offering additional amenities to our guests, we believe we can increase both occupancy and Net Package ADR (as defined in chapter 6 of this annual report) at these properties in order to achieve attractive risk-adjusted returns on

our invested capital. For example, in late 2014, we completed the process of expanding, renovating, repositioning and rebranding our Jamaica resort, which was formerly operated as a Ritz-Carlton hotel by the previous owner. The property was rebranded under both the all-ages Hyatt Ziva brand and the adults-only Hyatt Zilara brand. We further renovated this property in 2017 by remodeling 334 remaining original rooms and building a beach spa and a fitness center, among other improvements. For the year ended December 31, 2017, our Hyatt Ziva and Hyatt Zilara Rose Hall resort in Jamaica generated Adjusted EBITDA of $16.0 million, as compared to Adjusted EBITDA of $12.6 million for the year ended December 31, 2016. In addition, in late 2015, we completed the expansion and renovation of the resort formerly known as Dreams Cancún, and we rebranded it as Hyatt Ziva Cancún. We also renovated the resort formerly known as Dreams Puerto Vallarta, and rebranded it as Hyatt Ziva Puerto Vallarta. In conjunction with these two rebrandings, we also internalized management and eliminated the management fees that we previously paid to a third-party manager with respect to these resorts. While all three rebranded resorts generated a combined Total Net Revenue (as defined in chapter 6 of this annual report) growth of 22.6% for the year ended December 31, 2017 compared to the corresponding 2016 period, we believe these resorts are still in their ramp-up phase and there is room for future growth in their operational results. We believe that these initiatives, which favorably impacted revenue in 2017 and 2016, will be significant drivers of future growth. We also believe that we can generate earnings growth by potentially internalizing, over time, resort management functions at the five resorts in our portfolio that we currently do not manage. In December 2017, we completed the renovation and repositioning of two of our hotels that were formerly known as Gran Caribe and Gran Porto under the Panama Jack hotel brand. We may also seek additional growth at these and other resorts through targeted, smaller investments where we believe we can achieve attractive risk-adjusted returns on our invested capital.

- ***First Mover Advantage in a Highly Fragmented Industry.*** As exemplified by the recently announced Sagicor Contribution, we believe that we are well-positioned to pursue acquisitions in the all-inclusive segment of the lodging industry and further establish ourselves as a leading owner and operator of all-inclusive resorts. The all-inclusive resort segment is highly fragmented and includes numerous resorts owned and managed by smaller operators who often lack capital resources to maintain their competitive position. We believe that our management team's experience with executing and integrating resort acquisitions, track record of renovating, repositioning and rebranding resorts, and relationships with premier all-inclusive resort brands, together with our developed and scalable resort management platform and strong brands, position us to grow our portfolio of all-inclusive resorts through targeted acquisitions. We believe that our ability to offer potential resort sellers the option of receiving our publicly-traded securities (instead of or in combination with cash) may provide us a competitive advantage over private buyers, as such securities can provide sellers potential appreciation from an investment in a diversified portfolio of assets. Our senior management team's proven track record of sourcing and executing complex acquisitions has helped establish an international network of resort industry owners, including resort owners, financiers, operators, project managers and contractors. For example, our August 2013 acquisition of Real Resorts included the purchase of four resorts located in Cancún with a total of 1,577 rooms and a resort management company for consideration consisting of cash, debt and our Preferred Shares.

- ***Exclusive Focus on the All-Inclusive Model***. We believe the all-inclusive resort model is increasing in popularity as more people come to appreciate the benefits of a vacation experience that couples value and a high degree of cost certainty without sacrificing quality. We also believe that the all-inclusive model provides us with advantages over other lodging business models through relatively higher occupancy predictability and stability, and the ability to more accurately forecast resort utilization levels, which allows us to adjust certain operating costs in pursuit of both guest satisfaction and more efficient operations. Because our guests have pre-purchased their vacation packages, we also have the opportunity to earn incremental revenue if our guests purchase upgrades, premium services and amenities that are not included in the all-inclusive package. For the year ended December 31, 2017, we generated $78.2 million of this incremental revenue, representing an increase of 10.8% over the comparable period in the prior year.

- ***Integrated and Scalable Operating Platform***. We believe we have developed a scalable resort management platform designed to improve operating efficiency at the nine resorts we currently manage and enable us to potentially internalize the management of additional resorts we own or may acquire, as well as to proficiently manage hotels owned by third parties. Our integrated platform enables managers of each of our key functions, including sales, marketing and resort management, to observe, analyze, share and respond to trends throughout our portfolio. As a result, we are able to implement management initiatives on a real-time and portfolio-wide basis. Our resort management platform is scalable and designed to allow us to efficiently and effectively operate a robust and diverse portfolio of all-inclusive resorts, including resorts owned by us, resorts we may acquire and resorts owned by third parties that we may manage for a fee in the future without

the need to incur significant capital expenditures to enhance our management platform. In regards to the anticipated Sagicor Contribution, Playa will use its existing operating platform to create significant operational synergies at the acquired properties including: preferred rates with online travel agencies and tour operators, purchasing and centralized services synergies and cost synergies by integrating several functions, including accounting, marketing, legal, procurement and insurance. Playa's historical track record, management expertise, strong regional presence, long-term customer relationships and access to powerful brands will contribute to significantly improving the Sagicor portfolio's performance.

- ***Strategic Relationship with Hyatt to Develop All-Inclusive Resorts***. Our strategic relationship with Hyatt, which indirectly beneficially owned approximately 10.8% of our ordinary shares as of December 31, 2017, provides us with a range of benefits, including the right to operate certain of our existing resorts under the Hyatt All-Inclusive Resort Brands in certain countries and, through December 31, 2021, certain rights with respect to the development and management of future Hyatt All-Inclusive Resort Brands resorts in the Market Area. The Hyatt Ziva brand is marketed as an all-inclusive resort brand for all-ages and the Hyatt Zilara brand is marketed as an all-inclusive resort brand for adults-only. We believe these brands are currently Hyatt's primary vehicle for all-inclusive resort growth and demonstrate Hyatt's commitment to the all-inclusive model. We also have, with respect to our Hyatt All-Inclusive Resort Brand resorts, access to Hyatt's low cost and high margin distribution channels, such as Hyatt guests using the World of Hyatt guest loyalty program (which had in excess of ten million members as of December 31, 2017), Hyatt's reservation system and website and Hyatt's extensive group sales business. We believe that our strategic relationship with Hyatt and the increasing awareness of our all-inclusive resort brands among potential guests will enable us to increase the number of bookings made through lower cost sales channels, such as direct bookings through Hyatt, with respect to our Hyatt All-Inclusive Resort Brand resorts, and our company and resort websites.

- ***Experienced Leadership with a Proven Track Record.*** Our senior management team has an average of 30 years of experience in the lodging industry, including significant experience with all-inclusive resorts.

  - Mr. Wardinski, our Chief Executive Officer and beneficial owner of approximately 2.3% of our ordinary shares, founded our prior parent and previously was the Chief Executive Officer of two lodging companies: Barceló Crestline Corporation ("*Barceló Crestline*"), an independent hotel owner, lessee and manager; and Crestline Capital Corporation (New York Stock Exchange ("*NYSE*"): CLJ), a then- NYSE-listed hotel owner, lessee and manager. Mr. Wardinski was also the non-executive chairman of the board of directors of Highland Hospitality Corporation, a then-NYSE-listed owner of upscale full- service, premium limited-service and extended-stay properties. Mr. Wardinski held other leadership roles within the industry including Senior Vice President and Treasurer of Host Marriott Corporation (now Host Hotels and Resorts (NYSE: HST)), and various roles with Marriott International, Inc. ("*Marriott International*").

  - Mr. Stadlin, our Chief Operating Officer and Chief Executive Officer of our resort management company, was employed by Marriott International for 33 years and spent 12 years working on Marriott International's expansion into Latin America.

  - Mr. Froemming, our Chief Marketing Officer, spent 10 years as the sales and marketing leader of Sandals Resorts International, leading the growth of its two well-known all-inclusive brands, Sandals and Beaches.

  - Mr. Hymel, our Chief Financial Officer, has over 15 years of experience working within the hospitality sector. He previously served as our Senior Vice President and Treasurer of Playa and has worked at the hotel and resort owner and operator Barceló Crestline and Crestline Capital Corporation.

Our Business and Growth Strategies

Our goal is to be the leading owner, operator, manager and developer of all-inclusive beachfront resorts in the markets we serve and to generate attractive risk-adjusted returns and provide long-term value appreciation to our shareholders by implementing the following business and growth strategies:

- ***Selectively Pursue Strategic Growth Opportunities***. The all-inclusive segment of the lodging industry is highly fragmented. We believe that we are well positioned to grow our portfolio through acquisitions in the all-inclusive segment

of the lodging industry, such as the recently announced Sagicor Contribution. We believe that our extensive experience in all-inclusive resort operations, brand relationships, acquisition, expansion, renovation, repositioning and rebranding, established and scalable management platform and ability to offer NASDAQ-listed ordinary shares to potential resort sellers will make us a preferred asset acquirer.

- ***Capitalize on Internal Growth Opportunities***. An important element of our strategy is to capitalize on opportunities to seek revenue and earnings growth through our existing portfolio and resort management platform. With respect to our existing portfolio, these opportunities may include resort expansions, renovations, repositionings or rebrandings. For example, in the last four years, we have completed three major expansion, renovation, repositioning and/or rebranding projects at Hyatt Ziva and Hyatt Zilara Rose Hall, Hyatt Ziva Cancún and Hyatt Ziva Puerto Vallarta. Upon the consummation of our recently announced Sagicor Contribution, we expect the Sagicor Assets will provide significant opportunities for internal growth through resort expansions, renovations, repositionings and rebrandings. In addition, we intend to pursue opportunities to capitalize on our scalable and integrated resort management platform and our expertise and experience with managing all-inclusive resorts, by seeking to manage all-inclusive resorts owned by third parties for a fee and to potentially, over time, internalize the management of resorts we own that are currently managed by a third party. For example, in September 2017, we entered into a long-term agreement to manage the 184-room Sanctuary Resort in Cap Cana.

- ***Seek Increased Operating Margins by Optimizing Sales Channels***. For the year ended December 31, 2017, approximately 55.7% of our bookings were through wholesale channels. We bear the costs of wholesale bookings (i.e., commissions), which are typically higher than those of direct guest bookings. We believe that, over time, our strategic relationship with Hyatt and the increasing awareness of our all-inclusive resort brands, some of which are recently developed, among potential guests will enable us to increase the number of bookings made through lower cost sales channels, such as direct bookings through Hyatt, with respect to our Hyatt All-Inclusive Resort Brand resorts, and our recently re-launched resort websites.

- ***Panama Jack Relationship***. We believe that there is a significant opportunity to further expand our direct-to-consumer business by rebranding some of the resorts in our current portfolio, as well as potential future hotels we may acquire or manage, to consumer-recognized brands, as we have done at our Hyatt-branded resorts. We believe our new and exclusive arrangement to develop Panama Jack brand hotels will allow us to differentiate these Panama Jack brand hotels from non-branded or under-branded resorts and drive incremental direct-to-consumer business.

Playa's Hyatt Resort Agreements

For each Playa resort using a Hyatt All-Inclusive Resort Brand, the Hyatt franchise agreements ("Hyatt Resort Agreements") grant to each of Playa and any third-party owner for whom Playa serves as hotel operator (each a "Resort Owner") the right, and such Resort Owner undertakes the obligation, to use Hyatt's hotel system and system standards to build or convert and operate the resort subject to the agreement. Each franchise agreement between Hyatt and such Resort Owner has an initial 15-year term and Hyatt has two options to extend the term for an additional term of five years each or 10 years in the aggregate. Hyatt provides initial and ongoing training and guidance, marketing assistance, and other assistance to each Resort Owner (and Playa as the resort's manager) in connection with the resort's development and operation. As part of this assistance, Hyatt reviews and approves the initial design and related elements of the resort. Hyatt also arranges for the provision of certain mandatory services, as well as (at the Resort Owner's option) certain non-mandatory services, relating to the resort's development and operation. In return, each Resort Owner agrees to operate the resort according to Hyatt's operating procedures and its brand, quality assurance and other standards and specifications. This includes complying with Hyatt's requirements relating to the central reservation system, global distribution systems and alternative distribution systems. In addition to the Hyatt franchise agreement, each Hyatt franchise Resort Owner enters into additional agreements with Hyatt pertaining to the development and operation of such new Hyatt All-Inclusive Resort Brand resort, including a trademark sublicense agreement, a World of Hyatt (previously Hyatt Gold Passport®) guest loyalty program agreement, a chain marketing services agreement, and a reservations agreement.

We continue to work with Hyatt to jointly improve all aspects of the brand system and standards for the Hyatt All-Inclusive Resort Brands. Hyatt owns the intellectual property rights relating to the Hyatt All-Inclusive Resort Brands, but we will have rights to use certain innovations that Hyatt and Playa jointly developed for the Hyatt All-Inclusive Resort Brands.

The Hyatt Strategic Alliance Agreement

We have entered into the Hyatt strategic alliance agreement with Hyatt (the "Hyatt Strategic Alliance Agreement") pursuant to which Playa and Hyatt have provided each other a right of first offer with respect to any Hyatt All-Inclusive Opportunity in the Market Area. If Playa intends to accept a Hyatt All-Inclusive Opportunity, Playa must notify Hyatt of such Hyatt All-Inclusive Opportunity and Hyatt has 10 business days to notify Playa of its decision to either accept or reject this Hyatt All-Inclusive Opportunity. If Hyatt accepts the Hyatt All-Inclusive Opportunity, Playa must negotiate in good faith with Hyatt the terms of a franchise agreement and related documents with respect to such property, provided that Playa acquires such property on terms acceptable to Playa within 60 days of offering such opportunity to Hyatt. If Hyatt intends to accept a Hyatt All-Inclusive Opportunity, Hyatt must notify Playa and Playa has to notify Hyatt within 10 business days of its decision to either accept or reject this Hyatt All-Inclusive Opportunity. If Playa accepts the Hyatt All-Inclusive Opportunity, Hyatt must negotiate in good faith with Playa the terms of a management agreement and other documents under which Playa would manage such Hyatt All-Inclusive Resort Brand resort (subject to a franchise agreement between Hyatt and the affiliate of Hyatt that would own such property), provided that Hyatt acquires such property on terms acceptable to it within 60 days of offering such opportunity to Playa. If Playa or Hyatt fails to notify each other of its decision or declines its right of first offer within the aforementioned 10 business day period, or if Playa or Hyatt determine after good-faith discussions that we cannot reach mutual acceptance of terms under which the development property would be licensed as a Hyatt Ziva or Hyatt Zilara hotel, such right of first offer will expire and Playa or Hyatt will be able to acquire, develop and operate the property related to such Hyatt All-Inclusive Opportunity free of any restrictions. In addition, if either party is approached by a third party with respect to the management or franchising of an all-inclusive resort in the Market Area, and such third party has not identified a manager or franchisor for the resort, the parties will notify each other and provide an introduction to the third party for the purposes of negotiating a management agreement or franchise agreement, as the case may be. On February 26, 2018, we and Hyatt extended the term of the Hyatt Strategic Alliance Agreement until December 31, 2021 unless extended by each party.

AMResorts Management Agreements

Five of our resorts (Dreams Puerto Aventuras, Secrets Capri, Dreams Punta Cana, Dreams La Romana and Dreams Palm Beach) are operated by AMResorts pursuant to long-term management agreements that contain customary terms and conditions, including those related to fees, termination conditions, capital expenditures, transfers of control of parties or transfers of ownership to competitors, sales of the hotels, and non-competition and non-solicitation. We pay AMResorts and its affiliates, as operators of these resorts, base management fees and incentive management fees. In addition, we reimburse the operators for some of the costs they incur in the provision of certain centralized services. We expect that these resorts will continue to be operated by AMResorts until the expiration of all such agreements in 2022. However, we have the right to terminate the management agreement related to Dreams La Romana resort, subject to certain conditions, and we may choose to do so in order to rebrand the resort and internalize its management. We may also choose to opportunistically sell one or more of these resorts and redeploy the proceeds from any such sales, subject to certain restrictions under our Senior Secured Credit Facility (as defined in chapter 3.2 of this annual report).

The Panama Jack Agreement

We have entered into a master development agreement (the "Panama Jack Agreement") with Panama Jack. Pursuant to the Panama Jack Agreement, Panama Jack has granted us, subject to our compliance with certain development milestones, the exclusive right to develop and own and/or to manage resorts under the Panama Jack brand (the "*Panama Jack Resorts*") in Antigua, Aruba, the Bahamas, Barbados, Costa Rica, the Dominican Republic, Jamaica, Mexico, Panama, St. Lucia and, subject to the lifting of various U.S. sanctions, Cuba. In addition, if Playa wishes to participate in any project to develop, convert or operate any resorts in the aforementioned countries that we believe in good faith and reasonable judgment are suitable for branding or conversion as a Panama Jack Resort, we will submit an application to Panama Jack to operate such resort as a Panama Jack Resort pursuant to the terms of the Panama Jack Agreement. Panama Jack may, in its commercially reasonable discretion, decide to approve or reject our application to operate a Panama Jack Resort. If Panama Jack approves our application, each such approved resort will be subject to a separate license agreement with Panama Jack.

We have fully rebranded and re-opened two of our existing resorts, Gran Caribe Resort and Gran Porto Resort, under the Panama Jack brand as of December 2017.

The Panama Jack Agreement has a 10 year term expiring in 2026, subject to either party's right to terminate in the event of the other party's (i) admission of its inability to pay its debts as they become due or assignment for the benefit of creditors, liquidation or

dissolution, or commencement of a proceeding for bankruptcy, insolvency or similar proceeding, (ii) uncured breach of the Panama Jack Agreement within 30 days after delivery of written notice or (iii) knowing maintenance of false books and records or knowing submission of false or misleading reports or information to the other party.

Vacation Package Distribution Channels and Sales and Reservations

Our experienced sales and marketing team uses a strategic sales and marketing program across a variety of distribution channels through which our all-inclusive vacation packages are sold. Key components of this sales and marketing program include:

- Targeting the primary tour operators and the wholesale market for transient business with a scalable program that supports shoulder and lower rate seasons while seeking to maximize revenue during high season, which also includes:
  - Engaging in cooperative marketing programs with leading travel industry participants;
  - Participating in travel agent promotions and awareness campaigns in coordination with tour operator campaigns, as well as independent of tour operators; and
  - Utilizing online travel leaders, such as Expedia and Booking.com, to supplement sales during shoulder and lower rate seasons;
- Developing programs aimed at targeting consumers directly through:
  - Our company and resort websites;
  - The Hyatt website and toll free reservation telephone numbers with respect to Playa's Hyatt All-Inclusive Resort Brand resorts;
  - The World of Hyatt (previously Hyatt Gold Passport®) guest loyalty program, with respect to Playa's Hyatt All-Inclusive Resort Brand resorts; and
  - Our toll free reservation system that provides a comprehensive view of inventory in real time, based on demand;
- Targeting group and incentive markets to seek and grow a strong base of corporate and event business utilizing Playa's group sales team and fostering leads developed in conjunction with Hyatt's group sales function;
- Highlighting destination wedding and honeymoon programs by utilizing specialist sales agents for this growing resort category;
- Participating in key industry trade shows targeted to the travel agent and wholesale market;
- Engaging in online and social media, including:
  - Search engine optimization;
  - Targeted online and bounce-back advertising;
  - Social media presence via sites such as Facebook, Twitter, Instagram and Pinterest; and
  - Flash sales and special offers for high need periods;
- Monitoring and managing TripAdvisor and other similar consumer sites; and
- Activating a targeted public relations plan to generate media attention-both traditional and new media including travel bloggers who focus on vacation travel to Mexico and the Caribbean.

We are seeking to grow a base of business through our group and incentive sales team, as well as destination wedding business. We seek to support this base through tour operators that can help generate sales during shoulder and lower rate seasons. We also seek luxury transient business to provide high rate business during peak seasons, such as winter and spring holidays, while "bargain hunters" can be targeted through social media for last minute high need periods. This multi-pronged strategy is designed to increase Net Package RevPAR (as defined in chapter 6 of this annual report) as well as generate strong occupancy through all of the resort seasons.

Insurance

Our resorts carry what we believe are appropriate levels of insurance coverage for a business operating in the lodging industry in Mexico, the Dominican Republic and Jamaica. This insurance includes coverage for general liability, property, workers' compensation and other risks with respect to our business and business interruption coverage.

This general liability insurance provides coverage for any claim, including terrorism, resulting from our operations, goods and services and vehicles. We believe these insurance policies are adequate for foreseeable losses and on terms and conditions that are reasonable and customary with solvent insurance carriers.

Competition

We face intense competition for guests from other participants in the all-inclusive segment of the lodging industry and, to a lesser extent, from traditional hotels and resorts that are not all-inclusive. The all-inclusive segment remains a relatively small part of the broadly defined global vacation market that has historically been dominated by hotels and resorts that are not all-inclusive. Our principal competitors include other operators of all-inclusive resorts and resort companies, such as Barceló Hotels & Resorts, RIU Hotels & Resorts, IBEROSTAR Hotels & Resorts, Karisma Hotels & Resorts, AMResorts, Meliá Hotels International, Excellence Resorts and Palace Resorts, as well as some smaller, independent and local owners and operators. We compete for guests based primarily on brand name recognition and reputation, location, guest satisfaction, room rates, quality of service, amenities and quality of accommodations. In addition, we also compete for guests based on the ability of members of the World of Hyatt (previously Hyatt Gold Passport®) guest loyalty program to earn and redeem loyalty program points at our Hyatt All-Inclusive Resort Brand resorts. We believe that our strategic relationship with Hyatt provides us with a significant competitive advantage, with respect to our Hyatt All-Inclusive Resort Brand resorts, through Hyatt's brand name recognition, as well as through Hyatt's global loyalty program, distribution channels and other features.

Seasonality

The seasonality of the lodging industry and the location of our resorts in Mexico and the Caribbean generally result in the greatest demand for our resorts between mid-December and April of each year, yielding higher occupancy levels and package rates during this period. This seasonality in demand has resulted in predictable fluctuations in revenue, results of operations and liquidity, which are consistently higher during the first quarter of each year than in successive quarters.

Cyclicality

The lodging industry is highly cyclical in nature. Fluctuations in operating performance are caused largely by general economic and local market conditions, which subsequently affect levels of business and leisure travel. In addition to general economic conditions, new hotel and resort room supply is an important factor that can affect the lodging industry's performance, and over-building has the potential to further exacerbate the negative impact of an economic recession. Room rates and occupancy, and thus Net Package RevPAR (as defined in chapter 6 of this annual report), tend to increase when demand growth exceeds supply growth. A decline in lodging demand, or increase in lodging supply, could result in returns that are substantially below expectations, or result in losses, which could have a material adverse effect on our business, financial condition, liquidity and results of operations. Further, many of the costs of running a resort are fixed rather than variable. As a result, in an environment of declining revenues the rate of decline in earnings is likely to be higher than the rate of decline in revenues.

Intellectual Property

We own or have rights to use the trademarks, service marks or trade names that we use or will use in conjunction with the operation of our business, including certain of Hyatt's intellectual property under the Hyatt Resort Agreements and Panama Jack's intellectual property under the Panama Jack Agreement and related agreements. In the highly competitive lodging industry in which we operate, trademarks, service marks, trade names and logos are very important to the success of our business.

Corporate Information

Playa is organized as a public limited company (naamloze vennootschap) under the laws of the Netherlands. Our registered office in the Netherlands is located at Prins Bernhardplein 200, 1097 JB Amsterdam. Our telephone number at that address is +31 20 521 49 62. We maintain a website at www.playaresorts.com, which includes additional contact information. All reports that we have filed with the SEC can be obtained free of charge from the SEC's website at www.sec.gov or through our website. In addition, all reports filed with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549-1090. Further information regarding the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0330.

Employees

As of December 31, 2017, we directly and indirectly employed approximately 9,800 employees worldwide at our corporate offices and on-site at our resorts. We believe our relations with our employees are good. Of this amount, we estimate that approximately 4,600 are represented by labor unions.

2.2 Material subsequent events

See Note 32 to the Consolidated Financial Statements for an overview of material subsequent events.

3. RISK FACTORS

3.1 Summary of key risk factors

With respect to risk appetite, we utilize a balanced approach to evaluate risk. The principal risks and uncertainties which the Company faces include the risks and uncertainties summarized in this chapter 3.1. See chapter 3.2 of this annual report for additional detail and additional risks and uncertainties which the Company faces.

Risk description	How do we manage these risks?
Disaster recovery and cybersecurity Cyber risk and the failure to maintain the integrity of internal and guest data could result in faulty business decisions and harm to our reputation and subject us to costs, fines or lawsuits.	We take disaster recovery and cybersecurity seriously and have applied risk-based methods to build capability and resilience into our systems and processes. We manage information security to contain the risk and reduce the Company's exposure, controlling sensitive information.
Demand for our product and services General economic uncertainty and weak demand in the lodging industry could have a material adverse effect on us, including our financial condition, liquidity and results of operations.	Our business strategy depends significantly on demand for vacations generally and, more specifically, on demand for all-inclusive vacation packages. Weak economic conditions in the United States, elsewhere in North America, Europe and much of the rest of the world, and the uncertainty over the duration of these conditions, have had and could continue to have a negative impact on the lodging industry. Market trends are assessed regularly, in an effort to estimate future impact. Travel costs can be volatile. We engage a proactive selling and marketing strategy that takes seasonality and market trends into account.

Risk description	How do we manage these risks?
Litigation and other contingent liabilities We may become subject to disputes or legal, regulatory or other proceedings that could involve significant expenditures by us, which could have a material adverse effect on us, including our financial results.	The nature of our business exposes us to the potential for disputes or legal, regulatory or other proceedings from time to time relating to tax matters, environmental matters, government regulations, including licensing and permitting requirements, personal injury, labor and employment matters, contract disputes and other issues. In addition, amenities at our resorts, including restaurants, bars and swimming pools, are subject to significant regulations, and government authorities may disagree with our interpretations of these regulations, or may enforce regulations that historically have not been enforced. Our legal department is fully integrated into decision-making processes to mitigate potential litigation. All litigation matters are promptly referred to our legal department to monitor and manage. We monitor and regularly update the status of any other contingent liability exposures.
Disaster events We are exposed to significant risks related to the geographic concentration of our resorts, (particularly in Cancun) including weather-related emergencies such as hurricanes, which could have a material adverse effect on us.	We recognize that events occur which can damage our guests/ staff or property which can be largely out of our control. Our resorts located in Mexico account for the majority of our revenue. Damage to these resorts or a disruption of their operations or a reduction of travel to them due to a hurricane or other weather-related or other emergency could reduce our revenue, which could have a material adverse effect on us, including our results of operations, liquidity and financial condition. In addition, all of our resorts are located on beach front properties in Mexico and the Caribbean and are susceptible to weather-related emergencies, such as hurricanes. To mitigate the effects of such events we have comprehensive insurance which takes into account market limitation risk. We keep our properties well maintained and have developed emergency preparedness procedures to mitigate physical losses and to reduce insurance costs. We develop contingency plans for all potential event risks.
Leadership and talent Failure to recruit and retain the right leadership talent and to give them the tools, guidance and support to be successful could impact our delivery and ability to drive our strategic ambition. Losing our leadership team who have significant experience and relationships in the lodging industry, could have a material adverse effect on us.	Our leadership framework, support tools, and training and development help our people grow their careers, thereby managing internal talent. We proactively manage succession planning at all levels and consider the diversity of our people and leadership.

3.2 Risk factors

The following discussion concerns some of the risks associated with our business and should be considered carefully. These risks are interrelated and you should treat them as a whole. Additional risks and uncertainties not presently known to us may also materially and adversely affect our business operations, the value of our ordinary shares and our ability to pay dividends to our shareholders. In connection with the forward-looking statements that appear in this annual report, in these risk factors and elsewhere, you should carefully review chapter 1.2.

Risks Related to Our Business

General economic uncertainty and weak demand in the lodging industry could have a material adverse effect on us.

Our business strategy depends significantly on demand for vacations generally and, more specifically, on demand for all-inclusive vacation packages. Weak economic conditions in the United States, elsewhere in North America, Europe and much of the rest of the world, and the uncertainty over the duration of these conditions, have had and could continue to have a negative impact on the lodging

industry. We cannot provide any assurances that demand for all-inclusive vacation packages will remain consistent with or increase from current levels. If demand weakens, our operating results and growth prospects could be adversely affected. As a result, any delay in, or a weaker than anticipated, economic recovery will adversely affect our future results of operations and cash flows, potentially materially. Furthermore, a significant percentage of our guests originate in the United States and elsewhere in North America and, if travel from the United States or elsewhere in North America was disrupted and we were not able to replace those guests with guests from other geographic areas, it could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects. Additionally, most of our resorts are located in Mexico and a portion of our guests originate from Mexico and, as a result, our business is exposed to economic conditions in Mexico. If the economy of Mexico weakens or experiences a downturn, it could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

Adverse changes in the economic climate, such as high levels of unemployment and underemployment, fuel price increases, declines in the securities and real estate markets, and perceptions of these conditions decrease the level of disposable income of consumers or consumer confidence and could have a material adverse effect on us.

The demand for vacation packages is dependent upon prospective travelers having access to, and believing they will continue to have access to, disposable income, and is therefore affected by international, national and local economic conditions. Adverse changes in the actual or perceived economic climate, such as high levels of unemployment and underemployment, higher interest rates, stock and real estate market declines and/or volatility, more restrictive credit markets, higher taxes, and changes in governmental policies could reduce the level of discretionary income or consumer confidence in the countries from which we source our guests. For example, the worldwide economic downturn had an adverse effect on consumer confidence and discretionary income, resulting in decreased demand and price discounting in the resort sector, including in the markets we service. We cannot predict whether the economic recession will return or when, and the extent to which, economic conditions in the future will be favorable. As a result of the foregoing, we could experience a prolonged period of decreased demand and price discounting in our markets, which would negatively affect our revenues and could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

Terrorist acts, armed conflict, civil unrest, criminal activity and threats thereof, and other international events impacting the security of travel or the perception of security of travel could adversely affect the demand for travel generally and demand for vacation packages at our resorts, which could have a material adverse effect on us.

Past acts of terrorism have had an adverse effect on tourism, travel and the availability of air service and other forms of transportation. The threat or possibility of future terrorist acts, an outbreak, escalation and/or continuation of hostilities or armed conflict abroad, civil unrest or the possibility thereof, the issuance of travel advisories by sovereign governments, and other geo-political uncertainties have had and may have an adverse impact on the demand for vacation packages and consequently the pricing for vacation packages. Decreases in demand and reduced pricing in response to such decreased demand would adversely affect our business by reducing our profitability.

Nine of the 13 resorts in our portfolio are located in Mexico, and Mexico has experienced criminal violence for years, primarily due to the activities of drug cartels and related organized crime. These activities and the possible escalation of violence or other safety concerns, including food and beverage safety concerns, associated with them in regions where our resorts are located, or an increase in the perception among our prospective guests of an escalation of such violence or safety concerns, could instill and perpetuate fear among prospective guests and may lead to a loss in business at our resorts in Mexico because these guests may choose to vacation elsewhere or not at all. In addition, increases in violence, crime or civil unrest or other safety concerns in the Dominican Republic, Jamaica, or any other location where we may own a resort in the future, may also lead to decreased demand for our resorts and negatively affect our business, financial condition, liquidity, results of operations and prospects.

We are exposed to significant risks related to the geographic concentration of our resorts, including weather-related emergencies such as hurricanes, which could have a material adverse effect on us.

Our resorts located in Mexico accounted for 65.3% of our Total Net Revenue (as defined in chapter 6 of this annual report) for the year ended December 31, 2017. In addition to the matters referred to in the preceding risk factor, damage to these resorts or a disruption of their operations or a reduction of travel to them due to a hurricane or other weather-related or other emergency could reduce their revenue, which could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects. We cannot assure you that any property or business interruption insurance will adequately address all losses,

liabilities and damages. In addition, all of our resorts are located on beach front properties in Mexico and the Caribbean and are susceptible to weather-related emergencies, such as hurricanes. For example, our Dreams Punta Cana and Dreams Palm Beach resorts, located in Punta Cana, Dominican Republic, were both evacuated in the third quarter of 2017 and suffered property damage due to Hurricane Maria.

The all-inclusive model may not be desirable to prospective guests in the luxury segment of the resort market, which could have a material adverse effect on us.

Our portfolio is composed predominantly of luxury all-inclusive resorts. The all-inclusive resort market has not traditionally been associated with the high-end and luxury segments of the lodging industry and there is a risk that our target guests, many of whom have not experienced an all-inclusive model, will not find the all-inclusive model appealing. A failure to attract our target guests could result in decreased revenue from our portfolio and could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

Our relationship with Hyatt may deteriorate and disputes between Hyatt and us may arise. The Hyatt relationship is important to our business and, if it deteriorates, the value of our portfolio could decline significantly, and it could have a material adverse effect on us.

We are the only operator of resorts operating under the Hyatt All-Inclusive Resort Brands. However, except for the Hyatt franchise agreements, we have no contractual right to operate any resort in our current or future portfolio under the Hyatt All-Inclusive Resort Brands or any other Hyatt-sponsored brands. In addition, in the future, Hyatt, in its sole discretion and subject to its obligations under the Hyatt Strategic Alliance Agreement in the Market Area, may designate other third parties as authorized operators of resorts, or Hyatt may decide to directly operate resorts, under the Hyatt All-Inclusive Resort Brands or any other Hyatt brand, whether owned by third parties or Hyatt itself.

Also, and as described elsewhere in this annual report, subject to its obligations under the Hyatt Strategic Alliance Agreement, Hyatt is free to develop or license other all-inclusive resorts in the Market Area, even under the Hyatt All-Inclusive Resort Brands. Additionally, outside of the Market Area, Hyatt is free to develop or license other all-inclusive resorts under the Hyatt All-Inclusive Resort Brands and other Hyatt brands at any time.

Under the terms of our Hyatt Resort Agreements, we are required to meet specified operating standards and other terms and conditions. We expect that Hyatt will periodically inspect our resorts that carry a Hyatt All-Inclusive Resort Brand to ensure that we follow Hyatt's standards. If we fail to maintain brand standards at one or more of our Hyatt All-Inclusive Resort Brand resorts, or otherwise fail to comply with the terms and conditions of the Hyatt Resort Agreements, then Hyatt could terminate the agreements related to those resorts and potentially all of our Hyatt resorts. Under the terms of the Hyatt franchise agreements, if, among other triggers, (i) the Hyatt franchise agreements for a certain number of Hyatt All-Inclusive Resort Brand resorts are terminated or (ii) certain persons acquire our ordinary shares in excess of specified percentage of our ordinary shares and certain mechanisms in our Articles of Association fail to operate to reduce such percentage within 30 days, Hyatt has the right to terminate the Hyatt franchise agreements for all (but not less than all) of our resorts by providing the notice specified in the franchise agreement to us and we will be subject to liquidated damage payments to Hyatt, even for those resorts that are in compliance with their Hyatt franchise agreements. If one or more Hyatt franchise agreements are terminated, the underlying value and performance of our related resort(s) could decline significantly from the loss of associated name recognition, participation in the World of Hyatt guest loyalty program, Hyatt's reservation system and website, and access to Hyatt group sales business, as well as from the costs of "rebranding" such resorts and the payment of liquidated damages to Hyatt.

Hyatt may, in its discretion and subject to its obligations under the Hyatt Strategic Alliance Agreement, decline to enter into Hyatt franchise agreements for other all-inclusive resort opportunities that we bring to Hyatt, whether we own the properties or manage them for third-party owners.

If any of the foregoing were to occur, it could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects and the market price of our ordinary shares, and could divert the attention of our senior management from other important activities.

Our right of first offer in the Hyatt Strategic Alliance Agreement will expire on December 31, 2021 and certain provisions of our Hyatt franchise agreements impose certain restrictions on us, and such agreements are terminable under certain circumstances, any of which could have a material adverse effect on us.

Pursuant to the Hyatt Strategic Alliance Agreement, which will expire on December 31, 2021, we and Hyatt will provide each other the right of first offer with respect to any Hyatt All-Inclusive Opportunity in the Market Area and the right to receive an introduction to any third party with respect to any management or franchising opportunity in the Market Area. However, such right of first offer for Hyatt All-Inclusive Opportunities is conditioned on the originating party's acquisition of the related property within 60 days of its offer to the receiving party. Accordingly, if, for example, Hyatt determines to acquire such property subsequent to the expiration of the aforementioned 60 day period, it would be free to do so without any obligations to Playa in respect of such property.

Subject to its obligations under the Hyatt Strategic Alliance Agreement, Hyatt is free to develop or license other all-inclusive resorts in the Market Area, even under the Hyatt All-Inclusive Resort Brands. Additionally, outside of the Market Area, Hyatt is free to develop or license other all-inclusive resorts under the Hyatt All-Inclusive Resort Brands and other Hyatt brands at any time. Similarly, subject to our obligations under the Hyatt Strategic Alliance Agreement, we will be allowed to operate any all-inclusive resort under a hotel concept or brand for all-inclusive resorts developed or acquired by us, of which we are the franchisor, licensor or owner, or for which we are the exclusive manager or operator, which brand is an upper upscale or higher standard, but does not include any existing hotel concept or brand that was owned by our Predecessor prior to September 1, 2016 (a "Playa-Developed Brand"), provided that we implement strict informational and operational barriers between our operations with respect to the Playa-Developed Brand and our operations with respect to the Hyatt All-Inclusive Resort Brands.

In addition, if a Restricted Brand Company (defined as each of Marriott International, Hilton Worldwide Inc., Starwood Hotels & Resorts Worldwide, Inc., InterContinental Hotels Group, Accor Hotels Worldwide or any of their respective affiliates or successors) acquires any ownership interest in us, we are also required to implement strict informational and operational barriers between our operations with respect to such brand and our operations with respect to the Hyatt All-Inclusive Resort Brands.

If we do not comply with our obligations to implement these strict informational and operational barriers under the Hyatt franchise agreements, Hyatt may terminate all (but not less than all) of its franchise agreements with us by providing the notice specified in the franchise agreement to us and we will be subject to liquidated damage payments to Hyatt. As a result, such violations could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

The success of five of our resorts will depend substantially on the success of the recently developed Hyatt All-Inclusive Resort Brands, which exposes us to risks associated with concentrating a significant portion of our portfolio in a family of two recently developed related brands. There is a risk that we and Hyatt may not succeed in marketing the Hyatt All-Inclusive Resort Brands and that we may not receive the anticipated return on the investment incurred in connection with rebranding the five resorts under the Hyatt All-Inclusive Resort Brands, which could have a material adverse effect on us.

Five of the resorts in our portfolio bear the name of one or both of the Hyatt All-Inclusive Resort Brands. As a result of this concentration, our success will depend, in part, on the continued success of these recently developed brands. We believe that building brand value is critical to increase demand and build guest loyalty. Consequently, if market recognition or the positive perception of Hyatt and its brands is reduced or compromised, the goodwill associated with Hyatt All-Inclusive Resort Brand resorts in our portfolio would likely be adversely affected. Under the Hyatt Resort Agreements, Hyatt provides (or causes to be provided) various marketing services to the relevant resorts, and we may conduct local and regional marketing, advertising and promotional programs, subject to compliance with Hyatt's requirements. We cannot assure you that we and Hyatt will be successful in our marketing efforts to grow either Hyatt All-Inclusive Resort Brand. Additionally, we are not permitted under the Hyatt franchise agreements to change the brands of our resorts operating under the Hyatt All-Inclusive Resort Brands for 15 years (plus any additional years pursuant to Hyatt's renewal options) after the opening of the relevant resorts as Hyatt All-Inclusive Resort Brand resorts, even if the brands are not successful. As a result, we could be materially and adversely affected if these brands do not succeed.

We have agreed to indemnify Hyatt for losses related to a broad range of matters and if we are required to make payments to Hyatt pursuant to these obligations, our business, financial condition, liquidity, results of operations and prospects may be materially and adversely affected.

Pursuant to the subscription agreement entered into between Hyatt and us in connection with our Predecessor's formation transactions, we have agreed to indemnify Hyatt for any breaches of our representations, warranties and agreements in the subscription agreement, generally subject to (i) a deductible of $10 million and (ii) a cap of $50 million (other than for breaches of certain representations, for which indemnification is capped at $325 million). In addition, we have agreed to indemnify Hyatt for certain potential losses relating to the lack of operating licenses, noncompliance with certain environmental regulations, tax deficiencies, any material misstatements or omissions in the offering documentation relating to our senior notes offerings and certain indemnity obligations to our Predecessor's prior parent. The representations and warranties we made and our related indemnification obligations survive for varying periods of time from the closing date of our Predecessor's formation transactions in 2013 (some of which have already elapsed) and some survive indefinitely. If we are required to make future payments to Hyatt pursuant to these obligations, however, our business, financial condition, liquidity, results of operations and prospects could be materially and adversely affected.

If we fail to maintain or enhance our proprietary resort brands or if we or our third party owners fail to maintain other brand standards, our business, financial condition, liquidity, results of operations and prospects may be materially and adversely affected.

In addition to the Hyatt All-Inclusive Resort Brands, we own and manage resorts that use other brands, including proprietary brands. If we fail to maintain and enhance our proprietary resort brands, demand for these resorts will suffer. We cannot assure you that we will be successful in marketing such brands. With respect to resorts we own or manage for third parties that use other brands, we and such third parties will have to comply with applicable brand standards. These standards will require resort maintenance and improvements, including investments in furniture, fixtures, amenities and personnel. If we or our third party property owners fail to maintain brand standards, or otherwise fail to comply with the terms and conditions of agreements with brand owners, then our ability and the ability of our third party owners to use these brands may be terminated, which could cause our business, financial condition, liquidity, results of operations and prospects to be materially and adversely affected.

New brands, such as the Panama Jack resort brand, amenities or services that we launch in the future may not be successful, which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We cannot assure you that any new brands, such as the Panama Jack brand, amenities or services we launch will be successful, or that we will recover the costs we incurred in developing the brands, amenities and services. If new brands, amenities and services are not as successful as we anticipate, it could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We are exposed to fluctuations in currency exchange rates, including fluctuations in (a) the value of the local currencies, in which we incur our costs at each resort, relative to the U.S. dollar, in which the revenue from each of our resorts is generally denominated, (b) the currency of our prospective guests, who may have a reduced ability to pay for travel to our resorts, relative to their ability to pay to travel to destinations with more attractive exchange rates, and (c) the value of local currencies relative to the U.S. dollar, which could impact our ability to meet our U.S. dollar-denominated obligations, including our debt service payments, any of which could have a material adverse effect on us.

The majority of our operating expenses are incurred locally at our resorts and are denominated in Mexican Pesos, the Dominican Peso or the Jamaican dollar. The net proceeds from our outstanding debt borrowings were received and are payable by our subsidiary Playa Resorts Holding B.V., in U.S. dollars and our functional reporting currency is U.S. dollars. An increase in the relative value of the local currencies, in which we incur our costs at each resort, relative to the U.S. dollar, in which our revenue from each resort is denominated, would adversely affect our results of operations for those resorts. Our current policy is not to hedge against changes in foreign exchange rates and we therefore may be adversely affected by appreciation in the value of other currencies against the U.S. dollar, or to prolonged periods of exchange rate volatility. These fluctuations may negatively impact our financial condition, liquidity and results of operations to the extent we are unable to adjust our pricing accordingly.

Additionally, in the event that the U.S. dollar increases in value relative to the currency of the prospective guests living outside the United States, our prospective guests may have a reduced ability to pay for travel to our resorts and this may lead to lower occupancy rates and revenue, which could have a material adverse effect on us, including our financial results. An increase in the value of the

Mexican Peso, the Dominican Peso or the Jamaican dollar compared to the currencies of other potential destinations may disadvantage the tourism industry in Mexico, the Dominican Republic or Jamaica, respectively, and result in a corresponding decrease in the occupancy rates and revenue of our resorts as consumers may choose destinations in countries with more attractive exchange rates. In the event that this appreciation occurs, it could lead to an increase in the rates we charge for rooms in our resorts, which could result in a decrease in occupancy rates and revenue and, therefore, negatively impact our business, financial condition, liquidity, results of operations and prospects.

Furthermore, appreciation of local currencies relative to the U.S. dollar could make fulfillment of our and our subsidiaries' U.S. dollar denominated obligations, including Playa Resorts Holding B.V.'s debt service payments, more challenging and could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

The departure of any of our key personnel, including Bruce D. Wardinski, Alexander Stadlin, Ryan Hymel and Kevin Froemming, who have significant experience and relationships in the lodging industry, could have a material adverse effect on us.

We depend on the experience and relationships of our senior management team, especially Bruce D. Wardinski, the Chairman and Chief Executive Officer, Alexander Stadlin, the Chief Operating Officer, Ryan Hymel, the Chief Financial Officer, and Kevin Froemming, the Chief Marketing Officer, to manage our strategic business direction. The members of our senior management team have an average of 30 years of experience owning, operating, acquiring, repositioning, rebranding, renovating and financing hotel, resort and all-inclusive properties. In addition, our senior management team has developed an extensive network of industry, corporate and institutional relationships. Other than our Chairman and Chief Executive Officer, Bruce D. Wardinski, our Chief Financial Officer, Ryan Hymel, our Chief Operating Officer, Alexander Stadlin, and our Chief Marketing Officer, Kevin Froemming, our senior management team does not have employment agreements with us or our subsidiaries and we can provide no assurances that any of our key personnel identified above will continue their employment with us. The loss of services of any of Mr. Wardinski, Mr. Stadlin, Mr. Hymel, Mr. Froemming or another member of our senior management team, or any difficulty attracting and retaining other talented and experienced personnel, could have a material adverse effect on us, including, among others, our ability to source potential investment opportunities, our relationship with global and national industry brands and other industry participants or the execution of our business strategy.

We rely on a third party, AMResorts, to manage five of our resorts and we can provide no assurance that AMResorts will manage these resorts successfully or that AMResorts will not be subject to conflicts harmful to our interests.

Pursuant to management agreements with AMResorts, five of our 13 resorts are and will be managed by AMResorts until the earlier of the sale of each such resort or the expiration date of each agreement. Other than the agreement for Dreams La Romana, which may be terminated at any time (without termination fees), these agreements do not expire until 2022. Therefore, absent payment by us of significant termination fees, until the expiration of the management agreements, we will not be able to terminate AMResorts and self-manage these resorts. We can provide no assurance that AMResorts will manage these resorts successfully. Failure by AMResorts to fully perform the duties agreed to in the management agreements or the failure of AMResorts to adequately manage the risks associated with resort operations could materially and adversely affect us. We may have differences with AMResorts and other third-party service providers over their performance and compliance with the terms of the management agreements and other service agreements. In these cases, if we are unable to reach satisfactory results through discussions and negotiations, we may choose to litigate the dispute or submit the matter to third-party dispute resolution. In addition, AMResorts currently owns and/or manages and may in the future own and/or manage other resorts, including all-inclusive resorts in our markets that may compete with our resorts. AMResorts and its affiliates may have interests that conflict with our interests, such as incentives to favor these other resorts over our resorts as a result of more favorable compensation arrangements or by ownership interests in these resorts.

Our strategy to opportunistically acquire, develop and operate in new geographic markets may not be successful, which could have a material adverse effect on us, including our financial condition, liquidity, results of operations and prospects.

In the future, we may acquire or develop and operate resorts in geographic markets in which our management has little or no operating experience and in which potential guests are not familiar with a particular brand with which the resort is affiliated or do not associate the geographic market as an all-inclusive resort destination. As a result, we may incur costs relating to the opening, operation and promotion of such resorts that are substantially greater than those incurred in other geographic areas, and such resorts may attract fewer guests than other resorts we may acquire. Consequently, demand at any resorts that we may acquire in unfamiliar markets may be lower than those at resorts that we currently operate or that we may acquire in our existing markets. Unanticipated expenses at and

insufficient demand for resorts that we acquire in new geographic markets, therefore, could materially and adversely affect us, including our financial condition, liquidity, results of operations and prospects.

Our resort development, acquisition, expansion, repositioning and rebranding projects will be subject to timing, budgeting and other risks, which could have a material adverse effect on us.

We may develop, acquire, expand, reposition or rebrand resorts (such as the two resorts we have rebranded under the Panama Jack brand) from time to time as suitable opportunities arise, taking into consideration general economic conditions. To the extent that we determine to develop, acquire, expand, reposition or rebrand resorts, we could be subject to risks associated with, among others:

- construction delays or cost overruns that may increase project costs;
- receipt of zoning, occupancy and other required governmental permits and authorizations;
- strikes or other labor issues;
- development costs incurred for projects that are not pursued to completion;
- investment of substantial capital without, in the case of developed or repositioned resorts, immediate corresponding income;
- results that may not achieve our desired revenue or profit goals;
- acts of nature such as earthquakes, hurricanes, floods or fires that could adversely impact a resort;
- ability to raise capital, including construction or acquisition financing; and
- governmental restrictions on the nature or size of a project.

As a result of the foregoing, we cannot assure you that any development, acquisition, expansion, repositioning and rebranding project will be completed on time or within budget or if the ultimate rates of investment return are below the returns forecasted at the time the project was commenced. If we are unable to complete a project on time or within budget, the resort's projected operating results may be adversely affected, which could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

Our insurance may not be adequate to cover our potential losses, liabilities and damages and we may not be able to secure insurance to cover all of our risks, which could have a material adverse effect on us.

The business of owning and managing resorts is subject to a number of risks, hazards, adverse environmental conditions, labor disputes, changes in the regulatory environment and natural phenomena such as floods, hurricanes, earthquakes and earth movements. Such occurrences could result in damage or impairment to, or destruction of, our resorts, personal injury or death, environmental damage, business interruption, monetary losses and legal liability.

While insurance is not commonly available for all these risks, we maintain customary insurance against risks that we believe are typical and reasonably insurable in the lodging industry and in amounts that we believe to be reasonable but that contain limits, deductibles, exclusions and endorsements. However, we may decide not to insure against certain risks because of high premiums compared to the benefit offered by such insurance or for other reasons. In the event that costs or losses exceed our available insurance or additional liability is imposed on us for which we are not insured or are otherwise unable to seek reimbursement, we could be materially and adversely affected, including our financial results. We may not be able to continue to procure adequate insurance coverage at commercially reasonable rates in the future or at all, and some claims may not be paid. There can be no assurance that the coverage and amounts of our insurance will be sufficient for our needs.

Labor shortages could restrict our ability to operate our properties or grow our business or result in increased labor costs that could adversely affect our results of operations and cash flows.

Our success depends in large part on our ability to attract, retain, train, manage and engage skilled employees. As of December 31, 2017, we directly and indirectly employed approximately 9,800 employees worldwide at both our corporate offices and on-site at our resorts. If we are unable to attract, retain, train, manage, and engage skilled employees, our ability to manage and staff our resorts

could be impaired, which could reduce guest satisfaction. Staffing shortages in places where our resorts are located also could hinder our ability to grow and expand our businesses. Because payroll costs are a major component of the operating expenses at our resorts, a shortage of skilled labor could also require higher wages that would increase labor costs, which could adversely affect our results of operations and cash flows.

A significant number of our employees are unionized, and if labor negotiations or work stoppages were to disrupt our operations, it could have a material adverse effect on us.

Approximately half of our full-time equivalent work force is unionized. As a result, we are required to negotiate the wages, salaries, benefits, staffing levels and other terms with many of our employees collectively and we are exposed to the risk of disruptions to our operations. Our results could be adversely affected if future labor negotiations were to disrupt our operations. If we were to experience labor unrest, strikes or other business interruptions in connection with labor negotiations or otherwise, or if we were unable to negotiate labor contracts on reasonable terms, we could be materially and adversely affected, including our results of operations. In addition, our ability to make adjustments to control compensation and benefits costs, rebalance our portfolio or otherwise adapt to changing business needs may be limited by the terms and duration of our collective bargaining agreements.

Many of our guests rely on a combination of scheduled commercial airline services and tour operator services for passenger connections, and price increases or service changes by airlines or tour operators could have a material adverse effect on us, including reducing our occupancy rates and revenue and, therefore, our liquidity and results of operations.

Many of our guests depend on a combination of scheduled commercial airline services and tour operator services to transport them to airports near our resorts. Increases in the price of airfare, due to increases in fuel prices or other factors, would increase the overall vacation cost to our guests and may adversely affect demand for our vacation packages. Changes in commercial airline services or tour operator services as a result of strikes, weather or other events, or the lack of availability due to schedule changes or a high level of airline bookings, could have a material adverse effect on us, including our occupancy rates and revenue and, therefore, our liquidity and results of operations.

Our industry is highly competitive, which may impact our ability to compete successfully with other hotel and resort brands and operators for guests, which could have a material adverse effect on us, including our operating margins, market share and financial results.

We generally operate in markets that contain numerous competitors. Each of our resort brands competes with major chains in national and international venues and with independent companies in regional markets, including with recent entrants into the all-inclusive segment of the lodging industry in the regions in which we operate. Our ability to remain competitive and to attract and retain guests depends on our success in establishing and distinguishing the recognition and reputation of our brands, our locations, our guest satisfaction, our room rates, quality of service, amenities and quality of accommodations and our overall value from offerings by others. If we are unable to compete successfully in these countries, it could have a material adverse effect on us, including our operating margins, market share and financial results.

Any joint venture investments that we make in the future could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers' financial condition and liquidity and disputes between our co-venturers and us.

We may co-invest in resorts in the future with third parties through partnerships or other joint ventures, acquiring non-controlling interests in or sharing responsibility for any such ventures. In this event, we would not be in a position to exercise sole decision-making authority regarding the joint venture and, in certain cases, may have little or no decision-making authority. Investments through partnerships or other joint ventures may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt, fail to fund their share of required capital contributions, make dubious business decisions or block or delay necessary decisions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our executive officers, senior management and/or directors from focusing their time and effort on our business. Consequently, action by, or disputes with,

partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers.

Our concentration in a particular segment of a single industry limits our ability to offset the risks of a downturn in that segment, which could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

All of our assets are resorts and resort-related assets and we expect that all of our business will continue to be resort-related. Furthermore, our business is focused primarily on, and our acquisition strategy targets the acquisition of resorts in, the all-inclusive segment of the lodging industry (and properties that we believe can be converted into all-inclusive resorts in a manner consistent with our business strategy). This concentration exposes us to the risk of economic downturns in the lodging industry and in the all-inclusive segment of the lodging industry to a greater extent than if our portfolio also included assets from other segments of the real estate industry or other sectors of the lodging industry. As a result, we are susceptible to a downturn in the lodging industry and, in particular, to a downturn affecting the all-inclusive segment thereof. If market conditions adversely affect the lodging industry, in general, and the all-inclusive segment thereof, in particular, it could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

The ongoing need for capital expenditures at our resorts could have a material adverse effect on us, including our financial condition, liquidity and results of operations.

Our resorts will have an ongoing need for renovations and other capital improvements, including replacements, from time to time, of furniture, fixtures and equipment. In addition, Hyatt also will require periodic capital improvements by us as a condition of maintaining the two Hyatt All-Inclusive Resort Brands. These capital improvements may give rise to the following risks:

- possible environmental liabilities;
- construction cost overruns and delays;
- the decline in revenues while rooms or restaurants are out of service due to capital improvement projects;
- a possible shortage of available cash to fund capital improvements and the related possibility that financing for these capital improvements may not be available to us on favorable terms, or at all;
- uncertainties as to market demand or a loss of market demand after capital improvements have begun;
- disputes with Hyatt regarding compliance with the Hyatt Resort Agreements or the Hyatt Strategic Alliance Agreement; and
- bankruptcy or insolvency of a contracted party during a capital improvement project or other situation that renders them unable to complete their work.

The costs of all these capital improvements or any of the above noted factors could have a material adverse effect on us, including our financial condition, liquidity and results of operations.

We have substantial debt outstanding currently and may incur additional debt in the future. The principal, premium, if any, and interest payment obligations of such debt may restrict our future operations and impair our ability to invest in our business.

As of December 31, 2017, we had approximately $906.4 million aggregate principal amount of outstanding debt obligations on a consolidated basis (which represents the principal amounts outstanding under our “Term Loan” (as defined in chapter 7) and the “Revolving Credit Facility,” (as defined in chapter 7) and, collectively with the Term Loan, the “Senior Secured Credit Facility”), and excludes a $19.1 million financing cost and discount on the Term Loan. In addition, the terms of the Senior Secured Credit Facility will permit us to incur additional indebtedness, subject to our ability to meet certain borrowing conditions.

Our substantial debt may have important consequences to you. For instance, it could:

- make it more difficult for us to satisfy our financial obligations;

- require us to dedicate a substantial portion of any cash flow from operations to the payment of interest and principal due under our debt, which would reduce funds available for other business purposes, including capital expenditures and acquisitions;
- place us at a competitive disadvantage compared to some of our competitors that may have less debt and better access to capital resources;
- limit our ability to respond to changing business, industry and economic conditions and to withstand competitive pressures, which may adversely affect our operations;
- cause us to incur higher interest expense in the event of increases in interest rates on our borrowings that have variable interest rates or in the event of refinancing existing debt at higher interest rates;
- limit our ability to make investments or acquisitions, dispose of assets, pay cash dividends or redeem or repurchase shares; and/or
- limit our ability to refinance existing debt or to obtain additional financing required to fund working capital and other business needs, including capital requirements and acquisitions.

Our ability to service our significant financial obligations depends on our ability to generate significant cash flow from operations, which is partially subject to general economic, financial, competitive, legislative, regulatory, and other factors beyond our control, and we cannot assure you that our business will generate cash flow from operations, that future borrowings will be available to us under the Revolving Credit Facility, or that we will be able to complete any necessary financings or refinancings, in amounts sufficient to enable us to fund our operations, engage in acquisitions, capital improvements or other development activities, pay our debts and other obligations and fund our other liquidity needs. If we are not able to generate sufficient cash flow from operations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. Additional debt or equity financing may not be available in sufficient amounts, at times or on terms acceptable to us, or at all, and any additional debt financing we do obtain may significantly increase our leverage on unfavorable terms. If we are unable to implement one or more of these alternatives, we may not be able to service our debt or other obligations, which could result in us being in default thereon, in which circumstances our lenders could cease making loans to us, lenders or other holders of our debt could accelerate and declare due all outstanding obligations due under the respective agreements and secured lenders could foreclose on their collateral, any of which could have a material adverse effect on us. In addition, the current volatility in the capital markets may also impact our ability to obtain additional financing, or to refinance our existing debt, on terms or at times favorable to us.

The agreements which govern our various debt obligations impose restrictions on our business and limit our ability to undertake certain actions.

The agreements which govern our various debt obligations, including the Senior Secured Credit Facility, include covenants imposing significant restrictions on our business. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. These covenants place restrictions on our ability to, among other things:

- incur additional debt;
- pay dividends or repurchase shares or make other distributions to shareholders;
- make investments or acquisitions;
- create liens or use assets as security in other transactions;
- issue guarantees;
- merge or consolidate, or sell, transfer, lease or dispose of substantially all of our assets;
- amend our articles of association or by-laws;
- engage in transactions with affiliates; and
- purchase, sell or transfer certain assets.

The Senior Secured Credit Facility also requires us to comply with certain financial and other covenants. Our ability to comply with these agreements may be affected by events beyond our control, including prevailing economic, financial and industry conditions. These covenants could have a material adverse effect on our business by limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities. The breach of any of these covenants could result in a default under the Senior Secured Credit Facility. An event of default under any of our debt agreements could permit such lenders to declare all amounts borrowed from them, together with accrued and unpaid interest, to be immediately due and payable, which could, in turn, trigger defaults under other debt obligations and could result in the termination of commitments of the lenders to make further extensions of credit under the Revolving Credit Facility. If we are unable to repay debt to our lenders, or are otherwise in default under any provision governing any secured debt obligations, our secured lenders could proceed against us and against any collateral securing that debt.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under the Senior Secured Credit Facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on our existing and any future variable rate indebtedness would also increase and our cash available to service our other obligations and invest in our business would decrease. Furthermore, rising interest rates would likely increase our interest obligations on future fixed rate indebtedness. As a result, rising interest rates could materially and adversely affect our financial condition and liquidity.

Any mortgage debt we incur will expose us to increased risk of property losses due to foreclosure, which could have a material adverse effect on us.

Incurring mortgage debt increases our risk of property losses because any defaults on indebtedness secured by our resorts may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing the loan for which we are in default. For tax purposes, a foreclosure of any nonrecourse mortgage on any of our resorts may be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. In certain of the jurisdictions in which we operate, if any such foreclosure is treated as a sale of the property and the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we could recognize taxable income upon foreclosure but may not receive any cash proceeds.

In addition, any default under our mortgage debt may increase the risk of default on our other indebtedness, including other mortgage debt. If this occurs, we may not be able to satisfy our obligations under our indebtedness, which could have a material adverse effect on us, including our financial condition, liquidity (including our future access to borrowing) and results of operations.

We may become subject to disputes or legal, regulatory or other proceedings that could involve significant expenditures by us, which could have a material adverse effect on us.

The nature of our business exposes us to the potential for disputes or legal, regulatory or other proceedings from time to time relating to tax matters, environmental matters, government regulations, including licensing and permitting requirements, food and beverages safety regulations, personal injury, labor and employment matters, contract disputes and other issues. In addition, amenities at our resorts, including restaurants, bars and swimming pools, are subject to significant regulations, and government authorities may disagree with our interpretations of these regulations, or may enforce regulations that historically have not been enforced. Such disputes, individually or collectively, could adversely affect our business by distracting our management from the operation of our business or impacting our market reputation with our guests. If these disputes develop into proceedings or judgments, these proceedings or judgments, individually or collectively, could distract our senior management, disrupt our business or involve significant expenditures and our reserves relating to ongoing proceedings, if any, may ultimately prove to be inadequate, any of which could have a material adverse effect on us, including our financial results.

Some of the resorts in our portfolio located in Mexico were constructed and renovated without certain approvals. The authority granted to the Mexican government is plenary and we can give no assurance it will not exercise its authority to impose fines, remediation measures or close part or all of the related resort(s), which could have a material adverse effect on us.

Some of the resorts in our portfolio were constructed and renovated without certain approvals at the time the construction and renovation work was carried out, as the prior owners of such resorts determined that such approvals were not required under the

Mexican law. We can give no assurance that the Mexican authorities will have the same interpretation of Mexican law as the prior owners. The authority granted to the Mexican government in this regard is plenary and we can give no assurance the Mexican government will not exercise its authority to impose fines, to require us to perform remediation/restoration activities and/or to contribute to environmental trusts, and/or to close part or all of the related resort(s), which could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

As of 1988, Mexican environmental laws were amended in order to establish that, among other things, any new hotel construction and certain renovations require the preparation of an environmental impact statement ("*MIA*") in order to obtain an Environmental Impact Authorization (*Resolutivo de Impacto Ambiental*). Furthermore, since 2003 depending on each specific project, a supporting technical report ("*ETJ*") is required to obtain an Authorization to Change the Use of Soil of Forestal Land (*Autorización de Cambio de Uso de Suelo en Terrenos Forestales*).

With respect to Real Resorts:

- Two of the acquired resorts, Panama Jack Resorts Cancún and Hyatt Zilara Cancún, were built prior to implementation of the MIA in 1988 and, therefore, required no such authorization. However, certain renovations to these resorts were carried out after 1988 without an MIA because the prior owner determined that no authorization was needed pursuant to an exception in the Mexican law. We can give no assurance that the Mexican authorities will have the same interpretation of the applicability of the exception as the prior owner.
- The remaining two resorts, Royal Playa del Carmen and Panama Jack Resorts Playa del Carmen, were constructed after 1988 without the required MIA and ETJ authorizations. Notwithstanding the foregoing, those resorts were operated by the prior owner, and since our Predecessor's acquisition at the time of our Predecessor's formation transaction have been operated by our Predecessor and us, with no interference in the normal course of business.

The consequences of failing to obtain the MIA and/or ETJ, as applicable, could result in fines of up to approximately $300,000, obligations to perform remediation/restoration activities and/or contribute to environmental trusts, and, in the case of a severe violation, a partial or total closing or a demolition of the relevant resort(s). Although we are not aware of closings or demolitions due to the failure to obtain the MIA and/or ETJ, no assurance can be given that such action will not be taken in the future.

Our wholly-owned subsidiary Playa Resorts Holding B.V. may be required to obtain a banking license and/or may be in violation of the prohibition to attract repayable funds as a result of having issued senior notes and borrowing under our Senior Secured Credit Facility, which could have a material adverse effect on us.

Under the Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (the "*CRR*"), which took effect on January 1, 2014, there is uncertainty regarding how certain key terms in the CRR are to be interpreted.

If such terms are not interpreted in a manner that is consistent with current Dutch national guidance on which Playa Resorts Holding B.V. (our wholly-owned subsidiary) relies, Playa Resorts Holding B.V. could be categorized as a "credit institution" as a consequence of borrowing under our Senior Secured Credit Facility if it is deemed to be "an undertaking the business of which is to receive deposits or other repayable funds from the public and to grant credits for its own account." This would require it to obtain a banking license and it could be deemed to be in violation of the prohibition on conducting the business of a bank without such a license. With respect to the borrowing under our Senior Secured Credit Facility, Playa Resorts Holding B.V. could also be deemed to be in violation of the prohibition on attracting repayable funds from the public. In each such case, it could, as a result, be subject to certain enforcement measures such as a warning and/or instructions by the regulator, incremental penalty payments (*last onder dwangsom*) and administrative fines (*bestuurlijke boete*), which all may be disclosed publicly by the regulator.

There is limited official guidance at the EU level as to the key elements of the definition of "credit institution," such as the terms "repayable funds" and "the public." The Netherlands legislature has indicated that, as long as there is no clear guidance at the EU level, it is to be expected that the current Dutch national interpretation of these terms will continue to be taken into account for the use and interpretation thereof. Playa Resorts Holding B.V. relies on this national interpretation to reach the conclusion that a requirement to obtain a banking license is not triggered, and that the prohibitions on conducting the business of a bank without such a license and on attracting repayable funds from the public have not been violated, on the basis that (i) each lender under our Senior Secured Credit Facility has extended loans to Playa Resorts Holding B.V. for an initial amount of at least the U.S. dollar equivalent of €100,000 or has

assumed rights and/or obligations vis-à-vis Playa Resorts Holding B.V. the value of which is at least the U.S. dollar equivalent of €100,000 and (ii) all senior notes which were issued by Playa Resorts Holding B.V. were in denominations which equal or are greater than the U.S. dollar equivalent of €100,000.

If European guidance is published on what constitutes "the public" as referred to in the CRR, and such guidance does not provide that the holder of a note of $150,000 or more, such as was the case with our senior notes, or the lenders under our Senior Secured Credit Facility, each providing a loan the initial amount of which exceeds the U.S. dollar equivalent of €100,000, are excluded from being considered part of "the public" and the current Dutch national interpretation of these terms is not considered to be "grandfathered," then Playa Resorts Holding B.V. may be required to obtain a banking license, and/or may be deemed to be in violation of the prohibition on conducting the business of a bank without such a license and, with respect to our Senior Secured Credit Facility, the prohibition on attracting repayable funds from the public and, as a result may, in each case, be subject to certain enforcement measures as described above. If Playa Resorts Holding B.V. is required to obtain a banking license or becomes subject to such enforcement measures, we could be materially adversely affected.

We have identified, and our independent registered public accounting firm has communicated to us, a material weakness in our disclosure controls and procedures and internal control over financial reporting as of December 31, 2017. As a result, we have an increased risk of a material misstatement in our consolidated financial statements, and our internal control over financial reporting and our monitoring controls and processes were not effective as of such date. This material weakness has not been remediated, and it will take time for us to develop, implement and test additional information technology controls. Accordingly, we may not be able to accurately report our financial results or prevent fraud, which may cause investors to lose confidence in our reported financial information and may lead to a decline in the market price of our ordinary shares.

A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement in our annual or interim financial statements will not be prevented or detected on a timely basis. We have identified, and Deloitte & Touche, LLP ("Deloitte"), the independent registered public accounting firm that audited our consolidated financial statements for the years ended December 31, 2017 and 2016, and for each of the two years in the period ended December 31, 2017, included in this annual report and the related financial statement schedule included in this annual report, has communicated, an existing material weakness in our disclosure controls and procedures and our internal control over financial reporting as of December 31, 2017, as follows:

- Our information technology controls, including system access, change management, and segregation of duties are not sufficiently designed and implemented to address certain information technology risks and, as a result, could expose our systems and data to unauthorized use or alteration.

This material weakness increases the risk of a material misstatement in our financial statements.

The results of operations of our resorts may be adversely affected by various operating risks common to the lodging industry, including competition, over-supply and dependence on tourism, which could have a material adverse effect on us.

Our resorts are subject to various operating risks common to the lodging industry, many of which are beyond our control, including, among others, the following:

- the availability of and demand for hotel and resort rooms;
- over-building of hotels and resorts in the markets in which we operate, which results in increased supply and may adversely affect occupancy and revenues at our resorts;
- pricing strategies of our competitors;
- increases in operating costs due to inflation and other factors that may not be offset by increased room rates or other income;
- international, national, and regional economic and geopolitical conditions;
- the impact of war, crime, actual or threatened terrorist activity and heightened travel security measures instituted in response to war, terrorist activity or threats (including Travel Advisories issued by the U.S. Department of State) and civil unrest;

- the impact of any economic or political instability in Mexico due to unsettled political conditions, including civil unrest, widespread criminal activity, acts of terrorism, force majeure, war or other armed conflict, strikes and governmental actions;
- the desirability of particular locations and changes in travel patterns;
- the occurrence of natural or man-made disasters, such as earthquakes, tsunamis, hurricanes, and oil spills;
- events that may be beyond our control that could adversely affect the reputation of one or more of our resorts or that may disproportionately and adversely impact the reputation of our brands or resorts;
- taxes and government regulations that influence or determine wages, prices, interest rates, construction procedures, and costs;
- adverse effects of a downturn in the lodging industry, especially leisure travel and tourism spending;
- changes in interest rates and in the availability, cost and terms of debt financing;
- necessity for periodic capital reinvestment to maintain, repair, expand, renovate and reposition our resorts;
- the costs and administrative burdens associated with compliance with applicable laws and regulations, including, among others, those associated with privacy, marketing and sales, licensing, labor, employment, the environment, and the U.S. Department of the Treasury's Office of Foreign Asset Control and the U.S. Foreign Corrupt Practices Act ("*FCPA*");
- the availability, cost and other terms of capital to allow us to fund investments in our portfolio and the acquisition of new resorts;
- regional, national and international development of competing resorts;
- increases in wages and other labor costs, energy, healthcare, insurance, transportation and fuel, and other expenses central to the conduct of our business or the cost of travel for our guests, including recent increases in energy costs and any resulting increase in travel costs or decrease in airline capacity;
- availability, cost and other terms of insurance;
- organized labor activities, which could cause the diversion of business from resorts involved in labor negotiations, loss of group business, and/or increased labor costs;
- currency exchange fluctuations;
- trademark or intellectual property infringement; and
- risks generally associated with the ownership of hotels, resorts and real estate, as we discuss in detail below.

Any one or more of these factors could limit or reduce the demand for our resorts or the prices our resorts are able to obtain or could increase our costs and therefore reduce the operating results of our resorts. Even where such factors do not reduce demand, resort-level profit margins may suffer if we are unable to fully recover increased operating costs from our guests. These factors could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

The seasonality of the lodging industry could have a material adverse effect on us.

The lodging industry is seasonal in nature, which can be expected to cause quarterly fluctuations in our revenues. The seasonality of the lodging industry and the location of our resorts in Mexico and the Caribbean will generally result in the greatest demand for our resorts between mid-December and April of each year, yielding higher occupancy levels and package rates during this period. This seasonality in demand has resulted in predictable fluctuations in revenue, results of operations and liquidity, which are consistently higher during the first quarter of each year than in successive quarters. We can provide no assurances that these seasonal fluctuations will, in the future, be consistent with our historical experience or whether any shortfalls that occur as a result of these fluctuations will not have a material adverse effect on us.

The cyclical nature of the lodging industry may cause fluctuations in our operating performance, which could have a material adverse effect on us.

The lodging industry is highly cyclical in nature. Fluctuations in operating performance are caused largely by general economic and local market conditions, which subsequently affect levels of business and leisure travel. In addition to general economic conditions, new hotel and resort room supply is an important factor that can affect the lodging industry's performance, and over-building has the potential to further exacerbate the negative impact of an economic recession. Room rates and occupancy, and thus Net Package RevPAR (as defined in chapter 6 of this annual report), tend to increase when demand growth exceeds supply growth. A decline in lodging demand, or increase in lodging supply, could result in returns that are substantially below expectations, or result in losses, which could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects. Further, the costs of running a resort tend to be more fixed than variable. As a result, in an environment of declining revenue, the rate of decline in earnings is likely to be higher than the rate of decline in revenue.

The increasing use of Internet travel intermediaries by consumers could have a material adverse effect on us.

Some of our vacation packages are booked through Internet travel intermediaries, including, but not limited to, Travelocity.com, Expedia.com and Priceline.com. As these Internet bookings increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from us. Moreover, some of these Internet travel intermediaries are attempting to offer lodging as a commodity, by increasing the importance of price and general indicators of quality, such as "three-star downtown hotel," at the expense of brand identification or quality of product or service. If consumers develop brand loyalties to Internet reservations systems rather than to the Hyatt All-Inclusive Resort Brands and the other brands under which our resorts are operated, the value of our resorts could deteriorate and we could be materially and adversely affected, including our financial results.

Cyber risk and the failure to maintain the integrity of internal or guest data could harm our reputation and result in a loss of business and/or subject us to costs, fines, investigations, enforcement actions or lawsuits.

We, Hyatt and our third-party resort manager collect, use and retain large volumes of guest data, including credit card numbers and other personally identifiable information, for business, marketing, and other purposes in our, Hyatt's and our third-party resort manager's various information technology systems, which enter, process, summarize and report such data. We also maintain personally identifiable information about our employees. We, Hyatt and our third-party resort manager store and process such internal and guest data both at on-site facilities and at third-party owned facilities including, for example, in a third-party hosted cloud environment. The integrity and protection of our guest, employee and company data, as well as the continuous operation of our, Hyatt's and our third-party resort manager's systems, is critical to our business. Our guests and employees expect that we will adequately protect their personal information. The regulations and contractual obligations applicable to security and privacy are increasingly demanding, both in the United States and in other jurisdictions where we operate, and cyber-criminals have been recently targeting the lodging industry. We continue to develop and enhance controls and security measures to protect against the risk of theft, loss or fraudulent or unlawful use of guest, employee or company data, and we maintain an ongoing process to re-evaluate the adequacy of our controls and measures. Notwithstanding our efforts, because of the scope and complexity of their information technology structure, our reliance on third parties to support and protect our structure and data, and the constantly evolving cyber-threat landscape, our systems may be vulnerable to disruptions, failures, unauthorized access, cyber-terrorism, employee error, negligence, fraud or other misuse. These or similar occurrences, whether accidental or intentional, could result in theft, unauthorized access or disclosure, loss, fraudulent or unlawful use of guest, employee or company data which could harm our reputation or result in a loss of business, as well as remedial and other costs, fines, investigations, enforcement actions, or lawsuits. As a result, future incidents could have a material adverse impact on us, including our business, our financial condition, liquidity and results of operations and prospects.

We face risks related to pandemic diseases, including avian flu, H1N1 flu, H7N9 flu, Ebola virus and Zika virus, which could materially and adversely affect travel and result in reduced demand for our resorts and could have a material adverse effect on us.

Our business could be materially and adversely affected by the effect of, or the public perception or a risk of, a pandemic disease on the travel industry. For example, the outbreaks of severe acute respiratory syndrome ("*SARS*") and avian flu in 2003 had a severe impact on the travel industry, and the outbreaks of H1N1 flu in 2009 threatened to have a similar impact. Recently, cases of the Zika virus have been reported in regions in which our resorts are located. Additionally, the public perception of a risk of a pandemic or media coverage of these diseases, or public perception of health risks linked to perceived regional food and beverage safety,

particularly if focused on regions in which our resorts are located, may adversely affect us by reducing demand for our resorts. A prolonged occurrence of SARS, avian flu, H1N1 flu, H7N9 flu, Ebola virus, Zika virus or another pandemic disease also may result in health or other government authorities imposing restrictions on travel. Any of these events could result in a significant drop in demand for our resorts and could have a material adverse effect on us.

We may be subject to unknown or contingent liabilities related to our existing resorts and resorts that we acquire, which could have a material adverse effect on us.

Our existing resorts and resorts that we may in the future acquire may be subject to unknown or contingent liabilities for which we may have no recourse, or only limited recourse, against the sellers. In general, the representations and warranties provided under the transaction agreements related to our existing resorts and any future acquisitions of resorts by us may not survive the closing of the transactions. Furthermore, indemnification under such agreements may not exist or be limited and subject to various exceptions or materiality thresholds, a significant deductible or an aggregate cap on losses. As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the transferors or sellers of their representations and warranties or other prior actions by the sellers. In addition, the total amount of costs and expenses that may be incurred with respect to liabilities associated with these resorts may exceed our expectations, and we may experience other unanticipated adverse effects, all of which may materially and adversely affect us, including our business, financial condition, liquidity, results of operations and prospects.

Conducting business internationally may result in increased risks and any such risks could have a material adverse effect on us.

We operate our business internationally and plan to continue to develop an international presence. Operating internationally exposes us to a number of risks, including political risks, risks of increase in duties and taxes, risks relating to anti-bribery laws, such as the FCPA, as well as changes in laws and policies affecting vacation businesses, or governing the operations of foreign-based companies. Because some of our expenses are incurred in foreign currencies, we are exposed to exchange rate risks. Additional risks include interest rate movements, imposition of trade barriers and restrictions on repatriation of earnings. Any of these risks could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

We could be exposed to liabilities under the FCPA and other anti-corruption laws and regulations, including non-U.S. laws, any of which could have a material adverse impact on us.

We have international operations, and as a result are subject to compliance with various laws and regulations, including the FCPA and other anti-corruption laws in the jurisdictions in which we do business, which generally prohibit companies and their intermediaries or agents from engaging in bribery or making improper payments to foreign officials or their agents or other entities. The FCPA also requires companies to make and keep books and records and accounts which, in reasonable detail, reflect their transactions, including the disposition of their assets. We have implemented, and will continue to evaluate and improve, safeguards and policies designed to prevent violations of various anti-corruption laws that prohibit improper payments or offers of payments to foreign officials or their agents or other entities for the purpose of conducting business, and we are in the process of expanding our training program. The countries in which we own resorts have experienced governmental corruption to some degree and, in certain circumstances, compliance with anti-corruption laws may conflict with local customs and practices. Despite existing safeguards and any future improvements to our policies and training, we will be exposed to risks from deliberate, reckless or negligent acts committed by our employees or agents for which we might be held responsible. Failure to comply with these laws or our internal policies could lead to criminal and civil penalties and other legal and regulatory liabilities and require us to undertake remedial measures, any of which could have a material adverse impact on us, including our business, financial condition, liquidity, results of operations and prospects.

Our existing resorts and resorts that we may acquire may contain or develop harmful mold that could lead to liability for adverse health effects and costs of remediating the problem, either of which could have a material adverse effect on us.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. Some of the resorts in our portfolio or resorts that we may acquire may contain microbial matter, such as mold and mildew, which could require us to undertake a costly remediation program to contain or remove the mold from the affected resort. Furthermore, we can provide no assurances that we will be successful in identifying harmful mold

and mildew at resorts that we seek to acquire, which could require us to take remedial action at acquired resorts. The presence of significant mold could expose us to liability from guests, employees and others if property damage or health concerns arise, which could have a material adverse effect on us, including our results of operations.

Climate change may adversely affect our business, which could materially and adversely affect us.

To the extent that climate change does occur, we may experience changes in the frequency, duration and severity of extreme weather events and changes in precipitation and temperature, which may result in physical damage or a decrease in demand for our properties, all of which are located in coastal beachfront locations that are vulnerable to significant property damage from severe weather events, including hurricanes. Should the impact of climate change be material in nature, we could be materially and adversely affected, including our financial condition, liquidity and results of operations. In addition, changes in applicable legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of the properties in order to comply with such regulations. Actual or anticipated losses resulting from the consequences of climate change could also impact the cost or availability of insurance.

Illiquidity of real estate investments could significantly impede our ability to sell resorts or otherwise respond to adverse changes in the performance of our resorts, which could have a material adverse effect on us.

Because real estate investments are relatively illiquid, our ability to sell one or more resorts promptly for reasonable prices in response to changing economic, financial and investment conditions will be limited. The real estate market is affected by many factors beyond our control, including:

- adverse changes in international, national, regional and local economic and market conditions;
- changes in interest and tax rates and in the availability and cost and other terms of debt financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- the ongoing need for capital improvements, particularly in older structures;
- changes in operating expenses; and
- civil unrest, widespread criminal activity, and acts of nature, including hurricanes, earthquakes, floods and other natural disasters, which may result in uninsured losses, and acts of war or terrorism.

We may decide to sell resorts in the future. We cannot predict whether we will be able to sell any resort for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a resort.

During the recent economic recession, the availability of credit to purchasers of hotels and resorts and financing structures, such as commercial mortgage-backed securities, which had been used to finance many hotel and resort acquisitions in prior years, was reduced. Subsequent to such economic recession, such credit availability and financing structures have been inconsistent from time to time. If financing for hotels and resorts is not available on attractive terms or at all, it will adversely impact the ability of third parties to buy our resorts. As a result, we may hold our resorts for a longer period than we would otherwise desire and may sell resorts at a loss.

In addition, we may be required to expend funds to correct defects or to make improvements before a resort can be sold. We can provide no assurances that we will have funds available, or access to such funds, to correct those defects or to make those improvements. In acquiring a resort, we may agree to lock-out provisions or tax protection agreements that materially restrict us from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These factors and any others that would impede our ability to respond to adverse changes in the performance of our resorts or a need for liquidity could materially and adversely affect us, including our financial results.

We could incur significant costs related to government regulation and litigation with respect to environmental matters, which could have a material adverse effect on us.

Our resorts are subject to various international, national, regional and local environmental laws that impose liability for contamination. Under these laws, governmental entities have the authority to require us, as the current owner of property, to perform or pay for the clean-up of contamination (including hazardous substances, waste, or petroleum products) at, on, under or emanating from our property and to pay for natural resource damages arising from such contamination. Such laws often impose liability without regard to whether the owner or operator or other responsible party knew of, or caused, such contamination, and the liability may be joint and several. Because these laws also impose liability on persons who owned a property at the time it was or became contaminated, it is possible we could incur cleanup costs or other environmental liabilities even after we sell resorts. Contamination at, on, under or emanating from our resorts also may expose us to liability to private parties for costs of remediation and/or personal injury or property damage. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. If contamination is discovered on our resorts, environmental laws also may impose restrictions on the manner in which our property may be used or our business may be operated, and these restrictions may require substantial expenditures. Moreover, environmental contamination can affect the value of a property and, therefore, an owner's ability to borrow funds using the property as collateral or to sell the property on favorable terms or at all. Furthermore, persons who sent waste to a waste disposal facility, such as a landfill or an incinerator, may be liable for costs associated with cleanup of that facility.

In addition, our resorts are subject to various international, national, regional and local environmental, health and safety regulatory requirements that address a wide variety of issues. Some of our resorts routinely handle and use hazardous or regulated substances and wastes as part of their operations, which are subject to regulation (*e.g.*, swimming pool chemicals). Our resorts incur costs to comply with these environmental, health and safety laws and regulations and could be subject to fines and penalties for non-compliance with applicable laws.

Liabilities and costs associated with contamination at, on, under or emanating from our properties, defending against claims, or complying with environmental, health and safety laws could be significant and could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects. We can provide no assurances that (i) changes in current laws or regulations or future laws or regulations will not impose additional or new material environmental liabilities or (ii) the current environmental condition of our resorts will not be affected by our operations, by the condition of the resorts in the vicinity of our resorts, or by third parties unrelated to us. The discovery of material environmental liabilities at our resorts could subject us to unanticipated significant costs, which could result in significant losses. Please see "*Risk Factors — Risks Related to Our Business — We may become subject to disputes or legal, regulatory or other proceedings that could involve significant expenditures by us, which could have a material adverse effect on us*" as to the possibility of disputes or legal, regulatory or other proceedings that could adversely affect us.

The tax laws, rules and regulations (or interpretations thereof) in the jurisdictions in which we operate may change, which could have a material adverse effect on us.

We generally seek to structure our business activities in the jurisdictions in which we operate in a manner that is tax-efficient, taking into account the relevant tax laws, rules and regulations. However, tax laws, rules and regulations in these jurisdictions are complex and are subject to change as well as subject to interpretation by local tax authorities and courts. There can be no assurance that these tax laws, rules and regulations (or interpretations thereof) will not change, possibly with retroactive effect, or that local tax authorities may not otherwise successfully assert positions contrary to those taken by us. In any such case, we may be required to operate in a less tax-efficient manner, incur costs and expenses to restructure our operations and/or owe past taxes (and potentially interest and penalties), which in each case could negatively impact our operations. For example, we will need to renegotiate our agreements which determine our taxes in the Dominican Republic, known as Advanced Pricing Agreements (as defined in chapter 7), with The Ministry of Finance of the Dominican Republic in 2019 when our current agreements expire. There is no certainty that the approved tax arrangements in this jurisdiction will be similar to our current arrangements.

Increases in property taxes would increase our operating costs, which could have a material adverse effect on us.

Each of our resorts is subject to real and personal property taxes, especially upon any development, redevelopment, rebranding, repositioning and renovation. These taxes may increase as tax rates change and as our resorts are assessed or reassessed by taxing

authorities. If property taxes increase, we would incur a corresponding increase in our operating expenses, which could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

Failure to consummate or delay in consummating the Sagicor Contribution, for any reason, could have a material adverse effect on us.

The consummation of the Sagicor Contribution is subject to a number of conditions that must be fulfilled to consummate the transaction. These conditions, some of which are outside of our control, include: satisfaction of the obligations of both parties under the applicable transaction documents; payment of the applicable consideration due in the Sagicor Contribution; completed regulatory and third party approvals; the continued accuracy of the representations and warranties of both parties subject to specified materiality standards; and the performance of both parties of their covenants and agreements. These conditions to the closing of the Sagicor Contribution may not be fulfilled and, accordingly, the transaction may not be consummated or could be delayed. If we fail to consummate the Sagicor Contribution in a timely matter, or at all, the market price of our ordinary shares may decline to the extent that the current market price of our ordinary shares reflects an assumption that the transaction will be consummated. In addition, we have incurred due diligence, legal, accounting and other third party costs in connection with the transaction that we would still have to pay even if the transaction is not consummated.

Although we expect the Sagicor Contribution to result in benefits, we may not be able to successfully realize all of these benefits, or those benefits may take longer or require greater capital expenditures to realize than anticipated.

Even if we consummate the Sagicor Contribution, the acquired portfolio may not perform in accordance with our expectations. For example, we may decide to make substantial capital expenditures on development activities at the Sagicor Assets, and expect to incur other expenses relating to, among other things, redevelopment and rebranding activities. The actual timing and amount of these capital expenditures and other expenses may significantly exceed our expectations and, in such case, could negatively impact our results of operations and liquidity. Similarly, our anticipated returns on these capital expenditures may not materialize. When development and redevelopment activities are ongoing at an operating resort, such activities may adversely affect the results of these properties during and after these activities. In addition, our ability to realize the anticipated benefits of the Sagicor Contribution will depend on our ability to operate the contributed properties in a manner that realizes anticipated synergies. If we are not able to realize these benefits, our results and financial condition could suffer.

We may be subject to unknown or contingent liabilities related to the Sagicor Contribution for which we may have no or limited recourse.

The properties subject to the Sagicor Contribution may be subject to unknown or contingent liabilities for which we may have no or limited recourse. In addition, the total amount of costs and expenses that we may incur with respect to liabilities associated with the Sagicor Contribution may exceed our expectations, which could have a material adverse effect on us.

Risks Related to Ownership of Our Ordinary Shares

The rights of our shareholders and the duties of our directors are governed by Dutch law, our Articles of Association and internal rules and policies adopted by our Board, and differ in some important respects from the rights of shareholders and the duties of members of a board of directors of a U.S. corporation.

Our corporate affairs, as a Dutch public limited liability company (*naamloze vennootschap*), are governed by our articles of association, internal rules and policies adopted by our Board and by the laws governing companies incorporated in the Netherlands. The rights of our shareholders and the duties of our directors under Dutch law are different from the rights of shareholders and/or the duties of directors of a corporation organized under the laws of U.S. jurisdictions. In the performance of its duties, our Board is required by Dutch law to consider our interests and the interests of our shareholders, our employees and other stakeholders (e.g., our creditors, guests and suppliers) as a whole and not only those of our shareholders, which may negatively affect the value of your investment.

In addition, the rights of our shareholders, including for example the rights of shareholders as they relate to the exercise of shareholder rights, are governed by Dutch law and our articles of association and such rights differ from the rights of shareholders under U.S. law. For example, if we engaged in a merger, Dutch law would not grant appraisal rights to any of our shareholders who

wished to challenge the consideration to be paid to them upon such merger (without prejudice, however, to certain cash exit rights offered under Dutch law in certain circumstances).

We are organized and existing under the laws of the Netherlands, and, as such, the rights of our shareholders and the civil liability of our directors and executive officers are governed in certain respects by the laws of the Netherlands.

We are organized and existing under the laws of the Netherlands, and, as such, the rights of our shareholders and the civil liability of our directors and executive officers are governed in certain respects by the laws of the Netherlands. The ability of our shareholders in certain countries other than the Netherlands to bring an action against us, our directors and executive officers may be limited under applicable law. In addition, substantially all of our assets are located outside the United States. As a result, it may not be possible for shareholders to effect service of process within the United States upon us or our directors and executive officers or to enforce judgments against us or them in U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States. In addition, it is not clear whether a Dutch court would impose civil liability on us or any of our directors and executive officers in an original action based solely upon the federal securities laws of the United States brought in a court of competent jurisdiction in the Netherlands.

As of the date of this annual report, there is no treaty in effect between the United States and the Netherlands providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. With respect to choice of court agreements in civil or commercial matters, it is noted that the Hague Convention on Choice of Court Agreements entered into force for the Netherlands, but has not entered into force for the United States. Accordingly, a judgment rendered by a court, whether or not predicated solely upon U.S. securities laws, would not automatically be recognized and enforced by the competent Dutch courts. However, if a person has obtained a judgment for the payment of money rendered by a court in the United States that is enforceable in the United States and files a claim with the competent Dutch court, the Dutch court will in principle give binding effect to a foreign judgment if (i) the jurisdiction of the foreign court was based on a ground of jurisdiction that is generally acceptable according to international standards, (ii) the judgment by the foreign court was rendered in legal proceedings that comply with the Dutch standards of proper administration of justice including sufficient safeguards (*behoorlijke rechtspleging*), (iii) binding effect of such foreign judgment is not contrary to Dutch public order and (iv) the judgment by the foreign court is not incompatible with a decision rendered between the same parties by a Dutch court, or with a previous decision rendered between the same parties by a foreign court in a dispute that concerns the same subject and is based on the same cause, provided that the previous decision qualifies for acknowledgment in the Netherlands. Even if such a foreign judgment is given binding effect, a claim based thereon may, however, still be rejected if the foreign judgment is not or no longer formally enforceable.

Based on the lack of a treaty as described above, U.S. investors may not be able to enforce against us or our directors, representatives or certain experts named herein who are residents of the Netherlands or countries other than the United States any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities laws.

Under our articles of association, and certain other contractual arrangements between us and our directors, we indemnify and hold our directors harmless against all claims and suits brought against them, subject to limited exceptions. There is doubt, however, as to whether U.S. courts would enforce such indemnity provisions in an action brought against one of our directors in the United States under U.S. securities laws.

We do not currently anticipate paying dividends on our ordinary shares in the foreseeable future.

Our articles of association prescribe that some or all of our profits or reserves appearing from our annual accounts adopted by the general meeting of shareholders of the Company ("General Meeting") may be distributed as dividends to the holders of our ordinary shares, subject to the appropriate record date, by the General Meeting at the proposal of our Board (or without a proposal of the Board, provided that the General Meeting passes the resolution with a majority of at least two-thirds of the votes cast). We will have power to make distributions to shareholders only to the extent that our equity exceeds the sum of the paid and called-up portion of our share capital and the reserves that must be maintained in accordance with provisions of Dutch law or our articles of association. We may not make any distribution of profits on shares held by us as treasury shares and such treasury shares will not be taken into account when determining the profit entitlement of our shareholders. Our Board determines whether and how much of the profit shown in the adopted annual accounts it will reserve and the manner and date of any dividend. All calculations to determine the amounts available for dividends will be based on our company-only annual accounts, which may be different from our consolidated financial statements, such as those included in this annual report. In addition, our Board is permitted, subject to certain requirements, to declare interim

dividends without the approval of the shareholders. We may reclaim any distributions, whether interim or not interim, made in contravention of certain restrictions of Dutch law from shareholders that knew or should have known that such distribution was not permissible. In addition, on the basis of Dutch case law, if after a distribution we are not able to pay our due and collectable debts, then our shareholders or directors who at the time of the distribution knew or reasonably should have foreseen that result may be liable to our creditors. We have never declared or paid any cash dividends and we have no plan to declare or pay any dividends in the foreseeable future on our ordinary shares. We currently intend to retain our capital resources for reinvestment in our business.

Since we are a holding company, our ability to pay dividends will be dependent upon the financial condition, liquidity and results of operations of, and our receipt of dividends, loans or other funds from, our subsidiaries. Our subsidiaries are separate and distinct legal entities and have no obligation to make funds available to us. In addition, there are various statutory, regulatory and contractual prohibitions and other limitations and business considerations on the extent, if any, to which our subsidiaries may pay dividends, make loans or otherwise provide funds to us.

Each of TPG Global, LLC, Farallon Capital Management, L.L.C. and Hyatt own a significant portion of our ordinary shares and have representation on our Board. Any of these investors may have interests that differ from those of other shareholders.

Approximately 7.8% of our outstanding ordinary shares are beneficially owned by TPG Pace Sponsor, LLC ("Pace Sponsor"), an affiliate of TPG Global, LLC. In addition, three of our directors were designated by Pace Sponsor. As a result, Pace Sponsor may be able to significantly influence the outcome of matters submitted for director action, subject to our directors' obligation to act in the interest of all of our stakeholders, and for shareholder action, including the designation and appointment of our Board (and committees thereof) and approval of significant corporate transactions, including business combinations, consolidations and mergers. So long as Pace Sponsor and/or its affiliates continue to directly or indirectly own a significant amount of our outstanding equity interests and one or more individuals affiliated with Pace Sponsor are members of our Board and/or one or more committees thereof, Pace Sponsor may be able to exert substantial influence on us and may be able to exercise its influence in a manner that is not in the interests of our other stakeholders. Pace Sponsor's influence over our management could have the effect of delaying, deferring or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which could cause the market price of our ordinary shares to decline or prevent our shareholders from realizing a premium over the market price for our ordinary shares. Additionally, Pace Sponsor is in the business of making investments in companies and owning real estate, and Pace Sponsor may from time to time acquire and hold interests in businesses that compete directly or indirectly with us or that supply us with goods and services. Pace Sponsor may also pursue acquisition opportunities that may be complementary to (or competitive with) our business, and as a result those acquisition opportunities may not be available to us. Prospective investors in our ordinary shares should consider that the interests of Pace Sponsor may differ from their interests in material respects.

Approximately 27.2% of our outstanding ordinary shares are beneficially owned by Cabana Investors B.V. and Playa Four Pack, L.L.C. (collectively, "Cabana"), each of which is an affiliate of Farallon Capital Management, L.L.C. ("Farallon"). In addition, two of our directors were designated by Cabana. As a result, Cabana may be able to significantly influence the outcome of matters submitted for director action, subject to our directors' obligation to act in the interest of all of our stakeholders, and for shareholder action, including the designation and appointment of our Board (and committees thereof) and approval of significant corporate transactions, including business combinations, consolidations and mergers. So long as Cabana and/or its affiliates continue to directly or indirectly own a significant amount of our outstanding equity interests and one or more individuals designated by Cabana are members of our Board and/or one or more committees thereof, both Cabana and Farallon may be able to exert substantial influence on us and may be able to exercise its influence in a manner that is not in the interests of our other stakeholders. Cabana's concentration of ownership could have the effect of delaying, deferring or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which could cause the market price of our ordinary shares to decline or prevent our shareholders from realizing a premium over the market price for our ordinary shares. Additionally, Farallon-advised funds, including those that are in the business of making investments in companies and owning other hotels, may from time to time acquire and hold interests in businesses that compete directly or indirectly with us or that supply us with goods and services. Farallon may also pursue acquisition opportunities that may be complementary to, or competitive with, our business, and as a result those acquisition opportunities may not be available to us. Prospective investors in our ordinary shares should consider that the interests of Farallon and Cabana may differ from their interests in material respects.

Approximately 10.8% of our outstanding ordinary shares are beneficially owned by HI Holdings Playa B.V. ("HI Holdings Playa"), an affiliate of Hyatt. In addition, one of our directors was designated by HI Holdings Playa and is currently an employee of Hyatt. As a result, HI Holdings Playa and Hyatt may be able to influence the outcome of matters submitted for director action, subject

to our directors' obligation to act in the interest of all of our stakeholders, and for shareholder action, including the designation and appointment of our Board (and committees thereof) and approval of significant corporate transactions, including business combinations, consolidations and mergers. HI Holdings Playa's concentration of ownership could have the effect of delaying, deferring or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which could cause the market price of our ordinary shares to decline or prevent our shareholders from realizing a premium over the market price for our ordinary shares. Additionally, Hyatt owns and franchises other hotels, and Hyatt may from time to time acquire and hold interests in, subject to the Hyatt Strategic Alliance Agreement, businesses that compete directly or indirectly with us or that supply us and/or its subsidiaries with goods and services. Hyatt may also pursue acquisition opportunities that may be complementary to or competitive with our business, and as a result those acquisition opportunities may not be available to us. Also, the loss of any Hyatt Resort Agreement or the Hyatt Strategic Alliance Agreement is likely to have a material adverse effect on us. Prospective investors in our ordinary shares should consider that the interests of Hyatt and HI Holdings Playa may differ from their interests in material respects.

Provisions of our articles of association or Dutch corporate law might deter or discourage acquisition bids for us that shareholders might consider to be favorable and prevent or frustrate any attempt to replace or remove our Board at the time of such acquisition bid.

Certain provisions of our articles of association may make it more difficult for a third party to acquire control of us or effect a change in our Board. These provisions include:

- A provision that our directors are appointed by our General Meeting at the binding nomination of our Board. Such binding nomination may only be overruled by the General Meeting by a resolution adopted by at least a majority of the votes cast, if such votes represent more than 50% of our issued share capital.

- A provision that our shareholders at a General Meeting may suspend or remove directors at any time. A resolution of our General Meeting to suspend or remove a director may be passed by a majority of the votes cast, provided that the resolution is based on a proposal by our Board. In the absence of a proposal by our Board, a resolution of our General Meeting to suspend or remove a director shall require a vote of at least a majority of the votes cast, if such votes represent more than 50% of our issued share capital.

- A requirement that certain actions can only be taken by the General Meeting with at least two-thirds of the votes cast, unless such resolution is passed at the proposal by our Board, including an amendment of our articles of association, the issuance of shares or the granting of rights to subscribe for shares, the limitation or exclusion of preemptive rights, the reduction of our issued share capital, the application for bankruptcy, the making of a distribution from our profits or reserves on our ordinary shares, the making of a distribution in the form of shares in our capital or in the form of assets, instead of cash, the entering into of a merger or demerger, our dissolution and the designation or granting of authorizations such as the authorization to issue shares and to limit or exclude preemptive rights.

- A provision prohibiting (a) a "*Brand Owner*" (which generally means a franchisor, licensor or owner - or a group company or direct or indirect owners of a franchisor, licensor or owner - of a hotel concept or brand for all-inclusive hotels or resorts that has at least 12 hotels operating under the trade name(s) of such concept or brand and that directly competes with any Hyatt All-Inclusive Resort Brand resort) (alone or together with its affiliates) from having beneficial ownership of our ordinary shares representing in excess of 15% of our outstanding shares, or (b) a Restricted Brand Company (alone or together with its affiliates), from having beneficial ownership of our ordinary shares representing in excess of 5% of our outstanding shares (each, a "Share Cap"). Upon becoming aware of either Share Cap being exceeded, we will send a notice to the Brand Owner or Restricted Brand Company, as relevant, informing such shareholder of its violation of the Share Cap and granting the shareholder two weeks to dispose of its excess ordinary shares to an unaffiliated third party or to take such other action resulting in the Brand Owner or Restricted Brand Company, as relevant, no longer violating the applicable Share Cap. Such notice will immediately suspend the right to attend our General Meeting and voting rights (together, "*Shareholder Rights*") of the shares exceeding the Share Cap until the Brand Owner or Restricted Brand Company, as relevant, has remedied its violation of the applicable Share Cap. If such Brand Owner or Restricted Brand Company, as relevant, has not remedied its violation of the applicable Share Cap within the aforementioned two week period, (i) the Shareholder Rights attached to all shares held by such shareholder shall be suspended until it has remedied its violation of the applicable Share Cap, (ii) we will be irrevocably authorized under our articles of association to transfer

the excess shares to a foundation established under Dutch law for this purpose (the "*Excess Shares Foundation*") or to an unaffiliated third party and (iii) if the excess shares are transferred to the Excess Shares Foundation, such foundation shall issue depositary receipts for the ordinary shares concerned to the relevant Brand Owner or Restricted Brand Company for as long as those ordinary shares are held by the Excess Shares Foundation.

Such provisions could discourage a takeover attempt and impair the ability of shareholders to benefit from a change in control and realize any potential change of control premium. This may adversely affect the market price of the ordinary shares.

Our General Meeting has authorized our Board to issue and grant rights to subscribe for our ordinary shares, up to the amount of the authorized share capital (from time to time) and limit or exclude preemptive rights on those shares, in each case for a period of five years from the date of the resolution. Accordingly, an issue of our ordinary shares may make it more difficult for a shareholder or potential acquirer to obtain control over our General Meeting or us.

Provisions of our franchise agreements with Hyatt might deter acquisition bids for us that shareholders might consider to be favorable and/or give Hyatt the right to terminate such agreements if certain persons obtain and retain more than a specified percentage of our ordinary shares.

Certain provisions of our franchise agreements with Hyatt may make it more difficult for certain third parties to acquire more than a specified percentage of issued ordinary shares. Our franchise agreements with Hyatt and our articles of association both contain a provision prohibiting a Brand Owner (alone or together with its affiliates) or a Restricted Brand Company (alone or together with its affiliates) from having beneficial ownership of our ordinary shares representing in excess of the applicable Share Cap. Upon becoming aware of either Share Cap being exceeded, we will send a notice to the Brand Owner or Restricted Brand Company, as relevant, informing such shareholder of its violation of the Share Cap and granting the shareholder two weeks to dispose of it excess ordinary shares to an unaffiliated third party or to take such other action resulting in the Brand Owner or Restricted Brand Company, as relevant, no longer violating the applicable Share Cap. Such notice will immediately suspend the Shareholder Rights of the shares exceeding the Share Cap until the Brand Owner or Restricted Brand Company, as relevant, has remedied its violation of the applicable Share Cap. If such Brand Owner or Restricted Brand Company, as relevant, has not remedied its violation of the applicable Share Cap within the aforementioned two week period, (i) the Shareholder Rights attached to all shares held by such shareholder shall be suspended until it has remedied its violation of the applicable Share Cap, (ii) we will be irrevocably authorized under our articles of association to transfer the excess shares to Excess Share Foundation or to an unaffiliated third party and (iii) if the excess shares are transferred to the Excess Shares Foundation, such foundation shall issue depositary receipts for the ordinary shares concerned to the relevant Brand Owner or Restricted Brand Company for as long as those ordinary shares are held by the Excess Shares Foundation. Our franchise agreements provide that, if the excess ordinary shares are not transferred to the Excess Shares Foundation or an unaffiliated third party within 30 days following the earlier of the date on which a public filing is made with respect to the applicable Share Cap being exceeded and the date we become aware of the applicable Share Cap being exceeded, Hyatt will have the right to terminate all (but not less than all) of its franchise agreements with us by providing the notice specified in the franchise agreement to us and we will be subject to liquidated damage payments to Hyatt. In the event that any Brand Owner or Restricted Brand Company acquires any ownership interest in us, we will be required to establish and maintain controls to protect the confidentiality of certain Hyatt information and will provide Hyatt with a detailed description and evidence of such controls.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which is likely to negatively affect our business and the market price of our ordinary shares.

Effective internal control over financial reporting is necessary for us to provide reliable financial reports and prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in our implementation could cause us to fail to meet our reporting obligations. In addition, any testing conducted by us, or any testing conducted by our independent registered public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. In fact, such testing has revealed a deficiency in our internal controls over financial reporting that has been deemed to be a material weakness. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which is likely to negatively affect our business and the market price of our ordinary shares.

We are required to disclose changes made in our internal controls and procedures on a quarterly basis and our management is required to assess the effectiveness of these controls annually. However, for as long as we are an "emerging growth company" under the JOBS Act (as defined below), our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002 (the "*Sarbanes-Oxley Act*"). An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

The market price and trading volume of our ordinary shares may be volatile and could decline significantly.

The stock markets, including the NASDAQ Capital Market ("*NASDAQ*") on which our ordinary shares are traded under the symbol "PLYA" have from time to time experienced significant price and volume fluctuations. Even if an active, liquid and orderly trading market develops and is sustained for our ordinary shares, the market price of our ordinary shares may be volatile and could decline significantly. In addition, the trading volume in our ordinary shares may fluctuate widely and cause significant price variations to occur. If the market price of our ordinary shares declines significantly, you generally will be unable to resell your ordinary shares at or above the market price of our ordinary shares and may be unable to resell your ordinary shares above the market price at which you purchased such ordinary shares. We cannot assure you that the market price of our ordinary shares will not fluctuate widely or decline significantly in the future in response to a number of factors, including, among others, the following:

- the realization of any of the risk factors presented in this annual report;
- actual or anticipated differences in our estimates, or in the estimates of analysts, for our revenues, "Adjusted EBITDA" (being the adjusted earnings before interest, taxes, depreciation and amortization), results of operations, level of indebtedness, liquidity or financial condition;
- additions and departures of key personnel;
- failure to comply with the requirements of the NASDAQ;
- failure to comply with the Sarbanes-Oxley Act (as defined below) or other laws or regulations;
- future issuances, sales or resales, or anticipated issuances, sales or resales, of our ordinary shares;
- publication of research reports about us, our resorts, the all-inclusive segment of the lodging industry or the lodging industry generally;
- the performance and market valuations of other similar companies;
- broad disruptions in the financial markets, including sudden disruptions in the credit markets;
- speculation in the press or investment community;
- actual, potential or perceived control, accounting or reporting problems, including a failure to remediate our current material weakness in the effectiveness of our internal control over financial reporting in a timely manner; and
- changes in accounting principles, policies and guidelines.

In the past, securities class-action litigation has often been instituted against companies following periods of volatility in the market price of their shares. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on us.

Future issuances of debt securities and equity securities may adversely affect us, including the market price of our ordinary shares and may be dilutive to existing shareholders.

In the future, we may incur debt or issue equity ranking senior to our ordinary shares. Those securities will generally have priority upon liquidation. Such securities also may be governed by an indenture or other instrument containing covenants restricting its operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our ordinary shares. Because our decision to issue debt or equity in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. As a result, future capital raising efforts may reduce the market price of our ordinary shares and be dilutive to existing shareholders.

Our shareholders may not have any preemptive rights in respect of future issuances of our ordinary shares.

In the event of an increase in our share capital, our ordinary shareholders are generally entitled under Dutch law to full preemptive rights, unless these rights are limited or excluded either by a resolution of the General Meeting or by a resolution of our Board (if our Board has been authorized by the General Meeting for this purpose), or where shares are issued to our employees or employees of a group company (i.e., certain affiliates, subsidiaries or related companies) or where shares are issued against a non-cash contribution, or in case of an exercise of a previously acquired right to subscribe for shares. The same preemptive rights apply when rights to subscribe for shares are granted.

Preemptive rights may be excluded by our Board on the basis of the irrevocable authorization of the General Meeting to our Board for a period of five years from the date of this authorization with respect to the issue of our ordinary shares up to the amount of the authorized share capital (from time to time). The General Meeting has delegated the authority to issue our ordinary shares and grant rights to subscribe for our ordinary shares up to the amount of our authorized share capital (from time to time) to our Board for that same period.

Accordingly, holders of our ordinary shares may not have any preemptive rights in connection with, and may be diluted by an issue of our ordinary shares and it may be more difficult for a shareholder to obtain control over our General Meeting. Certain of our shareholders outside the Netherlands, in particular, U.S. shareholders, may not be allowed to exercise preemptive rights to which they are entitled, if any, unless a registration statement under the Securities Act is declared effective with respect to our ordinary shares issuable upon exercise of such rights or an exemption from the registration requirements is available.

We are not obligated to and do not comply with all the best practice provisions of the Dutch Corporate Governance Code 2016 (the "DCGC"). This could adversely affect your rights as a shareholder.

As we are incorporated under Dutch law and our ordinary shares have been listed on a government-recognized stock exchange (i.e., the NASDAQ), we are subject to the DCGC. The DCGC contains both principles and best practice provisions for our Board, shareholders and the General Meeting, financial reporting, auditors, disclosure compliance and enforcement standards.

The DCGC is based on a "comply or explain" principle. Accordingly, we are required to disclose in our Dutch statutory annual report, whether or not we are complying with the various provisions of the DCGC. If we do not comply with one or more of those provisions (e.g., because of a conflicting NASDAQ requirement or U.S. market practice), we are required to explain the reasons for such non-compliance in our Dutch statutory annual report.

We acknowledge the importance of good corporate governance. However, we do not comply with all the provisions of the DCGC, to a large extent because such provisions conflict with or are inconsistent with the corporate governance rules of the NASDAQ and U.S. securities laws that apply to us, or because we believe such provisions do not reflect customary practices of global companies listed on the NASDAQ. This could adversely affect your rights as a shareholder and you may not have the same level of protection as a shareholder in a Dutch company that fully complies with the DCGC. Please see chapter 9.1 for an overview of our deviations from the DCGC.

We are an "emerging growth company," and we cannot be certain if the reduced SEC reporting requirements applicable to emerging growth companies make our ordinary shares less attractive to investors, the market price of our ordinary shares could decline significantly and the trading volume could be more volatile.

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 ("*JOBS Act*"). We will remain an "emerging growth company" until the earliest to occur of (i) the last day of the fiscal year (a) following September 16, 2020, the fifth anniversary of Pace's initial public offering, (b) in which we have total annual gross revenue of at least $1.0 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our ordinary shares that is held by non-affiliates exceeds $700 million as of the last business day of our prior second fiscal quarter, and (ii) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period. The JOBS Act also provides that an "emerging growth company" can take advantage of the extended transition period provided in the Securities Act for complying with new or revised accounting standards. However, we have chosen to "opt out" of this extended transition period and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for all public companies that are not emerging growth companies. Our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable. We cannot predict if investors will find our ordinary shares less attractive because we intend to rely on certain of these exemptions and benefits under the JOBS Act. If some investors find our ordinary shares less attractive as a result, there may be a less active, liquid and/or orderly trading market for our ordinary shares and the market price and trading volume of our ordinary shares may be more volatile and decline significantly.

We are incurring and will incur increased costs as a result of operating as a public company, and our management is required to devote substantial time to new compliance initiatives and corporate governance practices.

As a public company, and particularly after we are no longer an emerging growth company, we are incurring and will incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NASDAQ, the Dutch Financial Supervision Act, the Dutch Financial Reporting Supervision Act (*Wet op het financieel toezicht*), the DCGC and other applicable securities rules and rules and regulations promulgated under the foregoing impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives and corporate governance practices.

These rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices and control environment process improvements.

If, based on Mexican law, the accounting value of our ordinary shares is derived more than 50% from property in Mexico, it could result in the imposition of tax on a selling shareholder who is not eligible to claim benefits under the income tax treaty between Mexico and the United States or under any other favorable income tax treaty with Mexico.

According to article 161 of the Income Tax Law of Mexico, the transfer by a nonresident of Mexico of shares in an entity where the accounting value of the transferred shares is derived, directly or indirectly, from more than 50% from immovable property located in Mexico could be subject to Mexican income tax. The applicable Mexican law does not provide for the method to be followed in making this calculation. The income tax rate in Mexico for the disposal of shares by nonresidents is currently either 25% of the gross sale proceeds or, if certain conditions are met, 35% of the net gain. Withholding of 25% of gross sale proceeds is required of the buyer only if the latter is a Mexican resident. A Mexican nonresident subject to tax under article 161 may be eligible to claim exemption from taxation or a reduced tax rate under an applicable income tax treaty with Mexico, such as the income tax treaty between Mexico and the United States. A determination of whether the accounting value of our ordinary shares is derived, directly or indirectly, more than 50% from immovable property located in Mexico is subject to interpretations of the applicable law and will be affected by various factors with regard to us that may change over time. If, at the time of a transfer of our ordinary shares, the accounting value of our ordinary shares is derived, directly or indirectly, from more than 50% from immovable property located in Mexico and article 161 were applied to such transfer, it could result in the imposition of the above-mentioned tax on a selling shareholder who is not eligible to claim benefits under the income tax treaty between Mexico and the United States or under any other favorable income tax treaty with Mexico.

4. PROPERTIES

The following table presents an overview of our resorts, 13 of which we own in their entirety. We manage eight of our resorts and a third party, AMResorts, manages five of our resorts. We also manage one resort owned by a third party. The table below is organized by our three geographic business segments: the Yucatán Peninsula, the Pacific Coast and the Caribbean Basin.

Name of Resort	Location	Brand and Type	Operator	Year Built; Significant Renovations	Rooms
Owned Resorts					
Yucatán Peninsula					
Hyatt Ziva Cancún	Cancún, Mexico	Hyatt Ziva (all ages)	Playa	1975; 1980; 1986; 2002; 2015	547
Hyatt Zilara Cancún	Cancún, Mexico	Hyatt Zilara (adults-only)	Playa	2006; 2009; 2013; 2017	307
Panama Jack Resorts Cancún	Cancún, Mexico	Panama Jack (all ages)[1]	Playa	2002; 2009; 2017	458
THE Royal Playa del Carmen	Playa del Carmen, Mexico	THE Royal (adults-only)	Playa	1985; 2009	513
Panama Jack Resorts Playa del Carmen	Playa del Carmen, Mexico	Panama Jack (all ages)[1]	Playa	1996; 2006; 2012; 2017	287
Secrets Capri	Riviera Maya, Mexico	Secrets (adults-only)	AMResorts	2003	291
Dreams Puerto Aventuras	Riviera Maya, Mexico	Dreams (all ages)	AMResorts	1991; 2009	305
Pacific Coast					
Hyatt Ziva Los Cabos	Cabo San Lucas, Mexico	Hyatt Ziva (all ages)	Playa	2007; 2009; 2015	591
Hyatt Ziva Puerto Vallarta	Puerto Vallarta, Mexico	Hyatt Ziva (all ages)	Playa	1969; 1990; 2002; 2009; 2014; 2017	335
Caribbean Basin					
Dreams La Romana	La Romana, Dominican Republic	Dreams (all ages)	AMResorts	1997; 2008	756
Dreams Palm Beach	Punta Cana, Dominican Republic	Dreams (all ages)	AMResorts	1994; 2008	500
Dreams Punta Cana	Punta Cana, Dominican Republic	Dreams (all ages)	AMResorts	2004	620
Hyatt Ziva and Hyatt Zilara Rose Hall[2]	Montego Bay, Jamaica	Hyatt Ziva (all ages) and Hyatt Zilara (adults-only)	Playa	2000; 2014; 2017	620
Total Rooms Owned					**6,130**
Managed Resorts					
Sanctuary Cap Cana[3]	Punta Cana, Dominican Republic	Sanctuary (adults-only)	Playa	2008; 2015	184
Total Rooms Operated					**184**
Total Rooms Owned and Operated					**6,314**

(1) Pursuant to an agreement with Panama Jack, we rebranded these resorts under the Panama Jack brand in 2017.

(2) Our Jamaica property is treated as a single resort operating under both of the all-ages Hyatt Ziva and adults-only Hyatt Zilara brands (the "Hyatt All-Inclusive Resort Brands"), rather than as two separate resorts.

(3) Owned by a third party.

Description of Our Resorts

Playa's Resorts in Mexico

Hyatt Ziva Cancún

Hyatt Ziva Cancún is a uniquely located all-ages resort on the Yucatán peninsula at the shore point known as Punta Cancún. The resort received the AAA Four Diamond award for both 2015 and 2016 since opening. The resort is surrounded on three sides by water and offers direct access to pristine beaches. Designed by award-winning Mexican architect Ricardo Legorreta, the resort is approximately 15 minutes by car from the Cancún International Airport. The Hyatt Ziva Cancún, after an extensive $80.8 million expansion and renovation, reopened in November 2015. This resort features 547 suites ranging in size from 463 to 4,381 square feet and offers over 10,700 square feet of state-of-the-art meeting and convention space, including a ballroom that can accommodate groups of up to 500 people. The surrounding grounds have been renovated and we added a new pool, spa, food and beverage outlets and additional public areas. Other new amenities include gourmet dinners in showcase venues, swim-up suites and experienced on-site event planning professionals who can organize upgrades that are responsive to a guest's needs.

Hyatt Zilara Cancún

Hyatt Zilara Cancún is an adults-only luxury resort situated in Cancún's resort zone that was voted the twelfth best all-inclusive resort in the world by TripAdvisor's Travelers' Choice in 2015 and the twelfth best hotel in Mexico by TripAdvisor's Travelers' Choice in 2016. It has also received the AAA Four Diamond Award every year since 2011. This resort, formerly THE Royal Cancún, offers 600 feet of beach frontage and is close to Cancún's shopping areas and nightlife. It offers swim-up suites and a recently renovated full-service spa. This 307-room resort also offers nine restaurants, seven bars, fitness center, beauty salon, gift shops, tennis court, volleyball, billiards and an Olympic-size ocean-front infinity pool. With 6,781 square feet of meeting space, the resort can accommodate groups of up to 700 people.

Panama Jack Resorts Cancún

Panama Jack Resorts Cancún is an all-ages, Mediterranean-style resort situated in Cancún's resort zone that received TripAdvisor's Certificate of Excellence in 2013 and 2016. The resort features 650 feet of beach frontage and is approximately 15 minutes by car from Cancún International Airport. This 458-room resort offers a fitness center with paddle tennis courts, two pools, full-service spa, gift shop and business center. The resort also offers both a children's club and a teens' club. Among the offerings for guests are a water park and supervised recreational activities. The resort offers a variety of restaurants with eight food and beverage outlets and eight bars and lounges. With 9,720 square feet of meeting space, the resort can accommodate groups of up to 800 people. Pursuant to an agreement with Panama Jack, we have rebranded this resort under the Panama Jack brand. The rebranding was completed in 2017.

THE Royal Playa del Carmen

THE Royal Playa del Carmen is an adults-only luxury resort situated in the Riviera Maya, Playa del Carmen, Mexico that was voted the third best all-inclusive resort in the world by USA Today Travel Readers' Choice for 2013 and named one of Mexico's top 10 resorts in Cancún/Yucatán for 2013 by Condé Nast Traveler. It has also received the AAA Four Diamond Award every year since 2011. Additionally, it was named one of Travelers' Choice top 25 All-Inclusive Resorts in The World by TripAdvisor in 2016. The resort is located near Playa del Carmen's "Fifth-Avenue," which is home to nightclubs, retail shops and cafes. The resort is within walking distance from the port which provides ferry services to Cozumel. This 513-room resort offers a fitness center, a full-service spa, tennis court and an Olympic-size pool. The resort offers 500 feet of beach frontage and has ten food and beverage outlets with diverse international themes, and six bars and lounges. With 6,781 square feet of meeting space, the resort can accommodate groups of up to 800 people.

Panama Jack Resorts Playa del Carmen

Panama Jack Resorts Playa del Carmen is an all-ages resort situated in the Riviera Maya, Playa del Carmen, Mexico, which was named RCI Gold Crown Resort in 2012 and 2013 and has also received TripAdvisor's Certificate of Excellence in 2012 and 2016. The resort features 650 feet of beach frontage and is approximately 30 minutes by car from Cancún International Airport. It is located near

the Mayan Riviera eco-archaeological theme park and Playa del Carmen's "Fifth-Avenue Shops" and is within walking distance from the port that provides ferry services to Cozumel. This 287-room resort offers a fitness center, full-service spa, two pools, teens' club, children's club and wedding gazebo and services. The resort offers eight food and beverage outlets and seven bars and lounges. With 1,755 square feet of meeting space, the resort can accommodate groups of up to 150 people. Pursuant to an agreement with Panama Jack, we have rebranded this resort under the Panama Jack brand. The rebranding was completed in 2017.

Secrets Capri

Secrets Capri is an adults-only luxury resort situated in the Riviera Maya, Playa del Carmen, Mexico, which has been identified twice as one of the top 30 resorts in Cancún/Yucatán by Condé Nast Traveler in 2012 through 2014. It also received TripAdvisor's Certificate of Excellence in 2015. It features 650 feet of beach frontage and is located five minutes by car from the shops at Playa del Carmen and 35 minutes by car from Cancún International Airport. The 291-room resort offers a fitness center, spa, beauty salon, deep sea fishing, private tennis clinics and a music lounge. The resort has seven food and beverage outlets, with diverse international themes, and four bars and lounges. The resort also features complimentary golf at Playa Mujeres Golf Club and Cancún Golf Club at Pok-ta-Pok. With 4,134 square feet of meeting space, the resort can accommodate groups of up to 350 people.

Dreams Puerto Aventuras

Dreams Puerto Aventuras is an all-ages resort located within a gated marina community situated close to Playa del Carmen on the Mexican coast of the Yucatán Peninsula. It received TripAdvisor's 2014 Travelers' Choice Award and TripAdvisor's Certificate of Excellence in 2016. The resort features 800 feet of beach frontage. This 305-room resort offers one of the largest dolphinariums in the Riviera Maya, fitness center, spa and beauty salon, indoor theater, kids club, salt water pool, adults-only pool and jacuzzi. This resort also offers a Gold Palm Certified PADI diving center, galleria market shops at the marina community and a golf course. The resort has six food and beverage outlets, with diverse international themes, and five bars and lounges. With 2,024 square feet of meeting space, the resort can accommodate groups of up to 120 people. The resort also has an indoor theatre that can accommodate groups of up to 250 people.

Hyatt Ziva Los Cabos

Hyatt Ziva Los Cabos is an all-ages resort located on a peninsula, offering spectacular views of the Sea of Cortez. The resort was recognized with AAA Four Diamond status in 2014. It also received TripAdvisor's Certificate of Excellence in 2015 and 2016. This all-suite resort features 650 feet of beach frontage and is 20 minutes by car from Los Cabos International Airport. The immediate area features five golf courses in addition to water sports and local dining options. Hyatt Ziva Los Cabos offers 591 suites ranging from a 550 square-foot junior suite to a 1,950 square-foot Presidential Suite. In addition, guests have the option to work with experienced event planners and can choose from customized wedding, honeymoon and spa packages. The resort also offers swim-up suites, a fitness center, a business center, a large theater with live music and family shows, a children's club, tennis and basketball courts, three outside pools and a full-service spa. It also features eight food and beverage outlets and four bars and lounges. With more than 35,000 square feet of state-of-the-art meeting space, the resort can accommodate groups of up to 1,100 people.

Hyatt Ziva Puerto Vallarta

Hyatt Ziva Puerto Vallarta is an all-ages resort situated in Puerto Vallarta's exclusive "Golden Zone" and has the only private beach on the coast, offering 1,250 feet of private beach frontage. This resort is located five minutes by car from the colonial town of Puerto Vallarta and received the Gold Magellan Award for Best Overall Resort by Travel Weekly in 2015. It has received the AAA Four Diamond Award since 2015, TripAdvisor's Travelers' Choice Awards from 2012 to 2014 and TripAdvisor's Certificate of Excellence every year since 2012. Reopening in December 2014 after an extensive $15.9 million expansion and renovation of the former Dreams, the Hyatt Ziva Puerto Vallarta features a new lobby and public areas, significant room upgrades, three new food and beverage outlets and a new upscale spa. The resort has 335 rooms ranging in size from 473 to 1,500 square feet. Other new amenities include gourmet dinners in showcase venues, swim-up suites and experienced on-site event planning professionals who organize upgrades that are responsive to a guest's needs. The resort offers state-of-the-art business facilities, with available meeting and convention space exceeding 9,900 square feet that can accommodate groups of up to 900 people.

Playa's Resorts in the Dominican Republic

Dreams La Romana

Dreams La Romana is an all-ages resort in the Dominican Republic that received the TripAdvisor's Certificate of Excellence in 2014 and the coveted Caribbean Gold Coast Award in 2012. Offering 1,500 feet of beach frontage, it is located near attractions such as Altos de Chavon, Saona, Catalina Islands and shopping. This 756-room resort offers views of the Caribbean Sea from all rooms, a casino, a spa, an infinity pool, a fitness center, a theater, a PADI diving center, a kids club and a teens' club. This resort also offers three golf courses designed by the architect Pete B. Dye. The resort has ten food and beverage outlets, with diverse international themes, and seven bars and lounges. With the only convention center in Bayahibe, La Romana-Dominican Republic, featuring 11,072 square feet of meeting space, this resort can accommodate groups of up to 975 people.

Playa's prior parent acquired Dreams La Romana, formerly the Sunscape Casa del Mar, in 2007 for $90 million, or approximately $120,000 per room. Following the acquisition, Playa invested $23.0 million, or $31,000 per room, to rebrand the property as Dreams La Romana and made substantial additions and improvements to amenities, which included the addition of a convention center. Following an eight-month renovation in 2008, Net Package RevPAR (as defined in chapter 6 of this annual report) increased from $85 in 2009 to $112 in 2013, an increase of 32.2%.

Dreams Palm Beach

Dreams Palm Beach is an all-ages resort situated in Punta Cana, Dominican Republic that received the Silver Badge for the 2014 U.S. News & World Report Best Hotels in Punta Cana Award and won the TripAdvisor's Travelers' Choice Award in 2014. It has also received the AAA Four Diamond Award since 2011. This resort features 650 feet of beach frontage and is located 20 minutes by car from Punta Cana International Airport. This 500-room resort offers three outdoor pools, a renovated spa, a casino, horseback riding, children's club, teens' club, an indoor theater and a music lounge. It also offers access to two golf courses that are 15 minutes by car from the resort. The resort has seven food and beverage outlets, with diverse international themes, and five bars and lounges. With 7,856 square feet of meeting space, the resort can accommodate groups of up to 760 people.

Playa's prior parent acquired Dreams Palm Beach, formerly the Allegro Punta Cana, in 2007 for $52 million, or $104,000 per room. Following the acquisition, Playa invested $30 million, or $60,000 per room, to rebrand the property as Dreams Palm Beach and expand, renovate and reposition the resort, including expansion of the lobby and addition of a casino, convention center, restaurant and bars. Playa also renovated the existing building, public areas and all of the rooms. Following a six-month renovation in 2008, Net Package RevPAR (as defined in chapter 6 of this annual report) increased from $98 in 2009 to $131 in 2013, an increase of 33.8%.

Dreams Punta Cana

Dreams Punta Cana is an all-ages resort situated on Uvero Alto on the northeast coast of the Dominican Republic. This resort received a Certificate of Excellence from TripAdvisor in 2015 as well as four AAA Four Diamond Awards in 2012 through 2015. It features 650 feet of beach frontage. This 620-room resort offers a free-form pool, night club, oceanfront bars, kids club, teens' club, spa, fitness center, indoor theater, shopping galleria and supervised daily children's activities. It also offers a PADI diving center, casino, horseback riding and a large meeting space for group activities. The resort has six food and beverage outlets, with diverse international themes, and ten bars and lounges. With 4,133 square feet of meeting space, the resort can accommodate groups of up to 300 people.

Playa's Resort in Jamaica

Hyatt Ziva and Hyatt Zilara Rose Hall

Our Jamaica resort, which was formerly operated as a Ritz-Carlton hotel by the previous owner, underwent a $87.3 million expansion, renovation and rebranding under the Hyatt Ziva and Hyatt Zilara brands in 2014. In connection with this major capital project, the resort added 193 luxury suites, increased its food and beverage offerings and renovated its lobby, lobby bar and spa. During 2017, we invested $11.9 million in finishing the renovation of all the old Ritz Carlton rooms, the development of a new beach spa and the construction of a new state of the art fitness facility.

The resort has 18 food and beverage outlets, with diverse international themes, including a new 50,000 square foot food and beverage village, a roof lounge, a wedding sky lounge and a terrace bar. This resort also features 18,286 square feet of meeting space that can accommodate up to 1,540 people.

Hyatt Zilara Rose Hall is an AAA Four Diamond Resort catering to adults-only and was recognized in 2015 by Caribbean Journal as one of the top 13 all-inclusive resorts in the Caribbean. The resort also received the Magellan Gold Grand Opening Award from Travel Weekly in 2016. Reopened in 2014, Hyatt Zilara Rose Hall features its own upscale dining and lounges, offering premium branded beverages. Located on the western edge of the estate, this adults-only resort has 234 guest suites, including 30 swim-up suites. Guests of Hyatt Zilara Rose Hall can enjoy adult-oriented amenities, including four chic and contemporary private pools, a pool bar and restaurant surrounded by chaise lounges and Bali Beds, a dedicated spa and fitness center, as well as a private beach.

Hyatt Ziva Rose Hall is an AAA Four Diamond Resort catering to guests of all ages and was recognized in 2015 by Caribbean Journal as one of the top 13 all-inclusive resorts in the Caribbean. The resort also was recognized with TripAdvisor's Certificate of Excellence in 2016. The resort includes a village where the entire family can engage in activities and shopping. Reopened in 2014, the resort's 386 suites, including 28 newly created premium swim-up suites, feature oversized terraces with garden and ocean views. The resort offers guests eight pools, featuring five swim-up pools and three whirlpools, with upscale lounge seating and a swim-up bar with personalized service provided by the pool butler. Hyatt Ziva Rose Hall has its own spa and fitness center.

Resorts Playa Manages for Third Parties

Sanctuary Cap Cana

In September 2017, we entered into a long-term agreement to manage the 184-room Sanctuary Resort in Cap Cana. The management contract term is 15 years with two optional extensions of five years. In connection with the execution of the management contract we acquired the rights that the owner of the resort had to the Sanctuary brand and are negotiating an option to acquire 30% of the equity interest in the resort upon completion of its expansion and renovation.

Located in Cap Cana, a 30,000-acre master-planned luxury resort community in Punta Cana, the hotel is spread across a 20.7-acre site with over 2,100 linear feet of waterfront and features 184 rooms, including 33 luxury villas, nine restaurants, an ice cream shop and eight bars. The hotel was built in 2008 and partially renovated in 2015. The owner will fund a renovation of existing rooms and the construction of 159 additional rooms. The hotel will close in May 2018 and reopen in September 2018 with a total of 163 rooms and is expected to be fully functional with 343 rooms in December 2018.

Resort Development

Hyatt Ziva and Hyatt Zilara Cap Cana

In July 2017, we acquired a premier beach front land parcel for the new Hyatt Zilara Cap Cana and Hyatt Ziva Cap Cana in Punta Cana, Dominican Republic. Upon completion, we expect the resorts will have 750 rooms, which will all have pool and beach views. The resort will feature around 23,000 square feet of meeting facilities, including a 16,000 square feet ballroom, a festive retail area, a commercial area, a dining village with an amphitheater, a waterpark, a spa and a 13,000 square foot fitness facility. As of December 31, 2017, we have spent approximately $14.0 million on the project, excluding the cost of the land, and our estimated budget for the project, excluding the cost of the land, is $192 million. We expect the new resorts will open in 2019.

5. LEGAL PROCEEDINGS

In the ordinary course of our business, we are subject to claims and administrative proceedings, none of which we believe are material or would be expected to have, individually or in the aggregate, a material adverse effect on our financial condition or results of operations. The outcome of claims, lawsuits and legal proceedings brought against us, however, is subject to significant uncertainties. See Note 25 to the Consolidated Financial Statements for a more detailed description of such proceedings and contingencies.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Any reference in this Management's Discussion and Analysis of Financial Condition and Results of Operations to our financial condition and results of operations prior to the Business Combination on March 11, 2017 refer to the financial condition and results of operations of our Predecessor, Playa Hotels & Resorts B.V.

Overview

We are a leading owner, operator, manager and developer of all-inclusive beachfront resorts in popular vacation destinations in Mexico and the Caribbean. We are currently the only publicly-traded company focusing exclusively on the all-inclusive segment of the lodging industry. We have a portfolio consisting of 13 resorts (6,130 rooms) we own, which are located in Mexico, the Dominican Republic and Jamaica, and one resort (184 rooms) we manage for a third party, which is located in the Dominican Republic. We believe that the resorts we own, as well as the resorts we manage, are among the finest all-inclusive resorts in the markets they serve. All of our resorts offer guests luxury accommodations, noteworthy architecture, extensive on-site activities and multiple food and beverage options. Our guests also have the opportunity to purchase upgrades from us such as premium rooms, dining experiences, wines and spirits and spa packages. For the year ended December 31, 2017, we generated income from continuing operations of $25.3 million, total revenue of $559.5 million and Adjusted EBITDA of $170.9 million, representing an increase of 149.4%%, an increase of 7.3% and an increase of 10.5% over the year ended December 31, 2016, respectively.

We believe that our resorts have a competitive advantage due to their location, extensive amenities, scale and guest-friendly design. Our portfolio is comprised of all-inclusive resorts that share the following characteristics: (i) prime beachfront locations; (ii) convenient air access from a number of North American and other international gateway markets; (iii) strategic locations in popular vacation destinations in countries with strong government commitments to tourism; (iv) high quality physical condition; and (v) capacity for further revenues and earnings growth through incremental renovation or repositioning opportunities.

We focus on the all-inclusive resort business because we believe it is a rapidly growing segment of the lodging industry that provides our guests and us with compelling value opportunities. Our all-inclusive resorts provide guests with an attractive vacation experience that couples value and a high degree of cost certainty, as compared to traditional resorts, where the costs of discretionary food and beverage services and other amenities can be unpredictable and significant. We believe that the all-inclusive model provides us with more predictable occupancy rates, revenue and expenses as compared to other lodging industry business models because, among other reasons, guests at all-inclusive resorts often book and pay for their stays further in advance than guests at traditional resorts. Since stays are generally booked and paid for in advance, customers are less likely to cancel, which allows us to manage on-site expenses and manage operating margins accordingly. These characteristics of the all-inclusive model allow us to more accurately adjust certain operating costs in light of expected demand, as compared to other lodging industry business models. We also have the opportunity to generate incremental revenue by offering upgrades, premium services and amenities not included in the all-inclusive package. For the year ended December 31, 2017, approximately 58.8% of our guests came from the United States (with the balance coming from Europe (14.4%), Canada (9.4%) and elsewhere (17.4%)). We believe that guests from the United States purchase upgrades, premium services and amenities that are not included in the all-inclusive package more frequently than guests from other markets.

Our portfolio consists of resorts marketed under a number of different all-inclusive brands. Hyatt Ziva, Panama Jack and Dreams are all-ages brands. Sanctuary, Hyatt Zilara, THE Royal and Secrets are adults-only brands. We have also entered into an exclusive agreement with Panama Jack that provides us with the right to develop and own, and/or manage all-inclusive resorts under the Panama Jack brand in Antigua, Aruba, the Bahamas, Barbados, Costa Rica, the Dominican Republic, Jamaica, Mexico, Panama, St. Lucia and, subject to the lifting of various U.S. sanctions, Cuba. We have rebranded two of our resorts under the Panama Jack brand, which both opened under the new brand in December 2017. We believe that these brands enable us to differentiate our resorts and attract a loyal guest base.

We have a strategic relationship with Hyatt, a global lodging company with widely recognized brands, pursuant to which we jointly developed the standards for the operation of the Hyatt All-Inclusive Resort Brands. We currently are the only Hyatt-approved operator of the Hyatt All-Inclusive Resort Brands and we have rebranded five of our resorts under the Hyatt All-Inclusive Resort Brands since 2013.

Refer to chapter 2.1 for a description of our contractual agreements with Hyatt. In addition to creating potential future opportunities to expand our business, we believe that our strategic relationship with Hyatt will further establish us as a leader in the all-inclusive resort business by providing our Hyatt All-Inclusive Resort Brand resorts access to Hyatt's distribution channels and guest base that includes leisure travelers. We believe that our strategic relationship with Hyatt and the increasing awareness of our all-inclusive resort brands among potential guests will further enable us to increase the number of bookings made through lower cost sales channels, such as direct bookings through Hyatt, with respect to our Hyatt All-Inclusive Resort Brand resorts, and our company and resort websites. For the year ended December 31, 2017, 30.6% of the bookings at our Hyatt All-Inclusive Resort Brand resorts came from direct, group and World of Hyatt (previously Hyatt Gold Passport®) sources. Direct and group bookings from all of our resorts totaled 19.4%.

Results of Operations

Years Ended December 31, 2017 and 2016

The following table summarizes our results of operations on a consolidated basis for the years ended December 31, 2017 and 2016:

($ in thousands)	Year Ended December 31,		Increase / Decrease	
	2017	2016	Change	% Change
Continuing operations	($ in thousands)			
Revenue	$ 559,545	$ 521,491	$ 38,054	7.3 %
Cost of sales	(78,114)	(76,418)	(1,696)	2.2 %
Operating expenses	(380,264)	(358,952)	(21,312)	5.9 %
Impairment reversal gain	—	11,905	(11,905)	(100.0)%
Gain on insurance proceeds	479	348	131	37.6 %
Operating income	**101,646**	**98,374**	**3,272**	**3.3 %**
Finance costs	(68,951)	(104,255)	35,304	(33.9)%
Loss on extinguishment of debt	(26,559)	—	(26,559)	100.0 %
Other financial income, net	15,911	1,116	14,795	1,325.7 %
Net result of exchange differences	(692)	(6,429)	5,737	(89.2)%
Income (loss) from continuing operations before tax	**21,355**	**(11,194)**	**32,549**	**(290.8)%**
Income tax benefit (expense)	3,896	(39,946)	43,842	(109.8)%
Income (loss) from continuing operations	**$ 25,251**	**$ (51,140)**	**$ 76,391**	**(149.4)%**

The following tables set forth information with respect to our Occupancy, Net Package ADR, Net Package RevPAR, Net Package Revenue, Net Non-package Revenue, Management Fee Revenue, Total Net Revenue and Adjusted EBITDA (as defined below) for the years ended December 31, 2017 and 2016. For a description of these operating metrics and non-IFRS measures and a reconciliation of Net Package Revenue, Net Non-package Revenue, Management Fee Revenue and Total Net Revenue to total revenue as computed under IFRS, see "Key Indicators of Financial and Operating Performance," below. For discussions of Adjusted EBITDA and reconciliation to the most comparable IFRS financial measures, see "Key Indicators of Financial and Operating Performance" and "Non-IFRS Financial Measures," below.

Total Portfolio

	Year Ended December 31,		Increase / Decrease	
	2017	2016	Change	% Change
Occupancy	81.4%	81.2%	0.2pts	0.2%
Net Package ADR	$ 256.93	$ 240.53	$ 16.40	6.8%
Net Package RevPAR	209.27	195.31	13.96	7.1%
	($ in thousands)			
Net Package Revenue	$ 468,434	$ 439,009	$ 29,425	6.7%
Net Non-package Revenue	77,637	70,030	7,607	10.9%
Management Fee Revenue	140	—	140	100.0%
Total Net Revenue	546,211	509,039	37,172	7.3%
Adjusted EBITDA	$ 170,865	$ 154,669	$ 16,196	10.5%
Adjusted EBITDA Margin	31.3%	30.4%	0.9pts	3.0%

Total Revenue and Total Net Revenue

Our total revenue for the year ended December 31, 2017 increased $38.1 million, or 7.3%, compared to the year ended December 31, 2016. Our Total Net Revenue (which represents total revenue less compulsory tips paid to employees) for the year ended December 31, 2017 increased $37.2 million, or 7.3%, compared to the year ended December 31, 2016. This increase was driven by an increase in Net Package Revenue of $29.4 million, or 6.7%, and an increase in Net Non-package Revenue of $7.6 million, or 10.9%. The increase in Net Package Revenue was the result of an increase in Net Package ADR of $16.40, or 6.8%, and an increase in average occupancy from 81.2% to 81.4%, the equivalent of an increase of $13.96, or 7.1%, in Net Package RevPAR.

The following table shows a reconciliation of Net Package Revenue, Net Non-package Revenue, and Management Fee Revenue to total revenue for the years ended December 31, 2017 and 2016:

	Year Ended December 31,		Increase/Decrease	
	2017	2016	Change	% Change
	($ in thousands)			
Net Package Revenue	$ 468,434	$ 439,009	$ 29,425	6.7%
Net Non-package Revenue	77,637	70,030	7,607	10.9%
Management Fee Revenue	140	—	140	100.0%
Total Net Revenue	**546,211**	**509,039**	**37,172**	**7.3%**
Plus: compulsory tips	13,334	12,452	882	7.1%
Total revenue	**$ 559,545**	**$ 521,491**	**$ 38,054**	**7.3%**

Cost of Sales

Cost of sales for the year ended December 31, 2017 increased $1.7 million, or 2.2%, as compared to the year ended December 31, 2016. This increase was primarily driven by an increase in average occupancy from 81.2% to 81.4%.

Operating Expenses

The following table shows a reconciliation of our operating expenses to net operating expenses for the years ended December 31, 2017 and December 31, 2016 *($ in thousands):*

	Year Ended December 31,		Increase/Decrease	
	2017	**2016**	**Change**	**% Change**
Operating expenses	$ 380,264	$ 358,952	$ 21,312	5.9 %
Less: compulsory tips	13,334	12,452	882	7.1 %
Net operating expenses	**$ 366,930**	**$ 346,500**	**$ 20,430**	**5.9%**

Our operating expenses include resort expenses, such as salaries and wages, utilities and other ongoing operational expenses and selling, general and administrative expenses. Our net operating expenses (which represents total operating expenses less compulsory tips paid to employees) for the year ended December 31, 2017 were $366.9 million, or 67.2%, of Total Net Revenue and $346.5 million, or 68.1%, of Total Net Revenue for the year ended December 31, 2016.

Net operating expenses for the year ended December 31, 2017 increased $20.4 million, or 5.9%, compared to the year ended December 31, 2016. Net operating expenses fluctuate based on various factors, including changes in occupancy, labor costs, utilities, repair and maintenance costs, license and property taxes, advertising and commissions costs, transaction costs and corporate personnel costs. Management fees and franchise fees, which are computed as a percentage of revenue, increased as a result of higher revenues.

	Year Ended December 31,		Increase/Decrease	
	2017	2016	Change	% Change
Net operating expenses:		($ in thousands)		
Resort salary and wages	$ 102,049	$ 93,115	$ 8,934	9.6 %
Depreciation expense	48,814	49,910	(1,096)	(2.2)%
Utility expenses	29,035	24,991	4,044	16.2 %
Repairs and maintenance	15,406	14,578	828	5.7 %
Licenses and property taxes	3,240	2,017	1,223	60.6 %
Incentive and management fees	11,349	11,373	(24)	(0.2)%
Hyatt fees	14,105	13,539	566	4.2 %
Corporate operating costs	3,996	4,023	(27)	(0.7)%
Insurance	9,787	10,713	(926)	(8.6)%
Advertising	27,499	26,477	1,022	3.9 %
Commissions	12,498	10,571	1,927	18.2 %
Transaction expenses	11,503	16,537	(5,034)	(30.4)%
Corporate personnel expenses	23,277	19,795	3,482	17.6 %
Professional fees	10,342	9,228	1,114	12.1 %
Amortization expense	895	985	(90)	(9.1)%
Other operational expenses	43,135	38,648	4,487	11.6 %
Total net operating expenses	**$ 366,930**	**$ 346,500**	**$ 20,430**	**5.9 %**

Other Operational Expenses

	Year Ended December 31,		Increase/Decrease	
	2017	2016	Change	% Change
Other operational expenses:		($ in thousands)		
Office supplies	$ 4,492	$ 4,278	$ 214	5.0 %
Guest supplies	4,530	4,426	104	2.3 %
Laundry and cleaning expenses	2,539	2,882	(343)	(11.9)%
Transportation and travel expenses	4,498	4,454	44	1.0 %
Entertainment expenses	3,575	3,332	243	7.3 %
Property and equipment rental expense	4,264	3,783	481	12.7 %
Other supplies and expense amortization	3,806	4,204	(398)	(9.5)%
Computer and telephone expenses	1,193	1,717	(524)	(30.5)%
Other expenses	14,238	9,572	4,666	48.7 %
Total other operational expenses	**$ 43,135**	**$ 38,648**	**$ 4,487**	**11.6 %**

Impairment Reversal Gain

We recorded no impairment reversal gain during the year ended December 31, 2017. For the year ended December 31, 2016, we reversed $13.3 million of previously expensed impairment resulting in a gain of $11.9 million.

Gain on Insurance Proceeds

We received property damage proceeds of $2.3 million during the year ended December 31, 2017, which were completely offset by expenses incurred to repair the damage during the same period. This amount includes proceeds related to a flood claim and to Hurricane Maria, both at the Dreams Punta Cana resort, of $1.3 million and $1.0 million, respectively. During the year ended December 31, 2017, we recorded a gain of $0.5 million from net business interruption insurance proceeds at Dreams Punta Cana. During the year ended December 31, 2016, we recorded a gain of $0.3 million from net property damage insurance proceeds related to small claims at the Dreams Palm Beach, Dreams Punta Cana, and Hyatt Zilara Cancun.

Finance Costs

Finance costs for the year ended December 31, 2017 decreased $35.3 million, or 33.9%, as compared to the year ended December 31, 2016. The Preferred Shares issued by our Predecessor were eliminated and extinguished as part of the reverse merger in the Business Combination (as defined in Note 6 to the Consolidated Financial Statements) in March of 2017, resulting in a $33.0 million decrease in Preferred Share dividends and a $3.0 million decrease in Preferred Share discount amortization as compared to the year ended December 31, 2016. The decrease was also driven by a decrease in interest expense on our Senior Notes due 2020 of $5.1 million as we partially repaid our Senior Notes due 2020 in April 2017 and fully repaid the remaining outstanding balance in December 2017. The decrease in finance costs was partially offset by a $7.0 million increase in interest expense due to the increase in indebtedness on our Term Loan (as defined in Note 20 to the Consolidated Financial Statements) for the year ended December 31, 2017 as compared to the year ended December 31, 2016.

Loss on Extinguishment of Debt

The refinancings of our Senior Secured Credit Facility (as defined in Note 20 to the Consolidated Financial Statements) and the repayment of our Senior Notes due 2020 were accounted for as a partial modification and partial extinguishment of debt, which resulted in a loss on extinguishment of debt for the year ended December 31, 2017 of $26.6 million.

Other Financial Income

Other financial income, net for the year ended December 31, 2017 increased $14.8 million, or 1,325.6%, as compared to the year ended December 31, 2016. The increase was primarily driven by the recognition of a $31.3 million gain on the extinguishment of our Preferred Shares as part of the reverse merger in the Business Combination (as defined in Note 6 to the Consolidated Financial Statements) and a $4.0 million gain on the exchange of Public Warrants and Founder Warrants (as defined in Note 19 to the Consolidated Financial Statements) during the year ended December 31, 2017. No such gains were recognized during the year ended December 31, 2016. The increase was partially offset by an $18.9 million loss recognized from the change in fair value of our warrant liability.

Income Tax

The income tax benefit for the year ended December 31, 2017 was $3.9 million, an increased benefit of $43.8 million as compared to the year ended December 31, 2016, during which period we reported an income tax expense of $39.9 million. The increased income tax benefit was driven primarily by a $5.3 million increased tax benefit from the rate-favorable jurisdictions, a $40.2 million increased tax benefit associated with foreign exchange rate fluctuations and a $4.0 million tax benefit on the reversal of the 2016 tax expense for one of our Dominican Republic entities pursuant to the Advanced Pricing Agreement signed with Dominican Republic tax authorities in December 2017, retroactive to 2016. The increased income tax benefit was also driven by a $14.5 million decreased tax expense associated with non-deductible expenses. The tax benefit increase was partially offset by an $8.1 million increased tax expense on increased pre-tax book income, a $10.6 million increased tax expense on the valuation allowance, and a $2.6 million increased tax expense on the measurement of the U.S. deferred tax assets pursuant to the U.S. tax rate change for tax years beginning after December 31, 2017.

Adjusted EBITDA

Our Adjusted EBITDA for the year ended December 31, 2017 increased $16.2 million, or 10.5%, compared to the year ended December 31, 2016. For discussions of Adjusted EBITDA and reconciliation to the most comparable IFRS financial measures, see “Key Indicators of Financial and Operating Performance” and “Non-IFRS Financial Measures,” below.

Key Indicators of Financial and Operating Performance

We use a variety of financial and other information to monitor the financial and operating performance of our business. Some of this is financial information prepared in accordance with IFRS, while other information, though financial in nature, is not prepared in accordance with IFRS. For reconciliations of non-IFRS financial measures to the most comparable IFRS financial measure, see "Non-IFRS Financial Measures." Our management also uses other information that is not financial in nature, including statistical information and comparative data that are commonly used within the lodging industry to evaluate the financial and operating performance of our portfolio. Our management uses this information to measure the performance of our segments and consolidated portfolio. We use this information for planning and monitoring our business, as well as in determining management and employee compensation. These key indicators include:

- Net Package Revenue
- Net Non-package Revenue
- Management Fee Revenue
- Total Net Revenue
- Occupancy
- Net Package ADR
- Net Package RevPAR
- Adjusted EBITDA
- Adjusted EBITDA Margin
- Comparable Non-IFRS Measures

Net Revenue, Net Package Revenue, Net Non-package Revenue, Management Fee Revenue and Total Net Revenue

We derive net revenue from the sale of all-inclusive packages, which include room accommodations, food and beverage services and entertainment activities, net of compulsory tips paid to employees in Mexico and Jamaica. Government mandated compulsory tips in the Dominican Republic are not included in this adjustment, as they are already excluded from revenue. Net revenue is recognized when the rooms are occupied and/or the relevant services have been rendered. Advance deposits received from guests are deferred and included in trade and other payables until the rooms are occupied and/or the relevant services have been rendered, at which point the revenue is recognized. Food and beverage revenue not included in a guest's all-inclusive package is recognized when the goods are consumed. Net revenue represents a key indicator to assess the overall performance of our business and analyze trends, such as consumer demand, brand preference and competition.

In analyzing our net revenues, our management differentiates between Net Package Revenue and Net Non-package Revenue (as such terms are defined below). Guests at our resorts purchase packages at stated rates, which include room accommodations, food and beverage services and entertainment activities, in contrast to other lodging business models, which typically only include the room accommodations in the stated rate. The amenities at all-inclusive resorts typically include a variety of buffet and á la carte restaurants, bars, activities, and shows and entertainment throughout the day. "Net Package Revenue" consists of net revenues derived from all-inclusive packages purchased by our guests. "Net Non-package Revenue" primarily includes net revenue associated with guests' purchases of upgrades, premium services and amenities, such as premium rooms, dining experiences, wines and spirits and spa packages, which are not included in the all-inclusive package.

"Management Fee Revenue" is derived from fees earned for managing hotels owned by third-parties. The fees earned are typically composed of a base fee, which is computed as a percentage of resort revenue, and an incentive fee, which is computed as a percentage of resort profitability. Management Fee Revenue was immaterial to our operations for the year ended December 31, 2017, but we expect Management Fee Revenue to be a more relevant indicator to assess the overall performance of our business in the future as we enter into more management contracts.

"Total Net Revenue" represents Net Package Revenue, Net Non-package Revenue and Management Fee Revenue for the year ended December 31, 2017 and Net Package Revenue and Net Non-package Revenue for the year ended December 31, 2016.

Occupancy

"Occupancy" represents the total number of rooms sold for a period divided by the total number of rooms available during such period. Occupancy is a useful measure of the utilization of a resort's total available capacity and can be used to gauge demand

at a specific resort or group of properties for a period. Occupancy levels also enable us to optimize Net Package ADR by increasing or decreasing the stated rate for our all-inclusive packages as demand for a resort increases or decreases.

Net Package ADR

"Net Package ADR" represents total Net Package Revenue for a period divided by the total number of rooms sold during such period. Net Package ADR trends and patterns provide useful information concerning the pricing environment and the nature of the guest base of our portfolio or comparable portfolio, as applicable. Net Package ADR is a commonly used performance measure in the all-inclusive segment of the lodging industry, and is commonly used to assess the stated rates that guests are willing to pay through various distribution channels.

Net Package RevPAR

"Net Package RevPAR" is the product of Net Package ADR and the average daily occupancy percentage. Net Package RevPAR does not reflect the impact of non-package revenue. Although Net Package RevPAR does not include this additional revenue, it generally is considered the key performance measure in the all-inclusive segment of the lodging industry to identify trend information with respect to net room revenue produced by our portfolio or comparable portfolio, as applicable, and to evaluate operating performance on a consolidated basis or a regional basis, as applicable.

Adjusted EBITDA and Adjusted EBITDA Margin

We define EBITDA, a non-IFRS financial measure, as net income (loss) from continuing operations, determined in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), for the period presented, before interest expense, income tax and depreciation and amortization expense. EBITDA is prepared under U.S. GAAP to align with the principles used by our investors who trade our stock on the NASDAQ Capital Market. We define Adjusted EBITDA, a non-IFRS financial measure, as EBITDA further adjusted to exclude the following items as determined under U.S. GAAP:

- Other expense, net
- Impairment loss
- Pre-opening expense
- Transaction expenses
- Severance expense
- Other tax expense
- Gain on property damage insurance proceeds
- Share-based compensation
- Loss on extinguishment of debt
- Other components of net periodic pension cost (benefit)
- Other items which may include, but are not limited to the following: management contract termination fees; gains or losses from legal settlements; repairs from hurricanes and tropical storms; and Jamaica delayed opening expenses.

We believe that Adjusted EBITDA is useful to investors for two principal reasons. First, we believe Adjusted EBITDA assists investors in comparing our performance over various reporting periods on a consistent basis by removing from our operating results the impact of items that do not reflect our core operating performance. For example, changes in foreign exchange rates (which are the principal driver of changes in other expense, net), and expenses related to capital raising, strategic initiatives and other corporate initiatives, such as expansion into new markets (which are the principal drivers of changes in transaction expenses), are not indicative of the operating performance of our resorts. The other adjustments included in our definition of Adjusted EBITDA relate to items that occur infrequently and therefore would obstruct the comparability of our operating results over reporting periods. For example, revenue from insurance policies, other than business interruption insurance policies, is infrequent in nature, and we believe excluding these expense and revenue items permits investors to better evaluate the core operating performance of our resorts over time.

The second principal reason that we believe Adjusted EBITDA is useful to investors is that it is considered a key performance indicator by our board of directors (our "Board") and management. In addition, the compensation committee of our Board determines the annual variable compensation for certain members of our management based, in part, on consolidated Adjusted

EBITDA. We believe that Adjusted EBITDA is useful to investors because it provides investors with information utilized by our Board and management to assess our performance and may (subject to the limitations described below) enable investors to compare the performance of our portfolio to our competitors.

Adjusted EBITDA is not a substitute for income (loss) from continuing operations or any other measure determined in accordance with IFRS. There are limitations to the utility of non-IFRS financial measures, such as Adjusted EBITDA. For example, other companies in our industry may define Adjusted EBITDA differently than we do. As a result, it may be difficult to use Adjusted EBITDA or similarly named non-IFRS financial measures that other companies publish to compare the performance of those companies to our performance. Because of these limitations, Adjusted EBITDA should not be considered as a measure of the income or loss generated by our business or discretionary cash available for investment in our business, and investors should carefully consider our IFRS results presented.

For a reconciliation of EBITDA and Adjusted EBITDA to income (loss) from continuing operations as computed under IFRS, see “Non-IFRS Financial Measures.”

“Adjusted EBITDA Margin” represents Adjusted EBITDA as a percentage of Total Net Revenue. The calculation of Total Net Revenue is the same under both IFRS and U.S. GAAP. We believe Adjusted EBITDA Margin provides our investors a useful measurement of operating profitability for the same reasons we find Adjusted EBITDA useful.

Non-IFRS Financial Measures

Reconciliation of Net Income to Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

The following is a reconciliation of our net (loss) income, as prepared in accordance with U.S. GAAP to EBITDA and Adjusted EBITDA for the years ended December 31, 2017 and 2016 (*$ in thousands*):

	Year Ended December 31,	
	2017	**2016**
Net (loss) income	**$ (241)**	**$ 20,216**
Interest expense	53,661	54,793
Income tax (benefit) expense	9,051	4,232
Depreciation and amortization	53,131	52,744
EBITDA	**115,602**	**131,985**
Other expense, net [(a)]	1,078	5,390
Pre-opening expense [(b)]	—	—
Transaction expense [(c)]	21,708	16,538
Severance expense	442	—
Other tax expense [(d)]	1,778	675
Jamaica delayed opening expenses [(e)]	(203)	—
Gain on property damage insurance proceeds [(f)]	—	(348)
Share-based compensation	3,765	—
Loss on extinguishment of debt	25,120	—
Repairs from hurricanes and tropical storms [(g)]	1,807	—
Other components of net periodic pension (cost) benefit [(h)]	(232)	429
Adjusted EBITDA	**$ 170,865**	**$ 154,669**

(a) Represents changes in foreign exchange and other miscellaneous expenses or income.

(b) Represents pre-opening expenses incurred in connection with the expansion, renovation, repositioning and rebranding of Hyatt Ziva Cancún. Excludes pre-opening expenses incurred at Hyatt Ziva Los Cabos following Hurricane Odile, as those expenses were offset with proceeds from business interruption insurance.

(c) Represents expenses incurred in connection with corporate initiatives, such as: debt refinancing costs; other capital raising efforts including the business combination with Pace; the redesign and build-out of our internal controls and strategic initiatives, such as possible expansion into new markets.

(d) Relates primarily to a Dominican Republic asset tax, which is an alternative tax to income tax in the Dominican Republic. We eliminate this expense from Adjusted EBITDA because it is substantially similar to the income tax expense we eliminate from our calculation of EBITDA.

(e) Represents a reversal on an expense accrual recorded in 2014 related to our future stay obligations provided to guests affected by the delayed opening of Hyatt Ziva and Hyatt Zilara Rose Hall. The partial reversal of this accrual occurred throughout 2017.

(f) Represents a gain from insurance proceeds related to property insurance and not business interruption proceeds.

(g) Represents repair and maintenance expenses at Hyatt Ziva Los Cabos due to Tropical Storm Lidia, Dreams Punta Cana and Dreams Palm Beach due to Hurricane Maria for $0.4 million, $1.0 million and $0.4 million respectively. These are expenses incurred that are not covered by insurance claims or offset by insurance proceeds.

(h) The early adoption of ASU 2017-07 (as described in Note 2 of the Consolidated Financial Statements) reclassified certain components of net periodic pension (cost) benefit from direct to other expense, net in the Consolidated Statements of Operations and Comprehensive (Loss) Income. We added back these (costs) benefits for the purposes of calculating Adjusted EBITDA as they are considered part of our ongoing resort operations.

The following table presents a reconciliation of our U.S. GAAP net (loss) income to IFRS income (loss) from continuing operations for the years ended December 31, 2017 and 2016 (*$ in thousands*):

	Year Ended December 31,	
	2017	2016
Net (loss) income from continuing operations per U.S. GAAP	**$ (241)**	**$ 20,216**
Reconciling items to IFRS		
Impairment reversal gain [1]	—	11,905
Transaction expense related to debt refinancing [2]	10,205	—
Share based compensation expense [3]	(930)	—
Depreciation expense [4]	3,422	1,849
Amortization of Preferred Shares discount [5]	(6,885)	(9,902)
Dividends on Preferred Shares [5]	(7,308)	(40,289)
Change in fair value of derivatives [5]	90	1,926
Amortization of financing costs and derivative discount [6]	(1,187)	(1,197)
Gain on extinguishment of CRPS [7]	31,298	—
Gain on extinguishment of warrant liability [7]	3,927	—
Gain on extinguishment of derivative financial instrument [7]	225	—
Fair value losses on warrant liability [7]	(18,879)	—
Loss on extinguishment of debt [8]	(1,439)	—
Income tax benefit (expense) [9]	12,947	(35,714)
Other	6	66
Income (loss) from continuing operations per IFRS	**$ 25,251**	**$ (51,140)**

[1] Impairment reversal does not exist under U.S. GAAP.

[2] The financing costs related to the partial debt modifications of our Term Loan (see Note 20) were capitalized as an additional debt discount under IFRS compared to expensed under U.S. GAAP.

[3] Share based compensation expense is accelerated for share based awards with graded vesting service conditions compared to U.S. GAAP.

[4] Differences in depreciation due to componentization and impairment reversal under IFRS.

[5] Finance costs not recognized in the Consolidated Statement of Profit (Loss) under U.S. GAAP (See Note 29).

[6] Differences in the amortization of the derivative discount on borrowings and financing costs.

[7] Other financial income (losses) not recognized in the Consolidated Statement of Profit (Loss) under U.S. GAAP (See Note 29).

[8] The financing costs related to the partial debt extinguishments of our Term Loan (See Note 20) were expensed under IFRS compared to capitalized as an additional debt discount under U.S. GAAP. Additionally, the existing unamortized financing costs balance written off to loss on extinguishment of debt was different between IFRS and U.S. GAAP.

[9] Differences in book and tax basis under IFRS and U.S. GAAP, with the largest difference related to property, plant and equipment.

Seasonality

The seasonality of the lodging industry and the location of our resorts in Mexico and the Caribbean generally result in the greatest demand for our resorts between mid-December and April of each year, yielding higher occupancy levels and package rates during this period. This seasonality in demand has resulted in predictable fluctuations in revenue, results of operations, and liquidity, which are consistently higher during the first quarter of each year than in successive quarters.

Inflation

Operators of lodging properties, in general, possess the ability to adjust room rates to reflect the effects of inflation. However, competitive pressures may limit our ability to raise room rates to fully offset inflationary cost increases.

Liquidity and Capital Resources

Our primary short-term cash needs are paying operating expenses, maintaining our resorts, servicing of our outstanding indebtedness, paying the $100.0 million cash consideration upon closing of the Sagicor Contribution, and funding any ongoing development expansion, renovation, repositioning and rebranding projects. As of December 31, 2017, we had $54.5 million of scheduled contractual obligations due within one year.

We expect to meet our short-term liquidity requirements generally through net cash provided by operations, existing cash balances and, if necessary, short-term borrowings under our Revolving Credit Facility which permits borrowings of up to $100.0 million and which matures on April 27, 2022, which we intend to increase by $100.0 million in connection with the consummation of the Sagicor Contribution. We had cash and cash equivalents of $117.2 million as of December 31, 2017, compared to $33.5 million as of December 31, 2016 (excluding $0.0 million and $9.7 million of restricted cash, respectively). We plan to fund our Hyatt Ziva and Zilara Cap Cana development project over the next 18 to 24 months with the cash we have on hand, as well as our cash generated from operations. As of December 31, 2017, there was $0.0 million outstanding under our Revolving Credit Facility. When assessing liquidity, we also consider the availability of cash resources held within local business units to meet our strategic needs.

Long-term liquidity needs may include existing and future property developments, expansions, renovations, repositioning and rebranding projects, potential acquisitions and the repayment of indebtedness. As of December 31, 2017, our total debt obligations were $906.4 million (which represents the principal amounts outstanding under our Revolving Credit Facility and Term Loan, excluding a $2.6 million issuance discount on our Term Loan and $5.6 million of unamortized debt issuance costs). We expect to meet our long-term liquidity requirements generally through the sources available for short-term needs, as well as equity or debt issuances or proceeds from the potential disposal of assets.

In an effort to maintain sufficient liquidity, our cash flow projections and available funds are discussed with our Board and we consider various ways of developing our capital structure and seeking additional sources of liquidity if needed. The availability of additional liquidity options will depend on the economic and financial environment, our credit, our historical and projected financial and operating performance and continued compliance with financial covenants. As a result of possible future economic, financial and operating declines, possible declines in our creditworthiness and potential non-compliance with financial covenants, we may have less liquidity than anticipated, fewer sources of liquidity than anticipated, less attractive financing terms and less flexibility in determining when and how to use the liquidity that is available.

Financing Strategy

In addition to our Revolving Credit Facility, we intend to use other financing sources that may be available to us from time to time, including financing from banks, institutional investors or other lenders, such as bridge loans, letters of credit, joint ventures and other arrangements. Future financings may be unsecured or may be secured by mortgages or other interests in our assets. In addition, we may issue publicly or privately placed debt or equity securities. When possible and desirable, we will seek to replace short-term financing with long-term financing. We may use the proceeds from any financings to refinance existing indebtedness, to finance resort projects or acquisitions or for general working capital or other purposes.

Our indebtedness may be recourse, non-recourse or cross-collateralized and may be fixed rate or variable rate. If the indebtedness is non-recourse, the obligation to repay such indebtedness will generally be limited to the particular resort or resorts pledged to secure such indebtedness. In addition, we may invest in resorts subject to existing loans secured by mortgages or similar liens on the resorts, or may refinance resorts acquired on a leveraged basis.

Cash Flows

The following table summarizes our net cash provided by or used in operating activities, investing activities and financing activities for the periods indicated and should be read in conjunction with our Consolidated Statements of Cash Flows and accompanying notes thereto included in the Consolidated Financial Statements.

	Year Ended December 31,	
	2017	2016
	($ in thousands)	
Net cash flows from operating activities	$ 74,208	$ 78,538
Net cash flows from investing activities	$ (99,989)	$ (24,671)
Net cash flows from financing activities	$ 109,498	$ (55,815)

Capital Expenditures

We maintain each of our properties in good repair and condition and in conformity with applicable laws and regulations, franchise agreements and management agreements. Capital expenditures made to extend the service life or increase the capacity of our assets are administered by us, and with respect to those operated by a third party, by such third party ("Maintenance Capital Expenditures"). However, with respect to the latter, we have approval rights over capital expenditures as part of the annual budget process for each such property. From time to time, certain of our resorts may be undergoing renovations as a result of our decision to upgrade portions of the resorts, such as guestrooms, public space, meeting space, gyms, spas and/or restaurants, in order to better compete with other hotels in our markets ("Development Capital Expenditures").

The following table summarizes our capital expenditures for the years ended December 31, 2017 and 2016:

	Year Ended December 31,	
	2017	2016
	($ in thousands)	
Development Capital Expenditures		
Hyatt Zilara Cancun	$ 3,340	$ —
Panama Jack Resorts Cancun	8,916	—
Panama Jack Resorts Playa del Carmen	3,807	—
Hyatt Ziva Puerto Vallarta	2,482	—
Hyatt Ziva and Zilara Cap Cana [2]	8,379	—
Hyatt Ziva and Zilara Rose Hall	11,873	—
Total Development Capital Expenditures	**38,797**	**—**
Maintenance Capital Expenditures[1]	16,208	19,262
Total Capital Expenditures [3]	**$ 55,005**	**$ 19,262**

[1] Our maintenance capital expenditures are cash expenditures made to extend the service life or increase capacity of our assets (including expenditures for the replacement, improvement or expansion of existing capital assets). These maintenance capital expenditures differ from ongoing repair and maintenance expense items which do not in our judgment extend the service life or increase the capacity of assets and are charged to expense as incurred. Typically, maintenance capital expenditures equate to roughly 3% to 4% of Total Net Revenue.

[2] Excludes land acquisition cost

[3] Total capital expenditures plus $45.6 million of cash used to purchase the land in Cap Cana totals $100.6 million as disclosed in the net cash flows from investing activities on our Consolidated Statement of Cash Flows for the year ended December 31, 2017.

Dividends

We may only pay dividends to our shareholders if our shareholders' equity exceeds the sum of the paid-up and called-up share capital plus the reserves as required to be maintained by Dutch law or by our Articles of Association. Any amount remaining out of the profit is carried to reserve as the Board determines. After reservation by the Board of any profit, the profits which are not required to be maintained by Dutch law or by our Articles of Association may be declared by the shareholders, but only at the proposal of the Board. The Board is permitted, subject to certain requirements, to declare interim dividends without the approval of the shareholders at a General Meeting. However, payments of dividends are restricted by our Senior Secured Credit Facility. See "—*Senior Secured Credit Facility*". No cash dividends were paid during the year ended December 31, 2017. We do not plan on paying cash dividends on our ordinary shares in the foreseeable future.

Our Predecessor could not pay any dividends on its ordinary shares until any accumulated and unpaid dividends on its Preferred Shares had been paid in full, to the extent any of our Predecessor's Preferred Shares were outstanding. Our Predecessor's Preferred Shares accumulated dividends at a rate of 12% per annum (payable in Preferred Shares). On March 11, 2017, all outstanding Preferred Shares of our Predecessor were repurchased and all such Preferred Shares have been canceled and no Preferred Shares remain outstanding.

Senior Secured Credit Facility

On August 9, 2013, we entered into a senior secured credit facility, which consisted of a term loan of $375.0 million, which was scheduled to mature on August 9, 2019, and a revolving credit facility of $50.0 million, which was scheduled to mature on August 9, 2018. On April 27, 2017, we amended and restated our existing Senior Secured Credit Facility, consisting of a $530.0 million term loan ("First Term Loan") priced at 99.75% of the principal amount and which matures on April 27, 2024, and a revolving credit

facility ("Revolving Credit Facility"), which has a maximum aggregate borrowing capacity of $100.0 million and which matures on April 27, 2022.

On December 6, 2017, we entered into the First Amendment to the Amended & Restated Credit Agreement (the "Amendment"), governing our Senior Secured Credit Facility. The Amendment amended our existing Senior Secured Credit Facility to, among other things, (i) effect an incremental term loan facility of $380 million (the "Second Term Loan" and, together with the First Term Loan, the "Term Loan") that was incurred pursuant to the borrower's exercise of its option to request incremental loans under the Amended & Restated Credit Agreement and (ii) increase the interest rate applicable to the Term Loan by 0.25% to, at the Borrower's option, either a base rate plus a margin of 2.25% or LIBOR plus a margin of 3.25%. The Second Term Loan was fully funded on December 6, 2017 and has a maturity date of April 27, 2024. The other terms applicable to the Second Term Loan are the same as those applicable to the First Term Loan. The proceeds of the Second Term Loan were used, in part, to redeem our Senior Notes due 2020.

The Term Loan bears interest at a rate per annum equal to LIBOR plus 3.25% (where the applicable LIBOR rate has a 1.0% floor), and interest continues to be payable in cash in arrears on the last day of the applicable interest period (unless we elect to use the ABR rate in which case, interest is payable on the last business day of each of March, June, September and December).

Our Term Loan requires quarterly payments of principal equal to 0.25% of the original principal amount of the Term Loan on the last business day of each March, June, September and December. The remaining unpaid amount of our Term Loan is due and payable at maturity on April 27, 2024 (subject to the Springing Maturity Date). We may voluntarily prepay borrowings at any time without premium or penalty, subject to customary breakage costs in the case of LIBOR-based loans, as well a premium of 1% applicable in the case of a repayment of the Term Loan in the first six months following the closing date of the Term Loan in connection with certain transactions that have the effect of refinancing the Term Loan at a lower interest rate.

The Revolving Facility bears interest at variable interest rates that are, at the Borrower's option, either based on LIBOR or based on an alternate base rate derived from the greatest of the federal funds rate plus a spread, prime rate, or a one-month euro-currency rate plus a spread. We are required to pay a commitment fee ranging from 0.25% to 0.5% per annum (depending on the level of our consolidated secured leverage ratio in effect from time to time) on the average daily undrawn balance.

The proceeds received from the First Term Loan were used to repay our existing term loan and $115.0 million of our Senior Notes due 2020 and for other general corporate purposes. The repayment of our existing term loan and partial repayment of our Senior Notes due 2020 were accounted for as a partial modification and partial extinguishment of debt, which resulted in a loss on extinguishment of debt of $9.4 million.

The proceeds received from the Second Term Loan were used to repay our Senior Notes due 2020. The Second Term Loan and the repayment of our Senior Notes due 2020 were accounted for as a partial modification and partial extinguishment of debt, which resulted in a loss on extinguishment of debt of $17.2 million. These refinancings lower our annual weighted average cost of debt and saves the Company an estimated $2.0 million in annualized interest expense.

The Senior Secured Facility requires that certain subsidiaries of the Company comply with covenants relating to customary matters, including with respect to incurring indebtedness and liens, paying dividends or making certain other distributions or redeeming equity interests, making acquisitions and investments, effecting mergers and asset sales, prepaying junior indebtedness, and engaging in transactions with affiliates.

Senior Notes due 2020

On August 9, 2013, our wholly-owned subsidiary Playa Resorts Holding B.V. issued $300.0 million of our Senior Notes due 2020. Interest on our Senior Notes due 2020 is payable semi-annually in arrears on February 15 and August 15 of each year. We received net proceeds of approximately $290.1 million after deducting unamortized debt issuance costs of $9.9 million. The net proceeds were used in connection with the formation transactions of our Predecessor, to fund general working capital requirements and for general corporate purposes.

On February 14, 2014, we issued an additional $75.0 million of our Senior Notes due 2020. The additional Senior Notes due 2020 were priced at 105.5% of their principal amount, and we received net proceeds of approximately $79.1 million before deducting unamortized debt issuance costs of $2.3 million.

On May 11, 2015, we issued an additional $50.0 million of our Senior Notes due 2020. The additional Senior Notes due 2020 were priced at 103% of their principal amount and we received net proceeds of approximately $51.5 million before deducting unamortized debt issuance costs of $0.6 million. The net proceeds of the February 14, 2014 and May 11, 2015 issuances were

primarily used in connection with the expansion, renovation, repositioning and rebranding of our Hyatt Ziva Cancun resort, and the remaining net proceeds were used for general corporate purposes, including fees and expenses.

On October 4, 2016, we issued an additional $50.0 million of the Senior Notes due 2020. The additional Senior Notes due 2020 were priced at 101% of their principal amount and we received net proceeds of approximately $50.5 million before deducting unamortized debt issuance costs of less than $0.1 million. The net proceeds of the October 4, 2016 issuance were used to purchase 4,227,100 of our Predecessor's outstanding Preferred Shares at a purchase price of $8.40 per share for $35.5 million in face value and we paid $14.5 million of associated PIK dividends. Our Predecessor's Preferred Shares were extinguished as part of the reverse merger in the Business Combination.

On April 27, 2017, we redeemed $115.0 million in aggregate principal amount of our Senior Notes due 2020 with a portion of the proceeds from the Senior Secured Credit Facility. Our Senior Notes due 2020 were redeemed at 106% of the principal amount. Following the redemption, $360.0 million in aggregate principal amount of our Senior Notes due 2020 remained outstanding.

On December 6, 2017, we redeemed the remaining $360.0 million in aggregate principal amount of our Senior Notes due 2020 with the proceeds from the Second Term Loan. Our Senior Notes due 2020 were redeemed at 104% of the principal amount.

Business Combination

At the Closing Time, we consummated the Business Combination resulting in Playa Hotels & Resorts N.V. having 103,464,186 shares outstanding with a par value of €0.10 per share. As a result, we received an additional $79.7 million in cash and all outstanding Preferred Shares of our Predecessor were purchased as well as all associated paid-in-kind dividends ($353.9 million in total), which were subsequently extinguished as part of the reverse merger in the Business Combination. The additional capital was used for general corporate purposes.

Off Balance Sheet Arrangements

We had no off balance sheet arrangements for the years ended December 31, 2017 and 2016.

Critical Accounting Policies and Estimates

All significant accounting policies are disclosed in Note 4 of our Consolidated Financial Statements, which include certain critical accounting policies that require us to exercise business judgment or make significant estimates. See Note 5 to our Consolidated Financial Statements for further information on our critical accounting policies, which are as follows:

- Goodwill,
- Business combinations;
- Income taxes;
- Property, plant and equipment, net;
- Impairment of definite lived assets;
- Share-based compensation; and
- Warrants.

Fair Value of Financial Instruments

Our financial instruments consist of cash and cash equivalents, trade and other receivables, accounts receivable from related parties, borrowings, trade and other payables, accounts payable to related parties, Preferred Shares, and certain derivative financial instruments. See Note 23 to our Consolidated Financial Statements for more information.

Recent Accounting Pronouncements

See the recent accounting pronouncements in Note 3 to our Consolidated Financial Statements.

Quantitative and Qualitative Disclosures About Market Risk

In the normal course of operations, we are exposed to interest rate risk and foreign currency risk which may impact future income and cash flows. See Note 23 to the Consolidated Financial Statements for further discussion regarding managing the risks of our financial instruments.

7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

7.1 Consolidated Financial Statements

Playa Hotels & Resorts N.V.
Consolidated Statement of Financial Position
($ in thousands, except share data)

		As of December 31,	
	Note	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	8	$ 1,398,146	$ 1,328,693
Goodwill	7	51,262	51,262
Other intangible assets		2,087	1,968
Investment in associates		990	1,389
Deferred tax assets	9.2	929	839
Other non-current assets	10	5,768	14,381
Total non-current assets		1,459,182	1,398,532
Current assets			
Inventories		11,309	10,451
Trade and other receivables, net	11	51,527	48,881
Accounts receivable from related parties	12	1,495	2,532
Prepayments and other current assets	13	28,291	23,894
Cash and cash equivalents		117,229	33,512
Total current assets		209,851	119,270
Total assets		$ 1,669,033	$ 1,517,802
EQUITY AND LIABILITIES			
Equity			
Share capital	14	$ 11,803	$ 5,386
Share premium	14	599,451	182,477
Cumulative redeemable preferred shares reserve	15	—	26,683
Other reserves	14	4,678	—
Treasury shares	14	(80)	—
Accumulated deficit		(170,793)	(195,377)
Total equity		445,059	19,169
Non-current liabilities			
Borrowings	20	878,183	821,225
Cumulative redeemable preferred shares	16	—	343,681
Derivative financial instrument	21	—	225
Warrant liability	19	25,110	—
Deferred tax liabilities	9.2	149,313	161,153
Provisions	24	2,310	2,969
Other non-current liabilities	26	16,364	5,351
Total non-current liabilities		1,071,280	1,334,604
Current liabilities			
Trade and other payables	22	139,528	145,042
Accounts payable to related parties	12	2,966	8,184
Borrowings	20	9,110	3,750
Derivative financial instrument	21	—	89
Deferred consideration	12	—	1,836
Current income tax payable		1,090	5,128
Total current liabilities		152,694	164,029
Total liabilities		1,223,974	1,498,633
Total equity and liabilities		$ 1,669,033	$ 1,517,802

The accompanying Notes 1-32 are an integral part of these consolidated financial statements.

Playa Hotels & Resorts N.V.
Consolidated Statement of Profit or Loss
($ in thousands, except share data)

		Year ended December 31,	
	Note	**2017**	**2016**
Continuing operations			
Revenue		$ 559,545	$ 521,491
Cost of sales		(78,114)	(76,418)
Operating expenses	28	(380,264)	(358,952)
Impairment reversal gain	8	—	11,905
Gain on insurance proceeds		479	348
Operating income		101,646	98,374
Finance costs	29	(68,951)	(104,255)
Loss on extinguishment of debt	20	(26,559)	—
Other financial income, net	30	15,911	1,116
Net result of exchange differences		(692)	(6,429)
Income (loss) from continuing operations before tax		21,355	(11,194)
Income tax benefit (expense)	9.1	3,896	(39,946)
Income (loss) from continuing operations		$ 25,251	$ (51,140)
Earnings (losses) per share - Basic	18	$ 0.25	$ (1.08)
Earnings (losses) per share - Diluted	18	$ 0.25	$ (1.08)
Weighted average number of shares outstanding during the period - Basic		96,896,498	50,481,822
Weighted average number of shares outstanding during the period - Diluted		97,040,584	50,481,822

The accompanying Notes 1-32 are an integral part of these consolidated financial statements.

Playa Hotels & Resorts N.V.
Consolidated Statement of Comprehensive Income (Loss)
($ in thousands, except share data)

	Year ended December 31,	
	2017	**2016**
Income (loss) for the period	$ 25,251	$ (51,140)
Other comprehensive (loss) income for the period, net of tax	(53)	338
Total comprehensive income (loss) for the period	$ 25,198	$ (50,802)

The accompanying Notes 1-32 are an integral part of these consolidated financial statements.

Playa Hotels & Resorts N.V.
Consolidated Statement of Changes in Equity for the years ended December 31, 2017 and 2016
($ in thousands, except share data)

	Ordinary share capital (Note 14)		Treasury shares		Share premium (Note 14)	Cumulative redeemable preferred shares reserve (Note 15)	Equity-settled employee benefits reserve (Note 14)	Accumulated deficit	Total equity
	Shares	Amount	Shares	Amount					
Balance at January 1, 2016	**60,249,330**	**$ 656**	**5,373,884**	**$ (23,108)**	**$ 210,315**	**$ 27,296**	**—**	**(141,188)**	**$ 73,971**
Retroactive application of recapitalization	(9,767,508)	4,730	(5,373,884)	23,108	(27,838)	—		—	—
Adjusted balance at January 1, 2016	**50,481,822**	**$ 5,386**	**—**	**$ —**	**$ 182,477**	**$ 27,296**	**$ —**	**$ (141,188)**	**$ 73,971**
Net loss for the period								(51,140)	(51,140)
Net other comprehensive income for the period								338	338
Total comprehensive loss for the period								**(50,802)**	**(50,802)**
Redemption of cumulative redeemable preferred shares						(2,841)			(2,841)
Payment of accrued dividends of cumulative redeemable preferred shares						(1,159)			(1,159)
Cumulative redeemable preferred shares PIK dividends						3,387		(3,387)	—
Balance at December 31, 2016	**50,481,822**	**$ 5,386**	**—**	**$ —**	**$ 182,477**	**$ 26,683**	**$ —**	**$ (195,377)**	**$ 19,169**
Net income for the period								25,251	25,251
Net other comprehensive loss for the period								(53)	(53)
Total comprehensive income for the period								**25,198**	**25,198**
Recapitalization transaction	52,982,364	5,653			344,479				350,132
Cumulative redeemable preferred shares PIK dividends						614		(614)	—
Redemption of cumulative redeemable preferred shares						(18,461)			(18,461)
Settlement of accrued dividends of cumulative redeemable preferred shares						(8,836)			(8,836)
Non-cash transfer of ordinary shares	(7,367)		7,367	(80)					(80)
Issuance of ordinary shares in exchange for warrants	6,689,309	747			72,495				73,242
Recognition of share-based compensation	151,569	17					4,678		4,695
Balance at December 31, 2017	**110,297,697**	**$ 11,803**	**7,367**	**$ (80)**	**$ 599,451**	**$ —**	**$ 4,678**	**$ (170,793)**	**$ 445,059**

The accompanying Notes 1-32 are an integral part of these consolidated financial statements.

Playa Hotels & Resorts N.V.
Consolidated Statement of Cash Flows
($ in thousands, except share data)

		Year ended December 31,	
CASH FLOWS FROM OPERATING ACTIVITIES:	**Note**	**2017**	**2016**
Income (loss) from continuing operations		$ 25,251	$ (51,140)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:			
Income tax (benefit) expense	9	(3,896)	39,946
Depreciation and amortization expense	8	49,709	50,895
Loss on extinguishment of debt	20	26,559	—
Share based compensation	17	4,695	—
Impairment reversals	8	—	(11,905)
Finance costs	29	68,951	104,054
Gain on insurance recoveries		—	(348)
Gain on extinguishment of derivative financial instrument	21	(224)	—
Gain on extinguishment of Preferred Shares	15	(31,298)	—
Earnings from investments in associates		399	(545)
Changes in deferred consideration		—	201
Changes in other liabilities		335	4
Change in fair value of warrant liabilities	19	18,879	—
Gain on warrant exchange	19	(3,927)	—
Change in provisions	24	(1,069)	(400)
Other		423	2,401
Working capital adjustments:			
Inventories		(900)	(331)
Trade and other receivables, including related parties	11	(3,861)	(5,322)
Prepayments and other assets	13	15,969	9,035
Trade payables and other payables, including related parties	22	1,649	9,604
Income taxes payable		(9,227)	(257)
Cash flows generated from operating activities		158,417	145,892
Income tax paid		(21,582)	(16,953)
Interest paid		(62,627)	(50,401)
Net cash flows from operating activities		**74,208**	**78,538**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	8	(100,605)	(19,262)
Contract deposit		(2,700)	—
Purchase of intangibles		(1,003)	(356)
Proceeds from disposal of property, plant and equipment		104	54
Property damage insurance proceeds		—	518
Restricted cash escrow deposit		—	(5,625)
Release of restricted cash		4,215	—
Net cash flows from investing activities		**(99,989)**	**(24,671)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt issuance	20	907,725	50,500
Repayments of borrowings on revolving credit facility	20	—	(50,000)
Payment of deferred financing costs	20	(12,982)	(55)
Repayment of deferred consideration	23	(2,490)	(2,510)
Repayments of debt	20	(366,415)	(3,750)
Repayment of Senior Notes due 2020	20	(495,998)	—

Recapitalization transaction		79,658	—
Redemption of cumulative redeemable preferred shares	14	—	(35,508)
Payment of accrued dividends of cumulative redeemable preferred shares	14	—	(14,492)
Net cash flows from financing activities		**109,498**	**(55,815)**
Net increase (decrease) in cash and cash equivalents		**83,717**	**(1,948)**
Cash and cash equivalents at the beginning of the period		33,512	35,460
Cash and cash equivalents at the end of the period		**$ 117,229**	**$ 33,512**
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Capital expenditures incurred but not yet paid		$ 12,605	$ 483
Interest capitalized but not yet paid		$ 163	$ —
Settlement of accrued dividends and redemption of cumulative redeemable preferred shares (liability component)		$ (326,576)	$ —
Settlement of accrued dividends and redemption of cumulative redeemable preferred shares (equity component)		$ (27,297)	$ —
Cumulative redeemable preferred shares PIK dividends		$ (614)	$ (3,387)
Par value of ordinary shares issued in exchange for warrants		$ 747	$ —
Share premium of ordinary shares issued in exchange for warrants		$ (72,495)	$ —
Par value of vested restricted share awards		$ 17	$ —
Non-cash transfer of ordinary shares		$ (80)	$ —
Fair value of warrants recognized in recapitalization		$ 83,399	$ —
Reclassification of restricted cash to land		$ (5,625)	$ —

The accompanying Notes 1-32 are an integral part of these consolidated financial statements.

1. Organization and description of the Company

1.1 Background

Playa Hotels & Resorts N.V. ("Playa" or the "Company") is a leading owner, operator, manager and developer of all-inclusive resorts in prime beachfront locations in popular vacation destinations. We own a portfolio of 13 resorts located in Mexico, the Dominican Republic and Jamaica. We currently manage eight of the 13 resorts we own, as well as one resort owned by a third party. Unless otherwise indicated or the context requires otherwise, references in these consolidated financial statements ("Consolidated Financial Statements") to "we," "our," "us" and similar expressions refer to Playa and its subsidiaries. Capitalized terms not otherwise defined in these Consolidated Financial Statements shall have the meanings set forth in the Directors' Report that these Consolidated Financial Statements are attached to.

At 12:00 a.m. Central European Time on March 12, 2017 (the "Closing Time"), we consummated a business combination (the "Business Combination") pursuant to that certain transaction agreement by and among us, Playa Hotels & Resorts B.V. (our "Predecessor") and Pace Holdings Corp. ("Pace"), an entity that was formed as a special purpose acquisition company, for the purpose of effecting a merger or other similar business combination with one or more target businesses, and New Pace Holdings Corp. ("New Pace"). In connection with the Business Combination, which is described in detail in our Current Report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on March 14, 2017, we changed our name from Porto Holdco N.V. to Playa Hotels & Resorts N.V. In addition, in connection with the Business Combination, (i) prior to the consummation of the Business Combination, all of our Predecessor's cumulative redeemable preferred shares ("Preferred Shares") were purchased and were subsequently extinguished upon the reverse merger of our Predecessor with and into us, (ii) Pace's former shareholders and our Predecessor's former shareholders received a combination of our ordinary shares and warrants as consideration in the Business Combination. Our Predecessor was the accounting acquirer in the Business Combination, and the business, properties, and management team of our Predecessor prior to the Business Combination are the business, properties, and management team of the Company following the Business Combination.

1.2 General information

The address of Playa's registered office is Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands (Chamber of Commerce: 67450628).

1.3 Subsidiaries

Playa's consolidated subsidiaries, all of which were wholly owned, as of December 31, 2017 are as follows:

Subsidiary	Country	Category	Resort
Paloma Capital N.V.	Curacao	Holding	—
Perfect Timing N.V.	Curacao	Holding	—
BD Real Resorts, S. de R.L.de C.V.	Mexico	Holding	—
Hotel Gran Caribe Real B.V.	Netherlands	Holding	—
Hotel Gran Porto Real B.V.	Netherlands	Holding	—
Hotel Royal Cancun B.V.	Netherlands	Holding	—
Hotel Royal Playa del Carmen B.V.	Netherlands	Holding	—
Playa Cabos B.V.	Netherlands	Holding	—
Playa Capri Resort B.V.	Netherlands	Holding	—
Playa H&R Holdings B.V.	Netherlands	Holding	—
Playa Puerto Vallarta Resort B.V.	Netherlands	Holding	—
Playa Punta Cana Holding B.V.	Netherlands	Holding	—
Playa Punta Cancun Resort B.V.	Netherlands	Holding	—
Playa Resorts Holding B.V.	Netherlands	Holding	—
Playa Riviera Maya B.V.	Netherlands	Holding	—
Playa Romana B.V.	Netherlands	Holding	—
Rose Hall Jamaica Resort B.V.	Netherlands	Holding	—
St. James Parish Resort Limited	St. Lucia	Holding	—

Perfect Tours N.V.	Curacao	Holding	—
Hotel Gran Caribe Real, S. de R.L. de C.V.	Mexico	Resort Operations	—
Playa Resorts Management Mexico, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros de Capri, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros de Punta Cancún, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros Grand Cabos Baja, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros Pvall, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros Rmaya One, S. de R.L. de C.V.	Mexico	Resort Operations	—
Beach Tours Sales, LLC	Nevis	Resort Operations	—
IC Sales, LLC	Nevis	Resort Operations	—
Playa Management USA, LLC	USA	Resort Operations	—
Playa Management, LLC	USA	Resort Operations	—
Playa Resorts Management, LLC	USA	Resort Operations	—
Resort Room Sales, LLC	USA	Resort Operations	—
Inversiones Vilazul S.A.S.	Dominican Republic	Resorts	Dreams Punta Cana
Cameron del Caribe, S. de R.L. de C.V.	Mexico	Resorts	Hyatt Ziva Cancun
Cameron del Pacífico, S. de R.L. de C.V.	Mexico	Resorts	Hyatt Ziva Puerto Vallarta
Desarollos GCR, S. de R.L. de C.V.	Mexico	Resorts	Panama Jack Resorts Cancun
Gran Desing & Factory, S. de R.L. de C.V.	Mexico	Resorts	Hyatt Zilara Cancun
Hotel Capri Caribe, S. de R.L. de C.V.	Mexico	Resorts	Secrets Capri
Inmobiliaria Y Proyectos TRPLAYA, S. de R.L. de C.V.	Mexico	Resorts	THE Royal Playa del Carmen
Playa Cabos Baja, S. de R.L. de C.V.	Mexico	Resorts	Hyatt Ziva Los Cabos
Playa Gran, S. de R.L. de C.V.	Mexico	Resorts	Panama Jack Resorts Playa del Carmen
Playa Rmaya One, S. de R.L. de C.V.	Mexico	Resorts	Dreams Puerto Aventuras
Playa Cana B.V.	Netherlands [1]	Resorts	Dreams Palm Beach
Playa Romana Mar B.V.	Netherlands [1]	Resorts	Dreams La Romana
Playa Dominican Resort B.V.	Netherlands [1]	Resorts	Hyatt Ziva and Hyatt Zilara Cap Cana
Playa Hall Jamaican Resort Limited	Jamaica	Resorts	Hyatt Ziva and Hyatt Zilara Rose Hall

[1] With a branch in the Dominican Republic.

1.4 Investment in associates

As of December 31, 2017 the Company's investment in associates consisted of a 25% interest in Invermax S.A., a company that supplies fresh water for consumption at one of our resorts. We accounted for our investment using the equity method of accounting.

1.5 Resort properties

As of December 31, 2017, Playa owned 13 resorts located in Mexico, the Dominican Republic and Jamaica, and managed one resort owned by a third party in the Dominican Republic:

Current Name of Resort	Rooms	Location
Owned Resorts		
Hyatt Ziva and Hyatt Zilara Rose Hall[1]	620	Montego Bay, Jamaica
THE Royal Playa del Carmen	513	Playa del Carmen, Mexico
Hyatt Ziva Los Cabos	591	Cabo San Lucas, Mexico
Hyatt Ziva Puerto Vallarta	335	Puerto Vallarta, Mexico
Panama Jack Resorts Playa del Carmen[2]	287	Playa del Carmen, Mexico
Panama Jack Resorts Cancún[2]	458	Cancun, Mexico
Hyatt Zilara Cancun	307	Cancun, Mexico
Hyatt Ziva Cancun	547	Cancun, Mexico
Dreams Puerto Aventuras	305	Riviera Maya, Mexico
Secrets Capri	291	Riviera Maya, Mexico
Dreams La Romana	756	La Romana, Dominican Republic
Dreams Palm Beach	500	Punta Cana, Dominican Republic
Dreams Punta Cana	620	Punta Cana, Dominican Republic
Total Rooms Owned	**6,130**	
Managed Resorts		
Sanctuary Cap Cana[3]	184	Punta Cana, Dominican Republic
Total Rooms Operated	**184**	
Total Rooms Owned and Operated	**6,314**	

[1] Our Jamaica property is treated as a single resort operating under both of the all-ages Hyatt Ziva and adults-only Hyatt Zilara brands (the "Hyatt All-Inclusive Resort Brands"), rather than as two separate resorts.

[2] Pursuant to an agreement with Panama Jack, we have rebranded these resorts under the Panama Jack brand. The rebranding was completed in 2017.

[3] Owned by a third party.

2. Basis of preparation, presentation and measurement

These Consolidated Financial Statements have been prepared in accordance with the regulatory framework set forth in Note 4.1. The Consolidated Financial Statements have been approved for issue by the Board of Directors on April 13, 2018, and will be subject to adoption by the Shareholders on or before May 10, 2018.

The Consolidated Financial Statements have been prepared based on historical cost, with the exception of balances that are measured at fair value, as explained in Note 23.3.

3. Application of new and revised IFRS

3.1 Newly effective IFRS standards and interpretations

During the year ended December 31, 2017, the Company adopted these newly effective IFRS standards and interpretations.

Standards, Interpretations & Amendments	Effective Date
Endorsed by the European Union	
Amendments to IAS 7: *Disclosure Initiative*	Annual periods on or after January 1, 2017
Amendments to IAS 12: *Recognition of Deferred Tax Assets for Unrealized Losses*	Annual periods on or after January 1, 2017
Annual Improvements to IFRS Standards 2014-2016 Cycle	Annual periods on or after January 1, 2017 and January 1, 2018

3.2 IFRS standards and interpretations issued but not effective

The most significant IFRS standards, interpretations and amendments issued before December 31, 2017, but not yet effective as of December 31, 2017 (either because their effective date was subsequent to the date of the Consolidated Financial Statements, or because they had not been endorsed by the European Union yet) are listed below. The Company intends to adopt these standards when they become effective.

Standards, Interpretations & Amendments	Effective Date	Endorsed by the European Union?	Expected Impact
IFRS 15 *Revenue from Contracts with Customers (and the related clarifications)*	Annual periods on or after January 1, 2018	Yes	We will utilize the modified retrospective transition method upon implementation of IFRS 15 noting that we will provide the additional required disclosures, but the cumulative adjustment from our comparative periods will be zero in the Consolidated Financial Statements for the year ended December 31, 2018. The performance obligations related to our revenue streams are generally fully satisfied at the point the revenue is recognized due to the short-term day-to-day nature of these revenue streams.
IFRS 9 *Financial Instruments*	Annual periods on or after January 1, 2018	Yes	The implementation of IFRS 9 will not impact our Consolidated Financial Statements. We currently do not have any financial assets that meet the criteria to be measured at fair value with changes in fair value recognized in profit and loss as they arise ("FVPL") or any financial liabilities designated at FVPL. Our trade and other receivables qualify for the simplified approach to recognize and measure expected credit losses, which is consistent with our current approach.
Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions*	Annual periods on or after January 1, 2018	Yes	The implementation of amendments to IFRS 2 will not have a material impact on the Consolidated Financial Statements.
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	Annual periods on or after January 1, 2018	No	The implementation of IFRIC 22 will not have a material impact on the Consolidated Financial Statements.
Amendment to IAS 40: *Transfers of Investment Property*	Annual periods on or after January 1, 2018	No	The implementation of the amendments to IAS 40 will not have a material impact on the Consolidated Financial Statements.
IFRS 16 *Leases*	Annual periods on or after January 1, 2019	Yes	*
IFRIC 23 *Uncertainty over Income Tax Treatments*	Annual periods on or after January 1, 2019	No	*
Amendments to IFRS 9: *Prepayment Features with Negative Compensation*	Annual periods on or after January 1, 2019	No	*
Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*	Annual periods on or after January 1, 2019	No	*
Annual Improvements to IFRS Standards 2015-2017 Cycle	Annual periods on or after January 1, 2019	No	*
Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*	Annual periods on or after January 1, 2019	No	*

* The Company is currently assessing the impact of these standards, interpretations and amendments published but not yet effective.

The Company anticipates that these new standards, interpretations and amendments will be applied to the Consolidated Financial Statements for the periods beginning on the respective dates indicated above.

4. Significant accounting policies

4.1 Regulatory framework applicable to the financial information

The regulatory framework applied to the Company's financial information is established by:

- IFRS as issued by the International Accounting Standards Board ("IASB") and as endorsed by the European Union
- Title 9, Book 2 of the Netherlands Civil Code ("NCC")
- Combination 2 as allowed in the NCC

4.2 Principles of consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and the subsidiaries in which the Company has a majority ownership and control. All intercompany transactions and balances have been eliminated in the consolidation process.

4.3 Foreign currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the ''Functional Currency''). We have determined that the U.S. dollar (''USD'') is the Functional Currency of all of our international operations. Our reporting currency is also USD.

Foreign currency denominated monetary asset and liability amounts are remeasured into USD at end-of-period exchange rates. Foreign currency non-monetary assets, such as inventories, prepaid expenses, fixed assets and intangible assets, are recorded in USD at historical exchange rates. Foreign currency denominated income and expense items are recorded in USD at the applicable daily exchange rates in effect during the relevant period. For purposes of calculating the Company's tax liability in certain foreign jurisdictions, the Company indexes its depreciable tax bases in certain assets for the effects of inflation based upon statutory inflation factors. The effects of these indexation adjustments are reflected in the income tax benefit (expense) line of the Consolidated Statement of Profit or Loss. Foreign exchange gains and losses are presented in the Consolidated Statement of Profit or Loss within net result of exchange differences.

4.4 Related party transactions

In the ordinary course of business the Company conducts transactions with companies related to its intermediate or ultimate shareholders. These transactions are summarized in Note 12.

4.5 Business combinations

The acquisition of entities that hold properties but do not constitute a business are treated as asset acquisitions rather than business combinations.

For acquisitions meeting the definition of a business combination, the acquisition method of accounting is used. The acquisition date is the date in which the Company obtains operating control over the acquired business.

The consideration transferred is determined on the acquisition date and is the sum of the fair values of the assets transferred by us, the liabilities incurred by us, and the equity instruments issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, such as professional fees, are excluded from the consideration transferred and are expensed as incurred.

Any contingent compensation is measured at its fair value on the acquisition date. Future changes to the fair value of the contingent compensation are expensed in the Consolidated Statement of Profit or Loss unless such changes occur within one year from the purchase date, in which case it will be an adjustment to goodwill. If the consideration transferred is less than the fair value of the net

assets acquired and liabilities assumed, the difference is recorded as a bargain purchase gain in the Consolidated Statement of Profit or Loss.

Common control transactions

A common control transaction is defined as the acquisition of a business in which all of the entities or net assets are ultimately controlled by the same party both before and after the business combination, and control is not transitory.

The cost of acquiring an entity under common control is by measuring the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The assets and liabilities of businesses acquired from entities under common control are measured at the carrying values recognized by the transferor. Any difference between the consideration paid and the carrying value of the net assets of subsidiaries acquired is adjusted directly to equity.

The Company has deemed appropriate to use the carry-over method when accounting for the common control transaction as new investment or capital distributions are made. The asset and liability values are carried over at their current book value and would not be remeasured.

4.6 Investments in associates

An associate is an entity over which the Company has significant influence. The Company uses the equity method of accounting for its investments in associates in whom the Company has significant influence, but not control, over the associates' operations. The investment is initially recorded at cost and is adjusted thereafter based on the Company's share of the net income or loss of the associate. The Company's share of net income or loss is included within other financial income, net in the Consolidated Statement of Profit or Loss.

4.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. The costs of improvements that extend the life of property, plant and equipment, such as structural improvements, equipment and fixtures are capitalized. In addition, we capitalize costs for interest, insurance, construction administration and other costs that clearly relate to projects under development or construction, which are deemed qualifying assets. Start-up costs, ongoing repairs and maintenance are expensed as incurred. Buildings that are under redevelopment, or are being developed, are carried at cost. The useful life of buildings under redevelopment is re-evaluated upon completion of the projects.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values (if any) over their estimated residual useful lives, as follows:

Buildings and improvements	5 to 50 years
Fixtures and machinery	7 to 18 years
Furniture and other fixed assets	4 to 12 years

The assets' estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 4.9).

4.8 Goodwill

Goodwill arises in connection with business combinations and asset acquisitions and represents the excess of the consideration transferred over the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree (see Note 4.5).

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the business combination. Each unit or group of units

to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is reviewed for impairment annually on July 1st or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

4.9 Impairment of non-financial assets

Assets that have an indefinite useful life (i.e., goodwill) are tested annually for impairment or more frequently if indicators of potential impairment exist (see Note 4.8).

Assets that are subject to amortization (i.e., property, plant and equipment and other intangible assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or the asset's value in use. The value in use is calculated by the future cash flows discounted to their present value using projected financial results prepared by the Company for each of the next five years. The fair value includes a residual value based on the cash flow for the last projected year at a normalized rate in perpetuity. The referenced growth rate cannot exceed the estimated long-term rate of the market in which the company operates. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. If an impairment loss is subsequently reversed, the book value of the asset or the cash generating unit is increased by the estimated recoverable amount. The recoverable amount is limited to the historical carrying cost of the asset as if no impairment had been recognized. The reversal of an impairment loss is recognized in income.

4.10 Cash and cash equivalents

Cash and cash equivalents are comprised of cash balances and highly liquid cash deposits with maturities at the date of acquisition of three months or less, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Financial instruments that potentially subject us to a concentration of credit risk consist of cash on deposit at banks where the deposits are either uninsured or in excess of insured limits and money market fund balances. Substantially all of our cash is held by financial institutions that we believe are of high-credit quality.

4.11 Inventories

Inventories consist of food, beverages and other items related to consumption and are valued at the lower of cost or net realizable value. Cost is determined using the weighted average cost method, not to exceed the market value.

4.12 Trade receivables

Trade and other receivables are amounts due from guests and vendors for merchandise sold or services performed in the ordinary course of business. Collection is expected in one year or less and these receivables are classified as current assets. When necessary, the carrying amount of our receivables is reduced by an allowance for doubtful accounts that reflects our estimate of amounts that will not be collected. When a trade receivable is considered uncollectible, it is written off against the allowance accounts and recorded within operating expenses. Subsequent recoveries of amounts previously written off are credited against the allowance accounts. Changes in the carrying amount of the allowance accounts are recognized in the Consolidated Statement of Profit or Loss.

4.13 Ordinary share capital and share premium

Ordinary shares are classified as equity. Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder thereof. Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from equity, net of any tax effects.

We issued Preferred Shares that can be converted to ordinary shares at the option of the holder or redeemed by such holder or us under certain conditions. Preferred Shares are reported as compound financial instruments (see Note 4.15).

4.14 Financial instruments

The Consolidated Statement of Financial Position contains various financial instruments including, but not limited to, cash and cash equivalents, trade and other receivables, trade and other payables, other non-current liabilities, debt, warrant liabilities and derivative financial instruments. Warrant liabilities, derivative financial instruments and deferred consideration are recorded at fair value; all other financial assets and financial liabilities are recorded at amortized cost. The carrying amounts of these financial instruments, excluding debt, approximate their fair values.

Effective interest method

The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash outflows (including all fees and transaction costs paid) through the expected life of the financial liability to the net carrying amount upon initial recognition.

4.15 Compound financial instruments

Compound financial instruments issued by the Company consist of Preferred Shares that could be converted to ordinary shares at the option of the holder where the number of shares to be issued was fixed and were also redeemable at the option of the holder on a specific date. Preferred Shares were separated into liability and equity components in accordance with the substance of the contractual agreement and the definitions of a financial liability and an equity instrument.

The liability component of a compound financial instrument is initially recognized at fair value, which is determined using the market rate for a similar liability that does not have an equity conversion option (i.e., an equivalent non-convertible bond). Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method until it is extinguished upon conversion or redemption. The liability component will be classified as a non-current liability when the Company has the right to defer settlement of the liability for at least 12 months after the end of the reporting period (see Note 15).

The equity component of a compound financial instrument (the conversion option) is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component (i.e., the residual amount). This component of a compound financial instrument is not re-measured subsequent to initial recognition. In addition, the conversion option classified as equity will remain as such until the conversion option is exercised, in which case, the balance recognized will be transferred to share premium. If the conversion option expires unexercised, the balance recognized will be transferred to retained earnings. No gain or loss is recognized in the Consolidated Statement of Profit or Loss upon conversion or expiration of the conversion option.

Directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs allocated to the equity component are deducted from equity.

When Preferred Shares were classified as liabilities, the dividends on those shares were recognized in the Consolidated Statement of Profit or Loss as finance costs.

4.16 Derivative financial instruments

Derivatives including embedded derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in the Consolidated Statement of Profit or Loss immediately.

The Company may utilize hedge accounting treatment as long as the hedged forecasted transactions remain probable and the hedges continue to meet the requirements of derivatives and hedging accounting guidance. Hedge accounting is discontinued for fair value hedges if a derivative instrument is sold, terminated, or otherwise de-designated.

We do not enter into derivative transactions for trading or speculative purposes.

Cash flows from designated derivative financial instruments are classified within the same category as the item being hedged in the Consolidated Statement of Cash Flows.

4.17 Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the Consolidated Statement of Profit or Loss immediately.

4.18 Borrowings

Borrowings are recognized at amortized cost. Any difference between the proceeds (net of financing costs) and the redemption value is recognized in the Consolidated Statement of Profit or Loss over the term of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are recognized as part of the cost of the asset until the time the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the Consolidated Statement of Profit or Loss as incurred.

Deferred financing costs associated with borrowings are recorded in the Consolidated Statements of Financial Position as a reduction to the loan balance and amortized over the term of the loan based on the effective interest rate method.

4.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

4.20 Provisions and contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, whereby it is probable that the Company will be required to settle such obligation, but its ultimate settlement date and/or amount of payment are unknown.

Contingencies are amounts relating to possible obligations (legal or constructive) as a result of a past event, whereby its settlement, if any, is conditional upon the occurrence of an event that is not in the Company’s control.

The amount recognized as a provision is the best available estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Contingent liabilities are not recognized as part of the Consolidated Financial Statements, but instead are disclosed in the Notes to the Consolidated Financial Statements to the extent that they are not probable or they cannot be measured reliably.

Provisions are measured using the present value of the best available estimate of the outflow required to settle or transfer the obligation, taking into account all available information about the contingency. Adjustments to the estimate of contingent liabilities are recognized in the Consolidated Statement of Profit or Loss in the period in which the change in estimate occurs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The provision is recorded net of the receivable when there is a binding legal commitment releasing the Company from liability.

Although the Company uses the provision versus contingency approach to determine whether an uncertain tax position (“UTP”) needs to be recorded in the Consolidated Financial Statements, it would not be appropriate to group UTPs, which are income tax related

provisions, with other non-income tax provisions. UTPs are recorded through income tax expense and a separate liability account, for any amounts where there is a more likely than not chance of future liabilities that can be reasonably estimated.

4.21 Current and deferred income tax

Income tax benefit (expense) represents the sum of current and deferred tax. Tax effects are recognized in the Consolidated Statement of Profit or Loss, except to the extent that it relates to items recognized in other comprehensive (loss) income or directly in equity (in which case, the tax is also recognized in other comprehensive (loss) income or directly in equity, respectively).

Current tax

The current income tax provision is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts that are expected to be paid to tax authorities.

Deferred tax

Deferred tax assets and liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arise from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the period, to recover or settle the carrying amount of its assets and liabilities.

4.22 Revenue and expense recognition

Revenues and expenses are recognized on an accrual basis, generally when the services they represent have been rendered, irrespective of the moment the cash collection occurs.

The Company primarily derives its revenue from the ownership of all-inclusive resorts, including revenues derived from room sales, food and beverage sales and other guest services provided by the resorts. Revenue from room sales and other guest services is generally recognized when the rooms are occupied and the service has been rendered. Advance deposits received from customers are deferred and included in current liabilities (within trade and other payables) until the rooms are occupied and the service has been rendered. Food and beverage revenue not included in a customer's all-inclusive package is recognized when the goods are consumed.

Revenue is measured at the fair value of the consideration received or receivable, stated net of estimated discounts, rebates and value added taxes.

Management fees are derived from resorts that we manage, typically under long-term contracts with the property owner. Management fees are typically composed of a base fee, which is computed as a percentage of resort revenue, and an incentive fee, which is computed as a percentage of resort profitability. We recognize base fees as revenue when earned in accordance with the terms of the management agreement. For incentive fees, we recognize those amounts that would be due if the contract was terminated at the financial statement date. Revenue from management contracts is included in revenue within the Consolidated Statements of Profit or Loss.

4.23 Leases

Leases are classified as finance leases when they substantially transfer the risks and benefits derived from the ownership to the Company. All other leases are classified as operating leases.

As of December 31, 2017, all lease contracts maintained by the Company are classified as operating leases.

For operating leases, the ownership of the asset, as well as all substantial risks and benefits associated with the ownership of the property remain the lessor's responsibility.

When the Company acts as a lessor, it recognizes revenue from operating leases on a straight-line basis, according to the terms of the lease. These assets are amortized according to approved policies for tangible assets. If the Company is the lessee, all expenses associated with the lease are recorded on a straight-line basis in the Consolidated Statement of Profit or Loss.

4.24 Share-based compensation

The Company has adopted an equity incentive plan that provides for the grant of share options, share appreciation rights, restricted shares, share units, unrestricted shares, dividend equivalent rights, performance shares and other performance-based awards, other equity-based awards, and cash bonus awards. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 17.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

For equity-settled share-based payment awards with market conditions, the conditions are incorporated into the fair value measurement and the compensation expense is not adjusted if the conditions are not met. For equity-settled share-based payment awards with performance conditions, compensation expense is recognized when it becomes probable that the performance criteria specified in the awards will be achieved and, accordingly, the compensation value is adjusted following the changes in the estimates of shares likely to vest based on the performance criteria. The determination of fair value of the equity-settled share-based payment awards with market conditions on the date of grant is subjective and involves significant estimates and assumptions including expected volatility of the Company's shares, expected dividend yield, expected term and assumptions of whether these awards will achieve performance thresholds.

At the end of each reporting period, we revise our estimate of the number of equity instruments expected to vest. The impact of the revision of original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

4.25 Statement of cash flows

The cash flow statement is prepared using the indirect method. Changes in balance sheet items that have not resulted in cash flows such as gains and losses on financial liabilities, fair value changes, and other non-cash items have been eliminated for the purpose of preparing this statement. Assets and liabilities acquired as part of a business combination are included in investing activities (net of any cash acquired). Interest and income taxes paid are included in operating activities.

5. Critical accounting judgments and key sources of estimating uncertainty

Management of the Company has prepared the accompanying Consolidated Financial Statements using judgments and estimates that impact the carrying amount of assets and liabilities. Such judgments and estimates are based on historical experience and other factors considered reasonable under the present circumstances, and are not readily determinable from other sources. The Company periodically reviews these estimates; however, given their inherent uncertainty, it may be necessary to make significant adjustments to the carrying amounts of assets and liabilities affected in future periods should changes occur in the information on which these estimates were based. These adjustments, when applicable, are recorded on a prospective basis and the effects of the changes recognized currently in the corresponding Consolidated Financial Statements.

The key assumptions in developing the estimate, as well as other relevant information regarding the uncertainties existing at the reporting date, that significantly effect the carrying amounts of our assets and liabilities are as follows:

Goodwill

Goodwill is reviewed for impairment annually as of July 1st of each year, or more frequently if events or changes in circumstances indicate a potential impairment.

We are required to apply judgment in determining whether indicators of impairment are present at one or more of our reporting units. The determination as to whether a triggering event exists is based on our knowledge of the industry, historical experience, market and economic conditions and other relevant facts and circumstances as of the assessment date.

Judgment is also required in estimating the fair value of our reporting units. Under the discounted cash flow approach, we utilize various assumptions and estimates including projections of revenues and expenses based on estimated long-term growth rates and discount rates based on the weighted average cost of capital. Our estimates of long-term growth and costs are based on historical data as well as various internal projections and external sources. The weighted average cost of capital is estimated based on each reporting unit's cost of debt and equity and a selected capital structure.

Changes in the estimates and assumptions used in our qualitative or quantitative goodwill impairment testing could result in future impairment losses, which could be material to our results of operations.

Business combinations

Assets acquired and liabilities assumed in a business combination are recorded at fair value as of the acquisition date. We use judgment to determine the fair value of the property or business acquired and to determine the amount of value to allocate to each identifiable asset or liability. Changes to the significant assumptions or estimates used to determine the fair value of the acquired assets or liabilities could materially affect the measurement and allocation of fair value as well as the amount, if any, of goodwill recognized in the business combination.

Income taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statement bases and tax bases of our assets and liabilities using currently enacted tax rates for the period in which the deferred tax items are expected to reverse. Significant judgment is required in the calculation of our tax provision and the resulting tax liabilities as well as our ability to realize our deferred tax assets. Our estimates of future taxable income can significantly affect our tax provision in a given period. Significant judgment is required in determining our ability to realize our deferred tax assets related to federal, state and foreign tax attributes within their carryforward periods, as we estimate the amount and timing of the future reversal of deferred tax items in our projections of future taxable income. We establish a valuation allowance to reduce deferred tax assets to the amounts we expect to realize in the future.

We recognize tax benefits related to uncertain tax positions only when we estimate that it is “more likely than not” that the position will be sustainable based on its technical merits. Assumptions, judgment and the use of estimates are required in determining if the “more likely than not” standard has been met when developing our provision for income taxes. Changes to the assessment of the “more likely than not” standard could materially impact our Consolidated Financial Statements.

Property, plant and equipment, net

Property, plant and equipment are recorded at cost and depreciated using the straight-line method over an estimated useful life of five to 50 years for buildings, seven to 18 years for furniture and machinery and four to 12 years for furniture and other fixed assets.

We are required to apply judgment in determining the estimated useful lives of our property, plant and equipment for purposes of calculating the amount of depreciation expense to record each year with respect to the assets. Changes to the significant assumptions or estimates could materially affect our results of operations.

Share-based compensation

The Company adopted an equity incentive plan that provides for the grant of share options, share appreciation rights, restricted shares, share units, unrestricted shares, dividend equivalent rights, performance shares and other performance-based awards, other equity-based awards, and cash bonus awards. Share-based compensation is measured at the fair value of the award on the date of grant and recognized as an expense on a straight-line basis over the vesting period.

For awards with market conditions, the conditions are incorporated into the fair value measurement and the compensation expense is not adjusted if the conditions are not met. The determination of fair value of the market based awards on the date of grant is subjective and involves significant estimates and assumptions including expected volatility of the Company's shares, expected dividend yield, expected term and assumptions of whether the awards will achieve performance thresholds. Changes to these estimates and assumptions could have a material effect on our results of operations in future periods. Information about the valuation techniques and inputs used in determining the fair value are disclosed in Note 17.

For awards with performance conditions, the related compensation expense is based on the probability of achievement. We recognize expense based on anticipated achievement percentages, which are based on internally-developed projections of future Adjusted EBITDA. Any changes to our projections will affect the amount of share-based compensation expense we recognize in future periods.

Warrants

In order to measure its financial liabilities measured at fair value for financial reporting purposes, the Company uses a Monte Carlo simulation. This analysis reflects the contractual terms of the warrants, including the period to maturity, and uses observable market-based inputs, including ordinary share price, volatility, and risk-free interest rate. Information about the valuation techniques and inputs used in determining the fair value are disclosed in Note 23.

6. Business combination

At 12:00 a.m. Central European Time on March 12, 2017, we consummated the Business Combination pursuant to that certain Transaction Agreement by and among us, our Predecessor, Pace and New Pace, the effects of which replicated the economics of a reverse merger between our Predecessor and Pace. In connection with the Business Combination, Pace formed Porto Holdco B.V., a Dutch private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*), as a wholly-owned subsidiary to facilitate the reverse merger with our Predecessor. Prior to the consummation of the Business Combination, Porto Holdco B.V. was converted to a Dutch public limited liability company (*naamloze vennootschap*) and changed its name to Porto Holdco N.V. Upon the consummation of the Business Combination, the Company's name was changed to Playa Hotels & Resorts N.V.

For accounting and financial reporting purposes, the Business Combination was accounted for as a recapitalization of our Predecessor because Pace was incorporated as a special purpose acquisition company and considered a public shell company. Our Predecessor also maintained effective control of the combined entity because our Predecessor's operations comprise the ongoing operations of the combined entity, our Predecessor's senior management became the senior management of the combined entity and our Predecessor's directors were appointed to, and constitute the majority of, the combined entity's board of directors. Accordingly, no step-up in basis of assets or goodwill were recorded.

The Consolidated Financial Statements presented herein are those of our Predecessor for all periods prior to the completion of the Business Combination and the recapitalization of the number of ordinary shares attributable to our Predecessor shareholders is reflected retroactively to the earliest period presented. Accordingly, the number of shares of ordinary shares presented as outstanding

as of January 1, 2016, totaled 50,481,822 and consisted of the number of ordinary shares issued to Predecessor shareholders. This number of shares was also used to calculate the Company's earnings per share for all periods prior to the Business Combination.

The consideration received as a result of the Business Combination is summarized as follows *($ in thousands)*:

Purchase of all of our Predecessor's Preferred Shares [1]	$	353,873
Net cash transferred from Pace		78,859
Playa Employee Offering [2]		799
Less: Warrant Liability Assumed [3]		(83,399)
Total Consideration Transferred	**$**	**350,132**

[1] Balance consisted of the face value of our Predecessor's cumulative redeemable preferred shares (liability component) and cumulative redeemable preferred share reserve (equity component) and their associated PIK dividends as of March 10, 2017, per the terms of the Business Combination.
[2] In connection with the Business Combination, we entered into subscription agreements (the "Subscription Agreements") with Playa employees, their family members and persons with business relationships with Playa, pursuant to which those persons agreed to purchase 82,751 ordinary shares for an aggregate purchase price of $0.8 million.
[3] The warrants were classified as financial liabilities and recorded at their fair value on the date of the Business Combination (see Note 19).

7. Goodwill

The gross carrying values and accumulated impairment losses of goodwill for the years ended December 31, 2017 and 2016 are as follows (*$ in thousands*):

	As of January 1, 2017	Addition	As of December 31, 2017
Gross carry value	$ 51,262	$ —	$ 51,262
Accumulated impairment loss	—	—	—
Carrying value	**$ 51,262**	**$ —**	**$ 51,262**

	As of January 1, 2016	Addition	As of December 31, 2016
Gross carry value	$ 51,262	$ —	$ 51,262
Accumulated impairment loss	—	—	—
Carrying value	**$ 51,262**	**$ —**	**$ 51,262**

During the years ended December 31, 2017 and 2016, we recorded no additions to goodwill.

As of December 31, 2017 and 2016, the goodwill balance is related to our August 2013 acquisition of four resorts located in Cancún (the "Real Resorts"). The carrying amounts of goodwill allocated to each CGU are as follows (*$ in thousands)*:

	As of December 31, 2017	As of December 31, 2016
Panama Jack Resorts Cancún	$ 12,029	$ 12,029
THE Royal Playa del Carmen	21,652	21,652
Panama Jack Resorts Playa del Carmen	6,200	6,200
Hyatt Zilara Cancún	11,381	11,381
Total	**$ 51,262**	**$ 51,262**

The recoverable amounts of the CGUs are based on the CGU's fair value less costs of disposal as determined by each CGU's external market value, adjusted for incremental costs directly attributable to the disposal of the CGU. The external market value of each CGU was estimated using the discounted cash flow model.

Under the discounted cash flow approach, we projected cash flows over a five year period and into perpetuity. We utilize various assumptions and estimates including projections of revenues and expenses based on estimated long-term growth rates and post-tax discount rates based on the weighted average cost of capital ("WACC").

The WACC measures the expected returns required by both debt and equity investors, weighted by their respective contributions of capital and is estimated based on each CGU's cost of debt and equity and a selected capital structure. Cash flows after the first five years were estimated into perpetuity based on the selected WACC and a long-term growth rate. Our estimate of long-term growth rates are based on historical data as well as various internal projections and external sources.

The WACC and long-term growth rates utilized in the calculation of discounted cash flows for each CGU are as follows:

	Post-Tax Discount Rate	Long-Term Growth Rate
Panama Jack Resorts Cancún	11.0%	3.0%
THE Royal Playa del Carmen	10.5%	3.0%
Panama Jack Resorts Playa del Carmen	11.0%	3.0%
Hyatt Zilara Cancún	10.5%	3.0%

Given that a significant component of goodwill is related to the expected future growth in the Company’s CGUs, the Company closely monitors the results and projections at each CGU. If the long-term financial forecasts for these CGUs deteriorate and/or other indicators of impairment are present, the Company could be required to recognize impairment losses on the carrying value of the goodwill in future periods.

During the years ended December 31, 2017 and 2016, we recorded no impairment charges on goodwill.

8. Property, plant and equipment

Property, plant and equipment are specified as follows (*$ in thousands*):

	As of January 1, 2017	Additions	Disposals	Transfers	As of December 31, 2017
Land, buildings and improvements	$ 1,398,893	$ 52,496	$ (3,983)	$ 23,893	$ 1,471,299
Fixtures and machinery	60,360	758	(2,134)	(5,712)	53,272
Furniture and other fixed assets	163,827	7,352	(12,008)	14,795	173,966
Prepayments and CIP [(1)]	3,866	52,766	—	(27,412)	29,220
Acquisition cost	**1,626,946**	**113,372**	**(18,125)**	**5,564**	**1,727,757**
Land, buildings and improvements	(166,430)	(28,945)	3,494	(3,298)	(195,179)
Fixtures and machinery	(26,514)	(5,096)	2,046	5,262	(24,302)
Furniture and other fixed assets	(105,309)	(14,808)	11,937	(1,950)	(110,130)
Accumulated Depreciation	**(298,253)**	**(48,849)**	**17,477**	**14**	**(329,611)**
Carrying Value	**$ 1,328,693**	**$ 64,523**	**$ (648)**	**$ 5,578**	**$ 1,398,146**

	As of January 1, 2016	Additions	Disposals	Transfers	As of December 31, 2016
Land, buildings and improvements	$ 1,399,350	$ 4,375	$ (2,246)	$ (2,586)	$ 1,398,893
Fixtures and machinery	57,016	1,379	(604)	2,569	60,360
Furniture and other fixed assets	169,158	2,669	(2,062)	(5,938)	163,827
Prepayments and CIP [(1)]	3,930	11,322	(71)	(11,315)	3,866
Acquisition cost	**1,629,454**	**19,745**	**(4,983)**	**(17,270)**	**1,626,946**
Land, buildings and improvements	(5,976)	—	—	5,976	—
Fixtures and machinery	(17)	—	—	17	—
Furniture and other fixed assets	(7,284)	—	—	7,284	—
Reserve for impairment of fixed assets	**(13,277)**	**—**	**—**	**13,277**	**—**
Land, buildings and improvements	(154,257)	(28,477)	2,164	14,140	(166,430)
Fixtures and machinery	(23,348)	(4,457)	515	776	(26,514)
Furniture and other fixed assets	(91,213)	(16,991)	2,034	861	(105,309)
Accumulated Depreciation	**(268,818)**	**(49,925)**	**4,713**	**15,777**	**(298,253)**
Carrying Value	**$ 1,347,359**	**$ (30,180)**	**$ (270)**	**$ 11,784**	**$ 1,328,693**

[(1)] Construction In-Progress ("CIP")

Depreciation expense for property, plant and equipment was $48.8 million and $49.9 million for the years ended December 31, 2017 and 2016, respectively and is recorded within operating expenses in the Consolidated Statement of Profit or Loss.

Capitalization of Interest

For the years ended December 31, 2017 and 2016, $1.6 million and $0 million of interest expense was capitalized on qualifying assets, respectively. Borrowing costs were capitalized at the weighted average interest rate of the period related to the general borrowings at an annual rate of 5.9% for the year ended December 31, 2017.

Cap Cana Development

On July 12, 2017, we acquired the land for the new Hyatt Zilara Cap Cana and Hyatt Ziva Cap Cana in Punta Cana, Dominican Republic for total consideration of $56.2 million. We paid $45.6 million of the consideration in cash upon closing of the acquisition, including by way of the release of our $5.6 million escrow deposit, which was presented within other non-current assets on our

Consolidated Statement of Financial Position as of December 31, 2016. The remaining $10.6 million balance is due on the earlier of (i) two years from the beginning of construction of the resorts or (ii) the opening of the resorts and is recorded within other non-current liabilities within the Consolidated Statement of Financial Position.

Impairment

The qualitative impairment analysis conducted by the Company in 2017 and the quantitative impairment test performed by the Company in 2016 did not result in any impairment relating to our properties. All impairment losses recognized in prior periods were fully reversed as of December 31, 2016.

For the year ended December 31, 2016, we reversed $13.3 million of previously expensed impairment resulting in a gain of $11.9 million within the impairment reversal gain in our Consolidated Statement of Profit or Loss. The recoverability of the hotel's assets that were tested for impairment was calculated using a discounted cash flow calculation based on five years of projections. These projected cash flows were discounted at an after tax annual rate of 9.7% for Mexican resorts and 11.2% for the Dominican resorts for the year ended December 31, 2016. A detail of the property, plant and equipment for which impairment reversal of previously recorded impairment expense has been recorded for the year ended December 31, 2016, classified by cash generating unit, is as follows (*$ in thousands)*:

	Carrying Value	Fair Value	Impairment reversal gain
Hyatt Ziva Los Cabos	$ 170,154	$ 265,062	$ 1,861
Dreams Punta Cana	68,304	96,114	10,044
Total	**$ 238,458**	**$ 361,176**	**$ 11,905**

9. Income taxes

The Company conducts business in multiple countries and jurisdictions and is therefore subject to tax legislation in these jurisdictions. We consider the Netherlands, Mexico and the Dominican Republic to be our significant tax jurisdictions.

9.1 Income tax (benefit) expense

The breakdown of income tax (benefit) expense for the years ended December 31, 2017 and 2016 is as follows (*$ in thousands*):

	Year ended December 31,	
	2017	2016
Current income tax expense	$ 8,034	$ 17,506
Deferred income tax (benefit) expense	(11,930)	22,440
Total (benefit) expense for the period	**$ (3,896)**	**$ 39,946**

a) *Netherlands*

The parent company is domiciled in the Netherlands and is subject to Dutch Corporate Tax at a general tax rate of 25%.

In accordance with Dutch legislation, the dividends and capital gains arising from the sale of shares are tax exempt, provided that certain requirements are met. In this respect, two parameters are considered for applying this tax benefit: (i) The percentage ownership held in the companies from which said dividends or capital gains arise and (ii) Their classification as low tax-paying companies.

The tax exemption is applied automatically when the ownership interest is at least 5%, as long as the companies in which the Dutch Companies participate are not classified as low tax payers. Low tax-paying companies are considered to be those which fulfill the following conditions: (i) At least 50% of its direct or indirect assets relate to passive investments (assets test) and (ii) The effective taxation of the subsidiaries does not exceed the 10% calculated in accordance with Dutch legislation (effective tax rate test). As a result of this participation exemption benefit, the Company pays zero tax on qualified dividends and capital gains.

b) Mexico

The Mexican companies are subject to corporate income tax at a statutory tax rate of 30%.

c) Dominican Republic

Taxes in the Dominican Republic are determined based upon Advanced Pricing Agreements ("APA") approved by the Ministry of Finance of the Dominican Republic. As the associated APAs had not been finalized as of December 31, 2016, our 2016 income tax provision contemplated the existing Dominican statutory law, without consideration of an associated APA, and we recorded $0.6 million current tax expense and $1.8 million deferred tax expense for one of our Dominican Republic entities, Playa Cana B.V. as of December 31, 2016.

We finalized the APAs in December 2017, which will remain in effect until 2019. Pursuant to the signed APAs, our Dominican Republic entities are subject to the greater of an income tax, asset tax or gross receipts tax. In 2017, our tax paying Dominican Republic entities were not income tax payers and we project the same trend for the foreseeable future; therefore, our Dominican Republic entities are not subject to income tax accounting under IFRS. As such, the income tax expense recorded at December 31, 2016 was reversed at December 31, 2017.

Two of our Dominican Republic entities are benefited from the tax exemption from Dominican Republic tax authorities. Inversiones Vilazul, S.A.S. has a tax exemption through December 31, 2019 and Playa Dominican Resorts B.V. is tax exempt for fifteen years following the completion of the Hyatt Zilara Cap Cana and Hyatt Ziva Cap Cana.

d) Jamaica

The Company applied for and was granted tax benefits under the Jamaican Hotel Incentives Act, allowing 10 years of income tax and import duty tax exemption. This incentive was originally in effect through December 30, 2023; however, we decided to opt-out of the Hotel Tax Incentive and opt-into the Omnibus Tax Incentive. The effective date of the Omnibus Tax Incentive is as of January 1, 2015 and it subjects the company to regular income tax and a reduced GCT rate of 10%.

e) United States

On December 22, 2017, the President of the United States signed into U.S. law an act generally known as the "Tax Cuts and Jobs Act" ("Tax Reform"). Under IAS 12, *Income Taxes*, the Company concluded to recognize the effect of tax law changes in the period of enactment even though the effective date for most provisions is for tax years beginning after December 31, 2017, or in the case of certain other provisions of the law, January 1, 2018.

Amounts recorded where we consider accounting to be complete for the year ended December 31, 2017 principally relate to the reduction in the U.S. corporate income tax rate to 21 percent, which impacted the carrying value of the Company's deferred tax assets that are offset by a full valuation allowance. Under new corporate income tax rate, our U.S. deferred tax assets decreased $2.6 million and valuation allowance decreased $2.6 million. As a result, there is no financial impact of this U.S. tax rate change.

e) Other tax jurisdictions

The Company also carries out, to a lesser extent, activities in Nevis which is part of the Federation of St. Kitts and Nevis. With regard to the tax regulations applicable in Nevis, the companies constituted in accordance to Law 22/1996, whose activity is solely carried out with entities which are non-resident of Nevis Island, are exempt from all taxes, including income tax. This exemption is applicable to IC Sales, LLC.

Effective tax rate

The reconciliation between the income tax (benefit) expense and the result of applying the Company's statutory tax rate to the consolidated results for the years ended December 31, 2017 and 2016 before taxes is as follows (*$ in thousands):*

	2017		2016	
Income tax expense (benefit) at statutory rate	$ 5,339	25 %	$ (2,798)	25 %
Differences between statutory rate and foreign rate	(16,323)	(76)%	(11,021)	98 %
Inflation adjustments	(3,692)	(17)%	(1,102)	10 %
Nondeductible interest and expenses	4,146	19 %	16,237	(145)%
Business interruption proceeds	178	1 %	—	— %
Other	(230)	(1)%	1,415	(13)%
Foreign exchange rate differences	(15,742)	(74)%	24,441	(218)%
DR tax classification	(2,412)	(11)%	1,634	(15)%
U.S. rate change	2,590	12 %	—	— %
Change in valuation allowance	22,250	104 %	11,654	(104)%
Accrual for uncertain tax positions	—	— %	(514)	5 %
Income tax (benefit) expense	**$ (3,896)**	**(18)%**	**$ 39,946**	**(357)%**

9.2 Deferred income tax

Deferred income taxes reflect the net tax effects of differences between the bases of assets and liabilities for financial reporting and income tax purposes. The sources and movements of deferred income tax balances for the year ended December 31, 2017 and 2016 are as follows (*$ in thousands*):

	As of January 1, 2017	Activity for the period	As of December 31, 2017
Deferred tax liabilities less than 12 months			
Accounts receivable and prepayments to vendors	$ 725	$ 176	$ 901
Deferred tax liabilities over 12 months			
Property, plant and equipment	170,673	(12,700)	157,973
Other liabilities	101	24	125
Total deferred tax liabilities	**171,499**	**(12,500)**	**158,999**
Deferred tax assets less than 12 months			
Advanced customer deposits	4,989	(400)	4,589
Trade payables and other accruals	3,195	671	3,866
Deferred tax assets over 12 months			
Labor liability accrual	459	118	577
Property, plant and equipment	16	21	37
Income tax losses	2,526	(980)	1,546
Total deferred tax assets	**11,185**	**(570)**	**10,615**
Net deferred tax liabilities	**$ 160,314**	**$ (11,930)**	**$ 148,384**

	As of January 1, 2016	Activity for the period	As of December 31, 2016
Deferred tax liabilities less than 12 months			
Accounts receivable and prepayments to vendors	$ 655	$ 70	$ 725
Deferred tax liabilities over 12 months			
Property, plant and equipment	147,625	23,048	170,673
Other liabilities	—	101	101
Total deferred tax liabilities	**148,280**	**23,219**	**171,499**
Deferred tax assets less than 12 months			
Advanced customer deposits	2,432	2,557	4,989
Trade payables and other accruals	2,154	1,041	3,195
Deferred tax assets over 12 months			
Labor liability accrual	523	(64)	459
Property, plant & equipment	547	(531)	16
Income tax losses	4,817	(2,291)	2,526
Total deferred tax assets	**10,473**	**712**	**11,185**
Net deferred tax liabilities	**$ 137,807**	**$ 22,507**	**$ 160,314**

As of December 31, 2017 and 2016, we had $17.4 million and $18.9 million, respectively, of net operating loss carryforwards in our Mexican subsidiaries. Of these amounts, we anticipate that $11.0 million and $7.5 million, respectively, will expire unused and as a result, we have only recognized a deferred tax asset for the net operating loss carryforwards we expect to utilize. These carryforwards expire in various amounts from 2018 to 2027.

As of December 31, 2017 and 2016, we had $318.1 million and $258.3 million, respectively, of net operating loss carryforwards in our Dutch subsidiaries that expire in varying amounts from 2018 to 2026.

As of December 31, 2017 and 2016, we had $49.4 million and $34.0 million, respectively, of net operating loss carryforwards in our Jamaican subsidiary, which do not expire. However the amount that can be utilized annually is limited to 50% of taxable income before the net operating loss deduction each year.

As of December 31, 2017 and 2016, we had $15.2 million and $9.3 million, respectively, of net operating loss carryforwards in our U.S. subsidiary, which expire in various amounts from 2034 to 2037.

Taxes in the Dominican Republic are determined based upon APAs approved by the Ministry of Finance of the Dominican Republic. APAs were signed in December 2017, retroactive to 2016 and remain in effect until 2019. Pursuant to the signed APAs, we do not expect our Dominican Republic entities to be income tax payers and as a result, no net operating losses are computed at December 31, 2017.

We do not anticipate generating sufficient taxable income to utilize our Dutch, Jamaican or U.S. net operating loss carryforwards and as a result, we have not recognized a deferred tax asset in our financial statements.

10. Other non-current assets

The following summarizes the balances of deposits and other non-current assets as of December 31, 2017 and 2016 (*$ in thousands*):

	As of December 31,	
	2017	2016
Contract deposit	$ 2,700	$ —
Restricted cash	—	9,651
Other non-current assets	3,068	4,730
Total other non-current assets	**$ 5,768**	**$ 14,381**

11. Trade and other receivables

The following summarizes the balances of trade and other receivables as of December 31, 2017 and 2016 (*$ in thousands*):

	As of December 31,	
	2017	2016
Trade and other receivables	$ 52,312	$ 49,942
Allowance for doubtful accounts	(785)	(1,061)
Total trade and other receivables	**$ 51,527**	**$ 48,881**

The change in the allowance for doubtful accounts for the years ended December 31, 2017 and 2016 is summarized in the following table *($ in thousands)*:

	Balance at January 1	Additions	Deductions	Balance at December 31
Trade receivables allowance for the year ended				
December 31, 2017	$ (1,061)	$ (295)	$ 571	$ (785)
December 31, 2016	$ (1,017)	$ (545)	$ 501	$ (1,061)

12. Related parties

12.1 Balances with related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this Note. Refer to Note 1.3 for a full list of subsidiaries. The details of the balances between the Company and other related parties as of December 31, 2017 and 2016 are as follows (*$ in thousands*):

	As of December 31,	
	2017	2016
Accounts receivable	$ 1,495	$ 2,532
Accounts payable	$ 2,966	$ 8,184
Deferred consideration [(1)]	$ —	$ 1,836
Term Loan principal from related party [(2)]	$ —	$ 48,375
Preferred Shares	$ —	$ 239,492
Preferred Shares PIK dividend [(3)]	$ —	$ 106,459

(1) Playa H&R Holdings B.V., a subsidiary of ours, agreed to make payments of $1.1 million per quarter to the selling shareholder of Real Resorts (the "Real Shareholder") through the quarter ending September 30, 2017. The Real Shareholder is no longer considered a related party and deferred consideration is not considered a related party balance as of December 31, 2017 as the deferred consideration was settled in the third quarter of 2017.

(2) The Real Shareholder was one of the lenders under our Original Term Loan (as defined in Note 20). The Real Shareholder's portion of the Original Term Loan was $50.0 million. The balance is net of the discount on the Original Term Loan and associated deferred financing costs.

(3) No Non-cash PIK dividends had been issued or declared with respect to the Preferred Shares. The total accumulated amount of Non-cash PIK Dividends payable to the Real Shareholder were $0 million and $19.4 million as of December 31, 2017 and 2016, respectively. The total accrued amounts of Non-cash PIK Dividends payable to HI Holdings Playa (subsidiary of Hyatt) were $0 and $87.1 million as of December 31, 2017 and 2016, respectively.

Relationship with Hyatt

As described below, we pay Hyatt franchise fees for our resorts currently operating under the all-ages Hyatt Ziva and adults-only Hyatt Zilara brands. In addition, in connection with the Business Combination, all outstanding Preferred Shares owned by HI Holdings Playa were purchased at a purchase price of $8.40 per share for $196.0 million in face value and $93.6 million of associated PIK dividends.

See the breakout between the liability and equity components in the table below *($ in thousands, except share data):*

	Preferred Shares	Cumulative redeemable preferred shares reserve	Total
Number of Preferred Shares repurchased	21,526,464	1,800,720	23,327,184
Face value of Preferred Shares repurchased	$ 180,842	$ 15,100	$ 195,942
Face value of PIK dividends paid	86,360	7,231	93,584
Total value of Preferred Shares repurchased	**$ 267,202**	**$ 22,331**	**$ 289,533**

Relationship with the Real Shareholder

In connection with the Business Combination, all outstanding Preferred Shares owned by the Real Shareholder were purchased at a purchase price of $8.40 per share for $43.5 million in face value and $20.8 million of associated PIK dividends. The Real Shareholder's portion of the Original Term Loan was settled in connection with the refinancing of our Senior Secured Credit Facility (as defined in Note 20) on April 27, 2017 (see Note 20). Upon consummation of the Business Combination, the Real Shareholder was no longer considered a related party because the Preferred Shares were extinguished in connection with the Business Combination.

See the breakout between the liability and equity components in the table below *($ in thousands, except share data):*

	Preferred Shares	Cumulative redeemable preferred shares reserve	Total
Number of Preferred Shares repurchased	4,783,651	400,159	5,183,810
Face value of Preferred Shares repurchased	$ 40,183	$ 3,361	$ 43,544
Face value of PIK dividends paid	19,191	1,605	20,796
Total value of Preferred Shares repurchased	**$ 59,374**	**$ 4,966**	**$ 64,340**

12.2 Transactions with related parties

Transactions between the Company and related parties during the years ended December 31, 2017 and the 2016 are as follows (*$ in thousands*):

	Year ended December 31,	
	2017	**2016**
Dividends on Preferred Shares[1]	$ 7,308	$ 40,289
Deferred consideration accretion[1]	36	189
Interest expense on related party borrowings[1]	372	1,980
Franchise fees [2]	14,105	13,539
Lease Payments [2]	1,032	1,301
Total transactions with related parties	**$ 22,853**	**$ 57,298**

(1) Included in the finance costs line in our Consolidated Statement of Profit and Loss.
(2) Included in the operating expenses line in our Consolidated Statement of Profit and Loss.

Transactions with key management personnel

One of our offices is owned by our Chief Executive Officer and we lease the space at that location through a third party. Lease payments related to this space were $1.0 million and $1.1 million, for the years ended December 31, 2017 and 2016, respectively.

One of our previous offices in Cancun, Mexico was owned by an affiliate of the Real Shareholder, and we subleased the space from a third party also affiliated with the Real Shareholder. We terminated this lease agreement effective July 1, 2017. Lease payments related to this space were less than $0.1 million and $0.2 million for the years ended December 31, 2017 and 2016, respectively.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel expensed during the year was as follows (*$ in thousands*):

	Year ended December 31,	
	2017	**2016**
Short-term benefits	$ 4,895	$ 4,693
Post-employment benefits	91	58
Other long-term benefits	—	—
Share-based payments	3,524	—
Termination benefits	204	—
Total compensation paid to key management personnel	**$ 8,714**	**$ 4,751**

13. Prepayments and other current assets

The following summarizes the balances of prepayments and other current assets as of December 31, 2017 and 2016 (*$ in thousands*):

	As of December 31,	
	2017	2016
Advances to suppliers	$ 6,509	$ 5,765
Prepaid income taxes	10,935	2,756
Prepaid other taxes	10,737	15,343
Other current assets	110	30
Total prepayments and other current assets	**$ 28,291**	**$ 23,894**

14. Ordinary share capital, share premium, treasury shares and other reserves

14.1 Ordinary shares and share premium

As of January 1, 2016, the number of ordinary shares presented as outstanding totaled 50,481,822, consisting of the number of ordinary shares issued to Predecessor shareholders after the retroactive application of the recapitalization. On March 12, 2017, 52,982,364 ordinary shares were issued as part of a recapitalization completed in the Business Combination (see Note 6).

As of December 31, 2017, our ordinary share capital consisted of 110,297,697 ordinary shares outstanding, which have a par value of €0.10 each. All ordinary shares have the same voting and economic rights.

The holders of ordinary shares are entitled to receive dividends or distributions out of funds legally available, at the discretion of our General Meeting of Shareholders, subject to proposal from our Board of Directors. They were also subject to any preferential dividend rights of outstanding Preferred Shares and are entitled to one vote per share at meetings of Playa. Upon the liquidation, dissolution, or winding down of Playa, the holders of ordinary shares will be entitled to receive ratably our net assets available after the payment of all debts and other liabilities. Holders of ordinary shares have no redemption or conversion rights.

14.2 Treasury shares

On December 28, 2017, a member of our Board of Directors waived his share-based compensation for his services as a member of our Board, and transferred 7,367 ordinary shares back to us for no consideration. The shares are recorded as treasury shares on the Consolidated Statement of Financial Position as of December 31, 2017.

14.3 Equity-settled employee benefits reserve

The equity-settled employee benefits reserve is related to equity-settled restricted share awards granted by the Company to its employees under the 2017 Plan (as defined in Note 17, below). Further information about share-based payments to employees is set out in Note 17.

15. Cumulative redeemable preferred shares reserve (equity component)

As of December 31, 2017 and 2016, the Preferred Share reserve of $0 and $26.7 million, respectively, represents the difference between the nominal amount and the fair value of the liability component per the initial recognition and the corresponding component of the accrued Preferred Share dividends (see Note 16). This amount is presented net of transaction costs arising from the Preferred Shares.

On October 14, 2016 we repurchased $50.0 million of our Preferred Shares, which consisted of cumulative redeemable preferred shares reserve (equity component) and Preferred Shares (liability component) with respect to the Consolidated Financial Statements. We redeemed 338,168 of our outstanding cumulative redeemable preferred shares reserve at $8.40 per share for $2.8 million in face value and we paid $1.2 million of associated PIK dividends.

Prior to the consummation of the Business Combination, all of our Predecessor's Preferred Shares were purchased at a purchase price of $8.40 per share for an aggregate amount of $353.9 million, which consisted of cumulative redeemable preferred shares reserve (equity component) and Preferred Shares (liability component) with respect to the Consolidated Financial Statements. The Preferred Shares issued by our Predecessor were eliminated and extinguished as part of the reverse merger in the Business Combination. The extinguishment is reflected as a non-cash financing activity in the Consolidated Statements of Cash Flows.

As of December 31, 2017 and 2016, the Preferred Shares reserve represented 0 and 2,200,837, respectively, of outstanding Preferred Shares and additional authorized shares of 0 and 978,690, respectively, due to the PIK dividends that have been accrued.

16. Cumulative redeemable preferred shares (liability component)

Holders of our Preferred Shares were entitled to preferred cumulative dividends of 12% per annum compounded quarterly, which changed from 10% on August 9, 2015, with such dividends to be exclusively paid in kind with additional Preferred Shares. The Preferred Shares were convertible, subject to certain limitations, at the option of the holders into our ordinary shares on the basis of one ordinary share for every Preferred Share held (at $8.40 each, as adjusted for share issuances, share dividends, share splits, Non-cash PIK Dividends, combinations, reorganizations, or otherwise). The holders of the Preferred Shares were entitled to “as converted” voting rights. The Preferred Shares were redeemable (i) at our option as of August 13, 2015, and (ii) at the option of the holder on or after August 15, 2021 at $8.40 each plus any accrued and unpaid dividends accumulated thereon or subject to certain restrictions, in connection with any equity offering made by us. The Preferred Shares carried certain liquidation preferences in the event of liquidation of Playa.

Preferred Shares Non-cash PIK Dividends were accumulated on a quarterly basis until the shares were converted or redeemed, subject to distributable profits. The accumulated Preferred Shares’ Non-cash PIK Dividends were recorded as reduction of share premium.

The Preferred Shares issued by the Company were classified as a compound financial instrument primarily because the holder has the choice of equity or cash settlement. The equity component is presented under cumulative redeemable preferred shares reserve in the Consolidated Statement of Financial Position and is discussed in Note 15.

On October 14, 2016 we repurchased $50.0 million of our Preferred Shares, which consisted of cumulative redeemable preferred shares reserve (equity component) and Preferred Shares (liability component) with respect to the Consolidated Financial Statements. We redeemed 3,888,932 of our outstanding Preferred Shares at $8.40 per share for $32.7 million in face value and we paid $13.3 million of associated PIK dividends.

Prior to the consummation of the Business Combination, all of our Predecessor's Preferred Shares were purchased at a purchase price of $8.40 per share for an aggregate amount of $353.9 million, which consisted of cumulative redeemable preferred shares reserve (equity component) and Preferred Shares (liability component) with respect to the Consolidated Financial Statements. The Preferred Shares issued by our Predecessor were eliminated and extinguished as part of the reverse merger in the Business Combination. We recognized a $31.3 million gain on the extinguishment of the Preferred Shares liability which is recorded within other financial income, net in the Consolidated Statement of Profit or Loss. The extinguishment of our Preferred Shares is reflected as a non-cash financing activity in the Consolidated Statements of Cash Flows (see Note 23.10).

Additional Preferred Shares as PIK dividends were accumulated quarterly with issuance to holders of the Preferred Shares, subject to distributable profits. The PIK dividends had rights, preferences, terms and conditions similar to those of the originally issued Preferred Shares.

The calculation of the liability component of the Preferred Shares is shown below (*$ in thousands*):

	As of December 31,	
	2017	**2016**
Face value of Preferred Shares	$ —	$ 239,492
Face value of Preferred Share dividends	—	106,459
Transaction costs	—	(324)
Net value of Preferred Shares	**—**	**345,627**
Equity component of Preferred Shares	—	(18,462)
Equity component of Preferred Share dividends	—	(8,221)
Accumulated accretion of discount	—	24,737
Liability component of Preferred Shares	**$ —**	**$ 343,681**

17. Share-based compensation

The Company adopted the 2017 Omnibus Incentive Plan (the "2017 Plan") to attract and retain independent directors, executive officers and other key employees and service providers. The 2017 Plan was approved by the Board of Directors and shareholders of the Company on March 10, 2017. The 2017 Plan is administered by the Compensation Committee of our Board of Directors, who may grant awards covering a maximum of 4,000,000 of our ordinary shares under the 2017 Plan. The Compensation Committee may award share options, share appreciation rights, restricted shares, share units, unrestricted shares, dividend equivalent rights, performance shares and other performance-based awards, other equity-based awards, and cash bonus awards. As of December 31, 2017, there were 2,192,135 shares available for future grants under the 2017 Plan.

Restricted Share Awards

Restricted share awards are granted to eligible employees, executives, and board members. Restricted shares are ordinary shares that are subject to restrictions and to a risk of forfeiture.

On May 16, 2017, the Compensation Committee of the Board approved the issuance of 994,115 restricted share awards to employees and executives of the Company. Each award granted vests over a five year period with 25% of the underlying award vesting on the third anniversary of the grant date of the award, 25% vesting on the fourth anniversary of the grant date of the award and 50% vesting on the fifth anniversary of the grant date of the award.

On May 26, 2017, the Compensation Committee of the Board approved the issuance of 410,096 restricted share awards to employees and executives of the Company and 51,569 restricted share awards to directors of the Company for their services as directors. Each award granted to employees and executives vests pro rata over a three year period. Each award granted to a director was fully vested on the date of grant.

The vesting of restricted share awards is subject to the holder's continued employment through the applicable vesting date. Unvested awards will be forfeited if the employee's or the executive's employment terminates during the vesting period, provided that unvested awards will accelerate upon certain terminations of employment as set forth in the applicable award agreements. The holders of these awards have the right to vote the restricted shares and receive all dividends declared and paid on such shares, provided that dividends paid on unvested restricted shares will be subject to the same conditions and restrictions applicable to the underlying restricted shares.

Compensation expense is measured for the restricted share awards based upon the fair market value of our ordinary shares at the date of grant and compensation expense is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award.

A summary of our restricted share awards from January 1, 2017 to December 31, 2017 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested balance at January 1, 2017	—	$ —
Granted	1,455,780	10.19
Vested	(151,569)	10.19
Forfeited	(27,435)	10.20
Canceled	(10,946)	10.19
Unvested balance at December 31, 2017	**1,265,830**	**$ 10.19**

The total fair value of vested restricted share awards during the year ended December 31, 2017 was $1.5 million. As of December 31, 2017, the unrecognized compensation cost related to restricted share awards was $10.0 million and is expected to be recognized over a weighted-average period of approximately 3.9 years. Compensation expense related to the restricted share awards was $4.5 million for the year ended December 31, 2017 and is recorded within operating expenses in the Consolidated Statement of Profit or Loss.

Performance Share Awards

Performance share awards consist of a grant of ordinary shares that may become earned and vested based on the achievement of performance targets adopted by our Compensation Committee.

On May 26, 2017, the Compensation Committee of the Board approved a target award of 265,222 performance-shares to executives of the Company. The actual number of ordinary shares that ultimately vest will range from 0% to 150% of the target award and will be determined in 2020 based on two performance criteria as defined in the award agreements for the period of performance from January 1, 2017 through December 31, 2019. Any ordinary shares that ultimately vest based on the achievement of the applicable performance criteria will be deemed to be vested on the date on which our Compensation Committee certifies the level of achievement of such performance criteria. Except in connection with certain qualifying terminations of employment, as set forth in the applicable award agreements, the awards require continued service through the certification date. The holders of these awards have the right to vote the ordinary shares granted to the holder and any dividends declared on such shares will be accumulated and will be subject to the same vesting conditions as the awards.

The grant date fair value of the portion of the award based on the compounded annual growth rate of the Company's total shareholder return was estimated using a Monte-Carlo model. The table below summarizes the key inputs used in the Monte-Carlo simulation *($ in thousands)*:

Performance Award Grant Date	Percentage of Total Award	Grant Date Fair Value by Component	Volatility [1]	Interest Rate [2]	Dividend Yield
May 26, 2017					
Total Shareholder Return	50%	$ 770	27.02%	1.39%	—%
Adjusted EBITDA Comparison	50%	$ 1,350	—%	—%	—%

[1] Expected volatility was determined based on the historical share prices in our industry.
[2] The risk-free rate was based on U.S. Treasury zero coupon issues with a remaining term equal to the remaining term of the measurement period.

In the table above, the total shareholder return component is a market condition as defined by IFRS 2 and compensation expense related to this component is recognized on a straight-line basis over the vesting period. The grant date fair value of the portion of the awards based on the compounded annual growth rate of the Company's adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") was based on the closing stock price of our ordinary shares on such date. The Adjusted EBITDA component is a performance condition as defined by IFRS 2, and, therefore, compensation expense related to this component will be reassessed at each reporting date based on the Company's estimate of the probable level of achievement, and the accrual of compensation expense will be adjusted as appropriate.

As of December 31, 2017, the unrecognized compensation cost related to the performance share awards was $1.9 million and is expected to be recognized over a weighted average period of 2.0 years. Compensation expense related to the performance share awards was $0.2 million for the year ended December 31, 2017 and is recorded within within operating expenses in the Consolidated Statement of Profit or Loss.

18. Earnings (losses) per share

Prior to the consummation of the Business Combination, our Preferred Shares classified as equity and their related accumulated Non-cash PIK Dividends were participating securities. If a dividend was declared or paid on our Predecessor's ordinary shares, holders of our Predecessor's ordinary shares and Preferred Shares were entitled to proportionate shares of such dividend, with the holders of our Predecessor's Preferred Shares participating on an as-if converted basis.

Under the two-class method, basic earnings (losses) per share ("EPS") attributable to ordinary shareholders is computed by dividing the income (loss) from continuing operations attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the period. Income (loss) from continuing operations attributable to ordinary shareholders is determined by allocating undistributed earnings between ordinary and preferred shareholders. For periods in which there are undistributed losses, there is no allocation of earnings to preferred shareholders.

Diluted EPS attributable to ordinary shareholders is computed by using the more dilutive result of the two-class method, the if-converted method, or the treasury stock method. The if-converted method uses the weighted-average number of ordinary shares outstanding during the period, including potentially dilutive ordinary shares assuming the conversion of the outstanding Preferred Shares of our Predecessor as of the first day of the reporting period. The dilutive effect of awards under our equity compensation plan are reflected in diluted earnings per share by application of the treasury stock method.

Under the two-class method, the number of shares used in the computation of diluted EPS is the same as that used for the computation of basic EPS, as the result would be anti-dilutive. The income (loss) from continuing operations attributable to ordinary shareholders is not allocated to share premium reserve of the Preferred Shares until all other reserves have been exhausted or such loss cannot be covered in any other way.

The calculations of basic and diluted EPS are as follows (*$ in thousands*):

	Year ended December 31,	
	2017	**2016**
Numerator:		
Income (loss) from continuing operations	$ 25,251	$ (51,140)
Cumulative Preferred Share dividends (equity component)	(614)	(3,387)
Allocation of undistributed earnings to preferred shareholders (equity component) [1]	(158)	—
Numerator for basic EPS - income (loss) available to ordinary shareholders	24,479	(54,527)
Add back cumulative Preferred Share dividends (equity component) [2]	—	—
Add back of undistributed earnings to preferred shareholders (equity component) [3]	—	—
Add back cumulative Preferred Share dividends and discount (liability component) [4]	—	—
Numerator for diluted EPS - income (loss) available to ordinary shareholders after assumed conversions	$ 24,479	$ (54,527)
Denominator:		
Denominator for basic EPS - weighted shares	96,896,498	50,481,822
Effect of dilutive securities:		
Unvested restricted and performance share awards	144,086	—
Cumulative Preferred Shares [5]	—	—
Denominator for diluted EPS - adjusted weighted-average shares	97,040,584	50,481,822
Basic EPS	$ 0.25	$ (1.08)
Diluted EPS	$ 0.25	$ (1.08)

[1] For the year ended December 31, 2016, no undistributed earnings were allocated to the preferred shareholders of our Predecessor as we had undistributed losses after deducting cumulative Preferred Share dividends (equity component) of our Predecessor from loss from continuing operations.

[2] For the years ended December 31, 2017 and 2016, cumulative Preferred Share dividends (equity component) of our Predecessor of $0.6 million and $3.4 million, respectively, were not added back for purposes of calculating diluted EPS after assumed conversions because the effect is anti-dilutive.

[3] For the year ended December 31, 2017, the preferred shareholder allocation of undistributed earnings of our Predecessor of $0.2 million was not added back for purposes of calculating diluted EPS after assumed conversions because the effect is anti-dilutive.

[4] For the years ended December 31, 2017 and 2016, cumulative Preferred Share dividends (liability component) of our Predecessor of $7.3 million and $40.3 million, respectively, and accretion of the Preferred Shares discount of $6.9 million and $9.9 million, respectively, were not added back for purposes of calculating diluted EPS after assumed conversions because the effect is anti-dilutive.

[5] For the years ended December 31, 2017 and 2016, the effect of treating our Predecessor's cumulative preferred securities as if they had been converted to their 7,898,432 and 40,652,679 ordinary share equivalents as of January 1, 2017 and 2016, respectively, is anti-dilutive.

For the year ended December 31, 2017, 132,612 of unvested performance-based equity awards were not included in the computation of diluted EPS after assumed conversions, as the performance criteria for awards with market conditions were not met as of the end of the reporting period.

For the year ended December 31, 2017, outstanding Earnout Warrants to acquire a total of 3,000,000 ordinary shares were not included in the computation of diluted EPS after assumed conversions because the warrants were not exercisable as of December 31, 2017.

19. Warrants

Public Warrants:

We issued 45,000,000 warrants to former shareholders of Pace as consideration in the Business Combination (the “Public Warrants”), which entitled such warrant holders to purchase one-third of one ordinary share for an exercise price of one-third of $11.50. The Public Warrants became exercisable on April 10, 2017, which was thirty days after the completion of the Business Combination. The Public Warrants were set to expire five years after the completion of the Business Combination or earlier upon redemption or liquidation in accordance with their terms.

Founder Warrants:

We issued 22,000,000 warrants to former holders of certain privately placed warrants of Pace and our Predecessor's former ordinary shareholders as consideration in the Business Combination (the "Founder Warrants"), which entitled such warrant holders to purchase one-third of one ordinary share for an exercise price of one-third of $11.50. The Founder Warrants became exercisable on April 10, 2017, which was thirty days after the completion of the Business Combination. The Founder Warrants were set to expire five years after the completion of the Business Combination or earlier upon redemption or liquidation in accordance with their terms.

Earnout Warrants:

We issued a total of 3,000,000 warrants to our Predecessor's former ordinary shareholders and TPG Pace Sponsor, LLC, a Cayman Islands limited liability company and an affiliate of TPG Global, LLC, as consideration in the Business Combination (the "Earnout Warrants"). The Earnout Warrants entitle such warrant holders to acquire one ordinary share for each Earnout Warrant for an exercise price of €0.10 per ordinary share in the event that the price per share underlying the Earnout Warrants on the NASDAQ is greater than $13.00 for a period of more than 20 days out of 30 consecutive trading days within the five years after the closing date of the Business Combination. As of December 31, 2017, none of the Earnout Warrants have been exercised.

The Public Warrants, Founder Warrants, and Earnout Warrants (collectively the "Warrants") were classified as financial liabilities primarily because each instrument contained net settlement and cashless exercise features. The Warrants are revalued at the end of each reporting period, recognizing any change in fair value directly in earnings within other financial income, net in the Consolidated Statement of Profit or Loss.

Warrant Exchange:

On May 22, 2017, we commenced an offer to exchange 0.1 ordinary shares for each outstanding Public Warrant and Founder Warrant, up to a maximum of 67,000,000 warrants (the "Warrant Exchange"). On June 23, 2017, a total of 65,933,459 warrants were tendered in the Warrant Exchange resulting in the issuance of 6,593,321 ordinary shares and the cash settlement of fractional shares. We recognized a $0.9 million loss within other financial income, net in the Consolidated Statement of Profit or Loss as the fair value of the Public Warrants exchanged was less than the fair value of the ordinary shares issued. We recognized a $4.8 million gain in other financial income, net in the Consolidated Statement of Profit or Loss as the fair value of the Founder Warrants exchanged exceeded the fair value of the ordinary shares received. After the completion of the Warrant Exchange, 1,066,541 Public Warrants remained outstanding, which were exchanged for 95,988 ordinary shares on July 17, 2017 at an exchange rate of 0.09 ordinary shares per Public Warrant pursuant to a mandatory exchange provision added to the terms of the Public Warrants and Founder Warrants in connection with the Warrant Exchange. We recognized a loss of less than $0.1 million which is recorded within other financial income, net in the Consolidated Statement of Profit or Loss. There were no cash proceeds to the Company from the exchange transaction.

As of December 31, 2017, there were no Public Warrants, no Founder Warrants and 3,000,000 Earnout Warrants outstanding. As of December 31, 2017, the fair value of the Earnout Warrants was estimated to be $25.1 million and classified as non-current in the Consolidated Statement of Financial Position. See Note 23.3 for fair value information.

20. Borrowings

The following summarizes the carrying amounts of the Company's borrowings as of December 31, 2017 and 2016 (*$ in thousands*):

	As of December 31,	
	2017	**2016**
Term Loan	$ 906,398	$ 362,813
Unamortized financing costs and discount on Term Loan	(19,105)	(9,218)
Net Term Loan	887,293	353,595
8% Senior Notes due 2020	—	475,000
Unamortized financing costs and premium on Senior Notes	—	(3,620)
Net 8% Senior Notes due 2020	—	471,380
Revolving Credit Facility	—	—
Total borrowings	**887,293**	**824,975**
Less amounts due within one year [1]	(9,110)	(3,750)
Non-current borrowings	**$ 878,183**	**$ 821,225**

[1] The entire current borrowings balance is related to the Term Loan.

20.1 Senior Secured Credit Facility

Playa Resorts Holding B.V., a subsidiary of ours, holds a senior secured credit facility ("Senior Secured Credit Facility"), which consisted of a term loan facility ("Original Term Loan") which was scheduled to mature on August 9, 2018 and a revolving credit facility which was scheduled to mature on August 9, 2018.

Senior Secured Credit Facility Refinancings

On April 27, 2017, we amended and restated our existing Senior Secured Credit Facility, consisting of a $530.0 million term loan (the "First Term Loan") priced at 99.75% of the principal amount and which matures on April 27, 2024 and a revolving credit facility (the "Revolving Credit Facility") with a maximum aggregate borrowing capacity of $100.0 million which matures on April 27, 2022. The maturity date with respect to the Revolving Credit Facility and the First Term Loan were subject to an earlier maturity date (the "Springing Maturity Date") if on the date that is 91 days prior to August 15, 2020 (the final maturity date of our Senior Notes due 2020), either the outstanding principal amount of the Senior Notes due 2020 is greater than or equal to $25.0 million or, if less than $25.0 million, we were unable to demonstrate that we have sufficient liquidity to repay such outstanding principal amount without causing our liquidity to be less than $50.0 million. The proceeds received from the First Term Loan were used to repay our Original Term Loan and $115.0 million of our Senior Notes due 2020 and for other general corporate purposes. The repayment of our Original Term Loan and partial repayment of our Senior Notes due 2020 was accounted for as an extinguishment of debt and resulted in a loss on extinguishment of debt of $9.4 million.

On December 6, 2017, we amended our Senior Secured Credit Facility and exercised our option to request an incremental term loan of $380.0 million (the "Second Term Loan" and together with the existing term loan that was in effect prior to the amendment, the "Term Loan") priced at 99.75% of the principal amount. After the Second Term Loan, the Term Loan interest rate at a rate per annum increased from LIBOR plus 3.00% to LIBOR plus 3.25%. The proceeds received from the Second Term Loan were used to repay our Senior Notes due 2020. The Second Term Loan and the repayment of our Senior Notes due 2020 were accounted for as a partial modification and partial extinguishment of debt, which resulted in a loss on extinguishment of debt of $17.2 million.

Revolving Credit Facility

Our Revolving Credit Facility, which permits us to borrow up to a maximum aggregate principal amount of $100.0 million, matures on April 27, 2022 (subject to the Springing Maturity Date) and bears interest at variable interest rates that are either based on LIBOR or based on an alternate base rate derived from the greatest of the federal funds rate plus a spread, prime rate, one-month euro-currency rate plus a spread and, solely with respect to the Term Loan, the initial term loan rate ("ABR Rate"). We are required to pay a commitment fee ranging from 0.25% to 0.5% per annum (depending on the level of our consolidated secured leverage ratio in effect from time to time) on the average daily undrawn balance.

Term Loan

We borrowed $530.0 million under our First Term Loan on April 27, 2017. We received net proceeds of approximately $32.5 million from our First Term Loan after prepaying our existing Senior Secured Credit Facility and a portion of our Senior Notes due 2020 and deducting a debt issuance discount of $1.3 million and unamortized debt issuance costs of $7.5 million.

We borrowed an additional $380.0 million under our Second Term Loan on December 6, 2017. We received no proceeds from the Second Term Loan after full repayment of our Senior Notes due 2020 and deducting a debt issuance discount of $1.0 million and unamortized debt issuance costs of $4.9 million.

The Term Loan bears interest at a rate per annum equal to LIBOR plus 3.25% (where the applicable LIBOR rate has a 1.0% floor), and interest continues to be payable in cash in arrears on the last day of the applicable interest period (unless we elect to use the ABR rate). Our Term Loan requires quarterly payments of principal equal to 0.25% of the original principal amount of the Term Loan on the last business day of each March, June, September and December. The remaining unpaid amount of our Term Loan is due and payable at maturity on April 27, 2024 (subject to the Springing Maturity Date).

Total unamortized debt issuance costs are accreted on an effective interest basis over the term of our Term Loan.

20.2 8% Senior Notes due 2020

We issued 8.0% senior notes due August 15, 2020 (the "Senior Notes due 2020") in an aggregate principal amount of $475.0 million. The Senior Notes due 2020 bore interest at a rate of 8.0% per annum payable semi-annually in cash in arrears on February 15 and August 15 of each year. The face amount of the Senior Notes due 2020 was due and payable at maturity on August 15, 2020.

On April 27, 2017, we partially redeemed the Senior Notes due 2020 at 106% of the principal amount of the notes for an aggregate amount of $121.9 million, which consisted of $115.0 million in principal and $6.9 million in redemption premium. Subsequent to settlement, we received a partial redemption premium refund of $0.3 million resulting in a net redemption premium of $6.6 million.

On December 6, 2017, we redeemed the balance of the Senior Notes due 2020 at 104% of the principal amount of the notes for an aggregate amount of $374.4 million, which consisted of $360.0 million in principal and $14.4 million in redemption premium.

Financial Maintenance Covenants

Our refinanced Senior Secured Credit Facility also requires us to meet a springing leverage ratio financial maintenance covenant, but only if the aggregate amount outstanding on our revolving credit facility exceeds 35% of the aggregate revolving credit commitments as defined in our senior secured credit facility. We were in compliance with all applicable financial covenants as of December 31, 2017 and 2016.

21. Derivative financial instruments

Derivative financial instruments consisted of an embedded derivative related to the Original Term Loan's 1.00% LIBOR floor. The embedded derivative was extinguished as part of the April 27, 2017 Senior Secured Credit Facility refinancing and we recognized a $0.2 million gain on the extinguishment which is recorded within other financial income, net in the Consolidated Statement of Profit or Loss.

As of December 31, 2016, the fair value of this derivative was estimated to be $0.3 million, of which $0.1 million was classified as current and $0.2 million was classified as non-current in the Consolidated Statement of Financial Position. See Note 23.3 for derivative fair value information.

The derivative was revalued at the end of each reporting period, recognizing any change in fair value directly in earnings within finance costs (see Note 29) in the Consolidated Statement of Profit or Loss.

22. Trade and other payables

The following summarizes the balances of trade and other payables as of December 31, 2017 and 2016 (*$ in thousands*):

	As of December 31,	
	2017	**2016**
Trade payables	$ 18,160	$ 21,229
Advance deposits	43,884	41,621
Withholding and other taxes payable	34,904	27,432
Interest payable	5,586	16,151
Professional service accruals	7,131	19,566
Payroll and related accruals	13,848	12,963
Other payables	16,015	6,080
Total trade and other payables	**$ 139,528**	**$ 145,042**

23. Financial instruments

23.1 Capital management

The Company considers both cash flows arising from funds generated by operations and those received as contributions from shareholders or indebtedness with financial institutions to be capital.

Consistent with other companies in the hospitality industry, the Company controls the equity structure based on a standard ratio. This ratio is calculated as the net financial debt divided by the amount of the Company's equity.

The Company's ratio as of December 31, 2017 and 2016 are as follows (*$ in thousands*):

	As of December 31,	
	2017	**2016**
Debt	$ 887,293	$ 824,975
Less, cash and cash equivalents	(117,229)	(33,512)
Net financial debt	**$ 770,064**	**$ 791,463**
Equity[1]	**$ 445,059**	**$ 362,850**
Net debt to equity ratio	**173%**	**218%**

[1] Figure includes the liability portion of the cumulative redeemable preferred shares in our equity base as of December 31, 2016 as we considered these instruments to be equity for capital management purposes.

23.2 Categories of financial instruments

The Consolidated Statement of Financial Position contains various financial assets and liabilities as shown in the table below (*$ in thousands*).

	As of December 31,	
	2017	**2016**
Financial assets not measured at fair value:		
Cash and cash equivalents	$ 117,229	$ 33,512
Trade and other receivables, net	51,527	48,881
Accounts receivable from related parties	1,495	2,532
Total financial assets	**$ 170,251**	**$ 84,925**
Financial liabilities not measured at fair value:		
Borrowings:		
Term Loan [1]	$ 887,293	$ 353,595
8% Senior Notes due 2020	—	471,380
Cap Cana land purchase obligation	10,625	—
Cumulative redeemable preferred shares	—	343,681
Trade payables	18,160	21,229
Accounts payable to related parties	2,966	8,184
	919,044	**1,198,069**
Financial liabilities measured at fair value:		
Warrant liability	25,110	—
Deferred consideration	—	1,836
Derivative financial instrument [1]	—	314
	25,110	**2,150**
Total financial liabilities	**$ 944,154**	**$ 1,200,219**

[1] Includes both the current and non-current portions.

We believe the carrying value of our financial assets and financial liabilities not measured at fair value, excluding borrowings, approximate their fair values at December 31, 2017 and 2016.

23.3 Fair value measurements

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significant of the inputs to the fair value measurement in its entirety, which are described below:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

- Level 2: Inputs, other than quoted prices included in Level 1, are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: Inputs are unobservable for the assets or liabilities.

Financial liabilities measured at fair value on a recurring basis

The following table presents the Company's financial liabilities that are measured at fair value as of December 31, 2017 and 2016 (*$ in thousands*):

		Fair Value		
	December 31, 2017	**Level 1**	**Level 2**	**Level 3**
Financial liabilities measured at fair value:				
Warrant liability	$ 25,110	$ —	$ 25,110	$ —

		Fair Value		
	December 31, 2016	**Level 1**	**Level 2**	**Level 3**
Financial liabilities measured at fair value:				
Derivative financial instrument [1]	$ 314	$ —	$ 314	$ —
Deferred consideration	$ 1,836	$ —	$ —	$ 1,836

[1] Includes both the current and non-current portions of the derivative financial instrument.

Reconciliation of Level 3 fair value measurements

The following table presents the activity for the Company's financial liabilities that are measured at fair value with Level 3 inputs as of December 31, 2017 and 2016 (*$ in thousands*):

	Deferred Consideration
January 1, 2016	**$ 4,145**
Total (gains) losses:	
- in profit or loss	201
Settlements	(2,510)
January 1, 2017	**1,836**
Total (gains) losses:	
- in profit or loss	654
Settlements	(2,490)
December 31, 2017	**$ —**

Warrants

Warrants, as described in Note 19, are presented at fair value in the Consolidated Statement of Financial Position. The valuation of this instrument was determined using a Monte Carlo simulation. This analysis reflects the contractual terms of the warrants, including the period to maturity, and uses observable market-based inputs, including ordinary share price, volatility, and risk-free interest rate.

The fair value of the warrants are re-measured at the end of every reporting period. The change in fair value of the warrants is recognized directly in earnings, classified as other financial income, net in the Consolidated Statement of Profit or Loss (see Note 30).

Derivative financial instruments

The derivative financial instrument consisted of an embedded derivative related to the Original Term Loan's 1.00% LIBOR floor (see Note 21) and was presented at fair value in the Consolidated Statement of Financial Position. The embedded derivative was extinguished as part of the April 27, 2017 Senior Secured Credit Facility refinancing. The valuation of this instrument was determined

using widely accepted valuation techniques including discounted cash flow analysis and volatilities on the expected cash flows of the floor. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, including interest rate curves, spot and forward rates, as well as option volatility.

To comply with the provisions of IFRS 13, the Company incorporates credit valuation adjustments to appropriately reflect its own nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counter-parties. However, as of December 31, 2017, the Company had assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and had determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Company had determined that its derivative valuations in their entirety should be classified in Level 2 of the fair value hierarchy. During 2017 and 2016 there were no reclassifications between Levels.

The fair value of the derivative financial instrument was re-measured at the end of every reporting period. The change in fair value of the derivatives was recognized directly in earnings, classified as finance costs in the Consolidated Statement of Profit or Loss (see Note 29).

Deferred consideration

Deferred consideration, as described in Note 12.1, was presented at fair value in the Consolidated Statement of Financial Position. The valuation of this instrument was determined using widely accepted valuation techniques including discounted cash flow analysis. The deferred consideration was settled in the third quarter of 2017.

The fair value of the deferred consideration was re-measured at the end of every reporting period. The change in fair value of the derivatives is recognized directly in earnings, classified as “Finance costs” in the Consolidated Statement of Profit or Loss (see Note 29).

Financial assets not measured at fair value in the statement of financial position but for which the fair value is presented

All financial assets not measured at fair value in the Consolidated Statement of Financial Position are considered to be Level 2 where the carrying value approximates fair value.

Financial liabilities not measured at fair value in the statement of financial position but for which the fair value is presented

The following table presents the Company's financial liabilities that are not measured at fair value in the Consolidated Statement of Financial Position but for which the fair value is presented (*$ in thousands*):

	Carrying Value	Fair Value			
	As of December 31, 2017	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value:					
Term Loan	$ 887,293	$ —	$ —	$ 916,369	$ 916,369
Revolving Credit Facility[1]	—	—	—	—	—
Total	**$ 887,293**	**$ —**	**$ —**	**$ 916,369**	**$ 916,369**

	Carrying Value	Fair Value			
	As of December 31, 2016	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value[2]:					
Term Loan	$ 353,595	$ —	$ —	$ 363,060	$ 363,060
8% Senior Notes due 2020	471,380	—	513,405	—	513,405
Revolving Credit Facility[1]	—	—	—	—	—
Total	**$ 824,975**	**$ —**	**$ 513,405**	**$ 363,060**	**$ 876,465**

[1] We estimate that the carrying value of our Revolving Credit Facility is the fair value as of December 31, 2017 and 2016. The valuation technique and significant unobservable inputs are consistent with our Term Loan, but the valuation using the discounted cash flow technique approximates the carrying value as the expected term is significantly shorter in duration. We typically use our Revolving Credit Facility solely for short term liquidity.

[2] As of December 31, 2016, the fair value of cumulative redeemable preferred shares was excluded from the table above because the carrying value approximated the fair value. All of our Preferred Shares were redeemed on March 10, 2017 (See Note 15 and Note 16).

The following table displays valuation techniques and the significant unobservable inputs for our Level 3 financial liabilities measured at fair value as of December 31, 2017 and 2016 *($ in thousands)*:

	Fair Value Measurements as of December 31, 2017			
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs	Input
Term Loan	$ 916,369	Discounted cash flow	Discount rate	3.25%
			Forward rate	4.94% - 5.75%
			Expected term	76 months

	Fair Value Measurements as of December 31, 2016			
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs	Input
Deferred consideration[1]	$ 1,836	Discounted cash flow	Discount rate	4.00%
			Forward rate	4.63% - 5.00%
			Expected term	7 months
Term Loan	$ 363,060	Discounted cash flow	Discount rate	3.00%
			Forward rate	4.00% - 5.33%
			Expected term	32 months

[1] If the forward rate had been 25 basis points higher/lower and all other variables were held constant, the change in fair value of the instrument and loss before income tax for the period would have been $0.1 million less/more. A 25 basis points increase or decrease in the discount rate would have had a $0.1 million impact in the fair value of the instrument and loss before income tax for the period.

Term Loan

The fair value of the Term Loan is estimated using cash flows projected using market forward rates and discounted back at the appropriate discount factors. The primary sensitivity in these estimates is based on the selection of appropriate discount rates. Fluctuations in these assumptions will result in different estimates of fair value as an increase in the discount rate would result in a decrease in the fair value.

Senior Notes due 2020

Our Senior Notes due 2020 were fully redeemed in December 2017 (see Note 20). The fair value of the Senior Notes due 2020 was estimated using unadjusted quoted prices in a market that is not active. Current pricing was compiled and applied to the outstanding principal amount.

23.4 Credit risk

Financial instruments that are subject to credit risk consist primarily of trade accounts receivable. Trade accounts receivable are generated from sales of services to customers in the United States, Canada, Europe, Latin America and Asia. The Company's policy is to mitigate this risk by granting a credit limit to each client depending on the client's volume and credit quality. In order to increase the initially established credit limit, approval is required from the director of each hotel. Each hotel periodically reviews the age of the clients' balances and the balances which may be of doubtful recoverability. The Company maintains allowances for potential credit losses based on management's evaluation of the customer's financial situation, past collection history, and the age of the accounts receivable balances. Historically, actual credit losses have been within the ranges of management's expectations and considered immaterial. The maximum exposure risk assumed by the Company is the carrying amount of trade receivables per customer, which have an expected collectability of less than one year.

The aging of the Company's receivables, based on invoice date, as of December 31, 2017 and 2016 is as follows (*$ in thousands*):

	As of December 31,	
	2017	**2016**
0 - 60 days (current)	$ 50,792	$ 48,362
61 - 90 days	345	318
91 - 120 days	310	164
> 120 days	865	1,098
Gross trade and other receivables	**$ 52,312**	**$ 49,942**

The gross carrying amount of the trade and other receivables balance is reduced by an allowance for doubtful accounts that reflects management's best estimate of amounts that will not be collected. The allowance is based on historical loss experience, specific risks identified in collection matters, and analysis of past due balances identified in the aging detail. The Company's allowance for doubtful accounts as of December 31, 2017 and 2016 was approximately $0.8 million and $1.1 million, respectively (see Note 11).

23.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal business conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyzes the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date as of December 31, 2017 (*$ in thousands*):

Liability	Interest rate[1]	< 1 year	> 1 to 3 years	> 3 to 5 years	> 5 years	Total
Term Loan[2]	4.62% - 6.17%	$ 54,140	$ 125,100	$ 125,786	$ 940,853	$ 1,245,879
Revolving Credit Facility[3]	0.50%	511	1,015	668	—	2,194
Cap Cana land purchase obligation[4]	N/A	—	10,625	—	—	10,625
Other non-interest bearing liabilities	N/A	21,126	—	—	—	21,126
		$ 75,777	**$ 136,740**	**$ 126,454**	**$ 940,853**	**$ 1,279,824**

(1) The period less than 1 year represents obligations in 2018.
(2) The interest rate is the contractual commitment fee of 0.5% applied to the undrawn balance of $100.0 million as we had no outstanding balance on our Revolving Credit Facility as of December 31, 2017.
(3) The interest rate on our Term Loan is LIBOR plus 325 basis points with a 1% LIBOR floor. LIBOR was calculated using the average forecasted three-month forward-looking LIBOR curve for each respective period.
(4) The remaining $10.6 million of the purchase price is due on the earlier of (i) two years from the beginning of construction or (ii) the opening of the Hyatt Zilara Cap Cana and Hyatt Ziva Cap Cana resorts.

23.6 Market risk

Our business strategy depends significantly on demand for all-inclusive vacation packages and demand for vacations generally. Weak economic conditions in the United States, Europe and much of the rest of the world and the uncertainty over the duration of these conditions could continue to have a negative impact on the hospitality industry. As a result, any delay or a weaker than anticipated economic recovery will adversely affect our future results of operations. Furthermore, a significant percentage of our guests originate in the United States and elsewhere in North America and, if travel from the United States or elsewhere in North America was disrupted and we were not able to replace those guests with guests from other geographic areas, it would have a material adverse effect on our results of operations. Additionally, most of our resorts are located in Mexico, and, as a result, our business is exposed to economic conditions in Mexico. If the economy in Mexico weakens or experiences a downturn, it could have a material adverse effect on us, including our financial results.

23.7 Interest rate risk

The risk from market interest rate fluctuations mainly affects long-term debt bearing interest at a variable interest rate. We may use derivative financial instruments to manage exposure to this risk. We currently do not have any interest rate swaps or similar derivative instruments.

23.8 Variable rate instruments

As of December 31, 2017, all of our borrowings are variable rate borrowings. The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate borrowings at the end of the reporting period. The analysis is prepared assuming the amount of the liability outstanding as of December 31, 2017 was outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 100 basis points higher and all other variables were held constant, income before income tax for the year ended December 31, 2017 would have been $9.1 million or 42.4% lower. Our Term Loan borrowings are subject to a 1.00% LIBOR floor (See Note 20), and if interest rates had declined up to the fixed minimum rate, income before income tax for the year ended December 31, 2017 would have been $3.4 million or 15.7% higher.

23.9 Foreign currency risk

Since the Company's resorts are based in Mexico, the Dominican Republic and Jamaica, where the currency is different from the functional currency, the Company is exposed to exchange rate fluctuations.

Interest on borrowings is denominated in currencies that correspond to the cash flows generated by resort operations, mainly in USD. This provides an economic hedge on the borrowings, sales and purchases. Approximately 94.6% of the Company's sales are denominated in USD, which is the functional currency of the Company's foreign consolidated subsidiaries. With respect to other monetary assets and liabilities denominated in foreign currencies other than those already mentioned, the Company ensures that its net exposure is kept at an acceptable level by buying or selling foreign currencies at spot market rates in order to cover the cash needs generated by the resorts.

As income is mainly denominated in USD, which is the functional currency of the resorts, it is not affected by the exchange rate fluctuations between the functional and local currencies. Approximately 80.5% of the operating expenses (non-financial) of the resorts are transacted in the local currencies (Dominican pesos, Mexican pesos and Jamaican dollars); as a result, the exchange rate fluctuations with regard to the functional currency have an effect on the amount of recorded expenses.

The following table details the Company's sensitivity to a 5 percent increase or decrease in the USD against the relevant foreign currencies (*$ in thousands*):

		Exchange rate fluctuation	Effect on profit (loss) before income tax
Year ended December 31, 2017	USD / Dominican, Mexican Pesos, Jamaican Dollars	5%	$ 12,571
		(5)%	$ (13,895)
Year ended December 31, 2016	USD / Dominican, Mexican Pesos, Jamaican Dollars	5%	$ 13,062
		(5)%	$ (14,437)

23.10 Reconciliation of liabilities arising from financing activities

The table below details changes in our liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in our consolidated statement of cash flows as cash flows from financing activities *($ in thousands)*.

	Financial liabilities arising from financing activities			
	Borrowings[1]	Preferred Shares	Warrant Liability	Deferred Consideration
As of December 31, 2016	$ 824,975	$ 343,681	$ —	$ 1,836
Financing cash flows, net	32,330	—	—	(2,490)
Non-cash changes:				
Settlement of accrued dividends and redemption of cumulative redeemable preferred shares (liability component)	—	(326,576)	—	—
Fair value of warrants recognized in recapitalization	—	—	83,399	—
Fair value adjustments	—	—	18,879	654
Loss (gain) on extinguishments	26,559	(31,298)	(3,927)	—
Finance costs	3,429	14,193	—	—
Warrants exchanged for ordinary shares (par value)	—	—	(747)	
Warrants exchanged for ordinary shares (share premium)	—	—	(72,495)	—
Other	—	—	1	—
As of December 31, 2017	**$ 887,293**	**$ —**	**$ 25,110**	**$ —**

[1] Includes both the current and non-current portions.

24. Provisions

As of December 31, 2017 and 2016, the operating tax contingencies recognized related to sales tax / value added tax ("VAT") were $2.3 million and $3.0 million, respectively, which are included in "Provisions" in the Consolidated Statement of Financial Position.

25. Commitments and contingencies

Litigation, claims and assessments

We are subject, currently and from time to time, to various claims and contingencies related to lawsuits, taxes and environmental matters, as well as commitments under contractual obligations. Many of these claims are covered under current insurance programs, subject to deductibles. We recognize a liability associated with commitments and contingencies when a loss is probable and reasonably estimable. Although the ultimate liability for these current matters cannot be determined at this point, based on information currently available, we do not expect that the ultimate resolution of such claims and litigation will have a material effect on our Consolidated Financial Statements.

The Dutch corporate income tax act provides the option of a fiscal unity, which is a consolidated tax regime wherein the profits and losses of group companies can be offset against each other. Our Dutch companies file as a fiscal unity, with the exception of Playa Romana B.V., Playa Romana Mar B.V. and Playa Hotels & Resorts N.V. As head of our Dutch fiscal unity, Playa Resorts Holding B.V. is jointly and severally liable for the tax liabilities of the fiscal unity as a whole.

The Mexican tax authorities issued an assessment to one of our Mexican subsidiaries. In February 2014, we filed an appeal before the tax authorities, which was denied on May 26, 2014. On June 11, 2014, we arranged for the posting of a tax surety bond issued by a surety company, which guaranteed the payment of the claimed taxes and other charges (and suspended collection of such amounts by the tax authorities) while our further appeal to the tax court was resolved. To secure reimbursement of any amounts that may be paid by the surety company to the tax authorities in connection with the surety bond, we provided cash collateral to the surety company valued at approximately $4.0 million as of December 31, 2016. During the third quarter of 2017, we received a favorable resolution from the tax court and the litigation was terminated. The surety company released the entirety of our cash collateral during the fourth quarter of 2017.

During the third quarter of 2015, we identified and recorded a potential Dutch operating tax contingency resulting from allocations to be made of certain corporate expenses in 2014 and 2015. We have provided all requested documentation to the Dutch tax authorities for their review and are currently waiting for their final determination. We have an estimated amount of $1.6 million as a tax contingency at December 31, 2017 that is recorded in provisions within the Consolidated Statement of Financial Position.

Electricity supply contract

One of our subsidiaries entered into an electricity supply contract wherein we committed to purchase electricity from a provider over a five-year period ending December 2019. In consideration for our commitment, we received certain rebates. Should this contract be terminated prior to the end of the five-year period, we will be obligated to refund to the supplier the undepreciated portion of (i) the capital investment it made to connect our facilities to the power grid (original amount approximately $1.4 million) and (ii) the unearned rebates we received (unearned rebates of $0.8 million and $1.2 million as of December 31, 2017 and 2016, respectively), in each case using a 20% straight-line depreciation per annum.

Leases and other commitments

We lease certain equipment for the operations of our hotels under various lease agreements. The leases extend for varying periods through 2021 and contain fixed components and utility payments. In addition, several of our administrative offices are subject to leases of building facilities from third parties, which extend for varying periods through 2023 and contain fixed and variable components.

Our minimum future rents, at December 31, 2017, payable under non-cancelable operating leases with third parties and related parties were as follows (*$ in thousands*):

2018	$	867
2019		839
2020		860
2021		697
2022		564
Thereafter		157
Total	**$**	**3,984**

Rental expense under non-cancelable operating leases, including contingent leases, consisted of $2.0 million and $2.1 million for the years ended December 31, 2017 and 2016, respectively.

26. Other non-current liabilities

The following summarizes the balances of other non-current liabilities as of December 31, 2017 and 2016 (*$ in thousands*):

	As of December 31,			
		2017		**2016**
Pension obligations	$	3,736	$	2,879
Casino loan and license		975		1,027
Cap Cana land purchase obligation		10,625		—
Other		1,028		1,445
Total other non-current liabilities	**$**	**16,364**	**$**	**5,351**

27. Employee benefits

In accordance with labor law regulations in Mexico, certain employees are legally entitled to receive severance that is commensurate with the tenure they had with us at the time of termination. Liabilities are calculated using actuarial valuations by applying the "projected unit credit method." Valuations were performed as of December 31, 2017 and 2016 based on the EMSSAH-09 and EMSSAM-09 mortality tables, applying a discount rate of 7.8% and 7.9% for December 31, 2017 and 2016, respectively, a salary increase of 4.8% and 4.8% for December 31, 2017 and 2016, respectively, and estimated personnel turnover and disability. Liabilities are recognized as other non-current liabilities in the Consolidated Statement of Financial Position. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the Consolidated Statement of Comprehensive Income (Loss) as other comprehensive (loss) income.

The following table sets forth our benefit obligation and funded status (*$ in thousands*):

	As of December 31,	
	2017	**2016**
Change in benefit obligation		
Balance at beginning of period	$ 2,879	$ 3,183
Service cost	630	590
Prior service cost	(49)	(17)
Interest cost	263	205
Actuarial gain	(64)	—
Effect of changes in financial assumptions	(4,223)	(377)
Experience adjusted	4,275	(29)
Effect of foreign exchange rates	116	(579)
Benefits paid	(91)	(97)
Balance at end of period	**$ 3,736**	**$ 2,879**
Underfunded status	$ (3,736)	$ (2,879)

There were no plan assets as of December 31, 2017 or 2016. Contributions are paid only to the extent benefits are paid. The net underfunded status of the plans as of December 31, 2017 and 2016 was $3.7 million and $2.9 million, respectively, which is recorded in other non-current liabilities in the Consolidated Statement of Financial Position.

The following table presents the components of net periodic pension cost (benefit) (*$ in thousands*):

	Year ended December 31,	
	2017	**2016**
Service cost	$ 630	$ 590
Interest cost	263	205
Amortization of prior service cost	(49)	(17)
Amortization of gain	(64)	—
Effect of foreign exchange rates	116	(579)
Net periodic pension cost recorded in P&L	**896**	**199**
Effect of changes in financial assumptions	(4,223)	(377)
Experience adjusted	4,275	(29)
Total remeasurement loss (gain) included in OCI	**52**	**(406)**
Total net periodic pension cost (benefit)	**$ 948**	**$ (207)**

The service cost component of net periodic pension cost is recorded within operating expenses in the Consolidated Statement of Profit or Loss. All components of net periodic pension cost other than the service cost component are recorded within other financial income, net in the Consolidated Statement of Profit or Loss.

The weighted average assumptions used to determine benefit obligations as of December 31, 2017 and 2016 and the net periodic pension cost (benefit) for the years ended December 31, 2017 and 2016 were as follows:

	As of December 31,	
	2017	**2016**
Discount rate	7.75%	7.90%
Rate of compensation increase	4.79%	4.79%

The discount rate reflects the current rate at which our benefit obligations could be effectively settled on the measurement date. The discount rate was determined by our actuary based on a yield curve constructed from a portfolio of zero-coupon government bonds for which the timing and amount of cash flows approximate the estimated benefit payments of the plan. The plan's expected cash flows are then discounted using the applicable spot rate from the yield curve to determine a single effective discount rate.

The following table represents our expected plan payments for the next five years and thereafter (*$ in thousands*):

2018	$ 411
2019	423
2020	442
2021	504
2020	577
Thereafter	2,937
Total	**$ 5,294**

Changes in assumptions used to determine benefit obligations and net periodic pension costs may have a material impact on the Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss. The key assumption is the discount rate. If the discount rate is increased (decreased) by 50 basis points, the benefit plan obligation would decrease by $0.1 million (increase by $0.3 million) and the impact on the current service cost would be less than $0.1 million.

28. Operating expenses

For the years ended December 31, 2017 and the 2016, the breakdown of operating expenses is as follows (*$ in thousands*):

	Year ended December 31,	
	2017	**2016**
Personnel expenses	$ 138,660	$ 125,362
General operating expenses	58,050	70,541
Depreciation expense	48,814	49,910
Utilities	29,035	24,991
Advertising	27,499	26,477
Independent professional services	10,370	9,247
Hotel and asset management fees	11,349	11,373
Insurance expenses	9,787	10,713
Repairs and maintenance	15,406	14,597
Franchise fees	14,105	13,539
Other	16,294	1,217
Amortization expense	895	985
Total operating expenses	**$ 380,264**	**$ 358,952**

The breakdown of personnel expenses for the years ended December 31, 2017 and the 2016 are as follows (*$ in thousands*):

	Year ended December 31,	
	2017	**2016**
Wages, salaries and severance	$ 117,560	$ 106,270
Benefits	21,100	19,092
Total personnel expenses	**$ 138,660**	**$ 125,362**

The number of full-time employees as of December 31, 2017 and 2016 by category are as follows:

	As of December 31,	
	2017	**2016**
Resort management and administration	1,519	1,495
Resort staff	8,289	8,168
Total number of full-time employees	**9,808**	**9,663**

As of December 31, 2017 and 2016, the Company had no employees in the Netherlands.

29. Finance costs

For the years ended December 31, 2017 and 2016, the breakdown of finance costs is as follows (*$ in thousands*):

	Year ended December 31,	
	2017	**2016**
Interest expense:		
Interest on Term Loan	$ 21,769	$ 14,849
Interest on 8% Senior Notes due 2020	29,870	34,956
Interest and commitment fee on Revolver	427	1,375
Amortization of financing costs	2,613	3,103
Amortization of derivative discount on borrowings	753	1,033
Amortization of Preferred Shares discount	6,885	9,902
Dividends on Preferred Shares	7,308	40,289
Change in deferred consideration[(1)]	713	390
Capitalized interest	(1,561)	—
Change in fair value of derivatives	(90)	(1,926)
Other financing costs	264	284
	$ 68,951	**$ 104,255**

[(1)] Includes deferred consideration accretion.

30. Other financial income, net

For the years ended December 31, 2017 and 2016, the breakdown of other financial income, net is as follows (*$ in thousands*):

	Year ended December 31,	
	2017	**2016**
Gain on extinguishment of Preferred Shares	$ 31,298	$ —
Gain on extinguishment of warrant liability	3,927	—
Gain on extinguishment of derivative financial instrument	224	—
Change in fair value of warrant liabilities	(18,879)	—
Other components of net periodic pension cost	(266)	391
Other	(393)	725
Total other financial income, net	**$ 15,911**	**$ 1,116**

31. Segments

We consider each one of our resorts to be an operating segment, none of which meets the threshold for a reportable segment. We also allocate resources and assess operating performance based on individual resorts. Our operating segments meet the aggregation criteria and thus, we report three separate segments by geography: (i) Yucatán Peninsula, (ii) Pacific Coast and (iii) Caribbean Basin. The resorts in each geographic region have similar economic characteristics including gross operating profit margins and occupancy rates. For the year ended December 31, 2017 and 2016, we have excluded the immaterial amounts of management fees and other from our segment reporting.

Our operating segments are components of the business which are managed discretely and for which discrete financial information is reviewed regularly by our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, all of whom represent our

chief operating decision maker ("CODM"). Financial information is reviewed by the CODM to assess performance and make decisions regarding the allocation of resources. The financial information reviewed by the CODM is prepared under U.S. GAAP to align with the principles used by our investors who trade our stock on the NASDAQ Capital Market. We did not provide a reconciliation of reportable segments' assets and liabilities to our consolidated assets and liabilities as this information is not reviewed by the CODM to assess performance and make decisions regarding the allocation of resources.

The performance of our operating segments is evaluated primarily on adjusted earnings before interest expense, income tax benefit (expense), and depreciation and amortization expense ("Adjusted EBITDA"), which should not be considered an alternative to income (loss) from continuing operations or other measures of financial performance or liquidity derived in accordance with IFRS. We define Adjusted EBITDA as net income (loss) from continuing operations, determined in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), for the period presented, before interest expense, income tax benefit (expense), and depreciation and amortization expense, further adjusted to exclude the following items: (a) other expense, net; (b) pre-opening expenses; (c) transaction expenses; (d) severance expense; (e) other tax expense; (f) Jamaica delayed opening; (g) gain on property damage insurance proceeds; (h) share-based compensation; (i) loss on extinguishment of debt; (j) repairs from hurricanes and tropical storms and (k) other components of net periodic pension cost (benefit).

There are limitations to using financial measures such as Adjusted EBITDA. For example, other companies in our industry may define Adjusted EBITDA differently than we do. As a result, it may be difficult to use Adjusted EBITDA or similarly named financial measures that other companies publish to compare the performance of those companies to our performance. Because of these limitations, Adjusted EBITDA should not be considered as a measure of the income or loss generated by our business or discretionary cash available for investment in our business and investors should carefully consider our IFRS results presented in our Consolidated Financial Statements.

The following tables present segment net revenue and a reconciliation to gross revenue under IFRS and segment Adjusted EBITDA and a reconciliation to net (loss) income under U.S. GAAP (*$ in thousands*):

	Year Ended December 31,	
	2017	**2016**
Revenue:		
Yucatàn Peninsula	$ 269,043	$ 248,958
Pacific Coast	87,519	75,340
Caribbean Basin	189,506	184,709
Segment net revenue [1]	546,068	509,007
Management fees	140	—
Other	3	32
Compulsory tips	13,334	12,452
Total gross revenue	**$ 559,545**	**$ 521,491**

[1] Segment net revenue represents total gross package and non-package revenue less compulsory tips paid to employees and other miscellaneous revenue not derived from segment operations.

	Year Ended December 31,	
	2017	**2016**
Adjusted EBITDA per U.S. GAAP:		
Yucatàn Peninsula	$ 113,754	$ 108,946
Pacific Coast	34,246	25,851
Caribbean Basin	53,482	50,465
Segment Adjusted EBITDA	201,482	185,262
Other corporate - unallocated	(30,757)	(30,593)
Management fees	140	—
Total consolidated Adjusted EBITDA per U.S. GAAP	**170,865**	**154,669**
Less:		
Other expense, net	1,078	5,390
Transaction expenses	21,708	16,538
Severance expense	442	—
Other tax expense	1,778	675
Jamaica delayed opening expenses	(203)	—
Gain on property damage insurance proceeds [1]	—	(348)
Share-based compensation	3,765	—
Loss on extinguishment of debt	25,120	—
Repairs from hurricanes and tropical storms [2]	1,807	—
Other components of net periodic pension (cost) benefit [3]	(232)	429
Add:		
Interest expense	(53,661)	(54,793)
Depreciation and amortization	(53,131)	(52,744)
Net income from continuing operations before tax per U.S. GAAP	**8,810**	**24,448**
Income tax (expense) benefit	(9,051)	(4,232)
Net (loss) income from continuing operations per U.S. GAAP	**$ (241)**	**$ 20,216**

[1] Gain on insurance proceeds for the year ended December 31, 2016 was the result of miscellaneous small property damage claims that are included in income (loss) for the year from continuing operations.

[2] Represents repairs and maintenance expenses incurred in connection with damage from Tropical Storm Lidia and Hurricane Maria at Hyatt Ziva Los Cabos and Dreams Punta Cana, respectively, which were included in operating expenses in the Consolidated Statement of Profit or Loss.

[3] We elected to change our presentation of net periodic pension cost in accordance with IAS 19. We reclassified certain components of net period pension (cost) benefit from operating expenses to other financial income in the Consolidated Statement of Profit or Loss. We added back these (costs) benefits for the purpose of calculating Adjusted EBITDA as they are considered part of our ongoing resort operations.

The following table presents a reconciliation of our U.S. GAAP net (loss) income to our IFRS income (loss) from continuing operations for the years ended December 31, 2017 and 2016 (*$ in thousands*):

	Year Ended December 31,	
	2017	2016
Net (loss) income from continuing operations per U.S. GAAP	**$ (241)**	**$ 20,216**
Reconciling items to IFRS		
Impairment reversal gain [1]	—	11,905
Transaction expense related to debt refinancing [2]	10,205	—
Share based compensation expense [3]	(930)	—
Depreciation expense [4]	3,422	1,849
Amortization of Preferred Shares discount [5]	(6,885)	(9,902)
Dividends on Preferred Shares [5]	(7,308)	(40,289)
Change in fair value of derivatives [5]	90	1,926
Amortization of financing costs and derivative discount [6]	(1,187)	(1,197)
Gain on extinguishment of CRPS [7]	31,298	—
Gain on extinguishment of warrant liability [7]	3,927	—
Gain on extinguishment of derivative financial instrument [7]	225	—
Fair value losses on warrant liability [7]	(18,879)	—
Loss on extinguishment of debt [8]	(1,439)	—
Income tax benefit (expense) [9]	12,947	(35,714)
Other	6	66
Income (loss) from continuing operations per IFRS	**$ 25,251**	**$ (51,140)**

(1) Impairment reversal does not exist under U.S. GAAP.
(2) The financing costs related to the partial debt modifications of our Term Loan (see Note 20) were capitalized as an additional debt discount under IFRS compared to expensed under U.S. GAAP.
(3) Share based compensation expense is accelerated for share based awards with graded vesting service conditions compared to U.S. GAAP.
(4) Differences in depreciation due to componentization and impairment reversal under IFRS.
(5) Finance costs not recognized in the Consolidated Statement of Profit (Loss) under U.S. GAAP (See Note 29).
(6) Differences in the amortization of the derivative discount on borrowings and financing costs.
(7) Other financial income (losses) not recognized in the Consolidated Statement of Profit (Loss) under U.S. GAAP (See Note 29).
(8) The financing costs related to the partial debt extinguishments of our Term Loan (See Note 20) were expensed under IFRS compared to capitalized as an additional debt discount under U.S. GAAP. Additionally, the existing unamortized financing costs balance written off to loss on extinguishment of debt was different between IFRS and U.S. GAAP.
(9) Differences in book and tax basis under IFRS and U.S. GAAP, with the largest difference related to property, plant and equipment.

32. Subsequent events

For our Consolidated Financial Statements as of and for the year ended December 31, 2017, we evaluated subsequent events through April 13, 2018, which is the date the financial statements were approved for issue by the Board of Directors.

Sagicor transaction

On February 26, 2018, we entered into a Share Exchange Implementation Agreement (the “Contribution Agreement”) with certain companies affiliated with the Sagicor Group (collectively, the “Sagicor Parties”). The Contribution Agreement provides that, subject to the satisfaction or waiver of certain customary and other closing conditions, the Sagicor Parties will contribute to a subsidiary of our Company a portfolio of all-inclusive resorts in Jamaica, two adjacent developable land sites and a management contract for an all-inclusive resort (the “Sagicor Assets”) in exchange for consideration consisting of, subject to adjustment pursuant to the Contribution Agreement, 20 million of our ordinary shares and $100.0 million in cash (such transaction, the “Sagicor Contribution”).

The Sagicor Assets consist of the following:

- The Hilton Rose Hall Resort (currently 489 rooms);
- The Jewel Runaway Bay Resort (currently 268 rooms);
- The Jewel Dunn's River Resort (currently 250 rooms);
- The Jewel Paradise Cove Resort (currently 225 rooms);
- The 88 units comprising one of the towers in the multi-tower condominium currently at the Jewel Grande Resort;
- A developable land site adjacent to The Jewel Grande Resort;
- A developable land site adjacent to The Hilton Rose Hall Resort;
- The management contract for a portion of the units owned by the Sagicor Parties at the Jewel Grande Resort; and
- All rights to "The Jewel" hotel brand.

We have not fully assessed if the contribution of Sagicor Assets would result in a business combination or an acquisition of assets under IFRS 3.

Interest rate swap

On March 21, 2018, the Company entered into two interest rate swap contracts to mitigate the interest rate risk inherent in the Company's variable rate debt, including the Revolving Credit Facility and Term Loan. The interest rate swaps have fixed notional values of $200.0 million and $600.0 million and mature on March 31, 2023. The fixed rate paid by the Company is 2.85% and the variable rate received resets monthly to the one-month LIBOR rate.

The interest rate swaps are not for trading purposes and the Company has not designated the interest rate swaps for hedge accounting treatment. As a result, changes in fair value of the interest rate swaps are recognized in earnings immediately in the Consolidated Statement of Profit or Loss.

7.2 Company Financial Statements

Playa Hotels & Resorts N.V.
Company Statement of Financial Position
($ in thousands)

		As of December 31,	
	Note	**2017**	**2016**
ASSETS			
Fixed assets			
Participations in group companies	5	$ 460,231	$ 423,650
Total fixed assets		460,231	423,650
Current assets			
Trade and other receivables		2,798	—
Prepayments and other current assets		165	84
Cash and cash equivalents	6	18,143	10
Total current assets		21,106	94
Total assets		**$ 481,337**	**$ 423,744**
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital	7	$ 11,803	$ 5,386
Cumulative redeemable preferred shares		—	285
Share premium - ordinary shares	7	599,451	182,477
Share premium - cumulative redeemable preferred shares		—	238,883
Treasury shares	7	(80)	—
Other reserves	7	4,678	—
Accumulated deficit		(170,793)	(64,181)
Total equity		445,059	362,850
Long-term liabilities			
Provisions	13	1,584	1,510
Warrant liability	10	25,110	—
Total long-term liabilities		26,694	1,510
Current liabilities			
Trade and other payables		9,584	59,384
Total current liabilities		9,584	59,384
Total liabilities		36,278	60,894
Total equity and liabilities		**$ 481,337**	**$ 423,744**

The accompanying Notes 1-14 are an integral part of these Company Financial Statements.

Playa Hotels & Resorts N.V.
Company Statement of Profit or Loss
($ in thousands)

		Year ended December 31,	
	Note	**2017**	**2016**
Continuing operations			
Operating expenses		$ (5,919)	$ (313)
Other financial (expense) income		(14,875)	13,227
Finance costs		(4,116)	(16,088)
Loss after income tax		**(24,910)**	**(3,174)**
Share in result of participation	4	33,003	(11,929)
Income (loss) for the period		**$ 8,093**	**$ (15,103)**

The accompanying Notes 1-14 are an integral part of these Company Financial Statements.

Playa Hotels & Resorts N.V.
Company Statement of Changes in Equity for the years ended December 31, 2017 and 2016
($ in thousands)

	Ordinary share capital		Treasury shares		Cumulative redeemable preferred shares		Share premium Ordinary Shares	Share premium Cumulative redeemable preferred shares	Equity-settled employee benefits reserve	Accumulated deficit	Total equity
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at January 1, 2016	**60,249,330**	**$ 656**	**5,373,884**	**$ (23,108)**	**32,738,094**	**$ 327**	**$ 210,315**	**$ 274,349**	**$ —**	**$ (49,078)**	**$ 413,461**
Retrospective application of recapitalization	(9,767,508)	4,730	(5,373,884)	23,108			(27,838)				—
Adjusted balance at January 1, 2016	**50,481,822**	**5,386**	**—**	**—**	**32,738,094**	**327**	**182,477**	**274,349**	**—**	**(49,078)**	**413,461**
Total loss for the period										(15,103)	(15,103)
Redemption of cumulative redeemable preferred shares					(4,227,100)	(42)		(35,466)			(35,508)
Balance at December 31, 2016	**50,481,822**	**$ 5,386**	**—**	**$ —**	**28,510,994**	**$ 285**	**$ 182,477**	**$ 238,883**	**$ —**	**$ (64,181)**	**$ 362,850**

	Ordinary share capital		Treasury shares		Cumulative redeemable preferred shares		Share premium Ordinary Shares	Share premium Cumulative redeemable preferred shares	Equity-settled employee benefits reserve	Accumulated deficit	Total equity
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at January 1, 2017	**50,481,822**	**$ 5,386**	**—**	**$ —**	**28,510,994**	**$ 285**	**$ 182,477**	**$ 238,883**	**$ —**	**$ (64,181)**	**$ 362,850**
Total income for the period										8,093	8,093
Recapitalization transaction	52,982,364	5,653					344,479				350,132
Redemption of cumulative redeemable preferred shares					(28,510,994)	(285)		(238,883)			(239,168)
Settlement of dividends of cumulative redeemable preferred shares										(114,705)	(114,705)
Non-cash transfer of ordinary shares	(7,367)		7,367	(80)							(80)
Issuance of ordinary shares in exchange for warrants	6,689,309	747					72,495				73,242
Recognition of share-based compensation	151,569	17							4,678		4,695
Balance at December 31, 2017	**110,297,697**	**$ 11,803**	**7,367**	**$ (80)**	**—**	**$ —**	**$ 599,451**	**$ —**	**$ 4,678**	**$ (170,793)**	**$ 445,059**

The accompanying Notes 1-14 are an integral part of these Company Financial Statements.

Playa Hotels & Resorts N.V.
Notes to the Company Financial Statements

1. General Information

Playa Hotels & Resorts N.V. ("Playa" or the "Company") was incorporated as a public limited liability company in the Netherlands concurrent with the Business Combination (as defined in Note 1 to the Consolidated Financial Statements included elsewhere in this report). Playa became the parent company (holding) of the Company's portfolio through its wholly-owned subsidiary Playa Resorts Holding B.V. The description of the Company's activities and structure, as included in Note 1 to the Consolidated Financial Statements, also applies to these Company Financial Statements.

2. Basis of preparation, presentation and measurement

These Company Financial Statements have been presented in accordance with the regulatory framework set forth in Note 3.1. For the general principles for the preparation of the Company Financial Statements, the principles for the valuation of assets and liabilities and determination of the result, as well as the notes to the specific assets and liabilities and the results, reference is made to the notes to the Consolidated Financial Statements, if not presented otherwise hereinafter.

The financial information relating to Playa Hotels & Resorts N.V. and its subsidiaries is presented in the Consolidated Financial Statements.

Proposed appropriation of the result

During the year ended December 31, 2017, the Company had a loss in the Company Financial Statements which the management board proposes to include in the unappropriated losses of the Company.

The Company Financial Statements reflect this proposal.

3. Significant accounting policies

3.1 Regulatory framework applicable to the financial information

The regulatory framework applied to the Company's financial information is established by:

- Title 9, Book 2 of the Netherlands Civil Code ("NCC");
- Combination 2 as allowed in the NCC, as the accounting treatment of dividends on our Preferred Shares differs between the Consolidated Financial Statements and Company Financial Statements;
- All other applicable Dutch accounting principles.

3.2 Functional currency

The functional currency of the Company and its subsidiaries is the U.S. dollar ("USD").

3.3 Net asset value of controlled participating interests

The net asset value of controlled participating interests in the Company Financial Statements is determined based on Title 9, Book 2 of the NCC applied for preparation of the Company Financial Statements.

4. Difference of consolidated and company only equity and result

The following differences exist between the Company Financial Statements and the Consolidated Financial Statements as of and for the years ended December 31, 2017 and 2016:

($ in thousands)	2017	2016
Total equity according to the Company Financial Statements	$ 445,059	$ 362,850
Total equity according to the Consolidated Financial Statements	445,059	19,169
Difference	**$ —**	**$ 343,681**
Income (loss) for the period according to the Company Financial Statements	$ 8,093	$ (15,103)
Total comprehensive income (loss) according to the Consolidated Financial Statements	25,198	(50,802)
Difference	**$ (17,105)**	**$ 35,699**

The differences are due to the accounting principles applied for the Preferred Shares in accordance with IFRS and T9BW2 NCC. For the Consolidated Financial Statements prepared in accordance with IFRS, the Preferred Shares were required to be classified as a compound financial instrument, resulting in part of the Preferred Shares recognized as equity and part as a financial liability. The classification of the Preferred Shares under IFRS resulted in the recognition of Preferred Share discount amortization expense of $6.9 million and Preferred Share dividend expense of $7.3 million within finance costs in the Consolidated Financial Statements for the year ended December 31, 2017. It also resulted in the recognition of a gain on the extinguishment of the Preferred Shares of $31.3 million within other financial income, net on the Consolidated Financial Statements for the year ended December 31, 2017. Refer to Note 29 and Note 30 to the Consolidated Financial Statements for further detail.

In accordance with T9BW2 NCC, all of the Preferred Shares were classified as equity within the Company Financial Statements and the Preferred Share dividends were recognized as part of equity rather than finance costs. No Preferred Share discount amortization expense or gain on the extinguishment of the Preferred Shares was recognized in the Company Financial Statements for the year ended December 31, 2017. For more details on the accounting for our Preferred Shares, refer to Note 15 and Note 16 to the Consolidated Financial Statements and Note 8 to the Company Financial Statements. Due to the differences in the accounting for our Preferred Shares, the equity and result in the Consolidated Financial Statements differed from those of the Company Financial Statements.

5. Participation in group companies

As of December 31, 2017, the Company has 100% ownership of its direct investment in subsidiaries in Playa Resorts Holding B.V. The Company accounts for its investment in subsidiaries using the net asset value method of accounting. At the end of each reporting period, the Company assesses whether there is any indication that its investment may be impaired. As of December 31, 2017, no provision for impairment has been taken.

The following tables summarize the movements in participation in group companies for the years ended December 31, 2017 and 2016 (*$ in thousands*):

	% Participation	As of January 1, 2017	Additions	Distributions	Share in result of participation	At December 31, 2017
Participation in group companies						
Investment in Playa Resorts Holding B.V.	100%	$ 423,650	$ 78,709	$ (75,131)	$ 33,003	$ 460,231
Total		**$ 423,650**	**$ 78,709**	**$ (75,131)**	**$ 33,003**	**$ 460,231**

	% Participation	As of January 1, 2016	Additions	Distributions	Share in result of participation	At December 31, 2016
Participation in group companies						
Investment in Playa Resorts Holding B.V.	100%	$ 426,861	$ 12,841	$ (4,123)	$ (11,929)	$ 423,650
Total		**$ 426,861**	**$ 12,841**	**$ (4,123)**	**$ (11,929)**	**$ 423,650**

6. Cash and cash equivalents

There are no restrictions on the availability of cash and cash equivalents as they are balances maintained in current accounts at financial institutions. They are at the Company's free disposal. The following summarizes the balances of cash and cash equivalents as of December 31, 2017 and 2016 (*$ in thousands*):

	As of December 31,	
	2017	2016
Bank of America Netherlands	$ 18,143	$ 10
Total	**$ 18,143**	**$ 10**

7. Ordinary share capital, share premium, treasury shares and other reserves

For details on ordinary share capital, share premium, treasury shares, and other reserves, see Note 14 of the Consolidated Financial Statements included elsewhere in this report.

8. Preferred Shares

Holders of our Preferred Shares were entitled to preferred cumulative dividends of 12% per annum compounded quarterly, which changed from 10% on August 9, 2015, with such dividends to be exclusively paid in kind with additional Preferred Shares. The Preferred Shares were convertible, subject to certain limitations, at the option of the holders into our ordinary shares on the basis of one ordinary share for every Preferred Share held (at $8.40 each, as adjusted for share issuances, share dividends, share splits, Non-cash PIK Dividends, combinations, reorganizations, or otherwise). The holders of the Preferred Shares were entitled to "as converted" voting rights. The Preferred Shares were redeemable (i) at our option as of August 13, 2015, and (ii) at the option of the holder on or after August 15, 2021 at $8.40 each plus any accrued and unpaid dividends accumulated thereon or subject to certain restrictions, in connection with any equity offering made by us. The Preferred Shares carried certain liquidation preferences in the event of liquidation of Playa.

Preferred Shares Non-cash PIK Dividends were accumulated on a quarterly basis until the shares were converted or redeemed, subject to distributable profits. The accumulated Preferred Shares' Non-cash PIK Dividends were recorded as reduction of share premium.

On October 14, 2016 we repurchased $50.0 million of our Preferred Shares, which consisted of issued shares at face value and their corresponding backlog of PIK dividends. We redeemed 4,227,100 of our outstanding Preferred Shares at $8.40 per share for $35.5 million in face value and we paid $14.5 million of associated PIK dividends.

Prior to the consummation of the Business Combination, all of our Predecessor's Preferred Shares were purchased at a purchase price of $8.40 per share for an aggregate amount of $353.9 million, which consisted of $239.5 million in face value and $114.4 million of associated PIK dividends. The Preferred Shares issued by our Predecessor were eliminated and extinguished as part of the reverse merger in the Business Combination.

As of December 31, 2017, there is no backlog of PIK dividends as the Preferred Shares issued by our Predecessor were eliminated and extinguished as part of the reverse merger in the Business Combination. The backlog of PIK dividends has to be paid upon the redemption of the Preferred Shares per the Articles of Association.

The Preferred Shares issued by the Company were classified as equity. The balance of the Preferred Shares and PIK dividend backlog is shown below (*$ in thousands, except share data*):

	As of December 31,	
	2017	2016
Face value of Preferred Shares	$ —	$ 239,492
Transaction costs	—	(324)
Net value of Preferred Shares	**$ —**	**$ 239,168**
Preferred Shares outstanding	—	**28,510,994**
Backlog of PIK dividends		
Face value of PIK dividends	$ —	$ 106,459
PIK dividends equivalent number of Preferred Shares	—	12,673,688

9. Transactions with related parties

For a list of the Company's subsidiaries, see Note 1 of the Consolidated Financial Statements included elsewhere in this report. Details of the balances between the Company and other related parties as of December 31, 2017 and 2016, and for the transactions between the Company and other related parties for the years ended December 31, 2017 and 2016, are as follows (*$ in thousands*):

		As of December 31,	
Balances:	**Relation:**	**2017**	**2016**
Accounts receivable:			
Resort Room Sales LLC	Group Companies	$ 1,193	$ —
Beach Tours Sales LLC	Group Companies	772	—
IC Sales LLC	Group Companies	279	—
Cameron del Caribe S de RL de CV	Group Companies	137	—
Gran Desing & Factory, S de RL de CV	Group Companies	121	—
Desarollos GCR, S de RL de CV	Group Companies	97	—
Inmobiliaria Y Proyectos TRPLAYA, S de RL de CV	Group Companies	92	—
Playa Gran, S de RL de CV	Group Companies	42	—
Playa Cabos Baja S de RL de CV	Group Companies	25	—
Playa Resorts Management	Group Companies	21	—
Cameron del Pacifico S de RL de CV	Group Companies	9	—
Playa Rmaya One, S de RL de DV	Group Companies	4	—
Playa Romana Mar BV	Group Companies	2	—
Playa Cana BV	Group Companies	2	—
Hotel Capri Caribe S de RL de CV	Group Companies	2	—
Total		**$ 2,798**	**$ —**
Accounts payable:			
Playa Resorts Management LLC	Group Companies	$ 20	$ —
Playa Management USA LLC	Group Companies	—	66
Total		**$ 20**	**$ 66**

		As of December 31,	
Balances:	**Relation:**	**2017**	**2016**
Interest payable:			
Resort Room Sales, LLC	Group Companies	$ 1,637	$ 1,256
Playa Resorts Holding B.V.	Group Companies	—	884
Total		**$ 1,637**	**$ 2,140**
Short-term loan payable:			
Resort Room Sales, LLC	Group Companies	$ 7,500	$ 7,500
Total		**$ 7,500**	**$ 7,500**
Long-term loan payable:			
Playa Resorts Holding B.V.	Group Companies	$ —	$ 49,447
Total		**$ —**	**$ 49,447**
Other financial income:			
BD Real Resorts S de RL de CV	Group Companies	$ —	$ 127
Total		**$ —**	**$ 127**
Finance costs:			
Playa Resorts Holding B.V.	Group Companies	$ 3,672	$ 884
Resort Room Sales, LLC	Group Companies	380	574
Playa H&R Holdings B.V.	Group Companies	—	72
Total		**$ 4,052**	**$ 1,530**

Relationship with group companies:

Loan Receivable

On August 18, 2015, the Company entered into a $3.0 million short-term loan with BD Real Resorts S. de R.L. de C.V., due August 18, 2016. The loan bore 5.0% interest and was settled at maturity.

Loan Payable

On August 13, 2015, the Company entered into a $3.6 million short-term loan with Playa H&R Holdings B.V., due August 13, 2016. The loan bore 5.0% interest and was settled at maturity.

On May 30, 2014, the Company entered into a $11.5 million short-term loan with Resorts Room Sales, LLC, originally due May 29, 2015 and extended to end on May 29, 2018. The loan bears 5.0% interest payable at maturity. On December 12, 2016, the Company made a $4.0 million principal payment resulting in an outstanding balance of $7.5 million as of December 31, 2017.

On October 14, 2016, the Company entered into a $49.4 million loan with Playa Resorts Holding B.V., due October 14, 2021. The loan bore 8.25% interest payable at maturity. On November 20, 2017, the Company repaid the $49.4 million outstanding balance.

Relationship with Shareholders:

Relationship with Hyatt

In connection with the Business Combination, all outstanding Preferred Shares owned by HI Holdings Playa were purchased at a purchase price of $8.40 per share for $196.0 million in face value and $93.6 million of associated PIK dividends.

Relationship with the Real Shareholder

In connection with the Business Combination, all outstanding Preferred Shares owned by the Real Shareholder were purchased at a purchase price of $8.40 per share for $43.5 million in face value and $20.8 million of associated PIK dividends.

10. Financial instruments

10.1 General

The Company has exposure to credit risk, liquidity risk, and market risk (including foreign currency risk and interest rate risk). See Note 23 of the Company's Consolidated Financial Statements for further discussion regarding these risks, the Company's objective, policies and processes for measuring and managing risk, and the Company's management of capital.

10.2 Categories of financial instruments

The Company's Statement of Financial Position contains various financial instruments as shown in the table below (*$ in thousands*).

	As of December 31,	
	2017	**2016**
Financial assets not measured at fair value:		
Cash and cash equivalents	$ 18,143	$ 10
Trade and other receivables	2,798	—
Total financial assets	**$ 20,941**	**$ 10**
Financial liabilities not measured at fair value:		
Trade and other payables	$ 9,584	$ 59,384
Financial liabilities measured at fair value:		
Warrant liability	25,110	—
Total financial liabilities	**$ 34,694**	**$ 59,384**

We believe the carrying value of our financial assets and financial liabilities not measured at fair value approximate their fair values at December 31, 2017 and 2016.

10.3 Fair value measurements

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significant of the inputs to the fair value measurement in its entirety, which are described below:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.
- Level 2: Inputs, other than quoted prices included in Level 1, are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs are unobservable for the assets or liabilities.

Liabilities measured at fair value on a recurring basis

The following table presents the Company's liabilities that are measured at fair value as of December 31, 2017 (*$ in thousands*):

		Fair Value		
	December 31, 2017	**Level 1**	**Level 2**	**Level 3**
Financial liabilities measured at fair value:				
Warrant liability	$ 25,110	$ —	$ 25,110	$ —

The Company had no liabilities measured at fair value on the Statement of Financial Position as of December 31, 2016.

Warrants

Warrants are presented at fair value in the Statement of Financial Position. The valuation of this instrument was determined using a Monte Carlo simulation. This analysis reflects the contractual terms of the warrants, including the period to maturity, and uses observable market-based inputs, including ordinary share price, volatility, and risk-free interest rate.

The fair value of the warrants are re-measured at the end of every reporting period. The change in fair value of the warrants is recognized directly in earnings, classified as other financial income, net in the Company Statement of Profit or Loss. For more information about our warrants, see Note 19 to the Consolidated Financial Statements.

11. Remuneration of Board Members

Each of our non-executive directors receive an annual grant of ordinary shares with a value of $75,000, which vest immediately, and an annual cash retainer of $60,000, payable quarterly, for services as a director. The Lead Independent Director receives an additional annual cash retainer of $20,000, the chairs of the audit committee and compensation committee each receives an additional annual cash retainer of $15,000 and the chair of the nominating and governance committee receives an additional annual cash retainer of $7,500, in each case, payable quarterly. Each non-executive director is entitled to elect to receive his or her annual cash retainer in the form of ordinary shares at their value on the grant date. Directors who are our employees or are employees of our subsidiaries will not receive compensation for their services as directors. All of our directors will be reimbursed for their out-of-pocket expenses incurred in connection with the performance of our Board duties and receive discounts on stays at our hotels. Mr. Peterson has agreed to waive his annual grant of ordinary shares for the first three years after the Business Combination.

The following table sets forth the compensation paid in 2017 to our directors for their service to us as directors. Mr. Wardinski did not and does not receive any compensation for his service as a director. The remuneration of our non-executive directors is recorded within operating expenses on the Company's Statement of Profit or Loss.

Summary of Non-Executive Director 2017 Compensation			
Name	**Fees Earned or Paid in Cash**	**Share Awards**	**Total**
Stephen G. Haggerty	$ — [1]	$ — [3]	$ —
Daniel J. Hirsch	$ 50,625	$ 74,996	$ 125,621
Hal Stanley Jones	$ 75,000 [2]	$ 74,996	$ 149,996
Thomas Klein	$ 45,000	$ 74,996	$ 119,996
Elizabeth Lieberman	$ 75,000 [2]	$ 74,996	$ 149,996
Stephen L. Millham [4]	$ 56,250	$ 74,996	$ 131,246
Karl Peterson	$ — [1]	$ — [3]	$ —
Arturo Sarukhan	$ 60,000 [2]	$ 74,996	$ 134,996
Gloria Guevara	$ 25,000	$ —	$ 25,000

(1) Mr. Haggerty and Mr. Peterson waived their compensation received for their services as non-executive directors.

(2) Mr. Jones, Ms. Lieberman, and Mr. Sarukhan received compensation for their services as non-executive directors on our Predecessor's board through the date of the Business Combination.

(3) Mr. Haggerty and Mr. Peterson waived their compensation received in the form of restricted shares for their services as a non-executive director.

(4) Mr. Millham resigned as a non-executive director of our Board effective December 31, 2017.

The following table sets forth the compensation paid in 2017 to Mr. Wardinski for his service to us as Chief Executive Officer. The remuneration, excluding share awards, of Mr. Wardinski is recorded by a group company. Mr. Wardinski's share awards are recorded within operating expenses on the Company's Statement of Profit or Loss.

Name	Year	Salary ($)	Bonus ($)	Share Awards ($)	All Other Compensation ($)	Total
Bruce D. Wardinski	2017	$ 750,000	$ 862,500	$ 950,167	$ 19,183	$ 2,581,850

12. Audit fees

During the year ended December 31, 2017, the fees related to audit services by Deloitte Accountants B.V., for the audit of the Consolidated and Company Financial Statements and other services provided, as well as professional fees for miscellaneous services invoiced to the subsidiaries, as referred to in Article 1, first part, ‘a’ and ‘e’ of the Dutch Law (*Wet toezicht accountantsorganisaties*) are as follows (*$ in thousands*):

	Year ended December 31, 2017		
	Deloitte Accountants B.V.	Other Deloitte	Total Network
Audit of the financial statements	$ 146	$ 3,109	$ 3,255
Audit related services	—	515	515
Tax advisory services	347	206	553
Other non-audit services	—	—	—
Total	**$ 493**	**$ 3,830**	**$ 4,323**

13. Commitments and contingencies

The legal entity has guaranteed liabilities of certain consolidated group companies, as meant in article 2:403 of the Netherlands Civil Code. The legal entity is therefore jointly and severally liable for the liabilities arising from the legal acts of those group companies. The Company and its subsidiaries are involved in certain litigation and claims, including claims and assessments with taxing authorities, which are incidental to the conduct of its business.

The Dutch corporate income tax act provides the option of a fiscal unity, which is a consolidated tax regime wherein the profits and losses of group companies can be offset against each other. Our Dutch companies file as a fiscal unity, with the exception of Playa Romana B.V., Playa Romana Mar B.V. and Playa Hotels & Resorts N.V. As head of our Dutch fiscal unity, Playa Resorts Holding B.V. is jointly and severally liable for the tax liabilities of the fiscal unity as a whole.

During the third quarter of 2015, we identified and recorded a potential Dutch operating tax contingency resulting from allocations to be made of certain corporate expenses from 2014 and 2015. We have provided all requested documentation to the Dutch tax authorities for their review and are currently waiting for their final determination. We have an estimated amount of $1.6 million as a tax contingency at December 31, 2017 that is recorded in provisions within the Company's Statement of Financial Position.

14. Subsequent events

For our Company Financial Statements as of and for the year ended December 31, 2017, we evaluated subsequent events through April 13, 2018, which is the date the financial statements were approved for issue by the Board. For a discussion of subsequent events, see Note 32 to the Consolidated Financial Statements included elsewhere in this report.

7.3 Signature Page

This section contains the signature page to the Dutch statutory board report of Playa Hotels & Resorts N.V. for the fiscal year ended December 31, 2017.

/s/ Bruce D. Wardinski	/s/ Elizabeth Lieberman
Bruce D. Wardinski	**Elizabeth Lieberman**
/s/ Arturo Sarukhan	/s/ Daniel J. Hirsch
Arturo Sarukhan	**Daniel J. Hirsch**
/s/ Hal Stanley Jones	/s/ Stephen G. Haggerty
Hal Stanley Jones	**Stephen G. Haggerty**
/s/ Karl Peterson	/s/ Tom Klein
Karl Peterson	**Tom Klein**
/s/ Gloria Guevara	/s/ Richard B. Fried
Gloria Guevara	**Richard B. Fried**

8. CONTROLS AND PROCEDURES

8.1 Controls and procedures

Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

In accordance with Rule 13a-15(b) under the Exchange Act, as of the end of the period covered by this annual report, an evaluation was carried out under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures. Based on that ongoing evaluation, and considering the continuing review of controls and procedures that is being conducted by our Chief Executive Officer and Chief Financial Officer, including the remedial actions and the material weakness in internal control over financial reporting disclosed below, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective as of December 31, 2017.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, except as follows:

As previously disclosed in the Company's Current Report on Form 8-K filed with the SEC on March 14, 2017, we identified material weaknesses in our internal control over financial reporting as of December 31, 2016. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement in our annual or interim financial statements will not be prevented or detected on a timely basis. We previously reported the following material weaknesses in our internal control over financial reporting that existed as of December 31, 2016:

- We have not formalized our accounting policies and procedures or the associated internal controls (including the monitoring of such internal controls) to ensure accurate and consistent financial reporting (the "Accounting Policies Weakness"); and

- Our information technology controls, including system access, change management, segregation of duties, backups and disaster recovery plans, are not sufficiently designed and implemented to address certain information technology risks and, as a result, could expose our systems and data to unauthorized use, alteration or destruction (the "IT Weakness").

During 2017, we remediated the Accounting Policies Weakness by establishing formal policies, procedures and internal controls across the organization in order to ensure timely and accurate financial reporting. Additionally, during 2017, management began to monitor the effectiveness of our internal controls, both within the Company and at our third-party service providers, to ensure that such internal controls have been designed and implemented appropriately and operating effectively. This formalization, which includes the documentation and implementation of our accounting policies, procedures and internal controls and the education of our employees, allowed the Company to conclude that this material weakness has been remediated.

While we have made progress on the remediation of the IT Weakness, as of December 31, 2017, the IT Weakness has not been fully remediated. The updated description of the IT Weakness that existed as of December 31, 2017 is as follows:

- Our information technology controls, including system access, change management, and segregation of duties are not sufficiently designed and implemented to address certain information technology risks and, as a result, could expose our systems and data to unauthorized use or alteration.

Therefore, we have identified the IT Weakness as an existing material weakness in our internal control over financial reporting as of December 31, 2017.

We continue to take steps to remediate the identified material weakness. The Company has engaged a third party consulting firm to assist the Company with the implementation of a global information technology solution designed to address the elements which give rise to our material weakness, which is expected to be finalized in late 2018 or early 2019. However, effectiveness will need to be successfully tested over several quarters before we can conclude that the material weakness has been remediated. There can be no assurance that we will be successful in making these improvements and in remediating our current material weakness in a timely manner, or at all, and we may not prevent future material weaknesses from occurring.

Management's Report on Internal Control over Financial Reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Management conducted, under the supervision of our Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment performed and existence of the IT Weakness, management concluded that our internal control over financial reporting was not effective as of December 31, 2017.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting pursuant because such attestation is not required by Dutch GAAP.

8.2 In control statement

On the basis of reports and information provided to our Board, our Board is of the opinion that:

a. this annual report provides sufficient insight into any failings in the effectiveness of the Company's risk management and control systems;

b. based on the Company's state of affairs as of the date of this annual report, it is justified that the Company's financial reporting is prepared on a going concern basis; and

c. this annual report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for a period of twelve months after the date of this annual report.

Any material failings in, material changes to, and/or material improvements of the Company's risk management and control systems which have been observed, made and/or planned, respectively, during the fiscal year to which this annual report relates, have been discussed with our audit committee and with our non-executive directors.

9. CORPORATE GOVERNANCE

9.1 Dutch Corporate Governance Code

For the fiscal year to which this annual report relates, the DCGC applied to the Company. The text of the DCGC can be accessed at www.mccg.nl.

Except as set out below, during the fiscal year to which this annual report relates, the Company complied with the principles and best practice provisions of the DCGC, to the extent that these are directed at the Board.

In control statement (best practice provision 1.4.2)

As previously disclosed in the Company's Current Report on Form 8-K filed with the SEC on March 14, 2017, and as described in more detail in chapter 8.1 of this report, as of December 31, 2017, the IT Weakness has not been fully remediated. Although we continue to take steps to remediate this identified material weakness, our in 'control statement' included in chapter 8.2 of this annual report does not comply with all recommendations of the DGCG.

Retirement schedule (best practice provision 2.2.4)

Consistent with corporate practice in the United States, the trading jurisdiction of our ordinary shares, all of our directors are re-elected annually. Therefore, there is no need for a retirement schedule.

Independence of the compensation committee (best practice provision 2.3.4)

The majority of the members of our compensation committee are not independent within the meaning of the DCGC. Our Board has appointed the members of our compensation committee to that position, because of their qualifications, knowledge, abilities and viewpoints.

Compensation (best practice provisions 3.1.2, 3.2.3, 3.3.2 and 3.3.3)

Consistent with Playa's historical practices and market practice in the United States, the trading jurisdiction of our ordinary shares, and in order to further support Playa's ability to attract and retain the right highly qualified candidates for a Board position:

- Restricted shares awarded to our Chief Executive Officer as part of his compensation are subject to time-based vesting and vest during the first three years after the date of grant.
- Our directors may generally sell Playa shares held by them at any point in time, subject to Company policy and applicable security regulations.
- Our non-executive directors are granted compensation in the form of shares, options and/or other equity-based compensation.
- Pursuant to a contract originally executed with our Chief Executive Officer before Playa became a listed company, our Chief Executive Officer may be entitled to a severance payment in excess of his annual base salary.

Majority requirements for dismissal and overruling binding nominations (best practice provision 4.3.3)

Our directors are appointed by the General Meeting upon the binding nomination by the Board. The General Meeting may only overrule the binding nomination by a resolution passed by simple majority of the votes cast, provided such majority represents more than half of the Company's issued share capital. In addition, our directors may be suspended or dismissed by the General Meeting at any time by a resolution passed by simple majority, provided such majority represents more than half of the Company's issued share capital. The possibility to convene a new General Meeting as referred to in Section 2:120(3) DCC in respect of these matters has been excluded in the Company's articles of association. We believe that these provisions support the continuity of the Company and its business and that those provisions, therefore, are in the best interests of our stakeholders.

9.2 Code of conduct and other corporate governance practices

The Company has adopted a code of business conduct and ethics, which can be accessed at www.investors.playaresorts.com. The Company does not voluntarily apply other formal codes of conduct or corporate governance practices.

9.3 Risk management and control systems

See chapter 8.1 of this annual report for an overview of the main characteristics of the Company's risk management and control systems relating to the process of financial reporting by the Company and the Company's group companies whose financial

information is included in the Consolidated Financial Statements.

Risk management and control forms an integral part of the Company's business planning and performance review cycle. The company's risk and control policy is designed to provide reasonable assurance that objectives are met by integrating risk assessment in the strategic planning process, integrating management control into the daily operations, ensuring compliance with legal requirements and safeguarding the integrity of the Company's financial reporting and its related disclosures. The Company makes management responsible for identifying the critical business risks and for the implementation of appropriate risk responses.

The Company's Risk Management and Internal Control systems are based on the Internal Control-Integrated Framework (2013) established by the Committee of Sponsoring Organizations (COSO). The Company has implemented a global standard for internal control over financial reporting, together with the Company's established accounting procedures, is designed to provide reasonable assurance that assets are safeguarded, that the books and records properly reflect transactions necessary to permit preparation of financial statements, that policies and procedures are carried out by qualified personnel and that published financial statements are properly prepared and do not contain any material misstatements.

9.4 General Meeting

9.4.1 Functioning of the General Meeting

Annually, at least one General Meeting must be held. This annual General Meeting must be held within six months after the end of the Company's fiscal year. A General Meeting must also be held within three months after the Board has decided that it is likely that the Company's equity has decreased to or below 50% of its paid up and called up share capital. In addition, without prejudice to the relevant best practice provisions of the DCGC with respect to invoking a 'response period', a General Meeting must be held when requested by one or more shareholders and/or others with meeting rights under Dutch law collectively representing at least 10% of the Company's issued share capital, provided that certain criteria are met. Any additional General Meeting shall be convened whenever the Board or our Chief Executive Officer would so decide. Each General Meeting must be held in Amsterdam, Rotterdam, Schiphol (Haarlemmermeer), Utrecht or The Hague.

For purposes of determining who have voting rights and/or meeting rights under Dutch law at a General Meeting, the Board may set a record date. The record date, if set, shall be the 28th day prior to that of the General Meeting. Those who have voting rights and/or meeting rights under Dutch law on the record date and are recorded as such in one or more registers designated by the Board shall be considered to have those rights at the General Meeting, irrespective of any changes in the composition of the shareholder base between the record date and the date of the General Meeting. The Company's articles of association require shareholders and others with meeting rights under Dutch law to notify the Company of their identity and their intention to attend the General Meeting. This notice must be received by the Company ultimately on the seventh day prior to the General Meeting, unless indicated otherwise when such General Meeting is convened.

9.4.2 Powers of the General Meeting

All powers that do not vest in the Board pursuant to applicable law, the Company's articles of association or otherwise, vest in the General Meeting. The main powers of the General Meeting include, subject in each case to the applicable provisions in the Company's articles of association:

a. the appointment, suspension and dismissal of Directors;

b. the approval of certain resolutions of the Board concerning a material change to the identity or the character of the Company or its business;

c. the reduction of the Company's issued share capital through a decrease of the nominal value, or cancellation, of shares in its capital;

d. the adoption of the Company's statutory annual accounts;

e. the appointment of the Dutch independent auditor to examine the Company's statutory annual accounts;

f. amendments to the Company's articles of assocation;

g. approving a merger or demerger by the Company, without prejudice to the authority of the Board to resolve on certain types of mergers and demergers if certain requirements are met; and

h. the dissolution of the Company.

Unless a greater majority is required by law or by our articles of association, all resolutions of the General Meeting shall be passed by simple majority. Subject to any provision of mandatory Dutch law and any higher quorum requirement stipulated by our articles of association, the General Meeting can only pass resolutions if at least one third of the issued and outstanding shares in the Company's capital are present or represented at such General Meeting.

The General Meeting also has the right, and the Board must provide, any information reasonably requested by the General Meeting, unless this would be contrary to an overriding interest of the Company.

9.4.3 Shareholder rights

Each share in the Company's capital carries one vote. Shareholders, irrespective of whether or not they have voting rights, have meeting rights under Dutch law (including the right to attend and address the General Meeting, subject to the concept of a record date as described in chapter 9.4.1). Furthermore, each share in the Company's capital carries an entitlement to dividends and other distributions as set forth in the Company's articles of association (if and when proposed by the Board). Pursuant to the Company's articles of association, any such dividend or other distribution shall be payable on such date as determined by the Board and the Board may also set a record date for determining who are entitled to receive any such dividend or other distribution (irrespective of subsequent changes in the shareholder base). The record date for dividends and other distributions shall not be earlier than the date on which the dividend or other distribution is announced. In addition, shareholders have those rights awarded to them by applicable law.

9.5 Board

Our Board is charged with the management of us, subject to the restrictions contained in our articles of association and our Board's internal rules. Our Chief Executive Officer is responsible for operational management of us and the business enterprise connected therewith, as well as with the implementation of the decisions taken by our Board and the implementation of our strategy. Our Chief Executive Officer has developed a view on long-term value creation by the Company and has formulated a strategy consistent with that view. The non-executive directors have been actively engaged at an early stage in formulating the Company's strategy and supervise the manner in which the strategy is implemented. The non-executive directors have no day-to-day management responsibility, but supervise the policy and the fulfillment of duties of our Chief Executive Officer and the general affairs of us. Additionally, the directors have a collective responsibility towards us for the duties of our Board as a whole. In performing their duties, the directors shall be guided by the interests of us and our business and, in this respect, the directors shall take the interests of all of our stakeholders into proper consideration. Directors shall have access to management and, as necessary and appropriate, our independent advisors. The Chief Executive Officer will timely provide the non-executive directors with any such information as may be necessary for the non-executive directors to perform their duties.

As of December 31, 2017, the Board was composed as follows:

Name and age	Gender	Nationality	Date of initial appointment	Expiration of current term of office	Attendance rate at meetings of the board
Bruce D. Wardinski (57)*	M	American	March 12, 2017	n/a	100%
Elizabeth Lieberman (67)**	V	American	March 12, 2017	End of the annual General Meeting to be held in 2018	100%
Arturo Sarukhan (54)**	M	Mexican	March 12, 2017	End of the annual General Meeting to be held in 2018	80%
Stephen G. Haggerty (50)**	M	American	March 12, 2017	End of the annual General Meeting to be held in 2018	100%
Daniel J. Hirsch (44)**	M	American	March 12, 2017	End of the annual General Meeting to be held in 2018	80%
Hal Stanley Jones (65)**	M	American	March 12, 2017	End of the annual General Meeting to be held in 2018	100%
Tom Klein (55)**	M	American	March 12, 2017	End of the annual General Meeting to be held in 2018	100%
Karl Peterson (47)**	M	American	March 12, 2017	End of the annual General Meeting to be held in 2018	100%
Gloria Guevara (50)***	V	Mexican	n/a	n/a	20%
Richard B. Fried (49)***	M	American	n/a	n/a	n/a

* Executive director; Chairman and Chief Executive Officer
** Non-executive director
*** Interim director (anticipated to be nominated for appointment as directors at our 2018 annual General Meeting)

Bruce D. Wardinski has served as our Chairman and Chief Executive Officer since the consummation of the Business Combination on March 11, 2017. Mr. Wardinski previously served as our Predecessor's Chief Executive Officer and a director of our Predecessor since August 2013 and previously served on the board of directors of our Predecessor's prior parent. In 2006, Mr. Wardinski founded our Predecessor's prior parent and served as its Chief Executive Officer and Chairman of its board of directors from May 2006 to August 2013. From June 2002 to December 2010, Mr. Wardinski served as Chief Executive Officer of Barceló Crestline and served as founding chairman of our Predecessor's board of directors. From 1998 to 2002, Mr. Wardinski was Chairman, President and Chief Executive Officer of Crestline Capital Corporation (NYSE: CLJ). Mr. Wardinski served as a member of the Executive Commission of Barceló Corporación Empresarial of Palma de Mallorca, Spain from 2004 to 2010. Mr. Wardinski was Senior Vice President and Treasurer of Host Marriott Corporation (NYSE: HMT), a hotel asset management company, from 1996 to 1998. Before this appointment, he served in various other capacities with Host Marriott and Marriott Corporation from 1987 to 1996. In 2003, Mr. Wardinski formed Highland Hospitality Corporation (NYSE: HIH), where he served as Chairman of its board of directors until the sale of the company in 2007. Prior to joining Host Marriott and Marriott Corporation, Mr. Wardinski worked for Price Waterhouse (now PricewaterhouseCoopers) in Washington D.C., and Goodyear International in Caracas, Venezuela. Mr. Wardinski graduated with honors from the University of Virginia with a Bachelor of Science in Commerce and from the Wharton School of Business with an MBA in Finance. Mr. Wardinski was a founding member and currently serves as Chairman of the ServiceSource Foundation, a not-for-profit advocacy group representing people with disabilities. In addition, Mr. Wardinski serves on the boards of directors of DiamondRock Hospitality (NYSE: DRH), the Wolf Trap Foundation for the Performing Arts, the George Mason University Foundation, Inc. and the Board of Advisors of the College of Business at James Madison University. Mr. Wardinski's significant expertise in the lodging industry and his role as our Chief Executive Officer led us to conclude that he should serve on our Board.

Elizabeth Lieberman has served as a director since the consummation of the Business Combination on March 11, 2017. Ms. Lieberman was previously identified as a director nominee to our Predecessor's board of directors and attended board meetings of our Predecessor from March 2015 to March 2017, and received an annual cash retainer of $60,000 as if she were already appointed to our Predecessor's board of directors. Ms. Lieberman has an extensive background in the hospitality industry, and served as Senior Vice President, Corporate Secretary and General Counsel of Crestline Hotels & Resorts, Inc. ("*Crestline Hotels*") and Barceló Crestline from 2004 until retiring in 2006. She provided consulting services to Crestline Hotels during 2006 to 2008, and returned as Executive Vice President, Corporate Secretary and General Counsel in 2009 until her retirement in 2012. As General Counsel at

Crestline Hotels, she provided a hands-on approach to executive leadership and legal oversight of corporate, finance, owner relations and hotel operations matters. Prior to her appointment as General Counsel in 2004, she served as Associate General Counsel for Crestline Hotels and Barceló from 2002 to 2004, and Crestline Capital Corporation from 1998 to 2002, prior to its acquisition by Barceló. Ms. Lieberman was an Assistant General Counsel at Host Marriott, heading up the law department's asset management division, from 1995 until the spin-off of Crestline Capital Corporation by Host Marriott in 1998. Before joining Host Marriott, she served as attorney on the hotel acquisitions/development and hotel operations legal teams at Marriott International (formerly known as Marriott Corporation) from 1988 to 1995. Prior to joining Marriott, Ms. Lieberman worked at the Washington D.C. law firm of Cleary Gottlieb Steen & Hamilton from 1985 to 1988. Ms. Lieberman earned a B.S. degree in Sociology from Nebraska Wesleyan University in Lincoln, Nebraska, and a J.D. from The Catholic University of America, Columbus School of Law in Washington, D.C. She is a member of the Washington, D.C. Bar Association. Ms. Lieberman's experience as general counsel in the lodging industry led us to conclude that she should serve on our Board.

Arturo Sarukhan has served as a director since the consummation of the Business Combination on March 11, 2017. Mr. Sarukhan was previously identified as a director nominee to our Predecessor's Board of directors and attended board meetings of our Predecessor from May 2015 to March 2017, and received an annual cash retainer of $60,000 as if he were already appointed to our Predecessor's board of directors. Since April 2014, Mr. Sarukhan has served as President of Sarukhan & Associates LLC. Mr. Sarukhan was the Chairman of Global Solutions, a strategy consulting firm, from 2013 to 2014, and prior to this he was a career Mexican diplomat, recently serving as Mexican Ambassador to the United States from 2007 to 2013. Mr. Sarukhan previously served as Mexico's Consul General from 2003 to 2006, was the foreign policy coordinator of Felipe Calderon's presidential campaign and transition team in 2006 and was designated chief of Policy Planning to Mexico's secretary of Foreign Affairs from 2000 to 2003. Prior to this, Mr. Sarukhan served in the Embassy of Mexico to the United States, where he was in charge of the embassy's Office of Antinarcotics from 1995 to 2000 and served as the Mexican ambassador's chief of staff from 1993 to 1995, during the NAFTA negotiations. In 1991, he served as the deputy assistant secretary for Inter-American Affairs, representing Mexico at the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean and from 1988 to 1989, Mr. Sarukhan served as the executive secretary of the Commission for the Future of Mexico-U.S. Relations, a non-governmental initiative funded by the Ford Foundation created to recast the relationship between the two countries. Mr. Sarukhan is a director of the Inter-American Dialogue, the Americas Society, Aid for Aids International and The Washington Performing Arts Society. Mr. Sarukhan graduated from El Colegio de México with a Bachelor's of Arts degree in International Relations and received a Master's degree in U.S. Foreign Policy at the School of Advanced International Studies of Johns Hopkins University, where he studied as a Fulbright scholar and Ford Foundation Fellow. Mr. Sarukhan has also taught several courses at the Instituto Tecnológico Autónomo de México, the National Defense College, the Inter-American Defense College and the National Defense University of the United States. Mr. Sarukhan's diplomatic experience, negotiation skills and in-depth knowledge of the tourism sector in Mexico, Latin America and the Caribbean leads us to the conclusion that he should serve on our Board.

Stephen G. Haggerty has served as a director since the consummation of the Business Combination on March 11, 2017 and was appointed by the binding nomination of Hyatt pursuant to the Shareholders Agreement. Mr. Haggerty previously served as a director of our Predecessor since 2013. Mr. Haggerty was appointed to our Predecessor's board of directors by the binding nomination of Hyatt pursuant to the terms of that certain investors agreement between our Predecessor and its initial shareholders. Mr. Haggerty has served as the Global Head of Capital Strategy, Franchising and Select Service of Hyatt since August 2014. Mr. Haggerty is responsible for implementing Hyatt's overall capital and franchising strategy and overseeing Hyatt's select service business. Prior to assuming his current role, Mr. Haggerty was the Executive Vice President and Global Head of Real Estate and Capital Strategy for Hyatt from October 2012. In this role, Mr. Haggerty was responsible for implementing Hyatt's overall capital strategy, mergers and acquisitions and related transactional activity, hotel and joint venture asset management, project management, and strategic oversight and transactional support to Hyatt's development professionals around the world. He joined Hyatt in 2007 as Global Head-Real Estate and Development, where he was responsible for Hyatt's global development, including global feasibility and development finance, corporate transactions, and global asset management. Prior to joining Hyatt, Mr. Haggerty spent 13 years serving in several positions of increasing responsibility with Marriott International, a NASDAQ-listed hotel operator, franchisor and licensor (NASDAQ: MAR), most recently in London as Senior Vice President, International Project Finance and Asset Management for Europe, Africa and the Middle East from 2005 to 2007. Prior to this position, Mr. Haggerty served as Marriott's Senior Vice President of Global Asset Management and Development Finance and previously lived in Asia for nine years holding a variety of roles relating to development at Marriott. Mr. Haggerty holds a Bachelor of Science degree from Cornell University's School of Hotel Administration. Mr. Haggerty's extensive experience, in particular in strategic planning and asset management, in the lodging industry led us to conclude that he should serve on our Board.

Daniel J. Hirsch has served as a director since the consummation of the Business Combination on March 11, 2017 and was appointed by the binding nomination of Cabana pursuant to the Shareholders Agreement. Mr. Hirsch previously served as a director of our Predecessor from 2013 until the consummation of the Business Combination and also served on the board of directors of our Predecessor's prior parent from June 2011 to August 2013. Mr. Hirsch was appointed to our Predecessor's board of directors by the binding nomination of Cabana pursuant to the terms of that certain investors agreement between our Predecessor and its initial shareholders. Mr. Hirsch currently serves as an advisor to FP (as defined below) and FCM. Mr. Hirsch joined Farallon Partners, L.L.C. ("*FP*") and FCM in 2003, was a Managing Director from 2007 to 2009, and was a Managing Member, Real Estate, from 2009 through his resignation from Farallon on December 31, 2016. Before joining Farallon, Mr. Hirsch worked as an associate in the San Francisco office of the law firm Covington & Burling. Mr. Hirsch graduated from Yale Law School with a J.D., and Summa Cum Laude with a Bachelor of Arts in Law, Jurisprudence and Social Thought from Amherst College. Mr. Hirsch's investment management experience led us to conclude that he should serve on our Board.

Hal Stanley Jones has served as a director since the consummation of the Business Combination on March 11, 2017. Mr. Jones previously served as a director of our Predecessor since 2013. Mr. Jones served as Chief Financial Officer of Graham Holdings Company (NYSE: GHC), a diversified education and media company from 2013 until 2017. From 1989 until 2013, Mr. Jones worked in various capacities at The Washington Post Company (NYSE: WPO), an American daily newspaper, the most widely circulated newspaper published in Washington, D.C. From January 2009 to September 2013, he served as the Senior Vice President-Finance and Chief Financial Officer. From January 2008 to December 2009 he served as the President and Chief Executive Officer of Kaplan Professional, a subsidiary of The Washington Post Company. From 2003 to 2006 he served as the Chief Operating Officer of Kaplan International, a subsidiary of The Washington Post Company. Prior to joining The Washington Post Company, Mr. Jones worked for Price Waterhouse (now PricewaterhouseCoopers) from 1977 to 1988. In addition, Mr. Jones serves on the board of directors of Studio Theatre, a non-profit organization in Washington, D.C. Mr. Jones received a Bachelor of Arts in Political Science from the University of Washington and an MBA in Finance from the University of Chicago Graduate School of Business. Mr. Jones' experience as the chief financial officer of a public company led us to conclude that he should serve on our Board.

Tom Klein has served as a director since the consummation of the Business Combination on March 11, 2017 and was appointed by the binding nomination of Pace Sponsor pursuant to the Shareholders Agreement. Mr. Klein is the former president and CEO of Sabre Corporation, a technology solutions provider to the global travel and tourism industry headquartered in Southlake, Texas. Sabre provides a broad suite of innovative technology to airlines, hotels, travel agencies and travel management organizations. He retired from Sabre at the end of December 2016 following 28 years with the company. Prior to taking the helm of Sabre as President in 2010 and additionally as CEO in 2013, Mr. Klein served in a number of leadership roles at Sabre, including group president of Sabre Travel Network and Sabre Airline Solutions. His first role with Sabre was leading a Sabre joint venture in Mexico. Before joining Sabre, Mr. Klein held sales, marketing, and operations roles at American Airlines and Consolidated Freightways, Inc. In 2006 and 2007, he was recognized by Business Travel News as one of the industry's "25 Most Influential Executives." Mr. Klein serves on the board of directors of Cedar Fair Entertainment. He also sits on the board of trustees at Villanova University. In 2010, he was appointed to the board of directors of Brand USA by the U.S. Secretary of Commerce and currently serves as chair of the board. He was previously a member of the executive committee for the World Travel & Tourism Council (2009-2016) and was appointed to the U.S. President's Advisory Council for Doing Business in Africa. Mr. Klein earned his Bachelor of Science degree in business administration from the Villanova School of Business in 1984. Mr. Klein's travel technology industry expertise and leadership experience make him a valuable asset to our Board.

Karl Peterson has served as a director since the consummation of the Business Combination on March 11, 2017 and was appointed by the binding nomination of Pace Sponsor pursuant to the Shareholders Agreement. Mr. Peterson served as the Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer of Porto Holdco B.V. from January 2017 until consummation of the Business Combination and as President and CEO of Pace since its inception. Mr. Peterson is a Senior Partner of TPG and is the Managing Partner of TPG Pace Group, TPG's newly formed effort to sponsor SPACs and other permanent capital solutions for companies. Since rejoining TPG in 2004, Mr. Peterson has led investments for the firm in technology, media, financial services and travel sectors and oversaw TPG's European operations from 2010 until 2017. Prior to 2004, he was a co-founder and the president and chief executive officer of Hotwire.com. He led the business from its launch through its sale to InterActiveCorp in 2003. Before Hotwire, Mr. Peterson was a principal at TPG in San Francisco, and from 1992 to 1995 he was a financial analyst at Goldman, Sachs & Co. Mr. Peterson currently serves on the board of Sabre Corporation, TPG Pace Holdings, TES Global and Saxo Bank. Mr. Peterson also served on the board of Caesars Acquisition Company from 2013 to 2017, Caesars Entertainment Corporation from 2008 to 2013 and Norwegian Cruise Line Holdings Ltd. from 2008 to 2016. Mr. Peterson is a graduate of the University of Notre

Dame, where he earned a Bachelor's of Business Administration Degree with High Honors. Mr. Peterson's significant investment and financial expertise make him well-qualified to serve as a director of our Board.

Gloria Guevara, designated by the binding nomination of Pace Sponsor pursuant to the Shareholders Agreement, has served as an interim director since July 27, 2017 and will serve on our Board until our 2018 annual general meeting of shareholders, where it is anticipated that she will be nominated for appointment as a director. Ms. Guevara has more than 25 years of experience working in travel and tourism in both the private and public sectors. Since August 2017, Ms. Guevara has served as President and CEO of the World Travel and Tourism Council. Ms. Guevara served as Special Advisor on Government Affairs at the Harvard School of Public Health's Center of Health and Environmental Health, where she advised governments on effective strategies to grow sustainable tourism, and is a member of the World Economic Forum Global Agenda Council taskforce for Travel and Tourism. She has also served since 2015 as a consultant at Guevara Manzo Corp. Previously, Ms. Guevara served from 2010 to 2012 as the Secretary of Tourism for Mexico, and the CEO of the Mexico Tourism Board, appointed by President Felipe Calderon. From 1995 to 2010, Ms. Guevara also worked for Sabre Travel Network and Sabre Holdings, including from 2005 to 2010 as CEO of Sabre Mexico, a joint venture between Aeromexico, Mexicana, and Sabre Holdings. Ms. Guevara brings the experience of a proven and well-rounded executive with an international and multicultural perspective to our Board.

***Richard B. Fried*,** designated by the binding nomination of Cabana pursuant to the Shareholders Agreement, has served as an interim director since December 31, 2017, and will serve on our Board until our 2018 annual general meeting of shareholders, where it is anticipated that he will be nominated for appointment as a director. Mr. Fried is a managing member and head of the real estate group at Farallon, an investment management company that he has been with since 1995. Before joining Farallon, he worked as a Vice President in the acquisitions department at Security Capital Industrial Trust, a real estate investment trust specializing in industrial properties. Mr. Fried also currently serves as a board member of Hudson Pacific Properties, Inc., a publicly traded real estate investment trust. In addition, Mr. Fried served from 2008 to 2013 as a board member of Playa Hotels & Resorts, S.L., a predecessor of the Company. Mr. Fried graduated cum laude with a B.S. in Economics and a B.A. in History from the University of Pennsylvania. Mr. Fried's investment management experience led us to conclude that he should serve on the Board.

All of our directors, except for Mr. Fried, Mr. Peterson and Mr. Haggerty, are independent within the meaning of the DCGC.

9.6 Committees

9.6.1 General

The Board has established an audit committee, a compensation committee, a nominating and governance committee and a capital allocation committee.

As of December 31, 2017, the committees were composed as follows:

Name	Audit committee (and attendance rate)	Compensation committee (and attendance rate)	Nominating and governance committee (and attendance rate)	Capital allocation committee (and attendance rate)
Bruce D. Wardinski				X (100% attendance)
Elizabeth Lieberman	X (100% attendance)		X (100% attendance)	
Arturo Sarukhan	X (83.3%% attendance)			
Stephen G. Haggerty		X (100% attendance)		
Daniel J. Hirsch		X (100% attendance)	X* (100% attendance)	X (100% attendance)
Hal Stanley Jones	X* (100% attendance)			
Tom Klein			X (100% attendance)	
Karl Peterson		X (100% attendance)		X* (100% attendance)
Gloria Guevara	X (33.3% attendance)			
Richard B. Fried				

* Chairman

9.6.2 Audit committee

Our Board adopted an audit committee charter, which details the principal functions of the audit committee, including overseeing:

- the review of all related party transactions in accordance with our related party transactions policy;
- our accounting and financial reporting processes and discussing these with management;
- the integrity and audits of our consolidated financial statements and financial reporting process;
- our systems of disclosure controls and procedures and internal control over financial reporting;
- our compliance with financial, legal and regulatory requirements related to our financial statements and other public disclosures, our compliance with its policies related thereto, and our policy in respect of tax planning;
- the engagement and retention of the registered independent public accounting firm and the recommendation to our general meeting of the appointment of an external auditor to audit the Dutch statutory board report, including our annual accounts, and the evaluation of the qualifications, independence and performance of the independent public accounting firm, including the provision of non-audit services;
- the application of information and communication technology;
- the role and performance of our internal audit function;
- our overall risk profile; and
- attending to such other matters as are specifically delegated to the audit committee by our Board from time to time.

The audit committee is also responsible for selecting an independent registered public accounting firm to be appointed by our general meeting (or, if not appointed by our general meeting, by our Board), reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public accounting firm, including all audit and non-audit services, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls. The audit committee will also approve the audit committee report required by SEC regulations to be included in our annual proxy statement.

During the fiscal year to which this annual report relates, our audit committee met seven times in order to carry out its responsibilities. The matters discussed included:

- Results of the annual IFRS and U.S. GAAP financial statement audits and quarterly U.S. GAAP financial statement reviews performed by the Company's independent auditor, Deloitte & Touche, LLP;
- New or revised accounting standards and various filing requirements of the Securities and Exchange Commission (“SEC”);
- Significant or unusual events or transactions that occurred throughout the year;
- Status of the Company's plan to formalize its policies and procedures and the remediation of the Accounting Policies Weakness (as defined in chapter 8.1);
- Status of the Company's implementation of a global information technology solution and the remediation of the IT Weakness (as defined in chapter 8.1);

- Results of internal audit's testing of the design and effectiveness of internal controls over financial reporting.

9.6.3 Compensation committee

The compensation committee assists our Board in reviewing and approving or recommending our compensation structure, including all forms of compensation relating to our directors and executive officers. An executive director will not be present at any compensation committee meeting while his or her compensation is deliberated. Subject to and in accordance with the terms of the compensation policy to be adopted by our General Meeting from time to time and in accordance with Dutch law, the compensation committee is responsible for, among other things:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our Chairman and Chief Executive Officer's compensation, evaluating our Chairman and Chief Executive Officer's performance in light of such goals and objectives and recommending the compensation, including equity compensation, change in control benefits and severance arrangements, of our Chairman and Chief Executive Officer based on such evaluation;

- reviewing and approving the compensation, including equity compensation, change in control benefits and severance arrangements, of our other executive officers and overseeing their performance;

- reviewing and making recommendations to our Board with respect to the compensation of our directors;

- reviewing and making recommendations to our Board with respect to its executive compensation policies and plans;

- implementing and administering our incentive and equity-based compensation plans;

- determining the number of shares underlying, and the terms of, restricted share awards and options to be granted to our directors, executive officers and other employees pursuant to these plans;

- assisting management in complying with our proxy statement and management report disclosure requirements;

- producing a compensation committee report to be included in our annual proxy statement;

- assisting our Board in producing the compensation report to be included in our management report publicly filed in the Netherlands and to be posted on our website; and

- attending to such other matters as are specifically delegated to our compensation committee by our Board from time to time.

Our Board adopted a compensation committee charter, which details these principal functions of the compensation committee.

During the fiscal year to which this annual report relates, our compensation committee met seven times in order to carry out its responsibilities. The matters discussed included:

- Grants of equity awards and long-term incentive awards under the 2017 Plan to directors, executives and/or employees of the Company,

- Review and approval of the annual salaries for the Company's executives and Chief Executive Officer as well as the annual bonuses for all Company employees,

- Review and approval of the Company's stock ownership guidelines, and;

- Review and approval of the employment agreement of our Chief Financial Officer.

9.6.4 Nominating and governance committee

The nominating and governance committee assists our Board in selecting individuals qualified to become our directors and in determining the composition of our Board and its committees. Our Board adopted a nominating and governance committee charter, which details the principal functions of the nominating and governance committee, including:

- identifying, recruiting and recommending to the full Board qualified candidates for designation as directors or to fill our Board vacancies at our General Meeting;
- developing and recommending to our Board corporate governance guidelines as set forth in the rules of our Board, including the nominating and governance committee's selection criteria for director nominees, and implementing and monitoring such guidelines;
- overseeing our Board's compliance with legal and regulatory requirements;
- reviewing and making recommendations on matters involving the general operation of our Board, including board size and composition, and committee composition and structure;
- recommending to our Board nominees for each committee of our Board;
- annually facilitating the assessment of our Board's performance as a whole and of the individual directors, and the performance of our Board's committees as required by applicable law, regulations and the NASDAQ corporate governance listing standards; and
- overseeing our Board's evaluation of executive officers.

During the fiscal year to which this annual report relates, our nominating and governance committee met two times in order to carry out its responsibilities. The matters discussed included:

- Qualifications and independence of candidates to the Board and candidates to be appointed as interim directors;

9.6.5 Capital allocation committee

Our capital allocation committee assists our Board in fulfilling its oversight responsibilities of the financial management of us, as well as any other duties delegated by the Board. Our Board adopted a capital allocation committee charter, which details the principal functions of the capital allocation committee, including the following duties:

- review of capital expenditures, investments, business acquisitions or divestitures with a value, individually, in excess of 5% of the total assets of us and our subsidiaries on a consolidated basis;
- recommend to our Board, as appropriate, whether or not to approve any of the expenditures, investments, business acquisitions or divestitures it reviewed pursuant to the authority (provided, that the Board may not approve any such expenditure, investment, business acquisition or divestiture unless the capital allocation committee has recommended such action); and
- recommend that our Board request management to perform post-audits of major capital expenditures and business acquisitions or divestitures, and review the results of such audits.

The capital allocation committee met five times during the year ended December 31, 2017. The matters discussed included:

- Amendments to our Senior Secured Credit Facility and the Company's debt composition;
- Process, strategy and pricing for the Warrant Exchange;

- Potential equity offerings and other methods to secure additional capital.

9.7 Evaluation

During the fiscal year to which this annual report relates, the Board has evaluated its own functioning, the functioning of the committees of the Board and that of the individual directors on the basis of self-evaluation form distributed to, and completed by, the directors. As part of these evaluations, the Board has considered (i) substantive aspects, mutual interaction, (ii) events that occurred in practice from which lessons may be learned and (iii) the desired profile, composition, competencies and expertise of the Board. These evaluations are intended to facilitate an examination and discussion by the Board of its effectiveness and areas for improvement. On the basis of these evaluations, the Board has concluded that the Board are functioning properly.

9.8 Diversity

The Company has a diversity policy with respect to the composition of the Board as part of the Company's policy regarding qualification and nomination of director candidates. The Company is committed to supporting, valuing and leveraging the value of diversity and Company recognizes and welcomes the value of diversity with respect to gender, age, race, ethnicity, nationality, sexual orientation and other important cultural differences. Our nominating and governance committee and our Board will consider these attributes when evaluating new candidates in the best interests of the Company and its stakeholders. However, the Company also believes that there is a fine line between diversity and unintentional discrimination. For that reason, the importance of diversity, in and of itself, should not set aside the overriding principle that someone should be recommended, nominated and appointed for being "the right person for the job". Although the Company has not set specific targets with respect to particular elements of diversity, the Company believes that it is important for the Board to represent a diverse composite mix of personal backgrounds, experiences, qualifications, knowledge, abilities and viewpoints, consistent with the principles outlined above. The Company also seeks to combine the skills and experience of long-standing members of the Board with the fresh perspectives, insights, skills and experiences of new candidates from time to time. To further increase the range of viewpoints, perspectives, talents and experience within the Board, the Company strives for a mix of ages in the composition of those bodies, but also does not set a specific target in this respect. To the extent possible and practicable, the Company intends for the composition of the Board to be such that at least 30% of the directors are men and at least 30% of them are women.

The Company believes that the composition of its Board is such, that the Company's diversity objectives, as outlined above, have been achieved, except for the Company's diversity targets in term of gender. This is primarily due to the selection of the current members of our Board based on the required profile and their backgrounds, experiences, qualifications, knowledge, abilities and viewpoints without positive or negative bias on gender. In the future, this will continue to be the Company's basis for selection of new members of the Board.

9.9 Code of business conduct and ethics

The Board has adopted a code of business conduct and ethics that applies to its executive officers, directors and employees and agents. Among other matters, our code of business conduct and ethics is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the code to appropriate persons identified in the code; and
- accountability for adherence to the code.

Only our nominating and governance committee will be able to grant (subject to applicable law) any waiver of our code of business conduct and ethics for our executive officers or directors, and any such waiver shall be promptly disclosed as required by law or NASDAQ regulations. Our code of business conduct and ethics includes a whistleblower policy as contemplated by the DCGC and

applicable SEC rules. Our code of business conduct and ethics is available on our website at www.investors.playaresorts.com. The Company has adopted local codes that apply to employees at its various business locations, which are consistent with the code adopted by the Board. The Company takes its values as set forth in the code of business conduct very seriously, and has adopted a "tone from the top" approach to ensuring that those values are reflected on all its business dealings.

10. COMPENSATION

10.1 Compensation policy

Pursuant to Section 2:135(1) DCC, the General Meeting has adopted a Compensation Policy. The Compensation Policy is designed to (i) to attract, retain and motivate directors with the leadership qualities, skills and experience needed to support the management and growth of the Company's business. The Compensation Policy aims to drive strong business performance, promote accountability, incentivize directors to achieve short- and long-term performance goals with the objective of substantially increasing the Company's equity value, and assure that Directors' interests are closely aligned with those of the Company's shareholders and other stakeholders. The Compensation Policy is intended to ensure the overall market competitiveness of the directors' compensation packages, while providing the Board with enough flexibility to tailor its compensation practices on a case by case basis. We believe that this approach and philosophy benefits the realisation of the Company's long-term objectives while keeping with the Company's risk profile. For details regarding the remuneration of our executive officers, see Note 11 of the Company Financial Statements. An overview of our compensation policy is below.

Our executive compensation program is designed to align the interest of our executive officers with those of our stakeholders, while enabling us to attract, motivate and retain individuals who contribute to our long-term success.

Decisions on the executive compensation program are made by the compensation committee of our Board. Our executive compensation program will continue to evolve, depending on the judgment of the members of the compensation committee in support of our ongoing business strategy.

Our executive compensation program reflects our belief that executive compensation must be competitive in order to attract and retain high-performing executive officers. Our compensation program rewards, among other things, favorable shareholder returns, share appreciation, our competitive position within our segment of the lodging industry, and each executive officer's long-term career contributions to us. In addition, the compensation committee may determine to make awards to new executive officers in order to attract talented professionals. Our compensation incentives, which have been designed to further these goals, take the form of annual cash compensation and long term equity incentives measured by performance targets established by the compensation committee.

Pursuant to our Management Incentive Plan, we award bonuses to our named executive officers based on a combination of individual and corporate performance measures that our Board believes are important to the success of our business. Under our Management Incentive Plan, each named executive officer has a target incentive opportunity expressed as a percentage of his or her base salary, which is subject to increase or decrease according to the achievement of these individual and corporate performance measures. In addition, no named executive officer in our Management Incentive Plan will be paid a bonus unless we meet a specified minimum corporate performance threshold. In 2017, 2016 and 2015, the corporate performance metric used for each named executive officer and for the minimum corporate performance threshold was EBITDA. In addition, in 2017, 2016 and 2015, bonuses of our named executive officers were based 75% on achievement of corporate performance goals and 25% on achievement of individual performance goals, except that Mr. Wardinski's bonuses were based 100% on corporate performance goals. In addition, we may make special incentive awards to an individual for extraordinary individual efforts and exceptional results, or contribution to extraordinary team efforts and exceptional results, in reaching our goals and objectives. All awards granted under our Management Incentive Plan must be approved by our Board and, with respect to members of management other than the Chief Executive Officer, its Chief Executive Officer. Our Board has the right to adjust any payment to our named executive officers under our Management Incentive Plan.

10.2 Compensation of directors

See Note 11 to the Company Financial Statements for an overview of the implementation of the Compensation Policy in the fiscal year to which this annual report relates. In determining the level and structure of the compensation of the directors in the fiscal year to which this annual report relates relevant scenario analyses carried out in advance have been considered.

10.3 2017 Omnibus incentive plan

Our Board adopted, in connection with the consummation of the Business Combination, the 2017 Plan for the purpose of (a) providing eligible persons with an incentive to contribute to our success and to operate and manage our business in a manner that will provide for our long-term growth and profitability to benefit our shareholders and other important stakeholders, including employees and customers, and (b) providing a means of obtaining, rewarding and retaining key personnel. The 2017 Plan provides for the grant of options to purchase our ordinary shares, share awards (including restricted shares and share units), share appreciation rights, performance shares or other performance-based awards, unrestricted shares, dividend equivalent rights, other equity-based awards and cash bonus awards. We have reserved a total of 4,000,000 ordinary shares for issuance pursuant to the 2017 Plan, subject to certain adjustments set forth in the 2017 Plan.

Administration of the 2017 Plan. The 2017 Plan is administered by our compensation committee, and our compensation committee determines all terms of awards under the 2017 Plan. Each member of our compensation committee that administers the 2017 Plan is a "non-employee director" within the meaning of Rule 16b-3 of the Exchange Act, and, if applicable, an "outside director" within the meaning of Section 162(m) of the Code, and an independent director in accordance with the rules of any stock exchange on which our ordinary shares are listed or traded. Our compensation committee also determines who will receive awards under the 2017 Plan, the type of award and its terms and conditions and the number of ordinary shares subject to the award, if the award is equity-based. Our compensation committee also interprets the provisions of the 2017 Plan. Our Board may also appoint one or more committees of our Board, each composed of one or more of our directors, which may administer the 2017 Plan with respect to grantees who are not "officers," as defined in Rule 16a-1(f) under the Exchange Act, or directors. Our Board from time to time may exercise any or all of the powers and authorities related to the administration and implementation of the 2017 Plan as our Board determines, consistent with our Articles of Association and Board Rules and applicable laws. References below to our compensation committee include a reference to our Board or another committee appointed by our Board for those periods in which our Board or such other committee appointed by our Board is acting.

Eligibility. All of our employees, executive officers and directors, and the employees, officers and directors of our subsidiaries and affiliates are eligible to receive awards under the 2017 Plan. In addition, consultants and advisors (who are natural persons) currently providing services to us or to one of its subsidiaries or affiliates, and any other person whose participation in the 2017 Plan is determined by our compensation committee to be in its best interests may receive awards under the 2017 Plan.

Share Authorization. Subject to adjustment as provided in the 2017 Plan, the number of ordinary shares that may be issued under the 2017 Plan is 4,000,000. If any of our ordinary shares covered by an award are not purchased or are forfeited or expire, or if an award otherwise terminates without delivery of any of our ordinary shares or is settled in cash in lieu of our ordinary shares, the ordinary shares subject to such awards will again be available for purposes of the 2017 Plan. The number of our ordinary shares available for issuance under the 2017 Plan will not be increased by the number of our ordinary shares (i) tendered, withheld, or subject to an award surrendered in connection with the purchase of our ordinary shares or upon exercise of an option, (ii) that were not issued upon the net settlement or net exercise of a share-settled share appreciation right, (iii) deducted or delivered from payment of an award in connection with our tax withholding obligations, or (iv) purchased by us with proceeds from option exercises.

The maximum number of ordinary shares subject to options or share appreciation rights that can be issued under the 2017 Plan to any person, other than a non-employee director, is 1,200,000 ordinary shares in any single calendar year. The maximum number of ordinary shares that can be issued under the 2017 Plan to any person (other than a non-employee director) other than pursuant to an option or share appreciation right is 1,200,000 ordinary shares in any single calendar year. The maximum fair market value of our ordinary shares that may be granted under the 2017 Plan pursuant to awards in any single calendar year to any non-employee director is $500,000. The maximum amount that may be paid as a cash-settled performance-based award for a performance period of 12 months or less to any one person is $3,000,000 and the maximum amount that may be paid as a cash-settled performance-based award for a performance period of greater than 12 months to any one person is $9,000,000.

Share Usage. Ordinary shares that are subject to awards will be counted as of the grant date for purposes of calculating the number of shares available for issuance under the 2017 Plan. The maximum number of shares issuable under a performance share grant will be counted against the share issuance limit under the 2017 Plan as of the grant date, but such number will be adjusted to equal the actual number of shares issued upon settlement of the performance shares to the extent different from the maximum number of shares.

Minimum Vesting Period. Except with respect to a maximum of 5% of the ordinary shares authorized for issuance under the 2017 Plan, as described above, no award will provide for vesting which is any more rapid than vesting on the one year anniversary of the grant date of the award or, with respect to awards that vest upon the attainment of performance goals, a performance period that is less than twelve months.

No Repricing. Except in connection with certain corporate transactions involving Playa: (x) outstanding options or share appreciation rights may not be amended to reduce the exercise price of the option or share appreciation right, (y) outstanding options or share appreciation rights may not be canceled in exchange for or substitution of options or share appreciation rights with an exercise price that is less than the exercise price of the original options or share appreciation rights, and (z) outstanding options or share appreciation rights with an exercise price above the current share price may not be canceled in exchange for cash or other securities.

Options. The 2017 Plan authorizes our compensation committee to grant incentive share options (under Section 422 of the Code) and options that do not qualify as incentive share options. The exercise price of each option will be determined by our compensation committee, provided that the price cannot be less than 100% of the fair market value of the ordinary shares on the date on which the option is granted. If we were to grant incentive share options to any 10% shareholder, the exercise price may not be less than 110% of the fair market value of its ordinary shares on the date of grant.

The term of an option cannot exceed 10 years from the date of grant. If we were to grant incentive share options to any 10% shareholder, the term cannot exceed five years from the date of grant. Our compensation committee determines at what time or times each option may be exercised and the period of time, if any, after retirement, death, disability or termination of employment during which options may be exercised.

The exercise price for any option or the purchase price for restricted shares is generally payable (1) in cash or cash equivalents, (2) to the extent the award agreement provides and subject to certain limitations set forth in the 2017 Plan, by the surrender of ordinary shares (or attestation of ownership of such shares) with an aggregate fair market value on the date on which the option is exercised equal to the exercise or purchase price, (3) with respect to an option only, to the extent the award agreement provides and subject to certain limitations set forth in the 2017 Plan, by payment through a broker in accordance with procedures established by us or (4) to the extent the award agreement provides and/or unless otherwise specified in an award agreement, any other form permissible by applicable laws, including by withholding rdinary shares that would otherwise vest or be issuable in an amount equal to the exercise or purchase price and the required tax withholding amount.

Share Awards. The 2017 Plan also provides for the grant of share awards (which includes restricted shares and share units). A share award may be subject to restrictions on transferability and other restrictions as our compensation committee determines in its sole discretion on the date of grant. The restrictions, if any, may lapse over a specified period of time or through the satisfaction of conditions, in installments or otherwise, as our compensation committee may determine. Unless our compensation committee provides otherwise in an award agreement, a participant who receives restricted shares will have the right to vote and the right to receive dividends or distributions on the shares, except that our compensation committee may require any dividends to be reinvested in shares, which may or may not be subject to the same vesting conditions and restrictions as the vesting conditions and restrictions applicable to such restricted shares. Dividends paid on restricted shares which vest or are earned based upon the achievement of performance goals will not be deemed vested unless the performance goals for such restricted shares are achieved, and if such performance goals are not achieved, the participant will promptly forfeit and repay to us any such dividend payments. A participant who receives share units will have no rights as one of our shareholders.

Our compensation committee may provide in an award agreement that a participant who receives share units will be entitled to receive, upon our payment of a cash dividend, a cash payment for each such share unit which is equal to the per-share dividend paid on our ordinary shares. Dividends paid on share units that vest or are earned based upon the achievement of performance goals will not vest unless such performance goals for such share units are achieved, and if such performance goals are not achieved, the participant will promptly forfeit and repay to us such dividend payments. An award agreement also may provide that such cash payment will be deemed reinvested in additional share units at a price per unit equal to the fair market value of an ordinary share on the date on which such cash dividend is paid.

During the period, if any, when share awards are non-transferable or forfeitable, a grantee is prohibited from selling, transferring, assigning, pledging, exchanging, hypothecating or otherwise encumbering or disposing of his or her share awards. Unless our

compensation committee provides otherwise in an award agreement, or in another agreement with a grantee, upon the termination of the grantee's service with us, any share awards that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, will immediately be deemed forfeited.

Share Appreciation Rights. The 2017 Plan authorizes our compensation committee to grant share appreciation rights that provide the recipient with the right to receive, upon exercise of the share appreciation right, cash, ordinary shares or a combination of the two. The amount that the recipient will receive upon exercise of the share appreciation right generally will equal the excess of the fair market value of our ordinary shares on the date of exercise over the fair market value of our ordinary shares on the date of grant. Share appreciation rights will become exercisable in accordance with terms determined by our compensation committee. Share appreciation rights may be granted in tandem with an option grant or independently from an option grant. The term of a share appreciation right cannot exceed 10 years from the date of grant.

Performance-Based Awards. The 2017 Plan also authorizes our compensation committee to grant performance-based awards, which are awards of options, share appreciation rights, restricted shares, share units, performance shares, other equity-based awards or cash made subject to the achievement of performance goals over a performance period specified by our compensation committee. Our compensation committee will determine the applicable performance period, the performance goals and such other conditions that apply to the performance-based award. Performance goals may relate to our financial performance, the grantee's performance or such other criteria determined by our compensation committee. If the performance goals are met, performance-based awards will be paid in cash, ordinary shares or a combination thereof.

Unrestricted Shares and Other Equity-Based Awards. Subject to the minimum vesting period described above, our compensation committee may, in its sole discretion, grant (or sell at the par value of an ordinary share or at such other higher purchase price as determined by our compensation committee) an award to any grantee pursuant to which such grantee may receive ordinary shares under the 2017 Plan that are free of any restrictions. Awards of unrestricted shares may be granted or sold to any grantee in respect of service rendered or, if so provided in the related award agreement or a separate agreement, to be rendered by the grantee to us or one of its affiliates or other valid consideration, in lieu of or in addition to any cash compensation due to such grantee. Our compensation committee may also grant awards in the form of other equity-based awards, which are awards that represent a right or other interest that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, our ordinary shares, as deemed by our compensation committee to be consistent with the purposes of the 2017 Plan, subject to terms and conditions determined by our compensation committee.

Dividend Equivalent Rights. Our compensation committee may grant dividend equivalent rights in connection with the grant of certain equity-based awards. A dividend equivalent right is an award entitling the recipient of the award to receive credits based on cash distributions that would have been paid on the ordinary shares specified in such dividend equivalent right if such shares had been issued to and held by the recipient of such dividend equivalent right as of the record date. Dividend equivalent rights may be paid currently (with or without being subject to forfeiture or a repayment obligation) or may be deemed reinvested in additional ordinary shares, which may thereafter accrue additional dividend equivalent rights, as specified in an award agreement. Dividend equivalent rights may be payable in cash, ordinary shares or a combination of the two. Our compensation committee will determine the terms of any dividend equivalent rights. No dividend equivalent rights can be granted in tandem with an option or share appreciation right.

Forfeiture; Recoupment. Our compensation committee may reserve the right in an award agreement for an award granted pursuant to the 2017 Plan to cause a forfeiture of any gain realized by the grantee of the award to the extent the grantee is in violation or breach of or in conflict with certain agreements with us (including but not limited to an employment or non-competition agreement) or any obligation to us (including but not limited to a confidentiality obligation). Our compensation committee may annul an outstanding award if the grantee's employment with us is terminated for "cause" as defined in the 2017 Plan, the applicable award agreement, or any other agreement between us and the grantee. Awards are also subject to mandatory repayment by the grantee to the extent the grantee is or becomes subject to (i) any clawback or recoupment policy adopted to comply with the requirements of any applicable law, rule or regulation, or otherwise, or (ii) any law, rule or regulation which imposes mandatory recoupment.

Change in Control. If we experience a change in control in which outstanding awards that are not exercised prior to the change in control will not be assumed or continued by the surviving entity: (1) except for performance-based awards, all restricted shares, share units and dividend equivalent rights will be deemed to have vested and the underlying ordinary shares will be deemed delivered immediately before the change in control; and (2) at our compensation committee's discretion, either all options and share appreciation rights will become exercisable fifteen days before the change in control (with any exercise of an option or share

appreciation right during such fifteen day period to be contingent upon the consummation of the change in control) and terminate upon the change in control to the extent not exercised, or all options, share appreciation rights, restricted shares, share units and/or dividend equivalent rights will be canceled and cashed out in connection with the change in control.

In the case of performance-based awards, if less than half of the performance period has lapsed, the award will be treated as though target performance has been achieved. If at least half of the performance period has lapsed, actual performance to date will be determined as of a date reasonably proximal to the date of the consummation of the change in control, as determined by our compensation committee in its sole discretion, and that level of performance will be treated as achieved immediately prior to the occurrence of the change in control. If our compensation committee determines that actual performance is not determinable, the award will be treated as though target performance has been achieved. Any awards that arise after performance is determined in accordance with this paragraph will be treated as set forth in the preceding paragraph. Other equity-based awards will be governed by the terms of the applicable award agreement.

If we experience a change in control in which outstanding awards that are not exercised prior to the change in control will be assumed or continued by the surviving entity, then, except as otherwise provided in the applicable award agreement, in another agreement with the grantee, or as otherwise set forth in writing, upon the occurrence of the change in control, the 2017 Plan and the awards granted under the plan will continue in the manner and under the terms so provided in the event of the change in control to the extent that provision is made in writing in connection with such change in control for the assumption or continuation of such awards, or for the substitution for such awards with new awards, with appropriate adjustments as to the number of shares (disregarding any consideration that is not common stock) and exercise prices of options and share appreciation rights.

In summary, a change in control under the 2017 Plan occurs if:

- a “person” or “group” (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), of more than 50% of the total voting shares in our capital, on a fully diluted basis;

- individuals who on the effective date of the 2017 Plan constitute our Board (together with any new directors whose election by our Board or whose nomination by our Board for election by our shareholders was approved by a vote of at least a majority of the members of our Board then in office who either were members of our Board on the effective date of the 2017 Plan or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the members of our Board then in office;

- we consolidate with, or merges with or into, any individual, corporation, partnership or any other entity or organization (a “Person”), or any Person consolidates with, or merges with or into, us, other than any such transaction in which the holders of securities that represented 100% of the voting shares in our capital immediately prior to such transaction (or other securities into which such securities are converted as part of such merger or consolidation transaction) own directly or indirectly at least a majority of the voting shares of the surviving Person in such merger or consolidation transaction immediately after such transaction;

- there is consummated any direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one transaction or a series of related transactions, of all or substantially all of our assets and the assets of our subsidiaries, taken as a whole, to any “person” or “group” (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act); or

- the commencement of a liquidation, winding up or dissolution of us, which was approved by our shareholders.

Adjustments for Share Splits and Similar Events. If the number of our ordinary shares is increased or decreased or our ordinary shares are changed into or exchanged for a different number of our ordinary shares or kind of our capital stock or other securities on account of any recapitalization, reclassification, share split, reverse share split, spinoff, combination of shares, exchange of shares, share dividend or other distribution payable in capital stock and certain other events, our compensation committee will make adjustments in the manner and to the extent it considers appropriate and equitable to the grantees and consistent with the terms of the 2017 Plan to the number and kind of shares that may be issued under the 2017 Plan, the individual limitations on awards described above and the number and kind of shares subject to outstanding awards.

Amendment or Termination. Our Board may amend, suspend or terminate the 2017 Plan at any time; provided that no amendment, suspension or termination may adversely impair the rights of grantees under outstanding awards without the grantees' consent. Our shareholders must approve any amendment if such approval is required under applicable law or stock exchange requirements. The 2017 Plan will have a term of ten years, but may be terminated by our Board at any time, subject to the preceding sentences.

10.4 Pay ratio

The pay ratio of CEO compensation compared to the average employee compensation during 2017 is 178:1.

The ratio was obtained by dividing the 2017 renumeration for the CEO by the 2017 average total remuneration of all other employees worldwide. The total remuneration of the CEO is reported in Note 11 to the Company Financial Statements. The average compensation of all employees was calculated from the amounts reported in Note 28 to the Consolidated Financial Statements (after subtracting the expense for CEO remuneration) divided by the average number of employees as reported in Note 28 to the Consolidated Financial Statements.

11. RELATED PARTY TRANSACTIONS

For information on related party transactions, see Note 12 to the Consolidated Financial Statements.

Where applicable, best practice provisions 2.7.3, 2.7.4 and 2.7.5 of the DCGC have been observed with respect to the transactions referenced above in this chapter 11.

12. PROTECTIVE MEASURES

Certain provisions of our articles of association may make it more difficult for a third party to acquire control of us or effect a change in our Board. These provisions include:

- A provision that our directors are appointed by our General Meeting at the binding nomination of our Board. Such binding nomination may only be overruled by the General Meeting by a resolution adopted by at least a majority of the votes cast, if such votes represent more than 50% of our issued share capital.

- A provision that our shareholders at a General Meeting may suspend or remove directors at any time. A resolution of our General Meeting to suspend or remove a director may be passed by a majority of the votes cast, provided that the resolution is based on a proposal by our Board. In the absence of a proposal by our Board, a resolution of our General Meeting to suspend or remove a director shall require a vote of at least a majority of the votes cast, if such votes represent more than 50% of our issued share capital.

- A requirement that certain actions can only be taken by the General Meeting with at least two-thirds of the votes cast, unless such resolution is passed at the proposal by our Board, including an amendment of our articles of association, the issuance of shares or the granting of rights to subscribe for shares, the limitation or exclusion of preemptive rights, the reduction of our issued share capital, the application for bankruptcy, the making of a distribution from our profits or reserves on our ordinary shares, the making of a distribution in the form of shares in our capital or in the form of assets, instead of cash, the entering into of a merger or demerger, our dissolution and the designation or granting of authorizations such as the authorization to issue shares and to limit or exclude preemptive rights.

- A provision prohibiting (a) a "Brand Owner" (which generally means a franchisor, licensor or owner - or a group company or direct or indirect owners of a franchisor, licensor or owner - of a hotel concept or brand for all-inclusive hotels or resorts that has at least 12 hotels operating under the trade name(s) of such concept or brand and that directly competes with any Hyatt All-Inclusive Resort Brand resort) (alone or together with its affiliates) from having beneficial ownership of our ordinary shares representing in excess of 15% of our outstanding shares, or (b) a Restricted Brand Company (alone or together with its affiliates), from having beneficial ownership of our ordinary shares representing in excess of 5% of our outstanding shares (each, a "Share Cap"). Upon becoming aware of either Share Cap being exceeded, we will send a notice to the Brand Owner or Restricted Brand Company, as relevant, informing

such shareholder of its violation of the Share Cap and granting the shareholder two weeks to dispose of its excess ordinary shares to an unaffiliated third party or to take such other action resulting in the Brand Owner or Restricted Brand Company, as relevant, no longer violating the applicable Share Cap. Such notice will immediately suspend the right to attend our General Meeting and voting rights (together, "Shareholder Rights") of the shares exceeding the Share Cap until the Brand Owner or Restricted Brand Company, as relevant, has remedied its violation of the applicable Share Cap. If such Brand Owner or Restricted Brand Company, as relevant, has not remedied its violation of the applicable Share Cap within the aforementioned two week period, (i) the Shareholder Rights attached to all shares held by such shareholder shall be suspended until it has remedied its violation of the applicable Share Cap, (ii) we will be irrevocably authorized under our articles of association to transfer the excess shares to a foundation established under Dutch law for this purpose (the "Excess Shares Foundation") or to an unaffiliated third party and (iii) if the excess shares are transferred to the Excess Shares Foundation, such foundation shall issue depositary receipts for the ordinary shares concerned to the relevant Brand Owner or Restricted Brand Company for as long as those ordinary shares are held by the Excess Shares Foundation.

Such provisions could discourage a takeover attempt and impair the ability of shareholders to benefit from a change in control and realize any potential change of control premium. This may adversely affect the market price of the ordinary shares.

Our General Meeting has authorized our Board to issue and grant rights to subscribe for our ordinary shares, up to the amount of the authorized share capital (from time to time) and limit or exclude preemptive rights on those shares, in each case for a period of five years from the date of the resolution. Accordingly, an issue of our ordinary shares may make it more difficult for a shareholder or potential acquirer to obtain control over our General Meeting or us.

13. OTHER INFORMATION

13.1 Independent Auditor's report

Reference is made to the independent auditors' report as included hereinafter.

13.2 Profit appropriation provisions

Pursuant to the Company's articles of association, any profits shown in the adopted statutory annual accounts of the Company shall be appropriated as follows, and in the following order of priority:

a. the Board shall determine which part of the profits shall be added to the Company's reserves; and

b. subject to a proposal by the Board to that effect, the remaining profits shall be at the disposal of the General Meeting for distribution on the shares.

13.3 Branches

Playa Hotels & Resorts N.V. does not have any branch establishments.

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Independent auditor's report

To the shareholders and Board of Directors of Playa Hotels & Resorts N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements 2017 of Playa Hotels & Resorts N.V., based in Amsterdam, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Playa Hotels & Resorts N.V. as at December 31, 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying company financial statements give a true and fair view of the financial position of Playa Hotels & Resorts N.V. as at December 31, 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The Consolidated Statement of Financial Position as at December 31, 2017.

2. The following statements for 2017: the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and Cash Flows.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The Statement of Financial Position as at December 31, 2017.

2. The Statement of Profit or Loss for 2017.

3. The Statement of Changes in Equity for 2017.

4. The notes comprising a summary of the accounting policies and other explanatory information.

Deloitte.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Playa Hotels & Resorts N.V. in accordance with the *"Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten"* (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the *"Verordening gedrags- en beroepsregels accountants"* (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at USD 6,000,000. The materiality is based on 3,6% of EBITDA. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the non-executive directors that misstatements in excess of USD 300,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Playa Hotels & Resorts N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Playa Hotels & Resorts N.V.

Our group audit mainly focused on significant group entities in the Dominican Republic, Mexico and Jamaica.

We have:

- Used the work of other auditors when auditing the significant group entities.
- Performed review procedures or specific audit procedures at other group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key matter - Refinancing of debt

Refer to note 20 of the consolidated statements.

On April 27, 2017, the company has refinanced the Senior Secured Credit Facility, consisting of a new USD 530.0 million term loan and a USD 100.0 million revolving credit facility. The proceeds received from the First Term Loan were used to repay the existing term loan and USD 115 million of the Senior Notes due 2020. On December 6, 2017, the company amended the Senior Secured Credit Facility and exercised the option to request an incremental term loan of USD 380.0 million (the "Second Term Loan" and together with the existing term loan that was in effect prior to the amendment, the "Term Loan") priced at 99.75% of the principal amount. The proceeds received from the Second Term Loan were used to repay the Senior Notes due 2020.

The payoff of the original loan and the First and Second term loan are treated as a partial modification and partial extinguishment. Following the application of the accounting treatment differences between the carrying amount of the discount and deferred financing costs of the Term Loan between IFRS and US GAAP arises.

Response

Our audit procedures to assess the appropriateness of financial accounting treatment of the debt refinancing included the following:

- We obtained and reviewed the debt refinancing analysis as prepared by management of the company relating to the refinancing that occurred in April 2017 and December 2017.
- We involved our internal accounting specialist and verified whether the accounting treatment complies with the provisions as set out in IFRS 9 - *Financial instruments* and IAS 39 - *Financial Instruments: Recognition and Measurement*.
- We verified the accuracy of the schedules to calculate the amortization and accretion of the Term Loan's DFCs and Discount using the effective interest method.
- We verified that the disclosure in the financial statements in relation to the debt refinancing complies with the disclosure requirements from the IFRS provisions.

Based on the work performed, as mentioned above, we observed that the financial accounting treatment for the debt refinancing is appropriate. We also determined that the disclosure of the in relation to the debt refinancing is appropriate.

Key matter - Valuation of Property, Plant and Equipment

Refer to note 8 in the consolidated financial statements.

The company is an owner, operator, manager and developer of all-inclusive resorts in beachfront locations in vacation destinations in Mexico and the Caribbean. As of December 31, 2017, the company owned a portfolio consisting of thirteen resorts (6,130 rooms) located in Mexico, the Dominican Republic and Jamaica and managed one resort (184 rooms) owned by a third party, located in the Dominican Republic. Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

As at December 31, 2017 the carrying values of hotel properties USD 1,398 million in aggregate, representing 84% of the Group's total assets as at that date. The estimation of the recoverable amount each cash generating unit ("CGU") to which these assets have been allocated is sensitive to the key assumptions applied in the value-in-use models, which include occupancy rates and revenue per available room in deriving the projected cash flows for hotel properties; customer visits; growth rates and the discount rates applied.

We identified assessing potential impairment of hotel properties as a key audit matter because of the significant level of management judgement required to be exercised in determining the assumptions adopted in the impairment assessments which can be inherently uncertain and could be subject to management bias.

Response

Our audit procedures to assess the potential impairment of hotel properties included the following:

- Evaluating the Group's identification of CGUs and the amounts of hotel properties allocated to each CGU.
- Evaluating the Group's process for identification of indicators of potential impairment of hotel properties and in accordance with the compliance with the requirements of the prevailing accounting standards.
- We verified that the disclosure in the financial statements in relation to the Property, Plant and Equipment complies with the disclosure requirements from the IFRS provisions.

Based on the work performed, as mentioned above, we observed that the valuation of the Property, Plant and Equipment is appropriate. We also determined that the disclosure in relation to the Property, Plant and Equipment is appropriate.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information that consists of:

- Directors' Report, reference is made to chapters 1 up to and including 6; and
- Other information, reference is made to chapters 8 up to and including 13.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including Directors' Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Board of Director's as auditor of Playa Hotels and Resorts N.V. on December 18, 2017, as of the audit for the year 2017 and have operated as statutory auditor ever since that financial year.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, April 13, 2018

Deloitte Accountants B.V.

Signed on the original: J. Holland