Playa Hotels & Resorts N.V.

Dutch statutory board report and financial statements
for the fiscal year ended December 31, 2020

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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, 2020 and, unless explicitly stated otherwise, information presented in this annual report is as of December 31, 2020.

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 endorsed by the European Union. 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, results of operations, liquidity and financial condition. Likewise, our consolidated financial statements and 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. Currently, some of the most significant factors that could cause actual outcomes to differ materially from our forward-looking statements are the adverse effects of the current coronavirus (COVID-19) pandemic on our financial condition, liquidity, results of operations and prospects, reductions in service by the airlines that service the locations where we own resorts, the short and longer-term demand for travel, the global economy and the local economies where we own resorts, and the financial markets. As a result of the COVID-19 pandemic, we temporarily suspended operations at all of our resorts from March 2020 until July 2020, and reopened all but one of them throughout the rest of 2020. The extent to which the COVID-19 pandemic will continue to impact us and consumer behavior will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, continuing resurgences of the pandemic, the government actions taken to contain the pandemic or mitigate its impact, the speed, effectiveness and distribution of vaccines and treatment therapies, and the direct and indirect economic effects of the pandemic and containment measures, including the magnitude of its impact on unemployment rates and consumer discretionary spending, among others. 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;*
- *changes in economic, social or political conditions in the regions we operate, including changes in perception of public-safety and changes in the supply of rooms from competing resorts;*

- *the success and continuation of our relationships with Hyatt Hotels Corporation ("Hyatt") and Hilton Worldwide Holdings, Inc. ("Hilton");*
- *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;*
- *our failure to successfully complete acquisition, expansion, repair and renovation projects in the timeframes and at the costs and returns anticipated;*
- *changes we may make in timing and scope of our development and renovation projects;*
- *significant increases in construction and development costs;*
- *significant increases in utilities costs;*
- *our ability to obtain and maintain financing arrangements on attractive terms or at all;*
- *our ability to obtain and maintain ample liquidity to fund operations and service debt;*
- *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 ability of our guests to reach our resorts given government mandated travel restrictions, as well as the demand for our resorts resulting from government mandated safety protocols and health concerns;*
- *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;*
- *outbreak of widespread contagious diseases other than COVID-19;*
- *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).

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.

2. BUSINESS

2.1 Overview

Playa is a leading owner, operator and developer of all-inclusive resorts in prime beachfront locations in popular vacation destinations in Mexico and the Caribbean. As of December 31, 2020, we owned and/or managed a total portfolio consisting of 21 resorts (8,172 rooms) located in Mexico, Jamaica and the Dominican Republic. Playa's strategy is to leverage its globally recognized brand partnerships in order to capitalize on the gap between the 14% U.S. brand-affiliated room supply in the regions in which we operate and the nearly 40% of visitors that come to these regions from the U.S. We believe that this strategy should position us to generate attractive returns for our shareholders and enhance the lives of our associates and the communities in which we operate.

We believe that the resorts we own and manage are among the finest all-inclusive resorts in the markets they serve. We believe that our resorts have a competitive advantage due to their location, brand affiliations, extensive amenities, scale and design. Our portfolio is comprised of all-inclusive resorts that share some combination of the following characteristics:

- Prime beachfront locations;
- Globally recognized U.S. brand partners;
- Convenient air access from a number of North American and other international gateway markets;
- Strategic locations in popular vacation destinations in countries with strong government commitments to tourism;
- High quality physical condition; and
- Capacity for further revenues and earnings growth through incremental renovation or repositioning opportunities.

Our all-inclusive resorts provide guests an attractive vacation experience that offers both compelling value and price certainty, while at the same time providing Playa more predictable revenue, expense and occupancy rates than traditional full-service hotel business models. Generally, all-inclusive guests book and pay further in advance, resulting in lower cancellation rates and incremental sales of upgrades, premium services and amenities not included in the all-inclusive package pricing.

We have strategic relationships with both Hyatt Hotels Corporation ("Hyatt") and Hilton Worldwide Holdings, Inc. ("Hilton") , two of the preeminent globally recognized hotel brands. We believe that Hyatt's and Hilton's selection of Playa as its strategic partner in the development and management of all-inclusive resorts throughout the Caribbean, Mexico and Latin America provides us with unique advantages, including the following:

- Access to worldwide reservation systems, global marketing scale, and over 135 million combined hotel loyalty members to drive revenue growth;
- Higher propensity for guests to book direct, which results in significantly improved returns over bookings from online tour operators;
- Lower customer acquisition costs, and higher net Average Daily Rates (ADRs);
- Higher net asset value for branded resorts affiliated with global franchisors;
- Brand partners are a second set of eyes, focused on maximizing returns;
- Immediate customer recognition for a new or converted resort;
- Exposure to new consumers, who may not be familiar with the all-inclusive model;
- Access to guests from different regions, creating a better segmentation mix, reducing the risk from an owner's perspective;
- Stronger marketing and public relations presence;
- Branded resorts tend to reduce price sensitivity and encourage purchase decisions, resulting in higher revenues;
- Branded resorts, on average, have higher occupancy than non-branded resorts;
- Branded resorts have higher rates of group business; and

- Branded resorts have lower failure rates.

We have an exclusive agreement with Panama Jack International, Inc. (“Panama Jack”), a consumer products company that focuses on resort clothes and furnishings and sun care products, 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 currently own two resorts operated under the Panama Jack Brand. Other resorts in our portfolio operate under the Dreams, Jewel and Sanctuary brands.

In the fourth quarter of 2019, we completed and opened our first ever ground-up development project, the 750-room Hyatt Ziva and Hyatt Zilara Cap Cana. We also completed significant renovation work at the 524-room Hilton Playa del Carmen All-Inclusive Resort, 356-room Hilton La Romana All-Inclusive Adult Resort and the 418-room Hilton La Romana All-Inclusive Family Resort during the fourth quarter of 2019 as part of the rebranding and conversion of those respective resorts.

We consider each of our resorts 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 Segment Results in chapter 6. *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Note 29 to the accompanying Consolidated Financial Statements.

Impact of COVID-19

The COVID-19 pandemic and the public health measures that have been undertaken in response have had and continue to have a significant adverse impact on the global economy, the travel and hospitality industries and our business starting in the first quarter of 2020. Refer to chapter 6. *Management's Discussion and Analysis of Financial Condition and Results of Operations* for a discussion of the impact COVID-19 is having on our business, results of operations and financial condition.

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 award-winning resorts are located in prime beachfront locations in popular vacation destinations, including Cancún, Playa del Carmen, Puerto Vallarta and Los Cabos in Mexico, Punta Cana and La Romana 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.

- ***Diversified Portfolio of All-Inclusive Resorts.*** We currently offer our guests resorts located in four main geographic markets and across a range of price points, which we believe helps foster loyalty among our guests and drive repeat business. We operate resorts under seven distinct brands. Having multiple brands to offer owners and developers is essential to our ability to secure management agreements and attractive acquisitions since having a portfolio of brands mitigates the risks of brand-on-brand supply growth and subsequent cannibalization and expands our addressable market.

- ***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 high-quality vacation experience that offers value, ease of planning and a high degree of cost certainty. 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.

- ***Integrated and Scalable Operating Platform.*** We believe we have developed a scalable resort management platform designed to improve operating efficiency at the 18 resorts we currently manage. Our platform enables us to integrate additional resorts we may acquire, manage resorts owned by third-parties and potentially internalize the management of the two resorts we own but do not manage. Our platform also 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, portfolio-wide basis.

- ***Strategic Relationship with Hyatt to Develop All-Inclusive Resorts.*** Our strategic relationship with Hyatt under our Hyatt Strategic Alliance Agreement, as amended, provides us with a range of benefits, including the right to operate certain of our existing resorts under the Hyatt Ziva and Hyatt Zilara brands (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 Mexico, Costa Rica, the Dominican Republic, Jamaica and Panama (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. The Hyatt All-Inclusive Resort Brands have access to Hyatt's low cost and high margin distribution channels, such as Hyatt guests using the World of Hyatt® guest loyalty program (which we understand had approximately 25 million members as of December 31, 2020), Hyatt's reservation system, Hyatt's mobile application 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 and our company and resort websites.

- ***Strategic Relationship with Hilton to Develop All-Inclusive Resorts.*** Our strategic alliance with Hilton affords us with the opportunity to leverage our management expertise and obtain access to Hilton's global portfolio of brands and over 112 million Hilton Honors members as of December 31, 2020. During 2018, we successfully converted two of our resorts into three Hilton all-inclusive resorts, with the potential to convert, develop or manage up to an additional eight resorts in certain locations in the Caribbean, Mexico, and South and Central America by 2025. Our strategic alliance with Hilton further diversifies our portfolio, and we believe enables us to reach more potential guests and reduce our customer acquisition costs.

- ***Advantageous Exposure to Leisure Travel.*** Our beachfront resort portfolio skews our customer mix to be composed of approximately 90% leisure travelers. We believe that this concentration positions us to recover faster from the effects of market recessions than many of our lodging peers, as historically the leisure segment of the travel market has tended to rebound faster than the business-oriented segment.

- ***Focus on Safety Measures.*** As we adjust to a new operating environment during the COVID-19 pandemic, we have the luxury of having expansive footprints, numerous dining outlets, and predominantly outdoor and open designs at the majority of our resorts, which provides us flexibility to redesign the layout of our resorts with social distancing and safety precautions in mind. Furthermore, we have implemented an enhanced mobile app that incorporates contactless QR codes to augment and facilitate the guest experience at all of our managed properties. We have also incorporated safety practices from our brand partners, government agencies and various health experts to develop our Playa Safe Stay™ operating protocols. We believe that our protocols and the association with globally recognized, responsible brands will be a competitive advantage.

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

  - Bruce Wardinski, our Chief Executive Officer has over 30 years of experience in the hospitality industry, founded our predecessor ("Predecessor") and previously was the Chief Executive Officer of two lodging companies: Barceló Crestline Corporation, an independent hotel owner, lessee and manager; and Crestline Capital Corporation, a New York Stock Exchange ("NYSE") listed hotel owner, lessee and manager. Mr. Wardinski was also the non-executive chairman of the board of directors of Highland Hospitality Corporation, an 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. As of December 31, 2020, 2.1% of our outstanding ordinary shares are beneficially owned by Mr. Wardinski.

  - Greg Maliassas, our Chief Operating Officer, has over 20 years of experience in the hospitality and lodging industry. Mr. Maliassas previously served as Senior Vice President Operations for the luxury brands of Accor

Hotels in Central & Eastern Europe, Benelux and Switzerland, overseeing a portfolio of over 45 hotels.

- Kevin Froemming, our Chief Commercial Officer, has over 24 years of experience in the hospitality industry and 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.

- Ryan Hymel, our Chief Financial Officer, has over 18 years of experience working within the hospitality sector. He previously served as Senior Vice President and Treasurer of Playa and has worked at Barceló Crestline Corporation and Crestline Capital Corporation, two hotel and resort owners and operators.

- Tracy Colden, our Executive Vice President and General Counsel, has over 30 years of experience in the hospitality and lodging industry. She previously served as a principal in the Law Offices of Tracy M. J. Colden, as Executive Vice President and General Counsel for Highland Hospitality Corporation, and as Executive Vice President and General Counsel of Crestline Capital Corporation. Ms. Colden was also an Assistant General Counsel at Host Marriott Corporation.

Our Business and Growth Strategies

Since the first quarter of 2020, our primary focus has been on responding to the operational, financial and safety challenges presented by the COVID-19 pandemic and that continues to be our primary focus, along with positioning ourselves to capitalize on what we believe to be significant pent-up demand for leisure travel to our markets when the travel restrictions and public health concerns imposed as a result of COVID-19 recede. As conditions improve, we expect to refocus on our traditional business and growth strategies described below.

Our goal is to be the leading owner, operator and developer of all-inclusive beachfront resorts in the markets we serve and to generate attractive risk-adjusted returns above our cost of capital and create long-term value for our shareholders and other stakeholders 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 and partnerships in the all-inclusive segment of the lodging industry. 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.

- ***Secure New Management Agreements.*** 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 the resorts we own that are currently managed by a third-party. We will also look to make minority investments in high return projects to obtain management agreements.

- ***Utilization of New Technologies and Leverage of Big Data.*** We utilize numerous technologies aimed at improving guest satisfaction and shareholder returns. We recently launched a new website using a new search engine and metasearch optimization tools aimed at driving direct bookings, our lowest cost customer acquisition channel. As a result, we benefited from more direct business at our Playa-managed resorts in 2019 and 2020. Our percentage of direct stays, excluding the Jewel Dunn's River Beach Resort & Spa and Jewel Runaway Bay Beach Resort & Waterpark resorts which were sold in May 2020, increased from 25.2% of room nights in 2019 to 37.6% in 2020 and our percentage of direct bookings, including future stays, increased from 30.8% of room nights in 2019 to 47.3% in 2020.

  We also launched a new end-to-end technology at select resorts which uses sophisticated algorithms to identify in real-time what upgrades, packages and pricing to offer guests. This enables us to provide guests with several options to enhance their experience, while increasing revenue post-booking. Other new technological innovations underway include our recently launched travel agent portal, which facilitates travel agent bookings without the additional commission layer of a tour and travel operator, as well as the continued launch of our new yield management system, which should maximize guest revenues by optimizing both package rates and channel mix.

Additionally, by virtue of our partnerships with Hyatt and Hilton, we have greatly increased our access to member data and analytics with respect to millions of guests, further enabling us to drive lower customer acquisition costs, bookings and revenues.

- ***Disposition of non-core assets.*** We continuously monitor, review and optimize our portfolio to align with our strategic vision and maximize our return on invested capital. As part of this ongoing process, we may sell assets that no longer fit our criteria for capital investment. For example, in May 2020, we completed the sale of the Jewel Dunn's River Beach Resort & Spa and Jewel Runaway Bay Beach Resort & Waterpark, and in February 2021, we completed the sale of the Dreams Puerto Aventuras. We will look to use proceeds from these and other asset sales to pay down debt, reinvest in projects within our existing portfolio or pursue new growth opportunities.

AMResorts Management Agreements

Currently, two of our resorts (Dreams Punta Cana and Dreams Palm Beach) are operated by AMResorts pursuant to 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 resorts and non-competition and non-solicitation. The agreement for the Dreams Punta Cana is scheduled to expire in December 2022 and the agreement for the Dreams Palm Beach is scheduled to expire in February 2025. 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.

On October 31, 2020, we terminated the management agreement for the Capri Resort, formerly known as the Secrets Capri, with AMResorts, and the resort has been closed since then. In connection with the termination, we agreed to extend the term of the management agreement for Dreams Palm Beach to February 2025.

On February 5, 2021, we completed the sale of the Dreams Puerto Aventuras, which was managed by AMResorts.

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:

- Developing programs aimed at targeting consumers directly through:
    - Our company and resort websites;
    - The Hyatt website and toll free reservation telephone numbers;
    - The World of Hyatt® guest loyalty program;
    - The Hilton website and toll free reservation system;
    - The Hilton Honors guest loyalty program; and
    - Our toll free reservation system that provides a comprehensive view of inventory in real time, based on demand;
- 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 tour operator promotional campaigns; and

    - Utilizing online travel leaders, such as Expedia and Booking.com, to supplement sales during shoulder and lower rate seasons;

- Targeting group and incentive markets to seek and grow a strong base of corporate and event business;

- Highlighting destination wedding and honeymoon programs;

- 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 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. *Management's Discussion and Analysis of Financial Condition and Results of Operations)* as well as generate strong Occupancy through all of the resort seasons.

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, RCD Hotels (Hard Rock Hotels & Resorts), Blue Diamond 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. We also compete for guests based on the ability of hotel loyalty program members to earn and redeem loyalty program points at our Hyatt and Hilton all-inclusive resorts. We believe that our strategic relationship with Hyatt and Hilton, two globally recognized hotel brand leaders, provides us with a significant competitive advantage.

Additionally, we compete with other U.S. global brands that have recently entered the all-inclusive segment, such as Marriott International, Inc., for management contracts.

Government Regulation

We have operations and are subject to the laws of the United States and multiple foreign jurisdictions and the rules and regulations of various governing bodies, which may differ among jurisdictions. Compliance with these laws, rules and regulation has not had, and is not expected to have, a material effect on our capital expenditures, results of operations and competitive position as compared to prior periods.

See chapter 3.2. *Risk Factors* for further information regarding the potential impact of government regulations, including the following risk factors: *"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."; "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 could incur significant costs related to government regulation and litigation with respect to environmental matters, which could have a material adverse effect on 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."*; and *"Increases in property taxes would increase our operating costs, which could have a material adverse effect on us."*

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.

The COVID-19 pandemic altered this seasonal trend in 2020. See "Impact of COVID-19 Pandemic" in chapter 6. *Management's Discussion and Analysis of Financial Condition and Results of Operations* for more information regarding the effects of the COVID-19 pandemic on our results of operations.

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. *Management's Discussion and Analysis of Financial Condition and Results of Operations*), 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.

The COVID-19 pandemic has significantly impacted the lodging industry in 2020. See "Impact of COVID-19 Pandemic" in chapter 6. *Management's Discussion and Analysis of Financial Condition and Results of Operations* for more information regarding the effects of the COVID-19 pandemic on our results of operations.

Previously Disclosed Information

For additional information about our business, including information about our relationships and agreements with Hyatt, Hilton, and Panama Jack, as well as our insurance and intellectual property, please refer to chapter 1. *Business* in our 2019 annual report.

Corporate Information

Playa Hotels & Resorts N.V. is organized as a public limited company (naamloze vennootschap) under the laws of the Netherlands. Our registered office in the Netherlands is located at Nieuwezijds Voorburgwal 104, 1012 SG Amsterdam. Our telephone number at that address is +31 6 82 55 84 30. We maintain a website at www.playaresorts.com, which includes additional contact information. All reports that we have filed with the Securities and Exchange Commission (the "SEC") can be obtained free of charge from the SEC's website at www.sec.gov or through our website.

Employees

As of December 31, 2020, we directly and indirectly employed approximately 8,000 employees worldwide, significantly all of which are located at our resorts and regional offices in Jamaica (1,100), Mexico (4,000), and the Dominican Republic (2,800). We employed approximately 100 employees at our corporate offices in the U.S. and Canada. Due to the negative effects of the COVID-19 pandemic on our operations, we temporarily adjusted our staffing levels at our resorts during 2020.

2.2 Material subsequent events

Please refer to Note 30 in our Consolidated Financial Statements for all the evaluation of all subsequent events through the report date.

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 generally 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.
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.

Risk description	How do we manage these risks?
Disaster events We are exposed to significant risks related to the geographic concentration of our resorts, (particularly in Cancún) 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.
Coronavirus (“COVID-19”) The outbreak of COVID-19 pandemic has led governments and other authorities around the world to impose measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, testing requirements, quarantines and shelter-in-place orders. As a result, the pandemic has significantly disrupted global travel, and has adversely impacted global commercial activity across the travel, lodging and hospitality industries. The COVID-19 pandemic has had, and is expected to continue to have, significant adverse impacts on economic and market conditions and has resulted in a global economic contraction.	We have enforced safety protocols at all of our resorts to ensure the highest and safest level of protection for which we are able to provide in order to mitigate the spread within our resorts.

3.2 Risk factors

The following discussion summarizes material factors that could make an investment in us speculative or risky 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

The effects of the ongoing COVID-19 pandemic are having a significant material adverse effect on our business, results of operations, cash flows and financial condition and if the pandemic is long-lasting these effects could be severe.

The outbreak of the COVID-19 pandemic has led governments and other authorities around the world to impose measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, testing requirements, quarantines and shelter-in-place orders. As a result, the pandemic has significantly disrupted global travel, and has adversely impacted global commercial activity across the travel, lodging and hospitality industries. The COVID-19 pandemic has had, and is expected to continue to have, significant adverse impacts on economic and market conditions and has resulted in a global economic contraction.

The effects of the COVID-19 pandemic on the lodging industry are unprecedented with global demand for lodging drastically reduced and occupancy levels reaching historic lows. Due to the rapid and broad spread of the virus and in response to related governmental restrictions and advisories, reductions in scheduled airline services and potential health risks to our employees and guests, we temporarily suspended operations at all of our resorts in late March 2020. Our resorts began reopening in July, in stages, based on incremental easing of government restrictions and advisories and increases in scheduled commercial airline service. As a result of the suspension of operations at all of our resorts, we had no revenues from resort operations in the second quarter of 2020 and revenues were below historical levels in the third and fourth quarters of 2020. As of December 31, 2020, all but one of our resorts have reopened. However, we have experienced severely reduced occupancy at the reopened resorts due to the effects of the pandemic, including government imposed restrictions on travel, such as recently imposed re-entry requirements imposed by the U.S. Center for Disease Control. We cannot predict when the effects of the pandemic will subside, how long there will be continuing resurgences of the virus or the effectiveness of vaccines and speed of vaccine distribution, and thus we cannot predict whether our resorts will be permitted to remain open or when our business will return to normalized or even break-even levels. The longer and more severe the pandemic, and actual or even the possibility of repeat or cyclical outbreaks of the COVID-19 virus, the greater the material adverse effect will be on our business, financial condition, liquidity, results of operations, prospects, access to equity and credit markets and ability to service our indebtedness

There also can be no guarantee that when the effects of the pandemic subside the demand for lodging, and consumer confidence in travel generally, will recover as quickly and fully as other industries. Additionally, the effects of the pandemic have had, and we expect will continue to have, a material adverse effect on our ability to consummate acquisitions and dispositions of resorts and our ability to timely complete planned capital expenditures and other projects.

Additional risks to our business relating to the COVID-19 pandemic include the following:

- We have substantial debt outstanding currently, and our ongoing ability to service our significant financial obligations depends on our ability to generate significant free cash flow from operations. Our cash flow from operations has been materially reduced as a result of the temporary suspension of operations and reduced occupancy at our resorts and will continue to be materially reduced for as long as opened resorts are operating at well-below historical levels or if one or more of our resorts are closed again in the future. We cannot assure you that our business will generate cash flow from operations, that future borrowings will be available to us or permitted under our Revolving Credit Facility or otherwise, or that we will be able to complete any necessary financings or refinancings, in amounts sufficient to enable us to pay our debts and other obligations and fund our other liquidity needs;

- The agreements which govern our various debt obligations impose restrictions on our business, including certain covenants which limit/prohibit us from incurring additional indebtedness and may materially impact our liquidity and financial condition and could require us to seek to meet capital needs through asset sales or dilutive equity sales;

- Commercial airline service has been reduced or suspended to many of the regions in which our resorts are located. If scheduled airline service does not increase or return to normal levels once our resorts are re-opened it could have a material adverse effect on our resort revenues;

- Adverse changes in our credit and any ratings could have an adverse impact on our interest expense;

- Safety protocols established by certain jurisdictions in which our resorts are located, for example, Jamaica, or re-entry requirements from countries where our guests originate, such as the United States, have made travel to our resorts more challenging and less attractive, adversely affecting demand at our resorts;

- The economic fallout from the effects of the pandemic on the regions in which our resorts are located could result in increases in crime, theft, vandalism and other safety and health concerns in these areas that could directly impact our resorts or could result in the perception of such risks among prospective guests, which could lead to decreased future demand for our resorts;

- We have been and may continue to be required to recognize significant non-cash impairment charges as a result of material reductions in our cash flows from operations;

- We have incurred and will continue to incur additional costs related to sanitation and hygiene requirements, social distancing and other mitigation measures;

- Steps to reduce costs may negatively impact our reputation and guest loyalty, and future demand at our resorts may suffer as a result;

- We may experience disruptions as a result of corporate employees working remotely, including risk of cybersecurity incidents and disruptions to internal control procedures; and

- In order to raise additional capital to fund our operations and service our indebtedness, we have sold assets and issued equity securities and we may need to sell further assets or issue additional equity securities in the future at prices that are below the value of those assets or that may be dilutive to existing shareholders and that may be below what we believe to be the intrinsic value of our ordinary shares.

In addition, our business could be materially and adversely affected by the effect of, or the public perception or a risk of, other pandemic diseases. 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 also had an adverse effect. Cases of the Zika virus have been reported in regions in which our resorts are located. Additionally, the public perception of a risk of another 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 or 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.

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 and other factors beyond our control, including high levels of unemployment and underemployment, in North America, especially the United States and Mexico, Europe and Asia could reduce the level of discretionary income or consumer confidence in the countries from which we source our guests and 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. 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 broadly and, more specifically, in the leisure dominated all-inclusive segment of the lodging industry. 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.

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 are concentrated in Mexico (which accounted for 54.3% of our Total Net Revenue as defined in chapter 6. *Management's Discussion and Analysis of Financial Condition and Results of Operations*), Jamaica (26.3% of our Total Net Revenue) and the Dominican Republic (19.0% of our Total Net Revenue) for the year ended December 31, 2020. 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 adversely impact 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 and are particularly susceptible to weather-related emergencies, such as hurricanes, or other marine environmental hazards, such as flooding, pollution or algae blooms.

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.

Currently, eight of the 20 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.

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 franchise agreements with Hyatt (the "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 a specified percentage and certain mechanisms in our articles of association ("Articles of Association") fail to operate to reduce such percentage within thirty (30) days, Hyatt has the right to terminate the Hyatt franchise agreements for all (but not less than all) of our resorts. In that situation, we would 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 is 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 opportunity for us or franchising opportunity for Hyatt, in each case, 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 sixty (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 sixty (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 and the Hyatt Resorts Agreements, we will be allowed to operate any all-inclusive resort under any brand, such as Hilton and Panama Jack, provided that we implement strict informational and operational barriers, including marketing, management, development and strategic planning, between our operations with respect to our operations of such other resorts 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 operations 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 eight of our resorts will depend substantially on the success of the 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 eight resorts under the Hyatt All-Inclusive Resort Brands, which could have a material adverse effect on us.

Eight 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 fifteen (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 and other matters. 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.

Our relationship with Hilton may deteriorate and disputes between Hilton and us may arise. The Hilton 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.

Under our Strategic Alliance Agreement with Hilton, we have a right of first offer to franchise or manage a new Hilton all-inclusive resort under the Hilton all-inclusive resort brand (the "Hilton Brand") within certain countries located in the Caribbean and Mexico, and certain countries in Central and South America (the "Target Markets") through August 7, 2023. However, except for the Hilton franchise agreements, we have no contractual right to operate any resort in our current or future portfolio under the Hilton Brand or any other Hilton-sponsored brands. In addition, in the future, Hilton, in its sole discretion and subject to its obligations under the Hilton Strategic Alliance Agreement in the Target Markets, may designate other third parties as authorized operators of resorts, or Hilton may decide to directly operate resorts, under the Hilton Brand or any other Hilton-sponsored brand, whether owned by third parties or Hilton itself.

Also, subject to its obligations under the Hilton Strategic Alliance Agreement, including its obligation to give us a right of first offer to franchise or manage new resorts under the Hilton Brand in the Target Markets, Hilton is free to develop or license other all-inclusive resorts in the Target Markets, even under the Hilton Brand. Additionally, outside of the Target Markets, Hilton is free to develop or license other all-inclusive resorts under the Hilton Brand and other Hilton-sponsored brands at any time.

Under the terms of our Hilton Strategic Alliance Agreement and the Hilton franchise agreements, we are required to meet specified operating standards and other terms and conditions. We expect that Hilton will periodically inspect our resorts that carry the Hilton Brand and ensure that we follow Hilton's standards. If we fail to maintain brand standards at one of our resorts that carry the Hilton Brand, or otherwise fail to comply with the terms and conditions of the Hilton franchise agreement, then Hilton could terminate the franchise agreements related to that resort. If one or more Hilton 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 Hilton Honors guest loyalty program, Hilton's reservation system and website, and access to Hilton group sales business, as well as from the costs of "rebranding" such resorts and the payment of liquidated damages to Hilton.

Hilton may, in its discretion and subject to its obligations under the Hilton Strategic Alliance Agreement, decline to enter into Hilton franchise agreements for other all-inclusive resort opportunities that we bring to Hilton, even resorts under the Hilton Brand, 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 Hilton Strategic Alliance Agreement will expire on August 7, 2023, and could be terminated earlier by Hilton if we fail to meet certain development milestones, and certain provisions of our Hilton Strategic Alliance Agreement impose certain restrictions on us, any of which could have a material adverse effect on us.

Pursuant to the Hilton Strategic Alliance Agreement, which will expire on August 7, 2023, we have the right of first offer to franchise or manage hotels under the Hilton Brand in the Target Markets, subject to certain conditions set forth in the Hilton Strategic Alliance Agreement. If we do not submit an application to franchise such new hotel within the one hundred fifty (150)-day time period specified in the Hilton Strategic Alliance Agreement, our right of first offer with respect to that particular property will expire. Our application to franchise such hotel remains subject to Hilton's normal franchise criteria, so there is no guarantee that Hilton will accept our franchise application. In addition, during the one hundred fifty (150)-day period for which our right of first offer remains open for any particular property until the time when Hilton approves or denies our franchise application or our written confirmation to Hilton that we do not intend to submit a franchise application, we may not propose to, negotiate, hold discussions or enter into any agreement with any third party to operate, or authorize the operating of, any independent or non-Brand resorts in the country under consideration. It could take us some time to evaluate a particular opportunity before submitting a franchise application and Hilton would also need time to review and process our franchise application; therefore, this restriction may delay or hinder our ability to pursue other opportunities with non-Hilton brands during this period of time.

Our right of first offer with respect to resorts under the Hilton Brand is also subject to our obligation to open a minimum number of hotels under the Hilton Brand in each Target Market and our achievement of certain development milestones on a year-by-year basis in each Target Market. Pursuant to the terms of the Hilton Strategic Alliance Agreement, if we do not open a total of eight additional Brand resorts by December 31, 2024 (provided that the last hotel in each Target Market may open in 2025), consisting of at least four resorts in the Caribbean and at least four resorts within Mexico, Central and South America, in each case under the Hilton Brand and having at least three hundred fifty (350) guest rooms, Hilton will have the right to terminate the Strategic Alliance Agreement and our right of first offer in the Target Market in which we do not achieve such development obligation may also be terminated by Hilton. In addition, we have agreed to certain development milestones with Hilton, and if we do not open one Brand hotel in each of the specified Target Markets during each calendar year beginning 2021 and ending 2025, then Hilton will have the right to terminate the Strategic Alliance Agreement and our right of first offer in the Target Market in which we do not achieve such development milestones may also be terminated by Hilton. Our inability to meet the applicable development milestones and Hilton's potential termination of the Strategic Alliance Agreement could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

We are required to obtain Hilton's consent to issue equity securities under certain circumstances or undergo change of control transactions, which could impede our ability to seek certain strategic opportunities and could have a material adverse effect on us.

Under the terms of the Hilton Strategic Alliance Agreement, Hilton has the right to terminate the Strategic Alliance Agreement if we permit the transfer of any equity interests in Playa (other than equity securities listed on a securities exchange or quoted in a publication or electronic reporting service maintained by the National Association of Securities Dealers, Inc. or comparable organization) without the prior written consent of Hilton. This restriction on our ability to issue securities could hinder our ability to, among other things, acquire properties through the issuance of securities in an offering exempt from registration, as we did in our June 2018 acquisition, without jeopardizing our strategic relationship with Hilton, which could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

Under the terms of the Hilton franchise agreements, we are obligated to undergo certain consent and/or review procedures, including providing Hilton with at least sixty (60) days' advance written notice and providing Hilton with certain applicable information, before we are permitted to (i) effect the transfer of more than 50% of our equity securities, (ii) undergo a change of control, or (iii) issue securities in a public or private offering that refers to Hilton or the Hilton franchise agreements in the offering materials. If we do not comply with these informational and consent requirements, Hilton has the right to terminate the franchise agreements immediately, without any opportunity for us to cure such breach, and we would be liable to Hilton for liquidated damages. The termination by Hilton of the franchise agreements and our payment of liquidated damages to Hilton could have a material adverse effect on us, including our business, financial condition, liquidity, results of operations and prospects.

The success of four of our current resorts, as well as the eight Hilton Brand resorts that we have committed to open under the Strategic Alliance Agreement, will depend substantially on the success of the Hilton Brand. There is a risk that we and Hilton may not succeed in marketing the Hilton Brand and that we may not receive the anticipated return on the investment incurred in connection with development or rebranding of our resorts under the Hilton Brand, which could have a material adverse effect on us.

Four of the resorts in our current portfolio bear the name of the Hilton Brand, and we have committed under the Hilton Strategic Alliance Agreement to add an additional eight Hilton Brand resorts before 2025. As a result of this concentration, our success will depend, in part, on the continued success of this brand. We believe that building brand value is critical to increase demand and build guest loyalty. Consequently, if market recognition or the positive perception of Hilton and its current or potential brands is reduced or compromised, the goodwill associated with the resorts in our portfolio under the Hilton Brand would likely be adversely affected. Under the Hilton franchise agreements, Hilton provides various marketing services to the relevant resorts, and we are obligated to conduct local and regional marketing, advertising and promotional programs, subject to compliance with Hilton's requirements. We cannot assure you that we and Hilton will be successful in our marketing efforts to grow the Hilton Brand. Additionally, we are not permitted under the Hilton franchise agreements to change the brands of our resorts operating under the Hilton Brand for fifteen (15) years after the opening of the relevant resorts, even if the Hilton Brand is not successful. As a result, we could be materially and adversely affected if the Hilton Brand does not succeed.

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, Dominican Pesos or Jamaican dollars. The net proceeds from our outstanding debt borrowings were received and are payable by our subsidiaries 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 our subsidiaries' 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.

We rely on a third party, AMResorts, to manage two 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, two of our resorts are currently managed by AMResorts. Absent payment by us of significant termination fees, until the expiration of the management agreements in 2022 for the Dreams Punta Cana and 2025 for the Dreams Palm Beach, we are not able to 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 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 Hilton 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.

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

We have been and may continue to be adversely impacted by the consequences of climate change, such as increases in the frequency, duration and severity of extreme weather events and changes in precipitation and temperature, which have resulted and may continue to 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. Future weather-related events, such as hurricanes, could materially and adversely affect us, 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.

Additionally, many of our resorts are beach-front properties that have been exposed to elevated levels of Sargassum seaweed. In recent years, the amount of Sargassum that has washed up onshore in various geographies in Mexico has increased. If not removed promptly, the seaweed can overrun the beach, making it difficult to swim in the water and generating a foul odor if it is allowed to rot. The heightened level of Sargassum in recent years has led to negative media coverage and increased awareness of the potential problem and has required additional operating expenses to remove. Although we do our best to remove the seaweed and prevent the build-up, the exact cause of overgrowth is unknown.

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, 2020, we directly and indirectly employed approximately 8,000 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 41% 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.

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 have an ongoing need for renovations and other capital improvements, including replacements, from time to time, of furniture, fixtures and equipment. In addition, Hyatt and Hilton will require periodic capital improvements by us as a condition of maintaining the use of their brands. In addition to liquidity risks, these capital improvements may result in declines in revenues while rooms or restaurants are out of service due to capital improvement projects or other risks. The costs of 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, 2020, our total debt obligations were $1,267.3 million which represents the principal amounts outstanding under our term loan (the “Term Loan”) and revolving credit facility (the “Revolving Credit Facility,” and, collectively with the Term Loan, the “Senior Secured Credit Facility”), our additional senior secured credit facility (the “Additional Credit Facility”), our property loan agreement (the “Property Loan”) and lease obligation recorded within debt (“finance lease”), excluding $6.6 million of issuance discounts and $16.5 million of unamortized debt issuance costs. 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, 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.

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 bylaws;
- engage in transactions with affiliates; and
- purchase, sell or transfer certain assets.

The Senior Secured Credit Facility, Additional Credit Facility and Property Loan require 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, mergers, acquisitions or other corporate opportunities. The breach of any of these covenants could result in a default under the Senior Secured Credit Facility, Additional Credit Facility or Property Loan. 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 is priced using a spread over the London Interbank Offered Rate ("LIBOR") and subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

A portion of our borrowings, specifically $289.0 million under our Senior Secured Credit Facility and Additional Credit Facility, bears interest at floating interest rates pegged to LIBOR. On November 30, 2020, the U.S. Federal Reserve Board expressed support for a plan to cease publication of the one week and two month LIBOR rates after December 31, 2021, with the remaining LIBOR rates after June 30, 2023, and encouraged banks to transition away from LIBOR prior to its discontinuance. Accordingly, it is highly likely that the LIBOR indices for the primary LIBOR rates under our Senior Secured Credit Facility and Additional Credit Facility will be discontinued after June 30, 2023, and, until our Senior Secured Credit Facility and Additional Credit Facility are modified to provide for a specific benchmark replacement, it is unclear what rate will thereafter apply to such credit facilities. At this time, it is not possible to predict the effect of any changes to LIBOR, any phase out of LIBOR or any establishment of alternative benchmark rates. The New York Federal Reserve has been publishing an alternative reference rate, the Secured Overnight Financing Rate ("SOFR"), since April 2018 and such rate has been proposed as a replacement of LIBOR by a group of major market participants convened by the

U.S. Federal Reserve with participation by SEC Staff and other regulators. While the loan market may eventually adopt SOFR as the replacement for LIBOR, there can be no assurance as to the timing of such adoption. The transition to a new index could cause interest rates under our current or future debt agreements to perform differently than in the past or cause other unanticipated consequences. If LIBOR ceases to exist, we may need to amend the terms of our credit facilities that are indexed to LIBOR to replace with SOFR or such other standard that is established, which could have a material adverse effect on us, including on our cost of funds, access to capital markets and financial results.

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 the applicable 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, Hilton Playa del Carmen All-Inclusive Resort 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, which took effect on January 1, 2014, as amended by Regulation (EU) 2019/876 (the "CRR"), 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 a material weakness in our internal control over financial reporting related to income taxes as of December 31, 2020 and 2019. As a result, we have an increased risk of a material misstatement in our consolidated financial statements, and our internal control over financial reporting was not effective as of such dates.

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 an existing material weakness in our internal control over financial reporting as of December 31, 2020 and 2019, as follows:

- The control activities related to our income tax provision did not operate with a level of precision that would identify a material misstatement (the "Tax Weakness").

This material weakness increases the risk of a material misstatement in our financial statements, including in this annual report and for the prior periods during which the material weakness existed. We have taken steps to remediate the identified Tax Weakness, however, it will take time for us to develop, implement and test additional controls over financial reporting. 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. 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. See chapter 8. *Controls and Procedures* of the annual report for more details about the Tax Weakness and our remediation efforts.

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. *Management's Discussion and Analysis of Financial Condition and Results of Operations*), 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 loyalty to Internet reservations systems rather than to our booking system or the brands we own and operate, 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, Hilton, our third-party resort manager and other third-party service providers 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, Hilton's, our third-party resort manager's and other third-party service providers' various information technology systems, which enter, process, summarize and report such data. We also maintain personally identifiable information about our employees. We, Hyatt, Hilton, our third-party resort manager and other third-party service providers 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, Hilton's, our third-party resort manager's and other third-party service providers' 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 to protect against unauthorized access of our systems and sensitive information, 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 and those of third parties on which we rely are vulnerable to disruptions, failures, unauthorized access, cyber-terrorism, employee error, negligence, fraud or other misuse, and given the sophistication of hackers to gain unauthorized access to our sensitive information, we may not be able to detect the breach for long periods of time or at all. 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, result in an interruption or disruption of our services 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.

Information technology systems, software or website failures or interruptions could have a material adverse effect on our business or results of operations.

We rely on the uninterrupted and efficient operation of our information technology systems and software. Information technology is critical to our day-to-day operations, including, but not exclusive to guest check-in and check-out, housekeeping and room service, and reporting our financial results and the financial results of our resorts. We rely on certain third-party hardware, network and software vendors to maintain and upgrade many of our critical systems on an ongoing basis to support our business operations and to keep pace with technology developments in the hospitality industry. The software programs supporting many of our systems are licensed to us by independent third-party software providers. An inability to continuously maintain and update our hardware and software programs or an inability for network providers to maintain their communications infrastructure would potentially disrupt or inhibit the efficiency of our operations if suitable alternatives could not be identified and implemented in a timely, efficient and cost-effective manner.

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.

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.

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 that could impact the timing of a disposition, including adverse changes in economic and market conditions, changes in interest and tax rates and in the availability and cost and other terms of debt financing, and changes in governmental laws and regulations.

In addition, we may be required to expend funds to correct defects, terminate contracts 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, with The Ministry of Finance of the Dominican Republic at the end of 2020 when our current agreements expire.

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 estate 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.

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 of directors (the "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 in the United States, 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 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*) and (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 giving 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.

Each of Farallon Capital Management, L.L.C., Sagicor 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.

As of January 31, 2021, approximately 8.9% of our outstanding ordinary shares were 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, one of our directors was designated by Cabana. As of January 31, 2021, approximately 5.9% of our outstanding ordinary shares were beneficially owned by Sagicor Financial Corporation Limited. One of our directors has been designated by certain companies affiliated with Sagicor Group Jamaica Limited (“Sagicor”). As of January 31, 2021, approximately 7.2% of our outstanding ordinary shares were 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, these shareholders, individually or collectively, 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 these shareholders and/or their affiliates continue to directly or indirectly own a significant amount of our outstanding equity interests and have the right to designate members of our Board and/or one or more committees thereof, these shareholders 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. These shareholders' 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. Prospective investors in our ordinary shares should consider that the interests of these shareholders 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 (“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. Our General Meeting adopted a resolution to grant such authorizations to our Board.

- A provision prohibiting (a) a “Brand Owner” (which generally means a franchisor, licensor or owner of a hotel concept or brand that has at least 12 all-inclusive resorts and that competes with any Hyatt All-Inclusive Resort Brand resort) from acquiring our ordinary shares such that the Brand Owner (together with its affiliates) acquires beneficial ownership in excess of 15% of our outstanding shares, or (b) a “Restricted Brand Company” from acquiring our ordinary shares such that the Restricted Brand Company (together with its affiliates) acquires beneficial ownership in excess of 5% of our outstanding ordinary shares. Upon becoming aware of either share cap being exceeded, we will send a notice to such shareholder informing such shareholder of a violation of this provision and granting the shareholder two weeks to dispose of such excess ordinary shares to an unaffiliated third party. Such notice will immediately trigger the transfer obligation and suspend the right to attend our General Meeting and voting rights (together, “Shareholder Rights”) of the shares exceeding the cap. If such excess shares are not disposed by such time, (i) the Shareholder Rights on all shares held by the shareholder exceeding the share cap will be suspended until the transfer obligations have been complied with, (ii) we will be irrevocably authorized under our Articles of Association to transfer the excess shares to a foundation until sold to an unaffiliated third party and (iii) 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 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.

On March 23, 2021, a bill has been enacted by the Dutch Senate which will permit the Board in some circumstances to call a special “cooling-off period” in the event of certain unsolicited takeover approaches and unsolicited shareholder activism. During the statutory cooling-off period of up to 250 days, the General Meeting would not be able to dismiss, suspend or appoint members of the Board (or amend the provisions in the Articles of Association dealing with such matters) except at the proposal of the Board. This bill enters into force on May 1, 2021.

During the cooling-off period, if invoked, the Board must gather all relevant information necessary for a careful decision-making process, including consulting with shareholders representing at least 3% of our issued share capital at the time the cooling-off period was invoked. Formal statements expressed by these stakeholders during such consultations must be published on our website to the extent these stakeholders have approved that publication.

Ultimately one week following the last day of the cooling-off period, the Board must publish a report in respect of its policy and conduct of affairs during the cooling-off period on our website. This report must remain available for inspection by shareholders and others with meeting rights under Dutch law at our office and must be tabled for discussion at the next General Meeting.

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) a Brand Owner from acquiring issued ordinary shares such that the Brand Owner (together with its affiliates) acquires beneficial ownership in excess of 15% of issued and outstanding ordinary shares, and (b) a Restricted Brand Company from acquiring issued ordinary shares such that the Restricted Brand Company (together with its affiliates) acquires beneficial ownership in excess of 5% of issued and outstanding ordinary shares. Upon becoming aware of either share cap being exceeded, we must send a notice to such shareholder informing such shareholder of a violation of this provision and granting the shareholder two weeks to dispose of such excess ordinary shares to an unaffiliated third party. Such notice will immediately trigger the transfer obligation and suspend the Shareholder Rights of ordinary shares exceeding the share cap. If such excess ordinary shares are not disposed by such time, (i) the Shareholder Rights on all ordinary shares held by the shareholder exceeding the share cap will be suspended until the transfer obligations have been complied with and (ii) we will be irrevocably authorized under our Articles of Association to transfer the excess ordinary shares to a foundation until sold to an unaffiliated third party. Our franchise agreements provide that, if the excess ordinary shares are not transferred to a 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 either share cap being exceeded and the date we become aware of either 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.

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. We may also issue ordinary shares in a public or private offering at prices below the current market price of the 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 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 purchase 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 of 1933, as amended (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 (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 annual management report publicly filed in the Netherlands, 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 annual management 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.

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.

Dividends distributed by us on the shares to certain related parties in low-taxed jurisdictions might in the future become subject to an additional Dutch withholding tax on dividends

Under current law, dividends paid by us on our shares are in principle subject to Dutch dividend withholding tax at a rate of 15% under the Dutch Dividend Withholding Tax Act 1965 (Wet op de dividendbelasting 1965), unless a domestic or treaty exemption applies. In a letter to the Dutch parliament dated 29 May 2020, the Dutch State Secretary for Finance announced that the government intends to introduce an additional withholding tax on dividends paid (i) to group entities in jurisdictions that have a corporate income tax rate below 9%, (ii) to group entities in jurisdictions that are included on the EU's blacklist of non-cooperative jurisdictions or (iii) in certain abusive situations, effective 1 January 2024. On 25 September 2020, the Dutch government launched an internet consultation to provide interested parties the opportunity to respond to the draft legislative proposal to introduce the conditional withholding tax on dividends. Pursuant to the proposal published for consultation purposes, the conditional withholding tax on dividend payments will be implemented in the form of an amendment to the recently passed conditional withholding tax on interest and royalty payments pursuant to the Dutch Withholding Tax Act 2021 (Wet bronbelasting 2021), which act became effective 1

January 2021. The proposal published for consultation purposes stipulates that the rate will be equal to the highest Dutch corporate income tax rate (currently 25%) at the time of the dividend payment. At the same time, the current Dutch dividend withholding tax regime is anticipated to remain in place. However, if the dividend withholding tax and the conditional withholding tax on dividends cumulate, the proposal published for consultation purposes stipulates that the conditional withholding tax will be reduced by the dividend withholding tax levied. As a result, if the shareholder being a related entity (A) is established or has a permanent establishment in a jurisdiction that has a corporate tax rate below 9% or in a jurisdiction included on the EU's blacklist of non-cooperative jurisdictions, (B) is a hybrid entity or a reverse hybrid entity or (C) is interposed to avoid tax otherwise due by another entity, the tax rate on dividends may rise from 15% to the highest corporate tax rate (currently 25%). The internet consultation closed on 23 October 2020. The Dutch government aims to prepare the final legislative proposal in 2021. For these purposes, an entity is considered a related entity if such entity has a Qualifying Interest (as defined below) in us or if a third party has a Qualifying Interest in both such entity and in us. The term "Qualifying Interest" means a directly or indirectly held interest – either individually or jointly as part of a collaborating group (samenwerkende groep) – that confers a definite influence over the company's decisions and allows the holder of such interest to determine its activities (within the meaning of case law of the European Court of Justice on the freedom of establishment (vrijheid van vestiging)).

4. PROPERTIES

As of December 31, 2020, the following table presents an overview of our resorts and is organized by our four geographic business segments: the Yucatán Peninsula, the Pacific Coast, the Dominican Republic and Jamaica.

Name of Resort	Location	Brand and Type	Operator	Rooms
Owned Resorts				
Yucatán Peninsula				
Hyatt Ziva Cancún	Cancún, Mexico	Hyatt Ziva (all ages)	Playa	547
Hyatt Zilara Cancún	Cancún, Mexico	Hyatt Zilara (adults-only)	Playa	310
Panama Jack Resorts Cancún	Cancún, Mexico	Panama Jack (all ages)	Playa	458
Hilton Playa del Carmen All-Inclusive Resort	Playa del Carmen, Mexico	Hilton (adults-only)	Playa	524
Panama Jack Resorts Playa del Carmen	Playa del Carmen, Mexico	Panama Jack (all ages)	Playa	287
Capri Resort(1)	Riviera Maya, Mexico	Playa (adults-only)	Playa	291
Dreams Puerto Aventuras(2)	Riviera Maya, Mexico	Dreams (all ages)	AMResorts	305
Pacific Coast				
Hyatt Ziva Los Cabos	Cabo San Lucas, Mexico	Hyatt Ziva (all ages)	Playa	591
Hyatt Ziva Puerto Vallarta	Puerto Vallarta, Mexico	Hyatt Ziva (all ages)	Playa	335
Dominican Republic				
Hilton La Romana All-Inclusive Resort	La Romana, Dominican Republic	Hilton (adults-only)	Playa	356
Hilton La Romana All-Inclusive Resort	La Romana, Dominican Republic	Hilton (all ages)	Playa	418
Dreams Palm Beach	Punta Cana, Dominican Republic	Dreams (all ages)	AMResorts	500
Dreams Punta Cana	Punta Cana, Dominican Republic	Dreams (all ages)	AMResorts	620
Hyatt Ziva Cap Cana	Cap Cana, Dominican Republic	Hyatt Ziva (all ages)	Playa	375
Hyatt Zilara Cap Cana	Cap Cana, Dominican Republic	Hyatt Zilara (adults-only)	Playa	375
Jamaica				
Hyatt Ziva Rose Hall	Montego Bay, Jamaica	Hyatt Ziva (all ages)	Playa	276
Hyatt Zilara Rose Hall	Montego Bay, Jamaica	Hyatt Zilara (adults-only)	Playa	344
Hilton Rose Hall Resort & Spa	Montego Bay, Jamaica	Hilton (all ages)	Playa	495
Jewel Paradise Cove Beach Resort & Spa	Runaway Bay, Jamaica	Jewel (adults-only)	Playa	225
Jewel Grande Montego Bay Resort & Spa(3)	Montego Bay, Jamaica	Jewel (all ages)	Playa	88
Total Rooms Owned				**7,720**
Managed Resorts				
Sanctuary Cap Cana(4)	Punta Cana, Dominican Republic	Sanctuary (adults-only)	Playa	323
Jewel Grande Montego Bay Resort & Spa(3)	Montego Bay, Jamaica	Jewel (condo-hotel)	Playa	129
Total Rooms Operated				**452**
Total Rooms Owned and Operated				**8,172**

(1) Following termination of the management agreement with AMResorts in October 2020, this resort has been temporarily closed. On March 31, 2021, we entered into an agreement to sell this resort,

(2) On November 3, 2020, we entered into an agreement to sell this resort and closed on the sale on February 5, 2021.

(3) We acquired an 88-unit tower and spa as part of the business combination with Sagicor. Additionally, we manage the majority of the units within the remaining two condo-hotel towers owned by Sagicor that comprise the Jewel Grande Montego Bay Resort & Spa.

(4) Owned by a third party.

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 23 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

Overview

Playa is a leading owner, operator and developer of all-inclusive resorts in prime beachfront locations in popular vacation destinations in Mexico and the Caribbean. As of December 31, 2020, Playa owned and/or managed a total portfolio consisting of 21 resorts (8,172 rooms) located in Mexico, Jamaica, and the Dominican Republic. In Mexico, Playa owns and manages Hyatt Zilara Cancún, Hyatt Ziva Cancún, Panama Jack Resorts Cancún, Panama Jack Resorts Playa del Carmen, Hilton Playa del Carmen All-Inclusive Resort, Hyatt Ziva Puerto Vallarta, Hyatt Ziva Los Cabos and Capri Resort. In Jamaica, Playa owns and manages Hyatt Zilara Rose Hall, Hyatt Ziva Rose Hall, Hilton Rose Hall Resort & Spa, Jewel Grande Montego Bay Resort & Spa and Jewel Paradise Cove Beach Resort & Spa. In the Dominican Republic, Playa owns and manages the Hilton La Romana All-Inclusive Family Resort, the Hilton La Romana All-Inclusive Adult Resort, Hyatt Zilara Cap Cana and Hyatt Ziva Cap Cana. Playa also owns three resorts in Mexico and the Dominican Republic that are managed by a third-party and Playa manages the Sanctuary Cap Cana in the Dominican Republic. We believe that the resorts we own and 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, 2020, during which time operations at all of our resorts were temporarily suspended for several months in response to the COVID-19 pandemic and for which occupancy levels were at historic lows after reopening, we generated a net loss of $264.9 million, total revenue of $273.2 million, Net Package RevPAR of $76.61 and Adjusted EBITDA of $(21.2) million. For the year ended December 31, 2019, we generated net income of $25.0 thousand, total revenue of $636.5 million, Net Package RevPAR of $198.28 and Adjusted EBITDA of $150.7 million. For discussions of Adjusted EBITDA and a reconciliation to the most comparable IFRS financial measure, see “Key Indicators of Financial and Operating Performance” and “Non-IFRS Financial Measures,” below.

Impact of COVID-19 Pandemic

The COVID-19 pandemic and the public health measures that have been undertaken in response have had a significant adverse impact on the global economy, the travel and hospitality industries and our business starting in the first quarter of 2020. The effects of the COVID-19 pandemic, including related government restrictions, border closings, quarantines, “shelter-in-place” orders and “social distancing,” have significantly disrupted global leisure travel, and has adversely impacted global commercial activity, contributing to worldwide economic contraction and increased unemployment. We expect that the continuing economic fallout will create headwinds for leisure travel even after the current government restrictions are lifted.

Due to the spread of the COVID-19 pandemic and the associated restrictions placed on international travel, we temporarily suspended operations at all of our resorts in late March 2020 and subsequently began reopening our resorts on July 1, 2020. As of December 31, 2020, all of our resorts had reopened with the exception of the Capri Resort.

Our resorts account for all of our revenue. The suspension of operations at our resorts and the severely reduced occupancy at the resorts that have reopened have had a significant adverse effect on our liquidity. As of December 31, 2020, we had $146.9 million of available cash, excluding $25.9 million of restricted cash. We took the following measures during the 2020 fiscal year to mitigate the impact of the effects of the COVID-19 pandemic on our liquidity position:

- raised $224.0 million of additional capital during the second quarter of 2020 from affiliates of Davidson Kempner Capital Management LP ("DK") in June 2020 in the form of $204.0 million of additional debt financing and $20.0 million of equity financing at $4.10 per share;
- sold the Jewel Dunn's River Beach Resort & Spa and the Jewel Runaway Bay Beach Resort & Waterpark in May 2020 for a total cash consideration of $60.0 million;
- the temporary suspension of operations of all of our resorts during the second quarter of 2020 significantly reduced the variable cost components of our resort-level operating expenses, including resort franchise and franchise-related fees, management fees and expenses related to our resort employees;
- deferred all of our non-critical capital expenditures planned for 2020;
- adopted temporary voluntary senior executive salary reductions while the majority of our resorts were closed, and our Chief Executive Officer's voluntary 100% salary reduction remained in place through December 31, 2020; and
- imposed temporary compensation cuts broadly throughout our corporate workforce and canceled all non-essential corporate travel and spending.

We have taken the following actions to improve our liquidity position thus far in 2021:

- raised $138.0 million, net of underwriting discounts, of additional capital in January 2021 through an underwritten public equity offering at $5.00 per share;
- paid down the outstanding balance under our Revolving Credit Facility in February 2021 and also amended and extended our existing facility, further extending the covenant waiver period were we to draw the credit line over 35%; and
- sold the Dreams Puerto Aventuras in February 2021 for a total cash consideration of $34.5 million.

We cannot predict when the effects of the pandemic will subside, and thus we cannot predict whether our resorts will be permitted to remain open or when our business will return to normalized or even to break-even levels. There also can be no guarantee that when the effects of the pandemic subside that there will not be continuing resurgences of the virus or that the demand for lodging, and consumer confidence in travel generally, will recover as quickly as other industries. The longer and more severe the pandemic, and the actual occurrence or even the possibility of repeat or cyclical outbreaks of the virus beyond the one currently being experienced, the greater the material adverse effect the pandemic will have on our business, results of operations, cash flows, financial condition, access to credit markets and ability to service our indebtedness. See chapter 3.2. *Risk Factors* included elsewhere in this report for additional information.

Results of Operations

Years Ended December 31, 2020 and 2019

The following table summarizes our results of operations on a consolidated basis for the years ended December 31, 2020 and 2019 *($ in thousands)*:

	Year Ended December 31,		Increase / Decrease	
	2020	2019	Change	% Change
Revenue	$ 273,189	$ 636,477	$ (363,288)	(57.1) %
Operating expenses	(316,965)	(503,689)	186,724	(37.1) %
Depreciation and amortization	(88,624)	(96,027)	7,403	(7.7) %
Goodwill impairment loss	(17,704)	(6,200)	(11,504)	185.5 %
Other impairment loss	(31,123)	(17,936)	(13,187)	73.5 %
Gain on insurance proceeds	2,993	—	2,993	100.0 %
Loss on sale of assets	(212)	—	(212)	100.0 %
Operating (loss) income	**(178,446)**	**12,625**	**(191,071)**	**(1,513.4)%**
Finance costs	(84,103)	(46,252)	(37,851)	81.8 %
Other financial income, net	1,185	770	415	53.9 %
Net result of exchange differences	(1,918)	(2,706)	788	(29.1) %
Loss before tax	**(263,282)**	**(35,563)**	**(227,719)**	**640.3 %**
Income tax (expense) benefit	(1,632)	35,588	(37,220)	(104.6) %
(Loss) income	**$ (264,914)**	**$ 25**	**$ (264,939)**	**(1,059,756.0)%**

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, Adjusted EBITDA and Adjusted EBITDA Margin for the years ended December 31, 2020 and 2019. For a description of these operating metrics and non-IFRS measures, see "Key Indicators of Financial and Operating Performance," below. For a reconciliation to the most comparable IFRS financial measure, see "Non-IFRS Financial Measures," below.

Total Portfolio

	Year Ended December 31,		Increase / Decrease	
	2020	2019	Change	% Change
Occupancy	26.9 %	77.3 %	(50.4)pts	(65.2)%
Net Package ADR	$ 284.84	$ 256.53	$ 28.31	11.0 %
Net Package RevPAR	$ 76.61	$ 198.28	$ (121.67)	(61.4)%
	($ in thousands)			
Net Package Revenue	$ 221,659	$ 517,592	$ (295,933)	(57.2)%
Net Non-package Revenue	40,473	87,779	(47,306)	(53.9)%
Management Fee Revenue	807	1,820	(1,013)	(55.7)%
Total Net Revenue	262,939	607,191	(344,252)	(56.7)%
Adjusted EBITDA	$ (21,173)	$ 150,694	$ (171,867)	(114.1)%
Adjusted EBITDA Margin	(8.1)%	24.8 %	(32.9)pts	(132.7)%

Total Revenue and Total Net Revenue

Our total revenue for the year ended December 31, 2020 decreased $363.3 million, or 57.1%, compared to the year ended December 31, 2019. Our Total Net Revenue for the year ended December 31, 2020 increased $344.3 million, or 56.7%, compared to the year ended December 31, 2019. This decrease was driven by a decrease in Net Package Revenue of $295.9 million, or 57.2%, and a decrease in Net Non-package Revenue of $47.3 million, or 53.9%. These decreases are due to the closures of and reduced occupancy at all our resorts during the second, third and fourth quarters in response to the COVID-19 pandemic.

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, 2020 and 2019 *($ in thousands)*:

	Year Ended December 31,		Increase/Decrease	
	2020	2019	Change	% Change
Net Package Revenue	$ 221,659	$ 517,592	$ (295,933)	(57.2)%
Net Non-package Revenue	40,473	87,779	(47,306)	(53.9)%
Management Fee Revenue	807	1,820	(1,013)	(55.7)%
Total Net Revenue	**262,939**	**607,191**	**(344,252)**	**(56.7)%**
Compulsory tips	8,061	22,874	(14,813)	(64.8)%
Cost reimbursements	2,189	6,412	(4,223)	(65.9)%
Total revenue	**$ 273,189**	**$ 636,477**	**$ (363,288)**	**(57.1)%**

Goodwill Impairment Loss

Our goodwill impairment loss for the year ended December 31, 2020 increased $11.5 million, or 185.5%, compared to the year ended December 31, 2019. The increase was driven by $17.7 million of goodwill impairment resulting from the decrease in forecasted future cash flows during the first quarter of 2020 from the temporary suspension of operations from COVID-19, as we fully impaired the goodwill of our Jewel Runaway Bay Beach Resort & Waterpark, Jewel Dunn's River Beach Resort & Spa and Jewel Paradise Cove Beach Resort & Spa cash generating units. These increases were partially offset by a decrease of $6.2 million as a result of the full impairment of goodwill at the Panama Jack Resorts Playa del Carmen recognized during the year ended December 31, 2019.

Other Impairment Loss

Our other impairment loss for the year ended December 31, 2020 increased $13.2 million, or 73.5%, compared to the year ended December 31, 2019. During the year ended December 31, 2020, we recognized $31.1 million of property and equipment impairment upon classification of the Jewel Dunn's River Beach Resort & Spa and Jewel Runaway Bay Beach Resort & Waterpark as held for sale in May 2020. This increase was partially offset by a decrease of $17.9 million as a result of the property and equipment impairment at the Panama Jack Resorts Playa del Carmen recognized during the year ended December 31, 2019.

Operating Expenses

The following table shows a reconciliation of our operating expenses to Net Operating Expenses for the years ended December 31, 2020 and December 31, 2019 *($ in thousands):*

	Year Ended December 31,		Increase/Decrease	
	2020	2019	Change	% Change
Operating expenses	$ 316,965	$ 503,689	$ (186,724)	(37.1)%
Less: compulsory tips	8,061	22,874	(14,813)	(64.8)%
Net Operating Expenses	**$ 308,904**	**$ 480,815**	**$ (171,911)**	**(35.8)%**

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 for the year ended December 31, 2020 were $308.9 million, or 117.5%, of Total Net Revenue and $480.8 million, or 79.2%, of Total Net Revenue for the year ended December 31, 2019.

Net Operating Expenses for the year ended December 31, 2020 decreased $171.9 million, or 35.8%, compared to the year ended December 31, 2019. 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. Incentive and management fees, which are computed as a percentage of revenue, deceased primarily as a result of closures of and reduced occupancy at all of our resorts during the second, third and fourth quarters in response to the COVID-19 pandemic.

Gain on Insurance Proceeds

Our gain on insurance proceeds for the year ended December 31, 2020 increased $3.0 million, or 100.0%, as compared to the year ended December 31, 2019 as a result of insurance proceeds received for the temporary suspension of operations at all of our resorts in late March 2020 due to the COVID-19 pandemic. We had no gain on insurance proceeds during the year ended December 31, 2019.

See additional detail over finance costs, other financial income, net and income tax benefit in the notes to our Consolidated Financial Statements.

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
- Owned Net Revenue
- Management Fee Revenue
- Total Net Revenue
- Occupancy
- Net Package ADR
- Net Package RevPAR
- Net Operating Expenses
- EBITDA
- Adjusted EBITDA
- Adjusted EBITDA Margin
- Owned Resort EBITDA
- Owned Resort EBITDA Margin
- Comparable Non-IFRS Measures

Net Package Revenue, Net Non-package Revenue, Owned Net Revenue, Management Fee Revenue, Cost Reimbursements, Total Net Revenue and Net Operating Expenses

"Net Package Revenue" is derived from the sale of all-inclusive packages, which include room accommodations, food and beverage services, kids club and entertainment activities, net of compulsory tips paid to employees. Government mandated compulsory tips in the Dominican Republic are not included in this adjustment, as they are already excluded from revenue. Revenue is recognized, net of discounts and rebates, 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.

"Net Non-package Revenue" represents all other revenues earned from the operations of our resorts, other than Net Package Revenue, net of compulsory tips paid to employees. Government mandated compulsory tips in the Dominican Republic are not included in this adjustment, as they are already excluded from revenue. Net Non-package Revenue includes 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. Revenue not included in a guest's all-inclusive package is recognized when the goods are consumed.

"Owned Net Revenue" represents Net Package Revenue and Net Non-Package Revenue. Owned 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 Owned Net Revenues, our management differentiates between Net Package Revenue and Net Non-package Revenue. 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.

"Management Fee Revenue" is derived from fees earned for managing resorts 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, 2020 and 2019, 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. "Cost Reimbursements" is excluded from Total Net Revenue as it is not considered a key indicator of financial and operating performance. Cost reimbursements is derived from the reimbursement of certain costs incurred by Playa on behalf of resorts managed by Playa and owned by third parties. This revenue is fully offset by reimbursable costs and has no net impact on operating income or net income.

"Net Operating Expenses" represents operating expenses, net of compulsory tips paid to employees.

Occupancy

"Occupancy" represents the total number of rooms sold for a period divided by the total number of rooms available during such period. The total number of rooms available excludes any rooms considered "Out of Order" due to renovation or a temporary problem rendering them inadequate for occupancy for an extended period of time. 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 during a given period. Occupancy levels also enable us to optimize Net Package ADR (as defined below) 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 statistic 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.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Owned Resort EBITDA, and Owned Resort EBITDA Margin

We define EBITDA, a non-IFRS financial measure, as net (loss) income, 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 income or expense
- Pre-opening expense
- Share-based compensation
- Other tax expense
- Transaction expenses
- Severance expense
- Gain on property damage insurance proceeds
- Loss on extinguishment of debt
- 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; impairment losses and Jamaica delayed opening accrual reversals.

We include the non-service cost components of net periodic pension cost recorded within other (expense) income in calculating Adjusted EBITDA as they are considered part of our ongoing resort operations (see Note 29).

"Adjusted EBITDA Margin" represents Adjusted EBITDA as a percentage of Total Net Revenue.

"Owned Resort EBITDA" represents Adjusted EBITDA before corporate expenses and Management Fee Revenue.

"Owned Resort EBITDA Margin" represents Owned Resort EBITDA as a percentage of Owned Net Revenue.

Non-IFRS Measures

Net Package Revenue, Net Non-package Revenue, Owned Net Revenue, Total Net Revenue, Net Package ADR, Net Package RevPAR and Net Operating Expenses are all useful to investors as they more accurately reflect our operating results by excluding compulsory tips. These tips have a margin of zero and do not represent our operating results.

We also 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. We believe Adjusted EBITDA Margin provides our investors a useful measurement of operating profitability for the same reasons we find Adjusted EBITDA useful.

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.

Our non-IFRS financial measures are not a substitute for revenue, net income (loss) 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, our non-IFRS financial measures 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 losses as computed under IFRS, see "Non-IFRS Financial Measures."

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 income or loss, as prepared in accordance with U.S. GAAP, to EBITDA and Adjusted EBITDA for the years ended December 31, 2020 and 2019 (*$ in thousands*):

	Year Ended December 31,	
	2020	**2019**
Net loss	**$ (262,370)**	**$ (4,357)**
Interest expense	81,942	44,087
Income tax benefit	(10,973)	(17,220)
Depreciation and amortization	92,570	101,897
EBITDA	**(98,831)**	**124,407**
Other expense [(a)]	1,164	3,200
Share-based compensation	10,158	8,845
Pre-opening expense	—	1,452
Transaction expense [(b)]	2,497	6,175
Severance expense [(c)]	3,844	515
Other tax expense [(d)]	613	577
Loss on sale of assets	2,021	—
Impairment loss [(e)]	55,619	6,168
Repairs from hurricanes and tropical storms [(f)]	1,542	—
Non-service cost components of net periodic pension benefit (cost) [(g)]	200	(645)
Adjusted EBITDA	**$ (21,173)**	**$ 150,694**
Other corporate	36,066	37,049
Management Fee Revenue	(807)	(1,820)
Owned Resort EBITDA	**$ 14,086**	**$ 185,923**

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

(b) Represents expenses incurred in connection with corporate initiatives, such as: debt refinancing costs; other capital raising efforts; the redesign and build-out of our internal controls for the periods in 2019, and strategic initiatives, such as the launch of a new resort or possible expansion into new markets.

(c) Represents expenses incurred for employee terminations.

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

(e) Represents the property and equipment impairment loss related to the sale of Jewel Dunn’s River Beach Resort & Spa, Jewel Runaway Bay Beach Resort & Waterpark and Dreams Puerto Aventuras, and the goodwill impairment loss on our Jewel Paradise Cove Beach Resort & Spa, Jewel Dunn's River Beach Resort, Jewel Runaway Bay Beach Resort & Waterpark and Hilton Rose Hall Resort & Spa reporting units.

(f) Represents repair and maintenance expenses at our properties in the Yucatán Peninsula due to Hurricane Delta and Hurricane Zeta during the fourth quarter of 2020. These are expenses incurred that are not covered by insurance claims nor offset by insurance proceeds.

(g) Represents the non-service cost components of net periodic pension benefit (cost) recorded within other expense (income) in the Consolidated Statement of Operations. We include these benefits (costs) 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 income or loss to IFRS income or loss for the years ended December 31, 2020 and 2019 (*$ in thousands*):

	Year Ended December 31,	
	2020	2019
Net loss per U.S. GAAP	**$ (262,370)**	**$ (4,357)**
Reconciling items to IFRS		
Other impairment loss [1]	4,709	(17,936)
Share based compensation expense [2]	(427)	(1,074)
Depreciation expense [3]	3,946	5,870
Amortization of financing costs [4]	(2,161)	(2,167)
Fair value gains on warrant liability [5]	239	1,344
Income tax (provision) benefit [6]	(12,605)	18,368
Loss on sale of assets [1]	1,809	—
Goodwill impairment [1]	2,084	(32)
Other	(138)	9
(Loss) income per IFRS	**$ (264,914)**	**$ 25**

(1) U.S. GAAP to IFRS difference in the treatment of impairment losses.
(2) Share based compensation expense is accelerated for share based awards with graded vesting service conditions under IFRS, while it is recorded straight-line under U.S. GAAP.
(3) Differences in depreciation due to componentization and impairment reversal under IFRS.
(4) Differences in the amortization of the discount on borrowings and financing costs.
(5) Other financial income not recognized in the Consolidated Statement of Operations under U.S. GAAP (see Note 27).
(6) Differences in book and tax basis under IFRS and U.S. GAAP, with the largest difference related to property 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.

The COVID-19 pandemic altered this seasonal trend in 2020. See "Impact of COVID-19 Pandemic" in chapter 6. *Management's Discussion and Analysis of Financial Condition and Results of Operations* for more information regarding the effects of the COVID-19 pandemic on our results of operations.

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. See "Impact of COVID-19 Pandemic" in chapter 6. *Management's Discussion and Analysis of Financial Condition and Results of Operations* for more information regarding the effects of the COVID-19 pandemic on our results of operations.

Liquidity and Capital Resources

The suspension of operations of all of our resorts, which account for all of our revenue, as a result of the COVID-19 pandemic from late March until July 2020, and the phased re-opening thereafter with historically low occupancy rates, has had a significant adverse effect on our liquidity. Our net cash used in operating activities for the year ended December 31, 2020 was $99.2 million and we expect that our cash flows from operations will be adversely affected for the duration of the COVID-19 pandemic and for a transitional period thereafter. As of January 31, 2021, we had approximately $272.0 million of available cash, excluding $24.8 million of restricted cash. See "Impact of COVID-19 Pandemic" above for information regarding the measures we have taken to preserve our available cash and improve our liquidity position.

Our primary short-term cash needs are paying operating expenses, maintaining our resorts, and servicing our outstanding indebtedness. As of December 31, 2020, we had $174.5 million of scheduled contractual obligations, excluding $31.4 million of other non-interest bearing obligations, remaining in 2020. However, we fully repaid the $84.7 million outstanding balance under our Revolving Credit Facility in February 2021. We have deferred substantially all development, expansion, renovation, repositioning and rebranding projects until at least 2021, with timing subject to the duration of the COVID-19 pandemic and the pace at which our business returns to more normalized levels.

We expect to meet our short-term liquidity requirements generally through existing cash balances, the sale of non-core assets and, if necessary, equity issuances. We sold the Jewel Dunn’s River Beach Resort & Spa and Jewel Runaway Bay Beach Resort & Waterpark for gross consideration of $60.0 million in cash during the second quarter of 2020, and sold the Dreams Puerto Aventuras for gross consideration of $34.5 million in cash in February 2021. On June 12, 2020, we announced that we had raised $224.0 million of additional capital from affiliates of Davidson Kempner Capital Management LP in the form of $204.0 million of additional debt financing and $20.0 million of equity financing at a price of $4.10 per share. Additionally, on January 11, 2021, we issued 28,750,000 ordinary shares with a par value of €0.10 per share in connection with a public equity offering at a price of $5.00 per share. We received $138.0 million in cash consideration, net of underwriting discounts.

Long-term liquidity needs may include property developments, expansions, renovations, repositioning and rebranding projects, potential acquisitions and the repayment of indebtedness. As of December 31, 2020, our total debt obligations were $1,267.3 million (which represents the principal amounts outstanding under our Revolving Credit Facility, Term Loans, Property Loan and financing lease obligations, excluding $6.6 million in issuance discounts and $16.5 million of unamortized debt issuance costs). We expect to meet our long-term liquidity requirements generally through the sources available for short-term needs, net cash provided by operations, as well as equity or debt issuances or proceeds from the potential disposal of assets.

We are continuing to monitor our liquidity and we may pursue additional sources of liquidity as 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. If operating conditions do not improve, whether as a result of the current pandemic or a resurgence thereof or for other reasons, we may not be able to maintain our current liquidity position or access additional sources of liquidity at acceptable terms or at all.

Financing Strategy

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 *($ in thousands)*:

	Year Ended December 31,	
	2020	**2019**
Net cash flows from operating activities	$ (99,217)	$ 72,188
Net cash flows from investing activities	$ 3,471	$ (203,816)
Net cash flows from financing activities	$ 221,734	$ 36,206

Capital Expenditures

We maintain each of our properties in good repair and condition and in conformity with applicable laws and regulations, franchise and license agreements and management agreements. Capital expenditures made to extend the service life or increase the capacity of our assets, including expenditures for the replacement, improvement or expansion of existing capital assets (i.e., 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. We have approval rights over capital expenditures made by our third-party manager as part of the annual budget process for each property they manage. 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 resorts in our markets. Due to the impacts of the COVID-19 pandemic on our liquidity, we deferred all non-critical capital expenditures in 2020 and anticipate further deferring them until we have further visibility into the longer-term impact of COVID-19 and economic conditions improve.

Dividends

We do not plan on paying cash dividends on our ordinary shares in the foreseeable future. No cash dividends were paid for the year ended December 31, 2020.

Share Repurchases

On December 14, 2018, our Board of Directors authorized the repurchase of up to $100.0 million of our outstanding ordinary shares as means of returning capital to our shareholders. Repurchases may be made from time to time in the open market, in privately negotiated transactions or by other means (including Rule 10b5-1 trading plans). Depending on market conditions and other factors, these repurchases may be commenced or suspended from time to time without prior notice. During the first quarter of 2020, we purchased 340,109 ordinary shares at an average price of $7.35 per share. We did not repurchase any shares after the first quarter in 2020. We have purchased a total of 2,178,837 shares and there was approximately $83.5 million remaining under our share repurchase authorization as of December 31, 2020. As part of our cash preservation efforts given our liquidity position as a result of the COVID-19 pandemic, we have suspended repurchases of our ordinary shares under our share repurchase program until we have more visibility into the longer-term impact of COVID-19 and economic conditions improve.

Senior Secured Credit Facility, Additional Credit Facility and Property Loan

As of December 31, 2020, our total debt obligations were $1,267.3 million which represents the principal amounts outstanding under our term loan (the “Term Loan”) and revolving credit facility (the “Revolving Credit Facility,” and, collectively with the Term Loan, the “Senior Secured Credit Facility”), our additional senior secured credit facility (the “Additional Credit Facility”), our property loan agreement (the “Property Loan”) and finance lease obligations, excluding $6.6 million of issuance discounts and $16.5 million of unamortized debt issuance costs.

For discussion of our debt obligations, including recent amendments affecting the maturity dates, interest rates and financial covenants, refer to Note 18 and Note 30 to the Consolidated Financial Statement included within chapter 7. *Financial Statements and Supplementary Data.*

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 judgments.

Fair Value of Financial Instruments

See Note 2 and Note 21 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 21 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 Statements of Financial Position
($ in thousands)

	Note	As of December 31, 2020	As of December 31, 2019
ASSETS			
Non-current assets			
Property and equipment	8	$ 1,659,921	$ 1,851,633
Goodwill	7	63,237	77,838
Other intangible assets	7	8,556	8,408
Deferred tax assets	9	—	16,840
Other non-current assets	10	37,926	13,120
Total non-current assets		1,769,640	1,967,839
Current assets			
Inventories		13,813	16,649
Trade and other receivables, net	11	25,433	71,250
Accounts receivable from related parties	12	3,726	5,401
Prepayments and other current assets	13	35,685	31,501
Assets held for sale	8	34,123	—
Cash and cash equivalents		146,919	20,931
Total current assets		259,699	145,732
Total assets		**$ 2,029,339**	**$ 2,113,571**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	$ 14,871	$ 14,215
Share premium	14	831,520	812,515
Other reserves	14	33,098	22,616
Treasury shares	14	(16,642)	(14,088)
Accumulated deficit		(418,761)	(147,457)
Total equity		444,086	687,801
Non-current liabilities			
Borrowings	18	1,155,678	964,840
Derivative financial instrument	19	24,893	22,114
Warrant liability	17	8,127	8,366
Deferred tax liabilities	9	127,798	141,434
Other non-current liabilities	24	27,131	21,412
Total non-current liabilities		1,343,627	1,158,166
Current liabilities			
Trade and other payables	20	123,248	181,426
Payables to related parties	12	8,073	7,620
Borrowings	18	88,509	66,576
Derivative financial instrument	19	21,447	9,818
Current income tax payable		349	2,164
Total current liabilities		241,626	267,604
Total liabilities		1,585,253	1,425,770
Total equity and liabilities		**$ 2,029,339**	**$ 2,113,571**

The accompanying Notes 1-30 are an integral part of these Consolidated Financial Statements.

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

	Note	Year ended December 31, 2020	Year ended December 31, 2019
Revenue	6	$ 273,189	$ 636,477
Operating expenses	25	(316,965)	(503,689)
Depreciation and amortization	7, 8	(88,624)	(96,027)
Goodwill impairment loss	7	(17,704)	(6,200)
Other impairment loss	8	(31,123)	(17,936)
Loss on sale of assets		(212)	—
Gain on insurance proceeds		2,993	—
Operating (loss) income		**(178,446)**	**12,625**
Finance costs	26	(84,103)	(46,252)
Other financial income, net	27	1,185	770
Net result of exchange differences		(1,918)	(2,706)
Loss before tax		(263,282)	(35,563)
Income tax (expense) benefit	9	(1,632)	35,588
(Loss) income		**$ (264,914)**	**$ 25**
(Losses) earnings per share - Basic	16	$ (2.00)	$ —
(Losses) earnings per share - Diluted	16	$ (2.00)	$ —
Weighted average number of shares outstanding during the period - Basic		132,210,205	130,023,463
Weighted average number of shares outstanding during the period - Diluted		132,210,205	130,843,772

The accompanying Notes 1-30 are an integral part of these Consolidated Financial Statements.

Playa Hotels & Resorts N.V.
Consolidated Statements of Comprehensive Loss
($ in thousands)

	Year ended December 31,	
	2020	2019
(Loss) income	**$ (264,914)**	**$ 25**
Pension obligation loss	(185)	(820)
Unrealized loss on interest rate swaps	(6,205)	(20,164)
Other comprehensive loss, net of tax	(6,390)	(20,984)
Total other comprehensive loss	**$ (271,304)**	**$ (20,959)**

The accompanying Notes 1-30 are an integral part of these Consolidated Financial Statements.

Playa Hotels & Resorts N.V.
Consolidated Statements of Changes in Equity
($ in thousands, except share data)

	Ordinary share capital (Note 14)		Treasury shares (Note 14)		Share premium (Note 14)	Equity-settled employee benefits reserve (Note 14)	Accumulated deficit	Total equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2018	**130,440,126**	**$ 14,161**	**54,608**	**$ (394)**	**$ 812,515**	**$ 12,751**	**$ (126,498)**	**$ 712,535**
Net income	—	—	—	—	—	—	25	25
Net other comprehensive loss	—	—	—	—	—	—	(20,984)	(20,984)
Total comprehensive loss							(20,959)	(20,959)
Share-based compensation	472,937	54	—	—	—	9,865	—	9,919
Repurchase of ordinary shares	(1,791,487)	—	1,791,487	(13,694)	—	—	—	(13,694)
Balance at December 31, 2019	**129,121,576**	**$ 14,215**	**1,846,095**	**$ (14,088)**	**$ 812,515**	**$ 22,616**	**$ (147,457)**	**$ 687,801**
Net loss	—	—	—	—	—	—	(264,914)	(264,914)
Net other comprehensive loss	—	—	—	—	—	—	(6,390)	(6,390)
Total comprehensive loss							(271,304)	(271,304)
Share-based compensation	911,774	103	12,592	(54)	—	10,482	—	10,531
Repurchase of ordinary shares	(340,109)	—	340,109	(2,500)	—	—	—	(2,500)
Equity issuance, net (see Note 14)	4,878,049	553	—	—	19,005	—	—	19,558
Balance at December 31, 2020	**134,571,290**	**$ 14,871**	**2,198,796**	**$ (16,642)**	**$ 831,520**	**$ 33,098**	**$ (418,761)**	**$ 444,086**

The accompanying Notes 1-30 are an integral part of these Consolidated Financial Statements.

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

	Note	Year ended December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss) income		**$ (264,914)**	**$ 25**
Adjustments to reconcile (loss) income to net cash provided by operating activities:			
Income tax expense (benefit)	9	1,632	(35,588)
Depreciation and amortization expense	7,8	88,624	96,027
Share based compensation	15	10,585	9,919
Goodwill impairment loss	7	17,704	6,200
Other impairment loss	8	31,123	17,936
Finance costs	26	84,103	46,252
Loss on sale of assets		212	—
Amortization of key money		(907)	(263)
Changes in other liabilities	24	(595)	5,052
Change in fair value of warrant liability	17	(239)	(1,344)
Other		(656)	1,182
Working capital adjustments:			
Inventories		1,132	(1,218)
Trade and other receivables, including related parties	11	47,492	(7,461)
Prepayments and other assets	13	2,049	(6,340)
Trade and other payables, including related parties	20	(40,293)	6,537
Income taxes payable		(1,838)	(422)
Cash flows (used in) generated from operating activities		(24,786)	136,494
Income taxes paid		(4,414)	(8,159)
Interest paid		(70,017)	(56,147)
Net cash flows from operating activities		**(99,217)**	**72,188**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	8	(36,360)	(208,970)
Purchase of intangibles	7.2	(1,001)	(3,569)
Proceeds from disposal of property and equipment	8	58,273	214
Property damage insurance proceeds		—	2,009
Restricted cash reserve	10	(25,941)	—
Receipt of key money	24	8,500	6,500
Net cash flows from investing activities		**3,471**	**(203,816)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt issuance, net of discount	18	199,600	—
Issuance costs of debt	18	(8,677)	—
Equity issuance, net	14	19,558	—
Proceeds from borrowings on revolving credit facility	18	40,000	60,000
Repayments of borrowings on revolving credit facility	18	(15,333)	—
Repayments of debt	18	(10,100)	(10,100)
Repurchase of ordinary shares	14	(2,500)	(13,694)
Repurchase of shares for tax withholdings		(54)	—
Principal payments on financing lease obligations		(760)	—
Net cash flows from financing activities		**221,734**	**36,206**
Net increase (decrease) in cash and cash equivalents		**125,988**	**(95,422)**
Cash and cash equivalents at the beginning of the period		**$ 20,931**	**$ 116,353**
Cash and cash equivalents at the end of the period		**$ 146,919**	**$ 20,931**

SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES					
Capital expenditures incurred but not yet paid	8	$	1,441	$	20,958
Interest capitalized but not yet paid		$	—	$	41
Par value of vested restricted share awards		$	103	$	54
Right-of-use assets obtained in exchange for new lease liabilities within other assets		$	—	$	1,393
Right-of-use assets obtained in exchange for new lease liabilities within debt	18	$	2,333	$	—
Intangible assets capitalized but not yet paid	7	$	114	$	251
Right-of-use assets disposal		$	646	$	—

The accompanying Notes 1-30 are an integral part of these Consolidated Financial Statements.

Playa Hotels & Resorts N.V.
Notes to the Consolidated Financial Statements

1. Organization and description of the Company

1.1 Background

Playa Hotels & Resorts N.V. (“Playa” or the “Company”) (The Nasdaq Stock Market LLC: PLYA) is a leading owner, operator and developer of all-inclusive resorts in prime beachfront locations in popular vacation destinations. We currently own and/or manage a portfolio of 20 resorts located in Mexico, the Dominican Republic and Jamaica. Unless otherwise indicated or the context requires otherwise, references in our consolidated financial statements (our “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.

1.2 COVID-19 impact

Due to the spread of the coronavirus (“COVID-19”) global pandemic, and in response to related governmental restrictions and advisories, reductions in scheduled commercial airline service, and potential health risks to our employees and guests, we temporarily suspended operations at all of our resorts from late March through June 2020. Our resorts began reopening in July, in stages, based on incremental easing of government restrictions and advisories and increases in scheduled commercial airline service. As of December 31, 2020, all but one of our resorts have reopened. We also implemented additional safety measures at our resorts to mitigate the potential health risks of COVID-19. Although we began operations in July, we cannot predict when our business will return to normalized levels because we cannot predict when all effects of the pandemic will subside. The longer and more severe the pandemic, the greater the material adverse effect the pandemic will have on our business, results of operations, cash flows, financial condition, access to credit markets and ability to service our debt.

1.3 General information

The address of Playa's registered office is Nieuwezijds Voorburgwal 104, 1012 SG Amsterdam, Netherlands (Chamber of Commerce: 67450628).

1.4 Subsidiaries

Playa’s consolidated subsidiaries, all of which were wholly owned, as of December 31, 2020 are as follows:

Subsidiary	Country	Category	Resort
Paloma Capital N.V.	Curacao	Holding	—
Perfect Timing N.V.	Curacao	Holding	—
Perfect Tours N.V.	Curacao	Resort Operations	—
Playa H&R Holdings B.V.	Netherlands	Holding	—
Playa Hotels & Resorts N.V.	Netherlands	Holding	—
Playa Resorts Holding B.V.	Netherlands	Holding	—
Playa Riviera Maya B.V.	Netherlands	Holding	—
Playa Romana B.V.	Netherlands	Holding	—
St. James Parish Resort Limited	St. Lucia	Holding	—
Hilmobay Resort Lucia Limited	St. Lucia	Holding	—
Grande Resort Lucia Limited	St. Lucia	Holding	—
Runaway Bay Resort Lucia Limited	St. Lucia	Holding	—
Paradise Cove Resort Lucia Limited	St. Lucia	Holding	—
Dunn's River Resort Lucia Limited	St. Lucia	Holding	—
Jamziv Mobay Lucia Limited	St. Lucia	Holding	—
Montego Portfolio Limited(4)	Jamaica	Holding	—
Hilmobay Resort I, LLC	U.S.A.	Other	—
Hilmobay Resort II, LLC	U.S.A.	Other	—
Hilmobay Resort III, LLC	U.S.A.	Other	—
Playa Dominican Resort I, LLC	U.S.A.	Other	—
Playa Dominican Resort II, LLC	U.S.A.	Other	—
Playa Dominican Resort III, LLC	U.S.A.	Other	—

Subsidiary	Country	Category	Resort
Servicios PLYA Hotels & Resorts, S. de R.L.de C.V.	Mexico	Resort Operations	—
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	—
Playa Management USA, LLC (1)	USA	Resort Operations	—
Playa Management, LLC (2)	USA	Resort Operations	—
Playa Resorts Management, LLC	USA	Resort Operations	—
Resort Room Sales, LLC	USA	Resort Operations	—
JG Management Co. Limited	Jamaica	Resort Operations	—
Services PLYA Hotels Limited	Jamaica	Resort Operations	—
Ensenada Fugitiva Resort Limited	Jamaica	Resort Operations	—
Rio Ensenada Mammee Resort Limited	Jamaica	Resort Operations	—
Servicios PLYA DR Hoteles, S.A.S.	Dominican Republic	Resort Operations	—
Best Trip Tours & Travel, S.R.L.	Dominican Republic	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 Cancún
Cameron del Pacífico, S. de R.L. de C.V.	Mexico	Resorts	Hyatt Ziva Puerto Vallarta
Desarrollos GCR, S. de R.L. de C.V.	Mexico	Resorts	Panama Jack Resorts Cancún
Gran Desing & Factory, S. de R.L. de C.V.	Mexico	Resorts	Hyatt Zilara Cancún
Hotel Capri Caribe, S. de R.L. de C.V.	Mexico	Resorts	Capri Resort
Inmobiliaria Y Proyectos TRPLAYA, S. de R.L. de C.V.	Mexico	Resorts	Hilton Playa del Carmen All-Inclusive Resort
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. (3)	Netherlands	Resorts	Dreams Palm Beach
Playa Romana Mar B.V. (3)	Netherlands	Resorts	Hilton La Romana All-Inclusive Resort
Playa Dominican Resort B.V. (3)	Netherlands	Resorts	Hyatt Ziva and Hyatt Zilara Cap Cana
Hilmobay Resort Limited	Jamaica	Resorts	Hilton Rose Hall Resort & Spa
Ensenada Rosa Grande Resort Limited (4)	Jamaica	Resorts	Jewel Grande Montego Bay Resort & Spa
Ensenada Paraiso Resort Limited	Jamaica	Resorts	Jewel Paradise Cove Beach Resort & Spa
Playa Hall Jamaican Resort Limited	Jamaica	Resorts	Hyatt Ziva and Hyatt Zilara Rose Hall

(1) With branches in Canada.

(2) With branches in the Dominican Republic and Mexico.

(3) With a branch in the Dominican Republic.

(4) Assets for operations are held in both Montego Portfolio Limited and Ensenada Rosa Grande Resort Limited.

1.5 Investment in associates

As of December 31, 2020, 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. The investment is included within other non-current assets in the Consolidated Statements of Financial Position in the amount of $1.7 million as of December 31, 2020.

1.6 Resort properties

As of December 31, 2020, we owned and/or managed a portfolio of 21 resorts in Mexico, the Dominican Republic and Jamaica:

Current Name of Resort	Rooms	Location
Owned Resorts		
Yucatán Peninsula		
Hyatt Ziva Cancún	547	Cancún, Mexico
Hyatt Zilara Cancún	310	Cancún, Mexico
Panama Jack Resorts Cancún	458	Cancún, Mexico
Hilton Playa del Carmen All-Inclusive Resort	524	Playa del Carmen, Mexico
Panama Jack Resorts Playa del Carmen	287	Playa del Carmen, Mexico
Capri Resort(1)	291	Riviera Maya, Mexico
Dreams Puerto Aventuras(2)	305	Riviera Maya, Mexico
Pacific Coast		
Hyatt Ziva Los Cabos	591	Cabo San Lucas, Mexico
Hyatt Ziva Puerto Vallarta	335	Puerto Vallarta, Mexico
Dominican Republic		
Hilton La Romana All-Inclusive Resort	356	La Romana, Dominican Republic
Hilton La Romana All-Inclusive Resort	418	La Romana, Dominican Republic
Dreams Palm Beach	500	Punta Cana, Dominican Republic
Dreams Punta Cana	620	Punta Cana, Dominican Republic
Hyatt Ziva Cap Cana	375	Cap Cana, Dominican Republic
Hyatt Zilara Cap Cana	375	Cap Cana, Dominican Republic
Jamaica		
Hyatt Ziva Rose Hall	276	Montego Bay, Jamaica
Hyatt Zilara Rose Hall	344	Montego Bay, Jamaica
Hilton Rose Hall Resort & Spa	495	Montego Bay, Jamaica
Jewel Paradise Cove Beach Resort & Spa	225	Runaway Bay, Jamaica
Jewel Grande Montego Bay Resort & Spa(3)	88	Montego Bay, Jamaica
Total Rooms Owned	**7,720**	
Managed Resorts		
Sanctuary Cap Cana(4)	323	Punta Cana, Dominican Republic
Jewel Grande Montego Bay Resort & Spa(3)	129	Montego Bay, Jamaica
Total Rooms Operated	**452**	
Total Rooms Owned and Operated	**8,172**	

(1) Following termination of the management agreement with AMResorts in October 2020, this resort has been temporarily closed. On March 31, 2021, we entered into an agreement to sell this resort.
(2) On November 3, 2020, we entered into an agreement to sell this resort, and closed on the sale on February 5, 2021.
(3) We acquired an 88-unit tower and spa as part of the business combination with certain companies affiliated with Sagicor Group Jamaica Limited (“Sagicor”). Additionally, we manage the majority of the units within the remaining two condo-hotel towers owned by Sagicor that comprise the Jewel Grande Montego Bay Resort & Spa.
(4) 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 15, 2021, and will be subject to adoption by the Shareholders on or before May 13, 2021.

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 21.3.

3. Application of new and revised IFRS

3.1 Newly effective IFRS standards and interpretations

During the year ended December 31, 2020, the Company adopted these newly effective IFRS standards and interpretations.

Standards, Interpretations & Amendments (Endorsed by the European Union)	Effective Date
Amendments to IAS 1 and IAS 8: *Definition of Material*	January 1, 2020
Amendments to IFRS 3: *Business Combinations*	January 1, 2020

3.2 IFRS standards and interpretations issued but not effective

The most significant IFRS standards, interpretations and amendments issued before December 31, 2020, but not yet effective as of December 31, 2020 (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
Amendments to IAS 1: *Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies*	Annual periods on or after January 1, 2023	No	*
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: *Interest Rate Benchmark Reform – Phase 2*	Annual periods on or after January 1, 2021	Yes	*
Amendments to IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*	Annual periods on or after January 1, 2023	No	*
Amendments to IAS 1: *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	Annual periods on or after January 1, 2023	No	*

* The Company is currently assessing the impact of these standards, interpretations and amendments published but not yet effective, but do not currently expect that they will have a material impact on the Consolidated Financial Statements.

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 group 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 3 as allowed in the NCC for the Company Financial Statements in chapter 7.2.

4.2 Principles of consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and the subsidiaries for which the Company wholly owns and controls. All intercompany transactions and balances have been eliminated in the consolidation process.

4.3 Foreign currency

Our reporting currency is the U.S. dollar. We have determined that the U.S. dollar ("USD") is the functional currency of all of our international operations. Foreign currency denominated monetary asset and liability amounts are remeasured into U.S. dollars at end-of-period exchange rates. Foreign currency denominated non-monetary assets, such as inventories, prepaid expenses, fixed assets and intangible assets, are recorded in U.S. dollars at historical exchange rates. Foreign currency denominated income and expense items are recorded in U.S. dollars 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 income tax (expense) benefit within the Consolidated Statements of Profit or Loss.

Foreign exchange gains and losses are presented in the Consolidated Statements 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 related parties. These transactions are summarized in Note 12.

4.5 Business combinations

For acquisitions meeting the definition of a business combination, the acquisition method of accounting is used. The acquisition date is the date on which we obtain 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 and the liabilities incurred by us, and equity interests issued by us. Acquisition-related costs, such as professional fees, are excluded from the consideration transferred and are expensed as incurred.

Goodwill is measured as the excess of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed. 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 profit or loss.

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 Statements of Profit or Loss.

4.7 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment. The costs of improvements that extend the life of property and equipment, such as structural improvements, equipment and fixtures, are capitalized. In addition, we capitalize soft costs such as interest, insurance, construction administration and other costs that clearly relate to projects under development or construction. Start-up costs, ongoing repairs and maintenance are expensed as incurred. Buildings that are being developed or closed for substantial redevelopment are carried at cost and no depreciation is recorded on these assets until they are put into or back into service. 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.

4.8 Goodwill and other intangible assets

a) Goodwill

Goodwill arises in connection with business combinations (see Note 4.5) and 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 or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill for each CGU 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. As a result of COVID-19 and the temporary suspension of operations at our resorts, the forecasted future cash flows of our cash generating units materially decreased during the first quarter of 2020. We performed an interim quantitative impairment analysis as of March 31, 2020 and recognized $17.7 million of goodwill impairment losses at the Jewel Runaway Bay Beach Resort & Waterpark, Jewel Dunn’s River Beach Resort & Spa, and Jewel Paradise Cove Beach Resort & Spa (see Note 7). We completed our most recent annual impairment assessment for our goodwill associated with our CGUs in our Yucatán Peninsula and Jamaica reportable segments as of July 1, 2020 and October 1, 2020, respectively, and concluded that goodwill was not impaired.

b) Other intangible assets

The useful life for definite lived intangibles is determined to be equal to their economic life. An impairment loss is recognized for our indefinite or definite lived assets when the amount by which the asset’s carrying amount exceeds its recoverable amount. No impairment was recognized for the years ended December 31, 2020 and 2019.

4.9 Impairment of non-financial assets

Assets that are subject to amortization and depreciation (i.e., property and equipment) 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 inflation 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. We classify these cash instruments as Level 1 under the fair value hierarchy within IFRS 13. Financial instruments that potentially subject us to a concentration of credit risk consist of cash on deposit at financial institutions 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.

4.12 Trade and other receivables, net

Trade and other receivables include amounts due from guests and vendors for merchandise sold or services performed in the ordinary course of business as well as other miscellaneous receivables, such as insurance. Collection of these amounts is expected in one year or less. We recognize lifetime estimated credit losses for trade and other receivables using a provision matrix based on the Company's historical credit loss experience, adjusted for debtor-specific factors and general economic conditions. Our estimate also includes an assessment of both current and forecasted conditions at the reporting date. Subsequent recoveries of amounts previously written off are credited against the allowance accounts. Changes in the carrying amount of the allowance for doubtful accounts are recognized in the Consolidated Statements of Profit or Loss.

4.13 Assets held for sale

We classify resorts as held for sale when the sale is probable, will be completed within one year and actions to complete the sale are unlikely to change or it is unlikely that the sale will not occur. This is consistent with our experience with real estate transactions under which the timing and final terms of a sale are frequently not known until purchase agreements are executed, the buyer has a significant deposit at risk and no financing contingencies exist that could prevent the transaction from being completed in a timely manner. We typically classify resorts as held for sale when all the following conditions are met:

- our Board of Directors has approved the sale (to the extent that the dollar amount of the sale requires Board approval);
- a binding agreement to sell the resort has been signed under which the buyer has committed a significant amount of nonrefundable cash; and
- no significant financing contingencies exist that could prevent the transaction from being completed in a timely manner.

If these criteria are met, we will cease recording depreciation expense, record an impairment loss to the extent the carrying amount of the resort exceeds the fair value less cost to sell and classify the assets and related liabilities as held for sale on the Consolidated Statements of Financial Position. Assets and related liabilities classified as held for sale are measured at the lower of their carrying value or fair value less costs to sell. Gains on sales are recognized at the time of sale.

4.14 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.

4.15 Financial instruments

The Consolidated Statements of Financial Position contains various financial instruments including, but not limited to, cash and cash equivalents, restricted cash, trade and other receivables, accounts receivable from related parties, trade payables, payables to related parties, derivative financial instruments, other non-current liabilities including our pension obligation, warrant liabilities and borrowings. Warrant liabilities and derivative financial instruments are recorded at fair value; all other financial assets and financial liabilities are recorded at amortized cost.

4.16 Derivative financial instruments

Derivative financial instruments are initially recorded at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at period end. Changes in the fair value of a derivative contract that is qualified, designated and highly effective as a cash flow hedge are recorded in our Consolidated Statements of Comprehensive Loss and reclassified into interest expense in our Consolidated Statements of Profit or Loss in the same period or periods during which the hedged transaction affects earnings. If a derivative contract does not meet this criteria, then the change in fair value is recognized in the Statement of Profit or Loss.

Hedge ineffectiveness is based on the results of the Hypothetical-Derivative Method and is measured on at least a quarterly basis. Under the Hypothetical-Derivative Method, the cumulative change in fair value of the actual swap will be compared to the cumulative change in fair value of a hypothetical swap, which has terms that exactly match the critical terms of the hedged transactions. The amount of ineffectiveness, if any, recorded in the Statement of Profit or Loss will be equal to the excess of the cumulative change in the fair value of the actual swap over the cumulative change in the fair value of the perfect hypothetical swap.

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 Statements 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 Statements 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 Statements of Profit or Loss as incurred.

Transaction 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 and other payables

Trade and other 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 the 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 the 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 Statements 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 Leases

We determine if an arrangement is a lease or contains a lease at the inception of the contract. Our leases generally contain fixed and variable components. The variable components of our leases are primarily based on operating performance of the leased property. Our lease agreements may also include non-lease components, such as common area maintenance, which we do not combine with the lease component.

Lease liabilities, which represent our obligation to make lease payments arising from the lease, and corresponding right-of-use assets, which represent our right to use an underlying asset for the lease term, are recognized at the commencement date of the lease based on the present value of future payments over the lease term. We calculate the present value of future payments using the discount rate implicit in the lease, if available, or our incremental borrowing rate.

For leases that are not a component of our debt financial statement caption ("operating leases"), lease expense relating to fixed payments is recognized on a straight-line basis over the lease term and lease expense relating to variable payments is expensed as incurred. For finance leases, the amortization of the asset is recognized over the shorter of the lease term or useful life of the underlying asset and recorded within depreciation and amortization in the Consolidated Statements of Profit or Loss.

4.22 Current and deferred income tax

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

4.23 Revenue recognition

Revenue is recognized on an accrual basis when the rooms are occupied and services have been rendered. We primarily derive our revenue from the following sources:

- *Package revenue:* Revenues derived from all-inclusive packages purchased by our guests, which include room accommodations, food and beverage services and entertainment activities, are included in the package revenue line item of the Consolidated Statements of Profit or Loss and are considered one performance obligation. Contract liabilities consist of advanced deposits received from customers which are deferred until the rooms are occupied and the services have been rendered. Advance deposits are included in trade and other payables in the Consolidated Statements of Financial Position.

Revenue is measured at the fair value of the consideration received or receivable, stated net of estimated discounts, rebates and value added taxes and recognized when our performance obligation of all-inclusive services is considered transferred to the customer.

- *Non-package revenue:* Revenue associated with upgrades, premium services and amenities that are not included in the all-inclusive package. This includes, but is not limited to, premium rooms, dining experiences, wines and spirits and spa packages which are included in the non-package revenue line item of the Consolidated Statements of Profit or Loss. Revenue is recognized based on the agreed upon price after the completion of the sale when the product or service is transferred to the customer. Food and beverage revenue not included in a guest's all-inclusive package is recognized when the goods are consumed.
- *Management fees:* 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 revenue over the term of the service period as the third-party owners benefit from our management services. Revenue from management contracts is included in the management fees line item of the Consolidated Statements of Profit or Loss.
- *Cost reimbursements:* Cost reimbursements are derived from the reimbursement of certain costs incurred by Playa on behalf of resorts managed by Playa and owned by third parties. These revenues are fully offset by reimbursed costs and have no impact on net income. Cost reimbursements are recognized when agreed upon reimbursable costs are incurred from managing resorts owned by third-parties and included in the cost reimbursements line item of the Consolidated Statements of Profit or Loss.

4.24 Share-based compensation

The Company has 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 15. 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.

- *Awards vesting with the passage of time:* 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 each separately vesting portion of the award.
- *Awards vesting with market conditions:* The conditions are incorporated into the fair value measurement and recognized as an expense on a straight-line basis over the vesting period. The compensation expense is not adjusted if the conditions are not met. The determination of fair value on the date of grant is subjective and involves significant estimates and assumptions including expected volatility of our shares, expected dividend yield, expected term and assumptions of whether these awards will achieve performance thresholds.
- *Awards vesting with performance (non-market) 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.

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 are adjustments to income or loss 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 affect the carrying amounts of our assets and liabilities are as follows:

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.

Property and equipment, net

Useful lives of property and equipment, net

Property 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 fixtures 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 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 of useful lives could materially affect our results of operations.

Impairment of property and equipment, net

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

Judgment is also required in estimating the fair value of our resorts when quantitatively assessing an asset group for impairment. Under the discounted cash flow approach, we utilize various assumptions and estimates including projections of revenues and expenses based on estimated growth rates and discount rates based on the weighted-average cost of capital. Our estimates of 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 resort's cost of debt and equity and a selected capital structure.

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

Goodwill

Goodwill is reviewed for impairment annually, 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 cash-generating units. The determination as to whether a triggering event exists is based on our knowledge of the industry, historical experience, market and economic conditions, the business climate and other relevant facts and circumstances as of the assessment date.

Judgment is also required in estimating the fair value of our cash-generating units. Under the discounted cash flow approach, we utilize various assumptions and estimates including projections of revenues and expenses based on estimated growth rates and discount rates based on the weighted-average cost of capital. Our estimates of 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 cash-generating 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.

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.

Derivative financial instruments

We use derivative financial instruments to manage interest rate risk. Our derivative financial instruments, consisting of our two interest rate swaps, are initially recorded at fair value on the date the contracts were entered into and are subsequently remeasured to fair value at period end, with changes for interest rate swaps that qualify as effective cash flow hedges recognized in other comprehensive income or loss. The fair value of our interest rate swaps is the present value of estimated future cash flows, calculated as the difference between the fixed rate paid by us and the variable rate received from our counterparty, multiplied by the notional principal amount.

The fair value of our interest rate swaps at period end is most significantly affected by our estimate of future one-month London Interbank Offered Rate (“LIBOR”) interest rates through the contractual period to maturity. It is also affected by changes in our own and our counterparty's specific credit risk, which are incorporated into the credit valuation adjustment, as well as the discount rate applied to our estimated future cash flows of the interest rate swaps.

Changes to these significant inputs or estimates could materially affect our recorded interest expense and 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 21.

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 21.

6. Revenue

The following tables present our revenues disaggregated by geographic segment (refer to discussion of our reportable segments in Note 29) (*$ in thousands):*

	Year Ended December 31, 2020					
	Yucatán Peninsula	**Pacific Coast**	**Dominican Republic**	**Jamaica**	**Other**	**Total**
Package revenue	$ 96,942	$ 28,535	$ 42,584	$ 61,386	$ —	$ 229,447
Non-package revenue	16,263	5,532	7,356	11,223	372	40,746
Management fees	—	—	—	—	807	807
Cost reimbursements	—	—	—	1,661	528	2,189
Total revenue	**$ 113,205**	**$ 34,067**	**$ 49,940**	**$ 74,270**	**$ 1,707**	**$ 273,189**

	Year Ended December 31, 2019					
	Yucatán Peninsula	**Pacific Coast**	**Dominican Republic**	**Jamaica**	**Other**	**Total**
Package revenue	$ 212,794	$ 76,056	$ 75,874	$ 173,364	$ —	$ 538,088
Non-package revenue	31,282	12,620	15,067	31,164	24	90,157
Management fees	—	—	—	—	1,820	1,820
Cost reimbursements	—	—	—	4,678	1,734	6,412
Total revenue	**$ 244,076**	**$ 88,676**	**$ 90,941**	**$ 209,206**	**$ 3,578**	**$ 636,477**

Performance obligations

We recognize revenues when the performance obligations are satisfied by transferring control of the product or service to our customers as described in Note 4.

We do not disclose the value of unsatisfied performance obligations for contracts with consideration determined by our performance completed to date or with an expected length of one year or less. Due to the nature of our business, our revenue is not significantly impacted by refunds. Cash payments received in advance of guests staying at our resorts are refunded to resort guests if the guest cancels within the specified time period, before any services are rendered. Refunds related to service are generally recognized as an adjustment to the transaction price at the time the resort stay occurs or services are rendered.

Contract assets and liabilities

We do not have any material contract assets as of December 31, 2020 and 2019. We have trade and other receivables, net on our Consolidated Statements of Financial Position. Our receivables are primarily the result of contracts with customers, which are reduced by an allowance for doubtful accounts that reflects our estimate of amounts that will not be collected.

We record contract liabilities when cash payments are received or due in advance of guests staying at our resorts, which are presented as advance deposits (see Note 20) within trade and other payables on our Consolidated Statements of Financial Position. Our advanced deposits are generally recognized as revenue within one year.

Contract costs

We consider sales commissions earned to be incremental costs of obtaining a contract with our customers. As a practical expedient, we expense these costs as incurred when the period to be benefited is less than one year.

7. Goodwill and other intangible assets

7.1 Goodwill

The gross carrying values and accumulated impairment losses of goodwill for the years ended December 31, 2020 and 2019 are as follows (*$ in thousands*):

	As of January 1, 2020	Adjustments[1]	Impairment losses	As of December 31, 2020
Gross carrying value	$ 84,038	$ 3,103	$ —	$ 87,141
Accumulated impairment loss	(6,200)	—	(17,704)	(23,904)
Carrying value	**$ 77,838**	**$ 3,103**	**$ (17,704)**	**$ 63,237**

	As of January 1, 2019	Adjustments[1]	Impairment losses	As of December 31, 2019
Gross carrying value	$ 83,187	$ 851	$ —	$ 84,038
Accumulated impairment loss	—	—	(6,200)	(6,200)
Carrying value	**$ 83,187**	**$ 851**	**$ (6,200)**	**$ 77,838**

[1] Represents adjustments to our goodwill from the business combination with Sagicor during the measurement period in 2019 and immaterial corrections of errors in 2020.

As of December 31, 2020, our goodwill balance is related to our August 2013 acquisition of four resorts located in the Yucatán peninsula of Mexico (the "Real Resorts") and our June 2018 acquisition of the a portfolio of resorts from Sagicor in Jamaica. The carrying amounts of goodwill allocated to each CGU are as follows (*$ in thousands)*:

	As of December 31, 2020	As of December 31, 2019
Panama Jack Resorts Cancún	$ 12,029	$ 12,029
Hilton Playa del Carmen All-Inclusive Resort	21,652	21,652
Hyatt Zilara Cancún	11,381	11,381
Hilton Rose Hall Resort & Spa	18,175	16,603
Jewel Runaway Bay Beach & Waterpark	—	6,946
Jewel Dunn's River Beach Resort & Spa	—	5,126
Jewel Paradise Cove Beach Resort & Spa	—	4,101
Total	**$ 63,237**	**$ 77,838**

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 ten year period and into perpetuity. We utilize various Level 3 (see Note 21.3) 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"), which are considered the most sensitive inputs.

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 ten 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 in the most recent interim or annual quantitative test for each CGU are as follows:

	Post-Tax Discount Rate	Long-Term Growth Rate
Panama Jack Resorts Cancún	11.0 %	3.0 %
Hilton Playa del Carmen All-Inclusive Resort	11.0 %	3.0 %
Hyatt Zilara Cancún	11.0 %	3.0 %
Hilton Rose Hall Resort & Spa	11.0 %	3.0 %
Jewel Runaway Bay Beach & Waterpark	12.0 %	3.0 %
Jewel Dunn's River Beach Resort & Spa	12.0 %	3.0 %
Jewel Paradise Cove Beach Resort & Spa	12.0 %	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.

As a result of the negative impacts of COVID-19 and the temporary suspension of operations at our resorts (see Note 1), we performed an interim quantitative impairment analysis as of March 31, 2020 for all of CGUs. The forecasted future cash flows of our cash generating units materially decreased during the first quarter of 2020 and as a result, we recognized $17.7 million of goodwill impairment losses at the following cash generating units within impairment loss in the Consolidated Statements of Profit or Loss as we determined that their carrying value exceeded their fair value *($ in thousands)*:

Cash Generating Unit	Reportable Segment	2020 Impairment Loss[(1)]	
Jewel Runaway Bay Beach Resort & Waterpark	Jamaica	$	7,604
Jewel Dunn's River Beach Resort & Spa	Jamaica	$	5,612
Jewel Paradise Cove Beach Resort & Spa	Jamaica	$	4,489

(1) As a result of the immaterial corrections to goodwill previously noted, we recognized $1.5 million in impairment losses on these three cash generating units during the second half of 2020, which are included in the table above.

The fair values of our Hilton Playa del Carmen All-Inclusive Resort and Hyatt Zilara Cancún CGUs in Mexico substantially exceeded their carrying values as of March 31, 2020 and as of July 1, 2020, our annual testing date. We did not identify any additional triggering events subsequent to the annual testing date for these CGUs. The fair value of our Panama Jack Resorts Cancún CGU did not exceed its carrying value by a substantial amount as of March 31, 2020 or July 1, 2020. We therefore performed an interim quantitative impairment analysis for the Panama Jack Resorts Cancún CGU as of September 30, 2020 and concluded that the goodwill was not impaired. Due to the stronger recovery in the Mexico market, the fair value of this CGU exceeded its carrying value by a substantial amount as of September 30, 2020. We did not identify any additional triggering events subsequent to the September 30, 2020 interim testing date for this CGU.

The fair value of the Hilton Rose Hall Resort & Spa CGU in Jamaica substantially exceeded its carrying value as of March 31, 2020 and as of October 1, 2020, our annual testing date. As a result of the continued COVID-19 testing requirements, combined with the re-entry requirements imposed by the U.S. Center for Disease Control, we also performed an interim quantitative impairment analysis over the Hilton Rose Hall Resort & Spa reporting unit as of December 31, 2020 and concluded that the goodwill was not impaired.

During the year ended December 31, 2019, we recorded $6.2 million of impairment charges on goodwill on the Panama Jack Playa del Carmen CGU.

7.2 Other intangible assets

Other intangible assets as of December 31, 2020 and 2019 consisted of the following (*$ in thousands*):

	As of January 1, 2020	Additions	Disposals	Transfers	As of December 31, 2020
Casino and other licenses [(1)]	$ 875	$ —	$ —	$ —	$ 875
Management agreement [(2)]	1,900	—	—	—	1,900
Enterprise resource planning system [(3)]	5,187	903	—	(43)	6,047
Other	3,346	211	(41)	722	4,238
Acquisition cost	**$ 11,308**	**$ 1,114**	**$ (41)**	**$ 679**	**$ 13,060**
Management agreement [(2)]	$ (143)	$ (95)	$ —	$ —	$ (238)
Enterprise resource planning system [(3)]	(437)	(688)	—	—	(1,125)
Other	(2,320)	(867)	41	5	(3,141)
Accumulated amortization	**(2,900)**	**(1,650)**	**41**	**5**	**(4,504)**
Carrying value	**$ 8,408**	**$ (536)**	**$ —**	**$ 684**	**$ 8,556**

	As of January 1, 2019	Additions	Disposals	Transfers	As of December 31, 2019
Casino and other licenses [(1)]	$ 858	$ 17	$ —	$ —	$ 875
Management agreement [(2)]	1,900	—	—	—	1,900
Enterprise resource planning system [(3)]	2,246	3,334	—	(393)	5,187
Other	3,027	469	(116)	(34)	3,346
Acquisition cost	**$ 8,031**	**$ 3,820**	**$ (116)**	**$ (427)**	**$ 11,308**
Management agreement [(2)]	(48)	(95)	—	—	(143)
Enterprise resource planning system [(3)]	(67)	(370)	—	—	(437)
Other	(1,813)	(617)	116	(6)	(2,320)
Accumulated amortization	**(1,928)**	**(1,082)**	**116**	**(6)**	**(2,900)**
Carrying value	**$ 6,103**	**$ 2,738**	**$ —**	**$ (433)**	**$ 8,408**

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(1) Our casino and other licenses have indefinite lives. Accordingly, there is no associated amortization expense or accumulated amortization.
(2) Represents the fair value of a management contract acquired in the business combination with Sagicor.
(3) Represents software development costs incurred to develop and implement SAP as our integrated enterprise resource planning system. We placed $1.4 million and $2.6 million of these costs into service in 2020 and 2019, respectively, and are amortizing them over a weighted-average amortization period of 7 years.

Amortization expense, recognized straight-line over the life of our intangible assets, was $1.7 million and $1.1 million for the years ended December 31, 2020 and 2019, respectively. Amortization expense relating to intangible assets with finite lives for the years ending December 31, 2021 to 2025 is expected to be as follows (*$ in thousands*):

	As of December 31, 2020
2021	$ 1,432
2022	1,338
2023	1,112
2024	997
2025	909
Thereafter	1,893
Total	**$ 7,681**

8. Property and equipment

Property and equipment as of December 31, 2020 and 2019 consisted of the following (*$ in thousands*):

	As of January 1, 2020	Impairment	Additions	Disposals	Transfers [1]	As of December 31, 2020
Land, buildings and improvements	$ 1,935,708	$ (28,911)	$ 1,182	$ (63,484)	$ (24,171)	$ 1,820,324
Fixtures and machinery [2]	81,160	(1,263)	3,316	(3,851)	4,011	83,373
Furniture and other fixed assets	227,055	(949)	2,579	(8,313)	3,688	224,060
Prepayments and construction-in-progress	42,079	—	14,326	(36)	(51,816)	4,553
Acquisition cost	**$ 2,286,002**	**$ (31,123)**	**$ 21,403**	**$ (75,684)**	**$ (68,288)**	**$ 2,132,310**
Land, buildings and improvements	$ (277,722)	$ —	$ (56,300)	$ 11,320	$ 24,314	$ (298,388)
Fixtures and machinery	(34,303)	—	(7,671)	1,742	1,731	(38,501)
Furniture and other fixed assets	(122,344)	—	(23,003)	5,740	4,107	(135,500)
Accumulated depreciation	**(434,369)**	**—**	**(86,974)**	**18,802**	**30,152**	**(472,389)**
Carrying value	**$ 1,851,633**	**$ (31,123)**	**$ (65,571)**	**$ (56,882)**	**$ (38,136)**	**$ 1,659,921**

(1) On November 3, 2020, we reclassified $33.9 million of property and equipment to assets held for sale on our Consolidated Statements of Financial Position.
(2) Includes the gross balance of our finance lease right-of-use asset of $2.3 million (see Note 28). Amortization expense for our finance lease was $0.1 million and $0 million for the years ended December 31, 2020 and 2019, respectively.

	As of January 1, 2019	Adjustments	Impairment	Additions	Disposals	Transfers	As of December 31, 2019
Land, buildings and improvements	$ 1,763,271	$ (5,950)	$ (16,048)	$ 5,770	$ (32,849)	$ 221,514	$ 1,935,708
Fixtures and machinery	69,479	—	(359)	2,747	(2,108)	11,401	81,160
Furniture and other fixed assets	195,087	—	(1,529)	5,633	(18,908)	46,772	227,055
Prepayments and construction-in-progress	106,518	—	—	215,819	—	(280,258)	42,079
Acquisition cost	**$ 2,134,355**	**$ (5,950)**	**$ (17,936)**	**$ 229,969**	**$ (53,865)**	**$ (571)**	**$ 2,286,002**
Land, buildings and improvements	$ (241,174)	$ —	$ —	$ (69,296)	$ 33,051	$ (303)	$ (277,722)
Fixtures and machinery	(28,940)	—	—	(6,873)	1,872	(362)	(34,303)
Furniture and other fixed assets	(122,043)	—	—	(18,776)	17,819	656	(122,344)
Accumulated depreciation	**(392,157)**	**—**	**—**	**(94,945)**	**52,742**	**(9)**	**(434,369)**
Carrying value	**$ 1,742,198**	**$ (5,950)**	**$ (17,936)**	**$ 135,024**	**$ (1,123)**	**$ (580)**	**$ 1,851,633**

Depreciation expense for property and equipment was $87.0 million and $94.9 million for the years ended December 31, 2020 and 2019, respectively, and is recorded within depreciation and amortization in the Consolidated Statements of Profit or Loss.

For the years ended December 31, 2020 and 2019, $0 million and $13.1 million of interest expense was capitalized on qualifying assets, respectively. Interest expense was capitalized using the weighted-average interest rate of the debt.

Sale of assets

On May 22, 2020, we completed the sale of the Jewel Dunn’s River Beach Resort & Spa and Jewel Runaway Bay Beach Resort & Waterpark, which were reported within our Jamaica reportable segment, for $60.0 million in cash consideration. Upon classification as held for sale, we recorded impairment losses of $10.6 million and $16.5 million for the Jewel Dunn’s River Beach Resort & Spa and Jewel Runaway Bay Beach Resort, respectively, based on the sale price of the resorts, which is considered an observable input other than quotes prices (Level 2) in the fair value hierarchy (see Note 21). Upon closing, we received total cash consideration of $58.7 million, after customary closing costs.

Consistent with the terms of our Existing Credit Agreement (as defined in Note 18), we expect that a portion of the net proceeds, after deducting incremental expenses and capital expenditures incurred across our portfolio for up to 24 months following the sale, will be used to prepay our Term Loan in May 2022.

Impairment

For the year ended December 31, 2020, we recognized $4.0 million of impairment losses on property and equipment at the Jewel Paradise Cove Beach Resort & Spa. The carrying value of property and equipment at the Jewel Paradise Cove Beach Resort & Spa was written down as a result of our goodwill impairment testing during the first quarter of 2020 (see Note 8), as the carrying value of the CGU exceeded its fair value by an amount greater than the carrying value of the CGU's goodwill. The carrying value, net of impairment, was $24.4 million as of December 31, 2020.

For the year ended December 31, 2019, we recognized a $17.9 million impairment loss on property and equipment at the Panama Jack Playa del Carmen. The carrying value of property and equipment, net of impairment, was $30.7 million as of December 31, 2019.

Assets held for sale

On November 3, 2020, we entered into an agreement to sell the Dreams Puerto Aventuras, which is reported within our Yucatán Peninsula reportable segment, for $34.5 million in cash consideration. The assets are recorded at their fair value less costs to sell within assets held for sale as of December 31, 2020. No impairment was recognized upon classification as held for sale as the sale price of the resort exceeded its carrying value.

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, Dominican Republic, Jamaica, and United States to be our significant tax jurisdictions.

9.1 Income tax expense (benefit)

The breakdown of income tax expense (benefit) for the years ended December 31, 2020 and 2019 is as follows (*$ in thousands*):

	Year ended December 31,	
	2020	**2019**
Current income tax expense	$ 1,542	$ 4,512
Deferred income tax expense (benefit)	90	(40,100)
Total expense (benefit) for the period	**$ 1,632**	**$ (35,588)**

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.

On December 17, 2019, the Dutch Senate approved the 2020 tax package, effective January 1, 2020. Compared to the 2019 tax package, the 2020 tax package increases the corporate tax rate to 25% for 2020 and increases the corporate tax rate to 21.7% for 2021 and forward for amounts in excess of €200,000. These increased rates increase the carrying value of the Company's deferred tax assets of $3.9 million, which is offset by a full valuation allowance increase of $3.9 million and resulted in no net financial statement impact.

Based on the rules presented on September 15, 2020, the Dutch government presented the 2021 tax plan package to the Lower House of Parliament. The new tax plan, enacted on December 31, 2020, changed the corporate income tax rate for 2021 and forward back to 25% for amounts in excess of €200,000. The adjusted rate increased the carrying value of our deferred tax assets by $10.5 million, which was offset by a full valuation allowance of $10.5 million and resulted in no net financial statement impact.

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 Agreement ("APA") approved by The Ministry of Finance of the Dominican Republic. APAs were signed in December 2017 and remain in effect until 2020 for our two Dominican Republic resort entities: Playa Cana B.V. and Inversiones Vilazul, S.A.S. Pursuant to the signed APAs, our Dominican Republic entities are subject to the greater of an income tax, asset tax or gross receipts tax.

During 2020, our Dominican Republic entities were not subject to income tax. We projected that they will be subject to income taxes in some of the foreseeable years. Therefore, pursuant to IAS 12, a hybrid tax rate was applicable to compute deferred tax expenses and the Company recorded a deferred tax benefit of $3.0 million for the year ended December 31, 2020. During 2019, the Company recorded a deferred tax expense of $0.8 million. The Company will closely monitor the operations in our Dominican Republic entities and update the computation as necessary on a quarterly basis.

Two of our Dominican Republic entities benefited from the tax exemption from Dominican Republic tax authorities: Playa Romana Mar B.V. and Playa Dominican Resorts B.V. are tax exempted for fifteen years beginning in 2019.

d) Jamaica

For the legacy Jamaican entity, Playa Hall Jamaican Resort Limited, 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

During the first quarter of 2019, we implemented a new transfer pricing policy, where the intercompany pricing mechanics between some of our entities are based on the return on operating assets per applicable guidelines defined by the Organization for Economic Cooperation and Development. As such, certain of our resort entities that were previously in loss positions became profitable, which resulted in the release of their valuation allowances. Subsequent to the first quarter of 2019 the Company was continuing to evaluate its overall global structure and available tax planning strategies. In addition, the Company was also evaluating the potential impact of legislative changes in foreign jurisdictions. During the fourth quarter of 2019, we decided to implement another new transfer pricing policy, cost-plus policy for our U.S. management companies, effective January 1, 2020. As a result, the management companies are expected to be profitable, which resulted in the release of its valuation allowance. The total tax benefit of

$23.1 million is related to the valuation allowance release and all other income tax impacts of both policies have been reflected in the income tax computation for the year ended December 31, 2019.

The adverse economic effects of the COVID-19 pandemic have caused us to reassess our tax positions. Due to the current environment, including the temporary suspension of operations at our resorts, our resort incurred losses for the year ended December 31, 2020. We have adjusted our transfer pricing analysis accordingly.

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 which was liquidated in 2019.

Effective tax rate

The reconciliation between the income tax expense (benefit) and the result of applying the Company's statutory tax rate to the consolidated results for the years ended December 31, 2020 and December 31, 2019 before taxes is as follows (*$ in thousands):*

	2020		2019	
Income tax benefit at statutory rate	$ (65,823)	25 %	$ (8,891)	25 %
Differences between statutory rate and foreign rate	460	— %	(18,024)	50 %
Inflation adjustments	(2,548)	1 %	(2,335)	7 %
Nondeductible interest and expenses	22,783	(9) %	11,705	(33) %
Other	(76)	— %	(89)	— %
Goodwill impairment	4,379	(2) %	1,550	(4) %
Foreign exchange rate differences	3,822	(1) %	(2,492)	7 %
Dominican Republic tax classification	(3,050)	1 %	1,178	(3) %
Jamaican tax credit	—	— %	(1,088)	3 %
Jurisdiction rate change	(10,453)	4 %	(3,908)	11 %
Change in valuation allowance	48,428	(19) %	(13,194)	37 %
Basis difference in fixed assets	3,710	(1) %	—	— %
Income tax expense (benefit)	**$ 1,632**	**(1)%**	**$ (35,588)**	**100 %**

9.2 Deferred income taxes

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 years ended December 31, 2020 and December 31, 2019 are as follows (*$ in thousands*):

	As of January 1, 2020	Activity for the period	As of December 31, 2020
Deferred tax liabilities less than 12 months			
Accounts receivable and prepayments to vendors	$ 1,044	$ (610)	$ 434
Deferred tax liabilities over 12 months			
Property and equipment	169,542	(6,211)	163,331
Other liabilities	1,478	(23)	1,455
Total deferred tax liabilities	**172,064**	**(6,844)**	**165,220**
Deferred tax assets less than 12 months			
Advanced customer deposits	5,074	(4,564)	510
Trade payables and other accruals	7,746	(2,672)	5,074
Accounts receivable and prepayments to vendors	1,023	(112)	911
Deferred tax assets over 12 months			
Labor liability accrual	819	(797)	22
Property and equipment	1,990	(1,645)	345
Other assets	1,528	436	1,964
Income tax losses	29,290	(694)	28,596
Total deferred tax assets	**47,470**	**(10,048)**	**37,422**
Net deferred tax liabilities	**$ 124,594**	**$ 3,204**	**$ 127,798**

	As of January 1, 2019	Activity for the period	As of December 31, 2019
Deferred tax liabilities less than 12 months			
Accounts receivable and prepayments to vendors	$ 1,054	$ (10)	$ 1,044
Deferred tax liabilities over 12 months			
Property and equipment	182,250	(12,708)	169,542
Other liabilities	295	1,183	1,478
Total deferred tax liabilities	**183,599**	**(11,535)**	**172,064**
Deferred tax assets less than 12 months			
Advanced customer deposits	4,827	247	5,074
Trade payables and other accruals	3,409	4,337	7,746
Accounts receivable and prepayments to vendors	667	356	1,023
Deferred tax assets over 12 months			
Labor liability accrual	614	205	819
Property and equipment	817	1,173	1,990
Other assets	432	1,096	1,528
Income tax losses	2,887	26,403	29,290
Total deferred tax assets	**13,653**	**33,817**	**47,470**
Net deferred tax liabilities	**$ 169,946**	**$ (45,352)**	**$ 124,594**

As of December 31, 2020 and December 31, 2019, we had $89.1 million and $35.1 million, respectively, of net operating loss carryforwards in our Mexican subsidiaries. Of these amounts, we anticipate that $31.3 million and $4.0 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 2021 to 2030.

As of December 31, 2020 and December 31, 2019, we had $95.7 million and $56.5 million, respectively, of net operating loss carryforwards in our Jamaican subsidiaries. Jamaican net operating losses do not expire, however, the utilization is limited to 50% of taxable income before the net operating loss deduction annually for our legacy Jamaica entity. This 50% cap does not apply to our newly formed Jamaica entities because of the exception that it does not apply during the five years of assessment following the first year of operation of a new trade, profession, or business. Of these amounts, we anticipate that $61.3 million and $4.6 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.

As of December 31, 2020 and December 31, 2019, we had $341.4 million and $356.3 million, respectively, of net operating loss carryforwards in our Dutch subsidiaries that expire in varying amounts from 2021 to 2027. We do not anticipate generating sufficient taxable income to utilize our Dutch net operating loss carryforwards and as a result, we have not recognized a deferred tax asset in our financial statements.

As of December 31, 2020 and December 31, 2019, we had $25.9 million and $28.5 million, respectively, of net operating loss carryforwards in our US subsidiary. These carryforwards generated prior to 2018 expire in various amounts from 2034 to 2037, while net operating losses generated in 2018 and forward do not expire. We do not anticipate utilizing these loss carryforwards and as a result, we have not recognized a deferred tax asset in our financial statements.

As of December 31, 2020, and 2019, $1.5 million and $0, respectively, of net operating loss carryforwards in our Dominican Republic subsidiaries. The net operating losses generated in 2020 will expire after 2025. Of these amounts, we anticipate that $0.3 million 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.

10. Other non-current assets

The following summarizes the balances of other non-current assets as of December 31, 2020 and 2019 (*$ in thousands*):

	As of December 31,	
	2020	**2019**
Contract deposit [(1)]	$ 2,700	$ 2,700
Right of use asset [(2)]	4,263	5,673
Restricted cash [(3)]	25,941	—
Other non-current assets [(4)]	5,022	4,747
Total other non-current assets	**$ 37,926**	**$ 13,120**

[(1)] Represents a cash deposit related to the Sanctuary Cap Cana management contract. The deposit will be used towards a purchase of a partial interest in Sanctuary Cap Cana if we are able to agree on terms.
[(2)] Refer to Note 28 for additional information on our leases.
[(3)] Refer to Note 18 for additional information on our restricted cash balance.
[(4)] Primarily consists of operating supplies and equipment of $2.3 million.

11. Trade and other receivables, net

The following summarizes the balances of trade and other receivables, net as of December 31, 2020 and 2019 (*$ in thousands*):

	As of December 31,	
	2020	2019
Trade and other receivables [1]	$ 28,346	$ 73,015
Allowance for doubtful accounts[2]	(2,913)	(1,765)
Total trade and other receivables, net	**$ 25,433**	**$ 71,250**

[1] The opening balance as of January 1, 2019 was $65.4 million.
[2] Recognized an additional $0.8 million in bad debt expense during the year ended December 31, 2019 as a result of the bankruptcy of Thomas Cook, one of our travel partners. We also recognized $3.1 million in bad debt expense during the year ended December 31, 2020 primarily as result of the negative effects of COVID-19.

The change in the allowance for doubtful accounts for the years ended December 31, 2020 and 2019 is summarized in the following table *($ in thousands)*:

	Balance at January 1	Additions	Deductions	Balance at December 31
December 31, 2020	$ (1,765)	$ (3,115)	$ 1,967	$ (2,913)
December 31, 2019	$ (593)	$ (1,402)	$ 230	$ (1,765)

12. Related parties

12.1 Relationships and balances with related parties

Relationship with Hyatt

Hyatt Hotels Corporation ("Hyatt") is considered a related party of the Company due to its ownership of our ordinary shares by its affiliated entities and representation on our Board of Directors. We pay Hyatt fees associated with the franchise agreements of our resorts operating under the all-ages Hyatt Ziva and adults-only Hyatt Zilara brands and receive reimbursements for guests that pay for their stay using the World of Hyatt® guest loyalty program.

Relationship with Sagicor

Sagicor is considered a related party of the Company due to its ownership of our ordinary shares by its affiliated entities and representation on our Board of Directors. We pay Sagicor for insurance coverage for some of our Jamaica properties. Sagicor is also a part owner of the Jewel Grande Montego Bay Resort & Spa and compensates us as manager of the property.

Lease with our Chief Executive Officer

One of our offices is owned by our Chief Executive Officer and we sublease the space at that location from a third party.

12.2 Transactions with related parties

Transactions between the Company and related parties during the years ended December 31, 2020 and 2019 were as follows (*$ in thousands*):

Related Party	Transaction	Year ended December 31, 2020		2019	
Hyatt	Hyatt franchise fees [1]	$	9,937	$	17,423
Sagicor	Insurance premiums [1]	$	927	$	1,659
Sagicor	Cost reimbursements [1]	$	1,870	$	5,142
Chief Executive Officer	Lease expense [1]	$	770	$	745

[1] Included in the operating expenses line in our Consolidated Statements of Profit or Loss.

The remuneration of directors and other members of key management personnel, as identified in Section 2.1, expensed during the years ended December 31, 2020 and 2019 was as follows (*$ in thousands*):

	Year ended December 31, 2020		2019	
Short-term benefits	$	4,309	$	2,761
Post-employment benefits		66		53
Share-based payments		7,432		6,471
Total compensation paid to key management personnel	**$**	**11,807**	**$**	**9,285**

13. Prepayments and other current assets

The following summarizes the balances of prepayments and other current assets as of December 31, 2020 and 2019 (*$ in thousands*):

	As of December 31, 2020		2019	
Advances to suppliers	$	8,748	$	7,793
Prepaid income taxes		12,731		12,412
Prepaid other taxes [1]		14,033		11,156
Other current assets		173		140
Total prepayments and other current assets	**$**	**35,685**	**$**	**31,501**

[1] Includes recoverable value-added tax and general consumption tax accumulated by our Mexico and Jamaica entities, respectively.

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

14.1 Ordinary shares and share premium

On June 12, 2020, we issued 4,878,049 ordinary shares with a par value of €0.10 per share, in a private placement exempt from registration under the Securities Act in connection with our capital raising efforts. We received $19.6 million in cash consideration, after customary closing costs.

As of December 31, 2020, our ordinary share capital consisted of 134,571,290 ordinary shares outstanding, which have a par value of €0.10 each. All ordinary shares have the same voting and economic rights. In addition, 2,203,659 restricted shares and 21,480 share units were outstanding under the 2017 Plan (as defined in Note 15). The holders of restricted shares are entitled to vote, but not dispose of, such shares until they vest. The holders of share units are neither entitled to vote nor dispose of such shares until they vest.

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 14, 2018, our Board of Directors authorized the repurchase of up to $100.0 million of our outstanding ordinary shares as market conditions and our liquidity warrant. The repurchase program is subject to certain limitations under Dutch law, including existing repurchase authorization granted by our shareholders. Repurchases may be made from time to time in the open market, in privately negotiated transactions or by other means (including Rule 10b5-1 trading plans). Depending on market conditions and other factors, these repurchases may be commenced or suspended from time to time without prior notice. During the year ended December 31, 2020, we purchased 340,109 ordinary shares under the repurchase program. The shares repurchased are recorded as treasury shares on the Consolidated Statements of Financial Position as of December 31, 2020.

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 15). Further information about share-based payments to employees is set out in Note 15.

15. Share-based compensation

We adopted our 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 our Board of Directors and shareholders on March 10, 2017 and was amended on May 16, 2019 to increase the number of ordinary shares authorized and available for grant from 4,000,000 shares to 12,000,000 shares. The Compensation Committee of our Board of Directors 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 under the 2017 Plan. As of December 31, 2020, there were 8,043,686 shares available for future grants under the 2017 Plan.

Restricted share awards

Restricted share awards consist of restricted shares and restricted share units that are granted to eligible employees, executives, and board members and consist of ordinary shares (or the right to receive ordinary shares) subject to restrictions and a risk of forfeiture. Restricted shares issued to employees and executives generally vest over a period of three or five years. Restricted share units generally vest over a period of three years. For restricted share awards with a three-year vesting period, one-third of the award vests on each of the first three anniversaries of the grant date of the award. For restricted share awards with a five-year vesting period, 25% of the award vests on the third anniversary of the grant date of the award, 25% vests on the fourth anniversary of the grant date of the award and 50% vests on the fifth anniversary of the grant date of the award. Restricted share awards issued to our directors for their services as directors generally vest one year from the grant date of the award.

The vesting of restricted share awards is subject to the holder’s continued employment through the applicable vesting date. Unvested restricted share awards will be forfeited if the employee’s or the executive’s employment terminates during the vesting period, provided that unvested restricted share awards will accelerate upon certain terminations of employment as set forth in the applicable award agreements.

The holders of restricted shares 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. The holders of restricted share units have no right to vote the underlying shares and may be entitled to be credited with dividend equivalents in respect of each cash dividend declared and paid by us, in an amount per share unit equal to the per-share dividend paid on our ordinary shares, which dividend equivalents will be deemed to have been reinvested in additional restricted share units that are subject to the same terms and conditions applicable to the underlying restricted share units to which they relate.

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

A summary of our restricted share awards from January 1, 2020 to December 31, 2020 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested balance at January 1, 2020	**2,157,336**	**$ 9.03**
Granted	1,076,619	7.92
Vested	(924,366)	8.95
Forfeited	(84,450)	8.89
Unvested balance at December 31, 2020	**2,225,139**	**$ 8.53**

The following table provides additional information on our restricted share awards for the years ended December 31, 2020 and 2019 *($ in thousands, except per share data)*:

	Year Ended December 31,	
	2020	**2019**
Weighted-average grant date fair value	$ 7.92	$ 7.25
Fair value of vested restricted share awards	$ 4,837	$ 3,600
Share-based compensation expense	$ 9,550	$ 9,138

As of December 31, 2020, the unrecognized compensation cost related to restricted share awards was $5.1 million and is expected to be recognized over a weighted-average period of 1.7 years.

Performance share awards

Performance share awards consist of ordinary shares that may become earned and vested based on the achievement of performance targets adopted by our Compensation Committee. The actual number of ordinary shares that ultimately vest will range from 0% to 150% of the target award and will be determined at the end of the three-year performance period based on two performance criteria as defined in the applicable award agreements for the period of performance.

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 voting rights equivalent to the target level of ordinary shares granted to the holder and any dividends declared on such shares will be accumulated and paid within 30 days after and to the extent the target ordinary shares vest.

The grant date fair value of the portion of the award based on the compounded annual growth rate of our 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
January 2, 2019					
Total Shareholder Return	50 %	$ 537	27.78 %	2.46 %	— %
Adjusted EBITDA Comparison	50 %	$ 900	— %	— %	— %
September 19, 2019					
Total Shareholder Return	50 %	$ 287	25.86 %	1.72 %	— %
Adjusted EBITDA Comparison	50 %	$ 448	— %	— %	— %
January 2, 2020					
Total Shareholder Return	50 %	$ 1,334	24.87 %	1.58 %	— %
Adjusted EBITDA Comparison	50 %	$ 2,187	— %	— %	— %

(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, *Share-based payment,* 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 EBITDA (as defined in Note 29) was based on the closing stock price of our ordinary shares on such date. The Adjusted EBITDA component is a performance or non-market condition as defined by IFRS 2, and, therefore, compensation expense related to this component is reassessed at each reporting date based on the Company's estimate of the probable level of achievement, and the accrual of compensation expense is adjusted as appropriate. Due to the adverse effects of COVID-19, all outstanding performance share awards granted in 2018, 2019 and 2020 were voluntarily waived and forfeited during the fourth quarter of 2020 and accounted for as cancellations. The performance share awards were returned to the pool of shares available for future grants under the 2017 Plan.

A summary of our performance share awards from January 1, 2020 to December 31, 2020 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested balance at January 1, 2020	**913,407**	**$ 7.22**
Granted	552,395	6.38
Forfeited	(265,088)	7.99
Canceled	(1,200,714)	6.66
Unvested balance at December 31, 2020	**—**	**$ —**

The following table provides additional information on our performance share awards for the years ended December 31, 2020 and 2019 *($ in thousands, except per share data)*:

	Year Ended December 31,	
	2020	2019
Weighted-average grant date fair value	$ 6.38	$ 5.83
Share-based compensation expense	$ 1,035	$ 780

As of December 31, 2020, the unrecognized compensation cost related to performance share awards was $1.2 million and is expected to be recognized over a weighted-average period of 1.4 years.

16. Earnings per share

Basic and diluted earnings per share (“EPS”) are as follows (*$ in thousands*):

	Year ended December 31,	
	2020	**2019**
Numerator:		
(Loss) income	$ (264,914)	$ 25
Numerator for basic and diluted EPS - (loss) income available to ordinary shareholders	**$ (264,914)**	**$ 25**
Denominator:		
Denominator for basic EPS - weighted-average shares outstanding	132,210,205	130,023,463
Effect of dilutive securities:		
Unvested restricted share awards	—	820,309
Denominator for diluted EPS - adjusted weighted-average shares outstanding	**132,210,205**	**130,843,772**
(Losses) earnings per share - Basic	**$ (2.00)**	**$ —**
(Losses) earnings per share - Diluted	**$ (2.00)**	**$ —**

For the year ended December 31, 2020, unvested restricted share awards of 2,225,139 were not included in the computation of diluted EPS as their effect would have been anti-dilutive.

For the year ended December 31, 2019, unvested performance-based equity awards of 913,407 were not included in the computation of diluted EPS after assumed conversions, as the performance criteria were not met as of the end of the respective reporting period. As of December 31, 2020, there were no unvested performance-based equity awards.

For the years ended December 31, 2020 and 2019, outstanding Earnout Warrants to acquire a total of 2,987,770 ordinary shares were not included in the computation of diluted EPS after assumed conversions because the warrants were not exercisable as of the end of the respective reporting period.

17. Warrants

We previously issued 3,000,000 warrants (the “Earnout Warrants”) which entitle the 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 March 12, 2017. The Earnout Warrants expire on March 12, 2022 or earlier upon redemption or liquidation in accordance with their term.

The Earnout Warrants are classified as financial liabilities primarily because each instrument contained net settlement and cashless exercise features. The Earnout 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.

As of December 31, 2020 and 2019, there were 2,987,770 Earnout Warrants outstanding.

18. Borrowings

The following summarizes the carrying amounts of the Company's borrowings as of December 31, 2020 and 2019 (*$ in thousands*):

			Outstanding Balance as of	
	Interest Rate	**Maturity Date**	**December 31, 2020**	**December 31, 2019**
Revolving Credit Facilities				
Revolving Credit Facility [1]	LIBOR + 3.00%	April 27, 2022	$ 84,667	$ 60,000
Senior Secured Credit Facilities				
Term Loan [2]	LIBOR + 2.75%	April 27, 2024	$ 976,348	$ 986,448
Term A1 Loan	11.4777%	April 27, 2024	35,000	—
Term A2 Loan	11.4777%	April 27, 2024	31,000	—
Term A3 Loan [3]	LIBOR + 3.00%	April 27, 2024	28,000	—
Total Term Loans (at stated value)			1,070,348	986,448
Unamortized discount			(2,648)	(3,460)
Unamortized debt issuance costs			(12,105)	(11,572)
Total Term Loans, net			$ 1,055,595	$ 971,416
Property Loan				
Property Loan (at stated value)	9.25%	July 1, 2025	$ 110,000	$ —
Unamortized discount			(3,960)	—
Unamortized debt issuance costs			(4,409)	—
Total Property Loan, net			$ 101,631	$ —
Financing lease obligations [4]			$ 2,294	$ —
Total debt, net			**$ 1,244,187**	**$ 1,031,416**

[1] We had available balances of $0.3 million and $40.0 million as of December 31, 2020 and 2019, respectively. The weighted-average interest rate on the outstanding balance of our Revolving Credit Facility was 3.15% and 4.72% as of December 31, 2020 and 2019, respectively.
[2] One-month London Interbank Offered Rate ("LIBOR") rate is subject to a 1.0% floor. The interest rate was 3.75% and 4.55% as of December 31, 2020 and 2019, respectively. Our two interest rate swaps fix LIBOR at 2.85% on $800.0 million of our Term Loan (see Note 19).
[3] LIBOR rate is subject to a 1.0% floor. The interest rate was 4.00% as of December 31, 2020.
[4] Interest expense for our finance lease was $0.1 million and $0 million for the years ended December 31, 2020 and 2019, respectively.

Senior Secured Credit Facility

Playa Resorts Holding B.V., a subsidiary of ours, holds a senior secured credit facility ("Senior Secured Credit Facility"), which consists of a term loan facility which is scheduled to mature on April 27, 2024 ("Term Loan") and a revolving credit facility which was originally scheduled to mature on April 27, 2022 ("Revolving Credit Facility"). The Term Loan bears interest at a rate per annum equal to LIBOR plus 2.75% (where the applicable LIBOR rate has a 1.0% floor). The Revolving Credit Facility bears interest at LIBOR plus 3.00%. We are required to pay a commitment fee ranging from 0.25% to 0.5% per annum on the average daily undrawn balance of the Revolving Credit Facility.

The obligations under the Senior Secured Credit Facility are guaranteed by (a) substantially all of our material subsidiaries, subject to certain exceptions and (b) the Company on a limited recourse basis, with such guaranty being collateralized by a lien on our ordinary shares.

The obligations are further collateralized by, among other things, a lien on (i) all resorts located in Mexico, (ii) certain personal property associated with such resort properties and (iii) pledges of equity interests in certain of our subsidiaries that directly or indirectly own equity interests in any resort property or certain management companies.

Fourth Amendment to Amended and Restated Credit Agreement

On June 12, 2020, we entered into the Fourth Amendment to the Amended & Restated Credit Agreement (the "Fourth Amendment", and collectively with the unamended terms of the Senior Secured Credit Facility, the "Existing Credit Agreement"). The terms of the Senior Secured Credit Facility remain in effect except for the following terms modified by the Fourth Amendment:

i. replace the total net leverage ratio requirement of the financial covenant with a minimum liquidity test until September 30, 2021 (the "Relief Period");

ii. modify the financial covenant for certain test dates after the Relief Period; and

iii. add certain restrictions on, among other things, the incurrence of additional debt and making of investments, dispositions and restricted payments during the Relief Period.

On February 5, 2021, we amended certain terms of the Senior Secured Credit Facility. Refer to Note 30 for further details.

Additional Credit Facility

On June 12, 2020, we entered into an additional senior secured credit facility with an average interest rate of 9.25% that matures on April 27, 2024 and ranks pari passu with the Existing Credit Agreement (the "Additional Credit Facility"). The Additional Credit Facility consists of the following term loans:

i. $35.0 million term loan at fixed rate of 11.4777% (the "Term A1 Loan");

ii. $31.0 million term loan at fixed rate of 11.4777% (the "Term A2 Loan"); and

iii. $28.0 million term loan at our option of either a base rate plus a margin of 2.00% or LIBOR plus 3.00% (the "Term A3 Loan"). Term A3 Loan is a Eurocurrency loan subject to a 1.0% LIBOR floor consistent with the Existing Credit Agreement.

We intend to use the proceeds from the Additional Credit Facility for general corporate purposes. The obligations under the Additional Credit Facility are collateralized in a manner that is substantially identical to the Existing Credit Agreement.

Prior to the maturity date, the Additional Credit Facility does not require principal payments, but does include mandatory prepayment requirements for the Term A3 Loan that are consistent with the Existing Credit Agreement. Mandatory prepayments are required for certain asset sales, casualty events and condemnation events that are not reinvested in our business where our total net leverage ratio is above 4.00x. We may not voluntarily prepay any portion of the Additional Credit Facility prior to June 2023 without paying a make-whole premium equal to 100% of the interest that would have otherwise accrued from the date of such payment through June 2022 plus 50% of the interest that otherwise would have accrued from June 2022 to June 2023. Subsequent to June 2023, we may prepay any portion of the Additional Credit Facility without penalty.

In connection with the Additional Credit Facility, we terminated the remaining $15.0 million of unused capacity of our Revolving Credit Facility under the Existing Credit Agreement. The Additional Credit Facility contains covenants, including a springing financial maintenance covenant, identical to those contained in the Existing Credit Agreement.

On February 5, 2021, we amended certain terms of the Additional Credit Facility. Refer to Note 30 for further details.

Property Loan Agreement

On June 12, 2020, we entered into a property loan agreement in the amount of $110.0 million that has a fixed interest rate of 9.25% and matures on July 1, 2025 (the "Property Loan"). Prior to maturity, the Property Loan does not require principal payments. The Property Loan is collateralized by the mortgages of our Hyatt Ziva and Hyatt Zilara Cap Cana properties located in the Dominican Republic and the Hilton Rose Hall Resort & Spa located in Jamaica (collectively the "Properties"). We intend to use the proceeds of the Property Loan to finance the operation and management of the Properties and for general corporate purposes.

During the term of the Property Loan, we are required to deposit certain cash reserves including reserves for operating expenses, debt service and certain property improvement plan required work. We will continue to fund the reserves until the Properties achieve a debt service coverage ratio of 1.50x for two consecutive calendar quarters. These reserves are presented as restricted cash in other non-current assets on our Consolidated Statements of Financial Position, which had a balance of $25.9 million as of December 31, 2020 (See Note 10).

Financing lease obligation

On July 1, 2020, we entered into a twelve year finance lease arrangement with a third-party for the construction, management and maintenance of a thermal energy plant located at the Hyatt Ziva and Hyatt Zilara Cap Cana. We recognized a $2.3 million right-of-use asset and lease liability within property and equipment, net and debt, respectively, on the Consolidated Statements of Financial Position.

Financial maintenance covenants

We were in compliance with all applicable covenants as of December 31, 2020. See a summary of our applicable covenants and restrictions below as of December 31, 2020:

Debt	Covenant Terms
Existing Credit Agreement	We are required to maintain a minimum liquidity balance of $60.0 million through the Relief Period. If we have more than 35% drawn on the Revolving Credit Facility for periods subsequent to June 30, 2021, we will be subject to the following total net leverage ratio requirements: ▪ 6.50x for the period ended September 30, 2021; ▪ 6.00x for the period ended December 31, 2021; and ▪ 4.75x for periods thereafter.
Term A1 Loan	Same terms as the Existing Credit Agreement.
Term A2 Loan	No applicable debt covenants.
Term A3 Loan	No applicable debt covenants.
Property Loan	No applicable debt covenants other than the requirement to maintain a cash reserve until the Properties achieve a debt service coverage ratio of 1.50x for two consecutive quarters.

19. Derivative financial instruments

Interest rate swaps

Effective March 29, 2018, we entered into two interest rate swaps to mitigate the interest rate risk inherent to our floating rate debt, including the Revolving Credit Facility and Term Loan. The interest rate swaps are not for trading purposes and have fixed notional values of $200.0 million and $600.0 million. The fixed rate paid by us is 2.85% and the variable rate received resets monthly to the one-month LIBOR rate, which results in us fixing LIBOR at 2.85% on $800.0 million of our Term Loan. The interest rate swaps mature on March 31, 2023.

As of March 20, 2019, we elected to adopt hedge accounting and designate our interest rate swaps as cash flow hedges. Prior to our adoption of hedge accounting, the change in fair value of our interest rate swaps was recognized through finance costs in the Consolidated Statements of Profit or Loss. Following the adoption, the change in the fair value of our interest rate swaps that qualify as effective cash flow hedges is recorded through other comprehensive loss ("OCI") in the Consolidated Statements of Comprehensive Loss. Unrealized gains and losses in accumulated other comprehensive loss ("AOCI") are reclassified to finance costs as interest payments are made on our variable rate debt. On February 29, 2020, our interest rate swaps were ineffective due to the decrease in interest rates and all subsequent changes in fair value were recognized through interest expense in the Consolidated Statements of Profit or Loss.

The following tables present the effect of our interest rate swaps, net of tax, in the Consolidated Statements of Comprehensive Loss and Consolidated Statements of Profit or Loss for the years ended December 31, 2020 and 2019 *($ in thousands)*:

Derivative Liabilities Designated as Hedging Instruments	**2020**	**2019**
AOCI from our cash flow hedges as of January 1	**$ 20,164**	**$ —**
Change in fair value	16,956	21,487
Reclassification from AOCI to finance costs	(10,751)	(1,323)
AOCI from our cash flow hedges as of December 31 [(1)]	**$ 26,369**	**$ 20,164**

[(1)] As of December 31, 2020, the total amount expected to be reclassified from AOCI to finance costs during the next twelve months is $11.7 million, which represents losses previously recognized in AOCI when our interest rate swaps were designated as a hedging instruments.

The following table presents the location and effects of the derivative instruments in the Consolidated Statement of Profit or Loss for the years ended December 31, 2020 and 2019 *($ in thousands)*:

		Year ended December 31,	
Derivatives not Designated as Hedging Instruments	**Income Statement Classification**	**2020**	**2019**
Interest rate swaps	Finance costs [(1)]	$ 26,299	$ 2,715

[(1)] Includes the change in fair value of our interest rate swaps and the cash interest paid for the monthly settlements of the derivative during the period.

The following table presents the location and fair value of the derivative instruments in the Consolidated Statement of Financial Position as of December 31, 2020 and 2019 *($ in thousands)*:

		As of December 31,			
Derivatives not Designated as Hedging Instruments	**Balance Sheet Classification**		**2020**		**2019**
Interest rate swaps	Current liabilities - Derivative financial instruments	$	21,447	$	—
Interest rate swaps	Non-current liabilities - Derivative financial instruments	$	24,893	$	—

		As of December 31,			
Derivatives Designated as Hedging Instruments	**Balance Sheet Classification**		**2020**		**2019**
Interest rate swaps	Current liabilities - Derivative financial instruments	$	—	$	9,818
Interest rate swaps	Non-current liabilities - Derivative financial instruments	$	—	$	22,114

Derivative financial instruments expose the Company to credit risk in the event of non-performance by the counterparty under the terms of the interest rate swaps. The Company incorporates these counterparty credit risks in its fair value measurements (see Note 21). The Company believes it minimizes this credit risk by transacting with major creditworthy financial institutions.

20. Trade and other payables

The following summarizes the balances of trade and other payables as of December 31, 2020 and 2019 (*$ in thousands*):

	As of December 31,			
		2020		**2019**
Trade payables	$	23,348	$	45,299
Advance deposits[(1)]		29,707		53,769
Withholding and other taxes payable		37,450		46,983
Interest payable		618		125
Payroll and related accruals		15,668		14,547
Other payables[(2)]		16,457		20,703
Total trade and other payables	**$**	**123,248**	**$**	**181,426**

(1) The opening balance as of January 1, 2019 was $57.3 million.
(2) Primarily consists of accruals for advertising, utilities, commissions, professional fees and telecommunications.

21. Financial instruments

21.1 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, 2020 and 2019 are as follows (*$ in thousands*):

	As of December 31,	
	2020	**2019**
Debt	$ 1,244,187	$ 1,031,416
Less, cash and cash equivalents	(146,919)	(20,931)
Net financial debt	**$ 1,097,268**	**$ 1,010,485**
Equity	**$ 444,086**	**$ 687,801**
Net debt to equity ratio	**247 %**	**147 %**

21.2 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,	
	2020	**2019**
Financial assets not measured at fair value:		
Cash and cash equivalents	$ 146,919	$ 20,931
Restricted cash	25,941	—
Trade and other receivables, net	25,433	71,250
Accounts receivable from related parties	3,726	5,401
Total financial assets	**$ 202,019**	**$ 97,582**
Financial liabilities not measured at fair value:		
Senior Secured Credit Facility (1)	$ 1,055,595	$ 971,416
Revolving Credit Facility (1)	84,667	60,000
Property Loan (1)	101,631	—
Finance lease obligation	2,294	—
Advance deposits	29,707	53,769
Trade payables	23,348	45,299
Payables to related parties	8,073	7,620
Total financial liabilities not measured at fair value	**$ 1,305,315**	**$ 1,138,104**
Financial liabilities measured at fair value:		
Warrant liability	$ 8,127	$ 8,366
Interest rate swap (2)	46,340	31,932
Total financial liabilities measured at fair value	**54,467**	**40,298**
Total financial liabilities	**$ 1,359,782**	**$ 1,178,402**

(1) Includes both current and non-current borrowings.
(2) Includes both current and non-current portions of the interest rate swap.

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, 2020 and 2019.

21.3 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 in the statement of financial position

The following table presents the Company's financial liabilities that are measured at fair value as of December 31, 2020 and 2019 (*$ in thousands*):

		Fair Value		
	December 31, 2020	**Level 1**	**Level 2**	**Level 3**
Financial liabilities measured at fair value:				
Warrant liability	$ 8,127	$ —	$ 8,127	$ —
Interest rate swap [(1)]	$ 46,340	$ —	$ 46,340	$ —

		Fair Value		
	December 31, 2019	**Level 1**	**Level 2**	**Level 3**
Financial liabilities measured at fair value:				
Warrant liability	$ 8,366	$ —	$ 8,366	$ —
Interest rate swap [(1)]	$ 31,932	$ —	$ 31,932	$ —

[(1)] Includes both the current and non-current portions of the interest rate swap.

Earnout Warrants

Earnout Warrants, as described in Note 17, 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 Company determined that its warrant liability should be classified in Level 2 of the fair value hierarchy.

Interest rate swaps

The fair value of the interest rate swaps is estimated based on the expected future cash flows by incorporating the notional amount of the swaps, the contractual period to maturity, and observable market-based inputs, including interest rate curves. The fair value also incorporates credit valuation adjustments to appropriately reflect nonperformance risk. The Company determined that its interest rate swaps should be classified in Level 2 of the fair value hierarchy.

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, 2020	Level 1	Level 2	Level 3
Financial liabilities not measured at fair value:				
Term Loan	$ 964,840	$ —	$ —	$ 936,799
Revolving Credit Facility	84,667	—	—	84,769
Term A1 Loan	33,792	—	—	35,182
Term A2 Loan	29,930	—	—	31,161
Term A3 Loan	27,033	—	—	28,028
Property Loan	101,632	—	—	109,871
Total	**$ 1,241,893**	**$ —**	**$ —**	**$ 1,225,810**

	Carrying Value	Fair Value		
	As of December 31, 2019	Level 1	Level 2	Level 3
Financial liabilities not measured at fair value:				
Term Loan	$ 971,416	$ —	$ —	$ 983,214
Revolving Credit Facility	60,000	—	—	60,000
Total	**$ 1,031,416**	**$ —**	**$ —**	**$ 1,043,214**

The following table summarizes the valuation techniques used to estimate the fair value of our financial liabilities not measured at fair value in the statement of financial position but for which the fair value is presented:

Financial instruments not recorded at fair value	**Valuation Technique**
Term Loans and Property Loan	The fair value of our Term Loans and Property Loan are estimated using cash flow projections over the remaining contractual period by applying market forward rates and discounting back at the appropriate discount rate.
Revolving Credit Facility	The valuation technique of our Revolving Credit Facility is consistent with our Term Loan. The fair value of the Revolving Credit Facility generally approximates its carrying value as the expected term is significantly shorter in duration.

Assets measured at fair value in the statement of financial position after initial recognition

The following table presents the Company's assets that are measured at fair value in the Consolidated Statement of Financial Position after initial recognition (*$ in thousands*):

	Carrying Value	Fair Value		
	As of March 31, 2020	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value				
Impaired property and equipment	$ 25,523	$ —	$ —	$ 25,523
Total	**$ 25,523**	**$ —**	**$ —**	**$ 25,523**

(1) On March 31, 2020, we recorded an impairment loss of $4.0 million based on the excess of carrying value over fair value resulting from the goodwill impairment the Jewel Paradise Cove Beach Resort & Spa CGU.

	Carrying Value	Fair Value		
	As of December 31, 2019	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value				
Impaired property and equipment	$ 30,673	$ —	$ —	$ 30,673
Total	**$ 30,673**	**$ —**	**$ —**	**$ 30,673**

We had no assets measured at fair value after initial recognition as of December 31, 2020.

The property and equipment of our Panama Jack Playa del Carmen CGU is stated at fair value as a result of impairment losses recognized during the fourth quarter of 2019 (refer to Note 8). The fair value less costs of disposal was higher than the value in use and hence the recoverable amount of the property and equipment was determined on the basis of their fair value less costs of disposal. We estimated the fair value of the property and equipment using a discounted cash flow approach that included projections of revenues and expenses over a five year period and into perpetuity, as well as estimated long-term growth rates and discount rates based on our weighted-average cost of capital. Refer to discussion of these inputs in Note 7.

21.4 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 credit manager. Each resort 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, 2020 and 2019 is as follows (*$ in thousands*):

	As of December 31,	
	2020	**2019**
0 - 60 days (current)	$ 17,278	$ 64,392
61 - 90 days	431	1,952
91 - 120 days	348	2,283
> 120 days	10,289	4,388
Gross trade and other receivables	**$ 28,346**	**$ 73,015**

The gross carrying amount of trade and other receivables 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, 2020 and 2019 was $2.9 million and $1.8 million, respectively (see Note 11).

21.5 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 derivative and 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, 2020 (*$ in thousands*):

Liability	**1 Year**	**1 to 3 Years**	**3 to 5 Years**	**Over 5 Years**	**Total**
Revolving Credit Facility interest payments[(1)(2)]	$ 1,403	$ 138	$ —	$ —	$ 1,541
Revolving Credit Facility principal payments[(3)]	84,667	—	—	—	84,667
Term Loan principal payments	10,100	20,200	1,010,386	—	1,040,686
Term Loan interest payments[(4)]	67,638	115,837	23,643	—	207,118
Property Loan principal payments	—	—	110,000	—	110,000
Property Loan interest payments	9,440	20,633	16,337	—	46,410
Prepayment of Senior Secured Credit Facility[(5)]	—	29,662	—	—	29,662
Other non-interest bearing liabilities[(6)]	31,421	—	—	—	31,421
Lease payments	1,261	2,314	1,800	4,067	9,442
Total obligations	**$ 205,930**	**$ 188,784**	**$ 1,162,166**	**$ 4,067**	**$ 1,560,947**

(1) The commitment fee, which may range from 0.5% to 0.25% depending on certain leverage ratios, was 0.5% on the $0.3 million undrawn balance of our Revolving Credit Facility as of December 31, 2020.

(2) Draws under the Revolving Credit Facility bear interest at one-month LIBOR plus 3.0%. The weighted-average interest rate was 3.15% on the $84.7 million outstanding balance of our Revolving Credit Facility as of December 31, 2020.

(3) Under the Fifth Amendment to our Senior Secured Credit Facility entered into in February 2021, we are obligated to repay $17.0 million of our outstanding balance on our Revolving Credit Facility in April 2022 and the remaining outstanding balance in January 2024; however, we fully repaid the outstanding balance as of December 31, 2020 on February 5, 2021. See Note 30 to our Consolidated Financial Statements for more information.

(4) The interest commitment on our Term Loan is calculated based on LIBOR plus 275 basis points with a 1% LIBOR floor and the estimated net settlement of the related interest rate swaps. Projected interest rates range from 2.87% to 3.75%. Payments were calculated using the average forecasted one-month forward-looking LIBOR curve. As of December 31, 2020, contracted maturities for our interest rate swap represent $22.1 million and $27.2 million in 2021 and 2022 - 2023, respectively.

(5) In connection with the terms of the Existing Credit Agreement, we are required to use the net proceeds from the sale of assets to prepay the proportionate balance on our Senior Secured Credit Facility if our net leverage ratio is above 4.00x. We anticipate that we will prepay the net proceeds from the sale of the Jewel Dunn's River Beach Resort & Spa and Jewel Runaway Bay Beach Resort & Waterpark, less incremental transaction costs and capital expenditures incurred across our portfolio leading up to the prepayment date, in May 2022.

(6) Includes trade and related party payables.

21.6 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.

21.7 Interest rate risk

The risk from market interest rate fluctuations mainly affects long-term debt bearing interest at a variable interest rate. We currently use an interest rate swap (see Note 19) to manage exposure to this risk.

21.8 Variable rate instruments

As of December 31, 2020, approximately 23% of our outstanding indebtedness bore interest at variable rates and approximately 77% bore interest at fixed rates. 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, 2020 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 market rates of interest on our floating rate debt were to increase by 100 basis points, the increase in interest expense on our floating rate debt would decrease our future earnings and cash flows by approximately $1.2 million annually, assuming the balance outstanding under our Revolving Credit Facility remained at $84.7 million. If market rates of interest on our floating rate debt were to decrease by 100 basis points, the decrease in interest expense on our floating rate debt would increase our future earnings and cash flows by approximately $0.1 million annually, assuming the balance outstanding under our Revolving Credit Facility remained at $84.7 million.

21.9 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 96.2% 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 79.5% 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 effect of an immediate 5% adverse change in foreign exchange rates on Mexican Peso-denominated expenses at December 31, 2020 would have impacted our profit before tax by approximately $5.0 million on a year-to-date basis. The effect of an immediate 5% adverse change in foreign exchange rates on Dominican Peso-denominated expenses at December 31, 2020 would have impacted our profit before tax by approximately $2.3 million on a year-to-date basis. The effect of an immediate 5% adverse change in foreign exchange rates on Jamaican Dollar-denominated expenses at December 31, 2020 would have impacted our profit before tax by approximately $3.2 million on a year-to-date basis.

21.10 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)]	Warrant Liability
As of December 31, 2019	**$ 1,031,416**	**$ 8,366**
Financing cash flows, net	205,490	—
Non-cash changes:		
Change in fair value	—	(239)
Finance lease obligation	2,294	—
Finance costs	4,987	—
As of December 31, 2020	**$ 1,244,187**	**$ 8,127**

(1) Includes both current and non-current borrowings on our Term Loan and Revolving Credit Facility.

22. Provisions

As of December 31, 2020 and 2019, there were no provisions outstanding.

23. Commitments and contingencies

We are involved in various claims and lawsuits arising in the normal course of business, including proceedings involving tort and other general liability claims, and workers' compensation and other employee claims. Most occurrences involving liability and claims of negligence are covered by insurance with solvent insurance carriers. We recognize a liability when we believe the loss is probable and reasonably estimable. We currently believe that the ultimate outcome of such lawsuits and proceedings will not, individually or in the aggregate, 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., Playa Resorts Holding B.V. is the head of our Dutch fiscal unity and is jointly and severally liable for the tax liabilities of the fiscal unity as a whole.

24. Other non-current liabilities

The following summarizes the balances of other non-current liabilities as of December 31, 2020 and 2019 (*$ in thousands*):

	As of December 31,	
	2020	2019
Pension obligation	$ 5,491	$ 5,880
Key money [(1)]	15,790	8,225
Lease liability	4,762	6,208
Other	1,088	1,099
Total other non-current liabilities	**$ 27,131**	**$ 21,412**

(1) Represents the unamortized balance of key money received, which is recorded as a reduction to franchise fees within operating expenses in the Consolidated Statements of Profit or Loss. We received $8.5 million and $6.5 million in 2020 and 2019, respectively.

25. Operating expenses

For the years ended December 31, 2020 and the 2019, the breakdown of operating expenses is as follows (*$ in thousands*):

	Year ended December 31,	
	2020	**2019**
Personnel expenses	$ 117,479	$ 174,246
Operating equipment and supplies	34,081	53,579
Food and beverage	33,350	81,323
Guest services	2,717	6,722
Utilities expenses	25,094	37,791
Human Resources Expenses	11,633	11,467
Computer and Telephone Expenses	7,319	7,361
Reimbursed Costs	2,189	6,412
Third party licensing and commissions	6,042	10,547
Advertising expenses	11,248	26,609
Professional fees	12,187	13,015
Incentive and management fees	1,161	6,366
Insurance expenses	19,457	15,181
Repairs and maintenance expense	11,614	16,847
Franchise fees	12,872	21,881
Other	8,522	14,342
Total operating expenses	**$ 316,965**	**$ 503,689**

The breakdown of personnel expenses for the years ended December 31, 2020 and 2019 is as follows (*$ in thousands*):

	Year ended December 31,	
	2020	**2019**
Wages, salaries and severance	$ 100,565	$ 151,077
Benefits	16,914	23,169
Total personnel expenses	**$ 117,479**	**$ 174,246**

The number of full-time employees as of December 31, 2020 and 2019 by category is as follows:

	As of December 31,	
	2020	**2019**
Resort management and administration	1,212	1,916
Resort staff	6,758	10,135
Total number of full-time employees	**7,970**	**12,051**

As of December 31, 2020 and 2019, the Company had no employees in the Netherlands.

26. Finance costs

For the years ended December 31, 2020 and 2019, the breakdown of finance costs is as follows (*$ in thousands*):

	Year ended December 31,	
	2020	**2019**
Interest expense:		
Interest on Term Loan	$ 43,968	$ 50,467
Interest on Property Loan	5,398	—
Interest and commitment fee on Revolving Credit Facility	2,952	999
Interest on interest rate swaps	18,132	4,761
Interest expense on lease	112	—
Amortization of financing costs and discount on Term Loan	4,987	3,537
Capitalized interest	—	(13,034)
Change in fair value of derivative financial instruments	8,167	(708)
Other financing costs	387	230
Total finance costs	**$ 84,103**	**$ 46,252**

27. Other financial income, net

For the years ended December 31, 2020 and 2019, the breakdown of other financial income, net is as follows (*$ in thousands*):

	Year ended December 31,	
	2020	**2019**
Change in fair value of warrant liability	$ 239	$ 1,344
Non-service cost components of net periodic pension benefit (cost)	382	(50)
Other	564	(524)
Total other financial income, net	**$ 1,185**	**$ 770**

28. Leases

We enter into leases primarily for administrative offices. Our administrative offices, located in Virginia, Florida and Cancún, are leased under various lease agreements that extend for varying periods through 2025, with the option to extend our Cancún and Florida office leases through 2026 and 2030, respectively. The extension options are reasonably certain to be exercised and included in the amounts recorded.

We also have a lease arrangement with a third-party for the construction, management and maintenance of a thermal energy plant in the Dominican Republic. The lease commenced on July 1, 2020 at the Hyatt Ziva and Hyatt Zilara Cap Cana for a term of twelve years.

Our minimum future lease payments under non-cancelable leases with third parties and related parties and lease liability as of December 31, 2020 were as follows *($ in thousands)*:

	Operating Leases	Finance Leases
Minimum future lease payments		
2021	$ 954	$ 307
2022	988	312
2023	697	317
2024	560	323
2025	589	328
Thereafter	1,798	2,269
Total minimum future lease payments	**5,586**	**3,856**
Less: imputed interest	(824)	(1,562)
Total lease liability	**$ 4,762**	**$ 2,294**

The following table presents the components of lease expense and supplemental cash flow information for the years ended December 31, 2020 and 2019 *($ in thousands)*:

	Year Ended December 31,	
	2020	2019
Lease expense [(1)(2)]	$ 2,497	$ 2,563
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash outflows for leases	$ 112	$ 643
Financing cash outflows for leases	$ 760	$ —

[(1)] Includes variable lease and short term lease expenses, which are considered individually immaterial. Our lease expense is reported in operating expenses in the Consolidated Statements of Profit or Loss depending on the nature of the lease.

The following table presents other relevant information related to our leases as of December 31, 2020:

	Operating Leases	Finance Leases
Weighted-average remaining lease term	6.91 years	11.50 years
Weighted-average discount rate [(1)]	4.54 %	9.72 %

[(1)] The discount rates applied to each lease reflects our estimated incremental borrowing rate which was determined based on lending rates specific to the type of leased real estate.

We rent certain real estate to third parties for office and retail space within our resorts. Our lessor contracts are considered operating leases and generally have a contractual term of one to three years. The following table presents our rental income for the years ended December 31, 2020 and 2019 *($ in thousands)*:

		Year Ended December 31,	
Leases	**Financial Statement Classification**	**2020**	**2019**
Operating lease income [(1)]	Non-package revenue	$ 1,753	$ 5,105

[(1)] Includes variable lease revenue, which is typically calculated as a percentage of our tenant's net sales.

29. Segments

We consider each one of our owned 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 four separate reportable segments by geography: (i) Yucatán Peninsula, (ii) Pacific Coast, (iii) Dominican Republic, and (iv) Jamaica. For the years ended December 31, 2020, and 2019, we have excluded the immaterial amounts of management fees, cost reimbursements 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 for each reportable segment is reviewed by the CODM to assess performance and make decisions regarding the allocation of resources.

The performance of our business is evaluated primarily on adjusted earnings before interest expense, income tax benefit (provision), and depreciation and amortization expense ("Adjusted EBITDA"), which should not be considered an alternative to net income (loss) or other measures of financial performance or liquidity derived in accordance with U.S. GAAP. The performance of our segments is evaluated on Adjusted EBITDA before corporate expenses and management fees ("Owned Resort EBITDA").

We define Adjusted EBITDA as net (loss) income, determined in accordance with U.S. GAAP, for the period presented, before interest expense, income tax benefit (provision), and depreciation and amortization expense, further adjusted to exclude the following items: (a) other (expense) income; (b) pre-opening expense; (c) share-based compensation; (d) other tax expense; (e) transaction expense; (f) severance expense; (g) property damage insurance gain; (h) repairs from hurricanes and tropical storms; (i) impairment loss; (j) loss on sale of assets; and (k) Jamaica delayed opening accrual reversal.

There are limitations to using financial measures such as Adjusted EBITDA and Owned Resort 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 U.S. GAAP results presented in our Consolidated Financial Statements.

The following table presents segment Owned Net Revenue and a reconciliation to total revenue under IFRS for the years ended December 31, 2020 and 2019 (*$ in thousands*):

	Year Ended December 31,	
	2020	**2019**
Owned Net Revenue:		
Yucatán Peninsula	$ 109,629	$ 235,788
Pacific Coast	33,065	85,219
Dominican Republic	49,898	90,783
Jamaica	69,173	193,558
Segment Owned Net Revenue [1]	**261,765**	**605,348**
Other	367	23
Management fees	807	1,820
Cost reimbursements	2,189	6,412
Compulsory tips	8,061	22,874
Total revenue	**$ 273,189**	**$ 636,477**

[1] Segment Owned Net Revenue represents total revenue less compulsory tips paid to employees, cost reimbursements, management fees and other miscellaneous revenue not derived from segment operations.

The following table presents segment Owned Resort EBITDA, Adjusted EBITDA and a reconciliation to net (loss) income under U.S. GAAP for the years ended December 31, 2020 and 2019 (*$ in thousands*):

	Year Ended December 31,	
	2020	**2019**
Owned Resort EBITDA per U.S. GAAP:		
Yucatán Peninsula	$ 17,783	$ 82,534
Pacific Coast	4,281	31,618
Dominican Republic	(6,694)	16,596
Jamaica	(1,284)	55,175
Segment Owned Resort EBITDA	**14,086**	**185,923**
Other corporate	(36,066)	(37,049)
Management fees	807	1,820
Total adjusted EBITDA per U.S. GAAP	**(21,173)**	**150,694**
Interest expense	(81,942)	(44,087)
Depreciation and amortization	(92,570)	(101,897)
Impairment loss	(55,619)	(6,168)
Loss on sale of assets	(2,021)	—
Other expense	(1,164)	(3,200)
Repairs from hurricanes and tropical storms	(1,542)	—
Pre-opening expense	—	(1,452)
Share-based compensation	(10,158)	(8,845)
Other tax expense	(613)	(577)
Transaction expense	(2,497)	(6,175)
Severance expense	(3,844)	(515)
Non-service cost components of net periodic pension (benefit) cost	(200)	645
Net loss before tax	**(273,343)**	**(21,577)**
Income tax benefit	10,973	17,220
Net loss per U.S. GAAP	**$ (262,370)**	**$ (4,357)**

The following table presents a reconciliation of our U.S. GAAP net loss to our IFRS (loss) income for the years ended December 31, 2020 and 2019 (*$ in thousands*):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net loss per U.S. GAAP	**$ (262,370)**	**$ (4,357)**
Reconciling items to IFRS		
Other impairment loss [1]	4,709	(17,936)
Share based compensation expense [2]	(427)	(1,074)
Depreciation expense [3]	3,946	5,870
Amortization of financing costs [4]	(2,161)	(2,167)
Fair value gains on warrant liability [5]	239	1,344
Income tax (provision) benefit [6]	(12,605)	18,368
Loss on sale of assets [1]	1,809	—
Goodwill impairment [1]	2,084	(32)
Other	(138)	9
(Loss) income per IFRS	**$ (264,914)**	**$ 25**

(1) U.S. GAAP to IFRS difference in the treatment of impairment losses.
(2) Share based compensation expense is accelerated for share based awards with graded vesting service conditions under IFRS, while it is recorded straight-line under U.S. GAAP.
(3) Differences in depreciation due to componentization and impairment reversal under IFRS.
(4) Differences in the amortization of the discount on borrowings and financing costs.
(5) Other financial income not recognized in the Consolidated Statement of Operations under U.S. GAAP (see Note 27).
(6) Differences in book and tax basis under IFRS and U.S. GAAP, with the largest difference related to property and equipment.

The following tables present segment property and equipment, gross and segment property and equipment, net under U.S. GAAP and a reconciliation from U.S. GAAP to IFRS as of December 31, 2020 and 2019 (*$ in thousands*):

	As of December 31, 2020					
	U.S. GAAP	**Impairment [1]**	**Depreciation [2]**	**Assets Sold/ Held for Sale [1][2][3]**	**Lease Liability [4]**	**IFRS**
Segment property and equipment, gross:						
Yucatán Peninsula	$ 799,849	$ (17,202)	$ —	$ (9,600)	$ —	$ 773,047
Pacific Coast	288,328	1,287	—	—	—	289,615
Dominican Republic	678,900	(13,395)	—	—	—	665,505
Jamaica	406,047	(5,868)	—	1,808	(2,349)	399,638
Total segment property and equipment, gross	**2,173,124**	**(35,178)**	**—**	**(7,792)**	**(2,349)**	**2,127,805**
Other corporate	4,505	—	—	—	—	4,505
Accumulated depreciation	(450,246)	—	(12,303)	(10,113)	273	(472,389)
Total property and equipment, net	**$ 1,727,383**	**$ (35,178)**	**$ (12,303)**	**$ (17,905)**	**$ (2,076)**	**$ 1,659,921**

	As of December 31, 2019				
	U.S. GAAP	**Impairment (1)**	**Depreciation (2)**	**Lease Liability (4)**	**IFRS**
Segment property and equipment, gross:					
Yucatán Peninsula	$ 865,900	$ (27,787)	$ —	$ —	$ 838,113
Pacific Coast	288,358	1,279	—	—	289,637
Dominican Republic	667,120	(13,408)	—	—	653,712
Jamaica	499,569	—	—	(2,349)	497,220
Total segment property and equipment, gross	**2,320,947**	**(39,916)**	**—**	**(2,349)**	**2,278,682**
Other corporate	7,320	—	—	—	7,320
Accumulated depreciation	(398,353)	—	(36,178)	162	(434,369)
Total property and equipment, net	**$ 1,929,914**	**$ (39,916)**	**$ (36,178)**	**$ (2,187)**	**$ 1,851,633**

(1) Differences due to impairment carried over in connection with the formation transaction in 2013 and impairment reversals and losses under IFRS.
(2) Differences in accumulated depreciation due to componentization and impairment reversals under IFRS.
(3) Difference due treatment of sales costs associated with the asset.
(4) Difference due to the unfavorable lease liability acquired in connection with the business combination with Sagicor, which is accounted for as a reduction of the leased asset, or land, under IFRS.

The following table presents segment capital expenditures, which includes capital expenditures incurred but not yet paid, for the years ended December 31, 2020 and 2019 (*$ in thousands*):

	Year Ended December 31,	
	2020	**2019**
Segment capital expenditures:		
Yucatán Peninsula	$ 4,487	$ 28,495
Pacific Coast	1,345	3,144
Dominican Republic	9,966	178,599
Jamaica	3,112	5,178
Total segment capital expenditures	**18,910**	**215,416**
Other corporate	160	14,512
Total capital expenditures	**$ 19,070**	**$ 229,928**

30. Subsequent events

For our Consolidated Financial Statements as of and for the year ended December 31, 2020, we evaluated subsequent events through April 15, 2021, which is the date the financial statements were approved for issue by the Board of Directors.

Performance Share Awards

On January 4, 2021, we issued 1,027,519 performance share awards that may become earned and vested based on the achievement of performance targets during a three-year performance period, where 50% of the performance share awards will vest based on the total shareholder return of our ordinary shares relative to those of our peer group and 50% will vest based on the compounded annual growth rate of our ordinary shares. Both performance targets constitute market conditions.

Equity Issuance

On January 11, 2021, we issued 28,750,000 ordinary shares with a par value of €0.10 per share in connection with a public equity offering. We received $138.0 million in cash consideration, net of underwriting discounts.

Fifth Amendment to Amended and Restated Credit Agreement

On February 5, 2021, we entered into the Fifth Amendment to the Amended & Restated Credit Agreement (the "Fifth Amendment", and collectively with the unamended terms of the Senior Secured Credit Facility, the "Existing Credit Agreement"). The terms of the Senior Secured Credit Facility remain in effect except for the following terms modified by the Fifth Amendment:

i. extend the maturity date for $68.0 million of the $85.0 million revolving credit facility through January 2024. The remaining $17.0 million matures in April 2022;

ii. repayment of $84.7 million outstanding on our Revolving Credit Facility as a condition to maturity extension;

iii. increase the interest rate on the extended portion of our revolving credit facility to LIBOR plus an applicable margin of 4.00%;

iv. extend the Relief Period through March 31, 2022;

v. further modify the financial covenant for certain test dates after the Relief Period; and

vi. add certain restrictions on, among other things, the incurrence of additional debt and making of investments, dispositions and restricted payments during the Relief Period and thereafter.

Second Amendment to Additional Credit Facility

On February 5, 2021, we entered into the Second Amendment to the Additional Credit Facility (the "Second Amendment"). The terms of the Additional Credit Facility remain in effect except for the following terms modified by the Second Amendment:

i. extend the Relief Period through March 31, 2022;

ii. further modify the financial covenant for certain test dates after the Relief Period; and

iii. add certain restrictions on, among other things, the incurrence of additional debt and making of investments, dispositions and restricted payments during the Relief Period and thereafter.

Sale of Dreams Puerto Aventuras

We completed the sale of the Dreams Puerto Aventuras on February 5, 2021 and received total cash consideration of $34.3 million, after customary closing costs. A portion of the net proceeds, after deducting incremental expenses and capital expenditures incurred across our portfolio for 24 months following the sale, will be used to prepay our Term Loan.

Sale of Capri Resort

On March 31, 2021, we entered into an agreement to sell the Capri Resort for total cash consideration of $55.0 million, which is less than the book value of the resort. The sale is expected to close in the second quarter of 2021, however there is no assurance that we will complete the transaction. We are unable to reasonably estimate the effect on the financial statements as of the date of filing because the deal has not closed.

7.2 Company Financial Statements

Playa Hotels & Resorts N.V.
Company Statement of Financial Position (after appropriation of result)
($ in thousands)

	Note	As of December 31, 2020	2019
ASSETS			
Fixed assets			
Participation in group companies	5	$ 592,527	$ 695,854
Total fixed assets		592,527	695,854
Current assets			
Trade and other receivables	8	506	125
Prepayments and other current assets		140	119
Cash and cash equivalents	6	10,534	327
Total current assets		11,180	571
Total assets		**$ 603,707**	**$ 696,425**
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital	7	$ 14,871	$ 14,215
Share premium - ordinary shares	7	831,520	812,515
Treasury shares	7	(16,642)	(14,088)
Other reserves	7	33,098	22,616
Accumulated deficit		(418,761)	(147,457)
Total equity		**444,086**	**687,801**
Long-term liabilities			
Warrant liability	9	8,127	8,366
Total long-term liabilities		8,127	8,366
Current liabilities			
Trade and other payables		185	258
Advances from subsidiaries		151,309	—
Total current liabilities		151,494	258
Total liabilities		159,621	8,624
Total equity and liabilities		**$ 603,707**	**$ 696,425**

The accompanying Notes 1-13 are an integral part of these Company Financial Statements.

Playa Hotels & Resorts N.V.
Company Statement of Profit or Loss
($ in thousands)

	Note	Year ended December 31, 2020	2019
Operations			
Operating expenses		$ (11,526)	$ (12,488)
Other financial income		234	1,356
Result before taxation		(11,292)	(11,132)
Taxation		—	—
Share in result of participation	5	(260,012)	(9,827)
Loss for the period		**$ (271,304)**	**$ (20,959)**

The accompanying Notes 1-13 are an integral part of these Company Financial Statements.

Playa Hotels & Resorts N.V.
Company Statement of Changes in Equity
($ in thousands)

	Ordinary share capital		Treasury shares		Share premium - ordinary shares	Equity-settled employee benefits reserve	Accumulated deficit	Total equity
	Shares	Amount	Shares	Amount				
Balance at January 1, 2019	**130,440,126**	**$ 14,161**	**54,608**	**$ (394)**	**$ 812,515**	**$ 12,751**	**$ (126,498)**	**$ 712,535**
Total comprehensive loss	—	—	—	—	—	—	(20,959)	(20,959)
Share-based compensation	472,937	54	—	—	—	9,865	—	9,919
Purchase of ordinary shares	(1,791,487)	—	1,791,487	(13,694)	—	—	—	(13,694)
Balance at December 31, 2019	**129,121,576**	**$ 14,215**	**1,846,095**	**$ (14,088)**	**$ 812,515**	**$ 22,616**	**$ (147,457)**	**$ 687,801**

	Ordinary share capital		Treasury shares		Share premium - ordinary shares	Equity-settled employee benefits reserve	Accumulated deficit	Total equity
	Shares	Amount	Shares	Amount				
Balance at January 1, 2020	**129,121,576**	**$ 14,215**	**1,846,095**	**$ (14,088)**	**$ 812,515**	**$ 22,616**	**$ (147,457)**	**$ 687,801**
Total comprehensive loss	—	—	—	—	—	—	(271,304)	(271,304)
Share-based compensation	911,774	103	12,592	(54)	—	10,482	—	10,531
Purchase of ordinary shares	(340,109)	—	340,109	(2,500)	—	—	—	(2,500)
Equity issuance	4,878,049	553	—	—	19,005	—	—	19,558
Balance at December 31, 2020	**134,571,290**	**$ 14,871**	**2,198,796**	**$ (16,642)**	**$ 831,520**	**$ 33,098**	**$ (418,761)**	**$ 444,086**

The accompanying Notes 1-13 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") is incorporated as a public limited liability company in the Netherlands. 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, 2020, the Company had losses in the Company Financial Statements which the management board proposes to include in the unappropriated income 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 3 as allowed in the NCC; and
- 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

There were no differences between the Company Financial Statements and the Consolidated Financial Statements as of and for the years ended December 31, 2020 and 2019 (*$ in thousands)*:

	2020	2019
Total equity according to the Company Financial Statements	$ 444,086	$ 687,801
Total equity according to the Consolidated Financial Statements	444,086	687,801
Difference	**$ —**	**$ —**
Loss for the period according to the Company Financial Statements	$ (271,304)	$ (20,959)
Total comprehensive loss according to the Consolidated Financial Statements	(271,304)	(20,959)
Difference	**$ —**	**$ —**

5. Participation in group companies

As of December 31, 2020, the Company had 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, 2020, no provision for impairment was recognized.

The following tables summarize the movements in participation in group companies for the years ended December 31, 2020 and 2019 (*$ in thousands*):

	% Participation	As of January 1, 2020	Additions	Distributions	Share in result of participation	At December 31, 2020
Participation in group companies						
Investment in Playa Resorts Holding B.V.	100%	$ 695,854	$ 161,000	$ (4,315)	$ (260,012)	$ 592,527
Total		**$ 695,854**	**$ 161,000**	**$ (4,315)**	**$ (260,012)**	**$ 592,527**

	% Participation	As of January 1, 2019	Additions	Distributions	Share in result of participation	At December 31, 2019
Participation in group companies						
Investment in Playa Resorts Holding B.V.	100%	$ 713,961	$ —	$ (8,280)	$ (9,827)	$ 695,854
Total		**$ 713,961**	**$ —**	**$ (8,280)**	**$ (9,827)**	**$ 695,854**

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, 2020 and 2019 (*$ in thousands*):

	As of December 31,	
	2020	2019
Bank of America Netherlands	$ 10,534	$ 327
Total	**$ 10,534**	**$ 327**

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. 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, 2020 and 2019, and for the transactions between the Company and other related parties for the years ended December 31, 2020 and 2019, are as follows (*$ in thousands*):

		As of December 31,	
Balances:	**Relation:**	**2020**	**2019**
Accounts receivable:			
Resort Room Sales, LLC	Group Companies	$ 456	$ 43
Cameron del Caribe S. de R.L. de C.V.	Group Companies	—	8
Gran Desing & Factory, S. de R.L. de C.V.	Group Companies	—	4
Desarollos GCR, S. de R.L. de C.V.	Group Companies	—	4
Inmobiliaria Y Proyectos TRPLAYA, S. de R.L. de C.V.	Group Companies	—	5
Playa Gran, S. de R.L. de C.V.	Group Companies	—	2
Playa Cabos Baja S. de R.L. de C.V.	Group Companies	—	25
Playa Resorts Management, LLC	Group Companies	50	17
Cameron del Pacifico S. de R.L. de C.V.	Group Companies	—	3
Playa Rmaya One, S. de R.L. de C.V.	Group Companies	—	2
Playa Romana Mar B.V.	Group Companies	—	4
Playa Cana B.V.	Group Companies	—	3
Hotel Capri Caribe, S. de R.L. de C.V.	Group Companies	—	5
Total		**$ 506**	**$ 125**
Advances from subsidiaries:			
Playa Resorts Holding B.V.	Group Companies	$ 93,118	$ —
Runaway Bay Resort Lucia Limited	Group Companies	32,210	—
Dunn's River Resort Lucia Limited	Group Companies	25,981	—
Total		**$ 151,309**	**$ —**

Relationship with Hyatt

Hyatt is a related party due to its ownership of our ordinary shares and representation on our Board of Directors.

9. Financial instruments

9.1 General

The Company has exposure to credit risk, liquidity risk, and market risk (including foreign currency risk and interest rate risk). See Note 21 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.

9.2 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,			
	2020		2019	
Financial assets not measured at fair value:				
Cash and cash equivalents	$	10,534	$	327
Trade and other receivables		506		125
Total financial assets	**$**	**11,040**	**$**	**452**
Financial liabilities not measured at fair value:				
Trade and other payables	$	185	$	258
Financial liabilities measured at fair value:				
Warrant liability	$	8,127	$	8,366
Total financial liabilities	**$**	**8,312**	**$**	**8,624**

We believe the carrying value of our financial assets and financial liabilities not measured at fair value approximate their fair values at December 31, 2020 and 2019.

9.3 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, 2020 and 2019 (*$ in thousands*):

			Fair Value					
	December 31, 2020		Level 1		Level 2		Level 3	
Financial liabilities measured at fair value:								
Warrant liability	$	8,127	$	—	$	8,127	$	—

			Fair Value					
	December 31, 2019		Level 1		Level 2		Level 3	
Financial liabilities measured at fair value:								
Warrant liability	$	8,366	$	—	$	8,366	$	—

Earnout Warrants

Earnout Warrants are presented at fair value in the Company 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 Company determined that its warrant liability should be classified in Level 2 of the fair value hierarchy.

The fair value of the Earnout Warrants are remeasured at the end of every reporting period. The change in fair value is recognized directly in earnings, classified as other financial income in the Company Statement of Profit or Loss. For more information, see Note 17 to the Consolidated Financial Statements.

10. 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 one-year from the grant date, and an annual cash retainer of $70,000, payable quarterly, for services as a director. The Lead Independent Director receives an additional annual cash retainer of $25,000, the chairs of the Audit Committee and Compensation Committee each receives an additional annual cash retainer of $20,000 and the chair of the Nominating and Governance Committee receives an additional annual cash retainer of $10,000, in each case, payable quarterly. Should a non-executive director be elected to the Board during the year, any compensation is prorated based on the first date of service. Each non-executive director is entitled to elect to receive his or her annual compensation in the form of Ordinary Shares at their value on the grant date, which have no vesting requirements. Directors who are our employees or are employees of our subsidiaries will not receive compensation for their services as directors. All of our directors are reimbursed for their out-of-pocket expenses incurred in connection with the performance of our Board duties. To encourage our directors to experience our properties as guests, they receive discounts for personal visits to our resorts.

The following tables set forth the compensation paid in 2020 and 2019 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. As a result of the negative effects of the COVID-19 pandemic on Playa, a majority of our non-executive directors waived their cash compensation for the second, third and fourth quarters of 2020 and into 2021. The remuneration of our non-executive directors is recorded within operating expenses on the Company Statement of Profit or Loss.

Summary of Non-Executive Director 2020 Compensation

Name	Fees Earned or Paid in Cash	Share Awards	Other	Total
Charles Floyd [(1)]	$ —	$ —	$ —	$ —
Richard B. Fried	$ 17,500	$ 75,002	$ —	$ 92,502
Gloria Guevara [(3)]	$ 17,500	$ 75,002	$ —	$ 92,502
Daniel J. Hirsch [(2)]	$ 22,500	$ 75,002	$ —	$ 97,502
Hal Stanley Jones	$ 90,000	$ 75,002	$ —	$ 165,002
Thomas Klein [(2)]	$ 20,000	$ 75,002	$ —	$ 95,002
Elizabeth Lieberman	$ 102,500	$ 75,002	$ —	$ 177,502
Peter Melhado [(2)]	$ 17,500	$ 75,002	$ —	$ 92,502
Karl Peterson [(1)]	$ —	$ —	$ —	$ —
Arturo Sarukhan [(2)]	$ 17,500	$ 75,002	$ —	$ 92,502
Christopher W. Zacca	$ 17,500	$ 75,002	$ —	$ 92,502

(1) Waived compensation received for services as non-executive directors.

(2) In March 2020, the Board was restructured to reduce the size of the Board from twelve directors to eight in an effort to realign the size of the Board to an appropriate level given the Company's size and needs and to improve efficiencies in the Board's operations. In connection with the restructuring, our former directors Daniel J. Hirsch, Thomas Klein and Arturo Sarukhan and interim director Peter Melhado resigned from the Board effective March 31, 2020. Mr. Melhado had succeeded former director Richard Byles.

(3) Resigned from the Board effective December 31, 2020.

Summary of Non-Executive Director 2019 Compensation

Name	Fees Earned or Paid in Cash	Share Awards	Other	Total
Richard O. Byles [2]	$ 30,000	$ 75,003	$ —	$ 105,003
Charles Floyd [1]	$ —	$ —	$ —	$ —
Richard B. Fried	$ 60,000	$ 75,003	$ —	$ 135,003
Gloria Guevara	$ 60,000	$ 75,003	$ —	$ 135,003
Daniel J. Hirsch	$ 75,000	$ 75,003	$ —	$ 150,003
Hal Stanley Jones	$ 75,000	$ 75,003	$ —	$ 150,003
Thomas Klein	$ 67,500	$ 75,003	$ —	$ 142,503
Elizabeth Lieberman	$ 80,000	$ 75,003	$ —	$ 155,003
Peter Melhado [3]	$ 15,000	$ —	$ —	$ 15,000
Karl Peterson [1]	$ —	$ —	$ —	$ —
Arturo Sarukhan	$ 60,000	$ 75,003	$ —	$ 135,003
Christopher W. Zacca	$ 60,000	$ 75,003	$ —	$ 135,003

(1) Waived compensation received for services as non-executive directors.
(2) Resigned from the Board effective June 30, 2019.
(3) Joined the Board effective October 1, 2019 as an interim non-executive director and did not receive share awards during 2019 as compensation for services as a non-executive director.

The following table sets forth the compensation paid in 2020 and 2019 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 Statement of Profit or Loss.

Name	Year	Salary ($) [1]	Bonus ($)	Share Awards ($)	All Other Compensation ($)	Total
Bruce D. Wardinski	2020	$ 201,924	$ 703,125	$ 2,766,990	$ 7,429	$ 3,679,468
	2019	$ 750,000	$ —	$ 2,976,974	$ 12,460	$ 3,739,434

(1) Due to the COVID pandemic, the Chairman and CEO’s base salary was reduced to $0 as of March 29, 2020 for the remainder of 2020.

11. Audit fees

During the years ended December 31, 2020 and 2019, the fees expensed 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, 2020		
	Deloitte Accountants B.V.	Other Deloitte	Total Network
Audit of the financial statements and related services	$ 505	$ 3,061	$ 3,566
Tax advisory services	—	349	349
Total	**$ 505**	**$ 3,410**	**$ 3,915**

	Year ended December 31, 2019		
	Deloitte Accountants B.V.	Other Deloitte	Total Network
Audit of the financial statements and related services	$ 256	$ 3,915	$ 4,171
Tax advisory services	137	10	147
Total	**$ 393**	**$ 3,925**	**$ 4,318**

12. Commitments and contingencies

The legal entity currently has not guaranteed liabilities of certain consolidated group companies, as meant in article 2:403 of the Netherlands Civil Code.

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., Playa Resorts Holding B.V. is the head of our Dutch fiscal unity and is jointly and severally liable for the tax liabilities of the fiscal unity as a whole.

13. Subsequent events

For our Company Financial Statements as of and for the year ended December 31, 2020, we evaluated subsequent events through April 15, 2021, which is the date the financial statements were approved for issue by the Board. For a discussion of subsequent events, see Note 30 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, 2020.

/s/ Bruce D. Wardinski
Bruce D. Wardinski

/s/ Elizabeth Lieberman
Elizabeth Lieberman

/s/ Hal Stanley Jones
Hal Stanley Jones

/s/ Richard B. Fried
Richard B. Fried

/s/ Karl Peterson
Karl Peterson

/s/ Maria Miller
Maria Miller

/s/ Charles Floyd
Charles Floyd

/s/ Leticia Navarro
Leticia Navarro

/s/ Mahmood Khimji
Mahmood Khimji

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 Chief Executive Officer (“CEO”) in the role of Principal Executive Officer and our Chief Financial Officer (“CFO”) in the role of Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

In accordance with Rule 13a-15(b) of 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 CEO and CFO, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of December 31, 2020 because of the identification of a material weakness in our internal control over financial reporting relating to taxes (see the Tax Weakness defined below). This material weakness in our internal control over financial reporting relating to taxes, which was present during 2019 and 2020, was not known or considered at the time management evaluated the effectiveness of our disclosure controls and procedures during these periods.

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. Our internal control system is designed to provide reasonable assurance to our management and the board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management conducted, under the supervision of our CEO and CFO, 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, management concluded that our internal control over financial reporting was not effective as of December 31, 2020 and 2019 due to the identification of the following:

- The control activities related to our income tax provision did not operate with a level of precision that would identify a material misstatement (the “Tax Weakness”).

A material weakness (as defined in Rule 12b-2 under the Exchange Act) is a deficiency, or 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. While the Tax Weakness did not result in a material misstatement to our Consolidated Financial Statements for any comparative prior periods through and including December 31, 2020, there was a reasonable possibility that a material misstatement of our annual or interim financial statements would not be prevented or detected on a timely basis.

Remediation Plan

During the year ended December 31, 2020 and through the date of this filing, we initiated and implemented measures designed to improve our internal control processes and procedures related to income tax accounting. As a result of these efforts, we believe we are making progress toward remediating the underlying causes of the material weakness. Specifically, we hired additional resources and are in the process of developing and implementing enhanced policies, procedures and controls relating to income tax account reconciliations and analysis, including enhancing our documentation to reflect the control attributes that are performed and enhancing the precision of the control.

However, effectiveness will need to be successfully tested over several quarters before we can conclude that the Tax 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.

Changes in Internal Control Over Financial Reporting

Other than the identification of the Tax Weakness, 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 most recent fiscal year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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:

1. this annual report provides sufficient insight into any failings in the effectiveness of the Company's risk management and control systems;

2. 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

3. 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/english.

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 10-K filed with the SEC on March 4, 2021, and as described in more detail in chapter 8.1 of this report, as of December 31, 2020, the Tax Weakness has not been remediated. Although we have taken 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.

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 securities laws 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 and subsequently amended, 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 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 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 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 Articles of Association:

1. the appointment, suspension and dismissal of Directors;
2. the approval of certain resolutions of the Board concerning a material change to the identity or the character of the Company or its business;
3. the reduction of the Company's issued share capital through a decrease of the nominal value, or cancellation, of shares in its capital;
4. the adoption of the Company's statutory annual accounts;
5. the appointment of the Dutch independent auditor to examine the Company's statutory annual accounts;
6. amendments to the Articles of Association;
7. 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
8. 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 Articles of Association (if and when proposed by the Board). Pursuant to the 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, 2020, 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 (61)*	M	American	March 12, 2017	End of the annual General Meeting to be held in 2021	100%
Charles Floyd (61)**	M	American	May 10, 2018	End of the annual General Meeting to be held in 2021	100%
Richard B. Fried (53)**	M	American	May 10, 2018	End of the annual General Meeting to be held in 2021	90%
Gloria Guevara (54)**	V	Mexican	July 27, 2017	***	100%
Hal Stanley Jones (68)**	M	American	March 12, 2017	End of the annual General Meeting to be held in 2021	100%
Elizabeth Lieberman (70)**	V	American	March 12, 2017	End of the annual General Meeting to be held in 2021	100%
Karl Peterson (50)**	M	American	March 12, 2017	End of the annual General Meeting to be held in 2021	100%
Christopher W. Zacca (61)**	M	Jamaican	June 1, 2018	End of the annual General Meeting to be held in 2021	100%

* Executive director; Chairman and Chief Executive Officer
** Non-executive director
*** On December 31, 2020, Ms. Guevara resigned from the Board.

Bruce D. Wardinski, 61, has served as our Chairman and Chief Executive Officer since March 12, 2017. Mr. Wardinski previously served as Chief Executive Officer of Playa Hotels & Resorts B.V. (our "*Predecessor*") 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. 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, 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, 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 and from the Wharton School of Business at the University of Pennsylvania with a Master of Business Administration. 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 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 the Board.

Charles Floyd, 61, was designated by the binding nomination of HI Holdings pursuant to the 2017 Shareholder Agreement and has served as a non-executive director since May 10, 2018. Mr. Floyd previously served as a director of our Predecessor, from February 2016 through the consummation of our formation transactions. Mr. Floyd was appointed Executive Vice President, Global President of Operations of Hyatt in August 2014. In this role, Mr. Floyd is responsible for the successful operation of all Hyatt hotels globally. Mr. Floyd is also responsible for Hyatt's global development including new management and franchise agreements. The Group Presidents for each of Hyatt's three regions report to Mr. Floyd. Prior to his current role, Mr. Floyd was Executive Vice President, Group President – Global Operations Center at Hyatt. From January 2006 through September 2012, Mr. Floyd served as Hyatt's Chief Operating Officer-North America. In that role he was responsible for management of Hyatt's full-service hotels and resorts as well as the Hyatt Place and the Hyatt House brands in the United States, Canada, and the Caribbean. In addition, he oversaw Hyatt Residential Group, Inc. (formerly known as Hyatt Vacation Ownership, Inc.) and the Franchise Owner Relations Group, which supports both full service and select service and extended stay franchisees. He also oversaw various corporate functions for North America, including sales, human resources, product and design, rooms, food and beverage, and engineering. Since joining Hyatt in 1981, Mr. Floyd has served in a number of other senior positions, including Executive Vice President – North America Operations and Senior Vice President of Sales, as well as various managing director and general manager roles. Mr. Floyd also serves on the board of directors of Kohl's Corporation (NYSE: KSS) and Thayer Ventures Acquisition Corp, a special purpose acquisition company focused on the travel and transportation technology sectors (NASDAQ: TVAC). Mr. Floyd holds a Bachelor of Arts from Florida State University and a Master of Business Administration from Kellogg School of Management at Northwestern University. Mr. Floyd's extensive experience managing multiple operations within a large multinational hospitality corporation led us to conclude that he should serve on our Board.

Richard B. Fried, 53, was designated by the binding nomination of Cabana pursuant to the 2017 Shareholder Agreement and has served as a non-executive director since May 10, 2018. Previously, he served as an interim director from December 31, 2017. 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 (NYSE: HPP). 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 with a Bachelor of Science and a Bachelor of Arts from the University of Pennsylvania. Mr. Fried's investment management experience led us to conclude that he should serve on the Board.

Hal Stanley Jones, 68, has served as a non-executive director since March 12, 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 2018. From 1989 until 2013, Mr. Jones worked in various capacities at The Washington Post Company, 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 and audit committee of Lumen Technologies (NYSE: LUMN) since December 2019, and Studio Theatre, a non-profit organization in Washington, D.C. Mr. Jones received a Bachelor of Arts from the University of Washington and a Master of Business Administration 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 the Board.

Elizabeth Lieberman, 70, has served as a non-executive director since March 12, 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 through our formation transactions as a consultant 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 Corporation (now Marriott International) 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 Bachelor of Science from Nebraska Wesleyan University in Lincoln, Nebraska, and a Juris Doctor from The Catholic University of America, Columbus School of Law in Washington, D.C. Ms. Lieberman's experience as general counsel in the lodging industry led us to conclude that she should serve on the Board.

Karl Peterson, 50, has served as a non-executive director since March 12, 2017. 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 our formation transactions 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 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 boards of Sabre Corporation (NASDAQ: SABR), Accel Entertainment (NYSE: ACEL), TPG Pace Beneficial Finance Corp. (NYSE: TPGY) and TPG Pace Tech Opportunities (NYSE: PACE). Mr. Peterson also served on the board of Caesars Acquisition Company from 2013 to 2017 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 of Business Administration. Mr. Peterson's significant investment and financial expertise led us to conclude that he should serve on the Board.

Christopher W. Zacca, 61, has served as a non-executive director since June 1, 2018. Mr. Zacca has served as the President and CEO of Sagicor Group Jamaica, Ltd. ("Sagicor Group") since May 2017. The Sagicor Group is the leading provider of life and health insurance, pension and annuities products in Jamaica and the owner of one of the largest Commercial Banks in Jamaica. Through funds the Sagicor Group manages, it is also the largest owner of commercial property and one of Jamaica's major hotel owners. From 2012 until joining the Sagicor Group, Mr. Zacca was self-employed as a private investor. In addition, he was elected and served as the President of The Private Sector Organisation of Jamaica ("PSOJ") from June 2012 until December 2014. He had previously served as President of the PSOJ from December 2006 until June 2009. In addition, Mr. Zacca held the position of Special Advisor to the Prime Minister of Jamaica from September 2009 until December 2011. Among his key areas of responsibility were advising the Prime Minister on a range of policy issues including the economy, business, and energy. He has also served a variety of roles in the private sector during his career, including as a director of Sandals Resorts from 1997 until 2009, and Deputy Chairman and CEO of Air Jamaica Limited from 1998 until 2004. He has received the National Honour of the Order of Distinction in the rank of Commander from the Governor General of Jamaica for "invaluable contribution to the Private and Public Sectors." Mr. Zacca received a Bachelor of Science from the Massachusetts Institute of Technology and a Master in Business Administration from the University of Florida. Mr. Zacca's wealth of business and management expertise in both the public and private sectors led us to conclude that he should serve on the Board.

Gloria Guevara, 54, has served as a non-executive director since May 10, 2018. Previously she served as an interim director from July 27, 2017. 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's experience as a proven and well-rounded executive with an international and multicultural perspective led us to conclude that she should serve on the Board.

Mr. Floyd, Ms. Guevara, Mr. Jones, Ms. Lieberman, Mr. Peterson and Mr. Zacca qualify as "independent" under the DCGC. Our remaining non-executive director, Mr. Fried, does not qualify as "independent" under 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, 2020, 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)
Charles Floyd		X* (100% Attendance)		
Richard B. Fried			X (75% Attendance)	X (100% Attendance)
Gloria Guevara	X (90% Attendance)			
Hal Stanley Jones	X* (100% Attendance)	X (100% Attendance)		
Elizabeth Lieberman	X (100% Attendance)		X* (100% Attendance)	
Karl Peterson		X (80% Attendance)		X* (100% Attendance)
Christopher W. Zacca	X (90% Attendance)		X (33% Attendance)	X (100% Attendance)

* 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 nine 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; and

- 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 five 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 goals,
- Review and approval of the Company's stock ownership guidelines, and
- Review and approval of amendments to the employment agreements for each of our executive officers.

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 four times in order to carry out its responsibilities. The matters discussed included:

- Qualifications and independence of director candidates to the Board; and

- Assessment of the effectiveness of the Board and its committees.

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.

During the fiscal year to which this annual report relates, our capital allocation committee met five times in order to carry out its responsibilities.

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 certain guidelines distributed to the directors and subsequent discussions among 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 and its committees 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 realization 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 10 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 2020 and 2019, the corporate performance metric used for each named executive officer and for the minimum corporate performance threshold was EBITDA. Our named executive officers did not receive a bonus in 2019. 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 10 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 Pace 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. The 2017 Plan was amended on May 16, 2019 to increase the number of ordinary shares authorized and available for grant from 4,000,000 shares to 12,000,000 shares.

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 12,000,000. 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:

i. outstanding options or share appreciation rights may not be amended to reduce the exercise price of the option or share appreciation right;
ii. 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
iii. 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

i. in cash or cash equivalents;
ii. 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;
iii. 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
iv. 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 ordinary 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:

- i. 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
- ii. 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 2020 is 324:1.

The ratio was obtained by dividing the 2020 remuneration for the CEO by the 2020 average total remuneration of all other employees worldwide. The total remuneration of the CEO is reported in Note 10 to the Company Financial Statements. The average compensation of all employees was calculated from the amounts reported in Note 25 to the Consolidated Financial Statements (after subtracting the expense for CEO remuneration) divided by the average number of employees as reported in Note 25 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:

i. 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.

ii. 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.

iii. 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.

iv. 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 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:

1. the Board shall determine which part of the profits shall be added to the Company’s reserves; and
2. 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 the Board of Directors of Playa Hotels & Resorts N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2020 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements for the year ended December 31, 2020 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, 2020, and of its result and its cash flows for 2020 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, 2020, and of its result for 2020 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, 2020.

2. The following statements for 2020: the consolidated statement of profit and loss, the consolidated statements of comprehensive income, 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 company statement of financial position as at December 31, 2020.

2. The company statement of profit or loss for 2020.

3. The company statement of changes in equity for 2020.

4. The notes comprising a summary of the accounting policies and other explanatory information.

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 Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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 8,850,000. The materiality is based on 2% of net assets. 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 Audit Committee that misstatements in excess of USD 442,500, 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 supervising the work performed by the component auditors in the United States, who in turn supervised the component auditors of the significant group entities in Dominican Republic, Mexico and Jamaica, making up 100% of total revenues and 100% of total property and equipment. In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the group engagement team and by component auditors from other Deloitte network firms. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components so as to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. For each component we determined whether we require an audit of their complete financial information or whether other procedures would be sufficient.

We have:

- Used the work of other auditors when auditing the significant group entities.
- Performed audit procedures on significant components and 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.

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Scope of fraud and non-compliance with laws and regulations within our audit

In accordance with the Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error. Non-compliance with laws and regulation may result in fines, litigation or other consequences for the Company that may have a material effect on the financial statements.

Consideration of fraud
In identifying potential risks of material misstatement due to fraud, we obtained an understanding of Playa Hotels & Resorts N.V. and its environment, including the Company's internal controls. We evaluated the Company's fraud risk assessment and made inquiries with Group management, those charged with governance and others within the Company, including but not limited to, Legal Counsel, and Group Management. We evaluated several fraud risks factors to consider whether those factors indicated a risk of material misstatement due to fraud. We involved our fraud and forensic specialists in our assessment of fraud risks and related audit procedures, particularly in evaluating the fraud risk assessment of Playa Hotels & Resorts N.V.

Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls, including evaluating whether there was evidence of bias by Group Management, which may represent a risk of material misstatement due to fraud. As part of our audit procedures to respond to these fraud risks, we evaluated the design and implementation of the internal controls relevant to mitigate these risks. We performed substantive audit procedures, including the detailed testing of journal entries using data analytics tooling, evaluating the accounting estimates for bias (including retrospective reviews of prior year's estimates), the supporting documentation in relation to post-closing adjustments. We also incorporated elements of unpredictability in our audit. The procedures described are in line with the applicable auditing standards and are not primarily designed to detect fraud. Our procedures to address fraud risks did not result in a key audit matter.

Consideration of compliance with laws and regulations
We evaluated the laws and regulations relevant to Playa Hotels & Resorts N.V. through discussion with Legal Counsel and the Management Board. We involved our fraud and forensic specialists in this evaluation during our risk assessment. As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could vary considerably, we considered adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements. We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Furthermore, the Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance through imposing fines or litigation. In addition, we considered major laws and regulations applicable to listed companies. Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the Group's ability to continue its business, or to avoid material penalties (e.g., compliance with the local laws and regulations and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

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Our procedures are limited to (i) inquiry of management, the Audit Committee, the Management Board and others within the Group as to whether the Group is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us. Because of the characteristics of fraud, particularly when it involves sophisticated and carefully organized schemes to conceal it, such as forgery, intentional omissions, misrepresentation and collusion, an unavoidable risk remains that we may not detect all fraud during our audit.

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 Audit Committee. 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 audit matter – Valuation of non-current assets

Description

As required by the *International Accounting Standard 36 – Impairment of assets,* management have assessed the respective non-current assets balance at the end of the reporting period to determine if there is an indication that the carrying amount of the asset exceeds the recoverable amount. For goodwill, this impairment analysis is required to be performed annually however for property, plant and equipment this assessment is required when there is an indication of impairment. Indicators typically include physical damage to the asset, significant changes in the operating environment and performance against budgets.

The impairment test requires a comparison between the carrying amount of the asset and its recoverable amount, which is defined as the higher of 1) its fair value, less costs to sell, or its 2) value in use.

Assets are not assessed individually but at the level of the hotels as a hotel is considered to be the smallest group of assets that generates cash inflows from continuing use that largely are independent of the cash inflows of other assets ("Cash Generating Unit" or "CGU"). It should be noted that goodwill is also allocated at the level of the hotels which represents the lowest level at which management monitors goodwill. To determine the fair value less costs to sell of the respective CGU's, management uses certain inputs, such as available third-party appraisals and forecast net operating income. The fair value less costs to sell were determined with reference to a third-party valuation report. The uncertainties over the current economic environment caused by COVID-19 had an impact on the valuation of the Group's properties. Management have noted that it has been necessary to make more judgements than are usually required in the determination of the value of the property, plant and equipment portfolio at December 31, 2020. The value in use of the CGU's is calculated as the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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We considered the valuation of those non-current assets that are tested for impairment at the CGU level to be a key audit matter due to the high degree of judgement and estimation required by Management to determine the recoverable amount of its non-current assets given the current economic uncertainty as a consequence of the COVID-19 crisis and the anticipated timing and extent of the recovery of the hospitality industry.

Goodwill

As a result of the negative impacts of COVID-19 and the temporary suspension of operations at the Playa hotels (see Note 1), management performed an interim quantitative impairment analysis as at March 31, 2020 for all of the CGU's. As disclosed in Note 7 in the annual financial statements, the forecasted future cash flows of the CGU's materially decreased during the first quarter of 2020 and as a result, management recognized $17.7 million in goodwill impairment losses attributable to Jewel Paradise Cove Beach Resort & Spa ($4.5 million), Jewel Dunn's River Beach Resort & Spa ($5.6 million) and Jewel Runaway Bay Beach Resort & Waterpark ($7.6 million).

Property Plant and Equipment

Having performed the impairment assessment for the year ended 31 December 2020, management recognized a total impairment loss of $31.1 million which has been attributed to the Jewel Paradise Cove Beach Resort & Spa ($4.0 million), Jewel Dunn's River Beach Resort & Spa ($10.6 million) and Jewel Runaway Bay Beach Resort & Waterpark ($16.5 million)(see Note 8).

Response

Our audit procedures were primarily focused on the valuation of goodwill and property, plant and equipment and included, *inter alia*, the following:

- We obtained an understanding of management's processes and controls over impairment analysis.
- We obtained contractual information, business plans and forecasts to evaluate management's analysis in relation to forecasted growth and compared assumptions used in projections to historical data and external market reports.
- We involved valuation specialists to assess the plausibility of the third-party valuations.
- With the assistance of our valuation specialists, we evaluated the valuation model used and the key assumptions applied. We evaluated the reasonableness of management's methodology, developed an independent range of estimates to test the discount rate, and evaluated current market data to evaluate the impairment analysis.
- We evaluated the reasonableness of changes made to the updated impairment calculations by validating inputs with historical data and external sources and, evaluating key business assumptions.
- We requested that specialists assess the discount rates used by Playa for the Value in Use assessment.
- We analyzed the cashflow projections with underlying budget, post COVID performance and cashflow projections included in the third-party valuations (for the hotels for which the Value In use is higher than the fair value less costs to sell).

- We performed an evaluation of the key COVID assumptions used in management’s determination of the recoverable amount of assets, including the rate of recovery and anticipated occupancy levels.

- We performed a retrospective analysis on all CGU’s where an impairment was recognized during the 2020 year to understand, reassess and challenge the assumptions applied by management previously and determine the adequacy thereof.

- We performed procedures to assess if the goodwill and property, plant and equipment balances used for the impairment assessment are in line with audited balances as disclosed in the financial statements.

- We evaluated the disclosures included within the notes financial statements.

Observations

The primary uncertainty in the impairment assessment is related to the assumptions applied for the forecasted cashflows that are dependent on the timing and extent of the recovery of the hospitality industry.

Based on our procedures performed we note that management have applied these assumptions consistently in comparison to the prior period and the impairments recognized in the 2020 year were due to the COVID pandemic and the resultant measures which management undertook to improve liquidity. Management have disclosed these assumptions in the note impairment of property, plant and equipment in the section critical accounting judgements and key sources of estimation uncertainty in the notes to the consolidated financial statements.

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.

- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code, 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.

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Management is responsible for the preparation of the other information, including the 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.

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.

The Board of Directors is responsible for overseeing the company's financial reporting process.

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.

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- 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 Audit Committee 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 Audit Committee 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 Audit Committee, 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, 15 April 2021

Deloitte Accountants B.V.

Signed on the original: F.E. Mijinke