PARK PLAZA | HOTELS

25 September 2008

PARK PLAZA HOTELS LIMITED
("Park Plaza" or the "Group")

Unaudited Interim Results for the six months ended 30 June 2008

Park Plaza Hotels Limited, an owner, operator and franchisor of hotels in Europe, the Middle East and North Africa, today reports results for the six months ended 30 June 2008.

Summary

Unaudited Financial Statistics

	Six months ended 30 June 2008	**PROFORMA Six months ended 30 June 2007[1]**
Occupancy	78.0%	79.9%
Average Room Rate	€117.6	€118.5
RevPAR	€91.8	€94.7
Total Revenue	€46.7 million	€46.7 million
EBITDA[2]	€11.2 million	€12.0 million

- Hotels in the UK and the Netherlands outperforming in their local markets
- Group revenue of €46.7 million (2007: €46.7 million) achieved notwithstanding 13% decrease in average Sterling to Euro exchange rate
- EBITDA of €11.2 million (2007: €12.0 million), primarily as a result of increased costs related to multiple transactions completed during the half year.
- Strong progress made on further expanding the Group's portfolio:
  - Park Plaza County Hall (London) opened in February and achieving better than expected occupancy rates
  - Increase in shareholding in Park Plaza Westminster Bridge to 100%, with development on track for opening in 2010
  - 50% joint venture agreement with the Reuben Brothers to build London's first art'otel in Hoxton, London
  - Acquisition of 20% stake in Bora NV adding 2,800 rooms on Croatia's Istrian coast to the Group's portfolio; initial 20 year contract to manage these properties
  - Agreement with Ferens Management Ltd to operate up to 20 new hotels in Russia under 20 year management contracts; hotels to be established over next four years under Park Plaza Hotels & Resorts brand

1. Park Plaza Hotels Limited was incorporated and registered in Guernsey on 14 June 2007. However, the merger of Euro Sea Group and acquisition of Park Plaza Group did not take place until 17 July 2007. Therefore, all 2007 figures in this statement up to and including the Income Statement Comparison to Proforma 2007 Income Statement are unaudited proforma figures and have been calculated as if the company had been incorporated and the merger and acquisition taken place on 31 December 2006.
2. Earnings before interest, tax, depreciation, amortisation

Commenting on the results, Boris Ivesha, Chief Executive Officer of Park Plaza said, "The Group has delivered a solid performance during the half year, against increasingly uncertain economic conditions and notwithstanding a 13% decrease in the average Sterling to Euro exchange rate that affects our reported results in the UK. Our hotels in the United Kingdom and the Netherlands have outperformed in their local markets and delivered strong underlying growth in revenue and EBITDA.

During July and August, trading has been in-line with our expectations. Although the Group has seen a growing trend towards later bookings, which has reduced visibility in recent months, current booking levels for the remainder of the year are slightly behind the comparative period, reflecting weakness in our core markets. Nevertheless, we remain confident that our high quality portfolio and flexible cost base will enable us to maximise the opportunities available in the near-term and in the medium-term to deliver our target of increasing the portfolio to over 8,000 rooms by 2010."

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Overview

The Group has delivered a solid performance during the half year, against a challenging background of increasingly uncertain economic conditions. Our hotels in the United Kingdom and the Netherlands have outperformed in their local markets and delivered strong underlying growth in revenue and EBITDA.

In addition, a number of transactions were completed during the half year, as the Group continues to progress its plans to expand its portfolio. These included increasing the Group's shareholding in the Park Plaza Westminster Bridge (London) project to 100%, the agreement of a joint venture with the Reuben Brothers to develop the United Kingdom's first art'otel in Hoxton (London) and the acquisition of a shareholding in a Croatian company that owns a large resort on the Istrian coast of Croatia. The Group will also manage and operate the portfolio of properties in Croatia for an initial term of 20 years. These transactions, in addition to others signed for the management of hotels in Russia and the extension of a franchise agreement in Morocco during the half year, are expected to enable the Group to achieve its target of having more than 8,000 rooms in its portfolio by 2010.

Financial Performance

Total revenue for the period was flat at €46.7 million (2007: €46.7 million). This result was achieved notwithstanding the 13% decrease in the average Sterling to Euro exchange rate in the first half that impacted the reported results from our hotels in the United Kingdom, which contribute almost 36% of Group revenue. Although underlying average room rates increased across all our markets, Group RevPAR declined to €91.8 (2007: €94.7). This was a result of both the exchange rate impact on our UK portfolio and a significant decline in occupancy rates in our two hotels in Dresden (Germany).

In the United Kingdom, RevPAR for the Group's hotels in London was €131.7 (2007: €142.5), as a result of the 13% decline in the average Sterling to Euro exchange rate during the period. On a constant currency basis, RevPAR for these hotels was £100.7 (2007: £94.7), reflecting a 6.3% increase in average room rate, against a 5.3% increase for the London market as a whole (source: TRI report June 2008), and stable occupancy levels (source: TRI report June 2008). The Group's hotels in the Netherlands achieved RevPAR of €116.5, an increase of 6.5% (2007: €109.4), driven by a 2.9% increase in average room rate and a 3% increase in occupancy levels. In Amsterdam, the Group's hotels continued to take market share during the period achieving RevPAR growth of 3.6% compared to unchanged RevPAR in the city (source: TRI report June 2008). RevPAR in Germany and Hungary was €47.4 during the period (2007: €49.4), reflecting the challenging market environment in Germany, most particularly in Dresden.

Group EBITDA was €11.2 million (2007: €12.0 million), due, primarily, to a decrease in the contribution from our management and holdings operation. Revenues from the management and holdings operation grew 34% during the period, largely as a result of strong trading at the Park Plaza County Hall (London), opened in February. Notwithstanding the increase in revenue, EBITDA in this segment was affected by an increase in costs related to our status as a listed company and those associated with the multiple transactions completed during the half year. A number of these costs are one-off and will not recur in the second half. Group EBITDA was also affected by difficult market conditions in Germany.

Profit before tax was €7.7 million (2007: loss before tax of €1.1 million), primarily as a result of the increase in our shareholding in the Park Plaza Westminster Bridge (London) project to 100%. A difference in the purchase price of the Group's additional 66% shareholding and the value of this shareholding arose as a result of the acquistion. Basic earnings per share were €0.28c (2007: loss per share of €0.07c).

As at 30 June 2008, net debt was €267.9 million (as at 31 December 2007: €86.5 million), with cash and cash equivalents of €60.1 million (as at 31 December 2007: €120.0 million). The net debt position has moved primarily as a result of an increase in non-current liabilities related to the acquisition of the remaining 66% of the Park Plaza Westminster Bridge (London) project. 817 of the 1,037 rooms in this hotel have now been sold and the €56.4 million of deposits received are included in the balance sheet as restricted deposits. The financing for this project is secured against these sales. Furthermore, our cash position has reduced as a result of the transactions completed during the period.

As previously stated, the Group intends to retain its earnings to grow, the business, in accordance with its previously stated strategy, and does not envisage paying any dividends for at least the first 18 months following admission to AIM in July 2007. The Board will keep this policy under review in light of the growth opportunities available to the Group.

Review of Operations

Our Markets

The United Kingdom, The Netherlands and Germany are currently the principal markets in which Park Plaza operates.

Overview of Hotel Operating Results for the six months to 30 June 2008

The following is a summary of certain operating statistics for Park Plaza's owned/co-owned, operated and managed hotels for the periods indicated. These figures have been extracted from Park Plaza's unaudited management accounts and may therefore not be comparable with Park Plaza's audited results over the periods shown or any future period.

The United Kingdom
Hotel Operations: Key Operating Statistics

	Six months ended 30 June 2008 (Unaudited)	**Six months ended 30 June 2007 (Unaudited Proforma)**
Occupancy	83.4%	83.5%
Average Room Rate	€157.9	€170.6
RevPAR	€131.7	€142.5
Total Revenue	€17.0 million	€18.2 million
EBITDA	€5.2 million	€5.3 million

Our London hotel market as a whole remained robust during the first half, with RevPAR of £93.6, reflecting higher average room rates and stable occupancy (source: TRI report June 2008). On a constant currency basis, the Group's London hotels have achieved better improvements in average room rates than the general market, whilst maintaining occupancy rates. As a result, the Group achieved RevPAR of £100.7 (2007: £94.7), driven by a 6.3% increase in average room rate. The Group have also achieved stable reported EBITDA in the United Kingdom notwithstanding the 13% decline in the average Sterling to Euro exchange rate and increases in operating costs such as energy and food.

The Group's conferencing and banqueting operations, which accounts for over a quarter of the Group's UK revenue, performed in line with our expectations during the first half. As anticipated, the Group experienced a slower rate of advanced corporate bookings during the period reflecting current uncertainty about the wider economic environment which has affected the hospitality industry in the United Kingdom.

The Netherlands
Hotel Operations: Key Operating Statistics

	Six months ended 30 June 2008 (Unaudited)	Six months ended 30 June 2007 (Unaudited Proforma)
Occupancy	89.9%	87.3%
Average Room Rate	€128.9	€125.3
RevPAR	€116.5	€109.4
Total Revenue	€11.6 million	€11.3 million
EBITDA	€4.2 million	€3.9 million

The Dutch market has slowed during the period, particularly in Amsterdam where occupancy levels fell by 5.6% due to a weaker market. The Group's hotels have performed significantly better than the market as a whole and have increased their market share. RevPAR growth was 6.5% in the period, reflecting a 2.9% increase in average room rate and a 3% increase in occupancy during the period.

Park Plaza Victoria (Amsterdam) has continued to perform strongly and achieved a 3% growth in RevPAR during the period, primarily driven by occupancy levels at an impressive 96%. At the Park Plaza Vondelpark (Amsterdam) the refurbishment of all the rooms was completed during the half year and the refurbishment of the public areas is underway. The Group's co-owned and owned hotels in Utrecht and Eindhoven have also performed well, with the refurbishment of 50 rooms and the lobby area in Eindhoven completed during the period which has improved the Group's ability to compete in this market.

Germany and Hungary
Hotel Operations: Key Operating Statistics

	Six months ended 30 June 2008 (Unaudited)	Six months ended 30 June 2007 (Unaudited Proforma)
Occupancy	67.1%	72.7%
Average Room Rate	€71.0	€67.9
RevPAR	€47.4	€49.4
Total Revenue	€13.7 million	€14.0 million
EBITDA	€(1.4) million	€(0.7) million

The competitive Budapest market recovered during the period, with RevPAR up 5.7% (source: TRI report June 2008), and the Budapest art'otel achieved RevPAR growth of 7.8%. The German market, however, remains very challenging. The situation in Germany is the result of the continuing oversupply of hotel rooms in Berlin and Dresden, which has put pressure on average room rates and occupancy in these cities. Although the Group achieved a 4.6% increase in average room rate in Germany, this was more than off-set by a 7.8% reduction in occupancy, leading RevPAR to fall by 4.1%. This part of the portfolio was most severely affected by the opening of new competitor hotels in Dresden which led to a 16% fall in RevPAR in the city (source: TRI report June 2008), resulting in a 19% decrease in the Group's revenue from our Dresden hotels. Although the Group has put in place a number of initiatives to improve the performance of the German portfolio, in light of market conditions we are currently reviewing our strategy for Berlin and Dresden.

The refurbishment at art'otel berlin mitte, which is located in the heart of Berlin's historic centre, was completed as scheduled during the period. RevPAR at the hotel was, however, negatively impacted by the closure of rooms in the period during the renovation project. All 109 rooms, including suites, banqueting and meeting facilities have now been renovated.

Management and Holdings Operation

	Six months ended 30 June 2008 (Unaudited)	Six months ended 30 June 2007 (Unaudited Proforma)
Total Revenue	€4.4 million	€3.2 million
EBITDA	€3.2 million	€3.5 million

Total revenue from our managed and franchised hotels increased by 34% to €4.4 million (2007: €3.2 million). This increase is largely a result of strong trading at the Park Plaza County Hall (London), which opened in February. We are extremely pleased with the performance of this new addition to our portfolio, which has achieved better than expected occupancy rates and has contributed profits to the Group since its first month of opening. This result reflects the strength of the Park Plaza Hotels & Resorts brand.

Notwithstanding the success of Park Plaza County Hall and modest initial contributions from our Croatian project, EBITDA was €3.2 million (2007: €3.5 million). This decline in EBITDA was related to central costs incurred as result of our status as a listed company, which were not incurred in the comparable period prior to the Group's admission to AIM and to costs associated with the multiple transactions completed during the half in Russia, Croatia and the United Kingdom.

<u>Development pipeline</u>

The Group has made good strategic progress during the first half and the development pipeline remains strong. As a result the Group is well placed to meet its target of increasing its portfolio to over 8,000 rooms by 2010.

The United Kingdom: In the UK, the construction of the Park Plaza Westminster Bridge (London) project, 100% owned by the Group since February, remains on schedule for the expected opening in 2010. 817 of the 1,037 units in this prestigious apart-hotel have now been sold. Pre-marketing has started and the General Manager and a sales team, focused on hotel room bookings, conferencing, meetings and events are in place. During the half year we also announced the creation of a joint venture with the Reuben Brothers to develop the UK's first art'otel in Hoxton, on the edge of the City of London. The development of this project is at the early stages, with a planning application expected to be submitted late 2008.

The Netherlands: The refurbishment of an extension of the Park Plaza Victoria in Amsterdam is due to be completed in 2010 and will add an additional 100 rooms to the Group's portfolio. This project is currently awaiting required permits and consents. Once these have been granted, we anticipate that the extension will become Amsterdam's first art'otel.

Croatia: During the first half, the Group expanded its portfolio through the acquisition of a 20% stake in Bora, which owns approximately 74% of Arenaturist d.d., a Zagreb (Croatia) listed company and 100% of three private companies that together own eight hotels and five apartment complexes in and around Pula on the Istrian coast of Croatia. This transaction added an additional 2,800 rooms to Park Plaza's portfolio. The Group has also won the management contracts for these properties for an initial 20 year period.

Over the summer, we have assembled a new management team and we are now fully responsible for the operation of the properties. The development of plans to significantly upgrade and refurbish these properties has begun and discussions are currently underway with the local authorities and other stakeholders. We believe there is a significant opportunity to also upgrade the conference and recreation facilities in order to broaden the revenue and target customer base of the properties and extend its trading period. According to the Croatian Ministry of Tourism, the number of international visitors to Croatia almost doubled between 2000 and 2006, with Istria, in which Pula is located, being the most visited area of the country. As a result, there is strong demand for leisure travel accommodation, with opportunities in other segments including business travel. Upscale segment hotels in the country are currently achieving average room rates at European levels, and the pricing environment is expected to benefit from the continuing shortage of available high quality hotel rooms.

Russia: Under our agreement with Ferens Management Ltd, announced in April, we will operate up to 20 new hotels in Russia, with a total of 3,500 to 4,000 rooms, under 20 year management contracts. These hotels will be established over the next four years under the Park Plaza Hotels & Resorts brand. Our teams have been working with our Russian partners to identify appropriate sites and assist in the planning of hotels. We are pleased with progress made to date, including the identification of seven sites for which planning permissions are currently being sought.

Current and committed projects:

Project	Location	Operating structure	No of rooms	Expected to open
Park Plaza Westminster Bridge	London, UK	Owned	1,037	2010
Park Plaza Victoria (extension)	Amsterdam, Netherlands	Co-owned	100	2010
Park Plaza Nuremberg	Nuremberg, Germany	Owned	175	2009
art'otel cologne	Cologne, Germany	Operating lease	220	2009
art'otel marrakech	Marrakech, Morocco	Franchise agreement	70	2009
Park Plaza Marrakech	Marrakech, Morocco	Franchise agreement	114	2009
Up to 20 new hotels	Russia	Management contract	3,500-4,000	2009-2012
Redevelopment of eight hotels and five apartments	Croatia	Management contract and equity investment	2,800*	2009-2012
art'otel hoxton, london	London, UK	Joint venture / Management contract	-	Planning application to be submitted late 2008
Current number of rooms			**7,331**	
Number of rooms in development pipeline			**Up to 5,716**	
Total number of rooms expected by 31 December 2012			**Up to 13,047**	

* Park Plaza currently manages and operates 2,800 rooms in Croatia which have been included in the current number of rooms in the Group's portfolio. They have not been included in the calculation of rooms in the development pipeline.

Current Trading and Outlook

The Group has continued to trade in-line with the Board's expectations for July and August, which are traditionally quieter months in our markets. The last four months of the year, particularly October and November, are important trading months for the Group. Although the Group has seen a growing trend towards later bookings in recent months, which has reduced visibility, current booking levels for the remainder of the year are slightly behind the comparative period in the prior year, reflecting weakness in our core markets. The events in global financial markets of the last few weeks have added further to the level of economic uncertainty and the Group is not immune to the impact of the current economic environment on the hospitality industry as a whole.

As has been widely reported, the market in the United Kingdom has weakened during the year and we anticipate this trend will continue in the second half. As a result, we expect underlying full year RevPAR growth to be low single digit, which, given the decline in the Sterling to Euro exchange rate, is expected to lead to a decline in reported RevPAR for the full year.

In the Netherlands, average rates and occupancy are also under pressure. Although the Group's hotels have performed well relative to the market, Park Plaza is not immune to trends experienced in the Dutch market. We anticipate that RevPAR will be broadly flat in the second half, resulting in mid single digit RevPAR growth for the full year.

In Germany, the cities in which we currently operate remain over-supplied and we do not expect the current highly challenging market conditions to change in the second half. Although confident about the projects being developed in this market (Park Plaza Nuremberg and art'otel cologne), the Group is currently reviewing its strategy in Dresden and Berlin.

The performance of the Group's management operations is, like other segments of the business, weighted toward the second half. We therefore expect it to be affected by difficult market conditions as management fees are linked to both revenue and gross profit.

Having experienced these market conditions in the past, the Group has a flexible cost base in place which it continues to carefully manage. We are also pro-actively adapting selling strategies to ensure we maximise all opportunities and mitigate the slowdown in our markets that has resulted from economic turbulence. We believe that our high quality portfolio is well placed to maximise the opportunities available and deliver our target of increasing the Group's portfolio to over 8,000 rooms by 2010.

Owned / co-owned Hotels – Selected Unaudited Operational and Financial Statistics

The following table provides certain summary operating statistics for Park Plaza's owned/co-owned, operated and managed hotels for the periods indicated. These data have been extracted from Park Plaza's unaudited management accounts and may therefore not be comparable to Park Plaza's audited results over the periods shown or to be expected for any future period.

	No. of rooms	Occupancy			ARR			RevPAR		
		Jan-Jun	Jan-Jun	Jan-Dec	Jan-Jun	Jan-Jun	Jan-Dec	Jan-Jun	Jan-Jun	Jan-Dec
		2008	2007	2007	2008	2007	2007	2008	2007	2007
					€	€	€	€	€	€
Park Plaza Victoria Amsterdam	306	96%	95%	96%	148	147	149	143	139	142
Park Plaza Vondelpark, Amsterdam	138	86%	78%	81%	100	102	105	86	79	82
Park Plaza Utrecht	120	80%	81%	83%	122	108	105	97	87	89
Park Plaza Mandarin Eindhoven	102	88%	86%	85%	106	102	100	93	87	86
Park Plaza Riverbank London	394	83%	80%	82%	139	151	152	115	121	122
Plaza on the River London	66	79%	76%	79%	229	285	311	182	217	241
Park Plaza Victoria London	299	85%	88%	88%	162	168	169	138	148	147
Park Plaza Sherlock Holmes London	119	84%	88%	89%	174	181	182	146	159	159

Owned / co-owned Hotels – Selected Unaudited Operational and Financial Statistics

The following table provides certain summary operating statistics for Park Plaza's owned/co-owned, operated and managed hotels for the periods indicated. These data have been extracted from Park Plaza's unaudited management accounts and may therefore not be comparable to Park Plaza's audited results over the periods shown or to be expected for any future period.

		Total Revenue			GOP			EBITDA		
		Jan-Jun	Jan-Jun	Jan-Dec	Jan-Jun	Jan-Jun	Jan-Dec	Jan-Jun	Jan-Jun	Jan-Dec
		2008	2007	2007	2008	2007	2007	2008	2007	2007
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Park Plaza Victoria Amsterdam		5,523	5,480	10,920	2,373	2,415	4,960	1,964	1,923	4,106
Park Plaza Vondelpark, Amsterdam		2,205	1,929	4,033	940	697	1,630	748	353	1,102
Park Plaza Utrecht		1,764	1,675	3,255	847	805	1,538	724	689	1,318
Park Plaza Mandarin Eindhoven		2,120	2,166	4,173	966	1,085	2,000	808	919	1,689
Park Plaza Riverbank London		7,801	8,094	16,953	3,273	3,148	7,056	1,997	1,699	4,659
Plaza on the River London		1,200	1,421	3,325	773	952	2,321	674	829	2,288
Park Plaza Victoria London		5,797	6,209	12,278	2,709	2,884	5,720	2,160	2,193	4,483
Park Plaza Sherlock Holmes London		2,184	2,495	5,117	894	1,109	2,323	349	565	1,316

INCOME STATEMENT COMPARISON TO PRO-FORMA PROFIT AND LOSS STATEMENT
Euros in thousands

	Six months ended June 30		Year ended December 31
	2008	PROFORMA 2007	PROFORMA 2007
	Unaudited		Unaudited
Revenues	46,682	46,743	97,058
Operating expenses	(29,811)	(29,409)	(57,677)
EBITDAR	16,871	17,334	39,381
Rental expenses	(5,634)	(5,358)	(11,007)
EBITDA	11,237	11,976	28,374
Depreciation and amortisation	(4,535)	(4,705)	(9,353)
EBIT	6,702	7,271	19,021
Financial expenses (net)	(5,183)	(8,350)	(19.025)
Share of loss of associate	(665)	(57)	(40)
Other income	6,878	-	22,184
Profit before tax	7,732	(1,136)	22,140
Income tax benefit (expense)	246	(3)	923
Profit for the period	7,978	(1,139)	23,063

CONSOLIDATED INCOME STATEMENTS
Euros in thousands (except earnings per share)

	Six months ended June 30		Year ended December 31
	2008	2007	2007
	Unaudited		Audited
Revenues	46,682	24,729	75,039
Operating expenses	(29,811)	(15,992)	(44,503)
EBITDAR	16,871	8,737	30,536
Rental expenses	(5,634)	(558)	(6,102)
EBITDA	11,237	8,179	24,434
Depreciation and amortisation	(4,535)	(2,635)	(7,252)
EBIT	6,702	5,544	17,182
Financial expenses	(8,518)	(7,531)	(20,831)
Financial income	3,335	395	3,782
Share of loss of associate	(665)	(57)	(40)
Other income	6,878	9,148	22,184
Profit before tax	7,732	7,499	22,277
Income tax benefit (expense)	246	(831)	21
Profit for the period	7,978	6,668	22,298
Basic and diluted earnings per share (in Euro)	0.28	0.38	0.78

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

CONSOLIDATED BALANCE SHEETS
Euros in thousands

	June 30		December 31
	2008	2007	2007
	Unaudited		Audited
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	177,831	126,726	170,848
Intangible assets	55,657	-	56,993
Prepaid leasehold payments	19,087	18,542	20,621
Inventories under construction	206,167	-	-
Investment in associate	22,519	9,940	9,109
Restricted deposits	56,423	-	-
Other financial assets	9,130	9,527	* 4,549
	546,814	164,735	262,120
CURRENT ASSETS:			
Inventories	544	263	578
Trade receivables	11,722	3,521	10,634
Other receivables and prepayments	6,123	975	* 3,319
Restricted cash	1,277	-	646
Cash and cash equivalents	60,124	6,381	119,376
	79,790	11,140	134,553
Total assets	626,604	175,875	396,673

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

*) Reclassification of rent deposits for leases of € 842 thousand from current to non-current assets.

CONSOLIDATED BALANCE SHEETS
Euros in thousands

	June 30		December 31
	2008	2007	2007
	Unaudited		Audited
EQUITY AND LIABILITIES			
EQUITY:			
Issued capital	-	-	-
Share premium	199,025	14,401	195,894
Revaluation reserve	29	-	-
Foreign currency translation reserve	(18,532)	(3,326)	(11,009)
Hedging reserve	6,073	9,544	1,759
Accumulated deficit	(13,399)	(37,007)	(21,377)
Total equity	173,196	(16,388)	165,267
NON-CURRENT LIABILITIES:			
Bank borrowings	299,469	167,497	177,912
Other financial liabilities	89,126	272	2,607
Deferred income taxes	11,583	1,136	2,061
	400,178	168,905	182,580
CURRENT LIABILITIES:			
Trade payables	9,456	3,222	4,502
Other payables and accruals	15,181	10,188	15,668
Bank borrowings	28,593	9,948	28,656
	53,230	23,358	48,826
Total liabilities	453,408	192,263	231,406
Total equity and liabilities	626,604	175,875	396,673

Adopted on: September 24, 2008

Chen Moravsky, Chief Financial Officer

Boris Ivesha, President and Chief Executive Officer

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Euros in thousands

	Issued Capital(*)	Share premium	Revaluation reserve	Foreign currency translation reserve	Hedging reserve	Accumulated deficit	Total	Total recognised income (expense)
Balance as at 1 January 2007 (audited)	-	14,401	-	(3,332)	4,349	(28,675)	(13,257)	
Cash dividend prior to IPO	-	-	-	-	-	(15,000)	(15,000)	
Issue of shares upon acquisition of the Park Plaza Group	-	60,935	-	-	-	-	60,935	
Issue of shares upon IPO on AIM	-	125,508	-	-	-	-	125,508	
IPO expenses	-	(9,018)	-	-	-	-	(9,018)	
Issue of shares to acquire art'otel rights	-	4,000	-	-	-	-	4,000	
Change in fair value of hedging derivatives	-	-	-	-	(2,590)	-	(2,590)	(2,590)
Foreign currency translation adjustments	-	-	-	(7,677)	-	-	(7,677)	(7,677)
Cost of share-based payments	-	68	-	-	-	-	68	
Profit for the year	-	-	-	-	-	22,298	22,298	22,298
Balance as at 31 December 2007 (audited)	-	195,894	-	(11,009)	1,759	(21,377)	165,267	12,031
Issue of shares upon acquisition of Marlbray	-	3,121	-	-	-	-	3,121	
Revaluation upon acquisition of Marlbray	-	-	29	-	-	-	29	29
Change in fair value of hedging derivatives	-	-	-	-	4,314	-	4,314	4,314
Foreign currency translation adjustments	-	-	-	(7,523)	-	-	(7,523)	(7,523)
Cost of share-based payments	-	10	-	-	-	-	10	
Profit for the period	-	-	-	-	-	7,978	7,978	7,978
Balance as at 30 June 2008 (unaudited)	-	199,025	29	(18,532)	6,073	(13,399)	173,196	4,798

(*) No par value

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Euros in thousands

	Issued Capital(*)	Share premium	Foreign currency translation reserve	Hedging reserve	Accumulated deficit	Total	Total recognised income (expense)
Balance as at 1 January 2007 (audited)	-	14,401	(3,332)	4,349	(28,675)	(13,257)	
Cash dividend prior to IPO	-	-	-	-	(15,000)	(15,000)	
Change in fair value of hedging derivatives	-	-	-	5,195	-	5,195	5,195
Foreign currency translation adjustments	-	-	6	-	-	6	6
Profit for the period	-	-	-	-	6,668	6,668	6,668
Balance as at 30 June 2007 (unaudited)	-	14,401	(3,326)	9,544	(37,007)	(16,388)	11,869

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

(*) No par value

CONSOLIDATED STATEMENTS OF CASH FLOWS
Euros in thousands

	Six months ended June 30		Year ended December 31
	2008	2007	2007
	Unaudited		Audited
Cash flows from operating activities:			
Profit for the period	7,978	6,668	22,298
Adjustment to reconcile profit to cash provided by (used in) operating activities (a)	(34,313)	(6,870)	(17,466)
Net cash provided by (used in) operating activities	(26,335)	(202)	4,832
Cash flows from investing activities:			
Purchase of property, plant and equipment	(3,269)	(824)	(8,637)
Net change in cash upon acquisition of the Park Plaza Group (b)	-	-	6,735
Net change in cash upon acquisition of Marlbray (c)	(13,733)	-	-
Net change in cash upon acquisition of Aspirations (d)	(14,589)	-	-
Acquisition of Bora	(22,438)	-	-
Net change in cash upon disposal of joint venture (e)	-	14,930	14,930
Decrease in short-term deposits, net	-	1,540	3,459
Decrease (increase) in restricted cash	(6,347)	1,021	375
Net cash provided by (used in) investing activities	(60,376)	16,667	16,862
Cash flows from financing activities:			
Net proceeds from issuance of shares upon IPO	-	-	116,490
Dividend distribution	-	(15,000)	(15,000)
Proceeds from long-term loans	36,136	-	720
Repayment of long-term loans	(1,957)	(1,526)	(3,068)
Increase (decrease) in short-term credit, net	(139)	218	67
Repayment of loans from related parties	-	-	687
Net cash provided by financing activities	34,040	(16,308)	99,896
Increase (decrease) in cash and cash equivalents	(52,671)	157	121,590
Net foreign exchange differences	(6,581)	12	(8,426)
Cash and cash equivalents at beginning of period	119,376	6,212	6,212
Cash and cash equivalents at end of period	60,124	6,381	119,376

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Euros in thousands

	Six months ended June 30 2008	Six months ended June 30 2007	Year ended December 31 2007
	Unaudited	Unaudited	Audited
(a) Adjustment to reconcile profit to net cash provided by (used in) operating activities:			
Gain on sale of investments	-	(9,148)	(9,148)
Negative goodwill on acquisition of Park Plaza Group	-	-	(13,036)
Negative goodwill on acquisition of Marlbray	(6,500)	-	-
Negative goodwill on acquisition of Bora	(378)	-	-
Share in loss of associates	665	57	40
Interest on loan to associate	(200)	-	-
Deferred income taxes	(435)	(56)	682
Depreciation and amortisation	5,446	3,410	9,360
Cost of share-based payment	10	-	68
Changes in operating assets and liabilities:			
Net change inventory under construction	(33,070)	-	-
Increase in inventories	22	13	(65)
Decrease (increase) in trade and other receivables	(3,582)	29	199
Increase (decrease) in trade and other payables	3,709	(1,175)	(5,566)
	(34,313)	(6,870)	(17,466)
(b) Net change in cash upon acquisition of the Park Plaza Group:			
Current assets (excluding cash and cash equivalents)	-	-	(12,922)
Current liabilities	-	-	29,889
Long-term assets	-	-	(112,734)
Long-term liabilities	-	-	28,531
Fair value of the shares issued as consideration for acquisition	-	-	60,935
Negative goodwill	-	-	13,036
	-	-	6,735

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Euros in thousands

		Six months ended June 30		Year ended December 31
		2008	2007	2007
		Unaudited		Audited
(c)	Net change in cash upon acquisition of Marlbray:			
	Current assets (excluding cash and cash equivalents)	(1,660)	-	-
	Current liabilities	8,751	-	-
	Long-term assets	(228,314)	-	-
	Long-term liabilities	197,840	-	-
	Revaluation of existing interest upon acquisition	29		
	Fair value of the shares issued as consideration for acquisition	3,121	-	-
	Negative goodwill	6,500	-	-
	Net change in cash	(13,733)	-	-
(d)	Net change in cash upon acquisition of Aspirations:			
	Current assets (excluding cash and cash equivalents)	88	-	-
	Current liabilities	(88)	-	-
	Long-term assets	(14,589)	-	-
	Net change in cash	(14,589)	-	-
(e)	Net change in cash upon disposal of joint venture:			
	Current assets (excluding cash and cash equivalents)	-	307	307
	Current liabilities	-	(104)	(104)
	Property	-	5,579	5,579
	Long-term liabilities	-	-	-
	Gain on sale	-	9,148	9,148
		-	14,930	14,930

CONSOLIDATED STATEMENTS OF CASH FLOWS
Euros in thousands

	Six months ended June 30		Year ended December 31
	2008	2007	2007
	Unaudited		Audited
(f) Supplemental disclosure of cash flows:			
Cash paid during the period:			
Income taxes	54	147	294
Interest	7,704	6,265	13,009
Cash received during the period:			
Interest	3,135	-	2,996
(g) Significant non-cash transactions:			
Shares issued to acquire Marlbray	3,121	-	-
Shares issued to acquire the Park Plaza Group	-	-	60,935
Shares issued to acquire intangible assets	-	-	4,000

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

The Company was incorporated and registered in Guernsey on June 14, 2007.

The Company through its subsidiaries owns, operates and franchises, hotels in Europe, the Middle East and North Africa predominantly under the Park Plaza Hotels & Resorts and art'otel brands.

On July 14, 2007, the Company entered into an agreement to acquire the Euro Sea Group. For periods prior to the legal formation of the Company, the assets, liabilities, revenues and expenses of Euro Sea Group were consolidated in preparing the financial statements. Also on July 14, 2007, as part of the IPO, the Euro Sea Group acquired 100% of the voting shares of Park Plaza Hotels Europe Holding B.V., its subsidiaries and other investments ("Park Plaza Group"). As of this date the assets, liabilities, revenues and expenses of the Park Plaza Group were included in the consolidated financial statements.

NOTE 2:- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a Basis of preparation:

The interim condensed consolidated financial statements of Park Plaza Hotels Limited and all its subsidiaries ("the Group") for the six months ended June 30, 2008 have been prepared in accordance with IAS 34 - Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2007.

b The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2007 except for the following:

Inventories under construction

Inventories under construction are measured at the lower of cost or net realizable value. Cost of inventories includes direct identifiable construction costs, indirect costs and capitalized borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Acquisitions of joint ventures that are not business combinations

On the day of acquisition of joint venture and operations, the Company assesses whether business is acquired in accordance with IFRS 3. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present, the transferred set of activities and assets shall be presumed to be a business. When no business is acquired, according to IFRS 3, the consideration is allocated between the identifiable assets and liabilities acquired on the basis of relative fair values, without allocating to goodwill or deferred taxes.

NOTES TO INTERIM CONENDSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- BUSINESS COMBINATION

ACQUISITION OF MARLBRAY LTD

In February 2008, Euro Sea Hotels N.V., a wholly owned subsidiary of the Company, acquired 67% of the shares of Marlbray Ltd. ("Marlbray"), increasing the Group's ownership interest in Marlbray to 100%. Marlbray is the owner of the Park Plaza Westminster Bridge (London) project, anticipated opening is in the first half of 2010, (see Note 7 in the 2007 annual financial statements).

The initial accounting of this business combination is only provisional as the Company has not finalized the allocation of fair values to the identifiable assets and liabilities of Marlbray. In this provisional accounting the fair value of the identifiable assets and liabilities of Marlbray as at the date of acquisition (based on an independent appraisal) and the corresponding carrying amounts immediately before the acquisition are:

	Fair value recognised on acquisition	**Previous carrying amount**
	€'000	
Inventories under construction	184,226	140,369
Restricted deposits	52,854	52,843
Other current assets and receivables	1,660	1,660
Cash and cash equivalents	456	456
	239,196	195,328
Bank borrowings	102,577	102,577
Shareholders loan	-	620
Other financial liabilities	84,701	78,567
Deferred income taxes	10,563	-
Trade payables	1,563	1,563
Other payables and accruals	7,192	7,192
Liability to Irish Nationwide Building Society	-	5,339
	206,596	195,858
	32,600	(530)
Carrying amount of investment in an associate	(8,738)	
Revaluation of existing interest upon acquisition	(29)	
Negative goodwill on acquisition	(6,500)	
Total consideration	17,333	

The total consideration for the 67% interest acquired, in the amount of € 7.33 million, consists of £ 10.6 million (€ 14.2 million) in cash and the issue of 735,000 Ordinary shares of the Company (490,000 of which were issued to the sellers of Marlbray). The market price of the shares on the date of acquisition was £3.16 (€ 4.24). As part of the consideration, the Company funded the repayment of approximately £ 472 thousand (€ 631 thousand) of loans made to Marlbray by the selling shareholders and a fee payable by Marlbray to Irish Nationwide Building Society, (which provided finance for the early stages of the project), which was satisfied by approximately £ 3.2 million (€ 4.3 million) in cash and the issue of 245,000 Ordinary shares.

From the date of the acquisition the contribution of Marlbray to the net profit of the Group is not material. If the combination had taken place at the beginning of the year, the net profit of the Group would be € 346 thousand lower. Marlbray does not generate revenue as the Park Plaza Westminster Bridge apart-hotel is still under construction.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- OTHER ACQUISITIONS

a) ACQUISITION OF WH/DMREF BORA BV

In April 2008, Euro Sea Hotels N.V., a wholly owned subsidiary of the Company, acquired 20% of the shares of WM/DMREF Bora B.V. ("Bora") from a group of real estate investment funds. Bora currently owns approximately 74% of Arenaturist, a public company listed on the Zagreb (Croatia) Stock Exchange, and 100% of three related private companies. These companies together own eight hotels and five apartment complexes in and around Pula on the Istrian coast of Croatia. As part of the transaction, the Company is also acquiring 20% of the debt currently provided to Bora by its shareholders.

The total consideration of the acquisition, including the debt being acquired, is € 22.4 million, which was funded by the Company from its existing cash resources. The initial accounting of this business combination is only provisional as the company has not finalized the allocation of fair values to the identifiable assets and liabilities of Bora. The provisional accounting resulted in a negative goodwill of € 378 thousand. This negative goodwill is reported as and included in other income in the income statement.

The investment in Bora is accounted for under the equity method in accordance with IAS 28.

b) ACQUISITION OF ASPIRATIONS LTD

In March 2008, Apex Holdings (UK) Limited ("Apex"), a wholly owned subsidiary of the Company, acquired 50% of the issued share capital of Aspirations Limited ("Aspirations"), the owner of a site (Hoxton, London) on which the Company plans to develop a new apart-hotel under the "art'otel" brand.

The consideration for the 50% interest in Aspirations was £ 3 million (€ 3.9 million) in cash. In addition, Apex advanced a loan of approximately £ 8 million (€ 10.4 million) to Aspirations. Following completion, Aspirations will be indebted to each of its shareholders for the same amount and on the same terms. The consideration for the shares and the loan from Apex to Aspirations was funded by the Company from its existing cash resources. Park Plaza Hotels Europe B.V. (a subsidiary of the Company) has entered into an agreement with Aspirations to operate and manage the hotel for an initial term of 20 years from the opening of the hotel onwards.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- SEGMENTS

The segment reporting format is determined to be geographical segments as the Group's risks and rates of return are affected predominantly by the location of the Group's hotels.

	Six months ended 30 June 2008 (unaudited)					
	The Netherlands	Germany	U.K.	Hungary	Adjustments and eliminations	Consolidated
	€000					
Total revenue	11,641	10,863	17,039	2,832	4,307	46,682
Segment results	2,961	(1,358)	(3,615)	(252)	9,996	7,732

	Six months ended 30 June 2007 (unaudited)					
	The Netherlands	Germany	U.K.	Hungary	Adjustments and eliminations	Consolidated
	€000					
Total revenue	9,315	-	15,414	-	-	24,729
Segment results	11,119	-	(3,620)	-	-	7,499

	Year ended 31 December 2007 (audited)					
	The Netherlands	Germany	U.K.	Hungary	Adjustments and eliminations	Consolidated
	€000					
Total revenue	20,903	12,857	34,867	2,723	3,689	75,039
Segment results	7,608	250	(4,463)	146	18,736	22,277

ASSETS

The increase of the assets of the Company is mainly due to the increase of assets in the UK resulting from the acquisitions as disclosed in Note 3 and 4.

NOTE 6:- EVENTS AFTER THE BALANCE SHEET DATE

a. Refinance of the Parkvondel Group

Until September 9, 2008 Parkvondel Hotel Holding B.V., Parkvondel Real Estate B.V. and Parkvondel Management B.V. ("the Parkvondel Group"), all 100% subsidiaries of the Company, participated as Borrowers in a €18.5 million secured term facility agreement with NIBC Bank N.V. as Lender.

The Parkvondel Group had taken upon themselves to comply with a number of financial covenants under this facility agreement. As of 30 June 2008, the Borrowers did not meet some of the financial covenants and, as a result, the loan has been reclassified to current liabilities although the loan term ended on January 25, 2013.

On September 9, 2008 the Parkvondel Group entered into a new loan agreement as joint and several Borrowers ("the Borrowers") and Aareal Bank AG as lender for the grant of a refinancing loan of € 21 million ("Refinancing loan').

The proceeds of the Refinancing loan is used for the repayment of the outstanding loan granted by NIBC Bank N.V. in the amount of € 18.1 million and the remaining will be used for the renovation of hotel Park Plaza Vondelpark, Amsterdam.

The Refinancing loan is repayable over five years and the loan bears an interest at the rate of EURIBOR plus a margin of 1.65% which is hedged by a swap transaction to a fixed rate of 5.42%.

As part of the loan agreement the lender was provided with the following securities:

1. Charge over the tangible fixed assets of the Parkvondel Group and the revenues and profits derived from them.
2. First ranking share pledges over the whole issued and outstanding share capital of the Borrowers.
3. A revolving parental shortfall guarantee of € 700 thousand.
4. A deed of subordination whereby the loan notes and any rights of the Borrowers' shareholders are subordinated to the rights of the lender.
5. Execution of a hedging transaction by the Company, for the purpose of establishing a fixed rate interest for the period of the loans. In accordance with this hedging transaction the fixed rate interest for the loans is 5.42% per annum.

In addition, the Borrowers have taken upon themselves to comply with financial and operational covenants as specified in the loan agreements.

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