

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

Unaudited results for the six months ended 30 June 2009

Park Plaza Hotels Limited and its subsidiaries (the "Group") own and operate 24 full-service four-star deluxe hotels and trendy boutique hotels in Europe and the Middle East.

Summary

Unaudited Financial Statistics

	Six months ended 30 June 2009 (Unaudited)	Six months ended 30 June 2008 (Unaudited)
Occupancy	76.8%	78.0%
Average Room Rate	€98.1	€117.6
RevPAR	€75.4	€91.8
Total Revenue	€39.7 million	€46.6 million
EBITDA	€6.9 million	€11.2 million

- Reported revenue affected by 12% reduction in average Sterling to Euro exchange rate, as UK hotels account for approximately 40% of Group revenue
- London hotels outperforming local market on both occupancy and average room rates; Amsterdam hotels significantly outperforming on occupancy rates
- Group EBITDA of €6.9 million due to the effect of challenging market conditions and the devaluation of Sterling versus the Euro.
- Development of Park Plaza Westminster Bridge (London) project, one of the largest new hotels in the UK for 40 years, progressing on schedule and on budget:
 - opening during the first half of 2010
 - encouraging levels of confirmed meeting and events business and very strong level of enquiries for meetings and events in 2010, 2011 and 2012
- Trading environment expected to remain challenging for the remainder of 2009; Group trading in line with Board's expectations for the 12 weeks to 18 September 2009

Chief Executive Officer of Park Plaza, Boris Ivesha, commented “As anticipated, trading conditions in the first half of 2009 were challenging. A focus on sales and marketing initiatives and strong cost management resulted in the Group performing in line with the Board’s expectations for the half.

For the remainder of the year, we will continue to manage our operations efficiently through a focus on cost initiatives, sales and marketing, and leveraging our membership in the Carlson network. With the Park Plaza Westminster Bridge London opening during the first half of 2010 and a number of other projects expected to open over the next 18 months, we believe the Group’s longer term growth prospects remain attractive.”

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Overview

As anticipated, trading conditions in the first half of 2009 were challenging. A focus on sales and marketing initiatives and strong cost management resulted in the Group performing in line with the Board's expectations for the half.

We continued to leverage the benefits of our strategic partnership with the Carlson Hotels network. During the half, this led to an almost doubling of the business we generate through the Carlson reservation system. Our loyalty programmes (Goldpoints) and other marketing initiatives have also been successful, leading to improved market share in almost all hotels. We are also very pleased to report that the levels of customer satisfaction, measured with our new on-line guest satisfaction survey, Medallia, have risen across the portfolio.

Operating Performance

Total revenue was €39.7 million (2008: €46.7 million). Revenue was affected by a drop in average room rates, reflecting difficult market conditions, and the reduction in the average Sterling to Euro exchange rate, which affects the reported results from our portfolio in the UK.

Reported Group RevPAR was €75.4 (2008: €91.8), reflecting a reduction in average room rates and the impact of the Sterling to Euro exchange rate. On a constant currency basis, Group RevPAR was €79.7.

In the United Kingdom, RevPAR was €108.7 (2008: €131.7). On a constant currency basis, RevPAR reduced by 4.5% to £96.2 (2008: £100.8). This performance was stronger than the competitive set in London, whose RevPAR declined by 9.3% during the period (STR Global, June 2009).

In The Netherlands, RevPAR was €92.4 (2008: €116.6), as a result of a decline in both occupancy and average room rates. Our hotels' occupancy rates continue to outperform in The Netherlands, especially in Amsterdam. Occupancy rates for the Park Plaza Victoria Amsterdam and the Park Plaza Vondel Amsterdam were 92% and 79%, respectively, compared with occupancy rates in the Amsterdam market generally, which were 69.5% for the first half (TRI Hospitality: June 2009).

RevPAR in Germany and Hungary continued to be affected by difficult market conditions. The market in Budapest effectively collapsed during the first half, primarily as a result of the economic downturn. Notwithstanding the continuing problem of oversupply in both these markets, occupancy rates at the Group's hotels were maintained year on year. RevPAR was €40.1 (2008: €47.4), as a result of a decline in average room rates.

Our Management and Holdings Operation reported revenue of €4.0 million (2008: €4.4 million). Management fees were reduced, as the performance of the hotels in this segment was affected by difficult market conditions.

Group EBITDA was €6.9 million (2008: €11.2 million), driven primarily by the performance of the Management and Holdings operation. This figure was also impacted by the devaluation in the average Sterling to Euro exchange rate and the effect of challenging market conditions across the rest of the Group's portfolio.

The reported loss before tax was €3.5 million, including €1.1 million of non-recurring restructuring costs (2008: profit before tax €7.7 million, including €6.5 million of negative goodwill, which arose on the acquisition of the remaining shareholding in Park Plaza Westminster Bridge (London) project).

Basic loss per share was 0.09c (2008: basic earnings per share of 0.19c). On an underlying basis the loss per share was 0.06. (2008: basic earnings per share of 0.04).

Financial Performance

Net debt at 30 June 2009 was €367.0 million (at 31 December 2008: €282.3 million) and the Group had €55.0 million of liquid assets (at 31 December 2008: €54.6 million), of which cash and cash equivalents were €41.6 million (at 31 December 2008: €33.1 million) and other current financial assets were €13.3 million (at 31 December 2008: €23.9 million).

€52.0 million of the €84.7 million increase in net debt is attributable to further drawdown on the banking facility for the construction of the Park Plaza Westminster Bridge (London). Most of the remaining €32.7 million results from the foreign exchange translation effect of the Group's Sterling-denominated loans. 829 of the 1,021 units at the Park Plaza Westminster Bridge London project had been contracted to be sold at 30 June 2009 and the €63.3 million of deposits received in respect of those sales are held on the balance sheet as restricted deposits and are not included in the Group's €55.0 million liquid assets.

€3.5 million of the liquid assets has been provided as collateral in connection with a €21 million loan facility from Aareal Bank AG in relation to the Park Plaza Vondelpark in Amsterdam, following a narrow failure to meet the debt service covenant under the facility at 30 June 2009. On the basis of trading in the 12 weeks to 18 September, the Company expects that the covenant test at the end of September 2009 will be met. See Note 5a to the financial statements for further details.

The Company is pleased to announce that it has agreed with Aareal Bank AG the refinancing of the €80 million facility for the Park Plaza Victoria Amsterdam, the Park Plaza Utrecht and the Park Plaza Mandarin Eindhoven (of which €75.4 million was outstanding at 30 June 2009). The current facility, which is due to expire on 30 September 2009, will on completion of the refinancing be extended to September 2014. See Note 6 to the financial statements for further details.

The Group has 50% interests in three London hotels, the Park Plaza Riverbank, the Park Plaza Victoria London and the Park Plaza Sherlock Holmes, each of which the Group also manages. In March 2006 the companies which own the hotels borrowed £195 million under a 5-year facility from Goldman Sachs International Bank, of which £187 million was outstanding at 30 June 2009. The facility is secured by, *inter alia*, legal charges over the three hotels. The facility is without recourse to the Company or (save to a limited extent) other Group companies.

As is normal for such a facility, there is a debt service cover ratio covenant. In the context of determining whether the borrowers are in compliance with such covenant, the facility agent is disputing the inclusion in net operating income of certain trading revenue received from, and expenses paid by, affiliates of the joint venture partners. The borrowers do not agree with the facility agent's view of the relevant transactions and consider that the relevant covenant has been complied with. There have been discussions with the lender on this subject and other aspects of the facility, and it is expected that further discussions will take place in the future. An update on any such discussions will be provided as and when appropriate. See Note 5b to the financial statements for further details.

Dividend

The Board continues to believe that it is prudent not to commence payment of a dividend in light of current market and trading conditions.

Current Trading and Outlook

Trading conditions in the 12 weeks to 18 September have continued to be challenging, with limited visibility and pressure on average room rates and occupancy across all our markets. Nonetheless, the Group is trading in line with the Board's expectations. We do not anticipate any marked change in trading conditions for the remainder of the year.

For the 12 weeks to 18 September, underlying revenue at the Group's London hotels has declined on the comparative period last year. During this period, occupancy rates remained flat versus the prior year, a strong performance in current markets. Average room rates have, however, declined by just over 10%.

Revenue in The Netherlands for the 12 weeks to 18 September has shown a similar year on year percentage decline to that reported in the first half. In Germany and Hungary, revenue for the 12 weeks to 18 September is also down year on year. It is, however, down by significantly less than it was during the first half, indicating an improvement in performance notwithstanding the very difficult market conditions.

For the remainder of the year, we will continue to manage our operations efficiently through a focus on cost initiatives, sales and marketing, and leveraging our membership in the Carlson network. With the Park Plaza Westminster Bridge opening in London during the first half of 2010 and a number of other projects expected to open over the next 18 months, we believe the Group's longer term growth prospects remain attractive.

Review of Operations

UK

Hotel Operations: Key Operating Statistics

	Euro (€) (Unaudited)		GBP (£) (Unaudited)	
	Six months to 30 June 2009	Six months to 30 June 2008	Six months to 30 June 2009	Six months to 30 June 2008
Occupancy	83.0%	83.4%	83.0%	83.4%
Average Room Rate	€131	€157.9	£115.9	£120.8
RevPAR	€108.7	€131.7	£96.2	£100.8
Total Revenue	€14.2 million	€17.0 million	£12.6 million	£13.1 million
EBITDA	€5.2 million	€5.2 million	£4.6 million	£4.0 million

The London market continued to suffer from the economic downturn in the first half of 2009, with RevPAR at the Group's competitor set of hotels down by 9.3% (STR Global, June 2009). Although the Group's owned and co-owned hotels have also seen a reduction in RevPAR, they have performed better than the competitive set, with underlying RevPAR down by only 4.5%. This is a result of stronger performances than the competitive set in terms of both occupancy and average room rates (STR Global, June 2009). On a reported basis, performance was affected by the 12% reduction in the average Sterling to Euro exchange rate.

The conferencing and banqueting business has also been affected by the trading environment and we have continued to see a later booking trend and lower average spend on food and beverage during the first half.

The Netherlands

Hotel Operations: Key Operating Statistics

	Six months to 30 June 2009 (Unaudited)	Six months to 30 June 2008 (Unaudited)
Occupancy	83.9%	89.9%
Average Room Rate	€110.1	€128.9
RevPAR	€92.4	€116.5
Total Revenue	€9.9 million	€11.6 million
EBITDA	€3.0 million	€4.2 million

The Netherlands has continued to be badly affected by the economic downturn, with RevPAR in Amsterdam dropping by 22% year on year during the half. Whilst our hotels have been adversely impacted by the difficult environment in the Amsterdam market, we have maintained significantly above average occupancy rates. Park Plaza Victoria reported occupancy of 92% for the half, compared with 69.5% for the Amsterdam market (TRI Hospitality, June 2009).

Although pressure on average room rates was not as severe in the second quarter, there is less flexibility in cost management in our Dutch hotels as a result of the very high occupancy levels we are achieving. This was the main driver behind the reduction in this segment's EBITDA during the half. During the second half, we will continue to focus on revenue management in order to maximise RevPAR in this market.

Germany and Hungary

Hotel Operations: Key Operating Statistics

	Six months ended 30 June 2009 (Unaudited)	Six months ended 30 June 2008 (Unaudited)
Occupancy	67.0%	67.1%
Average Room Rate	€60.0	€71.0
RevPAR	€40.1	€47.4
Total Revenue	€11.6 million	€13.7 million
EBITDA	€(2.2) million	€(1.3) million

Germany has been a difficult market for some time, as a result of oversupply, particularly in Berlin and Dresden. The Group's art'otel City Centre West was, however, successful in increasing its corporate customer base during the half. This led to increased occupancy of 70%, putting the hotel ahead of its competitive set in Berlin (Fairmas GmbH, June 2009). During the second half, we expect to start developing plans for a 63-room extension and refurbishment of the ground floor at the art'otel City Centre West. There is no capital cost to the Group in undertaking these improvements.

The art'otel in Dresden is also outperforming the market, both in terms of occupancy and RevPAR (Fairmas, July 2009). This hotel sells a very high quality product and is extremely well located in the city centre.

The market in Budapest has been one of the worst affected in Europe, with RevPAR for the city dropping by over 30% (STR Global, June 2009). Notwithstanding these trading conditions, the art'otel in Budapest significantly outperformed in terms of occupancy for the half, delivering occupancy of 67% as against 59% for its competitive set.

As announced in September 2008, in light of the difficult conditions in Germany and Hungary we have been reviewing our portfolio and strategies in these markets. As a result of this ongoing review, we have terminated the lease on the Park Plaza Dresden, as of 3 September 2009. For a termination fee of €350,000, the Group has eliminated €400,000 of annual operating losses generated by this hotel. We continue to keep a number of other properties under review.

Management and Holdings Operation

	Six months ended 30 June 2009 (Unaudited)	Six months ended 30 June 2008 (Unaudited)
Total Revenue	€4.0 million	€4.4 million
EBITDA	€0.9 million	€3.2 million

Total revenue was €4.0 million (2008: €4.4 million). Although revenue at many of our managed and franchised hotels was affected by the difficult trading environment and the devaluation of Sterling, Park Plaza County Hall (London) continued to deliver a very strong performance. RevPAR at this hotel increased by 20% in its first full year of operation.

EBITDA for this segment was affected by €1.1 million of non-recurring restructuring costs associated with the right sizing of our operations in response to market conditions and by the drop in revenue.

Development Pipeline

United Kingdom: Our flagship Park Plaza Westminster Bridge (London) project continues to be developed on schedule and on budget. We expect this prestigious apart'otel, which will be one of the largest new hotel in the United Kingdom for 40 years, to open in the first half of 2010. We are delighted by the very positive response we have had from the Travel and Conference trade to date and the level of interest we have already attracted.

During the half, we secured a £27 million extension to the banking facility for construction of this project, which is being used to finance an additional floor and a further banqueting space. A "Topping Out Ceremony", attended by the Mayor of London, Boris Johnson, and over 300 guests was held in late July to celebrate completion of the roof. In addition to the very positive responses we have had to this event and from clients in general, we are encouraged that the level of confirmed meeting and events business for the hotel is in line with our expectations. Furthermore, we have had a very strong level of enquiries for meetings and events to be held in 2010, 2011 and into 2012.

Since our Preliminary results announcement in late March, we have continued to sell units to investors, with 837 out of 1,021 contracted to be sold at 31 August 2009. The additional sales have been achieved without active marketing. The total value of the units sold to date is £245 million.

We have continued to advance plans for London's first art'otel, which will be located in Hoxton. Consultation with community groups and the local authorities has been progressing during the first half and we continue to expect that a planning application will be ready for submission by the end of the year.

The Netherlands: We were pleased to announce, in early July, that we had reached agreement with the City of Amsterdam to develop an art'otel in the city's iconic former "Kadaster" office. The "Kadaster," situated in a prime position opposite the city's Central Station, first opened its doors in 1920 and initially served as the head office of the Koninklijke Hollandsche Lloyd (shipping company). Plans for this hotel include 100 guest rooms, an art café and ground floor and basement public spaces dedicated to showcasing cultural and social activities.

Croatia: We have continued to progress plans and designs for redevelopment of the Arenaturist properties in Croatia. This work is on track to achieve our goal of obtaining planning permission by the end of 2009.

Current and committed projects:

Project	Location	Operating structure	No. of rooms	Expected to open
<i>art'otel marrakech</i>	Marrakech, Morocco	Franchise agreement	70	2009
Park Plaza Marrakech	Marrakech, Morocco	Franchise agreement	114	2009
<i>art'otel london hoxton</i>	London, UK	Joint venture / Management contract	370	Planning application to be submitted 2009
Redevelopment of eight hotels and five apartment complexes	Croatia	Management contract and equity investment	2,800*	2009 onwards
<i>art'otel cologne</i>	Cologne, Germany	Operating lease	220	2010
Park Plaza Westminster Bridge London	London, UK	Owned**	1,021	2010
<i>art'otel amsterdam</i>	Amsterdam, The Netherlands	Co-owned	100	2011
Park Plaza Nuremberg	Nuremberg, Germany	Owned	175	2011
Chain of new hotels	Russia	Management contract	3,500-4,000	2010 onwards
Number of rooms in development pipeline			Up to 6,070	
Current number of rooms			7,102	
Total number of rooms expected by 31 December 2012			Up to 13,172	

* 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.

** of which 837 units have been contracted to be sold to investors

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 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 the full 2009 fiscal year or any future period.

	No. of rooms	Occupancy			ADR			RevPAR		
		Jan-Jun	Jan-Jun	Jan - Dec	Jan-Jun	Jan-Jun	Jan - Dec	Jan-Jun	Jan-Jun	Jan - Dec
		2009	2008	2008	2009	2008	2008	2009	2008	2008
					€	€	€	€	€	€
Park Plaza Victoria (Amsterdam)	306	92%	96%	96%	122	148	145	112	143	140
Vondel Park Plaza (Amsterdam)	138	79%	86%	85%	88	100	102	70	86	86
Park Plaza Utrecht (Utrecht)	120	71%	80%	80%	114	122	117	81	97	95
Park Plaza Mandarin (Eindhoven)	102	81%	88%	87%	96	106	102	77	93	88
Park Plaza Riverbank (London)	394	83%	83%	84%	121	139	134	101	115	110
Plaza on the River (London)	66	78%	79%	78%	158	229	248	123	182	185
Park Plaza Victoria (London)	299	84%	85%	87%	135	162	157	114	138	134
Park Plaza Sherlock Holmes (London)	119	84%	84%	85%	137	174	167	115	146	139

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 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 the full 2009 fiscal year or 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
	2009	2008	2008	2009	2008	2008	2009	2008	2008
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Park Plaza Victoria (Amsterdam)	4,426	5,523	10,746	1,512	2,373	4,630	1,185	1,964	3,817
Vondel Park Plaza (Amsterdam)	1,932	2,204	4,661	739	940	2,093	582	748	1,687
Park Plaza (Utrecht)	1,552	1,764	3,280	712	847	1,525	599	724	1,281
Park Plaza Mandarin (Eindhoven)	1,958	2,120	4,258	787	966	1,901	647	808	1,582
Park Plaza Riverbank (London)	6,429	7,801	12,878	3,060	3,273	6,293	1,898	1,997	3,754
Plaza on the River (London)	820	1,200	4,581	562	773	1,707	494	674	1,491
Park Plaza Victoria (London)	5,184	5,797	11,338	2,897	2,709	4,630	2,355	2,160	4,265
Park Plaza Sherlock Holmes (London)	1,764	2,184	4,378	964	894	1,900	490	349	823

CONSOLIDATED BALANCE SHEETS
Euro in thousands

	As at 30 June		As at 31 December
	2009	2008	2008
	Unaudited		Audited
ASSETS			
NON-CURRENT ASSETS:			
Intangible assets	52,191	55,657	53,297
Property, plant and equipment	166,008	177,831	157,472
Prepaid leasehold payments	17,586	19,087	15,834
Investment in associate	21,670	22,519	22,680
Other non-current financial assets	34,078	39,042	31,510
	291,533	314,136	280,793
CURRENT ASSETS:			
Inventories under construction	277,310	177,400	200,893
Restricted deposits	63,345	57,700	52,780
Inventories	515	544	520
Other current financial assets	13,320	-	23,852
Trade receivables	14,118	11,722	11,520
Other receivables and prepayments	5,628	6,123	4,957
Cash and cash equivalents	41,631	60,124	33,065
	415,867	313,613	327,587
Total assets	707,400	627,749	608,380

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

CONSOLIDATED BALANCE SHEETS
Euro in thousands

	Note	As at 30 June		As at 31 December
		2009	2008	2008
		Unaudited		Audited
EQUITY AND LIABILITIES				
EQUITY:				
Issued capital (no par value)		-	-	-
Share premium		236,100	236,010	236,016
Other reserves		(37,005)	(36,956)	(37,205)
Foreign currency translation reserve		(26,924)	(18,532)	(32,169)
Hedging reserve		(9,266)	6,073	(6,381)
Accumulated deficit		(17,397)	(13,399)	(13,464)
Total equity		145,508	173,196	146,797
NON-CURRENT LIABILITIES:				
Bank borrowings	5	131,907	167,089	124,065
Other liabilities		43,304	32,574	37,164
Deferred income taxes		11,130	11,583	9,970
		186,341	211,246	171,199
CURRENT LIABILITIES:				
Trade payables		8,764	9,456	9,594
Deposits received from unit holders		63,113	57,697	53,580
Other payables and accruals		13,591	15,181	13,491
Bank borrowings	5	290,083	160,973	213,719
		375,551	243,307	290,384
Total liabilities		561,892	454,553	461,583
Total equity and liabilities		707,400	627,749	608,380

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

29 September, 2009		
Date of approval of the financial statements	Boris Ivesha Chief Executive Officer	Chen Moravsky Chief Financial Officer

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

	Six months ended		Year ended
	30 June		31 December
	2009	2008	2008
	Unaudited		Audited
Revenues	39,718	46,682	93,385
Operating expenses	(27,400)	(29,811)	(57,528)
EBITDAR	12,318	16,871	35,857
Rental expenses	(5,424)	(5,634)	(11,200)
EBITDA	6,894	11,237	24,657
Depreciation and amortisation	(4,417)	(4,535)	(9,050)
Impairment loss	-	-	(2,284)
EBIT	2,477	6,702	13,323
Financial expenses	(7,488)	(8,862)	(17,537)
Financial income	2,840	3,679	6,684
Share in loss of associate	(1,322)	(287)	(1,037)
Other income	-	6,500	6,507
Income (Loss) before taxes on income (benefit)	(3,493)	7,732	7,940
Taxes on income (benefit)	440	(246)	27
Net income (loss)	(3,933)	7,978	7,913
Basic and diluted earnings (loss) per share (in Euro)	(0.09)	0.19	0.19

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Euro in thousands

	Six months ended		Year ended
	30 June		31 December
	2009	2008	2008
	Unaudited		Audited
Net income (loss)	<u>(3,933)</u>	<u>7,978</u>	<u>7,913</u>
Other comprehensive income (loss):			
Gain (Loss) from available-for-sale financial assets, net	200	-	(249)
Gain (Loss) from cash flow hedges, net	(2,885)	4,314	(8,140)
Foreign currency translation adjustments of foreign operations	5,245	(7,523)	(21,160)
Revaluation on acquisition of Marlbray	-	29	29
Other comprehensive income (loss), net	<u>2,560</u>	<u>(3,180)</u>	<u>(29,520)</u>
Total comprehensive income (loss)	<u><u>(1,373)</u></u>	<u><u>4,798</u></u>	<u><u>(21,607)</u></u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Euros in thousands

	<u>Issued capital *</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Foreign currency translation reserve</u>	<u>Hedging reserve</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance as at 1 January 2008	-	232,879	(36,985)	(11,009)	1,759	(21,377)	165,267
Total comprehensive loss	-	-	(220)	(21,160)	(8,140)	7,913	(21,607)
Issue of shares upon acquisition of Marlbray	-	3,121	-	-	-	-	3,121
Share-based payments	-	16	-	-	-	-	16
Balance as at 31 December 2008 (audited)	-	236,016	(37,205)	(32,169)	(6,381)	(13,464)	146,797
Share-based payments	-	84	-	-	-	-	84
Total comprehensive loss	-	-	200	5,245	(2,885)	(3,933)	(1,373)
Balance as at 30 June 30 2009 (unaudited)	-	236,100	(37,005)	(26,924)	(9,266)	(17,397)	145,508
	<u>Issued capital *</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Foreign currency translation reserve</u>	<u>Hedging reserve</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance as at 1 January 2008 (audited)	-	232,879	(36,985)	(11,009)	1,759	(21,377)	165,267
Total comprehensive income	-	-	29	(7,523)	4,314	7,978	4,798
Issue of shares upon acquisition of Marlbray	-	3,121	-	-	-	-	3,121
Share-based payments	-	10	-	-	-	-	10
Balance as at 30 June 2008 (unaudited)	-	236,010	(36,956)	(18,532)	6,073	(13,399)	173,196

* No par value.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Euro in thousands

	Six months ended		Year ended
	30 June		31 December
	2009	2008	2008
	Unaudited		Audited
<u>Cash flows from operating activities:</u>			
Net income (loss)	(3,933)	7,978	7,913
Adjustment to reconcile net income (loss) to cash used in operating activities:			
Financial expenses, net	4,648	5,183	10,853
Taxes on income	440	(246)	27
Negative goodwill on acquisition of Marlbray	-	(6,500)	(6,500)
Share in loss of associates	1,322	287	1,037
Depreciation and amortization	4,494	4,550	9,217
Share-based payments	84	10	16
Impairment of property, plant and equipment	-	-	1,257
Impairment of art'otel rights	-	-	1,027
	<u>10,988</u>	<u>3,284</u>	<u>16,934</u>
Changes in operating assets and liabilities:			
Increase in inventories under construction	(46,835)	(33,070)	(87,274)
Decrease in inventories	20	22	20
Increase in trade and other receivables	(1,436)	(2,616)	(3,027)
Decrease in trade and other payables	(1,801)	(3,070)	(2,549)
	<u>(50,052)</u>	<u>(38,734)</u>	<u>(92,830)</u>
Cash paid and received during the period for:			
Interest paid	(7,665)	(7,556)	(11,964)
Interest received	1,953	3,098	4,840
Taxes paid	291	-	-
Taxes received	-	(189)	(390)
	<u>(5,421)</u>	<u>(4,647)</u>	<u>(7,514)</u>
Net cash used in operating activities	<u>(48,418)</u>	<u>(32,119)</u>	<u>(75,497)</u>
<u>Cash flows from investing activities:</u>			
Purchase of property, plant and equipment	(1,279)	(3,269)	(5,818)
Purchase of intangible lease rights	(201)	-	-
Net change in cash on acquisition of Marlbray (a)	-	(13,756)	(13,756)
Net change in cash on acquisition of Aspirations (b)	-	(14,589)	(14,589)
Loans to an associate	-	(21,779)	(22,094)
Loans to jointly controlled entities	(642)	(1,299)	(9,842)
Investment in associate	-	(659)	(745)
Net change in restricted deposits	(1,113)	59	(2,268)
Investments in held-to-maturity bonds	(11,297)	-	(23,681)
Purchase of shares	(7,844)	-	(3,013)
Proceeds from sale of shares	8,542	-	-
Proceeds from maturity of bonds	22,895	-	-
Decrease (increase) in restricted cash	49	(632)	(212)
Net cash provided by (used in) investing activities	<u>9,110</u>	<u>(55,924)</u>	<u>(96,018)</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Euro in thousands

	Six months ended		Year ended
	30 June		31 December
	2009	2008	2008
	Unaudited		Audited
<u>Cash flows from financing activities:</u>			
Proceeds from long-term loans	-	-	20,017
Repayment of long-term loans	(1,866)	(2,131)	(21,860)
Increase in short-term loans	-	(138)	1
Increase in construction loan	47,839	36,310	89,003
Loans from jointly controlled entities	(3)	1,336	9,985
Net cash provided by financing activities	<u>45,970</u>	<u>35,377</u>	<u>97,146</u>
Increase (Decrease) in cash and cash equivalents	6,662	(52,666)	(74,369)
Net foreign exchange differences	1,904	(6,586)	(11,942)
Cash and cash equivalents at beginning of period	<u>33,065</u>	<u>119,376</u>	<u>119,376</u>
Cash and cash equivalents at end of period	<u><u>41,631</u></u>	<u><u>60,124</u></u>	<u><u>33,065</u></u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Euro in thousands

	Six months ended		Year ended
	30 June		31 December
	2009	2008	2008
	Unaudited		Audited
(a) <u>Net change in cash on acquisition of Marlbray:</u>			
Current assets (excluding cash and cash equivalents)	-	(198,873)	(198,873)
Current liabilities	-	164,301	164,301
Non-current liabilities	-	11,166	11,166
Revaluation of existing interest upon acquisition	-	29	29
Fair value of the shares issued as consideration for acquisition of Marlbray	-	3,121	3,121
Negative goodwill	-	6,500	6,500
Net change in cash	<u>-</u>	<u>(13,756)</u>	<u>(13,756)</u>
(b) <u>Net change in cash on acquisition of Aspirations:</u>			
Current assets (excluding cash and cash equivalents)	-	88	88
Current liabilities	-	(88)	(88)
Long-term assets	-	14,589	(14,589)
Net change in cash	<u>-</u>	<u>(14,589)</u>	<u>(14,589)</u>
(c) <u>Significant non-cash transactions:</u>			
Shares issued to acquire Marlbray	<u>-</u>	<u>3,121</u>	<u>3,121</u>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

- a. The Company through its subsidiaries owns, develops, constructs, operates and manages hotels in Europe, the Middle East and Africa under two primary brands: Park Plaza Hotels & Resorts and art'otel.
- b. These financial statements have been prepared in a condensed format as of 30 June 2009 and for the six months then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of 31 December 2008 and for the year then ended and accompanying notes ("annual financial statements").
- c. As discussed in Note 1d to the annual financial statements, the Board of Directors continues to monitor the Group's cash flow forecasts for a period of at least 12 months from balance sheet date, including compliance with loan covenants and liquidity risk arising from the maturities of the Group's loans (see Note 5).

The Board believes that the Group currently has adequate resources and in the future will generate sufficient funds to serve its financial obligations and continue its operations as a going concern in the foreseeable future.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "Interim Financial Reporting".

The significant accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements, except as noted below:

IAS 1 (Revised) - Presentation of Financial Statements:

IAS 1 (Revised) introduces an additional statement, "statement of comprehensive income". The statement may be presented as a separate statement which includes net income and all items carried in the reported period directly to equity that do not result from transactions with the shareholders in their capacity as shareholders (other comprehensive income) such as adjustments arising from translating the financial statements of foreign operations, fair value adjustments of available-for-sale financial assets, changes in revaluation reserve of fixed assets, etc. and the tax effect of these items carried directly to equity, with allocation between the Company and the minority interests. Alternatively, the items of other comprehensive income may be displayed along with the items of the statement of income in a single statement entitled "statement of comprehensive income" which replaces the statement of income, while properly allocated between the Company and the minority interests. Items carried to equity resulting from transactions with the shareholders in their capacity as shareholders (such as capital issues, dividend distribution etc.) are disclosed in the statement of changes in equity as well as the summary line carried forward from the statement of comprehensive income, with allocation between the Company and the minority interests.

IAS 1 (Revised) also requires entities to present a balance sheet as of the beginning of the comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in the annual financial statements.

The Company chose to present a separate statement of comprehensive income.

The revision was adopted on 1 January 2009 with a retrospective restatement of comparative figures.

IFRS 8 - Operating Segments:

IFRS 8 ("the Standard") deals with operating segments and replaces IAS 14. According to the Standard, the Company adopted a management approach in reporting on the financial performance of the operating segments. The segment information is the information that is internally used by management in order to assess its performance and allocate resources to the operating segments.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company adopted the provisions of IFRS 8 on 1 January 2009 with a retrospective restatement of comparative figures.

IAS 23 (Revised) - Borrowing Costs:

In accordance with the revised IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset must be capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale and includes fixed assets, investment property and inventories that take a substantial period of time to get ready for sale. The possibility of immediately carrying these costs as an expense has been removed.

There is no effect of the revised Standard on the interim consolidated financial statements since the Company's existing policy is to capitalise borrowing costs to the cost of qualifying assets.

IFRS 2 - Share-based Payment:

Pursuant to an amendment to IFRS 2, the definition of vesting terms includes service conditions and performance conditions and the cancellation of a grant that includes non-vesting conditions by the Company or the counterparty, is accounted for by way of acceleration of vesting and not by forfeiture. Non-vesting conditions must be taken into account when estimating the fair value of the instrument granted.

This amendment was adopted on 1 January 2009. The initial adoption of the Standard did not have a material effect on the interim consolidated financial statements.

IAS 28 - Investment in Associates:

Pursuant to an amendment to IAS 28, the test of impairment of an investment in an associate is carried out with reference to the entire investment. Accordingly, a recognized impairment loss is not allocated specifically but rather attributed to the investment as a whole. Therefore, the entire impairment loss previously recognized may be reversed to the extent that the relevant conditions are satisfied.

The amendment was adopted as a prospective change on 1 January 2009. The initial adoption of the Standard did not have material effect on the interim consolidated financial statements.

IAS 38 - Intangible Assets:

Pursuant to an amendment to IAS 38, expenses incurred for advertising, marketing or promotional activities are recognised as an expense when the Company has the right to access to the advertising goods or when the Company receives those services. For these purposes, the activities also include production of catalogs and promotional pamphlets. Also, IAS 38 is amended to allow the unit of production amortisation method for all intangible assets even if it results in a lower amount of accumulated amortisation than under the straight-line method.

The amendment was adopted on 1 January 2009. The initial adoption of the Standard did not have a material effect on the interim consolidated financial statements.

IFRIC 15 - Agreements for the Construction of Real Estate:

IFRIC 15 establishes rules for distinguishing between agreements for the construction of real estate under the scope of IAS 11 and similar agreements under the scope of IAS 18. When an agreement is specifically negotiated for the construction of an asset or a combination of assets when the buyer is able to specify the major structural elements and specify any changes therein, the agreement is within the scope of IAS 11. Accordingly, revenue is recognized by reference to the stage of completion. In contrast, when the buyer has only limited ability to influence the design or to specify only minor variations, the agreement is an agreement for the sale of real estate within the scope of IAS 18.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Interpretation was applied retrospectively on 1 January 2009. The initial adoption of the Interpretation did not have a material effect on the interim consolidated financial statements.

Reclassifications:

Certain comparative data in the financial statements as of 30 June 2009 and for the six months then ended have been reclassified to conform with the current year's presentation.

b. Standards issued but not yet effective:

IAS 17 - Leases:

The amended IAS 17 ("the amendment") deals with the classification of land and buildings. Pursuant to the amendment, the specific criteria for land classification were removed. Consequently, the requirement to classify a lease of land as an operating lease when title does not pass at the end of the lease no longer exists but the classification of the lease of land shall be examined by reference to the general guidance in IAS 17 which addresses the classification of a lease as finance or operating while taking into account that land, normally, has an indefinite economic life.

The amendment will be retrospectively or prospectively adopted starting from the financial statements for periods beginning on 1 January 2010. Earlier application is permitted. For the retrospective adoption, at the date of adoption of the amendment, the classification of the land shall be reassessed on the basis of information existing at the inception of the lease and if there has been a change in the lease classification, the guidance of IAS 17 shall be applied retrospectively at the inception of the lease. However, if the entity does not have the information necessary to apply the amendment retrospectively, it shall apply the amendment prospectively on the basis of the information existing at the date it adopts the amendment and recognize the asset and liability relating to the land lease newly classified as a finance lease at the fair value on that date. Any difference between the fair value of the asset and the fair value of the liability will be recognized in retained earnings.

The Company believes that the effect of the amendment on its financial position, operating results and cash flows is not expected to be material.

NOTE 3:- SHARE-BASED PAYMENT

The Group's Remuneration Committee met on 11 May, 2009 to consider the options packages of all employees to ensure they are properly incentivised in the future in light of the cancellation of other incentive programmes. On 10 June 2009, the Remuneration Committee made its recommendations to the Board and the Board agreed to amend the options packages of all current employees. As a result, the options of current employees have been re-priced to market value on 10 June 2009, being the day on which the recommendation of the Remuneration Committee was accepted by the Board. The new strike price is therefore 100p (previously 550p). The Board also agreed to the Remuneration Committee's recommendation to grant additional share options for ordinary shares to current employees. The total number of the outstanding options as at 10 June 2009, including the newly granted options, is 428,600.

The fair value of the options is estimated at the grant date using the binomial pricing model, taking into account the terms and conditions upon which the options were granted.

The following lists the inputs to the binomial model used for the fair value measurement of share options for the above plan:

Dividend yield (%)	-
Expected volatility of the share prices (%)	55%
Risk-free interest rate (%)	3.04
Expected life of share options (years)	3
Weighted average fair value (GBP)	0.35

Based on the above inputs, the fair value of the repriced options, and the newly granted options, is approximated at £150,000 (€ 176,000) as of the grant date.

NOTE 4:- SEGMENTS

For management purposes, the Group's activities are divided into Hotel Operations and Holding and Management. Hotel Operations are further divided into reportable segments by The Netherlands, Germany and Hungary, and the United Kingdom. The operating results of each of the aforementioned segments are monitored separately for the purpose of resource allocations and performance assessment. Segment performance is exhibited based on EBITDA, which is measured on the same basis as financial reporting purposes in the statement of income.

	Six months ended 30 June 2009 (unaudited)				
	The Netherlands	Germany and Hungary	UK	Holding and Management	Consolidated
	€000				
Total revenue	9,887	11,557	14,263	4,011	39,718
Segment EBITDA	3,042	(2,201)	5,232	821	6,894
Depreciation and amortization					(4,417)
Impairment loss					-
Financial expenses					(7,488)
Financial income					2,840
Share in loss of associate					(1,322)
Other income					-
Income (Loss) before taxes on income (benefit)					(3,493)
	Six months ended 30 June 2008 (unaudited)				
	The Netherlands	Germany and Hungary	UK	Holding and Management	Consolidated
	€000				
Total revenue	11,641	13,695	17,039	4,307	46,682
Segment EBITDA	4,241	(1,351)	5,179	3,168	11,237
Depreciation and amortisation					(4,535)
Impairment loss					6,702
Financial expenses					(8,862)
Financial income					3,679
Share in loss of associate					(287)
Other income					6,500
Income (Loss) before taxes on income (benefit)					7,732

NOTE 4:- SEGMENTS (Cont.)

	Year ended 31 December 2008 (audited)				Consolidated
	The Netherlands	Germany and Hungary	UK €000	Holding and Management	
Total revenue	22,981	28,616	33,272	8,516	93,385
Segment EBITDA	8,373	(1,408)	10,355	7,337	24,657
Depreciation and amortisation					(9,050)
Impairment loss					(2,284)
Financial expenses					(17,537)
Financial income					6,684
Share in loss of associate					(1,037)
Other income					6,507
Income (loss) before taxes on income (benefit)					7,940

NOTE 5:- BANK BORROWINGS

- a. Parkvondel Hotel Real Estate B.V. has entered into a €21 million 5-year facility agreement with Aareal Bank AG, which is guaranteed by Parkvondel Hotel Management B.V. and, as to interest, by the Company. The facility is, *inter alia*, secured on the Park Plaza Vondelpark in Amsterdam. The facility contains a covenant that the net operating income as a percentage of the annual finance costs is not at any quarterly test date lower than 120%. The borrowers narrowly failed to meet this covenant at 30 June 2009. To avoid an event of default arising from such failure, the borrowers provided €3.5 million of cash collateral for the loan. On the basis of trading for the 12 weeks to 18 September 2009, the Company expects that the covenant test at the end of September 2009 will be met. The €3.5 million cash collateral is included in the liquid assets of €55.0 million at 30 June 2009.
- b. The Group has 50% interests in three London hotels, the Park Plaza Riverbank, the Park Plaza Victoria London and the Park Plaza Sherlock Holmes, each of which the Group also manages. The 50:50 joint venture companies which own the three hotels are the borrowers under a £195 million facility from Goldman Sachs International Bank, of which £187 million was outstanding at 30 June 2009. The facility is repayable in March 2011 unless the borrowers are able to and do exercise a 2-year extension option. The facility is secured by, *inter alia*, legal charges over the three hotels. The facility is without recourse to the Company or (save to a limited extent) other Group companies.

The facility contains a covenant that the ratio of net operating income and relevant management fees to debt service shall be no less than 1.05 on any two consecutive payment dates. In the context of determining whether the borrowers are in compliance with such covenant, the facility agent is disputing the inclusion in net operating income of certain trading revenue received from, and expenses paid by, affiliates of the joint venture partners. The borrowers do not agree with the facility agent's view of the relevant transactions and consider that the relevant covenant has been complied with.

NOTE 6:- EVENTS AFTER THE BALANCE SHEET DATE

On 25 September 2009, two jointly controlled companies, Utrecht Victoria Hotel B.V. and Victoria Hotel C.V., and a wholly-owned subsidiary of the Company, The Mandarin Hotel B.V., as borrowers and guarantors agreed with Aareal Bank AG the refinancing of the €80 million loan facility originally made by Merrill Lynch International (of which €75.4 was outstanding at 30 June 2009), which is due to mature on 30 September 2009. The refinancing will take place once Aareal Bank AG acquires the participations of the other lenders under the existing facility, at which point the facility will be extended for a further 5 years. This is expected to occur on 30 September 2009. This facility is secured, *inter alia*, on the Park Plaza Victoria Amsterdam, the Park Plaza Utrecht and the Park Plaza Mandarin Eindhoven.