

**PARK PLAZA HOTELS LIMITED**  
 (“Park Plaza” or the “Group”)

**Audited Results for the year ending 31 December 2009**

Park Plaza Hotels Limited, owner, operator and franchisor of hotels in Europe, the Middle East and Africa today reports results for the 12 months ended 31 December 2009.

**Summary**

**Financial Statistics**

	<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2008</b>
Occupancy	79.1%	79.8%
Average Room Rate	€97.80	€113.90
RevPAR	€77.40	€90.30
Total Revenue	€80.3 million	€93.4 million
EBITDA	€16.2 million	€25.4 million*

\* 2008 EBITDA has been restated to reflect the adoption of new IFRS standards.

- Occupancy maintained notwithstanding difficult trading conditions in all our markets
- London hotels continued to outperform the local market in occupancy, rate and RevPAR (source: TRI Hospitality, February 2010)
- Revenue and EBITDA affected by very difficult trading conditions and also by 10% reduction in average Sterling to Euro exchange rate
- Excellent progress made in 2009 on flagship Park Plaza Westminster Bridge London project with soft opening in February 2010
- Progressed art’otel cologne development (opened mid March 2010), which features original work of Korean-born artist SEO and first award winning Chino Latino restaurant and bar outside the UK
- Agreement signed with, and planning permission granted by, City of Amsterdam to develop a 100 room art’otel in the city’s iconic former “Kadaster” office
- Successful refinancing of €80.0 million facility with Aareal Bank AG for Park Plaza Victoria Amsterdam, Park Plaza Utrecht and Park Plaza Mandarin Eindhoven
- Agreed £27.0 million extension to £221.0 million facility with Bank Hapoalim for the construction of Park Plaza Westminster Bridge London
- Acquisition of leading Dutch conference hotel in April 2010 located near Amsterdam Schiphol Airport; adding 342 rooms to the Group’s portfolio
- Despite the travel disruption resulting from the volcanic ash in April 2010 which affected our London hotels, in particular, Group trading is in line with the Board’s expectations for the first five months of the year; no further significant deterioration in the trading environment is anticipated across our markets in 2010

Commenting on the results, Boris Ivesha, Chief Executive Officer of Park Plaza said: “The trading environment during 2009 was, as anticipated, impacted by the effects of the global economic slowdown.

Nonetheless, Park Plaza Hotels performed in line with the Board's expectations. Occupancy levels were maintained across the portfolio and our London hotels continued to outperform their local market.

We do not anticipate any further significant deterioration in the trading environment across our markets and are expecting 2010 to present similar economic and trading conditions to those in 2009, characterised by low visibility and continued pressure on average room rates.

In the second half of 2010, we will remain focused on managing our operations efficiently, leveraging our strategic partnership with Carlson Hotels Worldwide and continuing to progress a number of development projects. Most notable amongst these is the Group's prestigious Park Plaza Westminster Bridge London hotel."

**Enquiries:**

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## **Overview of 2009**

The trading environment during 2009 was, as anticipated, impacted by the effects of the global economic slowdown. Nonetheless, Park Plaza Hotels performed in line with the Board's expectations and its London hotels continued to outperform the market.

During the year, the Group made excellent progress on its flagship Park Plaza Westminster Bridge London project. The soft opening of the hotel was launched in February 2010 and we are pleased with the reception the hotel has received to date. Despite difficult credit markets in 2009, the Group was also pleased to successfully secure refinancing of its €80.0 million debt facility for three of its Dutch hotels and a £27.0 million extension of its £221.0 million facility for the construction of Park Plaza Westminster Bridge London.

The Group's management team drew on its considerable experience to ensure Park Plaza continued to deliver the quality and service levels associated with its brands, whilst maintaining occupancy, tightly managing costs and continuing to progress a number of development projects. The Group's focus on quality of service was reflected in the results of its customer satisfaction survey, which showed a year on year improvement for the second consecutive year.

Park Plaza's strategic relationship with Carlson Hotels Worldwide, which gives the Group access to a global distribution platform and marketing programmes, such as the goldpoints plus guest loyalty programme, was an important contributor to revenue across the portfolio. The Carlson Hotels relationship will continue to be an area of focus in 2010, reflecting the growing importance of branding, strategic alliances, loyalty programmes, and global distribution.

## **Operating Performance**

Across all its markets, the Group's performance in 2009 was affected by the difficult economic and trading environment.

Having managed through difficult trading conditions in the past, we were quick to identify and respond to the early onset of the economic downturn in the second half of 2008. As a result, throughout 2009, our focus was on both revenue generation and tight cost management. Our sales, marketing and operational teams were particularly successful in maintaining high occupancies across the Group's portfolio, whilst improving guest satisfaction and growing guest loyalty. Our finance teams tightly controlled both expenses and investments and, where possible, we delayed investments considered less likely to produce short-term returns.

In these areas, our actions have also delivered positive results in terms of improved market shares, the renegotiation of property leases and more advantageous supplier agreements. We have also been successful in reducing our hotels' operational cost base by 19.8% in the United Kingdom (in Euros), 9.0% in Germany and Hungary, and 8.8% in the Netherlands, whilst improving guest satisfaction.

Total revenue for the year was €80.3 million (2008: €93.4 million). The decline was primarily due to a drop in average room rates. In addition, given the very large proportion of our revenue generated in the United Kingdom (approximately 35%), reported revenue was affected by the 10% reduction in the average Sterling to Euro exchange rate for the year.

Reported Group RevPAR for the year was €77.40 (2008: €90.30). On a constant currency basis, Group RevPAR decreased by 9.7%. Whilst occupancy was maintained year on year, average room rates in 2009 reflected the impact of the economic slowdown on business travel, with a greater proportion of leisure and shorter lead time bookings.

In the United Kingdom, RevPAR was €109.60 (2008: €127.50). On a constant currency basis, RevPAR was £97.30 (2008: £101.83). Our London hotels maintained or improved occupancy levels and

continued to outperform the market, which experienced a 6.4% decline in RevPAR (source: STR Global 2010).

In the Netherlands, RevPAR was €91.40 (2008: €113.20). Although both average room rate and occupancy were down year on year in the Netherlands, both Park Plaza Victoria Amsterdam and Park Plaza Utrecht outperformed their competitive sets (source: STR Global 2010).

In addition to economic conditions, Germany and Hungary continued to be affected by ongoing over supply. Although occupancy increased slightly at the Group's hotels, average room rates declined leading to RevPAR of €43.00 (2008: €48.80).

Revenue from the Group's Management and Holdings operation declined to €8.1 million (2008: €9.3 million) due to a reduction in management and franchise fees.

Group EBITDA declined to €16.2 million (2008: €25.4 million), primarily as a result of market conditions, but also including a foreign exchange translation impact of €1.0 million. The reduction in EBITDA and finance income led to a loss before tax of €7.2 million (2008: profit of €7.9 million, including €6.5 million of negative goodwill and €2.3 of impairment charges giving an underlying profit before tax of €3.7 million).

The basic loss per share for the year was €0.18 (2008: profit of €0.19). Details on the calculation of earnings/loss per share are provided in Note 2.

### **Financial Performance**

Net debt at 31 December 2009 was €403.9 million (2008: €282.3 million). This includes €45.8 million of liquid assets (2008: €54.6 million), of which cash and cash equivalents were €34.4 million (2008: €33.0 million) and other current financial assets of €11.4 million (2008: €21.6 million). €93.3 million of this increase in net debt is attributable to facility draw downs for Marlbray (the 100% owned Group subsidiary, whose activity is the construction and future management of the Park Plaza Westminster Bridge apart-hotel) and €19.7 million results from the foreign exchange translation effect of the Group's Sterling denominated loans. A further €5.4 million has been invested in Marlbray and the remaining €3.2 million is due to a decrease in liquid assets.

854 of the 1,019 units at Park Plaza Westminster Bridge had been contracted to be sold as at 31 December 2009 (2008: 818) and the €55.5 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 €45.8 million liquid assets. As at 25 June 2010, the Company has served completion notices on 796 units, of which 360 units have been delivered to purchasers. The cash raised from the sale of units has been used to repay the Bank Hapoalim loan of which £157.0 million (€177.0 million) was outstanding as at 25 June 2010. The original facility amounted to £248.0 million (€279.0 million).

During the year, the Group was pleased to announce the refinancing of the €80.0 million facility with Aareal Bank AG for Park Plaza Victoria Amsterdam, Park Plaza Utrecht and Park Plaza Mandarin Eindhoven, which now matures in September 2014. The Group also secured a £27.0 million extension to the Bank Hapoalim facility for construction of Park Plaza Westminster Bridge London, bringing the facility to a total of £248.0 million.

The Group has a 55% interest in both the Park Plaza Riverbank and the Park Plaza Sherlock Holmes and a 50% interest in the Park Plaza Victoria, each of which hotels the Group also operates. The joint venture companies which own the three hotels are the borrowers under a £195.0 million non-recourse facility from Goldman Sachs International Bank, of which £185.0 million (attributable to the Group £99.0 million), including accrued interest, was outstanding at 31 December 2009. The facility is repayable in March 2011 unless the borrowers are able to, and do, exercise a two year extension option. The facility is secured by, *inter alia*, first legal charges over the three hotels and is without recourse to the Company or other Group companies.

The facility contains a debt service cover ratio (DSCR) covenant that the ratio of net operating income and relevant management fees to debt service cost must not be 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 has disputed the inclusion in net operating income of certain trading revenue received from, and expenses paid by, affiliates of the joint venture partners on the ground, *inter alia*, that the relevant transactions were, in breach of the Facility Agreement, entered into other than on arm's-length commercial terms in the ordinary course of the borrowers' business. If the disputed transactions were to be excluded from net operating income, the debt service test would not have been met on two consecutive payment dates and as a result the borrowers would not have complied with the DSCR covenant. In that event, or if the transactions were not on arm's-length commercial terms in the ordinary course of the borrowers' business, there would be an event of default under the Facility Agreement, which would entitle the facility agent to demand immediate repayment of all amounts outstanding under the facility. However, the facility agent has not yet sought to exercise any right of acceleration.

The borrowers strongly disagree with the Facility Agent's view, and consider that the covenant was complied with or that any breach could have been cured as permitted by the Facility Agreement. In addition, the borrowers have at all times complied on a timely basis with their payment obligations under the Facility Agreement, both as to principal and interest.

Discussions between the parties have been taking place on this subject for some time with a view to restructuring the facility and the parties have now agreed, in principle, restructuring terms based on a possible sale and leaseback of one of the Group's hotels which is currently under discussion with a potential acquirer.

### **Dividend**

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

### **Current Trading and Outlook**

The Group has continued to trade in line with the Board's expectations during the five months to 31 May, 2010. Trading conditions remain challenging across all our markets and although we do not anticipate any further significant deterioration in the economic and trading environment in 2010, we expect conditions to continue to be characterised by low visibility and pressure on average room rates for the remainder of the year.

In the United Kingdom, underlying revenue at the Group's London hotels for the first five months of the year is 3% lower than the comparative period in 2009. This is primarily a result of the effect on trading, in April, of the closure and disruption of UK airspace due to the volcanic ash cloud. Whilst average room rates were flat, occupancy at the Group's London hotels was slightly better than for the comparative period, and continues to outperform the market (TRI Hospitality, June 2010). The Park Plaza Westminster Bridge's results are not included in the figures or statistics for the first five months of 2010.

In the Netherlands, revenue and EBITDA were both flat year on year for the five months to 31 May 2010. This is a strong performance, as the downturn in the Netherlands did not impact until the second quarter of 2009, making for more challenging comparatives. RevPAR during the first five months was also flat year on year.

We were pleased to announce, in April 2010, the acquisition of one of the largest conference hotels in the Netherlands, located near Amsterdam Schiphol Airport. The property has been rebranded and is now trading as the Park Plaza Amsterdam Airport. It offers 342 contemporary guestrooms and 1,800 square metres of flexible meeting space and brings the Group's total number of rooms in the Netherlands to over 1,000.

In Germany and Hungary, RevPAR at the Group's hotels during the five month period, improved year on year due to an approximately 12% improvement in average room rates. Occupancy over the period has

been flat year on year. The loss at the EBITDA level was also reduced year on year during the first five months of 2010.

The Group's Management and Holdings operation continues to perform in line with the Board's expectations.

In the second half of 2010, the Group will remain focused on managing its operations efficiently, leveraging its strategic partnership with Carlson Hotels Worldwide and continuing to progress a number of development projects. Most notable amongst these is the Group's prestigious Park Plaza Westminster Bridge London hotel.

The Board continues to believe that the Group's longer term growth prospects remain attractive. Its current portfolio and development pipeline mean Park Plaza is well positioned to benefit from more normalised market conditions as and when these occur.

## **Review of Operations**

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

### **United Kingdom**

#### **Hotel Operations: Key Operating Statistics**

	Euro (€)		GBP (£)	
	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2009	Year ended 31 December 2008
Occupancy	84.8%	85.0%	84.8%	85.0%
Average Room Rate	€129.20	€153.90	£114.70	£120.34
RevPAR	€109.60	€127.50	£97.30	£101.83
Total Revenue	€29.0 million	€33.2 million	£25.7 million	£26.5 million
EBITDA	€11.4 million	€11.1 million	£10.1 million	£8.9 million

Although the London market was also impacted by the economic slowdown in 2009, it performed better than other European cities. In part due to the weakness of Sterling, London attracted tourists from other European cities (source: TRI Hospitality, December 2009). On an underlying basis, the Group's owned and co-owned hotels in London each outperformed the market during the year in terms of occupancy, average room rate and RevPAR (source: TRI Hospitality, February 2010). On a reported basis the performance was affected by foreign exchange translation.

On an underlying basis, EBITDA increased by 13.5% to £10.1 million (2008: £8.9 million), reflecting the Group's tight management of costs. The Group are particularly proud of this result, which was achieved whilst increasing its customer service and satisfaction scores for the year. Reported EBITDA was €11.4 million (2008: €11.1 million).

The conference and banqueting market remains difficult with the trend for later bookings and lower spend on food and beverage experienced in the first half of 2009 continuing in the second half.

Park Plaza Victoria London was the best performing hotel in the Group's portfolio in 2009, delivering RevPAR £10.46 higher than the average for its competitive set (source: STR Global, December 2009). This result was partially driven by the success of marketing and sales initiatives including the use of the goldpoints plus guest loyalty programme.

## The Netherlands

### Hotel Operations: Key Operating Statistics

	Year ended 31 December 2009	Year ended 31 December 2008
Occupancy	84.1%	89.5%
Average Room Rate	€108.70	€125.90
RevPAR	€91.40	€113.20
Total Revenue	€19.8 million	€22.9 million
EBITDA	€6.5 million	€8.4 million

The Dutch hotel market was severely impacted by macro economic conditions with the Amsterdam market particularly badly affected. As well as reducing demand from business guests, the weakness of Sterling and the US dollar impacted the number of British and American leisure visitors to the capital.

Against this backdrop, the Group's two hotels in Amsterdam achieved occupancy levels of 92% at Park Plaza Victoria Amsterdam and 80% at Park Plaza Vondelpark, Amsterdam compared to 73% and 67%, respectively, for these hotels' competitive sets (source: STR Global, December 2009). Although average room rates in the city came under significant pressure during the period, those at Park Plaza Victoria Amsterdam were higher than for the market as a whole. As a result, RevPAR at this hotel outperformed its competitive set (source: STR Global, December 2009).

Park Plaza Utrecht reported a solid performance and gained market share in the period with occupancy and average room rate outperforming the competitive set (source: STR Global, December 2009). Park Plaza Mandarin Eindhoven also outperformed the competitive set in terms of occupancy (79% versus 57%) and RevPAR (source: STR Global, December 2009).

## Germany and Hungary

### Hotel Operations: Key Operating Statistics

	Year ended 31 December 2009	Year ended 31 December 2008
Occupancy	71.4%	70.9%
Average Room Rate	€60.20	€69.20
RevPAR	€43.00	€48.80
Total Revenue	€23.5 million	€27.9 million
EBITDA	€(3.7) million	€(1.4) million

As previously reported the German and Hungarian markets have been difficult for some time due to oversupply, particularly in cities such as Berlin, Dresden and Budapest. This situation has been compounded in 2009 by lower demand from business guests as a result of the global economic downturn. Although the Group achieved slightly higher occupancy, reduced average room rates led to RevPAR of €43.00 (2008: €48.80). Underlying EBITDA, which excludes the one off payment for termination of the lease on Park Plaza Dresden, was a loss of €3.7 million.

Despite these challenging conditions, the majority of the Group's hotels in Germany gained market share and outperformed their competitive set in terms of occupancy. In Dresden, the art'otel achieved occupancy of 72% compared to 55% for the competitive set (source: Fairmas, January 2010). RevPAR at art'otel berlin kudamm, art'otel berlin city center west and art'otel dresden also outperformed the

competitive set (source: Fairmas, January 2010). Work on the 60 room extension at art'otel berlin city center west will commence in the second half of 2010. As part of this project, the ground floor will be refurbished and two new meeting rooms and a wellness centre will be added to the hotel. There is no capital cost to the Group in undertaking these improvements as they are being funded by the landlord, who will receive an increased rent for this property. Notwithstanding the increased rent, the overall rent per room will be reduced once the extension is completed, and the additional facilities will place the hotel in a stronger competitive position.

As previously announced, the Group continues to review its operations and strategies in Germany and Hungary in order to improve its performance in these markets. As part of this review, the Group terminated the lease on Park Plaza Dresden on 3 September 2009, eliminating annualised operating losses of €480,000 for a termination fee of €350,000. The Group continues to keep a number of hotels under review and will take action where appropriate.

### Management and Holdings Operation

	Year ended 31 December 2009	Year ended 31 December 2008
Total Revenue	€8.1 million	€9.3 million
EBITDA	€2.1 million	€7.3 million

The difficult trading conditions have affected the revenue from our managed and franchised hotels. This, along with the impact of the weakness of Sterling on the reported results for our hotels in the United Kingdom, resulted in total revenue of €8.1 million (2008: €9.3 million).

EBITDA was affected by hotel performance and, as noted in the interim results, non-recurring restructuring costs for the full year of €1.3 million. It was also impacted by €1.4 million of pre-opening expenses related to Park Plaza Westminster Bridge London.

### Development Pipeline

During the year, the Group continued to work on a number of development projects which will lead to several openings in 2010, including its flagship Park Plaza Westminster Bridge and art'otel cologne.

**United Kingdom:** During 2009, a significant amount of work was done to progress the construction and development of the Group's flagship project, Park Plaza Westminster Bridge London. This prestigious apart-hotel is one of the largest hotels to open in the United Kingdom for over 40 years and boasts uninterrupted views of Big Ben and the Houses of Parliament. The hotel has 2,700 square metres of flexible meeting space, including a 1,200 square metre pillar-free ballroom and 31 additional meeting rooms, establishing it as one of the most versatile locations at which to hold events and conferences in central London. 854 of the 1,019 units had been contracted for sale as at 31 December 2009 and the completion of these sales commenced in the second quarter of 2010. Completions are proceeding at a steady pace with 360 units completed as at 25 June 2010.

The soft opening of the hotel was launched on 4 February 2010 and we are pleased with the reception the hotel has received to date. Guest satisfaction scores have been very high, as have those for both the product and service. In addition, the level of confirmed meeting and events business for the hotel continues to be in line with the Board's expectations as does the very strong level of enquiries for meetings and events to be held in the remainder of 2010, 2011 and 2012.

In early February 2010, planning consent was received for the United Kingdom's first art'otel. The art'otel will be located in London's Hoxton area and is scheduled to open in 2013. The approval follows over two years of design work, undertaken in close collaboration with Hackney Council's Design Review Panel, the Greater London Authority and several local community groups in Shoreditch.

**The Netherlands:** The Group was pleased to announce, in early July, that it 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.

**Germany:** The Group's art'otel cologne project made excellent progress during the year and opened in mid March 2010. This 218 room hotel is located in the newly developed port of Cologne, on the embankment of the Rhine with views over the harbour and its historical buildings. This latest art'otel features the art of Korean-born SEO and the first of Park Plaza's award winning Chino Latino restaurants and bars outside the United Kingdom.

**Croatia:** In addition to working on longer term plans for redevelopment of the Arenaturist properties, the Group undertook a number of soft refurbishments during the period, including the refreshment of several public areas, upgrading of restaurants and swimming pool terraces, and the addition of new facilities such as a fitness room at one of the hotels. The investment in campsites included new infrastructure for hot water and a new children's playground area. The Group has also focused on staff training in order to ensure a high quality of service at these hotels.

**Middle East and North Africa:** The construction of Park Plaza Marrakech continued during 2009 and the hotel is on target to open in 2010. The art'otel marrakech, which was proposed to open adjacent to Park Plaza Marrakech, will not be continued by the Group, as the project did not meet our high quality standards.

Park Plaza Marrakech will be located in the heart of the modern city in the Menara area and will offer 114 guestrooms and suites, along with a wide array of facilities. Facilities will include several restaurants, a piano bar, cafeteria, health and fitness facility, swimming pool with pool bar, discotheque, bowling alley and secured car parking. This new hotel will operate under a franchise agreement.

Expansion of the portfolio through franchise arrangements allows the Group to build its brand with minimal capital investment and risk. The Group will receive a royalty fee in respect of the new hotels, as well as fees for services such as marketing connected with the brands (calculated as a percentage of gross room revenues).

**Russia:** The Group announced in 2008 that it had signed a Management Agreement with Ferens Management Ltd. for a chain of new hotels in Russia. However, in the current economic climate this joint venture has not made any significant progress in securing viable sites and the Group has therefore removed the chain of new hotels from its development pipeline.

**Current and committed projects:**

<b>Project</b>	<b>Location</b>	<b>Operating structure</b>	<b>No of rooms</b>	<b>Status</b>
<i>art'otel cologne</i>	Cologne, Germany	Operating lease	218	Opened on 15 March 2010
Park Plaza Westminster Bridge London	London, UK	Co-owned and management contract	1,019*	Launched soft opening on 4 February 2010
Park Plaza Amsterdam Airport	Amsterdam, The Netherlands	Co-owned and management contract	342	Opened in April 2010
Park Plaza Marrakech	Marrakech, Morocco	Franchise agreement	114	Expected to open 2010
Redevelopment of eight hotels and five apartments	Croatia	Management contract and equity investment	2,810**	Expected to open 2010 onwards
Extension of <i>art'otel berlin city center west</i>	Berlin, Germany	Operating lease	60	Expected to open 2011
<i>art'otel amsterdam</i>	Amsterdam, The Netherlands	Co-owned and management contract	100	Expected to open 2011
Park Plaza Nuremberg	Nuremberg, Germany	Owned	175	Expected to open 2011
<i>art'otel london hoxton</i>	London, UK	Joint venture / management contract	352	Expected to open 2013
<b>Number of rooms / units in development pipeline</b>			<b>2,380**</b>	
<b>2009 rooms in operation</b>			<b>7,102***</b>	
<b>Total number of rooms expected as of 31 December 2012</b>			<b>9,334</b>	

\* Of which 854 units have been contracted to be sold to investors; completion of these sales commenced in the second quarter of 2010 with 360 units completed as at 25 June 2010.

\*\* Park Plaza Hotels manages 2,810 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.

\*\*\* Total number of rooms expected as of 31 December 2012 excludes 148 rooms from Park Plaza Dresden as the Group terminated the operational lease as at 3 September 2009.

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

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

	No. of rooms	Occupancy		ADR		RevPAR	
		Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
		2009	2008	2009	2008	2009	2008
				€	€	€	€
<b>Park Plaza Victoria Amsterdam</b>	306	92%	96%	122	145	113	140
<b>Park Plaza Vondelpark, Amsterdam</b>	138	80%	85%	87	102	69	86
<b>Park Plaza Utrecht</b>	120	73%	80%	108	117	79	95
<b>Park Plaza Mandarin Eindhoven</b>	102	79%	87%	91	102	71	88
<b>Park Plaza Riverbank London</b>	394	85%	84%	104	134	88	110
<b>Plaza on the River London</b>	66	81%	78%	162	248	131	185
<b>Park Plaza Victoria London</b>	299	87%	87%	135	157	118	134
<b>Park Plaza Sherlock Holmes London</b>	119	86%	85%	139	167	120	139

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

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	Total Revenue		GOP		EBITDA	
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
	2009	2008	2009	2008	2009	2008
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
<b>Park Plaza Victoria Amsterdam</b>	9,113	10,746	3,365	4,630	2,698	3,817
<b>Park Plaza Vondelpark Amsterdam</b>	4,043	4,661	1,914	2,093	1,557	1,687
<b>Park Plaza Utrecht</b>	2,959	3,280	1,322	1,525	1,046	1,281
<b>Park Plaza Mandarin Eindhoven</b>	3,664	4,258	1,431	1,901	1,173	1,582
<b>Park Plaza Riverbank London</b>	13,080	12,878	6,326	6,293	4,426	4,220
<b>Plaza on the River London</b>	1,751	4,581	1,273	1,707	1,104	1,491
<b>Park Plaza Victoria London</b>	10,382	11,338	5,631	4,630	4,552	4,265
<b>Park Plaza Sherlock Holmes London</b>	3,809	4,378	1,837	1,900	1,287	1,155

## CONSOLIDATED BALANCE SHEETS

	As at 31 December		As at
	2009	2008	1 January
	€'000	€'000	2008
			€'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Intangible assets	44,882	47,447	51,095
Property, plant and equipment	188,625	183,922*	203,669*
Prepaid leasehold payments	254	263*	272*
Investment in associate	22,468	22,680	9,109
Other non-current financial assets	35,306	31,510	28,029
	<u>291,535</u>	<u>285,822</u>	<u>292,174</u>
<b>CURRENT ASSETS:</b>			
Inventories under construction	304,817	200,893	–
Restricted deposits	66,516	52,780	646
Inventories	527	520	578
Other current financial assets	14,536	23,852	–
Trade receivables	14,385	11,520	10,634
Other receivables and prepayments	5,137	4,143**	2,505**
Cash and cash equivalents	34,418	33,065	119,376
	<u>440,336</u>	<u>326,773</u>	<u>133,739</u>
<b>Total assets</b>	<u>731,871</u>	<u>612,595</u>	<u>425,913</u>

\* Adjusted to reflect the adoption of new IFRS standards.

\*\* Reclassification of €814 from “other receivables and prepayments” to “deferred income taxes.”

## CONSOLIDATED BALANCE SHEETS

	As at 31 December		As at
	2009	2008	1 January
	€'000	€'000	2008
			€'000
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Issued capital	–	–	–
Share premium	236,000	236,000	232,879
Other reserves	(36,418)	(37,189)	(36,985)
Treasury shares	(1,083)	–	–
Foreign currency translation reserve	(28,376)	(32,164)*	(11,106)*
Hedging reserve	(9,096)	(6,381)	1,759
Accumulated deficit	(21,292)	(13,843)*	(21,704)*
<b>Total equity</b>	<b>139,735</b>	<b>146,423</b>	<b>164,843</b>
<b>NON-CURRENT LIABILITIES:</b>			
Bank borrowings	171,865	124,065	177,912
Other liabilities	51,011	42,567*	33,085*
Deferred income taxes	9,655	9,156**	1,247**
	232,531	175,788	212,244
<b>CURRENT LIABILITIES:</b>			
Trade payables	4,853	9,594	4,502
Deposits received from unit holders	63,757	53,580	–
Other payables and accruals	13,128	13,491	15,668
Bank borrowings	277,867	213,719	28,656
	359,605	290,384	48,826
<b>Total liabilities</b>	<b>592,136</b>	<b>466,172</b>	<b>261,070</b>
<b>Total equity and liabilities</b>	<b>731,871</b>	<b>612,595</b>	<b>425,913</b>

\*Adjusted to reflect the adoption of new IFRS standards

\*\* Reclassification of €814 from “other receivables and prepayments” to “deferred income taxes.”

## CONSOLIDATED INCOME STATEMENTS

	Year ended 31 December	
	2009	2008
	€'000 <sup>1</sup>	€'000 <sup>1</sup>
Revenues	80,326	93,385
Operating cost	(54,182)	(57,528)
EBITDAR	26,144	35,857
Rental expenses	(9,900)	(10,424)*
EBITDA	16,244	25,433
Depreciation and amortisation	(9,066)	(9,259)*
Impairment loss	–	(2,284)
EBIT	7,178	13,890
Financial expenses	(18,940)	(19,575)*
Financial income	5,797	8,103
Share in loss of associate	(1,195)	(1,037)
Other income	–	6,507
Profit (loss) before tax	(7,160)	7,888
Income tax expense	(289)	(27)
Profit (loss) for the year	(7,449)	7,861
Basic and diluted earnings (loss) per share (in Euro)	(0.18)	0.19

<sup>1</sup> Except earnings per share.

\* Adjusted to reflect the adoption of new IFRS standards

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2009	2008
	€'000	€'000
Profit (loss) for the year	(7,449)	7,861*
OTHER COMPREHENSIVE INCOME (LOSS):		
Profit (loss) from available-for-sale financial assets	348	(249)
Reclassification adjustment for loss from available-for-sale financial assets recorded in income statement	246	–
Loss from cash flow hedges	(2,715)	(8,140)
Foreign currency translation adjustments of foreign operations	3,762	(21,151)
Foreign currency translation adjustment of associate	26	93
Revaluation upon acquisition of Marlbray	–	29
Other comprehensive income (loss)	1,667	(29,418)
Total comprehensive loss attributable to owners of the parent	(5,782)	(21,557)

\* Adjusted to reflect the adoption of new IFRS standards

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital*	Share premium	Other reserves	Treasury shares	Foreign currency translation reserve**	Hedging reserve	Accumulated deficit**	Total
Balance as at 1 January 2008	–	232,879	(36,985)	–	(11,009)	1,759	(21,377)	165,267
Changes in accounting policy**	–	–	–	–	(97)	–	(327)	(424)
Restated balance as at 1 January 2008	–	232,879	(36,985)	–	(11,106)	1,759	(21,704)	164,843
Profit for the year	–	–	–	–	–	–	7,861	7,861
Other comprehensive loss for the year	–	–	(220)	–	(21,058)	(8,140)	–	(29,418)
Total comprehensive income	–	–	(220)	–	(21,058)	(8,140)	7,861	(21,577)
Share issue upon acquisition of Marlbray	–	3,121	–	–	–	–	–	3,121
Share-based payments***	–	–	16	–	–	–	–	16
Balance as at 31 December 2008	–	236,000	(37,189)	–	(32,164)	(6,381)	(13,843)	146,423
Loss for the year	–	–	–	–	–	–	(7,449)	(7,449)
Other comprehensive loss for the year	–	–	594	–	3,788	(2,715)	–	1,667
Total comprehensive income	–	–	594	–	3,788	(2,715)	(7,449)	(5,782)
Purchase of treasury shares	–	–	–	(1,083)	–	–	–	(1,083)
Share-based payments	–	–	177	–	–	–	–	177
Balance as at 31 December 2009	–	236,000	(36,418)	(1,083)	(28,376)	(9,096)	(21,292)	139,735

\* No par value.

\*\* Adjusted to reflect the adoption of new IFRS standards.

\*\*\* Reclassification between share premium and other reserves.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>€'000</b>	<b>€'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit (loss) for the year	(7,449)	7,861*
Adjustment to reconcile profit (loss) to cash used in operating activities:		
Financial expenses	18,940	19,575*
Financial income	(5,797)	(8,103)
Income tax expense	289	27
Negative goodwill on acquisition of Marlbray	–	(6,500)
Share in loss of associates	1,195	1,037
Depreciation and amortisation	9,075	9,268*
Share-based payments	177	16
Impairment of property, plant and equipment	–	1,257
Impairment of art'otel rights	–	1,027
	<b>23,879</b>	<b>17,604</b>
Changes in operating assets and liabilities:		
Increase in inventories under construction	(80,951)	(87,274)
Decrease in inventories	3	20
Increase in trade and other receivables	(2,424)	(4,094)
Decrease in trade and other payables	(5,708)	(2,183)
	<b>(89,080)</b>	<b>(93,531)</b>
Cash paid and received during the period for:		
Interest paid	(12,549)	(11,517)
Interest received	609	4,840
Taxes received	(63)	(390)
	<b>(12,003)</b>	<b>(7,067)</b>
<b>Net cash used in operating activities</b>	<b>(84,653)</b>	<b>(75,133)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(3,345)	(5,818)
Net change in cash upon acquisition of Marlbray (a)	–	(13,756)
Net change in cash upon acquisition of Aspirations (b)	–	(14,589)
Loan to an associate	–	(22,094)
Loans to jointly controlled entities and to partners in jointly controlled entities	(1,670)	(9,842)
Investment in associate	–	(745)
Increase in restricted deposits	(8,019)	(13,356)
Purchase of available-for-sale investment insecurities	(12,279)	–
Investments in held-to-maturity bonds	–	(23,698)
Purchase of available-for-sale investment in shares	(15,945)	(2,996)
Proceeds from sale of available-for-sale investment in shares	15,237	–
Proceeds from sale of available-for-sale investment in securities	899	–
Proceeds from maturity of bonds and securities	23,073	–
Purchase of treasury shares	(1,083)	–
Decrease (increase) in restricted cash	320	(135)
<b>Net cash used in investing activities</b>	<b>(2,812)</b>	<b>(107,029)</b>

\* Adjusted to reflect the adoption of new IFRS standards.

## CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended 31 December	
	2009	2008
	€'000	€'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase in deposits from unit holders	3,130	11,088
Proceeds from long-term loans	42,158	20,017
Repayment of long-term loans	(44,485)	(21,860)
Increase in short-term loans	85,032	89,004
Loans from jointly controlled entities and from partners in jointly controlled entities	1,733	9,544
<b>Net cash provided by financing activities</b>	<b>87,568</b>	<b>107,793</b>
Increase (decrease) in cash and cash equivalents	103	(74,369)
Net foreign exchange differences	1,250	(11,942)
Cash and cash equivalents at beginning of year	33,065	119,376
<b>Cash and cash equivalents at end of year</b>	<b>34,418</b>	<b>33,065</b>

## CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended 31 December	
	2009	2008
	€'000	€'000
(A) NET CHANGE IN CASH UPON ACQUISITION OF MARLBRAY:		
Current assets (excluding cash and cash equivalents)	–	(198,873)
Current liabilities	–	164,301
Non-current liabilities	–	11,166
Revaluation of existing interest upon acquisition	–	29
Fair value of the shares issued as consideration for acquisition of Marlbray	–	3,121
Negative goodwill	–	6,500
Net change in cash	–	(13,756)
(B) 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)
(C) SIGNIFICANT NON-CASH TRANSACTIONS:		
Shares issued to acquire Marlbray	–	3,121

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: GENERAL

- a. The Preliminary Results for the year ending 31 December 2009 are extracted from the consolidated financial statements of Park Plaza Hotels Limited (“the Company”) for the year ended 31 December 2009 and were authorised for issuance in accordance with a resolution of the Directors on 28 June 2010. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

- b. Description of business and formation of the Company:

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

The Company through its subsidiaries owns, develops, constructs, operates, franchises and manages hotels in Europe, the Middle East and Africa under two primary brands: Park Plaza Hotels & Resorts and art’otel.

- c. Assessment of going concern:

In response to the continuing adverse financial and economic environment, and as part of their ongoing responsibilities, the Directors have recently undertaken a thorough review of the Group’s cash flow forecasts and potential liquidity risks

The Group has entered into a number of loan facilities. In respect of two of these facilities, there exist uncertainties which the Directors have specifically considered in forming their conclusion on the ability of the Group to continue as a going concern, as follows:

The Marlbray Loan:

Marlbray Limited, a Group 100% held subsidiary, whose activity is the construction and future exploitation of the Park Plaza Westminster Bridge apart-hotel, will be required to repay its loan from Bank Hapoalim, drawn under the Marlbray Facility Agreement, on the final maturity date, 31 August 2010 (see Note 3(c)). This facility has recently been increased to £248.0 million which covers most of the project development costs. The Company intends that the loan will be repaid from the proceeds of the sales of the apart-hotel units and a new bank facility.

As at 31 December 2009, 854 of the 1,019 apart-hotel units had been pre-sold or contracted to pre-sell. €55.5 million in deposits have been received (approximately 21% of the total sales value). Should the sale of all 854 units already contracted proceed to completion, the loan could be repaid in full.

The Board of Directors recently undertook an in-depth review of the proposed completion process of the Park Plaza Westminster Bridge development, and established that the completion process and transfer of ownership to individual unit holders would occupy a staggered 15-week period commencing in mid-April. The Directors are aware of the likelihood that some unit buyers will not be in a position to complete their purchase in the development on the scheduled completion date.

In the event that a purchaser fails to complete, the contract will be rescinded and the full deposit will be released from the purchasers account to Bank Hapoalim, and used as a partial repayment of the loan.

Management has been assessing the various scenarios which are likely to occur as the unit buyers are called to complete, and it is clear that in the case of purchaser defaults, there will be an ongoing funding requirement for the unsold units on completion. At the present time, there is no certainty about the number of defaults, but Management have prepared detailed cash flow models based upon the information that has been gathered on the current intentions of the buyers.

Management is in active on-going discussions with Bank Hapoalim, the funding bank. The bank is aware of the possible scenarios and has acknowledged the need for a facility beyond the expiry of the current facility. Firstly, it has agreed to an addendum to the existing facility to accommodate the staggered completion process referred to above lasting until 31 August 2010, and, secondly it is considering the replacement of the existing facility with a term loan to finance unsold units.

The Board is confident that an agreement will be reached with Bank Hapoalim before 31 August 2010 on the provision of a further facility that may be required in connection with unsold units. Depending on the exact number of units remaining unsold at 31 August 2010 this further facility could range from anywhere between £55.0 million, should 600 units complete, to £80.0 million, should 500 units complete. Based on their review of the scenarios likely to occur, coupled with the completions to date and the ongoing discussions with Bank Hapoalim, the Board has concluded that there is no significant liquidity risk associated with this project.

#### The Goldman Sachs Loan:

The Group has a 55% interest in the Park Plaza Riverbank and the Park Plaza Sherlock Holmes and a 50% interest in the Park Plaza Victoria, each of which hotels the Group also operates. The joint venture companies which own the three hotels are the borrowers under a £195.0 million non-recourse facility from Goldman Sachs International Bank, of which £185.0 million (attributable to the Group £99.0 million), including accrued interest, was outstanding as at 31 December 2009.

The facility agent has disputed the borrowers' compliance with the debt service cover ratio covenant in the respect of the first two quarters of 2009.

The borrowers strongly disagree with the Facility Agent's view, and consider that the covenant was complied with or that any breach could have been cured as permitted by the Facility Agreement. In addition, the borrowers have at all times complied on a timely basis with their payment obligations under the Facility Agreement, both as to principal and interest.

Discussions between the parties have been taking place on this subject for some time with a view to restructuring the facility and the parties have now agreed in principle restructuring terms based on a possible sale and leaseback of one of the Group's hotels which is currently under discussion with a potential acquirer.

The Directors have carefully considered the nature and circumstances of the dispute, and have considered the implications on both the classification of the related debt, and on the assessment of the going concern of the Group. They have considered the fact that negotiations are ongoing with Goldman Sachs with a view to resolving the dispute as well as the significant excess of the market values of the hotels over the current amount outstanding under the facility. Based on their assessment, the Directors' view is that the debt remains appropriately classified as non-current and the existence of the dispute does not threaten the ability of the Group to continue as a going concern.

#### Conclusion:

Management believes it is taking all appropriate steps to support the sustainability and growth of the Group's activities in the current economic environment. Detailed budgets and cash flow projections have been prepared for 2010 and 2011, which show that the Group's hotel operations will be cash generative during the period. This taken together with their conclusions on the matters referred to above, have led the Directors to conclude that it is appropriate to prepare these financial statements on a going concern basis.

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### NOTE 2: EARNINGS PER SHARE

The following reflects the income and share data used in the basic earnings per share computations:

	<u>Year ended 31 December</u>	
	<u>2009</u>	<u>2008</u>
	<u>€ '000</u>	
Profit (loss)	<u>(7,449)</u>	<u>7,861</u>
Weighted average number of Ordinary shares outstanding	<u>41,460</u>	<u>41,558</u>

Potentially dilutive instruments have not been included in the calculation of diluted earnings per share because they are anti-dilutive for all periods presented.

### NOTE 3: POST BALANCE SHEET EVENTS

- a. On 28 April 2010, the Group acquired one of the largest conference hotels in The Netherlands, located near Amsterdam Schiphol Airport. The property was acquired for €30.0 million from Melbourne Onroerende Zaken B.V. and is owned through Schiphol Victoria Hotel C.V., a joint venture controlled 50:50 by Park Plaza Hotels Limited and Elbit Imaging Ltd ("Elbit"). Park Plaza and Elbit each contributed €1.0 million as consideration for the acquisition.

The property, formerly operating as the 'Holiday Inn Amsterdam Schiphol', opened in 2007 and offers 342 contemporary guestrooms, bringing the Company's total number of rooms in the Netherlands to over 1,000. With over 1,800 square meters of flexible meeting space this hotel is among the top meeting locations in The Netherlands. Other key destinations such as Amsterdam, Haarlem and Hoofddorp are also within easy reach.

Given its close proximity to Amsterdam Schiphol Airport, the hotel was re-branded as Park Plaza Amsterdam Airport.

The acquisition has been financed via an increase to the existing facility with Aareal Bank AG. The amended facility, whose maturity has been extended to 27 April 2017, has a value of €111.0 million (attributable to the Group €57.0 million) and includes €5.0 million for renovations and updates to the hotels in order to strengthen their market position. The increased facility is secured on the Park Plaza Victoria Amsterdam (owned through a joint venture with Elbit), the Park Plaza Utrecht (owned through a joint venture with Elbit), the Park Plaza Mandarin Eindhoven (100% owned by the Group) and the Park Plaza Amsterdam Airport (owned through a joint venture with Elbit). There is no other recourse to any other part of the Group.

The company is presently evaluating the business to determine the allocation of cost of the acquisition to the identified assets and liabilities acquired

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

### NOTE 3: POST BALANCE SHEET EVENTS (CONT.)

- b. On 4 February 2010 the Company significantly completed the construction of the Park Plaza Westminster Bridge project and held a “soft opening” for selected guests and employees following which the hotel was opened to paying customers in March 2010.

As at 25 June 2010, the Company has served completion notices on 796 units, of which 360 units have been delivered to purchasers. The cash raised from the sale of units has been used to repay the Bank Hapoalim loan of which £157.0 million (€177.0 million) is outstanding as at 25 June 2010.

- c. On 22 June, Marlbray entered into a deed of amendment to the credit agreement dated 19 April 2007 with Bank Hapoalim, as amended and restated from time to time, and under which the Final Maturity Date has been extended to 31 August 2010.
- d. The principal contractor of Marlbray, WW Gear Construction Limited, made a claim for additional costs relating to construction variations and acceleration bonus for early delivery. The Company estimates the additional costs at €12.0 million.
- e. On 28 May 2010 Victoria Monument B.V. entered into a deed of amendment to the credit agreement dated 14 December 2006 with Bank Hapoalim, as amended and restated from time to time, and under which the Final Maturity Date has been extended to 30 November 2010.
- f. In March 2010 art'otel cologne GMBH, a fully owned subsidiary of the Group, opened the Group's 7<sup>th</sup> art'otel in Europe, art'otel cologne in Germany. The hotel offers 218 guestrooms and is located in a prime position on the banks of the river Rhine. The hotel is under an operational lease for a period of 20 years.