

Unaudited Interim Results for the six months ended 30 June 2014

28 August 2014

PPHE Hotel Group, which together with its subsidiaries (the "Group") owns, leases, develops, operates and franchises full service upscale and lifestyle hotels in major gateway cities and regional centers, predominantly in Europe, is pleased to announce its unaudited interim results for the six months ended 30 June 2014.

Financial summary

- Reported total revenue increased significantly, by 12.3%, to €125.4 million (H1 2013: €111.6 million). Like-for-like revenue increased by 10.8% to €120.4 million (H1 2013: €108.7 million). On a constant currency basis, revenue increased by 9.3% to €122.0 million (H1 2013: €111.6 million).
- RevPAR increased by 12.3% to €106.5 (H1 2013: €94.8), driven by a 250 bps increase in occupancy to 80.3% (H1 2013: 77.8%) and 8.7% increase in average room rate to €132.5 (H1 2013: €122.0).
- EBITDA increased by 11.1% to €39.7 million (H1 2013: €35.7 million). Like-for-like EBITDA increased by 9.7% to €39.1 million (H1 2013: €35.6 million).
- Reported profit before tax increased by 106.3% to €19.2 million (H1 2013: €9.3 million). Normalised Profit before tax for the first half of 2014 was €7.7 million (H1 2013: €5.0 million)¹.
- Reported EPS was €0.47 (H1 2013: €0.23). Normalised EPS is €0.19 (H1 2013: €0.12), representing a 54.8% increase.
- Increased interim dividend by 50% to 9.0 pence per ordinary share (H1 2013: 6.0 pence per share).

¹ Reported profit includes a capital gain related to a joint venture agreement for two hotels in Berlin, settlement of legal proceedings in connection with the sale of apart hotel units at Park Plaza Westminster Bridge London and a fair value adjustment to the deferred purchase price of an acquisition. Normalised profit before tax includes adjustments for other income and expenses and fair value changes of certain derivatives.

* Certain amounts here do not correspond to the interim consolidated financial statements as at 30 June 2013 and reflect accounting policy adjustments as detailed in Note 2.

Commenting on the results, Boris Ivesha, President and Chief Executive Officer, PPHE Hotel Group said:

'I am pleased with our trading performance during the first half of the year and expect our full year results to be in line with the Board's expectations. We have successfully secured financing for the majority of projects in our development pipeline, enabling us to expand our portfolio, particularly in London, one of the world's most resilient hotel markets. Our renovation projects have progressed well and we recently celebrated the opening of the fully renovated Park Plaza Belvedere Medulin in Croatia. Further renovation projects in several of our hotels in Amsterdam, Berlin and London are expected to commence in the second half of this year and to support our growth our Chief Financial Officer, Chen Moravsky, was appointed Deputy Chief Executive Officer.'

Operational highlights

- Strong first half performance with improved trading across our portfolio, delivering year on year revenue growth.
- Entered into a 50:50 joint venture for two freehold hotels in Berlin, Germany, while continuing to manage these hotels under long-term operating agreements.
- Secured several new loan facilities and extensions to existing facilities
 - Completed €24.0 million refinancing with Aareal Bank AG of art'otel amsterdam.
 - Secured £80 million (€98.1 million) facility from Banque Hapoalim (Luxembourg) S.A. for the development of a 492-room hotel near London Waterloo station.
 - Extended an existing facility with Aareal Bank AG by £13.5 million (€16.5 million) for the development of an extension of Park Plaza Riverbank London with no less than 98 rooms.
- Ongoing investment in hotel portfolio
 - The former Hotel Belvedere reopened as Park Plaza Belvedere Medulin in June 2014, following extensive renovations.
 - Extensive hotel renovations planned across key hotels in Amsterdam, Berlin and London, with several of these expected to commence in the second half of 2014.
- Management
 - Chen Moravsky, the Group's Chief Financial Officer and Member of the Company's Board, was appointed as Deputy Chief Executive Officer, from 1 August 2014, to support the Company's next stage of growth.

REVIEW OF OPERATIONS

Key financial statistics

	Reported ⁴			Like for like ²		
	Six months ended 30 June 2014	Six months ended 30 June 2013	% change ³	Six months ended 30 June 2014	Six months ended 30 June 2013	% change ³
Total revenue	€125.4 million	€111.6 million	+12.3%	€120.4 million	€108.7 million	+10.8%
Room revenue	€84.9 million	€78.0 million	+8.9%	€81.9 million	€75.7 million	+8.2%
EBITDAR	€45.3 million	€41.3 million	+9.7%	€44.6 million	€40.6 million	+10.1%
EBITDA	€39.7 million	€35.7 million	+11.1%	€39.1 million	€35.6 million	+9.7%
EBITDA margin	31.7%	32.0%	(30) bps	32.4%	32.7%	(30) bps
Reported PBT	€19.2 million	€9.3 million	+106.3%	N/A	N/A	N/A
Normalised PBT ¹	€7.7 million	€5.0 million	+54.8%	N/A	N/A	N/A
Occupancy	80.3%	77.8%	+250 bps	80.6%	77.8%	+280 bps
Average room rate	€132.5	€122.0	+8.7%	€130.5	€125.0	+4.4%
RevPAR	€106.5	€94.8	+12.3%	€105.2	€97.2	+8.2%

¹ Normalised profit before tax includes adjustments for other income and expenses and fair value changes of derivatives.

² The like-for-like comparison figures exclude art'otel amsterdam for the six months ended 30 June 2014. Furthermore, the like-for-like comparison figures for 2013 exclude art'otel berlin mitte and art'otel berlin kudamm.

³ Percentage change figures are calculated from actual figures as opposed to the rounded figures included in the above table. Unless otherwise indicated, all figures in this report compare six months ended 30 June 2014 with six months ended 30 June 2013. All financial information in this report for room revenue, total revenue EBITDAR and EBITDA reflects PPHE Hotel Group's interest.

⁴ Certain amounts here do not correspond to the interim consolidated financial statements as at 30 June 2013 and reflect accounting policy adjustments as detailed in Note 2.

Interim Management Report

This interim management report discusses the performance of PPHE Hotel Group for the six months ended 30 June 2014.

Financial Performance

Reported total revenue for the period increased by 12.3% to €125.4 million (H1 2013: €111.6 million). On a like-for-like basis, total revenue increased by 10.8% to €120.4 million (H1 2013: €108.7 million). This growth was primarily driven by improved trading conditions in the United Kingdom and the Netherlands, contributions from art'otel amsterdam, which opened in October 2013 and the strengthening of Sterling against the Euro.

On a constant currency basis, revenue increased by 9.3% to €122.0 million (H1 2013: €111.6 million).

RevPAR increased by 12.3% to €106.5 (H1 2013: €94.8), which was driven by a 250 bps increase in occupancy to 80.3% (H1 2013: 77.8%) and 8.7% increase in average room rate to €132.5 (H1 2013: €122.0).

Group EBITDA increased by 11.1% to €39.7 million (H1 2013: €35.7 million) and on a like-for-like basis, EBITDA increased by 9.7% to €39.1 million (H1 2013: €35.6 million).

Reported profit before tax increased by 106.3% to €19.2 million (H1 2013: €9.3 million).

Normalised profit before tax for the first half of 2014 increased by 54.8% to €7.7 million (H1 2013: €5.0 million).

Reported EPS was €0.47 (H1 2013: €0.23). Normalised EPS was €0.19 (H1 2013: €0.12), representing a 54.8% increase.

The European Hotel Market

For the first six months to June 2014, the hotel industry in Europe reported a 130 bps growth in occupancy to 66.0% (H1 2013: 64.7%) and a 2.4% increase in average room rate to €103.9 (H1 2013: €101.5). As a result, RevPAR increased by 4.5% to €68.6 (H1 2013: €65.6).

Western Europe reported more modest growth, but started from a higher base. Occupancy during the period increased by 90 bps to 65.4% (H1 2013: 64.5%) with reported average room rate flat at €116.5 (H1 2013: €116.5). RevPAR increased by 1.4% to €76.2 (H1 2013: €75.2) (Source: STR Global, June 2014).

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REVIEW OF OPERATIONS

Notes to editors

PPHE Hotel Group is a Guernsey registered company and through its subsidiaries, jointly controlled entities and associates, owns, leases, develops, operates and franchises full service upscale and lifestyle hotels in major gateway cities and regional centres, predominantly in Europe.

The majority of the Group's hotels operate under two distinct brands, Park Plaza® Hotels & Resorts and art'otel®. The Group has an exclusive licence from Carlson, a global privately held hospitality and travel company, to develop and operate Park Plaza Hotels & Resorts in Europe, the Middle East and Africa. The art'otel brand is fully owned by the Group. The Group has a minority ownership interest in the Arenaturist group, one of Croatia's leading hospitality companies.

The portfolio of owned, leased, managed and franchised hotels comprises 38 hotels in operation offering a total of more than 8,300 rooms. The development pipeline includes four new hotel projects, one hotel extension and reconfiguration and one rebranding project. These developments are expected to add over 850 rooms to our portfolio by mid 2016 and an additional 350 rooms by the end of 2017.

Our Company:

www.pphe.com

Our Hotel Brands:

www.parkplaza.com

www.artotels.com

www.arenaturist.com

For images and logos visit www.vfmii.com/parkplaza

Forward-looking statements

This interim management statement may contain certain "forward-looking statements" which reflect the Company's and/or the Directors' current views with respect to financial performance, business strategy and future plans, both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward-looking nature. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. Any forward-looking statements in this interim management statement reflect the Group's current views with respect to future events and are subject to risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy. These forward-looking statements speak only as of the date of this interim management statement. Subject to any legal or regulatory obligations, the Company undertakes no obligation publicly to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Nothing in this publication should be considered as a profit forecast.

REVIEW OF OPERATIONS

United Kingdom

Hotel Operations

	Reported in Euros (€) ^{1,2}		Reported in local currency GBP (£) ¹	
	Six months ended 30 June 2014	Six months ended 30 June 2013	Six months ended 30 June 2014	Six months ended 30 June 2013
Total revenue	€82.7 million	€74.2 million	£67.7 million	£63.3 million
EBITDAR	€29.6 million	€26.7 million	£24.2 million	£22.7 million
EBITDA	€28.6 million	€26.1 million	£23.4 million	£22.2 million
Occupancy	85.1%	84.4%	85.1%	84.4%
Average room rate	€163.8	€152.6	£134.1	£130.1
RevPAR	€139.5	€128.9	£114.2	£109.9
Room revenue	€57.1 million	€52.7 million	£46.7 million	£45.0 million

¹ No like-for-like comparison is provided as there have not been any transactions in the United Kingdom, in the period 30 June 2013 to 30 June 2014, which would affect these figures.

² Average exchange rate from Sterling to Euro for June 2014 was 1.222 and for June 2013 was 1.173, representing a 4.18% increase.

UK hotel portfolio performance

Our hotels in the United Kingdom delivered a strong performance during the period, with total revenue increasing by 6.9% to £67.7 million (H1 2013: £63.3 million). In Euro, total revenue for the region increased by 11.4% to €82.7 million (H1 2013: €74.2 million) aided by the strengthening of Sterling against the Euro.

In local currency, RevPAR increased by 3.9% to £114.2 (H1 2013: £109.9). In Euro, RevPAR increased by 8.2% to €139.5 (H1 2013: €128.9). The growth in RevPAR was predominantly driven by an increase in average room rate of 3.0% to £134.1 (H1 2013: £130.1). In Euro, average room rate increased by 7.3% to €163.8 (H1 2013: €152.6).

Occupancy during the period increased by 70 bps to 85.1% (H1 2013: 84.4%).

In local currency, EBITDA increased by 5.5% to £23.4 million (H1 2013: £22.2 million) and EBITDA growth in Euro was 9.9%, to €28.6 million (H1 2013: €26.1 million).

We are particularly pleased with the strong performance of our flagship hotel, Park Plaza Westminster Bridge London, which significantly outperformed its competitive set in RevPAR. This was achieved through continued solid growth in occupancy and average room rate (source: STR Global, June 2014).

Renovation projects and development pipeline

We are pleased to report significant development activity in the first half of 2014, with our new hotel project near London Waterloo Station and the extension of Park Plaza Riverbank London now both under construction. Our new hotel project near Park Royal in London is expected to commence late summer 2014.

Construction has started on our new hotel project in London near Waterloo Station, which is expected to add 492 rooms to our portfolio. The hotel will also feature a swimming pool, spa, restaurant and bar. The hotel is expected to open in the first half of 2017.

Works have also started on the extension of Park Plaza Riverbank London which will see the room count increase by 98 rooms. Subject to further planning approval, the room count may increase by an additional 50 rooms, taking the total number of rooms to 609. The extension is expected to be completed in 2015.

The development of our new hotel project on the A40, one of the main roads leading into central London, is expected to start late summer 2014. The 168-room hotel near Park Royal will feature a bar, restaurant, fitness and several meeting rooms. The hotel is expected to be completed in 2015.

Following the December 2013 refinancing of Park Plaza Riverbank London, Park Plaza Victoria London and Park Plaza Sherlock Holmes London, we progressed with the preparation of extensive renovation plans for these hotels. The estimated cost of this renovation programme is €8.4 million, which is over and above our normal expenditure.

Further updates on the work to be undertaken and the commencement dates will follow in due course.

The United Kingdom hotel market

The greater London hotel market delivered 3.9% growth in RevPAR year-on-year to £109.7, which was driven by a 3.3% growth in average room rate to £136.6. Occupancy increased by 60 bps to 80.3%.

More significant growth year-on-year was experienced in the Leeds and Nottingham markets. In Leeds, growth was driven by a combination of increased average room rate and occupancy. For the period, average room rate increased by 8.2% to £58.9 and occupancy increased by 320 bps to 75.2%. As a result, RevPAR increased by 11.6% to £44.3. In Nottingham, average room rate increased by 5.6% to £51.6 and occupancy increased by 310 bps to 69.4%, resulting in an overall RevPAR growth of 8.9% to £35.8.

Source: STR Global, June 2014.

REVIEW OF OPERATIONS

The Netherlands

Hotel Operations

	Reported		Like for like ¹	
	Six months ended 30 June 2014	Six months ended 30 June 2013	Six months ended 30 June 2014	Six months ended 30 June 2013
Total revenue	€26.0 million	€19.6 million	€21.1 million	€19.6 million
EBITDAR	€7.2 million	€5.7 million	€6.6 million	€5.7 million
EBITDA	€7.1 million	€5.7 million	€6.5 million	€5.7 million
Occupancy	74.6%	71.7%	75.2%	71.7%
Average room rate	€120.7	€104.1	€110.5	€104.1
RevPAR	€90.1	€74.7	€83.1	€74.7
Room revenue	€18.2 million	€13.7 million	€15.2 million	€13.7 million

¹ The like-for-like comparison figures exclude art'otel amsterdam for the six months ended 30 June 2014.

Dutch hotel portfolio performance

The performance of our hotels in The Netherlands improved year on year with total revenue increasing by 32.7% to €26.0 million (H1 2013: €19.6 million). On a like-for-like basis, revenue increased by 7.5% to €21.1 million (H1 2013: €19.6 million).

RevPAR increased by 20.7% to €90.1 (H1 2013: €74.7). The growth in RevPAR was aided by contributions from art'otel amsterdam which opened in October 2013.

Average room rate increased by 16.0% to €120.7 (H1 2013: €104.1).

Occupancy during the period increased by 290 bps to 74.6% (H1 2013: 71.7%).

EBITDA increased by 25.6% to €7.1 million (H1 2013: €5.7 million).

The Dutch market continued to show positive signs of recovery in the first half of 2014, with several of our hotels outperforming their competitive sets in RevPAR in both Amsterdam and the provincial cities in which we operate (source: STR Global, June 2014).

Renovation projects and development pipeline

Following the December 2013 refinancing of Park Plaza Victoria Amsterdam, Park Plaza Vondelpark Amsterdam and Park Plaza Utrecht, we progressed with the preparation of extensive renovation plans for these hotels. The estimated cost of this renovation programme is €7.5 million, which is over and above our normal expenditure.

Further updates on the work to be undertaken and the commencement dates will follow in due course.

The Dutch hotel market

The hotel market in greater Amsterdam continued to show an improvement year-on-year, with overall RevPAR increasing 9.8% to €102.8. This growth was the result of an average room rate increase of 5.9% to €136.1 and 370 bps increase in occupancy to 75.6%.

The hotel market in Utrecht showed a year-on-year recovery, with RevPAR increasing 9.0% to €61.29. This was the result of a 540 bps increase in occupancy to 65.0% and 3.4% increase in average room rate to €94.3. In Eindhoven, the overall hotel market performance continued to deteriorate due to less demand, with occupancy decreasing 640 bps to 52.0%. Average rate decreased by 0.6% to €70.23, resulting in a RevPAR decrease of 7.0% to €36.5.

Source: STR Global, June 2014.

REVIEW OF OPERATIONS

Germany and Hungary

Hotel Operations

	Reported		Like for like ¹	
	Six months ended 30 June 2014	Six months ended 30 June 2013	Six months ended 30 June 2014	Six months ended 30 June 2013
Total revenue	€13.0 million	€15.3 million	€13.0 million	€12.4 million
EBITDAR	€3.1 million	€3.8 million	€3.1 million	€3.1 million
EBITDA	€(1.2) million	€(0.8) million	€(1.2) million	€(0.9) million
Occupancy	75.9%	70.7%	75.9%	69.1%
Average room rate	€68.1	€71.4	€68.1	€72.1
RevPAR	€51.7	€50.4	€51.7	€49.8
Room revenue	€9.6 million	€11.6 million	€9.6 million	€9.3 million

¹ The like-for-like comparison figures for 2013 exclude art'otel berlin mitte and art'otel berlin kudamm.

German and Hungarian hotel portfolio performance

Reported results for Germany and Hungary were impacted by the sale in January 2014 of 50% of the shares in the companies which own the freehold and operating business of two hotels in Berlin. Following this transaction, the contribution of these two hotels is now included as a result of joint ventures in the consolidated income statement.

On a reported basis, total revenue for the region therefore decreased by 14.9% to €13.0 million (H1 2013: €15.3 million). On a like-for-like basis, revenue increased by 5.1% to €13.0 million (H1 2013: €12.4 million).

RevPAR increased by 2.5% to €51.7 (H1 2013: €50.4). The growth in RevPAR was the direct result of an increase in occupancy of 520 bps to 75.9% (H1 2013: 70.7%). Average room rate decreased by 4.6% to €68.1 (H1 2013: €71.4).

The EBITDA loss increased by 37.8% to €(1.2) million (H1 2013: €(0.8) million). The increase in EBITDA loss was primarily the result of a performance related rent obligation and the sale of the shares of two hotels in Berlin, whereby the contribution of these two hotels is now included as a result of joint ventures in the consolidated income statement.

In this region, art'otel budapest in particular delivered a strong performance against its competitive set, continuing the trend from 2013. In Germany our competitive performance continued to vary by hotel and where we did outperform the set on RevPAR it was driven by strong occupancy (source: STR Global, June 2014).

Renovation projects and development pipeline

Construction has started for the development of a 177-room hotel in Nuremberg. The hotel will feature a restaurant, bar, gym and several meeting rooms. The hotel is expected to open in the first quarter of 2016.

Renovations at art'otel cologne were progressed during the period and we continued fine-tuning our renovation plans for art'otel berlin mitte and art'otel berlin kudamm; the latter will be rebranded as Park Plaza on completion of the works. Further updates will follow in due course.

The German and Hungarian hotel market

The hotels in greater Berlin reported a marginal year-on-year improvement with RevPAR increasing 1.7% to €62.4. This was the result of a 110 bps increase in occupancy to 70.2% and 0.6% increase in average room rate to €88.9. Cologne's market performance declined with RevPAR decreasing by 0.7% to €67.3, a result of a 2.8 decrease in average room rate to €100.0 and 220 bps increase in occupancy to 67.3%.

In Dresden, the market showed positive signs of improvement, which was driven by a 500 bps increase in occupancy to 59.0%. Average room rate declined 1.5% to €71.1, resulting in 3.4% RevPAR growth to €42.0. In Hungary, the performance of the hotel market in Budapest continued to improve with RevPAR increasing by 5.8% to €42.3. This growth was driven by a 330 bps increase in occupancy to 63.5% and 2.5% increase in average room rate to €66.7.

Source: STR Global, June 2014.

REVIEW OF OPERATIONS

Management and Holdings

	Reported	
	Six months ended 30 June 2014	Six months ended 30 June 2013
Total revenue	€17.1 million	€13.7 million
Revenue elimination	€(13.5) million	€(11.3) million
Total revenue	€3.6 million	€2.4 million
EBITDA	€5.1 million	€4.7 million

Our performance

PPHE Hotel Group is owner/operator of a large part of its portfolio and as a result, all hotel management revenue related to those hotels is eliminated upon consolidation as intra-Group revenue.

Prior to consolidation and elimination of intra-Group revenue, total management and holdings revenue increased by 23.9% to €17.1 million (H1 2013: €13.7 million). This increase is primarily the result of improved trading, strengthening of Sterling against the Euro and the introduction of a new management agreement across several of the Group's owned hotels, bringing the management agreements in line with market practice.

After consolidation and elimination of intra-Group revenue, reported revenues increased by 47.6% to €3.6 million (H1 2013: €2.4 million). Part of this increase was directly related to the sale of 50% of the shares in each of the companies that own the freehold interests in two hotels in Berlin, which are not consolidated any more.

Reported EBITDA increased by 8.6% to €5.1 million (H1 2013: €4.7 million).

Exceptional items

A €11.3m exceptional profit was recorded in the results for the six months ended 30 June 2014. This was made up of three items:

- a profit of €7.9 million arising on the settlement of the litigation in relation to forfeited deposits on the rescinded sales of apart-hotel units at the Park Plaza Westminster Bridge London;
- a profit of €1.8 million arising on the sales of the freeholds of two hotels in Berlin to a joint venture; and
- a profit of €1.7 million arising on the fair value adjustment of the deferred purchase price of the acquisition of the remaining interests in four hotels in The Netherlands (2012) and three hotels in the United Kingdom (2010).

Litigation

As part of the development of Park Plaza Westminster Bridge London, Marlbray Limited (a wholly owned subsidiary of PPHE Hotel Group) sold apart-hotel units in Park Plaza Westminster Bridge London during the construction phase of the hotel. Typically purchasers of apart-hotel units entered into contracts to acquire apart-hotel units and paid a deposit of up to 25% of the purchase price. Upon completion of the hotel purchasers of apart-hotel units were required to pay the balance of the purchase price. A number of the parties who entered into contracts to buy apart-hotel units and paid deposits failed to pay the balance due on the contract at completion and Marlbray Limited rescinded their contracts and forfeited their deposits.

As at 31 December 2013, a balance of £7.6 million (€9.3 million), being forfeited deposits, was held in respect of the rescinded contracts of purchasers of apart-hotel units who failed to complete. Certain of these prospective purchasers instigated legal proceedings seeking recovery of the forfeited deposits. The proceedings comprised two actions, namely a larger action with over 100 purchaser claimants, and a smaller action with a handful of purchaser claimants. Whilst the proceedings were ongoing, the deposits were held in a solicitor's escrow account and could not be released.

The larger action relating to £7.5 million (€9.2 million) was settled and on 26 June 2014, £5.9 million (€7.3 million) was released from the escrow account to Marlbray Limited and the balance paid to the claimants. With regard to the smaller action, the proceedings are ongoing, and £0.1 million (€0.1 million) of forfeited deposits remain in the escrow account (presented under short-term restricted cash and deposits).

The receipt of the €7.3 million in respect of the larger action together with €0.6 million preliminary received from the escrow account in previous years have been accounted for as an exceptional profit in the accounts for the six months ended 30 June 2014.

REVIEW OF OPERATIONS

Joint venture

On 13 January 2014 the Group entered into a 50:50 joint venture in relation to the freeholds and operations of art'otel berlin mitte and art'otel berlin kudamm with the Nakash group ("Nakash").

The Group has sold to Nakash 50% of the shares in the companies which own the freeholds and the operating businesses of the hotels and assigned 50% of the shareholder loans made by the Group to those companies for an aggregate consideration of €3.2 million, which was advanced in 2013. The Company and Nakash also contributed €1.0 million each for the renovation of the two hotels.

The Group continues to manage these two hotels under long-term hotel operating agreements.

The result of the joint venture transaction is that the Group has included as an exceptional profit a €1.8 million capital gain on the sale.

Fair value adjustment

In addition, the Group has also recorded a €1.7 million fair value adjustment relating to the deferred acquisition cost of 50% of four hotels in The Netherlands (2012) and three hotels in the United Kingdom (2010).

Renovation projects and development pipeline

An operational highlight during the period was the completion of the renovation works for Hotel Belvedere in Croatia, which reopened in June 2014 as the Park Plaza Belvedere Medulin. This hotel is part of the Arenaturist group and is our largest hotel in Croatia. It offers 427 rooms, several restaurants and bars and extensive sports and leisure facilities.

We are pleased to report that between 2012 and 2014 we have extensively renovated and repositioned more than 50% of our hotel rooms in Croatia.

Financial Position

Our net bank debt as at 30 June 2014 was €470.2 million, a decrease of €12.6 million (as at 31 December 2013: €482.8 million). This includes €55.2 million of liquid assets (as at 31 December 2013: €43.0 million), of which cash and cash equivalents were €53.7 million (as at 31 December 2013: €41.5 million) and other liquid financial assets of €1.6 million (as at 31 December 2013: €1.5 million).

During the period, the movement in net bank debt primarily included a €3.0 million increase to finance the construction projects of the Group, an increase of €13.9 million due to foreign exchange, a decrease due to divestment of two hotels in Berlin of €11.3 million and a decrease of €7.3 million due to redemption of loans.

The Group's gearing ratio (net bank debt as a percentage of equity adjusted for the hedging reserve) decreased to 59.4% (as at 31 December 2013: 61.4 %).

Variation of ground lease at Park Plaza Riverbank London

A variation of the lease of Park Plaza Riverbank London was entered into in June 2014 under which the rent payable increases by £0.2 million to £0.9 million per annum and the Riverbank Group holding company as tenant is entitled to renew the lease for an additional 60 years. The landlord paid £5.0 million as a premium to the Riverbank holding company.

REVIEW OF OPERATIONS

For management purposes, the Group's activities are divided into Owned Hotel Operations and Management Activities. The operating results of each of the aforementioned segments are monitored separately for the purpose of resource allocations and performance assessment.

However, the Group believes that shareholders may find greater clarity on the results of the Group's owned operating assets; assets under development; leased properties; and its investment in Joint Ventures and Associates (such as Croatia). Set out below we provide some selected financial data for these assets for the six months ended 30 June 2014, prepared in € millions.

	Owned properties			Joint ventures and Associates		Management and central ⁵	Reported
	In operation	Under development	Leased properties	In operation	Under development		
Balance sheet							
Adjusted book value properties ^{1,2}	697.1	52.0	1.1	–	–	0.7	750.9
Book value intangible assets	–	–	–	–	–	34.0	34.0
Book value non-consolidated investments	–	–	–	24.6	16.3	–	40.9
Bank loans, (short restricted) cash and liquid assets (adjusted net debt)	(446.9)	(35.4)	2.5	–	–	13.9	(465.9)
Deferred profit of sales of apart-hotel units in Park Plaza Westminster Bridge London ⁶	(22.2)	–	–	–	–	–	(22.2)
Other assets and liabilities	(38.0)	(3.2)	(1.4)	1.6	–	9.6 ⁵	(31.4)
Capital employed	190.0	13.4	2.2	26.2	16.3	58.2	306.3
Normalised profit³							
External revenues⁴	108.8	0.2	13.0	–	–	3.4	125.4
Adjusted EBITDA	42.6	–	(0.5)	0.7	–	(3.1)	39.7
Depreciation and amortisation	(9.1)	–	(0.2)	–	–	(1.4)	(10.7)
EBIT	33.5	–	(0.7)	0.7	–	(4.5)	29.0
Interest expenses banks and finance leases	(15.2)	(0.3)	–	–	–	–	(15.5)
Interest guaranteed to unitholders	(5.6)	–	–	–	–	–	(5.6)
Other finance expenses and income	–	–	–	1.7	–	0.7	2.4
Associate result	–	–	–	(2.6)	–	–	(2.6)
Normalised profit before tax 30 June 2014	12.7	(0.3)	(0.7)	(0.2)	–	(3.8)	7.7
Normalised profit before tax 30 June 2013	10.4	(0.7)	0.1	(0.7)	–	(4.1)	5.0

¹ All assets are reported at cost, less depreciation. All properties are mortgaged under bank loans. The total mortgaged asset portfolio is within a 65% loan to value requirement of banks.

² Finance liabilities and deferred taxes relating to properties have been netted with the property book value.

³ Certain amounts here do not correspond to the interim consolidated financial statements as at 30 June 2013 and reflect adjustments as detailed in Note 2.

⁴ Since the majority of the Group's hotels are fully owned, leased and consolidated, management and other fees generated on these hotels are fully eliminated.

⁵ The amounts shown here in Management and central include unallocated assets and liabilities.

⁶ The profit from the sale of apart-hotel units in Park Plaza Westminster Bridge London has been deferred until the Group loses control over these units (see Note 6 in the financial statements).

As at 30 June 2014, art'otel berlin mitte and art'otel berlin kudamm are presented as joint venture interests, whereas at 30 June 2013 these were under leased properties. Furthermore following a change in accounting policies the investment in the development of art'otel london hoxton is now presented under joint venture interests (see Note 2), whereas this was previously included under owned properties under development.

REVIEW OF OPERATIONS

Dividend

The Board has approved the payment of an interim dividend of 9.0 pence per ordinary share (H1 2013: 6.0 pence per share), for the period ended 30 June 2014, to all shareholders who are on the register of members at 5 September 2014. The interim dividend is to be paid on 16 October 2014.

A final dividend of 8.0 pence per ordinary share for the year ended 31 December 2013 was paid on 13 June 2014 to all shareholders who were on the register of members as at 28 March 2014.

Outlook

The positive trend we reported for the first quarter on 13 May 2014 has continued into the second quarter and we are pleased with our results for the first half of 2014. The second half of the year is usually the strongest trading period for us and taking into account the impact of the renovation programme referred to below, we expect the Company's full year results to be in line with the Board's expectations.

We have an exciting and active development pipeline and we will continue to focus on driving revenue growth through improved services, a wide range of sales and marketing initiatives and product repositioning projects.

Several extensive renovations are planned across our different operating regions and these may have a temporary negative impact on our performance due to closures of rooms and public areas. However, we believe that our investment in these renovation projects will have a positive impact on our long-term performance.

Principal Risks and Uncertainties

There are no changes to the risks and uncertainties as set out in the Company's consolidated financial statements for the year ended 31 December 2013 which may affect the Group's performance in the next six months. The most significant risks and uncertainties relate to factors that are common to the hotel industry and beyond the Group's control, such as the global economic downturn, changes in travel patterns or in the structure of the travel industry and the increase in acts of terrorism. For a detailed discussion of the risks and uncertainties facing the Group, please refer to page 68 of the Company's 2013 annual report.

Statement of Directors' Responsibilities

The Directors confirm that, to the best of their knowledge, these interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 R and DTR 4.2.8, namely:

- An indication of important events which have occurred during the first six months and their impact on the condensed set of financial statements, plus a description of the principal risks and uncertainties for the remaining six months of the financial year
- Material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

By the order of the Board

27 August 2014



Boris Ivesha
President and Chief
Executive Officer



Chen Moravsky
Deputy Chief
Executive Officer
and Chief Financial
Officer

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To: The Board of Directors of PPHE Hotel Group Limited

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of PPHE Hotel Group Limited and its subsidiaries (the Group) as of 30 June 2014 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting (IAS 34) and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

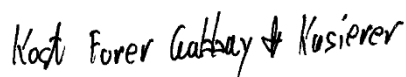
Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.



KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

27 August 2014

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2014 Unaudited €'000	31 December 2013 Audited Restated ¹ €'000
ASSETS		
NON-CURRENT ASSETS:		
Intangible assets	33,986	35,386
Property, plant and equipment	789,533	784,019
Apart-hotel units under management	175,861	169,226
Prepaid leasehold payments	426	435
Investment in associate and joint ventures	40,825	36,970
Other non-current financial assets	13,449	12,147
Restricted cash and deposits	401	9,482
	1,054,481	1,047,665
CURRENT ASSETS:		
Restricted cash and deposits	4,146	3,871
Inventories	1,191	1,290
Other current financial assets	1,561	1,538
Trade receivables	16,200	15,762
Other receivables and prepayments	8,597	5,875
Cash and cash equivalents	53,660	41,498
	85,355	69,834
Total assets	1,139,836	1,117,499

¹ Certain amounts here do not correspond to the annual consolidated financial statements as at 31 December 2013 and reflect adjustments as detailed in Note 2.

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2014 Unaudited €'000	31 December 2013 Audited Restated ¹ €'000
EQUITY AND LIABILITIES		
EQUITY:		
Issued capital	–	–
Share premium	239,523	239,504
Other reserves	(36,089)	(36,174)
Treasury shares	(3,701)	(3,701)
Foreign currency translation reserve	(32,072)	(34,446)
Hedging reserve	(14,824)	(12,642)
Retained earnings	153,432	138,024
Total equity	306,269	290,565
NON-CURRENT LIABILITIES:		
Bank borrowings	510,401	500,733
Advance payments from apart-hotel unit holders	189,904	182,738
Deposits received from apart-hotel unit holders	138	8,864
Other financial liabilities	58,506	51,744
Deferred income taxes	12,420	12,492
	771,369	756,571
CURRENT LIABILITIES:		
Trade payables	15,882	12,183
Other payables and accruals	31,327	32,745
Bank borrowings	14,989	25,435
	62,198	70,363
Total liabilities	833,567	826,934
Total equity and liabilities	1,139,836	1,117,499

¹ Certain amounts here do not correspond to the annual consolidated financial statements as at 31 December 2013 and reflect adjustments as detailed in Note 2.

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

27 August 2014

Date of approval of the
financial statements



Boris Ivesha
President and Chief Executive Officer



Chen Moravsky
Deputy Chief Executive Officer and Chief
Financial Officer

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Six months ended	
	30 June 2014 Unaudited €'000 ²	30 June 2013 Unaudited Restated ¹ €'000 ²
Revenues	125,359	111,621
Operating expenses	(80,090)	(70,338)
EBITDAR	45,269	41,283
Rental expenses	(5,578)	(5,568)
EBITDA	39,691	35,715
Depreciation and amortisation	(10,694)	(10,718)
EBIT	28,997	24,997
Financial expenses	(15,376)	(14,084)
Changes in fair value of derivatives	222	459
Financial income	2,221	1,822
Other income and expenses	11,333	3,900
Interest expenses guaranteed to apart-hotel unit holders	(5,600)	(5,331)
Share in results of associate and joint ventures	(2,551)	(2,436)
Profit before tax	19,246	9,327
Income tax benefit	220	261
Profit for the period	19,466	9,588
Basic and diluted earnings per share (in Euro)	0.47	0.23

¹ Certain amounts here do not correspond to the interim consolidated financial statements as at 30 June 2013 and reflect adjustments as detailed in Note 2.

² Except earnings per share.

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 June 2014 Unaudited €'000	30 June 2013 Unaudited Restated ⁴ €'000
Profit for the period	19,466	9,588
Other comprehensive income (loss) to be recycled through profit and loss in subsequent periods:		
Fair value gain on available for sale financial assets ¹	24	126
Gain (loss) from cash flow hedges ²	(2,182)	5,487
Foreign currency translation adjustments of foreign operations ³	2,356	(408)
Reclassification adjustment for foreign currency translation adjustments included in profit or loss on sale of site in Thailand ³	–	(297)
Foreign currency translation adjustment of associate ³	(53)	(118)
Foreign currency translation adjustment of joint venture ³	71	(44)
Other comprehensive income (loss), net	216	4,746
Total comprehensive income (loss)	19,682	14,334

¹ Included in other reserves.

² Included in hedging reserve.

³ Included in foreign currency translation reserve.

⁴ Certain amounts here do not correspond to the interim consolidated financial statements as at 30 June 2013 and reflect adjustments as detailed in Note 2.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Foreign currency							
	Issued capital ¹ €'000	Share premium €'000	Other reserves €'000	Treasury shares €'000	Translation reserve €'000	Hedging reserve €'000	Retained earnings €'000	Total €'000
Balance as at 1 January 2014 (audited)	–	239,504	(36,174)	(3,701)	(34,446)	(12,642)	138,024	290,565
Profit for the period	–	–	–	–	–	–	19,466	19,466
Other comprehensive income (loss) for the period	–	–	24	–	2,374	(2,182)	–	216
Total comprehensive income (loss)	–	–	24	–	2,374	(2,182)	19,466	19,682
Share-based payments	–	–	61	–	–	–	–	61
Issue of shares	–	19	–	–	–	–	–	19
Dividend distribution	–	–	–	–	–	–	(4,058)	(4,058)
Balance as at 30 June 2014 (unaudited)	–	239,523	(36,089)	(3,701)	(32,072)	(14,824)	153,432	306,269
Balance as at 1 January 2013 (audited)	–	239,504	(36,524)	(3,701)	(34,471)	(22,626)	117,715	259,897
Profit for the period	–	–	–	–	–	–	9,588	9,588
Other comprehensive income (loss) for the period	–	–	126	–	(867)	5,487	–	4,746
Total comprehensive income (loss)	–	–	126	–	(867)	5,487	9,588	14,334
Share-based payments	–	–	71	–	–	–	–	71
Dividend distribution	–	–	–	–	–	–	(2,921)	(2,921)
Balance as at 30 June 2013 (unaudited)	–	239,504	(36,327)	(3,701)	(35,338)	(17,139)	124,382	271,381

¹ No par value.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 June 2014 Unaudited €'000	30 June 2013 Unaudited Restated ¹ €'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	19,466	9,588
ADJUSTMENT TO RECONCILE PROFIT TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Financial expenses including changes in fair value of derivatives and interest expenses guaranteed to apart-hotel unit holders	20,754	18,956
Financial income	(2,221)	(1,822)
Income tax benefit	(220)	(261)
Fair value gain on deferred consideration from business combinations	(1,691)	(848)
Capital gain upon sale of subsidiary in Thailand	–	(2,757)
Capital gain upon sale of Berlin hotels to joint venture	(1,753)	–
Share-based payments	61	71
Share in loss of associate	2,563	2,400
Share in loss of joint venture	(12)	36
Depreciation and amortisation	10,694	10,718
	28,175	26,494
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Increase in inventories under construction	–	(1,625)
Decrease in inventories	32	135
Decrease in trade and other receivables	(2,910)	(371)
(Decrease) increase in trade and other payables	6,386	(839)
	3,508	(2,700)
CASH PAID AND RECEIVED DURING THE PERIOD FOR:		
Interest paid	(20,115)	(18,563)
Interest received	42	68
Taxes paid	(45)	(5)
	(20,118)	(18,500)
Net cash flows provided by operating activities	31,031	14,882

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 June 2014 Unaudited €'000	30 June 2013 Unaudited Restated ¹ €'000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in property, plant and equipment	(13,784)	(38,784)
Net change in cash upon divestment of subsidiary in Thailand	–	(1,595)
Net change in cash upon divestment of Berlin hotels to joint venture	(3,000)	–
Decrease in restricted deposits	(1,186)	–
Decrease (increase) in restricted cash	–	847
Advance payments in property transactions	–	(6,200)
Net cash flows (used in) provided by investing activities	(17,970)	(45,732)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend distribution	(4,058)	(2,921)
Issue of shares	19	–
Drawdown of long-term loans	26,829	18,033
Repayment of long-term loans	(30,530)	(7,380)
Proceeds from assets under a finance lease	6,109	–
Advance receipt of loan for equity investment from future joint venture partner	–	4,180
Net cash flows provided by financing activities	(1,631)	11,912
Decrease (increase) in cash and cash equivalents	11,430	(18,938)
Net foreign exchange differences	732	(1,597)
Cash and cash equivalents at beginning of period	41,498	44,806
Cash and cash equivalents at end of period	53,660	24,271

¹ Certain amounts here do not correspond to the interim consolidated financial statements as at 30 June 2013 and reflect adjustments as detailed in Note 2.

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

NOTES

NOTE 1: GENERAL

- The Company's primary activity is owning, leasing, developing, operating and franchising upscale and lifestyle hotels in major gateway cities and regional centres, predominantly in Europe.
- These financial statements have been prepared in a condensed format as of 30 June 2014 and for the six months then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual consolidated financial statements as of 31 December 2013 and for the year then ended and the accompanying notes ("annual consolidated financial statements").
- The Board continues to monitor the Group's cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements, including compliance with loan covenants and liquidity risks arising from the maturities of the Group's loans. The Board believes that the Group has adequate resources and will generate sufficient funds in the future to serve its financial obligations and continue its operations as a going concern in the foreseeable future.
- The Company is listed on the Standard Listing segment of the UK Listing Authority and its shares are admitted to trading on the main market for listed securities of the London Stock Exchange.

NOTE 2: BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation:

The interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements, except for the following adoption of new standard effective as of 1 January 2014.

The Group has applied, for the first time, IFRS 11 Joint Arrangements that requires restatement of previous financial statements. As required by IAS 34, the nature and the effect of these changes are disclosed in Note 2.1 below. Several other new standards and amendments apply for the first time in 2014. However, they do not impact the consolidated financial statements of the Group.

The nature and the impact of first time adoption of IFRS 11 are described below:

1. IFRS 11 Joint Arrangements – IFRS 11 determines the treatment of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

The application of this new standard impacted the Group's accounting of its interest in Aspirations Limited. Prior to the transition to IFRS 11, Aspirations Limited was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses was proportionately consolidated in the consolidated financial statements. Upon adoption of IFRS 11, the Group has determined its interest in Aspirations Limited (a joint venture company that holds the art'otel london hoxton development) to be classified as a joint venture under IFRS 11 and it is required to be accounted for using the equity method.

The transition was applied retrospectively as required by IFRS 11 and the comparative information for the immediately preceding period (2013) is restated. The effect of applying IFRS 11 on the Group's financial statements is as follows:

Effect on Consolidated Income Statement	Six months ended 30 June 2013 €'000
Revenues	(127)
Operating expenses	3
EBITDAR/EBITDA/EBIT	(124)
Financial expenses	80
Financial income	80
Share in loss of joint venture	(36)
Profit for the period	–

Effect on Consolidated Statement of Financial Position	31 December 2013 €'000
ASSETS	
NON-CURRENT ASSETS:	
Property, plant and equipment	(15,463)
Investment in joint ventures and loans to joint ventures	15,584
Other non-current financial assets	(6,697)
	(6,576)
CURRENT ASSETS:	
Trade receivables	(32)
Cash and cash equivalents	(159)
	(191)
Total assets	(6,767)
EQUITY AND LIABILITIES	
EQUITY:	
Total equity	–
NON-CURRENT LIABILITIES:	
Other financial liabilities	(6,762)
CURRENT LIABILITIES:	
Trade payables	(5)
Total equity and liabilities	(6,767)

NOTES

Effect on Consolidated Statement of Cash Flows	Six months ended 30 June 2013 €'000
Net cash flows operating activities	73
Net cash flow investing activities	(50)
Net cash flow financing activities	–
Decrease (increase) in cash	23

The Group has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTE 3: SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

a. Joint venture two hotels in Berlin

On 13 January 2014, the Group entered into a 50:50 joint venture in relation to the freeholds and operations of art'otel berlin mitte and art'otel berlin kudamm together with the Nakash group ("Nakash").

The Group has sold to Nakash 50% of the shares in the companies which own the freeholds and the operating businesses of the hotels and assigned 50% of the shareholder loans made by the Group to those companies for an aggregate consideration of €3.2 million, which was advanced in 2013. The Company and Nakash also contributed €1.0 million each for the renovation of the hotels.

€12.5 million of the consideration for the acquisition was funded by a ten-year term loan from Deutsche Hypothekenbank secured on the properties and guaranteed by the Company. Under the joint venture Nakash has agreed to indemnify the Company against 50% of any liability it may incur under that guarantee.

The Group continues to manage these two hotels under long-term hotel operating agreements.

As a result of the sale and loss of control of these hotels, the Company has derecognised all of the assets and liabilities in respect of the hotels and re-measured its retained stake (50%) to fair value based on the consideration received for the portion sold. The impact of this sale on the financial statements is as follows:

NON-CURRENT ASSETS:	
Property, plant and equipment	(16,475)
CURRENT ASSETS:	
Inventories	(85)
Trade receivables and other short-term assets	(267)
Cash and cash equivalents	(3,000)
Total assets	(19,827)
NON-CURRENT LIABILITIES:	
Bank loans	(11,724)
Other financial liabilities	(139)
CURRENT LIABILITIES:	
Trade and other payables	(1,357)
Total liabilities	(13,220)
NET ASSETS DERECOGNISED	(6,607)
Consideration received in respect of stake sold	
	4,180
Recognition of retained share at fair value	
	4,180
	8,360
Recognised capital gain	1,753

NOTES

b. Release of forfeited deposits

As part of the development of Park Plaza Westminster Bridge London, Marlbray Limited (a wholly owned subsidiary of PPHE Hotel Group Limited) sold apart-hotel units in Park Plaza Westminster Bridge London during the construction phase of the hotel. Typically purchasers of apart-hotel units entered into contracts to acquire apart-hotel units and paid a deposit of up to 25% of the purchase price. Upon completion of the hotel purchasers of apart-hotel units were required to pay the balance of the purchase price. A number of the parties who entered into contracts to buy apart-hotel units and paid deposits failed to pay the balance due on the contract at completion and Marlbray Limited rescinded their contracts and they forfeited their deposits.

As at 31 December 2013, a balance of £7.6 million (€9.3 million), being forfeited deposits, was held in respect of the rescinded contracts of purchasers of apart-hotel units who failed to complete. Certain of these prospective purchasers instigated legal proceedings seeking recovery of the forfeited deposits. The proceedings comprised two actions, namely a larger action with over 100 purchaser claimants, and a smaller action with a handful of purchaser claimants. Whilst the proceedings were ongoing, the deposits were held in a solicitor's escrow account and could not be released.

The larger action relating to £7.5 million (€9.2 million) was settled and on 26 June 2014, £5.9 million (€7.3 million) was released from the escrow account to Marlbray Limited and the balance paid to the claimants. With regard to the smaller action, the proceedings are ongoing, and £0.1 million (€0.1 million) of forfeited deposits remain in the escrow account (presented under short-term restricted cash and deposits).

The receipt of the €7.3 million in respect of the larger action together with €0.6 million preliminary received from the escrow account in previous years have been accounted for as an exceptional profit in the accounts for the six months ended 30 June 2014.

c. New and extended finance arrangements

The Group extended an existing facility with Aareal Bank AG by £13.5 million (€16.3 million) for the development of a 98-room extension of Park Plaza Riverbank London. Subject to further planning approval, the room count may increase by an additional 50 rooms, taking the total number of rooms to 609. Construction has started and the extension is expected to be completed in 2015. The interest is 3 month LIBOR + 4.5% during construction and at date of completion 3 month LIBOR + 2.9%. The maturity date of the facility is 3 December 2018.

The Group secured an £80 million (€96.8 million) facility from Banque Hapoalim (Luxembourg) S.A. for the development of a 492-room hotel near London Waterloo Station. Construction has started and the hotel is expected to open in the first half of 2017. The initial maturity date of the facility is 18 June 2017 although the Group has the right, subject to certain conditions, to extend the facility so that it matures on 7 April 2018. The facility will bear interest at 5% over 3 month LIBOR and will increase to 5.5% over 3 month LIBOR after the initial maturity date.

The Group extended an existing facility with Aareal Bank AG by £13.5 million (€16.3 million) for the development of an extension of Park Plaza Riverbank London.

d. Variation of ground lease at Park Plaza Riverbank London

A variation of the lease of Park Plaza Riverbank London was entered into in June 2014 under which the rent payable increases by £0.2 million to £0.9 million per annum and the Riverbank Group holding company as tenant is entitled to renew the lease for an additional 60 years. The landlord paid £5.0 million as premium to the Riverbank holding company which is accounted for as a long term finance lease liability.

NOTES

NOTE 4: SEGMENT DATA

- a. For management purposes, the Group's activities are divided into Owned Hotel Operations and Management Activities. Owned Hotel Operations are further divided into three reportable segments: 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 evaluated based on EBITDA, which is measured on the same basis as the amount presented in the consolidated income statement.

Six months ended 30 June 2014 (unaudited)						
	The Netherlands €'000	Germany and Hungary €'000	United Kingdom €'000	Management €'000	Holding companies and adjustments €'000	Consolidated €'000
REVENUE						
Third party	26,017	13,046	82,672	3,624	–	125,359
Inter-segment	–	–	–	13,484	(13,484)	–
Total revenue	26,017	13,046	82,672	17,108	(13,484)	125,359
Segment EBITDA	7,137	(1,236)	28,641	5,149	–	39,691
Depreciation and amortisation						(10,694)
Financial expenses and changes in fair value of derivatives						(15,154)
Financial income						2,221
Interest expenses on advance payments for unit holders						(5,600)
Other income, (net)						11,333
Share in loss of associate and joint ventures						(2,551)
Profit before tax						19,246

Six months ended 30 June 2013 (unaudited-restated ¹)						
	The Netherlands €'000	Germany and Hungary €'000	United Kingdom €'000	Management €'000	Holding companies and adjustments €'000	Consolidated €'000
REVENUE						
Third party	19,601	15,330	74,234	2,456	–	111,621
Inter-segment	–	–	–	11,276	(11,276)	–
Total revenue	19,601	15,330	74,234	13,732	(11,276)	111,621
Segment EBITDA	5,684	(769)	26,061	4,739	–	35,715
Depreciation and amortisation						(10,718)
Financial expenses and changes in fair value of derivatives						(13,625)
Financial income						1,822
Interest expenses on advance payments for unit holders						(5,331)
Other income, (net)						3,900
Share in loss of associate and joint ventures						(2,436)
Profit before tax						9,327

¹ Certain amounts here do not correspond to the interim consolidated financial statements as at 30 June 2013 and reflect adjustments as detailed in Note 2.

NOTES

NOTE 5: FINANCIAL INSTRUMENTS

Fair value of financial instruments:

The fair value of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables.

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques, for swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, and interest rate curves.

Fair value of the contingent consideration is estimated using the present value of the contingent cash payment, adjusted by the value of an American call options (using a binomial model).

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As at 30 June 2014, the Group held the following financial instruments measured at fair value:

Assets

	30 June 2014 €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Available-for-sale financial assets:				
Equity shares	1,561	1,561	–	–

Liabilities

	30 June 2014 €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Financial liabilities:				
Deferred consideration business combinations	1,318	–	1,318	–
Interest rate swaps	22,184	–	22,184	–

During the period ended 30 June 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table specifies the Company's estimation of the fair value of its financial assets and liabilities as at 30 June 2014:

	Carrying amount €'000	Fair value €'000
Financial assets		
Other non-current financial assets	65,627	68,979
Restricted deposits	4,547	4,547
Other current financial assets	1,561	1,561
Trade receivables	16,200	16,200
Other receivables	8,597	8,597
Cash and cash equivalents	53,660	53,660
Total assets	150,192	153,544

	Carrying amount €'000	Fair value €'000
Financial liabilities		
Floating rate borrowings	525,390	525,390
Derivative financial instruments	22,184	22,184
Other financial liabilities	1,341	1,341
Lease liability	26,668	26,668
Trade payables	15,882	15,882
Deposits received from unit holders	138	138
Other payables and accruals	31,327	31,327
Total liabilities	622,930	622,930

NOTES

NOTE 6: OTHER DISCLOSURES

a. Seasonality

The Company is in an industry with seasonal variations. Sales and profits vary by quarter and the second half of the year is generally the strongest trading period.

b. Tax position

There have not been any significant changes to the Company's tax structure during the six months under review.

c. Significant capital commitments

At 30 June 2014, the Company has a total of €130.8 million in capital commitments with respect to construction projects.

d. Changes in business or economic circumstances

There were no material changes in interest rates that significantly affected the fair value of the companies' financial assets and liabilities. As assets are matched with liabilities in the same currency the exposure to currency risk is limited.

e. Other incomes and expenses

	Six months ended 30 June 2014 €'000	Six months ended 30 June 2013 €'000
Financial assets		
Capital gains ¹	1,753	2,757
Fair value adjustment on deferred consideration from business combinations	1,691	848
Income from forfeited deposits ¹	7,889	295
Total assets	11,333	3,900

¹ See Note 3 for more detail.

f. Earnings per share

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

	As at 30 June	
	2014 €'000	2013 €'000
Reported profit	19,466	9,588
Weighted average number of Ordinary shares outstanding	41,519	41,515

Potentially dilutive instruments had an immaterial effect on the basic earnings per share.

NOTE 7: SIGNIFICANT RELATED PARTY TRANSACTIONS

In June 2014, a Group company entered into a building contract with W.W. Gear Construction Limited ("Gear"), a related party, for the design and construction of our new hotel near London Waterloo Station on a "turn-key" basis. The basic contract price payable to Gear is £70,480,000 for 490 rooms. An early completion bonus is payable to Gear calculated as £150,000 multiplied by the number of months prior to 30 September 2016 that the hotel is completed. The Non-Executive Directors of PPHE Hotel Group had Gear's tender for the construction of the hotel independently reviewed to ensure that it was competitive.

In August 2014, a Group company entered into a building contract with Gear for a six-storey extension to Park Plaza Riverbank London. The basic contract price payable to Gear is £22,973,246 for 98 rooms or, alternatively, £24,741,879 if the extension comprises 148 rooms (subject to planning consent).

The Directors consider that the building contracts have been entered into on arm's length terms and are in the interests of the Group.

Gear is a company in whose shares Mr. Eli Papouchado, the Chairman of PPHE Hotel Group's Board of Directors, and certain members of his family are interested. Under the relationship agreement entered into between Euro Plaza Holdings B.V. (Euro Plaza), the principal shareholder of PPHE Hotel Group (in whose shares Mr. Eli Papouchado and certain members of his family are also interested) and PPHE Hotel Group, transactions between PPHE Hotel Group and Euro Plaza (and its associates, which include Gear) are required to be on arm's length terms.

NOTES

NOTE 8: POST BALANCE SHEET EVENTS

The Board has approved the payment of an interim dividend of 9.0 pence per Ordinary share (£3.8 million total) for the period ended 30 June 2014, to all shareholders who are on the register of members at 5 September 2014. The interim dividend is to be paid on 16 October 2014.

NOTE 9: STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following standards have been issued by the IASB and are not yet effective and are subject to adoption by the European Union.

1. The International Accounting Standard Board (IASB) has published IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces IAS 18 Revenue and several other revenue recognition standards. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principal is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 is effective for reporting periods beginning on or after 1 January 2017 with early application permitted. Entities can choose to apply IFRS retrospectively or to use a modified transition approach.
2. The IASB has published IFRS 9 Financial Instruments: Classification and Measurement. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is elected for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The effective date of this standard is for annual periods beginning on or after 1 January 2018, with early application permitted.

The Company is evaluating the possible impact of IFRS 15 and IFRS 9 but is presently unable to assess its effect, if any, on the financial statements.