

Unaudited Interim Results for the six months ended 30 June 2012

15 August 2012

Financial Highlights

- Revenue increased by 15.7% to €110.9 million (H1 2011: €95.9 million). Like for like revenue increased by 10.5% to €105.9 million.
- RevPAR increased by 7.1% to €95.6 (H1 2011: €89.3), driven by the increase in average room rate by 7.5% to €127.1 (H1 2011: €118.2).
- EBITDA increased by 20.8% to €35.2 million (H1 2011: €29.2 million). Like for like EBITDA increased by 14.5% to €33.4 million.
- Reported profit before tax amounted to €54.9 million (H1 2011: €1.4 million). Normalised profit¹ before tax amounted to €5.3 million (H1 2011: €4.1 million).
- Reported EPS for the period ended 30 June 2012 is €1.34 (H1 2011: €0.04). Normalised EPS is €0.13 (H1 2011: €0.10), representing growth of 32.9%.
- An interim dividend of 6.0 pence per share to be paid on 3 October 2012.

Operational Highlights

- Increased ownership to 100% of Park Plaza Amsterdam Airport, Park Plaza Victoria Amsterdam, Park Plaza Utrecht and art'otel amsterdam (under construction).
- Completion of acquisition and simultaneous sale-and-leaseback of mixed-use development site in London. Planning permission for the hotel has now been granted.
- Extensive refurbishments completed at three Arenaturist hotels in Croatia which have now reopened under the Park Plaza® Hotels & Resorts brand.
- Extensive refurbishments completed at art'otel berlin city center west, art'otel budapest, Park Plaza Leeds and Park Plaza Amsterdam Airport.
- Residential sales at the Group's Pattaya Bay project in Thailand continued with 181 of the 301 apartments contracted for sale as at 29 June 2012.

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

'I am pleased to report a strong set of results for the first half of 2012, with total revenue and EBITDA up, as we benefited from an improved average room rate and increased hotel ownership.

PPHE Hotel Group's strong presence in London has been the main contributor to the Group's operational growth and we have seen some benefits from this summer's various celebrations, festivals and sport events.

We remain highly focused on improving our profitability through growing our top-line, managing our expenses and increasing guest satisfaction.'

Key Financial Statistics

	Reported			Like for like ²		
	Six months ended 30 June 2012	Six months ended 30 June 2011	% change ³	Six months ended 30 June 2012	Six months ended 30 June 2011	% change ³
Total revenue	€110.9 million	€95.9 million	+15.7%	€105.9 million	€95.9 million	+10.5%
Room revenue	€76.9 million	€65.9 million	+16.7%	€73.4 million	€65.9 million	+11.3%
EBITDAR	€40.9 million	€34.1 million	+20.2%	€39.1 million	€34.1 million	+14.7%
EBITDA	€35.2 million	€29.2 million	+20.8%	€33.4 million	€29.2 million	+14.5%
EBITDA Margin	31.8%	30.4%	+1.4%	31.6%	30.4%	+1.2%
Reported PBT	€54.9 million	€1.4 million	3,933.9%	N/A	N/A	N/A
Normalised PBT	€5.3 million	€4.1 million	29.3%	N/A	N/A	N/A
Occupancy	75.2%	75.5%	(0.3)%	75.2%	75.5%	(0.3)%
Average room rate	€127.1	€118.2	+7.5%	€127.1	€118.2	+7.5%
RevPAR	€95.6	€89.3	+7.1%	€95.6	€89.3	+7.1%

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

² In the like for like figures the financial contribution of Park Plaza Amsterdam Airport, Park Plaza Victoria Amsterdam and Park Plaza Utrecht in 2012 has been calculated on the basis of the ownership interest of PPHE Hotel Group in those hotels during the six months ended 30 June 2011.

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 2012 with six months ended 30 June 2011. All financial information in this report for room revenue, total revenue EBITDAR and EBITDA, reflects PPHE Hotel Group's interest.

Interim Management Report

This interim management report discusses the performance of the PPHE Hotel Group for the six months ended 30 June 2012.

Financial Performance

PPHE Hotel Group is pleased to report a period on period improvement in financial performance for the six months to 30 June 2012, with total revenue and EBITDA both increasing on a reported and like for like basis.

Reported total revenue grew by 15.7% to €110.9 million (H1 2011: €95.9 million), primarily driven by the Group increasing its ownership from 50% to 100% in three hotels and one hotel development in The Netherlands and an improved operational performance of its hotels in Berlin, Budapest and London in particular. On a like for like basis, total Group revenue grew by 10.5% reflecting a strong underlying performance.

Reported EBITDA increased by 20.8% to €35.2 million (H1 2011: €29.2 million). On a like for like basis, EBITDA increased by 14.5% to €33.4 million, reflecting a strong underlying performance and strengthening of Sterling against Euro of 6.8%.

Reported profit before tax was €54.9 million (H1 2011: €1.4 million). €50.0 million of the profit relates to gains arising from the application of IFRS accounting following PPHE Hotel Group obtaining 100% control of previously jointly owned entities (refer to note 3b to the consolidated interim financial statements) of €45.7 million and negative goodwill arising from the newly acquired interests in hotels amounting to €4.3 million. Normalised profit before tax, which includes adjustments for above items and other income and expenses and fair value changes of derivatives, was €5.3 million (H1 2011: €4.1 million).

Reported EPS for the period ended 30 June 2012 is €1.34 (H1 2011: €0.04). Normalised EPS is €0.13 (H1 2011: €0.10), representing growth of 32.9%.

Reported RevPAR increased by 7.1% to €95.6 (H1 2011: €89.3), driven by a 7.5% increase in average room rate to €127.1 (H1 2011: €118.2). Occupancy decreased slightly by 0.3% to 75.2% (H1 2011: 75.5%).

The European Hotel Market

In the first half of 2012, the European hotel market continued to recover, albeit at a slower pace than the US, Asian, Middle Eastern and African markets, and reported a 4.1% growth in RevPAR to €65.64.

Western Europe only reported a modest growth of 2.2% in RevPAR to €75.08, which was a direct result of a 1.8% growth in average room rate to €116.69, whilst occupancy levels increased slightly by 0.2 to 64.3% (source: STR Global, June YTD).

Notes to Editors

PPHE Hotel Group (formerly Park Plaza Hotels Limited) is a Guernsey registered company and through its subsidiaries, jointly controlled entities and associates, owns, leases, operates, franchises and develops 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 Company has an exclusive licence from CarlsonSM, a global privately owned 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 Company.

The Group has a minority ownership interest in the Arenaturist group, one of Croatia's leading hospitality companies. Our portfolio of owned, leased, managed and franchised hotels comprises 39 hotels offering a total of more than 8,300 rooms. Our development pipeline includes three new hotels and two mixed-use developments, which together are expected to add nearly 900 rooms to the portfolio by the end of 2014.

Enquiries:

PPHE Hotel Group Limited

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REVIEW OF OPERATIONS

United Kingdom

	Reported in Euros (€) ^{1,2}		Reported in local currency GBP (£) ¹	
	Six months ended 30 June 2012	Six months ended 30 June 2011	Six months ended 30 June 2012	Six months ended 30 June 2011
Total revenue	€73.9 million	€66.5 million	£60.6 million	£58.3 million
EBITDAR	€25.1 million	€22.6 million	£20.6 million	£19.8 million
EBITDA	€24.5 million	€21.8 million	£20.1 million	£19.1 million
Occupancy	79.7%	80.9%	79.7%	80.9%
Average room rate	€160.8	€141.7	£132.0	£124.1
RevPAR	€128.2	€114.6	£105.3	£100.4
Room revenue	€52.7 million	€46.8 million	£43.3 million	£41.1 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 2011 to 30 June 2012, which would affect these figures.

² Average exchange rate from Sterling to Euro for June 2011 was 1.141 and for June 2012 was 1.218, representing a 6.8% increase.

UK hotel portfolio performance

Our hotels in the United Kingdom continued to deliver a good performance with Park Plaza Westminster Bridge London continuing to exceed expectations. The region reports 4.0% growth in total revenue and 5.2% growth in EBITDA in Sterling.

In line with the strategy, management was successful in continuing to grow the average room rate which increased 6.4% year on year to £132.0 (H1 2011: £124.1). As a result of growing average room rate, occupancy decreased by 1.2% to 79.7% (H1 2011: 80.9%), resulting in overall RevPAR growth of 4.9% to £105.3 (H1 2011: £100.4). Overall room revenue increased by 5.4% to £43.3 million (H1 2011: £41.1 million). All of the Group's London hotels, except one, outperformed their competitive sets in RevPAR (source: STR Global, June 2012).

In line with market conditions, the provincial hotels delivered a softer performance, yet both Park Plaza Leeds and Park Plaza Nottingham were able to outperform their competitive sets in RevPAR (source: STR Global, June 2012).

Renovation projects and development pipeline

In the first half of 2012, renovation works at Park Plaza Leeds were completed and the re-launch of the hotel has taken place. Management is confident that given the Group's recent investment in, and repositioning of, this hotel its long term prospects will improve.

On 18 June 2012, the Company completed the acquisition and simultaneous sale-and-leaseback of a mixed-use development site in West London. Planning permission has now been granted. The hotel to be developed will offer approximately 160 bedrooms, a lounge and bar, several meeting rooms and a health and fitness facility. Further preparations of plans for the development of art'otel london hoxton continued.

The United Kingdom hotel market

The UK hotel market has continued to grow in the first six months of 2012. According to TRI Hospitality (June 2012), UK hotels reported a 1.4% increase in RevPAR to £67.32 compared to the same period last year. This growth was driven by a 1.0% growth in average room rate to £93.75 and a 0.3 increase in occupancy to 71.8%.

Most of this growth is attributed to a strong performance of the London hotel market, with a reported 1.8% increase in average room rate to £132.00 and a 0.1 increase in occupancy to 79.2%, resulting in RevPAR growth of 1.9% to £104.59 (source TRI Hospitality, June 2012).

The provincial hotel market has not experienced much recovery and reported a modest growth of 0.9% in RevPAR to £46.60, June year to date. This growth was driven by a 0.4 increase in occupancy to 67.7% and 0.3% growth in average room rate to £68.84 (source: TRI Hospitality, June 2012).

REVIEW OF OPERATIONS

The Netherlands

	Reported		Like for like ¹	
	Six months ended 30 June 2012	Six months ended 30 June 2011	Six months ended 30 June 2012	Six months ended 30 June 2011
Total revenue	€17.4 million	€11.8 million	€12.4 million	€11.8 million
EBITDAR	€5.8 million	€3.4 million	€3.9 million	€3.4 million
EBITDA	€5.6 million	€3.4 million	€3.8 million	€3.4 million
Occupancy	71.4%	73.6%	71.4%	73.6%
Average room rate	€110.6	€109.3	€110.6	€109.3
RevPAR	€79.0	€80.4	€79.0	€80.4
Room revenue	€12.4 million	€8.4 million	€8.9 million	€8.4 million

¹ In the like for like figures the financial contribution of Park Plaza Amsterdam Airport, Park Plaza Victoria Amsterdam and Park Plaza Utrecht in 2012 has been calculated on the basis of the ownership interest of PPHE Hotel Group in those hotels during the six months ended 30 June 2011.

Dutch hotel portfolio performance

The Group reported a 47.1% growth in total revenue and a 66.6% growth in EBITDA, primarily due to its increased ownership to 100% in three operational hotels. On a like for like basis, the Group reported a 4.9% increase in total revenue and 13.0% increase in EBITDA. With the hotel market under pressure in The Netherlands, the Group's hotels were able to deliver growth in average room rate of 1.2% to €110.6 (H1 2011: €109.3), however overall RevPAR decreased by 1.7% to €79.0 (H1 2011: €80.4) as a result of a 2.2% drop in occupancy to 71.4% (H1 2011: 73.6%).

Despite challenging market conditions, management reports that all hotels, except for one, have outperformed their competitive sets in RevPAR performance in the first half of the year (source: STR Global, June 2012).

Renovation projects and development pipeline

In the first half of 2012, extensive renovation works were undertaken and completed at Park Plaza Amsterdam Airport. All public areas were remodeled and several new facilities were introduced including an Executive Lounge, upscale board-room, Spa and Fitness centre and a new bar, lounge and restaurant.

On 16 May 2012, the Company acquired from its joint venture partner the remaining interests in Park Plaza Amsterdam Airport, Park Plaza Victoria Amsterdam, Park Plaza Utrecht and the art'otel amsterdam project. Further renovation works are planned for the second half at Park Plaza Victoria Amsterdam, which will include a complete renovation of the hotel's meeting rooms. Construction is well underway at the art'otel amsterdam and this hotel is on schedule to open in 2013.

The Amsterdam hotel market

The Amsterdam hotel market experienced a slow start to the year, with the hotel market reporting a 1.8% increase in RevPAR, which was the result of a 2.0% increase in average room rate, whilst occupancy decreased by 0.1 (source TRI Hospitality, June 2012).

REVIEW OF OPERATIONS

Germany and Hungary

	Reported ¹	
	Six months ended 30 June 2012	Six months ended 30 June 2011
Total revenue	€15.4 million	€14.3 million
EBITDAR	€3.5 million	€3.2 million
EBITDA	€(1.0) million	€(1.0) million
Occupancy	70.2%	67.0%
Average room rate	€72.3	€72.7
RevPAR	€50.7	€48.7
Room revenue	€11.8 million	€10.7 million

¹ No like for like comparison is provided as there have not been any transactions in Germany and Hungary in the period 30 June 2011 to 30 June 2012, which would affect these figures. The recently opened 61 room extension at art'otel berlin city center west is yet to mature and its impact is therefore deemed marginal.

German and Hungarian hotel portfolio performance

The Group's hotels in Germany and Hungary have collectively delivered revenue growth of 7.9% to €15.4 million total revenue (H1 2011: €14.3 million). Our EBITDA loss in the region however has remained flat at €(1.0) million, primarily due to increased rent obligations related to the 61 room extension at art'otel berlin city center west which are yet to mature.

With continued pressure on markets, Management has been successful in improving occupancy by 3.2 to 70.2% (H1 2011: 67.0%). This growth has led to a slight reduction of 0.6% to €72.3 in average room rate (H1 2011: €72.7), resulting in an improved RevPAR of €50.7, an increase of 4.1% (H1 2011: €48.7).

All of the Group's Berlin hotels (except one) together with the Group's hotels in Cologne and Budapest outperformed their competitive sets in RevPAR (source: STR Global, June 2012 and Fairmas June 2012).

Renovation projects and development pipeline

In the first half of 2012, extensive renovation works were completed at art'otel berlin city center west (a new bar and lounge, two meeting rooms and fitness facilities were introduced) and art'otel budapest (renovations included a significant number of guestrooms and the introduction of a new bar and lounge), further strengthening the market positions of both hotels.

Planning work has also continued for the development of Park Plaza Nuremberg project, with construction expected to start in the second half of 2012.

The German and Hungarian hotel market

Although the German economy has proven to be quite resilient in the current macroeconomic environment, the hotel market has reported mixed results for the different cities. For example, the Berlin hotel market reported a 6.8% growth in RevPAR, driven by a combination of 1.8 growth in occupancy and 4.1% growth in average room rate (source TRI Hospitality, June 2012). The Cologne hotel market however reported a 0.8% RevPAR decrease, as a result of a 3.1% decrease in average room rate which was partly offset by a 1.6 increase in occupancy. Cologne missed the demand created in May 2011 by the VICTAM International Event (source TRI Hospitality, May 2012).

The Budapest hotel market reported a 2.8% growth in RevPAR a result of a 7.2% increase in average room rate, whilst occupancy decreased by 2.8 (source TRI Hospitality, June 2012).

REVIEW OF OPERATIONS

Management and Holdings

	Reported	
	Six months ended 30 June 2012	Six months ended 30 June 2011
Total revenue	€15.0 million	€14.5 million
Revenue elimination	€(10.8) million	€(11.2) million
Total revenue	€4.2 million	€3.3 million
EBITDA	€6.1 million	€5.0 million

Total Management and Holdings revenue increased by 3.4% to €15.0 million (H1 2011: €14.5 million). Reported revenues increased by 27.3% to €4.2 million (H1 2011: €3.3 million) after the elimination of intra-group revenue. As a result of the Company acquiring the remaining shareholding in Park Plaza Amsterdam Airport, Park Plaza Victoria Amsterdam and Park Plaza Utrecht, Management and Holdings revenue attributable to these hotels is classified as of 30 March 2012 as intra-group revenue and is eliminated upon consolidation.

Reported EBITDA increased by 22% to €6.1 million (H1 2011: €5.0 million), as a result of increased management fees received due to an improved operational performance.

Other renovation projects and development projects

Arenaturist, Croatia

Following extensive renovations at three Arenaturist hotels in Croatia, these hotels were rebranded as Park Plaza and opened in May and June 2012, adding nearly 900 rooms to the Park Plaza® Hotels & Resorts brand.

Pattaya Bay, Thailand

Residential sales at the Group's Pattaya Bay project in Thailand continued, with 181 of the 301 apartments contracted for sale as at 29 June 2012. Construction of the residential apartments has now started and completion is expected 2015.

Financial Position

Our net debt as at 30 June 2012 was €477.2 million, an increase of €90.1 million (as at 31 December 2011: €387.1 million). This includes €34.4 million of liquid assets (as at 31 December 2011: €31.0 million), of which cash and cash equivalents were €33.1 million (as at 31 December 2011: €29.5 million) and other liquid financial assets of €1.4 million (as at 31 December 2011: €1.5 million).

During the period, the movement in net debt primarily included a €57.2 million increase due to the assumed debt of the acquired joint venture interests in four hotels in the Netherlands, €24.0 million increase to finance the acquisition of the joint venture interests these four hotels, €3.7 million increase in loans for construction and renovation purposes, an increase due to foreign exchange of €13.4 million and a decrease of €6.0 million due to redemption of loans.

The Group's gearing ratio (net bank debt as a percentage of total capital (equity adjusted for the hedging reserve plus net bank debt) improved by 0.5% to 63.4% (as at 31 December 2011: 63.9%).

Dividend

The Board has approved the payment of an interim dividend of 6.0 pence per share, for the period ended 30 June 2012, to all shareholders who were on the register of members as at the close of business on 24 August 2012. The interim dividend is to be paid on 3 October 2012.

Outlook

PPHE Hotel Group has a high quality hotel portfolio with a strong presence in several European gateway cities. The Group remains highly focused on customer service and satisfaction and will continue to leverage benefits from its access to Carlson Rezidor Hotel Group's global reservation and marketing network. Although the outlook for the European hotel sector remains challenging, the Group remains focused on tightly managing costs and driving operational efficiencies whilst continuing to expand its portfolio of hotels through its development pipeline. As a result, the Board expects the full year to be in line with Company expectations.

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 2011, 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 the Company's 2011 annual report, pages 35 to 36.

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 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

14 August 2012

Boris Ivesha
President & Chief
Executive Officer

Chen Moravsky
Chief Financial
Officer

Forward-looking statements

This interim management report and interim consolidated financial statements 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 report and interim financial statements 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 report and interim financial statements. 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.

INDEPENDENT REVIEW REPORT TO PPHE HOTEL GROUP LIMITED

Introduction

We have been engaged by the Company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the Interim Consolidated Statement of Financial Position, the Interim Consolidated Income Statement, the Interim Consolidated Statement of Comprehensive Income, the Interim Consolidated Statement of Changes in Equity, the Interim Consolidated Statement of Cash Flows and the explanatory notes 1 to 7. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of consolidated financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

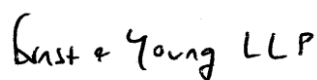
Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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 (UK and Ireland) 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 condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.



Ernst & Young LLP
Guernsey

14 August 2012

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2012	31 December 2011
	Unaudited € '000	Audited € '000
ASSETS		
NON-CURRENT ASSETS:		
Intangible assets	39,457	40,748
Property, plant and equipment	766,201	610,881
Apart-hotel units under management	175,093	168,607
Prepaid leasehold payments	9,243	234
Investment in associate	20,717	21,508
Other non-current financial assets	8,168	30,311
Restricted deposits and cash	13,300	12,620
	1,032,179	884,909
CURRENT ASSETS:		
Inventories under construction	8,718	7,851
Restricted deposits and cash	3,181	3,563
Inventories	1,341	1,265
Other current financial assets	1,358	1,499
Trade receivables	18,354	16,939
Other receivables and prepayments	14,730	9,057
Cash and cash equivalents	33,084	29,506
	80,766	69,680
Total assets	1,112,945	954,589

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2012	31 December 2011
	Unaudited € '000	Audited € '000
EQUITY AND LIABILITIES		
EQUITY:		
Issued capital	–	–
Share premium	239,482	237,729
Other reserves	(36,544)	(36,544)
Treasury shares	(3,181)	(3,181)
Foreign currency translation reserve	(33,478)	(35,565)
Hedging reserve	(21,148)	(17,072)
Retained earnings	108,137	55,864
Total equity	253,268	201,231
NON-CURRENT LIABILITIES:		
Bank borrowings	502,110	411,215
Advance payments from Apart-hotel unit holders	188,843	182,060
Deposits received from Apart-hotel unit holders	12,737	12,279
Other financial liabilities	77,432	86,502
Deferred income taxes	13,057	4,121
	794,179	696,177
CURRENT LIABILITIES:		
Trade payables	11,842	14,249
Other payables and accruals	44,134	36,019
Bank borrowings	9,522	6,913
	65,498	57,181
Total liabilities	859,677	753,358
Total equity and liabilities	1,112,945	954,589

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

14 August 2012

Date of approval of the
financial statements



Boris Ivesha
President & Chief Executive Officer



Chen Moravsky
Chief Financial Officer

INTERIM CONSOLIDATED INCOME STATEMENT

	Six months ended	
	30 June 2012 Unaudited € '000'	30 June 2011 Unaudited € '000'
Revenues	110,923	95,909
Operating expenses	(70,019)	(61,854)
EBITDAR	40,904	34,055
Rental expenses	(5,658)	(4,876)
EBITDA	35,246	29,179
Depreciation and amortisation	(10,444)	(8,717)
EBIT	24,802	20,462
Financial expenses	(13,530)	(10,954)
Changes in fair value of derivatives	295	(4,513)
Financial income	1,700	1,844
Other income and expenses	49,255	1,825
Interest expenses guaranteed to Apart-hotel unit holders	(5,522)	(5,169)
Share in loss of associate	(2,121)	(2,098)
Profit before tax	54,879	1,397
Income tax benefit	297	321
Profit for the period*	55,176	1,718
Basic and diluted earnings per share (in Euro)*	1.34	0.04

¹ Except earnings per share.

* No results are attributable to non-controlling interests.

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 June 2012 Unaudited € '000	30 June 2011 Unaudited € '000
Profit for the period	55,176	1,718
Other comprehensive income (loss):		
Gain (loss) from cash flow hedges	(4,076)	682
Foreign currency translation adjustments of foreign operations	2,099	(2,942)
Foreign currency translation adjustment of associate	(12)	(15)
Other comprehensive income (loss), net	(1,989)	(2,275)
Total comprehensive income (loss) attributable to owners of the parent*	53,187	(557)

* No results are attributable to non-controlling interests.

The accompanying notes are an integral part of the consolidated interim 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 2012 (audited)	–	237,729	(36,544)	(3,181)	(35,565)	(17,072)	55,864	201,231
Issue of shares	–	1,753	–	–	–	–	–	1,753
Dividend distribution	–	–	–	–	–	–	(2,903)	(2,903)
Profit for the period	–	–	–	–	–	–	55,176	55,176
Other comprehensive income (loss) for the period	–	–	–	–	2,087	(4,076)	–	(1,989)
Total comprehensive income (loss)	–	–	–	–	2,087	(4,076)	55,176	53,187
Balance as at 30 June 2012 (unaudited)	–	239,482	(36,544)	(3,181)	(33,478)	(21,148)	108,137	253,268
Balance as at 1 January 2011 (audited)	–	237,729	(36,445)	(1,083)	(36,507)	(1,087)	40,611	203,218
Profit for the period	–	–	–	–	–	–	1,718	1,718
Other comprehensive income (loss) for the period	–	–	–	–	(2,957)	682	–	(2,275)
Total comprehensive income (loss)	–	–	–	–	(2,957)	682	1,718	(557)
Balance as at 30 June 2011 (unaudited)	–	237,729	(36,445)	(1,083)	(39,464)	(405)	42,329	202,661

¹ No par value.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 June 2012 Unaudited € '000	30 June 2011 Unaudited € '000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	55,176	1,718
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	18,757	20,636
Financial income	(1,700)	(1,844)
Income tax benefit	(297)	(321)
Negative goodwill on acquisition of Dutch joint venture interest	(4,317)	–
Capital gain upon obtaining control of a former jointly controlled entity	(45,672)	–
Share in loss of associate	2,121	2,098
Depreciation and amortisation	10,444	8,717
	(20,664)	29,286
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Increase in inventories under construction	(684)	–
Decrease in inventories	52	78
Increase (decrease) in trade and other receivables	(584)	(4,748)
Increase (decrease) in trade and other payables	4,390	(4,788)
	3,174	(9,458)
CASH PAID AND RECEIVED DURING THE PERIOD FOR:		
Interest paid	(18,064)	(15,454)
Interest received	179	104
	(17,885)	(15,350)
Net cash flows provided by operating activities	19,801	6,196

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 June 2012 Unaudited € '000	30 June 2011 Unaudited € '000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in property, plant and equipment	(14,130)	(4,652)
Net change in cash upon acquisition of Dutch joint venture interest	(21,553)	–
Loans to jointly controlled entities and to partners in jointly controlled entities	–	(420)
Decrease in restricted deposits	688	3,973
Proceeds from sale of available for sale investments	193	–
Increase in restricted cash	(236)	–
Collection of loans to Apart-hotel unit holders	–	2,067
Net cash flows (used in) and provided by investing activities	(35,038)	968
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend distribution	(2,903)	–
Draw down of long-term loans	27,468	105,956
Repayment of long-term loans	(7,440)	(1,398)
Proceeds from assets sold and leased back under a finance lease	3,585	–
Repayment of loans stated at fair value	–	(3,129)
Decrease in short-term loans	–	(107,141)
Repayments of loans from third parties	(2,675)	(2,859)
Net cash flows provided by (used in) financing activities	18,035	(8,571)
Increase (decrease) in cash and cash equivalents	2,798	(1,407)
Net foreign exchange differences	780	(805)
Cash and cash equivalents at beginning of period	29,506	25,637
Cash and cash equivalents at end of period	33,084	23,425

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 June 2012 Unaudited € '000	30 June 2011 Unaudited € '000
Significant non-cash transactions:		
Purchase of inventories under construction and fixed assets	–	5,214
Issue of shares	1,753	–
Significant non-cash transactions	1,753	5,214

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

NOTES

Note 1: General

- a. The Company's primary activity is owning, leasing, developing, operating and franchising upscale and lifestyle hotels in major gateway cities and regional centers, predominantly in Europe.
- b. These financial statements have been prepared in a condensed format as of 30 June 2012 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 2011 and for the year then ended and accompanying notes ("annual financial statements"). The company's annual consolidated financial statements as of 31 December 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and International Accounting Standards Committee interpretations as issued by the International Accounting Standards Board (IASB) as adopted by the European Union.
- c. As discussed in Note 1d to the annual 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 currently has adequate resources and in the future will generate sufficient funds to serve its financial obligations and continue its operations as a going concern in the foreseeable future.

- d. 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 Groups' Accounting Policies

Basis of preparation:

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

The significant accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements, except for the adoption of new standards and interpretations as of 1 January 2012, noted below:

The following amendments became effective as of 1 January 2012:

1. Amendments to IFRS 7 – Disclosures – Transfers of financial assets
2. Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
3. Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets

None of these amendments impacted the financial position or performance of the Group.

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. Acquisition and simultaneous sale and leaseback.

Further to the Company's announcement on 12 July 2011 and on 18 June 2012, the Group reported that one of its wholly owned subsidiaries has completed the purchase of the freehold property at 628 Western Avenue, Park Royal, London W3 (the "Site") which is a development site on one of the main thoroughfares into London, for £6 million (€7.3 million).

Simultaneously, the Group has completed the sale of the Site at a price of £7 million (€8.5 million) and the leaseback of the Site at an initial rent of £306,500 (€373,000) per year (the "Sale and Leaseback") for 170 years. Under the terms of the Sale and Leaseback, PPHE Hotel Group is required to procure the construction of a 158–162 room hotel on the Site.

The gain on this sale has been deferred in the statement of financial position as the leaseback is classified as a finance lease liability.

On 25 July 2012 PPHE Hotel Group has been granted planning permission to construct a new hotel at the front of the Site.

- b. Acquisition of remaining interest in four hotels in The Netherlands

On 30 March 2012 ("Acquisition Date"), the Company, via its' 100% subsidiary PPHE Netherlands B.V. signed an agreement to acquire the remaining 50% interest in, and related loan to, Park Plaza Amsterdam Airport, Park Plaza Victoria Amsterdam, Park Plaza Utrecht and the art'otel amsterdam project (together the "Hotels") from a subsidiary of Elbit Imaging Limited ("Elbit"), for a nominal consideration of €26.5 million (fair value of the consideration is €25.9 million). On the Acquisition Date, the directors of Elbit resigned and the Company obtained full control over the Hotels.

On 16 May 2012 ("Date of transfer"), the Company completed the transfer of the shares acquired in connection with this acquisition.

The total consideration for the acquisition comprises:

1. €23 million in cash which has been satisfied in full on completion;
2. The issue of 700,000 shares at £2.11 per share in the capital of the Company (the "Consideration Shares"), with a fair value at Acquisition Date of € 1.8 million; and
3. A deferred consideration, payable on the fourth anniversary of the transfer of the shares under the terms of the agreement ("Anniversary Date"), equal to 700,000 multiplied by the shortfall of the closing price of the Company's shares on the date of Transfer below £4.17, subject to certain reductions set out in the agreement (the "Deferred Consideration"), but in any event, not exceeding £1.4m (€1.7 million). The fair value of the deferred consideration at acquisition date is €1.1 million.

The Company has been granted an option to buy back all of the Consideration Shares which Elbit may own from time to time until the Anniversary Date at a price of £4.17 per share. If the Company elects to exercise this option, the balance of the Deferred Consideration will be reduced by an amount equal to £2.06 multiplied by the number of shares bought back.

NOTES

Any such exercise would be subject to shareholder approval under Guernsey law.

As the Company has achieved full control over the Hotels, which were previously held under joint control, the transaction is accounted for as a business combination achieved in stages ("step acquisition"). Accordingly, Management has re-measured the Company's previously held equity interests in

the Hotels at the Acquisition Date at fair value and recognised a gain of €45.7 million, which is recorded on other income along with the negative goodwill of € 4.3m. The previously reported balances of €42.6 million represented the company's 50% shares accounted using the proportionate consolidation method and on acquisition, the 100% interests were recorded at fair value, as disclosed below.

The fair values of the identifiable assets and liabilities as at the Acquisition Date are presented below:

	Fair Value
Property, plant and equipment	186,099
Trade receivables	1,296
Cash and cash equivalents	2,894
Other current assets	994
	191,283
Long-term loans	112,297
Other non-current liabilities	145
Deferred tax liabilities	8,951
Trade creditors	3,342
Short term loans	3,197
Other payables and accruals	2,877
	130,809
Net assets	60,475
Acquisition price	25,920
Fair value of previously held interest (50%)	30,237
	56,157
Negative goodwill	(4,317)
Carrying amount of previous held interest	(15,435)
Fair value previously held interest	30,237
Gain on re-measurement of previously held interest	45,672
Cash flow on acquisition	
Net cash acquired with the subsidiaries	1,447
Cash paid	(23,000)
Net cash outflow	(21,553)

From the Acquisition Date (being 30 March 2012) to 30 June 2012, the Hotels (at 100% ownership) have made a contribution of €9.9 million to the Group's revenue and €0.1 Million to the Group's profit. If the combination had taken place at the beginning of 2012, the total consolidated revenues and profit during the interim period ended 30 June 2012 would have amounted to €114.1 million and €53.4 million, respectively.

Out of the gross contractual amount in trade receivables of €1.4 million, €1.3 million is expected to be collected.

Transaction costs arising from this transaction were not material and were recorded in the profit and loss.

The excess of the fair value of the net assets acquired over the consideration paid amounting to €4.3 million was allocated to negative goodwill on a provisional basis, subject to a final purchase price allocation and is presented under "other income". The reason for this negative goodwill is the fact that the Group was in a good position to negotiate this transaction.

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 2012 (unaudited)						
	The Netherlands € '000	Germany and Hungary € '000	United Kingdom € '000	Management € '000	Holding companies and adjustments € '000	Consolidated € '000
REVENUE						
Third party	17,372	15,423	73,895	4,233	–	110,923
Inter-segment	–	–	–	10,722	(10,722)	–
Total revenue	17,372	15,423	73,895	14,955	(10,722)	110,923
Segment EBITDA	5,664	(998)	24,507	6,073	–	35,246
Depreciation and amortisation						(10,444)
Financial expenses and changes in fair value of derivatives						(13,235)
Financial income						1,700
Interest expenses on advance payments for unit holders						(5,522)
Other income, (net)						49,255
Share in loss of associate						(2,121)
Profit before tax						54,879

	The Netherlands	Germany and Hungary	United Kingdom	Holding companies and adjustments	Consolidated
Geographical information					
Non-current assets*	226,851	1,358	721,416	40,370	989,995

* Non-current assets include intangible assets, property plant and equipment, Apart-hotel units under management and prepaid leasehold payments.

NOTES

NOTE 4: SEGMENT DATA (Cont.)

Six months ended 30 June 2011 (unaudited)						
	The Netherlands € '000	Germany and Hungary € '000	United Kingdom € '000	Management € '000	Holding companies and adjustments € '000	Consolidated € '000
Revenue						
Third party	11,811	14,296	66,530	3,215	57	95,909
Inter-segment	–	–	–	11,280	(11,280)	–
Total revenue	11,811	14,296	66,530	14,495	(11,223)	95,909
Segment EBITDA	3,400	(1,021)	21,774	5,960	(934)	29,179
Depreciation and amortisation						(8,717)
Financial expenses and changes in fair value of derivatives						(15,467)
Financial income						1,844
Interest expenses on advance payments for unit holders						(5,169)
Other income, (net)						1,825
Share in loss of associate						(2,098)
Income before taxes						1,397

As per 31 December 2011

	The Netherlands	Germany and Hungary	United Kingdom	Holding companies and adjustments	Consolidated
Geographical information					
Non-current assets	75,958	7,499	695,861	41,152	820,470

- b. The only material change in total assets since the 31 December 2011 financial statements arises from movements in the GBP/EURO exchange rates and the acquisition of the remaining interest in Park Plaza Amsterdam Airport, Park Plaza Victoria Amsterdam, Park Plaza Utrecht and the art'otel amsterdam project.

NOTE 5: OTHER DISCLOSURES

a. Seasonality

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

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 2012 the company has a total of €4.6 million in capital commitments with respect to a construction project.

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

Other income and expenses include a gain on re-measurement of an interest in a formerly jointly controlled entity of €45.7 million, negative goodwill of €4.3m on the acquisition of the remaining interest in these jointly controlled entities, listing expenses of €0.4m and marketing expenses of € 0.3m relating to the Thai mixed use development project.

NOTE 6: SIGNIFICANT RELATED PARTY TRANSACTIONS

There are no significant related party transactions or changes in the related party transactions described in the 2011 Annual Report that have materially affected the financial position or the performance of the Group during the period.

NOTE 7: POST BALANCE SHEET EVENTS

There are no significant post balance sheet events to report.