

Valuation Update

18 Mar 2008

The Hotel Corporation plc Updated Valuation of Dawnay Shore Hotels plc's Properties

The Hotel Corporation plc ("the Company"), the AIM listed investment company which owns 49.9% of Dawnay Shore Hotels plc ("DSH"), expects to announce its preliminary results for 2007 by the end of April. The announcement will, as usual, provide information on the results of DSH for 2007. It will also include an update for shareholders by DSH on its strategic plans. The Company also wishes to draw shareholders' attention to the following release issued by DSH this morning.

Announcement by Dawnay Shore Hotels plc

On 24th August 2007, DSH announced that it was leasing its hotel portfolio to Barceló Group. As part of the process of preparing DSH's financial statements for 2007, DSH has had the property subject to these leases professionally revalued. This portfolio, which excludes land held for non-hotel development, has been re-valued for this purpose at £527m. The Board of DSH considers that the current value of the land held for development is a further £4m.

This new valuation is a reduction of £29m from the valuation of £556m given in August 2007, immediately after the leases were granted. This reduction of 5.2 per cent in valuation reflects the general rise in property yields, notwithstanding the length of the leases (45 years), the strength of the covenant and their very unusual inflation-linking features - the leases place full repairing and insuring obligations on the tenant and provide guaranteed rental growth over the first four years which is inflation-indexed thereafter and can also increase if hotel EBITDA performs well.

In the past DSH has successfully exploited the potential for gains in value through developing the portfolio by adding extra rooms and through wholesale redevelopments. This programme is expected to continue and at present DSH has detailed plans to add approximately 800 rooms (over 20 per cent of the current estate) of which 363 have already received planning consent. There are also schemes for 2,500 sq.m of additional meeting rooms (over half of which have planning consent) and upgrades for several leisure clubs. The economics of adding these rooms is highly attractive and Barceló have recently confirmed to DSH that they are keen to expand, both by agreeing developments and by adding hotels to the master lease, providing the basis of an extremely attractive strategic partnership. The value of the development potential of the portfolio does not typically achieve full recognition in a professional valuation and DSH therefore believes that fulfilling the programme will add significantly to net asset value.

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