



INTERNATIONAL HOTEL INVESTMENTS p.l.c.

## GROUP HALF-YEARLY FINANCIAL REPORT

For the Period 1 January to 30 June 2010

### Condensed Income Statement

	1 January to 30 June 2010 €'000	1 January to 30 June 2009 €'000
Revenue	49,417	51,395
Direct costs	(25,224)	(23,064)
	24,193	28,331
Other operating costs	(13,250)	(12,926)
	10,943	15,405
Depreciation and amortisation	(11,991)	(11,225)
<b>Results from operating activities</b>	<b>(1,048)</b>	<b>4,180</b>
Finance income	430	1,499
Finance costs	(7,209)	(6,120)
Net fair value loss on interest rate swaps	(1,141)	(1,230)
Share of (loss) profit from equity accounted investments	(1,362)	239
<b>Loss before tax</b>	<b>(10,330)</b>	<b>(1,432)</b>
Tax income (expense)	1,140	(1,380)
<b>Loss for the period</b>	<b>(9,190)</b>	<b>(2,812)</b>
<b>Attributable to:</b>		
Owners of the parent	(8,954)	(2,689)
Non-controlling interest	(236)	(123)
<b>Loss for the period</b>	<b>(9,190)</b>	<b>(2,812)</b>
Basic loss per share	(0.017)	(0.005)

### Condensed Balance Sheet

	At 30 June 2010 €'000	At 31 December 2009 €'000
<b>ASSETS</b>		
Non-current	945,302	961,213
Current	68,867	76,467
<b>Total assets</b>	<b>1,014,169</b>	<b>1,037,680</b>
<b>EQUITY</b>		
<b>Total equity</b>	<b>610,055</b>	<b>622,745</b>
<b>LIABILITIES</b>		
Non-current	343,936	339,587
Current	60,178	75,348
<b>Total liabilities</b>	<b>404,114</b>	<b>414,935</b>
<b>Total equity and liabilities</b>	<b>1,014,169</b>	<b>1,037,680</b>

### Condensed Statement of Comprehensive Income

	1 January to 30 June 2010 €'000	1 January to 30 June 2009 €'000
<b>Loss for the period</b>	<b>(9,190)</b>	<b>(2,812)</b>
<b>Other comprehensive income</b>		
Translation difference	(46)	-
Share of other comprehensive income of equity accounted investments	(3,454)	-
<b>Other comprehensive income for the period</b>	<b>(3,500)</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>	<b>(12,690)</b>	<b>(2,812)</b>

### Condensed Cash Flow Statement

	1 January to 30 June 2010 €'000	1 January to 30 June 2009 €'000
Net cash from operating activities	2,199	13,164
Net cash used in investing activities	(1,307)	(42,427)
Net cash used in financing activities	(20,718)	(7,587)
<b>Net decrease in cash and cash equivalents</b>	<b>(19,826)</b>	<b>(36,850)</b>
Cash and cash equivalents at beginning of period	48,254	69,897
<b>Cash and cash equivalents at end of period</b>	<b>28,428</b>	<b>33,047</b>

### Statement of Changes in Equity

	Share capital €'000	Revaluation reserve €'000	Translation reserve €'000	Other reserve €'000	Reporting currency conversion difference €'000	Retained earnings (accumulated losses) €'000	Other equity components €'000	Total attributable to owners of the parent €'000	Non- controlling interest €'000	Total equity €'000
Balance at 1 January 2009	553,213	56,132	(1,068)	378	443	3,399	4,206	616,703	7,390	624,093
Loss for the period	-	-	-	-	-	(2,689)	-	(2,689)	(123)	(2,812)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total income and expenses for the period	-	-	-	-	-	(2,689)	-	(2,689)	(123)	(2,812)
Conversion of bonds	12	-	-	-	-	-	-	12	-	12
Balance at 30 June 2009	553,225	56,132	(1,068)	378	443	710	4,206	614,026	7,267	621,293
Loss for the period	-	-	-	-	-	1,069	-	1,069	127	1,196
Other comprehensive income	-	1,374	74	-	-	-	(1,192)	256	-	256
Total income and expenses for the period	-	1,374	74	-	-	1,069	(1,192)	1,325	127	1,452
Transfer from other reserves	-	-	-	(378)	-	378	-	-	-	-
Balance at 31 December 2009	553,225	57,506	(994)	-	443	2,157	3,014	615,351	7,394	622,745
Loss for the period	-	-	-	-	-	(8,954)	-	(8,954)	(236)	(9,190)
Other comprehensive income	-	-	(46)	-	-	-	(3,454)	(3,500)	-	(3,500)
Total income and expenses for the period	-	-	(46)	-	-	(8,954)	(3,454)	(12,454)	(236)	(12,690)
Transfer from other equity components	-	-	-	-	-	347	(347)	-	-	-
<b>Balance at 30 June 2010</b>	<b>553,225</b>	<b>57,506</b>	<b>(1,040)</b>	<b>-</b>	<b>443</b>	<b>(6,450)</b>	<b>(787)</b>	<b>602,897</b>	<b>7,158</b>	<b>610,055</b>

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INTERNATIONAL HOTEL INVESTMENTS p.l.c.

## GROUP HALF-YEARLY FINANCIAL REPORT

For the Period 1 January to 30 June 2010

### Selected Explanatory Notes

#### Basis of Preparation

The published figures have been extracted from the unaudited management consolidated financial statements of International Hotel Investments p.l.c. ("the Group") for the six months ended 30 June 2010 and the comparative period in 2009. Comparative balance sheet information as at 31 December 2009 has been extracted from the audited financial statements of the Group for the year ended on that date. This report is being published in terms of Listing Rule 9.44j issued by the Malta Financial Services Authority - Listing Authority, and has been prepared in accordance with the applicable Listing Rules and the International Accounting Standard 34, 'Interim Financial Reporting'. The financial statements published in this Half-Yearly Financial Report are condensed in accordance with the form and content requirements of this standard. In terms of Listing Rule 9.44k.5 the Directors are stating that this Half-Yearly Financial Report has not been audited or reviewed by the Group's independent auditors.

#### Accounting Policies

The accounting policies adopted in the preparation of the Group's Half-Yearly Financial Report are the same as those adopted in the preparation of the audited financial statements for the year ended 31 December 2009.

#### Principal Activities

International Hotel Investments p.l.c. carries on the business of an investment company in connection with the ownership, development, and operation of hotels, leisure facilities and other activities related to the tourism industry and commercial centres. The Company has a number of wholly-owned subsidiary and associate companies through which it promotes the business of the Group.

#### Review of Performance

During the first six months of 2010 the Group's activities were hampered by the continued difficult business environment. The sluggish economic recovery is also being negatively affected by the austerity measures being introduced in countries that provide the Group's feeder markets. Notwithstanding this environment and excluding the Corinthia Tripoli Hotel, the Group registered a 3% increase in its RevPar (room revenue per available room) over that registered in the comparative period. The performance of the Corinthia Tripoli Hotel was negatively impacted by increased competition and by a general slowdown in business but it is now expected to stabilise at current levels. In the meantime, the Group continues to follow its strategy aimed at maximising returns whilst maintaining standards commensurate with an international five-star hotel chain.

When compared to the corresponding period last year the Group registered a drop in turnover of 4% and an operating profit before depreciation and amortisation of €10.7 million as opposed to €15.4 million last year.

Finance income decreased when compared with the corresponding period following the part utilization of excess cash and the further reduction in interest rates on deposits. On the other hand, mainly as a result of additional financing raised in the second half of 2009 for the Group's investment in the properties located in Saint Petersburg and in London, the Group incurred a higher finance cost in 2010. Furthermore, the expectations that euro base rate will remain at its current low level triggered a further fair value loss of €1.1 million on the two interest rate swap arrangements currently in place. The fair value loss of a third interest rate swap, held by the Group's associate company NLI Ltd. in relation to the bank loan taken for the refurbishment of the Corinthia London Hotel, is reported in the statement of comprehensive income. It is the intention of the Group to hold these instruments to maturity with the result that these fair value losses will reverse over time and in particular once these instruments reach their maturity.

The share of loss from 'equity accounted investments' reflects the pre-opening and marketing costs that are being incurred by the Corinthia London Hotel in preparation for its planned opening early next year. Such costs are being expensed in line with the requirements of International Accounting Standards.

One of the Group's subsidiary companies did not provide for €3.44 million in tax on profits registered during the period October 2008 to June 2010 on the understanding that this period is within the scope of a tax holiday. Discussions are being held with the competent foreign tax authorities for the formalisation of an agreement in this regard.

During the period under review, the Group registered a Loss after Tax of €9.19 million compared to a Loss after Tax for the comparative period last year of €2.81 million.

#### State of Affairs

The Corinthia Hotel and Residences, London reconstruction project is still on track and the hotel is expected to be completed towards the end of 2010. Moreover, the senior members of the management team have already been recruited to manage the pre-opening phase. Work is also at an advanced stage both on the spa and on the adjoining twelve luxury apartments located in Whitehall Place.

CHI, the hotel management arm of IHI, has strengthened its structure with the appointment of a Chief Operations Officer and with an investment in a bespoke global distribution system.

In April 2010, the Group successfully issued a corporate bond for €25 million principally for the redemption of the 5% Convertible Bond and for the repayment of an existing bank loan facility of one of its subsidiary companies.

In August 2010 an Extraordinary General Meeting of IHI plc approved a 4% bonus share issue to the free float shareholders holding shares in the Company on 31 December 2009.

#### Segmental Reporting – Information about reportable segments

	2010	2009	2010	2009	2010	2009	2010	2009
	European countries	European countries	Eastern European countries	Eastern European countries	North Africa	North Africa	Total	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Segment revenue	11,920	9,984	20,188	19,642	12,474	17,612	44,582	47,238
EBITDA	1,691	1,076	2,900	3,813	5,839	9,500	10,430	14,389
Depreciation and amortisation	(2,723)	(2,670)	(5,227)	(4,530)	(4,000)	(3,980)	(11,950)	(11,180)
Impairments/reversals	-	-	-	-	-	-	-	-
Segment profit or loss	(1,032)	(1,594)	(2,327)	(717)	1,839	5,520	(1,520)	3,209

#### Entity wide disclosure

	Total	Total
	€'000	€'000
Segment revenue	44,582	47,238
Rental income from Investment property	3,325	3,282
Hotel management company revenue	2,053	2,930
Holding company revenue	1,442	898
Elimination of Intra-Group revenue	(1,985)	(2,953)
Group revenue	49,417	51,395
Segment (loss) profit	(1,520)	3,209
Net rental income from investment property	3,136	3,095
Unallocated items	(2,039)	(1,495)
Depreciation and Amortisation	(625)	(629)
	(1,048)	4,180
Finance income	430	1,499
Finance costs	(7,209)	(6,120)
Net Fair value loss on interest rate swap	(1,141)	(1,230)
Share of profit from equity accounted investments	(1,362)	239
Loss before tax	(10,330)	(1,432)

#### Outlook

The Group's geographical diversification and an occupancy-led strategy aimed at recovering volume whilst containing costs, are expected to mitigate the negative effects stemming from the uncertain operating climate. The soft economic climate may have a negative impact on the value of some of the Group's properties at year-end.

Although there are some encouraging signs of a gradual recovery of the hospitality industry and accordingly the Group's operating results for the second half of 2010 are expected to be better than those for the first semester, the forecasted operating results for the current year are expected to be lower than those for 2009.

#### Tangible Fixed Assets

Tangible fixed assets acquired during the period amounted to €1.3 million.

#### Capital commitments

	€'000
Property, plant and equipment:	
Contracted for:-	
IHI Hungary zrt (Corinthia Hotel Budapest)	1,800
	1,800
Authorised but not yet contracted for:-	
Corinthia Tripoli Towers Limited (Corinthia Bab Africa Hotel)	2,500
IHI Benelux BV (Corinthia Hotel St Petersburg)	10,000
	12,500

#### Related Party Transactions

The Company has a related party relationship with its parent company, Corinthia Palace Hotel Company Limited, and other entities forming part of the Corinthia Group of Companies, of which IHI is a subsidiary. Transactions entered into with these companies are subject to review by the Audit Committee which provides comfort to the Board of Directors that such transactions are carried out on an arm's length basis and are for the benefit of the IHI Group. All transactions entered into with companies forming part of the IHI Group have been eliminated in the preparation of this consolidated Half-Yearly Financial Report.

#### Summary of related party transactions

	€'000
Parent and Associated companies – Management fee income	887

#### Statement pursuant to Listing Rule 9.44k.3 issued by the Listing Authority

We confirm that to the best of our knowledge:

- this condensed set of consolidated financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position, and profit or loss of IHI; and
- includes a fair review of the information required in terms of Listing Rule 9.44c.2

Alfred Pisani  
Chairman & CEO

Joseph Fenech  
Managing Director

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