



INTERNATIONAL HOTEL INVESTMENTS p.l.c.

**Group Half-Yearly Financial Report**  
For the period 1 January 2007 to 30 June 2007

**Condensed Income Statement**

	1 January to 30 June 2007	1 January to 30 June 2006
	EUR	EUR
Revenue	38,819,312	27,949,179
Direct costs	(25,275,924)	(18,045,641)
<b>Gross profit</b>	<b>13,543,388</b>	<b>9,903,538</b>
Other operating expenses	(9,340,817)	(8,792,382)
<b>Operating profit before financing costs</b>	<b>4,202,571</b>	<b>1,111,156</b>
Net financing costs	(5,851,031)	(4,612,002)
Share of profit of associates	18,996	168,853
Loss before tax	(1,629,464)	(3,331,993)
Income tax	(517,991)	(195,206)
<b>Loss for the period</b>	<b>(2,147,455)</b>	<b>(3,527,199)</b>
Attributable to:		
Equity holders of the company	(2,212,662)	(3,527,199)
Minority interest	65,207	-
	<b>(2,147,455)</b>	<b>(3,527,199)</b>

**Condensed Balance Sheet**

	At 30 Jun 2007	At 31 Dec 2006
	EUR	EUR
<b>Assets</b>		
Non-current assets	737,524,962	394,777,635
Current assets	149,376,992	37,232,099
	<b>886,901,954</b>	<b>432,009,734</b>
<b>Equity</b>		
<b>Total equity</b>	<b>478,479,668</b>	<b>183,589,853</b>
<b>Liabilities</b>		
Non-current liabilities	347,498,255	211,429,175
Current liabilities	60,924,031	36,990,706
<b>Total liabilities</b>	<b>408,422,286</b>	<b>248,419,881</b>
<b>Total equity and liabilities</b>	<b>886,901,954</b>	<b>432,009,734</b>

**Statement of Changes in Equity**

	Share capital	Revaluation reserve	Translation reserve	Other reserve	Reporting currency conversion difference	Retained earnings / (Accumulated losses)	Other equity components	Total	Minority interest	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 1 January 2006	139,053,489	24,780,402	(1,068,009)	1,003,793	443,352	(10,432,435)	832,200	154,612,792	-	154,612,792
Loss for the period	-	-	-	-	-	(3,527,199)	-	(3,527,199)	-	(3,527,199)
<b>Balance at 30 June 2006</b>	<b>139,053,489</b>	<b>24,780,402</b>	<b>(1,068,009)</b>	<b>1,003,793</b>	<b>443,352</b>	<b>(13,959,634)</b>	<b>832,200</b>	<b>151,085,593</b>	<b>-</b>	<b>151,085,593</b>
Issue of shares	23,047,995	-	-	-	-	-	-	23,047,995	-	23,047,995
Adjustments relating to the acquisition of CHI	-	-	-	-	-	-	3,859,886	3,859,886	-	3,859,886
Minority interest in subsidiary	-	-	-	-	-	-	-	-	6,618,410	6,618,410
Revaluation of hotel property, net of deferred taxation	-	5,970,776	-	-	-	-	-	5,970,776	-	5,970,776
Loss for the period	-	-	-	-	-	(6,948,433)	-	(6,948,433)	(44,374)	(6,992,807)
Transfer to accumulated losses	-	-	-	(401,073)	-	885,701	(484,628)	-	-	-
<b>Balance at 31 December 2006</b>	<b>162,101,484</b>	<b>30,751,178</b>	<b>(1,068,009)</b>	<b>602,720</b>	<b>443,352</b>	<b>(20,022,366)</b>	<b>4,207,458</b>	<b>177,015,817</b>	<b>6,574,036</b>	<b>183,589,853</b>
Bonus share issue	4,961,223	(4,961,223)	-	-	-	-	-	-	-	-
Issue of shares	297,000,000	-	-	-	-	-	-	297,000,000	-	297,000,000
Conversion of Convertible Bonds	37,270	-	-	-	-	-	-	37,270	-	37,270
Loss for the period	-	-	-	-	-	(2,212,662)	-	(2,212,662)	65,207	(2,147,455)
<b>Balance at 30 June 2007</b>	<b>464,099,977</b>	<b>25,789,955</b>	<b>(1,068,009)</b>	<b>602,720</b>	<b>443,352</b>	<b>(22,235,028)</b>	<b>4,207,458</b>	<b>471,840,425</b>	<b>6,639,243</b>	<b>478,479,668</b>



INTERNATIONAL HOTEL INVESTMENTS p.l.c.

## Group Half-Yearly Financial Report

For the period 1 January 2007 to 30 June 2007

### Condensed Cash Flow Statement

	1 January to 30 June 2007 EUR	1 January to 30 June 2006 EUR
Loss before tax	(1,641,474)	(3,331,993)
Adjustment for non cash and non operational items	12,223,778	9,061,983
Cash from operating activities	10,582,304	5,729,990
Working capital changes	(4,582,128)	326,354
Net cash from operating activities	6,000,176	6,056,344
Net cash used in investing activities	(4,549,472)	(6,211,284)
Net cash from financing activities	94,619,508	7,012,779
Net increase in cash and cash equivalents	96,070,212	6,857,839
Cash and cash equivalents of subsidiaries acquired during the period	3,802,097	-
Cash and cash equivalents at beginning of period	19,053,774	1,922,551
Cash and cash equivalents at end of period	118,926,083	8,780,390
<b>Non-cash transactions</b>		
Acquisition of the Bab Africa Hotel in Tripoli & the Towers Hotel in Prague	312,000,000	-
Bank debt relating to the above	107,023,231	-
Increase in Share Capital through Bonus Shares	4,961,223	-
Issue of Share Capital to Parent Company	192,000,000	-

### Interim Directors' Report

#### 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 2007 and its comparative period in 2006. Comparative balance sheet information as at 31 December 2006 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 9.43 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 Report are condensed in accordance with the form and content requirements of this standard. In terms of Listing Rule 9.44.5 the Directors are stating that this Half-Yearly Financial Report has not been audited or reviewed by the Group's independent auditors.

#### 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. The Company has a number of wholly-owned subsidiaries through which it promotes the business of the Group.

#### Accounting Policies

The accounting policies adopted in the preparation of the Group's Half-Yearly Report are the same as those adopted in the preparation of the audited financial statements for the year ended 31 December 2006.

#### Review of Performance

The Group's turnover for the six-month period to 30 June 2007 amounted to Eur 38.82 million reflecting an increase of 39% on the turnover levels for the corresponding period in 2006. All the Group's hotels registered increases in their turnover levels over the relative period of last year with the most notable achievers being the Corinthia San Gorg Hotel in Malta (45%) and the Corinthia Lisboa Hotel in Portugal (14%). The improved turnover of the Corinthia San Gorg Hotel was mainly due to the refurbishment programme carried out during the course of last year during which the Hotel did not have the full room stock at its disposal. The Group's turnover figure for this period would have increased by a further Eur 22.18 million had the newly acquired Corinthia Bab Africa Hotel and Commercial Centre in Libya and Corinthia Towers Hotel in the Czech Republic been included in the consolidated results as from the beginning of the year.

The turnover and operating performance for 2007 were also positively affected by the addition of these two hotel properties as from 1 June 2007, and the inclusion of the Group's management company CHI Ltd. which became a subsidiary company at the end of October 2006. In the corresponding period last year CHI Ltd. was still treated and reported as an associated company. The Group registered an operating profit of Eur 4.20 million against a corresponding profit of Eur 1.11 million in the same period last year. This improvement of operating profit percentage on turnover from 3.97% (2006) to 10.80% (2007) reflects the improved hotel occupancy and average room rates being achieved as the Group's hotels move forward towards their full maturity and this despite the fact that the Corinthia Nevskij Palace Hotel in St. Petersburg and the Corinthia Lisboa Hotel in Portugal are still undergoing refurbishment.

The Directors have no reason to believe that the carrying book value of any of the Group's hotel properties may be impaired, and as a result no provision for impairment charges has been made.

Net financing costs amounted to Eur 5.85 million as compared to Eur 4.61 million incurred in 2006. This increase is mainly due to the increases in the Euribor rate during the first six months of 2007 and the additional financing costs relating to the two newly-acquired properties.

During the period under review, the Group registered a Loss after Tax of Eur 2.15 million compared to a Loss after Tax for the comparative period last year of Eur 3.53 million. Had the newly acquired properties been included in the consolidated results as from the beginning of the year this Loss would have been turned into a Profit of Eur 1.27 million. The combined Profit after Tax of the newly acquired properties registered in June 2007 was Eur 0.61 million.

#### Segment Disclosure

	Malta Hotel Property	Malta Corporate Business	Other EU Countries	Other European Countries	North Africa	Consolidation Adjustments	The Group
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Revenue	4,314,667	4,625,137	20,270,160	9,160,760	2,945,692	(2,497,104)	38,819,312
Operating profit/(loss)	(247,554)	303,588	756,194	2,900,179	1,073,529	(583,365)	4,202,571

#### State of Affairs

In May 2007 the IHI Group successfully concluded a share subscription agreement with Corinthia Palace Hotel Company Limited (CPHCL) and Istithmar Hotels FZE (Dubai) as a result of which the issued share capital increased by Eur 297 million by the end of June 2007 with another increase of Eur 73 million due by the end of August 2007. Once the full share capital subscription is completed, CPHCL and Istithmar will own 59% and 33% respectively of the Company's share capital.

The main inherent and immediate advantages accruing to the IHI Group from this agreement are:

- the acquisition of the 100% shareholding of the two companies owning the Corinthia Bab Africa Hotel and Commercial Centre and the Corinthia Towers Hotel from CPHCL for a total consideration of Eur 207 million payable as to Eur 192 million in shares of a nominal value of Eur 1 each and Eur 15 million in cash. In their Expert's Report dated 30 May 2007, drawn in terms of Article 73(4) of the Companies Act, 1995, PricewaterhouseCoopers opined that the combined value of the shares of the two property owning companies being acquired, based on property valuations prepared by independent hospitality industry specialists adjusted for the net debt outstanding, corresponded at least to Eur 207 million. These acquisitions should enable the Group to benefit from significant cash flow and profitability streams contributing towards the achievement of a much more balanced portfolio of hotel properties.
- the ability to acquire new properties through the cash injection from the new share capital of Eur 178 million subscribed by Istithmar. Up to the 30th June 2007 Eur 105 million has already been received by the Group with the remaining Eur 73 million due by the end of August 2007.

During 2007 the Nevskij Palace Project in St. Petersburg is ongoing and upon project completion, expected towards the end of 2008, this hotel will increase its room stock by another 105 executive rooms and enlarge its conference facilities. It will also have 15,000 square metres of retail and office space for rental to third parties.

The Corinthia Lisboa Hotel in Portugal is also finalising the refurbishment of 248 rooms, out of its 517 room stock, that had been only softly refurbished in 2004, and the construction of the Spa. These two projects are expected to enhance the earnings potential of the hotel.

On 4th June 2007 IHI capitalised Euro 4,961,223 from its revaluation reserves through the issue of 4,961,223 fully-paid up bonus shares of a nominal value of Eur 1 per share. This issue was made exclusively in favour of the minority shareholders who were also granted the option to sell such shares to the Company for cash. However, 92% of the bonus shares were retained by the eligible shareholders.

#### Outlook

The addition of the Corinthia Bab Africa Hotel and Commercial Centre and the Corinthia and Towers Hotel from 1 June 2007 is expected to have a significant positive impact on the Company's consolidated results which will come on stream in the second half of the year.

On a similar note it is expected that the other four hotel properties will continue to show improved trading performances translating into better results than last year.

#### Tangible Fixed Assets

Tangible fixed assets acquired during the period amounted to Eur 319.50 million. This amount mainly relates to the acquisition of the Corinthia Bab Africa Hotel and Commercial Centre (Eur 207 million), the Corinthia Towers Hotel (Eur 105 million) and expenditure incurred on the Nevskij Palace Project (Eur 3.5 million).

#### Capital commitments

	EUR
Property, plant and equipment: Contracted for:	
IHI Benelux BV (Nevskij Palace Project)	3,000,000
Alfa Investimentos Turisticos Lda (Corinthia Lisboa Hotel)	3,300,000
IHI Towers s.r.o. (Corinthia Towers Hotel)	800,000
	7,100,000
Authorised but not yet contracted for:	
IHI Benelux BV (Nevskij Palace Project)	55,000,000
	62,100,000

Funding arrangements for these commitments are already in place.

#### 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 the necessary 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 Group. All transactions entered into with Group companies forming part of the IHI Group have been eliminated in the preparation of this consolidated Half-Yearly Report.

In addition to the hotel acquisitions already referred to, the following are the significant related party transactions:

	EUR
Parent company - Interest payable	306,969
Parent company - Management fees (Net)	203,137
Associate company - Project management fees	409,000
Total	919,106

Until the end of May 2007 the Parent Company (CPHCL) was providing management support services to IHI. Following the completion of the share subscription agreement between IHI, CPHCL, and Istithmar, on the 1 June 2007 a number of senior executives of CPHCL were employed by IHI as a result of which IHI is now providing management support services to CPHCL.

#### Statement pursuant to Listing Rule 9.44.3 issued by the Listing Authority

We confirm that to the best of our knowledge:

- this condensed Half-Yearly Financial Report gives a true and fair view of the consolidated financial position as at 30 June 2007 and the financial performance and cash flows for the period then ended in accordance with accounting standards adopted in the EU for Interim Financial Statements, and
- that the Interim Directors' Report includes a fair review of the information required in terms of Listing Rule 9.44.2.

  
Alfred Pisani  
Chairman & CEO

  
Joseph Fenech  
Managing Director

INTERNATIONAL HOTEL INVESTMENTS p.l.c.

22 Europa Centre · Floriana FRN1400 · Malta

Tel +356 21 233141 · Fax +356 21 234219 · Email [ihl@corinthia.com](mailto:ihl@corinthia.com) · Website [www.corinthiacorporate.com](http://www.corinthiacorporate.com)