



INTERNATIONAL HOTEL INVESTMENTS p.l.c.
GROUP HALF-YEARLY REPORT
For the Period 1 January to 30 June 2016

Condensed Income Statement

	1 January to 30 June 2016 € '000	1 January to 30 June 2015 € '000
Revenue	70,758	55,384
Direct costs	(39,648)	(28,203)
	31,110	27,181
Other operating costs	(15,976)	(12,933)
EBITDA	15,134	14,248
Depreciation and amortisation	(10,943)	(8,371)
Net change in fair value of indemnification assets	(105)	(105)
Results from operating activities	4,086	5,772
Share of profit from equity accounted investments	97	(2,326)
Finance income	5,887	982
Finance costs	(8,214)	(6,529)
Profit (loss) before tax	1,856	(2,101)
Tax income	77	1,207
Profit (loss) for the period	1,933	(894)
Attributable to:		
Owners of the parent	1,933	(894)
Non-controlling interest	-	-
Profit (loss) for the period	1,933	(894)
Profit (loss) per share	0.003	(0.002)

Condensed Statement of Comprehensive Income

	1 January to 30 June 2016 € '000	1 January to 30 June 2015 € '000
Profit (loss) for the period	1,933	(894)
Other comprehensive income		
Translation reserve	(3,993)	10,011
Net change in fair value of available for sale investments	95	-
Other comprehensive income for the period	(3,898)	10,011
Total comprehensive income (expense) for the period	(1,965)	9,117

Condensed Balance Sheet

	At 30 June 2016 € '000	At 31 December 2015 € '000
ASSETS		
Non-current	1,085,086	1,091,247
Current	67,356	68,396
Total assets	1,152,442	1,159,643
EQUITY		
Total equity	606,323	608,288
LIABILITIES		
Non-current	444,419	451,356
Current	101,700	99,999
Total liabilities	546,119	551,355
Total equity and liabilities	1,152,442	1,159,643

Condensed Cash Flow Statement

	1 January to 30 June 2016 € '000	1 January to 30 June 2015 € '000
Net cash from operating activities	12,679	12,168
Net cash used in investing activities	(4,984)	(2,774)
Net cash used in financing activities	(13,173)	(3,877)
Net decrease in cash and cash equivalents	(5,478)	5,517
Cash and cash equivalents at beginning of period	11,664	17,850
Cash and cash equivalents at end of period	6,186	23,367

Statement of Changes in Equity

	Share capital €'000	Revaluation reserve €'000	Translation reserve €'000	Reporting currency conversion difference €'000	Other equity components €'000	Accumulated losses €'000	Total attributable to owners €'000	Non- controlling interest €'000	Total equity €'000
Balance at 1 January 2015	554,238	78,565	5,384	443	4,491	(48,937)	594,184	630	594,814
Loss for the period	-	-	-	-	-	(894)	(894)	-	(894)
Other comprehensive income	-	-	10,011	-	-	-	10,011	-	10,011
Total income and expenses for the period	-	-	10,011	-	-	(894)	9,117	-	9,117
Balance at 30 June 2015	554,238	78,565	15,395	443	4,491	(49,831)	603,301	630	603,931
Loss for the period	-	-	-	-	-	(2,834)	(2,834)	(19)	(2,853)
Other comprehensive income	-	23,157	(18,683)	-	424	-	4,898	(13)	4,885
Total income and expenses for the period	-	23,157	(18,683)	-	424	(2,834)	2,064	(32)	2,032
Bonus share issue	16,710	(16,710)	-	-	-	-	-	-	-
Issue of ordinary shares related to business combination	2,688	-	-	-	(363)	-	2,325	-	2,325
Balance at 31 December 2015	573,636	85,012	(3,288)	443	4,552	(52,665)	607,690	598	608,288
Profit for the period	-	-	-	-	-	1,933	1,933	-	1,933
Other comprehensive income	-	-	(3,993)	-	95	-	(3,898)	-	(3,898)
Total income and expenses for the period	-	-	(3,993)	-	95	-	(1,965)	-	(1,965)
Balance at 30 June 2016	573,636	85,012	(7,281)	443	4,647	(50,732)	605,725	598	606,323

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GROUP HALF-YEARLY REPORT
For the Period 1 January to 30 June 2016

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 2016 and the comparative period in 2015. Comparative balance sheet information as at 31 December 2015 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 5.74 issued by the Malta Financial Services Authority - Listing Authority, and has been prepared in accordance with the applicable Listing Rules and International Accounting Standard 34, 'Interim Financial Reporting'. In terms of Listing Rule 5.75.5 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 2016 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 2015.

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 subsidiary companies and investments in associate companies through which it promotes the business of the Group.

Review of Performance

During the first six months of 2016, the Group registered an increase in revenue of €15.4 million over the corresponding period the year before. This increase is partly due to further year-on-year growth in the Group's owned assets and in particular to the consolidation of the Island Hotel Group Holdings p.l.c. (IHGH) which was acquired in the second semester of last year and is not included in the comparative results.

The following table shows the evolution of EBITDA on an adjusted basis by including the share of joint ventures' EBITDA, which in the Condensed Income Statement are included in the share of profit from equity accounted investments. The Group's main joint ventures are the Corinthia Hotel London, and as of 2016, the hotel and timeshare operation at Golden Sands in Malta. Overall, the adjusted half-yearly EBITDA for 2015 was a 26% improvement on 2014, with 2016 registering a further 23% improvement on 2015.

Adjusted EBITDA

	2014	2015	2016
	€ 000	€ 000	€ 000
IHI excluding St Petersburg and Tripoli	6,870	10,665	10,437
St Petersburg - Hotel and commercial centre	2,685	2,592	4,278
Tripoli - Hotel and commercial centre	2,843	991	419
	12,398	14,248	15,134
Joint ventures - IHI's share	1,835	3,629	6,846
	14,233	17,877	21,980

The hotel in London broadly retained the same level of EBITDA registered last year in sterling, but in euro terms this result was negatively affected by the weakening of the sterling in terms of euro, in the run-up and more so following the Brexit referendum results.

Included under finance income there is an unrealised exchange gain of €5.6 million registered on the euro denominated loans funding the Group's assets in St Petersburg due to the strengthening of the rouble. The increase in finance costs is the result of the inclusion of the IHGH group interest costs.

During the period under review the Group registered a profit after tax of €1.9 million compared to a loss of €0.9 million reported in the same period last year.

The expense of €4.0 million in the Statement of Comprehensive Income reflects the Group's share of unrealised losses on currency movements on its overseas investments in London and Golden Sands timeshare operation in Malta, which are predominately denominated in sterling less unrealised profits on rouble currency movement in St Petersburg.

State of Affairs and Outlook

The general business outlook for IHI's hotels remains positive with year-on-year growth forecasted in both turnover and operating profits.

In Tripoli, hotel room demand is still weak due to the current political situation, putting pressure on the hotel's bottom line. In the meantime, office accommodation at the adjacent Commercial Centre remains fully leased out thereby mitigating the hotel's operational loss, such that the property's EBITDA should remain cash positive.

The performance of the Corinthia Hotel St Petersburg continues to be affected by the decrease in international demand for hotel services, which has however been more than amply replaced by an increase in local business. Both occupancy and revenue generation, in rouble terms, have seen a year-on-year increases. The rouble, although still volatile, has strengthened against the euro during the first semester under review, resulting in the partial reversal of the currency losses recognised in 2015.

The foregoing conditions which have impacted the financial performance of group's properties in Tripoli and St Petersburg are expected to persist.

In the first semester, IHI secured a bank loan of €12 million which was fully drawn in August to partially finance the final payment for the acquisition of IHGH.

In July 2016, the Group issued a secured €55 million 4.0% bond maturing in 2026 which was heavily oversubscribed. The proceeds of the issue have been used to refinance the bank loan secured by the Corinthia Hotel Budapest, to partially finance the final payment relating to the acquisition of IHGH, to finance the planned acquisition of 80% of QPM Limited, to finance the professional fees being incurred on the St George's Bay Development, with the balance going towards the general funding requirements of the Group.

On 10 August 2016, the Group fully settled the second and final instalment of the consideration made up of shares and cash, relating to the acquisition of IHGH.

Segmental Reporting - Information about reportable segments

	2016		2015		2016		2015	
	European countries	European countries	Eastern European countries	Eastern European countries	North Africa	North Africa	Total	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Hotels								
Segment revenue	27,061	20,767	25,440	25,193	311	533	52,812	46,493
EBITDA	6,211	4,402	6,933	5,375	(1,872)	(1,713)	11,272	8,064
Depreciation and amortisation	(2,816)	(2,133)	(4,639)	(3,885)	(1,611)	(1,627)	(9,066)	(7,645)
Segment profit or loss	3,395	2,269	2,294	1,490	(3,483)	(3,340)	2,206	419

	€ '000	€ '000
Entity wide disclosure		
Segment revenue	52,812	46,493
Rental income from investment property	4,901	4,962
Hotel management company revenue	6,557	6,418
Catering business	9,262	-
Holding company revenue	1,751	1,700
Elimination of intra group revenue	(4,525)	(4,189)
Group revenue	70,758	55,384
Segment profit or loss	2,206	419
Net rental income from investment property	4,240	4,523
Catering business	(1,373)	-
Unallocated items	452	1,661
Depreciation and amortisation	(1,334)	(726)
Movement in indemnification assets	(105)	(105)
	4,086	5,772
Share of loss from equity accounted investments	97	(2,326)
Finance income	5,887	982
Finance costs	(8,214)	(6,529)
	1,856	(2,101)

Tangible Fixed Assets

Tangible fixed assets acquired during the period amounted to € 4.8 million.

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 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 with companies forming part of the IHI Group have been eliminated in the preparation of this consolidated Half-Yearly Report.

	€ '000
Summary of Related Party Transactions	
Parent and Associated company - Management fee income	1,107
Associated companies - Hotel management fee income	2,970

Bond sinking funds

As provided in the prospectus of its bonds, the Company has set up a sinking fund for the repayment of bonds on maturity and has set aside €5.5 million for this purpose.

Statement in terms of Listing Rule 5.75.3 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 Rules 5.81 to 5.84

Alfred Pisani
Chairman

Frank Xerri de Caro
Senior Independent Director

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