



INTERNATIONAL HOTEL INVESTMENTS p.l.c.
GROUP HALF-YEARLY REPORT
For the Period 1 January 2008 to 30 June 2008

Condensed Balance Sheet

	At 30 June 2008	At 31 December 2007
	€'000	€'000
ASSETS		
Non-current assets	841,179	798,217
Current assets	150,083	190,998
	<u>991,262</u>	<u>989,215</u>
EQUITY		
Total equity	<u>587,867</u>	<u>585,559</u>
LIABILITIES		
Non-current liabilities	339,793	332,168
Current liabilities	63,602	71,488
Total liabilities	<u>403,395</u>	<u>403,656</u>
Total Equity and liabilities	<u>991,262</u>	<u>989,215</u>

Condensed Income Statement

	1 January to 30 June 2008	1 January to 30 June 2007
	€'000	€'000
CONTINUING OPERATIONS		
Revenue	64,305	38,819
Direct costs	(39,048)	(25,276)
Gross profit	25,257	13,543
Other operating expenses	(14,254)	(9,341)
Results from operating activities	11,003	4,202
Financial income	3,175	373
Financing expenses	(8,236)	(6,224)
Share of profit of equity accounted investees (net of income tax)	68	19
Profit (Loss) before income tax	6,010	(1,630)
Income tax expense	(3,705)	(518)
Profit (Loss) for the period	<u>2,305</u>	<u>(2,148)</u>
Attributable to:		
Equity holders of the Company	2,213	(2,213)
Minority interest	92	65
Profit (loss) for the year	<u>2,305</u>	<u>(2,148)</u>
Basic earnings (loss) per share	0.004	(0.012)

Statement of Changes in Equity

	Attributable to Equity Holders of the Company									
	Share capital	Revaluation reserve	Translation reserve	Other reserve	Reporting currency conversion difference	Accumulated losses	Other equity components	Total	Minority interest	Total equity
	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
Balance at 1 January 2007	162,101	30,751	(1,068)	603	443	(20,022)	4,206	177,014	6,574	183,588
Loss for the period	-	-	-	-	-	(2,213)	-	(2,213)	65	(2,148)
Total income and expenses for the period	-	-	-	-	-	(2,213)	-	(2,213)	65	(2,148)
Issue of bonus shares	4,961	(4,961)	-	-	-	-	-	-	-	-
Issue of shares	297,000	-	-	-	-	-	-	297,000	-	297,000
Conversion of bonds	37	-	-	-	-	-	-	37	-	37
Balance at 30 June 2007	464,099	25,790	(1,068)	603	443	(22,235)	4,206	471,838	6,639	478,477
Revaluation of hotel property, net of deferred taxation	-	21,925	-	-	-	-	-	21,925	-	21,925
Profit for the period	-	-	-	-	-	11,807	-	11,807	350	12,157
Total income and expenses for the period	-	21,925	-	-	-	11,807	-	33,732	350	34,082
Bonus shares acquired	(398)	-	-	-	-	-	-	(398)	-	(398)
Bonus shares reissued	342	-	-	-	-	-	-	342	-	342
Cost of bonus shares bought	56	-	-	-	-	-	-	56	-	56
Issue of shares	73,000	-	-	-	-	-	-	73,000	-	73,000
Transfer from accumulated losses	-	-	-	779	-	(779)	-	-	-	-
Balance at 31 December 2007	537,099	47,715	(1,068)	1,382	443	(11,207)	4,206	578,570	6,989	585,559
Profit for the period	-	-	-	-	-	2,213	-	2,213	92	2,305
Total income and expenses for the period	-	-	-	-	-	2,213	-	2,213	92	2,305
Issue of bonus shares	16,113	(16,113)	-	-	-	-	-	-	-	-
Conversion of bonds	1	-	-	-	-	-	-	1	-	1
Balance at 30 June 2008	553,213	31,602	(1,068)	1,382	443	(8,994)	4,206	580,784	7,081	587,865

INTERNATIONAL HOTEL INVESTMENTS p.l.c.
 22 Europa Centre • Floriana FRN 1400 • Malta

Tel: +356 21 233141 • Fax: +356 21 234219 • Email: ihl@corinthia.com • Website: www.ihiplc.com

Condensed Cash Flow Statement

	1 January to 30 June 2008	1 January to 30 June 2007
	€ 000's	€ 000's
Net cash from operating activities	25,508	6,000
Net cash used in investing activities	(37,782)	(4,549)
Net cash (used in) from financing activities	(28,283)	94,620
Net increase in cash and cash equivalents	(40,557)	96,071
Cash and cash equivalents of subsidiaries acquired during the period	-	3,802
Cash and cash equivalents at beginning of period	160,314	19,054
Cash and cash equivalents at end of period	119,757	118,927
Non-cash transactions		
Acquisition of subsidiary companies	-	192,000
Issue of bonus shares	16,113	4,961

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 2008 and the comparative period in 2007. Comparative balance sheet information as at 31 December 2007 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 9.41j 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 9.44k.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 2007.

Review of Performance

The Group's turnover for the six-month period to 30 June 2008 amounted to €64.51 million, reflecting an increase of 65% on the turnover levels for the corresponding period in 2007. The main increase is attributable to the fact that the results of both the Corinthia Bab Africa Hotel and Commercial Centre in Tripoli and the Corinthia Hotel Prague have now been included for the full six-month period whereas in the comparative period they were only included for the month of June being the month following acquisition. All the other hotels in the Group registered increases in their turnover levels over the equivalent period last year except for the Corinthia Nevskij Palace Hotel which is at present undergoing reconstruction works as part of the project to upgrade the Hotel and the adjacent properties. The most notable achiever was the Corinthia Hotel Lisbon in Portugal with an increase of 28% in revenue following the completion in 2007 of the full refurbishment of 248 rooms of its 518-room stock.

These operational improvements underline the Group's operating profit of €11.00 million, an increase of €6.8 million on the profit registered last year.

Financial income reflects interest income being earned on the funds from the share capital increase that are earmarked for future acquisitions. The increase of €2 million in financial expenses over last year is mainly due to the fact that during the first five months of 2007 the Corinthia Bab Africa Hotel and the Corinthia Hotel Prague did not form part of the IHI Group and therefore the interest incurred on the bank loans of these two properties for that period were not included in the Group's Income Statement.

The tax incidence for the period under review is abnormally high as a result of a €2 million adjustment of the deferred tax liability of CCTL, the owning company of the Corinthia Bab Africa Hotel, resulting from tax rate adjustments and the erosion of the fixed asset tax cost base brought about by the strengthening of the Euro against the Libyan Dinar.

During the period under review, the Group registered a Profit after Tax of €2.30 million compared to a Loss after Tax for the comparative period last year of €2.15 million.

Segment Disclosure

	Malta Hotel Property	Malta Corporate Business	Other EU Countries	Other European Countries	Other North Africa	Consolidated Adjustments	The Group
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	5,235	5,376	30,811	6,251	20,944	(4,312)	64,305
Operating profit/(loss)	(286)	(183)	2,565	633	8,883	(609)	11,003

State of Affairs

During the first six months of 2008, works on the Nevskij Palace Project in St. Petersburg proceeded according to plan. A major component of the project features the total refurbishment and reorganisation of the hotel's foyer, restaurants, bar and public areas. These areas were completed and became fully operational in June 2008. On completion of the project, targeted for the first quarter of 2009, the Hotel will increase its room stock by a further 105 executive rooms and will benefit from enlarged conference facilities. The development will also have 15,000 square metres of retail and office space for rental to third parties.

The construction of the new Spa and Health Centre at the Corinthia Lisbon Hotel is now nearing completion and it is expected to be partially operational by the end of this month with full completion by the end of October 2008.

A full planning application has been submitted for the redevelopment of the Metropole Building and 10 Whitehall Place in London, following extensive consultations with the local authorities and neighbouring residents. The project will include a 299-room luxury Corinthia Hotel, a spa and 13 up-market apartments. Construction works are expected to start early next year and project completion is planned for the end of 2010. IHI has a one-third ownership in this project and has been entrusted by its joint venture partners, Nakheel Hotels of Dubai and LFICO of Libya, to lead the development. During the first six months of this year, IHI invested €18 million (€22.5 million) in NLI Ltd., the joint venture company set up for this purpose.

In February 2008 the Group, in partnership with LFICO, committed itself to a mixed-use development of a 360-room five-star deluxe hotel, office and residential complex in Benghazi, Libya. The finalisation of the building permit and other groundwork for this project are in progress.

The Group has recently announced the setting up of a 50:50 strategic investment partnership with Intourist for the joint development and operation of four- and five-star hotels across the Russian Federation. This joint venture will build upon the significant resources and extensive expertise of both parties with the ultimate intention of becoming the leading hotel chain in the Russian Federation. Currently the two parties are in the process of completing the necessary regulatory procedures to establish the joint venture companies.

In line with its expansion plans underpinned by the exclusive license to operate under the Corinthia, Wyndham and Ramada brands in Europe, North Africa and the Middle East, the Group's hotel operating company, CHI Ltd., has signed a number of new hotel management agreements with third-party owners for the future operation of their hotels.

As approved during the Company's Annual General Meeting held in May 2008, IHI capitalised €16.11 million from its revaluation reserves through the issue of an equivalent amount of fully-paid up bonus shares of a nominal value of €1 per share to all its shareholders.

Outlook

The positive outlook prevailing in 2007 in the hospitality industry is now facing the prospect of the challenges arising from the international credit crunch and inflationary pressures brought about by increases in commodity prices. These factors have dampened the original outlook of the Group's activities for 2008 and these may have an impact on the value of some of the Group's properties at year end.

Tangible Fixed Assets

Tangible fixed assets acquired during the period amounted to €17.42 million. This amount mainly relates to the expenditure incurred on the development of the Nevskij Palace Project.

Capital commitments

	€'000
Property, plant and equipment:	
Contracted for:	
NLI Limited (Corinthia Hotel London)*	21,250
Alfa Investimentos Turisticos Lda (Corinthia Hotel Lisbon)	700
Corinthia Tripoli Towers Limited (Corinthia Bab Africa Hotel)	4,600
IHI Benelux BV (Corinthia Nevskij Palace Hotel Saint Petersburg)**	34,600
IHI Towers s.r.o. (Corinthia Hotel Prague)	500
	<u>61,650</u>
Authorised but not yet contracted for:	
IHI Benelux BV (Corinthia Nevskij Palace Hotel Saint Petersburg)**	11,500
Joint venture with Intourist*	6,700
	<u>18,200</u>

* Funded from the share capital increase of May 2007

** Bank facilities 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 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.

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

Summary of related party transactions

	€'000
Parent company - Management fee income (Net)	265
Parent company - Interest payable	(127)
Associated company - Project management fees	(672)
Total	<u>(534)</u>

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
- the interim Directors' Report includes a fair review of the information required in terms of Listing Rule 9.44r



Alfred Pisani
Chairman & CEO



Joseph Fenech
Managing Director

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