



INTERNATIONAL HOTEL INVESTMENTS p.l.c.

## COMPANY ANNOUNCEMENT

*The following is a Company Announcement by International Hotel Investments p.l.c. pursuant to MFSA Listing Authority Listing Rule 8.7.21.*

At a Meeting held on 20<sup>th</sup> April 2007, the Board of Directors of International Hotel Investments p.l.c. approved the Preliminary Statement of Annual Results for 2006.

A copy of the Preliminary Statement of Annual Results for 2006 is attached.

A handwritten signature in black ink, appearing to read 'Alfred Fabri'.

Alfred Fabri  
Company Secretary

*23<sup>rd</sup> April 2007*



INTERNATIONAL HOTEL INVESTMENTS p.l.c.

## PRELIMINARY STATEMENT OF THE GROUP'S ANNUAL RESULTS

For the year ended 31 December 2006

### Condensed Income Statement

	2006 EUR	2005 EUR
<b>Revenue</b>	<b>60,395,452</b>	54,506,833
Direct costs	(39,097,007)	(36,554,060)
<b>Gross profit</b>	<b>21,298,445</b>	17,952,773
Other operating costs	(18,209,159)	(16,522,709)
Impairment loss on hotel property	(7,150,000)	-
Reversal of impairment on hotel properties	-	5,471,821
Revaluation to fair value of investment property	2,213,083	2,400,000
<b>Results from operating activities</b>	<b>(1,847,631)</b>	9,301,885
Financial income	471,156	178,371
Financial expenses	(9,819,004)	(9,301,572)
Share of profit of equity accounted investees	459,450	578,635
<b>(Loss)/profit before income tax</b>	<b>(10,736,029)</b>	757,319
Income tax income/(expense)	216,023	(1,494,109)
<b>Loss for the Year</b>	<b>(10,520,006)</b>	(736,790)
<b>Attributable to:</b>		
Equity holders of the Company	(10,475,632)	(736,790)
Minority interest	(44,374)	-
<b>Loss for the year</b>	<b>(10,520,006)</b>	(736,790)
<b>Loss per share</b>	<b>(0.07)</b>	(0.01)

### Condensed Balance Sheet

	2006 EUR	2005 EUR
<b>Assets</b>		
Non-current assets	394,777,635	357,757,858
Current assets	37,232,099	16,180,867
<b>Total assets</b>	<b>432,009,734</b>	373,938,725
<b>Equity</b>		
<b>Total equity</b>	<b>183,589,853</b>	154,612,792
<b>Liabilities</b>		
Non-current liabilities	211,429,169	181,753,611
Current liabilities	36,990,712	37,572,322
<b>Total liabilities</b>	<b>248,419,881</b>	219,325,933
<b>Total equity and liabilities</b>	<b>432,009,734</b>	373,938,725
<b>Net asset value per share</b>	<b>1.13</b>	1.11

### Statement of Changes in Equity

	Attributable to Equity Holders of the Company								
	Total EUR	Minority interest EUR	Total EUR	Share capital EUR	Revaluation reserve EUR	Translation reserve EUR	Reporting Currency Conversion difference EUR	Other reserves EUR	Accumulated losses EUR
Balance at 1 January 2005	134,295,276	-	134,295,276	129,053,489	13,869,923	(1,230,969)	443,352	1,645,188	(9,485,707)
Revaluation of hotel property, net of deferred taxation	10,910,479	-	10,910,479	-	10,910,479	-	-	-	-
Liquidation of subsidiary company	(5)	-	(5)	-	-	19,128	-	-	(19,133)
Foreign exchange translation differences	143,832	-	143,832	-	-	143,832	-	-	-
Income and expenses recognised directly in equity	11,054,306	-	11,054,306	-	10,910,479	162,960	-	-	(19,133)
Loss for the year	(736,790)	-	(736,790)	-	-	-	-	-	(736,790)
Total income and expenses for the year	10,317,516	-	10,317,516	-	10,910,479	162,960	-	-	(755,923)
Issue of shares	10,000,000	-	10,000,000	10,000,000	-	-	-	-	-
Transfer to other reserve	-	-	-	-	-	-	-	190,805	(190,805)
Balance at 31 December 2005	154,612,792	-	154,612,792	139,053,489	24,780,402	(1,068,009)	443,352	1,835,993	(10,432,435)
<b>Balance at 1 January 2006</b>	<b>154,612,792</b>	<b>-</b>	<b>154,612,792</b>	<b>139,053,489</b>	<b>24,780,402</b>	<b>(1,068,009)</b>	<b>443,352</b>	<b>1,835,993</b>	<b>(10,432,435)</b>
Minority interest in subsidiary acquired during the year	2,068,733	2,068,733	-	-	-	-	-	-	-
Increase in fair value of former equity accounted investee from the Company's previously acquired interest	826,396	-	826,396	-	-	-	-	826,396	-
Company's share in intangible asset prior to acquisition, net of deferred taxation	3,033,490	-	3,033,490	-	-	-	-	3,033,490	-
Minority interest share in intangible asset, net of deferred tax	4,549,677	4,549,677	-	-	-	-	-	-	-
Revaluation of hotel property, net of deferred taxation	5,970,776	-	5,970,776	-	5,970,776	-	-	-	-
Income and expenses recognised directly in equity	16,449,072	6,618,410	9,830,662	-	5,970,776	-	-	3,859,886	-
Loss for the year	(10,520,006)	(44,374)	(10,475,632)	-	-	-	-	-	(10,475,632)
Total income and expenses for the year	5,929,066	6,574,036	(644,970)	-	5,970,776	-	-	3,859,886	(10,475,632)
Issue of shares	23,047,995	-	23,047,995	23,047,995	-	-	-	-	-
Transfer to accumulated losses	-	-	-	-	-	-	-	(885,701)	885,701
<b>Balance at 31 December 2006</b>	<b>183,589,853</b>	<b>6,574,036</b>	<b>177,015,817</b>	<b>162,101,484</b>	<b>30,751,178</b>	<b>(1,068,009)</b>	<b>443,352</b>	<b>4,810,178</b>	<b>(20,022,366)</b>



INTERNATIONAL HOTEL INVESTMENTS p.l.c.

## PRELIMINARY STATEMENT OF THE GROUP'S ANNUAL RESULTS

For the year ended 31 December 2006

### Condensed Cash Flow Statement

	2006 EUR	2005 EUR
Net cash from operating activities	15,014,022	12,093,801
Net cash used in investing activities	(11,923,081)	(21,645,920)
Net cash from financing activities	8,461,785	11,268,655
Effect of exchange rate fluctuations	-	(28,606)
<b>Net increase in cash and cash equivalents</b>	<b>11,552,726</b>	<b>1,687,930</b>
Cash and cash equivalents at beginning of the year	1,922,550	234,620
Cash and cash equivalents of former equity accounted investee now a subsidiary	5,578,498	-
<b>Cash and cash equivalents at end of the year</b>	<b>19,053,774</b>	<b>1,922,550</b>

### Selected Explanatory Notes

#### Basis of Preparation

This preliminary statement of the Group's Annual Results is being published in terms of Listing Rule 9.35 issued by the Malta Financial Services Authority - Listing Authority.

#### Accounting Policies

The accounting policies adopted in the preparation of the Group's Annual Results have been consistently applied by all the companies within the Group and are consistent with those used in previous years.

#### Principal Activities

International Hotel Investments plc (IHI) 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.

#### Review of Performance

The Group's turnover for 2006 amounted to Euro 60.40 million reflecting an increase of 11% on the turnover levels registered in 2005. The main contributors to this increase were the Corinthia Lisboa Hotel in Lisbon formerly known as the Alfa Hotel (21%), and the Corinthia Grand Hotel Royal in Budapest (22%). The encouraging growth in revenues of these two hotels was dampened by the inevitable lower revenues generated by the Corinthia San Gorg Hotel in Malta as a result of a reduction in the hotel's room stock during the refurbishment works. The Group registered a Gross Profit of Euro 21.30 million against a corresponding profit of Euro 17.95 million registered in 2005.

The acquisition of the majority interest in C.H.I. Ltd. (CHI) – the Group's hotel operating company – on 31 October 2006 and the consequent consolidation of its results with those of the IHI Group as from 1 November 2006, did not have a material effect on the year's Group's operating results since it only reflected two months' performance.

In its Income Statement, the Group recognised a Euro 7.15 million impairment loss on the Corinthia Lisboa Hotel. This charge was taken in consequence of a lower value attributed to this hotel property by an independent expert taking into account its expected future income streams and comparing the resultant present value to its current book value. The Directors are, however, confident that following the completion of the hotel's spa and the full refurbishment of 248 rooms of the hotel's 518 room-stock during 2007, coupled with the advantage of having access to the Global Distribution Systems of Wyndham Hotel Group International, the hotel will be in a better position to achieve its projected income streams.

On the other hand, this year, the Group is recognising a further uplift of Euro 2.21 million on the properties adjacent to the Corinthia Nevskij Palace Hotel in St. Petersburg.

Net financing costs amounting to Euro 9.35 million remained on the same level of 2005 when these costs had amounted to Euro 9.12 million.

The Group registered a Loss after Tax for the year of Euro 10.52 million compared to a Loss after Tax of Euro 0.74 million in 2005.

#### Segmental Information

	Malta		Other EU Countries	Other European Countries	Consolidation Adjustments	The Group
	Hotel Property	Corporate Business				
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Segment revenue</b>	9,224,194	3,264,280	33,576,671	17,963,464	(3,633,157)	60,395,452
<b>Segment result Positive(negative)</b>	(744,048)	5,017,269	(7,100,105)	7,238,160	(6,258,907)	(1,847,631)

#### State of affairs

During 2006 the Group secured long-term financing facilities earmarked for the Corinthia Nevskij Palace Hotel development project and for the refurbishment of the Corinthia San Gorg Hotel. The Group also managed to renegotiate longer repayment terms for some of its bank loans and the Company issued a total of 8.05 million new ordinary shares at Euro 1 each to a number of institutional investors for cash. These factors, together with a Euro 6 million 'Development Fund' set up by CHI, resulted in a re-classification of liabilities from current to long-term and an increase in cash reserves.

During the year, the Group completed the works on the spa and apartments project at the Corinthia Grand Hotel Royal in Budapest, Hungary. Moreover, the refurbishment project at the Corinthia San Gorg Hotel, Malta, progressed as planned and the last phase of this project was completed in 2007. In the meantime the demolition and clearance of the two sites adjacent to the Corinthia Nevskij Palace Hotel in Saint Petersburg, Russian Federation, was also completed, while construction works on the sub-structure have commenced.

During 2006 IHI acquired another 50% shareholding in CHI thereby pushing up its shareholding in this company from 20% to 70%. This was done concurrent with CHI's entering into exclusive licensing arrangements to offer hotel management services under the Corinthia, Wyndham Grand, Wyndham and Ramada Plaza brands for Europe, North Africa and the Middle East regions.

At balance sheet date, the Directors accounted through reserves for the fair value uplift of Euro 6.00 million (net of deferred tax) on the Corinthia Nevskij Palace Hotel resulting from an open market valuation, and another uplift of Euro 3.86 on the value of CHI.

#### Outlook

During an Extraordinary General Meeting held on 31 January 2007 it was resolved that the Company increases its issued share capital by 375,000,000 shares of a nominal value of Euro 1 each to be allotted as to:

- 178,000,000 Shares to Istithmar Hotels FZE or such other wholly-owned company or entity as it may direct;
- 192,000,000 Shares to Corinthia Palace Hotel Company Limited as part of the purchase price for the acquisition of the Corinthia Bab Africa Hotel & Commercial Centre in Tripoli, Libya and the Corinthia Towers Hotel in Prague, the Czech Republic (or of the entire share capital of the companies owning these hotels); and
- Up to a maximum of 5,000,000 shares by way of a Bonus Share Issue.

The finalisation of these transactions is expected to take place in the coming weeks. It is planned that the cash injection resulting from the allotment of shares to Istithmar Hotels FZE will be applied in the acquisition and development of landmark hotels primarily situated in emerging markets.

The effect of the above transactions together with the positive impact of consolidating the full year's performance of CHI is expected to result in an overall improvement in the Group's operating performance for 2007.

#### Business Acquisition

The acquisition of the additional 50% shareholding in CHI had the following effect on the Group's assets and liabilities at acquisition date:

	EUR
Net identifiable assets and liabilities	6,895,775
Recognised value on acquisition	4,827,023
Intangible assets and goodwill arising on the business combination amounted to Euro 23,334,531 and Euro 9,118,639 respectively.	

#### Property, Plant and Equipment

Tangible fixed assets acquired during the period amounted to Euro 12.45 million.

#### Capital Expenditure Commitments

	EUR
Tangible Fixed Assets	
Contracted for:	
Five Star Hotels Limited (Corinthia San Gorg Hotel)	2,727,885
IHI Benelux B.V. (Corinthia Nevskij Palace Hotel)	9,079,081
	11,806,966
Authorised but not yet contracted for:	
IHI Benelux B.V. (Corinthia Nevskij Palace Hotel)	204,837
Alfa Investimentos Turisticos Lda. (Corinthia Lisboa Hotel)	4,490,000
	4,694,837

#### 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 Related Parties Transactions Committee which provides comfort to the Audit Committee and 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 the consolidated results for the year.

#### Summary of related party transactions:

	EUR
Parent company – Net interest payable	809,037
Parent company – Management fees	582,006
CHI – Management/consultancy sub-licence fees*	1,771,715
CHI – Incentive fees*	585,521
CHI – Marketing fees*	526,394
CHI – Fee income**	(589,714)
Other	136,566
Total expensed	3,821,525
Capitalised construction and related services provided by QPM and CCOL	1,200,400

\*The charges from CHI relate to the period 1 January to 31 October 2006, which is the date when this company became a subsidiary of IHI.

\*\* This income relates to the period 1 November to 31 December 2006.

The Board of Directors  
20 April 2007

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