



INTERNATIONAL HOTEL INVESTMENTS p.l.c.

COMPANY ANNOUNCEMENT

Half-Yearly Report

The Board of Directors of International Hotel Investments p.l.c. has approved the attached Half-Yearly Report for the period ended 30th June 2013.

This Report can also be viewed on the Company's website on www.ihiplc.com.

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

Alfred Fabri
Company Secretary

30th August 2013

Encl.



INTERNATIONAL HOTEL INVESTMENTS p.l.c.

GROUP HALF-YEARLY REPORT

For the Period 1 January to 30 June 2013

Condensed Income Statement

| | 1 January to 30 June 2013 | 1 January to 30 June 2012 |
|---|------------------------------|------------------------------|
| | €'000 | €'000 |
| Revenue | 59,545 | 56,454 |
| Direct costs | (31,584) | (29,331) |
| | 27,961 | 27,123 |
| Other operating costs | (11,701) | (13,665) |
| EBITDA | 16,260 | 13,458 |
| Depreciation and amortisation | (11,869) | (11,906) |
| Results from operating activities | 4,391 | 1,552 |
| Share of loss from equity accounted investments | (4,634) | (7,223) |
| Finance income | 582 | 2,121 |
| Finance costs | (10,870) | (9,627) |
| Net fair value gain on interest rate swaps | 1,071 | 554 |
| Loss before tax | (9,460) | (12,623) |
| Tax income | 5,104 | 2,947 |
| Loss for the period | (4,356) | (9,676) |
| Attributable to: | | |
| Owners of the parent | (4,356) | (9,506) |
| Non-controlling interest | - | (170) |
| Loss for the period | (4,356) | (9,676) |
| Loss per share | (0.008) | (0.017) |

Condensed Balance Sheet

| | At 30 June 2013 | At 31 December 2012 |
|-------------------------------------|--------------------|------------------------|
| | €'000 | €'000 |
| ASSETS | | |
| Non-current | 1,012,403 | 1,029,533 |
| Current | 53,508 | 59,150 |
| Total assets | 1,065,911 | 1,088,683 |
| EQUITY | | |
| Total equity | 593,803 | 600,256 |
| LIABILITIES | | |
| Non-current | 376,931 | 410,385 |
| Current | 95,177 | 78,042 |
| Total liabilities | 472,108 | 488,427 |
| Total equity and liabilities | 1,065,911 | 1,088,683 |

Condensed Statement of Comprehensive Income

| | 1 January to 30 June 2013 | 1 January to 30 June 2012 |
|---|------------------------------|------------------------------|
| | €'000 | €'000 |
| Loss for the period | (4,356) | (9,676) |
| Other comprehensive income | | |
| Share of other comprehensive income (expense) of equity accounted investments | (2,097) | 1,694 |
| Other comprehensive income (expense) for the period | (2,097) | 1,694 |
| Total comprehensive expense for the period | (6,453) | (7,982) |

Condensed Cash Flow Statement

| | 1 January to 30 June 2013 | 1 January to 30 June 2012 |
|---|------------------------------|------------------------------|
| | €'000 | €'000 |
| Net cash from operating activities | 26,353 | 8,572 |
| Net cash used in investing activities | (2,223) | (15,241) |
| Net cash used in financing activities | (27,750) | (5,439) |
| Net decrease in cash and cash equivalents | (3,620) | (12,108) |
| Cash and cash equivalents at beginning of period | 11,363 | 26,242 |
| Cash and cash equivalents at end of period | 7,743 | 14,134 |

Statement of Changes in Equity

| | Share capital | Revaluation reserve | Translation reserve | Reporting currency conversion difference | Retained earnings (Accumulated losses) | Other equity components | Total attributable to owners | Non-controlling interest | Total equity |
|---|----------------|---------------------|---------------------|--|--|-------------------------|------------------------------|--------------------------|----------------|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Balance at 1 January 2012 | 554,238 | 55,097 | 347 | 443 | (14,171) | 741 | 596,695 | 5,920 | 602,615 |
| Loss for the period | - | - | - | - | (9,506) | - | (9,506) | (170) | (9,676) |
| Other comprehensive income | - | - | 1,356 | - | - | 338 | 1,694 | - | 1,694 |
| Total income and expenses for the period | - | - | 1,356 | - | (9,506) | 338 | (7,812) | (170) | (7,982) |
| Transfer on acquisition of non-controlling interest | - | - | - | - | 5,500 | - | 5,500 | (5,750) | (250) |
| Transfer to accumulated losses | - | (274) | - | - | 274 | - | - | - | - |
| Balance at 30 June 2011 | 554,238 | 54,823 | 1,703 | 443 | (17,903) | 1,079 | 594,383 | - | 594,383 |
| Loss for the period | - | - | - | - | (757) | - | (757) | - | (757) |
| Other comprehensive income | - | 6,285 | (324) | - | - | 669 | 6,630 | - | 6,630 |
| Total income and expenses for the period | - | 6,285 | (324) | - | (757) | 669 | 5,873 | - | 5,873 |
| Transfer to accumulated losses | - | (836) | - | - | 836 | - | - | - | - |
| Balance at 31 December 2012 | 554,238 | 60,272 | 1,379 | 443 | (17,824) | 1,748 | 600,256 | - | 600,256 |
| Loss for the period | - | - | - | - | (4,356) | - | (4,356) | - | (4,356) |
| Other comprehensive income | - | - | (2,949) | - | - | 852 | (2,097) | - | (2,097) |
| Total income and expenses for the period | - | - | (2,949) | - | (4,356) | 852 | (6,453) | - | (6,453) |
| Transfer to accumulated losses | - | - | - | - | - | - | - | - | - |
| Balance at 30 June 2013 | 554,238 | 60,272 | (1,570) | 443 | (22,180) | 2,600 | 593,803 | - | 593,803 |

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INTERNATIONAL HOTEL INVESTMENTS p.l.c.

GROUP HALF-YEARLY REPORT

For the Period 1 January to 30 June 2013

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 2013 and the comparative period in 2012. Comparative balance sheet information as at 31 December 2012 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 the 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 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 2012.

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

Review of Performance

In the first six months of 2013 the Group registered an increase of 5% in its consolidated revenues compared with the corresponding period in 2012. Given the subdued economic environment in the countries where the Group operates, this improvement is indeed encouraging. Despite the unsettled situation in Libya, the performance of the Tripoli property has been positive from a revenue growth perspective. The Corinthia Hotel London continued to consolidate its position as one of the leading luxury hotels in the British capital with an improvement of 30% in revenue, relative to the same period the year before. However, being an associate rather than a subsidiary company, the results of this property are not consolidated with the Group's operational results but are reflected under the share of equity accounted investments. In St Petersburg, leasing income from the retail mall and offices improved by €1.8 million in the period under review on account of new tenants who have since occupied these premises.

Direct costs and other operating costs increased due to improved occupancies and continued pressures on payroll costs in Libya. The introduction of enhanced brand service standards across the Group's hotels has also brought about a general increase in the cost base. The comparative figure for 2012 included one-time costs amounting to €1 million, associated with the acquisition of the Marina Hotel.

The Group achieved an operating profit before depreciation and amortisation (EBITDA) of €16.3 million being a 21% increase on the €13.5 million registered in the corresponding period last year.

In the period under review, finance costs were negatively affected by exchange losses amounting to €2.2 million incurred on loans denominated in sterling advanced to an associated company. In the same period last year the effect of currency fluctuations on these loans resulted in a profit of €1.6 million. Excluding the effect of the foregoing exchange losses, finance costs show an improvement over the corresponding period last year mainly due to the scheduled repayments of bank loans. The fair value of the interest rate swaps held by the Group improved by €1.1 million from the position recorded at 31 December 2012. Furthermore the interest rate swap agreement that had been entered on the Lisbon property matured in April 2013 and was not renewed.

The share of loss from equity accounted investments reflects the 50% share of the six months' net results of the Corinthia Hotel London. The property is in its second full year of operation and in consequence of a revenue growth of 30%, registered a gross operating profit of GBP3.6 million compared to a loss of GBP0.8 million in the corresponding period last year. Despite this significant improvement, after deducting the fixed non-operational costs such as depreciation, loan interest and building taxes, the overall result was a Group's share of loss of €4.6 million which however compares favourably with the loss of €7.2 million incurred in 2012.

During the period under review the Group registered a loss after tax of €4.4 million which reflects an improvement of €5.3 million when compared to the loss of €9.7 million reported in the same period last year.

The expense of €2.1 million in the Statement of Comprehensive Income reflects the Group's share of unrealised losses on currency movements on its investment in London.

State of Affairs

The Group's working capital as at the end of June 2013 shows a deficiency of €41.7 million. This includes the €12.5 million bond maturing in March 2014 which is being re-classified to current liabilities in view of the fact that this is repayable within the next 12 months. The Board is considering issuing a new bond prior to the maturity of this bond, subject to the required approvals of the MFSA. The balance of the deficiency will be addressed through the projected improvements in operating performance and through the anticipated disposal of non-core assets.

The Board of Directors of IHI remains firmly committed to dispose of the 12 luxury apartments in Whitehall Place London, and negotiations are still ongoing with interested bidders with the ultimate objective of maximising shareholder returns. Further announcements in this regard will be made as progress is registered. Moreover, IHI also continues to progress on the initial work required for the eventual sale of the commercial centre in St Petersburg.

Segmental Reporting – Information about reportable segments

| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
|-------------------------------|-----------------------------|-----------------------------|-------------------------------------|-------------------------------------|-----------------------|-----------------------|----------------|----------------|
| | European countries €'000 | European countries €'000 | Eastern European countries €'000 | Eastern European countries €'000 | North Africa €'000 | North Africa €'000 | Total €'000 | Total €'000 |
| Segment revenue | 16,792 | 16,343 | 25,984 | 25,204 | 9,638 | 8,722 | 52,414 | 50,269 |
| EBITDA | 2,359 | 2,443 | 5,727 | 6,089 | 2,814 | 3,247 | 10,900 | 11,779 |
| Depreciation and amortisation | (2,286) | (2,546) | (4,715) | (4,724) | (4,045) | (4,009) | (11,046) | (11,279) |
| Segment profit (loss) | 73 | (103) | 1,012 | 1,365 | (1,231) | (762) | (146) | 500 |

Entity wide disclosure

| | Total €'000 | Total €'000 |
|---|----------------|----------------|
| Segment revenue | 52,414 | 50,269 |
| Rental income from investment property | 5,337 | 4,235 |
| Hotel management company revenue | 5,777 | 3,569 |
| Holding company revenue | 1,147 | 1,692 |
| Elimination of intra group revenue | (5,130) | (3,311) |
| Group revenue | 59,545 | 56,454 |
| Segment profit (loss) | (146) | 500 |
| Net rental income from investment property | 4,908 | 3,801 |
| Unallocated items | 451 | (2,122) |
| Depreciation and amortisation | (822) | (627) |
| | 4,391 | 1,552 |
| Share of loss from equity accounted investments | (4,634) | (7,223) |
| Finance income | 582 | 2,121 |
| Finance costs | (10,870) | (9,627) |
| Net fair value gain on interest rate swap | 1,071 | 554 |
| | (9,460) | (12,623) |

Outlook

The improvements registered to date are expected to be retained in the latter six months of the year as announced earlier in the Financial Analysis Reported dated 28 June 2013. Nonetheless, developments in the interest rate markets might have an impact on the value of the Group's properties at year end.

Tangible Fixed Assets

Tangible fixed assets acquired during the period amounted to €2.3 million.

Capital Commitments

| | €'000 |
|---|--------|
| Contracted for:- | 3,000 |
| Authorised but not yet contracted for:- | 16,400 |

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.

Summary of Related Party Transactions

| | €'000 |
|---|-------|
| Parent and Associated company – Management fee income | 543 |
| Associated companies – Hotel management fee income | 2,467 |

Bond sinking funds

As provided for in the prospectus of three bonds, the Company has set up a sinking fund for the repayment of bonds on maturity. As of today, €2.2 million have been deposited in the said sinking fund.

Statement pursuant to Listing Rule 5.54.6 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 & CEO

Joseph Fenech
Managing Director

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