

# International Hotel Investments p.l.c.

Interim Financial Statements (Unaudited)

For the period from 1 January 2020 to 30 June 2020

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**International Hotel Investments p.l.c.**  
**Interim financial statements**  
**For the period from 1 January 2020 to 30 June 2020**

**Directors' Report**

**Period ended 30 June 2020**

**Basis of Preparation**

The published figures have been extracted from the unaudited consolidated financial statements of International Hotel Investments p.l.c. ("the Group") for the six months ended 30 June 2020 and the comparative period in 2019. Comparative balance sheet information as at 31 December 2019 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 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.

**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**

The year 2020 started well. The performance across the Group's businesses up to February was ahead of budget and last year.

By March, the implications of the COVID 19 pandemic were becoming apparent and tangible. The Group had by then already stopped all CAPEX expenditure, terminated all casual labour contracts and minimized operating expenses to the barest of minimums.

As of March, with travel restrictions increasing across many countries, and the enforcement of physical lockdowns in others, the difficult decision to shut down or significantly scale back operations in all the Company's hotels and businesses was taken.

From an income perspective, the business of the Group ground to a sudden halt, with only rental income in Tripoli and St Petersburg remaining, as well as marginal income from the continued operation of the Corinthia in St George's Bay, Malta, which was kept open to handle what little demand was prevalent during lockdown. The hotel in Tripoli has also remained open with increased revenue generation relative to the corresponding period the year before.

Upon closing its hotels in March and April, the Company implemented payroll saving measures across the board, addressing the largest single item of cost in the business. These measures included shorter working weeks in some cases, and salary cuts as high as 60% for the upper echelons of management. The Company also tapped into various Governmental support schemes covering payroll in several countries where it operates.

In parallel, we renegotiated terms for our financing across the Group, covering capital moratoriums and in certain instances interest payments too.

In this unprecedented situation the Group registered revenue of €51.7 million of which approximately 30% is derived from our non-hotel businesses such as rental income. Overall, for the first six months, we registered a negative EBITDA of €2.1 million for the period under review.

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**Directors' Report – continued**

**Period ended 30 June 2020**

In reviewing the financial results for the first six months of 2020, one should also note the following:

Compared to 2019, depreciation charges increased given additions, predominately in Lisbon, through refurbishment works carried out in the latter part of 2019.

Interest income last year benefited from a positive valuation of investments which was not the case this year, again because of the sharp decline in capital markets since the beginning of the COVID 19 pandemic.

The performance of the Company's share of the Golden Sands Resort joint venture for 2019 was affected by the slowdown on timeshare sales, as this side of the business was nearing full utilisation of available inventory. The timeshare business is currently under liquidation.

Net foreign exchange translation differences on borrowings represent the unrealised exchange movements registered mainly in St Petersburg, due to the weakening of the Rouble versus the Euro since 1 January 2020.

As a result of all of the above, during the period under review, the Group registered a loss after tax of €30.1 million compared to a profit of €3.8 million reported in the same period last year.

The loss, net of tax, of €35.2 million in the Statement of Comprehensive Income reflects the currency translation difference on the Group's non-Euro denominated investments in London, Golden Sands Resort timeshare operation in Malta and in St Petersburg.

**State of Affairs and Outlook**

All the hotels and businesses have since re-opened in July or August, except for the Marina Hotel in Malta whose revenue demand is being diverted to the adjoining St George's Hotel for the coming winter months. In re-opening our hotels and businesses, we have right sized our manning structures. In February 2020, the Group employed the equivalent of circa 4,500 persons in hotels and businesses which are owned or managed on behalf of related parties, of who 3,400 were on full-time contracts. Roughly 30% are based in Malta. By July, the number of full-time equivalents was 2,800, or 62% of the February headcount. This reduction was mostly achieved through natural attrition, the termination of part time and casual labour contracts, the non-replacement of retirements and fixed term contracts, and only to a small degree, by way of redundancy programs in some countries. The present headcount reflects the Group's expected resource requirements for the foreseeable future.

In parallel, the payroll measures implemented earlier over the months since April have been amended, taking into account changes in Governmental support schemes in some countries, as well as changing legislative parameters for such measures to be implemented. In many cases, since opening the hotels, salary cuts have been either reduced or ended.

With all the hotels and businesses now open, one still continues to maintain tight discipline on all operating costs. Recruitment is largely on hold. All CAPEX remains suspended, other than the completion of projects which had been nearing their end in February. Business is returning. The Company's targets for year-end are not ambitious and the financial planning is premised on low revenue expectations and the continuation of subsidies and support schemes only to the extent that these have been publicly committed to.

On the other hand, it is near to impossible to accurately forecast revenue. Bookings into the hotels are mostly month-in-month, as travellers are wary of booking well in advance of travel dates on account of uncertainties related to quarantine and flight cancellations.

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**Directors' Report – continued**

**Period ended 30 June 2020**

On this basis, whilst one would typically test the value of the Group's property for impairment as at 30 June 2020, the Company believes that such an exercise based on projected cash flows discounted to present day value would be futile and unreliable. To this end, such tests were deferred to year end.

In terms of cash, as at end of June 2020, the Group had cash resources of €43 million plus €9 million in marketable investments. To further improve its liquidity, other than benefiting from a moratorium on capital repayments and in some instances also on interest, the Group is in advanced discussions with a number of banks to tap into EU funds made available in response to the COVID-19 crisis. Discussions are ongoing both in Malta and in the Czech Republic.

The Company remains focused on all of its new projects. Works are underway on Corinthia Hotel projects on site in Dubai, Doha, Rome and Moscow, where Group subsidiary companies are involved as development partners, technical services providers and hotel operators, with most of the capital funding for these projects being provided by third parties.

A main contract for the redevelopment of the Grand Hotel Astoria in Brussels is under negotiation with a renowned contractor. The Company has a 50% share in this project.

A public consultation process is underway to allow a degree of residential developments within the parameters on GFA and building heights permitted on the site known as Hal Ferh in Malta, where the Company wishes to pursue low-rise, extensively landscaped mixed-use development.

On the basis of all of the above, not least the support of its shareholding base and banks, as well as the tremendous sacrifices being made by colleagues at all levels, the Group is confident to emerge successfully from the darkest days of the pandemic.

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**Directors' Report – continued**

**Period ended 30 June 2020**

**Directors**

The following have served as directors of the Group during the period under review:

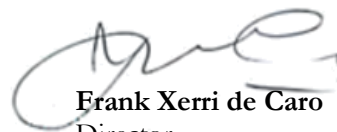
Mr Alfred Pisani (Chairman)  
Mr Frank Xerri de Caro (Senior Independent Director)  
Mr Salem M.O. Hnesh  
Mr Abdulnaser Ahmida  
Mr Hamad Buamim  
Mr Abuagila Almahdi (Resigned 9 July 2020)  
Mr Douraid Zaghouani  
Mr Joseph Pisani  
Dr Joseph J. Vella  
Mr Winston V. Zahra

In accordance with the Group's Articles of Association, the present directors remain in office.

On behalf of the board,



**Alfred Pisani**  
Chairman



**Frank Xerri de Caro**  
Director

Registered Office:

22 Europa Centre,  
Floriana FRN1400,  
Malta

## Interim income statement - the Group

	1 January to 30 June 2020 €'000	1 January to 30 June 2019 €'000
Revenue	51,709	122,524
Direct Costs	<u>(35,501)</u>	<u>(69,920)</u>
	16,208	52,604
Marketing costs	(3,791)	(5,651)
Administrative expenses	<u>(14,549)</u>	<u>(18,995)</u>
EBITDA	(2,132)	27,958
Depreciation and amortisation	(18,405)	(17,338)
Impairment losses attributable to intangibles	-	(811)
Net changes in fair value of indemnification assets	-	(105)
<b>Results from operating activities</b>	<u>(20,537)</u>	<u>9,704</u>
Finance income		
- interest and similar income	557	2,040
Finance costs		
- interest expense and similar charges	(11,580)	(10,874)
- net exchange differences on borrowings	(4,061)	5,311
Share of net loss of associates and joint ventures accounted for using the equity method	<u>(1,029)</u>	<u>(1,018)</u>
<b>Loss before tax</b>	<u>(36,650)</u>	<u>5,163</u>
Tax expense	6,592	(1,397)
<b>Loss for the period</b>	<u>(30,058)</u>	<u>3,766</u>
<b>Loss for the period attributable to:</b>		
- Owners of IHI	(25,046)	5,855
- Non-controlling interests	<u>(5,012)</u>	<u>(2,089)</u>
	<u>(30,058)</u>	<u>3,766</u>

## Interim statement of comprehensive income - the Group

	1 January to 30 June 2020 €'000	1 January to 30 June 2019 €'000
<b>Loss for the period</b>	<b>(30,058)</b>	3,766
<b>Other comprehensive income:</b>		
Translation reserve	(36,849)	10,423
Income tax relating to components of other comprehensive income	1,667	(1,471)
<b>Other comprehensive income for the period, net of tax</b>	<b>(35,182)</b>	8,952
<b>Total comprehensive income for the period</b>	<b>(65,240)</b>	12,718



## Interim statement of financial position - the Group

	30 June 2020 €'000	31 December 2019 €'000
<b>Assets</b>		
<b>Non-current</b>		
Intangible assets	48,055	49,036
Indemnification assets	23,396	23,396
Investment property	203,695	214,174
Property, plant and equipment	1,130,530	1,181,944
Right-of-use assets	11,942	13,776
Deferred tax assets	8,991	9,233
Investments accounted for using the equity method	38,897	40,144
Financial assets at fair value through profit or loss	8,589	8,401
Other financial assets at amortised cost	1,767	1,801
Assets placed under trust arrangement	5,484	3,698
	<b>1,481,346</b>	<b>1,545,603</b>
<b>Current</b>		
Inventories	11,689	12,626
Other financial assets at amortised cost	71	125
Trade and other receivables	36,337	43,192
Current tax asset	4,738	3,922
Financial assets at fair value through profit or loss	9,121	8,909
Cash and cash equivalents	51,974	72,699
Assets placed under trust arrangement	122	122
	<b>114,052</b>	<b>141,595</b>
<b>Total assets</b>	<b>1,595,398</b>	<b>1,687,198</b>

## Interim statement of financial position - the Group

	30 June 2020 €'000	31 December 2019 €'000
<b>Equity and liabilities</b>		
<b>Equity</b>		
Capital and reserves attributable to owners of IHI:		
Issued capital	615,685	615,685
Revaluation reserve	27,538	27,538
Translation reserve	(22,280)	475
Reporting currency conversion difference	443	443
Other components of equity	2,617	2,617
Retained earnings	29,201	54,247
	<u>653,204</u>	<u>701,005</u>
Non-controlling interests	178,703	196,142
<b>Total equity</b>	<u>831,907</u>	<u>897,147</u>
<b>Liabilities</b>		
<b>Non-current</b>		
Trade and other payables	4,528	6,257
Bank borrowings	316,831	324,597
Bonds	222,791	222,584
Lease liabilities	9,760	11,202
Deferred tax liabilities	92,643	100,422
Provisions	206	206
	<u>646,759</u>	<u>665,268</u>
<b>Current</b>		
Trade and other payables	71,166	74,777
Bank borrowings	41,379	45,436
Lease liabilities	2,513	2,795
Current tax liabilities	1,674	1,775
	<u>116,732</u>	<u>124,783</u>
<b>Total liabilities</b>	<u>763,491</u>	<u>790,051</u>
<b>Total equity and liabilities</b>	<u>1,595,398</u>	<u>1,687,198</u>

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## Interim statement of changes in equity - the Group

	Share capital €'000	Revaluation reserve €'000	Translation reserve €'000	Reporting currency conversion difference €'000	Other equity components €'000	Retained earnings €'000	Total attributable to owners €'000	Non-controlling interests €'000	Total equity €'000
<b>Balance at 1 January 2019</b>	<b>615,685</b>	<b>26,418</b>	<b>(21,535)</b>	<b>443</b>	<b>2,617</b>	<b>59,746</b>	<b>683,374</b>	<b>194,246</b>	<b>877,620</b>
Profit for the period	-	-	-	-	-	5,855	5,855	(2,089)	3,766
Other comprehensive expense	-	-	8,417	-	-	-	8,417	535	8,952
<b>Total income and expenses for the period</b>	<b>-</b>	<b>-</b>	<b>8,417</b>	<b>-</b>	<b>-</b>	<b>5,855</b>	<b>14,272</b>	<b>(1,554)</b>	<b>12,718</b>
Dividend declared or paid	-	-	-	-	-	(12,314)	(12,314)	-	(12,314)
<b>Balance at 30 June 2019</b>	<b>615,685</b>	<b>26,418</b>	<b>(13,118)</b>	<b>443</b>	<b>2,617</b>	<b>53,288</b>	<b>685,333</b>	<b>192,692</b>	<b>878,025</b>
Profit for the period	-	-	-	-	-	960	960	393	1,353
Other comprehensive income	-	1,120	13,593	-	-	-	14,713	10,116	24,829
<b>Total income and expenses for the period</b>	<b>-</b>	<b>1,120</b>	<b>13,593</b>	<b>-</b>	<b>-</b>	<b>960</b>	<b>15,673</b>	<b>10,509</b>	<b>26,182</b>
Dividend declared or paid	-	-	-	-	-	-	-	(7,059)	(7,059)
<b>Balance at 31 December 2019</b>	<b>615,685</b>	<b>27,538</b>	<b>475</b>	<b>443</b>	<b>2,617</b>	<b>54,247</b>	<b>701,006</b>	<b>196,142</b>	<b>897,147</b>
Loss for the period	-	-	-	-	-	25,046	(25,046)	(5,012)	(30,058)
Other comprehensive loss	-	-	(22,755)	-	-	-	(22,755)	(12,427)	(35,182)
<b>Total income and expenses for the period</b>	<b>-</b>	<b>-</b>	<b>(22,755)</b>	<b>-</b>	<b>-</b>	<b>25,046</b>	<b>(47,801)</b>	<b>(17,439)</b>	<b>(65,240)</b>
<b>Balance at 30 June 2020</b>	<b>615,685</b>	<b>27,538</b>	<b>(22,280)</b>	<b>443</b>	<b>2,617</b>	<b>29,201</b>	<b>653,215</b>	<b>178,703</b>	<b>831,907</b>

## Interim statement of cash flows - the Group

	1 January to 30 June 2020 €'000	1 January to 30 June 2019 €'000
<b>Loss before tax</b>	<b>(36,650)</b>	5,163
Adjustments	36,864	23,895
Working capital changes:		
Inventories	626	325
Trade and other receivables	6,944	183
Advance payments	153	2,822
Trade and other payables	(2,844)	(4,378)
<b>Cash generated from operations</b>	<b>5,093</b>	28,010
Tax paid	(39)	(803)
<b>Net cash generated from operating activities</b>	<b>5,054</b>	27,207
<b>Investing activities</b>		
Payments to acquire property, plant and equipment	(7,754)	(9,173)
Payments to intangible assets	(76)	-
Acquisition of subsidiaries	-	(573)
Acquisition of other investments	(1)	(8,253)
Payments for acquisition of financial assets at fair value through profit or loss	(647)	-
Proceeds from sale of financial assets at fair value through profit or loss	-	2,226
Interest received	164	226
Loan to parent company	88	-
<b>Net cash used in investing activities</b>	<b>(8,226)</b>	(15,511)
<b>Financing activities</b>		
Bank finance advanced – net of arrangement fees	1,500	23,601
Repayment of bank borrowings	(3,310)	(29,216)
Payment of loans repaid to parent companies and its subsidiaries	22	(4,500)
Bond issue costs	-	(313)
Proceeds of bond issue costs	-	20,000
Principal elements of lease payments	(1,764)	-
Contributions to sinking fund	(2,382)	-
Interest paid	(10,246)	(9,846)
Dividends paid	-	-
<b>Net cash used in financing activities</b>	<b>(16,181)</b>	(274)
<b>Net change in cash and cash equivalents</b>	<b>(19,353)</b>	11,422
Cash and cash equivalents at beginning of period	65,463	44,291
Effect of translation of group entities to presentation currency	(2,906)	632
<b>Cash and cash equivalents at end of period</b>	<b>43,204</b>	56,345

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**Notes to the financial statements**

**1. Summary of significant accounting policies**

The accounting policies adopted in the preparation of the 2020 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 2019.

**2. Tangible Fixed Assets**

Tangible fixed assets acquired during the period amounted to €7.8 million

**3. Related Party Transactions**

The Company has a related party relationship with its parent company, Corinthia Palace Hotel Company Limited (CPHCL), 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	413
Associated companies – Hotel management fee income	242

**4. 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.

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**5. Segmental Reporting – Information about reportable segments**

Hotels	2020	2019	2020	2019	2020	2019	2020	2019
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
	European countries	European countries	Eastern European countries	Eastern European countries	North Africa	North Africa	Total	Total
Segment revenue	24,142	68,254	9,335	31,020	3,239	1,212	36,716	100,486
EBITDA	(3,886)	12,286	(1,687)	8,985	259	(1,568)	(5,314)	19,703
Depreciation and	(11,020)	(10,155)	(2,539)	(2,895)	(1,255)	(1,311)	(14,814)	(14,361)
Segment profit or loss	(14,906)	2,131	4,226	6,090	(996)	(2,879)	(20,128)	5,342

Entity wide disclosure	Total	Total
	€'000	€'000
<b>Segment revenue</b>	36,716	100,486
Rental income from investment property	7,115	6,306
Hotel management company revenue	1,839	8,294
Catering business	4,886	9,681
Holding company revenue and other revenue	4,262	11,391
Elimination of intra group revenue	(1,533)	(13,634)
<b>Group revenue</b>	<b>51,709</b>	<b>122,524</b>
<b>Segment profit or loss</b>	(20,128)	5,342
Net rental income from investment property	6,274	5,378
Catering business	(2,126)	478
Unallocated items	(965)	1,589
Depreciation and amortisation	(3,592)	(2,978)
Movement in indemnification assets	-	(105)
	<b>20,537</b>	<b>9,704</b>
Share of loss from equity accounted investments	(1,029)	(1,018)
Finance income	557	2,040
Finance costs	(11,580)	(10,874)
Net foreign exchange translation differences	(4,061)	5,311
	<b>(36,650)</b>	<b>5,163</b>

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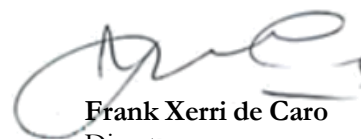
**Statement Pursuant to Listing Rule 5.75.3**

We confirm that to the best of our knowledge:

- the interim financial statements give a true and fair view of the financial position of International Hotel Investments p.l.c. as at 30 June 2020, and of its financial performance and its cashflows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 – Interim Financial Reporting), and
- the interim Directors' Report 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**  
Director

31 August 2020