



INTERNATIONAL HOTEL INVESTMENTS p.l.c.

## COMPANY ANNOUNCEMENT

### Approval of Financial Statements for 2010

The Board of Directors of International Hotel Investments p.l.c. has approved the Financial Statements for the year ended 31<sup>st</sup> December 2010.

A copy of the Preliminary Statement of Annual Results is attached and is available on the Company's website [www.ihiplc.com](http://www.ihiplc.com).

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

Alfred Fabri  
Company Secretary

1<sup>st</sup> April 2011



INTERNATIONAL HOTEL INVESTMENTS p.l.c.

## PRELIMINARY STATEMENT OF THE GROUP'S ANNUAL RESULTS

For the Year Ended 31 December 2010

### Condensed Income Statement

|  | 2010<br>€'000   | 2009<br>€'000  | 2008<br>€'000 |
|--|-----------------|----------------|---------------|
| Revenue  | 101,843         | 103,320        | 127,966       |
| Direct costs   | (52,509)        | (48,184)       | (57,449)      |
|  | 49,334          | 55,136         | 70,517        |
| Other operating costs                                    | (26,473)        | (23,511)       | (27,153)      |
|  | 22,861          | 31,625         | 43,364        |
| Depreciation and amortisation                            | (24,730)        | (24,779)       | (22,664)      |
| Impairment of goodwill                                   | -               | -              | (15,114)      |
| Increase in fair value of investment property            | 2,746           | 12,064         | 26,253        |
| Net impairment reversals (losses) on hotel properties    | 2,400           | (22,334)       | 3,543         |
| <b>Results from operating activities</b>                 | <b>3,277</b>    | <b>(3,424)</b> | <b>35,382</b> |
| Share of (loss) profit from equity accounted investments | (546)           | 14,483         | 622           |
| Finance income   | 607             | 2,071          | 5,512         |
| Finance costs  | (14,634)        | (12,590)       | (15,854)      |
| Net fair value gain (loss) on interest rate swaps        | 216             | (1,604)        | (3,294)       |
| Movement in reimbursement asset                          | (340)           | (505)          | (81)          |
| <b>(Loss) profit before tax</b>                          | <b>(11,420)</b> | <b>(1,569)</b> | <b>22,287</b> |
| Tax expense  | (1,651)         | (47)           | (8,284)       |
| <b>(Loss) profit for the year</b>                        | <b>(13,071)</b> | <b>(1,616)</b> | <b>14,003</b> |
| <b>Attributable to:</b>                                  |                 |                |               |
| Owners   | (12,531)        | (1,620)        | 13,602        |
| Non-controlling interest                                 | (540)           | 4              | 401           |
| <b>(Loss) profit for the year</b>                        | <b>(13,071)</b> | <b>(1,616)</b> | <b>14,003</b> |
| <b>Earnings per share</b>                                | <b>(0.02)</b>   | <b>(0.00)</b>  | <b>0.03</b>   |

### Condensed Statement of Comprehensive Income

|   | 2010<br>€'000   | 2009<br>€'000  | 2008<br>€'000 |
|---|-----------------|----------------|---------------|
| <b>(Loss) profit for the year</b>                                   | <b>(13,071)</b> | <b>(1,616)</b> | <b>14,003</b> |
| <b>Other comprehensive income:</b>                                  |                 |                |               |
| Revaluation of hotel properties                                     | (20,300)        | 2,671          | 36,320        |
| Translation difference  | 432             | 74             | -             |
| Share of other comprehensive income of equity accounted investments | 38,427          | (1,192)        | -             |
| Income tax relating to components of other comprehensive income     | (137)           | (1,297)        | (11,790)      |
| <b>Other comprehensive income for the year, net of tax</b>          | <b>18,422</b>   | <b>256</b>     | <b>24,530</b> |
| <b>Total comprehensive income (expense) for the year</b>            | <b>5,351</b>    | <b>(1,360)</b> | <b>38,533</b> |
| <b>Attributable to:</b>   |                 |                |               |
| Owners  | 5,891           | (1,364)        | 38,132        |
| Non-controlling interest  | (540)           | 4              | 401           |
|   | 5,351           | (1,360)        | 38,533        |

### Condensed Balance Sheet

|                                     | 2010<br>€'000    | 2009<br>€'000    | 2008<br>€'000    |
|-------------------------------------|------------------|------------------|------------------|
| <b>ASSETS</b>                       |                  |                  |                  |
| Non-current                         | 994,930          | 961,213          | 922,487          |
| Current                             | 58,332           | 76,467           | 100,147          |
| <b>Total assets</b>                 | <b>1,053,262</b> | <b>1,037,680</b> | <b>1,022,634</b> |
| <b>EQUITY</b>                       |                  |                  |                  |
| <b>Total equity</b>                 | <b>626,745</b>   | <b>622,745</b>   | <b>624,093</b>   |
| <b>LIABILITIES</b>                  |                  |                  |                  |
| Non-current                         | 369,129          | 339,587          | 336,644          |
| Current                             | 57,388           | 75,348           | 61,897           |
| <b>Total liabilities</b>            | <b>426,517</b>   | <b>414,935</b>   | <b>398,541</b>   |
| <b>Total equity and liabilities</b> | <b>1,053,262</b> | <b>1,037,680</b> | <b>1,022,634</b> |
| Net asset value per share           | 1.13             | 1.13             | 1.13             |

### Statement of Changes in Equity

|                                    | Share capital<br>€'000 | Revaluation reserve<br>€'000 | Translation reserve<br>€'000 | Other reserve<br>€'000 | Reporting currency conversion difference<br>€'000 | Accumulated losses<br>€'000 | Other total equity components<br>€'000 | Total attributable to owner<br>€'000 | Non-controlling interest<br>€'000 | Total equity<br>€'000 |
|------------------------------------|------------------------|------------------------------|------------------------------|------------------------|---|-----------------------------|--|--------------------------------------|-----------------------------------|-----------------------|
| Balance at 1 January 2008          | 537,099                | 47,715                       | (1,068)                      | 1,382                  | 443   | (11,207)                    | 4,206                                  | 578,570                              | 6,989                             | 585,559               |
| Profit for the year                | -                      | -                            | -                            | -                      | -   | 13,602                      | -                                      | 13,602                               | 401                               | 14,003                |
| Other comprehensive income         | -                      | 24,530                       | -                            | -                      | -   | -                           | -                                      | 24,530                               | -                                 | 24,530                |
| Total comprehensive income         | -                      | 24,530                       | -                            | -                      | -   | 13,602                      | -                                      | 38,132                               | 401                               | 38,533                |
| Issue of bonus share               | 16,113                 | (16,113)                     | -                            | -                      | -   | -                           | -                                      | -                                    | -                                 | -                     |
| Conversion of bonds                | 1                      | -                            | -                            | -                      | -   | -                           | -                                      | 1                                    | -                                 | 1                     |
| Transfer from accumulated losses   | -                      | -                            | -                            | (1,004)                | -   | 1,004                       | -                                      | -                                    | -                                 | -                     |
| <b>Balance at 31 December 2008</b> | <b>553,213</b>         | <b>56,132</b>                | <b>(1,068)</b>               | <b>378</b>             | <b>443</b>  | <b>3,399</b>                | <b>4,206</b>                           | <b>616,703</b>                       | <b>7,390</b>                      | <b>624,093</b>        |
| Balance at 1 January 2009          | 553,213                | 56,132                       | (1,068)                      | 378                    | 443   | 3,399                       | 4,206                                  | 616,703                              | 7,390                             | 624,093               |
| Loss for the year                  | -                      | -                            | -                            | -                      | -   | (1,620)                     | -                                      | (1,620)                              | 4                                 | (1,616)               |
| Other comprehensive income         | -                      | 1,374                        | 74                           | -                      | -   | -                           | (1,192)                                | 256                                  | -                                 | 256                   |
| Total comprehensive expense        | -                      | 1,374                        | 74                           | -                      | -   | (1,620)                     | (1,192)                                | (1,364)                              | 4                                 | (1,360)               |
| Conversion of bonds                | 12                     | -                            | -                            | -                      | -   | -                           | -                                      | 12                                   | -                                 | 12                    |
| Transfer to accumulated losses     | -                      | -                            | -                            | (378)                  | -   | 378                         | -                                      | -                                    | -                                 | -                     |
| <b>Balance at 31 December 2009</b> | <b>553,225</b>         | <b>57,506</b>                | <b>(994)</b>                 | <b>-</b>               | <b>443</b>  | <b>2,157</b>                | <b>3,014</b>                           | <b>615,351</b>                       | <b>7,394</b>                      | <b>622,745</b>        |
| Balance at 1 January 2010          | 553,225                | 57,506                       | (994)                        | -                      | 443   | 2,157                       | 3,014                                  | 615,351                              | 7,394                             | 622,745               |
| Loss for the year                  | -                      | -                            | -                            | -                      | -   | (12,531)                    | -                                      | (12,531)                             | (540)                             | (13,071)              |
| Other comprehensive income         | -                      | 20,124                       | 337                          | -                      | -   | -                           | (2,039)                                | 18,422                               | -                                 | 18,422                |
| Total comprehensive income         | -                      | 20,124                       | 337                          | -                      | -   | (12,531)                    | (2,039)                                | 5,891                                | (540)                             | 5,351                 |
| Issue of bonus shares              | 1,764                  | (1,764)                      | -                            | -                      | -   | -                           | -                                      | -                                    | -                                 | -                     |
| Treasury shares                    | (751)                  | -                            | -                            | -                      | -   | -                           | -                                      | (751)                                | -                                 | (751)                 |
| Dividend                           | -                      | -                            | -                            | -                      | -   | -                           | -                                      | -                                    | (600)                             | (600)                 |
| Transfer to accumulated losses     | -                      | -                            | -                            | -                      | -   | 347                         | (347)                                  | -                                    | -                                 | -                     |
| <b>Balance at 31 December 2010</b> | <b>554,238</b>         | <b>75,866</b>                | <b>(657)</b>                 | <b>-</b>               | <b>443</b>  | <b>(10,027)</b>             | <b>628</b>                             | <b>620,491</b>                       | <b>6,254</b>                      | <b>626,745</b>        |

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INTERNATIONAL HOTEL INVESTMENTS p.l.c.

## PRELIMINARY STATEMENT OF THE GROUP'S ANNUAL RESULTS

For the Year Ended 31 December 2010

### Condensed Cash Flow Statement

|  | 2010<br>€'000   | 2009<br>€'000   | 2008<br>€'000   |
|--|-----------------|-----------------|-----------------|
| Net cash from operating activities               | 19,020          | 26,810          | 44,214          |
| Net cash used in investing activities            | (23,787)        | (59,680)        | (93,541)        |
| Net cash (used in) from financing activities     | (18,237)        | 11,227          | (46,489)        |
| <b>Net decrease in cash and cash equivalents</b> | <b>(23,004)</b> | <b>(21,643)</b> | <b>(95,816)</b> |
| Cash and cash equivalents at beginning of year   | 48,254          | 69,897          | 165,713         |
| <b>Cash and cash equivalents at end of year</b>  | <b>25,250</b>   | <b>48,254</b>   | <b>69,897</b>   |

### Selected Explanatory Notes

#### Basis of Preparation

This preliminary statement of annual results is being published in terms of the MFSA Listing Rule 5.54 issued by the Malta Financial Services Authority – Listing Authority.

#### Accounting Policies

The accounting policies 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 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 2010, the Group's activities were hampered by the continued difficult business environment although some encouraging signs of recovery were witnessed in the second half of the year. The sluggish economic recovery was also negatively affected by the austerity measures introduced in countries that provide the Group's feeder markets.

At €101.8 million, the Group's revenues for the year remained substantially on the same levels as those of the previous year (€103.3 million). This small reduction in revenue was mainly the result of a drop of €8.5 million in the Group's hotel in Tripoli which was partly compensated by increases in the Group's hotel properties in Lisbon (€3.5 million) and in St Petersburg (€3.9 million). The performance of the Corinthia Hotel Tripoli was negatively affected by visa restrictions over a six-week period, the increased competition and a general slowdown in business. On the other hand, the Corinthia Hotel Lisbon is steadily regaining lost ground while the Corinthia Hotel St Petersburg is now benefitting from a higher room-stock following the completion of the refurbishment project in 2009, and from the general economic recovery in the Russian Federation.

Direct and Other Operating Costs increased by €7.3 million on the previous year. This increase was principally attributable to higher operating costs incurred by those hotels which registered a higher level of activity, and to higher corporate costs. This was only partially mitigated by a reduction in operating costs in Tripoli due to a cost structure which inevitably is more leveraged on fixed and semi-variable costs. On the other hand, the major reduction in the revenue from this property was due to a reduction in the room rate rather than from a lower occupancy rate.

The increase of €2.7 million in the fair value of investment properties in 2010 is mainly attributable to the commercial centre in St Petersburg. In 2009 the Group had recognised an uplift of €12.1 million, principally in the value of the Commercial Centres in St Petersburg (€5.7 million) and in Tripoli (€4.6 million).

The improvement in the results and the business outlook of the Lisbon hotel also enabled the Group to recognize a reversal of an impairment charge of €2.4 million taken on this property in previous years. In 2010, with the exception of the Corinthia Tripoli Hotel, all the Group's properties retained, or, if anything, improved their carrying book values. Conversely, in 2009 the Group had recognised a total impairment charge of €22.3 million, principally on account of the Corinthia Hotel Prague (€13.7 million), and the Corinthia Hotel Budapest (€7.9 million).

The 2010 share of loss from 'equity accounted investments' reflects the pre-opening and marketing costs incurred by the Corinthia Hotel London in preparation for its planned opening in 2011. A loss on the interest rate swap arrangement of €5.5 million was offset by a revaluation uplift on the apartments of €5.3 million. The profit of €14.5 million registered in 2009 was the result of an uplift in the value of the London apartments held as Investment Properties.

Finance income dropped by €1.5 million when compared to 2009 as the Group continued to use its surplus cash to finance its investments.

Finance costs increased by €2.0 million as a result of higher Euribor rates, interest incurred on the €35 million bond issued in April 2010, and interest on a new re-financing loan.

After consecutive losses in 2008 and 2009, in 2010 there was a gain of €0.2 million with respect to the two interest rate swaps that had been entered into on the Prague and Lisbon properties. This was in consequence of the market expectation of future increases in the Euribor rate.

Notwithstanding that the Group registered a loss before tax of €11.4 million, it is showing a tax expense of €1.7 million. This was mainly due to the fact that in 2009 the Group had not provided for tax payable by one of its subsidiary companies for the period October 2008 to December 2009 on the understanding that this period was within the scope of a tax holiday. Discussions were held with the competent foreign tax authorities for the formalisation of an agreement in this regard but since no final agreement has yet been reached, the Group has now fully provided for this potential liability.

In 2010 the Group registered a Loss after Tax of €13.1 million compared to a Loss of €1.6 million in 2009.

In the Statement of Comprehensive Income, the Group was adversely hit by an impairment charge of €20.3 million on the book value of the Tripoli hotel as at 31 December 2010, resulting from the expected reduction in its future profitability. Against this, the Group registered a significant gain of €38.4 million through an uplift in the value of the London hotel property net of finance related costs.

After taking into account the net Comprehensive Income amounting to €18.4 million, the Total Comprehensive Income for the year amounted to €5.4 million as compared to a loss of €1.4 million registered in 2009.

#### State of Affairs

In December 2010 IHI acquired the 'Corinthia' brand from its parent company Corinthia Palace Hotel Company Limited for €19.6 million. The agreement also provides for a ten-year period within which any addition of Corinthia-branded rooms will result in an additional payment of €6,400 per room.

In the meantime the reconstruction project of the Corinthia Hotel and Residences, London, is now nearing full completion in line with the planned schedule and the hotel has just opened its doors for business. This luxury hotel is expected to significantly raise the profile of the Group's brand and hotel portfolio and a number of promotional events are being held in conjunction with this hotel opening.

#### Outlook

During 2010, the Group generally benefitted from a slow but steady recovery in business and this trend is expected to continue in 2011. Notwithstanding this and in order to reduce the risks of the current volatility of the global economies, the Group continued to follow its strategy of improving its operational efficiencies and retaining prudent loan to equity ratios.

#### Post-reporting date event

Following the recent unrest in Libya, the Directors have been monitoring the situation very carefully. The safety and security of our employees is paramount. The Company continued to take immediate and appropriate action in the best interest of its shareholders, employees and other stakeholders. The Corinthia Hotel Tripoli has remained operational albeit with a reduced level of activity and staff complement commensurate with the current business demand. The Directors are of the opinion that it is premature to provide estimates of the consequences of these events that are unfolding.

The Group's business activities are spread in different countries and this strategy provides a natural hedge against localised problems. However, the events in Libya will affect the Company's current year's performance and may also adversely affect its future performance and financial position.

The Company also implemented the restrictive measures with respect to the shareholding in the Company held by Libyan Foreign Investment Company. It is important to note, however, that although these UN and EU sanctions were implemented to freeze the shareholdings of Libyan entities in companies worldwide, they are not intended to disrupt the operations of such latter companies. The Company has sought and obtained the necessary clarifications and licenses from Governments in various jurisdictions in order to enable it to continue trading.

#### Statement pursuant to Listing Rule 5.54.6 issued by the Listing Authority

We confirm that this Preliminary Statement of the Group's Annual Results has been agreed with the Group's auditors.

Alfred Pisani  
Chairman & CEO

Joseph Fenech  
Managing Director

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