



INTERNATIONAL HOTEL INVESTMENTS p.l.c.

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by International Hotel Investments Plc pursuant to Malta Stock Exchange Bye-Law 6.05.04 (i) and (ii).

IHI acquires the Nevskij Palace Hotel in St Petersburg

International Hotel Investments Plc (IHI) has signed a Sale & Purchase Agreement with the City of St Petersburg, providing for the acquisition of the five-star Nevskij Palace Hotel in January 2002.

The Nevskij Palace Hotel is one of the main hotels of the City of St Petersburg, Russia's former capital. It was built in 1989 on the City's principal boulevard, boasting of 285 guestrooms and suites, besides ancillary facilities including various restaurants and conference halls. Since its opening, the hotel has enjoyed occupancies and average room rates that have consistently delivered healthy gross operating profits.

Apart from the hotel itself, under separate arrangements with the City of St Petersburg, IHI will also be taking over four additional properties on either side of the main hotel building. Two of the buildings are currently unused and offer huge potential for commercial development given their extensive frontage on St Petersburg's main boulevard. The other two additional properties are located at either end of the Hotel's reverse frontage. One of these buildings is an entertainment and shopping complex, which is in an advanced state of completion. The second is an office complex, most of which is already leased to third parties.

IHI concluded the acquisition following complex negotiations with the City of St Petersburg, which was the guarantor of a loan given by Austrian Banks to originally build the hotel, and with the Austrian Government which had insured the said loan. Both parties were in litigation over this loan and IHI successfully organized an agreement between the City and the Austrian Government resulting in IHI taking over the hotel and four other City prime properties for approximately US\$40 million. IHI has already negotiated and initialled loan funding with Creditanstalt AG of Austria.

Alfred Fabri
Company Secretary

3rd December 2001