INTERNATIONAL HOTEL INVESTMENTS P.L.C.

# COMPANY ANNOUNCEMENT

## Information to maintain a fair market

International Hotel Investments p.l.c. is issuing the enclosed statement to maintain a fair market.

Alfred Fabri
Company Secretary

11 December 2014

*Encl.*

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INTERNATIONAL HOTEL INVESTMENTS P.L.C.

**11 December 2014**

**BUSINESS AND STRATEGIC UPDATE**

IHI is in the business of developing, owning and operating five-star hotels and commercial real estate in several countries.

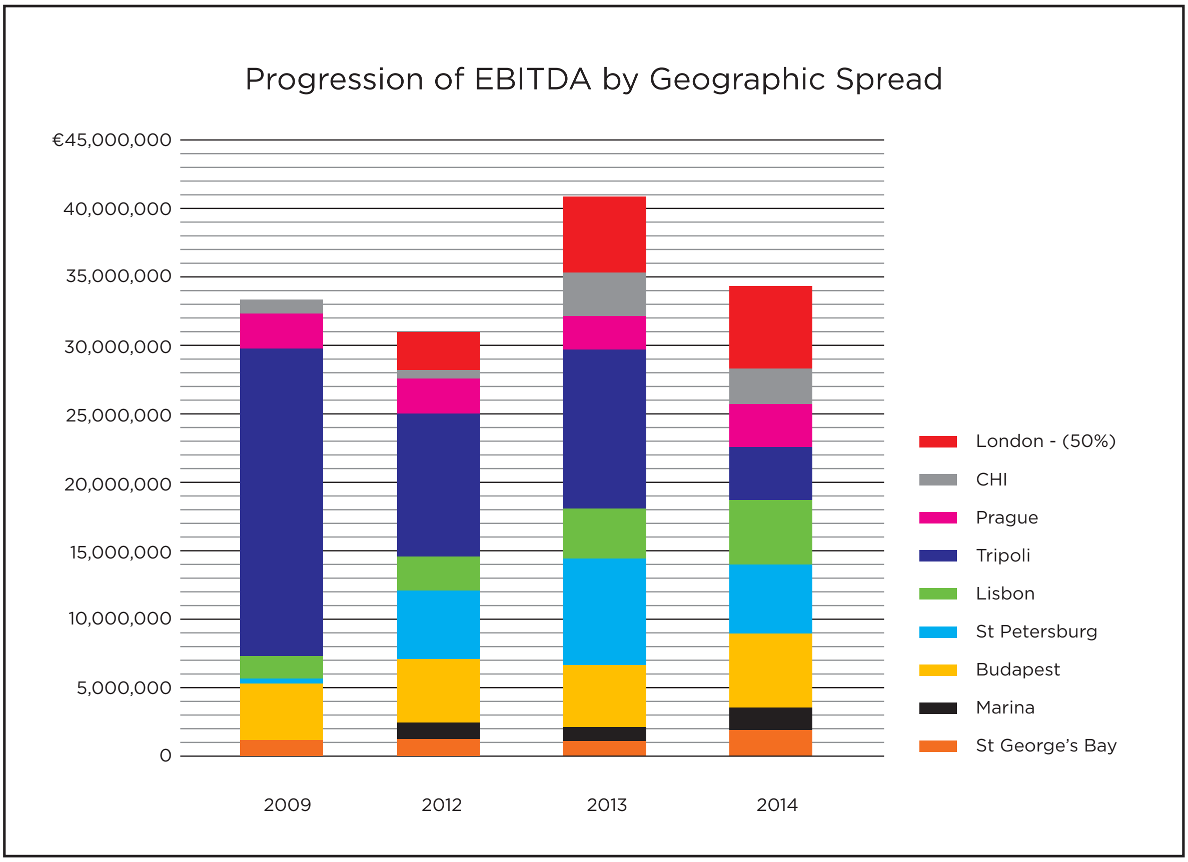
By its very nature, our business thrives on opportunities arising in distinct jurisdictions. The counter is that force majeure situations arising in certain countries impact our consolidated results. The challenge to IHI over recent years has been to identify a business strategy that is not overly dependent on any one subsidiary business in any one particular country, but to migrate towards a balanced geographic spread in our EBITDA contribution.

In this, IHI has succeeded. To the extent that the challenges in each of Tripoli and St Petersburg taking hold in 2014, have been mitigated by record EBITDA results in our other hotels in Malta, Budapest, Lisbon and London and markedly improving profits in our hotel in Prague.

The graphic overleaf, amply demonstrates the point. We have selected four years to demonstrate this progression, these being 2009 as the first year of the financial crises in the western world, when our hotel in Tripoli was riding the crest of an investment wave in Libya, moving onto 2012, the first in post revolutionary Libya, and finally, our results for 2013 and current results for 2014, which are reflecting actual data to November and a forecast for December.

In 2009, 66% of our EBITDA was generated by our one hotel and commercial centre in Tripoli.

In 2014, not one of our businesses contributes more than 17% of our EBITDA, the largest contributor being our 50% share in the London hotel, considered to be in a stable investment jurisdiction.




Equally importantly, notwithstanding our Tripoli hotel's slide in nominal terms from €22m EBITDA in 2009 to €3.8m this year, and the further negative impact, principally of the Ruble devaluation on our Euro results, in St Petersburg, our consolidated EBITDA for 2014 is actually ahead of 2009, €33.8m in 2014 versus €33.3m in 2009.

**2015**

We will maintain a vigilant eye on our business in Tripoli in 2015, where we have kept the hotel open notwithstanding occupancies of 10 to 20% throughout the latter half of this year. Our aim has been to break even in the hotel operation, and to ensure payroll and other operating costs are matched to operating income and contribute in some manner towards general overheads such as utilities, security and maintenance. The adjoining commercial centre, which drives some €6m in rent income annually, continues to be occupied by our oil-sector blue chip tenants.

In St Petersburg, we are in the throes of a strategic refocus. We have an entirely new management team in place, headed by a new General Manager engaged in the latter half of the year, as well as a new Finance Director, a new Revenue Manager, a new Head Chef and a new Hotel Operational Manager who are all taking up their positions at the turn of the year. The challenge set to this team is to target as much business as possible from within Russia itself and to operate the hotel with a wide range of room rates targeting upscale corporate to luxury travellers. 35% of our revenue in the hotel this year has been from within Russia, as compared to 25% in 2013. The hotel has opened an office in Moscow, and a Russian version of our website is online. The hotel is focused on increasing business from Russian and other online travel agencies. The result has been occupancies remaining stable when compared to last year, and likewise room rates stabilizing when measured in Rubles. The key concern remains the Ruble exchange rate when translating our financial statements into Euro, considering the 40% plus devaluation in the past six months.

**Budgets**

Our budgets for 2015 have been set assuming zero growth in Libya and marginal growth, mainly through a Ruble correction, in St Petersburg. Our hotels in Malta, London, Lisbon, Prague and Budapest are all budgeted to register further improvements in 2015, with an expectation to regain the record €42m profit levels of 2013 by 2016.

The geographic diversity of our income and our future expectations are not casual. They are the consequence of a deliberate spread of our capital between stable and emerging economies, and more so, the result of investment and effort in our hotel operating capabilities in CHI Limited, our 100% owned hotel management subsidiary. CHI is a business in its own right, and its function is to use industry-standard fees it levies on our own hotels to drive incremental revenue and bookings into our hotel, and to ensure that our service matches five star expectations through extensive training and the adoption of operating standards and procedures that reflect our Corinthia Brand ethos.

In 2009, very little of our hotel's revenue was booked into our hotels without some form of reliance on third party tour operators and travel management companies. By 2014, we have established an entirely proprietary booking infrastructure, with our own website at its apex backed by extensive, ongoing investment in search engine optimization, pay per click positioning, social media, public relations and on top of all this, an aggressive and scientific approach to revenue management and yielding of rates versus occupancy demands.

Some statistics would be useful to demonstrate the points being made:

In 2014, up to October, 20% of all room revenue in our hotels, excluding Tripoli, was driven through our own website and GDS codes. Such business carries no commissions and is driven entirely on the strength of Corinthia's brand and online presence. A further 16% of our revenue was driven via our own infrastructure through third party travel agencies linking into our booking engines. The rest was booked directly into each of our hotels. This is a marked change to the booking patterns prevailing in 2009 and earlier.

Investment in quality, standards and training, running into millions of Euro, has also been core to the strategy over recent years, especially considering that online bookings are more likely than not to make reference to actual customer reviews on social media and travel websites. In today's online world, there can be no hiding, and service in our hotels is fundamental to our strategy.

This is the bedrock of CHI as a management company.

**The Future**

IHI is looking ahead with confidence. Firstly, we have confidence that our business can thrive notwithstanding the challenges in Libya. On a positive note, the further upside to the company as and when Libya reverts to stability are tremendous as can be evidenced by our 2009 numbers.

Meanwhile, we will look ahead with particular focus on those areas where we see particular potential for growth.

Here in Malta, we are evaluating options on the future of our two hotels in St George's Bay, aiming to provide the country with a six star hotel similar to what we have achieved in London and elsewhere whilst also aiming to maximize land use.

In Budapest, where we are trading at the number one position in our competitive set, we are moving into new markets, in particular the suite business from the USA, riding on the coattails of our London hotel.

In Prague and Lisbon, we are focusing on a continued aggressive revenue management strategy to maximize our rates.

Our operating company CHI is also geared towards growth, managing not only our owned hotels but more so new hotels owned by other investors and developers worldwide. In getting to secure such management agreements, IHI is also organizing itself to provide a development service to secure opportunities for 3rd party investors and lead such projects all the way from land acquisition through to financing, design, construction and delivery, in return for development fees, before being passed on to CHI for operational management, also in return for fees. Discussions on these grounds are taking place in jurisdictions such as Rome, as also in the USA.

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