

International Hotel Investments p.l.c.

Interim Financial Statements (Unaudited)

For the six-month period

1 January 2021 to 30 June 2021

International Hotel Investments p.l.c.
Interim Financial Statements
For the period from 1 January 2021 to 30 June 2021

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Directors' Report

Six-month period ended 30 June 2021

Basis of Preparation

The published figures for the reporting period 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 2021 and the comparative period in 2020. Comparative balance sheet information as at 31 December 2020 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 disruption caused by COVID-19 on the global hospitality industry remains ongoing. The period January to June 2021 is the first full half-yearly reporting period under such conditions with the results of the comparative period in 2020 including results under a normalised situation for January, February and up to mid-March 2020.

Upon closing or significantly reducing operations in its hotels in March and April 2020, the Company implemented a series of measures intended to drastically reduce operating costs, principally payroll saving measures across the board, addressing the largest single item of cost in the business. The Company also tapped into various Governmental support schemes covering payroll and other forms of subsidies and support in several countries where it operates. The Company is still benefiting from such schemes in a number of territories.

In this unprecedented situation the Group registered revenue of €34.6 million in the first six months of 2021 of which approximately 30% is not hotel-related. The Company posted a negative EBITDA of €0.8 million for the period under review. This compares to revenue of €51.7 million and a negative EBITDA of €2.1 million in the corresponding period last year. This performance clearly evidences the fact that despite a 33% reduction in revenue during the reporting period relative to the corresponding period in 2020, the strict measures of control implemented on payroll and other operating costs were effective to the extent that the EBITDA loss between the two reporting periods actually reduced by €1.3 million.

In reviewing the financial results for the first six months of 2021, one should also note the following:

Compared to 2020, net depreciation charges decreased by €2.5 million on account of fully depreciated assets, mainly in London.

Interest income and expense are in line with last year with additional interest cost in some properties offset by lower interest in others, on account of loan capital repayments.

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Directors' Report - continued

Period ended 30 June 2021

The share of associates' and joint ventures' results in the comparative period include the Golden Sands Resort joint venture for the full six months whereas in 2021 this is included for the first two months of the year until its acquisition in February. Following the acquisition, the assets and liabilities, and results of this operation are consolidated in the Group.

Net foreign exchange translation differences represent the unrealised exchange movements registered mainly in Libya following the devaluation of the Libyan dinar in early January 2021.

As a result of the above, during the period under review, the Group registered a loss after tax of €26.4 million compared to a loss of €30.1 million reported in the same period last year.

The gain, net of tax, of €10.1 million in the Statement of Comprehensive Income principally reflects the currency translation difference on the Group's non-Euro denominated investments in London and in St Petersburg, in consequence of an improvement in Sterling and Rouble respectively against the reporting currency of the Group which is the Euro.

State of Affairs and Outlook

Following periods of intermittent lockdowns and significant disruptions, all the Company's hotels and businesses are now open. Demand varies from country to country, with the highest performances being registered in countries with strong local markets, such as the UK and Russia, where our hotels in London and St Petersburg have fared the best within the Company's hotels portfolio. In any case, in all our hotels and businesses, management remains entirely focused on maintaining tight disciplines on all operating costs including payroll whilst making sure that the business is well equipped for a return of demand. In almost all countries where it operates, the Company's most imminent challenges are related to labour shortages as the industry generally struggles to attract back workers as demand increases.

All CAPEX remains tightly controlled.

The Company's targets for year-end are not overly ambitious, and financial planning is based on cautious revenue expectations and the continuation of subsidies and support schemes only to the extent that these have been publicly committed.

In terms of cash and bank balances, as at end of June 2021, the Group had available resources of €39.1 million plus €9 million in marketable investments.

The Company remains focused on its new projects. Works are underway on Corinthia Hotel projects on site in Doha, Rome, New York, Bucharest 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.

The redevelopment of the Grand Hotel Astoria in Brussels is ongoing with the main packages of the construction contract awarded to a renowned Belgian contractor. The Company has a 50% share in this project. In Malta, the Group has submitted plans for the building of a low-lying, highly landscaped resort for the site formerly known as Hal Ferh.

On the basis of the above the Group is confident to emerge successfully from the difficult situation of the pandemic.

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Directors' Report - continued

Period ended 30 June 2021

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 (Resigned 8 July 2021)
Mr Abdalnaser Ahmida
Mr Reyad Mohamed Hobba (Appointed 8 July 2021, Resigned 23 July 2021)
Mr Moussa Atiq Ali (Appointed 23 July 2021)
Mr Hamad Buamim
Mr Douraid Zaghouni
Mr Joseph Pisani
Mr David Curmi
Mr Joseph Fenech (Appointed 20 April 2021)
Dr Joseph J Vella (Resigned 20 April 2021)

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 2021 €'000	1 January to 30 June 2020 €'000
Revenue	34,618	51,709
Direct costs	<u>(18,240)</u>	<u>(32,166)</u>
	16,378	19,543
Marketing costs	(1,686)	(3,791)
Administrative expenses	(11,866)	(14,549)
Other operating expenses	<u>(3,652)</u>	<u>(3,335)</u>
EBITDA	(826)	(2,132)
Depreciation and amortisation	(15,920)	(18,405)
Other losses arising on property, plant and equipment	(49)	-
Results from operating activities	<u>(16,795)</u>	<u>(20,537)</u>
Net changes in fair value of financial assets through profit and loss	629	366
Finance income		
- interest and similar income	218	191
Finance costs		
- interest expense and similar charges	(12,140)	(11,580)
- net exchange differences on borrowings	(1,777)	(4,061)
Share of net loss of associates and joint ventures accounted for using the equity method	<u>(292)</u>	<u>(1,029)</u>
Loss before tax	<u>(30,157)</u>	<u>(36,650)</u>
Tax credit	3,775	6,592
Loss for the period	<u>(26,382)</u>	<u>(30,058)</u>
Loss for the period attributable to:		
- Owners of IHI	(22,279)	(25,046)
- Non-controlling interests	<u>(4,103)</u>	<u>(5,012)</u>
	<u>(26,382)</u>	<u>(30,058)</u>

Interim Statement of Comprehensive Income - the Group

	1 January to 30 June 2021 €'000	1 January to 30 June 2020 €'000
Loss for the period	(26,382)	(30,058)
Other comprehensive income / (loss):		
Translation reserve	18,182	(36,849)
Income tax relating to components of other comprehensive income	(747)	1,667
Share of other comprehensive income of joint ventures and associates accounted for using the equity method		
- currency translation differences	(7,346)	-
Other comprehensive income / (loss) for the period, net of tax	10,089	(35,182)
Total comprehensive (loss) for the period	(16,293)	(65,240)

Interim Statement of Financial Position - the Group

	30 June 2021 €'000	31 December 2020 €'000
Assets		
Non-current		
Intangible assets	48,861	44,639
Indemnification assets	23,395	23,396
Investment property	195,619	191,355
Property, plant and equipment	1,177,479	1,102,885
Right-of-use assets	11,323	11,690
Deferred tax assets	13,651	14,214
Investments accounted for using the equity method	4,838	31,831
Financial assets at fair value through profit or loss	7,404	7,198
Other financial assets at amortised cost	5,679	6,739
Trade and other receivables	196	-
	1,488,445	1,433,947
Current		
Inventories	12,659	10,647
Other financial assets at amortised cost	43	43
Trade and other receivables	30,106	35,106
Current tax asset	3,198	3,324
Financial assets at fair value through profit or loss	8,745	9,250
Cash and cash equivalents	39,082	46,145
Assets placed under trust arrangement	7,780	5,637
	101,613	110,152
Total assets	1,590,058	1,544,099

Interim Statement of Financial Position - the Group

	30 June 2021 €'000	31 December 2020 €'000
Equity and liabilities		
Equity		
Capital and reserves attributable to owners of IHI:		
Issued capital	615,685	615,685
Revaluation reserve	20,365	20,365
Translation reserve	(25,017)	(27,071)
Reporting currency conversion difference	443	443
Other components of equity	2,617	2,617
Retained earnings	(31,082)	(8,803)
	<u>583,011</u>	<u>603,236</u>
Non-controlling interests	173,872	169,940
Total equity	<u>756,883</u>	<u>773,176</u>
Liabilities		
Non-current		
Trade and other payables	12,528	5,250
Bank borrowings	348,417	345,920
Bonds	203,246	203,061
Lease liabilities	8,610	9,486
Other financial liabilities	17,758	281
Deferred tax liabilities	92,041	87,023
Provisions	206	206
	<u>682,806</u>	<u>651,227</u>
Current		
Trade and other payables	82,350	69,000
Bank borrowings	43,604	27,227
Bond	19,969	19,938
Lease liabilities	3,184	2,591
Other financial liabilities	126	120
Current tax liabilities	1,136	820
	<u>150,369</u>	<u>119,696</u>
Total liabilities	<u>833,175</u>	<u>770,923</u>
Total equity and liabilities	<u>1,590,058</u>	<u>1,544,099</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
Balance at 1 January 2020	615,685	27,538	475	443	2,617	54,247	701,005	196,142	897,147
Loss for the period	-	-	-	-	-	(25,046)	(25,046)	(5,012)	(30,058)
Other comprehensive loss	-	-	(22,755)	-	-	-	(22,755)	(12,427)	(35,182)
Total income and expenses for the period	-	-	(22,755)	-	-	(25,046)	(47,801)	(17,439)	(65,240)
Balance at 30 June 2020	615,685	27,538	(22,280)	443	2,617	29,201	653,204	178,703	831,907
Loss for the period	-	-	-	-	-	(38,004)	(38,004)	(7,587)	(45,591)
Other comprehensive loss	-	(7,173)	(4,791)	-	-	-	(11,964)	(1,176)	(13,140)
Total income and expenses for the period	-	(7,173)	(4,791)	-	-	(38,004)	(49,968)	(8,763)	(58,731)
Balance at 31 December 2020	615,685	20,365	(27,071)	443	2,617	(8,803)	603,236	169,940	773,176
Loss for the period	-	-	-	-	-	(22,279)	(22,279)	(4,103)	(26,382)
Other comprehensive income	-	-	2,054	-	-	-	2,054	8,035	10,089
Total income and expenses for the period	-	-	2,054	-	-	(22,279)	(21,386)	3,932	(16,293)
Balance at 30 June 2021	615,685	20,365	(25,017)	443	2,617	(31,082)	583,011	173,872	756,883

Interim statement of cash flows - the Group

	1 January to 30 June 2021 €'000	1 January to 30 June 2020 €'000
Loss before tax	(30,157)	(36,650)
Adjustments	31,016	36,864
Working capital changes:		
Inventories	(431)	626
Trade and other receivables	6,046	6,944
Advance payments	(78)	153
Trade and other payables	5,620	(2,844)
Cash generated from operations	12,016	5,093
Tax paid	(187)	(39)
Net cash generated from operating activities	11,829	5,054
Investing activities		
Payments to acquire property, plant and equipment	(4,990)	(7,754)
Payments to intangible assets	(452)	(76)
Acquisition of subsidiaries	(14,689)	-
Acquisition of other investments		(1)
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	(1,583)	-
Interest received	218	164
Loan to parent company	-	88
Net cash used in investing activities	(18,330)	(8,226)
Financing activities		
Bank finance advanced – net of arrangement fees	16,581	1,500
Repayment of bank borrowings	(23,120)	(3,310)
Payment of loans repaid to parent companies and its subsidiaries	17,483	22
Bond issue costs	-	-
Proceeds of bond issue costs	-	-
Principal elements of lease payments	(584)	(1,764)
Contributions to sinking fund	(2,143)	(2,382)
Interest paid	(10,960)	(10,246)
Dividends paid		
Net cash used in financing activities	(2,743)	(16,181)
Net change in cash and cash equivalents	(9,244)	(19,353)
Cash and cash equivalents at beginning of period	36,383	65,463
Effect of translation of group entities to presentation currency	(1,021)	(2,906)
Cash and cash equivalents at end of period	26,118	43,204

Notes to the Financial Statements

1. Summary of significant accounting policies

The accounting policies adopted in the preparation of the 2021 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 2020.

2. Tangible fixed assets

Tangible fixed assets acquired during the period amounted to €5 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	275
Associated companies – Hotel fee income	221

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 €7.7 million for this purpose.

Notes to the Financial Statements

5. Segmental Reporting – Information about reportable segments

Hotels	2021	2020	2021	2020	2021	2020	2021	2020
	€'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	15,984	24,142	7,466	9,335	1,525	3,239	24,975	36,716
EBITDA	(3,191)	(3,886)	1,066	(1,687)	(201)	259	(2,326)	(5,314)
Depreciation and amortisation	(9,009)	(11,020)	(2,539)	(2,539)	(1,270)	(1,255)	(12,818)	(14,814)
Segment profit or loss	(12,200)	(14,906)	(1,473)	(4,226)	(1,471)	(996)	(15,144)	(20,128)

Entity-wide disclosure	Total €'000	Total €'000
Segment revenue	24,975	36,716
Rental income from investment property	7,957	7,115
Hotel management company revenue	2,215	1,839
Catering business	2,769	4,896
Holding company revenue and other revenue	4,177	3,343
Elimination of intra group revenue	(7,475)	(2,200)
Group revenue	34,618	51,709
Segment profit or loss	(15,144)	(20,128)
Net rental income from investment property	8,248	6,274
Catering business	(608)	(2,125)
Other write-offs	(49)	-
Unallocated items	(3,819)	(3,210)
Depreciation and amortisation	(3,102)	(3,592)
Consolidation adjustment	(2,321)	2,244
	(16,795)	(20,537)
Share of loss from equity accounted investments	(292)	(1,029)
Finance income	218	191
Finance costs	(12,140)	(11,580)
Net foreign exchange translation differences	(1,777)	(4,061)
Net fair value loss on investment	629	366
	(30,157)	(36,650)

Statement Pursuant to Listing Rules 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 2021, 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 2021