

International Hotel Investments p.l.c.

Interim Financial Statements (Unaudited)

For the six-month period

1 January 2023 to 30 June 2023

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International Hotel Investments p.l.c.
Interim Financial Statements
For the period from 1 January 2023 to 30 June 2023

Directors' Report

Six-month period ended 30 June 2023

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 2023 and the comparative period in 2022. Comparative balance sheet information as at 31 December 2022 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 Capital Markets Rule 5.74 issued by the Listing Authority and has been prepared in accordance with the applicable Capital Markets Rules and International Accounting Standard 34, 'Interim Financial Reporting'. In terms of Capital Markets 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 Group registered total revenues of €124.8 million compared to €95.8 million in the corresponding period last year, an increase of 30%. The 2023 interim report is the first report not influenced by direct curbs on performance due to Covid, noting that the first months of 2022 were impacted by the Omicron variant. Total revenues in the first half of 2023 are now at 95% of pre-pandemic levels registered in the same period for 2019. Revenue in most operations is on par with 2019 levels, with London leading - with an increase of €6 million on 2019. Hotels dependent on conference business are registering a slower recovery as expected given the long lead time typical of bookings for this market segment.

The Group registered an EBITDA of €18.78 million in the first half the year compared to €17.3 million in the corresponding period last year. EBITDA conversion at 15% is impacted by inflationary pressures on payroll and other costs such as energy, the latter especially in Budapest, as well as exchange rate movements when converting actual performance from local currencies such as the Rouble and Sterling into Euro. The Group's operating subsidiary Corinthia Hotels Limited is also incurring pre-opening costs and taking on new, senior personnel as this company ramps up its activity, expertise and resources in advance of the opening of several new, luxury Corinthia hotels in 2024 and 2025, which will drive revenues to the Group only once such hotels are operating. EBITDA conversion in the corresponding period last year was positively impacted by wage subsidies. Notwithstanding, the Group's focus on cost controls is ongoing with a particular focus on manning levels, which remain lower than 2019 levels on a like-for-like basis, benefitting to some degree from efficiencies which had arisen in the pandemic. Furthermore, given seasonality factors, the Group expects conversion levels to stabilise at past years' levels by the end of this year.

In reviewing the financial results for the first six months of 2023, one should also note the following:

Interest income and expense has been impacted by the increase in base rates as Central bankers battle inflationary pressures. Interest cost increased by €4.5 million from €12.8million in the corresponding period to €17.3 million on account of these base rate increases and net increases in debt.

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Directors' Report - continued

Period ended 30 June 2023

Last year, in advance of imminent sanctions, and acting on expert advice, the group fully repaid an outstanding loan in St Petersburg then owing to a bank which eventually was indeed placed on a list of sanctioned entities by the European Union. Net foreign exchange translation difference gains of €10.5 million reported in our financial statements last year represent realised exchange movements arising from this repayment, which were one-off in nature. This payment removed exchange volatility from debt denominated in a currency different from the function currency of the operation.

All of the above results in a loss after tax of €11.7 million being reported compared to a profit of €0.8 million in the same period last year

The net loss, net of tax, of €6.2 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. The Sterling strengthened whilst the Rouble weakened against the reporting currency of the Group which is the Euro.

State of Affairs and Outlook

Our hotel in London is exceeding expectations and is already recording revenues at 118% of 2019. Except conference hotels, our other hotels are performing at 2019 levels or better. In all our hotels and businesses, management remains entirely focused on maintaining tight discipline on all operating costs. As in the corresponding period, in all countries where the company operates, its most imminent challenges are related to labour shortages as the industry generally struggles to attract workers as demand increases combined with inflationary pressures on costs and energy. The Company's targets for year-end and financial planning are based on revenue expectations that are in line with our original forecasts.

All CAPEX remains tightly controlled. In terms of cash and bank balances, as at end of June 2023, the Group had available resources of €58.5 million.

The Company through its operating entity Corinthia Hotels Limited remains focused on a growth strategy through management agreements. Works are now well underway on projects on sites in Doha, Rome, New York, Riyadh, Maldives and Bucharest, where Group subsidiary companies are involved as development partners, technical services providers and hotel operators, with practically all of the capital funding for these projects being provided by third parties. These hotels are expected to open in phases as of 2024.

Furthermore, growth is also being achieved through capital investment in owned hotel projects. The redevelopment of the Grand Hotel Astoria in Brussels is ongoing with a target date of Q2 2024 set for opening. The Company has a 50% share in this project.

In Malta, the Group is awaiting planning decisions after it has submitted plans for the building of a low-lying, highly landscaped resort for the owned site formerly known as Hal Ferh.

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For the period from 1 January 2023 to 30 June 2023

Directors' Report - continued

Period ended 30 June 2023


Directors

At the date of this report, the Directors of the Group are as follows:

Mr Alfred Pisani (Chairman)
Mr Frank Xerri de Caro
Mr Moussa Atiq Ali
Mr Hamad Buamim
Mr Douraid Zaghouani
Mr Joseph Pisani
Mr Richard Cachia Caruana
Mr Mohamed Mahmoud Alzarouq Shawsh
Mr Alfred Camilleri

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

On behalf of the Board,



Alfred Pisani
Chairman



Richard Cachia Caruana
Director

Registered Office:

22 Europa Centre,
Floriana FRN1400,
Malta

Interim Income Statement - the Group

	1 January to 30 June 2023 €'000	1 January to 30 June 2022 €'000
Revenue	124,787	95,776
Direct costs	<u>(69,631)</u>	<u>(50,914)</u>
	55,155	44,862
Marketing costs	(3,217)	(3,540)
Administrative expenses	(23,600)	(16,896)
Other operating expenses	<u>(9,590)</u>	<u>(7,097)</u>
Operating results before depreciation and fair value gains/(losses)	18,749	17,329
Depreciation and amortisation	(13,960)	(14,351)
Other losses arising on property, plant and equipment	(249)	(49)
Other operational exchange gain/(losses)	<u>(823)</u>	<u>1,638</u>
Results from operating activities	3,717	4,567
Net changes in fair value of financial assets through profit and loss	175	(1,634)
Finance income		
- interest and similar income	280	192
Finance costs		
- interest expense and similar charges	(17,308)	(12,840)
- net exchange differences on borrowings	<u>(1,602)</u>	<u>10,532</u>
Profit/(loss) before tax	(14,738)	817
Tax credit	3,014	(15)
Profit/(loss) for the period	<u>(11,724)</u>	<u>802</u>
Profit/(loss) for the period attributable to:		
- Owners of IHI	(10,256)	1,148
- Non-controlling interests	<u>(1,468)</u>	<u>(346)</u>
	<u>(11,724)</u>	<u>802</u>

Interim Statement of Comprehensive Income - the Group

	1 January to 30 June 2023 €'000	1 January to 30 June 2022 €'000
Profit/(loss) for the period	(11,724)	802
Other comprehensive income/(loss):		
Gross deficit arising on revaluation of hotel properties	-	(31)
Deferred tax on surplus arising on revaluation of hotel properties	-	6
Translation reserve	(12,122)	45,930
Income tax relating to components of other comprehensive income	5,939	(6,136)
Other comprehensive income/(loss) for the period, net of tax	(6,183)	39,769
Total comprehensive income/(loss) for the period	(17,907)	40,571

Interim Statement of Financial Position - the Group

	30 June 2023 €'000	31 December 2022 €'000
Assets		
Non-current		
Intangible assets	46,700	46,785
Indemnification assets	17,168	17,168
Investment property	157,916	167,682
Property, plant and equipment	1,268,016	1,254,715
Right-of-use assets	12,896	11,626
Deferred tax assets	24,997	18,019
Investments accounted for using the equity method	5,198	5,198
Financial assets at fair value through profit or loss	5,373	5,373
Other financial assets at amortised cost	6,201	6,460
Trade and other receivables	1,429	1,535
	<u>1,545,894</u>	<u>1,534,561</u>
Current		
Inventories	15,610	14,606
Other financial assets at amortised cost	110	152
Trade and other receivables	50,985	45,337
Current tax asset	122	50
Financial assets at fair value through profit or loss	-	1,018
Cash and cash equivalents	70,356	66,231
Assets placed under trust arrangement	77	77
	<u>137,260</u>	<u>127,471</u>
Total assets	<u>1,683,154</u>	<u>1,662,032</u>

Interim Statement of Financial Position - the Group

	30 June 2023 €'000	31 December 2022 €'000
Equity and liabilities		
Equity		
Capital and reserves attributable to owners of IHI:		
Issued capital	615,685	615,685
Revaluation reserve	59,559	59,559
Translation reserve	(44,295)	(31,023)
Reporting currency conversion difference	443	443
Other components of equity	2,617	2,617
Retained earnings	(50,638)	(40,382)
	<u>583,371</u>	<u>606,899</u>
Non-controlling interests	216,614	210,993
Total equity	<u>799,985</u>	<u>817,892</u>
Liabilities		
Non-current		
Trade and other payables	10,281	10,543
Bank borrowings	149,181	277,490
Bonds	238,357	273,062
Lease liabilities	11,377	10,542
Other financial liabilities	26,654	26,714
Deferred tax liabilities	89,129	91,596
Provisions	206	206
	<u>525,185</u>	<u>690,153</u>
Current		
Trade and other payables	97,658	83,634
Bank borrowings	210,894	56,790
Bond	44,925	9,985
Lease liabilities	2,368	1,943
Other financial liabilities	118	113
Current tax liabilities	2,020	1,522
	<u>357,983</u>	<u>153,987</u>
Total liabilities	<u>883,168</u>	<u>844,140</u>
Total equity and liabilities	<u>1,683,153</u>	<u>1,662,032</u>

International Hotel Investments p.l.c.
Interim Financial Statements
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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 2022	615,685	61,003	(20,049)	443	2,617	(34,940)	624,759	213,457	838,216
Profit for the period	-	-	-	-	-	1,148	1,148	(346)	802
Other comprehensive loss	-	(25)	44,386	-	-	-	44,361	(4,592)	39,769
Total income and expenses for the period	-	(25)	44,386	-	-	1,148	45,509	(4,938)	40,571
Balance at 30 June 2022	615,685	60,978	24,337	443	2,617	(33,792)	670,268	208,519	878,787
Loss for the period	-	-	-	-	-	(6,590)	(6,590)	3,446	(3,144)
Other comprehensive loss	-	(1,419)	(55,360)	-	-	-	(56,779)	(972)	(57,751)
Balance at 31 December 2022	615,685	59,559	(31,023)	443	2,617	(40,382)	606,899	210,993	817,892
Loss for the period	-	-	-	-	-	(10,256)	(10,256)	(1,468)	(11,724)
Other comprehensive income	-	-	(13,272)	-	-	-	(13,272)	7,088	(6,184)
Total income and expenses for the period	-	-	(13,272)	-	-	(10,256)	(23,528)	5,621	(17,907)
Balance at 30 June 2023	615,685	59,559	(44,295)	443	2,617	(50,638)	583,371	216,614	799,985

Interim statement of cash flows - the Group

	1 January to 30 June 2023 €'000	1 January to 30 June 2022 €'000
Profit/(loss) before tax	(14,738)	817
Adjustments	37,355	14,967
Working capital changes:		
Inventories	(1,014)	(1,478)
Trade and other receivables	(7,333)	(11,776)
Advance payments	-	(476)
Trade and other payables	8,764	16,160
Cash generated from operations	23,034	18,214
Tax paid	(261)	(136)
Net cash generated from operating activities	22,773	18,078
Investing activities		
Payments to acquire property, plant and equipment	(23,392)	(12,071)
Payments to acquire intangible assets	(561)	(12)
Payments to acquire investment property	(807)	(369)
Payments for acquisition of financial assets at fair value through profit or loss	-	(209)
Proceeds from sale of financial assets at fair value through profit or loss	1,145	4,543
Interest received	280	192
Net cash used in investing activities	(23,335)	(7,926)
Financing activities		
Bank finance advanced – net of arrangement fees	27,152	-
Repayment of bank borrowings	(8,076)	(51,210)
Advances by ultimate parent	-	20,000
Principal elements of lease payments	(1,138)	(1,033)
Interest paid	(15,336)	(9,953)
Net cash used in financing activities	2,602	(42,196)
Net change in cash and cash equivalents	2,040	(32,044)
Cash and cash equivalents at beginning of period	55,740	97,906
Effect of translation of group entities to presentation currency	641	(491)
Cash and cash equivalents at end of period	58,421	65,371

Notes to the Financial Statements

1. Summary of significant accounting policies

The accounting policies adopted in the preparation of the 2023 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 2022.

2. Tangible fixed assets

Tangible fixed assets acquired during the period amounted to **€23 million**.

3. Related party transactions

The Company has a related party relationship with its parent company, CPHCL Company Limited (CPHCL), and other entities forming part of the CPHCL 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	628

Notes to the Financial Statements

4. Segmental Reporting – Information about reportable segments

Hotels	2023	2022	2023	2022	2023	2022	2023	2022
	€'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	81,853	63,343	21,793	14,066	2,038	2,343	105,684	79,752
Operating results before depreciation and fair value gains/(losses)	12,776	11,154	2,184	440	(426)	413	14,534	12,007
Depreciation and amortisation	(8,927)	(9,230)	(2,524)	(2,518)	(1,158)	(1,279)	(12,609)	(13,027)
Segment profit or loss	3,849	1,923	(340)	(2,078)	(1,584)	(865)	1,925	(1,020)

Notes to the Financial Statements

4. Segmental Reporting – Information about reportable segments - *continued*

Entity-wide disclosure	Total €'000	Total €'000
Segment revenue	105,684	79,752
Rental income from investment property	5,395	5,195
Hotel management company revenue	7,819	6,603
Catering business	9,383	7,727
Project management	4,334	3,492
Holding company revenue and other revenue	2,266	1,691
Elimination of intra-group revenue	(10,094)	(8,684)
Group revenue	124,787	95,776
Segment profit or loss	1,924	(1,020)
Net rental income from investment property	4,512	4,286
Catering business	(368)	642
Other write-offs	(249)	(49)
Project management	853	749
Other operational exchange gains/(losses)	(823)	1,638
Unallocated items	(1,120)	(373)
Corporate office operating loss	(2,398)	(2,156)
Hotel management company operating profit	772	942
Depreciation and amortisation	(1,351)	(1,324)
Consolidation adjustment	1,965	1,232
	3,717	4,567
Share of loss from equity accounted investments	-	-
Finance income	280	192
Finance costs	(17,308)	(12,840)
Net foreign exchange translation differences	(1,602)	10,532
Net fair value gain/(loss) on investment	175	(1,634)
	(14,738)	817

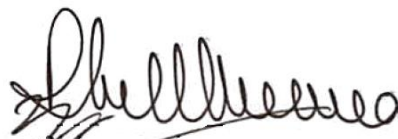
Statement Pursuant to Capital Markets Rule 5.75.3

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 2023, 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 Capital Markets Rules 5.81 to 5.84.



Alfred Pisani
Chairman



Richard Cachia Caruana
Director

24 August 2023