This Summary Note is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of the 30 March 2012 amending the Regulation as regards the format and content of the prospectus, the base prospectus, the summary and the final terms as regards the disclosure requirements.

Dated 16 November 2012

SUMMARY NOTE

International Hotel Investments p.l.c.

(a public limited liability company registered under the laws of Malta with registration number C 26136)

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.

A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.

APPROVED BY THE DIRECTORS

Joseph Fenech on behalf of
Alfred Pisani, Simon Naudi, Frank Xerri de Caro, Michael Beckett, Nagmeddin Hemali Mokhtar, Andrew John Watson, Hamza Ali Abdullatif Mustafa, Joseph J. Vella

Joseph Fenech
Managing Director

JOINT MANAGER AND REGISTRAR	JOINT MANAGER	LEGAL COUNSEL	SPONSOR
BOV Bank of Valletta	HSBC	CAMILLERI PREZIOSI ADVOCATES	CHARTS WEALTH MANAGEMENT • CORPORATE BROKING

IMPORTANT INFORMATION

THIS SUMMARY NOTE CONSTITUTES PART OF A PROSPECTUS AND CONTAINS INFORMATION IN RELATION TO INTERNATIONAL HOTEL INVESTMENTS P.L.C. (THE "**ISSUER**"), ITS BUSINESS AND THE SECURITIES BEING ISSUED IN TERMS OF THE PROSPECTUS. THIS DOCUMENT INCLUDES INFORMATION GIVEN IN COMPLIANCE WITH: (A) THE COMPANIES ACT, (CAP. 386 OF THE LAWS OF MALTA) AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS (AS AMENDED BY COMMISSION DELEGATED REGULATION (EU) NO 486/2012 OF THE 30 MARCH 2012 AMENDING THE REGULATION AS REGARDS THE FORMAT AND CONTENT OF THE PROSPECTUS, THE BASE PROSPECTUS, THE SUMMARY AND THE FINAL TERMS AS REGARDS THE DISCLOSURE REQUIREMENTS); AND (B) THE RULES AND REGULATIONS APPLICABLE TO THE ADMISSION OF SECURITIES ON THE OFFICIAL LIST OF THE MSE.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, ITS DIRECTORS, OR ADVISORS. THE ADVISORS ENGAGED BY THE ISSUER FOR THE PURPOSE OF THIS BOND ISSUE ARE ACTING EXCLUSIVELY FOR THE ISSUER.

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS DOCUMENT TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH SECURITIES AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY AND THE MSE, AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES. APPLICATION HAS BEEN MADE TO THE LISTING AUTHORITY FOR THE APPROVAL OF THE PROSPECTUS AND FOR THE ADMISSION OF THE ISSUER'S BONDS ON A REGULATED MARKET. APPLICATION HAS ALSO BEEN MADE TO THE MSE, FOR THE BONDS TO BE ADMITTED TO THE OFFICIAL LIST OF THE MSE. **A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.**

THE CONTENTS OF THE ISSUER'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE DO NOT FORM PART OF THIS DOCUMENT. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEB SITES AS THE BASIS FOR A DECISION TO INVEST IN ANY FINANCIAL INSTRUMENTS AND SECURITIES ISSUED BY THE ISSUER.

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THE DIRECTORS OF THE ISSUER CONFIRM THAT WHERE INFORMATION INCLUDED IN THIS PROSPECTUS HAS BEEN SOURCED FROM A THIRD PARTY, SUCH INFORMATION HAS BEEN ACCURATELY REPRODUCED, AND AS FAR AS THE DIRECTORS OF THE ISSUER ARE AWARE AND ARE ABLE TO ASCERTAIN FROM INFORMATION PUBLISHED BY THAT THIRD PARTY, NO FACTS HAVE BEEN OMITTED WHICH WOULD RENDER THE REPRODUCED INFORMATION INACCURATE OR MISLEADING.

THE VALUE OF INVESTMENTS CAN RISE OR FALL AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. IF YOU NEED ADVICE WITH RESPECT TO THE BOND ISSUE, YOU SHOULD CONSULT A LICENSED STOCKBROKER OR AN INVESTMENT ADVISOR LICENSED UNDER THE INVESTMENT SERVICES ACT, CAP. 370 OF THE LAWS OF MALTA.

THIS DOCUMENT AND ALL AGREEMENTS, ACCEPTANCES AND CONTRACTS RESULTING THEREFROM SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF MALTA, AND ANY PERSON ACQUIRING ANY BONDS PURSUANT TO THE PROSPECTUS SHALL SUBMIT TO THE JURISDICTION OF THE MALTESE COURTS, WITHOUT LIMITING IN ANY MANNER THE RIGHT OF THE ISSUER TO BRING ANY ACTION, SUIT OR PROCEEDING, IN ANY OTHER COMPETENT JURISDICTION, ARISING OUT OF OR IN CONNECTION WITH ANY PURCHASE OF BONDS, OR AGREEMENT, ACCEPTANCE OR CONTRACT RESULTING HEREFROM, OR THE PROSPECTUS AS A WHOLE.

STATEMENTS MADE IN THIS DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THERETO.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.

This Summary Note is prepared in accordance with the requirements of the Regulation, as amended by Commission Delegated Regulation (EU) No 486/2012 of 30 March 2012 amending the Regulation as regards the format and content of the prospectus, the base prospectus, the summary and the final terms as regards the disclosure requirements.

Summaries are made up of disclosure requirements known as '**Elements**'. These elements are numbered in Sections A – E (A.1– E.7). This summary contains all the Elements required to be included in a summary for this type of security and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

In this Summary Note the following words and expressions shall bear the following meanings except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Application Form	the form of application of subscription for Bonds, specimens of which are contained in Annex II of the Securities Note;
Authorised Financial Intermediaries	the licensed stockbrokers and financial intermediaries listed in Annex I of the Securities Note;
Bond(s)	the €20,000,000 bonds of a face value of €100 per bond bearing interest at the rate of 5.8% per annum and redeemable on the Redemption Date at their nominal value;
Bondholder	a holder of Bonds;
Bond Issue	the issue of the Bonds;
Bond Issue Price	the price of €100 per Bond;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Corinthia Group	CPHCL and the companies in which CPHCL has a controlling interest;
CPHCL	Corinthia Palace Hotel Company Limited, a company registered under the laws of Malta with company registration number C 257 and having its registered office at 22, Europa Centre, Floriana FRN 1400, Malta;
CSD	the Central Securities Depository of the Malta Stock Exchange established pursuant to Chapter 4 of the Malta Stock Exchange Bye-Laws, having its address at Garrison Chapel, Castille Place, Valletta VLT 1063;
Cut-Off Date	close of business of 16 November 2012;
Directors or Board	the directors of the Issuer whose names are set out under the heading "Identity of Directors, Senior Management, Advisors and Auditors";
Euro or €	the lawful currency of the Republic of Malta;
Exchange, Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, and bearing company registration C 42525;
Existing Bondholder	a holder of Maturing Bonds as at the Cut-Off Date;
Group	the Issuer (as parent company) and its subsidiaries;
Issuer or IHI	International Hotel Investments p.l.c., a company registered under the laws of Malta with company registration number C 26136 and having its registered office at 22, Europa Centre ,Floriana FRN 1400, Malta;

Interest Payment Date	21 December of each year between and including each of the years 2013 and 2021, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Intermediaries' Offer Period	the period between 10 December 2012 (being the Business Day following the closing date for applications by holders of Maturing Bonds) and 14 December 2012, both days included, subject to early closure at the discretion of the Issuer, acting through the Registrar, in the event of total subscriptions for Bonds reaching in excess of €20,000,000 in aggregate;
Istithmar	Istithmar Hotels FZE, a company registered under the laws of Dubai with company registration number 01256L and having its registered office at PO Box 262080, Level 38, Al Shatha Tower, Media City, Dubai, United Arab, Emirates;
LFICO	Libyan Foreign Investment Company, a company registered under the laws of Libya with company registration number 9481 and having its registered office at Ghadem Aljabel, Gharian, P.O. Box 4538 Tripoli, Libya;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act, 1990 (Cap. 345 of the Laws of Malta) by virtue of L.N. 1 of 2003;
Listing Rules	the listing rules of the Listing Authority;
Maturing Bonds	the 6.3% MTL Bonds 2013 and 6.2%-6.8% EUR Bonds 2013 due to mature on 15 February 2013, amounting as at the date of the Prospectus to €22,076,268, issued by the Issuer pursuant to an offering memorandum dated 24 January 2003;
MFSA	Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Prospectus	collectively, the Registration Document, the Securities Note and the Summary Note;
QPM	QPM Ltd., a company registered and existing under the laws of Malta with company registration number C 26148 and having its registered office at 22, Europa Centre, Floriana FRN 1400, Malta;
Redemption Date	21 December 2021;
Redemption Value	the nominal value of each Bond (€100 per Bond);
Registration Document	the registration document issued by the Issuer dated 16 November 2012, forming part of the Prospectus;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
Securities Note	the securities note issued by the Issuer dated 16 November 2012, forming part of the Prospectus;
Sponsor	Charts Investment Management Service Limited, an authorised financial intermediary licensed by the MFSA and a Member of the MSE;
Subscription Agreement	the agreement between the Issuer, the Registrar and the Authorised Financial Intermediaries to subscribe for the Bonds;
Summary Note	this summary note issued by the Issuer dated 16 November 2012, forming part of the Prospectus;
Terms and Conditions	the terms and conditions of the Bond Issue as contained in section 7 of the Securities Note.

SECTION A – INTRODUCTION AND WARNINGS

A.1 Prospective investors are hereby warned that:

i. This summary is being provided to convey the essential characteristics and risks associated with the Issuer and the securities being offered pursuant to this document. This part is merely a summary and therefore should only be read as an introduction to the Prospectus. It is not and does not purport to be exhaustive and investors are warned that they should not rely on the information contained in this summary in making a decision as to whether to invest in the securities described in this document. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor;

ii. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Malta, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and

iii. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, and who applied for its notification, but only if the summary, when read together with the other parts of the Prospectus: is misleading, inaccurate or inconsistent; or does not provide key information in order to aid investors when considering whether to invest in such securities.

SECTION B – ISSUER

B.1 The legal and commercial name of the Issuer is International Hotel Investments p.l.c.

B.2 The Issuer was registered in Malta in terms of the Act on 29 March 2000, as a public liability company. The Issuer is domiciled in Malta.

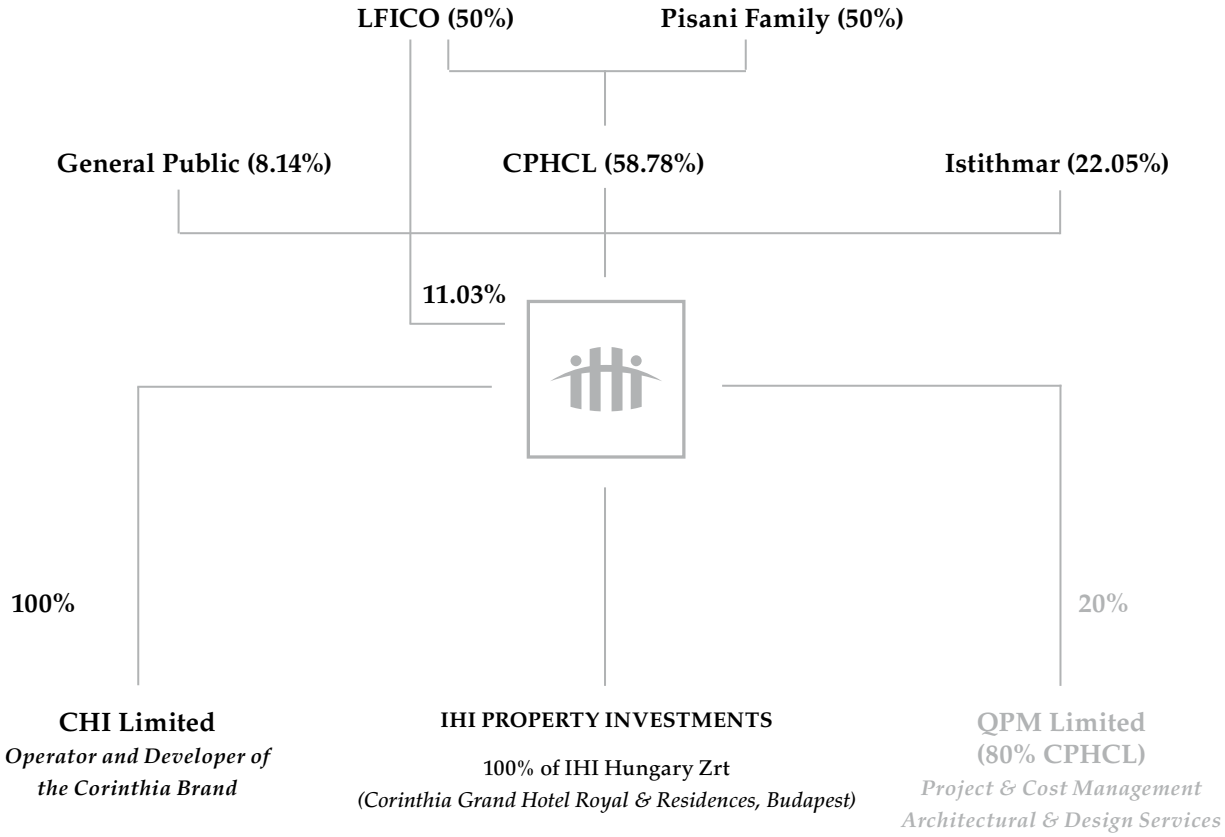
B.4b The Issuer was set up and promoted by the Corinthia Group as the principal vehicle for the international expansion of the Group's hotels and mixed use developments. The principal objective of the Issuer is to achieve above average long-term returns for its shareholders, principally through its long-term growth via investment in a balanced portfolio of mixed use developments having hotel properties as their main component, and hotel operations in a balanced mix between mature and emerging markets.

In 2011 the North African region was affected by substantial political change. Civil unrest in Tunisia, Egypt and Libya led to the existing governments either stepping down or being removed. The Issuer owns and operates the Corinthia Hotel & Commercial Centre in Tripoli, Libya the performance of which, during the course of 2011 was significantly lower than the performance in prior years. As the former government was replaced and the political turmoil began to abate, the Group experienced a gradual recovery of business activity its Libyan operations. Toward the end of 2011 the performance of this operation improved and as a result, revenues in 2012 continued to increase towards pre-2011 operating levels.

During the period of political conflict in North Africa, the Issuer's property in Tripoli remained operational, albeit at a lower level of activity to match the demands for accommodation in Libya. This ensured that the Issuer's property did not become the focus of the disorder and turmoil that subsisted. Once the former administration was replaced the Group's property was at the forefront to continue offering services.

The Issuer's operations in Western and Central Europe continued to operate in a subdued environment following the global financial crisis which took hold in 2008. However, notwithstanding the general economic slowdown, these assets registered an improved performance in 2011 over the corresponding period in 2010.

B.5 The organisational structure of the Group is illustrated in the diagram below:



B.9 Not Applicable: the Registration Document forming part of the Prospectus does not contain profit forecasts or estimates.

B.10 Not Applicable: the audit reports on the audited financial statements for the years ended 31 December 2009, 2010 and 2011 do not contain any material qualifications.

B.12 The historical financial information for the three financial years ended 31 December 2009, 2010 and 2011 as audited by Grant Thornton is set out in the consolidated financial statements of the Issuer. Such audited consolidated financial statements are available on the Issuer's web-site www.ihiplc.com. The interim financial results of the Issuer for the six month periods ended 30 June 2011 and 30 June 2012, which are unaudited, are available on the Issuer's web-site www.ihiplc.com.

The remaining components of Element B.12 are Not Applicable, given that:

- there has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements;
- there were no significant changes in the financial or trading position of the Issuer since the end of the financial period to which the last interim consolidated financial statements relate.

The following are extracts of the historical financial information referred to above are set out below:

Condensed Income Statement

For the years ended 31 December	**2011**	**2010**	**2009**
	€'000	**€'000**	**€'000**
Revenue	104,223	101,843	103,320
EBITDA	22,378	22,861	31,625
Loss for the year	**(10,732)**	**(13,071)**	**(1,616)**
Loss per share	**(0.02)**	**(0.02)**	**(0.00)**

Condensed Balance Sheet

At 31 December	**2011**	**2010**	**2009**
	€'000	**€'000**	**€'000**
Total assets	**1,066,829**	**1,053,262**	**1,037,680**
Equity and liabilities			
Total equity	602,615	626,745	622,745
Total liabilities	464,214	426,517	414,935
Total equity and liabilities	**1,066,829**	**1,053,262**	**1,037,680**

A detailed narrative of the above extracts is set out in section 5.2 of the Registration Document.

Interim Financial Results

Set out below are the interim financial results of the Issuer for the six months ended 30 June 2011 and 2012. The said results, which are unaudited, have been published and are available on the Issuer's web-site (www.ihiplc.com) and at its registered office.

Condensed Income Statement

	1 January to 30 June 2012 €'000	1 January to 30 June 2011 €'000
Revenue	**56,454**	48,634
EBITDA	**13,458**	9,775
Loss for the period	**(9,676)**	(11,193)

Condensed Balance Sheet	**At 30 June 2012 €'000**	At 31 December 2011 €'000
Total assets	**1,078,768**	1,066,829
Total equity	**594,383**	602,615
Total liabilities	**484,385**	464,214
Total equity and liabilities	**1,078,768**	1,066,829

A detailed narrative of the above extracts is set out in section 5.2 of the Registration Document.

B.13 Not Applicable: the Issuer is not aware of any recent events which are to a material extent relevant to the evaluation of its solvency.

B.14 The Issuer was set up and promoted by the Corinthia Group as the principal vehicle for the international expansion of the Group's hotels and mixed use developments. In 2000, following a successful initial public offering, the Issuer's shares were listed on the Official List of the Malta Stock Exchange. CPHCL holds directly 58.78% of the share capital in the Issuer. Istithmar and LFICO both act as strategic investors in the company with direct holdings of 22.05% and 11.03% respectively. LFICO also owns 50% of CPHCL, whilst half of its direct holding of 11.03% is subject to a call option in favour of CPHCL. The remaining shares in the Issuer are held by the general investing public.

The remaining component of Element B.14 is Not Applicable, given that the Issuer is not dependent upon any other entities within the Group.

B.15 As at the date of this Prospectus, the Issuer serves as the principle vehicle for the international expansion of the Group's hotels and mixed use developments. In terms of its Memorandum and Articles of Association, the principal object of the Issuer is to carry on the business of a finance and investment company in connection with the ownership, development, operation and financing of hotels, resorts, leisure facilities, tourism related activities and such other activities as may from time to time be ancillary or complimentary to the foregoing whether in Malta or overseas.

B.16 CPHCL holds directly 58.78% of the share capital in the Issuer, whilst Istithmar and LFICO both act as strategic investors in the company with direct holdings of 22.05% and 11.03% respectively. LFICO also owns 50% of CPHCL and half of its direct holding of 11.03% is subject to a call option in favour of CPHCL. The remaining shares in the Issuer are held by the general investing public.

B.17 Not Applicable: The Issuer has not sought the credit rating of an independent rating agency, and there has been no assessment by any independent rating agency of the Bonds issued by the Issuer.

SECTION C – SECURITIES

C.1 The Issuer shall issue an aggregate of €20,000,000 in Bonds having a face value of €100 per bond, subject to a minimum holding of €2,000 in Bonds. The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. On admission to trading the Bonds will have the following ISIN number MT0000111279. The Bonds shall bear interest at the rate of 5.8% per annum and shall be repayable in full upon maturity unless they are previously re-purchased, cancelled or redeemed.

C.2 The Bonds are denominated in Euro (€).

C.5 The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.

C.8 Investors wishing to participate in the Bonds will be able to do so by duly executing an Application Form or a Subscription Agreement, as the case may be, in relation to the Bonds. Execution of the Application Form or the Subscription Agreement, as the case may be, will entitle such Bondholder to:

(i) the payment of capital;
(ii) the payment of interest;
(iii) ranking with respect to other indebtedness of the Issuer in accordance with the provisions of section 5.2 of the Securities Note, which provides, *inter alia,* as follows: "*the Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu, without any priority or preference among themselves and with other unsecured debt, if any. As at the date of the Securities Note, the Issuer does not have any subordinated indebtedness*";
(iv) attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bond; and
(v) enjoy all such other rights attached to the Bonds emanating from this Prospectus.

C.9 The Bonds shall bear interest from and including 21 December 2012 at the rate of 5.8% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 21 December 2013. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is five point eight per cent (5.8%).

The remaining component of Element C.9 is Not Applicable, given that no representative of debt security holders has been appointed.

C.10 Not Applicable: there is no derivative component in the interest payments on the Bonds.

C.11 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 16 November 2012. Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the Malta Stock Exchange. The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 3 January 2013 and trading is expected to commence on 4 January 2013.

SECTION D – RISKS

Holding of a Bond involves certain risks. Prospective investors should carefully consider, with their own independent financial and other professional advisors, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to acquire Bonds. Prospective investors are warned that by investing in the Bonds they may be exposing themselves to significant risks that may have the consequence of losing a substantial part or all of their investment.

This document contains statements that are, or may be deemed to be, "forward-looking statements", which relate to matters that are not historical facts and which may involve projections of future circumstances. They appear in a number of places throughout the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer and/or its Directors. These forward-looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer's Directors. No assurance is given that the future results or expectations will be achieved.

The risk factors set out below are a summary of the principal risks associated with an investment in the Issuer and the Bonds – there may be other risks which are not mentioned in this summary. Investors are therefore urged to consult their own financial or other professional advisors with respect to the suitability of investing the Bonds. The following is a summary of the principal risks:

D.2 Key information on the key risks specific to the Issuer:

i. **The Issuer's business is reliant on mixed use developments having hotels as their principal component, spread across various countries. Severe competition in certain countries and changes in economic and market conditions could adversely affect the Issuer's business and operating results.**

ii. **The Issuer's business model remains primarily reliant on hotel assets, with a diversified strategy resulting in increased reliance on non-hotel assets, mainly in commercial and residential real estate. Accordingly the Issuer's prospects should be considered in light of the risks and difficulties generally encountered by companies operating in similar markets and industry sectors.**

iii. **A number of the companies forming part of the Group have operations situated in emerging markets in North Africa, including Libya. Businesses in emerging markets may not be operating in a market-oriented economy as is generally associated with developed markets. As the political, economic and social environments in certain countries in which the Group has invested remain subject to continuing development, investments in these countries are characterised by a degree of uncertainty. Any unexpected changes in the political, social, economic or other conditions in these countries may have an adverse effect on any investments made.**

iv. **The legal and judicial system of certain countries in which the Group operates may be different from that which some investors may be more familiar with in certain civil and common law jurisdictions, and investors in Malta may consider such systems as not providing, in various aspects, the level of comfort for investment which they are used to under the Maltese legal system or other civil and common law jurisdictions, and accordingly they may consider that the Issuer may face difficulties in enforcing its legal rights relating to the properties owned in such countries.**

v. **The Issuer's financial statements, which are presented in Euro, can be affected by foreign exchange fluctuations through both translation risk and transaction risk. The Group is also exposed to the inherent risks of global and regional adverse economic developments. The implementation of austerity measures in an effort to reduce government deficits in a number of EU member states, as well as any further unexpected changes in the political, social or economic conditions of certain countries, may reduce leisure and business travel to and from those affected countries, which, in turn, may adversely affect the Group's room rates and/or occupancy levels and other income-generating activities, and could potentially lead to increased costs through increased taxes in those particular countries, ultimately resulting in the deterioration of the Group's business and/or operating results in the affected countries.**

vi. **A significant portion of the Issuer's costs are fixed and the Issuer's operating results are vulnerable to short-term changes in its revenues. The Issuer's inability to react quickly to changes in its revenue by reducing its operating expenses could have a material adverse effect on its business, financial condition and results of operations.**

vii. **The lack of liquidity and alternative uses of real estate investments could significantly limit the Issuer's ability to respond to adverse changes in the performance of its properties thereby potentially harming its financial condition. Furthermore, the Issuer's ability to sell, in a timely fashion, one or more of its properties in response to changing economic, financial and investment conditions, is limited.**

viii. **The Group has set up its own proprietary central reservation system. Lack of resilience or failure of the new central reservation system could lead to service disruption and may result in significant interruption in processing room bookings and reservations, which could negatively impact revenues. There can be no assurance that the continued stability of this system will not be disrupted and inadequate investment in this system or failure to maintain an effective e-commerce strategy may adversely affect the Group's competitiveness and its market share.**

ix. **The Group is reliant upon technologies and operating systems developed by third parties for the running of its business. Whilst the Group has service level agreements with third party providers of these systems to ensure continuity and stability of these systems, there can be no assurance that the service or systems will not be disrupted. Disruption to such technologies or systems and/or lack of resilience in operational availability could adversely affect the efficiency of the Group's business, financial condition and/or operating results.**

x. **If one or more of the members of the executive management team and other key personnel were unable or unwilling to continue in their present position, the Group might not be able to replace them within the short term, which could have a material adverse effect on the Group's business, financial condition and results of operations.**

xi. **With respect to losses for which the Group is covered by its insurance policies, it may be difficult and may take time to recover such losses from insurers. No assurance can be given that the Group's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates.**

xii. **The Issuer's business consists of the acquisition, development and operation of real estate projects having a hotel as their main component. Property acquisition and development projects are subject to a number of specific risks including, amongst others, the inability to source adequate opportunities, cost overruns and the insufficiency of resources to complete the projects. If these risks were to materialise, they would have an adverse impact on the Issuer's revenue generation, cash flows and financial performance. Furthermore, the Group is subject to various counter-party risks. Such parties may fail to perform or default on their obligations to the Group due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Group's control. If such risks, many of which are common to the real estate industry, were to materialize, they could have an adverse impact on the Group's revenue generation, cash flows and financial performance.**

xiii. **The Group may not be able to secure sufficient financing for its current and future investments. No assurance can be given that sufficient financing will be available on commercially reasonable terms. Any weakness in the capital markets may limit the Group's ability to raise capital for completion of projects that have commenced or for development of future properties.**

xiv. **The Group has a material amount of debt and it expects to incur additional debt in connection with its future growth in terms of acquisitions and developments. A substantial portion of the Group's generated cash flows will be required to make principal and interest payments on the Group's debt. Substantial borrowings under bank credit facilities are expected to be at variable interest rates, which could cause the Group to be vulnerable to increases in interest rates. The agreements regulating the Issuer's bank debt impose and are likely to impose significant operating restrictions and financial covenants on the Issuer which could limit the Issuer's ability to obtain future financing, make capital expenditure, withstand a future downturn in business or economic conditions generally, or otherwise inhibit the ability to conduct necessary corporate activities.**

xv. **Although the Issuer seeks to hedge against interest rate fluctuations, this may not always be economically practicable, and the possibility of hedging may become more difficult in the future due to the unavailability or limited availability of hedging counterparties. An increase in interest rates which is not hedged by the Issuer may have a material adverse effect on its business, financial condition and results of operations.**

D.3 Key information on the key risks specific to the Bonds:

An investment in the Bonds involves certain risks, including those set out below in this section. In deciding whether to make an investment in the Bonds, prospective investors are advised to carefully consider, with their own independent financial and other (including tax, accounting, credit, legal and regulatory) professional advisors, the following risk factors (not listed in order of priority) and other investment considerations, together with all the other information contained in the Prospectus.

i. **The existence of an orderly and liquid market for the Bonds depends on a number of factors including, but not limited to, the presence of willing buyers and sellers of the Issuer's Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all.**

ii. **Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.**

iii. **A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different.**

iv. **No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.**

v. **The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any. Furthermore, subject to the negative pledge clause, third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect.**

vi. **In the event that the Issuer wishes to amend any of the Terms and Conditions of Issue of the Bond it shall call a meeting of Bondholders in accordance with the provisions of section 5.13 of the Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.**

vii. **The Terms and Conditions of this Bond Issue are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.**

viii. **The funds or assets constituting the sinking fund (as described in section 5.16 of the Securities Note) shall be held by Charts Investment Management Service Limited as custodian for the benefit of the Issuer. In accordance with Section 302 of the Act, in the event of winding up of the Issuer, the assets of which are insufficient to meet the liabilities, the right of secured and unsecured creditors (which include the Bondholders) and the priority and ranking of their debts shall be regulated by the law for the time being in force. Accordingly, in view of the unsecured rights of Bondholders under the Bonds, any secured creditors of the Issuer shall have recourse to the funds or assets constituting the sinking fund to satisfy their secured claims with priority over Bondholders.**

SECTION E – OFFER

E.2b The proceeds from the Bonds, which net of Issue expenses are expected to amount to approximately €19,625,000, will be used by the Issuer for the purpose of part financing the redemption of the outstanding amount of the 6.3% MTL Bonds 2013 and 6.2%-6.8% EUR Bonds 2013 due to mature on 15 February 2013, amounting as at the date of the Prospectus to €22,076,268, issued by the Issuer pursuant to an offering memorandum dated 24 January 2003 (the "**Maturing Bonds**"). The redemption of the remaining balance of Maturing Bonds, equivalent to €2,451,268 in the event that the Bond Issue is fully subscribed or more in the event that the Bond Issue is not fully subscribed, shall be financed from the Issuer's general cash flow.

E.3 The Bonds are open for subscription to Existing Bondholders holding Maturing Bonds as at the Cut-Off Date and, to the extent of any excess over amounts reinvested by such Existing Bondholders, to Authorised Financial Intermediaries pursuant to an Intermediaries' Offer (described below). Existing Bondholders applying for Bonds may elect to settle all or part of the amount due on the Bonds applied for by the transfer to the Issuer of Maturing Bonds at par value, subject to rounding by payment in cash to the nearest €100, and subject to a minimum holding of €2,000 in Bonds ("**Rounding**"). Accordingly, any Existing Bondholders whose holding in Maturing Bonds as at Cut-Off Date is less than €2,000 shall be required to pay the difference together with the submission of an Application Form.

Existing Bondholders electing to subscribe for Bonds through the transfer to the Issuer of all or part of the Maturing Bonds held by them as at the Cut-Off Date shall be allocated Bonds for the corresponding nominal value of Maturing Bonds transferred to the Issuer including Rounding. In the event that the aggregate value of Maturing Bonds transferred to the Issuer as consideration for subscription for the Bonds is, following Rounding, in excess of €20,000,000, then the Issuer, acting through the Registrar, shall scale down each Application by Existing Bondholders in accordance with the allocation policy to be issued by the Issuer in terms of section 7.3.13 of the Securities Note. The transfer of Maturing Bonds to the Issuer in consideration for the subscription for Bonds shall cause the obligations of the Issuer with respect to such Maturing Bonds to be extinguished, and shall give rise to obligations on the part of the Issuer under the Bonds.

In the event that following the Preferred Allocation in favour of Existing Bondholders described in this section E.3 there remain Bonds which are unallocated to Existing Bondholders, such Bonds shall form part of an Intermediaries' Offer. Any Applications received from Existing Bondholders for Bonds in excess of their holding of Maturing Bonds and Rounding shall, to the extent of the nominal value of Bonds by which the Application exceeds the nominal value of the Maturing Bonds held at the Cut-Off Date and transferred in full to the Issuer as consideration for Bonds (including Rounding), be dealt with *pari passu* with subscriptions received during the Intermediaries' Offer period under the terms and conditions thereof.

The Issuer, through the Registrar, shall monitor the flow of incoming conditional Subscription Agreements on an ongoing basis so as to limit the extent of any possible over-subscription of the Intermediaries' Offer. If the Intermediaries' Offer is over-subscribed, the Issuer will close the Intermediaries' Offer earlier and communicate such decision through an announcement, and the Issuer, acting through the Registrar, shall scale down each Application from Existing Bondholders for Bonds in excess of their holding in the Maturing Bond and Subscription Agreement received from Authorised Financial Intermediaries in accordance with the allocation policy to be issued by the Issuer in terms of section 7.3.13 of the Securities Note.

The following is a synopsis of the general terms and conditions applicable to the Bonds. A Bondholder is deemed to have invested only after having received, read and understood the contents of the Prospectus, including the full terms and conditions contained in the annexes thereto:

1. General

The Bonds constitute the general, direct, unconditional, and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any. Unless previously redeemed, purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 21 December 2021. In making an early redemption as aforesaid, the Issuer reserves the right to adopt such redemption policy as it may consider appropriate at its sole discretion.

2. Form, Denomination and Title

The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. The Bonds will be issued without interest coupons, in denominations of any integral multiple of €100 provided that on subscription the Bonds will be issued for a minimum of €2,000 per individual Bondholder. Financial intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client. Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments) as the absolute owner of such Bond. Title to the Bonds may be transferred as provided in section 5.11 of the Securities Note.

3. Interest

The Bonds shall bear interest from and including 21 December 2012 at the rate of 5.8% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 21 December 2013. Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Interest Payment Date. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

A Maturing Bond Transfer shall be without prejudice to the rights of the holders of Maturing Bonds to receive interest on the Maturing Bonds up to and including 15 February 2013. The Issuer intends to settle the difference between the interest rates applicable to the Maturing Bonds and the interest rate of 5.8% applicable to the Bonds, from 21 December 2012 up to 15 February 2013, being the date of redemption of the Maturing Bonds, to all persons holding Maturing Bonds who would have submitted their Application Forms by not later than 7 December 2012 and, consequently, exercising their option to subscribe for Bonds and settle the consideration for Bonds by transferring their Maturing Bonds to the Issuer as mentioned above.

4. Status of the Notes and Negative Pledge

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any.

The Issuer undertakes, for as long as any principal or interest under the Bonds remains outstanding, to be bound by a negative pledge on the creation or subsistence of certain types of encumbrances or real rights which grants rights of preference to a creditor over present or future assets or revenues of the Issuer, subject to the limitations set out in the terms and conditions of the Bond.

5. Payments

Payment of the principal amount of a Bond will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time. Such payment shall be effected within seven (7) days of the Redemption Date.

Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time. Such payment shall be effected within seven (7) days of the Interest Payment Date.

6. Redemption

Unless previously redeemed, purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 21 December 2021. Subject to the provisions of section 5.9 of the Securities Note, the Issuer may at any time purchase Bonds in the open market or otherwise at any price and any purchase by tender shall be made available to all Bondholders alike. All Bonds so redeemed or purchased will be cancelled forthwith and may not be re-issued or re-sold.

7. Events of Default

The Securities Note sets out a list of events of default the occurrence of which would result in the Bonds becoming immediately due and repayable at their principal amount together with accrued interest.

8. Transferability of the Bonds

The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time. All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations. The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer. The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds.

9. Register of Bondholders

Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers, registration numbers and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of Bondholders held at the CSD for the purpose of inspecting information held on their respective account.

10. Further Issues

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue.

11. Meetings of Participation Bondholders

The provisions of the Prospectus may be amended with the approval of the Bondholders at a meeting called for that purpose by the Issuer in accordance with the terms and procedure set out under section 5.13 of the Securities Note.

12. Governing Law and Jurisdiction

The Bonds have been created, and the Bond Issue relating thereto is being made, in terms of the Act. From their inception the Bonds, and all contractual arrangements arising therefrom, shall be governed by and shall be construed in accordance with Maltese law. Any legal action, suit, action or proceeding against the Issuer arising out of or in connection with the Bonds shall be brought exclusively before the Maltese courts and the Bondholder shall be deemed to acknowledge that it is submitting to the exclusive jurisdiction of the Maltese courts as aforesaid.

13. Sinking Fund

The Issuer undertakes that as from the financial year ending 31 December 2015 it shall, over a period of 7 years, build a sinking fund the value of which will by the Redemption Date be equivalent to 50% of the value of the issued Bonds. The Issuer shall make periodic payments for the purpose of building up this sinking fund. Below is a table with the minimum amounts to be paid by the Issuer for this purpose:

	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	2021 €
Contribution	358,000	715,000	1,072,000	1,429,000	1,786,000	2,143,000	2,497,000
Cumulative Balance	**358,000**	**1,073,000**	**2,145,000**	**3,574,000**	**5,360,000**	**7,503,000**	**10,000,000**

E.4 CPHCL holds directly 58.78% of the share capital in the Issuer, whilst Istithmar and LFICO both act as strategic investors in the company with direct holdings of 22.05% and 11.03% respectively. LFICO also owns 50% of CPHCL and half of its direct holding of 11.03% is subject to a call option in favour of CPHCL.

Alfred Pisani, in addition to sitting on the Board of Directors of the Issuer, also acts as director of CPHCL. The Audit Committee has the task of ensuring that any such potential conflicts of interest are handled in the best interests of the Issuer.

Save for the matters aforesaid there are no known interests, including potential conflicts of interests, between any duties of the Directors of the Issuer and their private interests and/or other duties which may be considered material to the Bond Issue.

E.7 Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €375,000.

TIME TABLE

1. Application Forms mailed to holders of Maturing Bonds as at the Cut-Off Date	20 November 2012
2. Closing date for Applications to be received from holders of Maturing Bonds as at the Cut-Off Date	7 December 2012
3. Intermediaries' Offer Period	10 December 2012 – 14 December 2012, both days included, subject to early closure at the discretion of the Issuer through the Registrar in the event that total subscriptions for Bonds exceeds €20,000,000 in aggregate
4 Commencement of interest on the Bonds	21 December 2012
5. Announcement of basis of acceptance	21 December 2012
6. Expected dispatch of allotment advices and refunds of unallocated monies	31 December 2012
7. Expected date of admission of the securities to listing	3 January 2013
8 Expected date of commencement of trading in the securities	4 January 2013

The Issuer reserves the right to close the Bond Issue before 14 December 2012 in the event of over-subscription, in which case the remaining events in the above expected timetable shall be anticipated in the same chronological order in such a way as to retain the same number of Business Days between the said events.

This Registration Document is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

Dated 16 November 2012

REGISTRATION DOCUMENT

International Hotel Investments p.l.c.

(a public limited liability company registered under the laws of Malta with registration number C 26136)

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JOINT MANAGER AND REGISTRAR	JOINT MANAGER	LEGAL COUNSEL	SPONSOR
BOV Bank of Valletta	HSBC	CAMILLERI PREZIOSI ADVOCATES	CHARTS WEALTH MANAGEMENT • CORPORATE BROKING

IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON INTERNATIONAL HOTEL INVESTMENTS P.L.C. IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES OF THE LISTING AUTHORITY, THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND THE COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS.

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IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH, PENDING SUCH IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE SECURITIES CAN ONLY BE OFFERED TO "QUALIFIED INVESTORS" (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES, IN ACCORDANCE WITH THE ACT.

STATEMENTS MADE IN THIS REGISTRATION DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

ALL THE ADVISORS TO THE ISSUER NAMED IN THE REGISTRATION DOCUMENT UNDER THE HEADING "ADVISORS" IN SECTION 3.3 OF THIS REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS PUBLIC OFFER AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

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1 DEFINITIONS

In this Registration Document the following words and expressions shall bear the following meanings except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Corinthia Group	CPHCL and the companies in which CPHCL has a controlling interest;
CPHCL	Corinthia Palace Hotel Company Limited, a company registered under the laws of Malta with company registration number C 257 and having its registered office at 22, Europa Centre, Floriana FRN 1400, Malta;
Directors or Board	the directors of the Issuer whose names are set out under the heading "Identity of Directors, Senior Management, Advisors and Auditors";
EDREICO	Economic Development and Real Estate Investment Company, a company registered under the laws of Libya and having its registered office at 49, 4th Floor, Burj Al Fatah Tower, PO BOX 93142, Tripoli, Libya;
Euro or €	the lawful currency of the Republic of Malta;
Group	the Issuer (as parent company) and its subsidiaries;
Issuer or IHI	International Hotel Investments p.l.c., a company registered under the laws of Malta with company registration number C 26136 and having its registered office at 22, Europa Centre, Floriana FRN 1400, Malta;
Istithmar	Istithmar Hotels FZE, a company registered under the laws of Dubai with company registration number 01256L and having its registered office at P.O. Box 262080, Level 38, Al Shatha Tower, Media City, Dubai, United Arab Emirates;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act, 1990 (Cap. 345 of the Laws of Malta) by virtue of L.N. 1 of 2003;
LFICO	Libyan Foreign Investment Company, a company registered under the laws of Libya with company registration number 9481 and having its registered office at Ghadem Aljabel, Gharian, P.O. Box 4538 Tripoli, Libya;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Marina San Gorg Limited	a company registered and existing under the laws of Malta with company registration number C 4852 and having its registered office situated at 22, Europa Centre, Floriana FRN 1400, Malta;
Medina Tower JSC (Libya)	Medina Tower Joint Stock Company for Real Estate and Development, a joint stock investment company registered under the commercial laws of Libya (in accordance with Law No. 5 (1997) as amended by Law No. 7 (2004) and Law No. 9 (2010)) having its registered office at Tripoli Tower, Suite 107, Tower 2, Level 10, Tripoli, Libya and bearing privatisation and investment board number 343;
MFSA	Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
MIH	Mediterranean Investments Holding p.l.c., a company registered and existing under the laws of Malta with company registration number C 37513 and having its registered office situated at 22, Europa Centre, Floriana FRN 1400, Malta;
Prospectus	collectively, the Registration Document, the Securities Note and the Summary Note;
QPM	QPM Ltd., a company registered and existing under the laws of Malta with company registration number C 26148 and having its registered office at 22, Europa Centre Floriana, FRN 1400, Malta;

Registration Document	this document in its entirety;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
Securities Note	the securities note issued by the Issuer dated 16 November 2012, forming part of the Prospectus;
Subsidiary	each of the following companies: i. Five Star Hotels Limited (incorporated under the laws of Malta); ii. Alfa Investimentos Turisticos Lda (incorporated under the laws of Portugal); iii. IHI Lisbon Limited (incorporated under the laws of Malta); iv. IHI St. Petersburg LLC (incorporated under the laws of the Russian Federation); v. IHI Benelux B.V. (incorporated under the laws of the Netherlands); vi. IHI Hungary Zrt (incorporated under the laws of Hungary); vii. IHI Zagreb d.d. (incorporated under the laws of Croatia. This company is currently dormant); viii. CHI Limited (incorporated under the laws of Malta); ix. Corinthia Towers Tripoli Limited (incorporated under the laws of Malta); x. IHI Towers s.r.o. (incorporated under the laws of the Czech Republic); xi. IHI Benghazi Limited (incorporated under the laws of Malta); xii. Marina San Gorg Limited (incorporated under the laws of Malta), and the term '**Subsidiaries**' shall collectively refer to said companies;
Summary Note	the summary note issued by the Issuer dated 16 November 2012, forming part of the Prospectus.

2 RISK FACTORS

ONE SHOULD CAREFULLY CONSIDER THE FOLLOWING MATTERS, AS WELL AS THE OTHER INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES. NEITHER THE PROSPECTUS NOR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH SECURITIES ISSUED BY THE ISSUER: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION NOR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE ANY SECURITIES ISSUED BY THE ISSUER. PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

2.1 Forward-looking Statements

The Prospectus and the documents incorporated therein by reference or annexed thereto contain forward-looking statements that include, among others, statements concerning the Issuer's strategies and plans relating to the attainment of its objectives, capital requirements and other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts and which may involve predictions of future circumstances. Investors can generally identify forward-looking statements by the use of terminology such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", or similar phrases. These forward-looking statements are inherently subject to a number of risks, uncertainties, and assumptions. Important factors that could cause actual results to differ materially from the expectations of the Issuer's Directors include those risks identified under the heading "Risk Factors", and elsewhere in the Prospectus. If any of the risks described were to materialise, they could have a serious effect on the Issuer's financial results, trading prospects and the ability of the Issuer to fulfill its obligations under the securities to be issued. Accordingly, the Issuer cautions the reader that these forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ from those expressed or implied by such statements and no assurance is given that the future results or expectations will be achieved.

2.2 Risks relating to the Group and its Business

General

The Issuer started trading in 2000 undertaking a strategy of rapid expansion. The Issuer's business is reliant on mixed use developments having hotels as their principal component. The hotel industry globally is characterised by strong and increasing competition. Many of the Issuer's current and potential competitors may have longer operating histories, greater name recognition, larger customer bases and greater financial and other resources than the Issuer. Severe competition in certain countries and changes in economic and market conditions could adversely affect the Issuer's business and operating results.

The Issuer's business interests cover a widening geographical spread that includes new and rapidly developing markets and also more recently-established operations in more stabilised locations. The Issuer's business model remains primarily reliant on hotel assets, with a diversified strategy resulting in increased reliance on non-hotel assets, mainly in commercial and residential real estate. Accordingly the Issuer's prospects should be considered in light of the risks and difficulties generally encountered by companies operating in similar markets and industry sectors.

The Issuer's operations and the results of its operations are subject to a number of factors that could adversely affect the Group's business, many of which are common to the hotel and real estate industry and beyond the Group's control.

Risks relating to the political, economic and social environment of the countries in which the Issuer operates

A number of the companies forming part of the Group have operations situated in emerging markets in North Africa, including Libya. Emerging markets present economic and political conditions which differ from those of the more developed markets, thereby possibly resulting in less social, political and economic stability. Businesses in emerging markets may not be operating in a market-oriented economy as is generally associated with developed markets.

Specific country risks that may have a material impact on the Group's business, operating results, cash flows and financial condition include: acts of warfare and civil clashes; political, social and economic instability; government intervention in the market, including tariffs, protectionism and subsidies; changes in regulatory, taxation and legal structures; difficulties and delays in obtaining permits and consents for operations and developments; inconsistent governmental action and/or lack or poor condition of infrastructure. The Group's business and/or operating results could also be negatively impacted by specific country risks that may reduce domestic and/or international travel, such as actual or threatened acts of terrorism, epidemics, travel-related accidents and/or industrial action, natural disasters or other factors that may directly or indirectly affect travel patterns and reduce the number of business and leisure travellers in affected countries.

As the political, economic and social environments in certain countries in which the Group has invested remain subject to continuing development, investments in these countries are characterised by a degree of uncertainty. Any unexpected changes in the political, social, economic or other conditions in these countries may have an adverse effect on any investments made.

During 2011, the Group's property in Libya was adversely affected by the conflict and political turmoil in Libya. These events caused significant declines in domestic and international travel and as a result, the Group's property in this country reported decreases in occupancy levels and room rates for that year. Prolonged periods of uncertainty in the countries mentioned above may continue to have an adverse effect on the operations and financial results of the Group.

The legal and judicial system of certain countries in which the Group operates may be different from that which some investors may be more familiar with in certain civil and common law jurisdictions, and investors in Malta may consider such systems as not providing, in various aspects, the level of comfort for investment which they are used to under the Maltese legal system or other civil and common law jurisdictions, and accordingly they may consider that the Issuer may face difficulties in enforcing its legal rights relating to the properties owned in such countries.

Currency fluctuations and other regional economic developments may have a material adverse effect on the Issuer's business, financial condition and results of operations

The Issuer's financial statements, which are presented in Euro, can be affected by foreign exchange fluctuations through both: translation risk, which is the risk that the financial statements for a particular period or as of a certain date depend on the prevailing exchange rates of the various currencies against the Euro; and transaction risk, which is the risk that the currency of the costs and liabilities fluctuates in relation to the currency of its revenue and assets, which fluctuation may adversely affect its operating performance.

The Group is exposed to the inherent risks of global and regional adverse economic developments that could result in the lowering of revenues and in reduced income. Since 2010, a number of European Union member states have been implementing austerity measures in an effort to reduce government deficits, with such measures including increases in taxes and reduction in social spending, materially affecting disposable income. The economic downturn, and measures such as the aforesaid which have been adopted as a consequence, as well as any further unexpected changes in the political, social or economic conditions of certain countries, may reduce leisure and business travel to and from those affected countries, which, in turn, may adversely affect the Group's room rates and/or occupancy levels and other income-generating activities, and could potentially lead to increased costs through increased taxes in those particular countries, ultimately resulting in the deterioration of the Group's business and/or operating results in the affected countries.

A significant portion of the Issuer's operating expenses are fixed, which may impede the Issuer from reacting quickly to changes in its revenue

A significant portion of the Issuer's costs are fixed and the Issuer's operating results are vulnerable to short-term changes in its revenues. The Issuer's inability to react quickly to changes in its revenue by reducing its operating expenses could have a material adverse effect on its business, financial condition and results of operations.

Liquidity Risk

The lack of liquidity and alternative uses of real estate investments could significantly limit the Issuer's ability to respond to adverse changes in the performance of its properties thereby potentially harming its financial condition. Furthermore, the Issuer's ability to sell, in a timely fashion, one or more of its properties in response to changing economic, financial and investment conditions, is limited.

The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond the Issuer's control.

The Group is exposed to the risk of failure of its proprietary reservations system and increased competition in reservations infrastructure

The Group has recently set up its own proprietary central reservation system to serve as a central repository for all of the Group's hotel room inventories. The system provides an electronic link between and to multiple sales channels, including Group websites, third-party internet intermediaries and travel agents, Group reservation offices and the Group's hotels. Lack of resilience or failure of the new central reservation system could lead to service disruption and may result in significant interruption in processing room bookings and reservations, which could negatively impact revenues. There can be no assurance that the continued stability of this system will not be disrupted. In addition, inadequate investment in this system or failure to maintain an effective e-commerce strategy may adversely affect the Group's competitiveness and its market share, thereby materially adversely affecting the business, financial condition, results of operations and prospects of the Group.

The Group's reliance on non-proprietary software systems and third-party information technology providers

To varying degrees, the Group is reliant upon technologies and operating systems (including IT systems) developed by third parties for the running of its business, and is exposed to the risk of failures in such systems. Whilst the Group has service level agreements and disaster recovery plans with third party providers of these systems to ensure continuity and stability of these systems, there can be no assurance that the service or systems will not be disrupted. Disruption to those technologies or systems and/or lack of resilience in operational availability could adversely affect the efficiency of the Group's business, financial condition and/or operating results.

The Group's key senior personnel and management have been and remain material to its growth

The Group believes that its growth is partially attributable to the efforts and abilities of the members of its executive management team and other key personnel. If one or more of the members of this team were unable or unwilling to continue in their present position, the Group might not be able to replace them within the short term, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's insurance policies

Historically, the Group has maintained insurance at levels determined by the Group to be appropriate in the light of the cost of cover and the risk profiles of the business in which the Group operates. With respect to losses for which the Group is covered by its policies, it may be difficult and may take time to recover such losses from insurers. In addition, the Group may not be able to recover the full amount from the insurer. No assurance can be given that the Group's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates.

2.3 Risks relating to the Issuer's Acquisition Strategy

The Group may not be able to realise the benefits it expects from investments made in its properties under development

The Issuer's business consists of the acquisition, development and operation of real estate projects having a hotel as their main component. Property acquisition and development projects are subject to a number of specific risks, including the inability to source adequate opportunities, cost overruns, insufficiency of resources to complete the projects, rental of commercial areas not being affected at the prices and within the timeframes envisaged, higher interest costs, and the erosion of revenue generation. If these risks were to materialise, they would have an adverse impact on the Issuer's revenue generation, cash flows and financial performance.

Renovating, refurbishing or otherwise improving existing properties to maintain the standards of the Corinthia® brand, and acquiring and developing new and commercially viable properties, is key to the Group's business and its growth. The development and/or improvement of the Group's properties in the future presents a number of risks, including: market disruption or oversupply may result in the Group being unable to achieve adequate room rates or sell residential units at the prices it anticipates, potentially requiring changes in the Group's pricing strategy that could result in significant losses or charges; and construction delays, cost overruns, lender financial defaults or "acts of God" such as earthquakes, hurricanes, floods or fires could increase overall project costs or result in project cancellations.

Furthermore, the Group is subject to various counter-party risks, including the risk of counter-parties, such as contractors and subcontractors engaged in the demolition, excavation, construction and finishing of developments in which the Group may be involved, and prospective lessors and/or purchasers defaulting on their obligations with the Group. Such parties (which may include both third parties as well as related parties) may fail to perform or default on their obligations to the Group due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Group's control. If such risks, many of which are common to the real estate industry, were to materialise, they could have an adverse impact on the Group's revenue generation, cash flows and financial performance.

The Group's ability to realise the full benefits that it expects from investments made in properties will depend in turn on its ability to assess and minimise these risks in an efficient and cost effective manner. No assurance can be given that the Group will be able to deal with these risks in an efficient and cost effective manner.

2.4 Risks emanating from the Issuer's Financing Strategy

The Group may not be able to obtain the capital it requires for development or improvement of existing or new properties on commercially reasonable terms, or at all

The Group may not be able to secure sufficient financing for its current and future investments. No assurance can be given that sufficient financing will be available on commercially reasonable terms. Any weakness in the capital markets may limit the Group's ability to raise capital for completion of projects that have commenced or for development of future properties. Failure to obtain, or delays in obtaining, the capital required to complete current or future development and improvement projects on commercially reasonable terms, including increases in borrowing costs or decreases in loan availability, may limit the Group's growth and materially and adversely affect its business, financial condition, results of operations and prospects.

At present, the Corinthia Benghazi, the Nevskij Plaza Commercial Centre (car park) and the Medina Tower projects are in their initial stages of development and will require significant capital expenditures going forward. Funding for these projects has not yet been fully secured. While management expects the majority of this funding to be raised through refinancing of existing assets and additional borrowings, this may not be achievable on the terms or within the timeframes required by the Group, also taking into account the need from time to time for the Group's hotel properties to undergo renovation, refurbishment or other improvements in the future.

The Issuer's indebtedness could adversely affect its financial position

The Group has a material amount of debt and it expects to incur additional debt in connection with its future growth in terms of acquisitions and developments. Although the amount of debt funding of the Issuer is expected to increase due to its new projects, the Issuer's policy is such that it intends to maintain its debt to equity ratio at prudent levels. A substantial portion of the Group's generated cash flows will be required to make principal and interest payments on the Group's debt. Substantial borrowings under bank credit facilities are expected to be at variable interest rates, which could cause the Group to be vulnerable to increases in interest rates.

The agreements regulating the Issuer's bank debt impose and are likely to impose significant operating restrictions and financial covenants on the Issuer. These restrictions and covenants could limit the Issuer's ability to obtain future financing, make capital expenditure, withstand a future downturn in business or economic conditions generally, or otherwise inhibit the ability to conduct necessary corporate activities.

A substantial portion of the cash flow generated from the Subsidiaries' operations is utilised to repay their debt obligations pursuant to financial covenants to which they are subject. This gives rise to a reduction in the amount of cash available for distribution to the Issuer which would otherwise be available for funding of the Issuer's working capital, capital expenditure, development costs and other general corporate costs, or for the distribution of dividends. The Issuer may in certain cases also be required to provide guarantees for debts contracted by its Subsidiaries. Defaults under financing agreements could lead to the enforcement of security over property, where applicable, and/or cross-defaults under other financing agreements.

The Issuer may be unable to effectively hedge against interest rates

Although the Issuer seeks to hedge against interest rate fluctuations, this may not always be economically practicable. Furthermore, the possibility of hedging may become more difficult in the future due to the unavailability or limited availability of hedging counterparties. An increase in interest rates which is not hedged by the Issuer may have a material adverse effect on its business, financial condition and results of operations.

3 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT, ADVISORS AND AUDITORS

As at the date of this Registration Document, the Board of Directors of the Issuer is constituted by the following persons:

3.1 Directors

Alfred Pisani	Chairman and Chief Executive Officer
Joseph Fenech	Managing Director
Simon Naudi	Executive Director
Frank Xerri de Caro	Non-Executive Director
Michael Beckett	Non-Executive Director
Nagmeddin Hemali Mokhtar	Non-Executive Director
Andrew John Watson	Non-Executive Director
Hamza Ali Abdullatif Mustafa	Non-Executive Director
Joseph J. Vella	Non-Executive Director

THE DIRECTORS OF THE ISSUER ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS OF THE ISSUER (WHO HAVE ALL TAKEN REASONABLE CARE TO ENSURE SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

The persons listed under the sub-heading "**Advisors**" have advised and assisted the Directors in the drafting and compilation of the Prospectus.

3.2 Senior Management

The body of Executive Directors, constituted by Alfred Pisani, Joseph Fenech and Simon Naudi, in their capacity as Chief Executive Officer, Managing Director and Executive Director respectively, are responsible for the Issuer's day-to-day management.

3.3 Advisors

Legal Counsel to the Issuer	Camilleri Preziosi Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta
Sponsor	Charts Investment Management Service Limited Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913, Malta
Managers	Bank of Valletta p.l.c. BOV Centre, Cannon Road, St Venera SVR 9030, Malta HSBC Bank Malta p.l.c. 233, Republic Street, Valletta VLT 1116, Malta
Registrar	Bank of Valletta p.l.c. BOV Centre, Cannon Road, St Venera SVR 9030, Malta

3.4 Auditors

Name	Grant Thornton
Address	Tower Business Centre, Suite 3, Tower Street, Swatar BKR 4013, Malta

The annual statutory consolidated financial statements of the Issuer for the financial year ended 31 December 2009, 2010 and 2011 have been audited by Grant Thornton. Grant Thornton is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act, 1979 (Cap. 281, Laws of Malta).

4 INFORMATION ABOUT THE ISSUER

4.1 Historical development

4.1.1 Introduction

Full Legal and Commercial Name of Issuer	International Hotel Investments p.l.c.
Registered Address	22, Europa Centre, Floriana FRN 1400, Malta
Place of Registration and Domicile	Malta
Registration Number	C 26136
Date of Registration	29 March 2000
Legal Form	The Issuer is lawfully existing and registered as a public limited company in terms of the Act.
Telephone Numbers	+356 2123 3141
Fax	+356 2123 4219
Email	ihi@corinthia.com
Website	www.ihiplc.com

The Issuer was set up and promoted by the Corinthia Group as the principal vehicle for the international expansion of the Group's hotels and mixed use developments. In 2000, following a successful initial public offering, the Issuer's shares were listed on the Official List of the Malta Stock Exchange.

Whilst CPHCL holds directly 58.78% of the share capital in the Issuer, Istithmar and LFICO both act as strategic investors in the company with direct holdings of 22.05% and 11.03% respectively. LFICO also owns 50% of CPHCL, whilst half of its direct holding of 11.03% is subject to a call option in favour of CPHCL. The remaining shares in the Issuer are held by the general investing public.

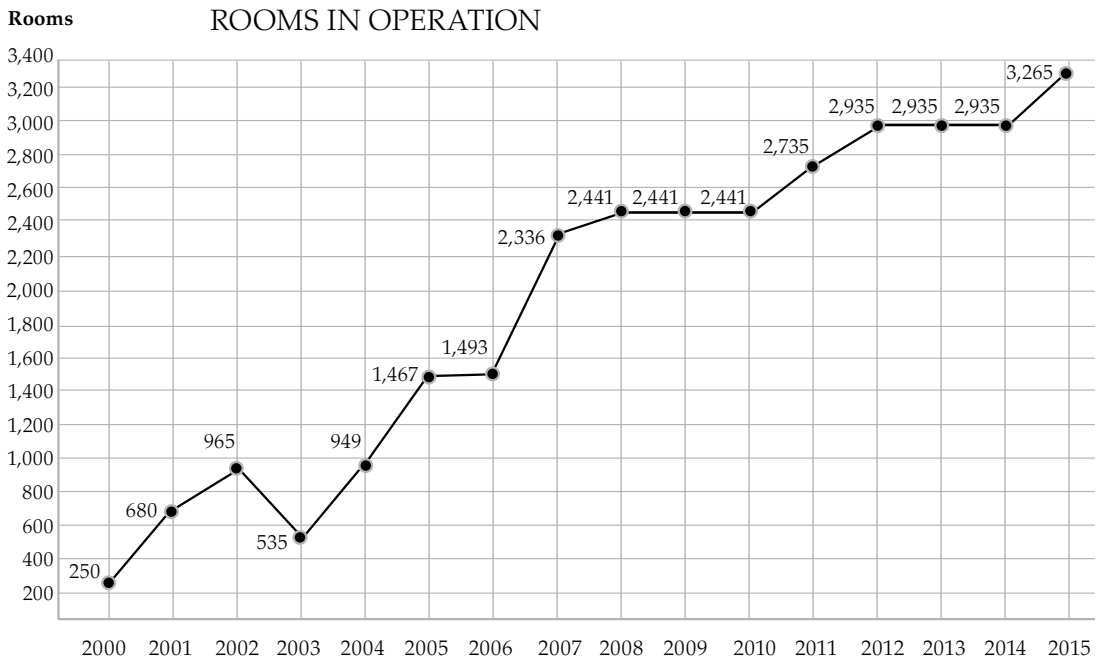
4.1.2 Investment Objective

The principal objective of the Issuer is to achieve above average long-term returns for its shareholders, principally through its long-term growth via investment in a balanced portfolio of mixed use developments having hotel properties as their main component, and hotel operations in a balanced mix between mature and emerging markets.

Over the years the Issuer has varied its investments with a view to achieving a healthy balance between capital appreciation and cash-flow generation. It has managed to generate significant appreciation in value through its involvement in the construction of landmark developments and the refurbishment of under-performing hotels making it possible to re-position them at the top-end of their respective markets. The Issuer has also acquired hotels which at the time were already operating at a level close to their maximum potential thereby significantly improving its cashflow generation.

In seeking to achieve its principal objective, the Issuer invests in, acquires and develops real estate projects with a principal focus on hotel assets. To date, the Issuer has acquired landmark five star hotels in Prague (Czech Republic), Tripoli (Libya), Lisbon (Portugal), Budapest (Hungary), St Petersburg (Russia) and St George's Bay (Malta). In addition it owns 50% of a joint venture company that has acquired and developed a hotel property in London (United Kingdom). As is further mentioned below, IHI recently acquired (from CPHCL) the Marina Hotel in St George's Bay, the Issuer's second property in this location. The Issuer also owns 75% of a joint venture company formed for the purpose of acquiring a site in Benghazi (Libya) for the development of a hotel project and mixed use development. IHI also fully owns CHI, a hotel management company whose main objective is to provide professional hotel management services to the Group's hotels and to third party hotel owners and acts as the exclusive manager of hotels under the Corinthia Brand.

The following table describes room stock in operation, both historically and as projected over the coming years:



1. IHI was incorporated on 29 March 2000 and immediately acquired the 250-bedroom Corinthia Hotel situated in St George's Bay, Malta, and the derelict shell of the Grand Hotel Royal in Budapest.
2. IHI acquired the 430-bedroom Alfa Hotel in Lisbon on 16 August 2001.
3. IHI acquired the 285-bedroom Corinthia Hotel, St Petersburg on 16 January 2002 together with adjoining buildings for development.
4. IHI closed down the Alfa Hotel, Lisbon on 24 February 2003 for refurbishment and extension.
5. IHI inaugurated the 414-bedroom Corinthia Grand Hotel Royal, Budapest on 30 April 2003.
6. The Corinthia Hotel, Lisbon re-opened on 1 May 2004 with 518 bedrooms.
7. IHI inaugurated 26 penthouse apartments situated at the Corinthia Grand Hotel Royal in Budapest.
8. IHI acquired, in May 2007, the 544-bedroom Corinthia Hotel, Prague, and the 299-bedroom Corinthia Hotel & Commercial Centre, Tripoli.
9. IHI completed, in May 2009, the extension of the Corinthia Hotel, St Petersburg by increasing the inventory by a further 105 bedrooms, together with a retail mall and office complex.
10. In April 2009, IHI and its consortium partners acquired the landmark Metropole Building and 10, Whitehall Place in London from the Crown Estate and initiated plans to develop a 296-bedroom luxury hotel and 12 residential apartments. The hotel commenced operations in April 2011 while the residential apartments achieved practical completion in November 2012.
11. In December 2007, IHI & LFICO entered into a preliminary agreement to jointly develop a mixed-use project including a 330-room luxury hotel in Benghazi, Libya.
12. IHI acquired the 200-bedroom Marina Hotel in St George's Bay, Malta on 13 February 2012.

The aforementioned properties are described in further detail below:

	Location	No. of Hotel Rooms	Other components of the development	% Ownership
Operating Assets				
Corinthia Hotel St George's Bay	Malta	250		100%
Corinthia Hotel Budapest & Residences	Hungary	414	26 luxury residences	100%
Corinthia Hotel & Spa Lisbon	Portugal	518		100%
Corinthia Hotel St Petersburg & Commercial Centre	Russia	390	7,500 sq.m. retail space and 3,500 sq.m. offices; 1,500 sq.m. offices (the second batch of office space of 1,500 sq.m. is under development)	100%
Corinthia Hotel Prague	Czech Republic	544		100%
Corinthia Hotel Tripoli & Commercial Centre	Libya	299	10,000 sq.m. offices	100%
Marina Hotel, St George's Bay	Malta	200		100%
Corinthia Hotel London & Residences	London	296	12 luxury residences	50%
Assets under development				
Medina Tower, Tripoli	Libya		200,000 sq.m of: residences for re-sale, offices and retail for rental, leisure, conferencing and car park facilities	25%
Sites to be acquired for future development				
Corinthia Hotel, Residences & Commercial Centre, Benghazi	Libya	330	30 apartments, 700 sq.m. retail, 3,700 sq.m. offices	75%

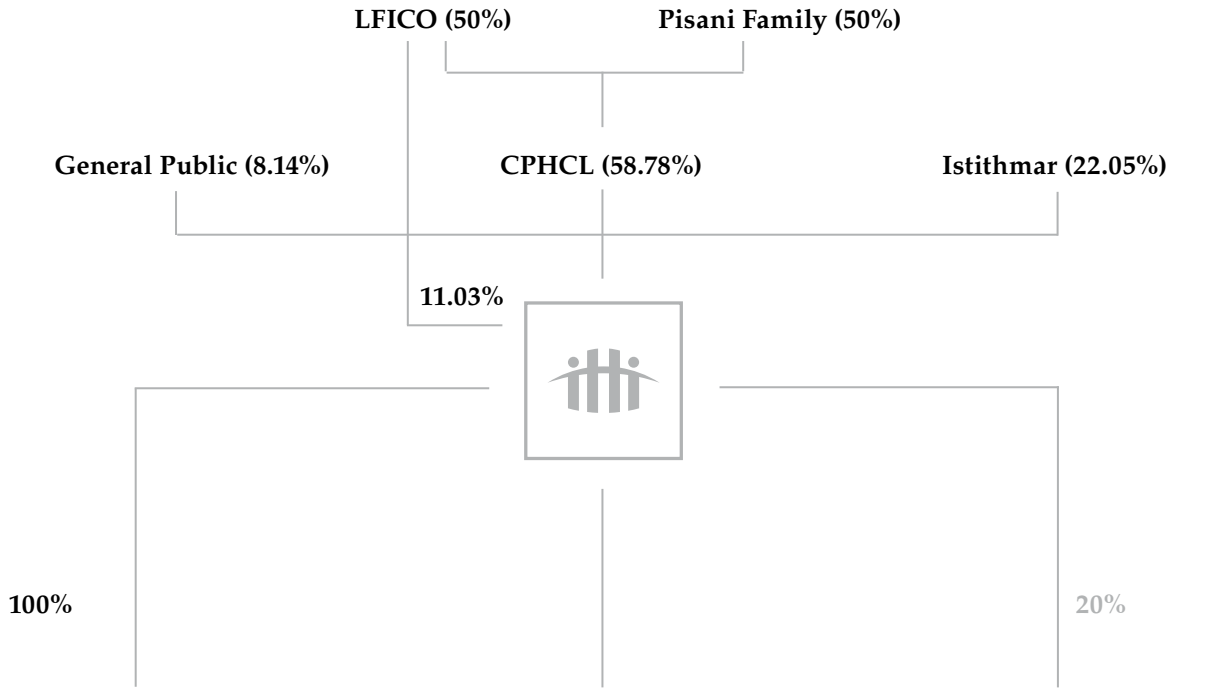
4.1.3 Organisational Structure

The Issuer has adopted a streamlined and cost-effective organisational structure which has expanded over the years in line with its development phases and growth. The Group's organisational structure as illustrated overleaf is considered to be instrumental in ensuring success. This is due to the fact that it allows the Issuer to keep the strategic direction and development of the Group as its primary focus, whilst allowing the respective boards and management teams of the Subsidiaries to focus on achieving the Group's operational objectives. CHI, the hotel management company, provides the necessary support, expertise and guidance to the Subsidiaries with respect to operations of each hotel.

The Group has adopted an autonomous organisational structure for each hotel property and operation. The Group's philosophy is based on the ownership of each hotel property through a company established in the jurisdiction where the hotel is located. This is driven principally by two factors: firstly, retaining a corporate structure that provides efficient tax treatment to the Issuer, and, secondly, ensuring that each hotel property is vested with its own management structure entrusted with its operation. The latter approach suitably adheres to each hotel's need to take account of the particular environment and market within which it operates, albeit subject to the overall direction and the strategic parameters and objectives established by the Issuer's Directors.

QPM, the company specialised in construction and project management, is an advisor garnering a wide array of experience in its fields of competence, supporting the Issuer in the execution of its development plans.

The organisational structure of the Group is illustrated in the diagram overleaf:



CHI Limited
Operator and Developer of the Corinthia Brand

IHI PROPERTY INVESTMENTS

100% of IHI Hungary Zrt
(Corinthia Grand Hotel Royal & Residences, Budapest)

100% of Alfa Investimentos Turisticos Lda
& 100% of IHI Lisbon Limited
(Corinthia Hotel & Spa, Lisbon)

100% of Five Star Hotels Limited
(Corinthia Hotel St George's Bay, Malta)

100% of IHI Towers s.r.o.
(Corinthia Hotel Prague)

100% of IHI Benelux B.V.
& 100% of IHI St Petersburg LLC *(dormant company)*
(Corinthia Hotel & Commercial Centre, St Petersburg)

100% of Corinthia Towers Tripoli Limited
(Corinthia Hotel & Commercial Centre, Tripoli)

75% of IHI Benghazi Limited (25% LFICO)
(Corinthia Hotel & Residence Benghazi)

100% of Marina San Gorg Limited
(Marina Hotel, St George's Bay, Malta)

25% of Medina Tower Joint Stock Company
(25% MIH, 50% EDREICO)
(Medina Tower Project, Tripoli, Libya)

100% of IHI Zagreb d.d.
(dormant company)

50% of NLI Holdings Limited (50% LFICO)
(Corinthia Hotel & Residences, London)

QPM Limited
(80% CPHCL)
Project & Cost Management
Architectural & Design Services

Subsidiary Companies
Associate Companies

4.1.4 Business Development Strategy

At inception, the Issuer owned a 250-room hotel in Malta and a derelict hotel in Budapest. Today it has expanded into a company that fully owns an operating hotel in each of Malta (where it owns and operates two and operates a third), Hungary, the Czech Republic, Portugal, Russia and Libya, and owns 50% of a hotel it operates in the United Kingdom. In 2007, IHI attracted significant new equity from Istithmar which led the Board to re-assess its future investment strategy.

Whilst the Issuer continues to target investments in under-performing properties in emerging markets, it now has the opportunity to further diversify its portfolio of investments both geographically as well as in terms of business segments in the following manner:

- *geographic spread:*
  - not only limiting itself to emerging markets but also focusing on major and mature capital cities; and
- *business segments:*
  - growing ancillary business lines the likes of hotel management; and
  - undertaking developments that are not solely related to hotel properties but that could contain other real estate components such as retail, offices and residential accommodation.

This diversification is aimed at improving the Group's profitability, cash generation capabilities and return on investment, as well as reducing the overall risk profile of the Issuer. In fact, apart from undertaking the projects that are currently in hand, the company is considering the possibility of investing in other major cities such as New York, Rome and Paris.

On 28 December 2010 IHI acquired the legal and beneficial ownership of all intellectual property associated with the Corinthia brand for hotel and property operations from CPHCL. The Corinthia trademark, including related logos, is registered as a Community Trademark in the European Union. IHI has also extended the registration of the Corinthia trademark to other countries where it operates outside the European Union and which are contracting states under the Madrid Agreement Concerning the International Registration of Marks (1891) and the Protocol Relating to the Madrid Agreement (1995) which govern the system for the international registration of marks under the WIPO Convention (World Intellectual Property Organisation) of 1967. The Corinthia brand acquisition is an important part of the Group's strategy to capitalise on the repositioning of the Corinthia brand as a global luxury hotel brand.

On 13 February 2012 IHI acquired the full ownership of the hotel business and hotel property managed under the name Marina Hotel in St George's Bay, Malta, through the transfer of all of the issued share capital of Marina San Gorg Limited.

When originally set up, CHI's activities were limited to the management of hotels that were owned by the Corinthia Group. CHI continues to actively pursue the negotiation and conclusion of a number of management agreements with third party hotel owners and it is expected that this company shall continue on its growth path in the forthcoming years. Ancillary to the foregoing, CHI also assists with pre-opening marketing, recruitment and training of staff and other logistical issues relating to the supply of operating equipment which is often required at a stage preceding the actual management of the hotel and for which CHI enters into a pre-opening agreement. In order to support CHI's sales and marketing team and improve its room reservation and distribution capabilities, in 2010, IHI created its own global distribution system ("**GDS**") using code "IA" for all Corinthia® branded hotels managed by CHI. This was coupled with the introduction of interactive websites and a central reservation system complete with customer relationship management capabilities, centralised voice booking facilities, loyalty programmes and revenue management functions. This development has increased customer flows to the Group's hotels and, in particular, has led to increased room reservations for the Group whilst continuing to distribute rooms through the major GDS companies (Sabre, Apollo and Travelport). IHI's creation of a GDS code is expected to allow increased accessibility to the leading distribution systems and to provide an adequate contingency against the Group's potential exposure to failures in, or non-continuance of use of, the Wyndham distribution platform which, up until the creation of the Group's own GDS, was its sole means of accesses to a GDS. The Group has chosen not to remain reliant upon the Wyndham distribution platform and in 2012 bought the 30% equity participation of Wyndham in CHI. The Group has also recruited highly qualified personnel in the areas of distribution and operations as part of the re-positioning of the Corinthia® brand and the initiative to control a greater proportion of the distribution channels.

Whereas the Issuer is mainly involved in the development of hotel assets, over the years it became clear that the Group's

development competences could be profitably applied to other kinds of real estate projects that shared synergies with the hotel market. On this basis, on 9 June 2009 IHI entered into a joint venture with MIH[1] and EDREICO for the development of the Medina Tower project in Tripoli comprising a 200,000 square metre mixed-use development over a land plot measuring 13,000 square metres in the centre of Tripoli. This mixed-use high-rise development will comprise residences for resale, offices, retail, conferencing and car park facilities for rental to third parties. MIH and IHI each have a 25% equity stake in this development through their respective 25 per cent shareholding in Medina Tower JSC (Libya), the joint venture company which owns the Medina Tower project.

The Issuer also owns a 20 per cent stake in QPM, with the remaining 80 per cent held by CPHCL. QPM operates independently of and at arm's length to IHI and offers a range of project, construction and cost management services to a number of international clients in various countries. Since its inception in March 2000, it became increasingly clear that, given the real estate focus of the Group, this company would be able to add value to the Group as a whole and progressively source projects independently. QPM established a London office in July 2011 providing a range of services, including project and construction management on a number of commissions. In August 2012 the offices of David Xuereb and Associates integrated with QPM to provide a more comprehensive list of professional services within the construction industry.

Furthermore, the Issuer will continue to maintain a strong focus on the improvement in the performance of its present assets in order to safeguard the profitability of the Group during the short to medium term.

The Issuer has completed the works on the Corinthia Hotel St Petersburg and Commercial Centre. During the first phase of this project, works included the total refurbishment and reorganisation of the existing hotel's foyer, restaurants, bar and public areas. The second phase included the addition of 105 executive bedrooms, extensive conference facilities and 11,000 square metres of office and retail space. These areas were completed and became fully operational in May 2009. Other than improving the occupancy and rate of the enlarged hotel another objective was to lease the office and retail areas and significant progress has already been achieved in this regard with a seven year tenancy agreement being signed with a prestigious local banking group. The third and final phase which is yet to be commenced will include works relating to the creation of a car park and further office space to the rear of the hotel.

As it has successfully done in the past, in 2012 and subsequent years the Group plans to continue to seek appropriate investment opportunities in the international market that will contribute to provide adequate returns in the medium and long term.

A major change in the Issuer's strategy resulted from the willingness and ability of its principal shareholders to invest, alongside the Issuer, in acquisitions and developments that it would otherwise not have been in a position to acquire on its own. In the context of this re-defined strategy an example of the shareholders' willingness to invest alongside the Issuer is evident in IHI's most recent hotel development completed in central London in 2011. In 2008 the Issuer embarked on a joint venture project to acquire two derelict properties in central London from the Crown Estate and subsequently develop them over a three-year investment program. The Issuer has a 50% equity participation, together with LFICO that owns the other 50%, in the company that acquired (i) the former Metropole Building (used by the Ministry of Defence until 2002) in Whitehall Place and (ii) 10 Whitehall Place, which is located adjacent to the hotel property. Between them, the two properties form an island site within Whitehall. The Issuer and LFICO (the "**Investors**") set on converting the development into a 296-room five star hotel, including a 3,300 square metre spa on four floors managed by the hotel. The Investors completed the reconstruction and proceeded to launch the hotel in July 2011, returning the former Metropole Building back to its original use when first constructed in 1884 as a luxury hotel, today opening as a Corinthia Hotel. CHI has been entrusted with the management of the hotel operation. 10 Whitehall Place has been converted into 12 luxury stand-alone apartments. The apartments, are currently being marketed for sale, and will be supported with dedicated underground car parking and separate entrance, foyer, storage, concierge services including dedicated direct access to the hotel's spa from the lobby of the apartment block directly. In line with the Group's prudent funding policy, this development has been funded on a 50:50 ratio through an equity injection by the shareholders of the joint-venture company and bank financing procured by the joint venture company itself.

[1] MIH is itself a joint venture between CPHCL and the National Real Estate Company of Kuwait, each holding a 50% stake. MIH's principal objective is to acquire, develop and operate real estate projects in North Africa.

The Issuer has also embarked on the following projects:

- On 14 October 2008 the Issuer subscribed to a 75% equity participation in a joint venture company, with LFICO holding the remaining 25%, for the purpose of acquiring the derelict building formerly known as the El-Jazeera Hotel and adjoining site in Benghazi, Libya and its eventual development into a mixed-use project comprising a 330 room 5-star hotel, 30 luxury apartments, 700 square metres of retail space and 3,700 square metres of office space. Although IHI owns 75% of the joint venture company, it plans to downsize its holding to 55%, whilst the other 45% will be held directly by LFICO. IHI will contribute its equity contribution when the sites are acquired by the joint venture company. The investors in the Benghazi project plan to sell the residential elements of this project in order to realise part of the capital appreciation and, in so doing, improve the return on their investment. The joint venture shall seek to obtain appropriate bank financing for the development of this project. It is anticipated that the funding required for the project shall be sourced from a combination of the said equity injection in the joint venture company by the shareholders and bank financing procured by the joint venture company itself. On completion, CHI will be entrusted with the management of the hotel operation under the Corinthia® Brand.

- The Issuer subscribed to a 25% equity participation in a joint venture company set up by virtue of a Memorandum of Incorporation dated 20 May 2010 and registered under no. 343 at the investment register in Tripoli, Libya on 7 August 2010. This joint venture was set up together with MIH, which holds a 25% equity participation, and EDREICO, a Libyan investment company, which holds the remaining 50% equity participation, for the purpose of developing the Medina Tower mixed-used project comprising a 200,000 square metre development over a plot of land measuring 13,000 square metres in the centre of Tripoli. Plans are already in hand and the architect and the main contractor for the project have been appointed to carry out a mixed-use high-rise development comprising 336 residences for resale, 25,000 square metres office space for rental, 20,000 square metres for retail and leisure, conference and car park facilities for rental to third parties. Whilst the equity contribution required for the first phase of this project is already available, bank financing discussions have been entered with a number of financial institutions with the intention of securing full financing over the course of the next six months. The main construction contract for the project was signed on 5 September 2012. The contractor is already on site and has commenced soil investigation testing in anticipation of the works relating to the foundations and sub-structural works. The project is anticipated to be completed by mid-2016.

5 TREND INFORMATION AND FINANCIAL PERFORMANCE

5.1 Trend Information

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited consolidated financial statements.

In 2011 the North African region was affected by substantial political change. Civil unrest started in Tunisia, followed in Egypt and ultimately spread to Libya. In these three countries the existing governments either stepped down or were removed. The period during the conflict and the months that followed were characterised by political and economic instability and a curtailment of business activity. The Issuer owns and operates the Corinthia Hotel & Commercial Centre in Tripoli, Libya. The performance of this operation during the course of 2011 was significantly lower than the performance in prior years. As the former government was replaced and the political turmoil began to abate, the Group experienced a gradual recovery of business activity in the operation. Towards the end of 2011 the performance of this operation improved and as a result, the revenues in 2012 continued to increase towards pre-2011 operating levels.

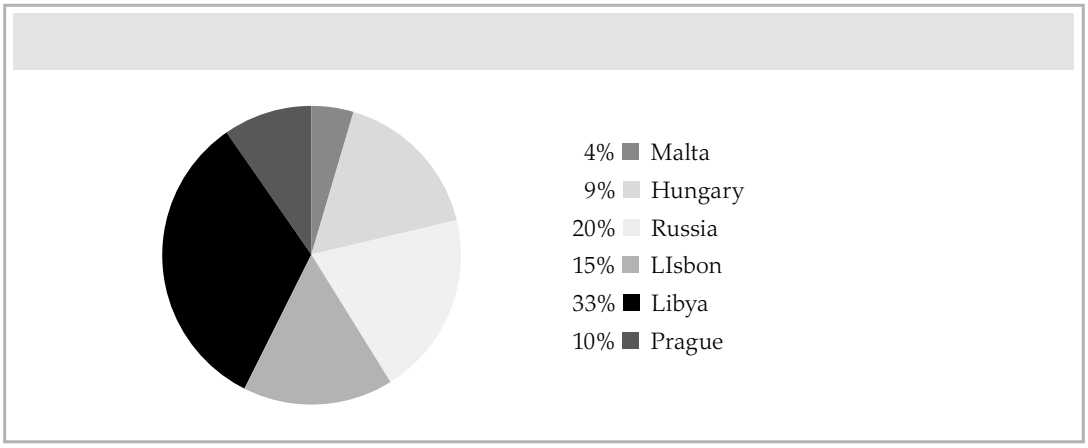
During this period of political conflict in North Africa, the Issuer's property in Tripoli remained operational, albeit at a lower level of activity to match the demands for accommodation in Libya. This ensured that the Issuer's property did not become the focus of the disorder and turmoil that subsisted. Once the former administration was replaced the Group's property was at the forefront to continue offering services.

The Issuer's operations in Western and Central Europe continued to operate in a subdued environment following the global financial crisis which took hold in 2008. However, notwithstanding the general economic slowdown, these assets registered an improved performance in 2011 over the corresponding period in 2010.

The Issuer has, throughout the years, adopted a strategy aimed at increasing its resilience during challenging times, the likes of which are being experienced at present. In this regard, the results of this strategy have been particularly effective in acting as buffers against the adverse effects of this economic downturn:

- Firstly, the Issuer has distributed its investments across various geographic locations (as shown in the chart below) and is now achieving further diversity through growth in ancillary business segments. The diversity of the Group's investment portfolio mitigates its exposure to any one specific country or source of business, and furthermore ensures that the Group's earnings provide a healthy mix between active (hotel business) and passive income (long-term rental income) thereby ensuring a more balanced profit and cash generation.

  Geographical mix of operating profits



- Whereas the Issuer remains primarily a hotel owning company, all its hotel assets contain significant retail, office and/or residential components meaning that it has through the years managed to put its competences in hotel management and real estate development to profitable use. By end 2011, €6 million, or the equivalent of 27% of its EBITDA, were generated from these ancillary business lines.

- The Issuer has implemented prudent equity and loan policies over the years, resulting in a balance sheet funded with relatively low and sustainable levels of debt. Cash generated by operations provide a healthy cover of interest payment.

5.2 Key Financial Review

The financial information about the Issuer is included in the consolidated financial statements for each of the financial years ended 31 December 2009, 2010 and 2011. The said statements have been published and are available on the Issuer's web-site (www.ihiplc.com) and at its registered office. Set out below are highlights taken from the consolidated financial statements of the Issuer for the years ended 31 December 2009, 2010 and 2011.

Condensed Income Statement

For the years ended 31 December	**2011 €'000**	**2010 €'000**	**2009 €'000**
Revenue	104,223	101,843	103,320
Direct cost	(53,863)	(52,509)	(48,184)
	50,360	**49,334**	**55,136**
Other operating costs	(27,982)	(26,473)	(23,511)
EBITDA	**22,378**	**22,861**	**31,625**
Depreciation and amortisation	(24,429)	(24,730)	(24,779)
Increase in fair value of investment property	5,448	2,746	12,064
Net impairment (losses) reversal on hotel properties	(2,497)	2,400	(22,334)
Results from operating activities	**900**	**3,277**	**(3,424)**
Share of profit (loss) from equity accounted investments	1,155	(546)	14,483
Finance income	1,826	607	2,071
Finance costs	(15,725)	(14,634)	(12,590)
Net fair value gain (loss) on interest rate swaps	432	216	(1,604)
Movement in reimbursement asset	(399)	(340)	(505)
Loss before tax	**(11,811)**	**(11,420)**	**(1,569)**
Tax income (expense)	1,079	(1,651)	(47)
Loss for the year	**(10,732)**	**(13,071)**	**(1,616)**
Loss per share	**(0.02)**	**(0.02)**	**(0.00)**

Condensed Statement of Comprehensive Income

For the years ended 31 December	**2011 €'000**	**2010 €'000**	**2009 €'000**
Loss for the period	**(10,732)**	**(13,071)**	**(1,616)**
Other comprehensive income			
Revaluation of hotel properties	(12,703)	(20,300)	2,671
Translation difference	1,236	432	74
Share of other comprehensive income of equity accounted investments	(5,218)	38,427	(1,192)
Income tax relating to components of other comprehensive income	3,287	(137)	(1,297)
Other comprehensive income for the year, net of tax	**(13,398)**	**18,422**	**256**
Total comprehensive (expense) income for the year	**(24,130)**	**5,351**	**(1,360)**

Condensed Balance Sheet At 31 December	2011 €'000	2010 €'000	2009 €'000
Assets			
Non- current	984,971	994,930	961,213
Current	81,858	58,332	76,467
Total assets	**1,066,829**	**1,053,262**	**1,037,680**
Equity			
Total equity	**602,615**	**626,745**	**622,745**
Liabilities			
Non- current	399,119	369,129	339,587
Current	65,095	57,388	75,348
Total liabilities	**464,214**	**426,517**	**414,935**
Total equity and liabilities	**1,066,829**	**1,053,262**	**1,037,680**

Condensed Statement of Cash Flows For the years ended 31 December	2011 €'000	2010 €'000	2009 €'000
Net cash from operating activities	14,430	19,020	26,810
Net cash used in investing activities	(10,275)	(23,787)	(59,680)
Net cash (used in) from financing activities	(3,163)	(18,237)	11,227
Net increase (decrease) in cash and cash equivalents	**992**	**(23,004)**	**(21,643)**
Cash and cash equivalents at 1 January	25,250	48,254	69,897
Cash and cash equivalents at end of year	**26,242**	**25,250**	**48,254**

In 2010 the Group's activities were hampered by the continued difficult business environment. Sluggish economic conditions were also negatively affected by the austerity measures introduced in countries that provide the Group's feeder markets. In 2011 the Group registered revenue growth in most of the properties except for Corinthia Hotel Tripoli which was operating in a country in conflict.

The Group's revenues for the years under review remained substantially at the same levels. The reduction in 2010 revenue was mainly the result of a drop of €8.5 million from the Group's hotel in Tripoli which was partly compensated by increases in the Group's hotel operations in Lisbon (€3.6 million) and in St Petersburg (€3.9 million). In 2010 the performance of the Corinthia Hotel Tripoli's revenues and performance was negatively affected by visa restrictions imposed for a six week period and by increased competition and a general slowdown in business. On the other hand, the Corinthia Hotel Lisbon has steadily improved overall performance, while the Corinthia Hotel St Petersburg has benefitted from a higher room-stock following the completion of the refurbishment project in 2009.

In 2011, despite the downturn in business at Corinthia Hotel Tripoli in view of the ensuing civil war for most of that year, the Group registered consolidated revenues that were 2% higher than those registered in 2010. In 2011 the hotel in Libya registered a drop in revenues, against revenues in 2010, of 35% equivalent to €10.6 million. All the other Group hotel properties achieved increases in revenues over the previous year which in aggregate amounted to €13.1 million. The Group revenues for 2011 indicate the group's resilience to withstand the cumulative pressures created by subdued global economic conditions and financial markets and the exceptional circumstances witnessed in Libya. A principal contributor to the increased revenues was the Group's internally developed GDS which has now started to yield positive results since its launch last year.

Higher operating costs incurred by the hotels overall, due to a higher level of activity and the higher corporate costs incurred have been the principal factors contributing to the higher direct and other operating costs. This was partially mitigated by a reduction in operating costs in Tripoli as a result of lower levels of activity and measures taken at Corinthia Hotel Tripoli to reduce overhead costs. In 2011, corporate costs included the write-off of €1.8 million incurred during prior years in connection with the Company's possible listing on the London Stock Exchange.

The Group registered an operating profit before depreciation and amortisation and revaluation adjustments of €22.4 million compared to a profit of €22.9 million in 2010 and €31.6 million in 2009.

For the periods under review the Group registered uplifts in the fair value of its investment property[2]. The value of the commercial centre in St Petersburg improved by €5.6 million in 2011, €2.9 million in 2010 and €5.7 million in 2009. Likewise the investment property in Tripoli registered an improvement of €5.0 million in 2009 (no movement was registered in 2010 and 2011). The investment property owned in Lisbon registered a diminution in value of €0.1 million in both 2011 and 2010, against an improvement of €1.4 million in 2009.

The combined net impairment losses of €22.4 million for the periods represent the movement on hotel property values in this turbulent period. The varying expectations throughout this period resulted in instances where hotels have been impaired, for such an impairment to be partly reversed in subsequent periods. Such is in the case for Corinthia Hotel Lisbon and Corinthia Hotel Prague.

The share of results from equity accounted investments primarily relates to IHI's 50% investment in Corinthia Hotel London and the adjoining apartments. The hotel opened in 2011 with room stock being gradually brought into operation. This staged approach together with financial charges and depreciation resulted in a loss situation which was reversed through an uplift in the value of the adjoining apartments. This programmed implementation, which was completed by year end allowed the hotel to become firmly established and its brand recognised in the London market.

The 2010 share of loss reflects the pre-opening and marketing costs incurred by the property in preparation for its planned opening the following year. The profit of €14.5 million registered in 2009 was the result of an uplift following a revaluation of the London apartments held as investment properties.

Throughout the periods under review the Group continued to apply its cash surplus for investment purposes resulting in a diminution in finance income. The increase in 2011 of €1.2 million over the previous year was mainly due to gains on foreign currency translation.

The increase in finance costs reflects higher Euribor base rates, interest incurred on the €35 million bond issued in April 2010, and interest on a new re-financing loan utilised to finance the Group's investment in London and the equity stake in Medina Tower in Tripoli.

Net fair value gains and losses on interest rate swaps represent mark to market value adjustments on two interest rate swaps that had been entered into on the Prague and Lisbon properties. The market expectations of movements in the Euro interest rate resulted in fluctuations of €1 million in the value of these swaps. The Group has the intention to hold these financial instruments to maturity with the result that cumulative gains and losses in market value will ultimately be netted out.

In 2011, the Group registered a loss after tax of €10.7 million compared to a loss after tax of €13.1 million in 2010 and a loss after tax of €1.6 million in 2009.

The combined movement on the Statement of Comprehensive Income for the periods under review of €5.3 million namely reflects an impairment charge of €30.3 million on the book value of the Tripoli Hotel and the St Petersburg Hotel, incurred as a result of reduced future profitability. Against this, the Group registered a significant gain of €35.8 million as a result of an uplift in the value of the London hotel property net of finance costs.

After taking into account the net movement in the Comprehensive Statement, the Group registered a total expense in 2011 of €24.1 million compared to income of €5.4 million in 2010 and a total expense of €1.4 million in 2009.

[2] Investment properties exclude all hotel properties of the Group.

Interest and Debt Service Cover

	2011	2010	2009
Interest Cover [3]	1.61	1.63	3.01
Debt Service Cover [4]	0.90	0.48	0.99
Adjusted Debt Service Cover	0.68	0.64	0.99

Both ratios were heavily impacted by the decline in business following the recessionary pressures experienced in the Group's source markets and the conflict in Libya.

The decline in Interest Cover in 2010 is the result of the negative movement in two factors, the reduction in EBITDA and the increase in interest cost as highlighted above. In 2011, the reduced revenues in Tripoli were compensated by the improvements in the other properties thus supporting the interest cover ratio at 2010 levels.

The reduction in EBITDA and the increase in net interest costs also impacted the Debt Service Cover ratios. In 2010, the Group prepaid a facility on the St Petersburg properties further impacting the ratio in that year. Adjusting for this event the cover ratio would read 0.64. In 2011, due to the conflict in Libya the Group sought and benefited from the deferral of loan capital payments on the debt related to its property in Tripoli. The cover ratio adjusted for benefit of this deferral is 0.68, an improvement on the prior year ratio.

Interim Financial Results

Set out below are the interim financial results of the Issuer for the six months ended 30 June 2011 and 2012. The said results, which are unaudited, have been published and are available on the Issuer's web-site (www.ihiplc.com) and at its registered office.

Condensed Income Statement

	1 January to 30 June 2012 €'000	1 January to 30 June 2011 €'000
Revenue	**56,454**	48,634
Direct costs	**(29,331)**	(26,561)
	27,123	22,073
Other operating costs	**(13,665)**	(12,298)
EBITDA	**13,458**	9,775
Depreciation and amortisation	**(11,906)**	(12,040)
Results from operating activities	**1,552**	(2,265)
Share of loss from equity accounted investments	**(7,223)**	(5,437)
Finance income	**2,121**	160
Finance costs	**(9,627)**	(8,370)
Net fair value gain on interest rate swaps	**554**	1,231
Loss before tax	**(12,623)**	(14,681)
Tax income	**2,947**	3,488
Loss for the period	**(9,676)**	(11,193)
Attributable to:		
Owners of the parent	**(9,506)**	(10,822)
Non-controlling interest	**(170)**	(371)
Loss for the period	**(9,676)**	(11,193)

[3] Interest cover is calculated by dividing net interest payable by EBITDA.

[4] Debt service cover is calculated by dividing net interest paid and capital loan repayments by EBITDA.

Condensed Balance Sheet

	At 30 June 2012	At 31 December 2011
	€'000	€'000
ASSETS		
Non-current	**1,010,262**	984,971
Current	**68,506**	81,858
Total assets	**1,078,768**	1,066,829
EQUITY		
Total equity	**594,383**	602,615
LIABILITIES		
Non-current	**379,764**	399,119
Current	**104,621**	65,095
Total liabilities	**484,385**	464,214
Total equity and liabilities	**1,078,768**	1,066,829

Condensed Cash Flow Statement

	1 January to 30 June 2012	1 January to 30 June 2011
	€'000	€'000
Net cash from operating activities	**8,572**	5,084
Net cash used in investing activities	**(15,241)**	(2,479)
Net cash used in financing activities	**(5,439)**	(12,996)
Net decrease in cash and cash equivalents	**(12,108)**	(10,391)
Cash and cash equivalents at beginning of period	**26,242**	25,250
Cash and cash equivalents at end of period	**14,134**	14,859

Review of Performance

In the first six months of 2012 the Group registered an increase in consolidated revenues of 16% compared with those of the first six months of 2011. The Marina Hotel, which was acquired in early 2012, accounted for 5.6 percentage points of this increase. The remaining 10.4 percentage points were contributed by Corinthia Hotel St Petersburg, Corinthia Hotel Tripoli and CHI Limited, the operating arm of the Group. The Tripoli property is steadily recovering in the aftermath of recent developments in the country, whilst the hotel in St Petersburg is achieving significant year-on-year improvements as it consolidates its market position.

The increase in direct costs reflects the improved hotel occupancy levels achieved by the properties and the costs incurred by the Marina Hotel, which is reported for the first time in 2012. Other operating costs were affected by the return to normal operations at the Corinthia Hotel Tripoli which last year were heavily curtailed in view of the conflict. Furthermore, all costs associated with the acquisition of the Marina Hotel, such as duty on documents amounting to €1.0 million, are reported under this caption.

The Group registered an operating profit before depreciation and amortisation of €13.5 million compared to €9.8 million in the corresponding period last year.

The improvement in finance income is due to interest income earned on the development loans advanced to Corinthia Hotel London and on exchange fluctuations registered on these loans denominated in Sterling. Exchange losses registered last year on these loans were recorded with finance costs. The increase in finance costs reflects the interest costs of new bank facilities concluded and fully utilised in the latter half of last year. On the expectation of higher future interest base rates, the fair value of the interest rate swaps held by the Group improved by €0.6 million from the position recorded at 31 December 2011.

The share of loss from equity accounted investments reflects the six months' operational activity at the Corinthia Hotel & Residences, London. In 2011 only three months' performance was reflected in the operating results as the first quarter was still considered as a pre-operating period. The property is in the initial stages of its operational lifecycle and despite the operating profit achieved, this turned into a loss after charging depreciation and financing costs. In 2011 finance costs were mainly capitalised.

During the period under review the Group registered a loss after tax of €9.7 million compared to a loss of €11.2 million in the same period last year.

State of Affairs

In February 2012, the Group finalised the acquisition, which became effective on 1 January 2012, of the Marina Hotel located at St George's Bay, Malta. It is expected that this transaction will provide greater possibilities of economies of scale and synergies between the Corinthia Hotel St George's Bay and the Marina Hotel.

In May 2012, the Issuer increased its share in CHI from 70% to 100%. The board of IHI considers that this will provide total focus to the hotel operating company which is entrusted to manage its Corinthia branded properties and to increase the number of management contracts.

The Group's working capital as at 30 June 2012 is showing a net deficiency of €36.1 million. This includes the €22.1 million bond maturing in February 2013 which is now being classified under current liabilities in view of the fact that it is repayable within the next 12 months. The Company is issuing the Bond the proceeds from which, together with the proceeds from the disposal of non-core assets, will be utilised to address the working capital deficiency.

As announced in April 2012 the Group is in the process of making presentations to a number of global institutional investors inviting them to participate in the subscription of new shares with a view of raising new equity capital through private placements.

5.3 Latest Developments

The Issuer's activities have, over the last thirty six months, been focused on:

- The completion of works on the Corinthia Hotel St Petersburg and Commercial Centre as explained in 4.1.4 (Business Development Strategy): these works were completed and became fully operational in May 2009.
- The acquisition and development of the Corinthia Hotel and Residences London: the acquisition and development of the project was fully funded on a 50:50 ratio through an equity injection by the shareholders of the joint venture company and bank financing procured by the joint venture company itself.
- The 75% interest in the joint venture company formed for the purpose of acquiring the derelict El-Jazeera Hotel and adjoining site in Benghazi, Libya: IHI will contribute its equity contribution when the sites are acquired by the joint venture company.
- The 25% equity participation in the Medina Tower mixed-used project as explained in 4.1.4 (Business Development Strategy).
- The Issuer's acquisition of all the intellectual property associated with the Corinthia® brand from CPHCL in 2010.
- The Issuer's acquisition of the full ownership of the hotel business and hotel property managed under the name Hotel Marina in St George's Bay, Malta on 13 February 2012.
- The Issuer's acquisition of Wyndham Hotel Group International's 30% shareholding in CHI Limited on 9 May 2012.

The injection of €178 million equity by Istithmar in 2007 enabled the Issuer to place less reliance on debt funding, in line with its conservative approach to its debt to equity balance. The application of this equity injection has, to date, focused on financing two major projects that are now complete, the Corinthia Hotel St Petersburg and Commercial Centre and the Corinthia Hotel and Residences London. Accordingly, the Issuer has funded, through equity, its 50% equity stake in the acquisition of the Metropole Building and adjoining 10 Whitehall Place in London, amounting to £67.5 million (€76 million). In addition, the Issuer has also funded the Corinthia Hotel St Petersburg project amounting to *circa* €97.9 million through its own cash resources, although late in 2011 it has refinanced part of this project through the raising of a €50 million loan through Sberbank of Russia. Part of the equity funding raised through Istithmar was utilised to partly pay for the acquisition of the Corinthia Hotels in Prague and Tripoli (€15 million in 2007), and the acquisition of the Corinthia Brand in 2010 for €19.6 million.

This conservative strategy, particularly within the context of a global economic downturn, has maintained the Group's debt to equity ratio as at 31 December 2011 at a level of 35.1%, thus maintaining its debt servicing requirements within sustainable levels whilst at the same time minimising its finance costs.

6 MANAGEMENT

6.1 General

In aggregate, the Group employs 2,319 employees in eight different jurisdictions. The following table shows the manner in which these employees are deployed by the hotels of the Issuer as at 31 August 2012:

Hotel Operation / Issuer	Management & Administration	Operational	Total
Corinthia Hotel St George's Bay Malta	43	289	332
Corinthia Hotel & Spa Lisbon	35	219	254
Corinthia Hotel St Petersburg & Commercial Centre	74	174	248
Corinthia Hotel Budapest & Residences	75	265	340
Corinthia Hotel Tripoli & Commercial Centre	89	229	318
Corinthia Hotel Prague	45	182	227
CHI Limited	49	2	51
Corinthia Hotel London & Residences	60	323	383
Marina Hotel	31	115	146
The Issuer	20	-	20
Total	**521**	**1,798**	**2,319**

6.2 The Board of Directors

The Issuer is managed by a Board consisting of nine Directors entrusted with its overall direction and management, including the establishment of strategies for future development. Its responsibilities include the oversight of the Issuer's internal control procedures and financial performance, and the review of the Issuer's business risks, thus ensuring such risks are adequately identified, evaluated, managed and minimised. All the Directors have access to independent professional advice at the expense of the Issuer, should they so require.

The Board consists of three executive Directors and six non-executive Directors. The three executive Directors, comprising the Chief Executive Officer, Managing Director and Executive Director, are responsible for acquisitions and development and are entrusted with the Issuer's day-to-day management. The business address of each Director is the registered office of the Issuer.

6.2.1 Executive Directors

The Chief Executive Officer, Managing Director and the Executive Director are responsible for acquisitions and development and are mainly responsible for the identification and execution of new investment opportunities and the funding of the Issuer's acquisitions. They are also responsible for ensuring the establishment of appropriate management contracts of the hotel properties in the case of operational properties and, negotiating and awarding project contracts in the case of the development or refurbishment of new properties. The three executive Directors are also directors or officers of other companies within the Corinthia Group, bringing with them the necessary proficiency and experience in this industry sector, and providing their expertise throughout the entire Group.

They are supported in this role by several third party consultants and other officers of the Issuer.

6.2.2 Non-Executive Directors

The Non-Executive Directors are independent of the Issuer and constitute a majority on the Board. The Non-Executive Directors' main functions are to monitor the operations of the Executive Directors and their performance, as well as to review any investment opportunities that are proposed by the Executive Directors. All proposed acquisitions of the Issuer are brought to the Board for approval.

6.2.3 Boards of Subsidiary Companies

Each hotel property is owned through a subsidiary company located in the jurisdiction where that hotel property is located, and is required to comply with all the laws and regulations of that jurisdiction. Accordingly, a board of directors is entrusted with the responsibility of the direction and management of each subsidiary within the strategic parameters established by the Board. In some jurisdictions, the Issuer has adopted the structure of a dual board in line with the requirements of the legislation of those jurisdictions. These involve the concept of a board of directors that is entrusted with setting the policies and strategies of the company to be implemented by management in the day-to-day operations and executive decisions, and a supervisory board that is entrusted with monitoring the policy implementation within the company by management.

The board of each Subsidiary is, within the strategic parameters established by the Board of the Issuer, autonomous in the determination of the appropriate policies for the respective hotels and is entrusted with handling the relations with the hotel operating company. Each hotel, in turn, has its own management structure and employees who carry out the function of implementing the policies and directions of the subsidiary boards under the direction of the hotel operating company.

6.2.4 Curriculum Vitae of Directors

Alfred Pisani is the founder of the Corinthia Group and has been the Chairman and Chief Executive Officer since the inception of Corinthia in 1962. He was responsible for the construction of the Group's first hotel, the Corinthia Palace in Attard. He has led the Corinthia Group from a one hotel company to a diversified group having significant interests. Such interests vary from equity participations, management or both in several geographical areas and include interests in three hotels in Malta, five hotels in Turkey, two hotels in Hungary, nine hotels in the Czech Republic, two hotels in Portugal and Libya and one in each of Tunisia, the United Kingdom, The Russian Federation, The Gambia and Togo. Mr Pisani is also the Chairman and Chief Executive Officer of the Issuer.

Joseph Fenech is a Fellow of the Chartered Association of Certified Accountants of the United Kingdom and a Fellow of the Malta Institute of Accountants. Mr Fenech joined the Corinthia Group in 1980 after having spent a few years as senior auditor with a local auditing firm. His first appointment was as Group Accountant responsible for all financial and accounting matters of the Corinthia Group operations and in 1990 he was appointed a member of the executive board. Mr Fenech is the Managing Director of the Issuer.

Simon Naudi joined the Board of the Issuer in 2005, having joined the Corinthia Group in a senior executive role in 1998. He has since been responsible for corporate strategy, including business development, particularly hotel and real estate acquisitions and project developments.

Nagmeddin Hemali Mokhtar is an executive officer of LFICO. He is a former Chairman of LFICO and a lawyer by profession having graduated from Garyounis University, Benghazi. He has worked in the legal office of Omma Bank, as a legal representative to LFICO in Pakistan and as head of the legal office of LFICO in Tripoli where he currently holds office.

Michael Beckett has considerable expertise in international mining, industrial and leisure companies. He is a former independent non-executive chairman of Thomas Cook prior to which he was Deputy Chairman and Senior Independent Director at Thomas Cook. He was Chairman of MyTravel Group plc between 2004 and 2007. Other positions previously held include Chairman of London Clubs International plc, Ashanti Goldfields Company Limited and Clarkson plc, and he was formerly Managing Director of Consolidated Gold Fields plc. Current external appointments include Non-Executive Chairman of Endeavour Mining Corporation (Canada) and Non-Executive Director of Northam Platinum Ltd (South Africa).

Andrew Watson is the Chief Investment Officer of Nakheel PJSC International having joined the Group in September 2007. Mr Watson has over 20 years' experience in the financial services sector in the United Kingdom and Europe and more recently in the Middle East. He began his career in consultancy and risk management and prior to joining Nakheel was a Director of Barclays Capital Real Estate Group undertaking structured finance for major commercial property and hotel transactions in Europe and the Middle East. Within Nakheel, Mr Watson is responsible for managing a number of the international investments it holds within its global portfolio as well as assessing new investment opportunities.

Hamza Mustafa is Managing Director of Nakheel Leisure, a subsidiary of Nakheel PJSC of Dubai. He was formerly Managing Director of The World LLC responsible for design, development and marketing of The World Islands Project in Dubai. Mr Mustafa is a graduate in financial services and information technology from the Dubai Higher College of Technology and of the executive development programme of the Wharton School, University of Pennsylvania.

Joseph J. Vella is a lawyer by profession. He was admitted to the bar in 1973 and has since then been in private practice. He is currently senior partner of the law firm GVTH & Associates. Dr Vella advises a number of leading commercial organisations both in the public and private sector and has been a legal advisor of the Corinthia Group for more than fifteen years. Dr Vella is also a director on several companies in addition to being a director of the Issuer and a number of its Subsidiaries, and is also a director of Corinthia Finance p.I.c. another subsidiary company of the Corinthia Group.

Frank Xerri de Caro, Senior Independent Director, joined the Board of the Issuer in 2004, having previously been Chief Executive Officer of Bank of Valletta p.I.c., besides serving on the Boards of several major financial, banking and insurance institutions. Mr Xerri de Caro is currently the Chairman of the Issuer's Audit Committee.

6.3 Directors' Service Contracts

Save for the service contracts of Alfred Pisani as Chief Executive Officer of the Issuer, Joseph Fenech as Managing Director and Simon Naudi as an Executive Director responsible for acquisitions and development, none of the other Directors of the Issuer have a service contract with the Issuer.

Alfred Pisani, Joseph Fenech and Simon Naudi have executed three-year definite contracts with the Issuer. Copies of these contracts will be available for inspection at the registered office of the Issuer in accordance with the requirements of the Listing Rules.

All Directors, including Alfred Pisani, Joseph Fenech and Simon Naudi, may be removed from their posts of Directors by the shareholder appointing them or by an ordinary resolution of the shareholders in general meeting. Independently of whether Alfred Pisani, Joseph Fenech and Simon Naudi are removed from their directorships, they shall still retain their executive posts with the Issuer unless their respective contracts are terminated in accordance with their respective terms.

6.4 Aggregate Emoluments of Directors

For the financial year ended 31 December 2011 the Group paid an aggregate of €600,000 to its Directors (2010: €600,000).

6.5 Loans to Directors

There are no loans outstanding by the Issuer to any of its Directors nor any guarantees issued for their benefit by the Issuer.

6.6 Removal of Directors

A Director may unless he resigns, be removed by the shareholder appointing him or by an ordinary resolution of the shareholders as provided in sections 139 and 140 of the Act.

6.7 Powers of Directors

By virtue of the Articles of Association of the Issuer, the Directors are empowered to transact all business which is not by the Articles expressly reserved for the shareholders in general meeting.

7 MANAGEMENT STRUCTURE

7.1 General

The Directors have appointed Alfred Pisani as the Chief Executive Officer, Joseph Fenech as the Managing Director and Simon Naudi as an Executive Director responsible for Acquisitions and Development. They are the only three executive officers of the Issuer. The Issuer has recruited a number of executives that were previously employed by CPHCL and recruited new executives in line with the requirements of the management structure. The executives support the Executive Directors in fulfilling their role as officers of the Issuer.

7.2 Hotel Operations

Day-to-day hotel operations are the responsibility of CHI Limited, the Group's hotel operating company that directs each subsidiary's management and staff in day-to-day operations. The responsibility of the operational performance of each hotel is that of the operating company, whose performance is monitored and evaluated on a regular basis by the board of each subsidiary which in turn reports on performance and operations to the Issuer's Board.

7.3 The Monitoring Committee

The rationale underlying this committee is to monitor, on behalf of the Issuer as owner, the performance, quality of service and standards in the underlying hotels. It consists of three individuals, two of whom are completely independent of the Corinthia Group, and reports directly to the Directors of the Issuer on a quarterly basis. This committee reports not only on the operations of the management of the subsidiary companies, but also on the performance of the appointed operator of the hotel properties.

Currently the members of the Monitoring Committee are: Joseph M Pisani, an executive director on the board of CPHCL, who acts as Chairman; Joe C. Caruana, a former General Manager of Mid Med Bank who is also independent of the Group; Eugenio Privitelli, Director of Internal Audit; and Paul Bugeja, Chief Financial Officer for CHI.

7.4 Property Audit

Regular property audits are carried out by QPM. These audits, which are unannounced, comprise a full review of each property twice a year when a physical inspection of the building and the assets is undertaken by experienced engineers. A detailed report is submitted to the owners including a review of the maintenance systems and quality of the maintenance works and recommendations on the replacement of plant and equipment.

7.5 Executive Team

The Issuer had, on inception, entered into an Administrative Support Services Agreement with CPHCL. The agreement ensured that in its initial phase of development the Issuer could sustain its streamlined organisational structure at a senior level by having continued guaranteed access to the top executive staff and support personnel of the Corinthia Group of which the Issuer is a member.

This agreement was terminated on 29 May 2007 in view of the fact that the Board decided that the Issuer had reached a stage in its development wherein it could sustain a top executive structure of its own. The key executives and employees previously employed with CPHCL were transferred as full-time executives and employees of the Issuer.

At the subsidiary level, the Directors believe that the current organisational structures are adequate and shall continue to build the organisation's structure at this level on the same model adopted so far. The Directors will maintain these structures under continuous review to ensure that they meet the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

7.6 Holdings in excess of 5% of Share Capital

On the basis of information available to the Issuer as at the date of this document, CPHCL holds 325,777,026 equivalent to 58.78%, Istithmar holds 122,226,668 shares equivalent to 22.05% and LFICO holds 61,113,332 shares equivalent to 11.03% of the Issuer's total issued share capital (half of this 11.03% is on option to CPHCL). As far as the Issuer is aware, no persons hold an indirect shareholding in excess of 5% of its total issued share capital.

The Issuer adopts measures in line with the Code of Corporate Governance to ensure that the relationship with CPHCL and Istithmar is retained at arm's length, including adherence to rules on related party transactions requiring the sanction of the Audit Committee.

7.7 Conflict of Interest

Alfred Pisani, in addition to sitting on the Board of Directors of the Issuer, also acts as director of CPHCL. The Audit Committee has the task of ensuring that any such potential conflicts of interest are handled in the best interests of the Issuer. To the extent known or potentially known to the Issuer as at the date of this Prospectus, there are no other potential conflicts of interest between any duties of the Directors and of executive officers of the Issuer and their private interests and/or their other duties which require disclosure in terms of the Regulation.

8 AUDIT COMMITTEE PRACTICES

8.1 Audit Committee

The Audit Committee's primary objective is to assist the Board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The Committee oversees the conduct of the internal and external audit and acts to facilitate communication between the Board, management, the external auditors and the internal audit team. The internal and external auditors are invited to attend the Audit Committee meetings. The Audit Committee reports directly to the Board of Directors.

The Committee is made up of a majority of Non-Executive Directors who are appointed for a period of three years. Frank Xerri de Caro, a Non-Executive Director, acts as Chairman, whilst Joseph Fenech (the Managing Director) and Joseph J. Vella (Non-Executive Director) act as members. The Issuer's secretary, Alfred Fabri acts as secretary to the Committee. In compliance with the Listing Rules, Frank Xerri de Caro is considered by the Board to be the Director competent in accounting and/or auditing matters.

8.2 Internal Audit

The role of the internal auditor is to carry out systematic risk-based reviews and appraisals of the operations of the Issuer (as well as of the subsidiaries and associates of the Group) for the purpose of advising management and the Board, through the Audit Committee, on the efficiency and effectiveness of internal management policies, practices and controls. The function is expected to promote the application of best practices within the organisation.

The internal auditor reports directly to the Audit Committee.

8.3 Nominations and Remuneration Committee

The nominations and remuneration committee is charged with enhancing the quality of nominees to the Board and ensuring the integrity of the nominating process, and with proposing the remuneration package of directors and senior executives of the Issuer and its subsidiaries. The Committee's responsibilities include making recommendations to the Board annually with respect to the composition, size and needs of the Board, recommend criteria for Board membership, including the minimum qualifications for a nominee and the qualities and skills that the committee believes are necessary or desirable for a Board member to possess, and propose adequate remuneration packages.

9 COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

The Issuer is subject to, and supports, the Code of Principles of Good Corporate Governance (the "**Code**") forming part of the Listing Rules. The Issuer is confident that the adoption of the Code has resulted in positive effects accruing to the Issuer.

The Board considers that during the financial year ended 31 December 2011, the Company was in compliance with the Code to the extent that was considered adequate with the size and operations of the Company. As at 29 March 2012, being the date of approval of the latest Annual Report, the Company was not fully in compliance with the said Principles of Good Corporate Governance specifically by virtue of the following:

- Principle 2 "**Chairman and Chief Executive"**. The roles of Chairman and Chief Executive Officer are both carried out by Alfred Pisani. Although the Code recommends that the role of Chairman and Chief Executive Officer are kept separate, the Directors believe that, in view of the particular circumstances of the Company, Mr Pisani should occupy both positions. In terms of Principle 3.1, which calls for the appointment of a senior independent Director where the roles of Chairman and Chief Executive Officer are carried out by the same person, the Board has appointed Frank Xerri de Caro as the indicated senior independent Director.
- Principle 7 "**Evaluation of the Board's Performance**". Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is always under the scrutiny of the shareholders.

10 HISTORICAL INFORMATION

The historical financial information for the three financial years ended 31 December 2009, 2010 and 2011 as audited by Grant Thornton are set out in the consolidated financial statements of the Issuer. Such audited consolidated financial statements are available on the Issuer's web site www.ihiplc.com. There were no significant changes to the financial or trading position of the Issuer since the end of the financial period to which the last interim Consolidated Financial Statements relate.

11 LITIGATION

There is no governmental, legal or arbitration proceedings against the Issuer, including any pending or threatened proceedings, which the Issuer is aware and considers could have significant effects on the Group's financial position or profitability.

12 ADDITIONAL INFORMATION

12.1 Share Capital

The authorised share capital of the Issuer is €1 billion. The issued share capital is €554,238,573 fully paid up, divided into 554,238,573 ordinary shares of a nominal value of €1 each.

On the dates hereunder mentioned the Issuer allotted the number of shares appearing in the following table:

Date of Allotment	No. of Shares	Shareholder/ Process	Consideration
Initial share capital	20,000	Corinthia Group	Lm20,000 in cash
24 April 2000	24,790,000	Corinthia Group	Transfer to the Issuer of 100% shareholding in Five Star Hotels Limited; 100% shareholding in Corinthia Investments Hungary Kft.; and 20% shareholding in each of QPM Ltd. and CHI Ltd.
19 May 2000	10,000,000	IPO	Lm10,000,000 in cash
20 October 2000	5,190,000	CPHCL	Lm5,190,000 in cash
27 December 2001	6,582,793	Rights Issue	Lm6,582,793 in cash
11 June 2002	1,417,207	Rights Issue	Lm1,417,207 in cash
9 December 2003	71,050,044	Conversion of designation of share capital	Conversion of the denomination of share capital from the Maltese Lira to the Euro
10 December 2003	3,445	Rights Issue	€3,445 in cash
3 December 2004	10,000,000	CPHCL	Capitalisation of Loans
8 April 2005	10,000,000	CPHCL	€10,000,000 in cash
17 July 2006	1,972,995	Institutional Investors	€1,972,995 in cash
7 August 2006	2,000,000	Institutional Investors	€2,000,000 in cash
5 September 2006	2,500,000	Institutional Investors	€2,500,000 in cash
31 October 2006	15,000,000	CPHCL	Transfer of 50% shareholding in CHI Limited from CPHCL to the Issuer
15 November 2006 & 7 December 2006	1,575,000	Institutional Investors	€1,575,000 in cash
2 May 2007 & 29 May 2007 & 29 May 2008 & 29 May 2009	50,082	Conversion of convertible	Cancellation of convertible bonds
1 June 2007	192,000,000	CPHCL	Transfer to the Issuer of 100% shareholding in Corinthia Towers Tripoli Limited and 100% shareholding in IHI Towers s.r.o.
1 June 2007	178,000,000	Istithmar	€178,000,000 in cash
4 June 2007	4,961,223	Bonus Share	Capitalisation of revaluation reserves
21 May 2008	16,112,854	Bonus Share	Capitalisation of revaluation reserves
27 August 2010	1,764,268	Bonus Share	Capitalisation of revaluation reserves
September - December 2010	(751,338)	Reduction of Capital	Buy-back of bonus shares

The Issuer's ordinary shares were first admitted to the Official List of the MSE on 2 June 2000, and trading commenced on 5 June 2000.

More than 10% of the Issuer's authorised share capital remains unissued. However, in terms of the Issuer's Memorandum and Articles of Association, none of such capital shall be issued in such a way as would effectively alter the control of the Issuer or nature of its business without the prior approval of the shareholders in general meeting.

There is no capital of the Issuer which is currently under option, save for half of the 11.03% of the issued share capital of the Issuer (61,113,332 ordinary shares) that LFICO bought from Istithmar on 22 April 2010, which is currently subject to a call option in favour of CPHCL.

12.2 Memorandum and Articles of Association

12.2.1 Objects

The Memorandum and Articles of Association of the Issuer is registered with the Malta Financial Services Authority. The main object of the Issuer is to carry on the business of a finance and investment company in connection with the ownership, development, operation and financing of hotels, resorts, leisure facilities, tourism related activities and such other activities as may from time to time be ancillary or complimentary to the foregoing whether in Malta or overseas. Clause 3 of the Memorandum of Association contains the full list of objects of the Issuer. A copy of the Memorandum and Articles of Association of the Issuer may be inspected during the lifetime of this Registration Document at the registered office of the Issuer and at the Registrar of Companies of the Malta Financial Services Authority.

12.2.2 Appointment of Directors

At present, in terms of the Memorandum and Articles of Association, the Board shall consist of not less than four and not more than ten directors.

The Directors themselves or a committee appointed by the Directors (the "**Designated Committee**"), may make recommendations and nominations to the members for the appointment of Directors at a general meeting. Such recommendations may be made either pursuant to recommendations received from any member holding not less than two (2) per cent of the issued share capital having voting rights or by the Directors' or Designated Committee's own recommendations, of a fit and proper person for appointment as a Director, which the Directors or the Designated Committee may then recommend to the members for appointment as Director at the annual general meeting.

12.2.3 Powers of Directors

The Directors are vested with the management of the Issuer, and their powers of management and administration emanate directly from the Memorandum and Articles of Association and the law. The Directors are empowered to act on behalf of the Issuer and in this respect have the authority to enter into contracts, sue and be sued in representation of the Issuer. In terms of the Memorandum and Articles of Association they may do all such things that are not by the Memorandum and Articles of Association reserved for the shareholders in general meeting.

Directors may not vote on any proposal, issue, arrangement or contract in which they have a personal material interest.

The maximum limit of aggregate emoluments of the Directors is, in terms of the Memorandum and Articles of Association, to be established by the shareholders in general meeting. Within that limit the Directors shall have the power to vote remuneration to themselves or any number of their body. Any increases in the maximum limit of Directors' aggregate emoluments have to be approved by the general meeting.

In terms of the Memorandum and Articles of Association, the Board of Directors may exercise all the powers of the Issuer to borrow money and give security therefore, subject to the limit established in the Memorandum and Articles of Association. That limit is currently three times the Issuer's capital and reserves. The shareholders in general meeting have the over-riding authority to change, amend, restrict and or otherwise modify such limit and the Directors' borrowing powers.

There are no provisions in the Issuer's Memorandum and Articles of Association regulating the retirement or non-retirement of Directors over an age limit.

13 MATERIAL CONTRACTS

The Issuer has not entered into any material contracts which are not in the ordinary course of its business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to security holders in respect of the securities being issued pursuant to, and described in, the Securities Note.

14 INTEREST OF EXPERTS AND ADVISORS

Save for the financial analysis report set out as Annex III, the Prospectus does not contain any statement or report attributed to any person as an expert. The financial analysis report has been included in the form and context in which it appears with the authorisation of Charts Investment Management Service Limited of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913, Malta, that has given and has not withdrawn its consent to its inclusion herein. Charts Investment Management Service Limited does not have any material interest in the Issuer. The Issuer confirms that the financial analysis report has been accurately reproduced in the Prospectus and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

15 DOCUMENTS AVAILABLE FOR INSPECTION

For the duration period of this Registration Document the following documents shall be available for inspection at the registered address of the Issuer:

(a) Memorandum and Articles of Association;
(b) Consolidated Financial Statements of the Issuer for the six month periods ended 30 June 2011 and 2012;
(c) Consolidated Audited Financial Statements of the Issuer for the years ended 31 December 2009, 2010 and 2011;
(d) Accountant's letter of engagement on extraction of data and related computations;
(e) Financial Analysis Summary prepared by Charts Investment Management Service Limited.

These documents are also available for inspection in electronic form on the Issuer's web site at www.ihiplc.com

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Listing Rules published by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No 486/2012 of the 30 March 2012 amending Commission Regulation (EC) No. 809/2004 as regards the format and content of the prospectus, the base prospectus, the summary and the final terms as regards the disclosure requirements. This Securities Note is issued pursuant to the requirements of Listing Rule 6.4.3 of the Listing Rules and contains information about the Bonds being issued by International Hotel Investments p.l.c. Application has been made for the admission to listing and trading of the Bonds on the Official List of the Malta Stock Exchange. This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.

A prospective investor should be aware of the potential risks in investing in such bonds and should make the decision to invest only after careful consideration of all the information contained in the Prospectus as a whole and consultation with his or her own independent financial advisor.

The Listing Authority accepts no responsibility for and makes no representations as to the contents, accuracy or completeness of this Securities Note and expressly disclaims any liability whatsoever for any loss, howsoever arising, from or in reliance upon the whole or any part of the contents of this Securities Note.

Dated 16 November 2012

SECURITIES NOTE

In respect of an Issue of €20,000,000 5.8% Bonds 2021
of a nominal value of €100 per Bond issued at par by

International Hotel Investments p.l.c.

(a public limited liability company registered under the laws of Malta with registration number C 26136)

ISIN: MT0000111279

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.

A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.

JOINT MANAGER AND REGISTRAR	JOINT MANAGER	LEGAL COUNSEL	SPONSOR
BOV Bank of Valletta	HSBC	CAMILLERI PREZIOSI ADVOCATES	CHARTS WEALTH MANAGEMENT • CORPORATE BROKING

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IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY INTERNATIONAL HOTEL INVESTMENTS PLC (THE "**ISSUER**") OF €20,000,000 BONDS 2021 OF A NOMINAL VALUE OF €100, ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 5.8% PER ANNUM, PAYABLE ANNUALLY ON 21 DECEMBER OF EACH YEAR. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON 21 DECEMBER 2021 UNLESS OTHERWISE PREVIOUSLY REDEEMED OR CANCELLED. THE ISSUER SHALL REDEEM THE BONDS ON THE REDEMPTION DATE.

THIS SECURITIES NOTE CONTAINS INFORMATION ABOUT THE ISSUER AND THE BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT, AND THE REGULATION, AND SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS, TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF BONDS OF THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN IN CONNECTION, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS OR ADVISORS.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR BONDS BY ANY PERSON IN ANY JURISDICTION (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY BONDS ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRY OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH, PENDING SUCH IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE BONDS CAN ONLY BE OFFERED TO "QUALIFIED INVESTORS" (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

THE BONDS HAVE NOT BEEN NOR WILL THEY BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT, 1933 AS AMENDED, OR UNDER ANY FEDERAL OR STATE SECURITIES LAW AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR ANY AREA SUBJECT TO ITS JURISDICTION (THE "U.S.") OR TO OR FOR THE BENEFIT OF, DIRECTLY OR INDIRECTLY, ANY U.S. PERSON (AS DEFINED IN REGULATION "S" OF THE SAID ACT). FURTHERMORE THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT, 1940 AS AMENDED AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS SET OUT THEREIN.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES, IN ACCORDANCE WITH THE ACT.

STATEMENTS MADE IN THE PROSPECTUS ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

THE CONTENTS OF THE ISSUER'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE DO NOT FORM PART OF THE PROSPECTUS. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

ALL THE ADVISORS TO THE ISSUER NAMED IN THE PROSPECTUS UNDER THE HEADING "**ADVISORS"** UNDER SECTION 3 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS ISSUE AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS.

1 DEFINITIONS

Words and expressions and capitalised terms used in this Securities Note shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words, expressed and capitalised terms as indicated in the Registration Document forming part of the Prospectus. Additionally, the following words and expressions as used in this Securities Note shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

Act	the Companies Act (Cap 386 of the Laws of Malta);
Applicant/s	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application/s	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form/s and delivering same to the Registrar or to any of the Authorised Financial Intermediaries;
Application Form	the form of application of subscription for Bonds, specimens of which are contained in Annex II of this Securities Note;
Authorised Financial Intermediaries	the licensed stockbrokers and financial intermediaries listed in Annex I of this Securities Note;
Bond(s)	the €20,000,000 bonds of a face value of €100 per bond bearing interest at the rate of 5.8% per annum and redeemable on the Redemption Date at their nominal value;
Bondholder	a holder of Bonds;
Bond Issue	the issue of the Bonds;
Bond Issue Price	the price of €100 per Bond;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Company, IHI or Issuer	International Hotel Investments p.l.c., a public company registered under the laws of Malta with registration number C 26136;
CSD	the Central Securities Depository of the Malta Stock Exchange established pursuant to Chapter 4 of the Malta Stock Exchange Bye-Laws, having its address at Garrison Chapel, Castille Place, Valletta VLT 1063;
Cut-Off Date	close of business of 16 November 2012;
Euro or €	the lawful currency of the Republic of Malta;
Exchange, Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, and bearing company registration C 42525;
Existing Bondholder	a holder of Maturing Bonds as at the Cut-off date;
Interest Payment Date	21 December of each year between and including each of the years 2013 and the year 2021, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Intermediaries' Offer Period	the period between 10 December 2012 (being the Business Day following the closing date for Applications by holders of Maturing Bonds) and 14 December 2012, both days included, subject to early closure at the discretion of the Issuer, acting through the Registrar, in the event of total subscriptions for Bonds reaching in excess of €20,000,000 in aggregate;

Issue Date	3 January 2013;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of Legal Notice 1 of 2003;
Listing Rules	the listing rules of the Listing Authority;
Maturing Bonds	the 6.3% MTL Bonds 2013 and 6.2%-6.8% EUR Bonds 2013 due to mature on 15 February 2013, amounting as at the date of the Prospectus to €22,076,268, issued by the Issuer pursuant to an offering memorandum dated 24 January 2003;
Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Prospectus	collectively the Registration Document, Summary Note and this Securities Note (each as defined in this Securities Note);
Redemption Date	21 December 2021;
Redemption Value	the nominal value of each Bond (€100 per Bond);
Registration Document	the registration document issued by the Issuer dated 16 November 2012, forming part of the Prospectus;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
Securities Note	this document in its entirety;
Sponsor	Charts Investment Management Service Limited, an authorised financial intermediary licensed by the MFSA and a Member of the MSE;
Subscription Agreement	the agreement between the Issuer, the Registrar and the Authorised Financial Intermediaries to subscribe for the Bonds;
Summary Note	the summary note issued by the Issuer dated 16 November 2012, forming part of the Prospectus;
Terms and Conditions	the terms and conditions of the Bond Issue as contained in section 7 of this Securities Note.

2 RISK FACTORS

2.1 General

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE.

THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY UNLESS THE BONDS ARE PREVIOUSLY RE-PURCHASED, CANCELLED OR REDEEMED. THE ISSUER SHALL REDEEM THE BONDS ON THE REDEMPTION DATE.

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

NEITHER THIS SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE BONDS: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION OR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS SECURITIES NOTE OR ANY OTHER PART OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS OR ANY BONDS, SHOULD PURCHASE ANY BONDS.

ACCORDINGLY PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

2.2 Forward-looking statements

This Securities Note contains "forward-looking statements" which include, among others, statements concerning matters that are not historical facts and which may involve projections of future circumstances. These forward-looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer's Directors. No assurance is given that the future results or expectations will be achieved.

2.3 Risks Relating to the Bonds

- The existence of an orderly and liquid market for the Bonds depends on a number of factors, including, but not limited to the presence of willing buyers and sellers of the Issuer's Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all.

- Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

- A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different.

- No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.

- **The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any. Furthermore, subject to the negative pledge clause (section 5.7 of this Securities Note), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect.**

- **In the event that the Issuer wishes to amend any of the Terms and Conditions of Issue of the Bond it shall call a meeting of Bondholders in accordance with the provisions of section 5.13. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.**

- **The Terms and Conditions of this Bond Issue are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.**

- **The funds or assets constituting the sinking fund (as described in section 5.16 of this Securities Note) shall be held by Charts Investment Management Service Limited as custodian for the benefit of the Issuer. In accordance with Section 302 of the Act, in the event of winding up of the Issuer with insufficient assets to meet its liabilities, the right of secured and unsecured creditors (which include the Bondholders) and the priority and ranking of their debts shall be regulated by the law for the time being in force. Accordingly, in view of the unsecured rights of Bondholders under the Bonds, any secured creditors of the Issuer shall have recourse to the funds or assets constituting the sinking fund to satisfy their secured claims with priority over Bondholders.**

3 PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules for the purpose of providing prospective investors with information with regard to the Issuer. All of the directors of the Issuer, whose names appear under the sub-heading "Directors" under the heading 'Identity of Directors, Senior Management, Advisors and Auditors' in section 3 of the Registration Document, accept responsibility for the information contained in this Securities Note.

To the best of the knowledge and belief of the Directors of the Issuer, who have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of the Issuer accept responsibility accordingly.

4 KEY INFORMATION

4.1 Reasons for the Issue and Use of the Proceeds

The proceeds from the Bonds, which net of Issue expenses are expected to amount to approximately €19,625,000, will be used by the Issuer for the purpose of part financing the redemption of the outstanding amount of the Maturing Bonds, which as at the date of the Prospectus stands at €22,076,268.

The redemption of the remaining balance of Maturing Bonds, equivalent to €2,451,268 in the event that the Bond Issue is fully subscribed, or a higher amount in the event that the Bond Issue is not fully subscribed, shall be financed from the Issuer's general cash flow.

4.2 Expenses

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €375,000. There is no particular order of priority with respect to such expenses.

4.3 Issue Statistics

Amount:	€20,000,000;
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD of the Malta Stock Exchange;
Denomination:	Euro (€);
ISIN:	MT0000111279;
Minimum Amount per Subscription:	Minimum of €2,000 and multiples of €100 thereafter;
Redemption Date:	21 December 2021;
Plan of Distribution:	The Bonds are open for subscription to: holders of Maturing Bonds; and, to the extent of any excess over amounts reinvested by holders of Maturing Bonds, to Authorised Financial Intermediaries;
Preferred Allocation to Holders of Maturing Bonds:	Existing Bondholders applying for Bonds may elect to settle all or part of the amount due on the Bonds applied for by the transfer to the Issuer of Maturing Bonds at par value, subject to rounding by payment in cash to the nearest €100 and subject to a minimum holding of €2,000 in Bonds ("**Rounding**"). Accordingly, any Existing Bondholders whose holding in Maturing Bonds is less than €2,000, shall be required to pay the difference together with the submission of an Application Form. Existing Bondholders electing to subscribe for Bonds through the transfer to the Issuer of all or part of the Maturing Bonds held by them as at the Cut-Off Date shall be allocated Bonds for the corresponding nominal value of Maturing Bonds transferred to the Issuer including Rounding. In the event that the aggregate value of Maturing Bonds transferred to the Issuer as consideration for subscription for the Bonds is, following Rounding, in excess of €20,000,000, then the Issuer, acting through the Registrar, shall scale down each Application by Existing Bondholders in accordance with the allocation policy to be issued in terms of section 7.3.13. The transfer of Maturing Bonds to the Issuer in consideration for the subscription for Bonds shall cause the obligations of the Issuer with respect to such Maturing Bonds to be extinguished, and shall give rise to obligations on the part of the Issuer under the Bonds;
Intermediaries' Offer:	In the event that following the Preferred Allocation referred to above there remain Bonds which are unallocated to Existing Bondholders, such Bonds shall form part of an Intermediaries' Offer. Any Applications received from Existing Bondholders for Bonds in excess of their holding of Maturing Bonds and Rounding shall, to the extent of the nominal value of Bonds by which the Application exceeds the nominal value of the Maturing Bonds including Rounding, be dealt with *pari passu* with subscriptions received during the Intermediaries' Offer period under the terms and conditions thereof. The Issuer, through the Registrar, shall monitor the flow of incoming Subscription Agreement on an ongoing basis so as to limit the extent of any possible over-subscription of the Intermediaries' Offer. Once the Intermediaries' Offer is over-subscribed, the Issuer will close the Intermediaries' Offer earlier and communicate such decision through an announcement. The Issuer, acting through the Registrar, shall scale down each Application from Existing Bondholders for Bonds in excess of their holding in the Maturing Bond and each Subscription Agreement received from Authorised Financial Intermediaries in accordance with the allocation policy to be issued in terms of section 7.3.13;

Bond Issue Price:	At par (€100 per Bond);
Status of the Bonds:	The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any**;**
Listing:	Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List;
Application Forms made available to Existing Bondholders:	20 November 2012;
Closing date for Applications to be received from Existing Bondholders:	7 December 2012;
Intermediaries' Offer Period:	The period between 10 December 2012 and 14 December 2012;
Interest:	5.8% per annum;
Interest Payment Date(s):	Annually on 21 December as from 21 December 2013 (the first interest payment date);
Governing Law of Bonds:	The Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

4.4 Interest of Natural and Legal Person Involved in the Issue

Alfred Pisani, Joseph Fenech, Frank Xerri de Caro and Joseph J. Vella, in addition to sitting on the Board of directors of the Issuer, also act as directors of other listed companies within the Group. The audit committee of the Issuer has the task of ensuring that any potential conflicts of interest that may arise at any moment pursuant to these different roles held by directors are handled in the best interests of the Issuer. To the extent known or potentially known to the Issuer as at the date of the Prospectus, there are no other potential conflicts of interest between any duties of the Directors of the Issuer and their private interests and/or their other duties which require disclosure in terms of the Regulation.

5 INFORMATION CONCERNING THE SECURITIES TO BE ISSUED AND ADMITTED TO TRADING

5.1 General

5.1.1 Each Bond forms part of a duly authorised issue of 5.8% Bonds of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €20,000,000 (except as otherwise provided under section 5.12 "**Further Issues**").

5.1.2 The currency of the Bonds is Euro (€).

5.1.3 Subject to admission to listing of the Bonds to the Official List of the MSE, the Bonds are expected to be assigned the following ISIN: MT0000111279.

5.1.4 All outstanding Bonds not previously redeemed or cancelled shall be redeemed by the Issuer at par on the Redemption Date.

5.1.5 The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.

5.1.6 The Issue Date of the Bonds is 3 January 2013.

5.1.7 The Bond Issue is not underwritten.

5.2 Ranking of the Bonds

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any. As at the date of this Securities Note, the Issuer does not have any subordinated indebtedness.

The following sets out a summary of Group indebtedness which as at 31 December 2011 amounted to €326.2 million, and includes bank loans, corporate bonds and other borrowings from related companies. The bank borrowings listed below are secured by privileges and hypothecs, and therefore the indebtedness being created by the Bonds, together with the other issued bonds, ranks after all these bank borrowings. In addition, the Bonds would also rank after any future debts which may be secured by a cause of preference such as a privilege and/or a hypothec.

Further details on bank borrowings, including *inter alia*, respective term, security and repayment schedule are found in the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2011, which has been published and is available on the Issuer's web-site (www.ihiplc.com) and at its registered office.

IHI Group Borrowings and Bonds	**31 Dec'11 (€'000) Actual**	**31 Dec'10 (€'000) Actual**	**31 Dec'09 (€'000) Actual**
Bank borrowings	232,087	186,727	193,800
Bonds	93,686	93,526	80,277
Other interest bearing borrowings	422	6,067	293
Total Borrowings and Bonds	**326,195**	**286,320**	**274,370**

5.3 Rights attached to the Bonds

There are no special rights attached to the Bonds other than the right of the Bondholders to:

(i) the payment of capital;
(ii) the payment of interest;
(iii) ranking with respect to other indebtedness of the Issuer in accordance with the provisions of section 5.2 hereof;
(iv) attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bond; and
(v) enjoy all such other rights attached to the Bonds emanating from this Prospectus.

5.4 Interest

5.4.1 The Bonds shall bear interest from and including 21 December 2012 at the rate of 5.8% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 21 December 2013. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

5.4.2 When interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a three hundred and sixty (360) day year consisting of twelve (12) months of thirty (30) days each, and in the case of an incomplete month, the number of days elapsed.

5.4.3 A Maturing Bond Transfer (as defined in section 7.2.1. below) shall be without prejudice to the rights of the holders of Maturing Bonds to receive interest on the Maturing Bonds up to and including 15 February 2013. The Issuer intends to settle the difference between the interest rates applicable to the Maturing Bonds and the interest rate of 5.8% applicable to the Bonds, from 21 December 2012 up to 15 February 2013, being the date of redemption of the Maturing Bonds, to all persons holding Maturing Bonds who would have submitted their Application Forms by not later than 7 December 2012 and, consequently, exercising their option to subscribe for Bonds and settle the consideration for Bonds by transferring their Maturing Bonds to the Issuer as mentioned above.

5.5 Yield

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is five point eight per cent (5.8%).

5.6 Registration, Form, Denomination and Title

5.6.1 Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of bondholders held at the CSD for the purpose of inspecting information held on their respective account.

5.6.2 The CSD will issue, upon a request by the Bondholder, a statement of holdings to Bondholders evidencing their entitlement to Bonds held in the register kept by the CSD.

5.6.3 The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100 provided that on subscription the Bonds will be issued for a minimum of €2,000 per individual Bondholder. Financial intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client.

5.6.4 Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments) as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading "**Transferability of the Bonds**"in section 5.11 of this Securities Note.

5.7 Negative Pledge

The Issuer undertakes, for as long as any principal or interest under the Bonds or any of the Bonds remains outstanding, not to create or permit to subsist any Security Interest (as defined below), other than a Permitted Security Interest (as defined below), upon the whole or any part of its present or future assets or revenues to secure any Financial Indebtedness (as defined below) of the Issuer, unless at the same time or prior thereto the Issuer's indebtedness under the Bonds, shares in and is secured equally and rateably therewith, and the instrument creating such Security Interest so provides.

"**Financial Indebtedness**" means any indebtedness in respect of (A) monies borrowed; (B) any debenture, bond, note, loan stock or other security; (C) any acceptance credit; (D) the acquisition cost of any asset to the extent payable before or after the time of acquisition or possession by the party liable where the advance or deferred payment is arranged primarily as a method of raising finance for the acquisition of that asset; (E) leases entered into primarily as a method of raising finance for the acquisition of the asset leased; (F) amounts raised under any other transaction having the commercial effect of borrowing or raising of money; (G) any guarantee, indemnity or similar assurance against financial loss of any person;

"**Security Interest**" means any privilege, hypothec, pledge, lien, charge or other encumbrance or real right which grants rights of preference to a creditor over the assets of the Issuer;

"**Permitted Security Interest**" means (A) any Security Interest arising by operation of law; (B) any Security Interest securing temporary bank loans or overdrafts in the ordinary course of business; (C) any other Security Interest (in addition to (A) and (B) above) securing Financial Indebtedness of the Issuer, in an aggregate outstanding amount not exceeding eighty per cent (80%) of the difference between the value of the unencumbered assets of the Issuer and the aggregate principal amount of Bonds outstanding at the time net of any monies set aside for sinking fund purposes;

Provided that the aggregate Security Interests referred to in (B) and (C) above do not result in the unencumbered assets of the Issuer being less than one hundred and five point eight per cent (105.8%) of the aggregate principal amount of the Bonds still outstanding;

"**unencumbered assets**" means assets which are not subject to a Security Interest.

5.8 Payments

5.8.1 Payment of the principal amount of a Bond will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.

In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.

5.8.2 Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission.

5.8.3 All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.

5.8.4 No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

5.9 Redemption and Purchase

5.9.1 Unless previously redeemed, purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 21 December 2021.

5.9.2 Subject to the provisions of this section 5.9, the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

5.9.3 All Bonds so redeemed or purchased will be cancelled forthwith and may not be re-issued or re-sold.

5.10 Events of Default

The Bonds shall become immediately due and repayable at their principal amount together with accrued interest if any of the following events ("**Events of Default**") shall occur:

5.10.1 The Issuer shall fail to pay any interest on any Bond when due and such failure shall continue for thirty (30) days after written notice thereof shall have been given to the Issuer by any Bondholder; or

5.10.2 The Issuer shall fail duly to perform or shall otherwise be in breach of any other material obligation contained in the terms and conditions of the Bonds and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by any Bondholder; or

5.10.3 An order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer; or

5.10.4 The Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; or

5.10.5 The Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; or

5.10.6 There shall have been entered against the Issuer a final judgment by a court of competent jurisdiction from which no appeal may be or is taken for the payment of money in excess of five million Euro (€5,000,000) or its equivalent and ninety (90) days shall have passed since the date of entry of such judgment without its having been satisfied or stayed; or

5.10.7 Any default occurs and continues for ninety (90) days under any contract or document relating to any Financial Indebtedness (as defined above) of the Issuer in excess of five million Euro (€5,000,000) or its equivalent at any time.

5.11 Transferability of the Bonds

5.11.1 The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.

5.11.2 Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD, a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.

5.11.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.

5.11.4 The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.

5.11.5 The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds.

5.12 Further Issues

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue.

5.13 Meetings of Bondholders

5.13.1 The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting.

5.13.2 A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 5.13 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

5.13.3 The amendment or waiver of any of the provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

5.13.4 A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two (2) Bondholders present, in person or by proxy, representing not less than fifty per cent (50%) in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting: the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.

5.13.5 Any person who in accordance with the memorandum and articles of association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.

5.13.6 Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the Directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.

5.13.7 The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the Auditors of the Issuer.

5.13.8 The proposal placed before a meeting of Bondholders shall only be considered approved if at least sixty-five per cent (65%) in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.

5.13.9 Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

5.14 Authorisations and Approvals

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a board of directors' resolution passed on 24 October 2012.

5.15 Notices

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his registered address and posted.

5.16 Sinking Fund

The Issuer hereby undertakes that as from the financial year ending 31 December 2015 it shall, over a period of seven (7) years, build a sinking fund the value of which will by the Redemption Date be equivalent to 50% of the value of the issued Bonds. The Issuer shall make periodic payments for the purpose of building up this sinking fund. Below is a table with the minimum amounts to be paid by the Issuer for this purpose:

	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	2021 €
Contribution	358,000	715,000	1,072,000	1,429,000	1,786,000	2,143,000	2,497,000
Cumulative Balance	**358,000**	**1,073,000**	**2,145,000**	**3,574,000**	**5,360,000**	**7,503,000**	**10,000,000**

The Issuer has appointed Charts Investment Management Service Limited ("**Charts**") as Sinking Fund Custodian. Charts is an investment service license holder having a Category 3 license issued by the Malta Financial Services Authority and is independent of the Issuer. The assets constituting the sinking fund shall be transferred to Charts Investment Management Service Limited's Clients Account and shall be registered in the name of the Issuer. For clarification purposes, it is hereby noted that the sinking fund assets shall remain the assets of the Issuer.

The Sinking Fund Custodian shall, in accordance with the requirements of Part I of the Listing Authority Policies dated 8 March 2012, undertake the following activities:

i. Take control of the assets of the sinking fund which shall be segregated from the other assets of the Issuer;
ii. Monitor the Issuer's obligation to effect yearly payments to the sinking fund;
iii. Seek to ensure that by Redemption Date, the sinking fund would have accumulated at least 50% of the nominal amount of the Bonds still outstanding. In the event of a shortfall, the Sinking Fund Custodian is to ensure that such discrepancy, caused by the Issuer, would be due to justifiable reasons;
iv. In the event where the Issuer pledges assets to the sinking fund, the Sinking Fund Custodian is to audit that the Issuer has applied the assets in accordance with Listing Authority policies issued from time to time;
v. Monitor that the portfolio of assets within the sinking fund is being managed within the parameters indicated in the subsequent paragraph;
vi. To authorise the release of sinking fund assets in the event that the Issuer requires the use of such assets due to temporary liquidity problems as detailed below; and
vii. Draw up an annual report, addressed to the Listing Authority, as to the extent of compliance by the Issuer with the provisions of this section 5.16 and the applicable Listing Authority policies. A copy of the report shall be published through a company announcement and shall be included in the annual financial statements of the Issuer.

The Board of Directors of the Issuer reserves the right to invest the funds allocated to the sinking fund, provided that the investment of these proceeds will only be made either for the purpose of the Issuer buying back Bonds for cancellation in terms of section 5.9 of this Securities Note, or for investing in admissible assets as follows:

i. at least 25% of the total amount shall be maintained in an interest bearing bank account denominated in the same currency as the Bonds and held with a bank established in the EEA (European Economic Area) or invested in Malta treasury bills; and
ii. not more than 75% of the total amount shall be invested as follows:

    a. at least 50% (that is 37.5% of the total sinking fund) shall be invested in Malta Government Stocks or in local SICAVs that principally invest in Malta Government Stocks; and
    b. the balance may be invested in debt instruments denominated in the same currency as the Bonds and quoted on an investment exchange, issued by local or international entities which are unrelated to the Issuer and which are rated as 'A' or better by a reputable credit rating agency.

The Issuer may not create or permit to subsist security over the sinking fund assets, other than the creation of a general hypothec or privilege with a credit institution in the event that the Issuer is facing temporary liquidity problems. Prior to the utilisation of the sinking fund assets for such temporary use, the consent of the Sinking Fund Custodian must be requested after approval by the Board of Directors of the Issuer.

The Issuer shall on a half-yearly basis, in its interim and annual financial statements, explain the Issuer's compliance with the sinking fund requirements as detailed in this section 5.16 and if necessary explain the reasons for non-compliance, if any. The Bondholders will be informed on the publication of the said financial statements through the issuance of a company announcement by the Issuer. The financial information will be available for inspection at the registered office of the Issuer and in electronic form on the Issuer's website www.ihiplc.com

Sinking Fund Obligation

During the financial year ended 31 December 2011, the Issuer paid the amount of €50,000 to the sinking fund created in connection with the €35 million 6.25% Bonds 2015 – 2019 in accordance with the prospectus dated 12 June 2009.

For the financial year ending 31 December 2012, the Issuer is required to contribute the amounts of €2.1 million and €36,000 to the two sinking funds created for the purpose of redeeming upon maturity the €35 million 6.25% Bonds 2015 – 2019 and €25 million 6.25% 2017 – 2020 respectively.

6 TAXATION

6.1.1 General

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Bonds, including their acquisition, holding and disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of investors. The precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

6.1.2 Malta tax on interest

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is otherwise instructed by a Bondholder or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% of the gross amount of the interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta). Bondholders who do not fall within the definition of a "recipient" do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder need not declare the interest so received in his income tax return. No person shall be charged to further tax in respect of such income. However where the Bondholder is a Maltese resident individual, he is still entitled to declare the gross interest in the tax return and the tax so deducted will be available as a credit against the individual's tax liability or for a refund as the case may be.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax on it at the standard rates applicable to that person at that time. Additionally in this latter case the Issuer will advise the Inland Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients unless the beneficiary is a non-resident of Malta. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.

6.1.3 European Union Savings Directive

Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Malta Commissioner for Revenue who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the EU Savings Directive 2003/48/EC.

6.1.4 Maltese taxation on capital gains on transfer of the Bonds

On the assumption that the Bonds would not fall within the definition of "securities" in terms of article 5(1)(b) of the Income Tax Act, that is, "shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return", no tax on capital gains is chargeable in respect of transfer of the Bonds.

6.1.5 Duty on documents and transfers

In terms of article 50 of the Financial Markets Act (Cap 345, Laws of Malta) as the Bonds constitute financial instruments of a company quoted on a regulated market Exchange, as is the MSE, redemptions and transfers of the Bonds are exempt from Maltese duty.

INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS AND TO BONDHOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

7 TERMS AND CONDITIONS OF THE BOND ISSUE

7.1 Expected Time Table of Bond Issue

1. Application Forms mailed to holders of Maturing Bonds as at the Cut-Off Date	20 November 2012
2. Closing date for Applications to be received from holders of Maturing Bonds as at the Cut-Off Date	7 December 2012
3. Intermediaries' Offer Period	10 December 2012 – 14 December 2012, both days included, subject to early closure at the discretion of the Issuer through the Registrar in the event that total subscriptions for Bonds exceeds €20,000,000 in aggregate
4 Commencement of interest on the Bonds	21 December 2012
5. Announcement of basis of acceptance	21 December 2012
6. Expected dispatch of allotment advices and refunds of unallocated monies	31 December 2012
7. Expected date of admission of the securities to listing	3 January 2013
8. Expected date of commencement of trading in the securities	4 January 2013

The Issuer reserves the right to close the Bond Issue before 14 December 2012 in the event of over-subscription, in which case the remaining events in the above expected timetable shall be anticipated in the same chronological order in such a way as to retain the same number of Business Days between the said events.

7.2 Terms and Conditions of Applications specific to Holders of Maturing Bonds

7.2.1 The consideration payable by an Applicant for the Bonds may be settled, after submitting the appropriate pre-printed Application Form/s, by the transfer to the Issuer of all or part of the Maturing Bonds held by such Applicant as at the Cut-off Date (the "**Maturing Bond Transfer**"), subject to a minimum application of €2,000 and thereafter rounded upwards, by payment in cash, to the nearest €100 (the difference hereinafter referred to as the "**Cash Top-Up**").

7.2.2 In addition to the aforesaid, holders of Maturing Bonds transferring all of the Maturing Bonds held by him/her as at the Cut-Off Date pursuant to section 7.2.1 above may apply for an amount of Bonds in excess of the amount of Maturing Bonds being transferred. In such case the Applicant shall specify the excess amount being applied for and shall ensure that together with the Application Form/s he/she submits payment for the full price of the excess Bonds applied for, in Euro and in clear funds at the Bond Issue Price. Payment may be made either in cash or by cheque payable to "**The Registrar – IHI Bond Issue 2012**".

7.2.3 By submitting a signed pre-printed Application Form indicating that the Maturing Bond Transfer is being selected (whether in whole or in part consideration for the Bonds being applied for), the Applicant is thereby confirming:

i. that all or part (as the case may be) of the Maturing Bonds held by the Applicant on the Cut-off Date are being transferred to the Issuer, together with the payment due in respect of any Cash Top-Up, if applicable; and
ii. that the pre-printed Application Form constitutes the Applicant's irrevocable mandate to the Issuer to:
    a. cause the transfer of the said Maturing Bonds in the Issuer's name in consideration of the issue of Bonds; and
    b. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Maturing Bonds in the Issuer and fully and effectively vest title in the appropriate number of Bonds in the Applicant.
iii. that in respect of the exercise of the option set out in section 7.2.2 above: (i) the Applicant's remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured on their first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application, and furthermore the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders or to enjoy or receive any rights in respect of such excess Bonds, unless the Applicant makes payment in cleared funds and such consideration is accepted by the Issuer, acting through the Registrar (which acceptance shall be made in the Issuer's absolute discretion and may be on the basis that the Applicant indemnifies the Issuer against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation); and (ii) that, at any time prior to unconditional acceptance by the Issuer, acting through the Registrar, of such late payment in respect of such excess Bonds being applied for, the Issuer may (without prejudice to other rights to which it may be eligible) treat the agreement to allocate such excess Bonds being applied for as void and may allocate such Bonds to any other person, in which case the Applicant will not be entitled to any refund or payment in respect of such Bonds (other than return of such late payment). The provisions of this section 7.2.3 (iii) shall also apply to the payment due in respect of any Cash Top-Up in accordance with section 7.2.1 above, if applicable.

7.2.4 Where the Applicant is the holder of Maturing Bonds which as at the Cut-Off Date are held subject to usufruct, both the signatures of the bare owner as well as that of the usufructuary will be required in the Application Form.

7.2.5 All Applications for the subscription of Bonds being effected by Maturing Bond Transfer must be submitted on the appropriate pre-printed Application Form by not later than 14.00 hours on 7 December 2012. The completed pre-printed Application Forms are to be lodged with any of the Authorised Financial Intermediaries.

7.2.6 In the event that an Existing Bondholder holding both types of Maturing Bonds (the 6.3% MTL Bonds 2013 and the 6.2%-6.8% EUR Bonds 2013) wishes to subscribe for Bonds by a Maturing Bond Transfer in which both types of Maturing Bonds are to be transferred to the Issuer, the following terms and conditions of application specific to holders of Maturing Bonds shall be qualified as follows:

7.2.6.1 The Applicant shall submit two (2) Application Forms, one for each class of Maturing Bonds. The minimum application of €2,000 and subsequent rounding up in cash to the nearest €100 shall apply distinctly to each Application.

7.2.6.2 If the Applicant submitting two (2) Application Forms as aforesaid wishes to apply for an amount of Bonds in excess of the amount of Maturing Bonds (both classes) being transferred, the Applicant shall on each one of the Applications specify the excess amount being applied for through that particular Application, provided that in the event that the Applicant includes an excess amount on both Applications, for allocation purposes these shall be treated as one consolidated application.

7.3 General Terms and Conditions

7.3.1 The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List of the MSE. In the event that the Bonds are not admitted to the Official List of the MSE, no Maturing Bond Transfers (see section 7.2 above) shall take effect, and any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form.

7.3.2 In view of the fact that the proceeds of the Bond Issue are intended to be applied to the redemption of part of the outstanding amount of the Maturing Bonds, the Company has not established an aggregate minimum subscription level for the Bond Issue.

As indicated in section 4.1 above under the heading "**Reasons for the Issue and Use of Proceeds**", the Maturing Bonds shall be redeemed partly out of the proceeds of the Bond Issue and partly out of general cash reserves of the Issuer. In the event that the Bond Issue is not fully subscribed, the residual balance of Maturing Bonds will likewise be funded from the general cash reserves of the Issuer. It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.

7.3.3 The contract created by the Issuer's acceptance of an Application filed by a prospective Bondholder shall be subject to all the terms and conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer.

7.3.4 If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such representative may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to appear on the Application Form.

7.3.5 In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each Applicant, and liability therefor is joint and several. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first-named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

7.3.6 In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).

7.3.7 Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.

7.3.8 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.

7.3.9 No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.

7.3.10 It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

7.3.11 Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down any Application, including multiple or suspected multiple applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/ facsimile copies will not be accepted.

7.3.12 The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for by Applicants (including holders of Maturing Bonds applying for Bonds in terms of section 7.2.2 above) during the Intermediaries' Offer Period is €2,000.

7.3.13 The Bond Issue shall close on the earlier of: (i) the date on which the aggregate of Applications received from the Existing Bondholders up to the full amount of Maturing Bonds held at the Cut-Off Date and rounded up to the nearest €100 (that is by Maturing Bond Transfer as set out in section 7.2.1 above) reaches €20,000,000; or (ii) if following the allocation of all Bonds applied for in para (i) the full €20,000,000 of Bonds would not have been allocated, on the lapse of the Intermediaries' Offer Period (during which there shall also be considered Applications by Existing Bondholders insofar as they relate to an amount in excess of the total number of Maturing Bonds held and being transferred to the Issuer by Maturing Bond Transfer, as set out in section 7.2.2), provided that the Issuer, acting through the Registrar, may at any time close the Bond Issue in the event that the total subscriptions are equal to or in excess of €20,000,000. Within five (5) Business Days from closing of the Bond Issue, the Issuer shall announce the result of the Issue and shall determine and announce the basis of acceptance of applications and allocation policy to be adopted through a company announcement and a press release in at least one local newspaper.

7.3.14 In the event that an Applicant has not been allocated any Bonds or has been allocated a number of Bonds which is less than the number applied for, the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Bonds applied for but not allocated, without interest, by credit transfer to such account indicated in the Application Form, at the Applicant's sole risk within five (5) Business Days from the date of final allocation.

7.3.15 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 as amended from time to time, all appointed Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the "Code of Conduct for Members of the Malta Stock Exchange" appended as Appendix IV to Chapter 3 of the Malta Stock Exchange Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are Malta Stock Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of the Data Protection Act (Cap. 440 of the Laws of Malta) for the purposes and within the terms of the Malta Stock Exchange Data Protection Policy as published from time to time.

7.3.16 By completing and delivering an Application Form, the Applicant:

a agrees and ackowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein;

b warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;

c authorises the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act, Cap. 440 of the laws of Malta. The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;

d confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;

e agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance or surrender of the Maturing Bonds, as the case may be, and any verification of identity as required by the Prevention of Money Laundering Act 1994 (and regulations made thereunder) and that such monies will not bear interest;

f agrees to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;

g warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or his/her Application;

h warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;

i represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;

j agrees that Charts Investment Management Service Limited will not, in their capacity of Sponsor, treat the Applicant as their customer by virtue of such Applicant making an Application for the Bonds, and that Charts Investment Management Service Limited will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their suitability for the Applicant;

k agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form;

l renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds.

7.4 Plan of Distribution and Allotment

Applications for subscription to the Bonds may be made through any of the Authorised Financial Intermediaries. The Bonds are open for subscription to holders of Maturing Bonds and to Authorised Financial Intermediaries. It is expected that an allotment advice will be dispatched to Applicants within five (5) Business Days of the announcement of the allocation policy. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance or surrender of the Maturing Bonds, as the case may be, and any verification of identity as required by the Prevention of Money Laundering Act, 1994 (and regulations made thereunder). Such monies will not bear interest while retained as aforesaid.

Dealings in the Bonds shall not commence prior to admission to trading of the Bonds by the MSE or prior to the said notification.

7.5 Pricing

The Bonds are being issued at par, that is at €100 per Bond.

7.6 Intermediaries' Offer

The Issuer may enter into conditional subscription agreements with a number of Authorised Financial Intermediaries for the subscription of the Bonds whereby it will bind itself to allocate Bonds to such investors during the Intermediaries' Offer Period, if any, which shall commence on the Business Day following the closing date for Applications by Existing Bondholders, provided that in aggregate such Applications by Existing Bondholders up to the full amount of Maturing Bonds held as at the Cut-Off Date and rounded up to the nearest €100 (that is by the Maturing Bond Transfer as set out in section 7.2.1 above) do not exceed €20,000,000 and provided further that any excess amounts applied for by Existing Bondholders in terms of section 7.2.2 above shall only be taken into consideration by the Registrar at the point in time of opening the Intermediaries' Offer. The date of closure of any Intermediaries' Offer Period shall be at the sole discretion of Issuer, acting through the Registrar. In terms of each subscription agreement the Issuer will be conditionally bound to issue, and each Authorised Financial Intermediary will bind itself to subscribe for, a number of Bonds subject to being admitted to trading on the Official List of the Malta Stock Exchange. The subscription agreements will become binding on each of the Issuer and the Authorised Financial Intermediaries upon delivery, provided that these intermediaries would have paid to the Issuer all subscription proceeds in cleared funds on delivery of the subscription agreement.

Authorised Financial Intermediaries subscribing for Bonds may do so for their own account or for the account of underlying customers, including retail customers, and shall in addition be entitled to distribute any portion of the Bonds subscribed for upon commencement of trading.

7.7 Allocation Policy

The Issuer shall allocate the Bonds on the basis of the following policy and order of priority:

i. First to Existing Bondholders up to the extent of their holdings of Maturing Bonds to be utilised for the purposes of the payment of consideration of Bonds and subject to Rounding and to the minimum holding of €2,000;
ii. In the event that the satisfaction of all Applications under paragraph (i) above shall result in an over-subscription of the Bonds, the Issuer shall scale down Applications on the basis of a policy to be announced pursuant to section 7.3.13;
iii. In the event that following the allocations made pursuant to paragraph (i) above there shall still remain unallocated Bonds, the Issuer shall offer such remaining Bonds to Authorised Financial Intermediaries through an Intermediaries' Offer as detailed in section 7.6 above.

7.8 Admission to Trading

7.8.1 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 16 November 2012.
7.8.2 Application has been made to the MSE for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the MSE
7.8.3 The Bonds are expected to be admitted to the MSE with effect from 3 January 2013 and trading is expected to commence on 4 January 2013.

8 DOCUMENTS ON DISPLAY

The following documents (or copies thereof), may be inspected at the registered office of the Issuer at 22, Europa Centre, Floriana FRN 1400, Malta:

(a) Memorandum and Articles of Association;
(b) Consolidated Financial Statements of the Issuer for the six month periods ended 30 June 2011 and 2012;
(c) Consolidated Audited Financial Statements of the Issuer for the years ended 31 December 2009, 2010 and 2011;
(d) Accountant's letter of engagement on extraction of data and related computations;
(e) Financial Analysis Summary prepared by Charts Investment Management Service Limited.

These documents are also available for inspection in electronic form on the Issuer's website at www.ihiplc.com

ANNEX I

AUTHORISED FINANCIAL INTERMEDIARIES

NAME	ADDRESS	TELEPHONE	FAX
APS Bank Ltd	APS Centre, Tower Street, B'Kara BKR 4012	25603365	25603001
Bank of Valletta p.l.c.*	BOV Centre, Cannon Road, St Venera SVR 9030	22751732	22751733
Calamatta Cuschieri & Co Ltd*	Valletta Buildings, Fifth Floor, South Street, Valletta VLT 1103	25688688	25688256
Charts Investment Management Service Ltd*	Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913	21224106	21241101
Crystal Finance Investments Ltd	10, First Floor, City Gate, Valletta VLT 1010	21226190	21226188
Curmi & Partners Ltd*	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	21347331	21347333
D.B.R. Investments Limited	Deber, Nigret Road, Zurrieq ZRQ 3172	21647763	21647765
Fexserv Investment Services Ltd	Alpine House, Naxxar Road, San Gwann SGN 9023	25763000	21378869
Financial Planning Services Ltd*	4, Marina Court No. 1, G Calì Street, Ta' Xbiex XBX 1421	21344244	21341202
FINCO Treasury Management Ltd*	Level 5, The Mall Complex, The Mall, Floriana FRN 1470	21220002	21243280
GlobalCapital Financial Management Ltd*	Testaferrata Street, Ta' Xbiex XBX 1403	22796283	22796284
Growth Investments Ltd	Customer Service Centre, Pjazza Giovanni XXIII, Floriana FRN 1420	25909900	21226188
Hogg Capital Investments Ltd*	Regent House, Level 3, Suite 33, Bizazza Street, Sliema SLM 1641	21322872	21342760
HSBC Bank Malta p.l.c.	ShareShop, Fleur-de-Lys Road, St Venera SVR1587	23802381	23246046
HSBC Stockbrokers (Malta) Ltd*	c/o HSBC Bank Malta p.l.c., Operations Centre, Mill Street, Qormi QRM 3101	23802217	25972494
Island Financial Services Ltd	Insurance House, Psaila Street, Birkirkara BKR 9078	23855555	23855238
Jesmond Mizzi Financial Advisors Ltd*	67, Level 3, South Street, Valletta VLT 1105	21224410	23265691
Joseph Scicluna Investment Services Ltd	Bella Vista Court, Level 3, Gorg Borg Olivier Street, Victoria VCT 2517, Gozo	21565707	21565706
Lombard Bank Malta p.l.c.*	67, Republic Street, Valletta VLT 1117	25581114	25581815
Mercieca Financial Investment Services Ltd	Mercieca, JF Kennedy Square, Victoria VCT 2580, Gozo	21553892	21553892
MFSP Financial Management Ltd	220, Immaculate Conception Street, Msida MSD 1838	21322426	21332190
Michael Grech Financial Investment Services Ltd	The Brokerage, St Marta Street, Victoria VCT 2550, Gozo	21554492	21559199
MZ Investment Services Ltd	55, MZ House, St Rita Street, Rabat RBT 1523	21453739	21453407
Rizzo, Farrugia & Co (Stockbrokers) Ltd*	Airways House, Third Floor, High Street, Sliema SLM 1549	22583000	22583001
W & J Coppini Investment Services Ltd	144, Tower Road, Sliema SLM 1604	21345412	21344972

* Members of the Malta Stock Exchange

INTERNATIONAL HOTEL INVESTMENTS P.L.C.

€20,000,000
5.8% BONDS 2021
APPLICATION FORM

Application Number

Please read the notes overleaf before completing this Application Form.

A APPLICANT

TEL. NO. | MOBILE NO.

Nominal Value of International Hotel Investments p.l.c. 6.3% MTL Bonds 2013 (the "Maturing Bonds"):

AMOUNT IN FIGURES **Box 1** €

I/We wish to purchase and acquire the amount set out below in International Hotel Investments p.l.c. 5.8% Bonds 2021 at the Bond Issue Price (at par) pursuant to the Prospectus dated 16 November 2012 (minimum €2,000 and in multiples of €100 thereafter).

B

AMOUNT IN WORDS

AMOUNT IN FIGURES **Box 2** €

Amount of Interational Hotel Investment p.lc. 5.8% Bonds 2021 applied for less the nominal holding in Maturing Bonds, payable in full upon application under the Terms and Conditions as set out in the Prospectus.

AMOUNT IN FIGURES **Box 3**
Difference payable on Application **Box 2 - Box 1**
€

C RESIDENT - WITHHOLDING TAX DECLARATION (See note 9)

(to be completed ONLY if the Applicant is a Resident of Malta)

☐ I/We elect to have Final Withholding Tax deducted from my/our interest.

☐ I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).

D NON-RESIDENT - DECLARATION FOR TAX PURPOSES

(to be completed ONLY if the Applicant is a Non-Resident)

TAX COUNTRY		TOWN OF BIRTH
T.I.N. (Tax Identification Number)		COUNTRY OF BIRTH
PASSPORT/NATIONAL I.D. CARD	NUMBER	ISSUE DATE

☐ I/We am/are **NOT** Resident in Malta but I/we am/are Resident in the European Union.

☐ I/We am/are **NOT** Resident in Malta and I/we am/are **NOT** Resident in the European Union.

E INTEREST MANDATE (see note 9)

Completion of this Panel is **MANDATORY**

BANK	BRANCH	ACCOUNT NO.

F

This Application form is to be submitted in the case where the Applicant selects, as a method of payment for the International Hotel Investments p.l.c. 5.8% Bonds 2021 being applied for, to transfer to the Issuer all or part of the Maturing Bonds held by the Applicant as at the Cut-Off Date, the nominal value of which is set out in Box 1 of Panel B above. By submitting this signed Application Form, the Applicant is thereby confirming that:

a. all or part (as applicable) of the Maturing Bonds held by the Applicant at the Cut-Off Date are being transferred to the Issuer at their nominal value; and
b. this Application Form constitutes the Applicant's irrevocable mandate to the Issuer to:
   i. cause the transfer of the said holding in Maturing Bonds in the Issuer's name in consideration of the issue of International Hotel Investments p.l.c. 5.8% Bonds 2021; and
   ii. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Maturing Bonds in the Issuer and fully and effectively vest title in the appropriate number of International Hotel Investments p.l.c. 5.8% Bonds 2021 in the Applicant.

I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions (as defined herein) which I/we fully accept.

Signature/s of Applicant/s

Date

(Parent/s or legal guardian/s are/is to sign if Applicant is a minor)
(All parties are to sign in the case of a joint Application)
(Bare owner/s and usufructuary/ies to sign in the case of holdings of Maturing Bonds that are subject to usufruct)

AUTHORISED FINANCIAL INTERMEDIARY'S STAMP

AUTHORISED FINANCIAL INTERMEDIARY'S CODE

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus regulating the Bond Issue

1. The terms used in this Application Form have the same meaning as that assigned to them in the Prospectus.
2. This Application Form is to be completed in BLOCK LETTERS.
3. This Application Form is not transferable and entitles you to a preferential treatment as a holder of the Maturing Bonds (see note 6 below).
4. Interest and redemption proceeds will be issued in the name of the person as shown in Panel A overleaf.
5. This Application Form is to be submitted in the case where the Applicant selects, as a method of payment for the International Hotel Investments p.l.c. 5.8% 2021 being applied for, to transfer to the Issuer all or part of the holding in the Maturing Bonds held by the Applicant as at the Cut-Off Date, the nominal value of which is set out in Box 1 of Panel B overleaf. By submitting this signed Application Form, the Applicant is thereby confirming that:
   a. all or part (as applicable) of the Maturing Bonds held by the Applicant as at the Cut-Off Date are being transferred to the Issuer at their nominal value, thereby releasing the Issuer from all and any obligations with respect to such Maturing Bonds; and
   b. this Application Form constitutes the Applicant's irrevocable mandate to the Issuer to:
      i. cause the transfer of the Maturing Bonds in the Issuer's name in consideration of the issue of International Hotel Investments p.l.c. 5.8% Bonds 2021; and
      ii. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the appropriate number of International Hotel Investments p.l.c. 5.8% Bonds 2021 in the Applicant's name.
6. The amount set out in Box 2 of Panel B overleaf must be in multiples of €100. The Issuer will be giving preference to Applications made by holders of Maturing Bonds up to their full amount held as at the Cut-Off Date, rounded to the nearest €100 and subject to a minimum application of €2,000, provided that the aggregate nominal value of Maturing Bonds transferred to the Issuer as consideration for International Hotel Investments p.l.c. 5.8% Bonds 2021 is, following rounding up to the nearest €100, not in excess of €20 million.

   Where the Applicant wishes to acquire a number of International Hotel Investments p.l.c. 5.8% Bonds 2021 having an aggregate value which exceeds the nominal value of the number of Maturing Bonds set out in Box 1 of Panel B, the Applicant may do so by including such higher amount in Box 2 in Panel B. In such case, the Applicant must ensure that the relative Application Form is accompanied by payment of the difference between the full price of the amount of International Hotel Investments p.l.c. 5.8% Bonds 2021 applied for and the nominal value of Maturing Bonds being transferred. Payment of the amount representing such difference, which is to be inserted in Box 3 of Panel B overleaf, may be made in cash or by cheque payable to "The Registrar - IHI Bond Issue 2012" which is to be attached to the Application Form being submitted to any Authorised Financial Intermediary listed in Annex I of the Securities Note. In the event that the cheque accompanying an Application Form is not honoured on the first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.
7. Applicants who are Non-Residents in Malta for tax purposes must complete Panel D overleaf.
8. In the case where a holder of Maturing Bonds is a body corporate, Application Forms must be signed by duly authorised representative/s indicating the capacity in which they are signing.
9. Applicants who are resident in Malta in terms of the Income Tax Act, chapter 123 of the laws of Malta, may elect to have final withholding tax (currently 15%) deducted from interest payments. This withholding tax is considered as a final tax and where the Applicant is a Maltese resident individual, he/she need not declare the interest so received in his/her income tax return. However, the individual is still entitled to declare the gross interest in the tax return and the tax so deducted will be available as a credit against the individual's tax liability or for a refund, as the case may be. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will then be obliged to declare interest so received in the tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a Prescribed Fund will have final withholding tax (currently 10%) deducted from interest payments. Applicants will receive interest directly in a bank account held locally in Euro and such choice is to be indicated in Panel E overleaf.

   In terms of Section 6.1.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act, interest shall be paid to such person net of final withholding tax (currently 15%) of the gross amount of interest, pursuant to Article 33 of the Income Tax Act.
10. European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments requires all payors established in the EU which pay interest to an individual resident in another EU Member State, to report the interest payment to the tax authorities of the Member State in which the payor is established. If the Applicant's permanent address is in an EU Member State or in another country to which the Directive applies (called a "specified territory") then the interest paid will be reported.

    The contents of 9 and 10 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.
11. The MSE account number pertaining to the Applicant has been pre-printed in Panel A and reflects the MSE account number on the Issuer's Register at the CSD as at 16 November 2012. **APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THE APPLICATION FORM EVEN IF THE DETAILS OF SUCH MSE ACCOUNT, AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF.**
12. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in Annex I of the Prospectus during normal office hours by not later than 14:00 on 7 December 2012. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the closing date indicated above. The Issuer reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of the Bond as contained in the Prospectus. Any Applications received by the Registrar after 14:00 on 7 December 2012 will not be accepted. If an Application is not accepted or is accepted for fewer Bonds than those applied for, the monies or the balance of the amount paid but not allocated will be returned by direct credit into the bank account indicated in Panel E.
13. By completing and delivering an Application Form you (as the Applicant/s) acknowledge/s that:
    a. the Issuer may process the personal data that you provide on the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
    b. the pre-printed Application Form constitutes the Applicant's irrevocable mandate to the Issuer to:
       iii. cause the transfer of the said holding in Maturing Bonds in the Issuer's name in consideration of the Issue of International Hotel Investments p.l.c. 5.8% Bonds 2021; and
       iv. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Maturing Bonds in the Issuer and fully and effectively vest title in the appropriate number of International Hotel Investments p.l.c. 5.8% Bonds 2021 in the Applicant.
    e. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such request must be made in writing and addressed to the Issuer. The request must further be signed by yourself, as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the bonds on offer will be repayable in full upon redemption. An investor should consult a licensed stockbroker or an investments adviser, licensed under the Investments Services Act (Cap. 370 of the Laws of Malta), for advice.

INTERNATIONAL HOTEL INVESTMENTS P.L.C.

€20,000,000
5.8% BONDS 2021
APPLICATION FORM

Application Number

Please read the notes overleaf before completing this Application Form.

A APPLICANT

TEL. NO. | MOBILE NO.

Nominal Value of International Hotel Investments p.l.c. 6.2% - 6.8% Euro Bonds 2013 (the "Maturing Bonds"):

AMOUNT IN FIGURES **Box 1** €

I/We wish to purchase and acquire the amount set out below in International Hotel Investments p.l.c. 5.8% Bonds 2021 at the Bond Issue Price (at par) pursuant to the Prospectus dated 16 November 2012 (minimum €2,000 and in multiples of €100 thereafter).

B

AMOUNT IN WORDS

AMOUNT IN FIGURES **Box 2** €

Amount of International Hotel Investments p.l.c. 5.8% Bonds 2021 applied for less the nominal holding in Maturing Bonds, payable in full upon application under the Terms and Conditions as set out in the Prospectus.

AMOUNT IN FIGURES **Box 3**
Difference payable on Application **Box 2 - Box 1**
€

C RESIDENT - WITHHOLDING TAX DECLARATION (See note 9)

(to be completed ONLY if the Applicant is a Resident of Malta)

☐ I/We elect to have Final Withholding Tax deducted from my/our interest.

☐ I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).

D NON-RESIDENT - DECLARATION FOR TAX PURPOSES

(to be completed ONLY if the Applicant is a Non-Resident)

TAX COUNTRY		TOWN OF BIRTH
T.I.N. (Tax Identification Number)		COUNTRY OF BIRTH
PASSPORT/NATIONAL I.D. CARD	NUMBER	ISSUE DATE

☐ I/We am/are **NOT** Resident in Malta but I/we am/are Resident in the European Union.

☐ I/We am/are **NOT** Resident in Malta and I/we am/are **NOT** Resident in the European Union.

E INTEREST MANDATE (see note 9)

Completion of this Panel is **MANDATORY**

BANK	BRANCH	ACCOUNT NO.

F

This Application form is to be submitted in the case where the Applicant selects, as a method of payment for the International Hotel Investments p.l.c. 5.8 % Bonds 2021 being applied for, to transfer to the Issuer all or part of the Maturing Bonds held by the Applicant as at the Cut-Off Date, the nominal value of which is set out in Box 1 of Panel B above. By submitting this signed Application Form, the Applicant is thereby confirming that:

a. all or part (as applicable) of the Maturing Bonds held by the Applicant at the Cut-Off Date are being transferred to the Issuer at their nominal value; and
b. this Application Form constitutes the Applicant's irrevocable mandate to the Issuer to:
   i. cause the transfer of the said holding in Maturing Bonds in the Issuer's name in consideration of the issue of International Hotel Investments p.l.c. 5.8% Bonds 2021; and
   ii. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Maturing Bonds in the Issuer and fully and effectively vest title in the appropriate number of International Hotel Investments p.l.c. 5.8% Bonds 2012 in the Applicant.

I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions (as defined herein) which I/we fully accept.

Signature/s of Applicant/s

Date

(Parent/s or legal guardian/s are/is to sign if Applicant is a minor)
(All parties are to sign in the case of a joint Application)
(Bare owner/s and usufructuary/ies to sign in the case of holdings of Maturing Bonds that are subject to usufruct)

AUTHORISED FINANCIAL INTERMEDIARY'S STAMP

AUTHORISED FINANCIAL INTERMEDIARY'S CODE

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus regulating the Bond Issue

1. The terms used in this Application Form have the same meaning as that assigned to them in the Prospectus.
2. This Application Form is to be completed in BLOCK LETTERS.
3. This Application Form is not transferable and entitles you to a preferential treatment as a holder of the Maturing Bonds (see note 6 below).
4. Interest and redemption proceeds will be issued in the name of the person as shown in Panel A overleaf.
5. This Application Form is to be submitted in the case where the Applicant selects, as a method of payment for the International Hotel Investments p.l.c. 5.8% 2021 being applied for, to transfer to the Issuer all or part of the holding in the Maturing Bonds held by the Applicant as at the Cut-Off Date, the nominal value of which is set out in Box 1 of Panel B overleaf. By submitting this signed Application Form, the Applicant is thereby confirming that:
   a. all or part (as applicable) of the Maturing Bonds held by the Applicant as at the Cut-Off Date are being transferred to the Issuer at their nominal value, thereby releasing the Issuer from all and any obligations with respect to such Maturing Bonds; and
   b. this Application Form constitutes the Applicant's irrevocable mandate to the Issuer to:
      i. cause the transfer of the Maturing Bonds in the Issuer's name in consideration of the issue of International Hotel Investments p.l.c. 5.8% Bonds 2021; and
      ii. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the appropriate number of International Hotel Investments p.l.c. 5.8% Bonds 2021 in the Applicant's name.
6. The amount set out in Box 2 of Panel B overleaf must be in multiples of €100. The Issuer will be giving preference to Applications made by holders of Maturing Bonds up to their full amount held as at the Cut-Off Date, rounded to the nearest €100 and subject to a minimum application of €2,000, provided that the aggregate nominal value of Maturing Bonds transferred to the Issuer as consideration for International Hotel Investments p.l.c. 5.8% Bonds 2021 is, following rounding up to the nearest €100, not in excess of €20 million.

   Where the Applicant wishes to acquire a number of International Hotel Investments p.l.c. 5.8% Bonds 2021 having an aggregate value which exceeds the nominal value of the number of Maturing Bonds set out in Box 1 of Panel B, the Applicant may do so by including such higher amount in Box 2 in Panel B. In such case, the Applicant must ensure that the relative Application Form is accompanied by payment of the difference between the full price of the amount of International Hotel Investments p.l.c. 5.8% Bonds 2021 applied for and the nominal value of Maturing Bonds being transferred. Payment of the amount representing such difference, which is to be inserted in Box 3 of Panel B overleaf, may be made in cash or by cheque payable to "The Registrar - IHI Bond Issue 2012" which is to be attached to the Application Form being submitted to any Authorised Financial Intermediary listed in Annex I of the Securities Note. In the event that the cheque accompanying an Application Form is not honoured on the first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.
7. Applicants who are Non-Residents in Malta for tax purposes must complete Panel D overleaf.
8. In the case where a holder of Maturing Bonds is a body corporate, Application Forms must be signed by duly authorised representative/s indicating the capacity in which they are signing.
9. Applicants who are resident in Malta in terms of the Income Tax Act, chapter 123 of the laws of Malta, may elect to have final withholding tax (currently 15%) deducted from interest payments. This withholding tax is considered as a final tax and where the Applicant is a Maltese resident individual, he/she need not declare the interest so received in his/her income tax return. However, the individual is still entitled to declare the gross interest in the tax return and the tax so deducted will be available as a credit against the individual's tax liability or for a refund, as the case may be. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will then be obliged to declare interest so received in the tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a Prescribed Fund will have final withholding tax (currently 10%) deducted from interest payments. Applicants will receive interest directly in a bank account held locally in Euro and such choice is to be indicated in Panel E overleaf.

   In terms of Section 6.1.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act, interest shall be paid to such person net of final withholding tax (currently 15%) of the gross amount of interest, pursuant to Article 33 of the Income Tax Act.
10. European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments requires all payors established in the EU which pay interest to an individual resident in another EU Member State, to report the interest payment to the tax authorities of the Member State in which the payor is established. If the Applicant's permanent address is in an EU Member State or in another country to which the Directive applies (called a "specified territory") then the interest paid will be reported.

    The contents of 9 and 10 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.
11. The MSE account number pertaining to the Applicant has been pre-printed in Panel A and reflects the MSE account number on the Issuer's Register at the CSD as at 16 November 2012. **APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THE APPLICATION FORM EVEN IF THE DETAILS OF SUCH MSE ACCOUNT, AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF.**
12. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in Annex I of the Prospectus during normal office hours by not later than 14:00 on 7 December 2012. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the closing date indicated above. The Issuer reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of the Bond as contained in the Prospectus. Any Applications received by the Registrar after 14:00 on 7 December 2012 will not be accepted. If an Application is not accepted or is accepted for fewer Bonds than those applied for, the monies or the balance of the amount paid but not allocated will be returned by direct credit into the bank account indicated in Panel E.
13. By completing and delivering an Application Form you (as the Applicant/s) acknowledge/s that:
    a. the Issuer may process the personal data that you provide on the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
    b. the pre-printed Application Form constitutes the Applicant's irrevocable mandate to the Issuer to:
       iii. cause the transfer of the said holding in Maturing Bonds in the Issuer's name in consideration of the Issue of International Hotel Investments p.l.c. 5.8% Bonds 2021; and
       iv. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Maturing Bonds in the Issuer and fully and effectively vest title in the appropriate number of International Hotel Investments p.l.c. 5.8% Bonds 2021 in the Applicant.
    e. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such request must be made in writing and addressed to the Issuer. The request must further be signed by yourself, as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the bonds on offer will be repayable in full upon redemption. An investor should consult a licensed stockbroker or an investments adviser, licensed under the Investments Services Act (Cap. 370 of the Laws of Malta), for advice.

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The Directors
International Hotel Investments p.l.c.
22, Europa Centre
Floriana FRN 1400
Malta

16 November 2012

Dear Sirs,

IHI p.l.c. Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to International Hotel Investments p.l.c. (the "Group", the "Company" or "IHI"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the three years ended 31 December 2009, 31 December 2010 and 31 December 2011 has been extracted from audited consolidated financial statements of the Company for the three years in question.

(b) The forecast data for the two years ending 31 December 2012 and 31 December 2013 has been provided by management of the Company.

(c) Our commentary on the results of the Group and on its financial position is based on the explanations set out by IHI in the Prospectus.

(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.

(e) The principal relevant market players listed in part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as web sites of the companies concerned, financial statements filed with the Registrar of Companies or web sites providing financial data.

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The Analysis is meant to assist potential investors by summarising the more important financial data set out in the Prospectus. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the proposed Bond Issue and should not be interpreted as a recommendation to invest in the Bonds. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. As with all bond issues, potential investors are encouraged to seek professional advice before investing in the Bonds.

Yours faithfully,

Wilfred Mallia
Director

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PART 1

1. COMPANY'S KEY ACTIVITIES

International Hotel Investments p.l.c. ("**IHI**", "**Issuer**" or the "**Group**"), a company listed on the Malta Stock Exchange, is principally engaged in the ownership, development and operation of hotels and ancillary real estate in Europe and North Africa.

To date, IHI has acquired and developed hotels in Prague (Czech Republic), Tripoli (Libya), Lisbon (Portugal), Budapest (Hungary), St Petersburg (Russia) and St Julians (Malta), and has a 50% shareholding in two adjoining properties in London (UK) consisting of a hotel and 12 residential apartments.

Revenue and earnings are derived primarily from hotel operations, which include operation of owned hotels, and management and other fees earned from hotels managed pursuant to management contracts. At 30 June 2012 CHI Limited, a wholly owned subsidiary of IHI, managed eight hotels of which one is fifty per cent owned on behalf of the Group and another five hotels on behalf of third-party owners.

2. DIRECTORS AND KEY EMPLOYEES

IHI is managed by a Board consisting of nine directors entrusted with its overall direction and management, including the establishment of strategies for future development.

Board of Directors

Alfred Pisani	Chairman and Chief Executive Officer
Joseph Fenech	Managing Director
Simon Naudi	Executive Director
Andrew Watson	Non-Executive Director
Hamza Mustafa	Non-Executive Director
Joseph J. Vella	Non-Executive Director
Frank Xerri de Caro	Non-Executive Director
Michael Beckett	Non-Executive Director
Nagmeddin H. Mokhtar	Non-Executive Director

The executive Directors, constituted by the Chief Executive Officer, Managing Director and Executive Director, are responsible for acquisitions and development and are entrusted with the Issuer's day-to-day management.

At 31 August 2012, approximately 2,319 people were employed at IHI's corporate office and in its owned hotels.

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3. MAJOR ASSETS OWNED BY THE ISSUER & OPERATIONAL DEVELOPMENT

3.1 HOTEL PROPERTIES

3.1.1 Introduction

International Hotel Investments p.l.c. was set up in March 2000 and its ordinary shares were admitted to the Official List of the Malta Stock Exchange in June of the same year. Since incorporation to 31 December 2011, the Issuer completed a number of acquisitions of hotel properties, which are illustrated in the table below. Furthermore, the Issuer owns 50% of the Corinthia Hotel London & Apartments. During the first quarter of the financial year ending 31 December 2012, the Company acquired the Marina Hotel Malta for an aggregate consideration of €23 million.

Valuation of Hotel Properties	FY2011 €'000	FY2010 €'000	FY2009 €'000
Corinthia Hotel Budapest	92,400	98,005	98,600
Corinthia Hotel St Petersburg	141,426	158,841	163,019
Corinthia Hotel Lisbon	84,807	85,309	88,829
Corinthia Hotel Prague	77,813	76,418	79,400
Corinthia Hotel Tripoli	137,062	144,482	172,400
Corinthia Hotel St George's Bay	30,100	32,910	33,756
Corinthia Hotel London & Apartments*	255,903	210,425	114,071
	819,511	**806,390**	**750,075**

* The amount is 50% of property valuation reflecting the 50% shareholding of IHI in the Corinthia Hotel London & Apartments.

Source: Consolidated audited financial statements of IHI for the years ended 31 December 2009, 2010 and 2011; Audited financial statements of NLI Holdings Limited for the years ended 31 December 2009, 2010 and 2011.

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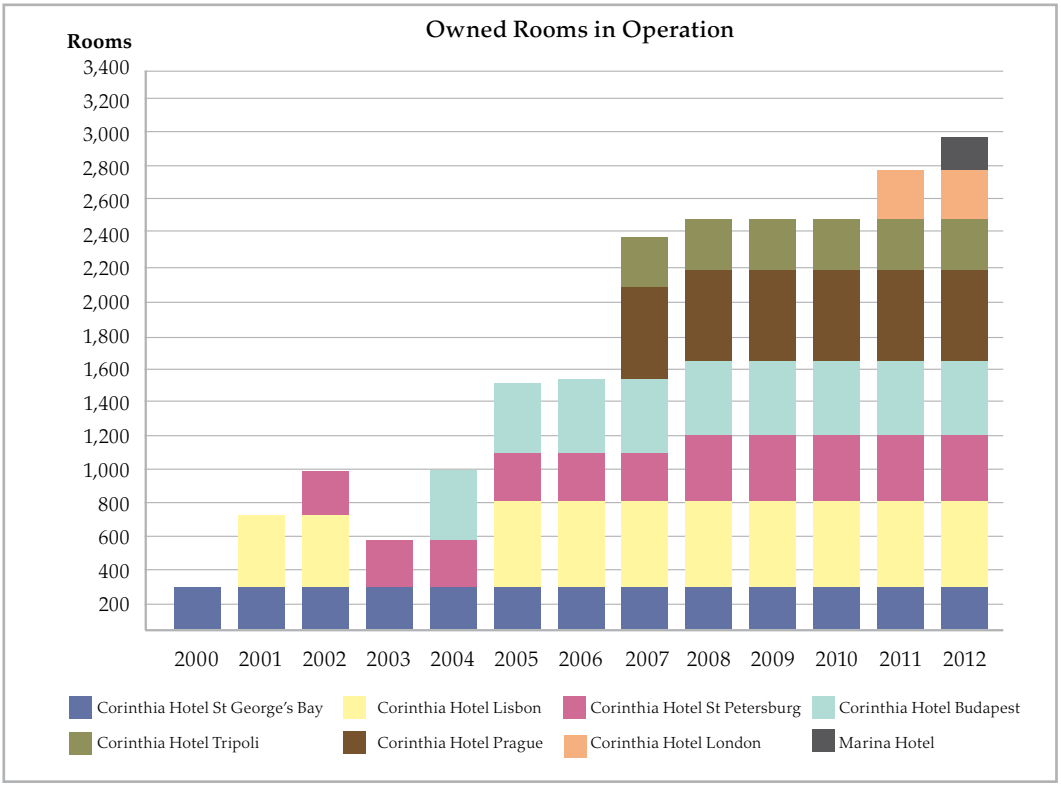
The following chart sets out the growth in room stock of the Group since inception to the date of this report. During the period under review, this increased from 250 to 2,935 rooms.



Source: Management information

3.1.2 Corinthia Hotel Budapest

Introduction

IHI Hungary Zrt (a fully-owned subsidiary of the Company) owns the 414-room five-star Corinthia Hotel located in Budapest, Hungary ("**Corinthia Hotel Budapest**"). The hotel was acquired as a vacant building in 2000 for €27 million. The property was subsequently demolished except for the historic facade and ballroom and rebuilt at a cost of €90 million. It was officially opened in April 2003. In 2006, 26 self-catering apartments were added to its stock of rooms and a health spa was opened. The carrying value of the Corinthia Hotel Budapest as at 31 December 2011 is €92.4 million.

Market Overview

According to the Hungarian Office of Statistics, 2011 was a favourable year for foreign tourism in Hungary, including Budapest's hotel market. Based on official data, growth in foreign tourism arrivals was the strongest in many years at just under 8% year-on-year (y-o-y). However, domestic tourism demand was weak and registered growth at just 0.8% y-o-y. Demand was driven further in 2011 by the EU presidency held in Hungary (which brought *circa* 36,000 additional guest nights in Budapest) and €260 million investment in Budapest's airport infrastructure.

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Despite the increase in the number of rooms sold in 2011, operating performance still remains relatively weak when compared to other Eastern European cities. In a survey carried out by STR Global and the Central Statistics Office, Budapest is one of the weakest hotel markets, and ranked fourth out of the five Central European and Eastern cities (Bratislava, Budapest, Bucharest, Prague and Warsaw).

The growth forecasts for 2012 and 2013, as outlined in the Hungary Tourism Report published by Business Monitor International, have been edged down to 4.8% and 5.5% y-o-y respectively, mainly due to a weaker outlook in the major source region, the eurozone. However, the weakness of the Hungarian forint, which fell sharply against the euro in the latter half of 2011, should help improve the competitiveness of the tourism industry and counter weak demand conditions in the major source markets.

Operational Performance
The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	18,041	17,210	17,030	15,102	15,199
Rooms (hotel) (€'000)	10,757	10,245	9,988	8,467	8,452
Rooms (apartments) (€'000)	828	788	770	626	644
Food & Beverage, and other revenue (€'000)	6,456	6,177	6,272	6,009	6,103
Rooms (hotel)					
Occupancy level (%)	70	70	69	61	56
Average room rate (€)	102	97	96	91	99
Revenue per available room (RevPAR) (€)	71	68	66	56	56
Gross operating profit before incentive fees (€'000)	5,572	5,033	5,350	3,987	4,801
Gross operating profit margin (%)	31	29	31	27	32

Source: Management information

In FY2011, the Corinthia Hotel Budapest registered a strong improvement in performance when compared to both FY2009 and FY2010. The Hotel recorded a 13% increase in occupancy (from 61% to 69%) and a 5% increase in room rates (from €91 to €96), which contributed to a RevPAR of €66, a significant increase of 18% on FY2010. This positive movement in RevPAR was mainly due to a considerable increase in the high yielding conference & events and leisure segments. The Hotel is expecting this higher level of activity to continue during the current financial year (FY2012) and the next, albeit at a marginal growth rate.

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Market Positioning

Key Performance Indicators (KPIs)	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Corinthia Hotel Budapest					
Occupancy level (%)	70	70	69	61	56
Average room rate (€)	102	97	96	91	99
Revenue per available room (RevPAR) (€)	71	68	66	56	56
Performance of Competitive Set					
Occupancy level (%)		70	72	66	60
Average room rate (€)		98	102	98	101
Revenue per available room (RevPAR) (€)		69	73	64	61
Market Penetration Rate					
Occupancy		1.00	0.96	0.93	0.94
Rate		0.99	0.94	0.93	0.98
Revenue Generating Index		**0.98**	**0.90**	**0.87**	**0.92**

Source: Management information

The above table outlines the historical performance and current year's expectation for both the Hotel and its competitive set, which includes Kempinski, InterContinental, Marriott and Hilton Budapest. Also included in the table is the FY2013 projection for the Hotel.

The Revenue Generating Index (RGI), which measures a hotel's fair market share of its segment's revenue per available room, indicates that the Corinthia Hotel Budapest has been underperforming its competitive set (RGI below 1 means the hotel is underperforming its segment, whilst RGI above 1 denotes that the hotel is outperforming its market). However, the Hotel is gradually increasing both its occupancy level and average room rate, and therefore its rate of growth is projected to outperform its competitive set in the coming years. This will enable the Hotel to improve its RGI from 0.90 in FY2011 to 0.98 in FY2012, its short term target being to at least perform in line with its competitive set and thereby achieve and maintain an RGI of 1.

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3.1.3 Corinthia Hotel St Petersburg

Introduction

IHI Benelux B.V. (a fully-owned subsidiary of the Company) owns the 388-room five-star Corinthia Hotel located in St Petersburg, Russia ("**Corinthia Hotel St Petersburg**"), which was acquired in 2002 for €35 million. The company also purchased properties adjacent to the hotel, which were subsequently demolished and rebuilt as a hotel extension and a commercial block including retail and office space. This project, which was completed in May 2009, also involved the refurbishment of the lobby and the public areas of the existing hotel. It is the intention of the Group to develop, in the near future, an area measuring *circa* 1,500 aquare metres situated behind the Hotel and which will consist of the creation of a car park and further office space. The carrying amount of the Corinthia Hotel St Petersburg and the commercial block as at 31 December 2011 is €141.4 million and €82.8 million respectively.

Market Overview

Demand for hotel accommodation in St Petersburg is predominantly leisure driven and concentrated during the summer months (May to August), in which hotels experience very high demand levels. The total number of passengers travelling through the city's airport between January and August 2011 was approximately 6.4 million (43% being international passengers), an increase of 13% compared with the same period in 2010.

The hotel market in St Petersburg registered growth in both occupancy and room rates in 2011. Statistics for the period January to August 2011 indicate a 3.2% increase in occupancy and a 3.8% increase in room rates on the previous year. The market RevPAR increased by 10.4% in this period.

Significant new supply has entered the market during the past few years, with the addition of *circa* 2,600 rooms between 2009 and 2010, mostly in the five-star segment. This particularly benefited tour groups in 2011, which took advantage of the increase in supply and the resultant discounted room rates. The moderate growth in demand volume is expected to remain steady in 2012, helping the market to absorb the recent new supply.

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	19,798	18,363	15,459	13,033	9,093
Rooms (€'000)	13,680	12,667	10,454	8,378	5,907
Food & Beverage, and other revenue (€'000)	6,118	5,696	5,005	4,655	3,186
Occupancy level (%)	54	54	40	35	22
Average room rate (€)	179	165	181	168	203
Revenue per available room (RevPAR) (€)	97	89	73	59	45
Gross operating profit before incentive fees (€'000)	8,504	7,402	5,400	4,376	2,698
Gross operating profit margin (%)	43	40	35	33	30

Source: Management information

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The Corinthia Hotel St Petersburg registered a gross operating profit of €5.4 million in FY2011, which represents an increase of €1.02 million (23%) on FY2010. Occupancy levels reached 40% in the same year, mainly due to additional rooms sold which related to the conference & events segment. In FY2011, the Hotel achieved significant increases in room rates in the following segments: corporate (+14%), leisure (+35%) and groups (+29%). All other segments registered marginal increases in room rates achieved and overall, the average room rate increased by 8% from €168 in FY2010 to €181 in FY2011.

Management is targeting further improvements in FY2012, with a substantial increase in occupancy from 40% to 54% at the expense of lower average room rate (- 9%), which overall would contribute an increase of €2 million to gross operating profit. The increase is projected to result from a recovery in the leisure segment and increases in other business segments including conference & events and groups. Although average room rate is expected to decrease from €181 in FY2011 to €165 in FY2012, RevPAR should still increase substantially by 22% from €73 to €89. Management is projecting that this positive trend should continue in FY2013.

Market Positioning

Key Performance Indicators (KPIs)	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Corinthia Hotel St Petersburg					
Occupancy level (%)	54	54	40	35	22
Average room rate (€)	179	165	181	168	203
Revenue per available room (RevPAR) (€)	97	89	73	59	45
Performance of Competitive Set					
Occupancy level (%)		51	48	43	40
Average room rate (€)		235	221	228	220
Revenue per available room (RevPAR) (€)		121	106	99	88
Market Penetration Rate					
Occupancy		1.06	0.84	0.82	0.55
Rate		0.70	0.82	0.74	0.92
Revenue Generating Index		**0.74**	**0.69**	**0.60**	**0.51**

Source: Management information

The above table outlines the historical performance and current year's expectation for both the Hotel and its competitive set, which includes Kempinski Moika Hotel, Hotel Astoria, Grand Hotel Europe, Radisson SAS Royal and Hotel Angleterre. Also included in the table is the FY2013 projection for the Hotel.

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Hotels in St Petersburg have seen demand returning to reasonable levels in FY2011. Although average room rate decreased marginally by 4% from €228 to €221, the Competitive Set managed to increase occupancy by 11.6%. As a result, revenue per available room increased from €99 in FY2010 to €106 in FY2011 (+7%). This positive trend is expected to accelerate in FY2012 with a growth in RevPAR of 14%. The performance of the Corinthia Hotel St Petersburg has improved considerably, with RevPAR increasing from €59 in FY2010 to €73 in FY 2011 (+24%). Management is projecting a further improvement in occupancy level and a decline in average room rate in FY2012, and thereby is expecting a 22% increase in RevPAR to €89. As evidenced by the Revenue Generating Index, the performance of the Hotel has shown a marked improvement (RGI increased from 0.51 in FY2009 to 0.69 in FY2011), but the gap to its Competitive Set remains significant.

Commercial Operations

The following table sets out the turnover of the commercial properties adjacent to the Corinthia Hotel St Petersburg for the years indicated therein:

	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	6,851	2,236	892	200	205

Source: Management information

The commercial properties comprise a mix of shops and office space, and total rentable area is in excess of 11,600 square metres. In FY2011, approximately 3,770 square metres were rented to third parties at a total aggregate amount of €892,000. Rental income is expected to more than double in FY2012 due to the charging of one full year of rent to tenants who took up occupancy during FY2011, and as a result of further rental agreements signed by the company during the year. Management is projecting occupancy to rise from 28% in FY2012 to full occupancy in FY2013.

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3.1.4 Corinthia Hotel Lisbon

Introduction

Alfa Investimentos Lda (a fully-owned subsidiary of the Company) owns the 518-room five-star Corinthia Hotel located in Lisbon, Portugal ("**Corinthia Hotel Lisbon**"), which was acquired in 2001 for €45 million. The Corinthia Hotel Lisbon required significant renovation and was re-opened in May 2004 after undergoing a major refurbishment programme. The carrying amount of the Corinthia Hotel Lisbon as at 31 December 2011 is €85 million. Alfa Investimentos Lda also owns a block of 5 apartments in Lisbon for rental purposes, valued at €1.2 million as at 31 December 2011.

Market Overview

2011 has been a difficult year for the Portuguese economy, not helped by a general rate of VAT of 21% from July 2010 and the impact of the current government's measures to address the public deficit through an austerity package. Hotels have not escaped from this situation and faced an increase in VAT for room rates from 5% to 6% and for food and beverages from 12% to 13%. As a result, the Portuguese economy is expected to witness slow recovery between 2012 and 2014.

According to an HVS Market Intelligence Report about Lisbon's 4 and 5 star hotels, it is predicted that this segment will see the completion of new hotels over the next three years that should provide an additional 1,076 rooms. The majority of these hotels were scheduled to be opened by the end of 2012 or early 2013, but progress on these projects has been very slow due to the economic crisis. Existing hotels are therefore benefiting from the delay in the delivery of the additional supply of hotel rooms through better occupancy levels and average room rates.

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	18,136	16,689	18,727	15,813	12,197
Rooms (€'000)	11,919	11,016	12,240	10,212	7,684
Food & Beverage, and other revenue (€'000)	6,157	5,673	6,487	5,601	4,513
Occupancy level (%)	68	66	67	63	41
Average room rate (€)	93	88	97	86	99
Revenue per available room (RevPAR) (€)	63	58	65	54	41
Gross operating profit before incentive fees (€'000)	4,610	3,654	5,158	3,887	2,140
Gross operating profit margin (%)	25	22	28	25	28

Source: Management information

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In FY2011 the Corinthia Hotel Lisbon registered a gross operating profit of €5.2 million which is €1.3 million (+33%) more than FY2010. Occupancy levels reached 67%, the highest level achieved in a number of years. A significant portion of the additional rooms sold related to the conference & events segment which registered an increase of 47% and accounted for 35% of total rooms sold. The leisure segment which comprises *circa* 30% of total rooms sold performed consistently in relation to FY2010. The substantial increase in the higher yielding conference & events segment has also contributed to the increase in room rates achieved by the Hotel from €86 in FY2010 to €96 in FY2011.

In recent years the hotel market in Lisbon shifted from a leisure to a business oriented destination and this trend has been evident at the Corinthia Hotel Lisbon. However, the persistent slowdown in the economy has prevented the Hotel and the hotel sector from maintaining a positive growth trend. As a result, management is forecasting FY2012 to be a bleak year with occupancy level expected to fall to 66% and average room rate is predicted to decrease by 8% to €58. Operational performance is projected to recover to FY2011 level in FY2013 as management continues to increase focus on the conference & events segment.

Market Positioning

Key Performance Indicators (KPIs)	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Corinthia Hotel Lisbon					
Occupancy level (%)	68	66	67	63	41
Average room rate (€)	93	88	97	86	99
Revenue per available room (RevPAR) (€)	63	58	65	54	41
Performance of Competitive Set					
Occupancy level (%)		65	69	65	57
Average room rate (€)		94	103	103	94
Revenue per available room (RevPAR) (€)		62	71	61	56
Market Penetration Rate					
Occupancy		1.01	0.98	0.97	0.72
Rate		0.94	0.93	0.91	1.01
Revenue Generating Index		**0.93**	**0.91**	**0.88**	**0.73**

Source: Management information

The above table outlines the historical performance and current year's expectation for both the Hotel and its competitive set, which includes Marriott, Sheraton, Tiara Park Atlantic and Tivoli. Also included in the table is the FY2013 projection for the Hotel.

As indicated above, the Hotel's performance in FY2011 was positive and registered a significant increase in RevPAR from €54 to €65. This enabled the Hotel to reduce its gap on performance with its Competitive Set as indicated by the Revenue Generating Index which improved from 0.88 in FY2010 to 0.91 in FY2011. Overall, the short term outlook for Lisbon is rather negative and for this reason, both the Hotel's RevPAR and that of its Competitive Set are projected to decline in FY2012 by 11% and 13% respectively.

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING

3.1.5 Corinthia Hotel Prague

Introduction

IHI Towers s.r.o. (a fully-owned subsidiary of the Company) owns the 539-room five-star Corinthia Hotel located in Prague, Czech Republic ("**Corinthia Hotel Prague**"), which was acquired in 2007 for €105 million. The carrying amount of the Corinthia Hotel Prague as at 31 December 2011 is €77.8 million.

Market Overview

Prague has seen a number of hotels enter the market over recent years, leading to a large growth in hotel room stock. As a result of this oversupply, hotels in Prague have been suffering declines in performance both in terms of occupancies and rates, which was further impacted by the economic crisis. There was a reversal in this recent trend in 2011, as the overall hotel market in Prague registered increases in both occupancy levels and average room rates. Overall market RevPAR increased by 8% on 2010.

The number of overnight stays in 2011 was *circa* 13.2 million, which essentially exceeded the record years 2006 - 2007. In particular, there has been an increase in conference & events and corporate business, as Prague emerged as an ideal location for holding conferences. In a bid to capture volume, room rates in Prague have decreased over the years from an average of €140 in 2008 to *circa* €100 in 2010. The rates have recovered slightly in 2011 (+3%) but are still significantly lower than what is achieved in most European markets. Hotel performance in Prague is generally expected to continue to improve in the coming years as the market gradually absorbs the current oversupply of hotel rooms, leveraging on its image as an attractive and corporate destination.

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	17,527	16,691	16,445	13,996	13,643
Rooms (€'000)	10,379	9,879	9,319	7,762	7,643
Food & Beverage, and other revenue (€'000)	7,148	6,812	7,126	6,234	6,000
Occupancy level (%)	67	66	65	60	57
Average room rate (€)	78	76	73	65	69
Revenue per available room (RevPAR) (€)	52	50	47	39	39
Gross operating profit before incentive fees (€'000)	4,038	3,586	3,036	1,482	1,815
Gross operating profit margin (%)	23	21	18	11	13

Source: Management information

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The Corinthia Hotel Prague recorded a gross operating profit before incentive fees of €3.04 million, more than double that registered in the previous year (€1.48 million). In FY2011, the Hotel managed to increase occupancy from 60% to 65% with significant increases in leisure and conference & events business. These two segments together accounted for 55% of the total room nights sold in FY2011 (FY2010: 45%). The average room rate also increased from €65 in FY2010 to €73, thereby reversing the trend of the previous three years. This improvement in average room rate was derived by a shift in business mix, from tour operator and to a lesser extent groups, to the higher yielding conference & events and leisure segments.

This positive performance is expected to continue in FY2012 and FY2013, as management continues to displace tour operator bookings with the more profitable conference & events and leisure business. The Hotel is projecting RevPAR to increase by 6.4% to €50 in FY2012 and by a further 4% in FY2013. Gross operating profit should exceed €3.5 million in FY2012 (+18%) and is expected to increase by 12% to €4 million in FY2013.

Market Positioning

Key Performance Indicators (KPIs)	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Corinthia Hotel Prague					
Occupancy level (%)	67	66	65	60	57
Average room rate (€)	78	76	73	65	69
Revenue per available room (RevPAR) (€)	52	50	47	39	39
Performance of Competitive Set					
Occupancy level (%)		65	69	64	59
Average room rate (€)		102	103	101	107
Revenue per available room (RevPAR) (€)		67	71	64	64
Market Penetration Rate					
Occupancy		1.01	0.94	0.94	0.96
Rate		0.74	0.71	0.65	0.64
Revenue Generating Index		**0.75**	**0.67**	**0.61**	**0.62**

Source: Management information

The above table outlines the historical performance and current year's expectation for both the Hotel and its competitive set, which includes InterContinental, Hilton Prague, Marriott Prague and Crowne Plaza. Also included in the table is the FY2013 projection for the Hotel.

The outlook for the Hotel's Competitive Set for FY2012 is showing a decline in both occupancy level (from 69% to 65%) and RevPAR (from €71 to €67). Conversely, in FY2012 the Corinthia Hotel Prague is set to maintain occupancy level and average room rate at FY2011 level. The Hotel had lost out on its competitiveness in FY2009 and FY2010 due to the Hotel's dependence on conference & events business which was negatively affected by the growth in supply of hotels. The Hotel is expected to match the market in terms of occupancy and also recover some ground with respect to room rates. As a result, the revenue generating index is projected to improve from 0.67 in FY2011 to 0.75 in FY2012.

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING

3.1.6 Corinthia Hotel Tripoli

Introduction

Corinthia Towers Tripoli Limited (a fully-owned subsidiary of the Company) owns the 300-room five-star Corinthia Hotel located in Tripoli, Libya ("**Corinthia Hotel Tripoli**"), and a commercial centre measuring *circa* 10,000 square metres and a tract of undeveloped land both of which are adjacent to the hotel. The said properties were acquired in 2007 for a total consideration of €207 million analysed as follows: Corinthia Hotel Tripoli (€139 million); the commercial centre (€62 million); and the undeveloped land (€6 million). The carrying amounts of the Corinthia Hotel Tripoli, commercial centre and the adjacent plot as at 31 December 2011 are €137 million, €73 million and €29 million respectively, or a combined total of €239 million.

Market Overview

The dramatic turn of events in 2011 which led to the overthrow of the Gaddafi regime and the creation of the National Transitional Council should help to create a more transparent Libyan economy which is open to development and diversification. Although the economy contracted by 27.9% in 2011, it is estimated that growth will recover to an average of 13.8% a year in the years 2012-2016.

Libya is at the beginning of the transition and significant hard work is expected in the years to come. In a broad sense Libya is peaceful but the situation is still very edgy. There is plenty of low level lawlessness and no confidence can be placed as yet in the new embryonic army and national police. Arms have not been brought under central control and there are major problems on the borders.

During 2012, oil production and exports rebounded faster than originally predicted – estimated at 1.66 million barrels a day, and as a result the Libyan economy will register positive y-o-y growth. Despite massive reconstruction needs, investors will continue to wait on the side lines until a clearer picture of the security situation and political transformation emerges.

With respect to hotel performance, commercial trade is likely to return before tourism. Although companies may be willing to ask employees to reside in Libya, families may not be as quick to choose the region as a holiday destination.

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	21,545	17,274	13,372	23,873	32,399
Rooms (€'000)	14,973	11,997	8,968	15,042	22,402
Food & Beverage, and other revenue (€'000)	6,572	5,277	4,404	8,831	9,997
Occupancy level (%)	61	51	35	56	69
Average room rate (€)	224	216	229	245	299
Revenue per available room (RevPAR) (€)	137	110	82	138	205
Gross operating profit before incentive fees (€'000)	9,018	5,790	4,667	11,032	17,559
Gross operating profit margin (%)	42	34	35	46	54

Source: Management information

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The Corinthia Hotel Tripoli registered a gross operating profit before incentive fees of €4.7 million in FY2011 which is €6.4 million (-58%) less than FY2010. However, the results have to be assessed in the light of what has taken place in Libya in 2011. It is indeed a major credit for the Hotel to have remained open achieving positive results and going through this period of turmoil largely unscathed. The average occupancy of the Hotel was 35% with a significant decrease in room nights between March and August. As in previous years, the Hotel's business was concentrated on the corporate segment which accounted for *circa* 93% of total rooms sold.

It is expected that demand for hotel rooms in Tripoli to build up gradually, as the oil companies return to re-establish themselves in the country. Furthermore, in the short to medium term, there is likely to be additional demand from infrastructure companies and government bodies (amongst other industries) that will be key for the redevelopment of the city and the country as a whole. Occupancy is therefore being projected at 51% and 61% in FY2012 and FY2013 respectively, while room rates will decrease in FY2012 by 5.7% (€216) and recover to €224 in FY2013. It is unlikely that the growth in average room rates will be as buoyant as in previous years due to the anticipated increase in supply of hotels expected to commence operations in Tripoli in the near term.

Market Positioning

The hotel supply in Tripoli is limited to only a few branded hotels and a few government-run properties. The branded hotels include the Radisson Blu Al Mahary (351 rooms), Rixos Al Nasr (120 rooms) and the Corinthia Hotel Tripoli (300 rooms). Industry sources have highlighted a number of hotel projects for the city of Tripoli in the next few years, although some projects may be delayed further or shelved subsequent to the 2011 turmoil.

There are currently no statistics published in terms of hotel performance in Tripoli. The lack of quality supply in the market, however, results in high business demand for upper end hotels as visitors, especially international visitors, tend to look for the comfort of a recognised international hotel brand in the area.

Commercial Operations

The following table sets out the turnover of the Commercial Centre adjacent to the Corinthia Hotel Tripoli for the years indicated therein:

	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	6,203	6,203	5,969	6,118	6,100

Source: Management information

The Commercial Centre, which is fully occupied, includes rentable office space having a gross area of 7,249 square metres. It also comprises 306 square metres of storage space and 235 square metres of internal and external car spaces.

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3.1.7 Corinthia Hotel St George's Bay

Introduction

Five Star Hotels Limited (a fully-owned subsidiary of the Company) owns the 250-room five-star Corinthia Hotel located in St Julians, Malta ("**Corinthia Hotel St George's Bay**"), which was acquired in 2000 for €32 million. In 2006 a major refurbishment programme was carried out which included the upgrade of the entire room stock, the lobby and the technological equipment. The refurbishment was completed in the first quarter of 2007 at a total cost of *circa* €4 million. The carrying amount of the Corinthia Hotel St George's Bay as at 31 December 2011 is €30 million.

Market Overview

Tourism in Malta has been performing at record levels and in 2011 tourist arrivals reached an all time high of 1.4 million guests. On a y-o-y basis, tourist arrivals in 2011 increased by 5.6% over 2010, and by 19.4% over 2009. Notwithstanding the improved industry statistics, hotel results have been negatively impacted by a slower pace of growth, increased pressure on rates and a continually increasing cost base. The principal source markets remain the UK, Germany, Italy and France which in 2011 accounted for 62% of total arrivals.

According to traffic results issued by Malta Airport, passenger movements for the period January to September 2012 showed an increase of 4.1% when compared to the same period in 2011 (Jan-Sep 2011: +7.6%). All the core markets registered increases during the peak month of August with the German and French markets growing significantly by 14.7% and 14.6% respectively, whereas the Spanish and Italian markets recorded an increase of 6.25% and 5.7% respectively. Passenger movements relating to the UK market were broadly the same with a 0.2% increase. In September, the Spanish market continued to grow considerably (+14.7%) whereas the French, Italian and UK markets grew marginally between 0.2% and 2.5%. The German market registered a decline of 5% when compared to the same period in 2011. The performance registered during the first eight months of 2012 has been positive, albeit at a slower rate of growth. The economic and financial situation in the major markets will continue to weigh on the performance of tourism in Malta and therefore finishing the year at par with 2011 or slightly above will be considered a reasonably good result.

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	11,455	11,128	10,647	9,885	9,413
Rooms (€'000)	6,360	6,174	6,003	5,505	4,610
Food & Beverage, and other revenue (€'000)	5,095	4,954	4,644	4,380	4,803
Occupancy level (%)	69	68	70	66	53
Average room rate (€)	101	99	93	91	95
Revenue per available room (RevPAR) (€)	70	67	64	60	51
Gross operating profit before incentive fees (€'000)	1,800	1,698	1,413	1,381	1,487
Gross operating profit margin (%)	16	15	13	14	16

Source: Management information

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The Corinthia Hotel St George's Bay registered a gross operating profit before incentive fees of €1.4 million in FY2011, which is broadly in line with FY2010. Revenue was higher by 7.7% mainly due to an increase in volume related business (tour operator and airline segments), with occupancy increasing from 66% to 70%. As a result of the higher volume in low yield business, the achieved average room rate increased only marginally from €91 in FY2010 to €93. In FY2012 and FY2013, the Hotel is expecting a shift in market segmentation, from tour operator business to increases in conference & events and leisure segments. This should enable the Hotel to improve the average room rate by 9% to €101 in FY2013 and increase gross operating profit by 27% from €1.4 million in FY2011 to €1.8 million in FY2013.

Market Positioning

Key Performance Indicators (KPIs)	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Corinthia Hotel St George's Bay					
Occupancy level (%)	69	68	70	66	53
Average room rate (€)	101	99	93	91	95
Revenue per available room (RevPAR) (€)	70	67	64	60	51
Performance of Competitive Set					
Occupancy level (%)		73	71	65	62
Average room rate (€)		118	112	108	104
Revenue per available room (RevPAR) (€)		86	79	70	65
Market Penetration Rate					
Occupancy		0.93	0.99	1.02	0.86
Rate		0.84	0.83	0.84	0.91
Revenue Generating Index		**0.78**	**0.81**	**0.86**	**0.78**

Source: Management information

The above table outlines the historical performance and current year's expectation for both the Hotel and its competitive set, which includes Hilton Malta, Westin Dragonara, InterContinental and Radisson Blu. Also included in the table is the FY2013 projection for the Hotel.

In terms of occupancy, the Hotel has in the last two years been performing reasonably well against its competitive set, but is set to underperform in FY2012 as its occupancy level is expected to decline from 70% to 68% (competitive set: 73%). As to average room rate, the Hotel is more reliant on the lower yielding tour operator segment than other hotels in its market, and therefore its average room rate and consequently its RevPAR are below the figures registered by the competitive set. Overall, the Hotel's revenue generating index has decreased from 0.86 in FY2010 to 0.81, and is projected to decline further in FY2012 to 0.78. In the near term, the Hotel is implementing measures to attract more higher-yielding revenue, in particular, from conference & events and leisure segments to significantly increase its RevPAR and improve its competitiveness in the market.

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING

3.1.8 Marina Hotel

Introduction

Marina San Gorg Limited Limited (a fully-owned subsidiary of the Company) owns the 200-room four-star Hotel located in St Julians, Malta ("**Marina Hotel**"), which was acquired in early 2012 for €23 million.

Market Overview

The market overview relating to tourism in Malta is included in section 3.1.7 above.

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	6,629	6,438	6,254	5,740	5,074
Rooms (€'000)	4,086	3,967	3,886	3,520	3,000
Food & Beverage, and other revenue (€'000)	2,543	2,471	2,368	2,220	2,074
Occupancy level (%)	75	75	76	72	68
Average room rate (€)	75	73	68	68	61
Revenue per available room (RevPAR) (€)	56	55	53	48	41
Gross operating profit before incentive fees (€'000)	1,569	1,485	1,386	1,310	1,058
Gross operating profit margin (%)	24	23	22	23	21

Note: The Marina Hotel was acquired by IHI with effect from 1 January 2012 and therefore the financial information for the years 2009 – 2011 have been included in the table above for analysis purposes only.

Source: Management information

The principal business segment of the Marina Hotel is tour operator business, which in FY2011 accounted for 41% of the Hotel's total room nights. Similar to other hotels in its category and in tourism generally, FY2009 was a difficult year for the Hotel due to the global economic slowdown, whereby the Hotel registered significant decreases in the corporate and leisure segments. In FY2010 and FY2011, the Hotel managed to recover some lost ground, and its occupancy level and average room rates increased from 68% and €61 respectively in FY2009 to 76% and €68 respectively in FY2011. This resulted in a 31% improvement in gross operating profit before incentive fees over the three-year period (FY2011: €1.4 million). For FY2012 and FY2013, the Hotel is projecting to broadly maintain the better performance registered in FY2011 and expects RevPAR to increase from €53 to €56 by FY2013 (+6%).

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING

Market Positioning

Key Performance Indicators (KPIs)	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Marina Hotel					
Occupancy level (%)	75	75	76	72	68
Average room rate (€)	75	73	68	68	61
Revenue per available room (RevPAR) (€)	56	55	53	48	41
Performance of Competitive Set					
Occupancy level (%)		75	77	72	68
Average room rate (€)		79	80	78	71
Revenue per available room (RevPAR) (€)		60	62	56	48
Market Penetration Rate					
Occupancy		1.00	0.98	0.99	1.00
Rate		0.92	0.85	0.87	0.86
Revenue Generating Index		**0.92**	**0.86**	**0.86**	**0.85**

Source: Management information

The above table outlines the historical performance and current year's expectation for both the Hotel and its competitive set, which includes Hotel Phoenicia, Radisson SAS Bay Point Resort, Maritim Antonine Hotel & Spa and Le Meridien. Also included in the table is the FY2013 projection for the Hotel.

The benchmarking analysis indicates that in FY2011 the Marina Hotel achieved a revenue generating index of 0.86 with respect to its competitive set. The Hotel broadly matched its peer group in terms of occupancy level (76% as compared to 77%), but registered a much lower average room rate (€68) when compared to its competitive set (€80). As for FY2012, the Hotel is projecting to again match the occupancy level at 75% but average room rate is expected to remain below its competitive set (€73 as compared to €79). The revenue generating index for the Hotel should improve to 0.92 in FY2012 (FY2011: 0.86).

CHARTS
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3.1.9 Corinthia Hotel London

Introduction

NLI Holdings Limited (equally owned by the Libyan Foreign Investment Company (LFICO) and IHI) owns the 294-room five-star Corinthia Hotel located in London, United Kingdom ("**Corinthia Hotel London**") together with 12 residential apartments. In 2008, NLI Holdings Limited acquired the former Metropole Building and its adjoining 10 Whitehall Place for £136 million (*circa* €160 million) and after raising a €150 million bank facility in April 2009, embarked on a two-year project to redevelop and reconstruct the said properties to the luxury Corinthia Hotel and Residences. The carrying amount of the Corinthia Hotel London and Residences as at 31 December 2011 is €511.8 million.

Market Overview

The number of visits to the UK by foreign residents rose in every quarter of 2011, when compared with the previous year. The most common reason for visits to the UK in 2011 was for holiday (39%). Business visits from all regions of the world: North America, Europe and 'Other Countries', fell substantially in 2009 in the face of the global financial crisis. However, since then the number of such visits recovered to some extent, and in 2011 they rose by 6.6%.

Statistics for London indicate that in 2011 the UK's capital built upon the record growth and expenditure recorded in 2010 and welcomed more visitors who spent more in comparison with the previous five years data. Consistent with the rise seen in 2010, the overall annual visits recorded were up year on year by 3.5% to 15.2 million, slightly more than the overall UK visits which increased by 2.9%. This was just shy of the record 2006 visitor figures, showing strong signs of returning to something close to pre-recession levels.

The trend for business visitors was up throughout 2011, yielding an annual growth rate of 7%. In particular the US market gave a large contribution to the overall performance of the sector as the volume of US business visitors increased by 15% in quarter 4. Tourism in 2012 is expected to continue to increase in part due to the 2012 Olympics and Paralympics in London, although the weakness of the euro may put downward pressure on inbound arrivals from Europe, which is the UK's main source market.

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

	FY2013 Projection	FY2012 Forecast	FY2011 Actual
Turnover (£'000)	47,348	39,113	14,013
Rooms (£'000)	31,973	26,315	8,159
Food & Beverage, and other revenue (£'000)	15,375	12,798	5,854
Occupancy level (%)	73	64	21
Average room rate (£)	409	379	353
Revenue per available room (RevPAR) (£)	299	243	74
Gross operating profit before incentive fees (£'000)	14,562	8,475	(4,652)
Gross operating profit margin (%)	31%	22%	-33%

Note: IHI owns 50% of the Corinthia Hotel London and as such 50% of the above stated turnover and gross operating profit before incentive fees is included in the consolidated financial statements of IHI under the heading 'Share of profit from equity accounted investments' of the income statement.

Source: Management information

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING

The Corinthia Hotel London commenced operations in April 2011 with a phased opening. Final works on a number of rooms was ongoing and the full complement of rooms was made available during the last quarter of 2011. The non-availability of bedrooms and suites in FY2011 had a material adverse effect on occupancy levels and average room rates, and as a result the Hotel incurred a gross operating loss of £4.7 million.

Market Positioning

Key Performance Indicators (KPIs)	FY2013 Projection	FY2012 Forecast	FY2011 Actual
Corinthia Hotel London			
Occupancy level (%)	73	64	21
Average room rate (£)	409	379	353
Revenue per available room (RevPAR) (£)	299	243	74
Performance of Competitive Set			
Occupancy level (%)		77	50
Average room rate (£)		714	648
Revenue per available room (RevPAR) (£)		549	322
Market Penetration Rate			
Occupancy		0.82	0.30
Rate		0.69	0.73
Revenue Generating Index		**0.57**	**0.22**

Source: Management information

The above table outlines the historical performance and current year's expectation for both the Hotel and its competitive set, which includes Four Seasons, Mandarin Oriental Hyde Park, The Berkeley, The Connaught and The Dorchester. Also included in the table is the FY2013 projection for the Hotel.

London continues to be a global leisure and business destination. Although London's overall trading performance has been affected by the global economic slowdown, it has been one of the most resilient hotel markets in Europe. Total visitation to London has shown an upward trend over the years. International visitation over the past ten years has grown at a compound annual rate of approximately 2%. In FY2012, there was high expectation that the Olympics and Paralympics would significantly boost visitor numbers in the City. However, visitation figures decreased during the games as tourists found alternative routes due to warnings of chaotic travelling and overpriced hotel rooms. The decline was partly compensated by travellers who purposely visited London to attend the Games.

The Corinthia Hotel London is in a well-established hotel market, which constantly offers new leisure attractions in the City and organises events on an ongoing basis. Moreover, London is both a leisure and a business destination and therefore is less impacted by the seasonality generally created by the sector, as leisure demand compensates for periods when business demand is quiet and vice versa. On the supply side, London continues to be one of the most desirable cities for hotel development and is a key city for hotel operators looking to expand their network internationally. As a result, the Corinthia Hotel London is in a highly competitive market, which must compete not only with well-established hotels but also with new hotel brands regularly coming onto the market. The Hotel is continually optimising its services and offerings to the highest standards, and is projecting that in FY2013 its occupancy rate and average room rate would increase to 73% and €409 respectively.

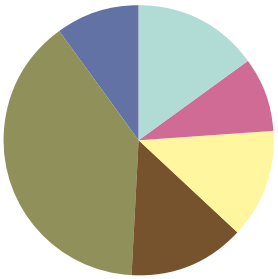
CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING

3.1.10 Aggregate Hotel Revenue and Operating Profit

Revenue geographic distribution

The charts below depict total revenue generated by each hotel as a percentage of aggregate hotel revenue generated by the Group's hotels. In the case of Corinthia Hotel London the amount included for each year is 50% of actual revenue, reflecting the 50% shareholding of IHI in the Hotel.

% of total revenue by hotel – FY2009



15% Corinthia Hotel Budapest
9% Corinthia Hotel St Petersburg & Commercial Centre
13% Corinthia Hotel Lisbon
14% Corinthia Hotel Prague
39% Corinthia Hotel Tripoli & Commercial Centre
10% Corinthia Hotel St George's Bay

% of total revenue by hotel – FY2013

12% Corinthia Hotel Budapest
18% Corinthia Hotel St Petersburg & Commercial Centre
12% Corinthia Hotel Lisbon
12% Corinthia Hotel Prague
18% Corinthia Hotel Tripoli & Commercial Centre
8% Corinthia Hotel St George's Bay
16% Corinthia Hotel London
4% Marina Hotel

As illustrated above, the Corinthia Hotel Tripoli was, in FY2009, a major contributor to total hotel revenue (39%). However, in subsequent years events in Libya caused a material decrease in the Hotel's operating activity which resulted in a decline in its share of Group revenue. IHI's reliance on the Corinthia Hotel Tripoli decreased further in FY2011 and FY2012 with the launch of the Corinthia Hotel London and the acquisition of Marina Hotel respectively. After taking into account both factors, it is anticipated that in FY2012 revenue achieved at the Corinthia Hotel Tripoli will make up 18% of aggregate hotel revenue. In FY2013, IHI is projecting that share of revenue will be more evenly spread amongst its hotels. Corinthia Hotel Tripoli, Corinthia Hotel St Petersburg and Corinthia Hotel London are expected to register the highest percentage of total hotel revenue (18%, 18% and 16% respectively), and three Corinthia Hotels (Budapest, Lisbon and Prague) should each achieve 12% of aggregate Group revenue.

CHARTS
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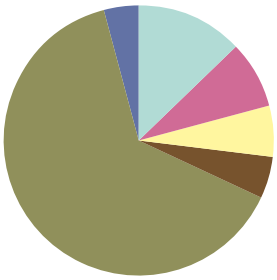
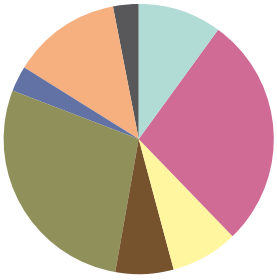
Operating profit geographic distribution

% of total operating profit by hotel – FY2009



13% Corinthia Hotel Budapest
8% Corinthia Hotel St Petersburg & Commercial Centre
6% Corinthia Hotel Lisbon
5% Corinthia Hotel Prague
64% Corinthia Hotel Tripoli & Commercial Centre
4% Corinthia Hotel St George's Bay

% of total operating profit by hotel – FY2013



10% Corinthia Hotel Budapest
28% Corinthia Hotel St Petersburg & Commercial Centre
8% Corinthia Hotel Lisbon
7% Corinthia Hotel Prague
28% Corinthia Hotel Tripoli & Commercial Centre
3% Corinthia Hotel St George's Bay
13% Corinthia Hotel London
3% Marina Hotel

The above charts show operating profit generated by each hotel as a percentage of the Group's hotel operating profit. The amounts relating to the Corinthia Hotel London are only 50% of the actual performance, reflecting the 50% shareholding of IHI in the Hotel.

FY2009 Group operating profit was influenced by the excellent performance and high profit margins achieved at the Corinthia Hotel Tripoli and its commercial centre, which accounted for 64% of the Group's operating profit. By FY2011, this Hotel's share of Group operating profit decreased to 33% due to the same reasons highlighted in the above narrative analysing "**% of total hotel revenue by hotel**". The Corinthia Hotel Tripoli is expected, although to a lesser extent, to remain a key contributor to operating profit as it is projected to generate 29% and 28% of aggregate operating profit in FY2012 and FY2013 respectively. Other main contributors in FY2013 are projected to be Corinthia Hotel St Petersburg (28%) and Corinthia Hotel London (13%), the latter being limited to 50% of projected figure which corresponds to the Group's ownership in this property.

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3.2 MANAGEMENT COMPANY

CHI Limited (a fully-owned subsidiary of the Company) manages and operates a number of hotel properties, predominantly owned by IHI and Corinthia Palace Hotel Company Limited (the ultimate shareholder of the Corinthia Group). IHI acquired the shares of CHI in three tranches: a 20% shareholding was purchased in 2000 at a cost of *circa* €750,000, a further 50% was acquired in October 2006 at a cost of €20.15 million, and in May 2012 IHI acquired 30% for an aggregate consideration of €250,000.

Operational Performance
The following table sets out the turnover of CHI Limited for the years indicated therein:

	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	10,987	8,458	6,089	4,364	5,743
IHI Properties (€'000)	6,532	5,034	4,644	2,940	4,481
Other Properties (€'000)	4,455	3,424	1,445	1,424	1,262

Source: Management information

CHI's performance in FY2011 reflects the recovery of the performance of most hotel operations following the deterioration in their operating results experienced during the global economic crisis in the past few years. Total fee revenue decreased by €1.4 million from €5.7 million in FY2009 to €4.4 million in FY2010 primarily due to the substantial decrease in occupancy and average room rates at the Corinthia Hotel Tripoli. In FY2011 most of the IHI properties registered improvements as compared to the previous year and as a result total fee revenue received by CHI during the year increased to €6.1 million. Included in the turnover figure for FY2011 is revenue derived from Corinthia Hotel London which commenced operations in April 2011. On a like-for-like basis (that is, excluding Corinthia Hotel London which was still under construction in FY2010 and therefore was not operating during the year), turnover increased by 28% from €4.4 million FY2010 to €5.6 million in FY2011.

In order to support CHI's sales and marketing team and improve its room reservation and distribution capabilities, in FY2010, IHI created its own global distribution system ('GDS') to enable direct bookings through the major GDS companies (Sabre, Apollo and Travelport) for all Corinthia branded hotels managed by CHI. To further optimise bookings through its GDS, IHI revamped its websites and implemented a new central reservation system. A main objective of Management is to improve average room rates in its Hotels and its short term strategy is to replace low yielding bookings (primarily tour operator business) by higher yielding reservations channelled directly through its GDS. Bookings generated from Corinthia branded channels represented 9% of room revenue in FY2011 and is forecasted to increase to 18% in FY2012. CHI is projecting direct bookings in FY2013 to amount to 25% of total room revenue.

CHI is expecting the hotel properties to continue to improve on their respective FY2011 performance in FY2012 and FY2013 after losing business during the peak of the economic crisis between FY2008 and FY2009. It is estimated that turnover in FY2012 will increase by €2.5 million year-on-year, of which, 79% is projected to relate to improved operating performance at the Corinthia Hotel London, Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg.

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3.3 OTHER ASSETS

In December 2010, IHI acquired the 'Corinthia' brand from Corinthia Palace Hotel Company Limited. The transaction provides for a two tier settlement whereby: (i) IHI initially paid the amount of €19.6 million for the existing room stock operated under the Corinthia brand; and (ii) IHI will also pay a pre-agreed price to Corinthia Palace Hotel Company Limited every time a Corinthia hotel opens for business until 2020. The amount of €19.6 million is recognised as an intangible asset in the balance sheet of the Group.

IHI has a 75% equity participation in IHI Benghazi Limited, a company set up to acquire a derelict building formerly known as the El-Jazeera Hotel and adjoining site in Benghazi, Libya. IHI however plans to reduce its current shareholding to 55% prior to commencement of the project. IHI Benghazi Limited will eventually develop a mixed-use project consisting of a 250-room five-star hotel, 30 apartments and, retail and office space. The funding of the project will be sourced from a combination of an equity injection by the shareholders and appropriate bank financing.

IHI owns 25% of the share capital of Medina Tower Joint Stock Company and has to date injected an aggregate amount of €13 million in the company as its equity participation. Its principal activity is to develop the 40-storey high-rise Medina Tower on 11,000 square metres of land in Tripoli, Libya. The project will comprise 336 residential apartments, office and retail space, and will overlook the city centre and the seashore. Construction of the Medina Tower is planned to commence towards the end of 2012 and should take *circa* 48 months to complete.

IHI owns 20% of QPM Limited, which specialises in construction and the provision of project management services both locally and overseas. QPM Limited established an office in London in July 2011 and is responsible for the development of the Medina Tower and Benghazi project.

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PART 2

4. GROUP PERFORMANCE REVIEW

4.1 INCOME STATEMENT

The following financial information is extracted from the audited consolidated financial statements of IHI for the three years ended 31 December 2009, 31 December 2010 and 31 December 2011. The financial information for the years ending 31 December 2012 and 31 December 2013 has been provided by management of the Company. **The projected financial statements relate to events in the future and are based on assumptions which the Company believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.**

IHI Group Income Statement (€'000)	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Revenue	131,664	117,138	104,223	101,843	103,320
Direct costs	(58,610)	(56,081)	(53,863)	(52,509)	(48,184)
Gross profit	**73,054**	**61,056**	**50,360**	**49,334**	**55,136**
Other operating costs	(31,978)	(32,293)	(27,982)	(26,473)	(23,511)
EBITDA [1]	**41,076**	**28,763**	**22,378**	**22,861**	**31,625**
Depreciation and amortisation	(23,623)	(24,116)	(24,429)	(24,730)	(24,779)
Increase in fair value of investment property	-	-	5,448	2,746	12,064
Net impairment of hotel properties	-	-	(2,497)	2,400	(22,334)
Results from operating activities	**17,453**	**4,647**	**900**	**3,277**	**(3,424)**
Share of profit from equity accounted investments	17,390	(11,720)	1,155	(546)	14,483
Net finance costs	(15,545)	(15,257)	(13,899)	(14,027)	(10,519)
Net fair value loss on interest rate swaps	502	554	432	216	(1,604)
Movement in reimbursement assets	-	-	(399)	(340)	(505
Profit/(loss) before tax	**19,800**	**(21,776)**	**(11,811)**	**(11,420)**	**(1,569)**
Taxation	(5,893)	4,076	1,079	(1,651)	(47)
Profit/(loss) after tax	**13,907**	**(17,700)**	**(10,732)**	**(13,071)**	**(1,616)**

[1] EBITDA – Earnings before interest, tax, depreciation and amortisation

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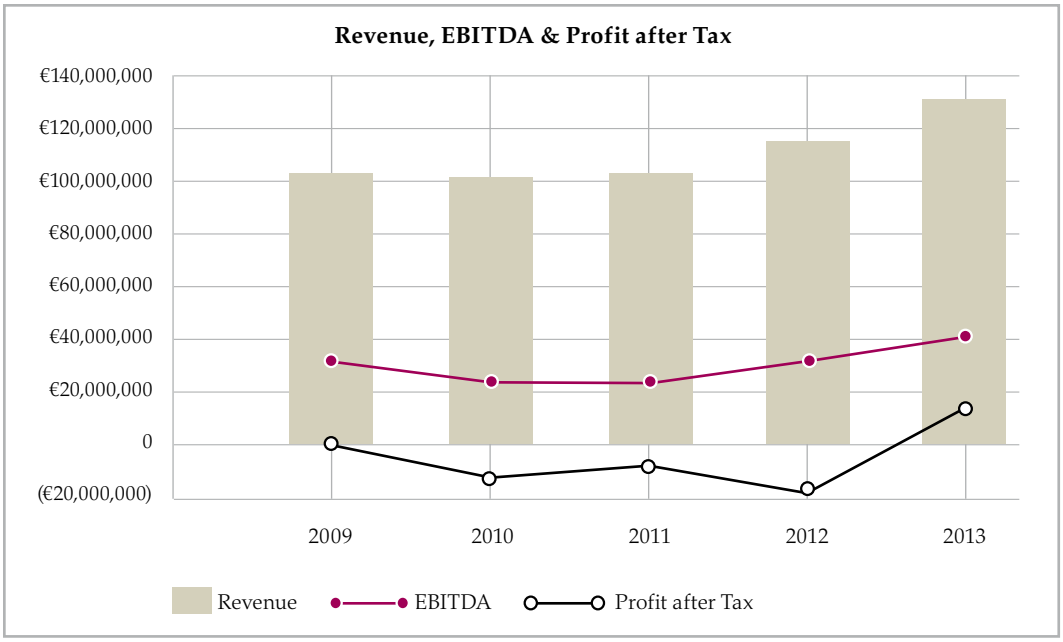

The key accounting ratios are set out below:

	FY2013	FY2012	FY2011	FY2010	FY2009
Gross profit margin *(Gross profit/revenue)*	55%	52%	48%	48%	53%
Operating profit margin *(EBITDA/revenue)*	31%	25%	21%	22%	31%
Interest cover (times) *(EBITDA/net finance cost)*	2.6	1.9	1.6	1.6	3.0
Net profit margin *(Profit after tax/revenue)*	11%	-15%	-10%	-13%	-2%
Earnings per share (€) [1] *(Profit after tax/number of shares)*	0.03	-0.03	-0.02	-0.02	0.00
Return on equity *(Profit after tax/shareholders' equity)*	2%	-3%	-2%	-2%	-
Return on capital employed *(Operating profit/total assets less current liabilities)*	4%	3%	2%	2%	3%
Return on assets *(Profit after tax/total assets)*	1%	-2%	-1%	-1%	-

[1] *Earnings per share calculation set out above has been based on the current number of shares in issue of the Company of 554,238,000 shares of €1 each.*

Source: Charts Investment Management Services Limited

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IHI's revenue for 2009 amounted to €103.3 million, reflecting a decrease of €24.6 million on the turnover level registered in 2008. The 19.3% decrease in revenue was mainly due to lower occupancies and lower average room rates achieved in the hotel properties located in Central Europe, namely Corinthia Hotel Prague, Corinthia Hotel Budapest and Corinthia Hotel St Petersburg. According to a report published by STR Global, the average drop in occupancy and average room rate in 2009 in Central Europe was of 13.7% and 25.1% respectively, resulting in a reduction in revenue per available room of 35.4%. It is evident that the continued positive performance of the Corinthia Hotel Tripoli mitigated the impact of the European recession on IHI's Central European hotels, thereby limiting the overall reduction in turnover of the Group. As to EBITDA, a number of cost saving measures were implemented in FY2009 and by year end IHI managed to reduce operating costs by €12.91 million when compared to FY2008.

The valuations of some of the Group's hotel properties, mostly those in Central Europe, were negatively affected in FY2009 by the results achieved in that year. The impairments were however off-set by the uplifts in values of the Group's properties located in the United Kingdom, Russia and Libya. The final effect of these adjustments was a net revaluation uplift of €4.2 million (increase in fair value of investment property: +€12.1 million, net impairment of hotel properties: -€22.3 million, share of profit from equity accounted investments: +€14.4 million).

In FY2010, the Group's activities were hampered by the continued difficult business environment and the introduction of austerity measures in the Group's feeder markets. Revenue for the year remained substantially on the same level as that of the previous year, but was principally affected by increases registered at Corinthia Hotel Lisbon (€3.6 million) and Corinthia Hotel St Petersburg (€3.9 million), and a decrease at Corinthia Hotel Tripoli (€8.5 million). The performance of the Corinthia Hotel Tripoli was negatively impacted by visa restrictions enforced during the year, increased competition and a general slowdown in business. As a result, EBITDA decreased by €8.7 million from €31.6 million in FY2009 to €22.9 million in FY2010.

The increase of €2.7 million in the fair value of investment properties in FY2010 was mainly attributable to the commercial centre in St Petersburg. The improvement in the results and the business outlook of the Lisbon hotel also enabled IHI to recognise a reversal of an impairment charge of €2.4 million taken on this property in previous years.

During FY2011, the Corinthia Hotel Tripoli was affected by the conflict in Libya and revenues decreased by 35% (equivalent to €10.6 million). All the other Group hotel properties achieved increases in revenues amounting to €13.1 million, principally due to enhanced marketing by CHI, an increase in conference & events business in a number of Hotels and an increase in higher yielding room bookings registered through the Group's global distribution system which was launched in FY2010. For the second year, CHI continued to implement its strategy of replacing low yielding bookings generally derived through tour operators by higher yielding reservations through its GDS. Bookings generated from Corinthia branded channels represented 9% of room revenue in FY2011 (FY2010: 5.8%). The percentage increases in revenue over FY2010 were as follows: Corinthia Hotel St Petersburg (24%), Corinthia Hotel Lisbon and Corinthia Hotel Prague (18%), Corinthia Hotel Budapest (13%) and Corinthia Hotel St George's Bay (8%). In FY2011, expenses amounting to €1.8 million incurred during prior years in connection with the Company's possible listing on the London Stock Exchange were written off. Excluding these one-off costs, EBITDA for FY2011 would have totaled €24.2 million, a gain of 5.7% over FY2010.

The valuation of the Group's investment properties resulted in a net uplift of €5.5 million mainly through the increase in value of the commercial centre in St Petersburg. However, the valuation of the Group's hotel properties resulted in a net impairment of €2.5 million (Corinthia Hotel Prague: +€4.5 million, Corinthia Hotel Budapest: -€4.3 million, Corinthia Hotel St George's Bay: -€2.7 million). The share of profit of €1.2 million from equity accounted investments primarily related to IHI's 50% investment in Corinthia Hotel London and the adjoining apartments.

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The Group is projecting that during the two financial years ending 31 December 2012 and 31 December 2013 revenue should increase by 26% from €104 million in FY2011 to €132 million in FY2013. The principal contributors are expected to be Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg. As to the former Hotel, turnover is projected to increase by 61% over the two year period to €21.6 million in FY2013. Although positive, the forecast for FY2013 is still 34% short of revenue achieved by the Hotel in FY2009. The Corinthia Hotel St Petersburg is expected to continue its progression as occupancy increases from the current 40% level to 54% and RevPAR improves by 33% from €73 achieved in FY2011 to €97 in FY2013. Furthermore, revenue at the Commercial Centre is projected to increase from €0.89 million in FY2011 to €2.2 million and €6.9 million in FY2012 and FY2013 respectively. The forecasted rental income relates mainly to signed tenants that will commence their respective activity at the Centre during the said two years. The Marina Hotel, which was acquired by IHI earlier in FY2012, is expected to contribute €6.4 million to total revenue of the Group.

Group EBITDA is projected to increase by 29% in FY2012 (FY2009 – FY2012: -9%) and a further 43% in FY2013 to €41.1 million (FY2009 - FY2013: +30%). Over the two year forecasted period, gross operating profit is expected to increase significantly at Corinthia Hotel St Petersburg (57%), Corinthia Hotel Prague (33%), Corinthia Hotel Tripoli (93%) and Corinthia Hotel St George's Bay (28%).

The disposal of 12 apartments adjacent to the Corinthia Hotel London, of which IHI has a 50% stake, is expected to take place in FY2013. As a result, 'share of profit from equity accounted investments' in the consolidated financial statements of the Group for the financial year FY2013 is projected to amount to €17.4 million, and includes IHI's share of operational results of the Corinthia Hotel London and its share of profits on the sale of apartments. During FY2012 and FY2013, the Hotel is forecasted to continue improving its occupancy level and RevPAR. As a result, revenue for FY2013 is estimated at £47.3 million (FY2011: £14.0 million) and gross operating profit before incentive fees should amount to £14.6 million (FY2011: -£4.7 million).

FY2013 is expected to be the first year in the last five years (FY2009 – FY2013) where the Group will be registering a profit after tax (+€13.9 million), principally due to the sale of apartments in London. The projections as presented in this document assume that the carrying values of hotel properties will remain constant in FY2012 and FY2013, and therefore no adjustment has been made as to possible impairment or uplift of assets that may be booked and which will materially affect the consolidated income statement.

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4.2 CASH FLOW STATEMENT

IHI Group Cash Flow Statement (€'000)	FY2013 Projection	FY2012 Forecast	FY2011 Actual	FY2010 Actual	FY2009 Actual
Net cash from operating activities	73,743	38,467	14,430	19,020	26,810
Net cash from investing activities	(25,138)	(18,342)	(10,275)	(23,787)	(59,680)
Net cash from financing activities	(24,290)	(27,300)	(3,163)	(18,237)	11,227
Net movement in cash and cash equivalents	**24,315**	**(7,175)**	**992**	**(23,004)**	**(21,643)**
Cash and cash equivalents at beginning of year	19,067	26,242	25,250	48,254	69,897
Cash and cash equivalents at end of year	**43,382**	**19,067**	**26,242**	**25,250**	**48,254**

Net cash from operating activities in FY2010 and FY2011 was negatively affected by a significant reduction in business as detailed above. Furthermore, amounts receivable at Corinthia Hotel Tripoli increased significantly mainly due to delays in receipts from debtors, which was partly mitigated by extended credit periods taken by the Group to settle trade payables. Such factors contributed to a decrease in FY2011 of €12.4 million in net cash inflows to €14.4 million as compared to €26.8 million in FY2009. Net cash from operating activities in FY2012 and FY2013 is expected to increase substantially as operational performance at most hotels improves, rental income from the Commercial Centre in St Petersburg increases and the disposal of the London apartments takes place.

Cash used in investing activities of €59.7 million in FY2009 principally related to the completion of the redevelopment of the Corinthia Hotel St Petersburg and the adjoining commercial centre, and the investment in NLI Holdings Ltd (Corinthia Hotel London) for €35.9 million. In FY2010 IHI acquired the Corinthia brand for €19.6 million and utilised €3.9 million for a 25% equity injection in the Medina Tower project. No significant investment was effected by IHI in FY2011 particularly due to the decrease in cash inflows from operating activities. By end FY2012 the Group would have settled the outstanding amount of €4 million due to CPHCL in relation to the acquisition of the Marina Hotel. As to Medina Tower, IHI is expected to contribute €9.1 million and €8.5 million in FY2012 and FY2013 respectively for its equity share in the development of the project. It is estimated that the Benghazi project would have commenced by FY2013 and an amount of *circa* €13 million is budgeted for initiation of the project and civil works.

As to financing activities, the Group listed a €35 million bond on the Malta Stock Exchange in FY2009 and obtained a new €10 million corporate loan also in that year. In FY2010, IHI issued a €25 million bond and entered into a new loan of €25.5 million. During that year, the Company redeemed the remaining balance on its convertible bond of €11.6 million. Loans to NLI Holdings Ltd were increased by €28.6 million in FY2010 and FY2011, and a loan to CPHCL was advanced in FY2011 which amounted to €11.5 million. IHI raised a further loan of €50 million in FY2011 and withdrew €5 million from an existing facility. Debt service requirements for the period FY2009 to FY2011 amounted to €107 million. The principal movements in financing activities expected in FY2012 and FY2013 include the full repayment of loans advanced to NLI Holdings Ltd and CPHCL totalling €53.1 million, the injection of €5.8 million from the minority shareholder involved in the Benghazi project for its share in the development of said project, and the distribution of a dividend to equity shareholders of €11.1 million in FY2013.

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4.3 BALANCE SHEET

IHI Group Balance Sheet (€'000)	31 Dec '13 Projection	31 Dec '12 Forecast	31 Dec '11 Actual	31 Dec '10 Actual	31 Dec '09 Actual
Assets					
Non-current					
Intangible assets	44,991	46,157	47,415	48,016	29,366
Reimbursement assets	22,432	22,432	22,432	22,831	23,171
Investment properties	187,239	187,239	187,239	181,705	178,876
Property, plant and equipment	565,251	570,930	565,568	599,713	636,216
Investments accounted for using the equity method	131,843	132,579	132,867	135,694	93,584
Loan receivable	-	41,638	29,450	6,971	-
	951,756	1,000,975	984,971	994,930	961,213
Current					
Inventories	5,528	5,253	5,382	5,185	5,201
Loan receivable	-	-	11,500	-	-
Trade and other receivables	28,137	32,176	36,561	25,803	20,521
Taxation	23	206	407	669	359
Cash and cash equivalents	46,622	21,363	28,008	26,675	50,386
	80,310	58,998	81,858	58,332	76,467
Total assets	**1,032,066**	**1,059,973**	**1,066,829**	**1,053,262**	**1,037,680**

Intangible assets as at 31 December 2011 amounted to €47.4 million and included (i) goodwill on the purchase of CHI with a carrying value of €9.7 million; (ii) the Corinthia brand of €19.6 million; and (iii) the website development costs and the value attributable to CHI's management agreements with a carrying value of €18.1 million.

Reimbursement assets represent any tax that may become reimbursable by CPHCL in relation to the transfer of shares of IHI Towers s.r.o. (Corinthia Hotel Prague) and Corinthia Tripoli Towers Ltd (Corinthia Hotel Tripoli) to IHI in 2007 but which was deferred. This tax will only become due in the eventuality that IHI sells its shares in these companies or properties to unrelated third parties.

Investment properties include commercial centres in Tripoli and St Petersburg and apartments in Lisbon. The carrying values as at 31 December 2011 were: (i) Commercial Centre Tripoli: €73.4 million; (ii) vacant plot of land Tripoli: €28.8 million; (iii) Commercial Centre St Petersburg: €82.8 million; and (iv) apartment block in Lisbon: €1.2 million. During the year ending 31 December 2013 the Benghazi project is forecasted to commence and development costs for the year should amount to *circa* €13 million.

Property, plant and equipment principally consist of the hotel properties, the aggregate value of which decreased by €70.6 between 31 December 2009 and 31 December 2011, mainly due to depreciation charges and impairments.

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Investments accounted for using the equity method include investments in associated companies, namely NLI Holdings Limited (Corinthia Hotel London) and Medina Towers J.S.C. In 2009, IHI increased its shareholding in NLI Holdings Limited from 33.3% to 50% at a total cost of €35.9 million. The value of this investment was increased further through a €14.5 million uplift in value of the residential development and another uplift of €38.3 million in the value of the hotel property in 2009 and 2010 respectively. During the financial year ended 31 December 2010, IHI acquired a 25% stake in Medina Towers S.J.C. for a total consideration of €3.9 million. Further investment in Medina Towers is expected to take place during FY2012 and FY2013 with the injection of further equity amounting to €18.5 million over the two year period.

Loan receivable comprises amounts advanced to NLI Holdings Ltd which as at 31 December 2011 amounted to €29.5 million. The loan is unsecured, bears interest at Libor plus 2.5% and is subordinated to bank borrowings. Amounts advanced to NLI Holdings Ltd should increase to €41.6 million by 31 December 2012, but are expected to be fully repaid during FY2013 once the disposal of the 12 London apartments is completed.

Current assets are principally made up of working capital assets including: (i) inventories of food and beverage, consumables, room supplies and maintenance stocks; and (ii) amounts receivable from tour operators, corporate customers and credit card companies. Corinthia Hotel Tripoli experienced a material increase in trade receivables during the Libyan conflict in FY2011, which were settled during FY2012. As at 31 December 2011 the largest debtor balance amounted to €13.9 million owed by the parent company and other related companies. The current loan receivable of €11.5 million was issued to CPHCL in 2011, and bears interests at 5% and is repayable within one year. This amount was fully repaid in FY2012.

IHI Group Balance Sheet (*cont.*) **(€'000)**	**31 Dec '13** **Projection**	**31 Dec '12** **Forecast**	**31 Dec '11** **Actual**	**31 Dec '10** **Actual**	**31 Dec '09** **Actual**
Equity and liabilities					
EQUITY					
Called up share capital	554,238	554,238	554,238	554,238	553,225
Reserves and other equity components	56,628	56,628	56,628	76,280	59,969
Retained earnings	(21,604)	(24,427)	(14,171)	(10,027)	2,157
Minority interest	5,800	-	5,920	6,254	7,394
	595,062	**586,439**	**602,615**	**626,745**	**622,745**
LIABILITIES					
Non-current					
Borrowings and bonds	270,160	294,852	300,413	265,012	228,763
Other non-current liabilities	91,901	92,634	98,706	104,117	110,824
	362,061	387,486	399,119	369,129	339,587
Current					
Borrowings and bonds	25,020	42,655	25,782	21,308	45,607
Other non-current liabilities	49,923	43,393	39,313	36,080	29,741
	74,943	86,048	65,095	57,388	75,348
	437,004	**473,534**	**464,214**	**426,517**	**414,935**
Total equity and liabilities	**1,032,066**	**1,059,973**	**1,066,829**	**1,053,262**	**1,037,680**

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The key accounting ratios are set out below:

	31 Dec '13 Projection	31 Dec '12 Forecast	31 Dec '11 Actual	31 Dec '10 Actual	31 Dec '09 Actual
Net assets per share (€) [1]	1.06	1.06	1.08	1.12	1.11
(Net asset value/number of shares)					
Liquidity ratio (times)	1.07	0.68	1.26	1.02	1.01
(Current assets/current liabilities)					
Gearing ratio	50%	58%	55%	46%	45%
(Total debt/shareholders' equity)					

[1] *Net assets per share calculation set out above has been based on the current number of shares in issue of the Company of 554,238,000 shares of €1 each.*

Source: Charts Investment Management Service Limited

Other than equity, the Group is financed through bank loans, corporate bonds and other borrowings from related companies, analysed as follows:

IHI Group Borrowings and Bonds (€'000)	**31 Dec '13 Projection**	**31 Dec '12 Forecast**	**31 Dec '11 Actual**	**31 Dec '10 Actual**	**31 Dec '09 Actual**
Bank borrowings					
Corinthia Hotel St George's Bay	2,131	2,966	3,760	4,512	5,228
Corinthia Hotel Budapest	31,383	33,396	35,283	37,047	38,706
Corinthia Hotel St Petersburg	46,395	49,095	49,995	-	13,687
Corinthia Hotel Lisbon	33,536	35,906	37,220	39,029	40,496
Corinthia Hotel Tripoli	42,000	51,500	52,000	48,250	32,750
Corinthia Hotel Prague	38,018	40,125	42,162	44,131	46,035
Marina Hotel	834	1,116			
IHI p.l.c.	6,700	13,300	9,900	12,333	14,766
Bank overdrafts	2,234	2,291	1,767	1,425	2,132
	203,231	**229,695**	**232,087**	**186,727**	**193,800**
Bonds					
5% Convertible Bonds 2010					11,493
6.3% Bonds 2013	-	14,011	13,966	13,924	13,885
6.2% - 6.8% Bonds 2013	-	8,059	8,070	8,079	8,082
6.5% Bonds 2012 - 2014	12,495	12,475	12,456	12,438	12,422
6.25% Bonds 2015 - 2019	34,678	34,600	34,527	34,459	34,395
6.25% Bonds 2017 - 2020	24,759	24,712	24,667	24,626	
5.8% Bonds 2021	19,733				
	91,665	**93,857**	**93,686**	**93,526**	**80,277**
Other interest bearing borrowings					
Parent company	-	13,671	-	5,684	-
Related companies	284	284	422	381	293
	284	**13,955**	**422**	**6,067**	**293**
Total borrowings and bonds	**295,180**	**337,507**	**326,195**	**286,320**	**274,370**

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4.4 SINKING FUND

In terms of the Prospectuses of each of the bonds detailed hereunder, the Company is required to build a sinking fund for each of the said bonds, the value of which will by the respective redemption date of each bond be equivalent to 50% of the outstanding value of the bonds. Below is a table outlining the minimum amounts to be paid by the Company for the purpose of building up each of the three sinking funds.

Contributions to Sinking Fund	31 Dec '13 (€'000)	31 Dec '12 (€'000)	31 Dec '11 (€'000)
€35 million 6.25% Bonds 2015 - 2019	2,188	2,138	50
€25 million 6.25% Bonds 2017 - 2020	1,527	36	-
€20 million 5.80% Bonds 2021[1]			
	3,715	**2,174**	**50**

[1] *The contributions to the sinking fund will commence as from 31 December 2015.*

During the year ended 31 December 2011, the Company paid the amount of €50,000 to the sinking fund relating to the 6.25% IHI Bonds 2015 – 2019 in line with the above schedule.

4.5 RELATED PARTY LISTED DEBT

Corinthia Palace Hotel Company Limited ('**CPHCL**') is the parent company and owns 58.78% of the issued share capital of IHI. CPHCL, through its wholly owned subsidiary Corinthia Finance p.l.c., has the following outstanding debt securities listed on the Malta Stock Exchange:

Security ISIN	Amount Listed	Security Name	Currency
MT0000101239	40,000,000	6.25% Corinthia Finance p.l.c. 2016 – 2019	EUR
MT0000101254	7,500,000	6.00% Corinthia Finance p.l.c. 2019 – 2022	EUR

Source: Malta Stock Exchange

CPHCL owns 50% of Mediterranean Investments Holding p.l.c. ('**MIH**'), a company principally involved in the Palm City Residences Project and the Medina Tower Project and which are both situated in Libya. MIH has the following outstanding debt securities listed on the Malta Stock Exchange:

Security ISIN	Amount Listed	Security Name	Currency
MT0000371212	14,757,659	7.50% MIH 2012 - 2014	EUR
MT0000371220	19,649,600	7.50% MIH 2015	EUR
MT0000371238	28,519,400	7.15% MIH 2015 - 2017	EUR
MT0000371246	4,351,100	7.15% MIH 2015 - 2017	GBP
MT0000371253	7,120,300	7.15% MIH 2015 - 2017	USD

Source: Malta Stock Exchange

CHARTS
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PART 3

5. GLOBAL HOTEL COMPARABLES

The table and charts below highlight the financial performance of IHI's peer group as compared to the Company for the years ended 31 December 2009 to 31 December 2011.

At 31 Dec'11	Mkt Cap (m) (local)	Hotel Portfolio	Countries Present	Owned or Leased [1]	EBITDA[2]/ Assets	EBITDA[2]/ Equity	Long Term Debt/Equity
InterContinental (£)	4,725	4,480	100	2%	22.90%	120.29%	122.49%
Accor (€)	5,898	4,426	90	47%	12.28%	28.95%	45.04%
Starwood ($)	11,387	1,089	100	5%	9.96%	32.60%	87.88%
Hyatt ($)	6,654	483	45	22%	6.21%	9.51%	25.34%
Rezidor (€)	443	325	52	25%	9.33%	21.29%	4.19%
Millennium & Copthorne (£)	1,576	108	19	60%	7.53%	11.86%	15.65%
IHI (€)	**499**	**12**	**9**	**67%**	**2.11%**	**3.75%**	**50.35%**

[1] *The remaining hotels are managed and/or under franchise agreements.*

[2] *EBITDA – profit before interest, tax, depreciation and amortisation.*

Source: Reuters Wealth Manager, Company information

The above table illustrates information on a group of international hotel operators listed on foreign stock exchanges, and similar data for IHI. Although the hotel operators in the peer group are much larger in terms of market capitalisation when compared to IHI, their hotels compete directly with IHI's hotels in cities in which both have a presence.

Operating cash profits generated by IHI in FY2011 as a percentage of total assets used in the business totalled 2.11% (EBITDA/Assets), and the return to its equity shareholders was of 3.75% (EBIDTA/Equity). As indicated in other parts of this document, all hotels of IHI, other than Corinthia Hotel Tripoli, have been underperforming their respective competitive set for a number of years. The recent adverse results of Corinthia Hotel Tripoli are principally due to specific one-off events, and it is expected that as the country continues moving towards normality its performance should improve in the near term, albeit below its peak performance achieved in FY2007. A change of events is achievable in the next few years if the newly implemented reservation system and CHI's revamped marketing strategy prove to be successful in converting low yielding room reservations to higher yielding bookings, thereby increasing operating profits and ultimately enhancing return to equity shareholders.

A common business strategy within the peer group emerges from analysing the above data. All the hotel operators own fewer hotels in relation to their respective hotel portfolios, when compared to IHI. It is possible that the peer group is generating higher returns by managing more hotels without actually owning the properties and consequently not tying in significant capital in the operation of their assets, and as a result achieving operational efficiencies through economies of scale and increased profitability.

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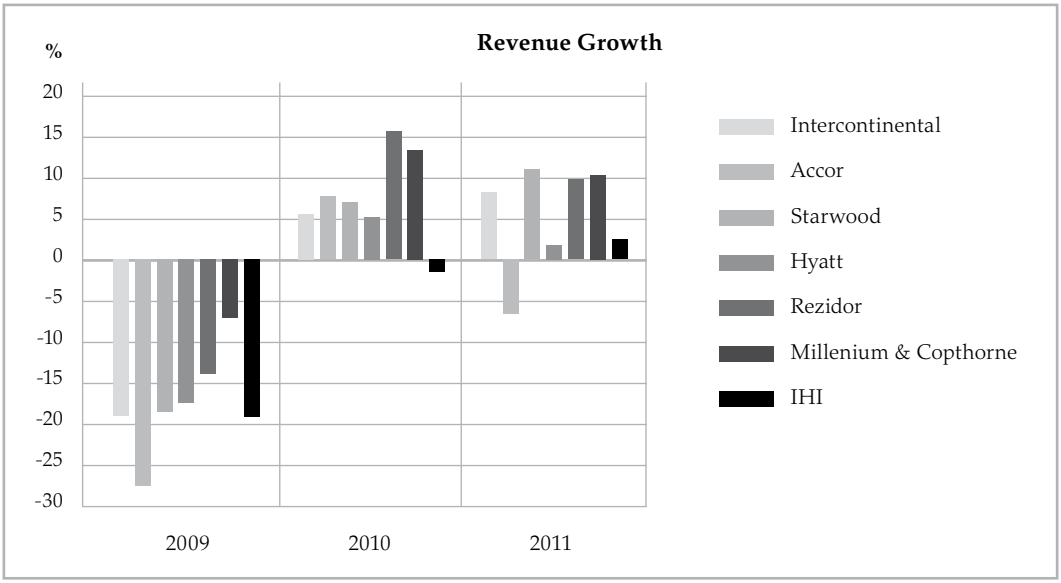

Source: Reuters Wealth Manager, Company information

The peer group, which is a broad reflection of the global hotel industry, was negatively affected by the economic and financial crisis which commenced in FY2008. As depicted in the chart entitled "**Revenue Growth**", all hotels registered negative growth in revenue in FY2009 ranging from -6.96% for Millennium & Copthorne to -27.70% for Accor. In the subsequent two financial years, all hotels within the peer group registered a recovery in revenue growth, except for IHI which was hampered by a decline in performance of the Corinthia Hotel Tripoli as a result of a decrease in business activity in Libya in FY2010, following the imposition of visa restrictions, and the Libyan conflict which occurred in FY2011.

CHARTS
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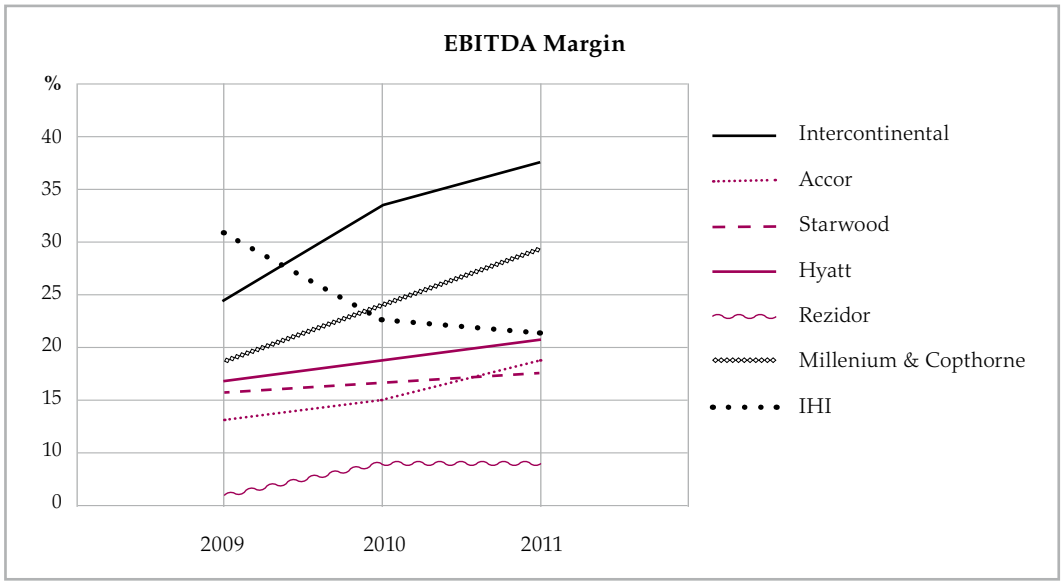

Source: Reuters Wealth Manager, Company information

The above chart entitled "**EBITDA Margin**" emphasises the profitability at operations level of each hotel company within the peer group prior to other charges, including depreciation, interest payable, asset impairment and exceptional items. EBITDA margin is computed by dividing operating profit before depreciation by revenue. In FY2009, IHI managed to maintain a strong EBITDA margin of 31% principally due to the continued positive performance of the Corinthia Hotel Tripoli which mitigated the adverse impact of the European recession on IHI's Central European hotels. Further to the events in Libya, and the negative consequences on the performance of the Corinthia Hotel Tripoli, IHI's EBITDA margin decreased significantly to 22% in FY2010 and 21% in FY2011.

CHARTS
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PART 4

6. EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including room reservations, food & beverage, rental of commercial space, management of hotel properties and other hotel services.
Direct costs	Direct costs include cost of food, beverages, consumables, labour expenses and all other direct expenses.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting depreciation & amortisation, financecosts, impairment provisions, share of profits from associate and affiliate companies and other operating costs.
Operating costs	Operating costs include all operating expenses other than direct costs and include selling & marketing and general & administration expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Fair value of investment property	Fair value of investment property is an accounting adjustment to change the book value of the Group's investment property to its estimated market value.
Impairment of hotel properties	Impairment of hotel properties is an accounting adjustment to change the book value of the Group's hotel properties to their estimated market value.
Share of profit from equity accounted investments	IHI owns minority stakes in a number of companies (less than 50% plus investments one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the Group, but IHI's share of profit is shown in the profit and loss account under the heading 'share of profit from equity accounted investments'.
Fair value on interest rate swaps	An interest rate swap is a derivative instrument in which IHI swaps with another counter party flexible interest rate cash flows with fixed interest rate cash flows or vice versa. The fair value is an accounting adjustment to change the book value of the derivative to its estimated market value.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.

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Key Performance Indicators	
Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Average room rate	Average room rate is calculated by dividing hotel room revenue by rooms sold. Hotels use this measure to calculate the average price at which they are booking hotel rooms each night.
Revenue per available room (RevPAR)	RevPAR is calculated by multiplying a hotel's average room rate by its occupancy rate. A hotel uses this indicator as a performance measure with other hotels in the same category or market.
Revenue generating index	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Profitability Ratios	
Gross profit margin	Gross profit margin is the difference between revenue and direct costs expressed as a percentage of total revenue.
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities (room revenue, food & beverage, rental income, hotel services, etc) of the Group.

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Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include intangible assets (goodwill on acquisition, the Corinthia brand, website development costs, etc), investment properties (commercial centres in St Petersburg and Tripoli, apartments in Lisbon, etc), property, plant & equipment (hotel properties), and investments accounted for using the equity method (investment in Corinthia Hotel London, Medina Tower, etc).
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, etc), cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings, bonds and long term lease obligations.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's total debt by shareholders' equity.