
Kingdom Hotel Investments

2008 preliminary
results

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2008 preliminary results press release

Management's discussion and analysis of financial condition and results of operations are available online at www.kingdomhotels.com

Financial highlights

- Revenue and KHI EBITDA¹ growth were driven by strong first half results as well as revenue recognition from the handover of 32 villas at the Four Seasons Mauritius in the second half.
- KHI Adjusted EBITDA² was driven by strong hotel performance at associated properties as well as real estate sales in our associated Four Seasons properties in Egypt.
- Reported net profit growth was mainly impacted by non-recurring write-offs related to the development costs of projects that are cancelled or on hold and gains on disposals.
- Balance sheet remains conservatively leveraged, net debt \$149.1 million, net debt to equity ratio of 13%

In US\$ million	For the twelve months period ended:		
	31 December 2008	31 December 2007 (Restated)	Growth (% vs. PY)
Revenues	278.7	180.9	54%
KHI EBITDA ¹	51.4	35.6	44%
<i>KHI EBITDA before Real Estate Sales</i>	42.0	34.7	21%
KHI Adjusted EBITDA ²	94.1	67.6	39%
<i>KHI Adjusted EBITDA before Real Estate Sales</i>	71.1	57.0	25%
Net Profit (excl. non-recurring items)	43.1	32.1	34%
Net Profit (reported)	17.1	42.3	-60%
Net debt	149.1	134.3	

Strategic highlights

- **Geographic diversification continues to deliver benefits** as strong profit performance of most Middle East North Africa and Sub Sahara Africa hotels helped offset renovation driven losses in Kenya, as well as mitigate the effects of second half softness.
- **KHI continued to advance its portfolio rationalization strategy despite a challenging environment** with the disposals of our minority investments (Dubai Pearl, Fairmont Palm, Fairmont Zanzibar) and the step-up acquisitions of our El Quseir and Kenya properties.
- **Active capital reallocation in line with changing market conditions and opportunities.** KHI decided to reallocate its capital on operating assets and minimize its exposure to early stage development projects. The Company wrote-off or provided against US\$ 26.4 million of development related costs.

Operating highlights

- **System RevPAR growth of 12% (10% on a currency neutral basis) driven by a strong first half.** Slowdown from the previously announced first half growth of 23% (16% on a currency neutral basis) was driven by occupancy declines and slower rate growth in the latter part of 2008 primarily in our resort properties, Cairo, Paris and Dubai hotels.
- **Ancillary real estate sales progressed well.** 40 of the 45 villas at the Four Seasons Mauritius have been sold and KHI recognized gains on 32 of these in December 2008. KHI has pre-sold 111 units (47% of inventory) of the Raffles Residences Manila development.

¹ KHI EBITDA is a management operating measure that reflects KHI Net Income Before Interest, Tax, Depreciation and Amortization excluding non-recurring gains or losses and non-cash effects of equity investments and minority interests.

² KHI Adjusted EBITDA account for the full impact of our share in the EBITDA of unconsolidated equity investments and the share of KHI minority partners in the EBITDA of our subsidiaries

- **Developments projects were rationalized and construction is progressing at remainder.** KHI opened the Four Seasons Mauritius, cancelled or put on hold four development and expansion projects (Langkawi, Da Nang, Phang Nga, Uganda) and advanced construction activities at the remaining five development projects (Four Seasons Beirut, Four Seasons Marrakech, Raffles Seychelles, Fairmont Raffles Hotel and Residences Makati, Mövenpick Ambassador Accra).
- **All remaining renovation programs were completed.** Renovation of the Fairmont Norfolk Fairmont Mount Kenya and InterContinental Lusaka as well as the capacity expansion project at the Mövenpick Dubai and the renovation and integration of the adjacent Bur Dubai Residences building were all completed.
- **Changes to senior management**
 - On 31 March 2009, Mr. Ghaith Shocair, Senior Vice President Finance and Chief Financial Officer and Director will leave KHI and resign from his position on the Board to pursue other opportunities. Mr. Shocair will remain as an advisor to the Company on selected projects and continue as a Director of a number of subsidiaries in that context. His responsibilities will be assumed by KHI Finance Director Mr. Gordon Drake. A qualified accountant, Mr Drake joined KHI in July 2007 and will assume Mr Shocair’s position on the Board of KHI. Mr. Drake has extensive experience and his appointment to the Board ensures a high degree of continuity.
 - Mr. David Mandefield, Senior Vice President Legal Affairs and Corporate Counsel will also retire from the Company at the end of March 2009. His responsibilities will be assumed by Ms. Shazmah Hakim, Vice President Legal Affairs.

Subsequent events

- In early January, KHI successfully completed a buy-back of 6.2 million of its Global Depository Shares (“GDS”) at a purchase price of \$1.00 per GDS in a tender auction for 7.5 million GDS.
- KHI continued to execute on its portfolio rationalization.
 - In February 2009, the Company completed the sale of its 15% equity investment in the Fairmont Nile City Cairo project (total consideration \$ 11.5 million),
- Organizational restructuring and G&A cost savings.
 - Starting in December 2008 and continuing into January of this year, KHI initiated a plan that includes voluntary and involuntary staff reductions at its offices in Dubai and Singapore. 17 employees will depart the Company during this year, representing slightly over a quarter of the total 2008 year-end headcount of 65. As of this date the majority of these employees have left the Company.

Outlook

- We expect reduced visibility on hotel trading performance and system-wide RevPAR declines. As a result, KHI is suspending RevPAR guidance until visibility improves. KHI expects to maintain a defensive position with respect to asset management and is partnering with our strategic operators to execute a series of profit protection initiatives.
- Our focus is on cash protection and prudent balance sheet management. KHI’s very strong cash position (\$256 million) and consolidated debt (\$ 411 million) leave the Company with a 13% net-debt-to-equity ratio. KHI’s development pipeline and commitments are fully-funded. Discretionary capital expenditures at all properties have been minimized. KHI will draw on new loan commitments to fund existing developments and selectively add debt where it sees recapitalization opportunities and access to credit.
- Given the dislocation in capital markets and global liquidity issues, we expect the current standstill in real estate transactions to continue. KHI does not foresee any resumption of its acquisition activities until the second half of the year at the earliest but will continue to take advantage of portfolio rationalization opportunities.
- The remaining 13 villas in the Four Seasons Mauritius development will be delivered in the first half of the year. We expect to open the Four Seasons Beirut in the second half of the year. Construction will also continue to advance on our other development projects in Morocco, Seychelles, Manila and Ghana, all of which are fully-funded.

Commenting on the results Sarmad Zok, Chief Executive Officer, said:

“KHI has delivered strong results in 2008 despite the global economic challenges. We took decisive early action to conserve cash, including the cancellation of early-stage projects and aggressive restructuring and management of the Group’s cost base. Our prudent approach to balance sheet management means the Group is

cash-rich and our commitment pipeline is fully funded. Looking ahead KHI is well placed to weather current markets and take advantages of opportunities as and when conditions begin to improve.”

Enquiries

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A conference call for analysts will take place today at 09.30am (GMT). The dial-in arrangements for the call are as follows:

Telephone: +44 (0) 1452 541 076

Participant Code: 89856111

A recording of the conference call will be available until the 25 March 2009 on:

Telephone: +44 (0) 1452 55 00 00

Access Code: 89856111#

Notes to Editors

KHI, headquartered in Dubai (UAE), is the leading international hotel and resort acquisition and development company focused on high growth emerging markets such as the Middle East, Asia, and Africa.

The company has ownership interests in 28 properties in 19 countries including 23 operating hotels and resorts and five hotels and resorts currently under construction or in the initial stages of development. KHI is listed on NASDAQ Dubai and the London Stock Exchange.

2008 preliminary results announcement

Financial Highlights

- **Group revenues grew 54% to \$278.7 million**
 - The five Asian hotels acquired in 2007 contributed revenues of \$76.8 million
 - Revenue recognition of \$37.2 million from the delivery of 32 villas at the Four Seasons Mauritius
 - Like-for-like hotel revenues (12 hotels) increased 17% to \$154.2 million
- **KHI EBITDA³ increased by 44% (+21% excluding real estate sales) to \$51.4 million**
 - Beirut and Damascus were the main drivers of hotel profitability
 - Real estate sales EBITDA grew ten-fold to \$9.3million following the revenue recognition of 32 Four Seasons Private Residences in Mauritius
- **Adjusted KHI EBITDA⁴ increased 39% (+25% excluding real estate sales) to \$94.1 million**
 - Four Seasons associate hotels in Paris and Egypt delivered strong performance.
 - Robust real estate sales in the Four Seasons in Egypt contributed \$13.6 million to income from associates.
- **Net profit before non-recurring items grew 34% to \$43.1 million while reported net profit dropped 60% to \$17.1 million due to non recurring items**
 - KHI wrote-off or provided against \$ 26.4 million of investments and capitalized expenses related to the development costs of projects that are cancelled or on hold: Four Seasons Langkawi, Da Nang (Vietnam), Phang Nga (Thailand), Gaza, Kampala (Uganda)
 - Net gain on disposal of \$0.7 million through the disposal of our equity interest in the Dubai Pearl development (gain: US\$4.5 million); asset swap agreement with IFA Hotels (loss: \$0.3 million); disposal of the Phang Nga development land (loss: \$ 3.5 million)
 - Restructuring expenses of US\$0.9 million related to the cost reduction programme initiated in the last quarter
- **Balance sheet remains conservatively leveraged, net debt \$149.1 million, net-debt-to-equity ratio of 13%**
 - During the second half of 2008, KHI raised US\$150 million of new debt commitments (inclusive of a US\$50 million refinancing of the Four Seasons Resort Langkawi)
 - In addition, KHI successfully completed a number of financings as part of its objective to secure US\$300-350 million of financing for its development programme, amidst a difficult lending environment characterized by diminished credit availability and tightened conditions and lender difficulties in meeting financing commitments.

³ KHI EBITDA is a management operating measure that reflects KHI Net Income Before Interest, Tax, Depreciation and Amortization excluding non-recurring gains or losses and non-cash effects of equity investments and minority interests.

⁴ KHI Adjusted EBITDA account for the full impact of our share in the EBITDA of unconsolidated equity investments and the share of KHI minority partners in the EBITDA of our subsidiaries

(31 December year-end, US\$000)	Consolidated KHI Results					Excl. Forex
	2008	2007	2007	Change		
		(Restated)	(Reported)	\$	%	
KHI System operating hotels						
# of consolidated hotels {rooms}	18 {3716}	17 {3576}	17 {3576}			{0%}
# of associated hotels {rooms}	4 {1377}	4 {1364}	4 {1364}			{9%}
Total KHI System	22 {5093}	21 {4940}	21 {4940}			{2%}
Total revenues	278,725	180,909	178,556	97,816		54%
Hotel revenues	230,947	169,772	167,418	61,176		36% 33%
Hotel EBITDA	65,872	48,976	48,976	16,897		35% 32%
Hotel gross profit	38,156	27,861	28,247	10,296		37%
Total gross profit	53,908	34,354	34,741	19,553		57%
Operating profit	22,461	13,463	14,009	8,998		67%
KHI EBITDA including real estate sales	51,365	35,644	25,480	15,722		44%
<i>KHI EBITDA excluding real estate sales</i>	<i>42,021</i>	<i>34,721</i>	<i>24,558</i>	<i>7,300</i>		<i>21%</i>
Adj KHI EBITDA including real estate sales	94,084	67,609	45,192	26,475		39%
<i>Adj KHI EBITDA excluding real estate sales</i>	<i>71,104</i>	<i>56,990</i>	<i>34,573</i>	<i>14,114</i>		<i>25%</i>
Net profit	17,141	42,334	34,093	(25,192)		(60%)
<i>Net Profit before non-recurring items</i>	<i>43,060</i>	<i>32,065</i>	<i>32,839</i>	<i>10,995</i>		<i>34%</i>
Avg. no. shares outstanding	174,607	174,732	174,732	(125)		(0%)
EPS	\$ 0.10	\$ 0.24	\$ 0.20	\$ (0.14)		(59%)
<i>EPS before non-recurring items</i>	<i>\$ 0.40</i>	<i>\$ 0.18</i>	<i>\$ 0.19</i>	<i>\$ 0.21</i>		<i>115%</i>
Net Debt	149,120	134,335	134,335	14,785		11%

Key Ratios (31 December year-end)	2008	2007	2007	Change
		(Restated)	(Reported)	(% points)
KHI EBITDA margin (% Total revenues)	18%	20%	14%	(1.3)
Hotel Gross margin (% Hotel revenues)	17%	16%	17%	0.1
Operating profit margin (% Total revenues)	8%	7%	8%	0.6
KHI Net Profit before non-recurring items (% Total revenues)	15%	18%	18%	(2.3)
Net Debt/ Shareholders' Equity	13%	11%	11%	1.5

Strategic Highlights

- **Diversification continues to deliver benefits**
 - Strong profit performance from most Middle East North Africa and Sub Sahara African hotels (excluding Kenya) helped offset renovation-driven losses in Kenya, as well as mitigate the effects of second half softness in Dubai, Cairo and resort hotels.
 - Revenue and hotel EBITDA for subsidiary hotels were well diversified in 2008. The Middle East North Africa region accounted for 41% of KHI reported hotel revenues and 54% of hotel EBITDA, while Asian hotels represented respectively 38% and 35% of KHI reported hotel revenues and hotel EBITDA. Sub Saharan Africa hotels contributed 21% of KHI reported hotel revenues and 11% of hotel EBITDA.
- **KHI continued to advance its portfolio rationalization strategy despite a challenging environment**
 - In April 2008, KHI sold its equity interest in the Dubai Pearl development for US\$ 8.2 million and a US \$4.5 million gain (realized equity IRR of approximately 25%).
 - In July 2008, KHI increased its equity interest in Mövenpick El Quseir to 94.6% by acquiring an additional 7.3% equity interest in a step-up acquisition for US\$ 2.0 million.
 - In October 2008, KHI concluded a swap transaction with IFA Hotels & Resorts by which the Company sold its minority interest in the Fairmont Palm Dubai development and the Fairmont Zanzibar in return for a step-up of its effective ownership in the Kenya hotels from about 70% to 94% and a cash payment of US\$ 5.3 million, with a realized net loss of US\$0.3 million.

- Post year-end, the company sold its minority interest in the Fairmont Nile City (Cairo) development in February 2009 for US\$11.5 million and realized a US\$1.3 million gain.

▪ **Active capital reallocation in line with changing market conditions and opportunities**

In line with changing market conditions and risk adjusted project returns, KHI decided to rationalize its investments in four early stage development projects and wrote off or provided against their carrying value of US\$ 26.4 million:

- Da Nang (Vietnam). The development was put on hold due to increased macro-economic risks and a shift in demand for residential real estate with a total charge of US\$16.8 million
- Langkawi (Malaysia). The capacity expansion project was cancelled due to a shift in demand for residential real estate with a total charge of US\$4.0 million
- Phang Nga (Thailand). KHI changed its intention for the use of the land acquired from a mixed-use development to an available-for-sale real estate and wrote off US\$2.9 million related to soft development costs. In November 2008, KHI sold the land of its Phang Nga development project for US\$ 23.9 million and recognized a loss on disposal of US\$ 3.5 million.
- Kampala (Uganda). This development was put on hold, due to increased macro-economic risks, with a total charge of US\$2.3 million.
- KHI took a US\$0.5 million charge against its remaining investment in Gaza.

Operational Highlights

The slowdown in second half System performance driven by global macro-economic events was partially mitigated by our diversified portfolio, while ancillary real estate sales progress was also partially affected by the deteriorating environment. New developments were rationalized during the year and construction of remaining projects is proceeding in earnest.

▪ **System hotel portfolio delivered good results driven by a strong first half**

- System RevPAR growth of 12% (10% on a currency neutral basis) driven by overall rate growth in Middle East North Africa hotels amid flat occupancy. Slowdown from the previously announced first half growth of 23% (16% on a currency neutral basis) was driven by occupancy declines and slower rate growth in the latter part of 2008 in our resort properties, Cairo, Paris and Dubai hotels.
- System EBITDA increased by 16% in 2008 (14% on a currency neutral basis) driven by the impacts of cost inflation in selective hotels and lower RevPAR growth in the second half.

▪ **Ancillary real estate sales progressed well despite some setbacks in Egypt**

- 40 of the 45 villas at the Four Seasons Mauritius have been sold and KHI recognized gains on 32 of these in December 2008.
- Successfully launched a marketing program for the Raffles Residences Manila development and pre-sold 111 units (47% of inventory) in July and August.
- The block sale of the remaining Four Seasons Sharm El Sheikh (an associate hotel) inventory could not be concluded and first half gains were reversed. Despite this, 12 chalets and villas were sold during the year leaving an inventory of 43 units, primarily chalets.
- Apartment sales in the Four Seasons Cairo (an associate hotel) were lower than expectations as 26 units were sold during the year. 16 units remained for sale at year-end.
- At the Four Seasons Marrakech development, two of the 43 pre-sold units have been forfeited and the marketing of the residential villas at the Raffles Seychelles has been postponed.

▪ **Development projects were rationalized and construction is progressing at remainder**

KHI opened the Four Seasons Mauritius, cancelled or put on hold four development and expansion projects, and advanced construction activities at the remaining five development projects. Additionally, KHI made the following changes to properties under development some of which were announced in the first half of 2008.

- The Four Seasons Mauritius opened in October. Its development budget now stands at US\$176 million, a US\$ 28 million decrease in part due to foreign exchange movements.

- The Four Seasons Beirut is now expected to open in the second half of 2009 (previously disclosed opening: H1 2009). The development budget is US\$142 million.
- The Four Seasons Marrakech is now expected to open in the second half of 2010 (previously disclosed opening: H2 2009). The delay is due to allocating increased resources to the residential component, which is now expected to complete ahead of schedule. The development cost has increased by US\$3 million to US\$147 million primarily due to foreign exchange, cost escalation and scope variations.
- The Raffles Seychelles is now expected to open in the first half of 2011 (previously disclosed opening: H2 2010) and the development budget has increased by US\$7 million to US\$151 million.
- The Fairmont Raffles Hotel and Residences Makati (Philippines) has advanced to the Construction stage and is now expected to open in the second half of 2011 (previously disclosed opening: H1 2011). The development budget has increased by US\$9 million to US\$171 million primarily due to foreign exchange and scope variations.
- Construction of the Mövenpick Ambassador Accra (Ghana) is still expected to complete in the second half of 2010 with a development budget of US\$100 million.
- **All remaining renovation programs were completed within budget**
 - Renovation of the Fairmont Norfolk and Fairmont Mount Kenya and InterContinental Lusaka were all completed during 2008
 - The capacity expansion project at Mövenpick Dubai was completed as well as the renovation and integration of the adjacent Bur Dubai Residences building
- **Previously announced changes to senior management and personnel**
 - We were saddened by the sudden death of Mr. Jassim Al-Bahar, our valued Board Member, in July 2008. KHI has not yet replaced this Board position. KHI will announce his replacement in due course.
 - Mr. Roger Blackall, our Senior Vice President Asset Management, left KHI to pursue career opportunities outside the Company, and Mr. Antoine Ltaif, our Senior Vice President Design and Construction, elected to take early retirement. Their respective responsibilities were assumed by Mr. Joel Russo, Vice President Asset Management and Mr. Samer Abu Ayash, Vice President Design and Construction (both current employees).
- **Additional changes to senior management**
 - On 31 March 2009, Mr. Ghaith Shocair, Senior Vice President Finance and Chief Financial Officer and Director will leave KHI and resign from his position on the Board to pursue other opportunities. Mr. Shocair will remain as an advisor to the Company on selected projects and continue as a Director of a number of subsidiaries in that context. His responsibilities will be assumed by KHI Finance Director Mr. Gordon Drake. A qualified accountant, Mr Drake joined KHI in July 2007 and will assume Mr Shocair's position on the Board of KHI. Mr. Drake has extensive experience and his appointment to the Board ensures a high degree of continuity.
 - Mr. David Mandefield, Senior Vice President Legal Affairs and Corporate Counsel will also retire from the Company at the end of March 2009. His responsibilities will be assumed by Ms. Shazmah Hakim, Vice President Legal Affairs.

Subsequent events

- In early January, KHI successfully completed a buy-back of 6.2 million of its Global Depository Shares ("GDS") at a purchase price of \$1.00 per GDS in a tender auction for 7.5 million GDS.
- KHI continued to execute on its portfolio rationalization.
 - In February 2009, the Company completed the sale of its 15% equity investment in the Fairmont Nile City Cairo project (total consideration \$ 11.5 million).
- Organizational restructuring.
 - Starting in December 2008 and continuing into January of this year, KHI initiated a plan that includes voluntary and involuntary staff reductions at its offices in Dubai and Singapore. 17 employees will depart the Company during this year, representing slightly over a quarter of the total 2008 year-end headcount of 65. As of this date the majority of these employees have left the Company.

Outlook

- We expect reduced visibility on hotel trading performance and system-wide RevPAR declines. As a result, KHI is suspending RevPAR guidance until visibility improves. KHI expects to maintain a defensive position with respect to asset management and is partnering with our strategic operators to execute a series of profit protection initiatives.
- Our focus is on cash preservation and prudent balance sheet management. KHI's very strong cash position (\$256 million) and consolidated debt (\$ 411 million) leave the Company with a 13% net-debt-to-equity ratio. Discretionary capital expenditures at all properties have been minimized. KHI will draw on new loan commitments to fund existing developments and selectively add debt where it sees recapitalization opportunities and access to credit.
- Given the dislocation in capital markets and global liquidity issues, we expect the current standstill in real estate transactions to continue. KHI does not foresee any resumption of its acquisition activities until the second half of the year at the earliest and will continue to take advantage of portfolio rationalization opportunities.
- The remaining 13 villas in the Four Seasons Mauritius development will be delivered in the first half of the year. We expect to open the Four Seasons Beirut in the second half of the year. Construction will also continue to advance on our other development projects in Morocco, Seychelles, Manila and Ghana, all of which are fully funded.

Kingdom Hotel Investments
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

	<i>2008</i> <i>US\$'000</i>	<i>2007</i> <i>US\$'000</i> <i>Restated</i>
ASSETS		
Non-current assets		
Property, plant and equipment	1,053,971	1,003,112
Goodwill and other intangible assets	103,788	113,557
Investment properties	33,839	33,197
Investments in associates	273,999	268,534
Available-for-sale financial assets	71,958	76,002
Other assets	23,898	14,529
Deferred tax asset	11,291	3,769
	<u>1,572,744</u>	<u>1,512,700</u>
Current assets		
Real estate held for sale	3,249	4,933
Inventories	5,470	5,726
Trade and other receivables	21,400	26,426
Due from related parties	3,268	3,022
Prepayments	30,526	31,332
Cash and short term deposits	256,393	180,564
Income taxes recoverable	860	393
	<u>321,166</u>	<u>252,396</u>
TOTAL ASSETS	<u><u>1,893,910</u></u>	<u><u>1,765,096</u></u>
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the parent		
Share capital	873,694	873,694
Treasury shares	(1,041)	(1,220)
Share premium	181,074	180,993
Foreign currency translation reserve	(29,591)	(900)
Cumulative changes in fair value	30,838	30,676
Retained earnings	103,765	86,624
Cash flow hedge reserve	(6,280)	1,453
Reserve for long term incentive plan	1,809	1,181
	<u>1,154,268</u>	<u>1,172,501</u>
Minority interests	<u>138,166</u>	<u>144,749</u>
TOTAL EQUITY	<u><u>1,292,434</u></u>	<u><u>1,317,250</u></u>
Non-current liabilities		
Interest-bearing loans and borrowings	334,328	292,087
Employees' end of service benefits	4,555	3,663
Retentions payable	4,375	5,223
Deferred tax liabilities	46,191	38,504
Other liabilities	43,764	10,697
	<u>433,213</u>	<u>350,174</u>
Current liabilities		
Trade and other payables	94,247	70,170
Interest-bearing loans and borrowings	71,186	22,812
Retentions payable	1,444	-
Due to related parties	1,386	4,690
	<u>168,263</u>	<u>97,672</u>
TOTAL LIABILITIES	<u><u>601,476</u></u>	<u><u>447,846</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,893,910</u></u>	<u><u>1,765,096</u></u>

Kingdom Hotel Investments

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	<i>2008</i> <i>US\$'000</i>	<i>2007</i> <i>US\$'000</i> <i>Restated</i>	<i>2007</i> <i>US\$'000</i> <i>Reported</i>
Revenue	278,725	180,909	178,556
Direct costs	(197,101)	(125,440)	(123,087)
Depreciation and amortization of hotel property, plant and equipment	(27,716)	(21,114)	(20,728)
Gross profit	53,908	34,355	34,741
General and administration expenses	(22,621)	(19,406)	(19,406)
Sales & marketing expenses (Real estate)	(6,403)	(850)	(850)
Pre-opening Expense	(1,730)	-	-
Depreciation and amortization	(693)	(635)	(476)
Operating profit	22,461	13,464	14,009
Share of results of associates	40,425	26,883	26,883
Dividend income	495	430	430
Project costs provided against/ written off	(26,417)	(3,980)	(3,980)
Gain on sale of available for sale financial assets	4,493	4,625	4,625
Loss on sale of associates	(273)	-	-
Loss on sale of development project	(3,500)	-	-
Other expenses	555	611	610
Gain on bargain purchase of subsidiaries	73	8,759	-
Profit before tax and interest income / expense	38,312	50,792	42,577
Finance revenue	3,918	11,503	11,503
Finance costs	(17,209)	(13,549)	(13,549)
Profit before tax	25,021	48,746	40,531
Income tax expense	(4,295)	(2,057)	(2,057)
Profit for the year	20,726	46,689	38,474
Attributable to:			
Shareholders of the parent	17,141	42,335	34,093
Minority interests	3,585	4,354	4,381
	20,726	46,689	38,474
Earnings per share (US\$)			
From continuing operations:			
- Basic	0.10	0.24	0.20
- Diluted	0.10	0.24	0.20

Kingdom Hotel Investments

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December

	2008 US\$'000	2007 US\$'000 <i>Restated</i>
OPERATING ACTIVITIES		
Profit before tax	25,021	48,746
Adjustments for:		
Depreciation and amortization	28,409	21,749
Share of results of associates	(40,425)	(26,883)
Dividend received on available-for-sale financial assets	(495)	(430)
Interest income	(3,918)	(11,503)
Interest expense	17,209	13,549
Gain on sale of available for sale financial assets	(4,493)	(4,625)
Loss on sale of associates	273	-
Loss on sale of development project	3,500	-
Project cost	26,417	3,980
Gain on bargain purchase of subsidiaries	(73)	(8,759)
Employees' end of service benefits provided	1,978	1,646
	<u>53,403</u>	<u>37,470</u>
Changes in operating assets and liabilities		
Trade and other receivables	8,368	(5,897)
Prepayments	144	(18,296)
Inventories	256	(990)
Other long term assets	(164)	6,988
Trade and other payables	12,272	8,889
Deferred tax & other financial liabilities	34,660	5,618
Real estate held for sale	1,685	4,933
Related parties and balance	(1,459)	8,382
	<u>109,165</u>	<u>47,097</u>
Cash generated from operations	109,165	47,097
Interest paid	(17,209)	(13,549)
Income taxes paid	(740)	(459)
Employees' end of service benefits paid	(612)	(477)
	<u>90,604</u>	<u>32,612</u>
INVESTING ACTIVITIES		
Net purchase of property, plant and equipment,	(152,507)	(131,388)
Acquisition of subsidiaries and joint venture net of cash acquired	(12,027)	(273,417)
Acquisition of associates	-	(6,237)
Purchase of investment properties	(3,487)	(979)
Proceeds from sale of available-for-sale investments	8,200	17,665
Proceeds from sale of associates	15,322	-
Proceeds from sale of development project	23,900	-
Dividends received	20,445	430
Interest received	3,918	11,503
Purchase of intangible asset	-	(2,283)
Increase in restricted cash	(1,441)	(12,168)
	<u>(97,677)</u>	<u>(396,874)</u>
FINANCING ACTIVITIES		
Repayment of borrowings	(31,350)	(15,211)
Proceeds from borrowings	125,444	125,417
Purchase of treasury shares	(407)	(1,220)
Dividends paid to minority shareholders	(3,583)	-
Loans repaid to minority shareholders	(6,008)	-
	<u>84,096</u>	<u>108,986</u>
Net increase (decrease) in cash and cash equivalents	77,023	(255,276)
Net foreign exchange difference	(4,372)	1,831
Cash and cash equivalents at 1 January	166,851	420,296
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	239,502	166,851

Note on Forward-Looking Statements

On one or more occasions, we may make statements regarding our assumptions, projections, expectations, targets, intentions or beliefs about future events. All statements other than statements of historical facts included or incorporated in the release are forward-looking statements. Forward-looking statements reflect our current views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Such statements are made in good faith and based on reasonable assumptions, including without limitation, management's examination of historical operating trends, data contained in records and other data available from third parties, we cannot assure you that our projections will be achieved.

Company Overview

Kingdom Hotel Investments - hereafter referred to as KHI, the Company or the Group - was incorporated in the Cayman Islands in May 2000 to acquire, develop, finance and actively asset manage high quality hotels in key emerging markets destinations. KHI completed its initial public offering, or IPO, of common stock in March 2006 and is listed on NASDAQ Dubai and has Global Depositary Shares traded on the London Stock Exchange. KHI's consolidated financial statements include properties in which it has either a controlling interest (subsidiaries) or minority investments that we account for under the equity method (associates). Throughout this "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, references to "we", "our" and "us" are references to KHI and its consolidated subsidiaries and associate investments. When presenting the dollar equivalent amount for any amounts expressed in a foreign currency, the dollar equivalent amount has been computed based on the exchange rate on the date of the transaction or the exchange rate prevailing on 31 December 2008 as applicable, unless otherwise noted, The income statement of overseas subsidiaries and joint ventures are translated at average exchange rates for the reported year.

KHI either controls or exercises significant influence over 27 hotel investments in 19 countries and three continents encompassing about 6,100 rooms. Its portfolio consists predominantly of operating assets and five new development projects (1,000 rooms) that are in various stages of development. In addition to the hospitality business, KHI's several operating investments and developments include ancillary real estate components that comprise of residential and/or commercial real estate inventory for lease or sale. The Company manages its business operations across 4 geographic segments: Middle East/North Africa, Sub-Saharan Africa, Asia and Europe (France).

As of 31 December 2008, KHI had total cash invested of US\$ 775.6 million in 22 operating subsidiary and associated hotels. The Middle East/North Africa region represented the largest allocation of our invested cash at 37 per cent of the total while Asia and Sub-Saharan Africa regions represented 31 per cent and 20 per cent respectively, followed by Europe (France) at 12 per cent of invested cash. The amount of KHI cash invested in each hotel is a function of capital expenditure programme, operating requirements as well as financing strategies for each asset and is subject to change from year to year.

Operating Hotels	Country	Type	% Equity ownership	# of Rooms	% Total Rooms	Developments & Capacity Expansion	Country	Type	% Equity ownership	# of Rooms	% Total Rooms
Mövenpick Resort & Spa El Gouna	Egypt	Resort	29%	554	9%	Four Seasons Beirut	Lebanon	City	38%	230	4%
Four Seasons Nile Plaza, Cairo	Egypt	City	44%	378	6%	Four Seasons Marrakech	Morocco	City	78%	140	2%
Four Seasons Damascus	Syria	City	55%	297	5%						
Mövenpick Beirut	Lebanon	City	81%	292	5%						
Mövenpick Resort El-Quseir	Egypt	Resort	95%	250	4%						
Mövenpick Hotel & Residence Bur Dubai	UAE	City	100%	312	5%						
Four Seasons Resort Sharm El Sheikh	Egypt	Resort	39%	200	3%						
Middle East/ North Africa				2,283	37%	Middle East/ North Africa				370	6%
Fairmont Kenya (4 Properties)	Kenya	Resort	94%	396	6%	Mövenpick Ambassador Hotel, Accra	Ghana	City	100%	259	4%
Mövenpick Royal Palm, Dar es Salaam	Tanzania	City	96%	230	4%	Raffles Seychelles Resort	Seychelles	Resort	91%	90	1%
InterContinental Lusaka	Zambia	City	100%	225	4%						
Mövenpick Resort & Spa Mauritius	Mauritius	Resort	100%	181	3%						
Four Seasons Mauritius	Mauritius	Resort	50%	90	1%						
Sub-Saharan Africa				1,122	18%	Sub-Saharan Africa				349	6%
Swissôtel Kunshan	China	City	100%	387	6%	Fairmont Makati Hotel & Raffles Hotel	Philippines	City	80%	330	5%
Four Seasons Jakarta	Indonesia	City	82%	320	5%						
Mövenpick Resort & Spa, Karon Beach	Thailand	Resort	100%	351	6%						
Raffles Le Royal, Phnom Penh	Cambodia	City	100%	170	3%						
Raffles Grand Hotel d'Angkor Siem Reap	Cambodia	Resort	100%	125	2%						
Four Seasons Langkawi	Malaysia	Resort	90%	90	1%						
Asia				1,443	23%	Asia				330	5%
Four Seasons George V Hotel, Paris	France	City	25%	245	4%						
Operating Hotel				5,093	83%	Hotel Developments & Capacity Expansion				1,049	17%
				# of Hotels	# of Rooms						
					% Total Rooms						
Operating Hotel Portfolio (System)				21	5,003	81%					
Non-System Additions (Four Season Mauritius)				1	90	1%					
New Hotel Developments				5	1,049	17%					
Total KHI Portfolio				27	6,142	100%					

Notes

- The table above includes subsidiaries and associates but excludes the Four Seasons Amman, an operating hotel.
- During 2008, KHI cancelled or put on hold its development projects in Phang Nga (Thailand), Da Nang (Vietnam), Kampala (Uganda) and the capacity expansion and ancillary real estate development in Langkawi (Malaysia)

The following table presents the amounts invested, before and after return of capital, as well as the total debt at each property as at 31 December 2008:

(In US\$ million)	Opened/ Acquired	Country	% Equity Owned	# of Rooms	Cash Invested (1)			Property Debt (2)
					Initial Investment	Net Change	Current Investment	
Mövenpick Resort & Spa El Gouna	1996/ 2002	Egypt	29.3%	554	8.0	(1.7)	6.4	0.1
Four Seasons Nile Plaza, Cairo	2004	Egypt	43.7%	378	73.2	-	73.2	0.1
Four Seasons Damascus	2005	Syria	55.0%	297	52.7	10.8	63.5	13.9
Mövenpick Beirut	2002	Lebanon	81.2%	292	72.6	(9.5)	63.1	42.1
Mövenpick Resort El Quseir (3)	1995/ 2002	Egypt	94.6%	250	23.9	1.1	25.0	0.0
Mövenpick Hotel Bur Dubai	2001/ 2003	UAE	100.0%	312	29.3	(29.3)	-	52.5
Bur Dubai Residences	2006	UAE	100.0%	-	25.5	-	25.5	-
Four Seasons Resort Sharm El Sheikh	2002	Egypt	39.3%	200	28.4	-	28.4	0.0
Middle East/ North Africa				2,283	313.6	(28.7)	284.9	108.7
Fairmont Kenya (four Properties) (4)	Various/ 2005	Kenya	94.0%	396	23.4	33.2	56.6	5.0
Mövenpick Royal Palm, Dar Es Salam	1995/ 2004	Tanzania	96.0%	230	14.7	2.1	16.8	5.4
InterContinental Lusaka	1970/ 2006	Zambia	100.0%	225	28.5	9.4	37.9	0.1
Mövenpick Resort & Spa, Mauritius	2005/ 2006	Mauritius	100.0%	181	30.0	(0.5)	29.6	23.5
Four Seasons Mauritius	2008/2006	Mauritius	50.0%	90	12.3	-	12.3	30.4
Fairmont Zanzibar	2007/ 2006	Tanzania	30.0%	109	1.4	(1.4)	-	-
Sub-Saharan Africa				1,231	110.3	42.9	153.2	64.4
Swissôtel Kunshan	2005/ 2007	China	100.0%	387	41.4	(0.4)	41.1	20.5
Four Seasons Jakarta	1995/ 2007	Indonesia	81.9%	320	48.6	-	48.6	-
Mövenpick Resort & Spa, Karon Beach	2006	Thailand	100.0%	351	70.1	1.1	71.2	26.8
Raffles Le Royal, Phnom Penh	1929/ 2007	Cambodia	100.0%	170	22.7	-	22.7	-
Raffles Grand Hotel d'Angkor Siem Reap	1932/ 2007	Cambodia	100.0%	125	13.7	(3.0)	10.7	-
Four Seasons Langkawi	2005/ 2007	Malaysia	90.0%	90	105.5	(57.8)	47.7	50.0
Asia				1,443	302.1	(60.1)	242.0	97.3
Europe:								
Four Seasons George V Hotel, Paris (5)	1999/ 2006	France	25.0%	245	95.5	-	95.5	503.9
KHI Total Operating Investments				5,202	821.5	(45.9)	775.6	774.3

1. Represents actual cash movements (disbursements and returns); does not correspond to KHI financial statements or IFRS.
2. Property debt represents 100 per cent of the debt at each property as at 31 December 2008.
3. KHI acquired an additional 7.4% equity interest in El Quseir as step-up acquisition in July 2008.
4. KHI acquired an additional 30% equity interest in Kenya properties as step-up acquisition in October 2008.
5. KHI realized cash proceeds of US\$31.1 million through two subordinated and shareholder guaranteed loans in late 2007.

Notes

- KHI's equity ownership represents the Company's effective ownership interest as at 31 December 2008.
- Cost of investment includes acquisition and transaction costs as well as shareholders' loans and advances.
- Property debt, overdrafts, finance leases and other non-shareholder borrowings as at 31 December 2008
- KHI receives a 92 per cent economic interest in the profits of Beirut Mövenpick despite its 81 per cent equity interest.

System Performance

KHI defines its System portfolio as operating hotel results that are included in the Group's consolidated financial results or investments in associates as at 31 December 2008. Management measures and assesses the performance of its hotel portfolio irrespective of whether these properties are consolidated subsidiaries or as associates accounted for under the equity method, and irrespective of the timing of such acquisitions and/or divestitures. The System portfolio excludes results of any hotels that may have been closed or divested, sustained substantial physical damage, experienced material business disruption or undergone large scale disruptive capital improvements or projects.

Of the 21 operating hotels owned by KHI as at December 31, 2008 and classified in the System portfolio, 17 were consolidated subsidiaries and 4 were associated investments. The System portfolio includes the full 12 months operating results for 2008 and 2007 of the Four Seasons Langkawi (acquired in April 2007), Swissôtel Kunshan (acquired in May 2007), Raffles Siem Reap and Raffles Phnom Penh in Cambodia (acquired in July 2007) as well as the Four Seasons Jakarta (acquired September 2007). The System portfolio excludes the results of the Four Seasons Hotel Amman, an affiliate in which KHI owns a 12.8 per cent equity interest and the Four Seasons Mauritius which opened on 1 October 2008 (i.e. no comparable 2007 data).

System RevPAR

For the 12 months ending 31 December 2008, System RevPAR across these 21 hotels expanded by 12 per cent (10 per cent on a currency neutral basis), on the back of rate increases of 14 per cent (11 per cent on a currency neutral basis) that more than offset a decline in occupancy of 0.7 percentage points. For comparison, first half System RevPAR growth was 23 per cent (16 per cent on a currency neutral basis). This indicates a significant slowdown in RevPAR performance during the latter part of the year, particularly during the last quarter, as our System was affected by the rapid global slowdown in economic activity and impending recessionary environments in several of our source markets.

(31 December year-end)	Occupancy %			Average Rate (In US\$)				RevPAR (In US\$)					
	2008	2007	Change Pts	Reported		Excl. F/X		Reported		Excl. F/X			
				2008	2007	% Change	2008	% Change	2008	2007	% Change	2008	% Change
Mövenpick Resort & Spa El Gouna	86.4	83.5	2.9	\$ 92.4	\$ 75.8	22%	\$ 93.3	23%	\$ 79.8	\$ 63.3	26%	\$ 80.6	27%
Four Seasons Nile Plaza, Cairo	65.5	73.0	(7.5)	\$ 406.0	\$ 367.9	10%	\$ 411.2	12%	\$ 266.1	\$ 268.5	(1%)	\$ 269.5	0%
Four Seasons Damascus	68.6	66.8	1.7	\$ 291.2	\$ 221.2	32%	\$ 284.3	29%	\$ 199.7	\$ 147.8	35%	\$ 194.9	32%
Mövenpick Beirut	57.3	45.6	11.7	\$ 230.8	\$ 154.5	49%	\$ 230.8	49%	\$ 132.3	\$ 70.4	88%	\$ 132.3	88%
Mövenpick Resort El Quseir	77.2	73.6	3.6	\$ 78.3	\$ 67.3	16%	\$ 77.2	15%	\$ 60.4	\$ 49.6	22%	\$ 59.6	20%
Mövenpick Hotel Bur Dubai	74.7	80.0	(5.3)	\$ 213.0	\$ 195.2	9%	\$ 213.0	9%	\$ 159.2	\$ 156.2	2%	\$ 159.2	2%
Four Seasons Resort Sharm El Sheikh	68.4	66.9	1.5	\$ 401.0	\$ 345.6	16%	\$ 406.0	17%	\$ 274.2	\$ 231.3	19%	\$ 277.6	20%
Middle East/ North Africa	72.7	71.4	1.2	\$ 218.3	\$ 186.9	17%	\$ 218.8	17%	\$ 158.6	\$ 133.5	19%	\$ 159.0	19%
Fairmont Kenya (4 Hotels)	20.6	42.8	(22.2)	\$ 145.9	\$ 135.5	8%	\$ 150.6	11%	\$ 30.1	\$ 58.0	(48%)	\$ 31.0	(46%)
Mövenpick Royal Palm, Dar Es Salaam	78.7	67.9	10.8	\$ 130.4	\$ 103.1	27%	\$ 127.2	23%	\$ 102.6	\$ 70.0	47%	\$ 100.1	43%
InterContinental Lusaka	56.7	55.1	1.6	\$ 128.6	\$ 117.8	9%	\$ 124.6	6%	\$ 73.0	\$ 64.9	12%	\$ 70.7	9%
Mövenpick Resort & Spa, Mauritius	66.8	56.1	10.6	\$ 136.9	\$ 123.9	10%	\$ 137.8	11%	\$ 91.4	\$ 69.5	31%	\$ 92.0	32%
Sub-Saharan Africa	49.5	53.5	(3.9)	\$ 134.0	\$ 120.2	11%	\$ 132.8	11%	\$ 66.4	\$ 64.2	3%	\$ 65.8	2%
Swissôtel Kunshan	54.3	56.6	(2.3)	\$ 103.2	\$ 88.0	17%	\$ 93.9	7%	\$ 56.1	\$ 49.8	13%	\$ 51.0	2%
Four Seasons Jakarta	61.0	55.4	5.6	\$ 106.7	\$ 92.8	15%	\$ 104.9	13%	\$ 65.2	\$ 51.5	27%	\$ 64.0	24%
Mövenpick Resort & Spa, Karon Beach	52.4	61.2	(8.8)	\$ 146.6	\$ 133.0	10%	\$ 147.2	11%	\$ 76.8	\$ 81.4	(6%)	\$ 77.2	(5%)
Raffles Phnom Penh	63.7	56.0	7.7	\$ 124.4	\$ 109.9	13%	\$ 124.4	13%	\$ 79.2	\$ 61.6	29%	\$ 79.2	29%
Raffles Siem Reap	53.6	56.7	(3.1)	\$ 187.4	\$ 180.0	4%	\$ 187.4	4%	\$ 100.5	\$ 102.1	(2%)	\$ 100.5	(2%)
Four Seasons Langkawi	60.3	63.8	(3.5)	\$ 682.5	\$ 635.7	7%	\$ 688.1	8%	\$ 411.5	\$ 405.6	1%	\$ 414.9	2%
Asia	56.8	57.8	(1.1)	\$ 161.9	\$ 148.7	9%	\$ 159.5	7%	\$ 91.9	\$ 86.0	7%	\$ 90.6	5%
Europe:													
Four Seasons George V Hotel, Paris	81.2	83.2	(2.0)	\$ 1,342.9	\$ 1,183.9	13%	\$ 1,248.5	5%	\$ 1,090.1	\$ 985.1	11%	\$ 1,013.5	3%
Total KHI System	63.6	64.3	(0.7)	\$ 261.1	\$ 229.8	14%	\$ 254.6	11%	\$ 166.1	\$ 147.7	12%	\$ 161.9	10%
Subsidiaries	58.4	58.9	(0.5)	\$ 170.0	\$ 145.4	17%	\$ 168.0	16%	\$ 99.2	\$ 85.6	16%	\$ 98.1	15%
Associates	77.1	78.2	(1.1)	\$ 439.5	\$ 394.4	11%	\$ 424.1	8%	\$ 339.0	\$ 308.4	10%	\$ 327.1	6%
Total KHI System	63.6	64.3	(0.7)	\$ 261.1	\$ 229.8	14%	\$ 254.6	11%	\$ 166.1	\$ 147.7	12%	\$ 161.9	10%

17 of the 21 System hotels are KHI subsidiaries that represented 72 per cent of the available System rooms and 43 per cent of System room revenues. These subsidiaries outperformed overall System portfolio growth to expand RevPAR by 16 per cent (15 per cent on a currency neutral basis). These hotels contributed about one-half of total System RevPAR growth. The four associated hotels (28 per cent of available rooms and 57 per cent of system room revenues) grew RevPAR by only 10 per cent (6 per cent on a currency neutral basis) as the Four Seasons Nile Plaza and George V were particularly impacted by global events in the latter part of the year.

The 7 hotels in Middle East and North Africa (43 per cent of System room revenues and 45 per cent of System rooms) grew RevPAR by 19 per cent on a reported and currency neutral basis as room rates increased 17 per cent and occupancy improved by 1.2 percentage points. This region contributed 61 per cent of the 2008 System RevPAR growth. Performance of the Mövenpick Beirut recovered after the Doha Agreement (21 May 2008) with RevPAR growth of 88 per cent through a 49 per cent average rate increase and a 12 per cent occupancy increase. The Four Seasons Damascus continued to ramp up and grew RevPAR by 32 per cent through a 30 per cent average rate increase. In Egypt, the three Red Sea hotels grew RevPAR between 20 to 27 per cent primarily through rate increases. RevPAR were flat at the Mövenpick Bur Dubai and Four Seasons Nile Plaza as source markets for these hotels significantly impacted performance in the latter part of the year.

Our 6 hotels in Asia (16 per cent of System room revenues and 29 per cent of System rooms) grew RevPAR by 7 per cent or 5 per cent on a currency neutral basis. This region experienced a decline in occupancy and limited rate growth as a result of economic slowdown impacts (Four Seasons Langkawi, Swissôtel Kunshan) as well as political events that resulted in the closure of Bangkok airport which in turn affected our business in Thailand and Siem Reap. These dampening factors more than offset the very strong rate and occupancy growth at the Four Seasons Jakarta and Raffles Phnom Penh hotels.

The 7 hotels in Sub-Saharan Africa (8 per cent of the System room revenues and 21 per cent of the Systems rooms) grew RevPAR by 3 per cent (2 per cent on a currency neutral basis) Performance of our four hotels in Kenya was the key reason for this diminished growth, as these hotels were adversely affected by renovations during the whole year (now completed) and the effects of political violence in the beginning of the year. Excluding Kenya, regional RevPAR grew by a strong 31 per cent driven by rate and occupancy increases. Dar es Salaam grew its RevPAR by 47 per cent, Mauritius by 31 per cent and Lusaka by 12 per cent.

Our associate hotel in Paris, the Four Seasons George V grew RevPAR by 11 per cent (3 per cent on a currency neutral basis) as occupancy declines partly offset currency neutral rate increases of 5 per cent. Weakness in the US source market was partly substituted by corporate business and leisure segments. This property accounted for 32 per cent of total System room revenues and 27 per cent of the System RevPAR growth in 2008.

System EBITDA

System EBITDA for all 21 hotels in 2008 increased by 16 per cent to US\$ 181.7 million, (14 per cent on a currency neutral basis), driven by a 13 per cent increase in total hotel revenues to US\$ 512.1 million and margin improvement of 0.9 percentage points.

Our 17 subsidiary hotels (44 per cent of System revenue and 36 per cent of System EBITDA), grew EBITDA by 16 per cent to US\$ 65.4 million (25 per cent excluding Kenya). The four associate hotels that account for 56 percent of System revenue and 64 per cent of System EBITDA), grew EBITDA by 17 per cent to US\$ 116.3 million and represented about 65 per cent of System EBITDA growth.

Middle East North Africa region EBITDA (43 per cent of the System revenues and 53 per cent of system EBITDA) increased 25 percent to US\$ 95.7 million as rate increases and margin expansion in Beirut, Damascus, Sharm El Sheikh offset margin declines in Dubai, El Quseir and no margin improvement in Cairo. The combination of rate driven increases and overall margin expansion by 1.4 percentage points drove profit expansion and accounted for about three quarters of total System EBITDA growth in 2008.

EBITDA at our 6 hotels in the Asia region was US\$ 22.8 million, and remained flat at 2007 levels (Asia accounted for 17 per cent of System revenues and 13 per cent of total System EBITDA) as very strong profit growth in Jakarta and Phnom Penh was offset by EBITDA declines in significant profit generators; Langkawi, Phuket, and Siem Reap experienced occupancy declines and a diminished performance in the second half of the year.

EBITDA from Sub-Saharan Africa (9 per cent of the System revenue and 4 per cent of System EBITDA) declined by US\$ 1.7 million or 20 per cent to US\$ 7.0 million as a result of renovation and disruption at the Fairmont Hotels in Kenya where we saw EBITDA decline by US \$4.6 million. EBITDA performance at our non-Kenya hotels was very strong in 2008. The newly renovated Mövenpick Dar es Salaam leaped 61 per cent due to buoyant demand amid limited room supply. The Mövenpick Mauritius grew EBITDA by 44 per cent as it leveraged its costs base and increased rates. The InterContinental Lusaka grew cash profits by 33 per cent as it initiated increased room rates and improved food & beverage margins to offset inflationary increases.

In Europe, profits from the George V which account for 31 per cent of total System EBITDA increased 17 per cent or 8 per cent on a currency-neutral basis to US\$ 56.1 million driven by rate increases and margin improvements.

The following table summarizes KHI's System performance for the year ended 31 December 2008 and 2007.

(31 December year-end)	Hotel Rooms (2008)				RevPAR (In US\$)			Total RevPAR (In US\$)			Hotel Revenue (In \$000's)				Hotel EBITDA (In \$000's)				
	Rooms		Rooms Revenue		2008	2007	% Change	2008	2007	% Change	2008	2007	Change		% Total	2008	2007	Change	
	No.	% Total	\$000's	% Total									\$	%				\$	%
Mövenpick Resort & Spa El Gouna	554	11%	16,181	5%	\$ 79.8	\$ 63.3	26%	\$ 128.8	\$ 108.5	19%	26,117	21,937	4,180	19%	7%	13,177	11,087	2,090	19%
Four Seasons Nile Plaza, Cairo	378	8%	36,637	12%	\$ 266.1	\$ 268.5	(1%)	\$ 483.5	\$ 452.0	7%	66,580	60,215	6,365	11%	18%	33,218	29,943	3,275	11%
Four Seasons Damascus	297	6%	21,702	7%	\$ 199.7	\$ 147.8	35%	\$ 329.8	\$ 244.0	35%	35,847	26,453	9,395	36%	9%	15,557	9,911	5,646	57%
Mövenpick Beirut	292	6%	14,141	5%	\$ 132.3	\$ 70.4	88%	\$ 249.2	\$ 159.6	56%	26,628	17,011	9,617	57%	3%	5,933	1,809	4,125	228%
Mövenpick Resort El Quseir	250	5%	5,529	2%	\$ 60.4	\$ 49.6	22%	\$ 124.4	\$ 106.2	17%	11,384	9,688	1,697	18%	3%	5,294	4,658	636	14%
Mövenpick Hotel Bur Dubai	312	6%	14,348	5%	\$ 159.2	\$ 156.2	2%	\$ 234.9	\$ 227.6	3%	21,178	19,271	1,907	10%	5%	8,766	8,563	203	2%
Four Seasons Resort Sharm El Sheikh	200	4%	20,071	7%	\$ 274.2	\$ 231.3	19%	\$ 471.2	\$ 402.3	17%	34,491	29,367	5,124	17%	8%	13,805	10,650	3,155	30%
Middle East/ North Africa	2,283	46%	128,610	43%	\$ 158.6	\$ 133.5	19%	\$ 274.1	\$ 230.1	19%	222,226	183,942	38,285	21%	53%	95,751	76,621	19,129	25%
Fairmont Kenya (4 Hotels)	396	8%	4,359	1%	\$ 30.1	\$ 58.0	(48%)	\$ 62.0	\$ 120.9	(49%)	8,989	17,342	(8,353)	(48%)	-1%	(2,137)	2,431	(4,569)	(188%)
Mövenpick Royal Palm, Dar es Salaam	230	5%	8,641	3%	\$ 102.6	\$ 70.0	47%	\$ 160.8	\$ 116.1	38%	13,537	9,748	3,789	39%	2%	3,753	2,326	1,427	61%
InterContinental Lusaka	225	4%	5,984	2%	\$ 73.0	\$ 64.9	12%	\$ 138.7	\$ 112.7	23%	11,374	9,255	2,119	23%	2%	3,534	2,648	886	33%
Mövenpick Resort & Spa, Mauritius	181	4%	6,054	2%	\$ 91.4	\$ 69.5	31%	\$ 162.0	\$ 130.9	24%	10,730	8,650	2,080	24%	1%	1,819	1,264	555	44%
Sub-Saharan Africa	1,032	21%	25,037	8%	\$ 66.4	\$ 64.2	3%	\$ 118.3	\$ 119.8	(1%)	44,630	44,996	(365)	(1%)	4%	6,969	8,670	(1,701)	(20%)
Swissôtel Kunshan	387	8%	7,941	3%	\$ 56.1	\$ 49.8	13%	\$ 93.6	\$ 84.9	10%	13,255	11,989	1,266	11%	2%	3,678	3,682	(4)	(0%)
Four Seasons Jakarta	320	6%	7,631	3%	\$ 65.2	\$ 51.5	27%	\$ 171.3	\$ 147.8	16%	20,057	17,269	2,789	16%	1%	2,561	2,110	451	21%
Mövenpick Resort & Spa, Karon Beach	351	7%	9,872	3%	\$ 76.8	\$ 81.4	(6%)	\$ 113.0	\$ 119.9	(6%)	14,519	14,832	(313)	(2%)	3%	5,219	5,599	(380)	(7%)
Raffles Phnom Penh	170	3%	4,930	2%	\$ 79.2	\$ 61.6	29%	\$ 155.3	\$ 125.0	24%	9,664	7,758	1,906	25%	1%	1,860	1,222	638	52%
Raffles Siem Reap	125	2%	4,597	2%	\$ 100.5	\$ 102.1	(2%)	\$ 195.6	\$ 204.3	(4%)	8,950	9,322	(372)	(4%)	1%	1,979	2,261	(281)	(12%)
Four Seasons Langkawi	90	2%	13,556	5%	\$ 411.5	\$ 405.6	1%	\$ 659.9	\$ 647.1	2%	21,737	21,258	480	2%	4%	7,589	7,893	(304)	(4%)
Asia	1,443	29%	48,528	16%	\$ 91.9	\$ 86.0	7%	\$ 167.0	\$ 157.8	6%	88,183	82,428	5,755	7%	13%	22,886	22,767	119	1%
Four Seasons George V Hotel, Paris	245	5%	97,748	33%	\$ 1,090.1	\$ 985.1	11%	\$ 1,752.1	\$ 1,570.8	12%	157,114	140,465	16,649	12%	31%	56,100	48,137	7,962	17%
Total KHI System	5,003	100%	299,923	100%	\$ 166.1	\$ 147.7	12%	\$ 283.6	\$ 252.9	12%	512,153	451,831	60,323	13%	100%	181,706	156,196	25,510	16%
<i>Excluding Forex impact</i>							<i>10%</i>			<i>9%</i>				<i>10%</i>					<i>14%</i>
Subsidiaries	3,568	72%	129,286	43%	\$ 99.2	\$ 85.6	16%	\$ 174.9	\$ 155.1	13%	227,851	199,846	28,005	14%	36%	65,406	56,378	9,028	16%
Associates	1,373	28%	170,637	57%	\$ 339.0	\$ 308.4	10%	\$ 564.8	\$ 506.1	12%	284,303	251,985	32,318	13%	64%	116,300	99,818	16,482	17%
Total KHI System	4,941	100%	299,923	100%	\$ 166.1	\$ 147.7	12%	\$ 283.6	\$ 252.9	12%	512,153	451,831	60,323	13%	100%	181,706	156,196	25,510	16%

The following table reconciles KHI's System performance to its reported financials for the years ended 31 December 2008 and 2007.

(31 December year-end, US\$ million)	2008								2007							
	Hotel Revenues				Hotel EBITDA				Hotel Revenues				Hotel EBITDA			
	KHI System	% Total	KHI Reported	% Total	KHI System	% Total	KHI Reported	% Total	KHI System	% Total	KHI Reported	% Total	KHI System	% Total	KHI Reported	% Total
Mövenpick Resort & Spa El Gouna	26.1	5%	-	-	13.2	7%	-	-	21.9	5%	-	-	11.1	7%	-	-
Four Seasons Nile Plaza, Cairo	66.6	13%	-	-	33.2	18%	-	-	60.2	13%	-	-	29.9	19%	-	-
Four Seasons Damascus	35.8	7%	35.8	16%	15.6	9%	15.6	24%	26.5	6%	26.5	16%	9.9	6%	9.9	20%
Mövenpick Beirut	26.6	5%	26.6	12%	5.9	3%	5.9	9%	17.0	4%	17.0	10%	1.8	1%	1.8	4%
Mövenpick Resort El Quseir	11.4	2%	11.4	5%	5.3	3%	5.3	8%	9.7	2%	9.7	6%	4.7	3%	4.7	10%
Mövenpick Hotel Bur Dubai	21.2	4%	21.2	9%	8.8	5%	8.8	13%	19.3	4%	19.3	11%	8.6	5%	8.6	17%
Four Seasons Resort Sharm El Sheikh	34.5	7%	-	-	13.8	8%	-	-	29.4	6%	-	-	10.6	7%	-	-
Middle East/ North Africa	222.2	43%	95.0	41%	95.8	53%	35.6	54%	183.9	41%	72.4	43%	76.6	49%	24.9	51%
Fairmont Kenya	9.0	2%	9.0	4%	(2.1)	(1%)	(2.1)	(3%)	17.3	4%	17.3	10%	2.4	2%	2.4	5%
Mövenpick Royal Palm, Dar es Salaam	13.5	3%	13.5	6%	3.8	2%	3.8	6%	9.7	2%	9.7	6%	2.3	1%	2.3	5%
InterContinental Lusaka	11.4	2%	11.4	5%	3.5	2%	3.5	5%	9.3	2%	9.3	5%	2.6	2%	2.6	5%
Four Seasons Mövenpick, Mauritius	-	0%	3.1	1%	-	0%	0.5	1%	-	0%	-	0%	-	0%	-	0%
Mövenpick Resort & Spa, Mauritius	10.7	2%	10.7	5%	1.8	1%	1.8	3%	8.7	2%	8.7	5%	1.3	1%	1.3	3%
Sub-Saharan Africa	44.6	9%	47.7	21%	7.0	4%	7.4	11%	45.0	10%	45.0	27%	8.7	6%	8.7	18%
Swissôtel Kunshan	13.3	3%	13.3	6%	3.7	2%	3.7	6%	12.0	3%	8.4	5%	3.7	2%	2.4	5%
Four Seasons Jakarta	20.1	4%	20.1	9%	2.6	1%	2.6	4%	17.3	4%	5.4	-	2.1	1%	0.3	-
Mövenpick Resort & Spa, Karon Beach	14.5	3%	14.5	6%	5.2	3%	5.2	8%	14.8	3%	14.8	9%	5.6	4%	5.6	11%
Raffles Cambodia	18.6	4%	18.6	8%	3.8	2%	3.8	6%	17.1	4%	8.5	-	3.5	2%	1.7	-
Four Seasons Langkawi	21.7	4%	21.7	9%	7.6	4%	7.6	12%	21.3	5%	15.2	9%	7.9	5%	5.3	11%
Asia	88.2	17%	88.2	38%	22.9	13%	22.9	35%	82.4	18%	52.4	23%	22.8	15%	15.4	27%
Four Seasons George V Hotel, Paris	157.1	31%	-	-	56.1	31%	-	-	140.5	31%	-	-	48.1	31%	-	-
Operating Hotel Portfolio	512.2	100%	230.9	100%	181.7	100%	65.9	100%	451.8	100%	169.8	92%	156.2	100%	49.0	96%
Subsidiaries	227.9	44%	230.9	100%	65.4	36%	65.9	100%	199.8	44%	169.8	100%	56.4	36%	49.0	100%
Associates	284.3	56%	-	0%	116.3	64%	-	0%	252.0	56%	-	0%	99.8	64%	-	0%
Operating Hotel Portfolio	512.2	100%	230.9	100%	181.7	100%	65.9	100%	451.8	100%	169.8	206%	156.2	100%	49.0	100%
<i># of hotels</i>	21		18		21		18		21		17		21		17	
<i># of rooms</i>	5,003		3,716		5,003		3,716		5,003		3,626		5,003		3,626	

Results from operations

The Company presents certain financial and statistical information of its hotel assets separately from the portfolio of hotels that are included in its consolidated financial statements to show like-for-like comparable performance impacts on the Company's operations and financials. Comparable hotel assets are defined as those subsidiaries that (i) are consolidated in KHI's financials for the entirety of the reporting periods being compared, and (ii) have not sustained substantial physical damage, experienced material business disruption or undergone large scale disruptive capital improvements or projects. Of the total KHI portfolio of 21 hotels, only 17 have been consolidated in KHI financials and 12 of these are classified as comparable hotels: Mövenpick Beirut, Mövenpick Royal Palm, Mövenpick Bur Dubai, Four Seasons Damascus, Fairmont Kenya, Mövenpick Karon Beach Phuket, Mövenpick Mauritius, Mövenpick El Quseir and InterContinental Lusaka.

Financial summary

Group revenues increased 54 per cent to US\$ 278.7 million, with minimal foreign exchange effects. The increase was due to the consolidation impacts from the five hotels acquired in 2007, sustained revenue growth in our 12 comparable hotels and increased ancillary real estate revenues.

Gross Profit increased 57 percent or US\$ 19.6 million to US\$ 53.9 million. Hotel gross profits increased by 37 per cent to US\$ 38.2 million with about two-thirds of this increase from our 12 comparable hotels and the rest from timing and growth of the 5 Asian hotels acquired in 2007. Non-hotel profits from ancillary real estate sales and leases as well as other revenues increased by US\$ 9.3 million to US\$15.8 million due to revenue and profit recognition of 32 villas at the Four Seasons Mauritius with a gross profit of US\$ 8.7 million, as well as increased leasing profits.

Operating profit, which we define as hotel and real estate gross profits less Sales, General and Administrative and Hotel pre-opening costs, increased by US\$ 9.0 million to US\$ 22.5 million. During 2008 KHI initiated real estate marketing programs at our development projects with a total expense of US\$ 6.4 million (2007: US\$0.8 million). Corporate overheads increased by US\$3.3 million to US\$ 23.3 million as we added capability to support our business in the early part of the year (see subsequent discussion on restructuring initiative). We also expensed our 50 per cent share of pre-opening expenses at the Four Seasons Mauritius of US\$1.7 million (2007: nil).

Net profit before non-recurring items for the year increased 34 per cent or by US\$ 11.0 million to US\$ 43.1 million as increased associate hotel performance and ancillary real estate sales in our Egypt associates added to operating profit expansion, despite the increased financing costs of US\$ 11.3 million that were in turn driven by increased loan draw-downs and new debt facilities, and higher income taxes. Reported earnings per share before non-recurring items increased by 34 per cent to US\$ 0.25 with no material change in the number of shares outstanding.

Reported net profit for the year declined 60 per cent to US\$ 17.1 million as a result of net non-recurring charges of US\$ 25.9 million (2007: US\$ 10.3 million) which included (i) a charge of US\$ 26.4 million for project write-offs and provisions primarily for development assets in Da Nang (Vietnam) of US\$ 16.8 million, Langkawi (Malaysia) of US\$ 4.0 million, Phang Nga (Thailand) of US\$ 2.9 million, Kampala (Uganda) of US\$ 2.3 million and Gaza of US\$ 0.5 million and (ii) one-time gains on sale of the Dubai Pearl investment of US\$ 4.5 million and a US\$ 0.2 million gain on sale of the Fairmont Zanzibar, and (iii) one-time losses on disposal of Phang Nga development land of US\$3.5 million and loss on disposal of Fairmont Palm Dubai of US\$ 0.5 million and (iv) other one-time net expenses of US\$ 0.2 million. Reported earnings per share also decreased by 59 per cent to US\$ 0.10 with no material change in the number of shares outstanding.

The following table summarizes key profit and loss indicators for the years ended 31 December:

(31 December year-end, US\$000)	Consolidated KHI Results					Comparable Hotel Results						
	2008	2007	2007	Change		Excl. Forex	2008	2007	2007	Change		Excl. Forex
		(Restated)	(Reported)	\$	%		(Restated)	(Reported)	\$	%		
KHI System operating hotels												
# of consolidated hotels {rooms}	18 {3716}	17 {3576}	17 {3576}		{0%}		12 {2,477}	12 {2,477}	12 {2,477}	n/a	n/a	
# of associated hotels {rooms}	4 {1377}	4 {1364}	4 {1364}		{9%}							
Total KHI System	22 {5093}	21 {4940}	21 {4940}		{2%}							
Total revenues	278,725	180,909	178,556	97,816	54%							
Hotel revenues	230,947	169,772	167,418	61,176	36%	33%	154,187	132,250	129,897	21,937	17%	15%
Hotel EBITDA	65,872	48,976	48,976	16,897	35%	32%	47,739	39,210	39,210	8,529	22%	21%
Hotel gross profit	38,156	27,861	28,247	10,296	37%		31,551	24,594	24,594	6,957	28%	
Total gross profit	53,908	34,354	34,741	19,553	57%							
Operating profit	22,461	13,463	14,009	8,998	67%							
KHI EBITDA including real estate sales	51,365	35,644	25,480	15,722	44%							
<i>KHI EBITDA excluding real estate sales</i>	<i>42,021</i>	<i>34,721</i>	<i>24,558</i>	<i>7,300</i>	<i>21%</i>							
Adj KHI EBITDA including real estate sales	94,084	67,609	45,192	26,475	39%							
<i>Adj KHI EBITDA excluding real estate sales</i>	<i>71,104</i>	<i>56,990</i>	<i>34,573</i>	<i>14,114</i>	<i>25%</i>							
Net profit	17,141	42,334	34,093	(25,192)	(60%)							
<i>Net Profit before non-recurring items</i>	<i>43,060</i>	<i>32,065</i>	<i>32,839</i>	<i>10,995</i>	<i>34%</i>							
Avg. no. shares outstanding	174,607	174,732	174,732	(125)	(0%)							
EPS	\$ 0.10	\$ 0.24	\$ 0.20	\$ (0.14)	(59%)							
<i>EPS before non-recurring items</i>	<i>\$ 0.40</i>	<i>\$ 0.18</i>	<i>\$ 0.19</i>	<i>\$ 0.21</i>	<i>115%</i>							
Net Debt	149,120	134,335	134,335	14,785	11%							

Key Ratios	2008	2007	2007	Change
(31 December year-end)		(Restated)	(Reported)	(% points)
KHI EBITDA margin (% Total revenues)	18%	20%	14%	(1.3)
Hotel Gross margin (% Hotel revenues)	17%	16%	17%	0.1
Operating profit margin (% Total revenues)	8%	7%	8%	0.6
KHI Net Profit before non-recurring items (% Total revenues)	15%	18%	18%	(2.3)
Net Debt/ Shareholders' Equity	13%	11%	11%	1.5

The following table sets forth KHI performance for the year-ended 31 December 2008 including the nominal and percentage change for our consolidated results as reported, and our comparable, like-for-like results as defined previously:

(31 December year-end, US\$000)	Consolidated					Excl. Forex	Comparable					Excl. Forex
	2008	2007	2007	Change			2008	2007	2007	Change		
		(Restated)	(Reported)	\$	%			(Restated)	(Reported)	\$	%	
Rooms revenue	130,740	95,979	94,522	34,761	36%		90,631	75,479	74,022	15,152	20%	
F&B revenue	77,973	57,265	56,504	20,708	36%		50,782	44,758	43,997	6,024	13%	
Other revenue	22,234	16,528	16,392	5,706	35%		12,775	12,013	11,878	762	6%	
Hotel revenues	230,947	169,772	167,418	61,176	36%	33%	154,187	132,250	129,897	21,937	17%	15%
Real estate sales	39,861	4,837	4,837	35,024	724%							
Real estate leases/ other	6,039	5,122	5,122	917	18%							
Bus. development, asset mgmt fees	1,877	1,178	1,178	699	59%							
Other revenues	47,777	11,137	11,137	36,640	329%							
Total Revenues	278,725	180,909	178,556	97,816	54%							
Rooms cost	(21,558)	(15,803)	(15,003)	(5,755)	(36%)		(14,109)	(12,112)	(11,313)	(1,997)	(16%)	
F&B cost	(49,683)	(36,495)	(35,454)	(13,188)	(36%)		(33,021)	(28,698)	(27,657)	(4,323)	(15%)	
Other departmental costs	(75,506)	(54,758)	(54,246)	(20,747)	(38%)		(47,695)	(41,719)	(41,207)	(5,976)	(14%)	
Management fees	(12,131)	(9,067)	(9,067)	(3,065)	(34%)		(8,540)	(7,423)	(7,423)	(1,117)	(15%)	
Other expenses	(6,197)	(4,673)	(4,673)	(1,523)	(33%)		(3,083)	(3,086)	(3,086)	4	0%	
Hotel operating costs	(165,075)	(120,796)	(118,443)	(44,279)	(37%)	(33%)	(106,448)	(93,040)	(90,686)	(13,409)	(14%)	(13%)
Real estate sales cost	(30,517)	(3,915)	(3,915)	(26,602)	(680%)							
Real estate leasing costs	(1,510)	(729)	(729)	(780)	(107%)							
Other direct costs	(32,026)	(4,644)	(4,644)	(27,382)	(590%)							
Hotel EBITDA	65,872	48,976	48,976	16,897	35%	32%	47,739	39,210	39,210	8,529	22%	21%
Hotel depreciation	(27,716)	(21,115)	(20,728)	(6,601)	(31%)		(16,188)	(14,617)	(14,617)	(1,571)	(11%)	
Hotel Gross Profit	38,156	27,861	28,247	10,296	37%		31,551	24,594	24,594	6,957	28%	
Real estate sales EBITDA	9,345	922	922	8,422	913%							
Real estate leasing EBITDA	4,529	4,393	4,393	137	3%							
Bus. development, asset mgmt fees	1,877	1,178	1,178	699	59%							
Other Gross Profit	15,751	6,493	6,493	9,258	143%							
Total Gross Profit	53,908	34,354	34,741	19,553	57%							
Corporate G&A	(22,621)	(19,406)	(19,406)	(3,215)	(17%)							
Corporate depreciation	(693)	(636)	(476)	(57)	(9%)							
Pre-opening expenses	(1,730)	-	-	(1,730)	0%							
Sales and marketing	(6,403)	(850)	(850)	(5,553)	(653%)							
Operating profit	22,461	13,463	14,009	8,998	67%							
Share of results in associates	40,425	26,883	26,883	13,541	50%							
Dividends received	495	430	430	65	15%							
Interest income (expense), net	(13,291)	(2,045)	(2,045)	(11,246)	(550%)							
Project costs written-off	(26,417)	(3,980)	(3,980)	(22,437)	(564%)							
Provision for doubtful debt	-	-	-	-	n/a							
Gains from sale of investments	720	4,625	4,625	(3,905)	(84%)							
Other non-operating income or expense	628	9,624	610	(8,996)	(93%)							
Profit before tax & min. interests	25,021	49,000	40,532	(23,979)	(49%)							
Income tax	(4,295)	(2,057)	(2,057)	(2,237)	(109%)							
Minority interests	(3,585)	(4,609)	(4,381)	1,024	22%							
Net Profit	17,141	42,334	34,093	(25,192)	(60%)							
<i>Net Profit before non-recurring items</i>	<i>43,060</i>	<i>32,065</i>	<i>32,839</i>	<i>10,995</i>	<i>34%</i>							
Avg. no. shares outstanding	174,607	174,732	174,732	(125)	(0%)							
EPS	\$ 0.10	\$ 0.24	\$ 0.20	\$ (0.14)	(59%)							
<i>EPS before non-recurring items</i>	<i>\$ 0.40</i>	<i>\$ 0.18</i>	<i>\$ 0.19</i>	<i>\$ 0.21</i>	<i>115%</i>							
Operating Hotels												
Consolidated hotel investments	18	17	17	1	6%		12	12				
Associated hotel investments	4	4	4	-	0%							
Total operating hotels	22	21	21	1	5%							
Consolidated hotel rooms	3,716	3,576	3,576	140	4%		2,534	2,496				
Associated hotel rooms	1,377	1,364	1,364	13	1%							
Total operational rooms	5,093	4,940	4,940	153	3%							

Hotel operations

Hotel revenues increased 36 per cent to US\$230.9 million. This increase was driven by the combined effect of growth and acquisition timing of five Asian hotels acquired during 2007 which contributed US\$ 76.7 million of revenue growth. Revenues at our 12 comparable hotels increased by 17 per cent to US\$ 21.9 million through room revenue expansion and the benefit of an extra calendar day.

(31 December year-end, US\$000)	Consolidated			Excl. Forex	Comparable			Excl. Forex
	2008	2007	% Change		2008	2007	% Change	
Occupancy %	- not comparable	-	-		58%	60%	(1.3) pts	
ADR	- not comparable	-	-		\$ 171.7	\$ 141.7	21%	
RevPAR	- not comparable	-	-		\$ 100.4	\$ 84.8	18%	
Rooms	130,740	95,979	36%		90,631	75,479	20%	
Food and beverage	77,973	57,265	36%		50,782	44,758	13%	
Other operating revenues	22,234	16,528	35%		12,775	12,013	6%	
Total Hotel Revenue	230,947	169,772	36%	33%	154,187	132,250	17%	15%
Real estate revenues	45,900	9,959	361%					
Other revenues	1,877	1,178	59%					
Total non-hotel revenues	47,777	11,137	329%					
Total revenues	278,725	180,909	54%					
# of consolidated hotels	18	17	6%		12	12		
# of consolidated rooms	3,716	3,626	2%		2,534	2,534		

Hotel gross profits increased by US\$ 10.3 million to US\$ 38.2 million as KHI's 12 comparable hotels' expanded gross profit by US\$ 7.0 million to US\$ 31.6 million (or 28 per cent) and contributed most of the contribution to KHI hotel gross profit growth. This strong performance in the comparable hotels was due to very strong results in Damascus, Beirut, Dar es Salaam and others that offset significant Kenya declines and flat performance in Dubai and Phuket. The timing impacts of KHI's 5 Asia acquisitions in 2007 contributed US\$ 3.3 million to Gross Profit expansion.

The following table summarizes gross profit by hotel for the years ended 31 December 2008 and 2007:

(31 December year-end, US\$000)	2008			2007			\$ change		% change	
	Hotel EBITDA	Depreciation	Hotel Gross Profit	Hotel EBITDA	Depreciation	Hotel Gross Profit	Hotel EBITDA	Hotel Gross Profit	Hotel EBITDA	Hotel Gross Profit
Comparable										
Four Seasons Damascus	15,557	1,568	13,990	9,911	1,372	8,539	5,646	5,451	57%	64%
Mövenpick Hotel Bur Dubai	8,766	1,442	7,324	8,563	1,362	7,202	203	122	2%	2%
Mövenpick Resort & Spa, Karon Beach	5,219	3,303	1,916	5,599	3,700	1,899	(380)	17	(7%)	1%
Mövenpick Royal Palm, Dar es Salaam	3,753	1,640	2,112	2,326	1,458	868	1,427	1,244	61%	143%
Mövenpick Resort & Spa, Mauritius	1,819	1,356	463	1,264	1,112	153	555	310	44%	203%
Mövenpick Resort El Quseir	5,294	792	4,502	4,658	835	3,823	636	679	14%	18%
InterContinental Lusaka	3,534	1,274	2,260	2,649	696	1,952	886	308	33%	16%
Mövenpick Beirut	5,933	2,802	3,131	1,809	2,710	(901)	4,125	4,033	228%	447%
Fairmont Kenya	(2,137)	2,010	(4,147)	2,431	1,371	1,060	(4,569)	(5,207)	(188%)	(491%)
Comparable hotels	47,739	16,188	31,551	39,210	14,617	24,594	8,529	6,957	22%	28%
Excluding Forex impact										
<i>Comparable excluding Kenya</i>	<i>49,876</i>	<i>14,178</i>	<i>35,698</i>	<i>36,779</i>	<i>13,245</i>	<i>23,534</i>	<i>13,097</i>	<i>12,165</i>	<i>36%</i>	<i>52%</i>
<i>Comparable excluding Kenya & forex</i>									<i>31%</i>	<i>20%</i>
Acquisition, new operations & discontinued operations impacts										
Four Seasons Langkawi	7,589	4,667	2,922	5,289	2,977	2,313	2,300	609	n/a	n/a
Raffles Cambodia	3,840	2,389	1,451	1,706	1,201	505	2,134	946	n/a	n/a
Swissôtel Kunshan	3,678	2,004	1,674	2,431	1,398	1,032	1,247	642	n/a	n/a
Four Seasons Jakarta	2,561	1,451	1,110	339	922	(583)	2,221	1,692	n/a	n/a
Four Seasons Mövenpick, Mauritius	466	1,017	(551)	-	-	-	466	(551)	n/a	n/a
Acquisition and new operations impacts	18,133	11,528	6,605	9,765	6,498	3,267	8,368	3,339	n/a	n/a
KHI Consolidated Hotels	65,872	27,716	38,156	48,976	21,115	27,860	16,897	10,296	35%	37%
Excluding Forex impact										
<i>Total excluding Kenya</i>	<i>68,009</i>	<i>25,706</i>	<i>42,304</i>	<i>46,544</i>	<i>19,744</i>	<i>26,800</i>	<i>21,465</i>	<i>15,503</i>	<i>46%</i>	<i>58%</i>
<i>Total excluding Kenya & forex</i>									<i>29%</i>	<i>16%</i>

Comparable Hotels

The 12 comparable hotels are properties that were under KHI ownership for the same 12 month period in 2008 and 2007. These were: Mövenpick Beirut, Mövenpick Bur Dubai, Four Seasons Damascus, Mövenpick El Quseir, the four Fairmont hotels in Kenya, Mövenpick Dar es Salaam, Mövenpick Mauritius, InterContinental Lusaka and Mövenpick Phuket.

Comparable hotel revenues grew by 17 per cent (15 per cent on a currency neutral basis) to US\$ 154.2 million while EBITDA increased 22 per cent to US\$ 47.7 million. Excluding Kenya, which was impacted by renovations and political unrest, revenue and EBITDA growth were 26 per cent and 36 per cent respectively. Cumulatively, Beirut and Damascus accounted for 75 per cent of the EBITDA growth excluding Kenya.

- Financial performance in Kenya was adversely impacted by the planned renovation of the Norfolk, Mount Kenya Safari club and Mara Safari Club (which put rooms and food and beverage outlets out of commission), as well as the effects of political violence early in the year. EBITDA loss for the year was US\$ 2.3 million, a US\$ 4.6 million decline from 2007.
- The Four Seasons Damascus continued its ramp-up as the leading hotel in that city through rate increases and delivered 32 per cent RevPAR growth which in turn drove hotel revenue increase of 36 per cent to US\$ 35.8 million and translated into EBITDA growth of US\$ 5.6 million with a margin improvement of 5.9 points.
- Revenues in Mövenpick Beirut increased 56 per cent as the Doha Agreement of 21 May 2008 ended the country's political stalemate with the resulting influx of tourists making a strong summer season. Hotel revenues increased by 56 per cent to US\$ 56.6 million. EBITDA tripled to US\$ 5.9 million as margins expanded by 10.6 points from last year.
- At the Mövenpick Dar es Salaam, a newly renovated hotel, buoyant demand amid limited room supply led to revenue and EBITDA growth of 40 per cent and 61 per cent respectively while EBITDA margin expanded by 3.9 percentage points.
- Despite renovation works which reduced room inventory in the first half of the year, the InterContinental Lusaka increased rates to grow revenue by 23 per cent and EBITDA by 33 per cent with a 2.5 percent increase in cash profit margins.
- Demand for Red Sea resorts proved resilient as the Mövenpick El Quseir grew revenues by 18 per cent through occupancy and rates increases. EBITDA increased 14 per cent to US\$ 5.3 million despite slight decrease in margins of 1.6 percentage points driven by cost inflation.
- Revenues of the Mövenpick Mauritius grew by 24 per cent on the back of stronger room pricing and occupancy in addition to favorable foreign exchange effects. RevPAR growth and the related margins improvement of 2.3 percentage points is attributable to yield management.
- The Mövenpick Karon Beach in Phuket was impacted by political unrest which led to the closure of the Bangkok airport. Revenues slipped by 2 per cent and EBITDA declined by 7 per cent.
- In Dubai, the Mövenpick hotel grew revenue by 10 per cent but significant cost inflation reduced margins by 3 percentage points to grow EBITDA by only 2 per cent. We completed the capacity expansion project for this hotel by December 2008 with the addition of new rooms and the integration of the adjacent suites building.

(31 December year-end, US\$000)	# of Rooms	2008				2007				% Change	
		ADR	Avg Occupancy	RevPAR	Hotel Revenue*	ADR	Avg Occupancy	RevPAR	Hotel Revenue*	RevPAR	Revenue
Four Seasons Damascus	297	\$ 291.2	69%	\$ 199.7	35,847	\$ 221.2	67%	\$ 147.8	26,452	35%	36%
Mövenpick Hotel Bur Dubai	312	\$ 213.0	75%	\$ 159.2	21,178	\$ 195.2	80%	\$ 156.2	19,271	2%	10%
Mövenpick Resort & Spa, Karon Beach	351	\$ 146.6	52%	\$ 76.8	14,519	\$ 133.0	61%	\$ 81.4	14,832	(6%)	(2%)
Mövenpick Resort & Spa, Mauritius	181	\$ 136.9	67%	\$ 91.4	10,730	\$ 123.9	56%	\$ 69.5	8,650	31%	24%
Mövenpick Beirut	292	\$ 230.8	57%	\$ 132.3	26,628	\$ 154.5	46%	\$ 70.4	17,011	88%	57%
Mövenpick Royal Palm, Dar es Salaam	230	\$ 130.4	79%	\$ 102.6	13,537	\$ 103.1	68%	\$ 70.0	9,748	47%	39%
InterContinental Lusaka	225	\$ 128.6	57%	\$ 73.0	11,374	\$ 117.8	55%	\$ 64.9	9,255	12%	23%
Mövenpick Resort El Quseir	250	\$ 78.3	77%	\$ 60.4	11,384	\$ 67.3	74%	\$ 49.6	9,688	22%	18%
Fairmont Kenya (4 Properties)	396	\$ 145.9	21%	\$ 30.1	8,989	\$ 135.5	43%	\$ 58.0	17,342	(48%)	(48%)
Comparable Hotel Revenue	2,534	\$ 171.7	58%	\$ 100.4	154,187	\$ 141.7	60%	\$ 84.8	132,250	18%	17%
Excluding Forex impact										17%	15%
<i>Total excl. Fairmont Kenya</i>	<i>2,138</i>	<i>\$ 173.2</i>	<i>66%</i>	<i>\$ 113.8</i>	<i>145,198</i>	<i>\$ 142.6</i>	<i>63%</i>	<i>\$ 89.9</i>	<i>114,907</i>	<i>27%</i>	<i>26%</i>
Excluding Kenya & Forex impact										25%	24%

* In US\$000's and includes rooms, food and beverage and other departmental revenues

Impact of hotel acquisitions'

KHI did not acquire any hotels in 2008. In 2007, the Company acquired five operating hotels: the Four Seasons Langkawi, Swissôtel Kunshan, Raffles Le Royal Phnom Penh, Raffles Grand Hotel d'Angkor Siem Reap and Four Seasons Jakarta. KHI did not discontinue any hotel operations in 2008 or in 2007 but commenced new hotel operations in Four Seasons Mauritius in October 2008.

2008 reported revenues include the full-year revenue of all hotels. 2007 results include comparable hotel revenues as well as consolidation impact of that year's five acquisitions, namely the Four Seasons Langkawi (acquired in April 2007), the Swissôtel Kunshan (acquired in May 2007), Four Seasons Jakarta (acquired in September 2007) and two Raffles hotels in Cambodia (acquired in July 2007). These non-comparable hotel revenues added US\$ 76.7 million to our total revenues for the year ended 31 December 2008 and accounted for most of the growth in Group revenues. A like-for-like analysis of these acquired hotels can be found in the "System performance" section of this document.

(31 December year-end, US\$000)	Acquired	# of Rooms	2008	2007	\$ Change
Four Seasons Langkawi	April 2007	90	21,737	15,221	6,517
Swissôtel Kunshan	May 2007	387	13,255	8,376	4,879
Raffles Le Royal, Phnom Penh	July 2007	170	9,664	7,207	2,457
Raffles Grand Hotel d'Angkor Siem Reap	July 2007	125	8,950	1,310	7,640
Four Seasons Jakarta	September 2007	320	20,057	5,409	14,649
Hotel revenue - acquisition impacts		1,092	73,664	37,522	36,142
Four Seasons Mauritius	October 2008	78	3,097	-	3,097
Hotel revenue - new operations					
Hotel revenue - acquisition impacts & new operations			76,760	37,522	39,238

Consolidated hotel operating costs and expenses

KHI cost of sales represents the costs to operate our subsidiary hotels. These costs comprise predominantly the cost of hotel operations which include both fixed and variable costs that are affected by changes in occupancy, inflation and business and geography mix.

The increase in operating costs is primarily attributable to the addition of five acquired hotels.

(31 December year-end, US\$000)	Acquired	# of Rooms	2008	2007	\$ Change
Four Seasons Langkawi	April 2007	90	14,149	9,931	4,217
Swissôtel Kunshan	May 2007	387	9,577	5,945	3,632
Raffles Le Royal, Phnom Penh	July 2007	170	7,804	5,679	2,125
Raffles Grand Hotel d'Angkor Siem Reap	July 2007	125	6,971	1,132	5,839
Four Seasons Jakarta	September 2007	320	17,497	5,069	12,427
Hotel op. costs- acquisition impacts		1,092	55,996	27,757	28,240
Four Seasons Mauritius	October 2008	78	2,630	-	2,630
Hotel op. costs - new operations		78	2,630	0	2,630
Hotel op. costs - acquisition impacts & new operations			58,627	27,757	30,870

Depreciation expenses increased by US\$ 6.6 million to US\$ 27.7 million primarily due to the impact of newly acquired hotels in 2007. Comparable hotel depreciation increased by 11 per cent to US\$ 16.2 million and US\$ 1.0 million of depreciation charges related to the newly opened Four Seasons Mauritius.

(31 December year-end, US\$000)	Consolidated				Comparable			
	2008	2007	% Change	Excl. Forex	2008	2007	% Change	Excl. Forex
Rooms	21,558	15,803	36%		14,109	12,112	16%	
Food and beverage	49,683	36,495	36%		33,021	28,698	15%	
Other Departments	75,506	54,758	38%		47,695	41,719	14%	
Management fees	12,131	9,067	34%		8,540	7,423	15%	
Other expenses	6,197	4,673	33%		3,083	3,086	(0%)	
Hotel operating costs	165,075	120,796	37%	33%	106,448	93,040	14%	(13%)
Depreciation	27,716	21,115	31%		16,188	14,617	11%	
Hotel cost of sales	192,791	141,911	36%		122,636	107,656	14%	
# of consolidated hotels	18	17	6%		12	12		
# of consolidated rooms	3,716	3,626	2%		2,534	2,534		

Non-hotel operations

Non-hotel operations comprise other operating activities such as ancillary real estate sales and leasing, business development and asset management fees. The ancillary real estate business comprises a diversified real estate portfolio of residential and commercial real estate properties that we lease or sell. These are either branded or unbranded real estate properties that are mostly attached to or are in the vicinity of our hotel properties. In addition to the existing inventory of ancillary real estate, KHI has a number of hotel developments under construction that include significant ancillary real estate components.

Non-hotel revenues increased by US\$ 36.6 million to US\$ 47.7 million while gross profits from non-hotel operations were US\$ 15.8 million, a US\$ 9.3 million increase on the previous year. This growth was primarily driven by the revenue recognition of 32 villas in Four Seasons Mauritius which contributed gross profit of US\$ 8.7 million, representing KHI's 50% consolidated share of that asset.

Other revenues P&L			
(31 December year-end, US\$000)	2008	2007	\$ Change
Real estate sales	39,861	4,837	35,024
Real estate leases/ other	6,039	5,122	917
Bus. development, asset mgmt fees	1,877	1,178	699
Other revenues	47,777	11,137	36,640
Real estate cost of sale	(30,517)	(3,915)	(26,602)
Real estate leasing costs	(1,510)	(729)	(780)
Other expenses	(32,026)	(4,644)	(27,382)
Other gross profit	15,751	6,493	9,258

Ancillary Real Estate Sales

We seek to reduce commercial risk on ancillary real estate developments by conducting marketing and pre-sales programs to obtain reservations or deposit-based sales agreements from interested buyers, and apply international accounting standard IAS18 for revenue recognition on pre-completion real estate sale agreements that relate to agreements with buyers to purchase specific unit(s) within a development once it has been built. We typically receive partial payments on development pre-sales but do not recognize any revenues until completion. KHI may reassess its revenue recognition policy for real estate based on IFRC 15.

Real estate sales / pre-sales		Units		Revenue				Gross Profit			
(31 December year-end, US\$000)	Type	2008	2007	2008	2007	Change		2008	2007	Change	
						\$	%			\$	%
Mövenpick Resort & Spa Phuket	Residential apts.	7	13	2,668	4,837	(2,169)	(45%)	625	922	(297)	(32%)
Four Seasons Mauritius (1)	Villas	32	-	74,386	-	74,386	n/a	17,439	-	17,439	n/a
Consolidated				77,055	4,837	72,217	1493%	18,064	922	17,142	1858%
Four Seasons Nile Plaza Cairo (2)	Residential apts.	26	25	55,364	42,273	13,091	31%	27,441	20,423	7,018	34%
Four Seasons Sharm El Sheikh (2)	Chalets & Villas	12	8	9,556	5,661	3,895	69%	4,186	1,967	2,219	113%
Associates				64,920	47,934	16,986	35%	31,627	22,391	9,237	41%
KHI Equity Share in Associates								13,635	9,696	3,938	41%

1. Out of 40 units being presold as at 31 December 2008, 32 buyers have taken delivery of units and paid US\$ 70 million. 8 buyers have signed sales agreements with deposits of US\$ 24.4 million and delivery of units to them is expected in 2009.
2. KHI associates are not consolidated in reported financials (accounted for as KHI equity share of total associate net income)

Ancillary real estate sales contributed revenues of US\$ 39.9 million and gross profits of US\$9.3 million. This growth was primarily driven by the revenue recognition of 32 villas in Four Seasons Mauritius which contributed gross profit of US\$ 8.7 million, representing KHI's 50% consolidated share of that asset. As of year-end there were 8 Residences that were nearing completion and five Residences unsold.

Our inventory of apartments at the Mövenpick Resort & Spa Karon Beach Phuket is being sold on a 30 year leasehold basis with an option to extend for an additional 30 to 60 years. Sales of the units are recognized as a capital lease with the cost basis adjusted to reflect the units' share of excess of purchase price paid over the book value of the assets. The associated land lease is accounted for as an operating lease with annual revenue of about US\$50,000. Sales pace slowed down in 2008 as the sales of 7 apartments (2007: 13 units) generated revenues of US\$ 2.7 million and gross profits of US\$0.6 million. As at 31 December 2008, 10 apartments remained for sale.

Our associated Four Seasons properties in Cairo and Sharm El Sheikh include ancillary real estate for sale. In Sharm El Sheikh where 43 units remain for sale (primarily chalets), KHI's share of the profit is US\$ 1.6 million (2007: US\$ 0.7 million). In Cairo, 26 of 42 remaining apartments were sold. KHI's share of the profit share is US\$12.0 million (2007: US\$ 8.9 million).

Ancillary Real Estate Leasing

Profits from ancillary real estate leasing were US\$ 4.5 million, about the same as 2007. A decline in leasing revenues at the Bur Dubai apartment was offset by increased leasing profits in the Damascus Boulevard.

Our Four Seasons Damascus hotel includes an adjacent shopping centre (Damascus Boulevard) that is fully leased with 2008 revenues of US\$ 2.8 million (an 86 per cent increase from previous year) and leasing profits of US\$ 2.3 million (63 per cent increase). This performance was attributable to the leasing of all remaining vacant spaces, expiration of rent free periods and the conversion of office space to commercial space with higher rental yields.

The Mövenpick Beirut includes cabanas, marina and retail areas which are leased on a short term and seasonal basis, primarily to local non-hotel guests in the summer months. These are managed on our behalf by the hotel operator and generated profits of US\$ 1.7 million, the same as 2007.

The Bur Dubai residence building was acquired in 2006 with the objective of converting it into hotel serviced apartments. In 2007, all apartments were leased on short-term contracts ahead of a planned integration in 2008. As a result a select number of apartments were leased on short term contracts in 2008 with lower leasing profits of US\$ 0.5 million as compared with US\$ 1.3 million in 2007.

Leasing / other real estate revenue	Revenue				Gross Profit			
	2008	2007	Change		2008	2007	Change	
			\$	%			\$	%
(31 December year-end, US\$000)								
Four Seasons Damascus	2,799	1,504	1,295	86%	2,311	1,421	890	63%
Mövenpick Beirut	2,095	2,078	16	1%	1,678	1,676	2	0%
Bur Dubai residences	1,145	1,540	(395)	(26%)	541	1,296	(755)	(58%)
Total leasing / other real estate	6,039	5,122	917	18%	4,529	4,393	137	3%

Sales and Marketing Expenses

During this year we launched a marketing campaign to pre-sell ancillary residential real estate mainly at our Manila and Da Nang developments. Total related marketing expenses were US\$ 6.4 million for the year ended 31 December 2008 (2007: US\$ 0.8 million). The Da Nang development was put on hold due to increased macro-economic risks and a shift in demand for residential real estate. As a result, KHI cancelled the marketing campaign.

Developments reservation / sales	Type	Units		Sales				Deposits			
		2008	2007	2008	2007	Change		2008	2007	Change	
						\$	%			\$	%
(31 December year-end, US\$000)											
Four Seasons Marrakech (1)	Villas	3	2	6,540	1,901	4,639	244%	25,287	4,838	20,449	423%
Raffles Manila (2)	Residential apts.	111	-	36,037	-	36,037	n/a	7,613	-	7,613	n/a
Total Developments				42,577	1,901	40,676	2139%	32,900	4,838	28,062	n/a

- 41 buyers have signed sales agreements. US\$33.1 million (net of VAT) have been collected so far, out of the budgeted US\$56.8 million (net of VAT). The budgeted exchange rate of MAD/\$ is 8.5.
- 111 buyers have signed sales agreements. Total cash collected for sales value of US\$36.0 million (excluding VAT) amounts to US\$7.6 million of which 50% is refundable. The sales contract values are in Philippines Peso and for Peso/\$ conversion, the budgeted exchange rate of 50 has been used.

As previously disclosed, KHI has concluded pre-completion residential unit purchase agreements at the Four Seasons Marrakech for all 43 villas. By year-end, two buyers have expressed their intention not to proceed with the sales transaction despite non-refundable deposit payments as per their binding agreement. KHI is sourcing new buyers for those villas while maintaining its legal contractual rights as per the purchase agreements.

In July 2008, we successfully launched the Raffles Suites and Residences Makati in Manila and pre-sold 111 out of 236 apartments. The selection event achieved record volumes and pricing in that market.

The Raffles Seychelles project includes 23 villas that we don't expect to launch any marketing initiatives until the project nears completion.

Income from Associates

KHI does not consolidate results from associates and reports its share of net income in the period. Our reported total share of net income from associates increased by 50 per cent to US\$ 40.4 million (2007: US\$ 26.9 million). This performance was driven by a combination of real estate sales in our Egypt Four Seasons properties as well as improved hotel performance.

- At the Four Seasons Hotel Nile Plaza Cairo, KHI's equity share of net profit increased by US\$ 5.8 million to US\$ 25.1 million through accelerated ancillary real estate sales of 26 apartments (KHI share of profits US\$ 12.0 million) as well as improved hotel profitability
- At the Four Seasons Hotel Sharm El Sheikh, KHI's equity share of net profit from increased by US\$ 3.1 million to US\$ 6.4 million due to improved hotel profitability and ancillary real estate sales (KHI share of profits US\$ 1.6 million) The Four Seasons George V's improved hotel profitability and favorable foreign exchange impacts increased KHI's share of net profit by US\$ 2.8 million to US\$ 5.0 million;
- At the Mövenpick Resort & Spa El Gouna, KHI's equity share of net profit increased by US\$ 1.8 million to US\$ 4.1 million

Associates Net Income (31 December year-end, US\$000)	Hotel EBITDA				Real Estate Sales EBITDA				G&A / Tax / Other				Depreciation				Net Interest				Net Income			
	2008		2007		2008		2007		2008		2007		2008		2007		2008		2007		2008		2007	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%		
Four Seasons George V Hotel, Paris	56,100	48,137	7,962	17%	-	-	-	n/c	(8,105)	(6,949)	(1,156)	(17%)	(9,134)	(8,264)	(870)	(11%)	(18,742)	(23,853)	5,111	21%	20,118	9,071	11,047	122%
Four Seasons Nile Plaza, Cairo	33,218	29,943	3,275	11%	27,441	20,423	7,018	34%	247	2,076	(1,828)	(88%)	(4,520)	(5,308)	787	15%	1,105	(3,010)	4,115	137%	57,491	44,124	13,367	30%
Mövenpick Resort & Spa El Gouna	13,177	11,087	2,090	19%	-	-	-	n/c	(3,259)	(2,036)	(1,223)	(60%)	(879)	(912)	33	4%	(55)	(274)	219	80%	8,985	7,866	1,118	14%
Four Seasons Resort Sharm El Sheikh	13,805	10,650	3,155	30%	4,186	1,967	2,219	113%	408	(690)	1,098	159%	(2,146)	(2,004)	(142)	(7%)	80	(1,448)	1,528	106%	16,333	8,476	7,857	93%
Fairmont Zanzibar	(606)	(803)	197	n/c	-	-	-	n/c	-	(100)	100	n/c	-	-	-	n/c	-	-	-	n/c	(606)	(903)	297	n/c
Fairmont Palm Hotel & Resort	-	-	-	n/c	-	-	-	n/c	(323)	(737)	413	n/c	-	-	-	n/c	-	610	(610)	n/c	(323)	(126)	(197)	n/c
	115,694	99,015	16,679	17%	31,627	22,391	9,237	41%	(11,033)	(8,436)	(2,596)	(31%)	(16,679)	(16,487)	(192)	(1%)	(17,612)	(27,974)	10,363	37%	101,997	68,508	33,489	49%

Shares of Associates (31 December year-end, US\$000)	% Equity ownership	Net Income -- KHI Share			
		2008		2007	
		\$	%	\$	%
Four Seasons George V Hotel, Paris	25.0%	5,030	2,268	2,762	122%
Four Seasons Nile Plaza, Cairo	43.7%	25,118	19,278	5,840	30%
Mövenpick Resort & Spa El Gouna	29.3%	4,104	2,303	1,800	78%
Four Seasons Resort Sharm El Sheikh	39.3%	6,420	3,332	3,089	93%
Fairmont Zanzibar	30.0%	(182)	(271)	89	n/c
Fairmont Palm Hotel & Resort	20.1%	(65)	(25)	(40)	n/c
		40,424	26,884	13,540	50%

Associates Share of EBITDA (31 December year-end, US\$000)	% Equity ownership	Hotel EBITDA				Real Estate Sales EBITDA				G&A / Tax / Other				EBITDA -- KHI Share				EBITDA -- KHI Share (Exc R/E Sales)			
		2008		2007		2008		2007		2008		2007		2008		2007		2008		2007	
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%		
Four Seasons George V Hotel, Paris	25.0%	14,025	12,034	1,991	17%	-	-	-	n/c	(2,026)	(1,737)	(289)	(17%)	11,999	10,297	1,702	17%	11,999	10,297	1,702	17%
Four Seasons Nile Plaza, Cairo	43.7%	14,513	13,082	1,431	11%	11,989	8,923	3,066	34%	108	907	(799)	(88%)	26,610	22,912	3,698	16%	14,621	13,989	632	5%
Mövenpick Resort & Spa El Gouna	29.3%	3,858	3,246	612	19%	-	-	-	n/c	519	(596)	1,115	187%	4,377	2,650	1,727	65%	4,377	2,650	1,727	65%
Four Seasons Resort Sharm El Sheikh	39.3%	5,427	4,187	1,240	30%	1,646	773	872	113%	160	(271)	432	159%	7,233	4,689	2,544	54%	5,587	3,915	1,672	43%
Fairmont Zanzibar	30.0%	(182)	(241)	59	n/c	-	-	-	n/c	-	(30)	30	n/c	(182)	(271)	89	n/c	(182)	(271)	89	n/c
Fairmont Palm Hotel & Resort	20.1%	-	-	-	n/c	-	-	-	n/c	(65)	(148)	83	n/c	(65)	(148)	83	n/c	(65)	(148)	83	n/c
		37,641	32,308	5,333	17%	13,635	9,696	3,938	41%	(1,304)	(1,876)	571	30%	49,971	40,129	9,842	25%	36,337	30,433	5,904	19%

Other financial information

Dividend Income

This represents our share of dividend income declared by the holding company of the Four Seasons Amman.

General & administrative expenses

These include payroll and benefits, LTIP, legal and professional fees, travel expenses and office expense incurred at our head office, Singapore office and certain in-country locations. G&A expenses increased by 17 per cent (or US\$ 3.2 million) to US\$ 22.6 million from last year as we increased headcount and capability in the first half of 2008 to support expected expansion, development activities and stewardship.

In December 2008 and January 2009, KHI executed a restructuring programme to improve productivity in response to expected challenges emanating from the effects of a global slowdown and recession on its business. A total of 17 positions were eliminated or approximately 25% of corporate headcount. Most of these employees have now left the Company. One-time restructuring expenses of US\$0.9 million were recognized in 2008 and a further US\$ 0.6 million will be expensed in the first quarter of 2009.

Pre-opening Expenses

The Four Seasons Resort Mauritius opened on 1 October 2008. Our 50 per cent share of that property's pre-opening expenses was US\$ 1.7 million.

Non-recurring items

KHI's reported results include a number of one-time or extraordinary items that are non-recurring in nature. The following table provides a reconciliation of net income and net income per share available to KHI shareholders before the effects of one-time items and extraordinary gains or losses before as well as after effect of real-estate sales:

(31 December year-end, US\$000)	Consolidated				Per Share			
	2008	2007	Change		2008	2007	Change	
		(Restated)	\$	%		(Restated)	\$	%
Net Profit	17,141	42,334	(25,192)	-60%	\$ 0.10	\$ 0.24	\$ (0.14)	-59%
Project costs written-off	26,417	3,980	22,437		\$ 0.15	\$ 0.02	\$ 0.13	
Gains from sale of investments	(720)	(4,625)	3,905		\$ (0.00)	\$ (0.03)	\$ 0.02	
Other non recurring general and admin expense	850	-	850		\$ 0.00	\$ -	\$ 0.00	
Other non-operating income or expense	(628)	(9,624)	8,996		\$ (0.00)	\$ (0.06)	\$ 0.05	
Non-recurring items	25,919	(10,269)	36,188		\$ 0.15	\$ (0.06)	\$ 0.21	
Net profit before non-recurring items	43,060	32,065	10,995	34%	\$ 0.40	\$ 0.18	\$ 0.21	115%
Real estate sales and marketing	(6,403)	(850)	(5,553)		\$ (0.04)	\$ (0.00)	\$ (0.03)	
Profit from real estate sales in subsidiaries	9,345	922	8,422		\$ 0.05	\$ 0.01	\$ 0.05	
Profit from real estate sales in associates	13,635	9,696	3,938		\$ 0.08	\$ 0.06	\$ 0.02	
Impact of ancillary real estate sales	16,576	9,769	6,808	70%	\$ 0.09	\$ 0.06	\$ 0.04	70%
Net profit before non-recurring items & real estate sales	26,484	22,296	4,187	19%	\$ 0.15	\$ 0.13	\$ 0.02	19%

Project costs written off

KHI capitalizes certain project related expenses and conducts a regular impairment exercise on all its balance sheet investments. During the year ended 31 December 2008, we have written off or provided against US\$ 26.4 million of investments and capitalized expenses related to development costs.

Project	Write-off (US\$ million)	Comment
Da Nang, Vietnam	16.8	Capitalized expenses due to the cancellation of the resort and ancillary real estate development
Four Seasons Langkawi, Malaysia	4.0	All related capitalized expenses resulting from cancellation of the capacity expansion project
Phang Nga, Thailand	2.9	Portion of capitalized expenses at our development
Mövenpick Kampala, Uganda	2.3	Development costs
Gaza	0.5	Development costs
Total	26.4	

Gain on sale of investments

During the year, we disposed of our equity interest in Dubai Pearl development for US\$ 8.2 million and realized a gain of US\$4.5 million, as part of a swap agreement signed with IFA hotels we disposed of our equity interest in Fairmount Zanzibar for US\$ 1.4 million and realized a gain of US\$0.2 million and equity interest in Fairmont Palm Hotel and Resort for US\$ 13.9 million and realized a gain of US\$0.5 million. During the year, we also sold our development project in Phang Nga for US\$ 23.9 million and incurred a loss of US\$ 3.5 million.

Interest Income and Expense, Net

Total interest expense was US\$ 17.2 million (2007: US\$ 13.5 million) and total interest income was US\$ 3.9 million (2007: US\$ 11.5 million). Total net interest expense was US\$ 13.3 million (2007: US\$ 2.0 million). This US\$ 11.3 million increase was due to :

- Decrease in interest income by US\$ 7.6 million as cash balances were utilized on developments and acquiring operating businesses as well as a general fall in interest rates attained on deposits.
- Increased interest expense of US\$ 3.7 million in 2008 related to the US\$ 32.9 million shareholder loan from our associate hotel in Paris which was drawn down in late 2007, a new loan of US\$ 50 million for Mamlaka Langkawi Sdn. Bhd., in addition to interest charged on the debt of newly opened Four Seasons Resort in Mauritius.

Income Taxes

The Group was subject to income taxes in several of its operating jurisdictions (Langkawi, Zambia, Jakarta, Cambodia) but has tax exempt status in the Cayman Islands where it is registered and enjoys a number of tax exemptions or tax carry forwards on its other properties. Income tax was US\$ 4.3 million (2007: US\$ 2.1 million).

Minority Interest

Minority interests in our consolidated profits for the year ended 31 December 2008 was US\$ 3.6 million against a profit of US\$ 4.4 million for the year ended 31 December 2007. This was primarily driven by improved profitability at our Damascus and El Quseir properties, partially offset by the minorities' share in Kenya losses.

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

Net income before interest expense or income, income tax expense, and depreciation and amortization charges is a commonly used measure of performance in several industries. Management uses its own definition of EBITDA: "KHI EBITDA" and "Adjusted KHI EBITDA". These two definitions are used by management:

- As **operating performance measures** to compare operating performance and operation cash generation on a consistent basis, as they remove the impact of our asset base (depreciation and amortization) and items not directly resulting from the Company's operations;
- For **planning purposes**, including the preparation of our internal annual operating budgets and forecasts;
- For **analysis of acquisitions and divestitures**; including the preparation of target acquisition plans and objectives;
- To **establish targets** for certain management performance and compensation;
- To **evaluate KHI's capacity to incur and service debt**, satisfy operating obligations, fund capital expenditures and reinvest in our business.

Both KHI EBITDA and Adjusted KHI EBITDA should be used by investors as important but supplemental measures of the Company's financial performance. KHI EBITDA and Adjusted KHI EBITDA may include funds that are not available for the discretionary use by management due to the need to satisfy contractual capital expenditures in our hotels, committed development and property acquisitions or other commitments and uncertainties. Furthermore KHI EBITDA and Adjusted EBITDA as calculated by the Company are not necessarily comparable to similarly titled measures used by other companies and (a) do not represent net income or cash flows from operating activities as defined by GAAP or IFRS; (b) are not necessarily indicative of cash available to fund cash flow needs; and (c) should not be considered as alternatives to net income, operating income, cash flows from operating activities or other financial information as determined under GAAP and IFRS.

- **KHI EBITDA:** We amended the definition of EBITDA (Net income before interest expense or income, income tax expense, and depreciation and amortization charges) to exclude non-recurring gains and losses and non-cash effects of equity investments and minority interests. Examples of non-recurring gains or losses are gains and losses on dispositions of assets or investments, amortization of deferred gains, impairment losses and write-offs, foreign currency gains or losses and debt prepayment penalties.
- **Adjusted KHI EBITDA:** We adjusted KHI EBITDA to account for the full impact of our share in the EBITDA of unconsolidated equity investments and the share of KHI minority partners in the EBITDA of our subsidiaries. The Adjusted KHI EBITDA measure does not include the effect of actual cash distributions from our equity investments or cash distributed to our minority shareholders.

(31 December year-end, US\$000)	KHI EBITDA Including Real Estate Sales				KHI EBITDA Excluding Real Estate Sales			
	2008	2007	Change		2008	2007	Change	
		(Restated)	\$	%		(Restated)	\$	%
Hotel revenues	230,947	169,772	61,176	36%	230,947	169,772	61,176	36%
Hotel operating costs	(165,075)	(120,796)	(44,279)	(37%)	(165,075)	(120,796)	(44,279)	(37%)
Hotel EBITDA	65,872	48,976	16,897	35%	65,872	48,976	16,897	35%
Real estate sales	39,861	4,837	35,024	724%	-	-	-	n/a
Real estate leases/ other	6,039	5,122	917	18%	6,039	5,122	917	18%
Bus. development, asset mgmt fees	1,877	1,178	699	59%	1,877	1,178	699	59%
Other revenues	47,777	11,137	36,640	329%	7,916	6,300	1,616	26%
Real estate cost of sale	(30,517)	(3,915)	(26,602)	(680%)	-	-	-	n/a
Real estate leasing costs	(1,510)	(729)	(780)	(107%)	(1,510)	(729)	(780)	(107%)
Other expenses	(32,026)	(4,644)	(27,382)	(590%)	(1,510)	(729)	(780)	(107%)
Other EBITDA	15,751	6,493	9,258	143%	6,406	5,571	835	15%
Dividends received	495	430	65	15%	495	430	65	15%
Pre-opening expenses	(1,730)	-	(1,730)	n/a	(1,730)	-	(1,730)	0%
Sales and marketing	(6,403)	(850)	(5,553)	n/a	(6,403)	(850)	(5,553)	n/a
Corporate general & admin.	(22,621)	(19,406)	(3,215)	(17%)	(22,621)	(19,406)	(3,215)	(17%)
KHI EBITDA	51,365	35,644	15,722	44%	42,021	34,721	7,300	21%

KHI EBITDA and Adjusted KHI EBITDA- Reconciliation to Financials

(31 December year-end, US\$000)	Adj. KHI EBITDA Including Real Estate Sales				Adj KHI EBITDA Excluding Real Estate Sales			
	2008	2007	Change		2008	2007	Change	
		(Restated)	\$	%		(Restated)	\$	%
Net Profit	17,141	42,334	(25,192)	(60%)	7,797	41,412	(33,615)	(81%)
Depreciation*	28,409	21,751	6,658	31%	28,409	21,751	6,658	31%
Project costs written-off	26,417	3,980	22,437	564%	26,417	3,980	22,437	564%
Minority interests**	3,585	4,609	(1,024)	(22%)	3,585	4,609	(1,024)	(22%)
Income tax	4,295	2,057	2,237	109%	4,295	2,057	2,237	109%
Share of results in associates	(40,425)	(26,883)	(13,541)	(50%)	(40,425)	(26,883)	(13,541)	(50%)
Interest expense (income), net	13,291	2,045	11,246	550%	13,291	2,045	11,246	550%
Gains from sale of investments	(720)	(4,625)	3,905	84%	(720)	(4,625)	3,905	84%
Other non-operating income or expense***	(628)	(9,624)	8,996	93%	(628)	(9,624)	8,996	93%
KHI EBITDA	51,365	35,644	15,722	44%	42,021	34,721	7,300	21%
Share of min. int. in subsidiaries net profit	(3,585)	(4,609)	1,024	22%	(3,585)	(4,609)	1,024	22%
Share of min. int in subsidiaries depreciation	(2,844)	(2,410)	(433)	(18%)	(2,844)	(2,410)	(433)	(18%)
Share of min. int in subsidiaries net finance cost	(1,411)	(1,220)	(191)	(16%)	(1,411)	(1,220)	(191)	(16%)
Share of min. int in subsidiaries tax expenses	365	(375)	739	197%	365	(375)	739	197%
Share of min. int in subsidiaries other gains/ losses	222	450	(228)	(51%)	222	450	(228)	(51%)
Total share of Minority Interest	(7,253)	(8,163)	910	11%	(7,253)	(8,163)	910	11%
Share of associates hotel EBITDA (Excl. R/E Sales)	36,337	30,433	5,904	19%	36,337	30,433	5,904	19%
Share of real estate sales in associates	13,635	9,696	3,938	41%	-	-	-	n/a
Adjusted KHI EBITDA	94,084	67,609	26,474	39%	71,104	56,990	14,114	25%

* Inclusive of depreciation at the hotel level and also the portion that forms part of Corporate G&A

** This amount differs from the financial statements as it includes the minority interest portion of gain on bargain purchase of a subsidiary

*** This amount differs from the financial statements as it includes the gain on bargain purchase of a subsidiary of US\$ 2.6 million for Four Seasons Langkawi

The following table is reconciliation from hotel results through reported KHI EBITDA and Adjusted EBITDA, before and after real estate sales for the years ended 31 December:

Consolidated EBITDA & Adjusted EBITDA																								
(31 December year-end, US\$000)	Hotel EBITDA				EBITDA Real Estate Sales				EBITDA Real Estate Others				Total EBITDA				Total Minority Interest				KHI Adj EBITDA			
	2008	2007	\$ var.	% var.	2008	2007	\$ var.	% var.	2008	2007	\$ var.	% var.	2008	2007	\$ var.	% var.	2008	2007	\$ var.	% var.				
Four Seasons Damascus	15,577	9,911	5,646	57%	-	-	-	n/a	2,311	1,421	890	63%	17,868	11,322	6,536	58%	(8,808)	(5,768)	(3,041)	(53%)	9,060	5,564	3,495	63%
Mövenpick Hotel Bur Dubai	8,766	8,563	203	2%	-	-	-	n/a	541	1,296	(755)	(58%)	9,307	9,859	(552)	(6%)	-	-	-	n/a	9,307	9,859	(552)	(6%)
Mövenpick Resort & Spa, Karon Beach	5,219	5,599	(380)	(7%)	625	922	(297)	(32%)	-	-	-	0%	5,844	6,521	(677)	(10%)	-	-	-	n/a	5,844	6,521	(677)	(10%)
Mövenpick Royal Palm, Dar es Salaam	3,753	2,326	1,427	61%	-	-	-	n/a	-	-	-	n/a	3,753	2,326	1,427	61%	(144)	(82)	(62)	(75%)	3,609	2,244	1,365	61%
Mövenpick Resort & Spa, Mauritius	1,819	1,264	555	44%	-	-	-	n/a	-	-	-	n/a	1,819	1,264	555	44%	-	-	-	n/a	1,819	1,264	555	44%
Mövenpick Resort El Quseir	5,294	4,658	636	14%	-	-	-	n/a	-	-	-	n/a	5,294	4,658	636	14%	(421)	(544)	123	23%	4,873	4,114	759	18%
InterContinental Lusaka	3,534	2,649	886	33%	-	-	-	n/a	-	-	-	n/a	3,534	2,649	886	33%	-	-	-	n/a	3,534	2,649	886	33%
Mövenpick Beirut	5,933	1,809	4,125	228%	-	-	-	n/a	1,678	1,676	2	0%	7,611	3,485	4,126	118%	(1,305)	(527)	(778)	(148%)	6,306	2,958	3,348	113%
Fairmont Kenya	(2,137)	2,431	(4,569)	(188%)	-	-	-	n/a	-	-	-	n/a	(2,137)	2,431	(4,569)	(188%)	1,885	(811)	2,696	332%	(252)	1,620	(1,872)	(116%)
Comparable hotels	47,739	39,210	8,529	22%	625	922	(297)	(32%)	4,529	4,393	137	3%	52,894	44,526	8,368	19%	(8,793)	(7,732)	(1,061)	(14%)	44,100	36,793	7,307	20%
Four Seasons Langkawi	7,589	5,289	2,300	n/a	-	-	-	n/a	-	-	-	n/a	7,589	5,289	2,300	n/a	(740)	(535)	(205)	n/a	6,849	4,754	2,095	n/a
Raffles Cambodia	3,840	1,706	2,134	n/a	-	-	-	n/a	-	-	-	n/a	3,840	1,706	2,134	n/a	-	-	-	n/a	3,840	1,706	2,134	n/a
Swissôtel Kunshan	3,678	2,431	1,247	n/a	-	-	-	n/a	-	-	-	n/a	3,678	2,431	1,247	n/a	-	-	-	n/a	3,678	2,431	1,247	n/a
Four Seasons Jakarta	2,561	339	2,221	n/a	-	-	-	n/a	-	-	-	n/a	2,561	339	2,221	n/a	(185)	(104)	(82)	n/a	2,375	236	2,140	n/a
Four Seasons Mauritius	466	-	466	n/a	8,719	-	8,719	n/a	-	-	-	n/a	9,186	-	9,186	n/a	-	-	-	n/a	9,186	-	9,186	n/a
Acquired and new hotels	18,133	9,765	8,368	n/a	8,719	-	8,719	n/a	-	-	-	n/a	26,853	9,765	17,088	n/a	(925)	(639)	(287)	n/a	25,927	9,127	16,801	n/a
KHI Consolidated Hotels	65,872	48,976	16,897	35%	9,345	922	8,422	913%	4,529	4,393	137	3%	79,746	54,291	25,456	47%	(9,719)	(8,371)	(1,348)	(16%)	70,028	45,920	24,108	52%
Dividends received													495	430	65	15%					495	430	65	15%
Bus. development, asset mgmt fees													1,877	1,178	699	59%					1,877	1,178	699	59%
Pre-opening expenses													(1,730)	-	(1,730)	n/a					(1,730)	-	(1,730)	n/a
Sales and marketing expenses													(6,403)	(850)	(5,553)	n/a					(6,403)	(850)	(5,553)	n/a
Corporate general & admin. expenses													(22,621)	(19,406)	(3,215)	(17%)					(22,621)	(19,406)	(3,215)	(17%)
KHI EBITDA including real estate sales													51,365	35,644	15,722	44%								
KHI EBITDA excluding real estate sales													42,021	34,721	7,300	21%								
Associates (Equity Share)																								
Four Seasons George V Hotel, Paris	11,999	10,297	1,702	17%	-	-	-	n/a												11,999	10,297	1,702	17%	
Four Seasons Nile Plaza, Cairo	14,621	13,989	632	5%	11,989	8,923	3,066	34%												26,610	22,912	3,698	16%	
Mövenpick Resort & Spa El Gouna	4,377	2,650	1,727	65%	-	-	-	n/a												4,377	2,650	1,727	65%	
Four Seasons Resort Sharm El Sheikh	5,887	3,915	1,672	43%	1,646	773	872	113%												7,233	4,689	2,544	54%	
Fairmont Zanzibar	(182)	(271)	89	n/a	-	-	-	n/a												(182)	(271)	89	n/a	
Fairmont Palm Hotel & Resort	(65)	(148)	83	n/a	-	-	-	n/a												(65)	(148)	83	n/a	
Associates hotels	36,337	30,433	5,904	19%	13,635	9,696	3,938	41%												49,971	40,129	9,842	25%	
Other Minority Interest																					2,466	207	2,259	1092%
Adj KHI EBITDA including real estate sales																					94,084	67,609	26,475	39%
Adj KHI EBITDA excluding real estate sales																					71,104	56,990	14,114	25%

Other factors affecting results

Restatements and reclassifications of prior period amounts

In 2007, KHI completed the acquisitions of Four Seasons Hotel Langkawi, Malaysia; Swissôtel Kunshan, China; Four Seasons Hotel Jakarta, Indonesia and the two Raffles Hotels, Cambodia.

KHI follows IFRS 3 in accounting for business combinations. The initial accounting for these acquisitions was made on a provisional basis pending performing the fair valuation of the assets acquired by a third party as well as the Purchase Price Allocation (PPA) process. Final valuations and PPA process were concluded in the first half of the year, and acquired assets and liabilities were restated at their resulting fair values. In the case where the purchase price was below fair value of net assets acquired the difference was accounted for as “Gain on Bargain Purchase of a Subsidiary” as at the date of acquisition and in the case where the purchase price exceeded the fair value of net assets the difference was accounted for as Goodwill on our consolidated balance sheet as at the date of acquisition. Changes to depreciation and/or amortization resulting from PPA process have also been restated as of the date of acquisition.

For the acquisitions completed in 2007 (Langkawi, Kunshan, Jakarta and Cambodia), the 2007 profit and loss statement has been restated to reflect the full-year impact of purchase price adjustments. These related to additional depreciation charges of US\$ 0.4 million and the gain of US\$ 2.3 million and US\$ 6.4 million gain from excess of fair value acquired in Langkawi and in the two Cambodia acquisitions respectively, resulting in a restated net increase of US\$ 8.3 million in the full year 2007 profit and loss and retained earnings.

Additionally, in 2008 we changed the accounting treatment of service charges received to include these into hotel revenue to more accurately reflect the nature of these charges, whereas last year these were netted against departmental costs. We amended the 2007 revenues and expenses to reflect these changes with nil effect on reported hotel profits.

The specific accounts affected by restatements to the 2007 financial statements are as follows:

US\$ 000's	Before Restatement	PPA Adjustments				Damascus		Restated
		Kunshan	Langkawi	Jakarta	Cambodia	Reclass	Others	
Revenue	178,556	-	-	-	-	2,353	-	180,909
Direct cost of Revenue	(123,087)	-	-	-	-	(2,353)	-	(125,440)
Depreciation & Amortization	(21,204)	(444)	(221)	(26)	305	-	(159)	(21,749)
Gain on Bargain purchase of subsidiaries	-	-	2,291	-	6,468	-	-	8,759

The specific accounts to which restatement adjustments have been made in the interim consolidated balance sheet as at 31 December 2007 are as follows:

US\$ 000's	Before Restatement	PPA Adjustments				Damascus		Restated
		Kunshan	Langkawi	Jakarta	Cambodia	Reclass	Others	
Goodwill	58,854	11,276	-	-	-	-	-	70,130
Intangible assets	11,318	13,677	-	-	17,198	-	1,234	43,427
Property plant and equipment	1,016,561	(17,732)	7,294	5,276	(8,287)	-	-	1,003,112
Long term assets	18,545	-	-	-	(2,623)	-	(1,393)	14,529
Deferred Tax asset	848	-	-	-	-	-	2,921	3,769
Deferred Tax liability	23,009	7,231	2,836	2,991	(484)	-	2,921	38,504
Trade and other Payables	68,127	434	2,133	432	-	-	(956)	70,170
Provisions	2,707	-	-	-	-	-	956	3,663
Retained Earnings	78,382	(444)	2,092	(21)	6,774	-	(159)	86,624
Minority Interests	142,642	-	232	1,875	-	-	-	144,749

Acquisition of ownership interests in operating hotels

During 2007, KHI acquired equity interests in the following operating properties:

	<u>Acquisition Date</u>	<u>Country</u>	<u>% Equity Acquired</u>	<u>No. of Rooms</u>	<u>In US\$ millions</u>	
					<u>Initial Cash Invested</u>	<u>Property Debt</u>
Four Seasons Langkawi	April 2007	Malaysia	90.0%	90	105.5	50.0
Swissôtel Kunshan	May 2007	China	100.0%	387	41.4	20.5
Raffles Le Royal, Phnom Penh	July 2007	Cambodia	100.0%	170	22.7	
Raffles Grand Hotel d'Angkor Siem Reap	July 2007	Cambodia	100.0%	125	13.7	-
Four Seasons Jakarta	September 2007	Indonesia	81.9%	320	48.6	-
2007 Acquisitions (Consolidated)				1,092	232.0	70.5

Notes

- KHI's equity ownership represents the Company's effective ownership in each hotel as at 31 December 2008
- Cost of investment includes acquisition price paid to the seller, transaction fees and expenses and shareholders advances, if any and does not include any repayments that were done subsequently.
- Property debt the value of term loans, overdrafts, finance leases and borrowings as at 31 December 2008

The Company concluded the following step-up acquisitions in 2008 and 2007:

- ***Mövenpick Resort El Quseir, Egypt.*** In July 2008, we completed a step-up acquisition of a further 7.3 per cent equity interest in this property for US\$ 2.0 million increasing our effective ownership to 94.6 per cent.
- ***Fairmont Kenya (4 Properties).*** In October 2008 we completed a step-up acquisition of a further 30 per cent equity interest in this property for US\$ 10.0 million increasing our effective ownership to 94.0 per cent.
- ***Four Seasons Hotel Damascus, Syria.*** In July 2007 we completed a step-up acquisition of a further 5.5 per cent equity interest in this property for US\$ 8.0 million increasing our effective ownership to 54.9 per cent.

Liquidity and Capital Resources

Net Debt (interest-bearing loans and borrowings less cash and short term deposits) was US\$ 149.1 million on 31 December 2008, a US\$ 14.8 million increase from the 31 December 2007 level of US\$ 134.3 million.

Cash

We satisfy our short-term cash requirements such as property maintenance expenditures as well as debt and interest payments through existing working capital and cash provided by operations, and believe these sources will continue to meet our short term operating liquidity requirements over the next 6-12 months. KHI has been using internal cash balances and excess funds from operations to fund operating acquisitions, development projects, renovations and other capital expenditures. We will likely require external sources of cash, primarily corporate level and subsidiary level debt to meet these demands over the next 12 months.

Cash and short term deposits were US\$ 256.4 million as at 31 December 2008, US\$ 75.8 million higher than last year primarily due to a full drawdown of new debt refinancing at our Langkawi property of US\$ 50.0 million in the second half of the year and the drawn down of a new corporate facility of US\$ 43.6 million, offset by spending on development projects during the year. Our capital expenditures were US\$ 155.9 million during the year and we received cash from operations, ancillary real estate sales in Mauritius and Marrakech as well proceeds from the sale of our investment in the Pearl Dubai development, development project in Phang Nga, Thailand and dividend received from our associate hotel Four Seasons Nile Plaza in Egypt.

Loans and Borrowings

Interest-bearing loans and borrowings including bank overdrafts, increased by a net amount of US\$ 90.6 million from US\$ 314.9 million on 31 December 2007 to US\$ 405.5 million on 31 December 2008. During the year, we drew down existing credit facilities in Mauritius by US\$ 6.1 million, Marrakech by US\$ 8.9 million, Beirut by US\$ 16.7 million, acquired new bank loan of US\$ 50 million in Langkawi and drew down newly acquired KHI corporate facility by US\$ 43.6 million. We settled US\$ 31.3 million of installments that were due during the year.

The weakening dollar increased our Kunshan property debt balance by US\$ 1.3 million. Conversely the weaker Thai Baht and Euro against dollar decreased our Phuket property debt by US\$ 1.1 million and our shareholder loan from our Paris hotel by US\$ 2.4 million respectively.

Loan Maturities

(US\$ 000)	2009	2010	2011	2012	2013	2014 & Beyond	
Mövenpick Phuket loan (1)	26,790	-	-	-	-	-	26,790
Four Seasons Mauritius loan (2)	21,641	-	-	-	-	-	21,641
Bank overdrafts	2,885	-	-	-	-	-	2,885
Term loans (all other)	19,869	26,661	74,939	50,691	62,920	119,118	354,198
Total	71,185	26,661	74,939	50,691	62,920	119,118	405,514

1. The Phuket loan matures in November 2009, the Company is awaiting approval to extend the maturity to November 2011

2. The Four Seasons Anahita Mauritius loan is currently a bridging facility awaiting for documentation to be completed before converting into a term loan

(Loan amounts in US\$ 000's)	Currency		Term loan / Overdraft	Maturity Date	Loan Amount*	Interest Rate	
Middle East North Africa							
Mövenpick Beirut	USD	Variable, US\$ LIBOR basis	Term loan	Jul-14	41,927	5.8%	Property mortgage debt (non-recourse)
	USD	Variable, US\$ LIBOR basis	Overdraft	Dec-09	190	5.8%	Property mortgage debt (non-recourse)
Four Seasons Damascus	USD	Variable, US\$ LIBOR basis	Term loan	Jun-11	13,866	8.3%	Property mortgage debt (recourse)
Mövenpick Hotel Bur Dubai	UAE Dirham	Variable, AED EIBOR basis	Term loan	Jul-11	9,915	4.4%	Property mortgage debt (non-recourse)
	USD	Variable, US\$ LIBOR basis	Term loan	Jun-15	16,000	4.5%	Property mortgage debt (non-recourse)
	USD	Variable, US\$ LIBOR basis	Term loan	May-17	26,550	4.5%	
Kingdom Hotel Investment	AED	Variable, EIBOR basis	Revolver	Aug-11	43,597	6.0%	Unsecured
Sub-total loans, Wtd avg. interest rate					152,045	5.5%	
Sub-Saharan Africa							
Mövenpick Resort & Spa Mauritius	USD	Variable, US\$ LIBOR basis	Term loan	Nov-14	23,500	4.2%	Property mortgage debt (non-recourse)
Fairmont Kenya (4 Properties)	USD		Term loan	May-20	5,000	0.0%	Unsecured
Mövenpick Royal Palm, Dar es Salaam	USD	Variable, US\$ LIBOR basis	Term loan	Mar-15	1,400	8.1%	Property mortgage debt (non-recourse)
Mövenpick Royal Palm, Dar es Salaam	Tanzania Schilling	Fixed	Term loan	Jan-13	3,969	13.0%	Property mortgage debt (non-recourse)
InterContinental Lusaka	USD		Term loan	Oct-09	112	0.0%	
Sub-total loans, Wtd avg. interest rate					33,981	4.8%	
Asia							
Mövenpick Phuket (1)	Thai Baht	Variable, Minimum Lending Rate	Term loan	Nov-09	26,790	7.0%	Property mortgage debt (non-recourse)
FS Langkawi	USD	Variable, US\$ LIBOR basis	Term loan	Sep-13	50,000	6.5%	Property mortgage debt (recourse)
Swissotel Kunshan	China Renminbi	Variable, RMB Basic Rate	Term loan	Apr-16	20,519	5.8%	Property mortgage debt (non-recourse)
Sub-total loans, Wtd avg. interest rate					97,309	6.5%	
Europe							
Four Seasons George V	Euro	Fixed	Term loan	Sep-12	29,383	6.8%	Property mortgage debt (recourse)
Sub-total loans, Wtd avg. interest rate					29,383	6.8%	
Development projects							
Four Seasons Beirut	USD	Variable, US\$ LIBOR basis	Term loan	Dec-14	38,290	6.4%	Property mortgage debt (non-recourse)
Four Seasons Beirut	USD	Variable, US\$ LIBOR basis	Overdraft	Dec-09	2,695	6.4%	Property mortgage debt (non-recourse)
Four Seasons Marrakech	Moroccan Dirham	Variable, Moroccan Treasury Rate basis	Term loan	Sep-18	21,436	6.9%	Property mortgage debt (non-recourse)
Four Seasons Anahita, Mauritius (2)	USD	Variable, US\$ LIBOR basis	Term loan	Dec-09	2,750	4.6%	Bridging loan currently guaranteed by partners of the project. Property could be mortgaged (non-recourse)
Four Seasons Anahita, Mauritius (2)	Euro	Variable, EUROBOR basis	Term loan	Dec-09	18,891	6.7%	once loan conditions precedent are met
Four Seasons Anahita, Mauritius (2)	Mauritius Rupee	Variable, US\$ LIBOR basis	Term loan	Nov-16	8,734	11.5%	
Sub-total loans, Wtd avg. interest rate					92,796	7.0%	
KHI total loans, Wtd avg. interest rate					405,514	6.1%	

1. The Phuket loan matures in November 2009, the Company is awaiting approval to extend the maturity to November 2011
2. The Four Seasons Anahita Mauritius loan is currently a bridging facility awaiting for documentation to be completed before converting into a term loan

Cash flow

The table below presents our cash flows for the years ended 31 December 2008 and 2007:

(Year ended 31 December, US\$ 000)	2008	2007
Net cash from operating activities	90,604	32,612
Net cash used in investing activities	(97,677)	(396,874)
Net cash from (used in) financing activities	84,096	108,986
Cash and cash equivalents		
Beginning cash and cash equivalents	166,851	420,296
Ending cash and cash equivalents	239,502	166,851
Net decrease in cash and cash equivalents	72,651	(253,445)
Net foreign exchange difference	(4,372)	1,831

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

(Year ended 31 December, US\$ 000)	2008	2007
Cash at bank and in hand	87,310	85,746
Short term deposits	155,077	82,243
Restricted cash	14,006	12,565
Cash and short term deposits	256,393	180,564
Restricted cash	(14,006)	(12,565)
Bank overdrafts	(2,885)	(1,148)
Cash and cash equivalents	239,502	166,851

For the year ending 31 December 2008, net cash and cash equivalents for cash flow purposes was US\$ 239.5 million, as compared to US\$ 166.8 million, for the year ended 31 December 2007 reflecting an increase of 43 per cent, principally due to increase in cash generating from operations and draw-down of new bank facilities during the year.

Operating activities

Net cash inflow from operating activities for the year ended 31 December 2008 was US\$ 90.6 million, as compared to US\$ 32.6 million for the year ended 31 December 2007. This change was principally due to the following:

- US\$ 46.1 million of favorable working capital adjustment mainly from cash collected from real estate sales in Mauritius, Marrakech and Manila and other favorable working capital sources;
- An increase in operating profits (KHI EBITDA for the most part) by US\$ 15.9 million for the year;
- Interest payment of US\$ 17.2 million, taxes of US\$ 0.7 million and payment of employees' end-of-service benefits US\$ 0.6 million

Investing activities

Net cash outflow from investing activities for the year ended 31 December 2008 was US\$ 97.7 million, as compared to US\$ 396.8 million for the year ended 31 December 2007. Investing activities during the year were as follows:

- Capital expenditures was US\$ 147.3 million in 2008.

Full-year 2008 Capital Expenditure

(US\$ million)

Four Seasons Mauritius *	19.4
Seychelles	20.0
Marrakech	22.1
Beirut	15.0
Accra	12.6
Phang Nga	6.9
Kenya	14.1
Manila	7.4
Da Nang	8.2
Dubai	3.9
Dubai Residences	3.5
Langkawi	4.5
Lusaka	3.1
Others	6.6
Total	147.3

*Net of US\$ 29.7 million representing cost of sales of 32 villas handed over in 2008

- Cash outflow of US\$ 8.7 million for advances paid to contractors and movement in retention payable during the year
- Cash outflow for step-up acquisition in El Quseir US\$ 2.0 million;
- Cash inflow from the proceeds of the disposal of the Dubai Pearl US\$ 8.2 million, IFA swap deal US\$ 5.3 million for Fairmont Palm Hotel, Fairmont Zanzibar & Fairmount Kenya and development project in Phang Nga, Thailand US\$ 23.9 million (net of taxes);
- Interest income of US\$ 3.9 million;
- Dividend received of US\$ 20.4 million;
- Offset by increase in restricted cash by US\$ 1.4 million.

Financing activities

Net cash inflow from financing activities for the year ended 31 December 2008 was US\$ 84.1 million as compared to US\$ 108.9 million for the year ended 31 December 2007. Financing cash flows during the year represented:

- Increased borrowings of US\$ 125.4 million as we drew down on development funding partly offset by US\$ 31.3 in scheduled repayments;
- Payments to minority shareholders of USD 9.6 million towards dividend and loan repayments.

Capital expenditures and development projects

KHI's disclosure guidelines concerning new development projects and capital expenditures is to disclose related project details such as expected development cost, completion dates, number of hotel rooms, ancillary real estate and hotel operator only after it has principally concluded the scoping and design phase of the development, unless it has otherwise contractually committed to certain project parameters to a seller or government, or it believes investors and shareholders will benefit from such material disclosure. This policy reflects our capital allocation process and changes that normally occur to scope, design, completion dates and budgets during the phase of development that in some cases exceeds 12 months from the date of announcement, and the possibility that KHI may decide to fundamentally alter the new development scope from what was previously announced as a result of additional opportunities or exit fully or partially as a result of changes in risks, financial returns, capital allocation strategy or strategic direction.

KHI is managing 11 capital expenditure projects totaling about US\$ 937 million, of which its equity share is about US\$ 672 million, across three categories of capital spend as at year-end.

Category	# of projects	Total project cost (US\$ million Estimate)	KHI share of total (US\$ million Estimate)
New Development ⁽¹⁾	6	887	631
Renovation ⁽²⁾	4	45	36
Capacity Expansion ⁽³⁾	1	5	5
TOTAL	11	937	672

1. Excludes projects cancelled or on hold: Phang Nga (Thailand), Da Nang (Vietnam) and Kampala (Uganda) and includes Four Seasons Mauritius which is in the post-construction stage.
2. Includes renovations at InterContinental Lusaka (Zambia), Mövenpick Residence Bur Dubai (UAE), Fairmont Mount Kenya Safari Club and Fairmont Norfolk in Kenya.
3. Includes additional rooms at Mövenpick Bur Dubai (UAE) and excludes the cancelled expansion at Four Seasons Langkawi (Malaysia)

The majority of KHI's capital expenditure programme is allocated to new developments (Greenfield) projects. KHI's equity share of these projects is about US\$ 631 million. Each project is expected to be financed through a combination of debt and equity. Where applicable, sale proceeds of ancillary (residential) real estate is used as a funding source, with such receipts typically targeted to occur following the completion of a project and during the first three years of operations unless a pre-sale program is in place. Both debt and ancillary real estate sales are expected to reduce KHI's equity commitments into these projects as they progress along the various stages of construction or post opening operations.

There are four categories of capital spending at KHI:

1. **New developments.** These are effectively greenfield developments. They include all amounts expended on new or partially completed developments that have been approved by KHI's Board of Directors and announced publicly. Amounts expended and capitalized include land acquisition costs, registration and legal fees, design and supervision costs, site preparation and capitalized interest and other project related expenses. (Description of KHI's development process follows).

Committed/ late stage developments	Expected opening	Previous expected opening
Four Seasons Beirut (Lebanon)	H2 2009	H1 2009
Four Seasons Marrakech (Morocco)	H2 2010	H2 2009
Fairmont Makati and Raffles Residences (Philippines)	H2 2011	H1 2011
Raffles Praslin Island (Seychelles)	H1 2011	H2 2010
Mövenpick Ambassador Accra (Ghana)*	H2 2010	H2 2010

* Expected completion

2. **Renovation.** These are projects intended to renovate a hotel with a view to enhance or protect its value. Works include conducting exterior or interior structures or refurbish, replace or overhaul furniture, fixtures and equipment in our hotels for the purpose of re-branding or market repositioning our properties, and these

projects typically follow a similar implementation process to our new development projects. We also include compliance projects in this category which have the objective of meeting local laws, standards, codes and regulations. KHI completed the renovation of the 225-room hotel in Lusaka, Zambia in the first half of the year. During the second half of 2008, we completed renovations at the 57-unit apartment building adjacent to the Mövenpick Bur Dubai hotel and all licensing has been completed to enable its integration into the hotel, and also finalized the renovation in Kenya of the 167-room Norfolk hotel and 116-room Mount Kenya Safari Club.

3. **Capacity expansion.** These are projects intended to add revenue generating capacity to existing key counts, food and beverage outlets or ancillary real estate at existing KHI properties. During the first half of 2008, we completed the addition of 26 new rooms at the Mövenpick Bur Dubai hotel and cancelled the room count expansion previously at the Four Seasons Langkawi hotel that was announced previously.
4. **Renewal and replacement FF&E expenditure.** These include utilizing reserve funds for periodic replacement or refurbishment of furniture, fixtures and equipment (FF&E) that are pursuant to management agreements with our operators that specify related reserve funds ranging between 3 per cent and 5 per cent of hotel revenues to be set aside for this purpose. KHI has initiated a CapEx programme at the Mövenpick Beirut to add a new outlet for a total cost of US\$ 0.9 million. As of 31 December 2008 the related unspent FF&E reserve was US\$ 6 million. We expect to maintain the timing difference between actual and contractual FF&E replacement spending and to spend the full annual contractual FF&E amounts. Related capital expenditures are capitalized as incurred and depreciated upon placement of the assets in service.

Material changes to previous announcements

Four Seasons Mauritius

The Four Seasons Mauritius opened in October. Its development costs now stands at US\$176 million, a US\$ 28 million decrease from budget due to Euro devaluation and a slightly lower construction budget.

Four Seasons Beirut

The Four Seasons Beirut is now expected to open in the second half of 2009 as compared with our previous expectation of the first half of 2009. The development budget remains at the previously announced US\$142 million.

Four Seasons Marrakech

The Four Seasons Marrakech is now expected to open in the second half of 2010 as compared with our previous expectation of the second half of 2009. The delay is due to increased resource allocation to the residential component, which is now expected to complete ahead of schedule. The development cost has increased by US\$3 million to US\$147 million primarily due to foreign exchange, cost escalation and scope variations.

Raffles Seychelles

This development is now expected to open in the first half of 2011 as compared with our previous expectation of the second half of 2010, and the development budget has increased by US\$7 million to US\$151 million.

Fairmont Hotel and Raffles Residences Makati, Philippines

This development has advanced to the Construction stage and is expected to open in the second half of 2011 instead of the first half. The development budget has increased by US\$9 million to US\$171 million primarily due to foreign exchange and scope variations.

Mövenpick Ambassador Accra, Ghana

This hotel development is still expected to be completed in the second half of 2010 with a development budget of US\$100 million, a slight increase from the previously announced US\$98 million.

In addition to the above changes, KHI cancelled or put on hold a number of development projects in 2008:

Da Nang, Vietnam

This development was put on hold due to increased macro-economic risks and a shift in demand for residential real estate, and KHI fully provided against this investment resulting in a 2008 expense of US\$16.8 million.

Four Seasons Langkawi, Malaysia

This capacity expansion project was cancelled due to a shift in demand for residential real estate and KHI wrote off the full investment balance of US\$4.0 million.

Phang Nga, Thailand

During the first half of the year KHI changed its intention for the use of the land acquired from a mixed-use development to an available-for-sale real estate and wrote off an amount of US\$2.9 million representing capitalized development costs. In the second half of 2008 the development land was sold for US\$ 23.9 million and KHI recognized a one-time loss on disposal of US\$ 3.5 million.

Kampala, Uganda

This development was put on hold due to increased macro-economic risks, and KHI fully provided against this investment resulting in a one-time 2008 expense of US\$2.3 million.

Mövenpick Gaza

KHI took a US\$0.5 million charge in 2008 representing a provision against its remaining investment in Gaza.

KHI development process

We are managing a total of US\$887 million of development spending of which KHI's equity share is US\$631 million. Five of our projects are now at the construction phase and one is at the post construction phase. The following summary outlines our capital allocation on capital expenditure pertaining to projects that are classified as developments:

Category	# of projects	Total project cost (US\$ million Estimate)	KHI share of total (US\$ million Estimate)
Design	0	0	0
Tender	0	0	0
Construction	5 ⁽¹⁾	711	543
Post-construction	1 ⁽²⁾	176	88
Total	6	887	631

1) Four Seasons Beirut; Four Seasons Marrakech; Raffles Seychelles, Mövenpick Accra; and Fairmont & Raffles Makati, Philippines.

2) Four Seasons Mauritius

We classify our development projects into four phases of execution: Scoping and Design Phase, Tendering and Negotiation Phase, Construction Phase, Post-Construction/ Pre-Operating Phase. The following is a description of each phase:

Scoping and Design

This phase begins immediately after the signature of memorandum of understanding with the sellers of a target site and continues past internal approvals and external announcements. The primary activities are establishment of design briefs and space programmes; selection and negotiation with Design Consultants, Operators and Project Managers; periodical monitoring of all design activities in the interests of controlling time, cost and quality, participation in multi-disciplinary value engineering exercises; follow up on local administrative procedures and securing necessary development permits; review of feasibility of construction techniques, alternative materials and cost savings; and active update and monitoring of development budgets. Expected completion of this phase is between 9-12 months during which minimal amounts are expended on the projects, pending final approvals on committing to a project budget. There is currently no project in this stage.

Tender and Negotiation

This phase begins immediately subsequent to formal approval of the scope and project design by KHI management and involves all stages of bid preparation, contractor selection and bid negotiation. The primary activities are setting procurement strategy; prequalification, selection and negotiations of construction contracts with contractors. Expected completion of this phase is between 3-6 months. There is currently no project in this stage.

Construction

This phase begins immediately after the preparation of full-scope construction budgets and execution of construction agreements and involves all stages of site preparation, civil works, construction and completion. The primary activities are management of construction activities until handover; monitoring progress of work and budgets; authorization of payment certificates; production of periodic management reports; and resolution of differences with project participants. Expected completion of this phase is between 24-36 months. We have five consolidated subsidiary developments that are under construction:

- 1) The Four Seasons Beirut is in the process of completing snags, testing and commissioning. FF&E has been awarded in 2008 and installation is under way to be completed by Q1 2009. The Equipment package is currently being negotiated. The expected total project budget of this hotel is now US\$ 142 million and hotel opening is expected in the second half of 2009.
- 2) The Four Seasons Marrakech is being built in two construction packages; one for the hotel and one for ancillary real estate (residential villas). Works in all trades are in progress for the villas and completion of all construction activities expected in the second half of 2009. The shell and core contract for the hotel has been awarded and construction commenced. The finishing and MEP trades was also awarded in the second half of 2008. The total project budget is US\$ 147 million and hotel opening is expected in the second half of 2010.
- 3) The Raffles Seychelles' roads and infrastructure contract was awarded in the first half of 2008 and the main construction contract has been awarded in the second half of the year. The total project budget is US \$151 million and hotel opening is expected in the first half of 2011.
- 4) At the Fairmont & Raffles Makati, excavation and infrastructure works were completed in the second half of 2008 and the main construction contract was also ratified in that period, with the contractor now mobilized on site. The total project budget is US\$171 million and hotel opening is expected in the second half of 2011.
- 5) The Mövenpick Ambassador in Accra is being awarded in three packages. The foundation and structural construction works are underway and the mechanical, electrical, plumbing and architectural finishes package is expected to be awarded in the first half of 2009, while the third package comprising FF&E is expected to be awarded in early 2010. The total project budget is US\$100 million and hotel completion is expected in the second half of 2010.

Post-Construction/ Pre-Completion

This phase begins immediately after the handover of the project by the contractor to the owner and involves all stages of pre-opening and branding considerations to prepare the hotel and ancillary real estate for operation. The primary activities are resolution of snags and defects; completion of furniture, fixtures and equipment inventory; final handover to Asset Management & Operator; and conducting periodic visits to inspect the completion of the snag items as well as inspecting for defects and implementing remedies with the contractor ahead of completion certification. Expected completion of this phase is between 1-6 months.

The Four Seasons Mauritius hotel opened on 1 October 2008 and hotel handover was completed in the final months of the year while 32 of the pre-sold residential villas were also completed and incorporated into that hotel's rental pool or handed over to their respective owners. Snag rectification and balance of final handing over the 13 remaining villas is expected in the first half of 2009. The total project budget of this hotel is at EUR 125.8 million (US\$ 176 million) with KHI's consolidated 50 per cent equity share at EUR 62.9 million (US\$ 88 million).

The following is a schedule summarizing all of KHI's committed capital expenditure cost budgets and amounts spent through 31 December 2008 (excluding an early stage new development projects):

Latest Budgets & Estimates	KHI Equity %	Type	No. of keys	Ancillary real estate sales	Project Cost (\$ millions)	Opening
<u>Construction / Post-Construction stage</u>						
Four Seasons Mauritius, Mauritius (1)	50%	Resort	91	45 villas	176	Post-Construction
Four Seasons Beirut, Lebanon	38%	City	234	n/a	142	H2 / 2009
Four Seasons Marrakech, Morocco (2)	78%	City	143	43 villas	147	H2 / 2010
Mövenpick Accra, Ghana	100%	City	259	n/a	100	H1 / 2011
Fairmont & Raffles Makati, Philippines	80%	City	309	236 apartments	171	H2 / 2011
Raffles Praslin Island, Seychelles	91%	Resort	90	23 villas	151	H1 / 2011
			1,126		887	
					<i>KHI share of project cost</i>	631
Total KHI consolidated developments					887	Estimate
					<i>KHI share of project cost</i>	631 Estimate

- 1) Expected final cost is 125.8 million Euros (2007: EUR 129.2 million). The decrease in US dollar value shown in the previously announced costs of US\$187 million (i.e. December 2007) is due to the change in exchange rate from 1.45 \$/EUR to 1.4 \$/EUR. The exchange rate used for MUR/\$ is 31.75 (prevailing at the end of 2008).
- 2) At the budgeted exchange rate of 8.5 MAD/\$.

(In US\$ millions)	Project Budgets Estimates (Total Value)					Project Budgets & Estimates (KHI Share)					
	New Development	Renovation/ rebranding	Capacity expansion	Renewal FF&E	Total Projects	New Development	Renovation/ rebranding	Capacity expansion	Renewal FF&E	Total Projects	
Middle East North Africa											
Four Seasons Marrakech, Morocco (1)	78%	147	0	0	0	147	115	0	0	0	115
Four Seasons Beirut, Lebanon	38%	142	0	0	0	142	54	0	0	0	54
Mövenpick Hotel Bur Dubai, UAE	100%	0	0	5	0	5	0	0	5	0	5
Mövenpick Residences Bur Dubai, UAE	100%	0	4	0	0	4	0	4	0	0	4
Other (FF&E reserve)		0	0	0	4	4	0	0	0	4	4
Region sub-total		289	4	5	4	302	169	4	5	4	182
Spent / Movement through 31 December 2008		(163)	(4)	(5)	(0)	(172)	(84)	(4)	(5)	(0)	(93)
Region balance remaining		126	0	0	4	130	85	0	0	4	89
Sub Saharan Africa											
Four Seasons Mauritius, Mauritius (2)	50%	176	0	0	0	176	88	0	0	0	88
Raffles Praslin Island, Seychelles	91%	151	0	0	0	151	137	0	0	0	137
Mövenpick Ambassador Accra, Ghana	100%	100	0	0	0	100	100	0	0	0	100
Fairmont Kenya (Norfolk, Mt. Kenya)	70%	0	29	0	0	29	0	20	0	0	20
InterContinental Lusaka, Zambia	100%	0	12	0	0	12	0	12	0	0	12
Other (FF&E reserve)		0	0	0	0	0	0	0	0	0	0
Region sub-total		427	41	0	0	468	325	32	0	0	357
Spent / Movement through 31 December 2008		(208)	(34)	0	0	(242)	(126)	(27)	0	0	(153)
Region balance remaining		219	7	0	0	226	199	5	0	0	204
Asia											
Fairmont & Raffles Makati, Philippines	80%	171	0	0	0	171	137	0	0	0	137
Four Seasons Langkawi, Malaysia (3)	90%	0	0	0	0	0	0	0	0	0	0
Other (FF&E reserve)		0	0	0	1	1	0	0	0	1	1
Region sub-total		171	0	0	1	172	137	0	0	1	138
Spent / Movement through 31 December 2008		(49)	0	-	1	(48)	(39)	0	-	1	(38)
Region balance remaining		122	0	0	2	124	98	0	0	2	100
KHI total projects		887	45	5	5	942	631	36	5	5	677
Spent / Movement through 31 December 2008		(420)	(38)	(5)	1	(462)	(249)	(31)	(5)	1	(284)
KHI balance remaining		467	7	0	6	480	382	5	0	6	393

- 1) At the budgeted exchange rate of 8.5 MAD/US\$.
- 2) Expected final cost is EUR 125.8 million (2007: EUR 129.2 million). The decrease in US dollar value shown in the previously announced costs of US\$187 million (i.e. December 2007) is due to the change in exchange rate from 1.45 \$/EUR to 1.40 \$/EUR. The exchange rate used for MUR/\$ is 31.75 (prevailing at the end of 2008).
- 3) Langkawi real estate expansion is put on hold. Previously announced cost was shown at US\$48 million. Transaction cost of US\$1.5 million was not included as it formed part of the investment cost.

Commitments and future capital expenditures

KHI generates aggregate estimates for future capital expenditures based on a combination of estimates for projects that are in the design and construction phases, budgets for projects that have been tendered for construction as well as active construction projects that are in the implementation phase. Investors and shareholders should be aware that these estimates are subject to constant change depending on changed market conditions, regulations, zoning, scope and design, budgets, contractor performance, commodity and material prices, foreign exchange and other relevant variables.

We expect remaining total project costs for the six new development projects, four renovation projects and one capacity expansion project to be US\$ 474 million. KHI's equity share of these costs is expected to be US\$ 387 million before proceeds from debt financing proceeds or real estate sales and excludes projects written off or on hold.

The following is the estimated timing of cash disbursements (before proceeds from debt financing and real estate sales) for the Four Seasons Mauritius, Four Seasons Beirut, Four Seasons Marrakech, Fairmont & Raffles Makati, Raffles Seychelles and Mövenpick Accra developments as well as all the renovation and capacity expansion projects:

In US\$ 000's as at 31 December 2008	Total Project	KHI Share
2009	250	191
2010	173	152
2011	49	42
2012	2	2
Total	474	387

Capital Commitments and material Contingent Liabilities

At December 31, 2008, the Group had capital commitments in respect of construction work of US\$337.7 million (2007: US\$ 196.9 million), with almost all of this related to the 6 projects currently in development. The balance is expected to be settled throughout the construction period of each the development projects.

Definitions of KHI hotel financial and statistical terms

The following KHI and hotel industry definitions and statistics are part of the indicators used by the Company to manage its business and may or may not be included in this release or other announcements by KHI.

“ADR or Average Daily Rate” is the total room revenue generated by paying guests divided by the number of rooms occupied during the reporting period.

“Gross Operating Profit or GOP” is the Hotel Revenue less **(i) Hotel Departmental Expenses** which is the sum of Rooms cost (payroll expenses and costs of rooms linens and other consumables), Food and beverage cost (payroll expenses and costs related to food and beverage provided at hotel restaurants and related outlets and for group meetings and social affairs), and Other operating costs (costs related to telephones, health club, spa, laundry, etc) and **(ii) Undistributed Operating Expenses** which is the sum of Hotel General & Administrative costs (payroll expenses, audit, consultancy fees, cost of supplies, travel, etc), Sales and Marketing costs (payroll expenses and costs of promotions, events and advertising), Property Operation & Maintenance (payroll expenses, cost of maintenance contracts and expenses for air conditioning, pool, telephone and others) and Utilities cost (Fuel, Water and Electricity cost).

“Hotel EBITDA, Net Operating Income or NOI” is Income before Fixed Charges less other expenses like lease costs, insurance, real estate taxes etc before deduction of FF&E reserve.

“Hotel EBITDA POST FF&E” is Hotel EBITDA less FF&E reserves (Furniture, Fixtures and Equipment Reserves are contractual deductions as a percentage of revenues that are set aside to accumulate funds required for future replacements of furniture, fixtures and equipment)

“Hotel Revenue” consists of **(i) Rooms revenue** (revenue generated by hotel guests paying for rooms), **(ii) Food and beverage revenue** (revenue generated from food and beverage sales from hotel restaurants and for group meetings and social affairs primarily driven by occupancy and non-guest customers), and **(iii) Operating services revenue** (ancillary hotel revenue such as telephone, parking, laundry, golf course, spa, entertainment and other guest services primarily driven by occupancy).

“Income Before Fixed Charges” is GOP less Management fees (base and incentive fees paid to hotel management companies).

“Occupancy or Occupancy Rate” is a measure of the percentage of daily rooms occupied for the reporting period.

“Occupied Rooms” is the total rooms sold including complimentary rooms.

“RevPAR or Revenue Per Available Room” is the product of ADR and Occupancy for the reporting period, but does not reflect any food and beverage or other hotel operations such as telephone, parking, laundry or other guest services.

“Rooms” refers to the number of permanent rooms or villas owned by the hotel and available for rent during the reporting period, and don't include any ancillary real estate rooms, villas or apartments for sale. Rooms available under rental pool arrangements are included in room count.

“Total RevPAR or Total Revenue Per Available Room” is RevPAR in addition to food and beverage and other hotel revenue per room for the reporting period.