Financial Analysis Summary

28 June 2019

Issuer

International Hotel Investments p.l.c.

WEALTH MANAGEMENT • CORPORATE BROKING
CHARTS
A division of MeDirect Bank (Malta) plc

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

28 June 2019

Dear Sirs

Financial Analysis Summary

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

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

(a) Historical financial data for the three years ended 31 December 2016 to 31 December 2018 has been extracted from audited financial statements of the Issuer for the three years in question.

(b) The projected data for the year ending 31 December 2019 has been provided by management.

(c) Our commentary on the results of the Issuer and its financial position is based on the explanations provided to us by management.

(d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 5 of the Analysis.

(e) Relevant financial data in respect of the companies included in Part 4 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of the Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek independent professional financial advice before investing in the Issuer's securities.

Yours faithfully,

Evan Mohnani
Head – Corporate Finance

CHARTS - a division of MeDirect Bank (Malta) plc
The Centre, Tigné Point, Sliema TPO 0001 - Tel: 2557 4400

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PART 1 – INFORMATION ABOUT THE ISSUER

1. KEY ACTIVITIES

International Hotel Investments p.l.c. (the "**Issuer**", "**Company**" or "**Group**") is listed on the Malta Stock Exchange and carries on the business of an investment company in connection with the ownership, development and operation of hotels, leisure facilities and other activities related to the tourism industry and commercial centres. The Company owns a number of investments in subsidiary and associate companies through which it furthers the business of the Group.

Important events

Described hereunder are important events in the development of the Group's business since FY2014.

On 10 August 2015, the Issuer acquired 100% of the issued share capital of Island Hotels Group Holdings p.l.c., which was subsequently merged with the Company as of 29 December 2017. The acquired business largely relates to: the ownership, management and operation of five-star hotels of the IHGH Group in Malta (namely, the Radisson Blu Resort St Julians and the Radisson Blu Resort & Spa, Golden Sands); the operation of a vacation ownership marketing business (Radisson Blu Resort & Spa, Golden Sands and Azure Resorts Limited). It also included the operation of retail and event catering business under Island Caterers; the development and operation of Costa Coffee outlets in Malta, the East Coast of Spain, Canary Islands and the Balearic Islands; and the ownership of a plot of land measuring 83,530m^2 located adjacent to the Radisson Blu Resort & Spa, Golden Sands, Malta, which is earmarked for the development of a luxury tourist complex.

Following the above-mentioned acquisition in 2015, IHI initiated the design process to consolidate its three hotel properties situated in St George's Bay, St Julians, Malta (namely, the Radisson Blue Resort St Julians, the Corinthia Hotel St George's Bay and the Marina Hotel), and make way for a mixed-use development that will feature a luxury hotel attracting high net worth leisure and corporate guests, a business hotel, as well as high-end residential, office, retail and commercial facilities targeting a six-star market. Subject to reaching agreement on new lease terms, receiving the necessary approvals and planning permits and having the required funding in place, this project will be spread over a number of years to minimise interruption to hotel operations.

The objective is to implement the project in phases, firstly by adding two additional floors to the Corinthia Hotel St George's Bay. The number of room keys will reduce from the current 250 to 220, due to an increase in room size to over 50m^2, an essential feature for the hotel to achieve what is commonly referred to in the industry as 'six-star' status. In addition, the Company plans to develop two luxury serviced residential blocks on vacant land between the Corinthia Hotel St George's Bay and the Radisson Blu Resort St Julians.

On 11 April 2016, NLI Holdings Ltd, the owner of the Corinthia Hotel and Residential Development in London, acquired the Grand Hotel Astoria in Brussels for £11 million and a deferred interest free payment of €500,000 payable two years from opening of the reconstructed and refurbished hotel, through the acquisition of the entire issued share capital of the Belgian hotel-owning company, Hotel Astoria S.A. The acquisition, which also included the purchase of an empty land plot adjoining the listed hotel and four vacant town houses at the rear of the original hotel, was originated and executed by CDI Limited, IHI's development company. QPM Limited, another IHI subsidiary, has since been appointed by CDI Limited as project manager to coordinate and supervise the construction process.

A planning permit was issued in December 2017 for the restoration of the historic ground floor and façade of the original hotel, as well as the reconstruction of all upper floors, adjoining land and town houses. The permit is a major gain in additional volumes and floors, for a total built up area of 16,000m^2. The new hotel will feature 126 luxury bedrooms and suites. It will offer unrivalled amenities for the city of Brussels including a fully restored grand ballroom, an 850m^2 spa, various dining venues, boutique meetings' facilities and high-end retail shops. Initial strip-out and demolition works have commenced and a tender for the main construction programme has since also been issued. Negotiations with two preferred bidders are at a final phase for the awarding of the works contract. Works will commence in the second semester of 2019 and are expected to be completed by 2021. The afore-mentioned construction estimate and other opening costs is being financed out of an equity injection of €20 million, a bank loan facility of €45 million granted by ARES Bank of Spain and €10 million from each of LAFICO and the Issuer (which shall be on-lent by NLI to its fully-owned subsidiary and the hotel-owning company, Hotel Astoria S.A.). The Issuer's contribution of €10 million was raised from a Bond Issue pursuant to a prospectus dated 4 March 2019.

In May 2016, Corinthia Hotels Limited ("**CHL**") signed a technical services and pre-opening services agreement with Meydan Group of Dubai, to assist Meydan's architects, engineers and consultants in the planning and development of a 55-storey 360-room luxury hotel and residences to be operated under the Corinthia® brand on Jumeirah Beach in Dubai, UAE. CHL has also entered into a management agreement in respect of this hotel for a 20-year term commencing as of the scheduled hotel opening date in mid-2020. In addition, the Dubai entity engaged CHL to provide management services to its two existing hotels in Dubai.

On 12 September 2016, IHI acquired from Corinthia Palace Hotel Company Limited the remaining 80% share in QPM Limited ("**QP**") - a provider of architectural, engineering, management and technical construction services. The cash consideration of €4.6 million was paid partly from the net proceeds of the June 2016 bond issue. The share purchase agreement includes future additional conditional payments that may be or may become due to QP and which, had they been crystallised at the point in time of the acquisition date, would have enhanced the value of QP, resulting in a higher purchase consideration.

In January 2017, IHI secured the right to nominate and appoint the majority of the board of directors of NLI such that IHI is now consolidating the performance of the Corinthia Hotel London in its financial statements as from FY2017.

In early 2017, CHL entered into a technical services agreement with a strategic investor, to manage and operate a luxury hotel development in Doha, Qatar, under the Corinthia® brand. Construction of the proposed hotel & residential tower, designed by the late renowned Zaha Hadid, is currently underway.

In March 2018, CHL entered into a management agreement with the owners of the property, once re-developed, of the former Grand Hotel du Boulevard as the Corinthia Hotel Bucharest. Pursuant to the above signing, QP has since been engaged by the property owners to manage the development in all technical aspects. Design development of the regeneration of this listed property has commenced and works are expected to be completed by December 2019. The re-constructed hotel will feature 33 suites as well as the fully restored Grand Ballroom and various dining and leisure venues.

On 10 April 2018, IHI acquired the Corinthia Palace Hotel business in Attard through a newly formed subsidiary from its ultimate parent CPHCL. The operating results and assets and liabilities of the acquired business are being consolidated as from 1 April 2018. Furthermore, a significant upgrade of this hotel is under way at an estimated cost of €7.1 million.

In October 2018, CHL signed an option agreement to acquire a 10% shareholding in GHA Holdings Limited ("**GHA**"). In parallel, Pan Pacific and Minor Hotels have also acquired a 10% shareholding in GHA. The option to proceed with the acquisition is entirely at CHI's discretion. The current ownership of GHA comprises founding shareholders (Kempinski, Omni and Oracle) as to 34%, 34% and 12% respectively, and Pan Pacific and Minor Hotels as to 10% each. On its part, CHL has communicated to the Issuer its intention to exercise its option to acquire a 10% shareholding before the expiry of the option agreement in April 2019 and the acquisition was completed at the established price of US$3.5 million. In the meantime, CHL renewed its membership agreement with GHA for another five years.

GHA launched the DISCOVERY programme in 2010 as its in-house loyalty programme for independent hotel brands. DISCOVERY members enrol through discoveryloyalty.com or via a member brand, to which they then remain associated for all future stays. Within GHA, CHL operates "Corinthia Discovery", a loyalty programme built around the global infrastructure created by GHA and Ultra Travel Collection, allowing members to benefit from loyalty to Corinthia but equally Corinthia benefits from the loyalty of members of other member hotel companies, thus allowing brands to retain their own loyal customers, as well as attract new business from members enrolled by other brands within the GHA.

In February 2019, IHI acquired a 10% minority share in a company formed with a consortium of investors to acquire a landmark property at 10, Tverskaya Street, Moscow (the "**Moscow Project**") for US$5.5 million. The acquisition is being made with a view to developing the site, having a developable gross area of 43,000m^2, into a mixed-use real estate project including a luxury boutique 53-room Corinthia hotel, upmarket residential serviced apartments for re-sale, high-end retail and commercial outlets and underground parking. The asset is located on a prestigious boulevard in Moscow close to Red Square in a highly popular shopping, cultural and business location, as well as a luxury hotspot with other competing luxury brands all in close proximity of each other. Development works are expected to commence later in 2019, subject to revised plans being approved by the local authorities and securing full funding for the development.

During 2019, the Issuer acquired the entire issued share capital and the businesses of Corinthia Caterers Limited (formerly named FCCL Limited) and Catermax Limited from Corinthia Palace Hotel Company Limited. These two businesses will be integrated into the Issuer's other catering companies which together will be rebranded as Corinthia Caterers.

2. DIRECTORS AND KEY EMPLOYEES

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

The Board members of the Issuer as at the date of this report are as follows:

Board of Directors

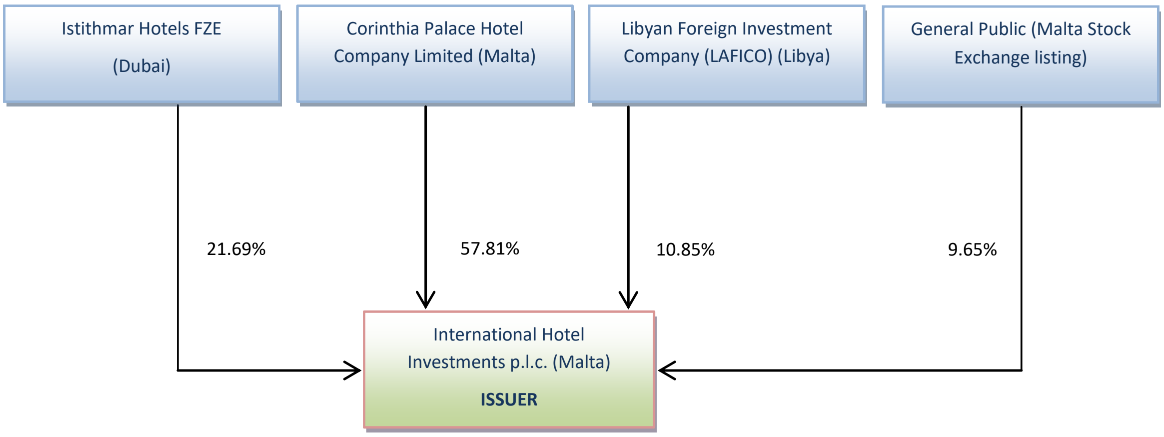
Mr Alfred Pisani	Chairman
Mr Salem Hnesh	Non-Executive Director
Mr Abdulnaser Ahmida	Non-Executive Director
Mr Hamad Buamin	Non-Executive Director
Mr Abuagila Almahdi	Non-Executive Director
Mr Douraid Zaghouani	Non-Executive Director
Mr Joseph Pisani	Non-Executive Director
Mr Winston V. Zahra	Non-Executive Director
Mr Frank Xerri de Caro	Senior Independent Non-Executive Director
Dr Joseph J. Vella	Independent Non-Executive Director

The Chairman and the Joint Chief Executive Officers (Joseph Fenech and Simon Naudi) are responsible for the identification and execution of new investment opportunities. They are also responsible for managing the Company's assets, ensuring the establishment of appropriate management contracts of the hotel properties in the case of operational properties, and negotiating and awarding project contracts in respect of the development or refurbishment of new properties.

The key members of the Company's management team, apart from the Chairman and the Joint Chief Executive Officers, are Alfred Fabri (Company Secretary), Joseph Galea (Group Chief Financial Officer), Neville Fenech (Director of Finance) and Clinton Fenech (General Counsel). The weekly average number of employees engaged at the Issuer's corporate office and in its owned hotels during FY2018 amounted to 2,710 persons (FY2017: 2,632).

3. CORINTHIA GROUP ORGANISATIONAL STRUCTURE

The following diagram summaries, in simplified format, the structure of the Issuer and the position within the said Group of the Corinthia Group. The complete list of companies forming part of the Group is included in section 17 of the 2018 Annual Report & Financial Statements.



The following table provides a list of the principal assets and operations of the Issuer:

INTERNATIONAL HOTEL INVESTMENTS PLC
PRINCIPAL ASSETS AND OPERATIONS
AS AT 31 DECEMBER 2018

Name	Location	Description	% ownership	No. of hotel rooms
Corinthia Hotel Budapest	Hungary	Property owner	100	437
Corinthia Hotel St Petersburg	Russia	Property owner	100	388
Commercial property St Petersburg	Russia	Property owner	100	n/a
Corinthia Hotel Lisbon	Portugal	Property owner	100	518
Corinthia Hotel Prague	Czech Republic	Property owner	100	539
Corinthia Hotel Tripoli	Libya	Property owner	100	299
Commercial property Tripoli	Libya	Property owner	100	n/a
Corinthia Hotel St George’s Bay	Malta	Property owner	100	249
Marina Hotel St George’s Bay	Malta	Property owner	100	200
Corinthia Hotel & Residences London*	United Kingdom	Property owner	50	284
Corinthia Grand Astoria Hotel Brussels*	Belgium	Property owner (under development)	50	126
Radisson Blu Resort St Julians	Malta	Property owner	100	252
Radisson Blu Resort & Spa Golden Sands	Malta	Property owner & vacation ownership operation	50	338
Corinthia Palace Hotel & Spa	Malta	Property owner	100	147
Corinthia Hotels Limited	Malta	Hotel management	100	n/a
QPM Limited	Malta	Project management	100	n/a
CDI Limited	Malta	Project development	100	n/a
Medina Tower	Libya	Mixed-use property (to be developed)	25	n/a
Island Caterers	Malta	Event catering	100	n/a
The Heavenly Collection Ltd (Hal Ferh)	Malta	Vacant site (to be developed)	100	n/a
Costa Coffee	Malta/Spain	Retail catering	100	n/a
				3,777

** under control and management of IHI*

The following table illustrates the carrying values of the principal properties of the Issuer, accounted for in the audited consolidated balance sheet as at 31 December 2016, 2017 and 2018 under the headings: "investment property", "property, plant & equipment" and "investments accounted for using the equity method":

INTERNATIONAL HOTEL INVESTMENTS PLC VALUATION OF PRINCIPAL PROPERTIES AS AT 31 DECEMBER	FY2016	FY2017	FY2018
Investment Properties			
Commercial Centre St Petersburg	64,555	61,805	55,687
Commercial Centre Tripoli	68,243	68,243	73,743
Commercial Centre Lisbon	1,980	2,300	2,800
Site in Tripoli	29,500	29,500	29,500
Apartment in London*		43,390	41,809
	164,278	**205,238**	**203,539**
Hotel Properties			
Corinthia Hotel St George's Bay	40,477	39,773	39,070
Radisson Blu Resort, St Julians	40,291	38,791	37,513
Corinthia Hotel Lisbon	93,428	97,409	114,736
Corinthia Hotel Prague	83,006	82,306	88,300
Corinthia Hotel Tripoli	81,206	78,881	76,367
Corinthia Hotel Budapest	122,458	121,617	121,874
Corinthia Hotel St Petersburg	85,710	84,488	79,022
Corinthia Hotel London*		496,140	495,854
Corinthia Palace Hotel and Spa			28,915
Marina Hotel	31,115	30,957	30,500
	577,691	**1,070,362**	**1,112,151**
Joint Ventures and Associates			
Corinthia Hotel & Residences London (50%)*	271,850		
Corinthia Grand Astoria Hotel Brussels (50%)	7,600		
Radisson Blu Resort & Spa Golden Sands (50%)[#]	31,509	36,822	35,429
Medina Towers J.S.C. (25%)	13,567	12,604	12,760
	324,526	**49,426**	**48,189**
Assets in the Course of Development			
The Heavenly Collection Ltd (Hal Ferh)	21,576	21,758	21,800
Corinthia Grand Astoria Hotel Brussels		18,388	23,725
	21,576	**40,146**	**45,525**
Total	**1,088,071**	**1,365,172**	**1,409,404**

* 'Apartment in London' and 'Corinthia Hotel London' are reported in aggregate in FY2016 under the heading 'Corinthia Hotel & Residences London (50%)'.

The Group holds investments in joint ventures involved in the timeshare business, whose revenue recognition policies were significantly revised as a result of the initial application of IFRS 15 *"Revenue from Contracts and Customers"*. These joint ventures receive an upfront timeshare signing fee as well as yearly membership fee. Prior to the adoption of IFRS 15, certain revenues in relation to rooms sold on timeshare at the Radisson Blu Resort & Spa Golden Sands were recognised at inception of the timeshare agreements on the basis that these do not include an identifiable amount for subsequent services and did not relate to the provision of future services.

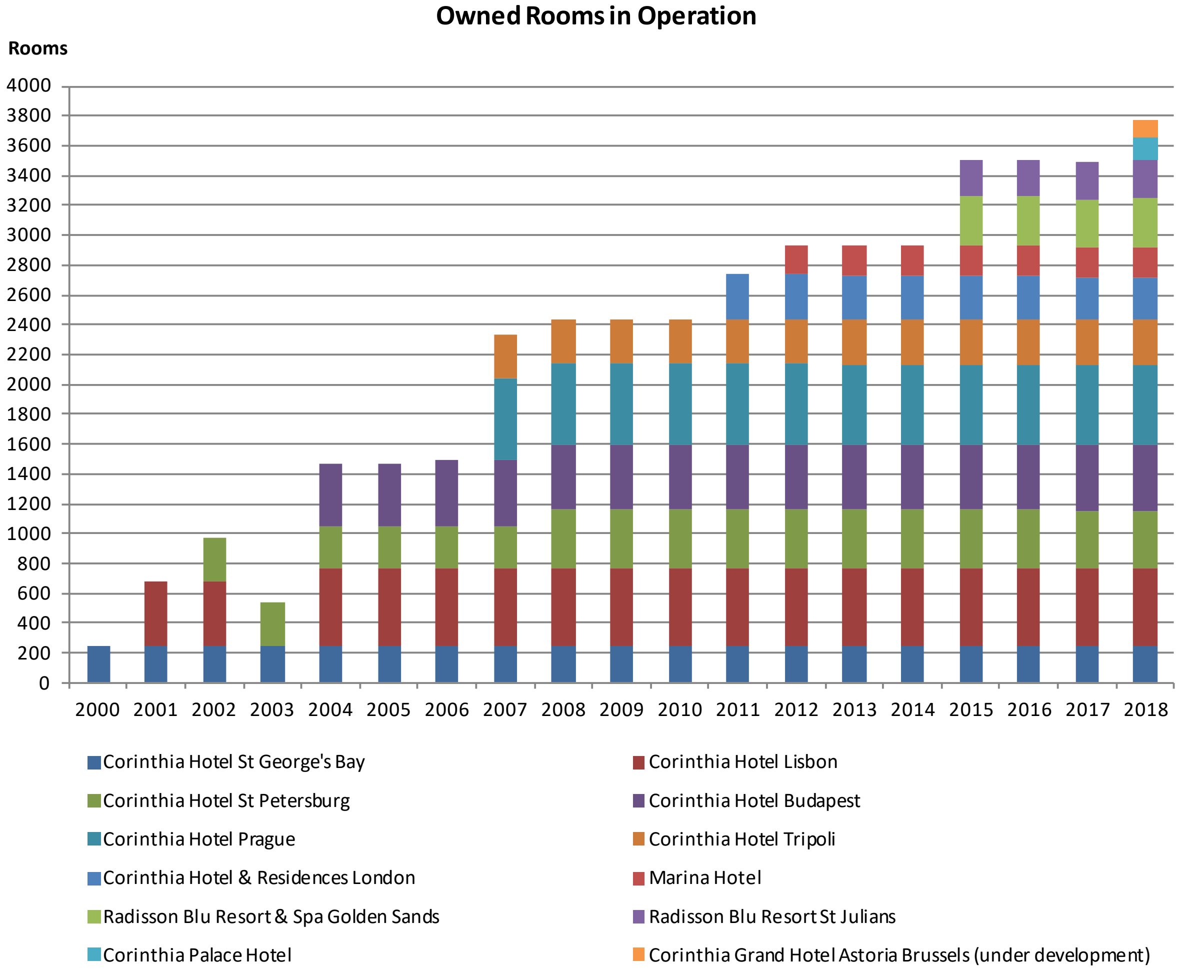
As from 1 January 2018, the standard requires an assessment of whether the upfront timeshare signing fee needs to be amortised over the life of the agreement. Management has analysed the revenue streams in assessing the impact of IFRS 15 on their contracts with customers. Management has elected to account for the adjustment driven by the adoption of IFRS 15 using the fully retrospective method which requires the figures for the comparative period (FY2017) to be restated. Accordingly, the valuation of Radisson Blu Resort & Spa Golden Sands as at 31 December 2017 has been restated from €40.1 million to €36.8 million.

PART 2 – OPERATIONAL DEVELOPMENT

4. HOTEL PROPERTIES

4.1 ROOM INVENTORY

As at the date of this report, the Issuer fully owns 9 hotel properties and 50% in each of 3 other hotel properties (namely, Corinthia Hotel & Residences London, Corinthia Grand Hotel Astoria Brussels (under construction) and Radisson Blu Resort & Spa Golden Sands). The chart below sets out the growth in owned-room inventory of the Issuer since incorporation, which increased from 250 to 3,777 rooms over a span of 19 years.



Source: Management information.

4.2 CORINTHIA HOTEL BUDAPEST

Introduction

IHI Magyarország Zrt., a fully-owned subsidiary of the Company, owns the 437-room five-star Corinthia Hotel located in Budapest, Hungary ("**Corinthia Hotel Budapest**"). The hotel was acquired as a vacant building in 2000 for €27 million. The property was subsequently demolished except for the historic façade and ballroom and rebuilt at a cost of €90 million. It was officially opened in April 2003. In 2006, 26 self-catering apartments were added to its rooms stock, which are included in the above room count, and a health spa was opened. A 2-year refurbishment programme of the Hotel's bathrooms and corridors commenced in April 2018 at a cost of *circa* €4.4 million. The carrying value of the Corinthia Hotel Budapest as at 31 December 2018 is €121.9 million (FY2017: €121.6 million).

Market Overview

i. Economic update[1]

Real GDP growth rose to 4.9% in 2018, driven by construction investment, which accounted for a record high of 13.8% of GDP. Employment and wage growth, including an increase in the minimum wage, supported private consumption. While labour costs have risen, productivity growth in industry and services has not yet picked up. Equipment investment fell in 2018 and its share in GDP remains below pre-crisis levels, limiting the potential for further productivity gains. Slowing exports and buoyant imports pushed the current account into a deficit in the second half of 2018.

Growth is set to lose momentum as capacity constraints limit the further expansion of domestic demand, while external demand remains subdued. GDP growth is set to slow to 3.7% in 2019 and 2.8% in 2020. Investment growth is forecast to moderate in the coming years as construction stabilises at a high level. In particular, the level of public investment is expected to peak in 2019, in line with the electoral cycle and the rising absorption of EU funds. Investment into equipment is set to pick up, mostly thanks to some large foreign direct investment financed projects in manufacturing. Household income and consumption growth are expected to ease in line with slower employment growth, as labour market slack is diminishing. Low unemployment and continued minimum wage rises are projected to keep wage increases above productivity growth. Exports are set to remain subdued with slow growth in key export markets. Risks to the forecast are balanced. While external risks are on the downside, domestic risks are on the upside as the tight labour market could sustain even higher wage and consumption growth.

The general government deficit remained stable at 2.2% of GDP in 2018, despite the favourable macroeconomic environment. The outturn was just slightly below the government's 2.4% target. In spite of tax cuts, including the further 2.5 percentage points reduction in employers' social contribution rate, tax revenues grew relatively fast thanks to the high growth of nominal income and consumption. New measures to improve tax compliance, introduced last July, also bolstered VAT revenues. Higher-than-budgeted revenues were largely spent at the end of the year, mostly on current transfers. Public investment accelerated further, thanks also to the increased absorption of EU funds.

[1] European Economic Forecast – Spring 2019 (European Commission Institutional Paper 102 May '19)

ii. Tourism market[2]

From January to December 2018, commercial accommodation establishments registered a total of 12.5 million arrivals and 30.9 million tourism nights, up 5.2% and 3.8% respectively, compared to the same period of the previous year. Foreign guests spent 2.4% more (15.3 million) and domestic guests 5.3% more (15.6 million) nights in commercial accommodation establishments. Room occupancy in hotels increased by 2.0 percentage points to 61.3% and total gross sales in commercial accommodation establishments grew by 9.3% at current prices to a total of HUF 510 billion. Within the latter amount, accommodation revenues increased by 8.3% to HUF 301 billion.

Looking forward, to the hosting of the Maccabi Games and the World Table Tennis Championships in Budapest in 2019, along with various music festivals and other events, the tourism market in Hungary is set to continue performing within this positive trend.

Operational Performance

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

Corinthia Hotel Budapest	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Forecast**
Turnover (€'000)	23,457	25,820	26,360	28,111
Gross operating profit before incentive fees (€'000)	8,577	9,501	8,952	9,966
Gross operating profit margin (%)	37	37	34	35
Occupancy level (%)	78	80	81	82
Average room rate (€)	129	139	135	146
Revenue per available room (RevPAR) (€)	101	111	109	120
Benchmark performance				
Occupancy level (%)	79	79	79	79
Average room rate (€)	124	140	151	156
Revenue per available room (RevPAR) (€)	98	111	120	123
Revenue Generating Index	1.03	1.00	0.91	0.98

Source: Management information.

Revenue for FY2016 was higher than FY2015's revenue at €23.5 million (FY2015: €22.8 million) and gross operating profit was also higher when compared to the prior year at €8.6 million (FY2015: €8.4 million). Positive results were also achieved in FY2017, in which, the Hotel registered a 10% increase in RevPAR and a growth in revenue of €2.4 million to €25.8 million. This increase resulted in a €0.9 million improvement in gross operating profit. During FY2017, the hotel benefited from one-off international events and exhibitions which were organised at the HUNGEXPO – the largest multifunctional venue in Budapest.

In FY2018, management continued to implement a strategy of focusing more on increasing revenue from leisure, corporate and conference & event segments with progressive decreases in the volume of low rated sectors (such as groups and tour operator business). FY2018's revenue increased compared to FY2017 by €0.5 million (+2%)

[2] Central Statistical Office (KSH)

and amounted to €26.4 million (FY2017: €25.8 million), while gross operating profit decreased by €0.5 million from €9.5 million in FY2017 to €9.0 million mainly on account of a €2 decrease in RevPAR to €109.

Following the completion of the above-mentioned refurbishment programme in FY2019, management is anticipating a substantial improvement in the average room rate from €135 in FY2018 to €146, which is expected to impact revenue positively by €1.7 million to reach €28.1 million (FY2018: €26.4 million). Gross operating profit is projected to increase from €9.0 million in FY2018 to €10.0 million (+11%).

During FY2016 and FY2017, the Hotel performed at a broadly similar level to its competitive set, as evidenced by the achieved revenue generating index (RGI) of *circa* 1.00. In 2018, the Hotel performed below its benchmark at 0.91 but is expected to recover to almost parity (at 0.98) in FY2019.

4.3 CORINTHIA HOTEL ST PETERSBURG

Introduction

IHI Benelux B.V. (a fully-owned subsidiary of the Company) owns the 388-room five-star Corinthia Hotel located in St Petersburg, Russia ("**Corinthia Hotel St Petersburg**"), which was acquired in 2002 for €35 million. The company also purchased properties adjacent to the hotel, which were subsequently demolished and rebuilt as a hotel extension with 108 superior rooms and a commercial centre including retail and office space. This development project, which was completed in May 2009, also involved the refurbishment of the lobby and the public areas of the original hotel. A renovation programme was completed in 2018 at a cost of €3.4 million and comprised the refurbishment of all 280 bedrooms and suites in the Hotel's original wing. In Q3 2019, the Hotel will initiate, the development of a derelict building with a footprint measuring *circa* 1,500 square metres situated behind the Hotel. The estimated cost of this development is set at €2.6 million and will consist in the creation of a car park and further office space. The carrying amount of the Corinthia Hotel St Petersburg and the commercial centre (Nevskij Plaza Shopping and Office Centre) as at 31 December 2018 is €79.0 million (FY2017: €84.5 million) and €55.7 million (FY2017: €61.8 million) respectively.

Market Overview

i. Economic update[3]

A comprehensive estimate of national accounts data released by Rosstat on 1 April revealed that growth surged in the fourth quarter. The Russian economy grew 2.7% over the same period of the previous year, significantly above the third quarter's revised 2.2% increase.

Strengthening household consumption drove the fourth quarter's upturn, with private consumption rising 2.0% over the same period of 2017 (Q3: +1.6% year-on-year). Households likely front-loaded some spending in the quarter ahead of the hike in the VAT scheduled for January 2019. In addition, inventories positively contributed to economic activity in the quarter, pushing up total investment. In contrast, fixed investment growth slid to 0.2% likely weighed on by geopolitical uncertainty. Government spending grew 0.3% matching Q3's reading.

Export growth slowed from 4.8% in the third quarter to 2.6% in the fourth quarter, weighed by slower global trade and constrained oil output. Imports contracted 0.3%, contrasting the feeble 0.1% expansion in Q3. The drop chiefly reflected a weak rouble which has constrained orders from abroad.

[3] Focus-economics.com - Russia GDP Q4 2018 (1 April 2019); Russia GDP Q1 2019 (6 June 2019)

GDP growth plunged to 0.5% year-on-year in the first quarter of 2019, according to a preliminary estimate. This was notably below Q4's 2.7% result and also was significantly lower than expectations of a 1.2% expansion. While a breakdown by components is not yet available, weak domestic activity and reduced trade likely drove the slowdown. Retail sales growth fell in Q1, in consequence of a hike in VAT and downbeat sentiment, which suggests that household spending likely lost steam. Meanwhile, tight monetary policy and prudent government spending are also expected to have restrained growth, with the government's expenditure growth coming in below target. In addition, the external sector likely underperformed despite higher oil prices as the OPEC+ production cuts and a relatively mild European winter limited energy exports. It is projected that Russia's GDP will increase by 1.4% in 2019.

ii. Tourism market[4]

The latest available statistics on the Russian tourism industry relate to 2017, whereby approximately 81 million tourists visited the Russian Federation, of which, 56.5 million tourists comprised Russian nationals whilst foreigners represented the remaining 24.5 million. The weak rouble and cheaper services were the main factors that contributed to an increase in visiting foreigners and Russians choosing to travel within the country. The number of visitors to St Petersburg in 2017, according to official municipal administration data, reached 7.2 million people in comparison with the previous year's figure of 6.9 million visitors. The number of Russian citizens who visited St Petersburg in 2017 (domestic tourism) comprised 50% of total tourists. St Petersburg Pulkovo airport also experienced higher volumes during the year as it registered an increase of 11.8% from 14.3 million passenger movements in 2016 to 16 million in 2017.

2018 is to be viewed as another positive year, which benefited from the hosting of the FIFA World Cup football tournament during June and July in a number of cities across the Russian Federation. According to the Russian Federal Tourism Agency, more than 5 million tourists, including 2.9 million foreigners, visited such cities (Moscow and St Petersburg registered approximately 2.7 million and 0.6 million tourists respectively).

The performance of the Corinthia Hotel St Petersburg continues to be affected by a decrease in international demand for hotel services, which has however been more than amply replaced by an increase in local business.

[4] Guide to St Petersburg (www.guidetopetersburg.com)

Operational Performance

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

Corinthia Hotel St Petersburg	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Forecast**
Turnover (€'000)	14,103	15,789	16,500	15,661
Gross operating profit before incentive fees (€'000)	5,871	7,076	8,522	7,377
Gross operating profit margin (%)	42	45	52	47
Occupancy level (%)	60	58	54	59
Average room rate (€)	122	141	165	141
Revenue per available room (RevPAR) (€)	74	82	89	84
Benchmark performance				
Occupancy level (%)	61	63	65	67
Average room rate (€)	186	181	187	171
Revenue per available room (RevPAR) (€)	113	114	122	114
Revenue Generating Index	0.65	0.72	0.73	0.74

Source: Management information.

In FY2016, turnover recovered from €12.8 million generated in FY2015 to €14.1 million (+10%) and gross operating profit improved by €1.7 million (+39%) from €4.2 million in FY2015 to €5.9 million. Although the occupancy level remained static at 60% in FY2016, the average room rate increased from €112 in FY2015 to €122 in FY2016, with a consequential increase in RevPAR of 10%.

The Hotel's performance improved further in FY2017 from the prior year, as RevPAR increased from €74 in FY2016 to €82. Revenue for the year amounted to €15.8 million, an increase of €1.7 million (+12%) from €14.1 million in FY2016 and gross operating profit before incentive fees increased by €1.2 million (+21%) to €7.1 million.

During FY2018, the refurbishment programme of 280 rooms in the original hotel, acquired in 2002, was completed at a cost of €3.4 million. Revenue in FY2018 amounted to €16.5 million, an increase of €0.7 million (+5%) over the comparative period. Gross operating profit increased by 20% (y-o-y) to €8.5 million (FY2017: €7.1 million). The growth in profitability in 2018 is attributed mainly to the FIFA World Cup, which enabled the Hotel to achieve a better average room rate and RevPAR.

The challenges set and acted upon by the Hotel's management team have been to source alternative markets, targeting in particular as much business as possible from within the Russian Federation itself, and to operate the Hotel with a wide range of room rates targeting upscale corporate to luxury travellers. A sales office has been opened in Moscow with Russian-language online marketing being given prominence. RevPAR will remain under pressure in the near term, because of competition in the market and the increasing supply of rooms in consequence of the opening of new hotels. Consequently, the strategy adopted by the Hotel will remain focused on securing a base demand and driving occupancy rather than building average room rate in isolation.

Revenue in FY2019 is projected to decrease from €16.5 million in FY2018 to €15.7 million, principally on account of a decline in the average room rate from €165 to €141 (due to the one-time event of FIFA World Cup in 2018), partly compensated for by an expected increase in occupancy level by 5 percentage points to 59%. In consequence, gross operating profit is expected to decrease by €1.1 million to €7.4 million (FY2018: €8.5 million). Both revenue and operating profit reduction are in the main attributable to the one-time high rates and profits made during FIFA Football Finals event in 2018

The Hotel's occupancy level is broadly in line with benchmark performance. However, the Hotel's achieved average room rate in each of three historical years was below the competitive set by an average of 23%, which underperformance is reflected in the RGI of below par (FY2018: RGI of 0.73). A similar trading position in relation to the Hotel's competitive set has been assumed for FY2019.

Commercial Operations

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

Corinthia Hotel St Petersburg (commercial property)	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Forecast**
Turnover (€'000)	4,813	5,828	5,229	5,395

Source: Management information.

The commercial properties comprise a mix of commercial areas, shops and office space, with total rentable area in excess of 11,600 square metres. The property is practically fully occupied, and projected growth in income is reflective of existing agreements with respective tenants and a recovery in the exchange rate of the Russian Rouble.

4.4 CORINTHIA HOTEL LISBON

Introduction

Alfa Investimentos Lda (a fully-owned subsidiary of the Company) owns the 518-room five-star Corinthia Hotel located in Lisbon, Portugal ("**Corinthia Hotel Lisbon**"), which was acquired in 2001 for €45 million. The Corinthia Hotel Lisbon required significant renovation and following an extensive refurbishment was re-opened in May 2004.

A renovation programme is underway at the Corinthia Hotel Lisbon, estimated at a cost of €14 million. The refurbishment started in November 2016 and will be completed by 2020. The programme comprises the complete refurbishment of all room stock at the hotel to upgrade the product, including brand new bathrooms and an upgrading to the fit-out to the hotel bedrooms. The refurbishment will be carried out in phases sealing off two to three floors at a time without causing any disturbance to the on-going operation of the hotel which continues to operate normally. Works on the first 17 floors have already been completed and the finished product has been received well by the market. The programme of works is on schedule.

The carrying amount of the Corinthia Hotel Lisbon as at 31 December 2018 is €114.7 million (FY2017: €97.4 million). Alfa Investimentos Lda also owns an apartment block in Lisbon for investment purposes, valued at €2.8 million as at 31 December 2018 (FY2017: €2.3 million).

Market Overview

i. Economic update[5]

Real GDP growth in Portugal eased to 2.1% in 2018 from a peak of 2.8% in 2017. The slowdown was driven by the negative impact of net exports, which came from an abrupt slowdown in exports. Nonetheless, domestic demand remained solid, particularly private consumption, while investment growth slowed after an exceptional performance in 2017. Investment and private consumption are set to continue supporting growth, offsetting most of the negative impact from external trade.

Recent high frequency indicators are somewhat less favourable. While readings remain above their long-term averages, the Commission's Economic Sentiment Indicator (ESI) eased in the first quarter of 2019, reflecting a decrease in confidence among consumers and most business sectors. Private consumption growth is forecast to slow somewhat, in line with the softening in labour market conditions. Meanwhile, investment is set to rise gradually over the forecast horizon, following the expected strengthening in external demand and absorption of EU funds. However, net external trade is set to weigh on economic activity. Overall, GDP growth is projected at 1.7% in both 2019 and 2020. Risks to this scenario appear on the downside due to the persistent uncertainty surrounding the external environment.

Portugal's current account deteriorated to a deficit of 0.9% of GDP in 2018 after a surplus of 0.2% in the previous year. This is largely due to the increased deficit in the trade of goods. The primary income balance also worsened due to a substantial increase in dividend outflows outweighing the positive impact from lower interest rates paid to foreign creditors. The balance of services continued to improve, though at a slower pace than in the last two years, as growth in the tourism sector slowed down. The external balance is projected to worsen further in the short run, driven by robust domestic demand and weaker prospects in global trade. However, larger EU fund inflows and a further decline in interest payments are set to offset a large part of the negative trade impact.

Unemployment dropped from 9.0% in 2017 to 7.0% in 2018, supported by strong employment growth. The unemployment rate stood at its lowest in over 16 years, with the employment rate at its highest over the same period. Slack in the labour market declined accordingly and wage growth picked up somewhat, thanks in part to the unfreezing of career progressions in the public sector. For the second year in a row, employment grew faster than GDP, triggering a slight drop in productivity and higher unit labour costs. However, employment growth slowed towards the end of 2018 and in early 2019. The slowdown is expected to continue over the forecast period. Unemployment is also set to fall at a slower pace to 6.2% in 2019 and 5.7% in 2020 amid a broadly stable labour force.

ii. Tourism market[6]

In 2018, the number of guests increased by 1.7%, when compared to the same period a year earlier, to reach 21.1 million guests and overnight stays amounted to 57.6 million, which was in line with the prior year. In the same period of 2018, overnight stays spent in hotels (comprising 70% of total establishments) grew by 1.4%. British tourists remained the largest group of visitors last year, however there was a decline of 7.5% in 2018.

With the introduction of low cost airline carriers to the country, Portugal is perceived as a 'value for money' destination and this has been one of the leading factors contributing to the growth in hospitality numbers

[5] European Economic Forecast – Spring 2019 (European Commission Institutional Paper 102 May '19)
[6] Instituto Nacional De Estatistica (www.ine.pt)

detailed above. The Group's hotel property in Lisbon has likewise benefitted from this upsurge in business registering significant year-on-year growth both in revenue and profitability.

Operational Performance

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

Corinthia Hotel Lisbon	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Forecast**
Turnover (€'000)	21,907	24,753	26,404	27,792
Gross operating profit before incentive fees (€'000)	6,740	8,128	8,667	9,051
Gross operating profit margin (%)	31	33	33	33
Occupancy level (%)	72	69	69	68
Average room rate (€)	109	133	140	146
Revenue per available room (RevPAR) (€)	79	92	96	100
Benchmark performance				
Occupancy level (%)	72	72	71	71
Average room rate (€)	113	130	146	149
Revenue per available room (RevPAR) (€)	81	94	104	106
Revenue Generating Index	0.98	0.98	0.92	0.94

Source: Management information.

In FY2016, the Hotel increased y-o-y revenue by €1.2 million (+6%) and gross operating profit improved further from €6.0 million in FY2015 to €6.7 million in FY2016. The Hotel's positive y-o-y trend continued in FY2017, as it registered an increase in revenue of €2.8 million (+13%) from €21.9 million in FY2016 to €24.8 million, and gross operating profit increased from €6.7 million in FY2016 to €8.1 million in FY2017 (+21%).

Management plans to continue focusing on higher yielding segments (leisure and conference & events) and believes that due to the size of the Hotel, there should not be any displacement of leisure guests when signing larger conference & events business.

In FY2018, revenue increased y-o-y by €1.6 million (+7%) to €26.4 million, principally due to a €7 increase in the average room rate to €140. This had a positive impact on gross operating profit, which increased from €8.1 million in FY2017 to €8.7 million in FY2018. A further increase in both revenue and gross operating profit of 5% and 4% respectively is being projected for FY2019 as a result of an improvement in the average room rate from €140 to €146, and a €4 increase in RevPAR to €100.

The Hotel has performed broadly in line with its competitive set in FY2016 and FY2017. However, during FY2018, the Hotel's occupancy level and average room rate was below benchmark in consequence of the on-going refurbishment works which reduced available hotel inventory and resulted in a RGI of 0.92. Management is projecting the RGI to improve to 0.94 in FY2019 primarily through an increase in the average room rate from €140 in FY2018 to €146.

4.5 CORINTHIA HOTEL PRAGUE

Introduction

IHI Towers s.r.o. (a fully-owned subsidiary of the Company) owns the 539-room five-star Corinthia Hotel located in Prague, Czech Republic ("**Corinthia Hotel Prague**"), which was acquired in 2007 for €105 million. The carrying amount of the Corinthia Hotel Prague as at 31 December 2018 is €88.3 million (FY2017: €82.3 million).

Market Overview

i. Economic update[7]

In 2018, strong growth in investment allowed the economy to expand by 2.9%. Household consumption also made a significant contribution, supported by very strong labour market conditions and rising real wages. However, the contribution of net exports to GDP growth turned negative, so the annual rate of growth was less than the 4.4% recorded in 2017. GDP growth is expected to moderate somewhat in 2019 and 2020 to 2.6% and 2.4%, respectively, broadly in line with estimated potential growth rates. Household consumption is likely to remain the main growth driver, boosted by rising wages across the economy. Investment growth is expected to moderate compared to the significant rise seen in 2018.

Investment growth is set to slow after peaking in 2018, although both the private and the public sector are expected to support investment activity. Automation and robotisation remain priorities in the private sector, with corresponding investment activities geared towards improving productivity. Despite longer-term uncertainties, companies are likely to continue to invest in capital amid a tight labour market where qualified workers are scarce and upward wage pressures remain strong. On the other hand, substantial increases in productivity have yet to materialise. This can be partly explained by the lag between the start of automation projects and the moment when actual productivity improvements become visible.

As a small open economy, the Czech Republic is highly dependent on the external sector. Slowing demand from major trade partners, especially those in the EU, may stifle the growth rate of exports. Fast real wage growth, which is expected to continue over the forecast horizon, given continued labour market shortages, may have started to affect the competitiveness of Czech exports. The number of vacancies continues to increase in all sectors of the economy and across all skill levels. Imports are expected to continue increasing faster than exports as rising private consumption takes over as the main driver of imports in the context of an expected slowdown in equipment investment — an expenditure type with a relatively high import content. With export growth likely to settle around a more moderate 3% per year, the trade balance is likely to deteriorate and the contribution of net exports to GDP growth is expected to remain negative in both 2019 and 2020.

In 2018, the general government budget surplus was lower than expected, at 0.9% of GDP, down from 1.6% in 2017. Tax revenues and social contributions rose significantly and in line with expectations, but expenditure growth exceeded that of revenues by around 2 percentage points. This was driven mainly by the 28% growth in gross fixed capital formation on the back of a large increase in domestic and EU-funded investments. After subdued growth in recent years, investment also picked up at the local government level.

[7] European Economic Forecast – Spring 2019 (European Commission Institutional Paper 102 May '19)

ii. Tourism market[8]

Inbound tourism was up in the Czech Republic as a whole in 2017. Total visitors surpassed 20 million for the first time, while overnight stays topped 50 million. This figure, which includes both domestic and international tourists, represents an increase of 9.1% compared to the previous year. Out of the 20 million tourist arrivals, Prague received 7.6 million tours in 2017 which translate into 18.1 million overnight stays. As in previous years, these were mainly visitors from abroad, totalling 6.5 million (85.8%), while locals in registered tourist accommodations totalled 1.1 million (14.2%).

The number of guests in collective accommodation establishments reached 21.3 million in 2018, made up of domestic as well as foreign guests in approximately equal proportion. This amounted to 1.3 million more guests in collective accommodation establishments than in 2017 (+6.4%). When comparing 2018 to 2017, the number of domestic guests in collective accommodation establishments increased by 8.1%, whilst foreign guests increased by 4.7%. The number of overnight stays of guests in collective accommodation establishments in the Czech Republic reached 55.5 million nights for the year 2018, which was 2.3 million more (+4.3%) when compared to the corresponding year before.

In Prague alone, during 2018, the total number of visitors in tourist accommodation establishments for the first nine months grew by 2.4%, totalling 5.8 million. The total number of overnight stays in the same period reached 13.6 million, an increase of 0.8% compared to the previous year. The overall average stay in Prague for the first nine months of 2018 averaged 2.3 nights compared to 2.4 nights in 2017.

Operational Performance

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

Corinthia Hotel Prague	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Forecast**
Turnover (€'000)	16,819	19,256	20,099	20,477
Gross operating profit before incentive fees (€'000)	5,160	5,950	6,373	6,833
Gross operating profit margin (%)	31	31	32	33
Occupancy level (%)	66	73	74	74
Average room rate (€)	78	83	86	89
Revenue per available room (RevPAR) (€)	51	60	63	66
Benchmark performance				
Occupancy level (%)	78	81	79	79
Average room rate (€)	109	113	114	117
Revenue per available room (RevPAR) (€)	85	92	91	93
Revenue Generating Index	0.60	0.65	0.69	0.71

Source: Management information.

[8] Praguecitytourism.com (2017 Annual Report Prague City Tourism; Tourism Trends in Prague – January to September 2018); Czech Statistical Office (www.czso.cz)

Revenue in FY2016 was marginally better than that achieved in the prior year and amounted to €16.8 million. Gross operating profit increased by 8% from €4.8 million in FY2015 to €5.2 million in FY2016. Turnover in FY2017 amounted to €19.3 million, an increase of €2.4 million (+14%) when compared to the prior year, while gross operating profit increased by 15% from €5.2 million in FY2016 to €6.0 million.

Revenue in FY2018 reached €20.1 million, an increase of 4% from a year earlier, mainly due to an increase in occupancy from 73% to 74% and an increase in average room rate from €83 in FY2017 to €86 in FY2018. Gross operating profit increased by 7% from €6.0 million in FY2017 to €6.4 million in FY2018.

In the near term, management will continue to work towards displacing tour operator bookings with the more profitable conference & events and leisure business in an effort to improve RevPAR. As such, management is projecting an increase of 2% in FY2019 revenue from €20.1 million in FY2018 to €20.5 million, and gross operating profit is expected to increase by €0.4 million (y-o-y) to €6.8 million (FY2018: €6.4 million).

The Hotel has, in recent years, consistently underperformed its competitive set principally in terms of room rates (being *circa* 25% lower than benchmark rates). This gap in room rates is largely linked to the Hotel's location just outside the City centre in Prague and its large room inventory, making it more challenging to compete at the same rates offered by the competitive set hotels, which are centrally located and smaller in size. Consistent with current performance, management expects to continue to match its competitive set in terms of occupancy and recover part of the gap in room rates. The Hotel is forecasting room rates to increase through, *inter alia*, the generation of more room nights from higher-rated segments, improved segmentation and the expected increase in conference & events business organised at the (neighbouring) Prague Congress Centre. As such, the Hotel is aiming to improve the RGI from 0.69 in FY2018 to 0.71 in FY2019.

4.6 CORINTHIA HOTEL TRIPOLI

Introduction

Corinthia Towers Tripoli Limited (a fully-owned subsidiary of the Company) owns the 299-room five-star Corinthia Hotel located in Tripoli, Libya ("**Corinthia Hotel Tripoli**"), and a commercial centre measuring *circa* 10,000 square metres and a tract of undeveloped land, both of which are adjacent to the hotel. The said properties were acquired in 2007 for a total consideration of €207 million split as follows: Corinthia Hotel Tripoli (€139 million); the commercial centre (€62 million); and an undeveloped parcel of land (€6 million). The carrying amounts of the Corinthia Hotel Tripoli, commercial centre and the adjacent plot as at 31 December 2018 are €76.4 million, €73.7 million and €29.5 million respectively (FY2017: €78.9 million, €68.2 million, €29.5 million), for a combined total of €179.6 million.

Market Overview

The continued instability and state of uncertainty prevailing since the 2011 uprising continues to have a negative effect on Libya's economy and as a result, on the performance and operation of the Corinthia Hotel Tripoli.

Ongoing conflict between rival militias has left Libya deeply divided, creating a security vacuum in the country without a reliable police or army force to maintain law and order. Practically all foreign embassies in Libya have suspended operations and withdrawn their diplomatic staff, and have advised their respective nationals against all unnecessary travel to the country.

Since 2014, Libya experienced severe political instability due to the collapse of the central government during the same year and the country has been going through difficult times ever since. A United Nations-brokered ceasefire deal was reached in December 2015 and the Libyan Political Agreement to form a Government of National Accord was signed. Although it is still difficult to ascertain when the political situation in Libya will return to normality and how rapidly the economy will re-establish a sustainable pace of growth, the above development could prove to be an important one. In the meantime, in April 2019, fresh hostilities erupted between rival governments over the control of the Libyan capital Tripoli.

Operational Performance

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

Corinthia Hotel Tripoli	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Forecast**
Turnover - Hotel operations (€'000)	799	2,040	3,778	3,446
Turnover - Commercial Centre (€'000)	5,868	5,543	6,927	7,000
Gross operating profit before incentive fees (€'000)	2,764	2,510	4,061	3,930
Gross operating profit margin (%)	41	33	38	38
Occupancy level (%)	0	5	5	5
Average room rate (€)	185	187	178	185
Revenue per available room (RevPAR) (€)	0	4	8	9

Source: Management information.

Despite the ongoing instability in Libya, the Commercial Centre has remained operational and to date, its performance remains largely unaffected by the political conflicts that the country is witnessing. In FY2015 and the first half of FY2016, repair works were commissioned and completed for the Hotel to resume operations. A soft opening of the Hotel was made in 2017.

The combined turnover registered during FY2017 amounted to €7.6 million (FY2016: €6.7 million), and gross operating profit before incentive fees amounted to €2.5 million (FY2016: €2.8 million). The year's revenue includes €5.5 million (FY2016: €5.9 million) derived from rental contracts attributable to the Commercial Centre, being a steady income from the lease of commercial offices. Accordingly, whilst the Hotel sustained negative operating results during 2017 and 2016, particularly in view of the relatively fixed nature of certain expenses, the net contribution from both the Hotel and the Commercial Centre was positive.

The ongoing long-term leases have mitigated the impact of the country's political instability. Furthermore, certain tenants have nonetheless opted to renew their leases (albeit, at temporary reduced rates) in order to retain presence in this prime location. Late in 2017, the Group secured another lease agreement with the result that the Commercial Centre is now practically fully leased.

Management's objective for the Hotel is to minimise operational losses and to ensure that payroll and other operating costs are managed in the context of the reduced operating income levels. At the same time, however, the Group continues to invest significantly in maintenance and security costs to ensure that the Hotel is kept in pristine condition. As from August 2017, the Hotel started to accept bookings for hotel room accommodation.

Although in 2018 low room occupancy was registered at the Corinthia Hotel Tripoli, there is a sizeable food and beverage activity at the hotel. Furthermore, the adjoining office and commercial centre is practically fully leased to international blue-chip companies. In consequence, the Hotel registered aggregate revenue of €10.7 million in FY2018 compared to €7.6 million in the prior year (+41%). In turn, gross operating profit increased by €1.6 million (y-o-y) to €4.1 million.

The Hotel's projections for FY2019 assume occupancy to remain at the 5% level and RevPAR to increase from €8 to €9. On this basis, revenue is expected to amount to €10.4 million, marginally lower than that achieved in FY2018 (€10.7 million). Gross operating profit is projected to decrease marginally from €4.1 million in FY2018 to €3.9 million in FY2019.

There are currently no statistics published in terms of hotel performance in Tripoli. As such, no comparison can be made between the Corinthia Hotel Tripoli and other hotels situated in Tripoli.

4.7 CORINTHIA HOTEL ST GEORGE'S BAY

Introduction

Five Star Hotels Limited (a fully-owned subsidiary of the Company) owns the 249-room five-star Corinthia Hotel located in St Julians, Malta ("**Corinthia Hotel St George's Bay**"), which was acquired in 2000 for €32 million. The carrying amount of the Corinthia Hotel St George's Bay as at 31 December 2018 is €39.1 million (FY2017: €39.8 million).

As highlighted in section 1 of this report, the Hotel forms part of the St George's Bay development. Once a new lease agreement is in place and all planning permits are in hand, the Hotel will cease operations to initiate the reconstruction and refurbishment of the existing hotel and construction of two additional floors. Furthermore, the number of room keys will reduce from the current 250 to 220, due to an increase in room size to over 50m^2. It is envisaged that the upgrade and refurbishment of the Hotel will provide guests with a level of luxury and service that will be a first for Malta.

Market Overview

i. Economic update[9]

Malta's economy performed better than expected in 2018, with real GDP growth reaching the high rate of 6.6%. Economic growth accelerated in the second half of the year, driven by record-high levels of private consumption growth, which increased by 7.3% compared to the previous year. In particular, robust employment growth coupled with modest price pressures in the household consumption basket contributed to boost households' real disposable income. Going forward, private consumption growth is expected to slow down but remain well above its historical average.

Despite the drop in investment in real terms in 2018, which was mostly due to base effects, investment in recent years has stabilised at relatively high levels, with an investment-to-GDP ratio above 20%. In 2019, investment is set to rebound and pick up further in 2020. In particular, non-residential construction is expected to benefit from large investment projects planned in the health, transport and tourism sectors.

The import content of Malta's exports has been steadily declining in the recent past, reflecting the structural shift toward the services sector. As investment rises, import growth is likewise expected to increase, turning the

[9] European Economic Forecast – Spring 2019 (European Commission Institutional Paper 102 May '19)

growth contribution of net exports from positive to slightly negative in 2019. Export growth is expected to remain above 2% as a result of the good performance of export-oriented services such as tourism and remote gaming. The current account surplus is set to narrow but to remain among the highest in the EU, underpinned by the large surplus in the services account.

Real GDP growth is expected to remain solid but to gradually ease over the forecast horizon, to an annual rate of 5.5% in 2019 and 4.8% in 2020. Risks to the macroeconomic outlook appear broadly balanced. In particular, global trade tensions and rising uncertainties in some of Malta's trading partners could negatively affect the short-term growth profile. Important upside risks include the possibility of stronger-than-expected private consumption, driven by employment creation and accumulated savings, and a further decline in the import of services.

With the activity rate in Malta quickly approaching the EU average, employment growth is expected to moderate slightly as economic growth slows down, while the unemployment rate is projected to remain below 4% over the forecast horizon. The significant inflow of foreign workers has helped keep wage growth contained; unit labour cost growth is set to rise and reach 1.2% in 2020 as wage pressures gradually materialise.

The inflation profile has been influenced by price increases in the services sector, in particular tourism-related expenditure like accommodation services. Inflation is set to increase only marginally over the forecast horizon, reaching 1.9% in 2020.

ii. Tourism market[10]

Inbound tourist trips from January to December 2018 reached nearly 2.6 million, an increase of 14.3% over the same period in 2017. Total nights spent by inbound tourists went up by 12.5%, reaching nearly 18.6 million nights. Total tourism expenditure was estimated at €2.1 billion, 8.0% higher than that recorded for 2017. Total expenditure per capita stood at €809, a decrease of 5.5% when compared to 2017. In 2018, total guests in hotels and other collective accommodation (comprising guesthouses, hostels and tourist villages) reached almost 2.0 million, an increase of 8.4% over the same period in 2017. Within the collective accommodation establishments, the 5-star lost 4,542 guests (-1.1%), whilst the 4-star and 3-star hotels gained 80,814 guests (+10.2%), and 47,716 (+9.3%) respectively for the year 2018 compared to a year earlier.

The latest inbound tourism numbers, published by the national statistics office (NSO), show that tourism has continued to increase during the first three months of this year. Tourist arrivals are reported to have increased by 2.8% and guest nights by 4.2%. Whilst remaining positive, the increases are less pronounced than those registered in previous years. Tourist expenditure increased at a slower pace and was marginally up by 0.3%.

During this first quarter of the year, the number of tourists staying in hotels remained at par with the previous year, although the number of guest nights spent in hotels decreased by 5.5%. The overall increase in guest nights during Q1 was effectively taken up by the private accommodation sector. This shift in accommodation preference has had a negative impact on the hotel sector's bottom line profitability, with both the 5-star and 4-star categories reporting a decline in gross operating profits.

Compared to the same period last year, the overall average length of stay in Q1 increased by 1.4%. Tourists opting to stay in private accommodation spent 9.31 days in Malta, up by 8.8% over last year and almost 4 days more than those staying in hotel accommodation. With total guest nights in hotel accommodation down by 5.5%, occupancy levels in the 5-star sector as reported by the Deloitte survey, declined from 56.9% in the first three

[10] National Statistics Office Malta (www.nso.gov.mt); MHRA Q1 2019 Hotel Survey by Deloitte

months of 2018 to 53.6% during the same period this year. Average room rates were down marginally by 1% while non-accommodation income slightly increased by 0.4%, resulting in an overall drop of 6.3% in total revenue per available room. On average, 5-star hotels registered a GOPPAR (gross operating profit per available room) of €918, which is €528 lower than what was reported in the same quarter last year and €986 less than 2017.

The evident shift from hotel to private accommodation would appear to be having the greatest knock-on effect on 4-star hotels, with occupancy levels in the first quarter of the year declining by 9.2% and room rates decreasing by 2.7%. The quarterly GOPPAR of 4-star hotels decreased by €339 to €36 per available room (Q1 2018: €375). As for the 3-star sector, participating hotels reported a loss of €67 per available room during this quarter, reflecting an improvement on what was reported in the corresponding period last year (Q1 2018: loss of €276).

As highlighted above, bed overcapacity may be a threat to profitability in view of the significant growth in non-collective accommodation (such as AirBnB) experienced in recent years and, to a lesser extent, hotel properties. Competition is expected to increase further in the short to medium term from ongoing development projects earmarked for the hospitality sector and others which are still at planning stage. An increase in competition is also anticipated from other countries, particularly in the southern Mediterranean region, which are reviving their respective hospitality industry as security and safety concerns abate.

Operational Performance

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

Corinthia Hotel St George's Bay	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Forecast**
Turnover (€'000)	15,765	16,717	16,499	16,088
Gross operating profit before incentive fees (€'000)	4,399	5,257	4,819	4,180
Gross operating profit margin (%)	28	31	29	26
Occupancy level (%)	81	79	77	75
Average room rate (€)	137	151	154	150
Revenue per available room (RevPAR) (€)	111	119	119	111
Benchmark performance				
Occupancy level (%)	74	75	71	70
Average room rate (€)	151	170	182	188
Revenue per available room (RevPAR) (€)	112	127	130	132
Revenue Generating Index	0.99	0.94	0.92	0.84

Source: Management information.

Performance improved further in FY2016 as the Hotel increased revenue by 4% to €15.8 million and gross operating profit increased from €4.1 million in FY2015 to €4.4 million. Occupancy during the said year improved by 2 percentage points to 81%, whilst average room rate decreased marginally by €2 to €137.

In FY2017, the Corinthia Hotel St George's Bay registered a 6% increase in revenue over FY2016 to €16.7 million. This positive performance contributed to a considerable increase in gross operating profit of +20% from €4.4 million recorded in FY2016 to €5.3 million, principally on account of a much higher average room rate generated during the first six months of EU presidency bookings. FY2018 results were marginally lower than those achieved in the prior year, with a decrease in revenue of €0.2 million (y-o-y) to €16.5 million and a decrease of €0.5 million (y-o-y) to €4.8 million in terms of gross operating profit.

Until the necessary regulatory approvals are issued for the re-development of the Hotel, management will continue to focus on its revenue management strategy of driving business through the Hotel's largest growing segment (leisure), principally by undertaking more web-based online and other marketing initiatives. As such, management is projecting for FY2019 a decrease in revenue of €0.4 million to €16.1 million from €16.5 million achieved in FY2018, and a €0.6 million decline in gross operating profit to €4.2 million. Management has lowered FY2019 projections to factor the possible disruptions emanating from construction works on a neighbouring third party property which may commence during the afore-mentioned year.

The Hotel's competitive set also recorded positive results in recent years, which is a reflection of the present buoyant tourism market in Malta. As such, the Hotel performed marginally below par when compared to its competitive set in each of the historical years FY2016 to FY2018. The Hotel is projected to lose competitiveness in FY2019 and in the near term, until construction and development works in the immediate vicinity are completed.

4.8 MARINA HOTEL

Introduction

Marina San Gorg Limited (a fully-owned subsidiary of the Company) owns the 200-room four-star Hotel located in St Julians, Malta ("**Marina Hotel**"), adjacent to the Corinthia Hotel St George's Bay. It was acquired in early 2012 for €23 million. A number of facilities at the Hotel are shared with the Corinthia Hotel St George's Bay, which provides guests with a larger product variety, especially with regards to food and beverage offering and swimming pool areas. Being a four-star hotel with access to five-star conference and meeting space at the Corinthia Hotel St George's Bay is another unique selling point of this property. The carrying amount of the Marina Hotel as at 31 December 2018 is €30.5 million (2017: €31.0 million).

Market Overview

The market overview relating to the economy and tourism in Malta is included in section 4.7 above.

Operational Performance

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

Marina Hotel	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast
Turnover (€'000)	9,880	10,251	10,269	9,798
Gross operating profit before incentive fees (€'000)	3,048	3,310	3,355	3,027
Gross operating profit margin (%)	31	32	33	31
Occupancy level (%)	83	80	82	80
Average room rate (€)	117	126	123	122
Revenue per available room (RevPAR) (€)	97	101	101	97
Benchmark performance				
Occupancy level (%)	71	72	71	70
Average room rate (€)	123	140	145	149
Revenue per available room (RevPAR) (€)	87	101	103	104
Revenue Generating Index	1.11	1.00	0.98	0.93

Source: Management information.

The sales team has, in recent years, been focusing more on yield management with a drive towards achieving higher rates by increasing occupancy levels in the higher yielding segments, including leisure and corporate. Particularly in the leisure segment, last-minute business and online bookings have become more prevalent, and therefore management is being more restrictive in offering lower yielding tour operator allocations on package deals.

Growth in FY2016 was more modest (when compared to the prior year) as revenue increased y-o-y by 4% to €9.9 million and gross operating profit also increased by 4% from €2.9 million in FY2015 to €3.0 million. Performance in FY2017 was again positive, with revenue increasing by 4% from €9.9 million in FY2016 to €10.3 million, and gross operating profit registering a 9% y-o-y increase to €3.3 million. The Hotel's performance in FY2018 was in line with FY2017's results, with revenue and gross operating profit amounting to €10.3 million (FY2017: €10.3 million) and €3.4 million (FY2017: €3.3 million) respectively.

FY2019 is expected to register lower results when compared to FY2018, principally due to the anticipated construction works due to start in a neighbouring third party property. As such, occupancy is projected to decline from 82% to 80%, which is expected to adversely impact revenue by €0.5 million to €9.8 million and gross operating profit is projected to decrease from €3.4 million in FY2018 to €3.0 million in 2019.

The Hotel continued to outperform its benchmark in FY2016, particularly with respect to RevPAR which amounted to €97 compared to €87 achieved by the competitive set. During FY2017, the Hotel's occupancy level was higher than its benchmark by 8 percentage points to 80%, but average achieved room rate was lower by 10% and amounted to €126. Overall, RevPAR generated by the Hotel was in line with its competitive set. A broadly similar performance against its competitive set was achieved in FY2018. As with Corinthia St George, Marina Hotel will likely underperform in FY2019 when compared to benchmark due to expected construction works in a neighbouring third party property.

4.9 CORINTHIA PALACE HOTEL & SPA MALTA

Introduction

On 10 April 2018, Corinthia Palace Hotel Company Limited (the ultimate parent company) transferred to IHI the 147-room five-star Corinthia Palace Hotel & Spa located in Attard, Malta, for a consideration of €26.6 million. The operating results and assets and liabilities of the acquired business will be consolidated as of April 2018. **As such, the financial information for each of FY2015, FY2016, FY2017 and Q1 2018 has been included for comparison purposes only.** The carrying amount of the Corinthia Palace Hotel & Spa as at 31 December 2018 is €28.9 million.

Market Overview

The market overview relating to the economy and tourism in Malta is included in section 4.7 above.

Operational Performance

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

Corinthia Palace Hotel & Spa Malta	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Forecast**
Turnover (€'000)	8,117	8,575	8,166	8,663
Gross operating profit before incentive fees (€'000)	1,138	1,201	640	950
Gross operating profit margin (%)	14	14	8	11
Occupancy level (%)	73	72	66	68
Average room rate (€)	110	121	128	134
Revenue per available room (RevPAR) (€)	80	87	84	92
Benchmark performance				
Occupancy level (%)	71	70	71	71
Average room rate (€)	131	151	156	161
Revenue per available room (RevPAR) (€)	93	105	111	114
Revenue Generating Index	0.86	0.83	0.76	0.80

Source: Management information.

During FY2016, a further increase in revenue and gross operating profit was achieved by the Hotel and amounted to €8.1 million (+12%, y-o-y) and €1.1 million (+148%, y-o-y) respectively. During the said year, the occupancy level improved from 67% in FY2015 to 73%, whilst RevPAR increased y-o-y by €8 to €80.

The Corinthia Palace Hotel & Spa generated revenue of €8.6 million in FY2017, an increase of €0.5 million (+6%) over FY2016, while gross operating profit before incentive fees was marginally higher by €0.1 million to €1.2 million. In FY2018, the Group initiated an extensive refurbishment program and a complete transformation of its spa and gym facilities at a total cost of €7.1 million. The disruption caused by the renovation works adversely impacted operations, albeit marginally, as revenue in FY2018 declined by €0.4 million to €8.2 million.

On the other hand, the improved ambience at the Hotel and its Spa facilities should enable management to achieve higher occupancy and room rates in the years ahead, thereby taking full advantage of the current strong tourism performance in Malta. As such, revenue in FY2019 is projected to increase by 6% from €8.2 million in FY2018 to €8.6 million, while gross operating profit is expected to improve by €0.3 million to €1.0 million in FY2019.

As for benchmark performance, the Hotel's current operating results are below the figures achieved by its competitive set. However, the Corinthia Palace Hotel & Spa has made significant progress throughout the years under review, which in fact resulted in an improvement in its RGI to 0.86 in FY2016 and 0.83 in FY2017. The Hotel generated a lower RGI in FY2018 when compared to the prior year, principally due to the renovation works explained herein above, and is expected to recover to an RGI of 0.80 in FY2019.

4.10 CORINTHIA HOTEL & RESIDENCES LONDON

Introduction

NLI Holdings Limited (equally owned by the Libyan Foreign Investment Company (LAFICO) and IHI) owns the 284-room luxury Corinthia Hotel located in London, United Kingdom ("**Corinthia Hotel London**"), together with a penthouse apartment which was leased to third parties up to Q1 2018 and remained vacant for the rest of FY2018. The said penthouse has recently been re-let at £1.8 million per annum.

In 2008, NLI Holdings Limited acquired the former Metropole Building and its adjoining 10 Whitehall Place for £136 million (*circa* €160 million) and after raising a £135 million bank facility in April 2009, which was subsequently increased to £150 million, embarked on a two-year project to redevelop and reconstruct the said properties to the luxury Corinthia Hotel and Residences.

In June 2018, the Hotel completed the conversion of 22 rooms into 11 suites at a cost of £3.75 million. The decision to introduce a higher number of suites versus standard bedrooms into the property is intended specifically to bolster the Hotel's presence in the lucrative market for high net worth visitors to London. In addition, one of the restaurants was upgraded to a flagship operation at a cost of £1.5 million and is being operated by one of UK's top restauranteur and celebrity chef, Tom Kerridge. The carrying amount of the Corinthia Hotel London (including the penthouse) as at 31 December 2018 is €537.7 million (FY2017: €539.5 million).

Market Overview

i. Economic update[11]

Annual UK GDP growth slowed from 1.8% in 2017 to 1.4% in 2018 due to a range of factors including falling business investment and slowing external demand. In 2018, business investment fell for four consecutive quarters – the first such instance since 2009, culminating in a year-on-year fall of 2.5% in 2018-Q4. Survey evidence suggests that this fall was largely due to the impact of uncertainty over the UK's future trading relationship with the EU. While private consumption continued to make the largest contribution to GDP growth in 2018, it grew at the slowest pace (1.7%) since 2012 as the impact of subdued consumer confidence offset rising real wages. Net exports made a negative contribution (-0.2 percentage points) to GDP growth in 2018, as the impact of sterling's depreciation in 2016 faded and growth in the UK's export markets moderated, notably in advanced economies, which comprise a high share of UK exports.

Official GDP data for the first two months of 2019 indicate that GDP growth remained resilient in the first quarter of 2019. Evidence from a range of business surveys suggests that due to the uncertainty over the timing and nature of the UK's exit from the EU, stockpiling by UK manufacturers supported growth in 2019-Q1. However,

[11] European Economic Forecast – Spring 2019 (European Commission Institutional Paper 102 May '19)

output growth in the second quarter of 2019 is likely to be constrained, as the elevated pace of inventory building is unwound. Given the ongoing ratification process of the Withdrawal Agreement in the UK, projections for 2019 and 2020 are based on a purely technical assumption of status quo in terms of trading relations between the EU27 and the UK. This is for forecasting purposes only and has no bearing on future negotiations between the EU and the UK.

In 2019, moderate private consumption growth is projected to be supported by modestly increasing real wage growth and an expansionary fiscal policy. Acting against this, recent consumer confidence surveys suggest that savings intentions of consumers are high, reflecting weak overall consumer confidence. Consequently, over the forecast horizon, households are expected to maintain their savings at broadly constant levels. Business investment growth is projected to continue to fall as uncertainty persists over the UK's future trading relationship with the EU. However, the decline in business investment will be partly offset by strong public investment in 2019. The net exports' contribution to growth is expected to remain negative as external demand slows. Reflecting these factors and the technical assumption about UK trade relations with the EU27, GDP growth is forecast to remain weak at 1.3% in 2019.

In 2020, GDP growth is projected to be stable at 1.3% as the expected improvement in the contribution of net trade to growth, from negative to neutral, should be offset by slower government consumption growth. Private consumption growth is expected to moderate slightly as the effect of fiscal policy stimulus eases, while investment growth should recover but remain weak.

The UK's general government deficit is expected to rise to 1.5% of GDP in the 2019-2020 fiscal year, following several years of improvement in the budget balance. The deficit fell from 2.3% of GDP in 2016-2017 to 2.1% in 2017-2018 and is expected to fall further to 1.3% in 2018-2019. The improvement in 2018-2019 was linked to both higher tax revenues and lower expenditure. Tax revenues, particularly income tax receipts, increased. Lower payments on inflation-linked bonds led to reduced interest payments on government's outstanding debt.

ii. Tourism market[12]

2017 was a record year for inbound tourism with 39.2 million visits, an increase of 4.3% on 2016, and spending by visitors in 2017 amounted to £24.5 billion, an 8.7% increase on 2016. The aforesaid results represent the fastest rate of visits growth since 2006 and in terms of spending, the growth was at its fastest rate since 2013 (and the second fastest since 2006).

During 2018, inbound tourism registered its first decline since 2010, with 37.9 million visits to the UK, down 3% compared to the record visits in 2017. Visitors spent £22.9 billion in the UK during 2018. This is 7% behind the spending levels in 2017 and £1.6 billion below the record set in 2017. In total, 266.1 million nights were spent in the UK by inbound visitors during 2018, down 7% on 2017 record setting results. Visits to the UK from the USA were down 1% in 2018 to 3.9 million compared to the record set in 2017, although the USA still overtook France to become the UK's largest inbound market by volume. Visits to the UK from France were 7% down on the results posted in 2017 at 3.7 million. There have been 7 consecutive quarters of year-on-year visit declines to the UK from France.

[12] Quarterly Inbound Update – Full Year 2018 (www.visitbritain.org)

Operational Performance

The following table sets out the highlights of the hotel's operating performance (in Pounds Sterling) for the years indicated therein:

Corinthia Hotel London	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast
Turnover (£'000)	53,274	57,929	61,370	66,770
Gross operating profit before incentive fees (£'000)	16,716	18,019	20,594	20,591
Gross operating profit margin (%)	31	31	34	31
Occupancy level (%)	72	74	76	77
Average room rate (£)	433	480	486	511
Revenue per available room (RevPAR) (£)	312	356	369	396
Benchmark performance				
Occupancy level (%)	73	68	71	71
Average room rate (£)	540	584	606	624
Revenue per available room (RevPAR) (£)	395	395	432	445
Revenue Generating Index	0.79	0.90	0.85	0.89

Source: Management information.

Note: As of FY2017, IHI has secured the right to nominate and appoint the majority of board members of NLI such that IHI can consolidate the performance of this business in the Group financial statements.

The Hotel maintained a positive performance in FY2016 as revenue increased from £52.5 million in FY2015 to £53.3 million, whilst gross operating profit improved from £16.3 million in FY2015 to £16.7 million. In FY2017, the Hotel's performance continued with its upward trajectory, wherein revenue increased y-o-y by £4.7 million to £57.9 million and gross operating profit improved by 8% to £18.0 million. RevPAR increased by 14% when compared to the prior year, from £312 in FY2016 to £356.

The Hotel's performance in FY2018 improved considerably compared to FY2017, where revenue and gross operating profit increased by 6% and 14% respectively and amounted to £61.4 million and £20.6 million respectively. During the year, the Hotel was nearing completion of the conversion of 22 bedrooms into 11 suites, thus enabling management to target higher rated business. Revenue for FY2019 is projected to increase by 9% principally on account of a higher expected average room rate of £511 compared to £486 in FY2018. Gross operating profit is set to remain stable in 2019 compared to the prior year at £20.6 million.

In FY2017, the Hotel changed the composition of its competitive set. As such, data relating to benchmark performance included in the above table has been amended as from FY2015.

The gap between the Hotel's performance and its benchmark improved considerably in FY2017 to an RGI of 0.90 (FY2016: 0.79), as the Hotel's occupancy was higher than its competitive set by 6 percentage points, mitigated however by an adverse variance in average room rate of £104. In FY2018, the Hotel achieved a higher occupancy level when compared to its benchmark by 5 percentage points to 76%, however average room rate was lower by 20% or £120. As such, the Hotel reported an RGI of 0.85 in FY2018 compared to 0.90 during the prior year. In FY2019, management is projecting to reduce the gap in average room rate to £113, whilst increasing occupancy by 1 percentage point to 77%. In consequence of the increase in rate and occupancy, the Hotel's RGI is expected to improve to 0.89 compared to 0.85 a year earlier.

4.11 RADISSON BLU RESORT & SPA GOLDEN SANDS

Introduction

The Radisson Blu Resort & Spa Golden Sands commenced operations in October 2005 and is located on a cliff's edge overlooking Golden Bay beach on the Northern coast of Malta. The Issuer holds a 50% shareholding in the Golden Sands resort (the other 50% being owned by an experienced international timeshare operator) and title to the site is in the form of temporary utile dominium which expires in 2114. The five-star resort comprises a total of 338 rooms (including the recent addition of 9 Sands Tower Suites), various F&B outlets and is equipped with a 1,000m^2 spa and leisure centre, 4 pools, a 'calcetto' pitch and a private sandy beach.

Works were completed on 9 new bedroom suites in the first semester of 2018 at a cost of €5 million and are being marketed for timeshare sales. Azure, the timeshare marketing company, has launched a sales strategy to sell a points-based membership system as opposed to specific rooms for specific weeks. The points-based system allows Azure to more readily procure products and inventory to sell, other than the Resort's own rooms' inventory. This could, eventually, include inventory in other resorts. The carrying amount of 50% of the Radisson Blu Resort & Spa Golden Sands as at 31 December 2018 is €35.4 million (2017: €36.8 million).

Market Overview

The market overview relating to the economy and tourism in Malta is included in section 4.7 above.

Operational Performance

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

Radisson Blu Resort & Spa Golden Sands	**FY2016 Restated**	**FY2017 Restated**	**FY2018 Actual**	**FY2019 Forecast**
Turnover (€'000)	29,179	30,840	32,032	32,050
Timeshare revenue	*14,596*	*11,533*	*13,318*	*13,250*
Hotel operations	*14,583*	*19,307*	*18,714*	*18,800*
EBITDA (€'000)	3,975	3,395	2,788	2,000
EBITDA margin (%)	14	11	9	6
IHI's share of EBITDA at 50%	**1,988**	**1,698**	**1,394**	**1,000**

Source: Management information.

A significant portion of the property's inventory is being operated on an upscale vacation ownership accommodation model (timeshare) through the Group's 50% holding in the Azure Group. To date, pursuant to a room allocation agreement with Azure Resorts Limited (a wholly owned subsidiary of the Azure Group), a total of 295 rooms have been released for sale on a timeshare basis. The remaining rooms together with any unsold weeks on the aforesaid 295 rooms are available for use by the resort in its hotel operations.

All timeshare units are being sold for a fixed time period that expires in 2045. Until FY2017, timeshare units were sold in weeks with the calendar year split into four seasons: Bronze, Silver, Gold and Platinum. A new sales strategy has now been launched to sell a points-based membership system as opposed to specific rooms for specific weeks. The points-based system allows Azure to more readily procure products and inventory to sell, other than the Resort’s own bedrooms. This could, eventually, include inventory in other resorts.

Timeshare revenue is generated from the sale of timeshare weeks (or points as of 2018) and resale of repossessed timeshare weeks/points to targeted vacation ownership guests. ‘Hotel operations’ revenue principally comprises the generation of yearly maintenance fees receivable from timeshare owners, allocation charges in terms of the aforesaid agreement with Azure Resorts Limited, fly-buy sales (being discounted rooms offered for promotional purposes), accommodation revenue (from rooms not utilised by timeshare operations) and revenue from F&B outlets and other ancillary services. The operating profit is the resultant surplus after deducting operating expenses, selling and marketing costs, and all administrative and other operating costs.

IFRS 15 “Revenue from Contracts with Customers” - The Group had to change its accounting policies following the adoption of IFRS 15 “*Revenue from Contracts with Customers*”.

Prior to the adoption of IFRS 15, revenues generated from the timeshare business were recognised at inception of the timeshare agreements on the basis that these do not include an identifiable amount for subsequent services and did not relate to the provision of future services. As from 1 January 2018, the standard requires an assessment of whether the upfront timeshare signing fee needs to be amortised over the life of the agreement. Accordingly, management has analysed the revenue streams in assessing the impact of IFRS 15 on their contracts with customers.

The financial information presented in the above table relating to FY2016 and FY2017 have been restated to reflect the provisions of IFRS 15. The main adjustments are provided hereunder:

Radisson Blu Resort & Spa Golden Sands FY2016	**Originally Presented**	**Restated**	**Variance**
Turnover (€’000)	40,197	29,179	(11,018)
Timeshare revenue	*25,614*	*14,596*	(11,018)
Hotel operations	*14,583*	*14,583*	-
EBITDA (€’000)	14,451	3,975	(10,476)
EBITDA margin (%)	36	14	
IHI's share of EBITDA at 50%	**7,226**	**1,988**	**(5,238)**

Source: Management information.

Radisson Blu Resort & Spa Golden Sands FY2017	Originally Presented	Restated	Variance
Turnover (€'000)	41,214	30,840	(10,374)
Timeshare revenue	*21,907*	*11,533*	(10,374)
Hotel operations	*19,307*	*19,307*	-
EBITDA (€'000)	9,889	3,395	(6,494)
EBITDA margin (%)	24	11	
IHI's share of EBITDA at 50%	**4,945**	**1,698**	**(3,247)**

Source: Management information.

Revenue generated in FY2017 from the operation of the Radisson Blu Resort & Spa was higher by €1.7 million (+6%) compared to the previous year and amounted to €30.8 million. During the said year, timeshare revenue declined from €14.6 million in FY2016 to €11.5 million, reflecting a y-o-y decrease of €3.1 million (-21%).

In FY2018, revenue increased by €1.2 million (+4%) to €32.0 million, primarily on account of higher y-o-y timeshare revenue. In view of the adverse impact of the afore-mentioned change in the marketing of timeshare units to a points-based membership system, projected revenue for FY2019 has been prudently set at the same level achieved in FY2018, at €13.3 million.

As for 'Hotel operations', revenue increased substantially by 32% in FY2017, from €14.6 million in FY2016 to €19.3 million. On the other hand, revenue in FY2018 decreased by €0.6 million (y-o-y), from €19.3 million in FY2017 to €18.7 million. The Hotel is forecasting revenue for FY2019 to amount to €18.8 million which is broadly similar to the actual result achieved in FY2018.

The y-o-y decline in timeshare revenue in FY2017 resulted in lower EBITDA for the year, which decreased by 15% from €4.0 million in FY2016 to €3.4 million. The transition in the way timeshare is sold adversely impacted EBITDA in FY2018, on account of the incidence of higher costs for third party product related offerings. Accordingly, the Hotel reported an EBITDA for FY2018 of €2.8 million, as compared to €3.4 million achieved in the prior year. A further decline in EBITDA to €2.0 million (-28%) is being projected for FY2019.

4.12 RADISSON BLU RESORT ST JULIANS

Introduction

The Radisson Blu Resort St Julians is a 252-room 5-star hotel located in St George's Bay, St Julians. The Hotel commenced operations in May 1997 and provides accommodation and other services to a range of guests, from leisure to conference and incentive travel groups. The Hotel's amenities include conference facilities, a ballroom, an outdoor and a heated indoor pool, a fully equipped gymnasium as well as two tennis courts. The carrying amount of the Radisson Blu Resort St Julians as at 31 December 2018 is €37.5 million (2017: €38.8 million).

Market Overview

The market overview relating to the economy and tourism in Malta is included in section 4.7 above.

Operational Performance

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

Radisson Blu Resort St Julians	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast
Turnover (€'000)	12,811	13,805	13,927	12,894
EBITDA (€'000)	4,492	4,701	4,748	4,008
EBITDA margin (%)	35	34	34	31
Occupancy level (%)	76	76	75	69
Average room rate (€)	123	134	137	137
Revenue per available room (RevPAR) (€)	93	102	103	95
Benchmark performance				
Occupancy level (%)	77	77	72	72
Average room rate (€)	146	164	181	186
Revenue per available room (RevPAR) (€)	113	125	130	134
Revenue Generating Index	0.82	0.82	0.79	0.71

Source: Management information.

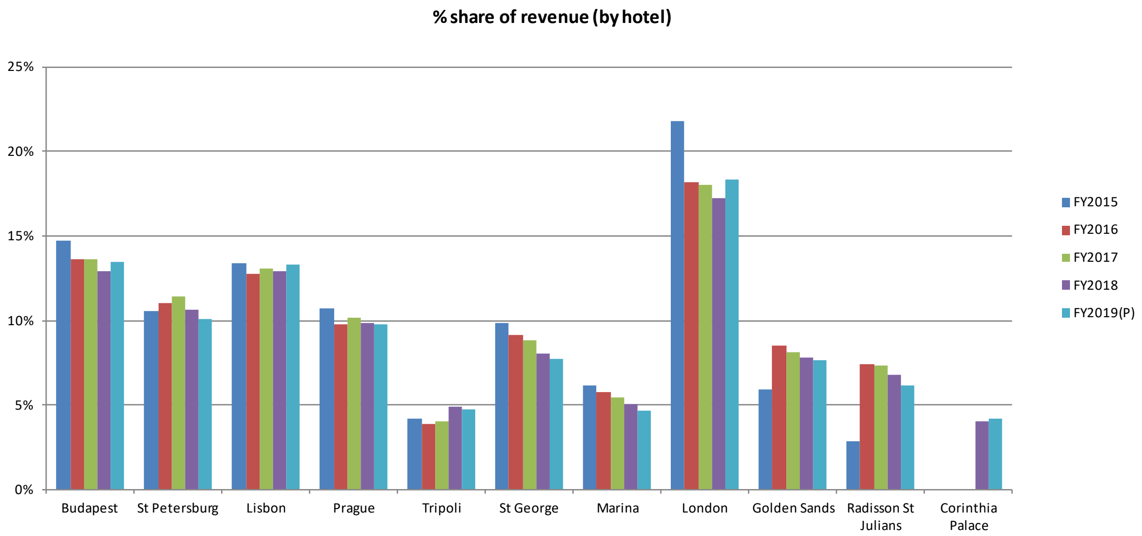
Revenue generated at the Hotel increased in FY2016 by €2.7 million (+26, y-o-y) and gross operating profit also increased from €2.6 million in FY2015 to €4.5 million in FY2016 (+73% y-o-y increase). The occupancy rate in FY2016 was broadly maintained at FY2015 level, but RevPAR was lower by 8% from €104 in FY2015 to €93 (it is to be noted that RevPAR in FY2015 excludes the dilution effect of the winter months).

In consequence of a robust local tourism market and management's focus to shift its principal revenue sectors from tour operator business to direct/online sales, in line with IHI's marketing strategy, in FY2017, the Hotel increased its average room rate from €123 in FY2016 to €134 in FY2017, but achieved a similar occupancy rate as in the previous year (at 76%). Total revenue in FY2017 amounted to €13.8 million, a y-o-y increase of €1.0 million (+8%) and gross operating profit increased from €4.5 million in FY2016 to €4.7 million. Results for FY2018 were broadly similar to those achieved in the prior year. As for FY2019, the Hotel may be impacted negatively by construction works in a neighbouring third party property and thus management has lowered projected revenue by €1.0 million (y-o-y) to €12.9 million, while gross operating profit is projected to decline by €0.7 million (y-o-y) and are expected to amount to €4.0 million. Compared to its competitive set, the Hotel's RGI in FY2017 was 18% below par at 0.82. The RGI in FY2018 dropped to 0.79, principally as a result of a difference of €27 in the Hotel's RevPAR (€103) when compared to benchmark (€130). In the near term, the Hotel's RGI is projected to reduce further until development works in the vicinity are completed.

4.13 IHI'S AGGREGATE HOTEL REVENUE AND OPERATING PROFIT

Revenue Geographic Distribution

The chart below depicts total revenue generated by each hotel as a percentage of aggregate hotel revenue generated by the Group's hotels. In the case of the Corinthia Hotel London and the Radisson Blu Resort & Spa Golden Sands, the amounts included for each year is 50% of actual revenue, reflecting the 50% shareholding (directly or indirectly) of IHI in the respective hotels.

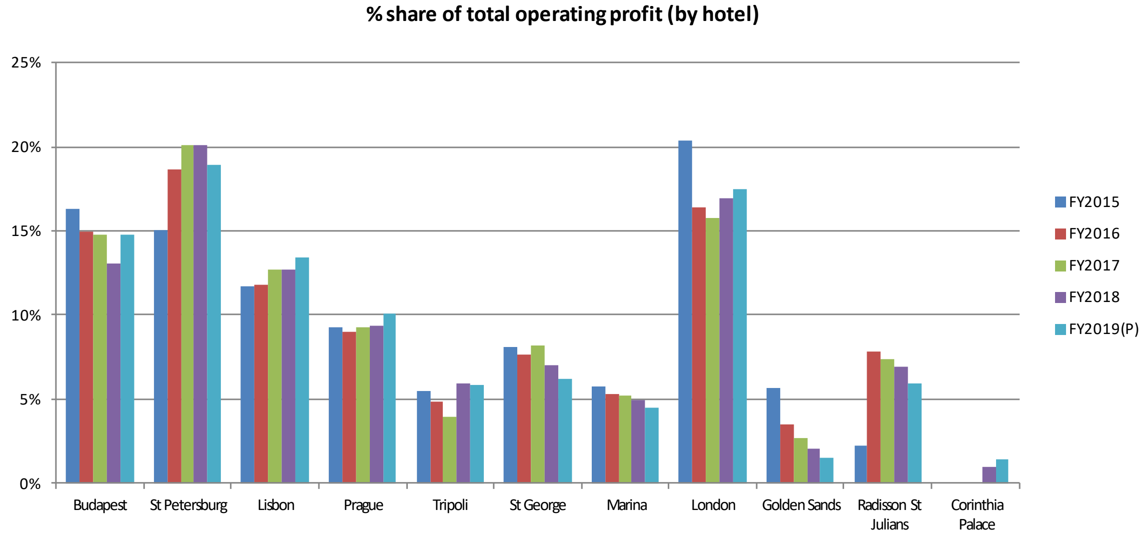


Source: Management information.

- Corinthia Hotel & Residences London generates *circa* 17% of Group hotel revenue and is the highest contributor, followed by Corinthia Hotel Budapest and Corinthia Hotel Lisbon with 13% each of Group hotel revenue.
- Radisson Blu Resort & Spa Golden Sands and Radisson Blu Resort St Julians were included in the portfolio of hotels as from 1 July 2015 pursuant to the acquisition of IHGH.
- Corinthia Palace Hotel & Spa was acquired in April 2018.

Operating Profit Geographic Distribution

The chart below shows operating profit generated by each hotel as a percentage of IHI's hotel operating profit (directly or indirectly). The amounts relating to the Corinthia Hotel London and the Radisson Blu Resort & Spa Golden Sands are only 50% of each hotel's actual results, reflecting the 50% shareholding (directly or indirectly) of IHI in the respective hotels.



Source: Management information.

- Corinthia Hotel St Petersburg and Corinthia Hotel & Residences London generated 20% and 17% respectively in FY2018 of IHI's total operating profit from hotel operations.
- A decrease in contributions is projected in FY2019 from Corinthia Hotel St George's Bay, Marina Hotel and Radisson Blu Resort St Julians, due to the possible commencement of construction works in a neighbouring third party property.

4.14 MANAGEMENT COMPANY

Corinthia Hotels Limited (a fully-owned subsidiary of IHI previously trading under the name Corinthia Hotels international) manages and operates a number of hotel properties, predominantly owned by IHI and CPHCL. IHI acquired the shares of CHL in three tranches: a 20% shareholding was purchased on IHI's formation in 2000 at a cost of *circa* €750,000, a further 50% was acquired in October 2006 at a cost of €20.15 million, and in May 2012 IHI acquired the remaining 30% from Wyndham for an aggregate consideration of €250,000 in terms of an agreement signed in 2006 (at the same time of acquisition of the 50% share purchase).

CHL is a full-service hotel management company with in-house skills and capabilities supporting the Corinthia brand and operations. It has a track record of driving performance improvements across the Corinthia Group's existing assets, those of CPHCL and of third parties. It ensures consistent service levels and performance across the properties. CHL is scaled to support future growth of Corinthia. CHL currently manages 12 owned hotels (11 operational and 1 under development), 3 hotels owned by its parent company CPHCL, and 6 third party properties (3 operational and 3 under development). Management contracts are typically entered into and structured for a 20-year term. Its key commercial terms include management fees, marketing and reservation fees based on turnover and incentive fees based on gross operating profit achieved. It is an efficient use of capital and resource with no capital outlay required for each new management contract and a cost-effective way to gain in-depth knowledge of various markets.

In 2016, it signed a technical and pre-opening services and management agreement for the development and eventual management of a Corinthia hotel for a third-party owner in Dubai. In 2017, it signed a management agreement for two operational hotels owned by a third party in Dubai on a white label basis (the Meydan at the Meydan Horse Racing Track and the Bab al Shams Desert Resort). In addition, CHL is a party to two agreements with the Meydan Group to provide technical services and once built, to operate the 55-storey Corinthia Hotel and Residences Meydan Beach, Dubai. Furthermore, CHL has signed technical services and management agreements to operate, once redeveloped, the Corinthia Hotel Bucharest (formerly Grand Hotel du Bulevard), Corinthia Hotel Brussels and will shortly be signing a management agreement for the operation of the Corinthia Hotel and Residences Moscow, once this project is completed.

CHL continues to establish itself as a dynamic added-value operator of luxury hotels. As from FY2017, the Group commenced its execution of a strategic plan to build on the company's marketing and human resources dimensions, with a renewed focus on quality and service in all Corinthia hotels. As such, the company has expanded its senior management team with the appointment of a chief operating officer, a director of rooms & quality, a director of learning & development, and a director of marketing.

In October 2018, CHL signed an option agreement to acquire a 10% shareholding in GHA Holdings Limited ("**GHA**"), a company that owns the Global Hotel Alliance of which CHL has been a member for three years alongside 29 other hotel brands. The ownership of GHA comprises founding shareholders (Kempinski, Omni and Oracle) as to 34%, 34% and 12% respectively, and Pan Pacific and Minor Hotels as to 10% each. On its part, CHL has communicated to the Issuer its intention to exercise its option to acquire a 10% shareholding before its expiry in April 2019 at the established price of US$3.5 million, which was concluded in the same month and in consequence CHL is now a 10% shareholder of GHA. In the meantime, CHL renewed its membership agreement with GHA for another five years.

Further detail on the managed hotels is provided hereunder:

CORINTHIA HOTELS LIMITED
Managed Hotel Portfolio as at 31 December 2018

Name	**Location**	**% ownership**	**No. of hotel rooms**
Owned and managed properties (operational)			
Corinthia Hotel Budapest	Hungary	100	437
Corinthia Hotel St Petersburg	Russia	100	388
Corinthia Hotel Lisbon	Portugal	100	518
Corinthia Hotel Prague	Czech Republic	100	539
Corinthia Hotel Tripoli	Libya	100	299
Corinthia Hotel St George's Bay	Malta	100	249
Marina Hotel St George's Bay	Malta	100	200
Radisson Blu Resort St Julians	Malta	100	252
Corinthia Palace Hotel & Spa	Malta	100	147
Radisson Blu Resort & Spa Golden Sands	Malta	50	338
Corinthia Hotel & Residences London	United Kingdom	50	284
Owned & managed properties (under development)			
Corinthia Grand Astoria Hotel Brussels (opening 2021)	Belgium	50	126
Managed properties (operational)			
Panorama Hotel Prague	Czech Republic	-	440
Aquincum Hotel Budapest	Hungary	-	310
Ramada Plaza	Tunisia	-	309
Corinthia Hotel Khartoum	Sudan	-	230
The Meydan Hotel	Dubai	-	284
Bab Al Shams Desert Resort	Dubai	-	115
Managed properties (under development)			
Corinthia Hotel Bucharest (opening 2020)	Romania	-	33
Corinthia at Meydan Beach (opening 2020)	Dubai	-	360
Corinthia Hotel & Residences Doha (opening 2022)	Qatar	-	118
			5,976

Operational Performance

The following table sets out the turnover of CHL for the years indicated therein:

Corinthia Hotels Limited Management Fees	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast
Turnover (€'000)	14,207	16,936	17,656	17,714
IHI Properties (owned and associate) (€'000)	11,596	13,374	14,205	14,194
Other Properties (€'000)	2,611	3,562	2,050	3,485
Technical Services (€'000)	-	-	1,401	35

Source: Management information.

Turnover generated by CHL during the historical years FY2016 to FY2018 registered year-on-year increases in consequence of higher revenue results achieved by the majority of hotel properties under management. In FY2018, revenue amounted to €17.7 million, an increase of 4% when compared to the prior year, principally on account of technical services fees receivable from third party hotel property owners in terms of the respective technical services and management agreements. For FY2019, CHL is projecting turnover to remain at similar levels as those achieved in FY2018 at €17.7 million.

4.15 EVENT CATERING BUSINESS

Island Caterers Limited is a fully owned subsidiary and operates an event catering business. The company provides catering services for a variety of events including weddings, receptions, banquets, conference and incentive events and private parties.

Operational Performance

The following table sets out the turnover of Island Caterers Limited for the periods indicated therein:

Island Caterers Limited	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast
Turnover (€'000)	5,981	6,530	5,463	12,358
EBITDA (€'000)	371	167	319	21
EBITDA margin (%)	6	3	6	0

Source: Management information.

The table above summarises the financial performance of Island Caterers Limited/Corinthia Caterers for the period FY2016 to FY2019. Revenue in FY2016 amounted to €6.0 million, which was €0.3 million lower than FY2015's figure of €6.3 million. However, when adjusting FY2015's results to a 12-month period rather than the reported 14-month period in FY2015, a y-o-y increase was registered in FY2016. In the first semester of FY2017, the company catered for a significant number of events tied to Malta's EU presidency. As such, revenue in FY2017 was higher than that of the prior year by €0.5 million and amounted to €6.5 million.

Revenue generated in FY2018 amounted to €5.5 million, €1.0 million lower than that achieved in the prior year. However, EBITDA improved from €0.2 million in FY2017 to €0.3 million due to a higher EBITDA margin. The sales mix was unchanged during FY2018 and comprised weddings, corporate events, conference incentive travel (CIT) and the Coastline catering contract.

In FY2019, the Group plans to consolidate the various catering operations under the Corinthia Caterers brand and in consequence, management is projecting consolidated turnover to more than double from €5.5 million in FY2018 to €12.4 million, albeit at breakeven level from an EBITDA perspective.

4.16 FOOD RETAIL AND CONTRACT CATERING BUSINESS (INCLUDING COSTA COFFEE)

In May 2011, IHGH acquired 50% of the share capital of Buttigieg Holdings Ltd ("**BHL**"), a company operating in the food retail and contract catering sector. The acquisition of the remaining 50% in BHL was completed in June 2015, prior to IHI's acquisition of IHGH. BHL, through subsidiary companies (both locally and overseas), operates the Costa Coffee franchise in Malta and in the East Coast territory of Spain, the Balearic Islands and the Canary Islands.

The Coffee Company Malta Limited ("**TCCM**"), a wholly owned subsidiary of BHL, entered into a 10-year franchise agreement with Costa Coffee International Limited in May 2012 for the development of Costa Coffee retail outlets in Malta. The first Costa Coffee outlet was opened in June 2012 at the check-in lounge of the Malta International Airport. Since then, another eleven Costa Coffee outlets were opened (three outlets at the Malta International Airport [one in the arrivals area, another in the Schengen area and the third one in the non-Schengen area] and one outlet in each of The Point Shopping Complex Sliema, the premises formerly known as Papillon in Balzan, The Embassy Valletta, Bay Street Complex St Julians, Marsaxlokk, Spinola Bay St Julians, Mriehel Industrial Park and PAMA Shopping Village Mosta. The company intends to open an additional outlet in Malta during FY2019.

In March 2014, The Coffee Company Spain S.L. ("**TCCS**"), a wholly owned subsidiary of BHL, entered into a 10-year franchise agreement with Costa Coffee International Limited for the development and operation of up to 75 Costa Coffee outlets in the East Coast of Spain, the Balearic and Canary Islands. The first outlet in Spain opened in the third quarter of 2014 and by FY2017, total openings had increased to 15 outlets.

The company is currently consolidating its position on the Spanish market, in consequence of which three loss-making outlets were closed in FY2018. Once results achieve the expected levels of performance, further outlets may be opened across the region. At present, there are nine outlets in Barcelona, one in Benidorm and two in Palma de Mallorca.

Operational Performance

The following table sets out the turnover of BHL for the years indicated therein:

Buttigieg Holdings Limited (including Costa Coffee)	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast
Turnover				
Costa Coffee (Malta) (€'000)	7,081	8,039	9,045	9,471
Costa Coffee (Spain) (€'000)	4,592	5,359	5,528	5,726
Other catering operations (€'000)	3,313	3,188	3,100	3,162
	14,986	16,586	17,673	18,359
EBITDA (€'000)	-1,231	72	-33	2,297
EBITDA margin (%)	-8	0	0	13
Costa Malta				
No. of outlets (at end of financial year)	10	11	12	13
Costa Spain				
No. of outlets (at end of financial year)	15	15	12	12

Source: Management information.

A further two outlets were opened in FY2016 when compared to FY2015, and revenue generated by TCCM from the ten outlets amounted to €7.1 million (+7%, y-o-y). Revenue in FY2017 increased by €0.9 million (+14%) to €8.0 million due to a general increase in business activity and the opening of another outlet at PAMA Shopping Village. The Mriehel outlet was added during FY2018 and turnover improved further to €9.0 million, an increase of 13% compared to the prior year. Revenue is projected to increase by €0.4 million (+5%) in FY2019 (over FY2018) to €9.5 million, on account of better average performance and one additional outlet.

In the case of TCCS, an additional five outlets initiated operations in FY2016 (FY2015: 10 outlets) and aggregate revenue amounted to €4.6 million. Revenue increased by 17% in the subsequent year (+€0.8 million) to €5.4 million. In FY2018, revenue was broadly unchanged when compared to FY2017 and amounted to €5.5 million, but the company operated 3 fewer outlets from a year earlier. Revenue generated in FY2019 is projected to increase by 4% (y-o-y) to €5.7 million.

Revenue derived from 'other catering operations' in FY2016 amounted to €3.3 million, which is comparably lower than normalised revenue generated in FY2015 (14-month period) of €4.6 million (being €5.4 million as adjusted to reflect a 12-month period). The lower revenue registered in FY2016 (€3.3 million as opposed to €5.4 million in FY2015) is primarily the result of consolidation of certain catering operations with other companies forming part of the Corinthia Group. In FY2017 and FY2018, revenue was broadly stable at the €3 million mark, and the same level of revenue is forecasted for FY2019. EBITDA in FY2019 is projected to increase to €2.3 million (from a loss in FY2018 of €33,000) primarily due to the effect of IFRS 16 as further explained on page 52 of this report.

4.17 OTHER ASSETS

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

IHI has taken active steps to protect the significant goodwill that has become inherent in the Corinthia name, and has registered its intellectual property rights in several jurisdictions. The Corinthia brand acquisition has proved to be an important part of the Group's strategy to capitalise on the re-positioning of the Corinthia brand as a global luxury hotel brand.

IHI has a 55% equity participation in Libya Hotel Development and Investment JSC, a company that is set to acquire a derelict building formerly known as the El-Jazeera Hotel and adjoining site in Benghazi, Libya. Libya Hotel Development and Investment JSC will eventually develop a mixed-use project consisting of a 228-room five-star hotel, 2,000m^2 of retail space and 10,000m^2 of office space. Whilst the necessary planning permits for the project were issued by the Benghazi planning authorities and demolition works commenced in January 2014, in light of the prevailing situation in Libya all works on this development have been put on hold, and current plans are due for reconsideration depending on future developments in Libya. It is anticipated that the funding required for the project, once resumed, will be sourced from a combination of equity injected by the shareholders and appropriate bank financing.

IHI owns 25% of the share capital of Medina Tower Joint Stock Company, a company set up for the purpose of owning and developing the Medina Tower, in Tripoli. IHI has to date injected €13 million in the company as its equity participation. The parcel of land, over which the project will be developed, measures *circa* 11,000m^2 and is situated in Tripoli's main high street and business district. The architectural concept stems from a 4-storey podium that will include a mix of residential, retail, commercial and conference space. A curved tower rises from the 6th level and peaks at the 40th level, where a double height restaurant will complete the property. The development will comprise a total gross floor area of *circa* 199,000m^2.

The project designs of the Medina Tower are complete and all development approvals have been obtained from the relevant authorities. As to the financing of the project, the equity contribution for the first phase of this project is already fully paid up and will comprise 40% of the capital requirement for the said project. The remaining 60% of funding will be derived from a Libyan financial institution in terms of a sanction letter that has been approved and signed, but now needs to be reactivated. The project is on hold until Libya stabilises and its prospects improve. The investment has a carrying amount of €12.8 million (2017: €12.6 million).

IHI owns 100% of QPM Limited ("**QP**"), a company which specialises in construction and project management services, both locally and overseas. QP operates independently of, and at arm's length to, IHI and offers a range of project, construction and cost management services and design and architectural services to a number of international clients in various countries. In August 2012 the offices of David Xuereb and Associates and QP merged to provide a more comprehensive list of professional services within the construction industry, including project and construction management and architectural services. Since January 2019, QP has included archaeology and land surveying to its list of services, thereby offering a one-stop-shop service for any complex building project. Whilst continuing to provide services to the Corinthia Group, QP is increasing its third-party client base and revenue generation.

FY2017 was a positive year for QP, during which a number of projects were secured with the company offering a host of professional building services including design, engineering and project management. Revenue for FY2017 amounted to just under €4 million, a significant increase when compared to the €2.9 million generated a year earlier. It is worth noting that over 80% of revenue generated was derived from third party owned projects, which are totally unrelated to the Corinthia Group. Revenue generated in FY2018 amounted to €5.3 million, a y-o-y increase of 33%, and a further 19% growth to €6.3 million in projected for FY2019.

As part of the IHGH acquisition, IHI took ownership of a plot of land at Hal Ferh measuring 83,530m^2, situated adjacent to the Radisson Blu Resort & Spa, Golden Sands, Malta. The property is valued in the balance sheet as at 31 December 2018 at €21.8 million (2017: €21.8 million). The Group is currently in the process of assessing the project designs and concept and funding requirements, prior to embarking on the execution of this project

5. BUSINESS DEVELOPMENT STRATEGY

The Group's business strategy focuses on achieving positive and sustainable financial results, and appreciation in the value of the Group's properties and investments. In the execution of the Group's strategy, management aims to provide a high-quality service at each hotel and treat customers to a unique hospitality experience. Through the provision of better quality offerings the brand value is further enhanced, and occupancy levels and average room rates are improved. Moreover, it enables the Group to target higher-yielding customers, in particular those from the leisure and conference & event segments.

Electronic booking portals have in recent times gained global importance in generating room reservations. In this respect, the Group is continuously optimising its website 'Corinthia.com', developing further its online reservation system and investing in online marketing.

From a cost perspective, better results are being achieved through the implementation of cost-control and energy-efficient measures at Group hotels, particularly since the acquisition of IHGH and the subsequent merger of this company with the Issuer in December 2017. These are predominantly evident in the procurement of goods through the increased purchasing power of the hotel properties in Malta and the consolidation and rationalisation of members sitting on the board of directors and other administrative costs across the Group.

The Group's strategy focuses on the operation of hotels that are principally in the five-star category and ongoing investment in their upkeep is given due importance in order to preserve their attractiveness and incremental value.

In addition, whilst the Issuer continues to target investments in under-performing properties in emerging markets, nowadays it seeks to further diversify its portfolio of investments both geographically (not limiting itself to emerging markets but also focusing on key and mature capital cities) as well as in terms of business segments. As such, apart from the afore-mentioned strategy for internal growth, the Group aims to grow its business externally by further expanding the portfolio of hotels and mixed-use properties and venturing into other businesses through:

Acquisitions, joint ventures and developments

Management remains active in growing the Group's portfolio of hotels and mixed-use properties by acquisition, particularly if these entail a potential for capital appreciation. In 2015, the Group acquired IHGH, including properties in Golden Bay and St Julian's, Malta. The latter constitutes a fundamental part of the luxury re-development of the three neighbouring hotels located near St George's Bay, St Julian's, Malta, which the Group plans to undertake subject to obtaining all necessary approvals. The IHGH acquisition also enabled the Group to diversify its revenue streams into timeshare in Malta and, through the Costa Coffee franchise, in the retail catering sector in Malta and Eastern Spain. On 29 December 2017, IHGH was merged with the Issuer. By virtue of this merger by amalgamation, IHI acquired all the assets and liabilities of IHGH and the said company was struck off the registry of companies.

Furthermore, other mixed-use properties described elsewhere in this report are earmarked for development in the coming years, which are expected to generate positive returns for the Group. In addition, management remains active in the pursuit of new investment opportunities. In particular, if available at attractive prices and subject to funding, the Group is principally interested in developing hotels in mature markets, specifically in certain key European cities.

On 11 April 2016, NLI Holdings Ltd (in which IHI owns a 50% shareholding) acquired the entire issued share capital of the Belgian hotel-owning company, Hotel Astoria S.A., resulting in the acquisition of the Grand Hotel Astoria in Brussels. The Grand Hotel Astoria was built in 1910 by a Belgian aristocratic family and at the time it was acquired by its last owners in 2007 it was operated as a 145-room hotel. After it was bought by the hotel's former owners in 2007, it closed for business with a view to carrying out an intensive refurbishment. However, such refurbishment failed to get underway and the asset has laid desolate for the last ten years. The hotel, once re-developed, will be renamed the Corinthia Hotel Brussels and will add another key destination to the Corinthia brand's growing portfolio.

In 2016, the Issuer launched Corinthia Developments International Limited ("**CDI**"), a development company with a remit to plan and execute acquisitions and developments in the hotel and real estate sector, whether for the Company or third parties. CDI has been highly active in 2018, wherein it has originated various off-market projects, in cities and resorts such as Moscow, New York, Miami, Rome, Bucharest and Cannes. Even though some of the projects might not be fully realised, the ability of CDI to tap on and originate real estate projects and raise external funding from renowned institutional investors worldwide, augurs well for the future of this company.

The Directors' strategic direction is to further consolidate the Group's acquisition of new properties, although the policy is to participate in joint ventures rather than acquire a 100% ownership, so that the Group's funds available for investment purposes are better utilised to acquiring an interest in more properties with the support of third party shareholders joining the Group specifically in such individual developments. The ultimate objective is that many more hotels will carry the Corinthia flag.

Hotel management contracts

The Group is intent on growing ancillary business lines such as hotel management. On its formation, CHL's activities were limited to the management of hotels that were owned by the Corinthia Group. CHL was active in 2016, 2017 and 2018 in signing three hotel management agreements with third party owners to develop one project in Dubai, Doha and Bucharest. CHL continues to actively pursue the negotiation and conclusion of a number of management agreements with third party hotel owners and it is expected that this company shall accelerate its growth path in the forthcoming years.

Accordingly, where attractive opportunities arise, the Group, through CHL, will seek to expand its portfolio of hotels under the Corinthia brand by entering into agreements to manage hotels for third party owners. Management believes that the strength of the Corinthia brand, its reservation system and online presence, and the quality of its existing operations, place it in a good position to establish such relationships, which are expected to gather momentum in the short to medium term.

This diversification is aimed at improving the Group's profitability, cash generation capabilities and return on investment, as well as reducing the overall risk profile of the Issuer.

PART 3 – PERFORMANCE REVIEW

The financial information provided hereunder is extracted from the audited consolidated financial statements of IHI for each of the years ended 31 December 2016 to 31 December 2018. In 2017, IHI secured the right to nominate and appoint the majority of the board of directors of NLI such that IHI can consolidate the performance of the Corinthia Hotel London in its financial statements. The forecasted financial information for the year ending 31 December 2019 has been provided by management of the Company.

Standards, interpretations and amendments to published standards effective in 2018

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 "*Financial Instruments*" and IFRS 15 "*Revenue from Contracts with Customers*".

IFRS 9 replaces the provisions of IAS 39 that relate to *inter alia* the recognition, classification and measurement of financial assets and financial liabilities. IFRS 9 was adopted without restating comparative information. Accordingly, on 1 January 2018, certain investments amounting to €8.6 million were reclassified from available-for-sale to fair value through profit or loss (FVTPL). Related fair value gains of €0.2 million were transferred from available-for-sale financial assets reserve to retained earnings. Furthermore, loans receivable from related parties amounting to €19.6 million were reclassified to other financial assets at amortised costs and are subject to IFRS 9's general expected credit loss model. However, after an assessment was made on such balances, the identified impairment loss required was immaterial.

In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively and have restated comparatives for FY2017. The Group holds investments in joint ventures involved in the timeshare business (Radisson Blu Resort & Spa Golden Sands and Azure Group), whose revenue recognition policies were significantly revised as a result of the initial application of IFRS 15. These joint ventures receive an upfront timeshare signing fee as well as a yearly membership fee.

Prior to the adoption of IFRS 15, certain revenues were recognised at inception of the timeshare agreements on the basis that these do not include an identifiable amount for subsequent services and did not relate to the provision of future services. As from 1 January 2018, the standard requires an assessment of whether the upfront timeshare signing fee needs to be amortised over the life of the agreement. Management has analysed the revenue streams in assessing the impact of IFRS 15 on their contracts with customers. The main adjustments to FY2017 financial statements comprise a reduction in investments accounted for using the equity method (in the statement of financial position) of €10.4 million (from €59.4 million to €49.4 million) and a corresponding adjustment in retained earnings. In addition, share of net results of equity accounted investments (in the income statement) has been revised from a profit of €2.1 million to a loss of €1.5 million (an adverse movement of €3.6 million).

Correction of error in accounting for investment in joint ventures

During the current reporting period, the Group's management undertook a detailed review of an assets-acquisition agreement (in relation to the apartments at Corinthia London) entered into by the NLI Group in 2008. By virtue of this review, management identified that the consideration payable for the properties acquired included an additional amount payable at the earlier of an event of sale of the underlying properties and August

2019. The consideration payable is based on the value of the underlying properties when this becomes due. This element of deferred and variable consideration was however not recognised in the accounting records of the NLI Group. Accordingly, FY2017 financial statements have been adjusted to reflect an increase in trade and other payables of €9.2 million and a decrease in total equity of the same amount.

Impact on the FY2017 financial statements

	€'000
Income Statement	
Profit for the year as originally presented	**14,897**
Share of results of equity accounted investments	(3,648)
Net change in fair value of contingent consideration (relating to correction of error above)	657

Profit for the year as restated	**11,906**
	=======
Statement of Financial Position	
Total equity as originally presented	**884,632**
Investments accounted for using the equity method	(10,446)
Other non-current liabilities	(9,214)

Total equity as restated	**864,972**
	=======

The Group's operations in Libya

Note 6 to the 2018 financial statements explains the significant uncertainties and judgments surrounding the valuation of the Group's assets in Libya that have a bearing on the projected cash flows from the relative operations, and which are in turn influenced by the timing of a recovery in the country. Different plausible scenarios may impact the financial performance of the Libya operations and the valuation of related assets in a significant matter. This matter is considered to be of fundamental importance to stakeholders because of the potential impact that this uncertainty may have on the valuation of the Group's assets in Libya and the recoverability of certain debtors, which as at 31 December 2018 were carried at €179.2 million and €5.8 million respectively (2017: €189.2 million and €6.1 million respectively).

Projections

The projected financial information relates to events in the future and is based on assumptions which IHI believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material. Specifically in relation to IHI's operation in Libya, the assessment of future performance is more difficult to make due to the ongoing political instability and the ensuing economic situation in the country. In view of this state of affairs, the actual results from the operation in Libya may vary significantly from projections.

IHI Group Income Statement (€'000)	FY2016 Actual	FY2017 Restated	FY2018 Actual	FY2019 Forecast
Revenue	157,901	242,413	256,314	273,826
Direct costs	(87,519)	(132,796)	(142,537)	(137,199)
Gross profit	**70,382**	**109,617**	**113,777**	**136,627**
Other operating costs	(33,641)	(46,100)	(47,343)	(65,893)
EBITDA[1]	**36,741**	**63,517**	**66,434**	**70,734**
Depreciation and amortisation	(23,307)	(31,066)	(33,202)	(34,754)
Movement in fair value of investment property	(19,712)	278	6,994	-
Net impairment of hotel properties & intangibles	2,960	998	(1,980)	(1,600)
Results from operating activities	**(3,318)**	**33,727**	**38,246**	**34,380**
Share of (loss) profit: equity accounted investments	1,661	(1,529)	(1,364)	-
Net finance costs	(16,036)	(21,118)	(20,651)	(21,435)
Other	11,140	(4,252)	(7,549)	5,037
Movement in fair value of indemnification assets	(210)	(210)	(210)	(210)
Profit (loss) before tax	**(6,763)**	**6,618**	**8,472**	**17,772**
Taxation	(895)	5,288	(13)	(3,836)
Profit (loss) for the year	**(7,658)**	**11,906**	**8,459**	**13,936**
Other comprehensive income				
Gross surplus on revaluation of hotel properties	37,131	15,853	35,842	-
Gross share of other comprehensive income of equity accounted investments	6,598	6,725	-	-
Other effects, currency translation diff. and tax	(3,165)	2,502	(19,039)	10,044
	40,564	**25,080**	**16,803**	**10,044**
Total comprehensive income (expense) for the year net of tax	**32,906**	**36,986**	**25,262**	**23,980**

[1] *EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*

IHI Group Cash Flow Statement (€'000)	FY2016 Actual	FY2017 Restated	FY2018 Actual	FY2019 Forecast
Net cash from operating activities	27,635	60,013	58,980	60,839
Net cash from investing activities	(29,099)	(15,579)	(35,152)	(35,202)
Net cash from financing activities	10,632	(21,956)	(20,839)	(21,240)
Net movement in cash and cash equivalents	**9,168**	**22,478**	**2,989**	**4,397**
Cash and cash equivalents at beginning of year	11,664	20,832	42,652	44,291
Effect of translation of presentation currency	-	(658)	(1,350)	-
Cash and cash equivalents at end of year	**20,832**	**42,652**	**44,291**	**48,688**

IHI Group Balance Sheet (€'000)	31 Dec'16 Actual	31 Dec'17 Restated	31 Dec'18 Actual	31 Dec'19 Forecast
ASSETS				
Non-current assets				
Intangible assets (including indemnification)	80,794	75,173	71,966	70,539
Investment property	164,278	205,238	203,539	211,372
Property, plant and equipment	617,765	1,108,251	1,151,245	1,167,407
Investments accounted for using the equity method	250,913	49,426	48,189	51,349
Other investments	-	-	-	4,700
Other fin. assets at amortised cost and receivables	4,570	1,598	780	184
Deferred tax assets	-	12,157	10,963	-
Assets placed under trust management	1,077	2,168	3,645	5,431
	1,119,397	1,454,011	1,490,327	1,510,982
Current assets				
Inventories	6,727	10,197	11,490	13,342
Other fin. assets at amortised cost and receivables	12,982	17,984	1,683	1,011
Trade and other receivables	42,151	46,841	53,029	49,480
Taxation	4,654	3,318	2,527	3,347
Financial assets at fair value through profit or loss	-	8,603	8,485	9,405
Cash and cash equivalents	29,382	50,795	50,190	52,568
Assets placed under trust management	4,961	122	122	-
	100,857	137,860	127,526	129,153
Total assets	**1,220,254**	**1,591,871**	**1,617,853**	**1,640,135**
EQUITY				
Capital and reserves				
Called up share capital	597,750	615,685	615,685	615,685
Reserves and other equity components	108,797	(7,546)	7,943	17,987
Retained earnings	(60,323)	60,857	59,746	62,679
Minority interest	598	195,976	194,246	192,918
	646,822	**864,972**	**877,620**	**889,269**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	370,486	527,857	520,066	535,674
Other non-current liabilities	117,365	109,322	102,611	97,593
	487,851	637,179	622,677	633,267
Current liabilities				
Borrowings and bonds	34,906	28,211	45,017	49,950
Other current liabilities	50,675	61,509	72,539	67,649
	85,581	89,720	117,556	117,599
	573,432	**726,899**	**740,233**	**750,866**
Total equity and liabilities	**1,220,254**	**1,591,871**	**1,617,853**	**1,640,135**

Key Accounting Ratios	FY2016 Actual	FY2017 Restated	FY2018 Actual	FY2019 Forecast
Gross profit margin *(Gross profit/revenue)*	45%	45%	44%	50%
Operating profit margin *(EBITDA/revenue)*	23%	26%	26%	26%
Interest cover (times) *(EBITDA/net finance cost)*	1.39	3.01	3.22	3.30
Net profit margin *(Profit after tax/revenue)*	-5%	5%	3%	5%
Earnings per share (€) *(Profit after tax/number of shares)*	-0.01	0.02	0.01	0.02
Return on equity *(Profit after tax/shareholders' equity)*	-1%	1%	1%	2%
Return on capital employed *(EBITDA/total assets less current liabilities)*	3%	4%	4%	5%
Return on assets *(Profit after tax/total assets)*	-1%	1%	1%	1%

Source: Charts (a division of MeDirect Bank (Malta) plc)

Revenue for **FY2016** increased by €23.8 million, from €134.1 million in FY2015 to €157.9 million, mainly due to the consolidation of a full year's results of IHGH (+€16.2 million y-o-y). QPM Limited, which was acquired in July 2016, contributed €1.4 million. The remaining balance of €6.2 million is attributable to improved performance from the European operations of the Group. In consequence of the higher revenue, the Group reported an increase in EBITDA of €4.6 million (+14% y-o-y) to €36.7 million, which was to some extent adversely impacted by losses from the catering operations in Spain.

In FY2016, the Group generated €1.7 million from its equity accounted investments (being the 50% ownership in the Corinthia Hotel & Residences London and the Radisson Blu Resort & Spa Golden Sands) compared to a loss of €2.6 million reported in the prior year. Both operations had a positive year compared to FY2015, but given their exposure to the Pound Sterling, were negatively impacted on translation of their respective financial results to the euro currency.

During the year under review, the Group registered property uplifts before tax of €47.4 million on account of the improved trading performance of the Group's hotels located in Europe, which was partly mitigated by an impairment charge of €20.4 million on the value of the St Petersburg Commercial Centre (a net positive movement of €27.0 million). Further detail of the movement in property values is provided below:

Analysis of Movements in Property Values for the year ended 31 December 2016 (€'000)	Income Statement	Other Comprehensive Income	Total
Corinthia Hotel Lisbon	-	5,702	**5,702**
Lisbon Apartments	680	-	**680**
Corinthia Hotel St George's Bay	-	3,469	**3,469**
Corinthia Hotel Prague	-	2,423	**2,423**
Corinthia Hotel Budapest	-	18,613	**18,613**
Marina Hotel	-	2,640	**2,640**
Radisson Blu Resort, St Julians	-	4,284	**4,284**
Corinthia Hotel St Petersburg	2,960	-	**2,960**
St Petersburg Commercial Centre	(20,392)	-	**(20,392)**
Corinthia Hotel & Residences London	-	6,598	**6,598**
Net movement in property values	**(16,752)**	**43,729**	**26,977**
Classified in the financial statements as follows:			
Movement in fair value of investment property	(19,712)	-	**(19,712)**
Net impairment reversal (loss) on hotel properties	2,960	37,131	**40,091**
Revaluation of hotel property (equity accounted investments)	-	6,598	**6,598**
Net movement in property values	**(16,752)**	**43,729**	**26,977**

Net finance costs increased by €2.1 million as a result of increased bond interest costs, primarily due to the fact that IHGH's finance costs for 2015 only represented the charges for six months (post acquisition), whilst those for 2016 covered a full year. During the year under review, a positive amount of €11.1 million was recorded in other movements compared to an adverse amount of €8.2 million in FY2015. Such movements mainly represented exchange differences on borrowings denominated in Rouble on conversion to the Euro.

Overall, the Group incurred a loss for the year of €7.7 million (FY2015: loss of €3.7 million), but reported a total comprehensive income for the year, net of tax, of €32.9 million (FY2015: €14.9 million).

As from **FY2017**, IHI secured the right to nominate and appoint the majority of the board of directors of NLI (the owning company of Corinthia Hotel London & Penthouse and the newly-acquired Grand Hotel Astoria in Brussels under development), and in consequence of this change IHI started to consolidate the performance of the Corinthia Hotel London in its financial statements. Total revenue for the year under review amounted to €242.4 million compared to €157.9 million the year before (+€84.5 million). The increase in revenue is mainly attributable to the consolidation of the Corinthia Hotel London which contributed €68.7 million of the increase, the remaining €15.8 million is the result of continuing performance improvements in the other operations of IHI.

EBITDA for 2017 amounted to €63.5 million, an increase of €26.8 million from a year earlier (FY2016: €36.7 million). The contribution of Corinthia Hotel London amounted to €15.2 million, whilst the remaining balance of €11.6 million is mainly attributable to a marked performance improvement in all IHI's hotels. In particular, the y-o-y performance of the Corinthia Hotel St Petersburg was €2.6 million higher in 2017 relative to 2016. Similar marked improvements were achieved at the Corinthia Hotel Lisbon and CHL.

The Group's share of associates and joint ventures (equity accounted investments) now reflects principally the Radisson Blu Resort & Spa Golden Sands operation as the Corinthia Hotel London operation is fully consolidated. In FY2017, share of results of equity accounted investments amounted to a loss of €1.5 million (FY2016: profit of €1.7 million). Net finance costs in 2017 amounted to €21.1 million compared to €16.0 million in FY2016. After taking into account a tax credit of €5.3 million (FY2016: tax charge of €0.9 million), IHI registered a profit for the year of €11.9 million, a material turnaround to the loss incurred in FY2016 of €7.7 million.

In 2017, the Group registered net property uplifts before tax of €26.9 million on account of the continuing improved trading performance of the Group's assets located in Europe. This amount included a full reversal of all impairments previously recorded on Corinthia Hotel St Petersburg. Further detail of the movement in property values is provided below:

Analysis of Movements in Property Values for the year ended 31 December 2017 (€'000)	**Income Statement**	**Other Comprehensive Income**	**Total**
Lisbon Apartments	(106)	-	**(106)**
Radisson Blu Resort & Spa Golden Sands	-	6,725	**6,725**
Corinthia Hotel St Petersburg	3,998	3,667	**7,665**
St Petersburg Commercial Centre	(2,750)	-	**(2,750)**
London Apartment	3,134	-	**3,134**
Corinthia Hotel & Residences London	-	12,186	**12,186**
Net movement in property values	**4,276**	**22,578**	**26,854**
Classified in the financial statements as follows:			
Movement in fair value of investment property	278	-	**278**
Net revaluation on hotel properties	3,998	15,853	**19,851**
Revaluation of hotel property (equity accounted investments)	-	6,725	**6,725**
Net movement in property values	**4,276**	**22,578**	**26,854**

Other comprehensive income comprises a combined currency conversion loss of €22.2 million on account of the weakened Sterling and Rouble. This negative movement was offset by the one-time release of all deferred tax recorded to date on the Corinthia Hotel London due to the change in accounting treatment to a subsidiary company. Total comprehensive income for the year amounted to €37.0 million (FY2016: €32.9 million).

Revenue generated by IHI in **FY2018** amounted to €256.3 million, an increase of €13.9 million (+6%) when compared to the prior year (FY2017: €242.4 million). This y-o-y increase was mostly due to an improvement in revenue across the majority of Group properties and the addition of Corinthia Palace Hotel as from April 2018. In consequence, EBITDA increased by €2.9 million (+5%) from €63.5 million in FY2017 to €66.4 million. After factoring in depreciation and amortisation of €33.2 million, uplift in fair value of investment property of €7.0 million and net impairment of hotel properties & intangible assets of €2.0 million, the Group registered a profit from operating activities of €38.2 million, an increase of €4.5 million (+13%) over the prior year. The uplift in fair value referred to above related to an uplift of €5.5 million in the value of the commercial centre in Tripoli, €2.1

million with respect to the commercial centre in St Petersburg, €0.5 million on a block of apartments in Lisbon against €1.1 million impairment on the London apartment.

Profit before tax amounted to €8.5 million in FY2018, compared to €6.6 million a year earlier (+28%). The movements between results from operating activities and profit before tax primarily include net finance costs of €20.6 million and adverse exchange fluctuations amounting to €8.0 million. The latter amount mainly refers to currency exchange fluctuations recorded by the operation in St Petersburg on its bank debt, which is denominated in euro, whilst the company's reporting currency is rouble.

The Group registered a lower profit for FY2018 than that reported in FY2017, at €8.5 million compared to €11.9 million in the prior year. Taxation in FY2017 included a one-time positive effect of recognising the benefit of tax losses available to the London operation, which was not repeated in FY2018. This recognition arose in consequence of exercising control at IHI level over the London operation. In FY2018, another favourable tax adjustment relating to the transfer of the brand from IHI to CHL was recognised, thereby reducing the overall tax charge by €4.2 million. Overall comprehensive income in FY2018 amounted to €25.3 million (FY2017: €37.0 million).

IFRS 16 - Leases

The Group has adopted IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach with transition date taken as the lease commencement date. Under this approach, the right-of-use asset equals the lease liability on transition date, and no equity adjustment will be recognised on initial application of IFRS 16. Comparative information is not restated.

Accordingly, as of FY2019, the Group will need to recognise a right-of-use asset and a lease liability in the Consolidated Balance Sheet for the lease of property currently treated as operating leases. With regard to the impact in the Consolidated Income Statement, the nature of the relevant expense will change from being an operating lease expense to depreciation and interest expense.

Management is forecasting revenue for **FY2019** to increase y-o-y by €17.5 million (+7%) to €279.0 million, mainly on account of increases in turnover from the hotel operations segment. EBITDA is projected to increase y-o-y by €4.3 million (+6%) to €70.7 million, while results from operating activities are expected to amount to €34.4 million, a decrease of €3.9 million (-10%) when compared to FY2018. Excluding the gain in fair value of investment property of €7.0 million accounted for in FY2018, the results from operating activities, on a like-for-like basis, are projected to increase by €3.1 million or 10%.

It is being assumed that the adverse exchange fluctuations in FY2018 of *circa* €8.0 million will be partly reversed in FY2019 by an amount of *circa* €5.0 million, which will have a positive impact on FY2019 profitability. Profit for FY2019 is projected to amount to €13.9 million, an increase €5.5 million from a year earlier. The effect of IFRS 16 in FY2019 is expected to result in a decrease in direct costs of €2.2 million, and an increase in depreciation & amortisation and net finance costs amounting to €1.7 million and €0.6 million respectively.

Total comprehensive income for FY2019 is expected to amount to €24.0 million compared to €26.3 million in the prior year. It is to be observed that other comprehensive income in FY2018 included a gross surplus on revaluation of hotel properties of €35.8 million and adverse currency translation differences and other effects of €19.0 million (net income balance of €16.8 million). The FY2019 forecast includes a reversal of currency translation differences amounting to €10.0 million and assumes no movement on revaluation of hotel properties.

The estimates for the projected financial years as presented in this document assume that the carrying values of hotel and investment properties will not be revalued upwards or impaired, and therefore no adjustment

has been made as to possible uplifts or impairments in value of assets which can materially affect the consolidated income statement and the balance sheet values.

The principal movement in the Group Balance Sheet as at 31 December 2018 was in property, plant and equipment, which increased by €43.0 million (y-o-y) to €1,151.2 million. This figure comprised capital expenditure relating to the acquisition of Corinthia Palace Hotel, Attard, Malta, the development of Corinthia Grand Astoria Hotel Brussels, upgrades to various hotel properties and other projects. A loan receivable from the ultimate parent of €18.0 million, included in current assets in FY2017, was off-set as part of the consideration due for the acquisition of the Corinthia Palace Hotel.

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

IHI Group Borrowings (€'000)	**31 Dec'16 Actual**	**31 Dec'17 Restated**	**31 Dec'18 Actual**	**31 Dec'19 Forecast**
Bank borrowings				
Bank loans	180,330	341,269	352,177	358,291
Bank overdrafts	8,550	8,143	5,899	3,880
	188,880	**349,412**	**358,076**	**362,171**
Bonds				
6.25% IHI Bonds 2015 - 2019				
6.25% IHI Bonds 2017 - 2020	6,572			
5.8% IHI Bonds 2021	19,722	19,770	19,823	19,877
5.8% IHI Bonds 2023	9,899	9,912	9,925	9,939
5.75% IHI Bonds 2025	44,138	44,220	44,308	44,400
4% IHI Secured Bonds 2026	54,230	54,297	54,367	54,440
4% IHI Unsecured Bonds 2026	39,450	39,427	39,481	59,284
6.5% IHGH Bonds 2017 - 2019	3,134			
6% IHI (formerly IHGH) Bonds 2024	34,457	34,530	34,603	34,676
	211,602	**202,156**	**202,507**	**222,616**
Other interest bearing borrowings				
Related companies	4,910	4,500	4,500	837
	4,910	**4,500**	**4,500**	**837**
Total borrowings and bonds	**405,392**	**556,068**	**565,083**	**585,624**

Key Accounting Ratios	31 Dec'16 Actual	31 Dec'17 Restated	31 Dec'18 Actual	31 Dec'19 Forecast
Net assets per share (€) *(Net asset value/number of shares)*	1.08	1.09	1.11	1.13
Liquidity ratio (times) *(Current assets/current liabilities)*	1.18	1.54	1.08	1.10
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	37%	37%	37%	37%
Debt service cover ratio (times) *(EBITDA/net finance cost and loan capital repayment)*	1.48	1.62	1.86	2.01

Source: Charts (a division of MeDirect Bank (Malta) plc)

Sinking Fund

In terms of the Prospectus of the bond issue detailed hereunder, IHI is required to build a sinking fund, the value of which will by the redemption date of the bonds be equivalent to 50% of the outstanding value of the said bonds. Below is a table outlining the balance held in the sinking fund.

Contributions to Sinking Fund (€'000)	31 Dec'16 Actual	31 Dec'17 Restated	31 Dec'18 Actual	31 Dec'19 Forecast
€20 million 5.8% Bonds 2021	1,077	2,168	3,645	5,431
	1,077	**2,168**	**3,645**	**5,431**

Variance Analysis

IHI Group Income Statement (€'000)	FY2018 Actual	FY2018 Forecast	Variance
Revenue	256,314	253,080	3,234
Direct costs	(142,537)	(129,778)	(12,759)
Gross profit	**113,777**	**123,302**	**(9,525)**
Other operating costs	(47,343)	(56,549)	9,206
EBITDA[1]	**66,434**	**66,753**	**(319)**
Depreciation and amortisation	(33,202)	(32,690)	(512)
Movement in fair value of investment property	6,994	-	6,994
Net impairment of hotel properties & intangibles	(1,980)	(1,980)	-
Results from operating activities	**38,246**	**32,083**	**6,163**
Share of (loss) profit: equity accounted investments	(1,364)	-	(1,364)
Net finance costs	(20,651)	(20,433)	(218)
Other	(7,549)	(4,541)	(3,008)
Movement in fair value of indemnification assets	(210)	(210)	-
Profit (loss) before tax	**8,472**	**6,899**	**1,573**
Taxation	(13)	(2,791)	2,778
Profit (loss) for the year	**8,459**	**4,108**	**4,351**
Other comprehensive income			
Gross surplus on revaluation of hotel properties	35,842	-	35,842
Other effects, currency translation diff. and tax	(19,039)	-	(19,039)
	16,803	**-**	**16,803**
Total comprehensive income (expense) for the year net of tax	**25,262**	**4,108**	**21,154**

[1] *EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*

As presented in the above table, revenue for FY2018 was higher than forecast by €3.2 million and amounted to €256.3 million (forecast: €253.1 million). Notwithstanding, EBITDA was lower when compared to forecast by €0.3 million due to higher than expected direct and other operating costs.

Actual profit for the year was better than expected by €4.4 million, mainly on account of net uplifts in fair value of investment property amounting to €7.0 million which were not taken into consideration in the forecast figures and a positive variance in taxation of €2.8 million. Such gains were partly offset by share of loss from equity accounted investments of €1.4 million and higher than expected finance costs emanating from net exchange differences on borrowings resulting in an adverse movement of €3.0 million.

The variance between actual and forecast total comprehensive income amounted to €21.2 million, representing the increased profit for the year by €4.4 million and the remaining amount resulting from the fact that no movement in other comprehensive income was assumed in the compilation of the FY2018 forecast.

Related Party Listed Debt

Corinthia Palace Hotel Company Limited ("**CPHCL**") is the parent company and owns 57.81% of the issued share capital of IHI. CPHCL, through its wholly-owned subsidiary Corinthia Finance p.l.c., has the following outstanding debt securities listed on the Malta Stock Exchange:

Security ISIN	Amount Listed	Security Name	Currency
MT0000101254	7,500,000	6% Corinthia Finance plc 2019-22	EUR
MT0000101262	40,000,000	4.25% Corinthia Finance plc 2026	EUR

Source: Malta Stock Exchange

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

Security ISIN	Amount Listed	Security Name	Currency
MT0000371279	20,000,000	5.5% MIH 2020	EUR
MT0000371261	12,000,000	6.0% MIH 2021	EUR
MT0000371287	40,000,000	5.0% MIH 2022	EUR
n/a	11,000,000	6% Notes 2020 (unlisted)	EUR

Source: Malta Stock Exchange

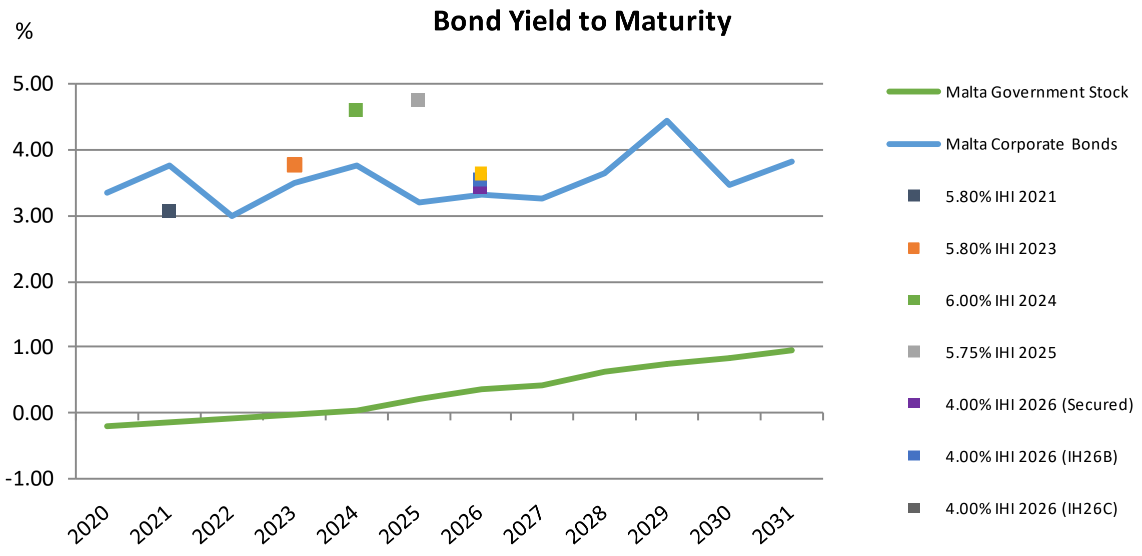
PART 4 - COMPARABLES

The table below compares the Group and its bonds to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Group and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Group.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.50% Pendergardens Dev. plc Secured € 2020 Series I	14,711,300	3.36	1.23	80,052	25,712	48.95
6.00% Pendergardens Dev. plc Secured € 2022 Series II	26,921,200	2.60	1.23	80,052	25,712	48.95
4.25% Gap Group plc Secured € 2023	19,931,000	3.48	4.45	55,237	9,869	71.82
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.53	1.19	21,625	6,916	62.72
6.00% AX Investments Plc Unsecured € 2024	40,000,000	1.98	6.97	325,243	214,590	18.66
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	4.84	5.33	83,223	44,177	43.99
5.00% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.35	2.29	112,006	43,514	51.65
4.25% Best Deal Properties Holding plc Secured 2024	16,000,000	3.50	4.02	25,986	3,432	82.64
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.41	1.41	120,794	38,318	52.41
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.02	1.55	154,742	52,242	61.72
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.81	2.09	5,499	- 19,741	-
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.91	2.59	1,765,072	901,595	40.43
4.00% International Hotel Invest. plc Secured € 2026	**55,000,000**	**3.43**	**3.22**	**1,617,853**	**877,620**	**36.81**
4.00% International Hotel Invest. plc Unsecured € 2026	**40,000,000**	**3.63**	**3.22**	**1,617,853**	**877,620**	**36.81**
4.00% MIDI plc Secured € 2026	50,000,000	3.30	9.80	220,613	97,440	31.83
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.59	12.63	179,451	48,701	54.42
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.86	10.08	28,166	6,135	60.96
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.75	5.93	229,882	63,771	50.15
4.00% Eden Finance plc Unsecured 2027	40,000,000	3.27	5.68	185,717	103,511	31.82
4.00% Stivala Group Finance plc Secured 2027	45,000,000	3.32	3.73	202,425	115,827	35.12
3.85% Hili Finance Company plc Unsecured 2028	40,000,000	3.63	3.44	455,113	86,390	73.98

10 June '19

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts | A division of MeDirect Bank (Malta) plc



Source: Malta Stock Exchange, Central Bank of Malta, Charts | A division of MeDirect Bank (Malta) plc 10 June 2019

To date, there are no corporate bonds which have a redemption date beyond 2031. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

PART 5 - EXPLANATORY DEFINITIONS

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

	cash flows or vice versa. The fair value is an accounting adjustment to change the book value of the derivative to its estimated market value.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Key Performance Indicators	
Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Average room rate	Average room rate is calculated by dividing hotel room revenue by rooms sold. Hotels use this measure to calculate the average price at which they are selling hotel rooms each night.
Revenue per available room (RevPAR)	RevPAR is calculated by multiplying a hotel's average room rate by its occupancy rate. A hotel uses this indicator as a performance measure with other hotels in the same category or market to determine how well the hotel property is yielding.
Revenue generating index	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Profitability Ratios	
Gross profit margin	Gross profit margin is the difference between revenue and direct costs expressed as a percentage of total revenue.
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.

Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities (room revenue, food & beverage, rental income, hotel services, etc) of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include intangible assets (goodwill on acquisition, the Corinthia brand, website development costs, etc), investment properties (commercial centres in St Petersburg and Tripoli, apartments in Lisbon, etc), property, plant & equipment (hotel properties), and investments accounted for using the equity method (investment in Corinthia Hotel London, Medina Tower, etc).
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, etc), cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings, bonds and long term lease obligations.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.

Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Debt service cover ratio	The debt service cover ratio measures a company's ability to service its current debts by comparing its net operating income with its total debt service obligations.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.