Financial Analysis Summary

27 June 2018

Issuer

International Hotel Investments p.l.c.

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

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

27 June 2018

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 2015 to 31 December 2017 has been extracted from audited financial statements of the Issuer for the three years in question.

(b) The forecast data for the year ending 31 December 2018 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

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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 during the past three years

Described hereunder are important events in the development of the Group's business during the last three financial years ended 31 December 2015, 2016 and 2017.

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 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 includes 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 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 the 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 leisure and corporate guests, as well as high-end residential, office, retail and commercial facilities targeting a six-star market. Subject to receiving the necessary regulatory planning approvals and having the required funding in place, this project will be spread out over a number of years to minimise interruption to hotel operations.

The aim is to phase the project, firstly by adding two additional floors to Corinthia Hotel St George's Bay. The number of room keys will reduce from the current 250 to 234, due to an increase in room size to over 50m^2 and thereby help the property achieve the status of the first six-star hotel in Malta. In addition, the Company shall develop two serviced residential blocks on vacant land between Corinthia Hotel St George's Bay and 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 18,000m^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. It is planned to award the main contract by this summer and complete the works within two years. The afore-mentioned construction programme and other opening costs will be financed out of an equity injection of €20 million and a bank loan facility of €45 million which has been provided by ARES Bank of Spain.

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 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 having a term of 20 years 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 further 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 can consolidate the performance of the Corinthia Hotel London in its financial statements.

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 to manage, once redeveloped, the former Grand Hotel du Bulevard 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 new hotel will feature 50 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 €5.5 million.

On 5 June 2018 IHI declared a 2% cash dividend to its shareholders.

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

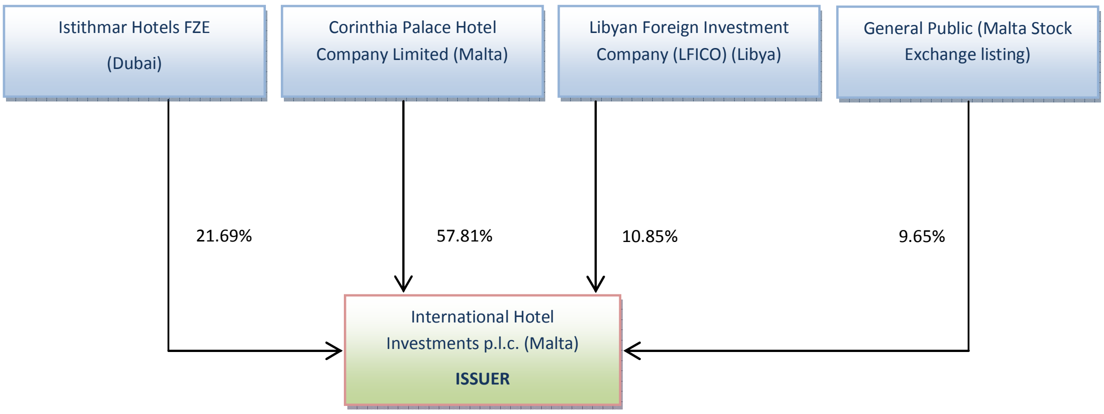
Mr Alfred Pisani	Chairman
Mr Khaled El Gonsol	Non-Executive Director
Mr Abdulnaser Ahmida	Non-Executive Director
Mr Hamad Buamin	Non-Executive Director
Mr Abuagila Almahdi	Non-Executive Director
Mr Douraid Zaghouani	Non-Executive Director
Mr Joseph Pisani	Non-Executive Director
Mr Winston V. Zahra	Non-Executive 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 FY2017 amounted to 2,933 persons (FY2016: 2,015).

3. CORINTHIA GROUP ORGANISATIONAL STRUCTURE

The following diagram summaries, in simplified format, the structure of the Corinthia Group and the position within the said group of the Issuer. The complete list of companies forming part of the Group is included in the consolidated audited financial statements of the Issuer for the year ended 31 December 2017.



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 2017

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	n/a
Radisson Blu Resort St Julians	Malta	Property owner	100	252
Radisson Blu Resort & Spa Golden Sands	Malta	Property owner & vacation ownership operation	50	329
Corinthia Palace Hotel & Spa (**from April'18**)	Malta	Property owner	100	147
Corinthia Hotels Limited	Malta	Hotel management	100	n/a
QP 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
Oasis at Hal Ferh	Malta	Vacant site (to be developed)	100	n/a
Costa Coffee	Malta/Spain	Retail catering	100	n/a
				3,642

** under control and management of IHI*

The following table illustrates the carrying values of the principal properties of the Issuer, accounted for in the balance sheet under the headings: "investment properties", "property, plant & equipment" and "investments accounted for using the equity method":

INTERNATIONAL HOTEL INVESTMENTS PLC VALUATION OF PRINCIPAL PROPERTIES AS AT 31 DECEMBER			
	FY2015	**FY2016**	**FY2017**
Investment Properties			
Commercial Centre St Petersburg	67,231	64,555	61,805
Commercial Centre Tripoli	68,243	68,243	68,243
Commercial Centre Lisbon	1,300	1,980	2,300
Site in Tripoli	29,500	29,500	29,500
Apartment in London*			43,390
	166,274	**164,278**	**205,238**
Hotel Properties			
Corinthia Hotel St George's Bay	37,711	40,477	39,773
Radisson Blu Resort, St Julians	37,711	40,291	38,791
Corinthia Hotel Lisbon	89,200	93,428	97,409
Corinthia Hotel Prague	82,901	83,006	82,306
Corinthia Hotel Tripoli	84,085	81,206	78,881
Corinthia Hotel Budapest	104,800	122,458	121,617
Corinthia Hotel St Petersburg	70,610	85,710	84,488
Corinthia Hotel London*			496,140
Marina Hotel	28,813	31,115	30,957
	535,831	**577,691**	**1,070,362**
Joint Ventures and Associates			
Corinthia Hotel & Residences London (50%)*	315,680	271,850	
Corinthia Grand Astoria Hotel Brussels (50%)	-	7,600	
Radisson Blu Resort & Spa Golden Sands (50%)	32,672	31,509	40,097
Medina Towers J.S.C. (25%)	13,871	13,567	12,604
	362,223	**324,526**	**52,701**
Assets in the Course of Development			
The Heavenly Collection Ltd (Hal Ferh)	21,576	21,576	21,758
Corinthia Grand Astoria Hotel Brussels			18,388
	21,576	**21,576**	**40,146**
Total	**1,085,904**	**1,088,071**	**1,368,447**

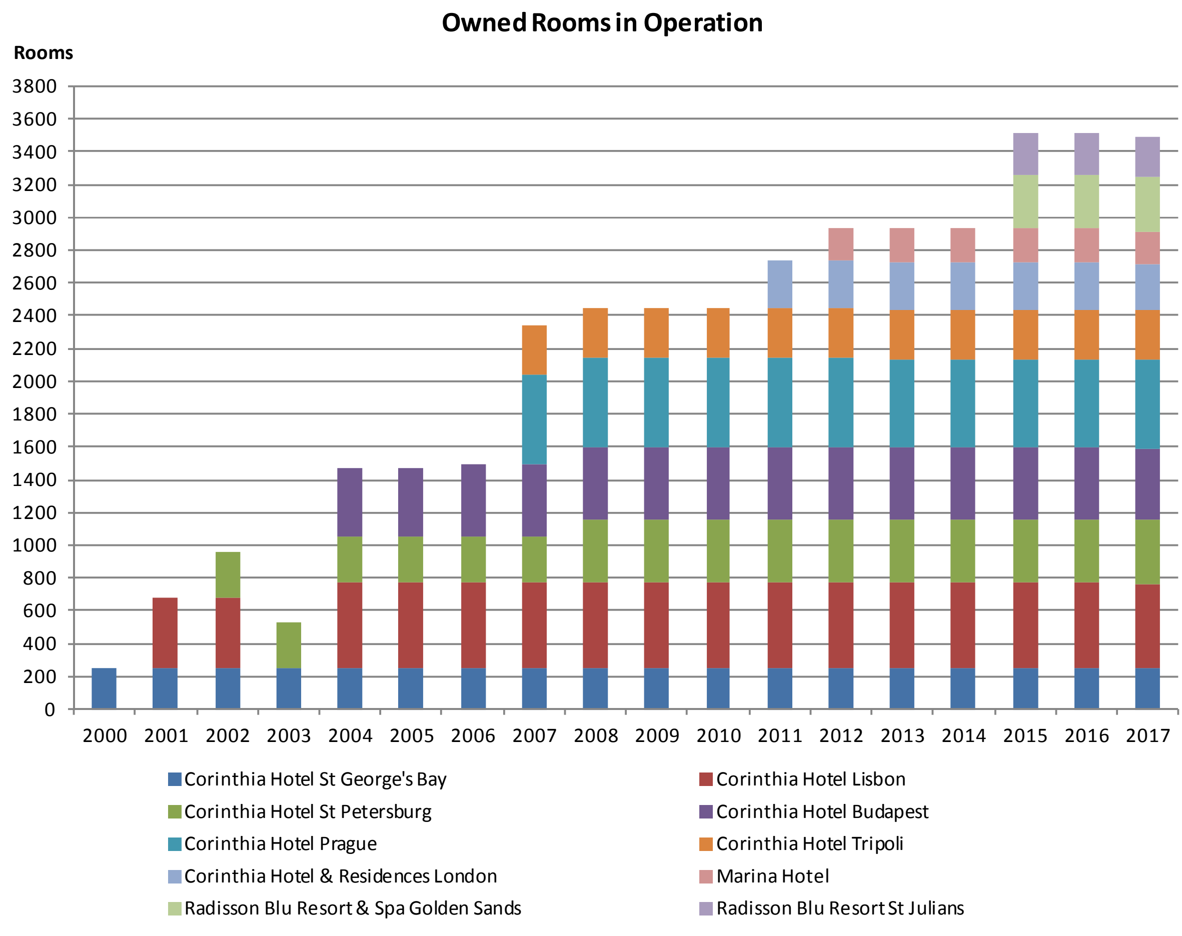
* 'Apartment in London' and 'Corinthia Hotel London' are reported in aggregate, in each of the financial years 2015 and 2016, under the heading 'Corinthia Hotel & Residences London (50%)'.

PART 2 – OPERATIONAL DEVELOPMENT

4. HOTEL PROPERTIES

4.1 ROOM INVENTORY

As at 31 December 2017, the Issuer fully owned 8 hotel properties and 50% of each of 2 other hotel properties (namely, Corinthia Hotel & Residences London and Radisson Blu Resort & Spa Golden Sands). The chart below sets out the growth in room inventory of the Issuer since incorporation, which increased from 250 to 3,495 rooms over a 17-year period.



Source: Management information.

Pursuant to the acquisition of the Corinthia Palace Hotel & Spa located in Attard, Malta, in April 2018, owned rooms in operation during the current financial year have increased by 147 rooms to 3,642 rooms.

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 stock of rooms, which are included in the above room count, and a health spa was opened. A 2-year refurbishment programme of the Hotel's bedrooms and corridors commenced in FY2017 and will amount to *circa* €4.2 million. The carrying value of the Corinthia Hotel Budapest as at 31 December 2017 is €121.6 million (FY2016: €122.5 million).

Market Overview

i. Economic update[1]

Growth picked up in 2017 following a temporary lull in 2016. Hungary's real GDP is estimated to have increased by 3.8% in 2017 on the back of strong domestic demand. Consumer confidence remained high and private consumption was supported by rapid wage rises and continued employment growth. Gross fixed capital formation grew by more than 20% year-on-year in the first three quarters of 2017. The main driver of the acceleration was the resumption of EU fund absorption under the new multiannual financial framework. Business and household investment also increased dynamically as the global economic recovery improved the prospects for businesses and strong demand for new homes spurred residential construction. Fiscal policy measures and favourable financing conditions further supported domestic demand. Trade flows accelerated in 2017, when net exports contributed negatively to GDP growth. However, the current account remained in surplus.

Strong growth is set to continue over the forecast horizon. GDP is projected to increase by 3.7% in 2018 and 3.1% in 2019. Private consumption and investment are expected to grow strongly in 2018, boosted by government-initiated and market driven wage increases, and supported by a strong recovery in bank lending. Corporate and public investment are set to continue growing at double digit rates, as EU-funded projects are implemented. At the same time, strong domestic demand is expected to lead to rapid import growth. In 2019, economic growth is projected to slow down as a result of capacity constraints in particular on the labour market, decelerating growth of real disposable income and slower growth in export demand as the economic expansion matures in the EU.

Headline inflation increased sharply in 2017 to 2.4% from 0.4% in 2016, on the back of strong domestic demand. Inflation is forecast to rise further to 2.8% in 2018 and 2.9% in 2019, levels near to the central bank's target of 3.0%. Inflation is expected to be broad-based, as energy prices rise and service price increases pick up on the back of strong wage growth.

[1] European Economic Forecast Winter 2018 (Interim) – European Commission

ii. Tourism market[2]

In 2017, accommodation establishments recorded 27.7 million tourism nights, 6.7% more than in 2016, with total gross revenues of accommodation establishments rising by 15.6% at current prices and amounting to more than HUF 466 billion (equivalent to €1.5 billion). During 2017, foreign guests spent 7.9% more nights in accommodation establishments as compared to the previous year to reach 14.9 million nights, while domestic guests spent 5.6% more nights totalling 14.6 million nights. Room occupancy in hotels in 2017 rose by an average of 3.4 percentage points to 59.6%.

Operational Performance

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

Corinthia Hotel Budapest	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**
Turnover (€'000)	22,810	23,457	25,820	27,908
Gross operating profit before incentive fees (€'000)	8,364	8,577	9,501	10,100
Gross operating profit margin (%)	37	37	37	36
Occupancy level (%)	78	78	80	81
Average room rate (€)	127	129	139	147
Revenue per available room (RevPAR) (€)	99	101	111	120
Benchmark performance				
Occupancy level (%)	80	79	79	79
Average room rate (€)	115	124	140	144
Revenue per available room (RevPAR) (€)	92	98	111	114
Revenue Generating Index	1.08	1.03	1.00	1.05

Source: Management information.

FY2015 was a positive year in which average room rate increased by 11% from €114 in FY2014 to €127 in FY2015, and RevPAR by 16% to €99 in FY2015. In this regard, gross operating profit increased by €1.9 million from FY2014 to FY2015 (+29%). A substantial part of these improvements in performance is attributable to the diversification in market segmentation wherein lower rated business was replaced by the more lucrative leisure market segment. 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 is expected to continue implementing a strategy of focusing more on increasing revenue from leisure, corporate and conference & event segments with progressive decreases in the volume of

[2] Central Statistical Office (KSH); Budapest Business Journal (www.bbj.hu)

low rated sectors (such as groups and tour operator business). In addition, the hotel's bedrooms will be refurbished over the next 2 years at a cost of €4.2 million. As such, FY2018 revenue is projected to increase by €2.1 million (+8%) to €27.9 million and gross operating profit is set to increase from €9.5 million in FY2017 to €10.1 million (+6%). In FY2018, occupancy and RevPAR are expected to increase from 80% to 81% and €139 to €147 respectively.

During the historical period under review (FY2015 – 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 is expected to perform marginally better when compared to benchmark and is projected to achieve an RGI of 1.05.

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 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 is currently underway comprising the refurbishment of all 280 bedrooms and suites in the Hotel's original wing, which is nearing completion at a cost of €4 million, and the development of an area measuring *circa* 1,500 square metres situated behind the Hotel and which 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 as at 31 December 2017 is €84.5 million (FY2016: €85.7 million) and €61.8 million (FY2016: €64.6 million) respectively.

Market Overview

i. Economic update[3]

A comprehensive estimate of national accounts data released by Rosstat on 3 April confirmed that the Russian economy rebounded last year, with GDP rising 1.5%, unchanged from the preliminary estimate released on 2 February (2016: -0.2%). In the same release, Rosstat unveiled GDP data for Q4 2017, as well as revisions to Q1–Q3 2017 national accounts data. The new figures showed that growth slowed notably in the fourth quarter, with GDP expanding 0.9% annually, a significant slowdown from the third quarter's revised 2.2% expansion (previously reported: +1.8% year-on-year).

Fixed investment lost steam, increasing 3.4% annually in Q4, down from Q3's 4.0% rise. The economy is still weathering the effects of low oil prices, limited oil output and economic sanctions, which has caused the recovery to be sluggish so far. However, private consumption growth inched up from 4.2% in Q3 to 4.3% in Q4, a resilient reading likely supported by low inflation in the quarter. Government consumption was stable at Q3's 0.4% expansion in Q4.

Exports gained momentum in the fourth quarter, rising 5.2% over the same period of the previous year (Q3: +4.7% year-on-year). The Ural oil price rose throughout the quarter, while healthy global growth is also helping shore up overseas sales. Meanwhile, import growth decelerated in the fourth quarter to 15.4%, below the third quarter's buoyant 17.1% rise.

[3] Russia GDP Q4 2017 (www.focus-economics.com)

Looking ahead, the recovery is expected to modestly gain steam this year on the back of monetary policy easing, higher oil prices and healthy household consumption. However, the production cut deal with OPEC, along with fiscal tightening, will keep oil output limited.

ii. Tourism market[4]

In 2017, a record number of tourists (approx. 81 million) made trips across 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 a record 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 Peterburg 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.

Operational Performance

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

Corinthia Hotel St Petersburg	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**
Turnover (€'000)	12,783	14,103	15,789	16,195
Gross operating profit before incentive fees (€'000)	4,210	5,871	7,076	7,554
Gross operating profit margin (%)	33	42	45	47
Occupancy level (%)	60	60	58	67
Average room rate (€)	112	122	141	141
Revenue per available room (RevPAR) (€)	67	74	82	94
Benchmark performance				
Occupancy level (%)	61	61	63	67
Average room rate (€)	153	186	181	195
Revenue per available room (RevPAR) (€)	93	113	114	130
Revenue Generating Index	0.72	0.65	0.72	0.72

Source: Management information.

Revenue in FY2015 declined by €1.4 million (year-on-year) to €12.8 million, principally due to a significant decline in demand from international visitors (both in leisure and conference business) as a result of the then prevailing political situation between Russia and Ukraine pursuant to the annexation of Crimea to the Russian Federation in 2014. In the year under review, the Hotel was able to capture a higher share of the domestic market, but the average room rate decreased in euro terms principally as a result of a weaker Rouble. As such, the Hotel increased occupancy levels from 52% in 2014 to 60%, but average room rate decreased from €139

[4] Russia Beyond (www.rbth.com); Guide to St Petersburg (www.guidetopetersburg.com)

registered in the prior year to €112. Gross operating profit in FY2015 improved by €1.2 million when compared to the prior year in consequence of cost-reduction measures.

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 the consequence of an 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 the year, the 3-year refurbishment programme of 280 rooms in the original hotel, acquired in 2002, was completed at a cost of €4 million. Management is anticipating that Russia's positive economic trend will continue during 2018 and more international tourists will visit the country. The Russian Federation is also hosting the FIFA World Cup in 2018, which will further increase visitor numbers. As such, the Hotel has projected an increase in RevPAR from €82 in FY2017 to €94 and gross operating profit is expected to increase by 7% (y-o-y) to €7.6 million.

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 FY2015 and FY2016, the Hotel's occupancy level was one percentage point below benchmark at 60%, and in FY2017, occupancy was lower by five percentage points at 58%. The Hotel's achieved average room rate in each of three historical years was below the competitive set by an average 28%, which underperformance is reflected in the RGI of below par (FY2017: RGI of 0.72). In FY2018, management aims to improve occupancy level by 9 percentage points to 67% and match the Hotels' competitive set, but the underperformance when comparing the Hotel's RevPAR to its benchmark is expected to remain unchanged.

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)	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**
Turnover (€'000)	3,518	4,813	5,828	6,000

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 €13 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 increasing the size and upgrading of the fit-out to the rooms. 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 ten 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 2017 is €97.4 million (FY2016: €93.4 million). Alfa Investimentos Lda also owns an apartment block in Lisbon for investment purposes, valued at €2.3 million as at 31 December 2017 (FY2016: €2.0 million).

Market Overview

i. Economic update[5]

Economic growth picked up to 2.9% (y-o-y) in the first half of 2017 and moderated to 2.5% in the third quarter of 2017. Private consumption growth strengthened in the third quarter of 2017 underpinned by a pick-up in purchases of durables. However, it is expected to slow down somewhat in the coming quarters as a result of moderate wage developments and a small increase in the saving rate. Investment should continue to support growth as it benefits from improved financing conditions, increased capacity utilisation rates and higher corporate profits. Both exports and imports performed strongly in 2017, reflecting the upbeat economic sentiment across Europe and the capacity upgrade in Portugal's largest car producer. Foreign trade is expected to moderate somewhat over the forecast horizon but should still grow faster than domestic demand, whose contribution to growth is likely to drop after a very strong performance in 2017. Overall, GDP growth is estimated at 2.7% in 2017, and forecast to slow down to 2.2% in 2018 and 1.9% in 2019.

Employment continued to grow faster than GDP in 2017. Strong job creation in labour-intensive sectors, particularly in tourism, contributed to weak productivity performance, although this is expected to improve in 2018 and 2019. The job-rich recovery reduced substantially both headline and long-term unemployment to their lowest levels since 2004.

Consumer price inflation reached 1.6% in 2017, driven mainly by energy and services, while prices of non-energy industrial goods declined. Headline inflation is expected to stabilise at 1.6% in 2018 and to drop slightly to 1.5% in 2019. Energy prices are set to make a major contribution to inflation in 2018, reflecting oil price movements, while the strengthening of the euro is projected to keep the prices of non-energy industrial goods

[5] European Economic Forecast Winter 2018 (Interim) – European Commission

on a declining path. In 2019, the impact of energy is assumed to fade away, while inflation in services is set to pick up slightly along with the increase in disposable incomes. Accordingly, core inflation is set to remain slightly below the headline rate in 2018 and to move above it in 2019.

ii. Tourism market[6]

The number of foreign tourists visiting Portugal rose nearly 12% last year to a record 12.7 million people, contributing to the once-bailed out country's strongest economic growth since 2000. British tourists comprised the largest group of visitors last year, but with the smallest increase of just 1% from a year ago, while there were bigger jumps of over 30% in arrivals of visitors from the United States, Poland and Brazil.

In 2017, hotel establishments recorded 20.6 million guests and 57.5 million overnight stays which corresponded to annual increases of 8.9% and 7.4% respectively. The internal market contributed 15.9 million overnight stays (+4.1%) and the external markets with 41.6 million overnight stays (+8.6%). Total revenue from hotel accommodation activity amounted to €3.39 billion and accommodation income amounted to €2.48 billion, increases of 16.6% and 18.3% respectively from the comparable period a year earlier. The afore-mentioned official statistics do not include the number of foreign visitors who stayed in private homes rented through home-sharing sites like Airbnb, which has soared in popularity in Portugal in recent years.

Operational Performance

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

Corinthia Hotel Lisbon	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**
Turnover (€'000)	20,699	21,907	24,753	25,362
Gross operating profit before incentive fees (€'000)	6,019	6,740	8,128	8,513
Gross operating profit margin (%)	29	31	33	34
Occupancy level (%)	74	72	69	67
Average room rate (€)	105	109	133	141
Revenue per available room (RevPAR) (€)	78	79	92	94
Benchmark performance				
Occupancy level (%)	71	72	72	72
Average room rate (€)	107	113	130	133
Revenue per available room (RevPAR) (€)	76	81	94	96
Revenue Generating Index	1.03	0.98	0.98	0.98

Source: Management information.

Overall results continued to improve in FY2015 as the Corinthia Hotel Lisbon registered a further improvement of 6% and 11% in revenue (to €20.7 million) and RevPAR (to €78) respectively over FY2014 results. 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.

[6] Instituto Nacional De Estatistica (www.ine.pt)

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%). In 2017, a 5-year renovation programme commenced at a cost of €13 million and as at year end 175 rooms were fully refurbished. The remaining rooms will be completed in the next four years.

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 the hospitality figures outlined above. The Hotel has likewise benefitted from this upsurge in business registering significant year-on-year growth both in revenue and gross operating profit. 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. It is estimated that in FY2018 revenue will increase y-o-y by 2% to €25.4 million and gross operating profit is expected to grow y-o-y by 5% to €8.5 million.

The Hotel has performed broadly in line with its competitive set in FY2015 to FY2017. A similar trend is being projected for FY2018 as management expects occupancy rate to decline from 69% in FY2017 to 67%, mitigated by a higher average room rate from €133 in FY2017 to €141 in FY2018 (+6%) based on the strength of an improved product. Projected RevPAR for the Hotel is set at €94, which is €2 lower than the expected benchmark performance.

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 2017 is €82.3 million (FY2016: €83.0 million).

Market Overview

i. Economic update[7]

The Czech Republic is experiencing an economic upswing. Real GDP growth in 2017 likely exceeded potential growth by a significant margin, driven by private consumption and investment and in spite of a tightening labour market. Although growth is expected to moderate in 2018 and 2019, inflationary pressures will continue as a result of the positive output gap.

The Czech Republic's economy is forecast to have grown by 4.5% in 2017, considerably higher than in 2016, when the economy expanded by 2.6%. After surging in the first half of 2017, GDP growth softened a bit in the second half with estimated growth of 0.7% (q-o-q) in the last quarter of 2017, following 0.5% in the third quarter. Labour market constraints are rapidly pushing wages up, which in turn is fuelling household consumption. At the same time, investment has started to again contribute strongly to growth, with increasing support of EU funds.

GDP growth is expected to moderate in 2018 and 2019 but to remain strong at 3.2% and 2.9%, respectively, underpinned by domestic demand. While exports are expected to continue growing solidly thanks to robust global demand, their positive effect on GDP growth will tend to be neutralised by strong import growth.

[7] European Economic Forecast Winter 2018 (Interim) – European Commission

Inflation accelerated to 2.4% in 2017, from 0.6% in 2016, largely due to higher food and services prices. The central bank's decision to remove its exchange rate peg in April 2017 and its subsequent interest rate hikes seem to have tempered inflationary pressures on imported goods and services. Headline inflation is expected to remain unchanged at 2.4% in 2018 and to stabilise at 2.0% in 2019. The main contributions in 2018 are once again expected to come from food and services, while energy prices are assumed to rise significantly in the first half of the year. Overall, annual core inflation is expected to decrease slightly in 2018 and 2019.

ii. Tourism market[8]

According to the Czech Statistical Office (CZSO), over 20 million people registered at tourist accommodations in the Czech Republic in 2017. This figure, which includes both domestic and international tourists, represents an increase of 9.1% compared with the previous year. Of these 20.1 million tourists nationwide, roughly half (10.2 million) were visiting from abroad, mostly from Germany (1.95 million), Slovakia (688,000) and Poland (578,000). Increases were also registered in tourists from East Asian nations such as China, South Korea, and Taiwan. The total number of overnight stays reached 53.3 million, an increase of 3.6 million (+7.3%) when compared to 2016.

Operational Performance

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

Corinthia Hotel Prague	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**
Turnover (€'000)	16,518	16,819	18,895	20,053
Gross operating profit before incentive fees (€'000)	4,750	5,160	5,849	6,605
Gross operating profit margin (%)	29	31	31	33
Occupancy level (%)	68	66	73	74
Average room rate (€)	74	78	83	88
Revenue per available room (RevPAR) (€)	50	51	61	65
Benchmark performance				
Occupancy level (%)	77	78	81	81
Average room rate (€)	106	109	113	115
Revenue per available room (RevPAR) (€)	82	85	92	93
Revenue Generating Index	0.61	0.60	0.66	0.70

Source: Management information.

Results for FY2015 show that the Hotel continued to build on the positive FY2014 trend by achieving a RevPAR of €50 (from €46 in FY2014) and a gross operating profit of €4.8 million (from €4.1 million in FY2014). Revenue in FY2016 was similar to 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 €18.9 million, an increase of €2.1 million (+12%) when compared to the prior year, while gross operating profit increased by 13% from €5.2 million in FY2016 to €5.8 million.

[8] Czech Statistical Office (www.czso.cz)

Revenue in FY2018 is projected at €20.1 million, an increase of 6% from a year earlier, mainly due to an increase in projected occupancy from 73% to 74% and an increase in average room rate from €83 in FY2017 to €88 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.

The Hotel has, in recent years, consistently underperformed its competitive set principally in terms of room rates (being *circa* 30% 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 0.66 in FY2017 to 0.70 in FY2018.

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 2017 are €78.9 million, €68.2 million and €29.5 million respectively (FY2016: €81.2 million, €68.2 million, €29.5 million), or a combined total of €176.6 million.

Market Overview

The instability and state of uncertainty prevailing since the 2011 uprising continues to have a negative effect on Libya's economy. Ongoing conflict between rival militias has left Libya deeply divided, with vast regions split under the rule of various Islamist and nationalist groups and armed gangs taking control on a smaller scale. 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.

At the end of a conference on Libya held in Paris during May 2018, attended by more than 20 countries and organisations, a joint communique was issued by Faiez Serraj, Ageela Saleh, Khaled Mishri and Khalifa Hafter committing the signatories to constitutional based elections, an electoral law by 16 September 2018, parliamentary and presidential elections by 10 December 2018, an acceptance of the election results by all parties, and an end to parallel state institutions and unified military and security institution. 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 can be an important one.

Operational Performance

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

Corinthia Hotel Tripoli	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Forecast
Turnover - Hotel operations (€'000)	893	799	2,040	2,999
Turnover - Commercial Centre (€'000)	5,593	5,868	5,543	7,000
Gross operating profit before incentive fees (€'000)	2,802	2,764	2,510	4,791
Gross operating profit margin (%)	43	41	33	48
Occupancy level (%)	2	0	5	4
Average room rate (€)	218	185	187	204
Revenue per available room (RevPAR) (€)	4	0	4	8

Source: Management information.

On 27 January 2015, the Hotel was the scene of an armed attack and consequently had to close for business. On the other hand, the Commercial Centre 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.

The 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). Current 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 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. During 2017, the Group secured another lease agreement with the result that the Commercial Centre is now fully leased out.

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.

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 2017 is €39.8 million (FY2016: €40.5 million).

As highlighted in section 1 of this report, the Hotel forms part of the first phase of the St George's Bay development. Once all planning permits are in hand, the Hotel will cease operations to initiate the construction of two additional floors. Furthermore, the number of room keys will reduce from the current 250 to 234, 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]

Real Gross Domestic Product ("GDP") grew strongly in the first three quarters of 2017 reaching 7.2%. The external sector, driven by growing services exports, remained the main driver of growth in 2017. Domestic demand was affected by a strong contraction in investment, linked to a high base effect from an extraordinary investment in transport equipment in 2016. Residential construction, by contrast, continued to increase robustly. Following a rebound in imports in the last quarter of the year, real GDP growth is expected to have reached 6.9% for 2017 as a whole, well above the rate recorded in 2016. The dynamics in the external sector are pushing up the current account surplus.

Economic growth is projected to slow in 2018 to 5.6%. Private consumption is expected to become the main driver of growth on the back of strong employment growth, improved consumer confidence and growing disposable income. Investment is forecast to recover, led by the residential construction sector, which is expected to continue growing strongly in 2018. Driven by domestic demand, imports of goods and services are gaining momentum, and exports are forecast to continue rising, in line with growing demand in Malta's main trading partners. Overall, the current account surplus is expected to stabilise.

In 2019, real GDP growth is projected to moderate further to 4.5%. Private consumption is projected to remain the main driver of growth, while investment is expected to increase mainly on the back of the construction sector. Net exports are expected to contribute only modestly to GDP growth, as domestic demand fuels imports.

Headline annual harmonised index of consumer prices ("HICP") inflation averaged 1.3% in 2017, slightly lower than the euro zone area average. Relatively moderate increases in regulated fuel prices have contained overall HICP inflation. Inflation is projected to increase to 1.5% in 2018 and 1.8% in 2019. Higher price growth is expected to come mainly from the services component, which is projected to rise in line with growing disposable incomes.

[9] European Economic Forecast Winter 2018 (Interim) – European Commission

ii. Tourism market[10]

Tourism in Malta has in recent years been performing at a strong level and this trend continued in 2016 as well as in 2017. Inbound tourist arrivals between January and December 2016 amounted to 1.99 million, an increase of 10.2% when compared to a year earlier. Total nights spent by inbound tourists went up by 5.7%, reaching almost 15.0 million nights. During 2016, total guests in collective accommodation establishments surpassed 1.6 million, an increase of 2.1% over the same period in 2015. Within the collective accommodation establishments, the 5-star and 4-star hotels gained 10,878 guests (+2.8%) and 30,779 guests (+4.5%) respectively in 2016 when compared to a year earlier, while there was a decrease of 24,042 guests (-5.7%) in the 3-star category. Tourism expenditure was estimated at €1.71 billion in 2016, an increase of 4.3% over 2015.

Inbound tourism for 2017 amounted to 2.3 million, an increase of 15.7% when compared to the prior year. During the first six months of the year the country held the EU Presidency and this factor also contributed to this increase. Total nights spent by inbound tourists went up by 10.3%, surpassing 16.5 million nights. In 2017, total guests in collective accommodation establishments surpassed 1.8 million, an increase of 13.0% over the same period in 2016. Within the collective accommodation establishments, the 5-star, 4-star and 3-star hotels gained 26,348 guests (+6.7%), 81,383 guests (+11.5%) and 82,401 (+20.7%) respectively in 2017 when compared to a year earlier. Total tourism expenditure surpassed €1.9 billion, 13.9% higher than that recorded for 2016. Total expenditure per capita stood at €856, a decrease of 1.5% when compared to 2016.

Focus will be maintained on increasing arrivals during the winter months and attracting more visitors from new markets to Malta. This bodes well for the Maltese hospitality industry as the expectation is to continue to grow revenues and increase profitability.

Looking forward, Valletta serving as the European City of Culture in 2018 is expected to further increase demand for hotels and enhance Malta's image as a tourist destination. Malta International Airport has revealed its traffic forecast and expects to register further growth in the coming year to reach a total of 6.5 million passenger movements (2017: 6.0 million passenger movements). The summer schedule published by the airport operator for 2018 features no less than 16 new routes, bringing the airport's destination network up to a 100 routes. Meanwhile, the somewhat uncertain future of the national carrier Air Malta poses a concern to further growth whilst competition from other Mediterranean countries will likely remain strong.

[10] National Statistics Office Malta (www.nso.gov.mt)

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	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Forecast
Turnover (€'000)	15,225	15,765	16,717	16,732
Gross operating profit before incentive fees (€'000)	4,145	4,399	5,257	5,025
Gross operating profit margin (%)	27	28	31	30
Occupancy level (%)	79	81	79	78
Average room rate (€)	139	137	151	153
Revenue per available room (RevPAR) (€)	110	111	119	119
Benchmark performance				
Occupancy level (%)	78	74	75	75
Average room rate (€)	143	151	170	162
Revenue per available room (RevPAR) (€)	112	112	127	121
Revenue Generating Index	0.98	0.99	0.94	0.98

Source: Management information.

In FY2015, the Hotel continued to perform well, both in terms of revenue generation and profitability. In fact, revenue and gross operating profit increased by €1.9 million (+14%) and €1.1 million (+36%) respectively, when compared to FY2014. 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 in FY2017.

Management plans to 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, the Hotel's performance in FY2018 is expected to broadly reflect the same positive results achieved in FY2017.

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 with its competition in each of the historical years under review, which trend is also being projected for FY2018.

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 the property. The carrying amount of the Marina Hotel as at 31 December 2017 is €31.0 million (2016: €31.1 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	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**
Turnover (€'000)	9,486	9,880	10,251	10,630
Gross operating profit before incentive fees (€'000)	2,931	3,048	3,310	3,542
Gross operating profit margin (%)	31	31	32	33
Occupancy level (%)	82	83	80	83
Average room rate (€)	110	117	126	126
Revenue per available room (RevPAR) (€)	90	97	101	104
Benchmark performance				
Occupancy level (%)	75	71	72	72
Average room rate (€)	116	123	140	144
Revenue per available room (RevPAR) (€)	87	87	101	104
Revenue Generating Index	1.03	1.11	1.00	1.00

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.

In consequence, average room rate has increased over the years from €110 in FY2015 to €126 in FY2017, and RevPAR grew by 12% from €90 to €101 in the same period (an annualised growth of *circa* 6%). FY2015 was a very positive year for the Hotel, in which revenue increased by 21% (from €7.9 million in FY2014 to €9.5 million) and gross operating profit increased significantly by 61% (from €1.8 million in FY2014 to €2.9 million). Growth in FY2016 was more modest 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 is projecting a further increase in revenue of 4% in FY2018 to €10.6 million and gross operating profit is estimated at €3.5 million (FY2017: €3.3 million).

As for benchmark performance, in FY2015, the Hotel's occupancy level and RevPAR exceeded the market average by 7 percentage points and 3% respectively. 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. In the projected financial year (FY2018), the Hotel is expected to perform at par when compared to its benchmark.

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. 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.**

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	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**
Turnover (€'000)	7,223	8,117	8,575	8,357
Gross operating profit before incentive fees (€'000)	458	1,138	1,201	1,100
Gross operating profit margin (%)	6	14	14	13
Occupancy level (%)	67	73	72	67
Average room rate (€)	109	110	121	129
Revenue per available room (RevPAR) (€)	72	80	87	87
Benchmark performance				
Occupancy level (%)	76	71	70	80
Average room rate (€)	125	131	151	145
Revenue per available room (RevPAR) (€)	95	93	105	116
Revenue Generating Index	0.76	0.86	0.83	0.75

Source: Management information.

In FY2015, a significant improvement in operational performance was registered, whereby the Hotel generated revenues of €7.2 million (+22% on the previous year) and more importantly, achieved a gross operating profit of €0.5 million (as compared to an operating loss of €0.1 million in FY2014). In FY2015, the occupancy level improved from 59% in FY2014 to 67%, whilst RevPAR increased by 20% from €60 in FY2014 to €72.

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 is implementing an extensive refurbishment program and a complete transformation of its spa and gym facilities at a total cost of €5.5 million. The disruption caused by the renovation works is expected to adversely impact operations, albeit marginally, as revenue is projected to decline by €0.2 million to €8.4 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 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 from 0.76 registered in FY2015 to 0.83 in FY2017. The Hotel is projected to generate a lower RGI in FY2018 when compared to the prior year, principally due to the renovation works explained herein above.

4.10 CORINTHIA HOTEL & RESIDENCES LONDON

Introduction

NLI Holdings Limited (equally owned by the Libyan Foreign Investment Company (LFICO) 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.

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 will be converted by September into a flagship operation with the appointment of 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 2017 is €539.5 million (FY2016: €543.8 million).

Market Overview

i. Economic update[11]

Preliminary estimates for the last quarter suggest that the UK economy likely grew by 1.8% in 2017. Recent data revisions by the Office for National Statistics (ONS), affecting data as far back as the first quarter of 2016, have increased year-on-year growth rates in 2017, resulting from a statistical (carry-over) effect. Notwithstanding this effect, the significant slowdown seen in the quarterly growth rates in 2017 compared to the second half of 2016 is still evident.

The slowdown has been driven primarily by a decline in private consumption growth, due to a squeeze on real disposable incomes. Consumer prices rose sharply in 2017 following the 2016 depreciation of sterling. Private consumption growth in 2018 is expected to remain subdued alongside continued elevated inflation. Business investment growth also remains relatively weak despite very favourable conditions (including low financing costs and improving external demand), as heightened uncertainly is weighing on business sentiment.

Supported by the earlier depreciation of sterling and growth in main trading partners, notably in the euro area, the UK economy has benefited from buoyant trade. Exports grew by an average of 6.8% (y-o-y) in the first three quarters of 2017. Partially offsetting this, imports have grown by an average of 3.1% (y-o-y) in the same period. The boost from net trade is expected to moderate in 2018 as the impact of sterling's earlier depreciation unwinds. All these factors together mean GDP growth is expected to be 1.4% in 2018.

Under the current technical assumption that trading relations between the EU26 and the UK will retain the status quo post UK's withdrawal from the EU, GDP growth is expected to remain subdued at 1.1% in 2019. The positive effect of lower consumer price inflation on consumption is expected to be partially offset by an increase in the household savings rate. Business sentiment is projected to remain relatively weak while net exports are forecast to moderate in line with export markets. After averaging 2.7% in 2017, consumer price inflation is expected to remain elevated in 2018 at 2.7%, as the impact of the rise in oil prices feeds through to consumer prices. Inflation is projected to ease to 2.0% in 2019.

ii. Tourism market[12]

2017 was a record year for inbound tourism with 39.9 million visits, an increase of 6.2% on 2016, and spending by visitors in 2017 amounted to £25.1 billion, an 11.6% 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). The forecast for 2018 is for 41.7 million visits, an increase of 4.4% on 2017, and £26.9 billion in visitor spending, an increase of 6.8% on 2017. With inflation forecast to be 2.2% in 2018, spend per visit is forecast to be stable in real terms.

The impact of Brexit remains a key source of uncertainty. By the end of 2018 the departure date will be less than three months away and there is uncertainty about the transition period and post-Brexit settlement and their impacts on travel. While this forecast concentrates on inbound demand, Brexit creates many uncertainties for the supply and regulatory side too.

Consumer sentiment conducted in September 2017 reveals that for most potential European visitors, Brexit does not affect their decision to travel to Britain for leisure. Furthermore, most Europeans still see Britain as a welcoming destination – and agree that the exchange rate means that now is a good time to visit. As the date

[11] European Economic Forecast Winter 2018 (Interim) – European Commission
[12] 2018 inbound tourism forecast (www.visitbritain.org)

of Brexit approaches, sentiment about Britain and concern about post-Brexit travel practicalities are downside risks for the forecast. Brexit related uncertainty is also a downside risk for business travel. Business visits to the UK from the EU were 3% down on 2016 in the first half of 2017.

The ongoing value of the pound is a key uncertainty. The pound remains much lower than its pre-referendum level and is forecast to continue to be weak throughout the medium term, indicating that Britain will remain a good value for money destination, although the exact path of the exchange rate throughout the remainder of 2018 is a source of uncertainty in the forecast. The central bank forecast is for sterling to strengthen slightly in 2018 but will depend on several factors, such as: the possibility of further increases in the base rate in the UK and abroad; the strength of the UK, EU and US economies in particular; the status of EU and trade negotiations throughout the year and expectations of the post Brexit settlement and transition period.

Operational Performance

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

Corinthia Hotel London	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**
Turnover (£'000)	52,543	53,274	57,929	62,845
Gross operating profit before incentive fees (£'000)	16,271	16,716	18,019	20,618
Gross operating profit margin (%)	31	31	31	33
Occupancy level (%)	73	72	77	78
Average room rate (£)	445	433	480	511
Revenue per available room (RevPAR) (£)	323	312	356	398
Benchmark performance				
Occupancy level (%)	77	73	68	68
Average room rate (£)	521	540	584	650
Revenue per available room (RevPAR) (£)	401	395	395	442
Revenue Generating Index	0.81	0.79	0.90	0.90

Source: Management information.

Note: IHI owns 50% of the Corinthia Hotel London and as such its share of profits or losses is included in the consolidated financial statements of IHI under the heading 'Share of profit from equity accounted investments' of the income statement. 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.

In FY2015, revenue and gross operating profit increased by £5.0 million (+11%) and £2.2 million (+15%) respectively compared to the results achieved in FY2014, mainly in consequence of an increase in the average room rate from £404 to £445. 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 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. During the year, the Hotel was nearing completion of the conversion of 20 bedrooms into 10 suites, thus enabling management to target higher rated business.

Revenue for FY2018 is projected to increase by £4.9 million (+8%) principally on account of a higher average room rate of £511 compared to £480 in FY2017. In turn, gross operating profit is set to grow from £18.0 million in FY2017 to £20.6 million (+14%) in 2018.

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.

In comparison to benchmark results, the Hotel managed an RGI of 0.81 in FY2015, mainly due to an adverse difference of £76 in its average room rate. Similar results for the Hotel as compared to its competitive set were registered in FY2015 (RGI of 0.79). The gap between the Hotel's performance and its benchmark improved considerably in FY2017 to an RGI of 0.90, as the Hotel's occupancy was higher than its competitive set by 9 percentage points, mitigated however by an adverse variance in average room rate of £104. In FY2018, the Hotel is expected to match its competitive set in terms of performance, and is therefore projected to register an RGI of 0.90 (FY2017: 0.90).

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 329 rooms, various F&B outlets and is equipped with a 1,000m^2 spa and leisure centre, 4 pools, a tennis court and a private sandy beach.

Works are underway on 9 new bedroom suites, which are being marketed for timeshare sales. The suites are being developed at a cost of €5 million, and sales have thus far generated £9 million in income. 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 bedrooms. 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 2017 is €40.1 million (2016: €31.5 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 & Spa Golden Sands	**FY2015 14 months Actual**	**FY2016 12 months Actual**	**FY2017 12 months Actual**	**FY2018 12 months Forecast**
Turnover (€'000)	42,843	40,197	41,214	40,367
Timeshare revenue	*27,426*	*25,614*	*21,907*	*21,933*
Hotel operations	*15,417*	*14,583*	*19,307*	*18,434*
EBITDA (€'000)	13,547	14,451	9,889	9,321
EBITDA margin (%)	32	36	24	23
IHI's share of EBITDA at 50%	**6,774**	**7,226**	**4,945**	**4,661**

Source: Management information.

Note 1: The financial results of the Radisson Blu Resort & Spa Golden Sands are consolidated with the results of IHI, as a line item under 'share of profits/(losses) of equity accounted investments', with effect from 1 July 2015. As such, financial information in the table above relating to the period prior to 1 July 2015 has been included for comparison purposes only.

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 this year) 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.

The table above summarises the results from the operation of the Radisson Blu Resort & Spa and shows that the principal source of revenue is the sale of timeshare units, which accounted for *circa* 60% of revenue between FY2015 to FY2017. The recovery in the UK economy (being Azure's principal market) and the strengthening of the UK Pound against the Euro were the main drivers for the robust increase in timeshare sales in FY2015, whereby revenue increased by 25% from €22.0 million in FY2014 to €27.4 million.

Revenue for FY2016 was lower by €2.6 million (-6%) when compared to the previous 14-month period of €40.2 million (but on an annualised basis y-o-y revenue was €3.5 million higher (+9.5%)). During FY2016, the vacation ownership operation was adversely impacted on translation of financial results from the Pound Sterling to the euro currency. In FY2017, timeshare revenue declined from €25.6 million in FY2016 to €21.9 million, reflecting a y-o-y decrease of €3.7 million (-14%). The projected revenue for FY2018 has been prudently set at €21.9 million, in line with the revenue amount achieved in FY2017.

As for 'Hotel operations', revenue generated in FY2015 amounted to €15.4 million, an increase of €3.1 million from FY2014. Revenue decreased by €0.8 million (-5%) to €14.6 million in FY2016 in comparison to the prior year, but reported a substantial increase of 32% in the subsequent year from €14.6 million in FY2016 to €19.3 million in FY2017. Revenue in FY2018 is projected to decline by €0.9 million, from €19.3 million in FY2017 to €18.4 million.

The resort achieved a 13% growth in EBITDA in FY2015 (+€1.6 million), which actually represents a marginal decline from FY2014 given that FY2015 comprised a 14 month period. FY2016 was a very positive year for the resort as it generated an EBITDA of €14.5 million, surpassing FY2015's EBITDA by €0.9 million (notwithstanding that FY2015 included 14 months of operations). Lower timeshare revenue in FY2017 adversely impacted EBITDA for the year, which decreased by 32% from €14.5 million in FY2016 to €9.9 million. EBITDA for FY2018 is expected to be marginally lower than in the prior year at €9.3 million (FY2017: €9.9 million).

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 2017 is €38.8 million (2016: €40.3 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	FY2015 14 months Actual	FY2016 12 months Actual	FY2017 12 months Actual	FY2018 12 months Forecast
Turnover (€'000)	10,156	12,811	13,805	14,249
EBITDA (€'000)	2,642	4,492	4,701	5,062
EBITDA margin (%)	26	35	34	36
Occupancy level (%)	77	76	76	76
Average room rate (€)	135	123	134	141
Revenue per available room (RevPAR) (€)	104	93	102	107
Benchmark performance				
Occupancy level (%)	79	77	77	77
Average room rate (€)	144	146	164	156
Revenue per available room (RevPAR) (€)	113	113	125	120
Revenue Generating Index	0.92	0.82	0.82	0.89

Source: Management information.

Note 1: The financial results of the Radisson Blu Resort St Julians are consolidated with the results of IHI with effect from 1 July 2015. As such, financial information in the table above relating to the period prior to 1 July 2015 has been included for comparison purposes only.

In FY2015, the Hotel was closed for refurbishment between 1 November 2014 and 30 March 2015, and re-opened as of 31 March 2015. The renovation, estimated at *circa* €2 million, enabled the Hotel to better compete in the market and command higher room rates. KPIs outlined in the table above reflect performance results during the period between April and December 2015 (and exclude the low season which typically dilutes the better performing spring/summer months). In this respect, although revenue was marginally lower when compared to FY2014 by €0.4 million due to the period of closure, the hotel achieved a higher gross operating profit in FY2015 of €0.4 million, from €2.2 million in FY2014 to €2.6 million.

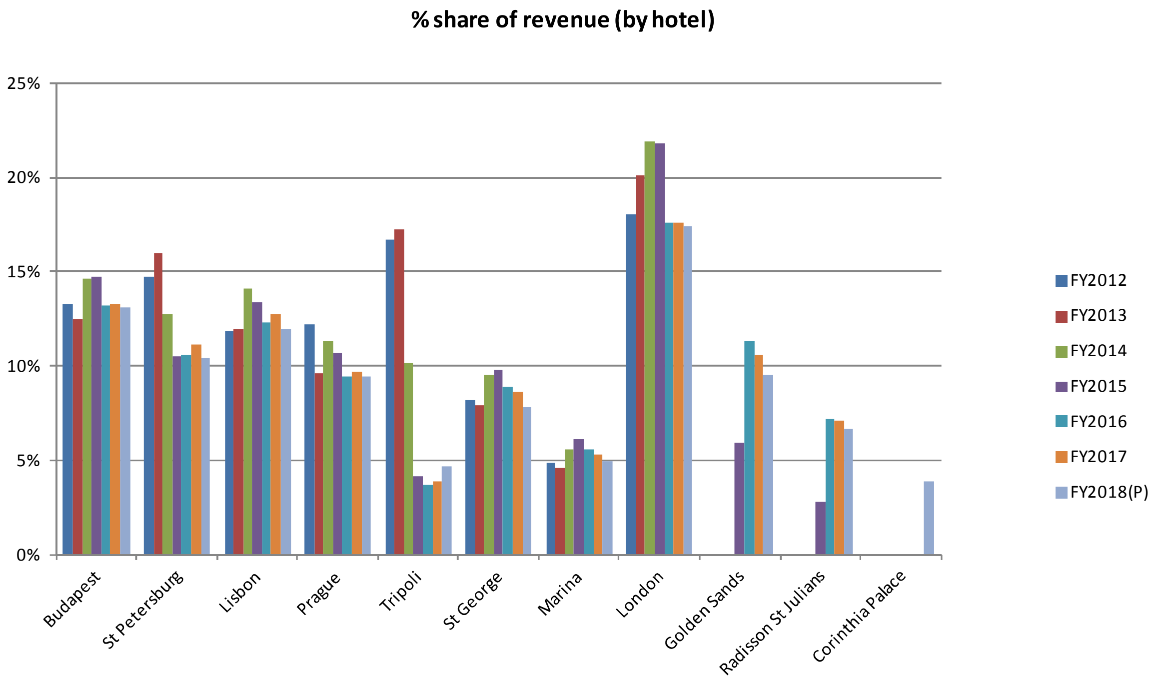
Revenue generated at the Hotel increased in FY2016 by €2.7 million (+26, y-o-y) and gross operating profit also increased from €2.6 million in FY2015 to €4.5 million in FY2016 (+73% y-o-y increase). Occupancy rate in FY2016 was broadly maintained at FY2015 level, but RevPAR was lower by 8% from €104 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 FY2017, the Hotel increased 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. In comparison with its competitive set, the Hotel's RGI in FY2017 was 18% below par at 0.82. Management expects to reduce this gap in FY2018 and is thus projecting an RGI of 0.89.

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.

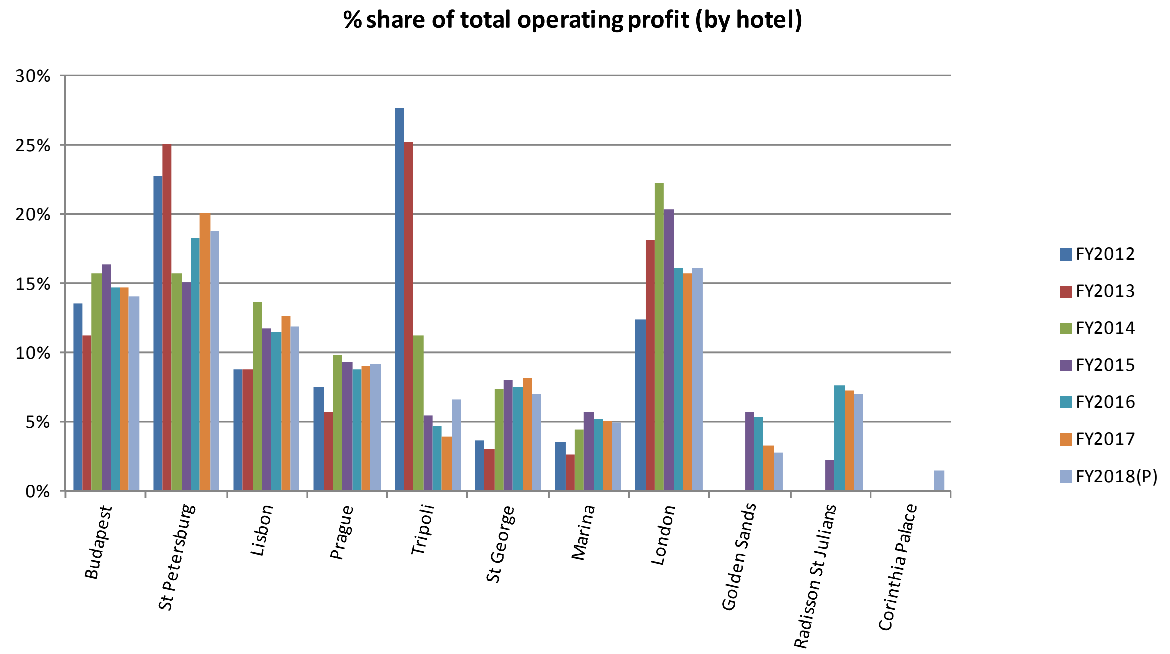


Source: Management information.

The above chart shows that the Corinthia Hotel & Residences London generates *circa* 18% of total hotel revenue. This percentage share peaked in FY2015 at 22% as the Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg underperformed in view of political and economic issues in their respective jurisdictions. Pursuant to the acquisition of IHGH, and the consolidation of its results as from 1 July 2015, two properties (namely, Radisson Blu Resort & Spa Golden Sands and Radisson Blu Resort St Julians) have been included in the portfolio of hotels. Apart from the positive effect on revenue contribution towards IHI, the increase in properties will further dilute the reliance on the performance on any particular hotel property. Pursuant to the introduction of these two properties, coupled with a gradual increase in operating performance at the Corinthia Hotel St Petersburg and the adverse effect of the Euro/Sterling exchange rate on earnings of the London property, income generated in FY2017 by Corinthia Hotel & Residences London constituted *circa* 18% of revenue derived from all hotels (FY2016: 18%). Likewise, revenue generation from the other hotels, although increasing in real terms (year-on-year), has reduced in percentage terms in FY2016 and stabilised in FY2017. As a consequence of the acquisition of Corinthia Palace Hotel & Spa in April 2018, revenue generated by the Corinthia Hotel London in FY2018 is expected to represent 17% (as compared to 18% in FY2017) of total Group revenue, followed by Corinthia Hotel Budapest at 13% (FY2017: 13%).

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.

Until FY2013, the primary contributors to operating profit included Corinthia Hotel Tripoli, Corinthia Hotel St Petersburg, Corinthia Hotel Budapest and Corinthia Hotel & Residences London. Thereafter, and particularly in FY2014 and FY2015, operating profits generated by Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg declined substantially for country specific reasons mentioned elsewhere in this report. Such decreases had a material adverse effect on the consolidated operating profit of IHI, which was however mostly mitigated by the continued improvement in the operating results of IHI's European hotels.

The other hotels all registered improvements in their respective operating profit results relative to the previous year. The Radisson Blu Resort & Spa Golden Sands and the Radisson Blu Resort St Julians, being part of the IHGH acquisition in FY2015, have contributed in aggregate *circa* 13% of IHI's total operating profit from hotel operations in FY2016. During FY2017, Corinthia Hotel St Petersburg's share of Group operating profit increased from 18% in FY2016 to 20%, as the said hotel continued to recover from the lows registered in FY2015. No material changes in percentage contribution per hotel are being projected for FY2018.

4.14 MANAGEMENT COMPANY

Corinthia Hotels Limited (a fully-owned subsidiary of IHI previously trading under the name CHI Ltd) 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) and Corinthia Hotel Brussels.

CHL continues to establish itself as a dynamic added-value operator of luxury hotels. Throughout 2017, the Group commenced 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.

Furthermore, CHL is also exploring the subscription to an offer to take up 10% of the company that owns the Global Hotel Alliance, of which CHL has been a member for three years alongside 29 other hotel brands.

Further detail on the managed hotels is provided hereunder:

CORINTHIA HOTELS LIMITED
Managed Hotel Portfolio as at 31 December 2017

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 (as from April 2018)	Malta	100	147
Radisson Blu Resort & Spa Golden Sands	Malta	50	329
Corinthia Hotel & Residences London	United Kingdom	50	284
Owned & managed properties (under development)			
Corinthia Grand Astoria Hotel Brussels (opening 2020)	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 El Shams Desert Resort	Dubai	-	115
Managed properties (under development)			
Corinthia Hotel Bucharest (opening 2019)	Romania	-	50
Corinthia at Meydan Beach (opening 2020)	Dubai	-	360
Corinthia Hotel & Residences Doha (opening 2021)	Qatar	-	118
			5,984

Operational Performance

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

Corinthia Hotels Limited Management Fees	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Forecast
Turnover (€'000)	13,702	14,207	16,936	19,027
IHI Properties (owned and associate) (€'000)	11,717	11,596	13,374	14,475
Other Properties (€'000)	1,985	2,611	3,562	4,552

Source: Management information.

Turnover generated by CHL during the historical years FY2015 to FY2017 has increased on a yearly basis, as a consequence of higher y-o-y revenue results achieved by the majority of hotel properties under management. In FY2018, CHL is projecting to increase revenue by €2.1 million (+12%) from €16.9 million in FY2017 to €19.0 million. Apart from the projected management fees receivable from IHI Properties of €14.5 million (FY2017: €13.4 million), CHL expects to generate €4.6 million from Other Properties as compared to €3.6 million in FY2017. The y-o-y increase of €1.0 million (+28%) principally comprises fees chargeable to third party hotel property owners in terms of the respective technical services and management agreements.

4.15 EVENT CATERING BUSINESS

Island Caterers Limited, a fully owned subsidiary 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	FY2015 14 months Actual	FY2016 12 months Actual	FY2017 12 months Actual	FY2018 12 months Forecast
Turnover (€'000)	6,323	5,981	6,530	5,463
EBITDA (€'000)	380	371	167	319
EBITDA margin (%)	6	6	3	6

Source: Management information.

Note 1: The financial results of Island Caterers Limited are consolidated with the results of IHI with effect from 1 July 2015. As such, financial information in the table above relating to the period prior to 1 July 2015 has been included for for comparison purposes only.

The table above summarises the financial performance of Island Caterers Limited for the period FY2015 to FY2018. Revenue in FY2015 increased by €1.1 million from a year earlier to €6.3 million, mainly reflecting income derived from the Coastline catering contract for a period of eight months (since the hotel was closed in the winter months for refurbishment undertaken by the new hotel owners). 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, 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 in the prior year by €0.5 million and amounted to €6.5 million. It is projected that in FY2018 the company will generate a turnover of €5.5 million, representing a y-o-y decrease of 16%.

The company is expected to register an EBITDA margin of 6% in FY2018 (FY2017: 3%). The sales mix is not expected to change in FY2018 and will continue to comprise weddings, corporate events, conference incentive travel (CIT) and the Coastline catering contract. Over the coming years, the Group plans to consolidate the various catering operations under the Corinthia Caterers brand.

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 ten 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 [opened in February 2016], Spinola Bay St Julians [opened in April 2016]) and PAMA Shopping Village. The company has plans to open a further two outlets in Malta.

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 as at the date of this report, total openings has increased to 15 outlets. Nine of these outlets are located in Barcelona with the other six located in Valencia (2), Palma (2) and Benidorm (2).

The company is currently consolidating its position on the Spanish market and as such plans to close 3 loss-making outlets in FY2018. Once results achieve the expected levels of performance, further outlets will be opened across the region.

Operational Performance

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

Buttigieg Holdings Limited (including Costa Coffee)	FY2015 14 months Actual	FY2016 12 months Actual	FY2017 12 months Actual	FY2018 12 months Forecast
Turnover				
Costa Coffee (Malta) (€'000)	6,647	7,081	8,039	8,788
Costa Coffee (Spain) (€'000)	1,906	4,592	5,359	5,351
Other catering operations (€'000)	5,419	3,313	3,188	3,100
	13,972	14,986	16,586	17,239
EBITDA (€'000)	-413	-1,231	72	1,159
EBITDA margin (%)	-3	-8	0	7
Costa Malta				
No. of outlets (at end of financial year)	8	10	11	11
Costa Spain				
No. of outlets (at end of financial year)	10	15	15	12

Source: Management information.

Note 1: The financial results of the Buttigieg Holdings Limited are consolidated with the results of IHI with effect from 1 July 2015.

As such, financial information in the table above relating to the period prior to 1 July 2015 has been included for comparison purposes only.

Revenue generated in FY2015 by TCCM amounted to €6.6 million, almost double the turnover figure of FY2014. This positive movement resulted from the fact that the eight outlets were operational for the full financial year, improved performance registered by all outlets, and the additional two months' revenue in the financial period due to a change in year end. A further two outlets were opened in FY2016, and revenue generated 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 same outlets are expected to generate revenue amounting to €8.8 million in FY2018, a projected increase of 9% when compared to the prior year.

In FY2015, TCCS operated ten outlets in Spain and generated €1.9 million in revenue. An additional five outlets initiated operations in FY2016 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, it is projected that TCCS will achieve the same revenue results as in FY2017, but with 3 fewer outlets.

Revenue derived from 'other catering operations' increased to €5.4 million in FY2015 from €4.0 million in FY2014. The increase was mainly due to the additional two months' revenue in the financial year. Revenue for FY2016 amounted to €3.3 million, which is comparably lower than normalised revenue generated in FY2015 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 compared 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, revenue amounted to €3.2 million, broadly similar to the performance reported for FY2016, and FY2018 is projected to achieve the same results.

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 a 55% equity participation in Libya Hotel Development and Investment JSC, a company that acquired 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 €12.6 million (2016: €13.6 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. Whilst continuing to provide services to the Corinthia Group, QP is increasing its third-party client base.

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 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 worthy to note that over 80% of revenue was derived from third party owned projects, which are totally unrelated to the Corinthia Group.

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 2017 at €21.8 million (2016: €21.6 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 leads management to achieve its objective of improving occupancy levels and average room rates. 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.

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 to the aforementioned 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 which, *inter alia*, will enable the Group to redevelop the three hotels located near St George's Bay, St Julian's, Malta into a mixed-use luxury development. 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.

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 redeveloped, 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 2017, wherein it has originated various off-market projects, in cities and resorts such as New York, Miami, Moscow, Rome and Cannes. Even though some of the projects might not be fully realised, by the ability of CDI to tap on originate real estate projects and raise external funding from renowned institutional investors worldwide augurs well for the future of this company.

Hotel management contracts

Where attractive opportunities arise, the Group will seek to expand its portfolio of hotels by entering into agreements to manage hotels for third party owners. The strength of the Corinthia brand, its reservation system and online presence, and the quality of its existing operations has already translated into tangible results through the introduction of third party owned hotels into the Corinthia brand offering and has placed it in a good position to establish such relationships, as is evident with the new relationships in Dubai, Doha and Bucharest.

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 2015 to 31 December 2017. 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 2018 has been provided by management of the Company.

Note 5 to the 2017 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 2017 were carried at €189.2 million and €6.1 million respectively (2016: €192.5 million and €6.1 million respectively).

The projected financial statements relate to events in the future and are 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. With specific reference 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)	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**
Revenue	134,074	157,901	242,413	255,807
Direct costs	(70,326)	(87,519)	(132,015)	(131,398)
Gross profit	**63,748**	**70,382**	**110,398**	**124,409**
Other operating costs	(31,631)	(33,641)	(46,881)	(54,136)
EBITDA[1]	**32,117**	**36,741**	**63,517**	**70,273**
Depreciation and amortisation	(20,093)	(23,307)	(31,066)	(33,476)
Movement in fair value of investment property	193	(19,712)	278	-
Net impairment of hotel properties & intangibles	11,639	2,960	998	(1,000)
Results from operating activities	**23,856**	**(3,318)**	**33,727**	**35,797**
Share of (loss) profit: equity accounted investments	(2,557)	1,661	2,119	1,501
Net finance costs	(13,984)	(16,036)	(21,118)	(20,550)
Other	(8,215)	11,140	(4,909)	(2,658)
Movement in fair value of indemnification assets	551	(210)	(210)	(210)
Profit (loss) before tax	**(349)**	**(6,763)**	**9,609**	**13,880**
Taxation	(3,398)	(895)	5,288	(4,973)
Profit (loss) for the year	**(3,747)**	**(7,658)**	**14,897**	**8,907**
Other comprehensive income				
Net impairment of hotel properties	21,105	37,131	15,853	-
Share of other comprehensive income of equity accounted investments	9,674	6,598	10,348	-
Other effects and tax	(15,883)	(3,165)	(1,783)	2,406
	14,896	**40,564**	**24,418**	**2,406**
Total comprehensive income (expense) for the year net of tax	**11,149**	**32,906**	**39,315**	**11,313**

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

IHI Group Balance Sheet (€'000)	31 Dec'15 Actual	31 Dec'16 Actual	31 Dec'17 Actual	31 Dec'18 Forecast
ASSETS				
Non-current assets				
Intangible assets	55,989	56,769	51,358	46,639
Indemnification assets	22,238	24,025	23,815	23,606
Investment property	166,274	164,278	205,238	202,873
Property, plant and equipment	572,103	617,765	1,108,251	1,150,357
Investments accounted for using the equity method	267,045	250,913	59,872	69,234
Loan receivable	3,728	4,570	1,598	1,598
Deferred tax assets	-	-	12,157	12,157
Assets placed under trust management	3,870	1,077	2,168	3,597
	1,091,247	1,119,397	1,464,457	1,510,061
Current assets				
Inventories	6,280	6,727	10,197	11,199
Loan receivable	7,325	12,982	17,984	3,205
Trade and other receivables	33,032	42,151	46,841	40,750
Taxation	2,896	4,654	3,318	-
Available-for-sale investments	-	-	8,603	8,707
Cash and cash equivalents	18,863	29,382	50,795	43,288
Assets placed under trust management	-	4,961	122	-
	68,396	100,857	137,860	107,149
Total assets	**1,159,643**	**1,220,254**	**1,602,317**	**1,617,210**
EQUITY				
Capital and reserves				
Called up share capital	573,636	597,750	615,685	615,685
Reserves and other equity components	86,719	108,797	(8,015)	(8,723)
Retained earnings	(52,665)	(60,323)	76,379	74,822
Minority interest	598	598	200,583	201,849
	608,288	**646,822**	**884,632**	**883,633**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	342,616	370,486	527,969	526,568
Other non-current liabilities	108,740	117,365	99,995	97,505
	451,356	487,851	627,964	624,073
Current liabilities				
Borrowings and bonds	25,784	34,906	28,263	45,386
Other current liabilities	74,215	50,675	61,458	64,118
	99,999	85,581	89,721	109,504
	551,355	**573,432**	**717,685**	**733,577**
Total equity and liabilities	**1,159,643**	**1,220,254**	**1,602,317**	**1,617,210**

IHI Group Cash Flow Statement (€'000)	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Forecast
Net cash from operating activities	29,502	27,635	60,013	74,912
Net cash from investing activities	(28,555)	(29,099)	(15,579)	(56,115)
Net cash from financing activities	(7,133)	10,632	(21,956)	(22,130)
Net movement in cash and cash equivalents	**(6,186)**	**9,168**	**22,478**	**(3,333)**
Cash and cash equivalents at beginning of year	17,850	11,664	20,832	42,652
Effect of translation of presentation currency	-	-	(658)	-
Cash and cash equivalents at end of year	**11,664**	**20,832**	**42,652**	**39,319**

Key Accounting Ratios	FY2015	FY2016	FY2017	FY2018
Gross profit margin *(Gross profit/revenue)*	48%	45%	46%	49%
Operating profit margin *(EBITDA/revenue)*	24%	23%	26%	27%
Interest cover (times) *(EBITDA/net finance cost)*	2.30	1.39	3.01	3.42
Net profit margin *(Profit after tax/revenue)*	-3%	-5%	6%	3%
Earnings per share (€) *(Profit after tax/number of shares)*	-0.01	-0.01	0.02	0.01
Return on equity *(Profit after tax/shareholders' equity)*	-1%	-1%	2%	1%
Return on capital employed *(EBITDA/total assets less current liabilities)*	3%	3%	4%	5%
Return on assets *(Profit after tax/total assets)*	0%	-1%	1%	1%

Source: Charts Investment Management Service Limited

FY2015 was mainly characterised by the acquisition of IHGH in August 2015. IHGH business relates to the ownership and operation of the Radisson Blu Resort St Julians, Island Caterers, Costa Coffee outlets in Malta and Spain, and the operation of a number of catering contracts. IHGH also owns an 83,530m^2 plot of land at Hal Ferh, Golden Sands. Furthermore, IHGH has a 50% shareholding in the Radisson Blu Resort & Spa Golden Sands which comprises the operation of a five-star hotel and a vacation ownership business. In view of the 50% ownership, the results of the Radisson Blu Resort & Spa Golden Sands are included in the income statement as share of profit from equity accounted investments.

IHI's revenue for FY2015 amounted to €134.1 million, an increase of €17.7 million from a year earlier. The increase in revenue is attributable to the increased revenues in IHI's European operations (€9.8 million) and the consolidation of the IHGH results for the second half of 2015 (€17.6 million). Against this, there was a combined reduction of €9.7 million from the Group's hotels located in St Petersburg and Tripoli.

EBITDA for 2015, excluding the consolidation of results of associate companies and in particular the London hotel results, amounted to €32.1 million compared to €28.8 million achieved in 2014. Here again, the increase in EBITDA is mainly attributable to the improved performance in all the Group's hotels excluding Tripoli and the consolidation of IHGH's results as from the second semester of 2015. Administrative costs for the year under review include a one-time abortive cost of €1.3 million, representing professional fees and expenses incurred in pursuing the launch of an international bond.

Share of results from equity accounted investments comprises the 50% ownership in the Corinthia Hotel & Residences London and the Radisson Blu Resort & Spa Golden Sands. The performance of the Corinthia Hotel & Residences London improved significantly in the year under review with record occupancies, rates and EBITDA earnings being achieved as this property moves closer towards its maturity. IHI's 50% share of the hotel's EBITDA in 2015 amounted to €8.2 million compared to €4.5 million in 2014. The residential penthouse at 10 Whitehall Place was leased for a term of two years commencing in early 2016. With respect to the Radisson Blu Resort & Spa Golden Sands, the hotel generated an EBITDA of €7.4 million in the period 1 July 2015 to 31 December 2015, out of which the Group's 50% share amounted to €3.7 million.

In 2015, the Group registered net property uplifts, before tax, of €42.6 million on account of the improved trading performance of the Group's hotels located in Europe. This contrasts sharply with the net impairment charge, before tax, of €24.4 million registered in 2014. As detailed below, these uplifts are reflected as to €11.8 million through the income statement (2014: impairment of €13.3 million) with the balance of €30.8 million being recognised through the comprehensive income statement (2014: impairment of €11.1 million).

Analysis of Movements in Property Values for the year ended 31 December 2015 (€'000)	Income Statement	Other Comprehensive Income	Total
Corinthia Hotel Lisbon	-	(1,669)	**(1,669)**
Lisbon Apartments	193	-	**193**
Corinthia Hotel St George's Bay	2,281	8,700	**10,981**
Corinthia Hotel Prague	10,103	992	**11,095**
Corinthia Hotel Budapest	3,309	6,516	**9,825**
Marina Hotel	-	6,566	**6,566**
Corinthia Hotel St Petersburg	(4,054)	-	**(4,054)**
St Petersburg Commercial Centre	-	-	**-**
Corinthia Hotel & Residences London	-	9,674	**9,674**
Net movement in property values	**11,832**	**30,779**	**42,611**
Classified in the financial statements as follows:			
Movement in fair value of investment property	193	-	**193**
Net impairment reversal (loss) on hotel properties	11,639	21,105	**32,744**
Revaluation of hotel property (equity accounted investments)	-	9,674	**9,674**
Net movement in property values	**11,832**	**30,779**	**42,611**

Net finance costs in 2015 were marginally higher than in FY2014 by €0.4 million, from €13.6 million in FY2014 to €14.0 million. The financial results for FY2015 were impacted by a charge of €8.5 million, which represented adverse exchange differences on bank borrowings in Euro on the property in St Petersburg in consequence of the adopting of the Rouble as the functional currency. After accounting for taxation and other items in the comprehensive income statement, IHI reported total comprehensive income for the year, net of tax, of €11.1 million (2014: comprehensive loss, net of tax, of €15.7 million).

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) as compared to a loss of €2.6 million reported in the prior year. Both operations had a positive year when 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 new €55 million secured bond issued by IHI in July 2016 and the fact that IHGH's finance costs for 2015 only represent the charges for six months (post acquisition), whilst those for 2016 cover a full year. During the year under review, a positive amount of €11.1 million was recorded in other movements as 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 of **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), such that 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 profit of equity accounted investments amounted to €2.1 million (FY2016: €1.7 million). Net finance costs in 2017 amounted to €21.1 million as 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 €14.9 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 €30.5 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, St Julians	-	10,348	**10,348**
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**	**26,201**	**30,477**
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)	-	10,348	**10,348**
Net movement in property values	**4,276**	**26,201**	**30,477**

Other comprehensive income comprises a combined currency conversion loss of €22.8 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 to a subsidiary company. Total comprehensive income for the year amounted to €39.3 million (FY2016: €32.9 million).

Revenue generated by IHI in **FY2018** is projected to amount to €255.8 million, an increase of €13.4 million (+6%) when compared to the prior year (FY2017: €242.4 million). This y-o-y increase is expected to result from aggregate growth in revenue across the majority of Group properties and the addition of Corinthia Palace Hotel as from April 2018. As a consequence, EBITDA is projected to increase by €6.8 million (+11%) from €63.5 million in FY2017 to €70.3 million. After factoring in depreciation and amortisation projected at €33.5 million and impairment of intangibles amounting to €1 million, results from operating activities are expected to increase y-o-y by €2.1 million (+6%) to €35.8 million.

Profit before tax is projected to amount to €13.9 million in FY2018, as compared to €9.6 million a year earlier (+44%). The movements between results from operating activities and profit before tax primarily include net finance costs of €20.6 million, adverse exchange fluctuations amounting to €2.7 million and share of profit from associates of €1.5 million. Profit for the year is expected to be lower than previous year's figure by €6.0 million to €8.9 million, principally due to the effect of taxation, which is projected to amount to €5.0 million as compared to a tax credit in FY2017 of €5.3 million (that is, an adverse movement amounting to €10.3 million). After positive translation differences and other effects of €2.4 million, total projected comprehensive income in FY2018 is expected to amount to €11.3 million (FY2017: €39.3 million).

The estimates for the forecasted year 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 is expected in property, plant and equipment, which is projected to increase by €42.1 million to €1,150.3 million. This figure comprises *circa* €75 million of 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.

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'15 Actual**	**31 Dec'16 Actual**	**31 Dec'17 Actual**	**31 Dec'18 Forecast**
Bank borrowings				
Bank loans	205,990	180,330	341,269	360,437
Bank overdrafts	7,199	8,550	8,143	3,969
	213,189	**188,880**	**349,412**	**364,406**
Bonds				
6.25% IHI Bonds 2015 - 2019				
6.25% IHI Bonds 2017 - 2020	24,695	6,572		
5.8% IHI Bonds 2021	19,676	19,722	19,770	19,818
5.8% IHI Bonds 2023	9,887	9,899	9,912	9,925
5.75% IHI Bonds 2025	44,060	44,138	44,220	44,302
4% IHI Secured Bonds 2026		54,230	54,297	54,364
4% IHI Unsecured Bonds 2026		39,450	39,427	39,494
6.5% IHGH Bonds 2017 - 2019	14,000	3,134		
6% IHI (formerly IHGH) Bonds 2024	34,384	34,457	34,530	34,603
	146,702	**211,602**	**202,156**	**202,506**
Other interest bearing borrowings				
Parent company	3,091	-	-	-
Related companies	5,418	4,910	4,664	5,042
	8,509	**4,910**	**4,664**	**5,042**
Total borrowings and bonds	**368,400**	**405,392**	**556,232**	**571,954**

Key Accounting Ratios	31 Dec'15	31 Dec'16	31 Dec'17	31 Dec'18
Net assets per share (€) *(Net asset value/number of shares)*	1.06	1.08	1.44	1.44
Liquidity ratio (times) *(Current assets/current liabilities)*	0.68	1.18	1.54	0.98
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	36%	37%	36%	37%
Debt service cover ratio (times) *(EBITDA/net finance cost and loan capital repayment)*	1.08	1.48	1.62	1.81

Source: Charts Investment Management Service Limited

Sinking Fund

In terms of the Prospectuses of each of the bonds detailed hereunder, the respective companies are required to build a sinking fund for each of the said bonds, the value of which will by the respective redemption date of each bond be equivalent to 50% of the outstanding value of the bonds. Below is a table outlining the balances held in the respective sinking fund.

Contributions to Sinking Fund (€'000)	**31 Dec'15 Actual**	**31 Dec'16 Actual**	**31 Dec'17 Actual**	**31 Dec'18 Forecast**
€25 million 6.25% Bonds 2017 - 2020	3,363			
€20 million 5.8% Bonds 2021		1,077	2,168	3,597
€14 million 6.50% IHGH Bonds 2017 - 2019	507			
	3,870	**1,077**	**2,168**	**3,597**

Variance Analysis

IHI Group Income Statement (€'000)	FY2017 Actual	FY2017 Forecast	Variance
Revenue	242,413	235,508	6,905
Direct costs	(132,015)	(96,019)	(35,996)
Gross profit	**110,398**	**139,489**	**(29,091)**
Other operating costs	(46,881)	(77,073)	30,192
EBITDA	**63,517**	**62,416**	**1,101**
Depreciation and amortisation	(31,066)	(35,188)	4,122
Movement in fair value of investment property	278	-	278
Net impairment of hotel properties & intangibles	998	-	998
Results from operating activities	**33,727**	**27,228**	**6,499**
Share of (loss) profit: equity accounted investments	2,119	3,013	(894)
Net finance costs	(21,118)	(23,313)	2,195
Other	(4,909)	-	(4,909)
Movement in fair value of indemnification assets	(210)	(210)	-
Profit before tax	**9,609**	**6,718**	**2,891**
Taxation	5,288	(1,399)	6,687
Profit for the year	**14,897**	**5,319**	**9,578**

As presented in the above table, actual revenue in FY2017 was higher than expected by €6.9 million, principally due to better operating performance in all IHI's hotels. Direct costs and other operating costs increased more than budgeted by €5.8 million (in aggregate) as a consequence of the higher level of revenue generated during the year. As such, actual EBITDA was higher than projected by €1.1 million.

Actual depreciation & amortisation charges were lower than expected by €4.1 million in consequence of a revised allocation of values between land and buildings in some of the Group's properties. Net finance costs were lower than forecast by €2.2 million. The afore-mentioned reductions were partly offset by other charges amounting to €4.9 million, which related to net exchange differences on borrowings and reclassification of currency translation reserve to the income statement upon obtaining control of NLI Holdings Ltd.

Taxation for the year amounted to a credit balance of €5.3 million as compared to a forecasted tax charge of €1.4 million. This positive variance in taxation of €6.7 million together with a higher than expected pre-tax profit of €2.9 million, resulted in the Company reporting a profit for the year of €14.9 million compared to the budgeted figure of €9.6 million.

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 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

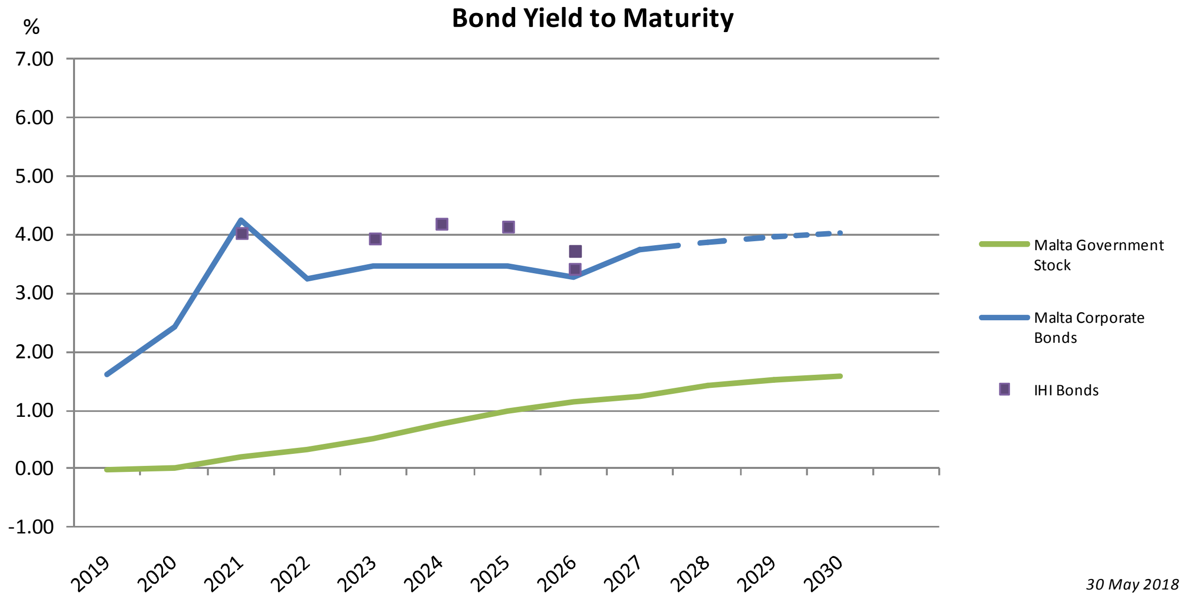
PART 4 - COMPARABLES

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 (%)
5.5% Pendergardens Dev. plc Secured € 2020 Series I	15,000,000	2.44	6.29	68,589	14,418	66.04
5.8% International Hotel Investments plc 2021	**20,000,000**	**4.04**	**3.03**	**1,602,317**	**884,632**	**36.36**
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.23	6.29	68,589	14,418	66.04
6% Corinthia Finance plc € 2019-2022	7,500,000	4.97	2.59	1,765,072	901,595	40.43
4.25% Gap Group plc Secured € 2023	40,000,000	3.47	2.61	56,906	6,696	85.08
5.8% International Hotel Investments plc 2023	**10,000,000**	**3.95**	**3.03**	**1,602,317**	**884,632**	**36.36**
5.3% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.14	1.19	21,625	4,844	69.04
6% AX Investments Plc Unsecured € 2024	40,000,000	3.47	4.44	286,318	173,323	26.09
6% International Hotel Investments plc € 2024	**35,000,000**	**4.20**	**3.03**	**1,602,317**	**884,632**	**36.36**
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	3.45	4.42	77,088	38,701	45.62
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.74	3.05	107,801	39,813	54.01
5.1% 1923 Investments plc Unsecured € 2024	36,000,000	4.38	1.69	118,490	33,711	56.83
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.47	1.26	135,879	39,974	68.23
5.75% International Hotel Investments plc Unsecured € 2025	**45,000,000**	**4.15**	**3.03**	**1,602,317**	**884,632**	**36.36**
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.51	2.59	1,765,072	901,595	40.43
4.0% International Hotel Investments plc Secured € 2026	**55,000,000**	**3.43**	**3.03**	**1,602,317**	**884,632**	**36.36**
4.0% International Hotel Investments plc Unsecured € 2026	**40,000,000**	**3.65**	**3.03**	**1,602,317**	**884,632**	**36.36**
4.0% MIDI plc Secured € 2026	50,000,000	3.28	-0.98	235,302	86,621	39.27
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.12	7.90	161,128	47,607	57.32
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.63	39.11	17,088	5,835	30.63
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.74	5.46	217,599	65,698	47.74
4.0% Eden Finance plc Unsecured 2027	40,000,000	3.46	4.46	169,936	90,162	36.52
4% Stivala Group Finance plc Secured 2027	45,000,000	3.40	6.21	199,560	121,041	31.54

30 May '18

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts Investment Management Service Limited



To date, there are no corporate bonds which have a redemption date beyond 2027 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). 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	An interest rate swap is a derivative instrument in which IHI swaps with another counter party flexible interest rate cash flows with fixed interest

swaps	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.