International Hotel Investments p.l.c.

FINANCIAL ANALYSIS SUMMARY

24 JUNE 2016

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

24 June 2016

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**") and IHI Magyarország Zrt. (the "**Guarantor**"). 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 2013 to 31 December 2015 has been extracted from audited financial statements of the Issuer and Guarantor for the three years in question.

(b) The forecast data for the years ending 31 December 2016 and 31 December 2017 has been provided by management.

(c) Our commentary on the results of the Issuer and Guarantor and on their respective financial position is based on the explanations provided 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.

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,

Wilfred Mallia
Director

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PART 1 – INFORMATION ABOUT THE ISSUER AND GUARANTOR

1. ISSUER'S KEY ACTIVITIES

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

To date, the Issuer has acquired and/or developed hotels in Prague (Czech Republic), Tripoli (Libya), Lisbon (Portugal), Budapest (Hungary), St Petersburg (Russia) and St Julian's (Malta). The Issuer also has a 50% shareholding in a 294 roomed luxury hotel and residential development in London (UK), the latter property originally consisting of 12 residential apartments located within the same building as the hotel. In April 2014, 11 of the aforesaid apartments were sold to third parties with the holding company retaining ownership of the penthouse apartment.

Revenue and earnings are derived primarily from the operation of owned hotels. A secondary source of income and earnings is rental income of residential and commercial premises, particularly in St Petersburg, Tripoli and Budapest. Additional revenue streams include fees earned by CHI Limited, a wholly owned subsidiary of the Company, from management agreements on hotels owned by IHI itself or CPHCL and other third parties. As at the date of this report, CHI Limited manages eight hotels owned by the Issuer (of which one is 50% owned by the Company) and another five hotels owned by CPHCL and third-party owners.

On 29 July 2013 CHI entered into a pre-opening and technical services agreement, as well as a hotel operation agreement for the operation of a 148 room hotel in Abuja, Nigeria in relation to the development, construction and operation of a hotel to be operated by CHI as a Corinthia® Hotel on a site in Abuja, Nigeria. The foundation works for the hotel commenced in the second half of 2015 and the development is currently at the pricing of tenders stage.

On 10 August 2015, the Issuer acquired 100% of the issued share capital of Island Hotels Group Holdings p.l.c. ("**IHGH**"). The business of IHGH 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); the operation of retail and event catering business (Island Caterers Limited); and the development and operation of Costa Coffee outlets in Malta, the East Coast of Spain, Canary Islands and the Balearic Islands. IHGH, through a wholly owned subsidiary, also owns a plot of land measuring 83,530m^2 located adjacent to the Radisson Blu Resort & Spa, Golden Sands, Malta. The property is earmarked for the development of a hotel and residential complex.

On 11 April 2016, NLI Holdings Ltd acquired for £11 million and a deferred payment of €500,000 payable two years from opening of the reconstructed and refurbished hotel, free of interest, the Grand Hotel Astoria in Brussels through the acquisition of the entire issued share capital of the Belgian hotel-owning company, Hotel Astoria S.A. IHI will handle the redevelopment of the hotel on behalf of NLI Holdings Ltd, much as it had done on the London project, this time through its newly created vehicle Corinthia Developments International Limited ("**CDI**"). CDI has reconfigured the plans currently in place for the hotel, and with the help of GA Design in London (the same designers of the London project), reorganised the ground floor flows and uses, as well as reconfigured the bedroom inventory, to ensure that all bedrooms are larger than 30m^2. The new key count is set at 121 bedrooms of which 25% will be junior suites or suites. The Issuer, on behalf of the owner NLI Holdings Ltd, has started work on the financing requirements for this project. The owning company, Hotel Astoria S.A., has been awarded a building permit and negotiations are taking place to amend this permit to meet the revised plans, to carry out the planned redevelopment and aims to progress works to completion by early 2019.

In May 2016, CHI 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 luxury hotel and residences to be operated under the Corinthia® brand on Jumeirah Beach in Dubai, UAE. CHI 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 early 2022. In addition, the Dubai entity has engaged CHI to provide consulting services to its two existing hotels in Dubai.

CHI has also entered into a memorandum of understanding with another globally-recognised investment fund for the development and management, under the Corinthia® brand, of a luxury boutique hotel in central Rome. CDI will be tasked with delivering the hotel as developer and project manager, while CHI will be responsible to operate the hotel upon completion. Works are expected to commence in 2017 and the hotel is expected to open in 2019.

IHI is in the course of acquiring from Corinthia Palace Hotel Company Limited the remaining 80% share in QPM Limited ("**QPM**") - a provider of architectural, engineering, management and technical construction services. The share purchase agreement is anticipated to be signed by the end of June 2016, having a consideration of €4.6 million payable from part of the net bond issue proceeds. The share purchase agreement further includes additional condition payments that may be or may become due to QPM and which, had they been crystallised at the point in time of the acquisition date, would have enhanced the value of QPM, resulting in a higher purchase consideration.

The said additional conditional payments comprise the following: (i) QPM is due an amount for services provided on a third party project. Upon receipt of all or part of said amount by QPM, the purchaser will be bound to pay an additional amount to the seller calculated on a given percentage of settled amounts; (ii) In view of the political and economic situation in Libya, the business activities of QPM in the country have stalled. In the event that QPM were to recommence any projects in Libya and were to generate cash revenues in any of the financial years ending 31 December 2017, 2018 and 2019, the seller will be due an additional amount from the purchaser based on a percentage of such cash revenues; (iii) Although QPM is already engaged to provide its services on the Corinthia St George's Bay Development, this engagement has not been factored in the valuation. Accordingly the seller will be due an amount equivalent to a percentage of revenues generated by QPM from the project on an annual basis up to 31 December 2026.

None of the above events have been included in the determination of the consideration payable for the acquisition of QPM, and therefore the figure indicated above may vary accordingly as aforesaid.

2. DIRECTORS AND KEY EMPLOYEES OF THE ISSUER

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

Alfred Pisani	Chairman
Frank Xerri de Caro	Senior Independent Non-Executive Director
Abdulnaser M.B. Ahmida	Non-Executive Director
Douraid Zaghouani	Non-Executive Director
Hamad Mubarak Mohd Buamin	Non-Executive Director
Abuagila Almahdi	Non-Executive Director
Khaled Amr Algonsel	Non-Executive Director
Joseph Pisani	Non-Executive Director
Winston V. Zahra	Non-Executive Director
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 weekly average number of employees engaged at the Issuer's corporate office and in its owned hotels during FY2015 amounted to 2,014 persons (FY2014: 1,877).

3. GUARANTOR'S KEY ACTIVITIES

The Guarantor is the owner and operator of the five-star Corinthia Hotel Budapest. An overview of the property and its operations is provided in section 6.2 below.

4. DIRECTORS OF THE GUARANTOR

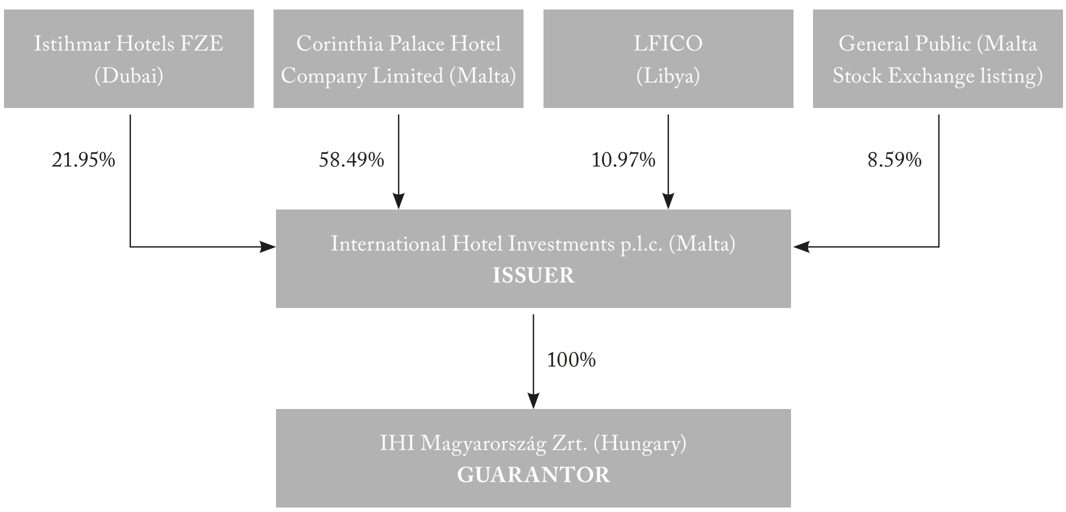
The Board members of the Guarantor as at the date of this report are included hereunder:

Board of Directors

Frank Xerri de Caro	Director
Joseph Pisani	Director
Joseph Galea	Director

5. 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 and Guarantor. 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 2015.



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 24 JUNE 2016

Name	Location	Description	% ownership	No. of hotel rooms
Corinthia Hotel Budapest	Hungary	Property owner	100	440
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	250
Marina Hotel St George's Bay	Malta	Property owner	100	200
Corinthia Hotel & Residences London	United Kingdom	Property owner	50	294
Corinthia Grand Astoria Hotel Brussels	Belgium	Hotel property (to be developed)	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
CHI Limited	Malta	Hotel management	100	n/a
QPM Limited	Malta	Project management	20	n/a
Medina Tower	Libya	Mixed-use property (to be developed)	25	n/a
Island Caterers	Malta	Event catering	100	n/a
Hal Ferh Complex	Malta	Residence complex (to be developed)	100	n/a
Costa Coffee	Malta/Spain	Retail catering	100	n/a
				3,509

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":

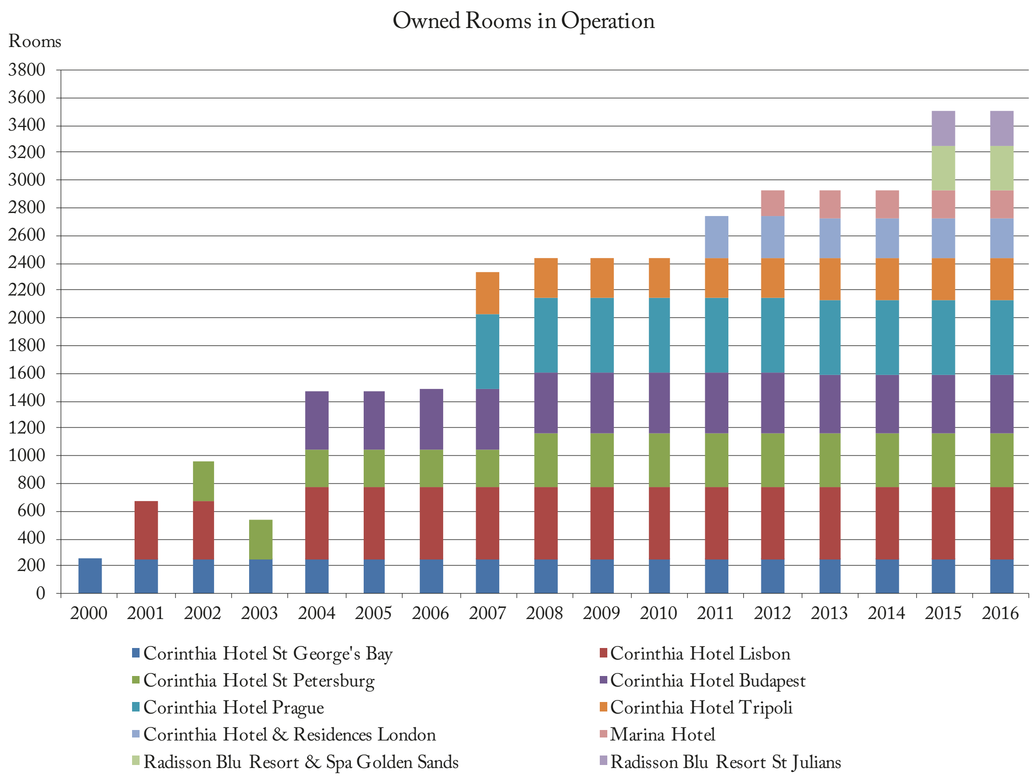
INTERNATIONAL HOTEL INVESTMENTS PLC
VALUATION OF PRINCIPAL PROPERTIES
AS AT 31 DECEMBER

	2013	2014	2015
Investment Properties			
Commercial Centre St Petersburg	87,400	77,830	67,231
Commercial Centre Tripoli	73,903	68,243	68,243
Commercial Centre Lisbon	1,161	1,102	1,300
Site in Tripoli	29,500	29,500	29,500
	191,964	**176,675**	**166,274**
Hotel Properties			
Corinthia Hotel St George's Bay	28,327	27,557	37,711
Radisson Blu Resort, St Julians	-	-	37,711
Corinthia Hotel Lisbon	79,725	92,168	89,200
Corinthia Hotel Prague	76,700	74,039	82,901
Corinthia Hotel Tripoli	124,090	86,687	84,085
Corinthia Hotel Budapest	85,984	95,231	104,800
Corinthia Hotel St Petersburg	113,448	90,729	70,610
Marina Hotel	20,896	22,499	28,813
	529,170	**488,910**	**535,831**
Joint Ventures and Associates			
Corinthia Hotel & Residences London (50%)	324,298	296,167	315,680
Radisson Blu Resort & Spa Golden Sands (50%)	-	-	32,672
Medina Towers J.S.C. (25%)	12,420	12,701	13,871
	336,718	**308,868**	**362,223**
Assets in the Course of Development			
The Heavenly Collection Ltd (Hal Ferh)	-	-	21,576
	-	-	21,576
Total	**1,057,852**	**974,453**	**1,085,904**

6. HOTEL PROPERTIES

6.1 ROOM INVENTORY

As at the date of this report, the Issuer fully owns 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 3,509 rooms over a 16-year period.



Source: Management Information.

6.2 CORINTHIA HOTEL BUDAPEST

Introduction

IHI Magyarország Zrt. (the "**Guarantor**"), a fully-owned subsidiary of the Company, owns the 440-room five-star Corinthia Hotel located in Budapest, Hungary ("**Corinthia Hotel Budapest**"). The hotel was acquired as a vacant building in 2000 for €27 million. The property was subsequently demolished except for the historic facade and ballroom and rebuilt at a cost of €90 million. It was officially opened in April 2003. In 2006, 26 self-catering apartments were added to its stock of rooms, which are included in the above room count, and a health spa was opened. The carrying value of the Corinthia Hotel Budapest as at 31 December 2015 is €104.8 million (FY2014: €95.2 million). According to a valuation report prepared by Mareking LLC and Markus and Partners LLC and dated 17 June 2016, the market value of the Budapest hotel amounts to €146.2 million.

Market Overview

i. Economic update

Hungary's economy picked up pace in the fourth quarter of 2015 as GDP growth accelerated from 2.4% in Q3 2015 to 3.2% (Q4). The pick-up in growth was driven by a robust performance from the domestic economy. Private consumption recorded the largest gain in almost a decade, expanding 3.2% annually. Continued gains in the labour market and higher real wages have supported household spending. Investment activity also gained steam, supported by final drawdowns on EU development funds. Fixed investment growth tallied 6.5% in Q4 2015, contrasting Q3's 1.4% contraction. In addition, government consumption accelerated, rising 6.7% (Q3: +5.1% year-on-year).

On the external side of the economy, demand for imports remained strong although growth declined from 8.1% in Q3 to 8.0% in Q4 2015. Meanwhile, exports expanded by 7.7% y-o-y in Q4. On a quarter-on-quarter basis, GDP increased a seasonally-adjusted 1.0%, which was above the 0.6% increase recorded in Q3 and marked the best result since June 2014. For the full year 2015, growth came in at 2.9% (2014: 3.7%).

Following a dynamic expansion in the last quarter of 2015, there are signs of moderation in economic activity in 2016. Industrial production and construction activity slowed in February 2016, while retail sales and employment improved. Although a deceleration in funding inflows from the EU is limiting growth, steps taken by the Central Bank of Hungary and the Government should mitigate the impact. The Bank is projecting rising incomes and increased lending, which should support consumption and GDP growth. The Central Bank of Hungary expects the economy to expand 2.5% in 2016.

ii. Tourism market

In 2015, the number of nights spent by domestic tourists increased by 6.4% and that of international tourism nights increased by 4.6% compared to a year earlier. The guest turnover of accommodation establishments, measured in tourism nights, increased by an overall 1.3%. The gross revenues of accommodation establishments – at current prices – rose by 4.9%. In 2015, accommodation establishments recorded a total of 25.8 million tourism nights, 5.4% more than in 2014. Key markets that are contributing to growth in incoming travel include Germany, Austria, Russia, UK and the US.

The increase in volume can be attributed mainly to tour groups and leisure individuals taking advantage of discounted prices and a favourable exchange rate. The spike in leisure business in recent years is however not sustainable in the longer term and the market will need to replace this demand from alternative sources. Effort is being made by the industry to focus on thematic product development including: (i) health, heritage & culture, conferences & events: (ii) festivals, religious events, gastronomy; and (iii) products which can extend the average length of stay such as adventure tourism.

Overall, tourism prospects in Hungary are believed to be promising. Domestic tourism will be fuelled mainly by the continued decline of the local currency, making local travel more attractive for the budget conscious. Inbound travel will also benefit from more competitively-priced Hungarian offerings, especially in medical and health tourism. The conflict in neighbouring Ukraine and the escalating economic difficulties in Russia, however, pose great uncertainties as both countries are important feeder markets and drastic changes in arrival numbers could affect the performance.

Operational Performance

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

Corinthia Hotel Budapest	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**
	Actual	**Actual**	**Actual**	**Projection**	**Projection**
Turnover (€'000)	18,477	20,404	22,810	24,659	25,204
Gross operating profit before incentive fees (€'000)	5,572	6,500	8,364	8,887	9,114
Gross operating profit margin (%)	30	32	37	36	36
Occupancy level (%)	72	74	78	80	80
Average room rate (€)	103	114	127	138	142
Revenue per available room (RevPAR) (€)	74	85	99	110	114
Benchmark performance					
Occupancy level (%)	72	76	80	81	80
Average room rate (€)	102	103	115	124	127
Revenue per available room (RevPAR) (€)	73	78	92	100	102
Revenue Generating Index	1.01	1.09	1.08	1.10	1.12

Source: Management information.

Positive results were achieved in FY2014, in which, the Hotel registered a 15% increase in RevPAR and a growth in revenue of €1.9 million to €20.4 million. This increase resulted in a €0.9 million improvement in gross operating profit. FY2015 was another 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 is being replaced by the more lucrative leisure market segment.

Looking forward, management's revenue strategy (focused on market segmentation) is to be maintained and shall concentrate on increasing revenue from leisure, corporate and conference & event segments with a progressive decrease in the volume of low rated sectors such as groups and tour operator business. As such, it is projected that average room rate will grow further by 9% from €127 in FY2015 to €138 in FY2016, and RevPAR will increase by 11% to €110 in FY2016. Gross operating profit is expected to increase by 6% to €8.9 million in FY2016 and achieve a gross operating margin of 36%. Performance in FY2017 is being projected to increase marginally over FY2016 level.

During the period under review, the Hotel performed at a similar level to its competitive set as to occupancy, but achieved a marginally higher average room rate than its competitors. Overall, the Hotel performed much better than its competitive set in FY2014 (RGI: 1.09) and FY2015 (RGI: 1.08). This over performance relative to the competitive set is anticipated to continue also in the projected years FY2016 and FY2017.

6.3 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. It is the intention of the Group to refurbish the rooms of the original hotel and to develop, in the near future, 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 2015 is €70.6 million (FY2014: €90.7 million) and €67.2 million (FY2014: €77.8 million) respectively.

Market Overview

i. Economic update

Russia's economy decreased significantly in 2015, affected by a combination of low oil prices, international sanctions, a sharp depreciation of the rouble and structural weakness. GDP decreased 3.8% annually in Q4 2015 as economic activity was adversely impacted by a steep deterioration in domestic demand. However, initial signs of stabilisation are coming from the industrial sector, while performance in the agricultural sector is also looking better. Despite such evidence, risks on the future outlook persist. Low oil prices, external economic factors and increasing geopolitical risks will continue weighing on the economy.

Looking into the future, the economy is projected to contract again in 2016, although the recession is expected to ease. It is expected that GDP will contract 1.3% in 2016 as a weak rouble is likely to shore up exports and falling inflation should support real wages and private consumption. That said, the recovery remains fragile, with oil prices expected to rise only gradually over time and international sanctions set to remain in place for quite some time. The economy is projected to expand in 2017 by 1.2%.

ii. Tourism market

A weaker rouble has resulted in an increase of 13% in the number of foreign 'tourist' visitors to Russia in the first nine months of 2015 when compared to the same period in 2014, despite geopolitical tensions that have marred diplomatic relations and trade ties with the West. Total visits by foreigners to the country in 2015 increased by 8% (y-o-y) to over 20 million. Figures from the Russian Tourism Industry Union show that foreign tourists made 2.53 million trips to the country between January and September, hitting levels not seen since 2008. Chinese tourists outstripped Germans as Russia's most frequent visitors, up 63% from a year earlier. Notably, Iranian tourist numbers have also boomed, up 111% in the first nine months of 2015. The Russian inbound tourism market is expected to improve further in the coming years, particularly in 2018 when Russia is set to host the FIFA World Cup.

On the other hand, the Russian outbound tourist flow decreased by 31.3% to 12 million international trips in 2015, the largest drop in 18 years. The decline in the number of Russian tourists travelling abroad resulted from the weakening of the Russian currency as well as the ban on flights to Russia's two most popular international tourist destinations – Turkey and Egypt. In Europe, the sharpest decline in the number of travellers from Russia was registered in Greece (-48%), followed by Bulgaria, Spain and Croatia.

Operational Performance

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

Corinthia Hotel St Petersburg	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**
	Actual	**Actual**	**Actual**	**Projection**	**Projection**
Turnover (€'000)	18,997	14,229	12,976	13,193	17,257
Gross operating profit before incentive fees (€'000)	7,619	3,007	4,237	4,320	6,042
Gross operating profit margin (%)	40	21	33	33	35
Occupancy level (%)	54	52	60	62	52
Average room rate (€)	180	139	112	109	170
Revenue per available room (RevPAR) (€)	98	72	67	68	88
Benchmark performance					
Occupancy level (%)	56	53	61	60	60
Average room rate (€)	212	193	153	147	175
Revenue per available room (RevPAR) (€)	118	85	93	88	105
Revenue Generating Index	0.83	0.85	0.72	0.77	0.84

Source: Management information.

In FY2014, revenue at the Corinthia Hotel St Petersburg declined by 25% to €14.2 million relative to FY2013 due to a decrease in demand (both leisure and conference business) as a result of the political situation between Russia and Ukraine (in relation to the annexation of Crimea to the Russian Federation). Management's strategy for the year was to maintain occupancy rate at above 50%, which was achieved at the expense of a reduction in average room rate (from €180 in FY2013 to €139 in FY2014), mainly in consequence of the tumbling Rouble, as there was a concerted shift from international to domestic clients.

During FY2015, 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% to 60%, but average room rate decreased from €139 to €112. Overall, revenue in FY2015 declined by €1.3 million year-on-year to €13.0 million. On the other hand, gross operating profit improved by €1.2 million in consequence of cost-reduction measures.

The challenges set and so far 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.

Broadly, the same business pattern is projected for FY2016 since the refurbishment programme (previously earmarked to take place during the winter and shoulder months of FY2016) has been postponed. The Hotel is expected to generate €13.2 million in revenue (+2% over FY2015) and register a gross operating profit of €4.3 million (FY2015: €4.2 million). In FY2017, management is anticipating an economic recovery in Russia and a return of international tourists to the country. As such, the average room rate is projected to increase significantly from €109 in FY2016 to €170 in FY2017, and RevPAR in FY2017 should increase by 29% when compared to the prior year.

Similar to the Hotel, its competitive set registered a decrease in RevPAR in FY2014 of 28% (Hotel: -26%), principally as a consequence of the conflict with Ukraine, and also because two major events were organised in FY2013 which increased average rates above normal levels. In FY2015, the Hotel performed at par with its competitive set in terms of occupancy but its average room rate was 27% lower than the average rate of competitors. Beyond FY2016, provided the political situation in Russia is resolved, management expects to initiate the refurbishment of the property (estimated at €23.5 million). This should enable the Hotel to command improved occupancy levels and room rates in the near to medium term.

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)	**FY2013 Actual**	**FY2014 Actual**	**FY2015 Actual**	**FY2016 Projection**	**FY2017 Projection**
Turnover (€'000)	4,740	4,209	3,518	5,050	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. Occupancy in FY2014 increased to 48% and remained constant in FY2015. Projected growth in income is reflective of existing agreements with respective tenants, marginal increases in occupancy and a recovery in the exchange rate of the Russian Rouble.

6.4 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. The carrying amount of the Corinthia Hotel Lisbon as at 31 December 2015 is €89.2 million (FY2014: €92.2 million). Alfa Investimentos Lda also owns an apartment block in Lisbon for investment purposes, valued at €1.3 million as at 31 December 2015 (FY2014: €1.1 million).

Market Overview

i. Economic update

Portugal's gross domestic product expanded in the three months through December 2015 from the prior quarter as a rise in exports helped offset a drop in investment. GDP rose 0.2% from the third quarter, when it was unchanged. The Portuguese economy expanded 1.2% in the fourth quarter from a year earlier, the slowest pace of annual growth since the fourth quarter of 2014. For the year of 2015, GDP increased 1.5% after expanding 0.9% in 2014. During 2015, the government unveiled a plan to repay IMF bailout loans ahead of schedule. In this respect, up to 10 February 2016, Portugal reimbursed a total amount of €10.4 billion to IMF (representing 36% of total loans outstanding).

Prime Minister Antonio Costa was sworn in at the end of November 2015 and his minority Socialist government plans to reverse state salary cuts faster than the previous administration proposed, while increasing indirect taxes. Costa is also raising the minimum wage and reducing the working week for state workers as he aims to remove some measures introduced during the bailout program that ended in 2014. The Bank of Portugal expects the economy to expand 1.7% in 2016 and 1.8% in 2017.

ii. Tourism market

In 2015, tourism accommodation establishments hosted 17.4 million guests (+8.6%) and registered 48.9 million overnight stays (+6.7%). Compared to the corresponding year, the internal market grew by 5.3% registering 14.5 million overnight stays. Overnight stays from non-residents in 2015 increased by 7.3% and represented 70.3% of the total. On a regional basis, growth was registered in all regions of mainland Portugal, with particular emphasis on the Alentejo region, Azores and the North (+11.8%, +19.6% and +13.6% respectively). As in prior periods, the inbound markets preferred to choose the Algarve, Lisbon and Madeira. The coordination between tourism and aviation authorities to expand available routes turned out to be crucial for Portugal's success in the tourism industry.

The Lisbon tourism market has expanded in the last few years both as a leisure and business destination. In particular, the continuing popularity of cruise tourism and golf tourism and an increased awareness of Lisbon in the conference & events sector have aided demand growth, particularly in the five-star segment.

Operational Performance

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

Corinthia Hotel Lisbon	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**
	Actual	**Actual**	**Actual**	**Projection**	**Projection**
Turnover (€'000)	17,769	19,597	20,798	21,313	21,770
Gross operating profit before incentive fees (€'000)	4,322	5,674	6,242	6,491	6,675
Gross operating profit margin (%)	24	29	30	30	31
Occupancy level (%)	66	71	74	73	72
Average room rate (€)	94	99	105	109	113
Revenue per available room (RevPAR) (€)	62	70	78	80	81
Benchmark performance					
Occupancy level (%)	66	70	72	71	71
Average room rate (€)	96	97	107	106	109
Revenue per available room (RevPAR) (€)	63	68	76	75	77
Revenue Generating Index	0.98	1.03	1.03	1.07	1.05

Source: Management information.

Overall results continued to improve in FY2014 as the Corinthia Hotel Lisbon registered a year-on-year increase in revenue of €1.8 million (+10%) mainly as a consequence of an increase in RevPAR from €62 to €70. This positive movement resulted in an increase in gross operating profit of €1.4 million to €5.7 million. A further improvement of 6% and 11% in revenue (to €20.8 million) and RevPAR (to €78) respectively was registered in FY2015 over FY2014 results.

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 revenue will increase y-o-y by 3% and 2% in FY2016 and FY2017 respectively, and gross operating profit is expected to grow y-o-y by 4% and 3% in FY2016 and FY2017 respectively.

The Hotel has performed broadly in line with its competitive set in both FY2014 and FY2015 (RGI: 1.03). A similar trend is being projected for the following two years (FY2016 and FY2017) as management expects to maintain the current occupancy rate at over 70%, and increase average room rate by 4% annually in FY2016 and FY2017.

6.5 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 2015 is €82.9 million (FY2014: €74.0 million).

Market Overview

i. Economic update

The Czech Republic's economic performance was extraordinarily strong in 2015 and a third consecutive annual expansion above 4.0% was recorded (2015: 4.3%). The expansion mainly came on the back of the domestic economy, fuelled by rising investment, through strong absorption of EU funds, and public spending. Solid private consumption, which is benefiting from expansionary monetary policy and low oil prices, has also encouraged growth. The economy will likely decelerate in 2016 and expand at a more sustainable pace, partly because inflows of EU funds and government spending are projected to slow. As such, the Czech National Bank expects economic growth to reduce to 2.7% in 2016 and expand thereafter to 3.0% in 2017.

ii. Tourism market

In comparison to the prior year (2014), Czech hotels reported for 2015 an increase in overnight stays of 10.2% to 47.1 million and guest numbers (both resident and foreign guests) increased by 9.6% to 17.2 million. Of the foreign guests, in 2015, the country experienced a decrease in guests from Russia (-37.4% or 260,000 guests) and from Ukraine (-10.7% or 12,000 arrivals), which was compensated by higher visitation of guests from neighbouring as well as distant countries. German visitors increased by 12.6% y-o-y as well as Slovaks (+14.6%) and nationals from USA (+14.9%). The number of guests from China and South Korea increased by 35.3% and 31.8% respectively.

The Czech government is increasingly prioritising to move tourism beyond the current concentration in the capital, Prague, and increase the potential of undiscovered places in the country. Most significant source markets are Germany, Russia, Italy, UK, US, Slovakia and Poland, while demand is also increasing from other markets such as China and South Korea.

Over the early part of the past decade, Prague has seen a number of hotels enter the market, leading to a large growth in hotel room stock (principally upscale and luxury rooms). As a result of this increase in room supply, hotels in Prague have been suffering declines in performance both in terms of occupancies and rates since supply exceeds demand, which was further impacted by the economic crisis. There was a reversal in this trend in 2011 which was sustained thereafter, as the overall hotel market in Prague registered yearly increases in both occupancy levels and average room rates.

Although Prague remains an important meeting and convention destination, its primary market is tour operator business and this mismatch between supply and demand continues to exert significant pressure on room rates. Apart from the oversupply of hotel rooms, other challenges experienced by the market in Prague include the absence of high-spending leisure clientele, low demand on weekends and the dependence on the domestic corporate market.

Hotel performance in Prague is generally expected to continue to improve in the coming years as the market gradually absorbs the remaining oversupply of hotel rooms, leveraging on its image as an attractive and corporate destination. The number of inbound trips is expected to grow at a compound annual growth rate of 3% over the near term and this growth will be driven by arrivals from China and a recovery in visitor numbers from Russia. The performance of inbound tourism will be supported by a second airport in the Czech capital, Prague (Vodochody), which is planned to be operational by 2018. This will bring cheaper flights for tourists as several low cost carriers have shown interest in operating flights to Prague.

Operational Performance

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

Corinthia Hotel Prague	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**
	Actual	**Actual**	**Actual**	**Projection**	**Projection**
Turnover (€'000)	14,310	15,740	16,731	17,161	18,495
Gross operating profit before incentive fees (€'000)	2,846	4,064	4,931	4,984	5,968
Gross operating profit margin (%)	20	26	29	29	32
Occupancy level (%)	60	65	68	71	72
Average room rate (€)	72	71	74	76	83
Revenue per available room (RevPAR) (€)	43	46	50	54	60
Benchmark performance					
Occupancy level (%)	67	71	77	76	76
Average room rate (€)	96	102	106	109	115
Revenue per available room (RevPAR) (€)	65	73	82	83	87
Revenue Generating Index	0.66	0.63	0.61	0.65	0.69

Source: Management information.

In FY2014, the Corinthia Hotel Prague registered a satisfactory performance as it managed to improve occupancy by 5 percentage points over the previous year (from 60% to 65%) whilst broadly maintaining an average room rate above €70. Results for FY2015 show that the Hotel continued to build on this positive trend and thereby achieved a RevPAR of €50 (from €46 in FY2014) and a gross operating profit of €4.9 million (from €4.1 million in FY2014). A broadly similar performance is being projected for FY2016 and FY2017, with marginal increases in occupancy and rates. 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 in the forward years from 0.63 in FY2014 to 0.69 in FY2017.

6.6 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 2015 are €84.1 million, €68.2 million and €29.5 million respectively (FY2014: €86.7 million, €68.2 million, €29.5 million), or a combined total of €181.8 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. This has left a security vacuum in the country without a reliable police or army force to maintain law and order. Moreover, a government that is recognised both on a national and international level is yet to be appointed. Practically all foreign embassies in Libya have suspended operations and withdrawn their diplomatic staff, and have advised their respective nationals against all unnecessary travel to the country. This state of affairs is expected to continue in the near term as there is yet no indication that the unstable political and security climate will subside any time soon.

Operational Performance

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

Corinthia Hotel Tripoli	**FY2013 Actual**	**FY2014 Actual**	**FY2015 Actual**	**FY2016 Projection**	**FY2017 Projection**
Turnover (€'000)	19,705	8,345	852	2,325	2,264
Gross operating profit/(loss) before incentive fees (€'000)	6,568	-1,211	-2,831	-2,979	-3,093
Gross operating profit margin (%)	33	n/a	n/a	n/a	n/a
Occupancy level (%)	59	22	2	5	5
Average room rate (€)	208	212	218	189	194
Revenue per available room (RevPAR) (€)	122	47	4	9	10

Source: Management information.

The results for FY2014 reflect the prevailing difficult political environment in the country due to the persistent conflicts, unstable political situation and the closure of the international airport. In FY2014, revenue declined by 58%, relative to the year before, to €8.3 million and a gross operating loss of €1.2 million was registered.

On 27 January 2015, the Hotel was the scene of an armed attack and as a result, the Hotel was closed for business during most of the year. Since the attack, repair works have been commissioned and completed, and management is expecting to resume operations in FY2016. However, in view of the current unrest in Libya, low occupancy at the Corinthia Hotel Tripoli is anticipated for FY2016. As such, it is the hotel management's objective during the course of the said year to try to match payroll and other operating costs to operating income and contribute in some manner towards general overheads such as utilities, security and maintenance costs. The Hotel is projected to incur a gross operating loss in FY2016 of €3.0 million. With respect to FY2017, management has assumed the same state of affairs in Libya as in FY2016 and has therefore projected revenue at €2.3 million and an operating loss of €3.1 million.

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.

Commercial Operations

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

Corinthia Hotel Tripoli (commercial property)	**FY2013 Actual**	**FY2014 Actual**	**FY2015 Forecast**	**FY2016 Projection**	**FY2017 Projection**
Turnover (€'000)	5,868	5,863	5,593	5,868	5,868

Source: Management information.

The Commercial Centre which is fully occupied, save for an area of 1,222 square metres which was vacated in 2013, includes rentable office space having a gross area of 7,249 square metres. It also comprises 306 square metres of storage space and 235 of internal and external car spaces. To date, the performance of the Commercial Centre remains largely unaffected by the political conflicts that the country is witnessing.

6.7 CORINTHIA HOTEL ST GEORGE'S BAY

Introduction

Five Star Hotels Limited (a fully-owned subsidiary of the Company) owns the 250-room five-star Corinthia Hotel located in St Julians, Malta ("**Corinthia Hotel St George's Bay**"), which was acquired in 2000 for €32 million. The carrying amount of the Corinthia Hotel St George's Bay as at 31 December 2015 is €37.7 million (FY2014: €27.6 million).

Market Overview

i. Economic update

The Maltese economy has shown remarkable resilience in the face of the unstable economic environment elsewhere. The rate of economic growth in real terms, at 6.3% in 2015, has exceeded by a wide margin the euro zone average. It was mainly supported by domestic demand, which was in turn sustained by strong private investment and consumption. Notably, total investment rose by 21.4% in real terms.

Going forward, the Central Bank of Malta projects a growth rate of 5.3% in 2016, with the main impetus coming from private consumption and investment. It is expected that growth will be supported by low commodity prices and a strong rise in employment, which would contribute to aggregate household spending, and in turn to domestic demand.

On the fiscal side, there was a further improvement in public finances. The general government debt to gross domestic product (GDP) is projected at 63.6% for 2015, down from 67.1% in 2014. According to the Central Bank's March 2016 projections, this ratio is estimated to decline further to 61.0% and 58.6% in 2016 and 2017 respectively. The deficit-to-GDP, currently projected at 1.6% for 2015 down from 2.1% in 2014, is forecast to reach 1.1% and 0.9% in 2016 and 2017 respectively.

ii. Tourism market

Tourism in Malta has in recent years been performing at a strong level and this trend continued in 2015 as well. Inbound tourism from January to December 2015 amounted to 1.8 million guests, an increase of 6.0% over the same period in 2014. Although tourists residing in collective accommodation (hotels, guesthouses, hostels, B&Bs, etc) made up 71.7% of the market in 2015, preference for private accommodation has been growing in the last years at a faster pace, and actually increased by 18.2% from 2014. Tourism expenditure was estimated at €1.6 billion, 7.5% higher than that recorded for the comparable period in 2014.

The majority of incoming tourists were leisure guests, predominantly from the European Union. Non-package travel was higher than package travel, with a 56% share of the total market. Nonetheless, package travel still advanced by 1.0% when compared to 2014. Total room nights spent by inbound tourists went up by 5.1% surpassing 14.2 million nights, while average length of stay remained flat at 7.9 nights.

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, Malta's EU Presidency in 2017 together with Valletta serving as the European City of Culture in 2018 are widely expected to generate increased demand for hotels and enhance Malta's image as a tourist destination, which would in turn generate further growth in the hospitality sector. 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.

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	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**
	Actual	**Actual**	**Actual**	**Projection**	**Projection**
Turnover (€'000)	11,721	13,339	15,218	16,316	16,313
Gross operating profit before incentive fees (€'000)	1,501	3,049	4,244	5,007	4,836
Gross operating profit margin (%)	13	23	28	31	30
Occupancy level (%)	71	79	77	81	79
Average room rate (€)	107	117	139	145	148
Revenue per available room (RevPAR) (€)	75	92	107	117	117
Benchmark performance					
Occupancy level (%)	72	74	76	77	77
Average room rate (€)	120	130	143	145	151
Revenue per available room (RevPAR) (€)	86	95	109	112	116
Revenue Generating Index	0.87	0.97	0.98	1.04	1.01

Source: Management information.

In FY2014, the Corinthia Hotel St George's Bay registered a 14% increase in revenue over FY2013 to €13.3 million. This positive performance had a significant contribution to gross operating profit of +103% from €1.5 million recorded in FY2013 to over €3.0 million in FY2014, also on account of substantial savings in operating and administrative costs. As for 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 €1.2 million (+39%) respectively.

For FY2016, management will continue with its existing revenue management strategy of increasing rates and driving business through its largest growing segment (leisure), principally by undertaking more web-based online and other marketing initiatives. RevPAR is therefore estimated to increase from €107 in FY2015 to €117 in FY2016 (+9%) through a 4 percentage point increase in occupancy from 77% to 81% and an improvement in average room rate of 4% from €139 in FY2015 to €145 in FY2016. This should translate to an increase in both revenue and gross operating profit of €1.1 million (+7%) and €0.8 million (+18%) respectively. A similar operating performance, compared to the prior year is being projected for 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 both FY2014 and FY2015, but is expected to perform in line with benchmark hotels both in FY2016 and FY2017.

6.8 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 2015 is €28.8 million (2014: €22.5 million).

Market Overview

The market overview relating to the economy and tourism in Malta is included in section 6.7 above.

Operational Performance

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

Marina Hotel	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**
	Actual	**Actual**	**Actual**	**Projection**	**Projection**
Turnover (€'000)	6,886	7,852	9,484	9,978	10,049
Gross operating profit before incentive fees (€'000)	1,343	1,822	2,957	3,148	3,094
Gross operating profit margin (%)	20	23	31	32	31
Occupancy level (%)	76	81	81	82	82
Average room rate (€)	77	87	111	117	118
Revenue per available room (RevPAR) (€)	59	71	90	96	97
Benchmark performance					
Occupancy level (%)	74	75	74	77	77
Average room rate (€)	84	90	117	117	121
Revenue per available room (RevPAR) (€)	62	68	87	90	93
Revenue Generating Index	0.95	1.04	1.03	1.07	1.04

Source: Management information.

Since FY2012, the sales team has 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 €72 in FY2012 to €87 in FY2014, and RevPAR grew by 29% to €71 in the same period. With respect to FY2015, occupancy stabilised at 81% but RevPAR increased to €90 (+27% relative to FY2014). After the growth experienced in FY2014 and FY2015, whereby revenue and gross operating profit increased by 38% and 120% respectively, FY2016 and FY2017 are projected to show more modest growth for the Hotel over the corresponding years.

As for benchmark performance, the Hotel outperformed its competitive set in FY2014 in terms of occupancy by 6 percentage points. On the other hand, average room rate was lower (-3%) than the benchmark rate at €90. In FY2015, the Hotel's occupancy level and RevPAR exceeded the market average by 7 percentage points and 3% respectively. As for FY2016 and FY2017, the Hotel is projected to continue to perform better than its competitive set and thereby maintain an RGI above par.

6.9 CORINTHIA HOTEL & RESIDENCES LONDON

Introduction

NLI Holdings Limited (equally owned by the Libyan Foreign Investment Company (LAFICO) and IHI) owns the 294-room luxury Corinthia Hotel located in London, United Kingdom ("**Corinthia Hotel London**") together with a penthouse apartment (11 residential apartments in the same premises were sold in April 2014). The said penthouse has been leased in FY2016 for a maximum period of two years.

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. The carrying amount of 50% of the Corinthia Hotel London (including the penthouse) as at 31 December 2015 is €315.7 million (FY2014: €296.1 million).

Market Overview

i. Economic update

The UK economy grew by 0.5% in Q4 2015, taking the annual rate of growth for 2015 to 2.2% (0.7% lower than the 2.9% growth registered in 2014). The disappointing figure was the result of a slowdown in industry due to feeble manufacturing figures as factories struggled with a strong Sterling and weak external demand. Moreover, the construction sector recorded the first contraction in nearly two years. This could prompt concerns that the UK economy's reliance on the services sector (which continued to expand in 2015) is increasing further. The country's macroeconomic fundamentals remain strong and a robust labour market will sustain growth going forward. However, uncertainty following the referendum result for UK to leave the European Union, weak overseas growth and financial market volatility are all creating an unsettling business environment and point to downside risks to the economy in 2016.

ii. Tourism market

International visits to the UK by overseas residents rose by 5% to 8.5 million in the period October 2015 to December 2015 compared with the same period a year earlier. In the 12 months to December 2015, the number of visits to the UK was 4% higher (to 35.8 million visits) than a year earlier and earnings remained the same during this period (non-residents spent £21.8 billion in 2015). Visits from North America and Europe were up by 8% and 3% respectively and visits from 'Other Countries' grew by 6%. Business trips grew 6%, holiday visits increased by 1% and visits to friends or relatives was up 7%.

Operational Performance

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

Corinthia Hotel London	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**
	Actual	**Actual**	**Actual**	**Projection**	**Projection**
Turnover (£'000)	46,401	47,494	52,543	56,011	60,722
Gross operating profit before incentive fees (£'000)	14,012	14,374	16,548	17,717	19,570
Gross operating profit margin (%)	30	30	31	32	32
IHI's share of gross operating profit at 50%	**7,006**	**7,187**	**8,274**	**8,859**	**9,785**
Occupancy level (%)	72	72	73	77	79
Average room rate (£)	407	404	445	441	475
Revenue per available room (RevPAR) (£)	293	291	325	340	375
Benchmark performance					
Occupancy level (%)	77	76	80	80	80
Average room rate (£)	509	539	571	588	605
Revenue per available room (RevPAR) (£)	392	410	457	470	484
Revenue Generating Index	0.75	0.71	0.71	0.72	0.78

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.

The Hotel's performance in FY2014 was broadly similar to the results achieved in FY2013. Revenue increased by 2% to £47.5 million and gross operating profit increased by £0.4 million to £14.4 million. On the other hand, an increase of £5.0 million (+11%) and £2.2 million (+15%) was registered in revenue and gross operating profit respectively in FY2015, mainly as a consequence of an increase in the average room rate from £404 in FY2014 to £445. Management is projecting an increase of four percentage points in occupancy for FY2016 and a marginal decrease in average room rate from £445 to £441, which should equate to an increase in RevPAR of 5% from £325 in FY2015 to £340. Revenue is projected to increase by £3.5 million to £56.0 million in FY2016 and a corresponding increase of 7% is expected in gross operating profit to £17.7 million for that year. Growth of 8% and 10% in revenue and gross operating profit respectively is being projected by management for FY2017 over FY2016.

The Hotel's strategy is to achieve an average occupancy level of circa 80% and progressively increase average room rate as the Corinthia brand gains more recognition in London and the UK.

In comparison to benchmark results, the Hotel managed an RGI of 0.71 in FY2014 mainly due to an adverse difference of £135 in its average room rate. Similar results for the Hotel as compared to its competitive set were registered in FY2015 (RGI of 0.71). The Hotel is projected to close the gap in average room rate when compared to its competitors by FY2017. Looking ahead, the Hotel aims to continue to improve the RGI to narrow the gap further to benchmark results, by maintaining an occupancy level of circa 80% and enhance the Hotel's average room rate through increased marketing and effective yield management.

6.10 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. IHGH 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.

The carrying amount of 50% of the Radisson Blu Resort & Spa Golden Sands (being the share of IHGH) as at 31 December 2015 is €32.7 million (31 October 2014: €33.1 million).

Market Overview

The market overview relating to the economy and tourism in Malta is included in section 6.7 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	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**
	12 months	**12 months**	**14 months**	**12 months**	**12 months**
	Actual	**Actual**	**Actual**	**Projection**	**Projection**
Turnover (€'000)	27,133	34,229	43,584	32,251	32,270
Timeshare revenue	15,641	21,960	27,426	20,212	19,682
Hotel operations	11,492	12,269	16,158	12,039	12,588
EBITDA (€'000)	7,177	11,954	13,553	11,740	11,715
EBITDA margin (%)	26	35	31	36	36
IHGH's share of EBITDA at 50%	**3,589**	**5,977**	**6,777**	**5,870**	**5,858**

Source: Management information.

Note 1: The financial results of the Radisson Blu Resort & Spa Golden Sands 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.
Note 2: In FY2015, IHGH changed its financial year end from 31 October 2015 to 31 December 2015. In this regard, the financial information for FY2015 covers the 14-month period 1 November 2014 to 31 December 2015.

A significant portion of the property's inventory is being operated as an upscale vacation ownership accommodation model (timeshare) through a 50% holding by IHGH 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 257 rooms have been released for sale on a timeshare basis. The remaining rooms together with any unsold weeks on the aforesaid 257 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. Timeshare units are sold in weeks with the calendar year split into four seasons: Bronze, Silver, Gold and Platinum. As expected, most of the unsold timeshare weeks to date relate to the (low-season) Bronze and Silver packages (circa 59%). The current hotel configuration, which has been allocated to the timeshare operation, also includes a total of 13 superior rooms (marketed as the Heavenly Suites and the Heavenly Collection) that are sold at double the price of the other rooms. The vast majority of the timeshare weeks related to these rooms have already been sold.

Timeshare revenue is generated from the sale of timeshare weeks and resale of repossessed timeshare weeks 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 Golden Sands and shows that the principal source of revenue is the sale of timeshare weeks, which accounted for *circa* 60% of revenue between FY2013 to FY2015. 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 FY2014 (+40%). A similar trend was observed in FY2015, whereby revenue increased by 25% from €22.0 million in FY2014 to €27.4 million. On an annual basis (since FY2015 reflects a 14-month period), average growth in timeshare sales was of 7% when compared to FY2014. Revenue for FY2016 is expected to be lower by €7.2 million (-26%) when compared to the previous 14-month period to €20.2 million (on an annualised basis the decrease is estimated at €3.3 million or -14%). As for FY2017, revenue is projected at broadly the same level as in FY2016 and is expected to amount to €19.7 million (FY2016: 20.2 million).

As for 'hotel operations', revenue generated in FY2015 amounted to €16.2 million, an increase of €3.9 million from FY2014, albeit the 2015 results represent a 14-month period as opposed to a 12-month period for 2014. Thereafter, revenue is projected to decrease to €12.0 million in FY2016 and achieve a marginally higher figure in FY2017 amounting to €12.6 million.

The Hotel achieved an EBITDA of €12.0 million in FY2014, a significant increase of €4.8 million (+67%) compared to the prior year. This result is a reflection of the sharp increase in timeshare weeks sold during the said year. A further 13% growth was registered in FY2015 (+€1.6 million), which actually represents a marginal decline from FY2014 given that FY2015 comprised a 14 month period. EBITDA for FY2016 is projected at €11.7 million, which is in line with the EBITDA achieved on an annualised basis in FY2015 (that is, €11.6 million). Management anticipates that the Hotel will continue to perform at the current level also in FY2017 and is therefore projecting an EBITDA of €11.7 million.

6.11 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 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 2015 is €37.7 million (31 October 2014: €26.9 million).

Market Overview

The market overview relating to the economy and tourism in Malta is included in section 6.7 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	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**
	12 months	**12 months**	**14 months**	**12 months**	**12 months**
	Actual	**Actual**	**Actual**	**Projection**	**Projection**
Turnover (€'000)	10,026	10,554	10,156	12,863	13,604
Gross operating profit before incentive fees (€'000)	2,162	2,214	2,642	3,752	4,163
Gross operating profit margin (%)	22	21	26	29	31
Occupancy level (%)	69	68	77	76	77
Average room rate (€)	90	108	135	129	136
Revenue per available room (RevPAR) (€)	69	73	104	98	105
Benchmark performance					
Occupancy level (%)	73	76	79	77	77
Average room rate (€)	114	132	144	146	152
Revenue per available room (RevPAR) (€)	87	100	113	113	118
Revenue Generating Index	0.79	0.73	0.92	0.87	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.

Note 2: In FY2015, IHGH changed its financial year end from 31 October 2015 to 31 December 2015. In this regard, the financial information for FY2015 covers the 14-month period 1 November 2014 to 31 December 2015.

The Radisson Blu Resort St Julians generated revenue of €10.6 million in FY2014, which is marginally higher than that generated in FY2013 and represents an increase of 15% on FY2012. The improvement in the Hotel's income primarily reflects the overall improvement registered across the local hotel industry.

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.

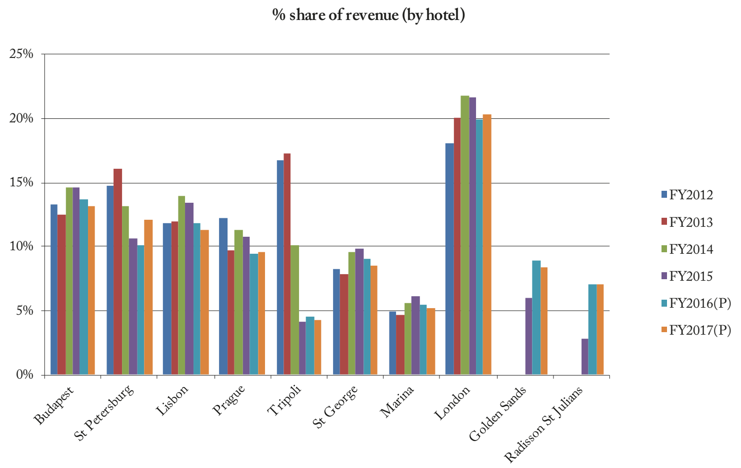
As a consequence of the refurbished hotel and new product offerings, management expects to broadly maintain the occupancy rate at FY2015 level (even though FY2015 results exclude the dilution effect of the winter months). Average room rate is projected at €129 (+19% on FY2014 rate and -4% when compared to FY2015 rate) and RevPAR is estimated at €98 (+34% on FY2014 and -6% when compared to FY2015 rate). Revenue is projected to increase from €10.2 million in FY2015 to €12.9 million and gross operating profit is expected to increase by €1.1 million to €3.8 million.

A further improvement in RevPAR of 7% from €98 in FY2016 to €105 in FY2017 has been projected by management, as the Hotel continues to shift its principal revenue sectors from tour operator business to direct/online sales, in line with IHI's marketing strategy for its two hotels in the St George's Bay area. In FY2017, revenue and gross operating profit are expected to increase by 6% (+€0.7 million) and 11% (+€0.4 million) respectively.

6.12 IHI'S AGGREGATE HOTEL REVENUE AND OPERATING PROFIT

Revenue Geographic Distribution

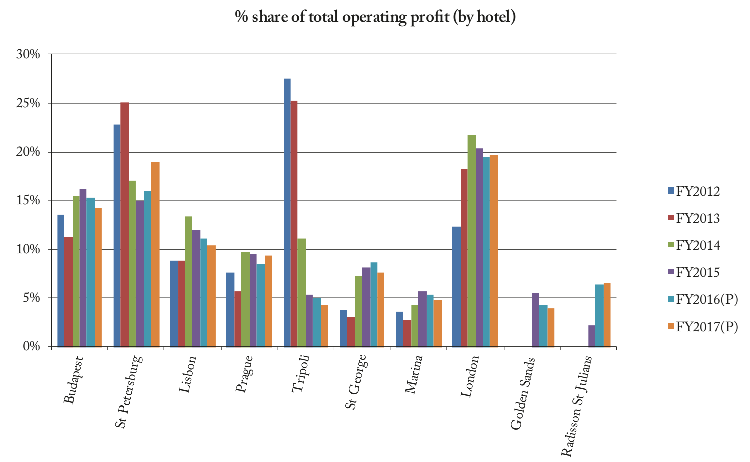
The chart below depicts total revenue generated by each hotel as a percentage of aggregate hotel revenue generated by the Group's hotels. In the case of the Corinthia Hotel London and the Radisson Blu Resort & Spa Golden Sands, the amounts included for each year is 50% of actual revenue, reflecting the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



The above chart shows that the Corinthia Hotel & Residences London generates over 20% of total hotel revenue. This percentage share is set to peak in FY2015 to 22% as the Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg continue to underperform 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. As a consequence of the introduction of these two properties and an expected recovery at the Corinthia Hotel St Petersburg in FY2017, it is projected that income generated in FY2016 and FY2017 by Corinthia Hotel & Residences London will constitute *circa* 20% of revenue derived from all hotels. Likewise, the revenue generation from the other hotels, although increasing in real terms, year on year, is reducing in percentage terms both in FY2016 and FY2017.

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.



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 have had a material adverse effect on the consolidated operating profit of IHI, which was however partly 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, are projected to contribute 10% of IHI's total operating profit from hotel operations in each of FY2016 and FY2017.

6.13 MANAGEMENT COMPANY

CHI Limited (a fully-owned subsidiary of IHI) manages and operates a number of hotel properties, predominantly owned by IHI and CPHCL). IHI acquired the shares of CHI 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).

Operational Performance

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

CHI Limited (Management Fees)	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**
	Actual	**Actual**	**Forecast**	**Projection**	**Projection**
Turnover (€'000)	11,478	11,305	15,665	16,294	17,000
IHI Properties (owned and associate) (€'000)	10,253	9,463	13,678	14,267	14,933
Other Properties (€'000)	1,225	1,842	1,987	2,027	2,067

Source: Management information.

Revenue in FY2014 decreased marginally when compared to FY2013 principally due to revenue declines at Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg. The situation in FY2015 turned for the better due to increases in revenue generated at the Corinthia Hotel & Residences London and the other IHI European hotels. As such, fees receivable by CHI Limited in FY2015 amounted to €15.7 million, 39% increase over FY2014. CHI Limited is targeting a turnover of €16.3 million in FY2016 which assumes a continued subdued operating environment at the Tripoli Hotel and Corinthia Hotel St Petersburg, and a robust performance in revenue at the London property. Further improvements are also expected in the performance of the other European hotels owned by IHI. Revenue is projected to increase to €17.0 million in FY2017, assuming a positive performance from all hotels, including a recovery in revenue generated at the Corinthia Hotel St Petersburg.

6.14 EVENT CATERING BUSINESS

Island Caterers Limited, a fully owned subsidiary of IHGH, was set up in 1992 and operates an event catering business. The company provides catering services for a variety of events including weddings, receptions, banquets, conference and incentive events and private parties.

Operational Performance

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

Island Caterers Limited	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**
	12 months	**12 months**	**14 months**	**12 months**	**12 months**
	Actual	**Actual**	**Actual**	**Projection**	**Projection**
Turnover (€'000)	4,162	5,241	6,323	6,258	6,415
EBITDA (€'000)	149	309	380	701	719
EBITDA margin (%)	4	6	6	11	11

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. A such, financial information in the table above relating to the period prior to 1 July 2015 has been included for comparison purposes only.
Note 2: In FY2015, IHGH changed its financial year end from 31 October 2015 to 31 December 2015. In this regard, the financial information for FY2015 covers the 14-month period 1 November 2014 to 31 December 2015.

The table above summarises the financial performance of Island Caterers Limited for the period FY2013 to FY2017. The revenue for FY2014 was higher by €1.1 million (+26%) when compared to FY2013, principally due to a large one-off event which took place in September 2014 and revenue generated from the Coastline catering contract in the latter half of that financial year. In April 2014, Island Caterers Limited concluded an agreement with the new owners of the Coastline Hotel for the provision of F&B services to the hotel. The agreement is for the duration of five years. In terms of the agreement, the company will utilise the existing kitchen and equipment at the hotel to provide such services.

A further increase in revenue of €1.1 million was registered in FY2015 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 is projected at approximately FY2015's figure of €6.3 million, reflecting a growth of circa 15% (since FY2015 included 14 months rather than 12 months). A growth rate of 3% in revenue is projected for FY2017. Profitability is expected to improve from an EBITDA margin of 6% in FY2015 to 11% in both FY2016 and FY2017. The sales mix should remain static and the majority of total revenue for FY2016 and FY2017 is expected to comprise weddings, corporate events, conference incentive travel (CIT) and the Coastline catering contract.

6.15 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. Furthermore the company operates, amongst others, a catering contract at Mater Dei Hospital providing catering, vending machine and retail kiosk services to visitors and staff within the hospital premises. This concession expires in November 2017.

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 nine 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] and Spinola Bay St Julians [opened in April 2016]). TCCM plans to open another outlet bringing the total to eleven outlets by the end of FY2016.

In March 2014, The Coffee Company Spain S.L. ("**TCCS**"), a wholly owned subsidiary of BHL, entered into a 10-year franchise agreement with Costa Coffee International Limited for the development and operation of up to 75 Costa Coffee outlets in the East Coast of Spain, the Balearic and Canary Islands. The first outlet in Spain opened in the third quarter of 2014 and by 31 December 2015 this number increased to a total of 10 outlets. TCCS is projecting to operate a total of 75 outlets and the capital expenditure programme for the additional outlets is estimated at €19.6 million. The funding relating to the increase in outlets is expected to be financed through bank borrowings and internally generated cash resources.

Operational Performance

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

Buttigieg Holdings Limited (including Costa Coffee)	**FY2013 12 months Actual**	**FY2014 12 months Actual**	**FY2015 14 months Actual**	**FY2016 12 months Projection**	**FY2017 12 months Projection**
Turnover					
Costa Coffee (Malta) (€'000)	2,108	3,518	6,647	6,896	7,290
Costa Coffee (Spain) (€'000)	1,906	7,484	15,109		
Other catering operations (€'000)	4,335	4,036	5,419	4,037	4,138
	6,443	7,554	13,972	18,417	26,537
EBITDA (€'000)	328	651	-413	387	1,868
EBITDA margin (%)	5	9	-3	2	7
Costa Malta					
No. of outlets (at end of financial year)	4	8	8	11	11
Costa Spain					
No. of outlets (at end of financial year)		1	10	22	37

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.
Note 2: In FY2015, IHGH changed its financial year end from 31 October 2015 to 31 December 2015. In this regard, the financial information for FY2015 covers the 14-month period 1 November 2014 to 31 December 2015.

In FY2014 BHL generated a turnover of €7.6 million, an increase of 17% on FY2013. During the year, eight Costa outlets were in operation in Malta with the Bay Street outlet only commencing operations in the latter quarter of FY2014. 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 three openings are projected for FY2016, out of which two have already opened, and revenue from the 11 outlets is anticipated to reach €6.9 million. The same outlets are expected to grow revenue by 6% to €7.3 million in FY2017 reflecting the full year operation of the three new outlets opened in the prior year.

The operation of Costa outlets in Spain commenced in FY2014 with one outlet opening in Barcelona. By end FY2015, TCCS opened a further nine outlets and generated €1.9 million in revenue. Looking ahead, the Group has resolved to slow down the tempo of outlet openings in Spain and as such, the original development strategy to open 75 outlets by 2018 will be extended over a longer period of time. The revised timeline will enable management to increase focus on achieving operating efficiencies in each new outlet. In this respect, the budgeted number of outlets in operation for FY2016 has been revised down from 36 to 22 outlets and projected revenue has been lowered from €15.1 million to €7.5 million. In FY2017, outlets in Spain are expected to amount to 37, being 24 outlets lower than original projections and revenue generation has been revised down from €29.8 million to €15.1 million.

'Other catering operations' principally relates to the concession at Mater Dei Hospital. Revenue derived from this activity in FY2014 amounted to €4.0 million and increased to €5.4 million in FY2015. The increase was mainly due to the additional two months' revenue in the financial year. Thereafter, management is projecting to generate €4.0 million in FY2016 and €4.1 million in FY2017.

6.16 OTHER ASSETS

In December 2010, IHI acquired the 'Corinthia' brand from Corinthia Palace Hotel Company Limited. The transaction provides for a two tier settlement whereby: (i) IHI initially paid the amount of €19.6 million for the existing room stock operated under the Corinthia brand; and (ii) IHI will also pay a pre-agreed price to Corinthia Palace Hotel Company Limited every time a Corinthia hotel opens for business until 2020. The amount of €19.6 million is recognised as an intangible asset in the balance sheet of 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 is set to 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 consequence 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. 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. 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. With regards to the remaining 60% of funding, MTJSC has in hand an approved and signed sanction letter from a Libyan financial institution. However, since the sanction letter was issued in 2014, it is expected that on resumption of works, the Libyan financial institution would request a revision of terms and conditions included in the said sanction letter. The project was put on hold in 2014 following the conflict in Libya and the prevailing political uncertainty.

IHI owns 20% of QPM Limited, a company which specialises in construction and the provision of project management services, both locally and overseas. QPM Limited 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 QPM Limited 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, QPM Limited is increasing its third party client base. In FY2014, the majority of QPM Limited's income was derived from third party clients' engagements.

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 2015 of IHGH at €21.6 million. The Group has initiated the process to formulate a design concept and to determine funding requirements for the development of the aforesaid site.

7. BUSINESS DEVELOPMENT STRATEGY

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

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

From a cost perspective, improved results are being achieved through the implementation of cost-control and energy-efficient measures at Group hotels, particularly since the acquisition of the IHGH Group and the merger of the two businesses.

The Group's strategy focuses on the operation of hotels that are 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. This recent acquisition will also allow the Group to diversify its revenue streams through the expansion of Costa Coffee outlets principally in Spain. 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. Furthermore, management remains active in the pursuit of new investment opportunities. In particular, if available at attractive prices and subject to funding, the Group is principally interested in acquiring hotels in its target markets, including key European cities.

Management contracts

The Group is seeking to expand its portfolio of hotels by entering into agreements to manage hotels for third party owners. Management believes that the strength of the Corinthia brand, its reservation system and online presence, and the quality of its existing operations, place it in a good position to establish such relationships, which are expected to gather momentum in the short to medium term, principally through the exposure that the Corinthia Hotel & Residences London gave to the international market.

8. FINANCIAL INFORMATION RELATING TO THE ISSUER

The financial information provided hereunder is extracted from the audited consolidated financial statements of IHI for each of the years ended 31 December 2013 to 31 December 2015.

The audit report contained in the audited consolidated financial statements for the year ended 31 December 2015 includes an emphasis of matter relating to the significant political and economic uncertainties prevailing in Libya and their impact on the Group's results for 2015. An overview of operations situated in Libya and related financial performance is provided in this report in sections 6.6 "Corinthia Hotel Tripoli" and 6.16 "Other Assets".

Note 5 to the 2015 financial statements further explains the significant uncertainties and judgments surrounding the valuation of the Group's assets in Libya that have also 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, which at 31 December 2015 were carried at €194.8 million.

The forecasted financial information for the years ending 31 December 2016 and 2017 has been provided by management of the Company.

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, assessment of future performance is more difficult to forecast 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)	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Projection	FY2017 Projection
Revenue	123,734	116,379	134,074	163,317	181,761
Direct costs	(64,152)	(61,147)	(70,326)	(87,154)	(98,346)
Gross profit	**59,582**	**55,232**	**63,748**	**76,163**	**83,415**
Other operating costs	(24,601)	(26,382)	(31,631)	(36,370)	(37,557)
EBITDA	**34,981**	**28,850**	**32,117**	**39,793**	**45,858**
Depreciation and amortisation	(23,763)	(18,390)	(20,093)	(21,719)	(22,626)
Movement in fair value of investment property	571	(15,391)	193	-	-
Net impairment of hotel properties	5,000	2,081	11,639	-	-
Results from operating activities	**16,789**	**(2,850)**	**23,856**	**18,074**	**23,232**
Share of (loss) profit: equity accounted investments	(5,788)	(14,537)	(2,557)	4,962	5,662
Net finance costs	(15,940)	(13,035)	(22,199)	(17,051)	(17,121)
Net fair value loss on interest rate swaps	1,789	1,466	-	-	-
Movement in fair value of indemnification assets	(883)	(879)	551	(210)	(210)
Profit (loss) before tax	**(4,033)**	**(29,835)**	**(349)**	**5,775**	**11,563**
Taxation	4,299	13,549	(3,398)	(3,323)	(4,567)
Profit (loss) for the year	**266**	**(16,286)**	**(3,747)**	**2,452**	**6,996**
Other comprehensive income					
Net impairment of hotel properties	(8,200)	(28,953)	21,105	-	-
Share of other comprehensive income of equity accounted investments	41,616	18,380	9,674	-	-
Other effects and tax	(7,447)	11,170	(15,883)	-	-
	25,969	**597**	**14,896**	**-**	**-**
Total comprehensive income (expense) for the year net of tax	**26,235**	**(15,689)**	**11,149**	**2,452**	**6,996**

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING

IHI Group Balance Sheet (€'000)	31 Dec'13 Actual	31 Dec'14 Actual	31 Dec'15 Actual	31 Dec'16 Projection	31 Dec'17 Projection
ASSETS					
Non-current assets					
Intangible assets	44,856	43,556	55,989	54,951	52,566
Indemnification assets	22,566	21,687	22,238	22,028	21,818
Investment property	191,964	176,675	166,274	166,274	166,274
Property, plant and equipment	534,558	494,971	572,103	565,729	562,463
Investments in associates	201,689	213,241	267,045	266,846	269,477
Loan receivable	44,332	3,208	3,728	4,629	4,585
Assets placed under trust management	2,303	7,967	3,870	8,823	2,145
	1,042,268	961,305	1,091,247	1,089,280	1,079,328
Current assets					
Inventories	5,454	5,307	6,280	6,420	6,892
Loan receivable	-	-	7,325	-	-
Trade and other receivables	31,819	23,309	33,032	37,969	38,025
Taxation	2,883	2,639	2,896	21	21
Cash and cash equivalents	10,248	19,480	18,863	32,035	42,587
	50,404	50,735	68,396	76,445	87,525
Total assets	**1,092,672**	**1,012,040**	**1,159,643**	**1,165,725**	**1,166,853**
EQUITY					
Capital and reserves					
Called up share capital	554,238	554,239	573,636	580,143	580,143
Reserves and other equity components	88,701	88,886	86,719	86,719	86,719
Retained earnings	(16,448)	(48,941)	(52,665)	(51,113)	(44,117)
Minority interest	-	630	598	598	598
	626,491	**594,814**	**608,288**	**616,347**	**623,343**
LIABILITIES					
Non-current liabilities					
Borrowings and bonds	292,729	271,464	342,616	369,572	347,194
Other non-current liabilities	97,332	82,938	108,740	112,902	109,181
	390,061	354,402	451,356	482,474	456,375
Current liabilities					
Borrowings and bonds	27,725	27,787	25,784	18,172	37,246
Other current liabilities	48,395	35,037	74,215	48,732	49,889
	76,120	62,824	99,999	66,904	87,135
	466,181	**417,226**	**551,355**	**549,378**	**543,510**
Total equity and liabilities	**1,092,672**	**1,012,040**	**1,159,643**	**1,165,725**	**1,166,853**

IHI Group Cash Flow Statement (€'000)	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Projection	FY2017 Projection
Net cash from operating activities	42,078	29,986	29,502	37,895	46,618
Net cash from investing activities	(4,287)	(4,160)	(28,555)	(32,192)	(13,902)
Net cash from financing activities	(43,666)	(13,467)	(7,133)	12,403	(23,304)
Net movement in cash and cash equivalents	**(5,875)**	**12,359**	**(6,186)**	**18,106**	**9,412**
Cash and cash equivalents at beginning of year	11,363	5,491	17,850	11,664	29,770
Cash and cash equivalents at end of year	**5,488**	**17,850**	**11,664**	**29,770**	**39,182**

Key Accounting Ratios	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**
Gross profit margin *(Gross profit/revenue)*	48%	47%	48%	47%	46%
Operating profit margin *(EBITDA/revenue)*	28%	25%	24%	24%	25%
Interest cover (times) *(EBITDA/net finance cost)*	2.19	2.21	1.45	2.33	2.68
Net profit margin *(Profit after tax/revenue)*	0%	-14%	-3%	2%	4%
Earnings per share (€)[1] *(Profit after tax/number of shares)*	0.00	-0.03	-0.01	0.00	0.01
Return on equity *(Profit after tax/shareholders' equity)*	0%	-3%	-1%	0%	1%
Return on capital employed *(Operating profit/total assets less current liabilities)*	3%	3%	3%	4%	4%
Return on assets *(Profit after tax/total assets)*	0%	-2%	0%	0%	1%

[1]Earnings per share calculation set out above has been based on the current number of shares in issue of the Company of 573,636,129 shares of €1 each.

Source: Charts Investment Management Service Limited

IHI's revenue for **FY2013** amounted to €123.7 million, reflecting an improvement of €5.2 million (+4%) on turnover registered in FY2012. This increase in revenue was mainly due to better results at properties in Tripoli (+19% y-o-y), Lisbon (+10% y-o-y) and St Petersburg (+8% y-o-y). In contrast, Corinthia Hotel Prague experienced a decline of 14% in revenue as a result of a lower occupancy level (-10%) and achieved average room rate (-4%) primarily in consequence of a 33% contraction in the conference & events business. The drop in turnover at Corinthia Hotel Prague was however mitigated by substantial cost savings at operational level. The other hotels recorded modest gains when compared to prior year. Overall, in FY2013 there was a significant increase in EBITDA of €7.3 million (+26%) over the results achieved in FY2012.

In FY2013, the property valuation of the Corinthia Hotel Lisbon was revised upwards by €5 million in view of the improved outlook at the hotel. In addition, a net uplift of €571,000 in the fair value of investment properties was recorded in the year under review (commercial property St Petersburg: +€400,000; commercial property Tripoli: +€200,000; apartments in Lisbon: -€29,000).

"Share of results from equity accounted investments" represents IHI's 50% equity shareholding in Corinthia Hotel & Residences London. As highlighted in section 8.1.9 of this document, operating profit generated by the hotel in its second year of operation improved significantly to £14.0 million (equivalent to €18 million) (FY2012: £7.8 million, equivalent to €10 million). However, after accounting for depreciation, property charges and finance costs the hotel incurred a loss for the year, of which, IHI's 50% share of such loss amounted to €5.8 million.

Net finance costs for FY2013 were lower by €1.6 million compared to prior year, primarily reflecting (i) the continued reduction of IHI Group indebtedness through regular repayments of borrowings; and (ii) the recognition of fair value gains on interest rate swaps. Overall, IHI registered a profit for the year ended 31 December 2013 of €0.3 million (FY2012: net loss of €10.4 million).

In view of the prolonged instability in Libya and the political issues between Russia and Ukraine, revenue generated at Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg in **FY2014** was lower than the prior year by circa €16.1 million. Such reduction was however partly compensated by increased revenues at the other IHI properties and therefore the overall decrease in income for the said financial year was limited to €7.4 million (a reduction of 6%). This reduction in income inevitably impacted IHI's EBITDA, which decreased by 18% from €35.0 million in 2013 to €28.9 million in 2014. The depreciation charge for 2014 reduced by more than €5.4 million (from €23.8 million in 2013 to €18.4 million in 2014) as no provision was required on assets that were fully depreciated.

In April 2014, 11 apartments in Whitehall Place London forming part of the Corinthia Hotel & Residences London, of which IHI holds a 50% stake, were sold to third parties. The penthouse apartment was retained and will be sold when the right opportunity arises. Except for one-off property costs resulting from the aforesaid sale of the apartments, the disposal had no effect on IHI's financial statements since the apartments were already valued at their market price in 2013. A loss was registered from equity accounted investments (London Hotel and Residences) for 2014 of €14.6 million, in consequence of building taxes, depreciation, interest and the one-time selling costs of the 11 apartments as the hotel performance registered a marginal improvement in performance in 2014 over 2013.

Finance costs in FY2014 were lower by approximately €2.9 million (from €15.9 million in 2013 to €13.0 million in 2014) as a result of reduced EURIBOR rates in 2014 coupled with the further reduction of IHI's debt in consequence of scheduled repayments of bank loans. After accounting for movements in fair value of properties described hereunder, IHI recorded a loss for the year ended 31 December 2014 of €16.3 million (2013: Profit of €0.3 million).

Analysis of Movements in Property Values for the year ended 31 December 2014 (€'000)	**Income Statement**	**Other Comprehensive Income**	**Total**
Corinthia Hotel Lisbon	1,240	13,728	**14,968**
Lisbon Apartments	(156)	-	**(156)**
Corinthia Hotel Budapest	10,357	-	**10,357**
Marina Hotel	1,766	-	**1,766**
Corinthia Hotel Tripoli	(8,038)	(26,814)	**(34,852)**
Tripoli Commercial Centre	(5,659)	-	**(5,659)**
Corinthia Hotel St Petersburg	(3,243)	(15,867)	**(19,110)**
St Petersburg Commercial Centre	(9,577)	-	**(9,577)**
Corinthia Hotel & Residences London	-	17,933	**17,933**
Net movement in property values	**(13,310)**	**(11,020)**	**(24,330)**
Classified in the financial statements as follows:			
Movement in fair value of investment property	(15,391)	-	**(15,391)**
Net impairment reversal (loss) on hotel properties	2,081	(28,953)	**(26,872)**
Revaluation of hotel property (equity accounted investments)	-	17,933	**17,933**
Net movement in property values	**(13,310)**	**(11,020)**	**(24,330)**

On a yearly basis, a value in use assessment is carried out on IHI's hotels and investment properties by independent advisors. This process involves the preparation of 10-year future cash flows prepared by an expert in the hospitality industry and financial modeling by an independent accountancy firm. In 2014, the aforesaid process was performed on all IHI properties other than the Corinthia Hotel Tripoli, due to the then current uncertain environment prevailing in Libya which presented significant difficulty for such advisors to determine a value in use of the property.

As such, a value in use on the Corinthia Hotel Tripoli was determined after the independent advisors presented several scenarios and parameters to the directors for their consideration. The directors resolved to adopt the more prudent basis of valuation by applying to the model higher country and other risk premia, and assumed a weaker outlook on future performance. In consequence, the value of the property was impaired by €34.9 million.

As denoted in the above table, IHI was negatively impacted in 2014 by a reduction of €69.2 million in the values of its properties in Tripoli and St Petersburg (hotels and commercial centres) as a consequence of the force majeure situation prevailing in each of the said jurisdictions and the devaluation of the Russian Rouble. On the other hand, through the robust performance achieved by a number of IHI's European hotels, IHI registered an improvement of €44.9 million in the fair values of such properties, most notably of which is the uplift in London (limited to 50% share), in Lisbon and in Budapest.

Overall, during the year under review, IHI reported a net impairment charge (before tax) in the fair value of its properties of €24.3 million (2013: +€36.8 million) which is reported as to €13.3 million in the Income Statement and €11.0 million in the Comprehensive Income Statement.

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 (together with the Corinthia Hotel & Residences London).

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 combined reduction of €9.7 million from the Group's hotels located in St Petersburg and Tripoli.

EBITDA for 2015, excluding the consolidation of the 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. This year's administrative costs 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 towards its maturity. IHI's 50% share of the hotel's EBITDA in 2015 amounted to €8.2 million as compared to €4.5 million in 2014. The residential penthouse at 10 Whitehall Place has been 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 amounted to €22.2 million, an increase of €9.2 million when compared to 2014. A significant portion of this increase (€8.5 million) represents 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).

Management is projecting significant growth in revenue for both **FY2016** and **FY2017** when compared to FY2015. The Corinthia Hotel St Petersburg is anticipated to report a gradual recovery in revenue, particularly in FY2017. The other hotels are expected to follow the trend of prior years and register healthy increases in revenue. FY2016 will be the first year in which the IHI group financials will incorporate a full year's results of IHGH. Overall, revenue is expected to increase from €132.5 million in FY2015 to €163.3 million in FY2016. Revenue is projected to increase further in FY2017 by €18.4 million, principally due to the substantial growth expected from the Costa Coffee operations in Spain and the partial recovery in the performance of the Corinthia Hotel St Petersburg.

Reflecting the improvement in revenue, IHI's EBITDA is expected to increase from €32.1 million in FY2015 to €39.8 million in FY2016 (+24%) and increase by a further 15% to €45.9 million in FY2017.

Share of profit from equity accounted investments is expected to amount to €.5.0 million in FY2016, as compared to a loss of €2.6 million in FY2015, and such amount is projected to increase further in FY2017 to €5.7 million.

After taking into account finance costs and taxation, IHI is projecting to generate a profit of €2.5 million and €7.0 million in FY2016 and FY2017 respectively (FY2015: loss of €3.7 million).

The estimates for the forward years as presented in this document assume that the carrying values of hotel and investment properties will remain constant in FY2016 and FY2017, and therefore no adjustment has been made as to possible impairment or uplift of assets that may be booked and which may materially affect the consolidated income statement and balance sheet values.

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'13 Actual**	**31 Dec'14 Actual**	**31 Dec'15 Actual**	**31 Dec'16 Projection**	**31 Dec'17 Projection**
Bank borrowings					
Bank loans	210,773	203,383	205,990	182,446	173,004
Bank overdrafts	4,760	1,630	7,199	2,265	3,405
	215,533	**205,013**	**213,189**	**184,711**	**176,409**
Bonds					
6.3% IHI Bonds 2013					
6.2% - 6.8% IHI Bonds 2013					
6.5% IHI Bonds 2012 - 2014	2,500				
6.25% IHI Bonds 2015 - 2019	34,678	34,762			
6.25% IHI Bonds 2017 - 2020	24,758	24,641	24,695	24,752	24,814
5.8% IHI Bonds 2021	19,592	19,633	19,676	19,722	19,771
5.8% IHI Bonds 2023	9,865	9,876	9,887	9,899	9,911
5.75% IHI Bonds 2025			44,060	44,138	44,220
4% IHI Secured Bonds 2026				54,086	54,182
6.5% IHGH Bonds 2017 - 2019			14,000	14,000	14,000
6% IHGH Bonds 2024			34,384	34,458	34,531
	91,393	**88,912**	**146,702**	**201,055**	**201,429**
Other interest bearing borrowings					
Parent company	13,236	5,092	3,091	-	-
Related companies	292	234	5,418	1,978	6,602
	13,528	**5,326**	**8,509**	**1,978**	**6,602**
Total borrowings and bonds	**320,454**	**299,251**	**368,400**	**387,744**	**384,440**

Key Accounting Ratios	**31 Dec'13**	**31 Dec'14**	**31 Dec'15**	**31 Dec'16**	**31 Dec'17**
Net assets per share (€) *(Net asset value/number of shares)*	1.13	1.07	1.06	1.07	1.09
Liquidity ratio (times) *(Current assets/current liabilities)*	0.66	0.81	0.68	1.14	1.00
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	33%	32%	36%	37%	35%
Debt service cover ratio (times) *(EBITDA/net finance cost and loan capital repayment)*	0.73	0.86	1.08	1.29	1.49

Source: Charts Investment Management Service Limited

The debt service cover ratio measures a company's ability to service its current debts by comparing EBITDA to total debt service obligations. In FY2015, the Group registered a debt service cover ratio of 1.08 times (FY2014: 0.86), being marginally higher than the target ratio of 1.0.

The improvement in ratio was principally due to an increase in EBITDA and lower loan capital repayments when compared to FY2014. On the other hand, net interest payable in FY2015 was higher by 9.2 million than in FY2014. The majority of this amount (€8.5 million) relates to adverse exchange differences on bank borrowings of Corinthia St Petersburg. The debt service cover ratio is expected to improve further in FY2016 and FY2017 as the Group is projecting y-o-y increases in EBITDA and lower net interest payments. The loan capital repayment obligations of the Group are expected to remain stable in each of FY2016 and FY2017.

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 funds as at the end of the financial years 31 December 2013 to 31 December 2017.

Contributions to Sinking Fund (€'000)	**31 Dec'13 Actual**	**31 Dec'14 Actual**	**31 Dec'15 Actual**	**31 Dec'16 Projection**	**31 Dec'17 Projection**
€35 million 6.25% Bonds 2015 - 2019	2,265	4,632			
€25 million 6.25% Bonds 2017 - 2020	38	3,335	3,363	6,243	
€20 million 5.8% Bonds 2021				1,073	2,145
€14 million 6.50% IHGH Bonds 2017 - 2019				507	1,507
	2,303	**7,967**	**3,870**	**8,823**	**2,145**

Variance Analysis

IHI Group Income Statement (€'000)	**FY2015 Actual**	**FY2015 Forecast**	**Variance**
Revenue	134,074	132,497	1,577
Direct costs	(70,326)	(53,896)	(16,430)
Gross profit	**63,748**	**78,601**	**(14,853)**
Other operating costs	(31,631)	(45,546)	13,915
EBITDA	**32,117**	**33,055**	**(938)**
Depreciation and amortisation	(20,093)	(19,875)	(218)
Movement in fair value of investment property	193	-	193
Net impairment of hotel properties	11,639	-	11,639
Results from operating activities	**23,856**	**13,180**	**10,676**
Share of loss: equity accounted investments	(2,557)	(160)	(2,397)
Net finance costs	(22,199)	(14,673)	(7,526)
Net fair value loss on interest rate swaps	-	-	-
Movement in fair value of indemnification assets	551	(880)	1,431
Loss before tax	**(349)**	**(2,533)**	**2,184**
Taxation	(3,398)	(187)	(3,211)
Loss for the year	**(3,747)**	**(2,720)**	**(1,027)**

As presented in the above table, the Group generated higher revenue in FY2015 than forecasted by €1.6 million, but costs were also higher than projections by €2.5 million, particularly in view of a €1.3 million charge for professional fees incurred on the consideration of an international bond, which had to be aborted. As a result, reported EBITDA was €0.9 million lower than expected to €32.1 million. The actual results were impacted by a higher loss from equity accounted investments of €2.4 million and net finance costs were higher by €7.5 million (principally due to adverse exchange differences on bank borrowings in Euro in St Petersburg). In contrast, there was a positive effect of pre-tax net uplifts in fair value of Group properties and indemnification assets of €13.3 million. Loss before tax was lower than projected by €2.2 million, but as a consequence of a higher than expected tax charge, the loss for the year was higher by €1.0 million at €3.7 million.

Related Party Listed Debt

Corinthia Palace Hotel Company Limited ("**CPHCL**") is the parent company and owns 58.49% of the issued share capital of IHI. CPHCL, through its wholly owned subsidiary Corinthia Finance p.l.c., has the following outstanding debt securities listed on the Malta Stock Exchange:

Security ISIN	Amount Listed	Security Name	Currency
MT0000101239	6,514,700	6.25% Corinthia Finance plc 2016-19	EUR
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
MT0000371238	28,519,400	7.15% MIH 2015-17	EUR
MT0000371246	4,351,100	7.15% MIH 2015-17	GBP
MT0000371253	7,120,300	7.15% MIH 2015-17	USD
MT0000371261	12,000,000	6% MIH 2021	EUR
MT0000371279	20,000,000	5.5% MIH 2020	EUR
n/a	11,000,000	6% Notes 2020 (unlisted)	EUR

Source: Malta Stock Exchange

9. FINANCIAL INFORMATION RELATING TO THE GUARANTOR

The following financial information is extracted from the audited financial statements of the Guarantor for each of the years ended 31 December 2013 to 31 December 2015. The forecasted financial information for the years ending 31 December 2016 and 2017 has been provided by management of the Company. **The projected financial statements relate to events in the future and are based on assumptions which the Guarantor believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.**

IHI Magyarország Zrt. Income Statement (€'000)	**FY2013 Actual**	**FY2014 Actual**	**FY2015 Actual**	**FY2016 Projection**	**FY2017 Projection**
Revenue	19,043	20,756	23,139	24,659	25,204
Direct costs	(9,603)	(9,866)	(10,413)	(10,788)	(11,003)
Gross profit	**9,440**	**10,890**	**12,726**	**13,871**	**14,201**
Other operating costs	(4,938)	(5,186)	(6,055)	(6,759)	(6,885)
EBITDA	**4,502**	**5,704**	**6,671**	**7,112**	**7,316**
Depreciation and amortisation	(1,846)	(1,910)	(1,882)	(1,987)	(2,004)
Results from operating activities	**2,656**	**3,794**	**4,789**	**5,125**	**5,312**
Net finance costs	(1,149)	(1,044)	(855)	(1,080)	(1,000)
Profit before tax	1,507	2,750	3,934	4,045	4,312
Taxation	(26)	95	(2,232)	(633)	(773)
Profit for the year	**1,481**	**2,845**	**1,702**	**3,412**	**3,539**
Other comprehensive income					
Net revaluation of hotel property	-	9,321	8,842	-	-
	-	9,321	8,842	-	-
Total comprehensive income for the year net of tax	**1,481**	**12,166**	**10,544**	**3,412**	**3,539**

IHI Magyarország Zrt. Cash Flow Statement (€'000)	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Projection	FY2017 Projection
Net cash from operating activities	3,679	5,489	7,275	7,509	7,317
Net cash from investing activities	(237)	(588)	(1,426)	(1,777)	(756)
Net cash from financing activities	(3,124)	(3,834)	(6,066)	(8,067)	(3,535)
Net movement in cash and cash equivalents	**318**	**1,067**	**(217)**	**(2,335)**	**3,026**
Cash and cash equivalents at beginning of year	3,391	3,709	4,776	4,559	2,224
Cash and cash equivalents at end of year	**3,709**	**4,776**	**4,559**	**2,224**	**5,250**

IHI Magyarország Zrt. Balance Sheet (€'000)	31 Dec'13 Actual	31 Dec'14 Actual	31 Dec'15 Actual	31 Dec'16 Projection	31 Dec'17 Projection
ASSETS					
Non-current assets					
Property, plant and equipment	86,152	95,300	104,800	104,460	103,212
Deferred tax asset	62	-	-	-	-
	86,214	95,300	104,800	104,460	103,212
Current assets					
Inventories	838	998	964	1,017	1,037
Trade and other receivables	2,146	1,330	1,396	1,460	1,483
Taxation	27	99	-	-	-
Cash and cash equivalents	3,709	4,776	4,559	2,224	5,250
	6,720	7,203	6,919	4,701	7,770
Total assets	**92,934**	**102,503**	**111,719**	**109,161**	**110,982**
EQUITY					
Capital and reserves					
Called up share capital	3,862	3,862	3,862	3,862	3,862
Reserves and other equity components	21,609	30,930	36,794	36,794	36,794
Retained earnings	(10,295)	(7,450)	(2,771)	642	4,181
	15,176	**27,342**	**37,885**	**41,298**	**44,837**
LIABILITIES					
Non-current liabilities					
Borrowings	70,694	67,650	62,205	57,715	55,715
Other non-current liabilities	-	879	3,883	3,981	3,981
	70,694	68,529	66,088	61,696	59,696
Current liabilities					
Borrowings	2,525	2,806	3,195	748	748
Other current liabilities	4,539	3,826	4,551	5,419	5,701
	7,064	6,632	7,746	6,167	6,449
	77,758	**75,161**	**73,834**	**67,863**	**66,145**
Total equity and liabilities	**92,934**	**102,503**	**111,719**	**109,161**	**110,982**

Key Accounting Ratios	FY2013	FY2014	FY2015	FY2016	FY2017
Gross profit margin *(Gross profit/revenue)*	50%	52%	55%	56%	56%
Operating profit margin *(EBITDA/revenue)*	24%	27%	29%	29%	29%
Interest cover (times) *(EBITDA/net finance cost)*	3.92	5.46	7.80	6.59	7.32
Net profit margin *(Profit after tax/revenue)*	8%	14%	7%	14%	14%
Earnings per share (€)[1] *(Profit after tax/number of shares)*	0.38	0.74	0.44	0.88	0.92
Return on equity *(Profit after tax/shareholders' equity)*	10%	10%	4%	8%	8%
Return on capital employed *(Operating profit/total assets less current liabilities)*	5%	6%	6%	7%	7%
Return on assets *(Profit after tax/total assets)*	2%	3%	2%	3%	3%

[1]Earnings per share calculation set out above has been based on the current number of shares in issue of the Company of 3,862,000 shares of €1 each.

Source: Charts Investment Management Service Limited

The Guarantor is a fully owned subsidiary of IHI, and is principally engaged in the ownership and operation of the Corinthia Hotel Budapest. An overview of the Guarantor's operations is provided in section 6.2 of this report.

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

IHI Magyarország Zrt. Borrowings (€'000)	31 Dec'13 Actual	31 Dec'14 Actual	31 Dec'15 Actual	31 Dec'16 Projection	31 Dec'17 Projection
Bank borrowings	31,383	29,235	26,937	-	-
Other interest bearing borrowings					
Amounts owed to Group company	377	508	748	748	748
Non-interest bearing borrowings					
Amounts owed to Parent company	41,459	40,713	37,715	57,715	55,715
Total borrowings	**73,219**	**70,456**	**65,400**	**58,463**	**56,463**

Key Accounting Ratios	**31 Dec'13**	**31 Dec'14**	**31 Dec'15**	**31 Dec'16**	**31 Dec'17**
Net assets per share (€)[1] *(Net asset value/number of shares)*	3.93	7.08	9.81	10.69	11.61
Liquidity ratio (times) *(Current assets/current liabilities)*	0.95	1.09	0.89	0.76	1.20
Gearing ratio *(Net debt/net debt and shareholders' equity)*	82%	71%	62%	58%	53%
Debt service cover ratio (times) *(EBITDA/net finance cost and loan capital repayment)*	1.42	1.45	2.12	3.11	7.32

[1]Net assets per share calculation set out above has been based on the current number of shares in issue of the Company of 3,862,000 shares of €1 each.

Source: Charts Investment Management Service Limited

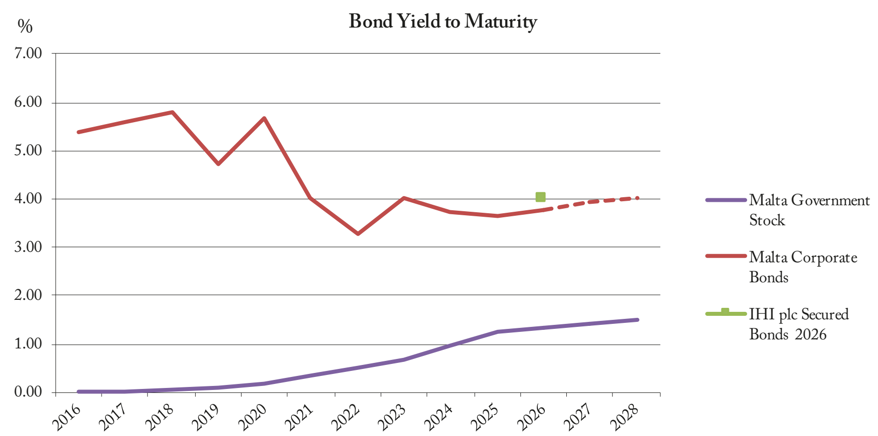
PART 4 - COMPARABLES

The table below compares the Group and the proposed bond issue 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 (%)**
6.8% Premier Capital plc € Bond 2017-2020	24,641,000	5.59	4.58	72,208	17,739	64.59
6.6% Eden Finance plc 2017-2020	13,984,000	5.67	3.10	145,427	76,648	38.42
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.27	n/a	58,098	11,734	61.87
6% AX Investments Plc € 2024	40,000,000	4.08	2.88	206,038	111,482	36.65
6% Island Hotels Group Holdings plc € 2024	35,000,000	3.78	0.58	145,140	54,053	53.19
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	3.75	3.49	67,669	25,823	57.66
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.73	0.05	81,842	31,150	55.46
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	4.10	2.32	70,543	6,592	86.78
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.42	1.50	90,867	26,315	71.30
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.76	1.13	1,357,869	641,031	41.81
4% International Hotel Invest. plc Secured € 2026	**55,000,000**	**4.00**	**1.45**	**1,159,643**	**608,288**	**36.49**

31 May'16

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 2026 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 swaps	An interest rate swap is a derivative instrument in which IHI swaps with another counter party flexible interest rate cash flows with fixed interest rate cash flows or vice versa. The fair value is an accounting adjustment to change the book value of the derivative to its estimated market value.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Key Performance Indicators	
Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Average room rate	Average room rate is calculated by dividing hotel room revenue by rooms sold. Hotels use this measure to calculate the average price at which they are selling hotel rooms each night.
Revenue per available room (RevPAR)	RevPAR is calculated by multiplying a hotel's average room rate by its occupancy rate. A hotel uses this indicator as a performance measure with other hotels in the same category or market to determine how well the hotel property is yielding.
Revenue generating index	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Profitability Ratios	
Gross profit margin	Gross profit margin is the difference between revenue and direct costs expressed as a percentage of total revenue.
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities (room revenue, food & beverage, rental income, hotel services, etc) of the Group.

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