Financial Analysis Summary

31 August 2020

Issuer

International Hotel Investments p.l.c.

MZ INVESTMENT SERVICES

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

31 August 2020

Dear Sirs

Financial Analysis Summary

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

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

(a) Historical financial data for the three years ended 31 December 2017 to 31 December 2019 has been extracted from audited financial statements of the Issuer for the three years in question.

(b) The projected data for the year ending 31 December 2020 has been provided by management.

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

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

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

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

Yours faithfully,

Evan Mohnani
Senior Financial Advisor

MZ Investment Services Ltd
63, St Rita Street,
Rabat RBT 1523,
Malta
Tel: 2145 3739

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PART 1 – INFORMATION ABOUT THE ISSUER

1. KEY ACTIVITIES

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

IMPORTANT EVENTS

Described hereunder are important events in the development of the Group's business since FY2016.

Corinthia Grand Astoria Hotel Brussels (opening 2023)

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

A planning permit was issued in December 2017 for the restoration of the historic ground floor and façade of the original hotel, as well as the reconstruction of all upper floors, adjoining land and town houses. The permit is a major gain in additional volumes and floors, for a total built up area of 16,000m^2. The new hotel will have 125 luxury bedrooms and suites. It will offer unrivalled amenities for the city of Brussels including a fully restored grand ballroom, an 850m^2 spa, various dining venues, boutique meetings' facilities and high-end retail shops.

Development of the Corinthia hotel in Brussels has been delayed due to intensive re-design and negotiations with various contractors with the objective to achieve a project price in line with the Group's targets. Discussions with a selected contractor are now nearing completion and the company expects to be in a position to award a main contract as soon as it is in the Group's interest to proceed with works on site. Project costs are being financed out of an equity injection of €20 million, a bank loan facility of €45 million granted by ARES Bank of Spain and €10 million from each of LAFICO and the Issuer, the ultimate shareholders of NLI Group (which shall be on-lent by NLI to its fully-owned subsidiary and the hotel-owning company, Hotel Astoria S.A.). The Issuer's contribution of €10 million was raised from a Bond Issue pursuant to a prospectus dated 4 March 2019.

Corinthia Meydan Beach Hotel (opening 2021)

In May 2016, CHL signed a technical services and pre-opening services agreement with Meydan Group of Dubai, to assist Meydan's architects, engineers and consultants in the planning and development of a 55-storey 360-room luxury hotel and residences to be operated under the Corinthia® brand on Jumeirah Beach in Dubai, UAE.

CHL has also entered into a management agreement in respect of this hotel for a 20-year term commencing as of the scheduled hotel opening date in 2021.

Acquisition of QPM Limited

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

Corinthia Hotel Bucharest (opening 2022)

In March 2018, CHL entered into a management agreement with the owners of the property, once re-developed, of the former Grand Hotel du Bulevard as the Corinthia Hotel Bucharest. Subsequent to the above signing, QP has since been engaged by the property owners to manage the development in all technical aspects. Design development of the regeneration of this listed property has commenced and works are expected to be completed in 2022. The reconstructed hotel will feature 33 suites as well as the fully restored Grand Ballroom and various dining and leisure venues.

Corinthia Palace Hotel Attard

In April 2018, IHI acquired the Corinthia Palace Hotel business in Attard through a new formed subsidiary from its ultimate parent, CPHCL. The operating results and assets and liabilities of the acquired business are consolidated with the Group as from 1 April 2018.

Shareholding in GHA Holdings Limited

In 2019, CHL acquired a 10% shareholding in GHA Holdings Limited ("**GHA**"). The other shareholders of GHA comprise Kempinski, Omni, Oracle, Pan Pacific and Minor Hotels.

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

Corinthia Hotel & Residences Moscow (opening 2023)

In February 2019, IHI acquired a 10% minority share for US$5.5 million in a company formed with a consortium of investors to acquire a landmark property at 10, Tverskaya Street, Moscow (the "**Moscow Project**"). The acquisition is being made with a view to developing the site, having a developable gross area of 43,000m^2, into a mixed-use real estate project including a luxury boutique 54-room Corinthia hotel, upmarket residential serviced apartments for re-sale, high-end retail and commercial outlets and underground parking. The asset is located on a prestigious boulevard in Moscow close to Red Square in a highly popular shopping, cultural and business location, as well as a luxury hotspot with other competing luxury brands, all in close proximity of each other. Works on foundations and excavations are underway and in their early stages.

Corinthia Hotel Rome (opening 2022)

The Group, through an investment fund, is redeveloping a hotel property in Rome which on completion, will be managed by CHL under a lease agreement. The property is the former seat of the Central Bank of Italy in Parliament Square. Plans are in hand for the conversion of the 7,500m^2 building into a luxury destination, featuring a number of suites and top of the range bedrooms. The luxurious public areas include 2 restaurants, bars and lounges, all wrapped around a central garden. The hotel also has a spa and other amenities. CDI is contracted to deliver the project, whilst CHI is the operator and lessee.

Corinthia Hotel Residences Doha (opening 2022)

CHL has signed an agreement with United Development Company (UDC), the Qatari master developer of The Pearl in Doha, to manage and operate a luxury Corinthia hotel to be built in UDC's newest flagship real estate development, Gewan Island. The Corinthia Hotel Doha will be built on a site having an area of 13,000m^2 and will feature 110 guestrooms, a 1,000-person banquet hall, several restaurants and a luxurious spa facility. The development will also include luxury branded villas, a golf course, and a beach club, all to be managed by CHL.

Hal Ferh Site (planning stage)

The Group has commenced a process to revise its plans for the Hal Ferh site at Golden Bay. A public consultation is underway to re-zone the site allowing residential use, besides tourism. Subject to permits, the Group intends developing a flagship low-rise, extensively landscaped resort and residential project, set within existing restrictions on building heights, volumes and footprints.

Event Catering

During 2019, the Issuer acquired the entire issued share capital and the businesses of Corinthia Caterers Limited and Catermax Limited from Corinthia Palace Hotel Company Limited.

2. DIRECTORS AND KEY EMPLOYEES

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

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

Board of Directors

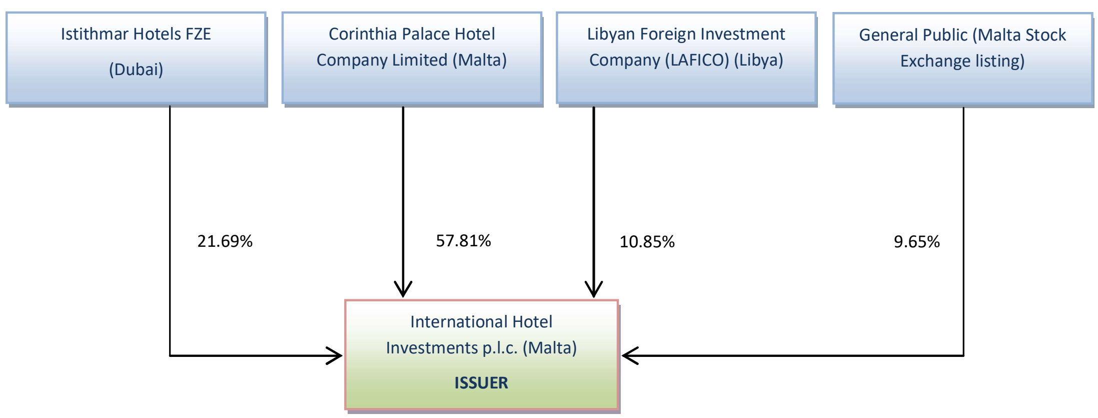
Mr Alfred Pisani	Chairman
Mr Salem Hnesh	Non-Executive Director
Mr Abdulnaser Ahmida	Non-Executive Director
Mr Hamad Buamin	Non-Executive Director
Mr Abuagila Almahdi (*resigned on 9 July 2020*)	Non-Executive Director
Mr Douraid Zaghouani	Non-Executive Director
Mr Joseph Pisani	Non-Executive Director
Mr Winston V. Zahra	Non-Executive Director
Mr Frank Xerri de Caro	Senior Independent Non-Executive Director
Dr Joseph J. Vella	Independent Non-Executive Director

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

The key members of the Company's management team, apart from the Chairman and the Joint Chief Executive Officers, are Jean-Pierre Schembri (Company Secretary), Neville Fenech (Group Chief Financial Officer), Marcus Pisani (Business Development Director) and Clinton Fenech (General Counsel). The weekly average number of employees engaged at the Issuer's corporate office and in its owned hotels during FY2019 amounted to 2,952 persons (FY2018: 2,710).

3. CORINTHIA GROUP ORGANISATIONAL STRUCTURE

The following diagram summaries, in simplified format, the structure of the Issuer and the position within the said Group of the Corinthia Group. The complete list of companies forming part of the Group is included in section 17 of the 2019 Annual Report & Financial Statements.



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

INTERNATIONAL HOTEL INVESTMENTS PLC
PRINCIPAL ASSETS AND OPERATIONS
AS AT 31 DECEMBER 2019

Name	Location	Description	% ownership	No. of hotel rooms
Corinthia Hotel Budapest	Hungary	Property owner	100	439
Corinthia Hotel St Petersburg	Russia	Property owner	100	385
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	551
Corinthia Hotel Tripoli	Libya	Property owner	100	300
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	283
Corinthia Grand Astoria Hotel Brussels*	Belgium	Property owner (under development)	50	125
Radisson Blu Resort St Julians	Malta	Property owner	100	252
Radisson Blu Resort & Spa Golden Sands	Malta	Property owner & vacation ownership operation	50	338
Corinthia Palace Hotel & Spa	Malta	Property owner	100	150
Corinthia Hotels Limited	Malta	Hotel management	100	n/a
QPM Limited	Malta	Project management	100	n/a
CDI Limited	Malta	Project development	100	n/a
Medina Tower	Libya	Mixed-use property (to be developed)	25	n/a
Corinthia Catering and Catermax	Malta	Event catering	100	n/a
The Heavenly Collection Ltd (Hal Ferh)	Malta	Vacant site (to be developed)	100	n/a
Costa Coffee	Malta/Spain	Retail catering	100	n/a
				3,791

** under control and management of IHI*

The following table illustrates the carrying values of the principal properties of the Issuer, accounted for in the audited consolidated balance sheet as at 31 December 2017, 2018 and 2019 under the headings: "investment property", "property, plant & equipment" and "investments accounted for using the equity method":

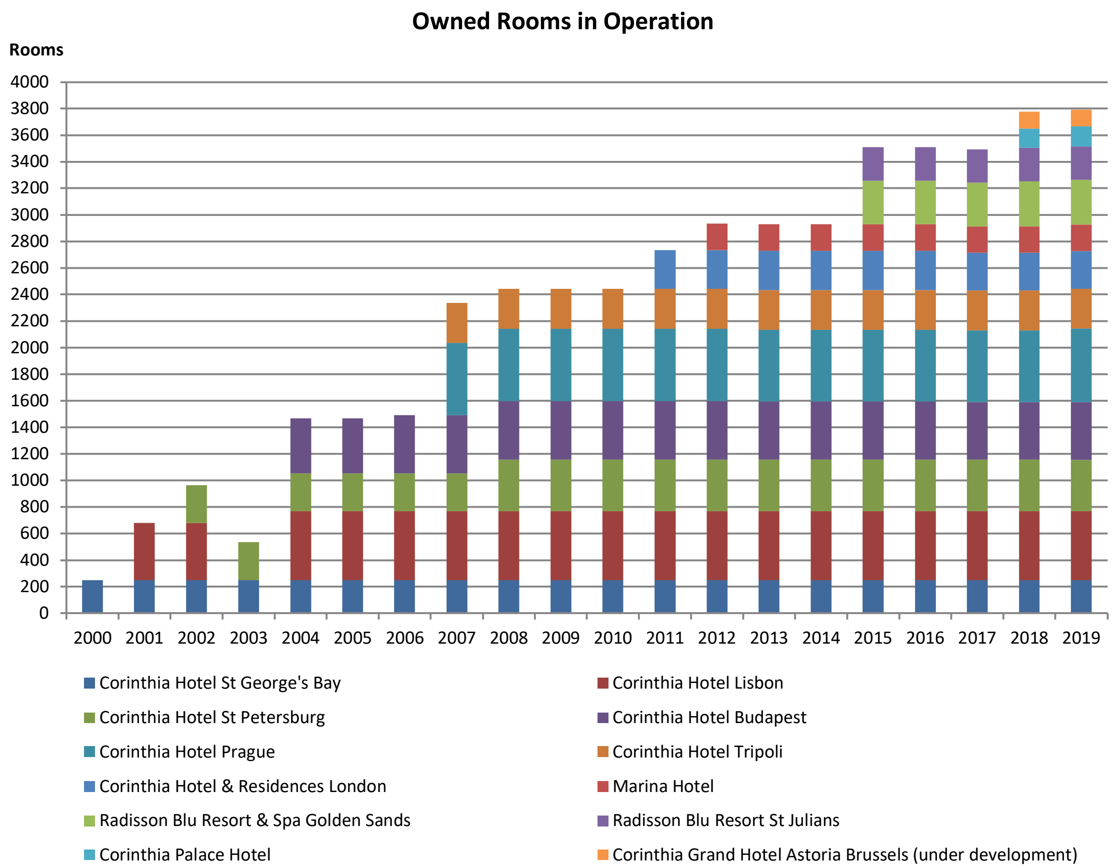
INTERNATIONAL HOTEL INVESTMENTS PLC VALUATION OF PRINCIPAL PROPERTIES AS AT 31 DECEMBER	**2017 (€'000)**	**2018 (€'000)**	**2019 (€'000)**
Investment Properties			
Commercial Centre St Petersburg	61,805	55,687	64,829
Commercial Centre Tripoli	68,243	73,743	73,743
Commercial Centre Lisbon	2,300	2,800	3,160
Site in Tripoli	29,500	29,500	29,500
Apartment in London	43,390	41,809	42,942
	205,238	**203,539**	**214,174**
Hotel Properties			
Corinthia Hotel St George's Bay	39,773	39,070	38,498
Radisson Blu Resort, St Julians	38,791	37,513	36,580
Corinthia Hotel Lisbon	97,409	114,736	116,943
Corinthia Hotel Prague	82,306	88,300	93,552
Corinthia Hotel Tripoli	78,881	76,367	74,106
Corinthia Hotel Budapest	121,617	121,874	122,744
Corinthia Hotel St Petersburg	84,488	79,022	88,690
Corinthia Hotel London	496,140	495,854	485,509
Corinthia Palace Hotel and Spa		28,915	30,925
Marina Hotel	30,957	30,500	29,918
	1,070,362	**1,112,151**	**1,117,465**
Joint Ventures and Associates			
Radisson Blu Resort & Spa Golden Sands (50%)	36,822	35,429	27,354
Medina Towers J.S.C. (25%)	12,604	12,760	12,790
	49,426	**48,189**	**40,144**
Assets in the Course of Development			
The Heavenly Collection Ltd (Hal Ferh)	21,758	21,800	21,800
Corinthia Grand Astoria Hotel Brussels	18,388	23,725	26,663
	40,146	**45,525**	**48,463**
Total	**1,365,172**	**1,409,404**	**1,420,246**

PART 2 – OPERATIONAL DEVELOPMENT

4. HOTEL PROPERTIES

4.1 ROOM INVENTORY

As at the date of this report, the Issuer fully owns 9 hotel properties and 50% in each of 3 other hotel properties (namely, Corinthia Hotel & Residences London, Corinthia Grand Hotel Astoria Brussels (under construction) and Radisson Blu Resort & Spa Golden Sands). The chart below sets out the growth in owned-room inventory of the Issuer since incorporation, which increased from 250 to 3,791 rooms over a span of 20 years.



Source: Management information.

Effects of COVID-19

The Group's hospitality operations have been dramatically impacted by the unprecedented COVID-19 pandemic, particularly following the closure of all the Group's hotels in March 2020. Although the majority of the Group's hotels have reopened for business, confirmed bookings are at very low levels and are expected to remain so for the rest of 2020. The situation is very fluid and the actual impact on the performance of each of the Group's hotels is highly dependent on the severity and duration of the pandemic.

4.2 CORINTHIA HOTEL BUDAPEST

Introduction

IHI Magyarország Zrt., a fully-owned subsidiary of the Company, owns the 439-room five-star Corinthia Hotel located in Budapest, Hungary ("**Corinthia Hotel Budapest**"). The carrying value of the Corinthia Hotel Budapest as at 31 December 2019 is €122.7 million (FY2018: €121.9 million).

Economic Update[1]

Before COVID-19, Hungary's economy was on track for a gradual slowdown after several years of outstanding growth. Real GDP rose by 4.9% in 2019, and the first monthly indicators in 2020 signalled continued momentum.

Economic performance in 2020 is expected to depend on the health impact of the virus, the sectoral specialisation of the economy, and the economic policy response. Confirmed case numbers have remained limited so far. Sanitary measures have severely restricted certain services. Tourism and transport, which account for half of service exports, are among the most affected sectors. Constraints on industrial and construction activity remain moderate, but the international recession can hit manufacturing particularly strongly due to the dominant role of highly cyclical industries (e.g. automotive). The initial policy measures have focused on liquidity provision, including a debt moratorium for all borrowers until the end of 2020, but the overall fiscal policy response has been muted so far.

Economic activity is estimated to have started contracting in March and should reach its trough in the second quarter of 2020. A gradual economic recovery is projected in the second half of the year as containment measures are assumed to be gradually lifted. Unemployment could rise sharply, due to the flexibility of the labour market. The liquidity support and temporary job protection measures offered to companies are expected to provide limited containment only. Consequently, household consumption is set to fall sharply. Declining demand and high uncertainty are expected to reduce private investment. The trade balance could improve thanks to the shrinking demand for imported consumer durables and capital goods, and also due to falling energy import prices. Thus, the current account is projected to return to a surplus after a modest deficit in 2019.

In 2020, GDP is projected to decrease by 7%, while unemployment rate could rise from an annual average of 3.4% in 2019 to 7%.

GDP is projected to bounce back by 6% in 2021, while the unemployment rate could fall back to 6%. Output could remain below its 2019 level, due to the gradual recovery of external demand and tourism flows, and domestic headwinds. The latter include elevated unemployment and limited income support to households, delaying the recovery of consumption and the lagged impact of declining house prices on real estate projects.

There are both upside and downside risks to the projection. More vigorous fiscal policy support could limit the economic fallout in 2020 and hasten the recovery in 2021. On the other hand, a wave of corporate bankruptcies could weigh on the recovery by restricting job creation and lending.

[1] European Economic Forecast – Spring 2020 (European Commission Institutional Paper 125 May'20).

Operational Performance

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

Corinthia Hotel Budapest	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**
Turnover (€'000)	25,820	26,360	28,054
Gross operating profit before incentive fees (€'000)	9,501	8,952	9,790
Gross operating profit margin (%)	37	34	35
Occupancy level (%)	80	81	80
Average room rate (€)	139	135	146
Revenue per available room (RevPAR) (€)	111	109	117
Benchmark performance			
Occupancy level (%)	79	79	80
Average room rate (€)	140	151	155
Revenue per available room (RevPAR) (€)	111	120	125
Revenue Generating Index	1.00	0.91	0.94

Source: Management information.

Positive results were achieved in FY2017 whereby the Hotel registered a 10% increase in RevPAR (y-o-y) and growth in revenue of €2.4 million from €23.4 million in FY2016 to €25.8 million. This y-o-y increase resulted in a €0.9 million improvement in gross operating profit. During FY2017, the hotel benefited from one-off international events and exhibitions which were organised at the HUNGEXPO – the largest multifunctional venue in Budapest.

In FY2018, management continued to implement a strategy of focusing more on increasing revenue from leisure, corporate and conference & event segments with progressive decreases in the volume of low rated sectors (such as groups and tour operator business). FY2018's revenue increased compared to FY2017 by €0.6 million (+2%) and amounted to €26.4 million (FY2017: €25.8 million), while gross operating profit decreased by €0.5 million from €9.5 million in FY2017 to €9.0 million mainly on account of a €2 decrease in RevPAR to €109.

In FY2019, management completed a refurbishment programme of the Hotel, which reflected positively in an improvement of 8% in average room rate from €135 in FY2018 to €146 whilst occupancy was maintained at 80% (FY2018: 81%). As such, during the year under review, revenue increased by €1.7 million (+6%) and amounted to €28.1 million (FY2018: €26.4 million). Gross operating profit increased in FY2019 from €9.0 million in FY2018 to €9.8 million (+9%) and gross operating profit margin improved by 1 percentage point to 35%.

In FY2017, the Hotel performed at a similar level to its competitive set, as evidenced by the achieved revenue generating index (RGI) of 1.00. In FY2018, the Hotel performed below its benchmark at an RGI of 0.91, which recovered to some extent in FY2019 (RGI: 0.94).

4.3 CORINTHIA HOTEL ST PETERSBURG

Introduction

IHI Benelux B.V. (a fully-owned subsidiary of the Company) owns the 385-room five-star Corinthia Hotel located in St Petersburg, Russia ("**Corinthia Hotel St Petersburg**"). A renovation programme was completed in 2018 at a cost of €3.4 million and comprised the refurbishment of all 280 bedrooms and suites in the Hotel's original wing. In Q3 2019, the Hotel commenced the development of a derelict building with a footprint measuring *circa* 1,500 square metres situated behind the Hotel. The estimated cost of this development is set at €2.6 million and will consist in the creation of a car park and further office space. Due to the COVID-19 pandemic, this latest project has been put on hold. The carrying amount of the Corinthia Hotel St Petersburg and the commercial centre (Nevskij Plaza Shopping and Office Centre) as at 31 December 2019 is €88.7 million (FY2018: €79.0 million) and €64.8 million (FY2018: €55.7 million) respectively.

Economic Update[2]

The economic activity slowed down to 1.3% in 2019, as investments and external demand were sluggish. Still, public investments into national projects, a major programme of mostly infrastructure spending to stimulate potential growth, accelerated towards the end of 2019 resulting in a gradual pick up of economic activity.

Real GDP growth was expected to strengthen further in 2020, but the negative economic impact of the virus outbreak will be significant. First, oil prices collapsed to 18-year lows in March amidst a 25% plunge in global oil demand and the breakdown of the OPEC+ agreement to cut supply. Confronted with the price shock of this scale, oil producers, including Russia, finally agreed in April to cut production by 10%. Second, in end-March the authorities announced a quarantine in Moscow and some other regions, requiring non-essential businesses to close and people to remain indoors. Third, global demand and prices for metals also dwindled limiting further non-oil export revenues. Finally, tourism, a rapidly growing but still relatively a small sector of the economy, has been hampered by strict travel restrictions.

The lockdown measures were originally less severe than in other countries, but were stepped up with accelerating infections in April. These measures have a significant negative effect on consumption that is expected to decline sharply, as most outside activity is curtailed. However, fiscal measures are likely to cushion part of the slump as automatic stabilisers start to work and social spending is expected to rise. At the same time, corporate and household incomes are set to dwindle. Oil revenues might shrink by half if current price trends continue, putting further pressure on export-related incomes. Private investment is set to be subdued in 2020, as the situation of SMEs is deteriorating rapidly and the energy sector is unlikely to spend in the current circumstances.

On the external side, exports are set to plummet, as commodity prices fall and foreign demand shrinks, although imports are projected to fall less reflecting their lower dependence on consumption. All in all, contribution of external trade is set to turn highly negative before recovering towards the end of the forecast horizon. Against this backdrop, real GDP is likely to fall by 5% in 2020, more than in 2015 (-2.3%) when the previous oil price crisis and Western sanctions battered the economy.

[2] European Economic Forecast – Spring 2020 (European Commission Institutional Paper 125 May'20).

Recovery in 2021 is likely to be subdued with real GDP growing by 1.5% as income losses and uncertainty among consumers are set to continue hampering consumption. Investments are expected to be held back by a cautious attitude of Russian authorities, while recovering external demand is likely to boost trade.

The major risk to the downside is a possible market exit of SMEs at a larger scale than anticipated accompanied by massive job losses. On the upside, world oil demand could rebound earlier than expected on swifter recovery of the global economy resulting in higher export revenues and a boost to domestic demand.

Operational Performance

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

Corinthia Hotel St Petersburg	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**
Turnover (€'000)	15,789	16,500	16,243
Gross operating profit before incentive fees (€'000)	7,076	8,522	7,857
Gross operating profit margin (%)	45	52	48
Occupancy level (%)	58	54	60
Average room rate (€)	141	165	144
Revenue per available room (RevPAR) (€)	82	89	87
Benchmark performance			
Occupancy level (%)	63	65	61
Average room rate (€)	181	187	196
Revenue per available room (RevPAR) (€)	114	122	122
Revenue Generating Index	0.72	0.73	0.71

Source: Management information.

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

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

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

Revenue in FY2019 amounted to €16.2 million, a decrease of €0.3 million from FY2018, while gross operating profit declined from €8.5 million in FY2018 to €7.9 million. The average room rate in the prior year was relatively high (at €165 compared to €144 in FY2019) principally due to FIFA World Cup event, which was partly offset by an increase in occupancy in FY2019 of 6 percentage points to 60% (FY2018: 54%).

Compared to benchmark, the Hotel's occupancy level is broadly in line with its competitive set (60% vs 61% respectively). However, the Hotel's achieved average room rate lagged its benchmark by 27% (€144 vs €196 respectively), which inevitably impacted RGI. During the 3 years under review, the Hotel has underperformed its competitive set and achieved an average RGI of 0.72.

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)	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**
Turnover (€'000)	5,828	5,229	4,751

Source: Management information.

The commercial properties comprise a mix of commercial areas, shops and office space, with total rentable area in excess of 11,600 square metres. The property is practically fully occupied.

4.4 CORINTHIA HOTEL LISBON

Introduction

Alfa Investimentos Lda (a fully-owned subsidiary of the Company) owns the 518-room five-star Corinthia Hotel located in Lisbon, Portugal ("**Corinthia Hotel Lisbon**"). A renovation programme is presently underway at an estimated cost of €14 million. The refurbishment started in November 2016 and will be finalised during FY2020. The programme comprises the complete refurbishment of all room stock at the hotel to upgrade the product, including brand new bathrooms and an upgrading to the fit-out to the hotel bedrooms. The refurbishment will be carried out in phases sealing off two to three floors at a time without causing any disturbance to the on-going operation of the hotel which continues to operate normally. Works on the first 17 floors have already been completed and the finished product has been received well by the market. The programme of works is on schedule.

The carrying amount of the Corinthia Hotel Lisbon as at 31 December 2019 is €116.9 million (FY2018: €114.7 million). Alfa Investimentos Lda also owns an apartment block in Lisbon for investment purposes, valued at €3.1 million as at 31 December 2019 (FY2018: €2.8 million).

Economic Update[3]

Portugal's economy had been performing strongly up until the end of February 2020, but the economic situation changed dramatically in March when the COVID-19 pandemic hit. Authorities announced containment measures on 12 March and a state of emergency on 18 March with further restrictions on mobility. Many businesses

[3] European Economic Forecast – Spring 2020 (European Commission Institutional Paper 125 May'20).

suspended operations with tourism being the hardest hit. The European Commission's economic sentiment indicator deteriorated strongly in March. Service providers reported the largest decline, while construction firms were the least affected. All in all, after growing by 2.2% in 2019, the economy is now projected to contract by 6.75% in 2020 and to rebound by 5.75% in 2021. As a result, GDP is projected to remain below its 2019 levels well into 2021. Risks are tilted to the downside, given Portugal's reliance on foreign tourism.

Domestic demand is expected to contract substantially in 2020. Private consumption is projected to drop at a slightly lower rate than GDP as policy measures partly offset household income losses. Investment in equipment is expected to be the hardest hit due to lingering uncertainty and disruptions to global supply chains. At the same time, investment in construction is expected to be more resilient, benefiting from the cycle and the newly introduced flexibility in EU funds.

Both exports and imports are projected to drop at double digit rates in 2020 and to recover substantially in 2021. Exports are set to decrease relatively more, in light of the sizeable revenues Portugal typically earns from foreign tourists (about 8.7% of GDP in 2019) and targeted social distancing measures affecting services over the second half of 2020. Still, the strong drop in equipment investment and durable goods consumption weighs down on imports and should partly offset the fall in exports. In nominal terms, the trade balance is also expected to benefit from the drop in oil prices keeping the overall current account at a relatively small deficit.

It is expected that the economic and social consequences of the COVID-19 pandemic will cause a sizeable deterioration in the general government balance in 2020, reflecting the operation of the automatic stabilisers and the need for significant fiscal policy support. The government adopted fiscal policy measures to reinforce the response capacity of the health system, protect jobs, provide social support and safeguard firms' liquidity, with an estimated overall direct budgetary cost of around 2.5% of GDP. As a result, a general government deficit of 6.5 of GDP is projected in 2020. This deterioration is driven by increases in most expenditure items (particularly subsidies and social transfers), as well as decreases in current revenue reflecting a strong contraction in the relevant tax bases. Under a no-policy-change assumption, the deficit is projected to decrease swiftly in 2021, on the back of the expected economic recovery and the phasing-out of fiscal policy measures taken to tackle the pandemic.

Operational Performance

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

Corinthia Hotel Lisbon	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**
Turnover (€'000)	24,753	26,404	28,621
Gross operating profit before incentive fees (€'000)	8,128	8,667	9,419
Gross operating profit margin (%)	33	33	33
Occupancy level (%)	69	69	66
Average room rate (€)	133	140	150
Revenue per available room (RevPAR) (€)	92	96	99
Benchmark performance			
Occupancy level (%)	72	71	74
Average room rate (€)	130	146	153
Revenue per available room (RevPAR) (€)	94	104	113
Revenue Generating Index	0.98	0.92	0.88

Source: Management information.

The Hotel's positive y-o-y trend continued in FY2017, as it registered an increase in revenue of €2.8 million (+13%) from €21.9 million in FY2016 to €24.8 million, and gross operating profit increased from €6.7 million in FY2016 to €8.1 million in FY2017 (+21%). Management has continued to focus on higher yielding segments (leisure and conference & events).

In FY2018, revenue increased y-o-y by €1.6 million (+7%) to €26.4 million, principally due to a €7 increase in the average room rate to €140. This had a positive impact on gross operating profit, which increased from €8.1 million in FY2017 to €8.7 million in FY2018. FY2019 was another positive year where the Hotel registered an 8% increase in revenue and a 9% improvement in gross operating profit. The growth in revenue of €2.2 million to €28.6 million was achieved following a 7% increase in average room rate, from €140 in FY2018 to €150.

Notwithstanding the y-o-y improvement in results, the Hotel's performance has lagged its competitive set. In FY2018 and FY2019, the Hotel's occupancy level and average room rate was below benchmark in consequence of the on-going refurbishment works which reduced available hotel inventory and resulted in an RGI of 0.92 and 0.88 respectively.

4.5 CORINTHIA HOTEL PRAGUE

Introduction

IHI Towers s.r.o. (a fully-owned subsidiary of the Company) owns the 551-room five-star Corinthia Hotel located in Prague, Czech Republic ("**Corinthia Hotel Prague**"). The carrying amount of the Corinthia Hotel Prague as at 31 December 2019 is €93.6 million (FY2018: €88.3 million).

Economic Update[4]

Before the COVID-19 pandemic, Czech Republic's economy was on track for a gradual slowdown after several years of sustained growth. This was largely reflected in weakening confidence indicators and a drop in industrial production throughout 2019 and early 2020.

In 2020, the COVID-19 pandemic is expected to lead to a sharp decline in GDP growth of -6.25%. Nonetheless, the magnitude of the fall will largely depend on the effectiveness of government measures and how quickly global demand rebounds after the shock. Czech Republic implemented lockdown measures early and has been lifting them progressively since early May, considering the current evolution of the pandemic. Thus, output is estimated to shrink by over 9% in the second quarter of 2020. The economy should then gradually recover from the third quarter onwards, but the impact on sectors such as transport, hospitality and tourism may last longer. In 2021, GDP is expected to grow by 5%, and recover the loss only partially. The upturn is forecast to be mainly driven by an increase in private consumption and investment.

Private consumption, which was the driver of growth in past years, is set to drop by around 4.5% in 2020. Households will likely defer consumption of durable goods and build precautionary savings as uncertainty remains high. Unemployment is expected to be impacted as well, reaching around 5%, but its increase should be cushioned by the government's measures, a previously tight labour market and a low share of temporary contracts.

Investment is expected to contract sharply in 2020 by nearly 15%, owing to value-chain disruptions, increasing uncertainty and workforce shortages during the lockdown period. Reinforcing already prevalent structural challenges, the automotive sector is set to be particularly hit by the COVID-19 crisis, fuelling a large drop in equipment investment. On the other hand, the fall in construction investment may be softened by the sector's order stock and its reliance on local supply-chains. However, expectations of declining house prices could limit the scope for recovery in construction investment even in 2021. Public investment growth should be negligible in 2020, but is expected to rebound significantly in 2021.

Trade is set to be impacted strongly due to the structure of Czech Republic's exports. The highly cyclical nature of some sectors (e.g. the automotive sector) will likely cause a drop in the trade balance of goods in 2020, before gradually recovering in 2021. Services should also be strongly affected, although its trade balance is expected to decrease only mildly in 2020 and to remain stable in 2021.

[4] European Economic Forecast – Spring 2020 (European Commission Institutional Paper 125 May'20).

Operational Performance

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

Corinthia Hotel Prague	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**
Turnover (€'000)	19,256	20,099	20,454
Gross operating profit before incentive fees (€'000)	5,950	6,373	6,396
Gross operating profit margin (%)	31	32	31
Occupancy level (%)	73	74	76
Average room rate (€)	83	86	85
Revenue per available room (RevPAR) (€)	60	63	65
Benchmark performance			
Occupancy level (%)	81	79	77
Average room rate (€)	113	114	119
Revenue per available room (RevPAR) (€)	92	91	92
Revenue Generating Index	0.65	0.69	0.71

Source: Management information.

Turnover in FY2017 amounted to €19.3 million, an increase of €2.4 million (+14%) when compared to the prior year, while gross operating profit increased by 15% from €5.2 million in FY2016 to €6.0 million. In FY2018, revenue reached €20.1 million, an increase of 4% from a year earlier, mainly due to an increase in occupancy from 73% to 74% and an increase in average room rate from €83 in FY2017 to €86 in FY2018. Gross operating profit increased by 7% from €6.0 million in FY2017 to €6.4 million in FY2018.

Performance in FY2019 was broadly unchanged when compared to FY2018, with achieved revenue amounting to €20.5 million (FY2018: €20.1 million) and gross operating profit of €6.4 million (FY2018: €6.4 million). RevPAR in FY2019 amounted to €65 compared to €63 in the prior year. Management's strategy is to 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* 26% 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 an increase in conference & events business organised at the (neighbouring) Prague Congress Centre. The RGI improved marginally in FY2019, from 0.69 in FY2018 to 0.71.

4.6 CORINTHIA HOTEL TRIPOLI

Introduction

Corinthia Towers Tripoli Limited (a fully-owned subsidiary of the Company) owns the 300-room five-star Corinthia Hotel located in Tripoli, Libya ("**Corinthia Hotel Tripoli**"), and a commercial centre measuring *circa* 10,000 square metres and a tract of undeveloped land, both of which are adjacent to the hotel. The carrying amounts of the Corinthia Hotel Tripoli, commercial centre and the adjacent plot as at 31 December 2019 are €74.1 million, €73.7 million and €29.5 million respectively (FY2018: €76.4 million, €73.7 million, €29.5 million), for a combined total of €177.3 million.

Market Overview[5]

The recent economic recovery has been short-lived, stalled in early 2019 by the most serious political crisis facing Libya since 2011. The outbreak of the war around Tripoli in April 2019 prevented Libya from continuing its strong economic expansion. Indeed, after its deep recession over 2013-16, driven by limited oil production (0.6 million bpd on average vs. a potential of 1.6 million bpd), the Libyan economy was able to substantially increase oil production above one million bpd on average over 2017-2019. As a result, real GDP growth reached an average of 21% during 2017-18, but slowed down sharply to 2.5% in 2019, and is expected to be negative in 2020.

The ongoing fight around Tripoli and the subsequent failure of the political rivals to reach a sustained peace deal have taken a heavy toll on the economy, which the COVID-19 pandemic is further exacerbating. In this context, the production and export of oil has almost come to a stop since 18 January 2020, due to the closure of oil ports and terminals. Assuming the disruption comes to an end, and oil production resumes slowly to reach last-year's average production level by the end of the year, Libya would only produce a daily average of 0.67 million bpd this year (about half of last year's). As a result, GDP growth will be negative in 2020 (minus 19.4%), but will rebound by 22.2% in 2021, before stabilising around 1.4% thereafter.

Risks to the baseline forecast are unusually high and tilted to the downside. First, peace and stability seem illusive given the conflicting agendas of the foreign countries supporting the main parties involved in the fight for power and wealth, which would delay recovery and stability. The disruption of oil production and export may continue for a longer period with disastrous economic and social consequences. Second, the ongoing spread of the COVID-19 infection in Europe is disrupting both demand and supply of commodities. Libya may suffer from lower demand for oil, reducing Libya's income. It might also face lower supply of equipment and final consumption goods, which would disrupt further basic services delivery and increase the hardship of the population. Third, in case the spread of COVID-19 intensifies domestically, exacerbated by weak enforcement of social distancing and its high contagion among displaced people and migrants, it would be hard to address and contain the infection because of the decrepit health system.

[5] https://www.worldbank.org/en/country/libya/publication/economic-update-april-2020.

Operational Performance

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

Corinthia Hotel Tripoli	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**
Turnover - Hotel operations (€'000)	2,040	3,778	3,156
Turnover - Commercial Centre (€'000)	5,543	6,927	6,736
Gross operating profit before incentive fees (€'000)	2,510	4,061	4,997
Gross operating profit margin (%)	33	38	51
Occupancy level (%)	5	5	4
Average room rate (€)	187	178	205
Revenue per available room (RevPAR) (€)	4	8	7

Source: Management information.

Despite the ongoing instability in Libya, the Commercial Centre has remained operational and practically fully occupied and to date, its performance remains largely unaffected by the political conflicts that the country is witnessing.

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

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

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

Although in 2018 low room occupancy was registered at the Corinthia Hotel Tripoli, there was a sizeable food and beverage activity at the hotel. Furthermore, the adjoining office and commercial centre is practically fully leased to international blue-chip companies. In consequence, the Hotel registered aggregate revenue of €10.7 million in FY2018 compared to €7.6 million in the prior year (+41%). In turn, gross operating profit increased by €1.6 million (y-o-y) to €4.1 million. Revenue in FY2019 decreased to €9.9 million compared to €10.7 million (-7%), but gross operating profit improved from €4.1 million to €5.0 million, primarily on account of lower operating costs incurred at the hotel.

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

4.7 CORINTHIA HOTEL & RESIDENCES LONDON

Introduction

NLI Holdings Limited (equally owned by the Libyan Foreign Investment Company (LAFICO) and IHI) owns the 283-room luxury Corinthia Hotel located in London, United Kingdom ("**Corinthia Hotel London**"), together with a penthouse apartment which is leased to a third party. The carrying amount of the Corinthia Hotel London (including the penthouse) as at 31 December 2019 is €528.5 million (FY2018: €514.4 million).

Economic Update[6]

UK GDP growth was very volatile throughout 2019. This was in part due to fears of a possible disorderly exit from the EU in March and October, which led to stockpiling and other mitigation activities, temporarily boosting growth in the first and third quarter of 2019. The subsequent unwinding of stocks had a negative effect on GDP growth in the second and fourth quarters. Overall, UK GDP grew by 1.4% in 2019, up slightly from 1.3% in 2018.

Following the UK's withdrawal from the EU on 31 January 2020 and the entry into force of the Withdrawal Agreement, the UK entered a transition period during which EU law, with a few exceptions, continues to apply to and in the UK. The transition period lasts until the end of 2020, with the possibility of an extension. Projections for 2021 are based on a purely technical assumption of status quo in terms of trading relations between the EU and the UK. This is for forecasting purposes only and has no bearing on the negotiations between the EU and the UK on their future relations.

To contain the spread of the COVID-19 pandemic, the UK government implemented a lockdown from late March onwards, leading to a sharp slowdown in business activity in many sectors, particularly hospitality. Consequently, private consumption and investment are expected to fall sharply in the second quarter of 2020. As containment measures are eased, private consumption is expected to rebound quickly in the second half of the year, supported by an expansionary fiscal policy. Business investment is also expected to rebound, although with uncertainty about the UK's future trading relations continuing to weigh on investment. Public consumption is expected to contribute significantly to GDP growth in 2020, while net exports are projected to weigh on growth. Overall, UK GDP is expected to fall by 8.25% in 2020.

Private consumption is expected to be the main driver of growth in 2021, with public consumption growth slowing. Investment is expected to contribute positively to growth, while net exports are projected to continue to weigh on growth. Reflecting this and the purely technical assumption on EU-UK trade relations, UK GDP is expected to grow by 6 % in 2021. The risks to the UK GDP forecast are tilted to the downside.

The general government deficit is expected to have increased to 2.5% of GDP in 2019-2020, from 1.8% in 2018-2019. This is the first increase of the deficit after several years of fiscal tightening, mainly due to planned increases in departmental spending. The spread of COVID-19 also had some negative impact on the fiscal balance in the first quarter of 2020.

In the Budget in March, the UK government announced significant fiscal loosening, in particular higher resource and capital spending. In addition, in the Budget and in the following weeks, government announced several fiscal measures to deal with the consequences of COVID-19. These measures amount to around 5.5% of GDP, and include income support for employees and self-employed workers, support for businesses and an increase in welfare spending. Based on a no policy change assumption, the measures are assumed to only have temporary

[6] European Economic Forecast – Spring 2020 (European Commission Institutional Paper 125 May'20).

effect in 2020-2021. The government has also provided credit guarantees for bank loans of about 16% of GDP, creating contingent liabilities. The additional spending, in combination with the economic downturn expected for 2020 lead to an expected increase in the general government deficit in 2020-2021 to 10.75%, slightly higher than at the height of the financial crisis in 2009. The general government deficit is then expected to fall to 6.5% in 2021-2022.

Operational Performance

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

Corinthia Hotel London	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**
Turnover (£'000)	57,929	61,370	65,358
Gross operating profit before incentive fees (£'000)	18,019	20,594	19,588
Gross operating profit margin (%)	31	34	30
Occupancy level (%)	74	76	78
Average room rate (£)	480	486	499
Revenue per available room (RevPAR) (£)	356	369	391
Benchmark performance			
Occupancy level (%)	68	71	67
Average room rate (£)	584	606	661
Revenue per available room (RevPAR) (£)	395	432	443
Revenue Generating Index	0.90	0.85	0.88

Source: Management information.

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

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

The Hotel's performance in FY2018 improved considerably compared to FY2017, where revenue and gross operating profit increased by 6% and 14% respectively and amounted to £61.4 million and £20.6 million respectively. During the year, the Hotel was nearing completion of the conversion of 22 bedrooms into 11 suites, thus enabling management to target higher rated business.

Revenue for FY2019 increased by 6% to £65.4 million on account of a £22 increase in RevPAR from £369 in FY2018 to £391. Notwithstanding, gross operating profit decline by £1.0 million on a comparable basis to £19.6 million because a significant part of the increase in revenue came from the food and beverage department, which has a much lower contribution than increases in rooms' revenue.

The gap between the Hotel's performance and its benchmark improved considerably in FY2017 to an RGI of 0.90 (FY2016: 0.79), as the Hotel's occupancy was higher than its competitive set by 6 percentage points, mitigated however by an adverse variance in average room rate of £104. In FY2018, the Hotel achieved a higher occupancy level when compared to its benchmark by 5 percentage points to 76%, however average room rate was lower by 20% or £120. As such, the Hotel reported an RGI of 0.85 in FY2018 compared to 0.90 during the prior year. In FY2019, the Hotel achieved a higher occupancy level compared to benchmark, but average room rate was 25% below its competitive set. Consequently, the RGI for FY2019 increased from 0.85 in FY2018 to 0.88.

4.8 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**"). The carrying amount of the Corinthia Hotel St George's Bay as at 31 December 2019 is €38.5 million (FY2018: €39.1 million).

Economic Update[7]

After annual real GDP growth of 7.3% in 2018 and 4.4% in 2019, Malta's economy had already started to show signs of cooling before the COVID-19 outbreak. Domestic demand has been the main growth driver, underpinned by robust private consumption and investment. Economic sentiment had eased in recent months, but remained strong with steady confidence in industry and construction. Although exports have been losing steam, tourism still contributed significantly to GDP growth.

Malta's economy will be severely affected by the COVID-19 pandemic this year. GDP is expected to contract by around 5.75% but should rebound by 6.0% in 2021. The lockdown and closure of non-essential businesses since 26 March 2020 is weighing on private consumption and service exports, with limited room for expenditure on recreation or food services. However, the initial tightness in the labour market and households' high saving rate may cushion the crisis' impact on consumption. Some large-scale investment projects in health and infrastructure are continuing, while other plans have been postponed.

The external sector is set to contribute negatively this year, reflecting a weaker external environment, elevated global uncertainty and a substantial decline in tourism revenues. A fall in domestic demand is expected to drag imports down at a slower pace than exports in 2020, before imports growth outpaces exports in 2021. The current account surplus, which peaked in 2017, is projected to gradually narrow over the forecast horizon, but to remain high. An easing in general restrictions is expected to re-stimulate domestic demand in 2021, though it is set to remain below its 2019 level.

As a small open economy, Malta's economic outlook is highly sensitive to global uncertainties and the growth performance of its trading partners. Their economic development in the wake of the COVID-19 pandemic may weigh on Malta's exports and pace of recovery more strongly than assumed in this forecast.

The fast pace of economic growth in Malta led to a record-low unemployment rate of 3.5% in 2019, but in the wake of the COVID-19 crisis, the temporary closure of tourism-related activities is set to have a harsh impact on employment. Despite the financial aid made available to employees and the government's measures to cushion the impact on corporates, the unemployment rate is projected to increase to around 6% in 2020 before decreasing again in 2021 to 4.5%.

[7] European Economic Forecast – Spring 2020 (European Commission Institutional Paper 125 May'20).

In 2019, the government surplus declined to 0.5% of GDP from 1.9% a year earlier. The outcome fell short of the government's plans to assure a balanced budget when discounting for the proceeds of the Individual Investor Programme (citizenship scheme), mainly due to lower-than-budgeted VAT receipts. The favourable economic environment translated into strong growth in income taxes and social contributions. Nevertheless, outlays on intermediate consumption, wages and capital outpaced positive revenue developments.

In 2020, the general government balance is projected to swing into a large deficit of around 6.75% of GDP. Revenue from indirect taxes is set to decline as household consumption falls. Direct tax revenues are projected to record a slight positive growth given the assumed wage growth and profits recorded by companies in the previous year. The main drag on the fiscal balance will come from the financial packages adopted to combat the economic impact of COVID-19. Wage supplements, additional spending on healthcare and social benefits, and interest rate subsidies are expected to cost around 4% of GDP. Moreover, the social measures announced in the 2020 budget, which was prepared under a more favourable economic scenario, are expected to be implemented.

Assuming no changes in policies, which implies that the pandemic-related measures would be discontinued after a few months and healthcare spending would decline to pre-2020 levels, the general government balance should improve strongly, but remain in a deficit of around 2.5% of GDP.

After declining steadily since 2011, the government debt-to-GDP ratio is forecast to increase to about 51% in 2020 and remain around this level in 2021, driven by adverse developments in the deficit.

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	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**
Turnover (€'000)	16,717	16,499	16,223
Gross operating profit before incentive fees (€'000)	5,257	4,819	4,643
Gross operating profit margin (%)	31	29	29
Occupancy level (%)	79	77	77
Average room rate (€)	151	154	151
Revenue per available room (RevPAR) (€)	119	119	116
Benchmark performance			
Occupancy level (%)	75	71	71
Average room rate (€)	170	182	182
Revenue per available room (RevPAR) (€)	127	130	129
Revenue Generating Index	0.94	0.92	0.90

Source: Management information.

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

In FY2019, revenue and gross operating profit decreased marginally by €0.3 million and €0.2 million respectively compared to the prior year. Occupancy level was unchanged at 77%, but average room rate decreased by €3 from €154 in FY2018 to €151. During the year, management continued to focus on its revenue management strategy of driving business through the Hotel's largest growing segment (leisure), principally by undertaking more web-based online and other marketing initiatives.

The Hotel's competitive set also recorded positive results in recent years, which is a reflection of the then present buoyant tourism market in Malta. As such, the Hotel performed marginally below par when compared to its competitive set in each of the historical years FY2017 to FY2019. The Hotel is projected to lose competitiveness in the near term, until construction and development works in the immediate vicinity are completed.

4.9 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. A number of facilities at the Hotel are shared with the Corinthia Hotel St George's Bay, which provides guests with a larger product choice, especially with regards to food and beverage offering and swimming pool areas. Being a four-star hotel with access to five-star conference and meeting space at the Corinthia Hotel St George's Bay is another unique selling point of this property. The carrying amount of the Marina Hotel as at 31 December 2019 is €29.9 million (2018: €30.5 million).

Market Overview

The market overview relating to the economy in Malta is included in section 4.8 above.

Operational Performance

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

Marina Hotel	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**
Turnover (€'000)	10,251	10,269	9,776
Gross operating profit before incentive fees (€'000)	3,310	3,355	3,047
Gross operating profit margin (%)	32	33	31
Occupancy level (%)	80	82	80
Average room rate (€)	126	123	120
Revenue per available room (RevPAR) (€)	101	101	96
Benchmark performance			
Occupancy level (%)	72	71	71
Average room rate (€)	140	145	147
Revenue per available room (RevPAR) (€)	101	103	104
Revenue Generating Index	1.00	0.98	0.92

Source: Management information.

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

Performance in FY2017 was positive with revenue increasing by 4% from €9.9 million in FY2016 to €10.3 million, and gross operating profit registering a 9% y-o-y increase to €3.3 million. The Hotel's performance in FY2018 was in line with FY2017's results, with revenue and gross operating profit amounting to €10.3 million (FY2017: €10.3 million) and €3.4 million (FY2017: €3.3 million) respectively.

Revenue generated in FY2019 amounted to €9.8 million, a decrease of €0.5 million (-5%) from the prior year. Gross operating profit margin declined by 2 percentage points to 31%, resulting in a gross operating profit of €3.0 million compared to €3.4 million in FY2018. During the year, RevPAR was lower on a comparable basis by €5 to €96. The reduction in both revenue and gross operating profit in 2019 was in consequence of the uncertainty that was created because of the timing of the development of a mixed-use project opposite the Marina Hotel.

Compared to benchmark, the Hotel's occupancy level exceeded its competitive set in each of the 3 years under review (FY2019 - Hotel: 80% vs Benchmark: 71%), but underperformed in the average room rate. Overall, the RGI was at par in FY2018, but decreased in 0.98 and 0.92 in FY2018 and FY2019 respectively.

4.10 CORINTHIA PALACE HOTEL & SPA MALTA

Introduction

On 10 April 2018, Corinthia Palace Hotel Company Limited (the ultimate parent company) transferred to IHI the 150-room five-star Corinthia Palace Hotel & Spa located in Attard, Malta. The operating results and assets and liabilities of the acquired business are consolidated as of April 2018. **As such, the financial information for FY2017 and Q1 2018 has been included for comparison purposes only.** The carrying amount of the Corinthia Palace Hotel & Spa as at 31 December 2019 is €30.9 million (FY2018: €28.9 million).

Market Overview

The market overview relating to the economy in Malta is included in section 4.8 above.

Operational Performance

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

Corinthia Palace Hotel & Spa Malta	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**
Turnover (€'000)	8,575	8,166	8,604
Gross operating profit before incentive fees (€'000)	1,201	640	513
Gross operating profit margin (%)	14	8	6
Occupancy level (%)	72	66	67
Average room rate (€)	121	128	136
Revenue per available room (RevPAR) (€)	87	84	91
Benchmark performance			
Occupancy level (%)	70	71	72
Average room rate (€)	151	156	161
Revenue per available room (RevPAR) (€)	105	111	116
Revenue Generating Index	0.83	0.76	0.78

Source: Management information.

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

Revenue generated in FY2019 amounted to €8.6 million, an increase of €0.4 million over FY2018. In contrast, gross operating profit decreased from €0.6 million in FY2018 to €0.5 million. During the year, management recruited additional resources to support the repositioning of the property in view of the improved ambience at the Hotel and its Spa facilities. However, due to various delays, the additional costs more than offset the increase in revenue.

As for benchmark performance, the Hotel's current operating results are below the figures achieved by its competitive set. However, the Corinthia Palace Hotel & Spa has made significant progress throughout the years under review. The Hotel generated a lower RGI in FY2018 when compared to the prior year (0.76 vs 0.83 respectively), principally due to the renovation works explained herein above, but recovered only marginally in FY2019 to 0.78.

4.11 RADISSON BLU RESORT & SPA GOLDEN SANDS

Introduction

The Radisson Blu Resort & Spa Golden Sands commenced operations in October 2005 and is located on a cliff's edge overlooking Golden Bay beach on the Northern coast of Malta. The Issuer holds a 50% shareholding in the Golden Sands Resort (the other 50% being owned by an experienced international timeshare operator) and title to the site is in the form of temporary *utile dominium* which expires in 2114. The five-star resort comprises a total of 338 units (including 9 Sands Tower Suites) and a private sandy beach. The carrying amount of 50% of the Radisson Blu Resort & Spa Golden Sands as at 31 December 2019 is €27.4 million (2018: €35.4 million).

The 50% shareholding in the Radisson Blu Resort & Spa comprises the Group's investment in Golden Sands Resort Limited and Azure Resorts Group. Together, these companies are engaged in the operation and management of a combined vacation ownership and hotel operation of the Radisson Blu Resort & Spa.

In FY2020, the Azure Resorts Group was placed into liquidation and as such the Radisson Blu Resort & Spa will no longer be selling vacation ownership. Existing timeshare members will continue to enjoy their entitlement until the end of the term in 2045. As at 31 December 2019, the Group's interest in Azure Resorts Group was carried at €6.2 million. An additional amount of €2.8 million is recognised within the Group's translation reserves as a loss on translation. Upon liquidation, the amount recognised in the translation reserve will be reclassified to profit or loss.

Market Overview

The market overview relating to the economy in Malta is included in section 4.8 above.

Operational Performance

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

Radisson Blu Resort & Spa Golden Sands	**FY2017 Restated**	**FY2018 Actual**	**FY2019 Actual**
Turnover (€'000)	30,840	32,032	25,993
Timeshare revenue	*11,533*	*13,318*	*8,165*
Hotel operations	*19,307*	*18,714*	*17,828*
EBITDA (€'000)	3,395	2,788	-2,915
EBITDA margin (%)	11	9	-11
IHI's share of EBITDA at 50%	**1,698**	**1,394**	**-1,458**

Source: Management information.

During the financial years under review, a significant portion of the property's inventory was being operated on an upscale vacation ownership accommodation model (timeshare) through the Group's 50% holding in the Azure Resorts Group.

Until FY2017, timeshare units were sold in weeks with the calendar year split into four seasons: Bronze, Silver, Gold and Platinum. In FY2018 and FY2019, timeshare revenue was generated from the sale of timeshare points and resale of repossessed timeshare points to targeted vacation ownership guests. 'Hotel operations' revenue principally comprise 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 of the two entities.

As highlighted above, the Azure Resorts Group has been placed into liquidation in FY2020 and thereby ceased selling timeshare points.

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

In FY2018, revenue was higher on a comparable basis by 4% and amounted to €32.0 million. During the year, timeshare revenue increased by €1.8 million to €13.3 million, partly offset by a €0.6 million decline in hotel operations revenue. A significant downturn was reported in timeshare revenue in FY2019, which declined from €13.3 million in FY2018 to €8.2 million (-39%). In addition, revenue from hotel operations decreased by €0.9 million (-5%) from €18.7 million in FY2018 to €17.8 million.

The y-o-y decline in timeshare revenue in FY2017 resulted in lower EBITDA for the year, which decreased by 15% from €4.0 million in FY2016 to €3.4 million. The transition in the way timeshare is sold adversely impacted EBITDA in FY2018, on account of the incidence of higher costs for third party product related offerings. Accordingly, the Hotel reported an EBITDA for FY2018 of €2.8 million, compared to €3.4 million achieved in the prior year. In FY2019, the Hotel registered a loss at EBITDA level amounting to €2.9 million.

4.12 RADISSON BLU RESORT ST JULIANS

Introduction

The Radisson Blu Resort St Julians is a 252-room 5-star hotel located in St George's Bay, St Julians. The carrying amount of the Radisson Blu Resort St Julians as at 31 December 2019 is €36.6 million (2018: €37.5 million).

Market Overview

The market overview relating to the economy in Malta is included in section 4.8 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	FY2017 Actual	FY2018 Actual	FY2019 Actual
Turnover (€'000)	13,805	13,927	13,397
EBITDA (€'000)	4,701	4,748	4,296
EBITDA margin (%)	34	34	32
Occupancy level (%)	76	75	69
Average room rate (€)	134	137	137
Revenue per available room (RevPAR) (€)	102	103	94
Benchmark performance			
Occupancy level (%)	77	72	72
Average room rate (€)	164	181	184
Revenue per available room (RevPAR) (€)	125	130	132
Revenue Generating Index	0.82	0.79	0.71

Source: Management information.

Pursuant to a robust local tourism market and management's focus to shift its principal revenue sectors from tour operator business to direct/online sales, the Hotel increased its average room rate from €123 in FY2016 to €134 in FY2017, whilst maintaining occupancy rate at 76%. Total revenue in FY2017 amounted to €13.8 million, a y-o-y increase of €1.0 million (+8%) and gross operating profit increased from €4.5 million in FY2016 to €4.7 million. Results for FY2018 were broadly similar to those achieved in the prior year.

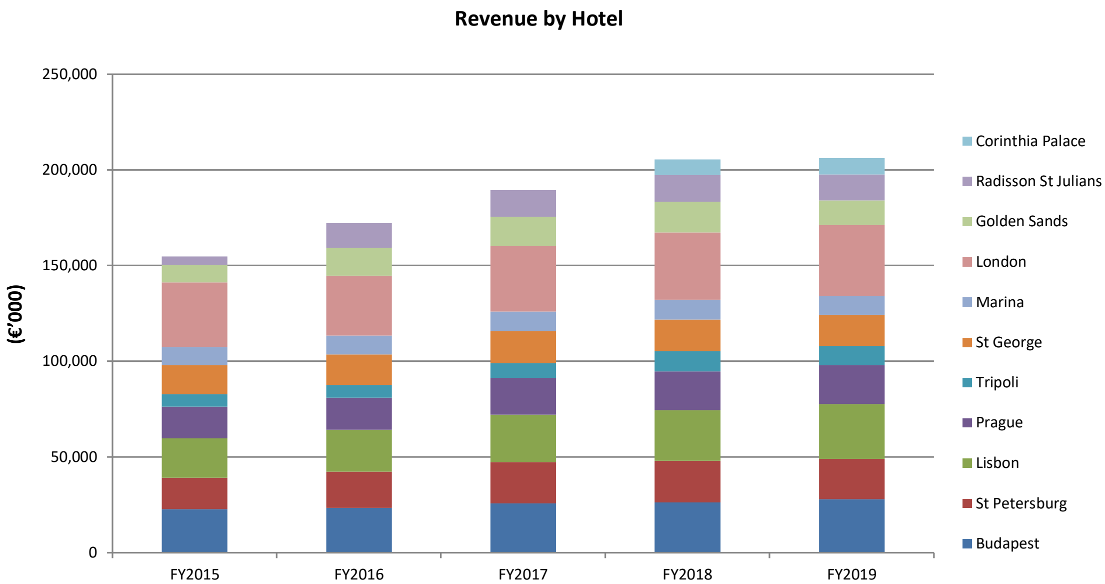
In FY2019, revenue generated by the Hotel amounted to €13.4 million, a decrease of €0.5 million from the prior year. Gross operating profit was also lower by €0.4 million, from €4.7 million in FY2018 to €4.3 million.

Overall, the Hotel's RevPAR has declined from €102 in FY2017 to €94 in FY2019, while RevPAR of its competitive set increased from €125 in FY2017 to €132. As such, the Hotel's RGI deteriorated from 0.82 in FY2017 to 0.71 in the last reported financial year.

4.13 IHI'S AGGREGATE HOTEL REVENUE AND OPERATING PROFIT

Revenue Geographic Distribution

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



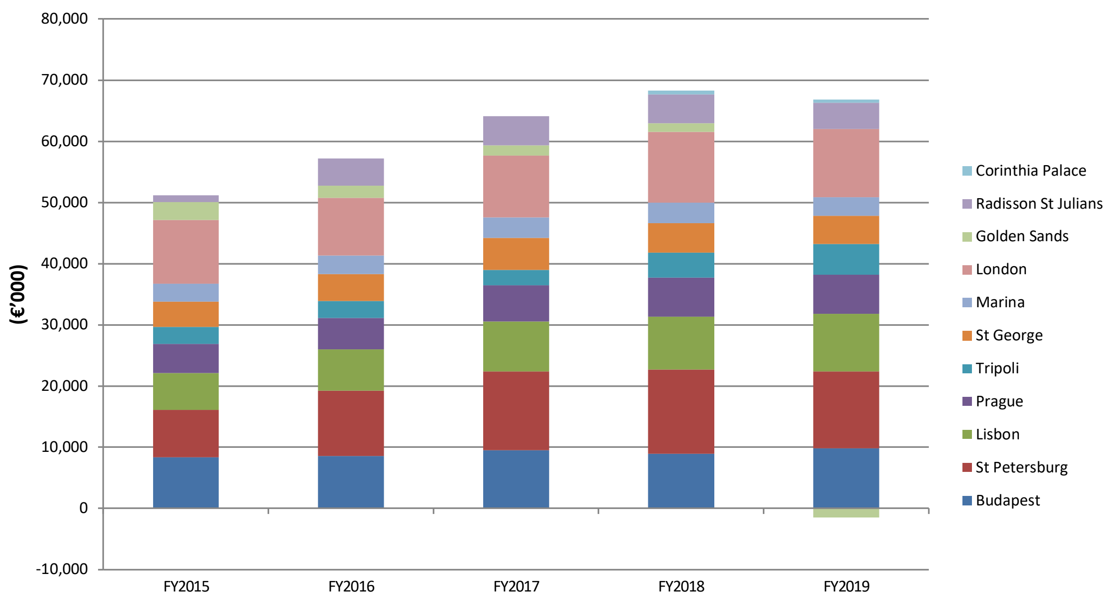
Source: Management information.

- Corinthia Hotel & Residences London generates *circa* 18% of the Group's hotel revenue, followed by Corinthia Hotel Budapest and Corinthia Hotel Lisbon with 14% each of Group hotel revenue.
- Radisson Blu Resort & Spa Golden Sands and Radisson Blu Resort St Julians were included in the portfolio of hotels as from 1 July 2015 pursuant to the acquisition of IHGH.
- Corinthia Palace Hotel & Spa was acquired in April 2018.

Operating Profit Geographic Distribution

The chart below shows operating profit generated by each hotel. 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.

Operating Profit by Hotel



Source: Management information.

- In FY2019, Corinthia Hotel St Petersburg and Corinthia Hotel & Residences London generated 19% and 17% respectively of IHI's total operating profit from hotel operations.

4.14 CORINTHIA HOTELS LIMITED

Corinthia Hotels Limited is a fully owned subsidiary of IHI which manages and operates a number of hotel properties, predominantly owned by IHI and CPHCL, but also including third party hotel properties.

CHL is a full-service hotel management company with in-house skills and capabilities supporting the Corinthia brand and operations. It has a track record of driving performance improvements across the Corinthia Group's existing assets, those of CPHCL and of third parties. It ensures consistent service levels and performance across the properties. CHL is scaled to support the future growth of the Corinthia brand. CHL currently manages 13 owned (fully or partly) hotels (11 operational and 2 under development), 2 hotels owned by its parent company CPHCL, and 6 third party properties (2 operational and 4 under development). Management contracts are typically entered into and structured for a 20-year term. Its key commercial terms include management fees, marketing and reservation fees based on turnover and incentive fees based on gross operating profit achieved. It is an efficient use of capital and resource with no capital outlay required for each new management contract and a cost-effective way to gain in-depth knowledge of various markets.

The portfolio of hotels managed by CHL comprise the following:

CORINTHIA HOTELS LIMITED
Managed Hotel Portfolio as at 31 December 2019

Name	**Location**	**% ownership**	**No. of hotel rooms**
Owned and managed properties (operational)			
Corinthia Hotel Budapest	Hungary	100	439
Corinthia Hotel St Petersburg	Russia	100	385
Corinthia Hotel Lisbon	Portugal	100	518
Corinthia Hotel Prague	Czech Republic	100	551
Corinthia Hotel Tripoli	Libya	100	300
Corinthia Hotel St George's Bay	Malta	100	250
Marina Hotel St George's Bay	Malta	100	200
Radisson Blu Resort St Julians	Malta	100	252
Corinthia Palace Hotel & Spa	Malta	100	150
Radisson Blu Resort & Spa Golden Sands	Malta	50	338
Corinthia Hotel & Residences London	United Kingdom	50	283
Owned & managed properties (under development)			
Corinthia Grand Astoria Hotel Brussels (opening 2023)	Belgium	50	125
Corinthia Hotel & Residences Moscow (opening 2023)	Russia	10	54
Managed properties (operational)			
Aquincum Hotel Budapest	Hungary	-	310
Ramada Plaza	Tunisia	-	309
Panorama Hotel Prague	Czech Republic	-	440
Corinthia Hotel Khartoum	Sudan	-	230
Managed properties (under development)			
Corinthia Hotel Bucharest (opening 2022)	Romania	-	34
Corinthia Meydan Beach Hotel (opening 2021)	Dubai	-	360
Corinthia Hotel Residences Doha (opening 2023)	Qatar	-	118
Corinthia Hotel Rome (opening 2022)	Italy	-	60
			5,706

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

CHL has a 10% shareholding in GHA Holdings Limited ("**GHA**"), a company that owns the Global Hotel Alliance of which CHL has been a member alongside 29 other hotel brands. The ownership of GHA comprises founding shareholders Kempinski, Omni and Oracle, as well as Pan Pacific and Minor Hotels.

Operational Performance

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

Corinthia Hotels Limited Management Fees	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**
Turnover (€'000)	16,936	17,656	16,963
IHI Properties (owned and associate) (€'000)	13,374	14,205	14,425
Other Properties (€'000)	3,562	2,050	2,307
Technical Services (€'000)	-	1,401	231

Source: Management information.

Turnover generated by CHL in FY2017 and FY2018 registered year-on-year growth in consequence of higher revenue results achieved by the majority of hotel properties under management. In FY2018, revenue was further supplemented by fees for technical services amounting to €1.4 million.

In FY2019, revenue amounted to €17.0 million, a decrease of €0.7 million for a year earlier. During the year, revenue was impacted by lower technical services fees which declined by €1.2 million from €1.4 million in FY2018 to €0.2 million. In contrast, other management fees increased by 3% (y-o-y) to €16.8 million.

4.15 COSTA COFFEE

The Coffee Company Malta Limited ("**TCCM**") 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 12 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 in Sliema; the premises formerly known as Papillon in Balzan; The Embassy, Valletta; Bay Street Complex, St Julians; Marsaxlokk; Spinola Bay, St Julians; Mriehel Industrial Park; PAMA Shopping Village, Mosta; and Tower Road, Sliema.

In March 2014, The Coffee Company Spain S.L. ("**TCCS**") entered into a 10-year franchise agreement with Costa Coffee International Limited to operate Costa Coffee outlets in the East Coast of Spain, the Balearic and Canary Islands. The Group is presently in the process of closing down this operation.

Operational Performance

The following table sets out financial information relating to the operation of Costa Coffee for the years indicated therein:

Costa Coffee Operations	**FY2017 (€'000) Actual**	**FY2018 (€'000) Actual**	**FY2019 (€'000) Actual**
Turnover			
Costa Coffee (Malta)	8,039	9,045	9,036
Costa Coffee (Spain)	5,359	5,528	5,463
	13,398	14,573	14,499
EBITDA	37	33	896
EBITDA margin (%)	0	0	6
Costa Malta			
No. of outlets (at end of financial year)	11	12	13
Costa Spain			
No. of outlets (at end of financial year)	15	12	12

Revenue generated in FY2017 by TCCM increased by €0.9 million (+14%) to €8.0 million due to a general increase in business activity and the opening of another outlet at PAMA Shopping Village. The Mriehel outlet was added during FY2018 and turnover improved further to €9.0 million, an increase of 13% compared to the prior year. In the last financial year (FY2019), revenue was unchanged compared to FY2018 and amounted to €9.0 million.

In the case of TCCS, revenue increased by 17% in FY2017 (+€0.8 million) to €5.4 million. In the subsequent 2 years (FY2018 and FY2019), revenue was broadly stable at €5.5 million.

EBITDA in FY2019 increased from €33,000 in FY2018 to €0.9 million primarily due to the adoption of IFRS 16 "leases" as from 1 January 2019.

4.16 OTHER ASSETS

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

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

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

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

The project designs of the Medina Tower are complete and all development approvals have been obtained from the relevant authorities. As to the financing of the project, the equity contribution for the first phase of this project is already fully paid up and will comprise 40% of the capital requirement for the said project. The remaining 60% of funding will be derived from a Libyan financial institution in terms of a sanction letter that has been approved and signed, but now needs to be reactivated. The project is on hold until Libya stabilises and its prospects improve. The investment has a carrying amount of €12.8 million (2018: €12.8 million).

IHI owns 100% of QPM Limited ("**QP**"), a company which specialises in construction and project management services, both locally and overseas. QP operates independently of, and at arm's length to, IHI and offers a range of project, construction and cost management services and design and architectural services to a number of international clients in various countries. In August 2012 the offices of David Xuereb and Associates and QP merged to provide a more comprehensive list of professional services within the construction industry, including project and construction management and architectural services. Since January 2019, QP has included archaeology and land surveying to its list of services, thereby offering a one-stop-shop service for any complex building project. Whilst continuing to provide services to the Corinthia Group, QP is increasing its third-party client base and revenue generation, which is not the most significant part of annual turnover.

Revenue generated by QP in FY2019 amounted to €6.9 million compared to €5.3 million in FY2018 (+30%). It is worth noting that over 80% of revenue generated was derived from third party owned projects, which are totally unrelated to the Corinthia Group.

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 2019 at €21.8 million (2018: €21.8 million). The Group is currently in the process of revising its plans for the Hal Ferh site. A public consultation is underway to rezone the site allowing residential use, beside tourism. Subject to permits, the Group intends developing a flagship low-rise, extensively landscaped resort and residential project, set within existing restrictions on building heights, volumes and footprints.

5. BUSINESS OUTLOOK AND DEVELOPMENT STRATEGY

During the first half of 2020, the Group reacted swiftly to the COVID-19 pandemic and implemented a broad range of health and safety measures while ensuring the continued viability of the Group.

In brief, the following actions were undertaken:

- All health and safety measures were adopted as directed by the relevant authorities in the various jurisdictions in which the Group operates. Internal guidelines on operations and staff welfare have also been circulated and updated regularly during the re-opening phase of the Group's hotels.
- Far-reaching cost cutting and cost containment measures were implemented, including shutting down hotels from March whilst retaining ongoing security and maintenance in all properties.
- Capital expenditure has been suspended, other than to finish ongoing works nearing completion.
- Various actions were initiated following a detailed review of every cost items, including renegotiation of rates and payment deferments.
- Payroll was curtailed by shedding all part-time workers and others on probation and removal of outside labour service providers. Many of the Group's employees have also taken drastic cuts in their salaries.
- The Group benefitted from various schemes adopted by Governments which included salary subsidies, as well as the waiver or deferral of payroll taxes and social security contributions. In the case of the UK, the Group also benefitted from a waiver of property taxes for 2020.
- The Group has also negotiated with its banks in Malta and internationally to defer payment of capital and, in some cases also interest. The Group has also organised separate lines of credit from various banks and even with related parties.

The Directors have revised their outlook for the Group to extend beyond the end of 2020 and up to December 2021.

Beyond the COVID-19 crisis, the Group's business strategy is to focus on achieving positive and sustainable financial results, and appreciation in the value of the Group's properties and investments. In the execution of the Group's strategy, management aims to provide a high-quality service at each hotel and treat customers to a unique hospitality experience. Through the provision of better quality offerings the brand value is further enhanced, and occupancy levels and average room rates are improved. Moreover, it enables the Group to target higher-yielding customers, in particular those from the leisure and conference & event segments.

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

From a cost perspective, better results are being achieved through the implementation of cost-control and energy-efficient measures at Group hotels.

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

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

Acquisitions, joint ventures and developments

Management remains active in growing the Group's portfolio of hotels and mixed-use properties by acquisition, particularly if these entail a potential for capital appreciation. In 2015, the Group acquired Island Hotels Group Holdings plc (IHGH), including properties in Golden Bay and St Julian's, Malta. The latter constitutes a fundamental part of the luxury re-development of the three neighbouring hotels located near St George's Bay, St Julian's, Malta, which the Group plans to undertake subject to obtaining all necessary approvals.

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

On 11 April 2016, NLI Holdings Ltd (in which IHI owns a 50% shareholding) acquired the entire issued share capital of the Belgian hotel-owning company, Hotel Astoria S.A., resulting in the acquisition of the Grand Hotel Astoria in Brussels. The hotel, once re-developed, will be renamed the Corinthia Hotel Brussels and will add another key destination to the Corinthia brand's growing portfolio.

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

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

Hotel management contracts

The Group is intent on growing ancillary business lines such as hotel management. On its formation, CHL's activities were limited to the management of hotels that were owned by the Corinthia Group. CHL has in the last few years signed hotel management agreements with third party owners to operate hotels in Dubai, Doha, Bucharest and Rome. CHL continues to actively pursue the negotiation and conclusion of a number of management agreements with third party hotel owners and it is expected that this company shall accelerate its growth path in the forthcoming years.

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

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

Asset divestment

The Group's strategic plan also comprises the divestiture of assets for the purposes of maintaining appropriate levels of cash flow, to fund future growth opportunities and, or to create value for shareholders.

PART 3 – PERFORMANCE REVIEW

The financial information provided hereunder is extracted from the audited consolidated financial statements of IHI for each of the years ended 31 December 2017 to 31 December 2019. In 2017, IHI secured the right to nominate and appoint the majority of the board of directors of NLI such that IHI can consolidate the performance of the Corinthia Hotel London in its financial statements. The forecasted financial information for the year ending 31 December 2020 has been provided by management of the Company.

Standards, interpretations and amendments to published standards effective in 2018

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

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

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

Prior to the adoption of IFRS 15, certain revenues were recognised at inception of the timeshare agreements on the basis that these do not include an identifiable amount for subsequent services and did not relate to the provision of future services. As from 1 January 2018, the standard requires an assessment of whether the upfront timeshare signing fee needs to be amortised over the life of the agreement. Management has analysed the revenue streams in assessing the impact of IFRS 15 on their contracts with customers. The main adjustments to FY2017 financial statements comprise a reduction in investments accounted for using the equity method (in the statement of financial position) of €10.4 million (from €59.8 million to €49.4 million) and a corresponding adjustment in retained earnings. In addition, share of net results of equity accounted investments (in the income statement) has been revised from a profit of €2.1 million to a loss of €1.5 million (an adverse movement of €3.6 million).

Review of accounting for the London asset acquisitions

During the current reporting period, the Group's management undertook a detailed review of an assets-acquisition agreement (in relation to the apartments at Corinthia London) entered into by the NLI Group in 2008. By virtue of this review, management identified that the consideration payable for the properties acquired included an additional amount payable at the earlier of an event of sale of the underlying properties and November 2019. The consideration payable is based on the value of the underlying properties when this becomes due. This element of deferred and variable consideration was however not recognised in the accounting records of the NLI Group. Accordingly, FY2017 financial statements have been adjusted to reflect an increase in trade and other payables of €9.2 million and a decrease in total equity of the same amount.

Impact on the FY2017 financial statements

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

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

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

Standards, interpretations and amendments to published standards effective in 2019

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

Accordingly, on 1 January 2019, the Group recognised right-of-use assets and lease liabilities each amounting to €13.8 million in the Consolidated Balance Sheet for the lease of property currently treated as operating leases. With regard to the impact in the Consolidated Income Statement, the nature of the relevant expense will change from being an operating lease expense to depreciation and interest expense.

The Group's operations in Libya

Note 6 to the 2019 financial statements explains the significant uncertainties and judgments surrounding the valuation of the Group's assets in Libya that have a bearing on the projected cash flows from the relative operations, and which are in turn influenced by the timing of a recovery in the country. Different plausible scenarios may impact the financial performance of the Libya operations and the valuation of related assets in a significant matter. This matter is considered to be of fundamental importance to stakeholders because of the potential impact that this uncertainty may have on the valuation of the Group's assets in Libya and the recoverability of certain debtors, which as at 31 December 2019 were carried at €190.1 million and €5.3 million respectively (2018: €192.4 million and €5.3 million respectively).

Projections

The projected financial information relates to events in the future and is based on assumptions which IHI believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

In the initial 2 months of FY2020, the Group's operational performance was in line with Board expectations. However, in early March 2020, hotel bookings started to decline due to the COVID-19 outbreak and by the end of March, the Group's hotels and catering activities experienced an immediate and significant deterioration.

Immediate measures have been adopted across the Group to reduce operating costs to the minimum required to secure and maintain the Group's properties, with the objective of preserving financial resources. The Group's most material remaining operating cost is payroll and accordingly the Group has taken immediate action to reduce its payroll related costs. The Group adopted a series of bold and far-reaching measures that have significantly reduced operating costs and payroll expenses. It is benefitting from varying schemes adopted by the respective Governments in all countries in which the Group operates, including Malta and the United Kingdom, which include outright salary subsidies, as well as the waiver or deferral of payroll taxes and social security contributions, together with waiver of property taxes for 2020.

The projected financial information reflects the estimated impact of the stressed conditions currently experienced, under a scenario which encompasses a set of prudent and severe assumptions. These assumptions centre around the expected timing of resumption of operations of the different hospitality and catering businesses, the expected pace of recovery to business as usual once operations resume, and expected level of activity and revenues post resumption. The Group is incorporating minimal forecast revenues for the residual period of the financial year ending 31 December 2020 within the projections. The Group is assuming that revenue levels will not revert to pre COVID-19 benchmarks before FY2022.

The Group is assessing the resumption of business dates on a specific property and business basis. The Group intends to resume certain operations in the latter part of 2020 and others during 2021, but this plan is reviewed on an ongoing basis taking into account developments and events as these unfold.

IHI Group Income Statement (€'000)	**FY2017 Restated**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Revenue	242,413	256,314	268,286	93,207
Direct costs	(132,418)	(141,467)	(145,800)	(55,703)
Gross profit	**109,995**	**114,847**	**122,486**	**37,504**
Other operating costs	(46,100)	(47,343)	(52,696)	(42,698)
EBITDA	**63,895**	**67,504**	**69,790**	**(5,194)**
Depreciation and amortisation	(31,066)	(33,202)	(36,766)	(35,608)
Adjustments in value of property and intangible assets	898	3,944	(3,656)	-
Changes in value of liabilities and indemnification assets	447	143	4,798	-
Results from operating activities	**34,174**	**38,389**	**34,166**	**(40,802)**
Share of (loss) profit: equity accounted investments	(1,529)	(1,364)	(3,951)	(2,016)
Net finance costs	(21,118)	(20,651)	(23,219)	(23,814)
Other	(4,909)	(7,902)	6,916	(8,272)
Profit (loss) before tax	**6,618**	**8,472**	**13,912**	**(74,904)**
Taxation	5,288	(13)	(8,793)	17,465
Profit (loss) for the year	**11,906**	**8,459**	**5,119**	**(57,439)**
Other comprehensive income (expense)				
Gross surplus on revaluation of hotel properties	15,853	35,842	7,000	-
Gross share of other comprehensive income of equity accounted investments	6,725	-	(4,550)	-
Other effects, currency translation diff. and tax	2,502	(19,039)	31,331	(35,710)
	25,080	**16,803**	**33,781**	**(35,710)**
Total comprehensive income (expense) for the year net of tax	**36,986**	**25,262**	**38,900**	**(93,149)**

Key Accounting Ratios	**FY2017 Restated**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Gross profit margin *(Gross profit/revenue)*	45%	45%	46%	40%
Operating profit margin *(EBITDA/revenue)*	26%	26%	26%	n/a
Interest cover (times) *(EBITDA/net finance cost)*	3.03	3.27	3.01	n/a
Net profit margin *(Profit after tax/revenue)*	5%	3%	2%	n/a
Earnings per share (€) *(Profit after tax/number of shares)*	0.02	0.01	0.01	n/a
Return on equity *(Profit after tax/shareholders' equity)*	1%	1%	1%	n/a
Return on capital employed *(EBITDA/total assets less current liabilities)*	4%	4%	4%	n/a
Return on assets *(Profit after tax/total assets)*	1%	1%	0%	n/a

Source: MZ Investment Services Ltd

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

EBITDA for 2017 amounted to €63.9 million, an increase of €27.2 million from a year earlier (FY2016: €36.7 million). The contribution of Corinthia Hotel London amounted to €15.2 million, whilst the remaining balance of €12.0 million is mainly attributable to a marked performance improvement in all IHI's hotels. In particular, the y-o-y performance of the Corinthia Hotel St Petersburg was €2.6 million higher in 2017 relative to 2016. Similar marked improvements were achieved at the Corinthia Hotel Lisbon and CHL.

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

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

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

Other comprehensive income for FY2017 comprises a combined currency conversion loss of €22.2 million on account of the weakened Sterling and Rouble. This negative movement was offset by the one-time release of all deferred tax recorded to date on the Corinthia Hotel London due to the change in accounting treatment to a subsidiary company. Total comprehensive income for the year amounted to €37.0 million (FY2016: €32.9 million).

Revenue generated by IHI in **FY2018** amounted to €256.3 million, an increase of €13.9 million (+6%) when compared to the prior year (FY2017: €242.4 million). This y-o-y increase was mostly due to an improvement in revenue across the majority of Group properties and the addition of Corinthia Palace Hotel as from April 2018. In consequence, EBITDA increased by €3.6 million (+6%) from €63.9 million in FY2017 to €67.5 million. After factoring in depreciation and amortisation of €33.2 million, uplift in fair value of investment property of €7.0 million and net impairment of hotel properties & intangible assets of €2.0 million, the Group registered a profit from operating activities of €38.4 million, an increase of €4.2 million (+12%) over the prior year. The uplift in fair value referred to above related to an uplift of €5.5 million in the value of the commercial centre in Tripoli, €2.1 million with respect to the commercial centre in St Petersburg, €0.5 million on a block of apartments in Lisbon against €1.1 million impairment on the London apartment.

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

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

Revenue generated by the Group in **FY2019** amounted to €268.3 million, an increase of €12.0 million (+5%) from the prior year (FY2018: €256.3 million), mainly on account of increases in turnover from the hotel operations segment. EBITDA increased by €2.3 million (+3%) from €67.5 million in FY2018 to €69.8 million. Following the adoption of IFRS 16, operating lease costs are accounted for below the EBITDA line as depreciation charge of right-of-use assets and interest expense. In FY2018, operating lease costs (accounted for above the EBTDA line) amounted to €4.7 million.

Depreciation and amortisation increased by €3.6 million (y-o-y) to €36.8 million, principally due to a higher charge in depreciation on the hotel properties in London, Lisbon and Prague in consequence of property value uplifts in these hotels in FY2018. Furthermore, an amount of €2.2 million related to shop leases (due to IFRS 16) on the Costa Coffee operations in Malta and Spain.

Adjustments in value of property and intangible assets amounted to a loss of €3.6 million in FY2019 relative to a gain of €3.9 million in FY2018. The movements in this line item for 2019 mainly represent a decrease of €1.2 million in the carrying value of the London Penthouse, a €3.0 million impairment on the brand value of Island Caterers Ltd and an impairment on the property, plant and equipment of Costa Coffee Spain less an increase in the investment property value in St Petersburg of €1.0 million.

'Changes in value of liabilities and indemnification assets' includes the reversal of an overprovision of €4.4 million in the overage payment to the Crown Estate on the London Penthouse the year before.

'Other' comprises a €4.7 million gain on exchange rate movements in Pound Sterling and Russian Rouble compared to a loss of €8.0 million in FY2018. Furthermore, an amount of €2.3 million (FY2018: nil) reflects a fair value gain on financial assets.

Tax charge for FY2019 amounted to €8.8 million compared to €13,000 a year earlier. In FY2018, the Group benefitted from a one-time tax gain of €5 million following an increase in the tax base of the Corinthia brand.

Profit for the year decreased by €3.3 million, from €8.5 million in FY2018 to €5.1 million, while total comprehensive income increased from €25.3 million in FY2018 to €38.9 million in FY2019.

Key accounting ratios – A comparability analysis of the last three financial years shows that operating profit margin and return on capital employed were consistent at 26% and 4%. On the other hand, net profit margin has decreased from 5% in FY2017 to 2% in FY2019. The Group's interest cover was broadly stable at *circa* 3.0 times.

The estimates for the projected financial year as presented in this document assume that the carrying values of hotel and investment properties will not be revalued upwards or impaired, and therefore no adjustment has been made as to possible uplifts or impairments in value of assets which can materially affect the consolidated income statement and the balance sheet values.

Revenue in **FY2020** is projected to decrease substantially by €175.1 million (y-o-y) to €93.2 million on account of the complete shutdown of the majority of the Group's operations in Q2 2020, and the curtailment of operations during the remainder of the financial year. As a result, EBITDA is expected to decline from €69.8 million in FY2019 to - €5.2 million which, considering the substantial reduction in revenue, is quite an achievement which was only possible in consequence of the very significant reductions in the operating cost base. Furthermore, this projection does not include possible wage support beyond September 2020, grants still being defined by the relevant authorities and the potential income from insurance claims.

Depreciation & amortisation and share of losses from equity accounted investments are projected to decrease by €1.2 million and €1.9 million to €35.6 million and €2.0 million respectively.

'Other' comprises a €8.3 million loss on exchange rate movements in Pound Sterling and Russian Rouble compared to a positive balance in FY2019 of €4.7 million.

Net finance costs are expected to be broadly unchanged at €23.8 million (FY2019: €23.2 million). After accounting for a tax credit of €17.5 million, the loss for the year is estimated at €57.4 million.

Other comprehensive expense principally includes adverse currency translation differences of €35.7 million. Due to this negative movement and the expected loss for the year, total comprehensive expense is estimated at €93.1 million (FY2019: total comprehensive income of €38.9 million).

IHI Group Balance Sheet (€'000)	31 Dec'17 Restated	31 Dec'18 Actual	31 Dec'19 Actual	31 Dec'20 Forecast
ASSETS				
Non-current assets				
Intangible assets (including indemnification)	75,173	71,966	72,432	70,789
Investment property	205,238	203,539	214,174	199,845
Property, plant and equipment	1,108,251	1,151,245	1,181,944	1,120,784
Right-of-use assets	-	-	13,776	12,201
Investments accounted for using the equity method	49,426	48,189	40,144	38,179
Other investments	-	-	8,401	8,401
Other fin. assets at amortised cost and receivables	1,598	780	1,801	1,801
Deferred tax assets	12,157	10,963	9,233	10,427
Assets placed under trust management (5.8% Bonds 2021)	2,168	3,645	3,698	-
	1,454,011	1,490,327	1,545,603	1,462,427
Current assets				
Inventories	10,197	11,490	12,626	7,778
Other fin. assets at amortised cost and receivables	17,984	1,683	125	-
Trade and other receivables	46,841	53,029	43,192	33,018
Taxation	3,318	2,527	3,922	3,690
Financial assets at fair value through profit or loss	8,603	8,485	8,909	8,948
Cash and cash equivalents	50,795	50,190	72,699	44,676
Assets placed under trust management (5.8% Bonds 2021)	122	122	122	5,606
	137,860	127,526	141,595	103,716
Total assets	**1,591,871**	**1,617,853**	**1,687,198**	**1,566,143**
EQUITY				
Capital and reserves				
Called up share capital	615,685	615,685	615,685	615,685
Reserves and other equity components	(7,546)	7,943	31,073	4,648
Retained earnings	60,857	59,746	54,247	5,024
Minority interest	195,976	194,246	196,142	178,641
	864,972	**877,620**	**897,147**	**803,998**
LIABILITIES				
Non-current liabilities				
Bank borrowings	321,201	317,559	324,597	355,012
Bonds	202,156	202,507	222,584	222,999
Lease and other financial liabilities	4,612	59	11,202	15,155
Other non-current liabilities	109,210	102,552	106,885	79,286
	637,179	622,677	665,268	672,452
Current liabilities				
Bank overdrafts	8,143	5,899	7,236	8,040
Borrowings	20,068	34,618	38,200	18,751
Lease and other financial liabilities	52	4,553	2,795	2,795
Other current liabilities	61,457	72,486	76,552	60,107
	89,720	117,556	124,783	89,693
	726,899	**740,233**	**790,051**	**762,145**
Total equity and liabilities	**1,591,871**	**1,617,853**	**1,687,198**	**1,566,143**

Key Accounting Ratios	FY2017 Restated	FY2018 Actual	FY2019 Actual	FY2019 Forecast
Gearing ratio *(Net debt/net debt and shareholders' equity)*	37%	37%	37%	42%
Net debt to EBITDA (years) *(Net debt/EBITDA)*	7.87	7.57	7.60	n/a
Net assets per share (€) *(Net asset value/number of shares)*	1.09	1.11	1.14	1.02
Debt service cover ratio (times) *(EBITDA/net finance cost and loan capital repayment)*	1.62	1.86	1.82	n/a
Liquidity ratio (times) *(Current assets/current liabilities)*	1.54	1.08	1.13	1.16

Source: MZ Investment Services Ltd

Total assets of the Group as at 31 December 2019 amounted to €1,687 million (FY2018: €1,618 million) and principally include the assets described in section 3 of this report. 'Other investments' amounting to €8.4 million represents the acquisition by the Group of 10% of Global Hotel Alliance and 10% shareholding in a hotel and residential development in Moscow.

Following the adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities amounting to €13.8 million and €14.0 million respectively.

In FY2019, the Group issued €20 million of additional bonds and the aggregate outstanding bonds at year end amounted to €222.6 million (FY2018: €202.5 million). Net debt in FY2019 amounted to €530.1 million compared to €511.2 million in FY2018.

Total assets in FY2020 are projected to amount to €1,566 million, a decrease of €121 million from a year earlier. The value of investment property and property, plant & equipment is expected to decrease by €75.5 million, mainly on account of adverse exchange rate fluctuations in the rouble and pound sterling and the annual depreciation charge, partly offset by capital expenditure anticipated to amount to €13.8 million. Due to the disruptions caused by the COVID-19 pandemic, inventories and trade & other receivables are expected to decline by €4.8 million and €10.2 million respectively. Furthermore, cash and cash equivalents are projected to decrease y-o-y by €28.0 million.

A decrease of €27.9 million is being forecast for total liabilities, whereby other current and non-current liabilities (mainly comprising trade & other payables and deferred taxation respectively) are expected to decrease by €44.0 million. On the other hand, bank and other borrowings are projected to increase by €12.2 million in FY2020 to €604.8 million.

Due to an increase in borrowings, the gearing ratio of the Group is expected to increase from 37% in FY2019 to 42%. Notwithstanding, the liquidity ratio is projected to increase to 1.16 times from 1.13 times reported at the end of FY2019.

IHI Group Cash Flow Statement (€'000)	FY2017 Restated	FY2018 Actual	FY2019 Actual	FY2020 Forecast
Net cash from operating activities	60,013	58,980	62,850	(13,099)
Net cash from investing activities	(15,579)	(35,152)	(22,442)	(13,844)
Net cash from financing activities	(21,956)	(20,839)	(21,587)	(5,667)
Net movement in cash and cash equivalents	**22,478**	**2,989**	**18,821**	**(32,610)**
Cash and cash equivalents at beginning of year	20,832	42,652	44,291	65,463
Effect of translation of presentation currency	(658)	(1,350)	2,351	3,783
Cash and cash equivalents at end of year	**42,652**	**44,291**	**65,463**	**36,636**

Net cash flows from operating activities principally relate to the operations of the Group, which are analysed in further detail in Part 2 of this report. In FY2019, net cash from operating activities increased from €59.0 million in FY2018 to €62.9 million. Due to the COVID-19 pandemic, the Group is expecting net cash outflows from operating activities to amount to €13.1 million.

Net cash from investing activities principally relate to the acquisition of non-current assets and capital expenditure on the Group properties. In FY2019, net cash outflows amounted to €22.4 million (FY2018: €35.2 million), which funds were mainly utilised to acquire property, plant and equipment (€16.0 million) and financial assets (€11.6 million). During FY2020, necessary capital expenditure on ongoing projects is projected to amount to €13.8 million.

Financing activities principally comprise movement in bank and other borrowings, issuance of debt securities, payment of leases and dividends, and interest paid. During FY2019, the Group effected payments of interest and dividends of €23.0 million and €12.3 million respectively (FY2018: €20.8 million and €10.3 million respectively), while the Group was in receipt of net proceeds amounting to €19.7 million from the issue of bonds. In FY2020, net cash used in financing activities is estimated at €5.7 million, mainly comprising interest payments of €22.7 million and net proceeds from bank loans amounting to €19.1 million. The remaining balance relates to payment of lease obligations.

Sinking Fund

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

Contributions to Sinking Fund (€'000)	31 Dec'17 Restated	31 Dec'18 Actual	31 Dec'19 Actual	31 Dec'20 Forecast
€20 million 5.8% Bonds 2021	2,168	3,645	3,698	5,606
	2,168	**3,645**	**3,698**	**5,606**

VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the forecasted financial information for the year ended 31 December 2019 included in the prior year's Financial Analysis Summary dated 28 June 2019 and the audited consolidated financial statements for the year ended 31 December 2019.

IHI Group Income Statement (€'000)	**FY2019 Actual**	**FY2019 Forecast**	**Variance**
Revenue	268,286	273,826	(5,540)
Direct costs	(145,800)	(137,199)	(8,601)
Gross profit	**122,486**	**136,627**	**(14,141)**
Other operating costs	(52,696)	(65,893)	13,197
EBITDA	**69,790**	**70,734**	**(944)**
Depreciation and amortisation	(36,766)	(34,754)	(2,012)
Adjustments in value of property and intangible assets	(3,656)	(1,600)	(2,056)
Changes in value of liabilities and indemnification assets	4,798	(210)	5,008
Results from operating activities	**34,166**	**34,170**	**(4)**
Share of (loss) profit: equity accounted investments	(3,951)	-	(3,951)
Net finance costs	(23,219)	(21,435)	(1,784)
Other	6,916	5,037	1,879
Profit before tax	**13,912**	**17,772**	**(3,860)**
Taxation	(8,793)	(3,836)	(4,957)
Profit for the year	**5,119**	**13,936**	**(8,817)**
Other comprehensive income			
Gross surplus on revaluation of hotel properties	7,000	-	7,000
Gross share of other comprehensive income of equity accounted investments	(4,550)	-	(4,550)
Other effects, currency translation diff. and tax	31,331	10,044	21,287
	33,781	**10,044**	**23,737**
Total comprehensive income for the year net of tax	**38,900**	**23,980**	**14,920**

As presented in the above table, revenue for FY2019 was lower than forecast by €5.5 million, which was mitigated by a decrease of €4.6 million in direct and operating costs. As such, the adverse variance in EBITDA was marginal and amounted to €0.9 million.

Share of loss from equity accounted investments amounting to €4.0 million was not included in the projections, while tax expense was higher than projected by €5.0 million. As such, profit for the year was lower than expected by €8.8 million to €5.1 million.

Other comprehensive income amounted to €33.8 million compared to a forecast amount of €10.0 million. Overall, total comprehensive income was higher than projected by €14.9 million to €38.9 million.

IHI Group Cash Flow Statement (€'000)	**FY2019 Actual**	**FY2019 Forecast**	**Variance**
Net cash from operating activities	62,850	60,839	2,011
Net cash from investing activities	(22,442)	(35,202)	12,760
Net cash from financing activities	(21,587)	(21,240)	(347)
Net movement in cash and cash equivalents	**18,821**	**4,397**	**14,424**
Cash and cash equivalents at beginning of year	44,291	44,291	-
Effect of translation of presentation currency	2,351	-	2,351
Cash and cash equivalents at end of year	**65,463**	**48,688**	**16,775**

Actual net movement in cash and cash equivalents was higher than projected by €14.4 million, mainly arising from a variance in net cash from investing activities. It was initially projected that the Group would utilise €35.2 million for capital expenditure purposes, but in fact used €22.4 million. The remaining positive cash flow variance of €2.0 million emanates from operating activities.

IHI Group Balance Sheet (€'000)	31 Dec'19 Actual	31 Dec'19 Forecast	Variance
ASSETS			
Non-current assets			
Intangible assets (including indemnification)	72,432	70,539	1,893
Investment property	214,174	211,372	2,802
Property, plant and equipment	1,181,944	1,167,407	14,537
Right-of-use assets	13,776	-	13,776
Investments accounted for using the equity method	40,144	51,349	(11,205)
Other investments	8,401	4,700	3,701
Other fin. assets at amortised cost and receivables	1,801	184	1,617
Deferred tax assets	9,233	-	9,233
Assets placed under trust management	3,698	5,431	(1,733)
	1,545,603	1,510,982	34,621
Current assets			
Inventories	12,626	13,342	(716)
Other fin. assets at amortised cost and receivables	125	1,011	(886)
Trade and other receivables	43,192	49,480	(6,288)
Taxation	3,922	3,347	575
Financial assets at fair value through profit or loss	8,909	9,405	(496)
Cash and cash equivalents	72,699	52,568	20,131
Assets placed under trust management	122	-	122
	141,595	129,153	12,442
Total assets	**1,687,198**	**1,640,135**	**47,063**
EQUITY			
Capital and reserves			
Called up share capital	615,685	615,685	-
Reserves and other equity components	31,073	17,987	13,086
Retained earnings	54,247	62,679	(8,432)
Minority interest	196,142	192,918	3,224
	897,147	**889,269**	**7,878**
LIABILITIES			
Non-current liabilities			
Borrowings	547,181	535,674	11,507
Lease and other financial liabilities	11,202	-	11,202
Other non-current liabilities	106,885	97,593	9,292
	665,268	633,267	32,001
Current liabilities			
Borrowings	45,436	49,950	(4,514)
Lease and other financial liabilities	2,795	-	2,795
Other current liabilities	76,552	67,649	8,903
	124,783	117,599	7,184
	790,051	**750,866**	**39,185**
Total equity and liabilities	**1,687,198**	**1,640,135**	**47,063**

Total assets as at 31 December 2019 were higher than forecast by €47.1 million, mainly on account of higher than expected property, plant & equipment, deferred tax assets and cash balances (in aggregate, €43.9 million), which was partly offset by lower trade and other receivables of €6.3 million. Furthermore, right-of-use assets amounting to €13.8 million were not reflected in the projections.

Capital and reserves were higher than forecast by €7.9 million, while total liabilities were higher by €39.2 million. In total liabilities, borrowings and other liabilities increased more than expected by €7.0 million and €18.2 million respectively. The balance of €14.0 million represents lease liabilities which were not included in the forecast.

Related Party Listed Debt

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

Security ISIN	Amount Listed	Security Name	Currency
MT0000101262	40,000,000	4.25% Corinthia Finance plc 2026	EUR

Source: Malta Stock Exchange

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

Security ISIN	Amount Listed	Security Name	Currency
MT0000371261	12,000,000	6.0% MIH 2021	EUR
MT0000371287	40,000,000	5.0% MIH 2022	EUR
MT0000371295	20,000,000	5.5% MIH 2023	EUR
n/a	11,000,000	6% Notes 2020 (unlisted)	EUR

Source: Malta Stock Exchange

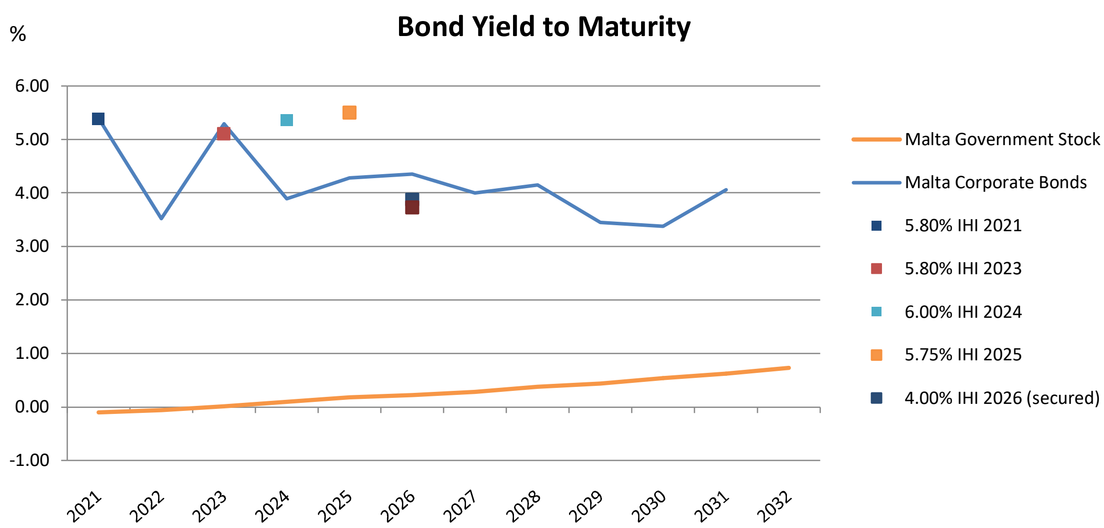
PART 4 - COMPARABLES

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

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.80% International Hotel Investments plc 2021	**20,000,000**	**5.39**	**3.01**	**1,687,198**	**897,147**	**37.31**
3.65% GAP Group plc Secured € 2022	36,736,700	3.52	2.22	87,886	11,155	77.98
6.00% Pendergardens Developments plc Secured € 2022 Series	26,781,200	3.36	3.75	81,524	28,343	37.45
4.25% GAP Group plc Secured € 2023	19,394,000	3.87	2.22	87,886	11,155	77.98
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.29	0.76	27,159	6,916	62.72
5.80% International Hotel Investments plc 2023	**10,000,000**	**5.11**	**3.01**	**1,687,198**	**897,147**	**37.31**
6.00% AX Investments Plc € 2024	40,000,000	4.45	5.55	342,395	226,115	19.63
6.00% International Hotel Investments plc € 2024	**35,000,000**	**5.36**	**3.01**	**1,687,198**	**897,147**	**37.31**
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.89	4.81	95,310	47,100	48.85
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.46	2.67	117,625	45,146	53.77
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	5.11	3.30	137,275	45,063	30.57
4.25% Best Deal Properties Holding plc Secured € 2024	16,000,000	3.49	-	27,455	3,366	85.88
5.75% International Hotel Investments plc Unsecured € 2025	**45,000,000**	**5.50**	**3.01**	**1,687,198**	**897,147**	**37.31**
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	5.10	4.03	4,066	- 18,883	-
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.28	1.65	150,478	57,635	56.47
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	4.35	6.47	48,019	6,405	81.08
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	4.43	2.74	1,784,681	908,883	40.11
4.00% International Hotel Investments plc Secured € 2026	**55,000,000**	**3.88**	**3.01**	**1,687,198**	**897,147**	**37.31**
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.47	8.99	273,233	57,082	60.43
4.00% International Hotel Investments plc Unsecured € 2026	**60,000,000**	**3.73**	**3.01**	**1,687,198**	**897,147**	**37.31**
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	3.25	5.55	341,785	227,069	19.11
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.35	8.48	316,563	132,582	31.98
4.00% Eden Finance plc Unsecured € 2027	40,000,000	4.00	6.42	199,265	113,124	28.12
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.76	4.92	225,284	123,107	38.32
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	4.15	3.87	628,916	110,128	77.11
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.45	4.92	225,284	123,107	38.32
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	4.07	3.87	628,916	110,128	77.11
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.68	5.55	341,785	227,069	19.11

03-Aug-20

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd



Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd — 3 August 2020

To date, there are no corporate bonds which have a redemption date beyond 2032. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

Due to the global economic fallout from the coronavirus outbreak, the difference between corporate bond yields and benchmark Malta Government Stock yields has widened across the entire yield curve. This unprecedented event has brought about an economic slowdown, which will likely adversely affect operational results of a number of companies.

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.
Net debt to EBITDA	The net debt to EBITDA ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
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.