CORINTHIA FINANCE plc

A member of the Corinthia Group of Companies

COMPANY ANNOUNCEMENT

Financial Analysis Summary

Corinthia Finance p.l.c. announces that the Financial Analysis Summary of Corinthia Palace Hotel Company Ltd as guarantor of Corinthia Finance p.l.c. is attached to this Company Announcement and is also available on the Company's website: *http://www.corinthiagroup.com/analysis-summaries/*.

Joseph Fenech
Chairman

Encl.

30 August 2019

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Financial Analysis Summary

30 August 2019

Issuer

Corinthia Finance p.l.c.

Guarantor

Corinthia Palace Hotel Company Limited

WEALTH MANAGEMENT • CORPORATE BROKING

CHARTS

A division of MeDirect Bank (Malta) plc

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The Directors
Corinthia Finance p.l.c.
22, Europa Centre
Floriana FRN 1400
Malta

30 August 2019

Dear Sirs

Financial Analysis Summary

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

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

(a) Historical financial data has been extracted from the audited financial statements of: (i) the Issuer for the financial years ended 31 December 2016 and 31 December 2017 and for the 14-month period ended 28 February 2019; and (ii) the Guarantor for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018.

(b) The forecast data for the year ending 28 February 2020 (in relation to the Issuer) and 31 December 2019 (in relation to the Guarantor) has been provided by management.

(c) Our commentary on the results of the Guarantor and on 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.

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

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of the Corinthia 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 or Corinthia Group and should not be interpreted as a recommendation to invest in any of the Issuer's or Corinthia Group'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 or Corinthia Group's securities.

Yours faithfully,

Evan Mohnani
Head – Corporate Finance

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

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PART 1 – INFORMATION ABOUT THE ISSUER AND GUARANTOR

1. ISSUER'S KEY ACTIVITIES

The principal activity of Corinthia Finance p.l.c. (the "**Issuer**") is to finance the ownership, development, operation and financing of hotels, resorts and leisure facilities, forming part of the Corinthia Group, of which it is a member.

The Issuer is not engaged in any trading activities but is involved in raising funds, mainly through the issue of bonds, and advancing same to its parent company Corinthia Palace Hotel Company Limited as and when the demands of its business or the demands of a particular project so require. Accordingly, the Issuer is economically dependent on the operations, performance and prospects of the Corinthia Group.

2. DIRECTORS OF THE ISSUER

The Issuer is managed by a Board comprising four directors who are entrusted with its overall direction and management. The Board members of the Issuer as at the date of this report are included hereunder:

Board of Directors

Joseph Fenech	Chairman and Executive Director
Mario P. Galea	Non-Executive Director
Frank Xerri de Caro	Non-Executive Director
Joseph J. Vella	Non-Executive Director

3. GUARANTOR'S KEY ACTIVITIES

Corinthia Palace Hotel Company Limited ("**CPHCL**" or the "**Guarantor**") is the parent company of the Corinthia Group and is principally engaged, directly or through subsidiaries and associated entities, in investments that are predominantly focused on the ownership, development and operation of mixed-use real estate developments that consist mainly of hotels, residences, offices, retail and commercial areas, as well as project management, industrial and event catering, in various countries.

4. DIRECTORS OF THE GUARANTOR

The Guarantor is managed by a Board consisting of six directors entrusted with its overall direction and management, including the establishment of strategies for future development. In the execution of the strategic direction, investment and management oversight of the Corinthia Group, the Board is assisted by the Chief Executive Officers and Senior Management of the operating business entities within the Corinthia Group.

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

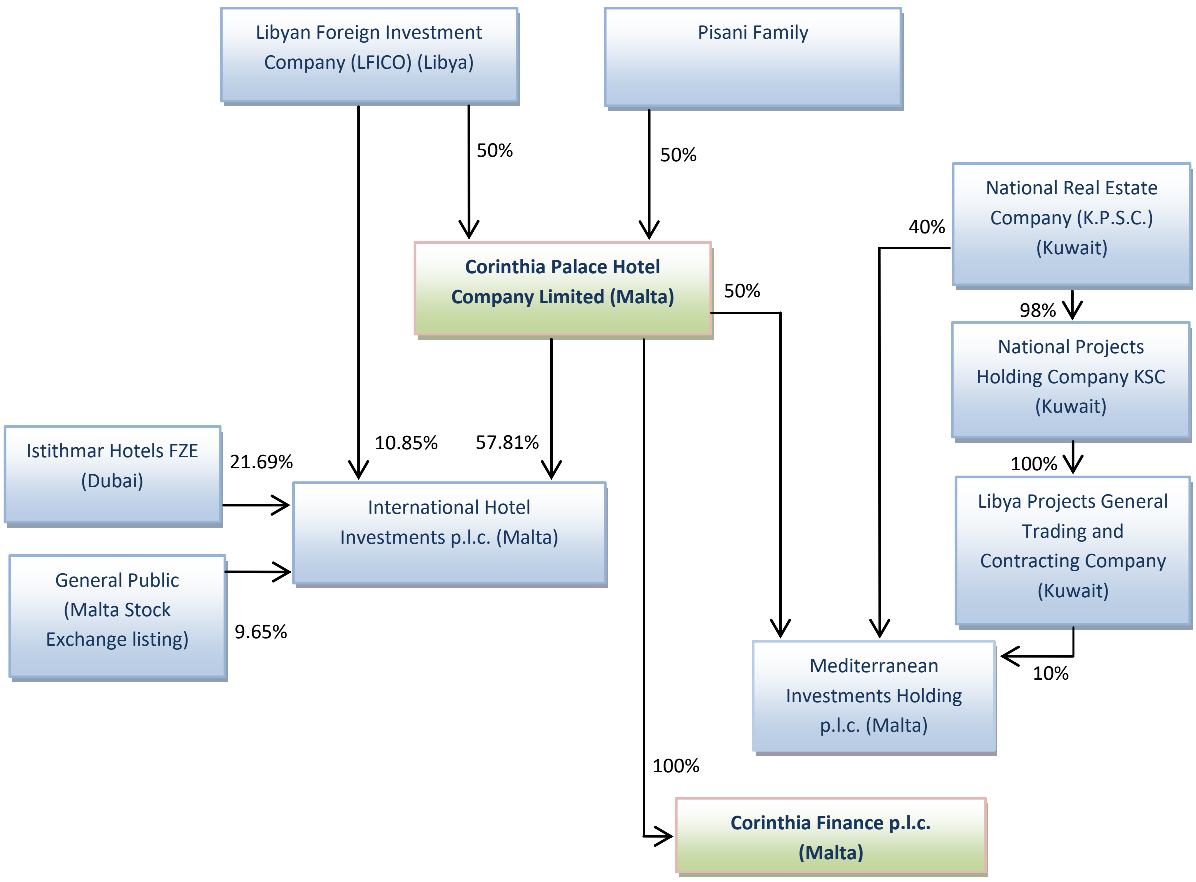
Board of Directors

Alfred Pisani	Chairman and Executive Director
Abuagila Almahdi	Vice-Chairman and Executive Director
Joseph Pisani	Executive Director
Victor Pisani	Executive Director
Karima Munir Elbeshir	Non-Executive Director
Khalid S T Benrjoba	Non-Executive Director

The weekly average number of employees engaged with the companies forming part of the Corinthia Group during FY2018 amounted to 3,487 persons (FY2017: 3,583).

5. CORINTHIA GROUP ORGANISATIONAL STRUCTURE

The diagram below illustrates the principal subsidiaries and associates within the organisational structure of the Corinthia Group.



The following table provides a list of the principal assets and operations owned by the respective Corinthia Group companies:

PRINCIPAL ASSETS AND OPERATIONS

Name	Location	Description	% ownership	No. of hotel rooms
Corinthia Palace Hotel Company Limited				
Panorama Hotel Prague**	Czech Republic	Property owner	100	440
Aquincum Hotel Budapest	Hungary	Property owner	100	310
Ramada Plaza Tunis Hotel	Tunisia	Property owner	100	309
Malta Fairs and Conventions Centre Limited	Malta	Conference & leisure conventions	100	n/a
Danish Bakery Limited	Malta	Bakery	65	n/a
Swan Laundry and Drycleaning Co. Limited	Malta	Laundry & dry cleaning	100	n/a
Marsa Investments Ltd	Malta	Property company	100	n/a
International Hotel Investments p.l.c.				
Corinthia Hotel Budapest	Hungary	Property owner	100	437
Corinthia Hotel St Petersburg	Russia	Property owner	100	388
Commercial property St Petersburg	Russia	Property owner	100	n/a
Corinthia Hotel Lisbon	Portugal	Property owner	100	518
Corinthia Hotel Prague	Czech Republic	Property owner	100	539
Corinthia Hotel Tripoli	Libya	Property owner	100	299
Commercial property Tripoli	Libya	Property owner	100	n/a
Corinthia Hotel St George's Bay	Malta	Property owner	100	249
Marina Hotel St George's Bay	Malta	Property owner	100	200
Corinthia Hotel & Residences London*	United Kingdom	Property owner	50	284
Corinthia Grand Astoria Hotel Brussels*	Belgium	Property owner (under development)	50	126
Corinthia Palace Hotel & Spa	Malta	Property owner	100	147
Medina Tower	Libya	Mixed-use property (to be developed)	25	n/a
Radisson Blu Resort St Julians	Malta	Property owner	100	252
Radisson Blu Resort & Spa Golden Sands	Malta	Property owner & vacation ownership operation	50	338
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
Corinthia Caterers Ltd	Malta	Event catering	100	n/a
Catermax	Malta	Event catering	100	n/a
Island Caterers	Malta	Event catering	100	n/a
The Heavenly Collection (Hal Ferh)	Malta	Vacant site (to be developed)	100	n/a
Costa Coffee	Malta/Spain	Retail catering	100	n/a
Mediterranean Investments Holding p.l.c.				
Palm City Residences	Libya	Gated residence complex	100	n/a
Medina Tower	Libya	Mixed-use property (to be developed)	25	n/a
				4,836

** under control and management of IHI*

*** property sold in August 2019*

A description and analysis of the operational activities of each of International Hotel Investments p.l.c. and Mediterranean Investments Holding p.l.c. is included in their respective financial analysis reports. The said reports have been published and are available on their respective websites: www.ihiplc.com and www.mihplc.com

PART 2 – HOTEL PROPERTIES DIRECTLY OWNED BY CORINTHIA PALACE HOTEL COMPANY LIMITED

6. HOTEL PROPERTIES

6.1 PANORAMA HOTEL PRAGUE

Introduction

In August 2019, CPHCL entered into a share purchase and sale agreement with a third party in relation to the disposal of its 100% shareholding in Pankrac Property Holdings s.r.o., a company which owns the Panorama Hotel and adjacent garage. The Panorama Hotel is situated in Prague's commercial district, just outside the city centre. It offers a range of rooms, including standard, superior, deluxe and business rooms, as well as a presidential suite. Guests at the Panorama Hotel benefit from access to the fitness and wellness centre, and the business centre. The carrying value of the Panorama Hotel as at 31 December 2018 is €38.3 million (2017: €40.5 million), while the carrying value of the adjacent garage as at 31 December 2018 is €5.6 million (2017: €5.6 million).

The net cash consideration for the said disposal, including an amount as compensation for working capital balances and after settlement of an outstanding bank loan of the subject company, amounted to *circa* €68 million. In terms of the share purchase and sale agreement, CPHCL will continue to operate the Panorama Hotel for the next few years and shall pay a lease to the new owner equivalent to 90% of gross operating profit.

Market Overview

i. Economic update[1]

The Czech economy grew strongly again in 2018. Real GDP expanded by 3.0%, mainly as a result of rapid growth in investment and solid growth in household consumption. The surge in gross fixed capital formation was mostly due to significant investments in automation, particularly in manufacturing, and the inflow of EU funds. The contribution of net exports to growth turned negative in 2018 as strong domestic demand pushed the growth of imports well above that of exports.

Real GDP growth is expected to ease slightly in 2019 and 2020 to 2.6% and 2.5% respectively, broadly in line with estimated potential growth rates. In the first quarter of 2019, the economy grew by 0.6% quarter-on-quarter and 2.8% year-on-year, supported mainly by domestic demand. Private consumption is likely to remain the main growth driver and should continue to benefit from swift growth in wages and pension incomes, and robust consumer confidence. After the surge in 2018, investment growth is expected to normalise in 2019 and 2020. However, on the back of the acute labour shortages, investment in automation will most likely remain a priority for firms. The trade balance is set to deteriorate over the forecast horizon and detract from GDP growth in 2019, before turning neutral in 2020. The growth rates of both exports and imports are expected to moderate somewhat, following the deterioration in global trade prospects.

[1] European Economic Forecast Summer 2019 (Interim), July 2019 – European Commission

Labour shortages and reliance on the external sector remain the main downside risks. The record number of new job vacancies across all sectors has led to a significant increase in real unit labour costs in the last couple of years. As the growth of labour productivity has been rather muted, the competitiveness of Czech exports risks being affected in the longer term. Inflation has been picking up in 2019 so far, influenced by steeper prices for energy, services and food. The inflation rate is expected to reach 2.4% in 2019, slightly above the Czech National Bank's target of 2%, before moderating to around 2.1% in 2020, when inflationary pressures from energy are expected to subside.

ii. Tourism market[2]

Tourism in the Czech Republic continues to soar at a record-breaking pace and in 2018 *circa* 21.3 million guests stayed in collective accommodation establishments (2017: 20.0 million guests) and overnight stays amounted to 55.5 million nights (2017: 53.2 million nights). The number of foreign tourists coming to the Czech Republic has now roughly equalled the country's population, which is approximately 10.6 million.

Germans represented the highest number of tourists to the Czech Republic at more than 2 million in 2018, or roughly 20% of the country's total number of foreign tourists. Slovak (735,000), Polish (620,000), Chinese (620,000), and USA (556,000) guests rounded out the top 5 nationalities of foreign tourists in the Czech Republic, followed by guests from Russia (545,000), UK (497,000), South Korea (416,000), Italy (410,000), and Austria (299,000).

Largely due to new flight routes being opened, the number of visitors from Asian countries has more than doubled over the past five years. Prague was easily the most popular destination for foreign tourists, with 6.7 million visitors to the Czech capital over the course of 2018 (7.9 million including Czech residents).

Operational Performance

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

Panorama Hotel Prague	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Forecast**
Turnover (€'000)	10,251	11,573	11,806	12,540
Gross operating profit before incentive fees (€'000)	2,781	3,719	3,922	4,089
Gross operating profit margin (%)	27	32	33	33
Occupancy level (%)	71	76	76	80
Average room rate (€)	56	60	63	64
Revenue per available room (RevPAR) (€)	39	45	48	52
Benchmark performance				
Occupancy level (%)	75	82	82	80
Average room rate (€)	41	48	53	56
Revenue per available room (RevPAR) (€)	31	39	43	45
Revenue Generating Index	1.27	1.17	1.11	1.15

Source: Management information.

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

In FY2016, the Hotel generated €10.3 million in revenue, an increase of €0.3 million (+3%) over the prior year. Gross operating profit also improved by 10% (y-o-y) from €2.5 million in FY2015 to €2.8 million in FY2016. The occupancy level during the year was 3 percentage points lower at 71%, but average room rate increased from €50 in FY2015 to €56 in FY2016.

The positive trend in tourism in the Czech Republic during FY2017 enabled the Hotel to register a higher revenue amount over the corresponding year and an improvement in gross operating profit margin. In the said year, revenue increased from €10.3 million in FY2016 to €11.6 million (+13%), whilst gross operating profit margin improved by 5 percentage points to 32%. Gross operating profit before incentive fees increased in FY2017 by €0.9 million (+34%) to €3.7 million. In FY2017, the occupancy level increased from 71% (FY2016) to 76%, and the average room rate improved by €4 to €60. This resulted in a higher RevPAR from €39 in FY2016 to €45 in FY2017.

Performance in FY2018 improved further from the prior year, wherein the Hotel generated a turnover of €11.8 million, an increase of €0.2 million (+2%) over FY2017. Gross operating profit margin improved by 1 percentage point to 33%, thereby resulting in an increase of €0.2 million in gross operating profit before incentive fees to €3.9 million (FY2017: €3.7 million). Occupancy level was maintained at 76% when compared to the prior year, but RevPAR increased from €45 in FY2017 to €48.

In August 2019, CPHCL sold the Hotel to a third party with a condition that the Group shall continue to operate the property for the next few years. As such, the financial data presented in the above table covering the full year (2019) is included solely for information purposes, given that ONLY the operating performance for the period 1 January 2019 to the third week of August 2019 is attributable to the Group. Thereafter, the Group shall receive a management fee which is not reflected in the above table.

For FY2019, management has maintained the same operational strategy and as such, the forecast for FY2019 reflects a 6% growth in revenue and a stable gross operating profit margin of 33%. RevPAR for the Panorama Hotel is projected to increase from €48 in FY2018 to €52 in FY2019.

As for benchmark performance, the Hotel's RevPAR increased over the three historical years under review, from €39 in FY2016 to €45 and €48 in FY2017 and FY2018 respectively. In comparison, the Hotel's competitive set also registered a similar trajectory but at a lower level (from €31 in FY2016 to €43 in FY2018). During the forecast year (FY2019), the Hotel is targeting an occupancy level of 80%, which is equal to the projected benchmark occupancy level. With regards to the average room rate, the Hotel is projecting to achieve a rate of €64 as compared to a forecast benchmark rate of €56. As such, management anticipates that in FY2019, the Hotel will continue to outperform its competitive set and register an RGI of 1.15.

6.2 THE AQUINCUM HOTEL BUDAPEST

Introduction

Thermal Hotel Aquincum Rt (a fully-owned subsidiary of CPHCL via CIL (UK)) owns the 310-room five-star Aquincum Hotel located in a prime area alongside the river Danube with panoramic views of the Buda Hills. The main feature of this business and leisure hotel is its 1,660m^2 Spa, which derives its therapeutic water directly from Margaret Island. The carrying amount of the Aquincum Hotel as at 31 December 2018 is €31.7 million (2017: €34.0 million).

Market Overview

i. Economic update[3]

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

GDP growth strengthened further in the first quarter of 2019 to 5.3% year-on-year. Growth received a boost from exports as the automotive industry switched into higher gear following several prior weaker quarters. Construction activity benefited from the mild winter and the sector's output grew by over 46% year-on-year in the first quarter. According to monthly business indicators and surveys, year-on-year GDP growth remained robust in the second quarter of 2019. However, new orders have not kept pace with construction activity recently and the order book of construction companies was already shrinking by 6% year-on-year in April. This foreshadows a marked slowdown in investment activity and GDP growth over the coming quarters.

GDP growth is projected to reach 4.4% in 2019 and then slow to 2.8% in 2020. The investment rate has already reached a high level and thus investment growth is projected to decelerate in 2020. With the economy nearing full employment, job creation is set to slow and this should moderate private consumption growth. Export growth is also forecast to slow due to the persistent weakness in key export markets. At the same time, strong domestic demand will continue to boost imports, deteriorating the trade balance.

Inflation rose to 4.0% in May 2019 on the back of rising fuel and food prices. As these cost-side pressures fade, inflation is set to decrease in the second half of 2019.

ii. Tourism market[4]

In 2018, accommodation establishments registered a record total of 12.5 million arrivals (almost 50% being foreign guests) and 30.9 million tourism nights, up 5.2% and 3.8% respectively over 2017. Gross revenue generated by accommodation establishments increased by 9.3% (at current prices) to a total of HUF 510 billion. Room occupancy in hotels in 2018 rose by an average of 2.0 percentage points to 61.3% and the two most popular destinations were Budapest and Lake Balaton.

As tourist numbers soar in Hungary, Budapest Airport has announced further investment plans, including the construction of a new terminal building by 2024. The airport also registered a double-digit rise in passenger numbers for 2018.

The Hungarian government's goal is to grow the tourism industry to 16% of GDP (from the current 10%) by 2030. Much of the government's attention is focused on Lake Balaton and the surrounding area, where it is committed to developing 26 projects, creating new cycle paths, ports, hiking trails and recreation parks.

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[3] European Economic Forecast Summer 2019 (Interim), July 2019 – European Commission

[4] Central Statistical Office (KSH); emerging-europe.com/news/hungary-sets-ambitious-tourism-targets

Operational Performance

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

The Aquincum Hotel Budapest	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast
Turnover (€'000)	7,470	8,136	8,278	9,328
Gross operating profit before incentive fees (€'000)	1,854	2,087	1,683	2,321
Gross operating profit margin (%)	25	26	20	25
Occupancy level (%)	74	74	71	75
Average room rate (€)	58	65	67	71
Revenue per available room (RevPAR) (€)	43	48	48	54
Benchmark performance				
Occupancy level (%)	77	78	79	78
Average room rate (€)	62	71	74	74
Revenue per available room (RevPAR) (€)	48	55	58	58
Revenue Generating Index	0.90	0.87	0.82	0.93

Source: Management information.

In FY2016, the Hotel registered an increase in revenue of €0.3 million (+4%, y-o-y) and gross operating profit of €0.2 million (14%, y-o-y) principally on account of an improvement in RevPAR from €40 in FY2015 to €43 in FY2016.

The Aquincum Hotel's turnover levels in FY2017 improved by 10% to €8.1 million (FY2016: €7.5 million) when compared to a year earlier, principally due to a €7 increase in average room rate whilst occupancy was maintained at 74%. Consequently, gross operating profit before incentive fees increased from €1.9 million in FY2016 to €2.1 million in FY2017, and gross operating profit margin improved by 1 percentage point to 26%.

Revenue and RevPAR generated in FY2018 were broadly in line to the comparative at €8.3 million (FY2017: €8.1 million) and €48 (FY2017: €48) respectively. Notwithstanding, gross operating profit margin was lower by 5 percentage points to 20%, which resulted in a decrease in gross operating profit before incentive fees of €0.4 million from €2.1 million in FY2017 to €1.7 million in FY2018. The revenue forecast for FY2019 indicates a y-o-y increase of €1.1 million (+13%) to €9.3 million, and gross operating profit is expected to increase by €0.6 million (+38%) to €2.3 million.

When comparing the Hotel to its competitive set, the Hotel's occupancy level in FY2016 was 3 percentage points below benchmark at 74% and RevPAR amounted to €43 as compared to €48 for the competitive set. As in prior years, the Hotel's RGI in FY2017 and FY2018 was below par at 0.87 and 0.82 respectively. Analysing the KPIs further, it is noted that the occupancy level of the Hotel was 74% in FY2017, four percentage points lower than competition, and its average room rate was also lower than its peers by €6 at €65. A similar performance was registered in FY2018, with an adverse variance of 8 percentage points in occupancy level and a €7 difference in average room rate (Hotel €67 vs Benchmark €74). Following the implementation of a number of corrective measures, management expects the Hotel's operational performance to improve in FY2019 against its competitive set, thereby improving the RGI from 0.82 in FY2018 to 0.93.

6.3 RAMADA PLAZA TUNIS HOTEL

Introduction

Societe de Promotion Hoteliere Khamsa s.a. (a fully-owned subsidiary of the Group) owns the 309-room five-star Ramada Plaza Tunis Hotel which is located on an unspoiled sandy beach on the Côte de Carthage Gammarth, 18Km from the capital Tunis. The Hotel has extensive health and leisure facilities. The carrying amount of the Ramada Plaza Tunis Hotel as at 31 December 2018 is €15.8 million (2017: €18.6 million). The year-on-year reduction in the property's carrying value is principally due to the consistent weakening of the Tunisian Dinar (being the company's functional currency) against the Euro (being the reporting currency).

Market Overview

i. Economic update[5]

Real GDP growth rose to an estimated 2.6% in 2018 from 1.9% in 2017, spurred by agriculture (8.7% growth) and market services (3.2%). The budget deficit and the current account deficit both improved in 2018, and this trend is projected to continue in 2019 and 2020. But improvement will be slow because of a high wage bill as well as the structure of the trade deficit linked to import demand, which increased by 16% in the first eight months of 2018 compared with 2017. The dinar depreciated 19% against the US dollar and the euro in 2018, stressing foreign exchange reserves. Inflation rose sharply in 2018 to an estimated 7.4% due to exchange rate pass-through, an increase in value added tax, and higher oil prices, but is projected to decline in 2019 after the central bank tightened monetary policy in the second quarter of 2018.

After GDP growth fell to a three-year low in Q1 2019 on declining agricultural and industrial output and a weak external sector, economic momentum appears to have remained subdued in Q2 2019. In particular, merchandise trade data shows that exports contracted in May and June, although imports also declined in the same months, which could have supported the external sector's contribution to growth. Moreover, industrial production contracted again in April and May, as it had throughout Q1 2019. The demise of President Beji Caid Essebsi on 25 July 2019 instigated early presidential elections which are being held on 15 September 2019. In the same month, the IMF concluded its visit to Tunisia and urged the government to continue pursuing fiscal consolidation to ensure public debt remains sustainable.

In the medium term, the main challenge will be to reduce unemployment and regional disparities. Some 15.4% of the working-age population is unemployed, including 31% of college graduates. But there are large differences between coastal regions, where most investment and jobs are concentrated, and interior regions. Reducing social and regional disparities will require updating the existing development model and accelerating structural reforms. The role and scope of the government's intervention in the economy need to be re-evaluated, with an emphasis on improving public spending efficiency by prioritising expenditures likely to benefit the broader economy and the private sector in particular. Although public spending has increased considerably since 2011, the fiscal framework, which relies on borrowing to finance current expenditures instead of capital expenditures, remains largely unchanged. The public debt, the majority of which is external (70%), increased by 71% between 2010 and 2018, raising Tunisia's external vulnerability.

[5] www.afdb.org/en/countries/north-africa/tunisia/tunisia-economic-outlook; www.focus-economics.com/countries/tunisia

ii. Tourism market[6]

The number of foreign tourists in Tunisia rose by 23% to 7 million in 2017 when compared to the previous year, official data showed, indicating that a vital industry crippled two years earlier by Islamist attacks is recovering. Tourism accounts for about 8% of Tunisia's gross domestic product, provides thousands of jobs and is a key source of foreign currency.

In 2017, the number of European tourists rose by 19.5% to 1.7 million and in particular, the number of French and German visitors rose by 45.5% and 40.8% respectively in the same period. The number of Algerians visiting rose by 40.5% to 2.3 million. Tunisia's tourism revenues rose by 22% in 2017 to 2.8 billion dinars ($1.2 billion).

Tourism revenues increased further in 2018 to $1.36 billion (2017: $1.2 billion) as the country saw the arrival of a record 8.3 million visitors (2017: 7 million visitors).The industry has witnessed a 42% increase in the number of foreign visitors in 2018 and the number of arrivals from Europe is close to pre-crisis levels (2011). The Tunisian Ministry of Tourism expects the number of holidaymakers to exceed 9 million in 2019, with at least a 30% rise in European visitors.

Operational Performance

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

Ramada Plaza Tunis Hotel	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast
Turnover (€'000)	4,561	5,439	5,973	5,854
Gross operating profit before incentive fees (€'000)	969	1,442	1,786	1,785
Gross operating profit margin (%)	21	27	30	30
Occupancy level (%)	40	55	66	65
Average room rate (€)	58	51	49	49
Revenue per available room (RevPAR) (€)	23	28	32	32

Source: Management information.

The Hotel's performance in FY2016 was generally reflective of the previous year, wherein revenue remained static at the €4.6 million level and gross operating profit increased marginally from €0.9 million in FY2015 to €1.0 million.

The security situation in Tunisia improved considerably in FY2017, which encouraged more tourists to visit the country. This enabled the Hotel to significantly increase its occupancy from 40% to 55%, although average room rate decreased from €58 in FY2016 to €51. During the year, revenue increased by 19% from €4.6 million in FY2016 to €5.4 million, while gross operating profit before incentive fees increased by 49% from €1.0 million in FY2016 to €1.4 million.

[6] www.reuters.com/article/us-tunisia-tourism/foreign-tourist-numbers-up-23-percent-in-tunisia-in-2017-idUSKBN1EL0LT; https://www.reuters.com/article/tunisia-economy-tourism/tunisia-sees-record-tourist-numbers-in-2018-as-attack-effect-fades-idUSL8N1QB1TX; www.aawsat.com/english/home/article/1646896/tunisia-expects-more-9-mn-tourists-year

The Hotel's operational performance continued to improve in FY2018, both in terms of revenue and gross operating profit, which increased by 10% and 24% respectively. During the said year, occupancy level improved from 55% in FY2017 to 66%, while RevPAR increased from €28 in FY2017 to €32. For FY2019, management expects the Hotel to register further growth in operational performance, but on conversion from Tunisian Dinar (being the hotel's functional currency) to Euro (being the Group's functional currency) such results reflect nil growth on a year-on-year basis due to the weakening of the Tunisian Dinar against the Euro. Accordingly, in euro terms, the Hotel is expected to maintain the same level of performance achieved in the prior year (FY2018).

7. BUSINESS DEVELOPMENT STRATEGY

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

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

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

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

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

Acquisitions, joint ventures and developments

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

Furthermore, other mixed-use properties, described elsewhere in this report are earmarked for development in the coming years, 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, through IHI, is principally interested in developing hotels in mature markets, specifically in certain key European cities.

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

Hotel management contracts

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

In April 2019, CHL acquired a 10% shareholding in GHA Holdings Limited ("**GHA**") at the established price of US$3.5 million. In parallel, Pan Pacific and Minor Hotels have also acquired a 10% shareholding in GHA. Apart from Pan Pacific and Minor Hotels, the ownership of GHA comprises founding shareholders Kempinski, Omni and Oracle as to 34%, 34% and 12% respectively. Furthermore, CHL renewed its membership agreement with GHA for another five years.

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

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

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 Corinthia Group.

PART 3 – GROUP PERFORMANCE REVIEW

8. FINANCIAL INFORMATION RELATING TO CORINTHIA FINANCE PLC

In 2018, the Board of Directors approved a change to the Issuer's financial year end from 31 December 2018 to 28 February 2019. Accordingly, the following financial information is extracted from the audited financial statements of the Issuer for the years ended 31 December 2016 and 31 December 2017, and for the 14-month period ended 28 February 2019. The forecasted financial information for the year ending 28 February 2020 has been provided by management of the Company. **The projected financial statements are based on future events and assumptions which the Issuer believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results can be material.**

Corinthia Finance p.l.c. Income Statement (€'000)	FY2016 12-months Actual	FY2017 12-months Actual	FY2019 14-months Actual	FY2020 12-months Forecast
Finance income	2,919	2,233	2,637	2,151
Finance costs	(2,849)	(2,150)	(2,508)	(2,075)
Administrative expenses	(47)	(43)	(52)	(48)
Realised gains on disposal of investments	436	5	-	-
Profit before tax	**459**	**45**	**77**	**28**
Taxation	(7)	-	(22)	(7)
Profit for the year	**452**	**45**	**55**	**21**
Other comprehensive income				
Fair value gains - financial assets	171	(7)	-	-
Reclassification on disposal of investments	(436)	(5)	-	-
	(265)	(12)	-	-
Total comprehensive income for the year	**187**	**33**	**55**	**21**

Corinthia Finance p.l.c. Cash Flow Statement (€'000)	FY2016 12-months Actual	FY2017 12-months Actual	FY2019 14-months Actual	FY2020 12-months Forecast
Net cash from operating activities	(590)	(66)	(90)	(108)
Net cash from investing activities	2,821	2,220	2,248	9,691
Net cash from financing activities	(2,233)	(2,150)	(2,150)	(9,575)
Net movement in cash and cash equivalents	**(2)**	**4**	**8**	**8**
Cash and cash equivalents at beginning of year	9	7	11	19
Cash and cash equivalents at end of year	**7**	**11**	**19**	**27**

Corinthia Finance p.l.c. Statement of Financial Position (€'000)	31 Dec'16 Actual	31 Dec'17 Actual	28 Feb'19 Actual	28 Feb'20 Forecast
ASSETS				
Non-current assets				
Loans owed by parent company	46,880	46,460	45,870	39,910
Other long-term financial assets	638	1,062	1,582	-
Deferred tax asset	-	2	-	-
	47,518	47,524	47,452	39,910
Current assets				
Receivables	2,574	2,250	2,394	2,033
Other assets	78	37	20	12
Cash and cash equivalents	7	11	19	27
	2,659	2,298	2,433	2,072
Total assets	**50,177**	**49,822**	**49,885**	**41,982**
EQUITY				
Capital and reserves				
Called up share capital	250	250	250	250
Investment revaluation reserve	12	-	-	-
Retained earnings	85	130	94	116
	347	**380**	**344**	**366**
LIABILITIES				
Non-current liabilities				
Bonds in issue	47,500	47,500	47,500	40,000
Current liabilities				
Payables	2,330	1,942	2,041	1,616
	49,830	**49,442**	**49,541**	**41,616**
Total equity and liabilities	**50,177**	**49,822**	**49,885**	**41,982**

The Issuer is a fully owned subsidiary of CPHCL, the parent company of the Corinthia Group, and is principally engaged to act as a finance company. During the financial periods under review, the Issuer maintained *circa* €47.5 million in value of bonds, the proceeds of which were on-lent to CPHCL on issuance. As a result of this, finance income principally represents interest receivable from loans advanced to CPHCL, while finance costs comprise interest payable to bondholders.

In FY2019, the Issuer registered a profit after tax of €54,584 compared to €44,639 in the prior year. No movements were reported in other comprehensive income (FY2017: other comprehensive loss of €11,484).

During the current financial year (FY2020), the Issuer plans to redeem the €7.5 million 6% bonds 2019 – 2022. Accordingly, loans to CPHCL (debtor) and outstanding bonds (creditor) are projected to each decrease to €40 million by 28 February 2020.

9. FINANCIAL INFORMATION RELATING TO CORINTHIA PALACE HOTEL COMPANY LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

The financial information provided hereunder is extracted from the audited consolidated financial statements of CPHCL for each of the years ended 31 December 2016 to 31 December 2018. The forecasted financial information for the year ending 31 December 2019 has been provided by management of the company.

On 10 April 2018, CPHCL sold the 150-room Corinthia Palace Hotel located in Attard, Malta to its main subsidiary – IHI. Since this sale constituted a related party transaction, the sale consideration was assessed through the applicable corporate governance procedures.

In August 2019, CPHCL concluded a share purchase and sale agreement with a third party in relation to the disposal of 100% shareholding in Pankrac Property Holdings s.r.o., a company which owns the Panorama Hotel and adjacent garage. The cash consideration for the said disposal, including an amount as compensation for working capital balances and after settlement of an outstanding bank loan of the subject company, amounted to *circa* €68 million. In terms of the share purchase and sale agreement, CPHCL will continue to operate the Panorama Hotel for the next few years and shall pay a lease to the new owner equivalent to 90% of gross operating profit.

Following the above transaction, the Issuer will redeem in full the €7.5 million 6% bonds maturing 2019 – 2022 (ISIN: MT0000101254) in October 2019. Furthermore, the Guarantor shall transfer €20 million to a reserve account for the purpose of redeeming part of the €40 million 4.25% bonds 2026 (ISIN: MT0000101262) by 12 April 2026 (the redemption date).

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.

In accordance with the transition provisions in IFRS 15, the Group 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 and a corresponding adjustment in retained earnings. In addition, share of net results of equity accounted investments (in the income statement) has been revised from a profit of €2.1 million to a loss of €1.5 million (an adverse movement of €3.6 million).

Correction of error in accounting for investment in joint ventures

During FY2018, 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, the FY2017 financial statements were 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	**5,752**
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	**2,761**
	=======
Statement of Financial Position	
Total equity as originally presented	**901,595**
Investments accounted for using the equity method	(10,447)
Other non-current liabilities	(9,214)

Total equity as restated	**881,934**
	=======

The Group's operations in Libya

On the same lines of recent years, the audit report in the Group's consolidated financial statements for the year ended 31 December 2018 includes an emphasis of matter relating to the significant political and economic uncertainties prevailing in Libya and their impact on the Group's results for 2018.

Note 6 to the FY2018 financial statements explains the significant uncertainties and judgments surrounding the valuation of the Group's assets in Libya that have a bearing on the projected cash flows from the relative operations, and which are in turn influenced by the timing of a recovery in the country. Different plausible scenarios may impact the financial performance of the Libya operations and the valuation of related assets in a significant matter. This matter is considered to be of fundamental importance to stakeholders because of the potential impact that this uncertainty may have on the valuation of the Group's assets in Libya and the recoverability of certain debtors, which as at 31 December 2018 were carried at €345.5 million and €6.1 million respectively.

Projections

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

Corinthia Palace Hotel Company Limited				
Consolidated Income Statement	**FY2016**	**FY2017**	**FY2018**	**FY2019**
(€'000)	**Actual**	**Restated**	**Actual**	**Forecast**
Revenue	207,923	291,183	302,456	308,350
Net operating expenses	(165,549)	(223,039)	(233,988)	(236,280)
EBITDA	**42,374**	**68,144**	**68,468**	**72,070**
Depreciation and amortisation	(32,475)	(38,372)	(39,436)	(40,940)
Other net income (expenses)	(520)	4,692	336	978
Gain (loss) on exchange	1,981	(2,137)	475	(101)
Net impairment (hotel & other properties, intangibles)	(16,678)	(1,452)	4,282	(1,628)
Results from operating activities	**(5,318)**	**30,875**	**34,125**	**30,379**
Net finance costs	(22,789)	(26,356)	(25,023)	(25,890)
Investment income	1,487	-	126	-
Share of results of associate companies	(1,273)	(1,416)	9,579	6,450
Other	8,647	(6,033)	(8,974)	48,355
Profit (loss) before tax	**(19,246)**	**(2,930)**	**9,833**	**59,294**
Taxation	(3,029)	5,691	9,903	(1,989)
Profit (loss) for the year	**(22,275)**	**2,761**	**19,736**	**57,305**
Other comprehensive income				
Gross surplus on revaluation of hotel properties & other assets	41,194	25,724	37,675	-
Share of other comprehensive income of equity accounted investments	6,598	6,726	1,794	-
Other effects and tax	(4,978)	413	(23,553)	10,670
	42,814	**32,863**	**15,916**	**10,670**
Total comprehensive income for the year net of tax	**20,539**	**35,624**	**35,652**	**67,975**

Key Accounting Ratios	FY2016 Actual	FY2017 Restated	FY2018 Actual	FY2019 Forecast
Operating profit margin *(EBITDA/revenue)*	20%	23%	23%	23%
Interest cover (times) *(EBITDA/net finance cost)*	1.86	2.59	2.74	2.78
Net profit margin *(Profit after tax/revenue)*	-11%	1%	7%	19%
Earnings per share (€) *(Profit after tax/number of shares)*	-1.11	0.14	0.99	2.87
Return on equity *(Profit after tax/shareholders' equity)*	-3%	0%	2%	6%
Return on capital employed *(EBITDA/total assets less current liabilities)*	3%	4%	4%	4%
Return on assets *(Profit after tax/total assets)*	-2%	0%	1%	3%

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

In **FY2016**, the Group registered total comprehensive income of €20.5 million against a corresponding figure of €4.5 million in 2015. This is made up of a loss after tax of €22.3 million in the income statement (2015: loss of €31.1 million) and net other comprehensive income of €42.8 million (2015: €35.6 million).

Despite the prolonged period of political instability in Libya, the Group registered a better overall performance for the year when compared to 2015. This was generally the result of a combination of sustained improvement in the Group's hotel operations and some significant uplifts in the value of these properties. These positive results were adversely affected by the weakening of the Pound Sterling and the impairment in value of the Group's commercial centre in St Petersburg. On the other hand, the effect of the sustained recovery in the value of the Russian Rouble mitigated the effect of the impairment on the investment property in St Petersburg.

Through the acquisition of IHGH in FY2015, IHI has not only enhanced its development opportunities on the adjoining sites in St Julian's Malta, but is also benefiting from synergies in its operations in Malta. The results of IHGH were consolidated in the Corinthia Group's results as from 1 July 2015.

During 2016 the Group's revenue amounted to €207.9 million, reflecting an increase of €29.5 million on the turnover of 2015 (€178.4 million). This improvement was mainly driven by strong hotel performances in Russia, Portugal and Hungary, and IHGH (principally due to the recognition of a full period of twelve months' results as opposed to six months' results in the prior period).

Reflecting the positive movement in revenue, EBITDA in 2016 increased by €10.6 million from €31.8 million in 2015 to €42.4 million. Depreciation charge for 2016 also increased from €26.9 million in 2015 to €32.5 million in 2016, mainly in consequence of the inclusion of the IHGH's results in the Group's consolidated results for the whole year, as opposed to six months the year before.

Net finance costs increased by €2.9 million as a result of increased bond interest costs, primarily due to the new €55 million secured bond issued by IHI in July 2016 and the fact that IHGH's finance costs for 2015 only represented the charges for six months (post acquisition), whilst those for 2016 cover a full year. On the other hand, in exchange differences on borrowings, there has been a year-on year improvement of €18.2 million when considering the exceptional loss of €8.3 million incurred in 2015 and this year's exceptional gain of €9.9 million, both effects underpinned by the movements of the Rouble against the Euro.

The loss of €1.3 million registered on the Group's share of results of associate companies (2015 - loss of €3.9 million), principally reflects the results of the Corinthia Hotel London and Residences (50% share of the 2016 loss of €4.8 million compared to a loss of €8.1 million in 2015) and MIH through its principal subsidiary company Palm City Ltd (50% share of the loss of €6.4 million in 2016 compared to a loss of €0.4 million in 2015). These losses were mitigated by the 50% share of the profit registered by the Radisson Blu Resort & Spa Golden Sands of €8.4 million compared to a profit of €2.0 million for the last six months of 2015.

With regards to Palm City, the only operating asset of MIH, the prolonged political unrest in Libya resulted in foreign companies downsizing their presence in the country thereby decreasing the number of their personnel on the ground. This situation continued to affect the occupancy levels and the financial performance of Palm City Residences. Notwithstanding the low physical occupancy, Palm City remained open and operational, with a reduced staff complement working around the clock to ensure that the complex remains well maintained and secure at all times. Such measures limited the operational loss to €0.8 million against a profit of €6.5 million in 2015. However, due to the predominantly fixed financing costs incurred on bank loans and corporate bonds at its parent company MIH, the loss after tax increased from €0.4 million in 2015 to €6.4 million in 2016.

A net revaluation uplift of €3.0 million (2015: Impairment of €4.5 million) was recognised in the income statement on the Corinthia Hotel St Petersburg mainly due to its improved results. On the other hand, an impairment of €19.8 million was taken on the adjacent commercial centre due to lower leasing rates achieved relative to those previously anticipated.

In consequence of the foregoing, in 2016 the Group registered a loss after tax of €22.3 million which is lower than the loss of €31.1 million sustained in 2015.

The positive result in the other comprehensive income of €42.8 million (2015: €35.6 million) reflects, in the main, the effect of the property revaluation uplifts amounting to €38.7 million, net of tax, plus a favourable currency translation adjustment of €1.5 million, being mainly the net favourable effect of the appreciation of the Rouble and the weakening of the Pound Sterling.

The property revaluation uplifts were the result of the improved operating performances and positive outlooks registered by the Group's hotels located in Malta, Hungary, Portugal, London, Russia (the latter recognised in the income statement) and the Czech Republic. Overall, the Group achieve a total comprehensive income for the year of €20.5 million, as compared to €4.5 million registered in 2015.

As of the beginning of **FY2017**, IHI secured the right to nominate and appoint the majority of the board of directors of NLI (owner of the Corinthia Hotel London) such that IHI and CPHCL started to consolidate the performance of this property in their respective financial statements. As such, the y-o-y increase in revenue of €83.3 million (from €207.9 million in FY2016 to €291.2 million in FY2017) is primarily a reflection of the afore-mentioned change in accounting for Corinthia Hotel London. Apart from the increase due to the consolidation of Corinthia Hotel London's revenue, practically all the other Group hotels and related operations also contributed to the y-o-y growth in revenue, except for the Group's hotel operations in Libya which were still impacted by the political instability in the country.

At the operational level (EBITDA), the Group improved its performance from €42.3 million in 2016 to €68.1 million in 2017. Out of this improvement of €25.8 million, €15.5 million is attributable to the consolidation of Corinthia Hotel London. The main drivers of the effective improvement in EBITDA included the positive hotel performances in Russia (€2.6 million), Portugal and Hungary (€2.3 million), CHL Limited (hotel management), and QP Limited (project management).

With regards to revaluation uplifts and impairments of property, plant and equipment, the main highlights in 2017 were the reversal of €4.0 million impairment in the carrying value of the hotel in St Petersburg and the impairment of €2.5 million recognised on assets held by MFCC. This relatively small, albeit positive, net adjustment of €1.5 million represents however a major improvement over the net impairment charge of €16.7 million recognised on the Russian properties in 2016. Furthermore, an impairment charge of €3.0 million in relation to the brand values of 'Island Caterers' (€0.5 million) and 'Costa Coffee Spain' (€2.5 million) was deemed necessary and recognised in the income statement.

Net finance costs increased by €3.6 million in FY2017 from €22.8 million in FY2016 to €26.4 million, principally on account of the consolidation of the operating results of the Corinthia Hotel London. Other items of Income and Expense amounted to a net expense of €6.0 million. This comprised an exceptional loss of €4.4 million in currency movements on borrowings underpinned by the movements of the Russian Rouble and the Pound Sterling against the Euro, and the reclassification of the Group's share of NLI's currency translation reserve amounting to a negative €1.8 million (2016: Net Income of €8.6 million).

The loss of €1.4 million registered on the Group's share of results of associate companies (2016: loss of €1.3 million) mainly reflects the fact that the results of Corinthia Hotel London (50% share of the loss of €4.8 million incurred in 2016 is now being consolidated, and therefore no longer included in this line, and the positive turnaround in MIH (50% share of a €0.2 million profit in 2017 compared to a loss of €6.4 million in 2016) which, through its principal subsidiary Palm City Ltd, resulted in an improved contribution of €5.7 million over the prior year. Against this improvement there was a reduction in the Group's 50% share of results of the Golden Sands Resort in Malta from a profit of €4.2 million in 2016 to a loss of €1.5 million in 2017 (restated following the introduction of IFRS 15).

In 2017, Palm City experienced a change in business sentiment with numerous enquiries for accommodation. The sign-up of new tenants pushed up the occupancy rate of this property from 9% at the end of 2016 to 25% by the end of 2017.

A deferred tax asset of €9.7 million on prior year losses has been recognised by the NLI group (owner of the Corinthia Hotel London) upon the expectation of future profits by one of its subsidiary companies. This turned a Group tax charge of €4.0 million into a tax income of €5.7 million for the year under review. This positive tax effect turned a loss before tax of €2.9 million to a profit after tax of €2.8 million.

The positive result in the other comprehensive income was €32.8 million (2016: €42.8 million). This reflects mainly the effect of property revaluation uplifts amounting to €32.0 million, recognised on various hotel properties, including the Panorama Hotel in Prague (€9.4 million), the Corinthia Hotel London (€12.2 million), the Corinthia Hotel St Petersburg (€3.7 million) and properties under joint venture arrangements (€6.7 million), less the deferred tax incidence thereon of €2.5 million. Moreover, negative currency translation effects of €22.0 million on the Group's investments in the United Kingdom and Russia attributable to the weakening of the Pound Sterling and the Russian Rouble respectively were compensated by favourable impacts on tax movements totalling €24.0 million. The bulk of these tax movements is represented by the release of a €22 million deferred tax liability recognised by IHI in previous years on the uplift in value of the properties owned by NLI in the UK. This liability had been provided for until 31 December 2016 on the basis that until then IHI could not exercise control over the timing of the distribution of profits to its shareholders.

After adding the net comprehensive income of €32.8 million to the profit after tax of €2.8 million, the Corinthia Group's total comprehensive income for 2017 amounted to €35.6 million against a total comprehensive income of €20.5 million registered in 2016.

In **FY2018**, revenue amounted to €302.5 million, an increase of €11.3 million (+4%) when compared to the prior year (FY2017: €291.2 million). This y-o-y increase was primarily generated from aggregate growth in revenue across the majority of the Group's properties. Notwithstanding the y-o-y improvement in revenue, EBITDA increased by only €324,000 as net operating expenses increased by €11.0 million from a year earlier to €234.0 million (FY2017: €223.0 million).

Results from operating activities increased y-o-y by €3.2 million (+11%) to €34.1 million, principally on account of positive movements in exchange fluctuations and net changes in value of Group properties & intangibles amounting to €2.6 million and €5.7 million respectively, against a decrease in other net income of €4.4 million. Revaluation uplifts on investment properties for 2018 amounted to €7.0 million and were mainly attributable to the commercial properties in Tripoli and St Petersburg.

The Group registered a decrease in net finance costs of €1.3 million to €25.0 million when compared to a year earlier. With regard to share of results of associate companies, a loss in FY2017 of €1.4 million was converted to a profit in FY2018 of €9.6 million, mainly on account of a further recovery in business activities at Palm City Residences, Libya, whereby occupancy level increased from 25% in FY2017 to 45% by end 2018. This was partly offset by a loss in relation to the operation of Golden Sands Resort, Malta (Group share of loss amounted to €1.2 million).

'Other' includes net loss on exchange fluctuations amounting to €9.0 million, compared to a loss of €4.4 million in FY2017. The two currencies to which the Group is exposed to, namely Pound Sterling and Russian Rouble, continued to weaken in 2018 against the Euro with the Russian Rouble losing 15% over a one-year time span.

Profit before tax amounted to €9.8 million in FY2018, as compared to a loss of €2.9 million a year earlier. After accounting for a tax income of €9.9 million (FY2017: tax income of €5.7 million), the Group registered a profit for the year of €19.7 million (FY2017: €2.8 million). The tax income recorded in 2018 was largely due to a one-off positive effect of €12.3 million resulting from the recognition of a deferred tax asset arising from an increase in the tax base of one of the Group's intangible assets.

The movement in other comprehensive income of €15.9 million (FY2017: €32.8 million) mainly reflected the effect of property revaluation uplifts totalling €39.5 million (FY2017: €32.0 million) recognised on various hotel properties less the deferred tax incidences thereon of €7.9 million (FY2017: €2.5 million), as well as adverse currency translation differences amounting to €16.5 million (FY2017: €21.6 million) mainly on the Group's investments in Russia and the United Kingdom resulting from the weakening of the Russian Rouble and Pound Sterling respectively. Adding the other comprehensive income to the profit after tax, the resultant total comprehensive income for FY2018 amounted to €35.6 million which was the same result registered in the previous year (FY2017: €35.6 million).

IFRS 16 - Leases

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

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

Revenue for **FY2019** is projected to amount to €308.4 million, an increase of €5.9 million (+2%) when compared to the prior year (FY2018: €302.5 million). Management expects the positive trend in the majority of the Group's properties to continue during the current financial year, which should translate in the realisation of the afore-stated y-o-y increase in revenue. EBITDA is forecasted to increase by €3.6 million (+5%) to €72.1 million (FY2018: €68.5 million). The effect of IFRS 16 in FY2019 is expected to result in a decrease in direct costs of €2.2 million, and an increase in depreciation & amortisation and net finance costs of €1.7 million and €0.6 million respectively.

Results from operating activities are expected to amount to €30.3 million in FY2019, compared to €34.1 million in FY2018. The main reason for this decrease relates to the fact that for FY2019 management assumed no change in fair value of hotels and other properties while it is forecasting an impairment of €1.6 million on intangible assets. On the other hand, in FY2018 the fair value gain on hotels and other properties, net of an impairment of €1.6 million on intangible assets, was €4.3 million.

Share of results of associate companies is projected to decrease y-o-y by €3.1 million, from €9.6 million in FY2018 to €6.5 million. Other items in FY2019 is expected to amount to €48.4 million (FY2018: loss of €9.0 million) and comprises a gain on exchange fluctuations of €4.5 million compared to a loss of €9.0 million incurred in the prior year, and a profit on disposal of the Panorama Hotel and adjacent garage amounting to €43.8 million. Consequently, profit for the forecast year is expected to increase significantly from €19.7 million in FY2018 to €57.3 million in FY2019.

The Group's total comprehensive income for FY2019 is expected to amount to €68.0 million, compared to a total comprehensive income of €35.7 million registered in 2018. The movements in other comprehensive income for FY2019 are forecasted to result in a gain of €10.7 million and primarily comprising a recovery in the Russian Rouble against the Euro.

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

Corinthia Palace Hotel Company Limited Cash Flow Statement (€'000)	FY2016 Actual	FY2017 Restated	FY2018 Actual	FY2019 Forecast
Net cash from operating activities	4,199	36,404	35,021	28,925
Net cash from investing activities	(28,175)	(10,074)	(30,834)	41,313
Net cash from financing activities	32,440	(6,787)	5,882	(66,826)
Net movement in cash and cash equivalents	**8,464**	**19,543**	**10,069**	**3,412**
Cash and cash equivalents at beginning of year	16,814	25,278	44,821	54,890
Cash and cash equivalents at end of year	**25,278**	**44,821**	**54,890**	**58,302**

In FY2018, net cash from operating activities amounted to €35.0 million, marginally lower (by €1.4 million) when compared to the prior year (FY2017: €36.4 million). Operating cash flow is projected to decrease to €28.9 million in FY2019 primarily due to working capital changes.

Net cash used in investing activities amounted to €30.8 million in FY2018 (FY2017: €10.1 million), and mainly included payments amounting to €32.4 million (FY2017: €21.5 million) to acquire property, plant and equipment. In FY2019, the Group will receive net proceeds from the sale of the Panorama Hotel and adjacent garage of €67.8 million, whilst capital expenditure in relation to the Group's hotels is expected to amount to €35.7 million. Overall, net cash from investing activities is forecasted to amount to €41.3 million.

Net cash generated from financing activities in FY2018 amounted to €5.9 million (FY2017: -€6.8 million) and principally comprised net cash inflows from loans of €14.3 million (FY2017: €3.1 million) and dividend payments of €8.4 million (FY2017: €0.2 million). In FY2019, net cash used in financing activities is projected to amount to €66.8 million, including net repayments of bank borrowings amounting to €18.6 million, redemption of €7.5 million worth of bonds, transfer of €20.3 million to sinking funds or reserves for the purpose of bond redemptions, payment of dividends and repayment of shareholders' loans totalling €40.1 million. Such cash outflows will be partly offset by the receipt of €19.7 million from an IHI bond which was issued in March 2019.

Corinthia Palace Hotel Company Limited Statement of Financial Position (€'000)	31 Dec'16 Actual	31 Dec'17 Restated	31 Dec'18 Actual	31 Dec'19 Forecast
ASSETS				
Non-current assets				
Intangible assets	18,090	13,496	8,589	7,000
Investment properties	196,684	234,668	228,667	229,506
Property, plant and equipment	747,611	1,238,824	1,252,693	1,222,385
Investments in associates & joint ventures	320,959	118,236	128,950	142,066
Trade and other receivables	-	484	1,406	1,406
Deferred tax assets	2,689	12,985	21,702	21,543
Liquid assets held for bond redemption	-	-	-	20,000
Assets placed under trust arrangement	1,752	3,258	5,229	5,431
	1,287,785	1,621,951	1,647,236	1,649,337
Current assets				
Inventories	9,406	13,100	14,122	15,958
Trade and other receivables	42,726	43,131	48,314	48,546
Taxation	4,710	3,335	3,956	5,458
Financial assets at fair value through profit or loss	-	8,604	8,485	9,405
Assets placed under trust arrangement	4,961	122	122	-
Cash and cash equivalents	40,039	62,694	61,179	64,157
Assets held for sale	-	1,689	1,267	1,492
	101,842	132,675	137,445	145,016
Total assets	**1,389,627**	**1,754,626**	**1,784,681**	**1,794,353**
EQUITY				
Called up share capital	20,000	20,000	20,000	20,000
Other reserves	266,304	158,890	164,767	175,437
Retained earnings	108,624	227,657	241,495	266,202
Non-controlling interest	270,429	475,387	482,621	487,025
	665,357	**881,934**	**908,883**	**948,664**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	478,362	627,465	624,886	602,912
Other non-current liabilities	127,017	118,507	113,130	112,895
	605,379	745,972	738,016	715,807
Current liabilities				
Borrowings and bonds	46,967	47,253	50,473	51,960
Other current liabilities	71,924	79,467	87,309	77,922
	118,891	126,720	137,782	129,882
	724,270	**872,692**	**875,798**	**845,689**
Total equity and liabilities	**1,389,627**	**1,754,626**	**1,784,681**	**1,794,353**

Total assets in the Group Balance Sheet as at 31 December 2018 increased by €30.0 million compared to the comparable period (FY2017). The principal movements are described hereunder:

- Property, plant and equipment increased by €13.9 million (y-o-y) to €1,252.7 million. This figure comprised capital expenditure relating to the development and upgrades to various hotel properties and other projects.
- Investments in associates and joint ventures increased by €10.7 million (y-o-y) to €129.0 million mainly on account of improved results from Mediterranean Investments Holding p.l.c., the parent company of Palm City Residences, Libya.
- Deferred tax asset increased by €8.7 million (y-o-y) to €21.7 million due to a difference arising between the tax base and carrying amount of tangible and intangible fixed assets.
- A decrease in intangible assets of €4.9 million from €13.5 million in FY2017 to €8.6 million in FY2018.

No material movements were registered in total liabilities as at 31 December 2018 when compared to same period as at 31 December 2017 (FY2018: €875.8 million; FY2017: €872.7 million).

In FY2019, total assets of the Group are projected to increase by €9.7 million when compared to FY2018 to €1,794.4 million (FY2018: €1,784.7 million). The primary movements are as follows:

- Property, plant and equipment is projected to decrease by €30.3 million (y-o-y) as a result of the disposal of the Panorama Hotel and adjacent garage and annual depreciation charge on hotels and other properties;
- Investments in associates & joint ventures are projected to increase y-o-y by €13.1 million to €142.1 million, comprising the acquisition of 10% shareholding in GHA Holdings Limited and another 10% share in a company formed to develop the Moscow Project, and the remaining balance being the forecasted share of results of associates and joint ventures; and
- Cash and liquid assets are expected to increase by €23.1 million to €89.6 million (FY2018: €66.5 million), mainly due to the transfer of €20 million from net proceeds of the afore-mentioned property disposal to a reserve fund earmarked for the redemption of the €40 million 4.25% bonds in 2026.

As to equity and liabilities, equity is expected to increase from €908.9 million in FY2018 to €948.7 million in FY2019, mainly reflecting the y-o-y increase in total comprehensive income. Liabilities are projected to decrease by €30.1 million from a year earlier to €845.7 million, principally following the expected utilisation of part of the proceeds from the sale of the Panorama Hotel and adjacent garage to repay certain bank and shareholder loans, other payables and the €7.5 million 6% bonds 2019-2022.

Other than equity and reserves, the Group is financed through bank loans, corporate bonds and other borrowings from related parties, analysed as follows:

Corinthia Palace Hotel Company Limited Group Borrowings (€'000)	31 Dec'16 Actual	31 Dec'17 Restated	31 Dec'18 Actual	31 Dec'19 Forecast
Bank borrowings				
Bank loans	224,603	380,430	394,517	375,987
Bank overdrafts	14,761	17,873	6,289	5,855
	239,364	**398,303**	**400,806**	**381,842**
Bonds				
€7.5 million 6% Bonds 2019 - 2022	7,500	7,500	7,460	-
4.25% Corinthia Finance plc 2026	40,000	40,000	39,416	40,000
6.25% IHI Bonds 2017 - 2020	6,572			
5.8% IHI Bonds 2021	19,722	19,770	19,823	19,877
5.8% IHI Bonds 2023	9,899	9,912	9,925	9,939
5.75% IHI Bonds 2025	44,138	44,220	44,308	44,400
6.5% IHGH Bonds 2017 - 2019	3,134			
6% IHI (formerly IHGH) Bonds 2024	34,457	34,530	34,603	34,676
4% IHI Secured Bonds 2026	54,230	54,297	54,367	54,440
4% IHI Unsecured Bonds 2026	39,450	39,427	39,481	59,284
	259,102	**249,656**	**249,383**	**262,616**
Other interest bearing borrowings				
Shareholders' loans	21,953	22,095	20,558	9,469
Other loans	4,910	4,664	4,612	945
	26,863	**26,759**	**25,170**	**10,414**
Total borrowings and bonds	**525,329**	**674,718**	**675,359**	**654,872**

Key Accounting Ratios	**31 Dec'16 Actual**	**31 Dec'17 Restated**	**31 Dec'18 Actual**	**31 Dec'19 Forecast**
Net assets per share (€) *(Net asset value/number of shares)*	19.75	20.33	21.31	23.08
Liquidity ratio (times) *(Current assets/current liabilities)*	0.86	1.05	1.00	1.12
Gearing ratio *(Net debt/Net debt and shareholders' equity)*	42%	41%	40%	37%
Debt service cover ratio (times) *(EBITDA/net finance cost and loan capital repayment)*	0.78	1.20	0.98	1.34

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

Sinking and Reserve Funds

Save for the €40 million 4.25% Bonds 2026, in terms of the prospectuses of each of the bonds detailed hereunder, the respective companies are required to build a sinking fund for each of the said bonds, the value of which will by the respective redemption date of each bond be equivalent to 50% of the outstanding value of the bonds. Below is a table outlining the balances held in each of the respective sinking funds.

As explained elsewhere in this report, the Guarantor shall transfer €20 million to a reserve account for the purpose of redeeming part of the €40 million 4.25% bonds 2026 (ISIN: MT0000101262) by 12 April 2026 (the redemption date).

Sinking and Reserve Funds (€'000)	**31 Dec'16 Actual**	**31 Dec'17 Restated**	**31 Dec'18 Actual**	**31 Dec'19 Forecast**
Corinthia Finance plc				
€39.9 million 6.25% Bonds 2016 - 2019				
€7.5 million 6% Bonds 2019 - 2022	638	1,090	1,580	
€40 million 4.25% Bonds 2026				20,000
IHI				
€25 million 6.25% Bonds 2017 - 2020	3,425			
€20 million 5.8% Bonds 2021	1,077	2,290	3,771	5,431
€14 million 6.50% Bonds 2017 - 2019	1,573			
	6,713	**3,380**	**5,351**	**25,431**

Variance Analysis

CPHCL Group Income Statement (€'000)	FY2018 Actual	FY2018 Forecast	Variance
Revenue	302,456	311,321	(8,865)
Net operating expenses	(233,988)	(235,826)	1,838
EBITDA	**68,468**	**75,495**	**(7,027)**
Depreciation and amortisation	(39,436)	(40,698)	1,262
Other net income (expenses)	336	-	336
Gain (loss) on exchange	475	(2,824)	3,299
Net impairment (hotel & other properties, intangibles)	4,282	(1,000)	5,282
Results from operating activities	**34,125**	**30,973**	**3,152**
Net finance costs	(25,023)	(25,132)	109
Investment income	126	-	126
Share of results of associate companies	9,579	4,408	5,171
Other	(8,974)	6,400	(15,374)
Profit before tax	**9,833**	**16,649**	**(6,816)**
Taxation	9,903	(5,305)	15,208
Profit for the year	**19,736**	**11,344**	**8,392**

As presented in the above table, the Group generated €8.9 million less revenue in FY2018 than forecasted, whilst costs were €1.8 million lower than projected, thus resulting in an adverse variance in EBITDA amounting to €7.0 million.

Results from operating activities were higher than forecasted by €3.2 million, on account of lower than expected depreciation & amortisation charges (€1.3 million) and positive movements in other net income, exchange differences and fair value changes in hotels, other properties and intangibles (€8.9 million in aggregate).

Actual share of results of associate companies amounted to €9.6 million, which was €5.2 million higher than projected. This positive variance was primarily due to better than expected performance registered at Palm City Residences, Libya.

During FY2018, actual results were adversely impacted by the weakening of the Russian Rouble and Pound Sterling against the Euro which produced an unfavourable difference between actual and forecast of €15.4 million (accounted for in "Other"). In contrast, a favourable variance was recorded in taxation of €15.2 million. The tax income reported in 2018 was largely due to a one-off positive effect of €12.3 million emanating from the recognition of a deferred tax asset arising from an increase in the tax base of one of the Group's intangible assets.

Overall, the Group registered a profit for the year amounting to €19.7 million, which was higher than projected by €8.4 million (FY2018 forecast: €11.3 million).

Debt Securities issued by Associated Companies

MIH, a company principally involved in the operation of the Palm City Residences in Libya, has the following outstanding debt securities:

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

Source: Malta Stock Exchange

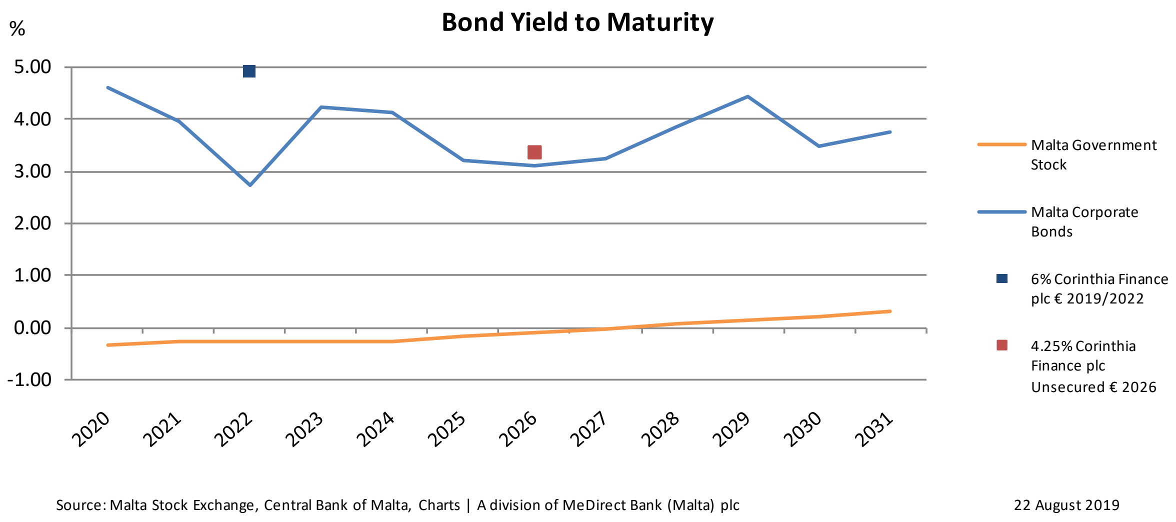
PART 4 - COMPARABLES

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

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.50% Pendergardens Dev. plc Secured € 2020 Series I	14,711,300	4.61	1.23	80,052	25,712	48.95
6.00% Pendergardens Dev. plc Secured € 2022 Series II	26,921,200	2.59	1.23	80,052	25,712	48.95
3.65% GAP Group plc Secured 2022	40,000,000	2.74	4.45	55,237	9,869	71.82
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.24	0.76	27,159	6,916	62.72
6.00% AX Investments Plc Unsecured € 2024	40,000,000	2.95	6.97	325,243	214,590	18.66
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	4.14	5.33	83,223	44,177	43.99
5.00% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	4.06	2.29	112,006	43,514	51.65
4.25% Best Deal Properties Holding plc Secured 2024	16,000,000	3.72	4.02	25,986	3,432	82.64
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.58	1.41	120,794	38,318	52.41
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.12	1.55	154,742	52,242	61.72
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.80	2.09	5,499	- 19,741	-
4.25% Corinthia Finance plc Unsecured € 2026	**40,000,000**	**3.39**	**2.74**	**1,784,681**	**908,883**	**40.11**
4.00% International Hotel Invest. plc Secured € 2026	55,000,000	3.42	3.27	1,617,853	877,620	36.63
4.00% International Hotel Invest. plc Unsecured € 2026	40,000,000	3.45	3.27	1,617,853	877,620	36.63
4.00% MIDI plc Secured € 2026	50,000,000	3.11	9.80	220,613	97,440	31.83
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.51	12.63	179,451	48,701	54.42
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.68	10.08	28,166	6,135	60.96
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.74	8.48	316,563	132,582	31.98
4.00% Eden Finance plc Unsecured 2027	40,000,000	3.25	5.68	185,717	103,511	31.82
4.00% Stivala Group Finance plc Secured 2027	45,000,000	3.43	3.73	202,425	115,827	32.23
3.85% Hili Finance Company plc Unsecured 2028	40,000,000	3.85	3.44	455,113	86,390	73.98

22 August '19

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



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

The 2026 bonds are presently trading at a yield of 3.39%, which is circa 28 basis points higher than other corporate bonds maturing in the same year. The premium over FY2026 Malta Government Stock is 349 basis points. The 2019/22 bonds are trading at a high yield of 4.93% when compared to other corporate bonds maturing in 2022, as the market has assumed that the Issuer will redeem the said bonds during 2019.

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.
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 the Group'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 the Group 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, 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, Palm City, 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 a company's 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 assets per share	Is calculated by dividing the total net asset value of the company by the number of shares outstanding.
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.