INTERNATIONAL HOTEL INVESTMENTS P.L.C.

FINANCIAL ANALYSIS SUMMARY

31 JULY 2014

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The Directors
International Hotel Investments p.l.c.
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31 July 2014

Dear Sirs

IHI p.l.c. 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 set out on the following pages and which is being forwarded to you together with this letter.

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

(a) Historical financial data for the five years ended 31 December 2009 to 31 December 2013 has been extracted from audited consolidated financial statements of the Company for the five years in question.
(b) The forecast data for the two years ending 31 December 2014 and 31 December 2015 has been provided by management of the Company.
(c) Our commentary on the results of the Group and on its financial position is based on the explanations provided by IHI.
(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 6 of the Analysis.
(e) The principal relevant market players listed in Part 4 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as web sites of the companies concerned, financial statements filed with the Registrar of Companies or web sites providing financial data.

The Analysis is meant to assist investors in IHI's securities and potential investors by summarising the more important financial data of the Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Group and should not be interpreted as a recommendation to invest in any of the 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 professional advice before investing in the Group's securities.

Yours faithfully,

Wilfred Mallia
Director

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PART 1

1. COMPANY'S KEY ACTIVITIES

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

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

Revenue and earnings are derived primarily from hotel operations, which include operation of owned hotels, and management and other fees earned from hotels managed pursuant to management contracts with third parties. At 31 December 2013 CHI Limited, a wholly owned subsidiary of IHI, managed eight hotels (of which one is fifty per cent owned) on behalf of the Group and another five hotels on behalf of third-party owners.

2. DIRECTORS AND KEY EMPLOYEES

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

Board of Directors

Alfred Pisani	Chairman and Chief Executive Officer
Joseph Fenech	Managing Director
Simon Naudi	Executive Director
Joseph J. Vella	Non-Executive Director
Frank Xerri de Caro	Non-Executive Director
Michael Beckett	Non-Executive Director
Abdelnaser Ahmida	Non-Executive Director
Ziad Makkawi	Non-Executive Director
Hamad Buamim	Non-Executive Director

The executive Directors, constituted by the Chief Executive Officer, Managing Director and Executive Director, are responsible for acquisitions and development and are entrusted with the Issuer's day-to-day management.

The weekly average number of employees engaged at IHI's corporate office and in its owned hotels during FY2013 amounted to 1,988 persons (FY2012: 1,948).

3. MAJOR ASSETS OWNED BY THE ISSUER & OPERATIONAL DEVELOPMENT

3.1 HOTEL PROPERTIES

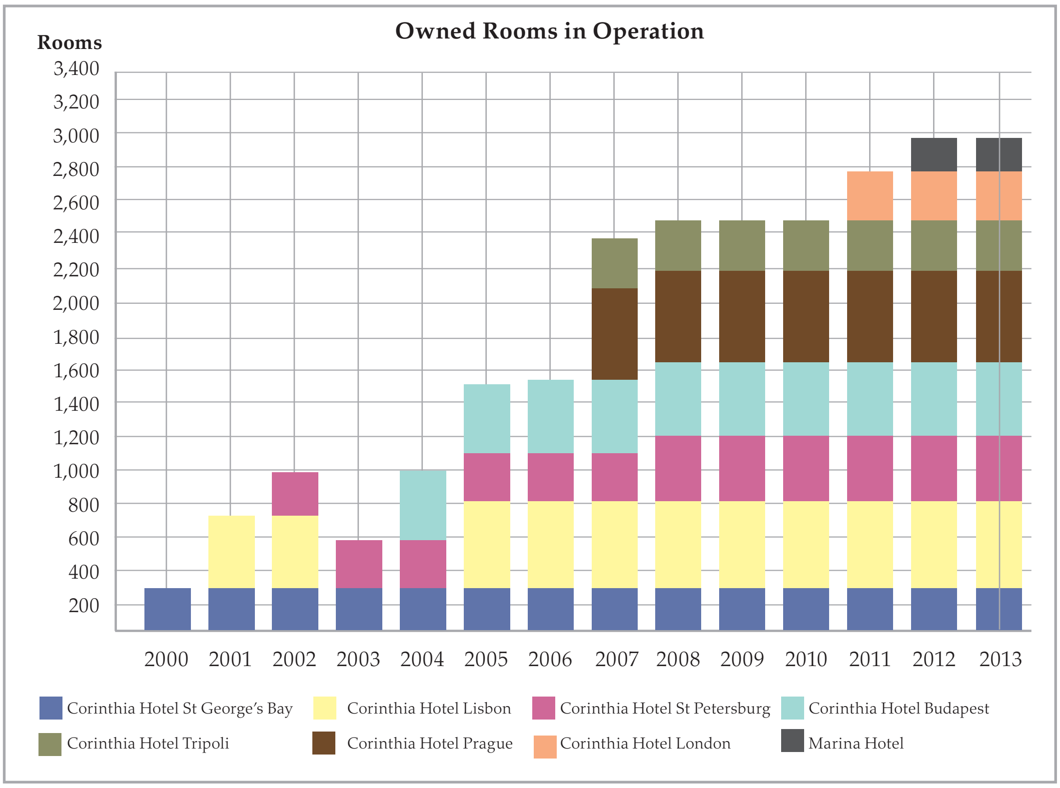
3.1.1 Valuation

The table below illustrates the fair value of the Group's hotel properties included in the audited financial statements of IHI for the years 31 December 2011 to 2013. The 50% investment in Corinthia Hotel London & Apartments is excluded from the list since it is classified as an investment in associate and consequently is accounted for using the equity method. All other hotel properties are held through wholly owned subsidiary companies and are therefore consolidated with the parent company in its annual financial statements.

Valuation of Hotel Properties	**FY2013**	**FY2012**	**FY2011**
	€'000	**€'000**	**€'000**
Corinthia Hotel Budapest	85,984	87,700	92,400
Corinthia Hotel St Petersburg	113,448	126,400	141,426
Corinthia Hotel Lisbon	79,725	77,125	84,807
Corinthia Hotel Prague	76,700	79,420	77,813
Corinthia Hotel Tripoli	124,090	131,509	137,062
Corinthia Hotel St George's Bay	28,327	29,661	30,100
Marina Hotel St George's Bay, Malta	20,896	21,000	
	529,170	**552,815**	**563,608**

Source: Consolidated audited financial statements of IHI for the years ended 31 December 2011, 2012 and 2013.

The following chart sets out the growth in room stock of the Group since inception to the date of this report. During the period under review, this increased from 250 to 2,928 rooms.



Source: Management information

3.1.2 Corinthia Hotel Budapest

Introduction

IHI Hungary Zrt (a fully-owned subsidiary of the Company) owns the 414-room five-star Corinthia Hotel located in Budapest, Hungary ("**Corinthia Hotel Budapest**"). The hotel was acquired as a vacant building in 2000 for €27 million. The property was subsequently demolished except for the historic facade and ballroom and rebuilt at a cost of €90 million. It was officially opened in April 2003. In 2006, 26 self-catering apartments were added to its stock of rooms and a health spa was opened. The carrying value of the Corinthia Hotel Budapest as at 31 December 2013 is €86.0 million (FY2012: €87.7 million).

Market Overview

Hungary is one of the most indebted markets in Europe with its external debt in 2013 exceeding 120% of GDP, albeit a marked improvement from 133% registered in 2012. Despite the challenging economic environment the country's economy improved considerably in 2013 (GDP: +0.8%) after a contraction of 1.7% in 2012.

In 2013, the tourism market continued to perform positively, registering increases in both tourist arrivals (2013: 8.8 million, +4.8%) and guest nights (2013: 22.8 million, +4.6%). Key markets that are contributing to such growth include Germany, Austria, Russia, UK and the US. However, while statistics are encouraging, long-term success of Hungarian tourism is linked to its capacity to overcome its traditional challenges, namely seasonality, low revenues (as compared to arrivals) and weak internal demand.

The market in Budapest has been recovering gradually, after the decline in overall hotel performance in 2008/09 with the focus being on increasing occupancy levels albeit at the expense of discounted room rates. The increase in volume can be attributed mainly to tour groups and leisure individuals taking advantage of discounted prices and a favourable exchange rate. The spike in leisure business in recent years is however not sustainable in the longer term and the market will need to replace this demand from alternative sources. Effort is being made by the industry to focus on thematic product development including: (i) health, heritage & culture, conferences & events: (ii) festivals, religious events, gastronomy; and (iii) products which can extend the average length of stay such as adventure tourism.

As to conference & events business, the city has experienced a decline in the number of international standard conferences. In 2011, Budapest hosted 108 international meetings (2010: 87) and ranked 9th on a European level. In 2012, its ranking declined to 15th place as it hosted 98 meetings during the year. In the near term Budapest will continue to face stiff competition in this market from other destinations such as Prague.

Operational Performance

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

	FY2015 Projection	**FY2014 Forecast**	**FY2013 Actual**	**FY2012 Actual**	**FY2011 Actual**
Turnover (€'000)	20,755	19,802	18,477	18,069	17,030
Rooms (€'000)	14,105	13,305	11,998	10.751	10,758
Food & Beverage, and other revenue (€'000)	6,650	6,497	6,479	7,318	6,272
Occupancy level (%)	75	73	72	67	65
Average room rate (€)	118	113	104	100	103
Revenue per available room (RevPAR) (€)	89	82	75	67	66
Gross operating profit before incentive fees (€'000)	6,734	6,136	5,572	5,503	5,350
Gross operating profit margin (%)	32	31	30	30	31

Source: Management information

In FY2013, the Corinthia Hotel Budapest registered increases in both occupancy (from 71% to 72%) and average room rate (from €100 to €104), which contributed to a 5.6% increase in RevPAR. Gross operating profit before incentive fees remained flat at circa €5.5 million. In line with the market, demand from the conference & events segment remained subdued in FY2013. On the other hand, group leisure and groups business performed well in FY2013 and accounted for 37% of total room nights sold. Looking forward, management's revenue strategy focuses on increasing leisure, corporate and conferences & events segments with a progressive decrease in the volume of low rated sectors such as groups and tour operator business. As a result, it is projected that average room rate will increase by 13% from €104 in FY2013 to €118 in FY2015, and RevPAR will increase by 19% over a two-year period to €89 in FY2015. With a projected gross operating profit margin of *circa* 30%, gross operating profit is expected to increase by €1.2 million to €6.7 million in FY2015 over the corresponding figure in FY2013.

Market Positioning

Key Performance Indicators (KPIs)	FY2015 Projection	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Corinthia Hotel Budapest					
Occupancy level (%)	75	73	72	67	65
Average room rate (€)	118	113	104	100	103
Revenue per available room (RevPAR) (€)	89	82	75	67	66
Performance of Competitive Set					
Occupancy level (%)	74	73	72	72	71
Average room rate (€)	115	112	102	101	99
Revenue per available room (RevPAR) (€)	85	82	73	73	70
Market Penetration Rate					
Occupancy	1.01	1.00	1.00	0.93	0.92
Rate	1.03	1.01	1.02	0.99	1.04
Revenue Generating Index	1.05	1.00	1.03	0.92	0.94

Source: Management information

The above table outlines the historical performance of the Hotel and its competitive set, and expectations for FY2014 and FY2015. The Hotel's competitive set includes Kempinski, Le Meridien, InterContinental, Marriott and Hilton Budapest. As from FY2014, Le Meridien has been replaced with Sofitel and the Boscolo.

The Revenue Generating Index (RGI), which measures a hotel's fair market share of its segment's revenue per available room, indicates that the Corinthia Hotel Budapest has been performing broadly in line with its competitive set (RGI below 1 means the hotel is underperforming its segment, whilst RGI above 1 denotes that the hotel is outperforming its market).

Management is currently implementing a strategy of increasing occupancy and average rate by: (i) improving performance of its conference & events business, and (ii) progressively decreasing low-rated segments such as group leisure. In FY2014 and FY2015 it is projected that the Hotel will perform in line with its competitive set as to occupancy level, but is targeting to improve average room rate by approximately 3% over its competitors. Overall, the Hotel is expected to perform in line with its competitive set in FY2014 (RGI: 1.00) and marginally higher in FY2015 (RGI: 1.05).

3.1.3 Corinthia Hotel St Petersburg

Introduction

IHI Benelux B.V. (a fully-owned subsidiary of the Company) owns the 388-room five-star Corinthia Hotel located in St Petersburg, Russia ("**Corinthia Hotel St Petersburg**"), which was acquired in 2002 for €35 million. The company also purchased properties adjacent to the hotel, which were subsequently demolished and rebuilt as a hotel extension and a commercial centre including retail and office space. This project, which was completed in May 2009, also involved the refurbishment of the lobby and the public areas of the existing hotel. It is the intention of the Group to develop, in the near future, an area measuring *circa* 1,500 square metres situated behind the Hotel and which will consist of the creation of a car park and further office space. The carrying amount of the Corinthia Hotel St Petersburg and the commercial centre as at 31 December 2013 is €113.4 million (FY2012: €126.4 million) and €87.4 million (FY2012: €87.0 million) respectively.

Market Overview

Demand for hotel accommodation in St Petersburg is predominantly leisure driven and concentrated during the summer months (May to August), in which hotels experience very high demand levels. This strong seasonality has typically restricted the annual average occupancy for five-star hotels at 60 – 65%. Corporate travel represents approximately 40% of the total demand. The conference & events segment remains underdeveloped although a brand new convention facility at the Expo Forum was opened in 2013.

In June 2011, the government launched a new programme aimed at developing the city into a year-round tourist destination, to increase the average length of stay in St Petersburg to five days and to encourage repeat visits. The main challenges for the development of the destination remain the lack of direct flights, entry regulation and visa requirements and limited tourism promotion. With respect to travelling to the city, progress is being made towards a €340 million renovation and expansion of Pulkovo Airport. Furthermore, the direct high-speed train link that connects Moscow to St Petersburg has also improved transport links to the city from the capital.

Significant new supply has entered the market during the past few years, with the addition of *circa* 3,300 rooms between 2009 and 2012, mostly in the five-star segment. By end 2013, six hotels of various categories were launched on the market totalling 1,174 rooms. Furthermore, a number of hotels are currently under construction, mainly in the four and five-star categories, which will increase supply in 2014 and 2015 by *circa* 1,700 rooms.

Inbound tourism in St Petersburg registered further growth in 2013 and reached a new high of *circa* 6.2 million people (+3% y-o-y). Major events such as the World Economic Forum and the G20 Summit also contributed towards these record high figures. This growth in 2013 tourist arrivals resulted in hotels reporting positive year-on-year improvements across all key performance indicators – occupancy increased to 64%, representing a 6.2% y-o-y growth, whereas RevPAR increased by *circa* 20%.

Unfortunately, the progress in tourism highlighted in the preceding paragraphs has been hampered with the situation in Ukraine and Crimea, presenting tour operators and hoteliers with a gap in projected revenues. Russia's interference in Ukraine in the current financial year (2014) has caused a sharp drop in foreign tourism arrivals in Russia, with a number of bookings (including conferences & events) being cancelled for political and security reasons ahead of the peak summer season. Most Russian tour operators have reported declines in sales, with cancellations coming in from around the world, including regions that were traditionally considered loyal to Russia.

Operational Performance

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

	FY2015 Projection	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	17,469	15,983	18,997	17,645	15,459
Rooms (€'000)	12,371	11,310	13,834	12,056	10,454
Food & Beverage, and other revenue (€'000)	5,098	4,673	5,163	5,589	5,005
Occupancy level (%)	58	55	54	52	40
Average room rate (€)	152	146	180	162	181
Revenue per available room (RevPAR) (€)	88	80	97	84	72
Gross operating profit before incentive fees (€'000)	6,673	5,629	7,619	6,775	5,400
Gross operating profit margin (%)	38	35	40	38	35

Source: Management information

The Corinthia Hotel St Petersburg registered a gross operating profit of €7.6 million in FY2013, which represents an increase of €0.8 million (12%) on FY2012. Occupancy levels reached 54% in the same year, mainly due to a marked increase in leisure business (+5,200 room nights), whilst the other business segments registered occupancies in line with FY2012 levels. The Hotel's average room rate increased by 11% from €162 in FY2012 to €180 in FY2013, and RevPAR increased by 15% to €97. FY2013 has been an exceptional year for the Hotel in terms of performance, owing to two major citywide events (the Economic Forum and the G20 Summit) that took place during the summer months.

In 2013, management approved a major renovation programme that principally includes the refurbishment of all the rooms and suites in the main building and a reconceptualisation of the F&B outlets. The said programme is estimated to cost €23.5 million and will be principally funded from internally generated cash flows. It is expected that the project will commence in October 2014 with target completion set for Q2 of 2017. The investment will be concentrated on the refurbishment of all 284 rooms in the original hotel, which will see the room inventory decrease by 4 rooms (since smaller rooms will be combined).

As for FY2014, management is forecasting a decline in revenue of 16% to €16.0 million mainly due to (i) the decrease in bookings (both leisure and conference business) as a result of the political situation between Russia and Ukraine; and (ii) disruptions at the Hotel whilst the renovation programme is being executed. Moreover, irrespective of the aforesaid events, a decrease in revenue was inevitable in FY2014 given the one-time demand generated from two major events in FY2013. In comparison with the previous year, management is forecasting occupancy to be maintained at 55% with an expected decrease of 19% in average room rate to €146.

Occupancy level and average room rate are forecasted to improve in FY2015 by 5% and 4% respectively, on the expectation that the political issues with Ukraine would have subsided by then and that the Hotel is able to achieve better rates for the newly refurbished rooms. RevPAR will remain under pressure in the near term, because of competition in the market and the increasing supply of the new hotels. Consequently, the strategy adopted by the Hotel will remain focused on securing a base demand and driving occupancy rather than building average room rate.

Market Positioning

Key Performance Indicators (KPIs)	**FY2015 Projection**	**FY2014 Forecast**	**FY2013 Actual**	**FY2012 Actual**	**FY2011 Actual**
Corinthia Hotel St Petersburg					
Occupancy level (%)	58	55	54	52	40
Average room rate (€)	152	146	180	162	181
Revenue per available room (RevPAR) (€)	88	80	97	84	72
Performance of Competitive Set					
Occupancy level (%)	62	52	56	52	48
Average room rate (€)	200	192	212	213	218
Revenue per available room (RevPAR) (€)	125	100	118	111	105
Market Penetration Rate					
Occupancy	0.94	1.06	0.96	1.00	0.83
Rate	0.76	0.76	0.85	0.76	0.83
Revenue Generating Index	0.70	0.80	0.82	0.76	0.69

Source: Management information

The above table outlines the historical performance of the Hotel and its competitive set, and expectations for FY2014 and FY2015. The Hotel's competitive set includes Kempinski Moika Hotel, Hotel Astoria, Grand Hotel Europe and Four Seasons Hotel.

Although the Hotel registered improvements in FY2013, its overall performance was below that achieved by competition and therefore the RGI for the year remained below 1 at 0.82. The Hotel has performed broadly at par with its market piers as to occupancy, but the average room rate achieved was well below its competitors at €180 as compared to €212 (-15%).

Similar to the Hotel, its competitive set is expected to register a decrease in RevPAR in FY2014 of 15% (Hotel: -18%), principally as a consequence of the conflict with Ukraine, and also because two major events were organised in FY2013 which increased average rates above normal levels. In FY2015, the Hotel's performance is expected to be effected by works related to the upgrade of the property. Hence it is projected that occupancy will increase by 5% as compared to 19% for the competitive set, whilst average room rate should increase by 4% which is similar to the market. Overall, the RGI is set to decrease from the current 0.82 to 0.70 in FY2015. Management is of the view that beyond FY2015 the Hotel will be in a better position to compete with its market piers as the refurbishment of the property would be nearing completion and thereby will be able to command improved occupancy levels and room rates.

Commercial Operations

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

	FY2015 Projection	**FY2014 Forecast**	**FY2013 Actual**	**FY2012 Actual**	**FY2011 Actual**
Turnover (€'000)	5,050	4,500	4,740	2,459	892

Source: Management information

The commercial properties comprise a mix of shops and office space, and total rentable area is in excess of 11,600 square metres. In FY2011, approximately 3,770 square metres were rented to third parties for a limited period in the year, at a total aggregate amount of €892,000. Rental income more than doubled in FY2012 due to the charging of one full year of rent to tenants who took up occupancy during FY2011, and as a result of further rental agreements signed by the company during the year. In FY2013, occupancy level improved from 28% to 45% and the company achieved a growth in income of 93% from €2.5 million to €4.7 million. It is projected that occupancy will remain constant in both FY2014 and FY2015, and forecasted income therefore reflects agreements reached with respective tenants.

3.1.4 Corinthia Hotel Lisbon

Introduction

Alfa Investimentos Lda (a fully-owned subsidiary of the Company) owns the 518-room five-star Corinthia Hotel located in Lisbon, Portugal ("**Corinthia Hotel Lisbon**"), which was acquired in 2001 for €45 million. The Corinthia Hotel Lisbon required significant renovation and following an extensive refurbishment was re-opened in May 2004. The carrying amount of the Corinthia Hotel Lisbon as at 31 December 2013 is €79.7 million (FY2012: €77.1 million). Alfa Investimentos Lda also owns a block of 5 apartments in Lisbon for rental purposes, valued at €1.2 million as at 31 December 2013 (FY2012: €1.2 million).

Market Overview

In 2013, tourism accommodation establishments hosted 14.4 million guests (+4.2% over 2012) and registered 41.7 million overnight stays (+5.2%). This positive outcome was originated from the external markets (+8.0%), since the number of overnight stays from residents declined marginally (-0.9%). The revenue trend was also positive in 2013 (+5.4% in total revenue and +6.4% in revenue from accommodation). Improvements were registered across all hotel segments, with the overall five-star market registering a 5% increase in RevPAR, including a 2% increase in occupancy and a 4% increase in room rates. This represents a significant turnaround in the performance of this segment, in comparison to the 9% decrease in RevPAR reported in 2012. The coordination between tourism and aviation to expand available routes turned out to be crucial for Portugal's success in the tourism industry.

In recent years, the Lisbon market has shifted from a leisure-oriented market to a business destination. The continuing popularity of cruise tourism and golf tourism and an increased awareness of Lisbon in the conference & events sector have aided demand growth, particularly in the five-star segment.

According to an HVS Market Intelligence Report about Lisbon's 4 and 5 star hotels, it is predicted that this segment will see the completion of new hotels over the next three years that should provide an additional 1,076 rooms. The majority of these hotels were scheduled to be opened by the end of 2012 or early 2013, but progress on these projects has been very slow due to the economic crisis. Existing hotels are therefore benefiting from the delay in the delivery of the additional supply of hotel rooms through better occupancy levels and average room rates.

The country's economic situation will clearly be important in 2014 and 2015, as investors monitor Portugal's ability to honour the terms of its bailout agreement.

Operational Performance

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

	FY2015 Projection	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	19,574	18,782	17,769	16,187	18,727
Rooms (€'000)	13,420	12,737	11,751	10,764	12,240
Food & Beverage, and other revenue (€'000)	6,154	6,045	6,018	5,423	6,487
Occupancy level (%)	69	70	66	63	67
Average room rate (€)	103	96	94	89	96
Revenue per available room (RevPAR) (€)	71	67	62	56	64
Gross operating profit before incentive fees (€'000)	5,431	4,874	4,322	3,565	5,158
Gross operating profit margin (%)	28	26	24	22	28

Source: Management information

The Corinthia Hotel Lisbon registered a gross operating profit of €4.3 million in FY2013, which represents an improvement of €0.7 million (+20%) on FY2012. RevPAR increased by 11% to €62 with concurrent increases in both occupancy (+5%) and average room rate (+6%). The Hotel also registered an increase in its F&B operations (11%) due to higher conference & events business. Occupancy level for FY2013 recovered to FY2011 level at 66%. The Hotel improved its performance in FY2013 as it sold more rooms in the Leisure (+4,200 room nights), conference & events (+2,900 room nights) and corporate segments (+1,300 room nights). Due to the increased business in the higher yielding segments, the Hotel registered an improved average room rate of €94 (2012: €89).

The projections for FY2014 and FY2015 reflect further improvements in gross operating profit (+13% and +11% respectively), mainly driven by increases in occupancy level from 66% to 69% (+5%) and growth in average room rate from €94 to €103 (+10%). Management plans to continue to focus on higher yielding segments (leisure and conference & events) and considers that due to the size of the Hotel, there should not be any displacement of leisure guests when signing larger conference & events business.

Market Positioning

Key Performance Indicators (KPIs)	**FY2015 Projection**	**FY2014 Forecast**	**FY2013 Actual**	**FY2012 Actual**	**FY2011 Actual**
Corinthia Hotel Lisbon					
Occupancy level (%)	69	70	66	63	67
Average room rate (€)	103	96	94	89	96
Revenue per available room (RevPAR) (€)	71	67	62	56	64
Performance of Competitive Set					
Occupancy level (%)	68	68	66	64	68
Average room rate (€)	105	100	96	96	104
Revenue per available room (RevPAR) (€)	72	68	63	61	71
Market Penetration Rate					
Occupancy	1.01	1.03	1.00	0.98	0.99
Rate	0.98	0.96	0.98	0.93	0.92
Revenue Generating Index	0.99	0.99	0.98	0.92	0.90

Source: Management information

The above table outlines the historical performance of the Hotel and its competitive set, and expectations for FY2014 and FY2015. The Hotel's competitive set includes Marriott, Sheraton, Tiara Park Atlantic and Tivoli.

Compared to its competitive set, the Hotel managed to do well in terms of occupancy, with a FY2013 penetration rate of 1.00 (FY2012: 0.98). The Hotel's strategy is to continue to improve its average occupancy and expects to reach 69% in FY2015 from 66% in FY2013.

Although the Hotel has performed better in FY2013 as a result of attracting higher yielding clients, its average room rate still remained marginally below its competitive set at 0.98. A possible reason is that management has a more difficult task to maintain both occupancy level and average rate in line with the market, given that the hotel has the largest rooms' inventory (518 units) as compared to other competing properties. As for FY2014 and FY2015, the Hotel is projected to match its competitive set in terms of growth and thereby maintain an RGI of almost 1.00.

3.1.5 Corinthia Hotel Prague

Introduction
IHI Towers s.r.o. (a fully-owned subsidiary of the Company) owns the 539-room five-star Corinthia Hotel located in Prague, Czech Republic ("**Corinthia Hotel Prague**"), which was acquired in 2007 for €105 million. The carrying amount of the Corinthia Hotel Prague as at 31 December 2013 is €76.7 million (FY2012: €79.4 million).

Market Overview
Prague has seen a number of hotels enter the market over recent years, leading to a large growth in hotel room stock (principally upscale and luxury rooms). As a result of this increase in room supply, hotels in Prague have been suffering declines in performance both in terms of occupancies and rates, which was further impacted by the economic crisis. There was a reversal in this trend in 2011 and was sustained in 2012, as the overall hotel market in Prague registered increases in both occupancy levels and average room rates (overall market RevPAR increased by 8% and 11% in 2011 and 2012 respectively). Further to the said recovery in 2012, the overall market in Prague was broadly flat in 2013.

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

During 2013 the Czech capital registered an all-time high of 5.5 million tourists (+2% on 2012), of which, 0.7 million were domestic trips and 4.8 million represented inbound visits. The total number of nights in accommodation establishments in Prague reached 13.7 million in 2013, which is up 0.5% compared to 2012. As in past years, the top inbound market for Prague in terms of number of visits in 2013 was Germany, with Russia and the United States taking second and third place respectively.

Hotel performance in Prague is generally expected to continue to improve in the coming years as the market gradually absorbs the current oversupply of hotel rooms, leveraging on its image as an attractive and corporate destination.

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

	FY2015 Projection	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	15,655	15,099	14,310	16,611	16,445
Rooms (€'000)	9,577	9,160	8,467	9,805	9,319
Food & Beverage, and other revenue (€'000)	6,078	5,939	5,843	6,806	7,126
Occupancy level (%)	64	63	60	67	65
Average room rate (€)	77	74	72	75	73
Revenue per available room (RevPAR) (€)	49	47	43	50	47
Gross operating profit before incentive fees (€'000)	4,269	3,762	2,846	3,066	3,036
Gross operating profit margin (%)	27	25	20	18	18

Source: Management information

The Corinthia Hotel Prague recorded a gross operating profit before incentive fees of €2.85 million in 2013 (-7% on 2012). RevPAR decreased by 14% to €43, following a decline in occupancy (from 67% to 60%) and average room rates (from €75 to €72). The deterioration in performance is largely attributable to weaker performance in conference & events business, with rooms sold in this segment contracting by 33% on FY2012.The effect of this reduction in room revenue was substantially mitigated by increased cost efficiencies in both room and F&B operations and other savings.

In the near term management will continue to work towards displacing tour operator bookings with the more profitable conference & events and leisure business in an effort to improve RevPAR. The projections for FY2014 and FY2015 principally assume that the Hotel will recover part of the decline in conference & events business in FY2013, and is therefore expected to register gross operating profit of €3.8 million (+32%) and €4.3 million (13%) respectively.

Market Positioning

Key Performance Indicators (KPIs)	FY2015 Projection	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Corinthia Hotel Prague					
Occupancy level (%)	64	63	60	67	65
Average room rate (€)	77	74	72	75	73
Revenue per available room (RevPAR) (€)	49	47	43	50	47
Performance of Competitive Set					
Occupancy level (%)	65	67	67	68	67
Average room rate (€)	107	101	96	106	103
Revenue per available room (RevPAR) (€)	69	68	65	72	69
Market Penetration Rate					
Occupancy	0.98	0.94	0.90	0.99	0.94
Rate	0.72	0.73	0.75	0.71	0.71
Revenue Generating Index	0.71	0.69	0.66	0.69	0.68

Source: Management information

The above table outlines the historical performance of the Hotel and its competitive set, and expectations for FY2014 and FY2015. The Hotel's competitive set includes InterContinental, Hilton Prague, Marriott Prague and Crowne Plaza.

In recent years, the Hotel has consistently underperformed its competitive set, principally in terms of room rates. This gap in room rates is largely linked to the Hotel's location just outside the City centre in Prague making it more challenging to compete for market share. Consistent with recent performance, management expects to continue to match its competitive set in terms of occupancy and recover part of the gap in room rates. The Hotel is forecasting room rates to increase through, *inter alia*, the generation of more room nights from higher-rated segments, improved segmentation and the expected increase in conference & events business organised at the (neighbouring) Prague Congress Centre.

In FY2013, the competitive set registered declines in occupancy (-1%) and average room rate (-9%). The result was a RevPAR of €65, which is 10% lower than the previous year. The Hotel's performance during the same year was slightly weaker at an RGI of 0.66 (FY2012: 0.69). The current gap in relation to the hotel's peers is largely arising from the variance in room rates. The Hotel's average room rate in FY2013 was *circa* 25% below that of its competitive set. By FY2015, management is aiming to almost match its competitive set in terms of occupancy at 64% (competitive set: 65%). However, average room rate in FY2014 and FY2015 is expected to increase by 3% and 4% respectively, which will equate to a lower growth rate than its market (FY2014: 5%, FY2015: 6%). Overall, it is forecasted that the Hotel's revenue generating index will remain stable at *circa* 0.70.

3.1.6 Corinthia Hotel Tripoli

Introduction

Corinthia Towers Tripoli Limited (a fully-owned subsidiary of the Company) owns the 299-room five-star Corinthia Hotel located in Tripoli, Libya ("**Corinthia Hotel Tripoli**"), and a commercial centre measuring *circa* 10,000 square metres and a tract of undeveloped land both of which are adjacent to the hotel. The said properties were acquired in 2007 for a total consideration of €207 million analysed as follows: Corinthia Hotel Tripoli (€139 million); the commercial centre (€62 million); and the undeveloped land (€6 million). The carrying amounts of the Corinthia Hotel Tripoli, commercial centre and the adjacent plot as at 31 December 2013 are €124.1 million (FY2012: €131.5 million), €73.6 million and €28.8 million respectively (FY2012: €73.4 million, €28.8 million), or a combined total of €226.3 million.

Market Overview

Prior to the commencement of the revolution in February 2011, the hotel market was starting to develop with a number of internationally branded hotel chains planning to open hotels in Tripoli in view of the continued increase in business and leisure travelers. The civil unrest in 2011 halted hotel development in Tripoli and only two internationally branded hotels remained open during the period – Corinthia Tripoli and Radisson Blu Al Mahary. At present, these hotels with a number of small unbranded four star hotels are the only hotels operating in Tripoli. The purpose of stay at the hotels is mainly related to corporate business travel and ambassadors and diplomats on embassy-related business. Leisure demand is currently non-existent.

When Libya was liberated from the previous regime in 2011, there was a sudden surge of interest in the country on the part of foreigners wanting to invest. Libya's economic activity began to recover in 2012 mainly due to the nearly full resumption of oil production, an increase in construction and infrastructure activity, and the prospects of reduced political instability. By September 2012, Libya's oil production had nearly reached its pre-revolution levels of 1.6 million barrels per day.

However, by the end of 2012 incidents related to civil unrest became more frequent and have since been a hindrance to increasing economic activity. Some foreign companies and expats who left Libya at the height of the revolution in 2011 have slowly trickled back, but the situation on the ground remains uncertain and unstable. The new administration is struggling to assert its authority against heavily-armed tribesmen and militias and parts of the country remain outside its control. The security situation has now escalated further due to renewed clashes between rival militias, which has also led to the closure of the main international airport in Tripoli.

The long-term prospects inherent in the Libyan market are undoubtedly immense. The capital expenditure plans for infrastructure under the prior regime were approximately $240 billion for the years 2008-2013, and the current need for infrastructure is probably even greater, with spending particularly required to get oil fields functioning. In spite of such potential, Libya still has a very difficult business environment, where the country needs a drastic modernisation of its economy, its banking system and its administrative structures to be flexible to welcome new foreign direct investment. In addition, the country's education system is limited and any foreign investment is largely dependent on a foreign workforce. Accordingly, Libya's medium-term economic outlook remains uncertain due to the highly volatile political situation. The ability of the interim Government to establish the rule of law in Libya and instituting reforms in the public sector are expected to be key to attracting foreign direct investment to Libya in future.

Operational Performance

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

	FY2015 Projection	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	13,976	12,301	19,705	16,526	13,372
Rooms (€'000)	9,075	7,857	13,357	11,137	8,968
Food & Beverage, and other revenue (€'000)	4,901	4,444	6,348	5,389	4,404
Occupancy level (%)	35	32	59	48	35
Average room rate (€)	236	225	208	212	229
Revenue per available room (RevPAR) (€)	83	72	123	102	80
Gross operating profit before incentive fees (€'000)	2,250	1,063	6,568	4,917	4,667
Gross operating profit margin (%)	16	9	33	30	35

Source: Management information

The Corinthia Hotel Tripoli registered a gross operating profit before incentive fees of €6.6 million in FY2013, an improvement of €1.7 million on FY2012 (+34%). The Hotel registered a RevPAR of €123 (+21% on FY2012) with occupancy increasing to 59%. The demand remained predominantly corporate, with this segment accounting for 88% of the total rooms sold in FY2013 (FY2012: 90%). On the other hand, average room rate came in lower by 2% at €208, probably due to increasing competitive in the market.

The projections for FY2014 and FY2015 reflect the difficult environment in the country due to the persistent conflicts and unstable political situation, which has now become more critical with the closure of the international airport. It is expected that revenue will decline by 38% in FY2014 to €12.3 million which will lower gross operating profit by 84% to €1.1 million. For FY2015, management is assuming a marginal recovery in the Hotel's performance with revenue increasing by 14% to €14.0 million, and gross operating profit improving from €1.1 million in FY2014 to €2.3 million in FY2015.

Market Positioning
There are currently no statistics published in terms of hotel performance in Tripoli. The lack of quality supply in the market, however, results in high business demand for upper end hotels as visitors, especially international visitors, tend to look for the comfort of a recognised international hotel brand in the area.

The hotel supply in Tripoli is limited to only a few branded hotels and some privately run properties. The branded hotels include the Radisson Blu Al Mahary (351 rooms) and the Corinthia Hotel Tripoli (300 rooms). Industry sources have highlighted a number of hotel projects for the city of Tripoli in the next few years, although based on what happened in 2011 and the current situation in the country, some projects may be delayed further or shelved.

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

	FY2015 Projection	**FY2014 Forecast**	**FY2013 Actual**	**FY2012 Actual**	**FY2011 Actual**
Turnover (€'000)	5,868	5,552	5,868	6,263	5,969

Source: Management information

The Commercial Centre, which is fully occupied, includes rentable office space having a gross area of 7,249 square metres. It also comprises 306 square metres of storage space and 235 square metres of internal and external car spaces.

3.1.7 Corinthia Hotel St George's Bay

Introduction
Five Star Hotels Limited (a fully-owned subsidiary of the Company) owns the 250-room five-star Corinthia Hotel located in St Julians, Malta ("**Corinthia Hotel St George's Bay"**), which was acquired in 2000 for €32 million. In 2006 a major refurbishment programme was carried out which included the upgrade of the entire room stock, the lobby and the technological equipment. The refurbishment was completed in the first quarter of 2007 at a total cost of *circa* €4 million. The carrying amount of the Corinthia Hotel St George's Bay as at 31 December 2013 is €28.3 million (FY2012: €29.7 million).

Market Overview

Tourism in Malta has been performing at a strong level and this trend continued in the first semester of 2014 as well. Tourist arrivals in 2013 (being the last reported full year) reached 1.6 million guests (2012: 1.44 million), which is a new all-time high for the country. National Statistics Office (NSO) data shows that the total number of arrivals during 2013 was estimated at 1,582,153 persons, an increase of 9.6% over the comparable period in 2012. In absolute terms, the main origin of inbound tourists remained the British market.

The majority of incoming tourists were leisure guests, predominantly from the European Union. However, an increase of 24% was registered in tourists originating from non-EU countries. Non-package travel was higher than package travel, with a 52% share of the total. Nonetheless, package travel still advanced by 8% when compared to 2012. Total nights spent by tourists in 2013 were estimated at 12.9 million, up by 8.7% over the previous year, while average length of stay remained flat at 8.1 nights. Expenditure by inbound tourists was also up during the year under review and reached €1.4 billion (+8.6%).

Inbound tourism from January to June 2014 amounted to 730,938, an increase of 8.7% over the corresponding period in 2013. Total nights spent by inbound tourists went up by 7.2%, reaching nearly 5.3 million nights. During the period under review, total tourism expenditure was estimated at €590.3 million. This estimate is 8.5% higher than that recorded in 2013.

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

Operational Performance

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

	FY2015 Projection	**FY2014 Forecast**	**FY2013 Actual**	**FY2012 Actual**	**FY2011 Actual**
Turnover (€'000)	13,316	12,735	11,721	11,196	10,647
Rooms (€'000)	8,320	7,845	6,852	6,267	6,003
Food & Beverage, and other revenue (€'000)	4,996	4,890	4,869	4,929	4,644
Occupancy level (%)	76	75	71	68	70
Average room rate (€)	120	115	107	100	93
Revenue per available room (RevPAR) (€)	91	86	76	68	65
Gross operating profit before incentive fees (€'000)	2,575	2,232	1,501	1,518	1,413
Gross operating profit margin (%)	19	18	13	14	13

Source: Management information

The Corinthia Hotel St George's Bay registered a gross operating profit before incentive fees of €1.5 million in FY2013, a performance which was at par with FY2012. The Hotel recorded a higher occupancy levels (+4%) at better average room rates (+7%), which resulted in a 12% increase in RevPAR. This positive movement in RevPAR was primarily due to a marked increase in leisure business (+20% on FY2012). The effect of the increased room revenue was however largely offset by a reduction in F&B contribution and increases in indirect costs, resulting in a gross operating profit similar to FY2012.

As for the projected period, the Hotel is expected to continue with the revenue management strategy of increasing rates and driving business through its largest growing segment (leisure), principally by undertaking more web-based online and other marketing initiatives. RevPAR is therefore estimated to increase to €86 in FY2014 (+13%) and €91 in FY2015 (+6%) through an increase in occupancy level from 71% in FY2013 to 76% in FY2015 and an improvement in average room rate of 12% from €107 in FY2013 to €120 in FY2015. This should translate in an increase in revenue of 14% (€1.6 million) from €11.7 million in FY2013 to €13.3 million in FY2015. Gross operating profit is expected to increase by *circa* 72% or €1.1 million to €2.6 million in FY2015 as only variable costs will be affected by the growth in income. As such the gross operating profit margin is projected to improve from 13% in FY2013 to 19% in FY2015.

Market Positioning

Key Performance Indicators (KPIs)	**FY2015 Projection**	**FY2014 Forecast**	**FY2013 Actual**	**FY2012 Actual**	**FY2011 Actual**
Corinthia Hotel St George's Bay					
Occupancy level (%)	76	75	71	68	70
Average room rate (€)	120	115	107	100	93
Revenue per available room (RevPAR) (€)	91	86	76	68	65
Performance of Competitive Set					
Occupancy level (%)	80	73	72	72	69
Average room rate (€)	128	129	120	116	111
Revenue per available room (RevPAR) (€)	102	94	86	84	77
Market Penetration Rate					
Occupancy	0.95	1.03	0.99	0.94	1.01
Rate	0.94	0.89	0.89	0.86	0.84
Revenue Generating Index	0.89	0.91	0.88	0.81	0.84

Source: Management information

The above table outlines the historical performance of the Hotel and its competitive set, and expectations for FY2014 and FY2015. The Hotel's competitive set includes Hilton Malta, Westin Dragonara, InterContinental and Radisson Blu.

The Hotel's competitive set has registered a 12% growth in RevPAR over the three year period (FY2011 – FY2013), which improvement was mainly driven by increases in room rates. Occupancy level for FY2013 was similar to FY2012 at 72% and is projected to remain at the same level in FY2014 but register an increase of 10% in FY2015. Average room rate is expected to increase by 8% in FY2014 and maintain broadly same rate in FY2015. As a result RevPAR for FY2015 is projected to grow by 19% from €86 in FY2013 to €102.

In terms of occupancy, the Hotel has in the last three years been performing reasonably well against its competitive set. As for FY2014 and FY2015, it is projected that the Hotel's occupancy will surpass the market by 3% (75% compared to 73% for comp. set) but decline by 5% in the subsequent year (76% compared to 80% for comp. Set). With respect to average room rate, the Hotel is still more reliant on the lower yielding tour operator segment than other hotels in its market, and therefore its average room rate and consequently its RevPAR is below the figures registered by the competitive set. Since FY2012, the Hotel has implemented measures to attract more higher-yielding revenue, in particular, from conference & events and leisure segments to significantly increase its RevPAR and improve its competitiveness in the market. This strategy is yielding results as the Hotel is progressively reducing the gap with its competitors – RGI has improved from 0.84 in FY2011 to 0.88 in FY2013, and it is projected that the Hotel will increase its RGI to an average of 0.90 in the projected years. Taking into consideration the near to medium term, the Hotel's room product is in need of refurbishment and this required upgrade is essential for the Hotel to continue to compete effectively with other five-star hotels in the market.

3.1.8 Marina Hotel

Introduction

Marina San Gorg Limited (a fully-owned subsidiary of the Company) owns the 200-room four-star Hotel located in St Julians, Malta ("**Marina Hotel**"), adjacent to the Corinthia Hotel St George's Bay. It was acquired in early 2012 for €23 million. A number of facilities at the Hotel are shared with the Corinthia Hotel St George's Bay, which provides guests with a larger product variety, especially with regards to food and beverage offering and swimming pool areas. Being a four-star hotel with access to five-star conference and meeting space at the Corinthia Hotel St George's Bay is another unique selling point of the property. The carrying amount of the Marina Hotel as at 31 December 2013 is €20.9 million (2012: €21.0 million).

Market Overview

The market overview relating to tourism in Malta is included in section 3.1.7 above.

Operational Performance

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

	FY2015 Projection	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	8,078	7,616	6,886	6,655	6,254
Rooms (€'000)	5,196	4,898	4,266	4,016	3,886
Food & Beverage, and other revenue (€'000)	2,882	2,718	2,620	2,639	2,368
Occupancy level (%)	81	79	76	76	76
Average room rate (€)	88	85	77	72	68
Revenue per available room (RevPAR) (€)	71	67	59	55	53
Gross operating profit before incentive fees (€'000)	2,109	1,825	1,343	1,446	1,386
Gross operating profit margin (%)	26	24	20	22	22

Note: The Marina Hotel was acquired by IHI with effect from 1 January 2012 and therefore the financial information for 2011 has been included in the table above for analysis purposes only.

Source: Management information

The Hotel registered a gross operating profit of €1.34 million in FY2013, a decrease of €0.1 million (-7%) on the results of FY2012. Occupancy level was stable at 76% at better average room rates (+7%), which resulted in a 7% increase in RevPAR. The increase in room revenue was however offset by a decrease in contribution from non-accommodation operations and increases in indirect costs.

During the year there was a decrease in rooms sold in tour operator, conference & events and corporate segments, and a significant increase in rooms sold in the higher-yielding leisure segment. The tour operator sector remains the principal business segment of the Hotel (38% of rooms sold in FY2013).

The focus as from FY2013 is on yield management, with a drive towards achieving higher rates by increasing business levels in the higher yielding segments including leisure and corporate. For the current year (FY2014), the average room rate should increase to €85 (+10%) and RevPAR is expected to improve by 14% to €67. A further improvement in RevPAR (+6%) is being projected for FY2015. In consequence of the projected increase in revenue from €6.9 million in FY2013 to €8.1 million in FY2015 (+17%), with only a corresponding increase in variable costs, gross operating profit is expected to increase by 57% over the said two year projected period from €1.3 million to €2.1 million. This should result in an improved gross profit margin from 20% (FY2013) to 26% (FY2015).

Market Positioning

Key Performance Indicators (KPIs)	FY2015 Projection	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Marina Hotel					
Occupancy level (%)	81	79	76	76	76
Average room rate (€)	88	85	77	72	68
Revenue per available room (RevPAR) (€)	71	67	59	55	53
Performance of Competitive Set					
Occupancy level (%)	79	77	74	75	77
Average room rate (€)	94	92	84	80	77
Revenue per available room (RevPAR) (€)	74	72	62	60	59
Market Penetration Rate					
Occupancy	1.03	1.03	1.03	1.01	0.99
Rate	0.94	0.92	0.92	0.90	0.88
Revenue Generating Index	0.96	0.93	0.95	0.92	0.90

Source: Management information

The above table outlines the historical performance of the Hotel and its competitive set, and expectations for FY2014 and FY2015. The Hotel's competitive set includes Hotel Phoenicia, Radisson SAS Bay Point Resort, Maritim Antonine Hotel & Spa and Le Meridien.

The Hotel outperformed its competitive set in terms of occupancy in FY2013, reaching an occupancy penetration of 1.03. In the same year, the Hotel managed to grow its average rate from €72 to €77 (+7%), resulting in a RevPAR increase of 7%. In terms of revenue penetration, the target of 1.00 has not yet been achieved, but there was an improvement from 0.90 in FY2011 to 0.95 in FY2013. The focus in FY2013 has been on the leisure segment as last-minute business and online bookings are becoming more important. The Hotel's strategy is to increase rates by shifting to individual leisure as much as possible, whilst being selective with tour operators and increasing package deals. It is expected that the Hotel occupancy level will exceed the market average in FY2014 and FY2015 (+3%), and will continue to improve average room rate to achieve a revenue penetration rate of 0.96 by FY2015.

3.1.9 Corinthia Hotel London

Introduction

NLI Holdings Limited (equally owned by the Libyan Foreign Investment Company (LFICO) and IHI) owns the 294-room five-star Corinthia Hotel located in London, United Kingdom ("**Corinthia Hotel London**") together with a penthouse apartment (FY2013: 12 apartments - the remaining 11 residential apartments were sold in April 2014). In 2008, NLI Holdings Limited acquired the former Metropole Building and its adjoining 10 Whitehall Place for £136 million (*circa* €160 million) and after raising a €150 million bank facility in April 2009, embarked on a two-year project to redevelop and reconstruct the said properties to the luxury Corinthia Hotel and Residences. The carrying amount of the Corinthia Hotel London and Residences as at 31 December 2013 was €645.0 million (FY2012: €591.4 million).

Market Overview

In 2013 there were 32.8 million visits to the UK, a 5.6% increase since 2012. Over the same year, spending by overseas visitors increased by 12.7% to £21,012 million. The number of visits to the UK in 2013 was the highest since 1961, with half of all visitors to the UK visiting London (16.8 million). The proportion of all overseas visitors to the UK who visit London has been increasing steadily over the last ten years, from 47.3% in 2003 to 51.2% in 2013. The majority of visitors were from North America in 2013, followed by tourists from France and Germany.

In 2012, London experienced the largest increase in room supply through new developments, with the Olympics being the main catalyst for development. This brought about the concern of a post Olympic supply overhang with another 5,000 rooms in 2013 in addition to those which opened ahead of the event (the long term historical average is 1,500 rooms per year). The strong growth referred to in the preceding paragraph has eliminated such fear. Nevertheless, despite London being one of the most popular tourist destinations globally, a constant growth in tourism is required to maintain current hotel occupancy levels.

London hotel performance in 2013 was encouraging as demand grew at a faster rate than supply. Occupancy rates remained high at 81% and are expected to increase further to 82% in 2014. A 2.3% fall in average daily rate was recorded in 2013, in comparison to the 2012 Olympic season average daily rates but a modest growth in average rate is anticipated for 2014 to £138 (2012 level - £139). New hotel construction is expected to pick up in 2014 after a temporary quiet period in 2013, primarily in budget/mid-scale accommodation. In 2014 Western Europe's highest hotel, the Shangri-La (195 rooms) opened for business. The five-star segment will see further openings in 2014 including: The Beaumont boutique hotel (75 rooms), Trinity Square Hotel (360 rooms) and Mondrian London (360 rooms).

Operational Performance

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

	FY2015 Projection	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (£'000)	58,420	53,040	46,401	38,424	14,013
Rooms (£'000)	40,827	36,002	31,660	25,695	8,159
Food & Beverage, and other revenue (£'000)	17,593	17,038	14,741	12,729	5,854
Occupancy level (%)	79	75	72	63	21
Average room rate (£)	483	447	407	380	353
Revenue per available room (RevPAR) (£)	382	335	293	239	74
Gross operating profit before incentive fees (£'000)	20,533	16,444	14,012	7,820	(4,652)
Gross operating profit margin (%)	35	31	30	20	(33)

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

Source: Management information

The Hotel registered a gross operating profit of £7.8 million in FY2012, which was its first full year of operation. Occupancy levels reached an average of 63% as management focused on achieving volume penetration in order to establish market presence. The additional business came at the expense of rates, which averaged £380 in FY2012.

In FY2013, the Hotel generated £46.4 million in revenue (+21%) and a gross operating profit of £14.0 million (+£6.2 million on FY2012). RevPAR increased by 23% to £293 with concurrent increases in both occupancy (+14%) and average room rate (+7%). Management is targeting a 47% increase in gross operating profit from £14.0 million in FY2013 to £20.5 million in FY2015. Such result is principally expected through further increases in both occupancy (+10%) and room rates (+19%) over the two year period. The Hotel is aiming to reach an average occupancy level of 80% as more visitors utilise the Hotel and the Corinthia brand becomes more known in London and the UK, thus moving closer to its stabilised level of operation.

Market Positioning

Key Performance Indicators (KPIs)	**FY2015 Projection**	**FY2014 Forecast**	**FY2013 Actual**	**FY2012 Actual**	**FY2011 Actual**
Corinthia Hotel London					
Occupancy level (%)	79	75	72	63	21
Average room rate (£)	483	447	407	380	353
Revenue per available room (RevPAR) (£)	382	335	293	239	74
Performance of Competitive Set					
Occupancy level (%)	81	78	77	79	60
Average room rate (£)	562	539	509	562	534
Revenue per available room (RevPAR) (£)	453	421	394	444	320
Market Penetration Rate					
Occupancy	0.98	0.96	0.94	0.80	0.35
Rate	0.86	0.83	0.80	0.68	0.66
Revenue Generating Index	0.84	0.80	0.74	0.54	0.23

Source: Management information

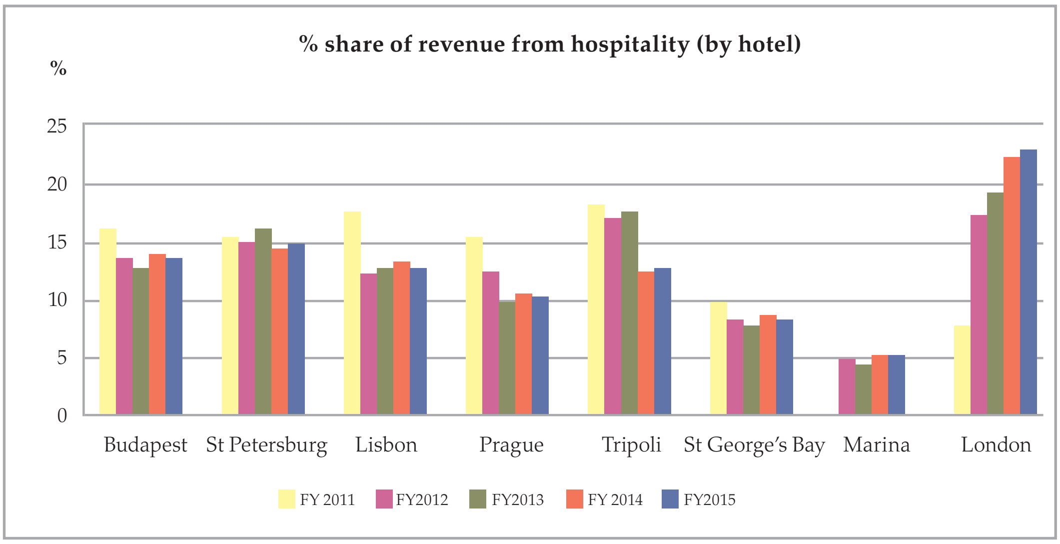
The above table outlines the historical performance of the Hotel and its competitive set, and expectations for FY2014 and FY2015. The Hotel's competitive set includes Four Seasons Park Lane, Claridge's and The Dorchester.

In FY2013, the Hotel continued to gain market share and thus narrow the gap with its competitive set. In its second full year of operations (FY2013), the Hotel achieved an occupancy level of 72% as compared to 77% for its competitive set and derived an average room rate of £407 (competitive set: £509). The Hotel's RevPAR growth of 23% improved the Hotel's RGI from 0.54 to 0.74. The Hotel is expected to further improve its occupancy penetration from 72% to 79% by FY2015, but its main target is to increase average room rate to reduce the current discrepancy between the Hotel's achieved average room rate and that of its competitors (FY2015: 14% lower than market at £483).

3.1.10 Aggregate Hotel Revenue and Operating Profit

Revenue geographic distribution

The chart below depicts total revenue generated by each hotel as a percentage of aggregate hotel revenue generated by the Group's hotels. In the case of Corinthia Hotel London the amounts included for each year is 50% of actual revenue, reflecting the 50% shareholding of IHI in the Hotel.



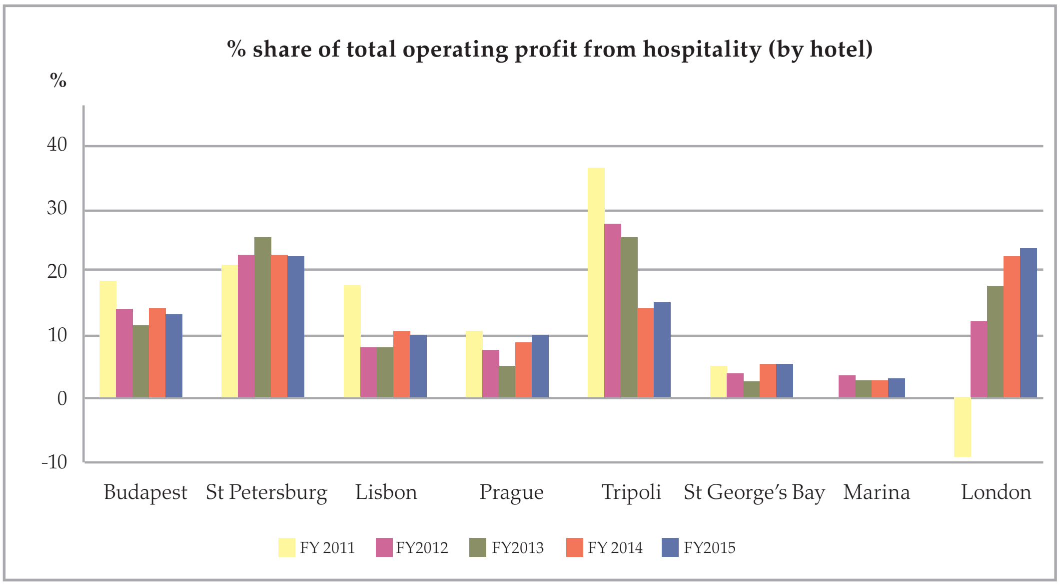
Source: Company information

In FY2011, income contributed by each of the following five hotels - Budapest, St Petersburg, Lisbon, Prague and Tripoli – averaged 16% of total revenue, whilst Corinthia Hotel St George's Bay achieved a 10% share. Corinthia Hotel London initiated operations in FY2011 and the Marina Hotel was not part of IHI in FY2011 (acquired in FY2012). Thereafter, Corinthia Hotel Budapest, Corinthia Hotel St Petersburg, Corinthia Hotel St George's Bay and the Marina Hotel have maintained their respective share in FY2012 and FY2013, and are expected to continue as such in FY2014 and FY2015. Corinthia Hotel Lisbon and Corinthia Hotel Prague registered declines in FY2012 (from 18% to 12% and 15% to 12% respectively) but have stabilised since.

The share of revenue from Corinthia Hotel Tripoli was broadly stable between FY2011 and FY2013, but is expected to decrease substantially in FY2014 and FY2015 in view of civil unrest in Libya. On the other hand, since opening for business in FY2011 Corinthia Hotel London has recorded significant increases in revenue and has become an important component of the IHI Group. It is projected that income generated in FY2015 by the London Hotel will equate to circa 23% of Group revenue.

Operating profit geographic distribution

The chart below shows operating profit generated by each hotel as a percentage of the Group's hotel operating profit. The amounts relating to the Corinthia Hotel London are only 50% of the actual performance, reflecting the 50% shareholding of IHI in the Hotel.



Source: Company information

The primary contributors to operating profit include Corinthia Hotel Tripoli, Corinthia Hotel St Petersburg, Corinthia Hotel Budapest and Corinthia Hotel London (since FY2012). Operating profit generated at Corinthia Hotel Tripoli is expected to decline in FY2014 and FY2015 in view of the instability in Libya, which will have a material effect on the consolidated operating profit of the Group. Such decrease will not be mitigated by operating profit growth at Corinthia Hotel London, since the said hotel is an associated company (IHI has a 50% shareholding in the Hotel) and is therefore not consolidated with other Group hotels for statutory financial reporting purposes.

3.2 MANAGEMENT COMPANY

CHI Limited (a fully-owned subsidiary of the Company) manages and operates a number of hotel properties, predominantly owned by IHI and Corinthia Palace Hotel Company Limited (the ultimate shareholder of the Corinthia Group). IHI acquired the shares of CHI in three tranches: a 20% shareholding was purchased in 2000 at a cost of circa €750,000, a further 50% was acquired in October 2006 at a cost of €20.15 million, and in May 2012 IHI acquired 30% for an aggregate consideration of €250,000.

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

	FY2015 Projection	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	14,468	12,525	10,875	8,475	6,089
IHI Properties (€'000)	12,468	10,825	8,378	6,430	4,644
Other Properties (€'000)	2,000	2,447	2,497	2,045	1,445

Source: Management information

In FY2011 most of the IHI properties registered improvements when compared to the previous year (the latter year was affected by the global economic crisis and the civil unrest in Libya) and as a result total fee revenue received by CHI during the year increased to €6.1 million from €4.4 million (+40%). Included in the turnover figure for FY2011 is revenue derived from Corinthia Hotel London which commenced operations in April 2011. On a like-for-like basis (that is, excluding Corinthia Hotel London which was still under construction in FY2010 and therefore was not operating during the year), turnover increased by 28% from €4.4 million in FY2010 to €5.6 million in FY2011.

In order to support CHI's sales and marketing team and improve its room reservation and distribution capabilities, in FY2010, IHI created its own global distribution system ('GDS') to enable direct bookings through the major GDS companies (Sabre, Apollo and Travelport) for all Corinthia branded hotels managed by CHI. To further optimise bookings through its GDS, IHI revamped its websites and implemented a new central reservation system. A main objective of management is to improve average room rates in its hotels and its short term strategy is to replace low yielding bookings (primarily tour operator business) by higher yielding reservations channelled directly through its GDS. Bookings generated from Corinthia branded channels represented 9% and 19% of room revenue in FY2011 and FY2012 respectively and increased further to 23% in FY2013.

During the financial year 2012, total revenue increased by €2.4 million to €8.5 million (+39%). This increase reflects the revenue from the first full year of operation of the Corinthia Hotel London, which contributed €2.2 million to income generated by CHI. Similarly, the results of CHI for FY2013 show an expansion in turnover of €2.4 million on the previous year and the primary contributor of this increase is Corinthia Hotel London. Income generated from the other Hotels was broadly stable apart from a decrease in income from Corinthia Hotel Prague reflecting a reduction in gross revenue for the year under review.

CHI is projecting revenue to increase in FY2014 by 15% (+€1.7 million) due to further improvement in results of the London property which will be mitigated by revenue declines at Corinthia Hotel Tripoli and Corinthia Hotel St Peterburg. As for FY2015, CHI is targeting turnover at €14.5 million which assumes a subdued operating environment at the Tripoli Hotel, a recovery at Corinthia Hotel St Petersburg and an increase in revenue at the London hotel.

3.3 OTHER ASSETS

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

IHI has a 55% equity participation in Libya Hotel Development and Investment JSC, a company set up to acquire a derelict building formerly known as the El-Jazeera Hotel and adjoining site in Benghazi, Libya. Libya Hotel Development and Investment JSC will eventually develop a mixed-use project consisting of a 228-room five-star hotel, 700 square metres of retail space and 10,000 square metres of office space. The funding of the project will be sourced from a combination of an equity injection by the shareholders and appropriate bank financing.

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

The project designs of the Medina Tower are complete and all development approvals have been obtained from the relevant authorities. As to the financing of the project, the equity contribution for the first phase of this project is already fully paid up and will comprise 40% of the capital requirement for the said project. The remaining 60% of funding is expected to be raised through a bank loan, which the company has finalised with a Libyan financial institution. A sanction letter has already been approved and signed, and once Medina Tower Joint Stock Company has registered in favour of the financing bank a first hypothec over the property, it will be able to start making drawdowns under the loan facility. It is expected that construction works on the Medina Tower will commence shortly thereafter.

IHI owns 20% of QPM Limited, which specialises in construction and the provision of project management services both locally and overseas. QPM Limited established an office in London in July 2011 and is responsible for the development of the Medina Tower and Benghazi project.

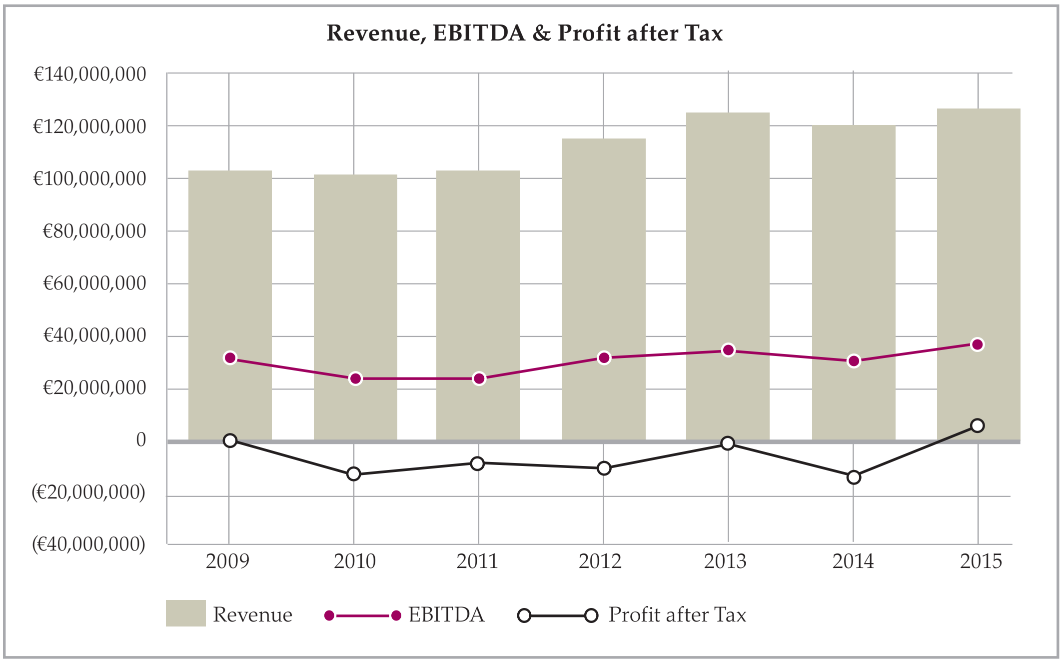
4. GROUP PERFORMANCE REVIEW

4.1 INCOME STATEMENT

The following financial information is extracted from the audited consolidated financial statements of IHI for the three years ended 31 December 2011 to 31 December 2013. The financial information for the years ending 31 December 2014 and 31 December 2015 has been provided by management of the Company. **The projected financial statements relate to events in the future and are based on assumptions which the Company believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.**

IHI Group Income Statement (€'000)	**FY2015 Projection**	**FY2014 Forecast**	**FY2013 Actual**	**FY2012 Actual**	**FY2011 Actual**
Revenue	128,424	119,902	123,734	118,567	104,223
Direct costs	(66,048)	(62,328)	(64,152)	(63,554)	(53,863)
Gross profit	**62,376**	**57,574**	**59,582**	**55,013**	**50,360**
Other operating costs	(25,392)	(27,076)	(24,601)	(27,288)	(27,982)
EBITDA [1]	**36,984**	**30,498**	**34,981**	**27,725**	**22,378**
Depreciation and amortisation	(20,211)	(21,910)	(23,763)	(24,208)	(24,429)
Increase in fair value of investment property	-	-	571	4,154	5,448
Net impairment of hotel properties	-	-	5,000	(7,796)	(2,497)
Results from operating activities	**16,772**	**8,588**	**16,789**	**(125)**	**900**
Share of profit from equity accounted investments	1,825	(8,586)	(5,788)	4,970	1,155
Net finance costs	(12,390)	(13,716)	(15,940)	(16,783)	(13,899)
Net fair value loss on interest rate swaps	-	1,466	1,789	1,009	432
Movement in reimbursement assets	(880)	(880)	(883)	(454)	(399)
Profit/(loss) before tax	**5,327**	**(13,128)**	**(4,033)**	**(11,383)**	**(11,811)**
Taxation	(2,314)	5,361	4,299	950	1,079
Profit/(loss) after tax	**3,013**	**(7,767)**	**266**	**(10,433)**	**(10,732)**

[1] EBITDA – Earnings before interest, tax, depreciation and amortisation



The key accounting ratios are set out below:

	FY2015	FY2014	FY2013	FY2012	FY2011
Gross profit margin *(Gross profit/revenue)*	49%	48%	48%	46%	48%
Operating profit margin *(EBITDA/revenue)*	29%	25%	28%	23%	21%
Interest cover (times) *(EBITDA/net finance cost)*	3.0	2.2	2.2	1.7	1.6
Net profit margin *(Profit after tax/revenue)*	2%	-6%	0%	-9%	-10%
Earnings per share (€) [1] *(Profit after tax/number of shares)*	0.01	-0.01	0.00	-0.02	-0.02
Return on equity *(Profit after tax/shareholders' equity)*	1%	-1%	0%	-2%	-2%
Return on capital employed *(Operating profit/total assets less current liabilities)*	4%	3%	3%	3%	2%
Return on assets *(Profit after tax/total assets)*	1%	-1%	0%	-1%	-1%

[1] *Earnings per share calculation set out above has been based on the current number of shares in issue of the Company of 554,238,573 shares of €1 each.*

Source: Charts Investment Management Service Limited

In FY2011, the Corinthia Hotel Tripoli was affected by the revolution in Libya and revenues decreased by 35% (equivalent to €10.6 million). All the other Group hotel properties achieved increases in revenues amounting to €13.1 million, principally due to enhanced marketing by CHI, an increase in conference & events business in a number of Hotels and an increase in higher yielding room bookings registered through the Group's global distribution system which was launched in FY2010. For the second year, CHI continued to implement its strategy of replacing low yielding bookings generally derived through tour operators by higher yielding reservations through its GDS. Bookings generated from Corinthia branded channels represented 9% of room revenue in FY2011 (FY2010: 5.8%). The percentage increases in revenue over FY2010 were as follows: Corinthia Hotel St Petersburg (24%), Corinthia Hotel Lisbon and Corinthia Hotel Prague (18%), Corinthia Hotel Budapest (13%) and Corinthia Hotel St George's Bay (8%). In FY2011, expenses amounting to €1.8 million incurred during prior years in connection with the Company's possible listing on the London Stock Exchange were written off. Excluding these one-off costs, EBITDA for FY2011 would have totalled €24.2 million, a gain of 5.7% over FY2010.

The valuation of the Group's investment properties resulted in a net uplift of €5.5 million mainly through the increase in value of the commercial centre in St Petersburg. However, the valuation of the Group's hotel properties resulted in a net impairment of €2.5 million (Corinthia Hotel Prague: +€4.5 million, Corinthia Hotel Budapest: -€4.3 million, Corinthia Hotel St George's Bay: -€2.7 million). The share of profit of €1.2 million from equity accounted investments primarily related to IHI's 50% investment in Corinthia Residences in London.

Results from the respective hotel operations in FY2012 were generally positive. The Group financial statements for the said year also reflected the acquisition of the Marina Hotel and the first full year of operation of the Corinthia Hotel London. Group revenue for FY2012 increased by €14.4 million (+14%) to €118.6 million when compared to FY2011 (€104.2 million). The main factors included the contribution from the Marina Hotel (+€6.6 million) and significant improvements at Corinthia Hotel St Petersburg (+23%) and Corinthia Hotel Tripoli (+18%). The remaining hotels registered broadly similar revenue as in FY2011, except for Corinthia Hotel Lisbon which showed a decrease in income of 13% from €18.7 million in FY2011 to €16.2 million in FY2012. Countries such as Portugal and Hungary were severely affected by the adverse economic situation in several of the feeder markets, increased competition, and a decline in consumer spending.

In FY2012, gross operating profit improved at Corinthia Hotel St Petersburg (43%), Corinthia Hotel Tripoli (5%) and Corinthia Hotel St George's Bay (7%). At Corinthia Hotel Tripoli, operating costs increased proportionately more than the growth in revenue and therefore, gross operating profit was relatively disappointing. Overall, Group EBITDA for FY2012 increased by €5.35 million to €27.7 million, which also benefited from the initial year of the Marina Hotel within the Group (+€1.4 million).

During the year under review net property revaluation adjustments, through the income statement and comprehensive income statement, amounted to a positive balance of €3.9 million (FY2011: -€15.1 million). The fair value of the Commercial Centre in St Petersburg was increased by €4.2 million (FY2011: -€5.6 million) on account of growth in lease income streams. This uplift was offset by impairments totalling €18.7 million (FY2011: €15.2 million) in the valuation of the hotel properties, mainly, Corinthia Hotel Lisbon (€6.4 million), Corinthia Hotel Budapest (€3.0 million) and Corinthia Hotel St Petersburg (€10.9 million). The impairments resulted from an oversupply of hotel rooms in the respective markets and increased competition which has restricted improvements in both occupancy rate and average room rate, and in the case of the former two hotels the respective countries' economic situation and associated risks. On the other hand, there has been a positive uplift in the value of the 50% share in the Corinthia Residences of €18.5 million (FY2011: -€5.4 million).

The Corinthia Hotel London registered an operating profit of €9.59 million in FY2012, which is a significant improvement to the operating loss of €5.54 million incurred in FY2011. However, this positive performance was more than offset by substantial charges of depreciation and finance costs. Since the hotel is 50% owned by the Group, its results are included in the income statement as share of profit from equity accounted investments. In this line item the operating results have been netted with an uplift in the value of the 12 apartments amounting to €31.9 million (FY2011: €37.6 million).

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

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

"Share of results from equity accounted investments" represents IHI's 50% equity shareholding in Corinthia Hotel London. As highlighted in section 3.1.9 of this document, operating profit generated by the Hotel in its second year of operations improved significantly to £14.0 million (FY2012: £7.8 million). However, after accounting for depreciation, property charges and finance costs the Hotel incurred a loss for the year, of which, IHI's share of such loss amounted to €5.8 million.

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

In view of the prolonged instability in Libya and the political issues between Russia and Ukraine, the Group is projecting that in FY2014 revenue generated at Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg will be lower than the prior year by circa €10.4 million. Such reduction is expected to the mitigated by improvements at the other Group properties and therefore the overall decrease in income for FY2014 is projected to amount to €3.8 million (-3%).

Management believes that the situation in St Petersburg will be resolved by FY2015 but will prolong further in Libya. In either case, it is projected that the properties in Tripoli and St Petersburg will recoup part of the decline in FY2014 revenue. The other properties are expected to further increase their respective turnover principally through the achievement of better average room rates. Group EBITDA is projected to decrease by €4.5 million in FY2014 but IHI should fully recover such decline in FY2015 (+€6.5 million).

In April 2014, 11 apartments in Whitehall Place London, adjacent to the Corinthia Hotel London, of which IHI has a 50% stake, were sold to third parties. A penthouse apartment was retained and will be sold at the opportune time. Except for one-off property costs resulting from the aforesaid sale of apartments, the disposal will have no effect on the Group financial statements since the apartments were recorded at their full value in FY2013. A loss is being projected from equity accounted investments for FY2014 of €8.6 million. It is expected that the London hotel will register its first net profit in FY2015 and as such IHI's share is projected at €1.8 million.

The projections as presented in this document assume that the carrying values of hotel properties will remain constant in FY2014 and FY2015, and therefore no adjustment has been made as to possible impairment or uplift of assets that may be booked and which may materially affect the consolidated income statement.

4.2 CASH FLOW STATEMENT

IHI Group Cash Flow Statement (€'000)	**FY2015 Projection**	**FY2014 Forecast**	**FY2013 Actual**	**FY2012 Actual**	**FY2011 Actual**
Net cash from operating activities	36,959	35,294	42,078	30,145	14,430
Net cash from investing activities	(11,561)	(2,923)	(4,284)	(21,187)	(10,275)
Net cash from financing activities	(29,838)	(22,068)	(43,666)	(23,837)	(3,163)
Net movement in cash and cash equivalents	**(4,440)**	**10,303**	**(5,872)**	**(14,879)**	**992**
Cash and cash equivalents at beginning of year	15,794	5,491	11,363	26,242	25,250
Cash and cash equivalents at end of year	**11,354**	**15,794**	**5,491**	**11,363**	**26,242**

Net cash from operating activities improved in FY2012 by €15.7 million to €30.1 million and further increased to €42.1 million in FY2013, primarily due to an improvement in results at most hotels and better working capital management. In addition, €3.1 million of advances made in prior years to Corinthia Hotel London were repaid in FY2013. Country issues in Libya and Russia are expected to reduce cash inflows in FY2014 and FY2015 which will be partially mitigated as a result of progress in operating performance at the other hotels and additional repayment of operational amounts due from Corinthia Hotel London.

During FY2012 the Group settled the outstanding amount of €4.3 million due to CPHCL in relation to the acquisition of the Marina Hotel and contributed €9.1 million towards the Medina Tower project. No significant investment was effected by IHI in FY2013 and the cash outflows of €4.3 million mainly related to payments for tangible fixed assets. Cash outflows from investing activities are expected to amount to €14.5 million in the upcoming two years and will principally include expenditure on the renovation programme at the Corinthia Hotel St Petersburg.

The principal movements in financing activities in FY2013 included: (i) the repayment on bank borrowings, related party loans and bonds totalling €34.6 million; and (ii) bank financing increased by €8.5 million. Interest paid during the year decreased from €18.1 million in FY2012 to €17.4 million. In FY2014 and FY2015, net borrowings are projected to increase by €7.1 million. Interest paid and taxation are estimated at €26.7 million and €4.1 million respectively. During the current financial year (FY2014) IHI paid a dividend of €16.6 million to its shareholders.

4.3 BALANCE SHEET

IHI Group Balance Sheet (€'000)	31 Dec'15 Projection	31 Dec'14 Forecast	31 Dec'13 Actual	31 Dec'12 Actual	31 Dec'11 Actual
Assets					
Non-current					
Intangible assets	42,292	43,575	44,856	46,095	47,415
Reimbursement assets	20,806	21,686	22,566	23,449	22,432
Investment properties	191,964	191,964	191,964	191,393	187,239
Property, plant and equipment	512,091	519,421	534,558	555,482	565,568
Investments accounted for using the equity method	194,929	193,104	201,689	167,441	132,867
Loan receivable	-	-	44,332	43,450	29,450
Cash held by trustee	13,795	9,687	2,303	2,223	-
	975,877	979,437	1,042,268	1,029,533	984,971
Current					
Inventories	4,961	4,695	5,454	5,294	5,382
Loan receivable	-	-	-	-	11,500
Trade and other receivables	39,894	33,548	31,819	36,997	36,561
Taxation	21	21	2,883	436	407
Cash and cash equivalents	14,451	20,988	10,248	16,423	28,008
	59,327	59,252	50,404	59,150	81,858
Total assets	**1,035,204**	**1,038,689**	**1,092,672**	**1,088,683**	**1,066,829**

Intangible assets as at 31 December 2013 amounted to €44.9 million and included (i) goodwill on the purchase of CHI with a carrying value of €9.7 million; (ii) the Corinthia brand of €19.6 million; and (iii) the website development costs and the value attributable to CHI's management agreements with a carrying value of €15.0 million.

Reimbursement assets represent any tax that may become reimbursable by CPHCL in relation to the transfer of shares of IHI Towers s.r.o. (Corinthia Hotel Prague) and Corinthia Tripoli Towers Ltd (Corinthia Hotel Tripoli) to IHI in 2007, and the transfer of shares of Marina San Gorg Limited to IHI in 2012, but which was deferred. This tax will only become due in the eventuality that IHI sells its shares in these companies or properties to unrelated third parties.

Investment properties include commercial centres in Tripoli and St Petersburg and apartments in Lisbon. The carrying values as at 31 December 2013 were: (i) Commercial Centre Tripoli: €73.6 million; (ii) vacant plot of land Tripoli: €28.8 million; (iii) Commercial Centre St Petersburg: €87.4 million; and (iv) apartment block in Lisbon: €1.2 million. At 31 December 2013, the fair value of the commercial centres in St Petersburg and Tripoli were increased by €0.4 million and €0.2 million respectively, and the fair value of the Lisbon apartments was lowered by €29,000 (aggregate movement: €0.57 million). All other valuations remained broadly unchanged.

Property, plant and equipment principally consist of the hotel properties, the aggregate value of which decreased by €31.0 million between 31 December 2011 and 31 December 2013 mainly due to depreciation charges and impairments, net of the assets of Marina Hotel acquired in FY2012 amounting to €23 million.

Investments accounted for using the equity method include investments in associated companies, namely NLI Holdings Limited (Corinthia Hotel London) and Medina Towers J.S.C. In 2009, IHI increased its shareholding in NLI Holdings Limited from 33.3% to 50% between 2009 and 2010 at a total cost of €35.9 million. The carrying value of this investment has increased from €154.4 million in FY2012 to €188.7 million in FY2013. During the financial year ended 31 December 2010, IHI acquired a 25% stake in Medina Towers S.J.C. for a total consideration of €3.9 million. In FY2012, the Group invested a further €9.1 million in Medina Towers (FY2013: €13.0 million).

Loan receivable comprises amounts advanced to NLI Holdings Ltd which as at 31 December 2012 amounted to €44.3 million (2012: €43.5 million). The loan is unsecured, bears interest at 3% and is subordinated to bank borrowings. Amounts advanced to NLI Holdings Ltd will be fully repaid during FY2014 through the disposal proceeds of 11 London apartments which took place in April 2014.

Current assets are principally made up of working capital assets including: (i) inventories of food and beverage, consumables, room supplies and maintenance stocks; and (ii) amounts receivable from tour operators, corporate customers and credit card companies.

IHI Group Balance Sheet ***(cont.)*** **(€'000)**	**31 Dec'15 Projection**	**31 Dec'14 Forecast**	**31 Dec'13 Actual**	**31 Dec'12 Actual**	**31 Dec'11 Actual**
Equity and liabilities					
EQUITY					
Called up share capital	554,238	554,238	554,238	554,238	554,238
Reserves and other equity components	88,701	88,701	88,701	63,842	56,628
Retained earnings	(37,551)	(40,609)	(16,448)	(17,824)	(14,171)
Minority interest	-	-	-	-	5,920
	605,388	**602,330**	**626,491**	**600,256**	**602,615**
LIABILITIES					
Non-current					
Borrowings and bonds	264,127	278,359	292,729	312,995	300,413
Other non-current liabilities	94,880	95,057	97,332	97,390	98,706
	359,007	373,416	390,061	410,385	399,119
Current					
Borrowings and bonds	17,607	18,555	27,725	32,976	25,782
Other current liabilities	53,202	44,388	48,395	45,066	39,313
	70,809	62,943	76,120	78,042	65,095
	429,816	**436,359**	**466,181**	**488,427**	**464,214**
Total equity and liabilities	**1,035,204**	**1,038,689**	**1,092,672**	**1,088,683**	**1,066,829**

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

IHI Group Borrowings & Bonds (€'000)	**31 Dec'15 Projection**	**31 Dec'14 Forecast**	**31 Dec'13 Actual**	**31 Dec'12 Actual**	**31 Dec'11 Actual**
Bank borrowings					
Corinthia Hotel St George's Bay	380	1,301	2,143	2,968	3,760
Corinthia Hotel Budapest	26,937	29,235	31,383	33,396	35,283
Corinthia Hotel St Petersburg	54,003	55,104	55,999	49,095	49,995
Corinthia Hotel Lisbon	28,958	31,621	34,181	35,722	37,220
Corinthia Hotel Tripoli	36,667	36,667	42,000	51,500	52,000
Corinthia Hotel Prague	28,586	30,839	33,018	40,126	42,162
Marina Hotel	8,519	9,230	833	1,112	
IHI p.l.c.	5,000	8,100	11,200	13,300	9,900
Bank overdrafts	3,097	5,194	4,760	5,060	1,767
	192,147	**207,291**	**215,533**	**232,279**	**232,087**
Bonds					
6.3% Bonds 2013				4,054	13,966
6.2% - 6.8% Bonds 2013				1,690	8,070
6.5% Bonds 2012 - 2014			2,500	12,475	12,456
6.25% Bonds 2015 - 2019	34,851	34,761	34,678	34,600	34,527
6.25% Bonds 2017 - 2020	24,878	24,823	24,758	24,711	24,667
5.8% Bonds 2021	19,679	19,635	19,592	19,557	
5.8% Bonds 2023	9,887	9,876	9,865		
	89,295	**89,095**	**91,393**	**97,087**	**93,686**
Other interest bearing borrowings					
Parent company	-	236	13,236	16,089	-
Related companies	292	292	292	516	422
	292	**528**	**13,528**	**16,605**	**422**
Total borrowings and bonds	**281,734**	**296,914**	**320,454**	**345,971**	**326,195**

The key accounting ratios are set out below:

	FY2015	**FY2014**	**FY2013**	**FY2012**	**FY2011**
Net assets per share (€) [1]	1.09	1.09	1.13	1.08	1.08
(Net asset value/number of shares)					
Liquidity ratio (times)	0.84	0.94	0.66	0.76	1.26
(Current assets/current liabilities)					
Gearing ratio	47%	49%	51%	58%	55%
(Total debt/shareholders' equity)					

[1] *Net assets per share calculation set out above has been based on the current number of shares in issue of the Company of 554,238,573 shares of €1 each.*

Source: Charts Investment Management Service Limited

4.4 SINKING FUND

In terms of the Prospectuses of each of the bonds detailed hereunder, the Company is 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 contributions paid/payable by the Company for the purpose of building up each of the three sinking funds.

Contributions to Sinking Fund	**31 Dec'15 (€'000)**	**31 Dec'14 (€'000)**	**31 Dec'13 (€'000)**	**31 Dec'12 (€'000)**	**31 Dec'11 (€'000)**
€35 million 6.25% Bonds 2015 - 2019	8,741	6,553	2,267	2,137	50
€25 million 6.25% Bonds 2017 - 2020	4,696	3,134	36	36	-
€20 million 5.8% Bonds 2021 [1]	358				
	13,795	**9,687**	**2,303**	**2,173**	**50**

[1] *The contributions to the sinking fund will commence as from 31 December 2015.*

As at 31 December 2013, the balance of €2.3 million was held in an account administered by a trustee for the repayment of above bonds on maturity.

4.5 RELATED PARTY LISTED DEBT

Corinthia Palace Hotel Company Limited ("**CPHCL**") is the parent company and owns 58.78% of the issued share capital of IHI. CPHCL, through its wholly owned subsidiary Corinthia Finance p.l.c., has the following outstanding debt securities listed on the Malta Stock Exchange:

Security ISIN	**Amount Listed**	**Security Name**	**Currency**
MT0000101239	39,967,600	6.25% Corinthia Finance p.l.c. 2016 – 2019	EUR
MT0000101254	7,500,000	6.00% Corinthia Finance p.l.c. 2019 – 2022	EUR

Source: Malta Stock Exchange

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

Security ISIN	**Amount Listed**	**Security Name**	**Currency**
MT0000371212	5,348,683	7.5% MIH 2012 - 2014	EUR
MT0000371220	19,649,600	7.5% MIH 2015	EUR
MT0000371238	28,519,400	7.15% MIH 2015 - 2017	EUR
MT0000371246	4,351,100	7.15% MIH 2015 - 2017	GBP
MT0000371253	7,120,300	7.15% MIH 2015 - 2017	USD
MT0000371261	12,000,000	6% MIH 2021	EUR

Source: Malta Stock Exchange

5. FY2013 VARIANCE ANALYSIS

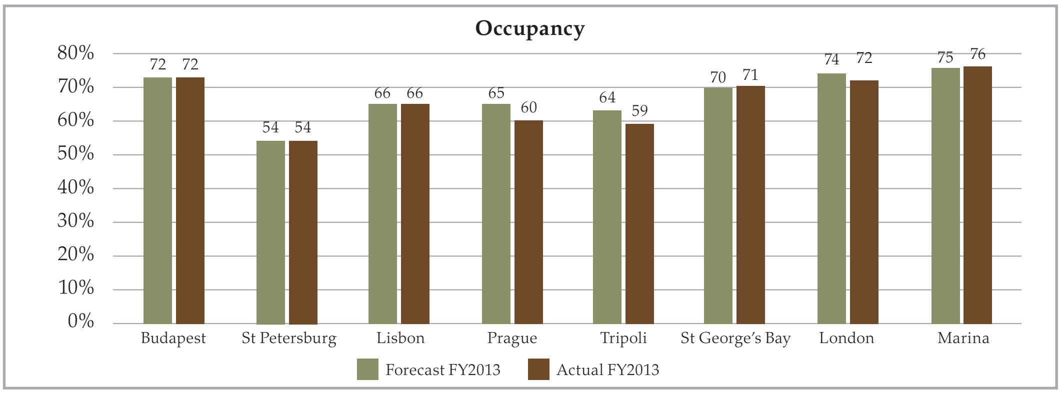
Key Performance Indicators (FY2013)

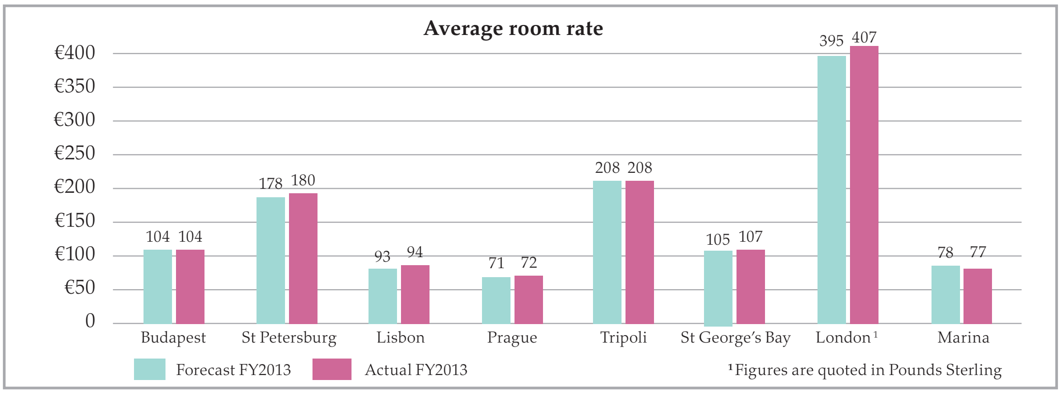
The charts illustrate key performance indicators of the Group hotels for FY2013, and provide a comparison between the forecasted FY2013 indicators ("**Forecast FY2013**") as included in the Financial Analysis Summary dated 18 October 2013 and the actual results for FY2013 ("**Actual FY2013**") included in this Report.

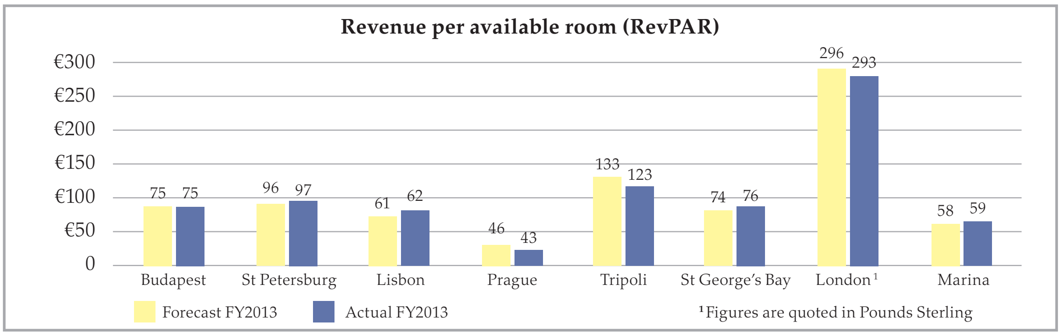
Other than Corinthia Hotel Prague and Corinthia Hotel Tripoli, the actual performance indicators for FY2013 of the Corinthia Hotels were substantially in line with forecasted figures.

At Corinthia Hotel Prague, bookings related to conference & events business came in below expectations in FY2013, which negatively impacted occupancy by 8% and lowered average room rate from a forecasted rate of €46 to €43 (being actual for the year).

In view of the instability in Libya the business environment for the Corinthia Hotel Tripoli remains difficult. Actual occupancy level for FY2013 was 59% as compared to a forecast of 64% and achieved RevPAR for the year amounted to €123 which is 8% below management forecast of €133.







Operational Performance Variance Analysis (FY2013)

	Revenue				Gross operating profit before incentive fees			
Corinthia Hotel	**FY2013 Forecast**	**FY2013 Actual**	**Variance**	**Variance %**	**FY2013 Forecast**	**FY2013 Actual**	**Variance**	**Variance %**
Budapest (€'000)	18,476	18,477	1	-	5,538	5,572	34	0.6
St Petersburg (€'000)	19,112	18,997	-115	-0.6	7,717	7,619	-98	-1.3
St Petersburg C. Centre (€'000)	6,200	4,740	-1,460	-23.5	6,200	4,740	-1,460	-23.5
Lisbon (€'000)	17,669	17,769	100	0.6	4,160	4,322	162	3.89
Prague (€'000)	15,120	14,310	-810	-5.4	3,139	2,846	-293	-9.3
Tripoli (€'000)	20,969	19,705	-1,264	-6.0	7,812	6,568	-1,244	-15.9
Tripoli C. Centre (€'000)	6,263	5,868	-395	-6.3	6,263	5,868	-395	-6.3
St George's Bay (€'000)	11,568	11,721	153	1.3	1,507	1,501	-6	-0.4
London (£'000)	46,137	46,401	264	0.6	14,299	14,012	-287	-2.0
Marina (€'000)	6,772	6,886	114	1.7	1,328	1,343	15	1.1

The table above compares revenue and gross operating profit for FY2013 as projected in the Financial Analysis Summary dated 18 October 2013 ("**Forecast FY2013**") to the actual results included in this Report ("**Actual FY2013**").

The main variances are as follows:

(i) A lower than expected occupancy at the St Petersburg Commercial Centre was registered which resulted in a decrease in actual revenue and gross operating profit of 23.5%.

(ii) At the Corinthia Hotel Tripoli management was anticipating a higher y-o-y growth in revenue and gross operating profit which did not fully materialise. The impact of this lower growth effected revenue adversely by 6% and gross operating profit by 15.9%.

(iii) Revenue and gross operating profit at the Tripoli Commercial Centre was lower by €0.4 million due to a lease agreement that expired during the year and which was not renewed at year end.

(iv) Although management had anticipated a decrease in income from conference & events business at the Cointhia Hotel Prague the actual results were even lower. Revenue and gross operating profit for FY2013 was recorded at 5.4% below forecast and gross operating profit showed a decline of 9.3%.

Group Income Statement Variance Analysis (FY2013)

IHI Group Income Statement (€'000)	**Forecast FY2013**	**Actual FY2013**	**Variance FY2013**
Revenue	126,619	123,734	(2,885)
Direct costs	(64,426)	(64,152)	274
Gross profit	**62,193**	**59,582**	**(2,611)**
Other operating costs	(26,310)	(24,601)	1,709
EBITDA[1]		**35,883**	**34,981**
(902)			
Depreciation and amortisation	(23,815)	(23,763)	52
Increase in fair value of investment property	-	571	571
Net impairment of hotel properties	-	5,000	5,000
Results from operating activities	**12,068**	**16,789**	**4,721**
Share of profit from equity accounted investments	(8,057)	(5,788)	2,269
Net finance costs	(16,116)	(15,940)	176
Net fair value loss on interest rate swaps	2,271	1,789	(482)
Movement in reimbursement assets	(610)	(883)	(273)
Profit/(loss) before tax	**(10,444)**	**(4,033)**	**6,411**
Taxation	1,650	4,299	2,649
Profit/(loss) after tax	**(8,794)**	**266**	**9,060**

[1]*EBITDA – Earnings before interest, tax, depreciation and amortisation*

Even though actual revenue for FY2013 was lower by €2.9 million, this was mitigated by reductions in direct and other costs. As a result, the Group recorded actual EBITDA at 2.5% or €0.9 million lower than forecast. More information on movements up to EBITDA level is provided in this section under the headings "**Key Performance Indicators (FY2013)**" and "**Operational Performance Variance Analysis (FY2013)**".

In deriving the forecasted amounts, management assumed that the carrying values of investment and hotel properties remained constant. In actual fact, the Group recorded improvements in fair values as at 31 December 2013 of investment and hotel properties of €5.6 million.

"Share of profit from equity accounted investments" in the Group income statement above mainly represents IHI's share of results of the Corinthia Hotel London and apartments. A revision in the estimated useful life of some assets was the primary reason for the positive variance of €2.3 million.

Overall, the above-mentioned variances improved the Group's profit by €9.1 million from a projected loss of €8.8 million to an actual profit of €0.3 million.

PART 4

6. GLOBAL HOTEL COMPARABLES

The table below highlights the financial performance of IHI's peer group as compared to the Company for the year ended 31 December 2013. Although the hotel operators in the peer group are much larger in terms of market capitalisation when compared to IHI, their hotels compete directly with IHI's hotels in cities in which both have a presence.

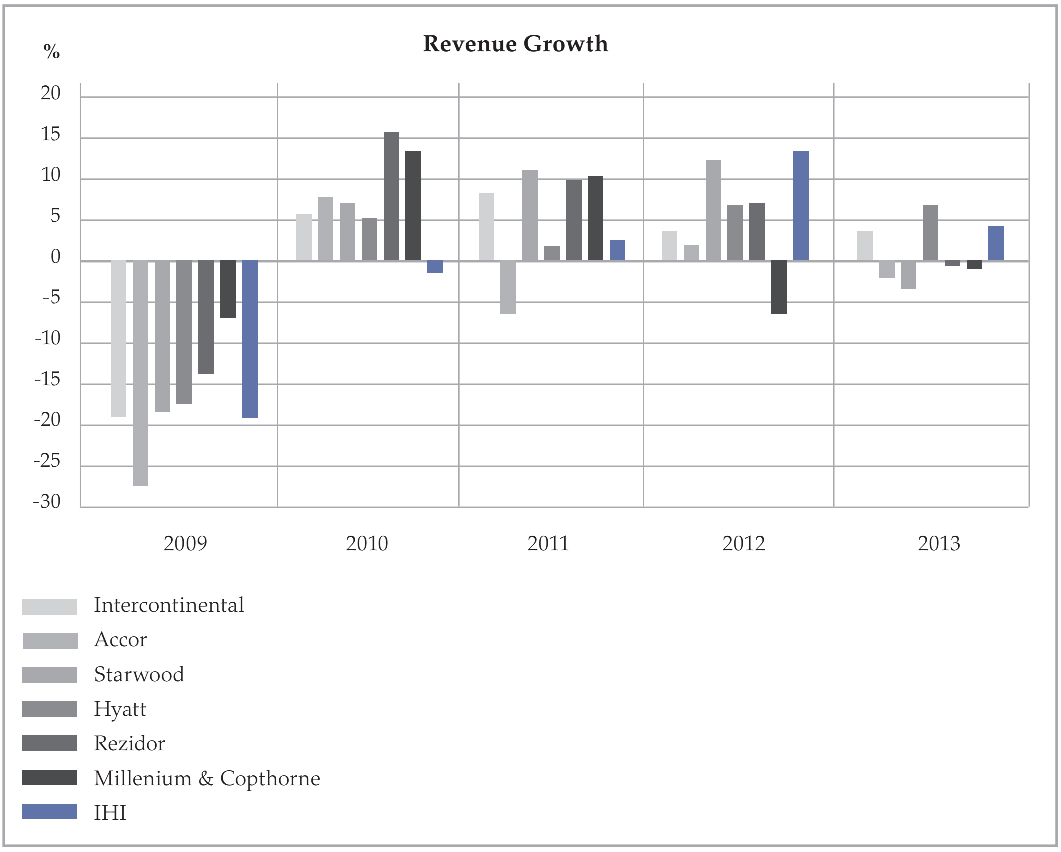
At 31 Dec'13	Mkt Cap (m) (local) [1]	Hotel Portfolio	Countries Present	Owned or Leased [2]	EBITDA[3]/ Assets	EBITDA[3]/ Equity	Long Term Debt/Equity
InterContinental (£)	5,810	4,697	100	<1%	20.45%	-[4]	-[4]
Accor (€)	8,320	3,645	92	38%	12.25%	34.07%	61.05%
Starwood ($)	15,870	1,175	100	4%	13.62%	35.51%	37.71%
Hyatt ($)	9,540	548	48	18%	7.07%	12.12%	31.10%
Rezidor (€)	763	338	70	20%	20.70%	50.97%	4.06%
Millennium & Copthorne (£)	1,880	114	20	54%	8.82%	15.33%	22.61%
IHI (€)	**394**	**12**	**9**	**67%**	**3.20%**	**5.58%**	**46.73%**

[1] *Market capitalisation as at 22 July 2014.*
[2] *The remaining hotels are managed and/or under franchise agreements.*
[3] *EBITDA – profit before interest, tax, depreciation and amortisation.*
[4] *Equity as at 31 December 2013 amounted to -£82 million.*

Source: Reuters Wealth Manager, Company information

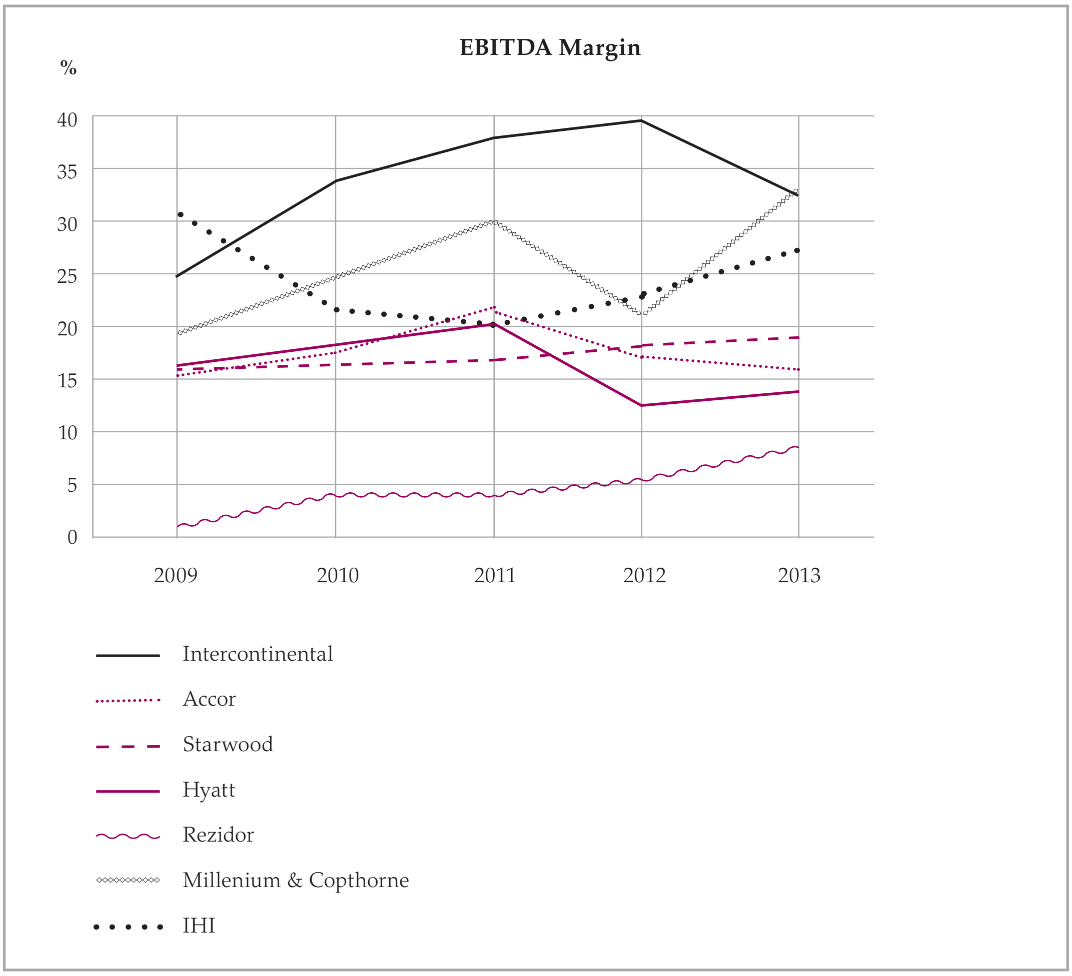
Operating cash profits generated by IHI in FY2013 as a percentage of total assets used in the business (EBITDA/ Assets) amounted to 3.20% (FY2012: 2.55%), and the return to its equity shareholders (EBIDTA/Equity) was of 5.58% (FY2012: 4.62%). As indicated in other parts of this document, all hotels of IHI, other than the Corinthia Hotel Prague, have performed better than in the previous year and this is reflected in the aforesaid ratios which show a y-o-y improvement. The Group will continue to execute its strategy of reducing low yielding room reservations in favour of higher yielding bookings, which should result in better performance across its hotels. Moreover, this strategy should improve Group operating profit in the coming years and enhance return to equity shareholders. However, in the near term, turnover at the Corinthia Hotel St Petersburg and Corinthia Hotel Tripoli will be adversely affected by geopolitical tension in the respective countries in which the two hotels operate, and which in turn will dilute any growth (or part therof) in performance of the other Group hotels.

A common business strategy within the peer group emerges from analysing the above data. All the hotel operators own fewer hotels in relation to their respective hotel portfolios, when compared to IHI. It is evident that the peer group is generating higher returns by managing more hotels without actually owning the properties, and as a result, achieving operational efficiencies through economies of scale and increased profitability.



Source: Reuters Wealth Manager, Company information

TThe peer group, which is a broad reflection of the global hotel industry, was negatively affected by the economic and financial crisis which commenced in FY2008. As depicted in the chart entitled "**Revenue Growth**", all hotels registered negative growth in revenue in FY2009 ranging from -6.96% for Millennium & Copthorne to -27.70% for Accor. In the subsequent two financial years, all hotels within the peer group registered a recovery in revenue growth, except for IHI which was hampered by a decline in performance of the Corinthia Hotel Tripoli as a result of a decrease in business activity in Libya in FY2010 following the imposition of visa restrictions, and the Libyan conflict the year after. In FY2012, Group revenue improved considerably with an increase of 13.77% on previous year. The main contributors were the addition of the Marina Hotel to the Group portfolio (+€6.6 million) and the positive performance achieved at Corinthia Hotel St Petersburg (+15%) and Corinthia Hotel Tripoli (+20%). FY2013 was a relatively flat year for most of the peer group and performance ranged from -3.26% for Starwood to 5.95% for Hyatt. IHI achieved a growth rate of 4.36% in revenue, primarily attributable to better results at Corinthia Hotel Tripoli and higher fees generated by CHI through managing the Corinthia Hotel London.



Source: Reuters Wealth Manager, Company information

The above chart entitled "**EBITDA Margin**" emphasises the profitability at operational level of each hotel company within the peer group prior to other charges, including depreciation, interest payable, asset impairment and exceptional items. EBITDA margin is computed by dividing operating profit before depreciation by revenue. In FY2009, IHI managed to maintain a strong EBITDA margin of 31% principally due to the continued positive performance of the Corinthia Hotel Tripoli which mitigated the adverse impact of the European recession on IHI's Central European hotels. Further to the events in Libya, and the negative consequences on the performance of the Corinthia Hotel Tripoli, IHI's EBITDA margin decreased significantly to 22% in FY2010 and 21% in FY2011, but recovered to 23.38% in FY2012.

7. THE GROUP'S FIVE YEAR SUMMARY

The following financial information is extracted from the audited consolidated financial statements of IHI for the five years ended 31 December 2009 to 31 December 2013.

7.1 INCOME STATEMENT

IHI Group Income Statement (€'000)	**FY2013 Actual**	**FY2012 Actual**	**FY2011 Actual**	**FY2010 Actual**	**FY2009 Actual**
Revenue	123,734	118,567	104,223	101,843	103,320
Direct costs	(64,152)	(63,554)	(53,863)	(52,509)	(48,184)
Gross profit	**59,582**	**55,013**	**50,360**	**49,334**	**55,136**
Other operating costs	(24,601)	(27,288)	(27,982)	(26,473)	(23,511)
EBITDA	**34,981**	**27,725**	**22,378**	**22,861**	**31,625**
Depreciation and amortisation	(23,763)	(24,208)	(24,429)	(24,730)	(24,779)
Increase in fair value of investment property	571	4,154	5,448	2,746	12,064
Net impairment of hotel properties	5,000	(7,796)	(2,497)	2,400	(22,334)
Results from operating activities	**16,789**	**(125)**	**900**	**3,277**	**(3,424)**
Share of profit from equity accounted investments	(5,788)	4,970	1,155	(546)	14,483
Net finance costs	(15,940)	(16,783)	(13,899)	(14,027)	(10,519)
Net fair value loss on interest rate swaps	1,789	1,009	432	216	(1,604)
Movement in reimbursement assets	(883)	(454)	(399)	(340)	(505)
Profit/(loss) before tax	**(4,033)**	**(11,383)**	**(11,811)**	**(11,420)**	**(1,569)**
Taxation	4,299	950	1,079	(1,651)	(47)
Profit/(loss) after tax	**266**	**(10,433)**	**(10,732)**	**(13,071)**	**(1,616)**

7.2 CASH FLOW STATEMENT

IHI Group Cash Flow Statement (€'000)	**FY2013 Actual**	**FY2012 Actual**	**FY2011 Actual**	**FY2010 Actual**	**FY2009 Actual**
Net cash from operating activities	42,078	30,145	14,430	19,020	26,810
Net cash from investing activities	(4,284)	(21,187)	(10,275)	(23,787)	(59,680)
Net cash from financing activities	(43,666)	(23,837)	(3,163)	(18,237)	11,227
Net movement in cash and cash equivalents	**(5,872)**	**(14,879)**	**992**	**(23,004)**	**(21,643)**
Cash and cash equivalents at beginning of year	11,363	26,242	25,250	48,254	69,897
Cash and cash equivalents at end of year	**5,491**	**11,363**	**26,242**	**25,250**	**48,254**

7.3 BALANCE SHEET

IHI Group Balance Sheet (€'000)	**31 Dec'13 Actual**	**31 Dec'12 Actual**	**31 Dec'11 Actual**	**31 Dec'10 Actual**	**31 Dec'09 Actual**
Assets					
Non-current					
Intangible assets	44,856	46,095	47,415	48,016	29,366
Reimbursement assets	22,566	23,449	22,432	22,831	23,171
Investment properties	191,964	191,393	187,239	181,705	178,876
Property, plant and equipment	534,558	555,482	565,568	599,713	636,216
Investments accounted for using the equity method	201,689	167,441	132,867	135,694	93,584
Loan receivable	44,332	43,450	29,450	6,971	-
Cash held by trustee	2,303	2,223	-	-	-
	1,042,268	1,029,533	984,971	994,930	961,213
Current					
Inventories	5,454	5,294	5,382	5,185	5,201
Loan receivable	-	-	11,500	-	-
Trade and other receivables	31,819	36,997	36,561	25,803	20,521
Taxation	2,883	436	407	669	359
Cash and cash equivalents	10,248	16,423	28,008	26,675	50,386
	50,404	59,150	81,858	58,332	76,467
Total assets	**1,092,672**	**1,088,683**	**1,066,829**	**1,053,262**	**1,037,680**
Equity and liabilities					
EQUITY					
Called up share capital	554,238	554,238	554,238	554,238	553,225
Reserves and other equity components	88,701	63,842	56,628	76,280	59,969
Retained earnings	(16,448)	(17,824)	(14,171)	(10,027)	2,157
Minority interest	-	-	5,920	6,254	7,394
	626,491	**600,256**	**602,615**	**626,745**	**622,745**
LIABILITIES					
Non-current					
Borrowings and bonds	292,729	312,995	300,413	265,012	228,763
Other non-current liabilities	97,332	97,390	98,706	104,117	110,824
	390,061	410,385	399,119	369,129	339,587
Current					
Borrowings and bonds	27,725	32,976	25,782	21,308	45,607
Other non-current liabilities	48,395	45,066	39,313	36,080	29,741
	76,120	78,042	65,095	57,388	75,348
	466,181	**488,427**	**464,214**	**426,517**	**414,935**
Total equity and liabilities	**1,092,672**	**1,088,683**	**1,066,829**	**1,053,262**	**1,037,680**

7.4 OPERATING PERFORMANCE

The tables below set out the highlights of each of the hotels' operating performance for the years indicated therein.

Corinthia Hotel Budapest

	FY2013 Actual	FY2012 Actual	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	18,477	18,069	17,030	15,102	15,199
Rooms (€'000)	11,998	10,751	10,758	9,093	9,096
Food & Beverage, and other revenue (€'000)	6,479	7,318	6,272	6,009	6,103
Occupancy level (%)	72	67	65	57	53
Average room rate (€)	104	100	103	99	107
Revenue per available room (RevPAR) (€)	75	67	66	56	56
Gross operating profit before incentive fees (€'000)	5,572	5,503	5,350	3,987	4,801
Gross operating profit margin (%)	30	30	31	27	32

Corinthia Hotel St Petersburg

	FY2013 Actual	FY2012 Actual	FY2011 Actual	FY2010 Actual	FY2009 Actual
Hotel operations					
Turnover (€'000)	18,997	17,645	15,459	13,033	9,093
Rooms (€'000)	13,834	12,056	10,454	8,378	5,907
Food & Beverage, and other revenue (€'000)	5,163	5,589	5,005	4,655	3,186
Occupancy level (%)	54	52	40	35	22
Average room rate (€)	180	162	181	168	203
Revenue per available room (RevPAR) (€)	97	84	72	59	45
Gross operating profit before incentive fees (€'000)	7,619	6,775	5,400	4,376	2,698
Gross operating profit margin (%)	40	38	35	33	30
Lease of commercial property					
Turnover (€'000)	4,740	2,459	892	200	205

Corinthia Hotel Lisbon

	FY2013 Actual	FY2012 Actual	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	17,769	16,187	18,727	15,813	12,197
Rooms (€'000)	11,751	10,764	12,240	10,212	7,684
Food & Beverage, and other revenue (€'000)	6,018	5,423	6,487	5,601	4,513
Occupancy level (%)	66	63	67	63	41
Average room rate (€)	94	89	96	86	99
Revenue per available room (RevPAR) (€)	62	56	64	54	41
Gross operating profit before incentive fees (€'000)	4,322	3,565	5,158	3,887	2,140
Gross operating profit margin (%)	24	22	28	25	28

Corinthia Hotel Prague

	FY2013 Actual	FY2012 Actual	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	14,310	16,611	16,445	13,996	13,643
Rooms (€'000)	8,467	9,805	9,319	7,762	7,643
Food & Beverage, and other revenue (€'000)	5,843	6,806	7,126	6,234	6,000
Occupancy level (%)	60	67	65	60	57
Average room rate (€)	72	75	73	65	69
Revenue per available room (RevPAR) (€)	43	50	47	39	39
Gross operating profit before incentive fees (€'000)	2,846	3,066	3,036	1,482	1,815
Gross operating profit margin (%)	20	18	18	11	13

Corinthia Hotel Tripoli

	FY2013 Actual	FY2012 Actual	FY2011 Actual	FY2010 Actual	FY2009 Actual
Hotel operations					
Turnover (€'000)	19,705	16,526	13,372	23,873	32,399
Rooms (€'000)	13,357	11,137	8,968	15,042	22,402
Food & Beverage, and other revenue (€'000)	6,348	5,389	4,404	8,831	9,997
Occupancy level (%)	59	48	35	56	69
Average room rate (€)	208	212	229	245	299
Revenue per available room (RevPAR) (€)	123	102	80	137	206
Gross operating profit before incentive fees (€'000)	6,568	4,917	4,667	11,032	17,559
Gross operating profit margin (%)	33	30	35	46	54
Lease of commercial property					
Turnover (€'000)	5,868	6,263	5,969	6,118	6,100

Corinthia Hotel St George's Bay

	FY2013 Actual	FY2012 Actual	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	11,721	11,196	10,647	9,885	9,413
Rooms (€'000)	6,852	6,267	6,003	5,505	4,610
Food & Beverage, and other revenue (€'000)	4,869	4,929	4,644	4,380	4,803
Occupancy level (%)	71	68	70	66	53
Average room rate (€)	107	100	93	91	95
Revenue per available room (RevPAR) (€)	76	68	65	60	50
Gross operating profit before incentive fees (€'000)	1,501	1,518	1,413	1,381	1,487
Gross operating profit margin (%)	13	14	13	14	16

Marina Hotel

	FY2013 Actual	FY2012 Actual	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	6,886	6,655	6,254	5,740	5,074
Rooms (€'000)	4,266	4,016	3,886	3,520	3,000
Food & Beverage, and other revenue (€'000)	2,620	2,639	2,368	2,220	2,074
Occupancy level (%)	76	76	76	72	68
Average room rate (€)	77	72	68	68	61
Revenue per available room (RevPAR) (€)	59	55	53	48	41
Gross operating profit before incentive fees (€'000)	1,343	1,446	1,386	1,310	1,058
Gross operating profit margin (%)	20	22	22	23	21

Note: The Marina Hotel was acquired by IHI with effect from 1 January 2012 and therefore the financial information for the years 2009 to 2011 has been included in the table above for analysis purposes only.

Corinthia Hotel London

	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (£'000)	46,401	38,424	14,013
Rooms (£'000)	31,660	25,695	8,159
Food & Beverage, and other revenue (£'000)	14,741	12,729	5,854
Occupancy level (%)	72	63	21
Average room rate (£)	407	380	353
Revenue per available room (RevPAR) (£)	293	239	74
Gross operating profit before incentive fees (£'000)	14,012	7,820	(4,652)
Gross operating profit margin (%)	30	20	(33)

Note: IHI owns 50% of the Corinthia Hotel London and as such 50% of the above stated turnover and gross operating profit before incentive fees is included in the consolidated financial statements of IHI under the heading 'Share of profit from equity accounted investments' of the income statement.

7.5 OPERATING PERFORMANCE OF THE MANAGEMENT COMPANY

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

	FY2013 Actual	FY2012 Actual	FY2011 Actual	FY2010 Actual	FY2009 Actual
Turnover (€'000)	10,875	8,475	6,089	4,364	5,743
IHI Properties (€'000)	8,378	6,430	4,644	2,940	4,481
Other Properties (€'000)	2,497	2,045	1,445	1,424	1,262

PART 6

8. 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 depreciation & amortisation, financecosts, 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 investments one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the Group, but IHI's share of profit is shown in the profit and loss account under the heading 'share of profit from equity accounted investments'.
Fair value on interest rate swaps	An interest rate swap is a derivative instrument in which IHI swaps with another counter party flexible interest rate cash flows with fixed interest rate cash flows or vice versa. The fair value is an accounting adjustment to change the book value of the derivative to its estimated market value.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.

Key Performance Indicators	
Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Average room rate	Average room rate is calculated by dividing hotel room revenue by rooms sold. Hotels use this measure to calculate the average price at which they are booking 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.
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 allocates 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 purchased. Such assets include intangible assets (goodwill on acquisition, the Corinthia brand, website development costs, etc), investment properties (commercial centres in St Petersburg and Tripoli, apartments in Lisbon, etc), property, plant & equipment (hotel properties), and investments accounted for using the equity method (investment in Corinthia Hotel London, Medina Tower, etc).
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, etc), cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings, bonds and long term lease obligations.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
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 total debt by shareholders' equity.