INTERNATIONAL HOTEL INVESTMENTS p.l.c.

FINANCIAL ANALYSIS SUMMARY

DATED 4 MARCH 2019

WEALTH MANAGEMENT • CORPORATE BROKING

CHARTS

A division of MeDirect Bank (Malta) plc

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

4 March 2019

Dear Sirs

Financial Analysis Summary

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

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

a. Historical financial data for the three years ended 31 December 2015 to 31 December 2017 has been extracted from audited financial statements of the Issuer for the three years in question.
b. The projected data for the years ending 31 December 2018 and 2019 has been provided by management.
c. Our commentary on the results of the Issuer and its financial position is based on the explanations provided to us by management.
d. The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 5 of the Analysis.
e. Relevant financial data in respect of the companies included in Part 4 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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

Yours faithfully,

Evan Mohnani
Head – Corporate Finance

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

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PART 1 – INFORMATION ABOUT THE ISSUER

1. KEY ACTIVITIES

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

Important events

Described hereunder are important events in the development of the Group's business since FY2014.

On 10 August 2015, the Issuer acquired 100% of the issued share capital of Island Hotels Group Holdings p.l.c., which was subsequently merged with the Company as of 29 December 2017. The acquired business largely relates to: the ownership, management and operation of five-star hotels in Malta of the IHGH Group (namely, the Radisson Blu Resort St Julian's and the Radisson Blu Resort & Spa, Golden Sands); the operation of a vacation ownership marketing business (Radisson Blu Resort & Spa, Golden Sands and Azure Resorts Limited). It also includes the operation of retail and event catering business under Island Caterers; the development and operation of Costa Coffee outlets in Malta, the East Coast of Spain, Canary Islands and the Balearic Islands; and ownership of a plot of land measuring 83,530m^2 located adjacent to the Radisson Blu Resort & Spa, Golden Sands, Malta, which is earmarked for the development of a luxury tourist complex.

Following the above-mentioned acquisition in 2015, IHI initiated the design process to consolidate its three hotel properties situated in St George's Bay, St Julian's, Malta (namely, the Radisson Blue Resort St Julian's, the Corinthia Hotel St George's Bay and the Marina Hotel), and make way for a mixed-use development that will feature a luxury hotel attracting high net worth leisure and corporate guests, a business hotel, as well as high-end residential, office, retail and commercial facilities targeting a six-star market. Subject to reaching agreement on new lease terms, receiving the necessary approvals and planning permits and having the required funding in place, this project will be spread out over a number of years to minimise interruption to hotel operations.

The objective is to implement the project in phases, firstly by adding two additional floors to the Corinthia Hotel St George's Bay. The number of room keys will reduce from the current 250 to 234, due to an increase in room size to over 50m^2 an essential feature for the hotel to achieve what is commonly referred to in the industry as 'six-star' status. In addition, the Company plans to develop two serviced residential blocks on vacant land between the Corinthia Hotel St George's Bay and the Radisson Blu Resort St Julian's.

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

A planning permit was issued in December 2017 for the restoration of the historic ground floor and façade of the original hotel, as well as the reconstruction of all upper floors, adjoining land and town houses. The permit is a major gain in additional volumes and floors, for a total built up area of 18,000m^2. The new hotel will feature 126 luxury bedrooms and suites. It will offer unrivalled amenities for the city of Brussels including a fully restored grand ballroom, an 850m^2 spa, various dining venues, boutique meetings' facilities and high-end retail shops. Initial strip-out and demolition works have commenced and a tender for the main construction programme has since also been issued. Negotiations with two preferred bidders are at a final phase for the awarding of the works contract. Works will commence in the second semester of 2019 and are expected to be completed by 2021. The afore-mentioned construction estimate and other opening costs is being financed out of an equity injection of €20 million and a bank loan facility of €45 million which has been provided by ARES Bank of Spain.

Since the preparation of the cost estimate for the refurbishment of the project in 2016, the Issuer, on behalf of NLI, has estimated that an additional €20 million is required to complete the hotel to Corinthia Group's luxury standards. NLI intends to fund a minimum of €10 million from LAFICO (its 50% shareholder). The remaining €10 million will be funded by the Issuer (the other shareholder in NLI) through part of the bond proceeds from the issue of the Bonds issued by virtue of a prospectus dated 4 March 2019. The funds received by NLI from LAFICO and the Issuer pursuant to the Bond Issue shall be on-lent by NLI to its fully-owned subsidiary and the hotel-owning company, Hotel Astoria S.A.

In May 2016, Corinthia Hotels Limited ("CHL") signed a technical services and pre-opening services agreement with Meydan Group of Dubai, to assist Meydan's architects, engineers and consultants in the planning and development of a 55-storey luxury hotel and residences to be operated under the Corinthia® brand on Jumeirah Beach in Dubai, UAE. CHL has also entered into a management agreement in respect of this hotel having a term of 20 years commencing as of the scheduled hotel opening date in mid-2020. In addition, the Dubai entity engaged CHL to provide management services to its two existing hotels in Dubai.

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

In January 2017, IHI secured the right to nominate and appoint the majority of the board of directors of NLI such that IHI is now consolidating the performance of the Corinthia Hotel London in its financial statements as from FY2017.

In early 2017, CHL entered into a technical services agreement with a strategic investor, to manage and operate a luxury hotel development in Doha, Qatar, under the Corinthia® brand. Construction of the proposed hotel & residential tower, designed by the late renowned Zaha Hadid, is currently underway.

In March 2018, CHL entered into a management agreement with the owners of the property to manage, once redeveloped, the former Grand Hotel du Bulevard as the Corinthia Hotel Bucharest. Pursuant to the above signing, QP has since been engaged by the property owners to manage the development in all technical aspects. Design development of the regeneration of this listed property has commenced and works are expected to be completed by December 2019. The new hotel will feature 33 suites as well as the fully restored Grand Ballroom and various dining and leisure venues.

On 10 April 2018, IHI acquired the Corinthia Palace Hotel business in Attard through a newly formed subsidiary from its ultimate parent CPHCL. The operating results and assets and liabilities of the acquired business are being consolidated as from 1 April 2018. Furthermore, a significant upgrade of this hotel is under way at an estimated cost of €7.1 million.

In October 2018, CHL signed an option agreement to acquire a 10% shareholding in GHA Holdings Limited ("**GHA**"). In parallel, Pan Pacific and Minor Hotels have also acquired a 10% shareholding in GHA. The option to proceed with the acquisition is entirely at CHI's discretion. The current ownership of GHA comprises founding shareholders (Kempinski, Omni and Oracle) as to 34%, 34% and 12% respectively, and Pan Pacific and Minor Hotels as to 10% each. On its part, CHL has communicated to the Issuer its intention to exercise its option to acquire a 10% shareholding before the expiry of the option agreement in April 2019 at the established price of US$3.5 million. In the meantime, CHL renewed its membership agreement with GHA for another five years.

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

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

During 2019, the Issuer intends acquiring the entire issued share capital and the businesses of Corinthia Caterers Limited (formerly named FCCL Limited) and Catermax Limited. These two businesses will be integrated into the Issuer's other catering companies which together will be rebranded as Corinthia Caterers.

2. DIRECTORS AND KEY EMPLOYEES

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

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

Board of Directors

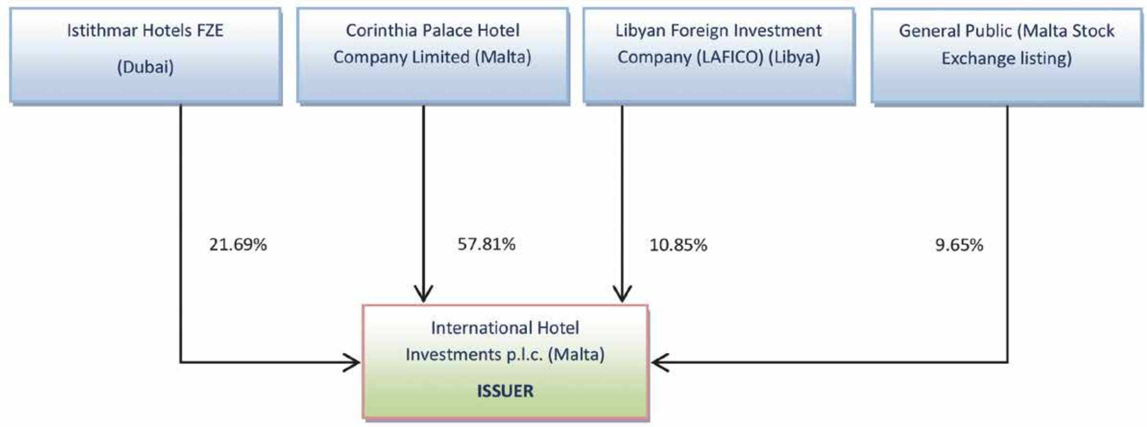
Mr Alfred Pisani	Chairman
Mr Salem Hnesh	Non-Executive Director
Mr Abdulnaser Ahmida	Non-Executive Director
Mr Hamad Buamin	Non-Executive Director
Mr Abuagila Almahdi	Non-Executive Director
Mr Douraid Zaghouani	Non-Executive Director
Mr Joseph Pisani	Non-Executive Director
Mr Winston V. Zahra	Non-Executive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

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

The key members of the Company's management team, apart from the Chairman and the Joint Chief Executive Officers, are Alfred Fabri (Company Secretary), Joseph Galea (Group Chief Financial Officer), Neville Fenech (Director of Finance) and Clinton Fenech (General Counsel). The weekly average number of employees engaged at the Issuer's corporate office and in its owned hotels during FY2017 amounted to 2,933 persons (FY2016: 2,015).

3. CORINTHIA GROUP ORGANISATIONAL STRUCTURE

The following diagram summaries, in simplified format, the structure of the Corinthia Group and the position within the said group of the Issuer. The complete list of companies forming part of the Group is included in the prospectus of the Issuer dated 4 March 2019.



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

INTERNATIONAL HOTEL INVESTMENTS PLC
PRINCIPAL ASSETS AND OPERATIONS
AS AT 30 NOVEMBER 2018

Name	Location	Description	% ownership	No. of hotel rooms
Corinthia Hotel	Budapest Hungary	Property owner	100	437
Corinthia Hotel St Petersburg	Russia	Property owner	100	388
Commercial property St Petersburg	Russia	Property owner	100	n/a
Corinthia Hotel Lisbon	Portugal	Property owner	100	518
Corinthia Hotel Prague	Czech Republic	Property owner	100	539
Corinthia Hotel Tripoli	Libya	Property owner	100	299
Commercial property Tripoli	Libya	Property owner	100	n/a
Corinthia Hotel St George's Bay	Malta	Property owner	100	249
Marina Hotel St George's Bay	Malta	Property owner	100	200
Corinthia Hotel & Residences London*	United Kingdom	Property owner	50	284
Corinthia Grand Astoria Hotel Brussels*	Belgium	Property owner (under development)	50	126
Radisson Blu Resort St Julian's	Malta	Property owner	100	252
Radisson Blu Resort & Spa Golden Sands	Malta	Property owner & vacation ownership operation	50	338
Corinthia Palace Hotel & Spa	Malta	Property owner	100	147
Corinthia Hotels Limited	Malta	Hotel management	100	n/a
QPM Limited	Malta	Project management	100	n/a
CDI Limited	Malta	Project development	100	n/a
Medina Tower	Libya	Mixed-use property (to be developed)	25	n/a
Island Caterers	Malta	Event catering	100	n/a
Oasis at Hal Ferh	Malta	Vacant site (to be developed)	100	n/a
Costa Coffee	Malta/Spain	Retail catering	100	n/a
				3,777

** under control and management of IHI*

The following table illustrates the carrying values of the principal properties of the Issuer, accounted for in the audited consolidated balance sheet as at 31 December 2015, 2016 and 2017 under the headings: "investment properties", "property, plant & equipment" and "investments accounted for using the equity method":

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

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

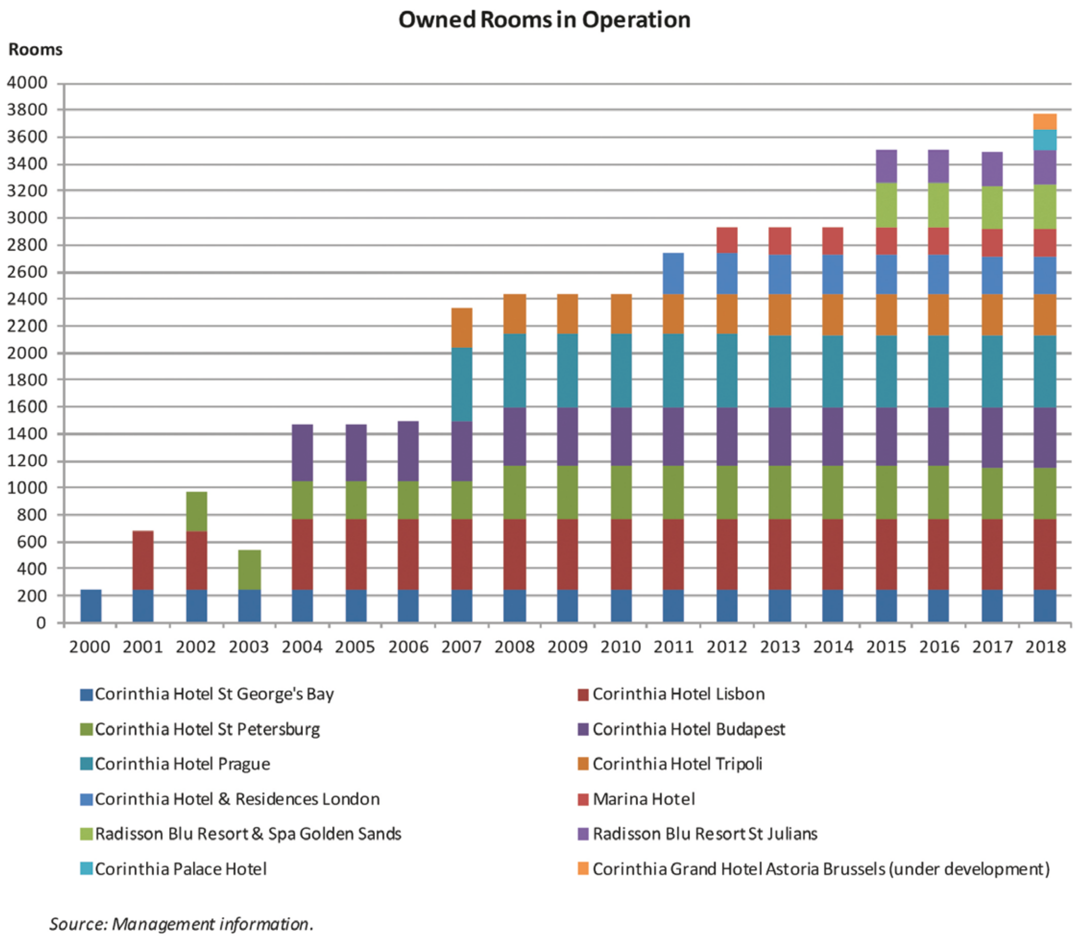
** 'Apartment in London' and 'Corinthia Hotel London' are reported in aggregate, in each of the financial years 2015 and 2016, under the heading 'Corinthia Hotel & Residences London (50%)'.*

PART 2 – OPERATIONAL DEVELOPMENT

4. HOTEL PROPERTIES

4.1 ROOM INVENTORY

As at the date of this report, the Issuer fully owns 9 hotel properties and 50% of each of 3 other hotel properties (namely, Corinthia Hotel & Residences London, Corinthia Grand Hotel Astoria Brussels (under construction) and Radisson Blu Resort & Spa Golden Sands). The chart below sets out the growth in owned-room inventory of the Issuer since incorporation, which increased from 250 to 3,777 rooms over a span of 18 years.



Source: Management information.

4.2 CORINTHIA HOTEL BUDAPEST

Introduction

IHI Magyarország Zrt., a fully-owned subsidiary of the Company, owns the 437-room five-star Corinthia Hotel located in Budapest, Hungary ("**Corinthia Hotel Budapest**"). The hotel was acquired as a vacant building in 2000 for €27 million. The property was subsequently demolished except for the historic façade and ballroom and rebuilt at a cost of €90 million. It was officially opened in April 2003. In 2006, 26 self-catering apartments were added to its stock of rooms, which are included in the above room count, and a health spa was opened. A 2-year refurbishment programme of the Hotel's bathrooms and corridors commenced in April 2018 and will amount to circa €4.4 million. The carrying value of the Corinthia Hotel Budapest as at 31 December 2017 is €121.6 million (FY2016: €122.5 million).

Market Overview

i. Economic update[1]

Economic growth is set to slow down after a strong 2018 as the domestic business cycle matures, fiscal stimulus gradually moderates, and headwinds from the global economy strengthen. Fuel and food prices have driven inflation up, but underlying inflation is also gathering momentum. After peaking at 2.4% of GDP in 2018, the budget deficit is set to fall below 2% in 2019.

Hungary's broad-based, cyclical upswing is continuing, supported by pro-cyclical fiscal and monetary policy. GDP growth accelerated to 4.9% (y-o-y) in the second quarter of 2018, but survey indicators suggest slower growth ahead as the short-term boost from public spending earlier in the year fades while the manufacturing sector remains in the doldrums. GDP growth is set to moderate from 4.3% in 2018 to 3.4% in 2019 and to 2.6% in 2020. The key factor behind the slowdown is the moderation in investment growth, expected as a result of capacity constraints in the construction sector. After increasing by almost 2 percentage points between 2017 and 2019, the public investment ratio will stabilise in 2020 at a historic high level. Residential investment is also set to peak in 2019, before the preferential VAT rate on new housing expires in January 2020. Corporate investment continues to benefit from strong demand and accessible financing. The central bank extended favourable credit conditions by renewing its lending programme for small enterprises.

The general government deficit is forecast to peak at 2.4% of GDP in 2018, affected by the loss of previous one-off and temporary receipts. In 2019, the headline deficit is expected to decrease to 1.9% of GDP. As for 2020, under a no-policy-change assumption, the nominal deficit is projected to decrease further to 1.8% of GDP.

ii. Tourism market[2]

From January to November 2018, commercial accommodation establishments registered a total of 11.7 million arrivals and 29.0 million tourism nights, up 5.5% and 4.0% respectively, compared to the same period of the previous year. Foreign guests spent 2.5% more (14.4 million) and domestic guests 5.5% more (14.7 million) nights in commercial accommodation establishments. Room occupancy in hotels increased by 2.1 percentage points to 62.1% and total gross sales in commercial accommodation establishments grew by 9.5% at current prices to a total of HUF 472 billion. Within the latter amount, accommodation revenues increased by 8.3% to HUF 280 billion.

Looking forward, with the hosting of the Maccabi Games and the World Table Tennis Championships in Budapest in 2019, along with various music festivals and other events, the tourism market in Hungary is set to continue performing within this positive trend.

Operational Performance

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

CORINTHIA HOTEL BUDAPEST	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Forecast	FY2019 Projection
Turnover (€'000)	22,810	23,457	25,820	25,979	28,471
Gross operating profit before incentive fees (€'000)	8,364	8,577	9,501	9,166	10,303
Gross operating profit margin (%)	37	37	37	35	36
Occupancy level (%)	78	78	80	81	81
Average room rate (€)	127	129	139	135	150
Revenue per available room (RevPAR) (€)	99	101	111	109	121
Benchmark performance					
Occupancy level (%)	80	79	79	79	79
Average room rate (€)	115	124	140	151	156
Revenue per available room (RevPAR) (€)	92	98	111	120	123
Revenue Generating Index	1.08	1.03	1.00	0.91	0.98

Source: Management information.

[1] *European Economic Forecast Autumn 2018 – European Commission*
[2] *Central Statistical Office (KSH)*

FY2015 was a positive year in which average room rate increased by 11% from €114 in FY2014 to €127 in FY2015, and RevPAR by 16% to €99 in FY2015. In this regard, gross operating profit increased by €1.9 million from FY2014 to FY2015 (+29%). A substantial part of these improvements in performance is attributable to the diversification in market segmentation wherein lower rated business was replaced by the more lucrative leisure market segment. Revenue for FY2016 was higher than FY2015's revenue at €23.5 million (FY2015: €22.8 million) and gross operating profit was also higher when compared to the prior year at €8.6 million (FY2015: €8.4 million).

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

In FY2018, management continued to implement a strategy of focusing more on increasing revenue from leisure, corporate and conference & event segments with progressive decreases in the volume of low rated sectors (such as groups and tour operator business). As such, FY2018's revenue is expected to broadly match FY2017's turnover and amount to €26.0 million (FY2017: €25.8 million), while gross operating profit is forecasted to decrease by €0.3 million from €9.5 million in FY2017 to €9.2 million mainly on account of a €2 decrease in RevPAR to €109.

Following the completion of the above-mentioned refurbishment programme in FY2019, management is anticipating a substantial improvement in the average room rate from €135 in FY2018 to €150, which is expected to impact revenue positively by €2.5 million to reach €28.5 million (FY2018: €26.0 million). Gross operating profit is projected to increase from €9.2 million in FY2018 to €10.3 million (+12%).

During the historical period under review (FY2015 – FY2017), the Hotel performed at a broadly similar level to its competitive set, as evidenced by the achieved revenue generating index (RGI) of circa 1.00. In 2018, the Hotel is expected to perform below its benchmark at 0.91, but should recover to almost par (at 0.98) in FY2019.

4.3 CORINTHIA HOTEL ST PETERSBURG

Introduction

IHI Benelux B.V. (a fully-owned subsidiary of the Company) owns the 388-room five-star Corinthia Hotel located in St Petersburg, Russia ("**Corinthia Hotel St Petersburg**"), which was acquired in 2002 for €35 million. The company also purchased properties adjacent to the hotel, which were subsequently demolished and rebuilt as a hotel extension with 108 superior rooms and a commercial centre including retail and office space. This development project, which was completed in May 2009, also involved the refurbishment of the lobby and the public areas of the original hotel. A renovation programme was completed in 2018 at a cost of €3.4 million and comprised the refurbishment of all 280 bedrooms and suites in the Hotel's original wing. The Hotel will initiate in Q3 2019, the development of a derelict building with a footprint measuring *circa* 1,500m^2 situated behind the Hotel. The estimated cost of this development is set at €2.6 million and will consist in the creation of a car park and further office space. The carrying amount of the Corinthia Hotel St Petersburg and the commercial centre (Nevskij Plaza Shopping and Office Centre) as at 31 December 2017 is €84.5 million (FY2016: €85.7 million) and €61.8 million (FY2016: €64.6 million) respectively.

Market Overview

i. Economic update[3]

In the third quarter of 2018, GDP expanded by 1.5% (year-on-year), notably lower from the second quarter's 1.9% increase. The slowdown was driven by a sharp contraction in agricultural output chiefly due to weak grain harvests and deteriorating consumption dynamics. In addition, activity in the construction sector also dropped, while industrial production growth lost steam. On a positive note, the mining sector grew at more than double the pace of the second quarter, likely as a result of higher oil output and firm commodity prices. Available data for the fourth quarter suggests that economic growth likely improved, mainly due to increased oil production, despite the fact that the price of Ural oil sunk to the lowest level in December 2018 since June 2017.

Russia's growth prospects remain modest, with growth forecast to be between 1.5% and 1.7% over the next three years. However, in the short-term, these forecasts may change due to volatility in oil prices and limits imposed on oil production agreed to with OPEC and other allies.

ii. Tourism market[4]

The latest available statistics on the Russian tourism industry relate to 2017, whereby approximately 81 million tourists visited the Russian Federation, of which, 56.5 million tourists comprised Russian nationals whilst foreigners represented the remaining 24.5 million. The weak rouble and cheaper services were the main factors that contributed to an increase in visiting foreigners and Russians choosing to travel within the country. The number of visitors to St Petersburg in 2017, according to official municipal administration data, reached 7.2 million people in comparison with the previous year's figure of 6.9 million visitors. The number of Russian citizens who visited St Petersburg in 2017 (domestic tourism) comprised

[3] *Focus-economics.com (Russia GDP Q3 2018), 8 January 2019*
[4] *Guide to St Petersburg (www.guidetopetersburg.com)*

50% of total tourists. St Petersburg Pulkovo airport also experienced higher volumes during the year as it registered an increase of 11.8% from 14.3 million passenger movements in 2016 to 16 million in 2017.

2018 is to be viewed as another positive year, which benefited from the hosting of the FIFA World Cup football tournament during June and July in a number of cities across the Russian Federation. According to the Russian Federal Tourism Agency, more than 5 million tourists, including 2.9 million foreigners, visited such cities (Moscow and St Petersburg registered approximately 2.7 million and 0.6 million tourists respectively).

The performance of the Corinthia Hotel St Petersburg continues to be affected by the decrease in international demand for hotel services, which has however been more than amply replaced by an increase in local business.

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

CORINTHIA HOTEL ST PETERSBURG	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Forecast	FY2019 Projection
Turnover (€'000)	12,783	14,103	15,789	16,184	15,338
Gross operating profit before incentive fees (€'000)	4,210	5,871	7,076	8,150	6,940
Gross operating profit margin (%)	33	42	45	50	45
Occupancy level (%)	60	60	58	58	59
Average room rate (€)	112	122	141	149	136
Revenue per available room (RevPAR) (€)	67	74	82	86	81
Benchmark performance					
Occupancy level (%)	61	61	63	65	67
Average room rate (€)	153	186	181	187	171
Revenue per available room (RevPAR) (€)	93	113	114	122	114
Revenue Generating Index	0.72	0.65	0.72	0.7	0.71

Source: Management information.

Revenue in FY2015 declined by €1.4 million (year-on-year) to €12.8 million, principally due to a significant decline in demand from international visitors (both in leisure and conference business) as a result of the then prevailing political situation between Russia and Ukraine pursuant to the annexation of Crimea to the Russian Federation in 2014. In the year under review, the Hotel was able to capture a higher share of the domestic market, but the average room rate decreased in euro terms principally as a result of a weaker Rouble, although in Rouble terms there was a rate increase. As such, the Hotel increased occupancy levels from 52% in 2014 to 60%, but average room rate decreased from €139 registered in the prior year to €112. Gross operating profit in FY2015 improved by €1.2 million when compared to the prior year in consequence of cost-reduction measures, principally affected by a weaker Rouble as most of the operating costs are denominated in local currency.

In FY2016, turnover recovered from €12.8 million generated in FY2015 to €14.1 million (+10%) and gross operating profit improved by €1.7 million (+39%) from €4.2 million in FY2015 to €5.9 million. Although the occupancy level remained static at 60% in FY2016, the average room rate increased from €112 in FY2015 to €122 in FY2016, with a consequential increase in RevPAR of 10%.

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

During FY2018, the refurbishment programme of 280 rooms in the original hotel, acquired in 2002, was completed at a cost of €3.4 million. Management is forecasting revenue in FY2018 to reach €16.2 million as compared to €15.8 million in the prior year, and gross operating profit is expected to increase by 15% (y-o-y) to €8.2 million. The growth in the reviewed financial year is attributed mainly to the FIFA World Cup, which enabled the Hotel to achieve a better average room rate and RevPAR.

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

Revenue in FY2019 is projected to decrease from €16.2 million in FY2018 to €15.3 million, principally on account of a decline in the average room rate from €149 to €136 respectively. In consequence, gross operating profit is expected to decrease by €1.3 million to €6.9 million (FY2018: €8.2 million). Both revenue and operating profit reduction are in the main attributable to the high rates and profits made during the one-time FIFA Football Finals event in 2018.

In FY2015 and FY2016, the Hotel's occupancy level was one percentage point below benchmark at 60%, and in FY2017, occupancy was lower by five percentage points at 58%. The Hotel's achieved average room rate in each of three historical years was below the competitive set by an average 28%, which underperformance is reflected in the RGI of below par (FY2017: RGI of 0.72). A similar trading position in relation to the Hotel's competitive set has been assumed for FY2018 and FY2019.

Commercial Operations

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

CORINTHIA HOTEL ST PETERSBURG (COMMERCIAL PROPERTY)	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Forecast	FY2019 Projection
Turnover (€'000)	3,518	4,813	5,828	5,229	5,395

Source: Management information.

The commercial properties comprise a mix of commercial areas, shops and office space, with total rentable area in excess of 11,600 square metres. The property is practically fully occupied, and projected growth in income is reflective of existing agreements with respective tenants and a recovery in the exchange rate of the Russian Rouble.

4.4 CORINTHIA HOTEL LISBON

Introduction

Alfa Investimentos Lda (a fully-owned subsidiary of the Company) owns the 518-room five-star Corinthia Hotel located in Lisbon, Portugal ("**Corinthia Hotel Lisbon**"), which was acquired in 2001 for €45 million. The Corinthia Hotel Lisbon required significant renovation and following an extensive refurbishment was re-opened in May 2004.

A renovation programme is underway at the Corinthia Hotel Lisbon, estimated at a cost of €14 million. The refurbishment started in November 2016 and will be completed by 2021. The programme comprises the complete refurbishment of all room stock at the hotel to upgrade the product, including brand new bathrooms and an upgrading to the fit-out to the hotel bedrooms. The refurbishment will be carried out in phases sealing off two to three floors at a time without causing any disturbance to the on-going operation of the hotel which continues to operate normally. Works on the first ten floors have already been completed and the finished product has been received well by the market. The programme of works is on schedule.

The carrying amount of the Corinthia Hotel Lisbon as at 31 December 2017 is €97.4 million (FY2016: €93.4 million). Alfa Investimentos Lda also owns an apartment block in Lisbon for investment purposes, valued at €2.3 million as at 31 December 2017 (FY2016: €2.0 million).

[5] *European Economic Forecast Autumn 2018 – European Commission*

Market Overview

i. Economic update[5]

Domestic demand remains strong but GDP growth in Portugal is expected to slow down in 2019 and 2020 as net exports weaken. Job creation is also set to weaken amid some improvement in labour productivity. The general government deficit is expected to remain below 1% over the forecast horizon while the structural balance, following some improvement in 2018, is forecast to remain broadly stable thereafter. The gross public debt-to-GDP ratio is set to continue decreasing to around 117% by 2020.

Real GDP in Portugal rose by 2.3% (y-o-y) over the first half of 2018, mainly driven by strong domestic demand. GDP growth is forecast to moderate somewhat in the second half of the year mainly because of the slowdown in external demand. Overall, GDP is projected to increase by 2.2% in 2018, down from 2.8% a year earlier. The moderation in job creation points to some softening in household demand, which would be only partly offset by the expected increase in wage growth. Private consumption growth is therefore forecast to weaken slightly in 2019 and 2020. The household saving rate, which deteriorated in Q2 2018 amid further improvements in the financial situation of households and still very low interest rates, is expected to remain stable. Investment is set to rebound in 2019, as the implementation of certain projects supported by EU structural funds scheduled for 2018 were postponed.

Net external trade is expected to continue to weigh on growth, reflecting weaker export demand and strong import growth in line with final demand. GDP growth is forecast to slow to 1.8% in 2019 and to 1.7% in 2020. Risks to the forecast appear broadly balanced as the uncertainty in external markets could be compensated by a more positive performance in domestic demand.

ii. Tourism market[6]

In the first eleven months of 2018, the number of guests increased by 1.6%, when compared to the same period a year earlier, to reach 19.8 million guests and overnight stays amounted to 54.8 million, a decline of 0.2%. In the same period of 2018, overnight stays spent in hotels (comprising 70% of total establishments) grew by 1.3%. British tourists remained the largest group of visitors last year, however there was a decline of 8.0% in the first eleven months of 2018.

With the introduction of low cost airline carriers to the country, Portugal is perceived as a 'value for money' destination and this has been one of the leading factors contributing to the growth in hospitality numbers detailed above. The Group's hotel property in Lisbon has likewise benefitted from this upsurge in business registering significant year-on-year growth both in revenue and profitability.

Operational Performance

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

CORINTHIA HOTEL LISBON	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**	**FY2019 Projection**
Turnover (€'000)	20,699	21,907	24,753	26,106	27,520
Gross operating profit before incentive fees (€'000)	6,019	6,740	8,128	8,520	9,082
Gross operating profit margin (%)	29	31	33	33	33
Occupancy level (%)	74	72	69	69	68
Average room rate (€)	105	109	133	140	146
Revenue per available room (RevPAR) (€)	78	79	92	96	100
Benchmark performance					
Occupancy level (%)	71	72	72	71	71
Average room rate (€)	107	113	130	146	149
Revenue per available room (RevPAR) (€)	76	81	94	104	106
Revenue Generating Index	1.03	0.98	0.98	0.92	0.94

Source: Management information.

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

Overall results continued to improve in FY2015 as the Corinthia Hotel Lisbon registered a further improvement of 6% and 11% in revenue (to €20.7 million) and RevPAR (to €78) respectively over FY2014 results. In FY2016, the Hotel increased y-o-y revenue by €1.2 million (+6%) and gross operating profit improved further from €6.0 million in FY2015 to €6.7 million in FY2016.

The Hotel's positive y-o-y trend continued in FY2017, as it registered an increase in revenue of €2.8 million (+13%) from €21.9 million in FY2016 to €24.8 million, and gross operating profit increased from €6.7 million in FY2016 to €8.1 million in FY2017 (+21%).

Management plans to continue focusing on higher yielding segments (leisure and conference & events) and believes that due to the size of the Hotel, there should not be any displacement of leisure guests when signing larger conference & events business.

In FY2018, revenue is estimated to have increased y-o-y by €1.4 million (+5%) to €26.1 million, principally due to a €7 increase in the average room rate to €140. This had a positive impact on gross operating profit, which is expected to have increased from €8.1 million in FY2017 to €8.5 million in FY2018. A further increase in revenue and gross operating profit of 5% and 7% respectively is being projected for FY2019 as a result of an improvement in the average room rate from €140 to €146, and a €4 increase in RevPAR to €100.

The Hotel has performed broadly in line with its competitive set in FY2015 to FY2017. However, during FY2018, the Hotel's occupancy level and average room rate was below benchmark in consequence of the on-going refurbishment works which is reducing available hotel inventory, which resulted in a RGI of 0.92. Management is projecting the RGI to improve to 0.94 in FY2019 primarily through an increase in the average room rate from €140 in FY2018 to €146.

4.5 CORINTHIA HOTEL PRAGUE

Introduction

IHI Towers s.r.o. (a fully-owned subsidiary of the Company) owns the 539-room five-star Corinthia Hotel located in Prague, Czech Republic ("**Corinthia Hotel Prague**"), which was acquired in 2007 for €105 million. The carrying amount of the Corinthia Hotel Prague as at 31 December 2017 is €82.3 million (FY2016: €83.0 million).

Market Overview

i. Economic update[7]

After a strong 2017, economic growth in the Czech Republic is expected to moderate in 2018. Real GDP increased by 2.7% year-on-year in Q2 2018 (compared to 2.9% in the same period a year earlier). For the remainder of 2018 and 2019, economic growth is expected to be driven exclusively by domestic demand led by strong final consumption expenditure of households and investment activity of firms and the general government sector, roughly at the level of Q2 2018. The forecast for real GDP growth was revised down marginally to 3.0% (versus 3.2%) in 2018 and to 2.9% (versus 3.1%) in 2019.

ii. Tourism market[8]

Inbound tourism was up in the Czech Republic as a whole in 2017. Total visitors surpassed 20 million for the first time, while overnight stays topped 50 million. This figure, which includes both domestic and international tourists, represents an increase of 9.1% compared with the previous year. Of these 20.1 million tourists nationwide, Prague had a total of 7.6 million tourists in 2017, amounting to 18.1 million overnight stays. As in previous years, these were mainly visitors from abroad, totalling 6.5 million (85.8%), while locals in registered tourist accommodations totalled 1.1 million (14.2%).

The number of overnight stays of guests in collective accommodation establishments in the Czech Republic reached 20.6 million nights up to Q3 2018, resulting in a 4.3% increase when compared to the corresponding period the year before. Almost all categories of accommodation establishments (except for the five-star hotels category) recorded a year-on-year growth.

In Prague, during 2018, the total number of visitors in tourist accommodation establishments for the first nine months grew by 2.4%, totalling 5.8 million. The total number of overnight stays in the same period reached 13.6 million, an increase of 0.8% when compared to the previous year. The overall average stay in Prague for the first nine months of 2018 averaged 2.3 nights compared to 2.4 nights in 2017.

[7] *Macroeconomic Forecast November 2018 (Ministry of Finance of the Czech Republic)*
[8] *Praguecitytourism.com (2017 Annual Report Prague City Tourism; Tourism Trends in Prague – January to September 2018); Czech Statistical Office (www.czso.cz)*

Operational Performance

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

CORINTHIA HOTEL PRAGUE	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**	**FY2019 Projection**
Turnover (€'000)	16,518	16,819	19,256	19,959	21,470
Gross operating profit before incentive fees (€'000)	4,750	5,160	5,950	6,623	7,232
Gross operating profit margin (%)	29	31	31	33	34
Occupancy level (%)	68	66	73	74	74
Average room rate (€)	74	78	83	86	93
Revenue per available room (RevPAR) (€)	50	51	60	63	69
Benchmark performance					
Occupancy level (%)	77	78	81	79	79
Average room rate (€)	106	109	113	114	117
Revenue per available room (RevPAR) (€)	82	85	92	91	93
Revenue Generating Index	0.61	0.6	0.65	0.69	0.74

Source: Management information.

Results for FY2015 show that the Hotel continued to build on the positive FY2014 trend by achieving a RevPAR of €50 (from €46 in FY2014) and a gross operating profit of €4.8 million (from €4.1 million in FY2014). Revenue in FY2016 was marginally better than that achieved in the prior year and amounted to €16.8 million. Gross operating profit increased by 8% from €4.8 million in FY2015 to €5.2 million in FY2016. Turnover in FY2017 amounted to €19.3 million, an increase of €2.4 million (+14%) when compared to the prior year, while gross operating profit increased by 15% from €5.2 million in FY2016 to €6.0 million.

Revenue in FY2018 is expected to have reached €20.0 million, an increase of 4% from a year earlier, mainly due to an increase in occupancy from 73% to 74% and an increase in average room rate from €83 in FY2017 to €86 in FY2018. 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. As such, management is projecting an increase of 8% in FY2019 revenue from €20.0 million in FY2018 to €21.5 million, and gross operating profit is expected to increase by €0.6 million (y-o-y) to €7.2 million (FY2018: €6.6 million).

The Hotel has, in recent years, consistently underperformed its competitive set principally in terms of room rates (being circa 30% lower than benchmark rates). This gap in room rates is largely linked to the Hotel's location just outside the City centre in Prague and its large room inventory, making it more challenging to compete at the same rates offered by the competitive set hotels, which are centrally located and smaller in size. Consistent with current performance, management expects to continue to match its competitive set in terms of occupancy and recover part of the gap in room rates. The Hotel is forecasting room rates to increase through, *inter alia*, the generation of more room nights from higher-rated segments, improved segmentation and the expected increase in conference & events business organised at the (neighbouring) Prague Congress Centre. As such, the Hotel is aiming to improve the RGI from 0.65 in FY2017 to 0.69 and 0.74 in FY2018 and FY2019 respectively.

4.6 CORINTHIA HOTEL TRIPOLI

Introduction

Corinthia Towers Tripoli Limited (a fully-owned subsidiary of the Company) owns the 299-room five-star Corinthia Hotel located in Tripoli, Libya ("**Corinthia Hotel Tripoli**"), and a commercial centre measuring circa 10,000 square metres and a tract of undeveloped land, both of which are adjacent to the hotel. The said properties were acquired in 2007 for a total consideration of €207 million split as follows: Corinthia Hotel Tripoli (€139 million); the commercial centre (€62 million); and an undeveloped parcel of land (€6 million). The carrying amounts of the Corinthia Hotel Tripoli, commercial centre and the adjacent plot as at 31 December 2017 are €78.9 million, €68.2 million and €29.5 million respectively (FY2016: €81.2 million, €68.2 million, €29.5 million), or a combined total of €176.6 million.

Market Overview

The continued instability and state of uncertainty prevailing since the 2011 uprising continues to have a negative effect on Libya's economy and as a result, on the performance and operation of the Corinthia Hotel Tripoli.

Ongoing conflict between rival militias has left Libya deeply divided, creating a security vacuum in the country without a reliable police or army force to maintain law and order. Practically all foreign embassies in Libya have suspended operations and withdrawn their diplomatic staff, and have advised their respective nationals against all unnecessary travel to the country.

Since 2014, Libya experienced severe political instability due to the collapse of the central government during the same year and the country has been going through difficult times ever since. A United Nations-brokered ceasefire deal was reached in December 2015 and the Libyan Political Agreement to form a Government of National Accord was signed. Although it is still difficult to ascertain when the political situation in Libya will return to normality and how rapidly the economy will re-establish a sustainable pace of growth, the above development could prove to be an important one.

Operational Performance

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

CORINTHIA HOTEL TRIPOLI	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**	**FY2019 Projection**
Turnover – Hotel operations (€'000)	893	799	2,040	3,404	8,230
Turnover – Commercial Centre (€'000)	5,593	5,868	5,543	6,250	6,438
Gross operating profit before incentive fees (€'000)	2,802	2,764	2,510	4,235	6,659
Gross operating profit margin (%)	43	41	33	44	45
Occupancy level (%)	2	0	5	5	25
Average room rate (€)	218	185	187	173	185
Revenue per available room (RevPAR) (€)	4	0	4	8	46

Source: Management information.

On 27 January 2015, the Hotel was subject to an armed attack and consequently had to close for business. On the other hand, the Commercial Centre remained operational and to date, its performance remains largely unaffected by the political conflicts that the country is witnessing. In FY2015 and the first half of FY2016, repair works were commissioned and completed for the Hotel to resume operations. A soft opening of the Hotel was made in 2017.

The combined turnover registered during FY2017 amounted to €7.6 million (FY2016: €6.7 million), and gross operating profit before incentive fees amounted to €2.5 million (FY2016: €2.8 million). The year's revenue includes €5.5 million (FY2016: €5.9 million) derived from rental contracts attributable to the Commercial Centre, being a steady income from the lease of commercial offices. Accordingly, whilst the Hotel sustained negative operating results during 2017 and 2016, particularly in view of the relatively fixed nature of certain expenses, the net contribution from the Commercial Centre was positive.

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

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

Although in 2018 a low room occupancy was registered at the Corinthia Hotel Tripoli, there is a sizeable food and beverage activity at the hotel. Furthermore, the adjoining office and commercial centre is practically fully leased to international blue-chip companies. In consequence, the Hotel is expected to register aggregate revenue of €9.7 million in FY2018 compared to €7.6 million in the prior year (+27%). In turn, gross operating profit is forecasted to increase by €1.7 million (y-o-y) to €4.2 million.

The Hotel's projections for FY2019 assume occupancy level to increase from 5% to 25% and RevPAR to increase from €8 to €46. On this basis, revenue is expected to improve by 52% to €14.7 million (FY2018: €9.7 million) and gross operating profit is projected to increase from €4.2 million in FY2018 to €6.7 million in FY2019.

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

4.7 CORINTHIA HOTEL ST GEORGE'S BAY

Introduction

Five Star Hotels Limited (a fully-owned subsidiary of the Company) owns the 249-room five-star Corinthia Hotel located in St Julian's, Malta ("**Corinthia Hotel St George's Bay**"), which was acquired in 2000 for €32 million. The carrying amount of the Corinthia Hotel St George's Bay as at 31 December 2017 is €39.8 million (FY2016: €40.5 million).

As highlighted in section 1 of this report, the Hotel forms part of the St George's Bay development. Once a new lease agreement is in place and all planning permits are in hand, the Hotel will cease operations to initiate the reconstruction and refurbishment of the existing hotel and construction of two additional floors. Furthermore, the number of room keys will reduce from the current 250 to 234, due to an increase in room size to over 50m². It is envisaged that the upgrade and refurbishment of the Hotel will provide guests with a level of luxury and service that will be a first for Malta.

Market Overview

i. Economic update[9]

Malta's strong Gross Domestic Product ("GDP") growth is set to continue as domestic demand replaces net exports as the main engine of economic activity. The internationally-oriented services sector continues to underpin the large current account surplus. Inflation is expected to pick up as wage pressures start gaining pace. The government's balance of payments is projected to increase at a moderate pace but remain in surplus.

In the first half of 2018, real GDP growth slowed moderately compared to the prior year (in 2017, real GDP increased by 6.7% (y-o-y) driven by strong growth in net exports). Private consumption growth accelerated, while net exports declined as a result of rapid import growth in the second quarter. Business and consumer confidence indicators remain high and real GDP growth is expected to average 5.4% in 2018. Growth is expected to gradually ease over the forecast horizon to an annual average rate of 4.9% in 2019 and 4.4% in 2020. Domestic demand is set to be the main driver of growth, supported by strong investment growth. Various investment projects co-financed by EU structural funds have started and will boost public investment in the second half of 2018. In 2019, the onset of large scale projects in the health, tourism and real estate sectors are expected to boost private investment. Private consumption is set to remain dynamic on the back of increasing labour market participation and disposable income.

In 2018, the government surplus is projected to decrease to 1.3% of GDP, from 3.5% in the previous year. Tax revenue growth is expected to be lifted by high nominal GDP, supported by favourable macroeconomic and labour market conditions, high corporate profits and consumer demand. An expected fall in the proceeds from Malta's citizenship scheme compared to last year should contribute to a decrease in the fiscal surplus. Current expenditure is projected to be dynamic in almost all components, only partly mitigated by decreasing interest expenditure. Public investment net of EU funding is projected to increase only slightly, while the implementation of investment projects co-financed by the EU is expected to accelerate. Capital expenditure will increase also on the back of a capital transfer to Air Malta related to the purchase of landing rights (equivalent to around 0.5% of GDP).

In 2019, after incorporating the expected impact of the measures introduced with the 2019 budget, the fiscal surplus is expected to decline marginally to 1.2% of GDP. In line with still robust but moderating macroeconomic conditions, and despite the reduction in taxation (worth 0.2% of GDP), growth in tax revenues is expected to slow down somehow towards the growth rate in nominal GDP. Also, the proceeds from the citizenship scheme are expected to be lower compared to the previous year. In spite of increases in social spending related to the budget measures, current expenditure growth is projected to weaken and interest expenditure is set to marginally decrease. Net public investment is forecast to increase marginally, as the implementation of investment projects co-financed by the EU is forecast to remain dynamic, while other capital expenditure is expected to decrease following the base effect from the previous year. In 2020, under a no-policy-change assumption, the fiscal surplus is expected to further decrease to 0.7% of GDP, on account of slightly lower proceeds related to the citizenship scheme and higher public investment. The structural balance has reached a surplus of around 3% of GDP in 2017. It is estimated to decrease but to remain in surplus at slightly below 1% of GDP in the period 2018-2020. The government debt-to-GDP ratio is forecast to decline further from 50.9% of GDP in 2017 to 42.1% by 2020.

ii. Tourism market[10]

Tourism in Malta has in recent years been performing at a strong level and this trend continued in 2017 as well as in 2018. Inbound tourism for 2017 amounted to 2.3 million, an increase of 15.7% when compared to the prior year. During the first six months of 2017 the country held the EU Presidency and this factor also contributed to this increase. Total nights spent by inbound tourists increased by 10.3%, surpassing 16.5 million nights. In 2017, total guests in collective accommodation establishments surpassed 1.8 million, an increase of 13.0% over the same period in 2016. Within the collective accommodation establishments, the 5-star, 4-star and 3-star hotels gained 26,348 guests (+6.7%), 81,383 guests (+11.5%) and 82,401 (+20.7%) respectively in 2017 when compared to a year earlier. Total tourism expenditure surpassed €1.9 billion, 13.9% higher than that recorded for 2016. Total expenditure per capita stood at €856, a decrease of 1.5% when compared to 2016.

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[9] *European Economic Forecast Autumn 2018 – European Commission*
[10] *National Statistics Office Malta (www.nso.gov.mt)*

Inbound tourist trips for the first eleven months of 2018 reached nearly 2.5 million, an increase of 14.5% over the same period in 2017. Total nights spent by inbound tourists went up by 12.6%, reaching nearly 17.7 million nights. During the first nine months of 2018, total guests in collective accommodation establishments surpassed 1.5 million, an increase of 9.8% over the same period in 2017. Within the collective accommodation establishments, the 5-star lost 1,710 guests (-0.5%), whilst the 4-star and 3-star hotels gained 66,611 guests (+11.2%), and 47,466 (+12.8%) respectively in the first nine months of 2018 compared to a year earlier. Total tourism expenditure for the first eleven months of 2018 was estimated at €2.0 billion, 8.2% higher than that recorded for 2017. Total expenditure per capita stood at €817, a decrease of 5.4% when compared to 2017.

Focus will be maintained on increasing arrivals during the winter months and attracting more visitors from new markets to Malta. This bodes well for the Maltese hospitality industry as the expectation is to continue to grow revenues and increase profitability. In January 2019, Malta International Airport published its traffic forecast for 2019, wherein the airport is projecting an increase in passenger movements from 6.8 million in 2018 to 7.2 million (+6%).

Operational Performance

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

CORINTHIA HOTEL ST GEORGE'S BAY	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**	**FY2019 Projection**
Turnover (€'000)	15,225	15,765	16,717	16,499	15,288
Gross operating profit before incentive fees (€'000)	4,145	4,399	5,257	4,819	4,193
Gross operating profit margin (%)	27	28	31	29	27
Occupancy level (%)	79	81	79	77	70
Average room rate (€)	139	137	151	154	157
Revenue per available room (RevPAR) (€)	110	111	119	119	110
Benchmark performance					
Occupancy level (%)	78	74	75	71	70
Average room rate (€)	143	151	170	182	188
Revenue per available room (RevPAR) (€)	112	112	127	130	132
Revenue Generating Index	0.98	0.99	0.94	0.92	0.83

Source: Management information.

In FY2015, the Hotel continued to perform well, both in terms of revenue generation and profitability. In fact, revenue and gross operating profit increased by €1.9 million (+14%) and €1.1 million (+36%) respectively, when compared to FY2014. Performance improved further in FY2016 as the Hotel increased revenue by 4% to €15.8 million and gross operating profit increased from €4.1 million in FY2015 to €4.4 million. Occupancy during the said year improved by 2 percentage points to 81%, whilst average room rate decreased marginally by €2 to €137.

In FY2017, the Corinthia Hotel St George's Bay registered a 6% increase in revenue over FY2016 to €16.7 million. This positive performance contributed to a considerable increase in gross operating profit of +20% from €4.4 million recorded in FY2016 to €5.3 million, principally on account of a much higher average room rate generated during the first six months' of EU presidency bookings. FY2018 results are expected to be marginally lower than those achieved in the prior year, with a decrease in revenue of €0.2 million (y-o-y) to €16.5 million and a decrease of €0.4 million (y-o-y) to €4.8 million in terms of gross operating profit.

Until the necessary regulatory approvals are issued for the re-development of the Hotel, management will continue to focus on its revenue management strategy of driving business through the Hotel's largest growing segment (leisure), principally by undertaking more web-based online and other marketing initiatives. As such, management is projecting for FY2019 a decrease in revenue to €15.3 million compared to €16.5 million forecasted for FY2018, and a €0.6 million decline in gross operating profit to €4.2 million. Management has lowered FY2019 projections to factor the possible disruptions emanating from construction works on neighbouring third party property which may commence during the afore-mentioned year.

The Hotel's competitive set also recorded positive results in recent years, which is a reflection of the present buoyant tourism market in Malta. As such, the Hotel performed marginally below par when compared to its competitive set in each of the historical years FY2015 to FY2017 and the forecast year FY2018. The Hotel is projected to lose competitiveness in FY2019 and in the near term, until construction and development works in the immediate vicinity are completed.

4.8 MARINA HOTEL

Introduction

Marina San Gorg Limited (a fully-owned subsidiary of the Company) owns the 200-room four-star Hotel located in St Julian's, 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 this property. The carrying amount of the Marina Hotel as at 31 December 2017 is €31.0 million (2016: €31.1 million).

Market Overview

The market overview relating to the economy and tourism in Malta is included in section 4.7 above.

Operational Performance

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

MARINA HOTEL	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Forecast	FY2019 Projection
Turnover (€'000)	9,486	9,880	10,251	10,363	9,026
Gross operating profit before incentive fees (€'000)	2,931	3,048	3,310	3,463	2,588
Gross operating profit margin (%)	31	31	32	33	29
Occupancy level (%)	82	83	80	82	70
Average room rate (€)	110	117	126	123	127
Revenue per available room (RevPAR) (€)	90	97	101	101	89
Benchmark performance					
Occupancy level (%)	75	71	72	71	70
Average room rate (€)	116	123	140	145	149
Revenue per available room (RevPAR) (€)	87	87	101	103	104
Revenue Generating Index	1.03	1.11	1	0.98	0.86

Source: Management information.

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

In consequence, average room rate has increased over the years from €110 in FY2015 to €126 in FY2017, and RevPAR grew by 12% from €90 to €101 in the same period (an annualised growth of circa 6%). FY2015 was a very positive year for the Hotel, in which revenue increased by 21% (from €7.9 million in FY2014 to €9.5 million) and gross operating profit increased significantly by 61% (from €1.8 million in FY2014 to €2.9 million). Growth in FY2016 was more modest as revenue increased y-o-y by 4% to €9.9 million and gross operating profit also increased by 4% from €2.9 million in FY2015 to €3.0 million. Performance in FY2017 was again positive, with revenue increasing by 4% from €9.9 million in FY2016 to €10.3 million, and gross operating profit registering a 9% y-o-y increase to €3.3 million. The Hotel's performance in FY2018 is expected to have been in line with FY2017's results, with revenue and gross operating profit amounting to €10.4 million (FY2017: €10.3 million) and €3.5 million (FY2017: €3.3 million) respectively.

FY2019 is expected to register lower results when compared to FY2018, principally due to the anticipated construction works due to start in a neighbouring third party property. As such, occupancy is projected to decline from 82% to 70%, which is expected to adversely impact revenue by €1.3 million to €9.0 million and gross operating profit is projected to decrease from €3.5 million in FY2018 to €2.6 million in 2019.

As for benchmark performance, in FY2015, the Hotel's occupancy level and RevPAR exceeded the market average by 7 percentage points and 3% respectively. The Hotel continued to outperform its benchmark in FY2016, particularly with respect to RevPAR which amounted to €97 compared to €87 achieved by the competitive set. During FY2017, the Hotel's occupancy level was higher than its benchmark by 8 percentage points to 80%, but average achieved room rate was lower by 10% and amounted to €126. Overall, RevPAR generated by the Hotel was in line with its competitive set. A broadly similar performance against its competitive set is expected for the forecast year FY2018. As with Corinthia St George, Marina Hotel will likely underperform in FY2019 when compared to benchmark due to expected construction works in the neighbouring third party properties.

4.9 CORINTHIA PALACE HOTEL & SPA MALTA

Introduction

On 10 April 2018, Corinthia Palace Hotel Company Limited (the ultimate parent company) transferred to IHI the 147-room five-star Corinthia Palace Hotel & Spa located in Attard, Malta, for a consideration of €26.6 million. The operating results and assets and liabilities of the acquired business will be consolidated as of April 2018. **As such, the financial information for each of FY2015, FY2016, FY2017 and Q1 2018 has been included for comparison purposes only.**

Market Overview

The market overview relating to the economy and tourism in Malta is included in section 4.7 above.

Operational Performance

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

CORINTHIA PALACE HOTEL & SPA MALTA	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**	**FY2019 Projection**
Turnover (€'000)	7,223	8,117	8,575	8,166	9,228
Gross operating profit before incentive fees (€'000)	458	1,138	1,201	640	1,400
Gross operating profit margin (%)	6	14	14	8	15
Occupancy level (%)	67	73	72	66	69
Average room rate (€)	109	110	121	128	137
Revenue per available room (RevPAR) (€)	72	80	87	84	95
Benchmark performance					
Occupancy level (%)	76	71	70	71	71
Average room rate (€)	125	131	151	156	161
Revenue per available room (RevPAR) (€)	95	93	105	111	114
Revenue Generating Index	0.76	0.86	0.83	0.76	0.83

Source: Management information.

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

During FY2016, a further increase in revenue and gross operating profit was achieved by the Hotel and amounted to €8.1 million (+12%, y-o-y) and €1.1 million (+148%, y-o-y) respectively. During the said year, the occupancy level improved from 67% in FY2015 to 73%, whilst RevPAR increased y-o-y by €8 to €80.

The Corinthia Palace Hotel & Spa generated revenue of €8.6 million in FY2017, an increase of €0.5 million (+6%) over FY2016, while gross operating profit before incentive fees was marginally higher by €0.1 million to €1.2 million. In FY2018, the Group implemented an extensive refurbishment program and a complete transformation of its spa and gym facilities at a total cost of €7.1 million. The disruption caused by the renovation works adversely impacted operations, albeit marginally, as revenue in FY2018 is expected to have declined by €0.6 million to €8.0 million.

On the other hand, the improved ambience at the Hotel and its Spa facilities should enable management to achieve higher occupancy and room rates in the years ahead, thereby taking full advantage of the current strong tourism performance in Malta. As such, revenue in FY2019 is projected to increase by 15% from €8.0 million in FY2018 to €9.2 million, while gross operating profit is expected to improve by €0.5 million to €1.4 million in FY2019.

As for benchmark performance, the Hotel's current operating results are below the figures achieved by its competitive set. However, the Corinthia Palace Hotel & Spa has made significant progress throughout the years under review, which in fact resulted in an improvement in its RGI from 0.76 registered in FY2015 to 0.83 in FY2017. The Hotel is projected to generate a lower RGI in FY2018 when compared to the prior year, principally due to the renovation works explained herein above, and is expected to recover to an RGI of 0.83 in FY2019.

4.10 CORINTHIA HOTEL & RESIDENCES LONDON

Introduction

NLI Holdings Limited (equally owned by the Libyan Foreign Investment Company (LAFICO) and IHI) owns the 284-room luxury Corinthia Hotel located in London, United Kingdom ("**Corinthia Hotel London**"), together with a penthouse apartment which was leased to third parties up to Q1 2018.

In 2008, NLI Holdings Limited acquired the former Metropole Building and its adjoining 10 Whitehall Place for £136 million (circa €160 million) and after raising a £135 million bank facility in April 2009, which was subsequently increased to £150 million, embarked on a two-year project to redevelop and reconstruct the said properties to the luxury Corinthia Hotel and Residences.

In June 2018, the Hotel completed the conversion of 22 rooms into 11 suites at a cost of £3.75 million. The decision to introduce a higher number of suites versus standard bedrooms into the property is intended specifically to bolster the Hotel's presence in the lucrative market for high net worth visitors to London. In addition, one of the restaurants was converted to a flagship operation at a cost of £1.5 million and is being operated by one of UK's top restauranteur and celebrity chef, Tom Kerridge. The carrying amount of the Corinthia Hotel London (including the penthouse) as at 31 December 2017 is €539.5 million (FY2016: €543.8 million).

Market Overview

i. Economic update[11]

UK GDP growth is currently subdued and expected to remain so over the forecast horizon. Private consumption growth is forecast to remain weak as real wages grow modestly and households look to maintain savings. Heightened uncertainty caused by Brexit means that business investment growth is likely to remain constrained. The net trade contribution to growth is projected to decrease in-line with a moderation in external demand. Employment growth is expected to slow significantly, leading to a modest rise in unemployment. Inflation should ease as the impact of sterling's 2016 depreciation unwinds.

Given the ongoing negotiation over the terms of the UK's withdrawal from the EU, projections for 2019 and 2020 are based on a purely technical assumption of status quo in terms of trading relations between the EU27 and the UK. This is for forecasting purposes only and has no bearing on the talks underway in the context of the Article 50 process. Consumer confidence surveys suggest that savings intentions of consumers are high, reflecting weak overall consumer confidence. Private consumption growth is therefore assumed to remain weak in 2019 as households take the opportunity from modest real wage growth to maintain savings.

Business investment growth is projected to rebound slightly in 2019 but to remain relatively subdued following a prolonged period of heightened uncertainty. The net trade contribution to growth is expected to deteriorate further alongside slowing external demand. Reflecting these factors and the technical assumption, GDP growth is expected to remain weak at 1.2% in 2019, marginally lower than in 2018. GDP growth is expected to be stable at 1.2% in 2020. As this purely technical assumption implies a relatively benign scenario, the risks to the 2019 and 2020 baseline forecast are large and predominantly to the downside.

Over the forecast horizon employment growth is expected to slow in a context of subdued GDP growth. This is projected to lead to a modest rise in the unemployment rate to 4.7% in 2020. As the impact of sterling's earlier depreciation on consumer prices unwinds fully, inflation is expected to ease to 2.0% in 2019 and to 1.9% in 2020.

ii. Tourism market [12]

2017 was a record year for inbound tourism with 39.2 million visits, an increase of 4.3% on 2016, and spending by visitors in 2017 amounted to £24.5 billion, an 8.7% increase on 2016. The aforesaid results represent the fastest rate of visits growth since 2006 and in terms of spending, the growth was at its fastest rate since 2013 (and the second fastest since 2006).

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

Between January and September 2018 there were 28.9 million inbound visits to the UK, down by 5% on the first nine months of 2017. During the first nine months of 2018, inbound visitors spent a combined £17.5 billion, 9% less than they did in the first nine months of 2017. The drop in inbound tourism to the UK has been attributed to a fall in interest among Europeans, who account for two-thirds of overseas visitors. The forecast for 2018 is for 41.7 million overseas visits to the UK, an increase of 4.4% on 2017, and £26.9 billion in visitor spending, an increase of 6.8% on 2017.

Operational Performance

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

CORINTHIA HOTEL LONDON	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Forecast	FY2019 Projection
Turnover (£'000)	52,543	53,274	57,929	58,703	67,913
Gross operating profit before incentive fees (£'000)	16,271	16,716	18,019	18,418	21,745
Gross operating profit margin (%)	31	31	31	31	32
Occupancy level (%)	73	72	74	76	77
Average room rate (£)	445	433	480	486	517
Revenue per available room (RevPAR) (£)	323	312	356	369	401
Benchmark performance					
Occupancy level (%)	77	73	68	71	71
Average room rate (£)	521	540	584	606	624
Revenue per available room (RevPAR) (£)	401	395	395	432	445
Revenue Generating Index	0.81	0.79	0.90	0.85	0.90

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

In FY2015, revenue and gross operating profit increased by £5.0 million (+11%) and £2.2 million (+15%) respectively compared to the results achieved in FY2014, mainly in consequence of an increase in the average room rate from £404 to £445. The Hotel maintained a positive performance in FY2016 as revenue increased from £52.5 million in FY2015 to £53.3 million, whilst gross operating profit improved from £16.3 million in FY2015 to £16.7 million. In FY2017, the Hotel's performance continued with its upward trajectory, wherein revenue increased y-o-y by £4.7 million to £57.9 million and gross operating profit improved by 8% to £18.0 million. RevPAR increased by 14% when compared to the prior year, from £312 in FY2016 to £356.

The Hotel's performance in FY2018 is expected to have been broadly similar to the results achieved in FY2017, wherein revenue and gross operating profit increased marginally by 1% and 2% respectively to amount to £58.7 million and £18.4 million respectively. During the year, the Hotel was nearing completion of the conversion of 20 bedrooms into 11 suites, thus enabling management to target higher rated business. In contrast, revenue for FY2019 is projected to increase considerably by 16% principally on account of a higher expected average room rate of £517 compared to £486 in FY2018. In turn, gross operating profit is set to grow from £18.4 million in FY2018 to £21.7 million (+18%) in 2019.

In FY2017, the Hotel changed the composition of its competitive set. As such, data relating to benchmark performance included in the above table has been amended as from FY2015.

In comparison to benchmark results, the Hotel managed an RGI of 0.81 in FY2015, mainly due to an adverse difference of £76 in its average room rate. Similar results for the Hotel as compared to its competitive set were registered in FY2015 (RGI of 0.79). The gap between the Hotel's performance and its benchmark improved considerably in FY2017 to an RGI of 0.90, as the Hotel's occupancy was higher than its competitive set by 9 percentage points, mitigated however by an adverse variance in average room rate of £104. In FY2018, the Hotel is expected to have achieved a higher occupancy level when compared to its benchmark by 5 percentage points to 76%, however average room rate was lower by 20% or £120. As such, the Hotel is expected to report an RGI of 0.85 in FY2018 compared to 0.90 in the prior year. In FY2019, management is projecting to reduce the gap in average room rate to £107, whilst increasing occupancy by 1 percentage point to 77%.

4.11 RADISSON BLU RESORT & SPA GOLDEN SANDS

Introduction

The Radisson Blu Resort & Spa Golden Sands commenced operations in October 2005 and is located on a cliff's edge overlooking Golden Bay beach on the Northern coast of Malta. The Issuer holds a 50% shareholding in the Golden Sands resort (the other 50% being owned by an experienced international timeshare operator) and title to the site is in the form of temporary utile dominium which expires in 2114. The five-star resort comprises a total of 338 rooms (including the recent addition of 9 Sands Tower Suites), various F&B outlets and is equipped with a 1,000m^2 spa and leisure centre, 4 pools, a tennis court and a private sandy beach.

Works were completed on 9 new bedroom suites in the first semester of 2018 at a cost of €5 million and are being marketed for timeshare sales. Azure, the timeshare marketing company, has launched a sales strategy to sell a points-based membership system as opposed to specific rooms for specific weeks. The points-based system allows Azure to more readily procure products and inventory to sell, other than the Resort's own rooms' inventory. This could, eventually, include inventory in other resorts. The carrying amount of 50% of the Radisson Blu Resort & Spa Golden Sands as at 31 December 2017 is €40.1 million (2016: €31.5 million).

Market Overview

The market overview relating to the economy and tourism in Malta is included in section 4.7 above.

Operational Performance

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

RADISSON BLU RESORT & SPA GOLDEN SANDS	FY2015 14 months Actual	FY2016 12 months Actual	FY2017 12 months Actual	FY2018 12 months Forecast	FY2019 12 months Projection
Turnover (€'000)	42,843	40,197	41,214	37,833	39,200
Timeshare revenue	27,426	25,614	21,907	19,118	20,038
Hotel operations	15,417	14,583	19,307	18,715	19,162
EBITDA (€'000)	13,547	14,451	9,889	1,804	2,000
EBITDA margin (%)	32	36	24	5	5
IHI's share of EBITDA at 50%	6,774	7,226	4,945	902	1,000

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

A significant portion of the property's inventory is being operated on an upscale vacation ownership accommodation model (timeshare) through the Group's 50% holding in the Azure Group. To date, pursuant to a room allocation agreement with Azure Resorts Limited (a wholly owned subsidiary of the Azure Group), a total of 295 rooms have been released for sale on a timeshare basis. The remaining rooms together with any unsold weeks on the aforesaid 295 rooms are available for use by the resort in its hotel operations.

All timeshare units are being sold for a fixed time period that expires in 2045. Until FY2017, timeshare units were sold in weeks with the calendar year split into four seasons: Bronze, Silver, Gold and Platinum. A new sales strategy has now been launched to sell a points-based membership system as opposed to specific rooms for specific weeks. The points-based system allows Azure to more readily procure products and inventory to sell, other than the Resort's own bedrooms. This could, eventually, include inventory in other resorts.

Timeshare revenue is generated from the sale of timeshare weeks or points (as of 2018) and resale of repossessed timeshare weeks/points to targeted vacation ownership guests. 'Hotel operations' revenue principally comprises the generation of yearly maintenance fees receivable from timeshare owners, allocation charges in terms of the aforesaid agreement with Azure Resorts Limited, fly-buy sales (being discounted rooms offered for promotional purposes), accommodation revenue (from rooms not utilised by timeshare operations) and revenue from F&B outlets and other ancillary services. The operating profit is the resultant surplus after deducting operating expenses, selling and marketing costs, and all administrative and other operating costs.

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

Revenue for FY2016 was lower by €2.6 million (-6%) when compared to the previous 14-month period of €40.2 million (but on an annualised basis y-o-y revenue was €3.5 million higher (+9.5%)). During FY2016, the vacation ownership operation was adversely impacted on translation of financial results from the Pound Sterling to the euro currency. In FY2017, timeshare revenue declined from €25.6 million in FY2016 to €21.9 million, reflecting a y-o-y decrease of €3.7 million (-14%). Revenue generated in FY2018 is forecasted to be lower by 13% to €19.1 million when compared to the prior year, mainly due to the adverse impact of the afore-mentioned change in the marketing of timeshare units to a points-based membership system. The projected revenue for FY2019 has been prudently set at €20.0 million, an increase of 5% over FY2018 forecast.

As for 'Hotel operations', revenue generated in FY2015 amounted to €15.4 million, an increase of €3.1 million from FY2014. Revenue decreased by €0.8 million (-5%) to €14.6 million in FY2016 in comparison to the prior year, but reported a substantial increase of 32% in the subsequent year from €14.6 million in FY2016 to €19.3 million in FY2017. Revenue in FY2018 is expected to register a decrease of €0.6 million (y-o-y) to €18.7 million, while a 2% increase to €19.2 million has been projected for FY2019.

The resort achieved a 13% growth in EBITDA in FY2015 (+€1.6 million), which actually represents a marginal decline from FY2014 given that FY2015 comprised a 14 month period. FY2016 was a very positive year for the resort as it generated an EBITDA of €14.5 million, surpassing FY2015's EBITDA by €0.9 million (notwithstanding that FY2015 included 14 months of operations). Lower timeshare revenue in FY2017 adversely impacted EBITDA for the year, which decreased by 32% from €14.5 million in FY2016 to €9.9 million. The transition in the way timeshare is sold adversely impacted EBITDA in FY2018, on account of a decrease in revenue generated during the year as well as the incidence of higher costs for third party product related offerings. As such, management expects EBITDA for FY2018 to amount to €1.8 million, as compared to €9.9 million achieved in the prior year, and is projected to amount to €2.0 million in the subsequent financial year.

4.12 RADISSON BLU RESORT ST JULIAN'S

Introduction

The Radisson Blu Resort St Julian's is a 252-room 5-star hotel located in St George's Bay, St Julian's. The Hotel commenced operations in May 1997 and provides accommodation and other services to a range of guests, from leisure to conference and incentive travel groups. The Hotel's amenities include conference facilities, a ballroom, an outdoor and a heated indoor pool, a fully equipped gymnasium as well as two tennis courts. The carrying amount of the Radisson Blu Resort St Julian's as at 31 December 2017 is €38.8 million (2016: €40.3 million).

Market Overview

The market overview relating to the economy and tourism in Malta is included in section 4.7 above.

Operational Performance

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

RADISSON BLU RESORT ST JULIAN'S	FY2015 14 months Actual	FY2016 12 months Actual	FY2017 12 months Actual	FY2018 12 months Forecast	FY2019 12 months Projection
Turnover (€'000)	10,156	12,811	13,805	13,902	12,994
EBITDA (€'000)	2,642	4,492	4,701	4,739	4,079
EBITDA margin (%)	26	35	34	34	31
Occupancy level (%)	77	76	76	75	70
Average room rate (€)	135	123	134	137	140
Revenue per available room (RevPAR) (€)	104	93	102	103	98
Benchmark performance					
Occupancy level (%)	79	77	77	72	72
Average room rate (€)	144	146	164	181	186
Revenue per available room (RevPAR) (€)	113	113	125	130	134
Revenue Generating Index	0.92	0.82	0.82	0.79	0.73

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

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

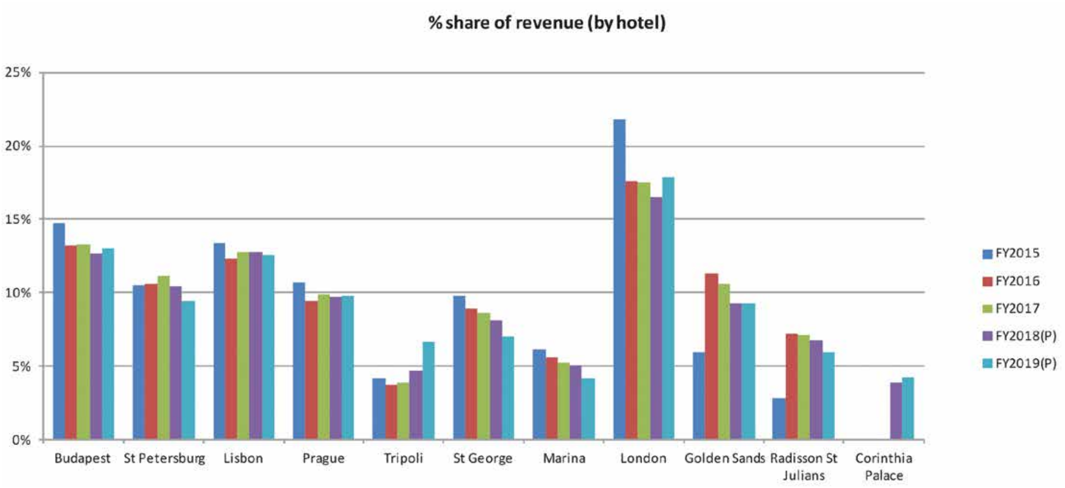
Revenue generated at the Hotel increased in FY2016 by €2.7 million (+26, y-o-y) and gross operating profit also increased from €2.6 million in FY2015 to €4.5 million in FY2016 (+73% y-o-y increase). Occupancy rate in FY2016 was broadly maintained at FY2015 level, but RevPAR was lower by 8% from €104 in FY2015 to €93 (it is to be noted that RevPAR in FY2015 excludes the dilution effect of the winter months).

In consequence of a robust local tourism market and management's focus to shift its principal revenue sectors from tour operator business to direct/online sales, in line with IHI's marketing strategy, in FY2017, the Hotel increased average room rate from €123 in FY2016 to €134 in FY2017, but achieved a similar occupancy rate as in the previous year (at 76%). Total revenue in FY2017 amounted to €13.8 million, a y-o-y increase of €1.0 million (+8%) and gross operating profit increased from €4.5 million in FY2016 to €4.7 million. Results for FY2018 are expected to have been broadly similar to those achieved in the prior year. As for FY2019, the Hotel may be impacted negatively by construction works in a neighbouring third party property and thus management has lowered projected revenue by €0.9 million (y-o-y) to €13.0 million, while gross operating profit is projected to decline by €0.7 million (y-o-y) and amount to €4.1 million. In comparison with its competitive set, the Hotel's RGI in FY2017 was 18% below par at 0.82. Management expects the RGI in FY2018 to equate to 0.79, principally as a result of a difference of €27 in the Hotel's RevPAR (€103) when compared to benchmark (€130). In the near term, the Hotel's RGI is projected to reduce further until development works in the vicinity are completed.

4.13 IHI'S AGGREGATE HOTEL REVENUE AND OPERATING PROFIT

Revenue Geographic Distribution

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

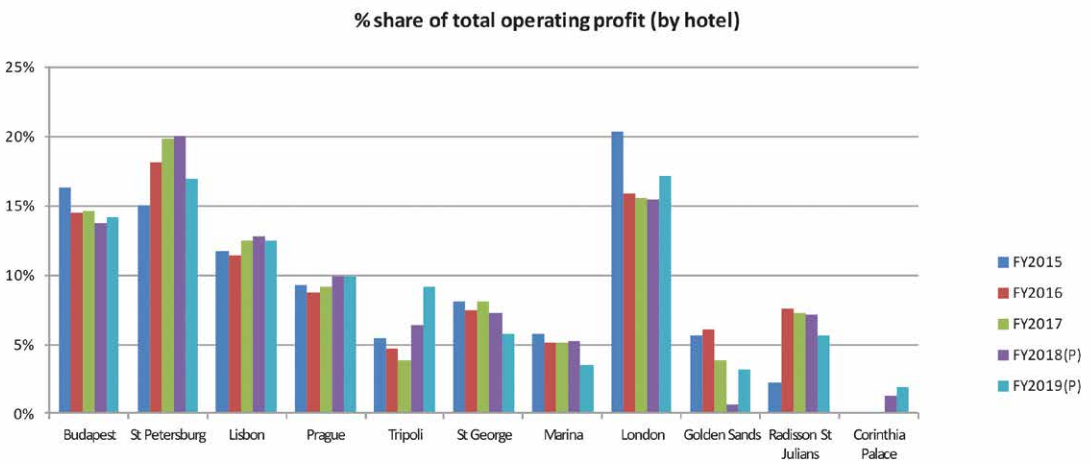


Source: Management information.

- Corinthia Hotel & Residences London generates circa 18% of Group hotel revenue and is the highest contributor, followed by Corinthia Hotel Budapest and Corinthia Hotel Lisbon with 13% each of Group hotel revenue.
- Radisson Blu Resort & Spa Golden Sands and Radisson Blu Resort St Julian's were included in the portfolio of hotels as from 1 July 2015 pursuant to the acquisition of IHGH.
- Corinthia Palace Hotel & Spa was acquired in April 2018.

Operating Profit Geographic Distribution

The chart below shows operating profit generated by each hotel as a percentage of IHI's hotel operating profit (directly or indirectly). The amounts relating to the Corinthia Hotel London and the Radisson Blu Resort & Spa Golden Sands are only 50% of each hotel's actual results, reflecting the 50% shareholding (directly or indirectly) of IHI in the respective hotels.



Source: Management information.

- Corinthia Hotel St Petersburg and Corinthia Hotel & Residences London generated 20% and 16% respectively in FY2017 (being the latest available audited financial information) of IHI's total operating profit from hotel operations.
- In FY2019, management is projecting a recovery in operational activities at Corinthia Hotel Tripoli, and the expectation is that the Hotel will contribute 9% of IHI's total operating profit from hotel operations (as compared to 4% in FY2017.
- A decrease in contributions is projected in FY2019 from Corinthia Hotel St George's Bay, Marina Hotel and Radisson Blu Resort St Julian's, due to the possible commencement of construction works in a neighbouring third party property.

4.14 MANAGEMENT COMPANY

Corinthia Hotels Limited (a fully-owned subsidiary of IHI previously trading under the name CHI Ltd) manages and operates a number of hotel properties, predominantly owned by IHI and CPHCL. IHI acquired the shares of CHL in three tranches: a 20% shareholding was purchased on IHI's formation in 2000 at a cost of *circa* €750,000, a further 50% was acquired in October 2006 at a cost of €20.15 million, and in May 2012 IHI acquired the remaining 30% from Wyndham for an aggregate consideration of €250,000 in terms of an agreement signed in 2006 (at the same time of acquisition of the 50% share purchase).

CHL is a full-service hotel management company with in-house skills and capabilities supporting the Corinthia brand and operations. It has a track record of driving performance improvements across the Corinthia Group's existing assets, those of CPHCL and of third parties. It ensures consistent service levels and performance across the properties. CHL is scaled to support future growth of Corinthia. CHL currently manages 12 owned hotels (11 operational and 1 under development), 3 hotels owned by its parent company CPHCL, and 6 third party properties (3 operational and 3 under development). Management contracts are typically entered into and structured for a 20-year term. Its key commercial terms include management fees, marketing and reservation fees based on turnover and incentive fees based on gross operating profit achieved. It is an efficient use of capital and resource with no capital outlay required for each new management contract and a cost-effective way to gain in-depth knowledge of various markets.

In 2016, it signed a technical and pre-opening services and management agreement for the development and eventual management of a Corinthia hotel for a third-party owner in Dubai. In 2017, it signed a management agreement for two operational hotels owned by a third party in Dubai on a white label basis (the Meydan at the Meydan Horse Racing Track and the Bab al Shams Desert Resort). In addition, CHL is a party to two agreements with the Meydan Group to provide technical services and once built, to operate the 55-storey Corinthia Hotel and Residences Meydan Beach, Dubai. Furthermore, CHL has signed technical services and management agreements to operate, once redeveloped, the Corinthia Hotel Bucharest (formerly Grand Hotel du Bulevard), Corinthia Hotel Brussels and shortly a management agreement for the operation of the Corinthia Hotel and Residences Moscow, once this project is completed.

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

In October 2018, CHL signed an option agreement to acquire a 10% shareholding in GHA Holdings Limited ("**GHA**"), a company that owns the Global Hotel Alliance of which CHL has been a member for three years alongside 29 other hotel brands. The current ownership of GHA comprises founding shareholders (Kempinski, Omni and Oracle) as to 34%, 34% and 12% respectively, and Pan Pacific and Minor Hotels as to 10% each. On its part, CHL has communicated to the Issuer its intention to exercise its option to acquire a 10% shareholding before its expiry in April 2019 at the established price of US$3.5 million. In the meantime, CHL renewed its membership agreement with GHA for another five years.

Further detail on the managed hotels is provided hereunder:

CORINTHIA HOTELS LIMITED
MANAGED HOTEL PORTFOLIO AS AT 30 NOVEMBER 2018

Name	Location	% ownership	No. of hotel rooms
Owned and managed properties (operational)			
Corinthia Hotel Budapest	Hungary	100	437
Corinthia Hotel St Petersburg	Russia	100	388
Corinthia Hotel Lisbon	Portugal	100	518
Corinthia Hotel Prague	Czech Republic	100	539
Corinthia Hotel Tripoli	Libya	100	299
Corinthia Hotel St George's Bay	Malta	100	249
Marina Hotel St George's Bay	Malta	100	200
Radisson Blu Resort St Julian's	Malta	100	252
Corinthia Palace Hotel & Spa	Malta	100	147
Radisson Blu Resort & Spa Golden Sands	Malta	50	338
Corinthia Hotel & Residences London	United Kingdom	50	284
Owned & managed properties (under development)			
Corinthia Grand Astoria Hotel Brussels (opening 2021)	Belgium	50	126
Managed properties (operational)			
Panorama Hotel Prague	Czech Republic	–	440
Aquincum Hotel Budapest	Hungary	–	310
Ramada Plaza	Tunisia	–	309
Corinthia Hotel Khartoum	Sudan	–	230
The Meydan Hotel	Dubai	–	284
Bab Al Shams Desert Resort	Dubai	–	115
Managed properties (under development)			
Corinthia Hotel Bucharest (opening 2020)	Romania	–	33
Corinthia at Meydan Beach (opening 2020)	Dubai	–	360
Corinthia Hotel & Residences Doha (opening 2022)	Qatar	–	118
			5,976

Operational Performance

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

CORINTHIA HOTELS LIMITED Management Fees	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Forecast	FY2019 Projection
Turnover (€'000)	13,702	14,207	16,936	18,429	18,174
IHI Properties (owned and associate) (€'000)	11,717	11,596	13,374	13,940	14,641
Other Properties (€'000)	1,985	2,611	3,562	3,171	3,236
Technical Services (€'000)	-	-	-	1,318	297

Source: Management information.

Turnover generated by CHL during the historical years FY2015 to FY2017 has increased on a yearly basis, as a consequence of higher y-o-y revenue results achieved by the majority of hotel properties under management. In FY2018, revenue is expected to have reached €18.4 million, an increase of 9% when compared to the prior year, principally on account of technical services fees receivable from third party hotel property owners in terms of the respective technical services and management agreements. As for FY2019, CHL is projecting turnover to amount to €18.2 million, broadly in line with the forecast for FY2018.

4.15 EVENT CATERING BUSINESS

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

Operational Performance

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

ISLAND CATERERS LIMITED	FY2015 14 months Actual	FY2016 12 months Actual	FY2017 12 months Actual	FY2018 12 months Forecast	FY2019 12 months Projection
Turnover (€'000)	6,323	5,981	6,530	5,463	11,533
EBITDA (€'000)	380	371	167	319	604
EBITDA margin (%)	6	6	3	6	5

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

The table above summarises the financial performance of Island Caterers Limited for the period FY2015 to FY2019. Revenue in FY2015 increased by €1.1 million from a year earlier to €6.3 million, mainly reflecting income derived from the Coastline catering contract for a period of eight months (since the hotel was closed in the winter months for refurbishment undertaken by the new hotel owners). Revenue in FY2016 amounted to €6.0 million, which was €0.3 million lower than FY2015's figure of €6.3 million. However, when adjusting FY2015's results to a 12-month period rather than the reported 14-month period, a y-o-y increase was registered in FY2016. In the first semester of FY2017, the company catered for a significant number of events tied to Malta's EU presidency. As such, revenue in FY2017 was higher than in the prior year by €0.5 million and amounted to €6.5 million.

Revenue generated in FY2018 is expected to amount to €5.5 million, €1.0 million lower than that achieved in the prior year. However, EBITDA is set to increase from €0.2 million in FY2017 to €0.3 million due to a higher EBITDA margin. The sales mix was unchanged during FY2018 and comprised weddings, corporate events, conference incentive travel (CIT) and the Coastline catering contract. In FY2019, the Group plans to consolidate the various catering operations under the Corinthia Caterers brand and as a consequence, management is projecting consolidated turnover to double from €5.5 million in FY2018 to €11.5 million, with a similar effect at EBITDA level.

4.16 FOOD RETAIL AND CONTRACT CATERING BUSINESS (INCLUDING COSTA COFFEE)

In May 2011, IHGH acquired 50% of the share capital of Buttigieg Holdings Ltd ("BHL"), a company operating in the food retail and contract catering sector. The acquisition of the remaining 50% in BHL was completed in June 2015, prior to IHI's acquisition of IHGH. BHL, through subsidiary companies (both locally and overseas), operates the Costa Coffee franchise in Malta and in the East Coast territory of Spain, the Balearic Islands and the Canary Islands.

The Coffee Company Malta Limited ("**TCCM**"), a wholly owned subsidiary of BHL, entered into a 10-year franchise agreement with Costa Coffee International Limited in May 2012 for the development of Costa Coffee retail outlets in Malta. The first Costa Coffee outlet was opened in June 2012 at the check-in lounge of the Malta International Airport. Since then, another eleven Costa Coffee outlets were opened (three outlets at the Malta International Airport [one in the arrivals area, another in the Schengen area and the third one in the non-Schengen area] and one outlet in each of The Point Shopping Complex Sliema, the premises formerly known as Papillon in Balzan, The Embassy Valletta, Bay Street Complex St Julian's, Marsaxlokk, Spinola Bay St Julian's, Mriehel Industrial Park and PAMA Shopping Village Mosta. The company intends to open an additional outlet in Malta during FY2019.

In March 2014, The Coffee Company Spain S.L. ("**TCCS**"), a wholly owned subsidiary of BHL, entered into a 10-year franchise agreement with Costa Coffee International Limited for the development and operation of up to 75 Costa Coffee outlets in the East Coast of Spain, the Balearic and Canary Islands. The first outlet in Spain opened in the third quarter of 2014 and by FY2017, total openings had increased to 15 outlets.

The company is currently consolidating its position on the Spanish market, in consequence of which three loss-making outlets were closed in FY2018. Once results achieve the expected levels of performance, further outlets will be opened across the region. Presently, there are nine outlets in Barcelona, one in Benidorm and two in Palma de Mallorca.

Operational Performance

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

BUTTIGIEG HOLDINGS LIMITED (including Costa Coffee)	**FY2015 14 months Actual**	**FY2016 12 months Actual**	**FY2017 12 months Actual**	**FY2018 12 months Forecast**	**FY2019 12 months Projection**
Turnover					
Costa Coffee (Malta) (€'000)	6,647	7,081	8,039	9,270	9,471
Costa Coffee (Spain) (€'000)	1,906	4,592	5,359	5,543	5,726
Other catering operations (€'000)	5,419	3,313	3,188	3,100	3,162
	13,972	14,986	16,586	17,913	18,359
EBITDA (€'000)	(413)	(1,231)	72	214	904
EBITDA margin (%)	(3)	(8)	–	1	5
Costa Malta					
No. of outlets (at end of financial year)	8	10	11	12	13
Costa Spain					
No. of outlets (at end of financial year)	10	15	15	12	12

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

Revenue generated in FY2015 by TCCM amounted to €6.6 million, almost double the turnover figure of FY2014. This positive movement resulted from the fact that the eight outlets were operational for the full financial year, improved performance registered by all outlets, and the additional two months' revenue in the financial period due to a change in year end. A further two outlets were opened in FY2016, and revenue generated from the ten outlets amounted to €7.1 million (+7%, y-o-y). Revenue in FY2017 increased by €0.9 million (+14%) to €8.0 million due to a general increase in business activity and the opening of another outlet at PAMA Shopping Village. The Mriehel outlet was added during FY2018 and turnover is forecasted to amount to €9.3 million, an increase of 15% when compared to the prior year.

In FY2015, TCCS operated ten outlets in Spain and generated €1.9 million in revenue. An additional five outlets initiated operations in FY2016 and aggregate revenue amounted to €4.6 million. Revenue increased by 17% in the subsequent year (+€0.8 million) to €5.4 million. In FY2018, it is anticipated that TCCS will achieve the same revenue results as in FY2017, but with 3 fewer outlets. Revenue generated in FY2019 is projected to increase by 3% (y-o-y) to €5.7 million.

Revenue derived from 'other catering operations' increased to €5.4 million in FY2015 from €4.0 million in FY2014. The increase was mainly due to the additional two months' revenue in the financial year. Revenue for FY2016 amounted to €3.3 million, which is comparably lower than normalised revenue generated in FY2015 of €4.6 million (being €5.4 million as adjusted to reflect a 12-month period). The lower revenue registered in FY2016 (€3.3 million as compared to €5.4 million in FY2015) is primarily the result of consolidation of certain catering operations with other companies forming part of the Corinthia Group. As from FY2017, revenue has been broadly stable at the €3 million mark and is expected to remain so in the near term.

4.17 OTHER ASSETS

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

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

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

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

The project designs of the Medina Tower are complete and all development approvals have been obtained from the relevant authorities. As to the financing of the project, the equity contribution for the first phase of this project is already fully paid up and will comprise 40% of the capital requirement for the said project. The remaining 60% of funding will be derived from a Libyan financial institution in terms of a sanction letter that has been approved and signed, but now needs to be reactivated. The project is on hold until Libya stabilises and its prospects improve. The investment has a carrying amount of €12.6 million (2016: €13.6 million).

IHI owns 100% of QPM Limited ("QP"), a company which specialises in construction and project management services, both locally and overseas. QP operates independently of, and at arm's length to, IHI and offers a range of project, construction and cost management services and design and architectural services to a number of international clients in various countries. In August 2012 the offices of David Xuereb and Associates and QP merged to provide a more comprehensive list of professional services within the construction industry, including project and construction management and architectural services. Whilst continuing to provide services to the Corinthia Group, QP is increasing its third-party client base and revenue generation.

FY2017 was a positive year for QP, during which a number of projects were secured with the company offering a host of professional building services including design, engineering and project management. Revenue for FY2017 amounted to just under €4 million, a significant increase when compared to the €2.9 million generated a year earlier. It is worthy to note that over 80% of revenue was derived from third party owned projects, which are totally unrelated to the Corinthia Group. Revenue generated in FY2018 is expected to amount to €5.3 million, a y-o-y increase of 33%, and a further 19% growth to €6.3 million in projected for FY2019.

As part of the IHGH acquisition, IHI took ownership of a plot of land at Hal Ferh measuring 83,530m^2, situated adjacent to the Radisson Blu Resort & Spa, Golden Sands, Malta. The property is valued in the balance sheet as at 31 December 2017 at €21.8 million (2016: €21.6 million). The Group is currently in the process of assessing the project designs and concept and funding requirements, prior to embarking on the execution of this project.

5. BUSINESS DEVELOPMENT STRATEGY

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

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

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

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

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

Acquisitions, joint ventures and developments

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

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

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

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

Hotel management contracts

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

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

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

PART 3 – PERFORMANCE REVIEW

The financial information provided hereunder is extracted from the audited consolidated financial statements of IHI for each of the years ended 31 December 2015 to 31 December 2017. In 2017, IHI secured the right to nominate and appoint the majority of the board of directors of NLI such that IHI can consolidate the performance of the Corinthia Hotel London in its financial statements. The forecasted financial information for the years ending 31 December 2018 and 31 December 2019 has been provided by management of the Company.

Note 5 to the 2017 financial statements explains the significant uncertainties and judgments surrounding the valuation of the Group's assets in Libya that have a bearing on the projected cash flows from the relative operations, and which are in turn influenced by the timing of a recovery in the country. Different plausible scenarios may impact the financial performance of the Libya operations and the valuation of related assets in a significant matter. This matter is considered to be of fundamental importance to stakeholders because of the potential impact that this uncertainty may have on the valuation of the Group's assets in Libya and the recoverability of certain debtors, which as at 31 December 2017 were carried at €189.2 million and €6.1 million respectively (2016: €192.5 million and €6.1 million respectively).

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

IHI GROUP INCOME STATEMENT (€'000)	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Forecast**	**FY2019 Projection**
Revenue	134,074	157,901	242,413	253,080	278,970
Direct costs	(70,326)	(87,519)	(132,015)	(129,778)	(144,891)
Gross profit	**63,748**	**70,382**	**110,398**	**123,302**	**134,079**
Other operating costs	(31,631)	(33,641)	(46,881)	(56,549)	(60,469)
EBITDA[1]	**32,117**	**36,741**	**63,517**	**66,753**	**73,610**
Depreciation and amortisation	(20,093)	(23,307)	(31,066)	(32,690)	(32,743)
Movement in fair value of investment property	193	(19,712)	278	–	–
Net impairment of hotel properties & intangibles	11,639	2,960	998	(1,980)	(1,600)
Results from operating activities	**23,856**	**(3,318)**	**33,727**	**32,083**	**39,267**
Share of (loss) profit: equity accounted investments	(2,557)	1,661	2,119	–	–
Net finance costs	(13,984)	(16,036)	(21,118)	(20,433)	(21,110)
Other	(8,215)	11,140	(4,909)	(4,541)	–
Movement in fair value of indemnification assets	551	(210)	(210)	(210)	(210)
Profit (loss) before tax	**(349)**	**(6,763)**	**9,609**	**6,899**	**17,947**
Taxation	(3,398)	(895)	5,288	(2,791)	(3,595)
Profit (loss) for the year	**(3,747)**	**(7,658)**	**14,897**	**4,108**	**14,352**
Other comprehensive income					
Net impairment of hotel properties	21,105	37,131	15,853	–	–
Share of other comprehensive income of equity accounted investments	9,674	6,598	10,348	–	–
Other effects and tax	(15,883)	(3,165)	(1,783)	–	–
	14,896	**40,564**	**24,418**	**–**	**–**
Total comprehensive income (expense) for the year net of tax	**11,149**	**32,906**	**39,315**	**4,108**	**14,352**

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

IHI GROUP CASH FLOW STATEMENT (€'000)	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Forecast	FY2019 Projection
Net cash from operating activities	29,502	27,635	60,013	58,712	58,469
Net cash from investing activities	(28,555)	(29,099)	(15,579)	(41,898)	(59,596)
Net cash from financing activities	(7,133)	10,632	(21,956)	(28,096)	6,049
Net movement in cash and cash equivalents	**(6,186)**	**9,168**	**22,478**	**(11,282)**	**4,922**
Cash and cash equivalents at beginning of year	17,850	11,664	20,832	42,652	31,370
Effect of translation of presentation currency	–	–	(658)	–	–
Cash and cash equivalents at end of year	**11,664**	**20,832**	**42,652**	**31,370**	**36,292**

IHI GROUP BALANCE SHEET (€'000)	31 Dec' 15 Actual	31 Dec' 16 Actual	31 Dec' 17 Actual	31 Dec' 18 Forecast	31 Dec' 19 Projection
ASSETS					
Non-current assets					
Intangible assets (including indemnification)	78,227	80,794	75,173	70,245	66,417
Investment property	166,274	164,278	205,238	201,090	202,038
Property, plant and equipment	572,103	617,765	1,108,251	1,142,678	1,160,755
Investments accounted for using the equity method	267,045	250,913	59,872	64,572	71,432
Loan receivable	3,728	4,570	1,598	1,598	1,598
Deferred tax assets	–	–	12,157	–	–
Assets placed under trust management	3,870	1,077	2,168	3,645	5,431
	1,091,247	**1,119,397**	**1,464,457**	**1,483,828**	**1,507,671**
Current assets					
Inventories	6,280	6,727	10,197	11,415	12,708
Loan receivable	7,325	12,982	17,984	8,650	8,650
Trade and other receivables	33,032	42,151	46,841	39,597	43,487
Taxation	2,896	4,654	3,318	3,190	3,117
Available-for-sale investments	–	–	8,603	–	–
Cash and cash equivalents	18,863	29,382	50,795	35,840	40,732
Assets placed under trust management	–	4,961	122	–	–
	68,396	**100,857**	**137,860**	**98,692**	**108,694**
Total assets	**1,159,643**	**1,220,254**	**1,602,317**	**1,582,520**	**1,616,365**
EQUITY					
Capital and reserves					
Called up share capital	573,636	597,750	615,685	615,685	615,685
Reserves and other equity components	86,719	108,797	(8,015)	(15,922)	(18,408)
Retained earnings	(52,665)	(60,323)	76,379	70,574	73,298
Minority interest	598 598	200,583	196,331	195,646	–
	608,288	**646,822**	**884,632**	**866,668**	**866,221**
LIABILITIES					
Non-current liabilities					
Borrowings and bonds	342,616	370,486	527,969	520,516	557,029
Other non-current liabilities	108,740	117,365	99,995	86,867	85,537
	451,356	**487,851**	**627,964**	**607,383**	**642,566**
Current liabilities					
Borrowings and bonds	25,784	34,906	28,263	36,941	40,943
Other current liabilities	74,215	50,675	61,458	71,528	66,635
	99,999	**85,581**	**89,721**	**108,469**	**107,578**
	551,355	**573,432**	**717,685**	**715,852**	**750,144**
Total equity and liabilities	**1,159,643**	**1,220,254**	**1,602,317**	**1,582,520**	**1,616,365**

Key Accounting Ratio	31 Dec' 15 Actual	31 Dec' 16 Actual	31 Dec' 17 Actual	31 Dec' 18 Forecast	31 Dec' 19 Projection
Gross profit margin *(Gross profit/revenue)*	48%	45%	46%	49%	48%
Operating profit margin *(EBITDA/revenue)*	24%	23%	26%	26%	26%
Interest cover (times) *(EBITDA/net finance cost)*	2.30	1.39	3.01	3.27	3.49
Net profit margin *(Profit after tax/revenue)*	-3%	-5%	6%	2%	5%
Earnings per share (€) *(Profit after tax/number of shares)*	-0.01	-0.01	0.02	0.01	0.02
Return on equity *(Profit after tax/shareholders' equity)*	-1%	-1%	2%	0%	2%
Return on capital employed *(EBITDA/total assets less current liabilities)*	3%	3%	4 %	5%	5%
Return on assets *(Profit after tax/total assets)*	0%	-1%	1%	0%	1%

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

FY2015 was mainly characterised by the acquisition of IHGH in August 2015. IHGH business relates to the ownership and operation of the Radisson Blu Resort St Julian's, Island Caterers, Costa Coffee outlets in Malta and Spain, and the operation of a number of catering contracts. IHGH also owns an 83,530m2 plot of land at Hal Ferh, Golden Sands. Furthermore, IHGH has a 50% shareholding in the Radisson Blu Resort & Spa Golden Sands which comprises the operation of a five-star hotel and a vacation ownership business. In view of the 50% ownership, the results of the Radisson Blu Resort & Spa Golden Sands are included in the income statement as share of profit from equity accounted investments. IHI's revenue for FY2015 amounted to €134.1 million, an increase of €17.7 million from a year earlier. The increase in revenue is attributable to the increased revenues in IHI's European operations (€9.8 million) and the consolidation of the IHGH results for the second half of 2015 (€17.6 million). Against this, there was a combined reduction of €9.7 million from the Group's hotels located in St Petersburg and Tripoli.

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

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

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

ANALYSIS OF MOVEMENTS IN PROPERTY VALUES
FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

Revenue for **FY2016** increased by €23.8 million, from €134.1 million in FY2015 to €157.9 million, mainly due to the consolidation of a full year's results of IHGH (+€16.2 million y-o-y). QPM Limited, which was acquired in July 2016, contributed €1.4 million. The remaining balance of €6.2 million is attributable to improved performance from the European operations of the Group. In consequence of the higher revenue, the Group reported an increase in EBITDA of €4.6 million (+14% y-o-y) to €36.7 million, which was to some extent adversely impacted by losses from the catering operations in Spain.

In FY2016, the Group generated €1.7 million from its equity accounted investments (being the 50% ownership in the Corinthia Hotel & Residences London and the Radisson Blu Resort & Spa Golden Sands) compared to a loss of €2.6 million reported in the prior year. Both operations had a positive year compared to FY2015, but given their exposure to the Pound Sterling, were negatively impacted on translation of their respective financial results to the euro currency.

During the year under review, the Group registered property uplifts before tax of €47.4 million on account of the improved trading performance of the Group's hotels located in Europe, which was partly mitigated by an impairment charge of €20.4 million on the value of the St Petersburg Commercial Centre (a net positive movement of €27.0 million). Further detail of the movement in property values is provided below:

ANALYSIS OF MOVEMENTS IN PROPERTY VALUES
FOR THE YEAR ENDED 31 DECEMBER 2016

(€'000)	Income Statement	Other Comprehensive Income	Total
Corinthia Hotel Lisbon	–	5,702	5,702
Lisbon Apartments	680	–	680
Corinthia Hotel St George's Bay	–	3,469	3,469
Corinthia Hotel Prague	–	2,423	2,423
Corinthia Hotel Budapest	–	18,613	18,613
Marina Hotel	–	2,640	2,640
Radisson Blu Resort, St Julian's	–	4,284	4,284
Corinthia Hotel St Petersburg	2,960	–	2,960
St Petersburg Commercial Centre	(20,392)	–	(20,392)
Corinthia Hotel & Residences London	–	6,598	6,598
Net movement in property values	**(16,752)**	**43,729**	**26,977**
Classified in the financial statements as follows:			
Movement in fair value of investment property	(19,712)	–	(19,712)
Net impairment reversal (loss) on hotel properties	2,960	37,131	40,091
Revaluation of hotel property (equity accounted investments)	–	6,598	6,598
Net movement in property values	**(16,752)**	**43,729**	**26,977**

Net finance costs increased by €2.1 million as a result of increased bond interest costs, primarily due to the new €55 million secured bond issued by IHI in July 2016 and the fact that IHGH's finance costs for 2015 only represent the charges for six months (post acquisition), whilst those for 2016 cover a full year. During the year under review, a positive amount of €11.1 million was recorded in other movements compared to an adverse amount of €8.2 million in FY2015. Such movements mainly represented exchange differences on borrowings denominated in Rouble on conversion to the Euro.

Overall, the Group incurred a loss for the year of €7.7 million (FY2015: loss of €3.7 million), but reported a total comprehensive income for the year, net of tax, of €32.9 million (FY2015: €14.9 million).

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

EBITDA for 2017 amounted to €63.5 million, an increase of €26.8 million from a year earlier (FY2016: €36.7 million). The contribution of Corinthia Hotel London amounted to €15.2 million, whilst the remaining balance of €11.6 million is mainly attributable to a marked performance improvement in all IHI's hotels. In particular, the y-o-y performance of the Corinthia Hotel St Petersburg was €2.6 million higher in 2017 relative to 2016. Similar marked improvements were achieved at the Corinthia Hotel Lisbon and CHL.

The Group's share of associates and joint ventures (equity accounted investments) now reflects principally the Radisson Blu Resort & Spa Golden Sands operation as the Corinthia Hotel London operation is fully consolidated. In FY2017, share of profit of equity accounted investments amounted to €2.1 million (FY2016: €1.7 million). Net finance costs in 2017 amounted to €21.1 million compared to €16.0 million in FY2016. After taking into account a tax credit of €5.3 million (FY2016: tax charge of €0.9 million), IHI registered a profit for the year of €14.9 million, a material turnaround to the loss incurred in FY2016 of €7.7 million.

In 2017, the Group registered net property uplifts before tax of €30.5 million on account of the continuing improved trading performance of the Group's assets located in Europe. This amount included a full reversal of all impairments previously recorded on Corinthia Hotel St Petersburg. Further detail of the movement in property values is provided below:

ANALYSIS OF MOVEMENTS IN PROPERTY VALUES FOR THE YEAR ENDED 31 DECEMBER 2017

(€'000)	Income Statement	Other Comprehensive Income	Total
Lisbon Apartments	(106)	–	(106)
Radisson Blu Resort, St Julian's	–	10,348	10,348
Corinthia Hotel St Petersburg	3,998	3,667	7,665
St Petersburg Commercial Centre	(2,750)	–	(2,750)
London Apartment	3,134	–	3,134
Corinthia Hotel & Residences London	–	12,186	12,186
Net movement in property values	**4,276**	**26,201**	**30,477**
Classified in the financial statements as follows:			
Movement in fair value of investment property	278	–	278
Net impairment reversal (loss) on hotel properties	3,998	15,853	19,851
Revaluation of hotel property (equity accounted investments)	–	10,348	10,348
Net movement in property values	**4,276**	**26,201**	**30,477**

Other comprehensive income comprises a combined currency conversion loss of €22.8 million on account of the weakened Sterling and Rouble. This negative movement was offset by the one-time release of all deferred tax recorded to date on the Corinthia Hotel London due to the change in accounting treatment to a subsidiary company. Total comprehensive income for the year amounted to €39.3 million (FY2016: €32.9 million).

Revenue generated by IHI in **FY2018** is forecasted to have amounted to €253.1 million, an increase of €10.7 million (+4%) when compared to the prior year (FY2017: €242.4 million). This y-o-y increase is expected to result from aggregate growth in revenue across the majority of Group properties and the addition of Corinthia Palace Hotel as from April 2018. As a consequence, EBITDA is expected to have increased by €3.2 million (+5%) from €63.5 million in FY2017 to €66.8 million. After factoring in depreciation and amortisation of €32.7 million and impairment of hotel properties and intangibles amounting to €2.0 million, results from operating activities are expected to have marginally decreased y-o-y by €1.6 million to €32.1 million.

Profit before tax is forecasted at €6.9 million in FY2018, compared to €9.6 million a year earlier (-28%). The movements between results from operating activities and profit before tax primarily include net finance costs of €20.4 million and adverse exchange fluctuations amounting to €4.5 million. Profit for the year is expected to be lower than previous year's figure by €10.8 million to €4.1 million, principally due to the effect of taxation, which is forecasted to amount to €2.8 million compared to a tax credit in FY2017 of €5.3 million (that is, an adverse movement amounting to €8.1 million). Overall forecasted comprehensive income in FY2018 is expected to amount to €4.1 million (FY2017: €39.3 million).

Management is projecting revenue for **FY2019** to increase y-o-y by €25.9 million (+10%) to €279.0 million, mainly on account of increases in turnover from the hotel operations segment. Corinthia Hotel Tripoli and Corinthia Hotel London are projected to increase revenue by €10.2 million (in aggregate), while the 3 hotels situated in St Julian's (namely, Corinthia St George, Marina Hotel and Radisson St Julian's) are expected to register a decrease of €3.5 million (in aggregate) in annual turnover due to construction works in a neighbouring third party property. EBITDA is projected to grow y-o-y by €6.9 million (+10%) to €73.6 million, while results from operating activities are expected to amount to €39.3 million, an increase of €7.2 million (+22%) when compared to FY2018. As such, total comprehensive income is projected to increase by €10.2 million (y-o-y) to €14.4 million (FY2018: €4.1 million).

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

The principal movement in the Group Balance Sheet as at 31 December 2018 is expected in property, plant and equipment, which is forecasted to have increased by €34.4 million to €1,142.7 million. This figure comprises capital expenditure relating to the acquisition of Corinthia Palace Hotel, Attard, Malta, the development of Corinthia Grand Astoria Hotel Brussels, upgrades to various hotel properties and other projects.

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

IHI GROUP BORROWINGS (€'000)	31 Dec' 15 Actual	31 Dec' 16 Actual	31 Dec' 17 Actual	31 Dec' 18 Forecast	31 Dec' 19 Projection
Bank borrowings					
Bank loans	205,990	180,330	341,269	349,483	370,079
Bank overdrafts	7,199	8,550	8,143	4,470	4,440
	213,189	**188,880**	**349,412**	**353,953**	**374,519**
Bonds					
6.25% IHI Bonds 2015 – 2019					
6.25% IHI Bonds 2017 – 2020	24,695	6,572	–	–	–
5.8% IHI Bonds 2021	19,676	19,722	19,770	19,822	19,877
5.8% IHI Bonds 2023	9,887	9,899	9,912	9,925	9,939
5.75% IHI Bonds 2025	44,060	44,138	44,220	44,307	44,400
4% IHI Secured Bonds 2026	–	54,230	54,297	54,367	54,440
4% IHI Unsecured Bonds 2026	–	39,450	39,427	39,480	59,284
6.5% IHGH Bonds 2017 – 2019	14,000	3,134	–	–	–
6% IHI (formerly IHGH) Bonds 2024	34,384	34,457	34,530	34,603	34,676
	146,702	**211,602**	**202,156**	**202,504**	**222,616**
Other interest bearing borrowings					
Parent company	3,091	–	–	–	–
Related companies	5,418	4,910	4,664	1,000	837
	8,509	**4,910**	**4,664**	**1,000**	**837**
Total borrowings and bonds	**368,400**	**405,392**	**556,232**	**557,457**	**597,972**

KEY ACCOUNTING RATIO	31 Dec' 15 Actual	31 Dec' 16 Actual	31 Dec' 17 Actual	31 Dec' 18 Forecast	31 Dec' 19 Projection
Net assets per share (€) *(Net asset value/number of shares)*	1.06	1.08	1.11	1.09	1.09
Liquidity ratio (times) *(Current assets/current liabilities)*	0.68	1.18	1.54	0.91	1.01
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	36%	37%	36%	38%	39%
Debt service cover ratio (times) *(EBITDA/net finance cost and loan capital repayment)*	1.08	1.48	1.62	1.86	2.01

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

Sinking Fund

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

CONTRIBUTIONS TO SINKING FUND (€'000)	31 Dec' 15 Actual	31 Dec' 16 Actual	31 Dec' 17 Actual	31 Dec' 18 Forecast	31 Dec' 19 Projection
€25 million 6.25% Bonds 2017 – 2020	3,363				
€20 million 5.8% Bonds 2021		1,077	2,168	3,645	5,431
€14 million 6.50% IHGH Bonds 2017 – 2019	507				
	3,870	**1,077**	**2,168**	**3,645**	**5,431**

Variance Analysis

IHI GROUP INCOME STATEMENT (€'000)	FY2018 Forecast (FAS' 18)	FY2018 Forecast (FAS' 19)	Variance
Revenue	255,807	253,080	(2,727)
Direct costs	(131,398)	(129,778)	1,620
Gross profit	**124,409**	**123,302**	**(1,107)**
Other operating costs	(54,136)	(56,549)	(2,413)
EBITDA[1]	**70,273**	**66,753**	**(3,520)**
Depreciation and amortisation	(33,476)	(32,690)	786
Net impairment of hotel properties & intangibles	(1,000)	(1,980)	(980)
Results from operating activities	35,797	32,083	**(3,714)**
Share of (loss) profit: equity accounted investments	1,501	–	91,501)
Net finance costs	(20,550)	(20,433)	117
Other	(2,658)	(4,541)	(1,883)
Movement in fair value of indemnification assets	(210)	(210)	–
Profit (loss) before tax	**13,880**	**6,899**	**(6,981)**
Taxation	(4,973)	(2,791)	2,182
Profit (loss) for the year	**8,907**	**4,108**	**(4,799)**
Other comprehensive income			
Other effects and tax	2,406	–	-2,406
	2,406	**–**	**-2,406**
Total comprehensive income (expense) for the year net of tax	**11,313**	**4,108**	**-7,205**

FY2018 Forecast (FAS '18) – refers to the FY2018 forecast included in the financial analysis summary dated 27 July 2018.

FY2018 Forecast (FAS '19) – refers to the FY2018 forecast as updated by management and included in this report.

As presented in the above table, revised revenue for FY2018 is expected to be lower than initially forecasted by €2.7 million to amount to €253.1 million. Direct and other operating costs have been revised upwards and thus, results from operating activities are now expected to be lower by €3.7 million to €32.1 million. Share of profit from equity accounted investments has been lowered to nil from €1.5 million, whilst losses from exchange fluctuations are expected to be higher by €1.9 million from €2.7 million in FAS'18 to €4.5 million in FAS'19. This has resulted in an adverse movement in profit before tax of €7.0 million, which is partly mitigated by a lower tax expense then originally forecasted amounting to €2.2 million. Forecast comprehensive income for FY2018 has been revised downwards from €11.3 million in FAS'18 to €4.1 million in FAS'19.

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

Related Party Listed Debt

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

Security ISIN	Amount Listed	Security Name	Currency
MT0000101254	7,500,000	6% Corinthia Finance plc 2019 – 22	EUR
MT0000101262	40,000,000	4.25% Corinthia Finance plc 2026	EUR

Source: Malta Stock Exchange

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

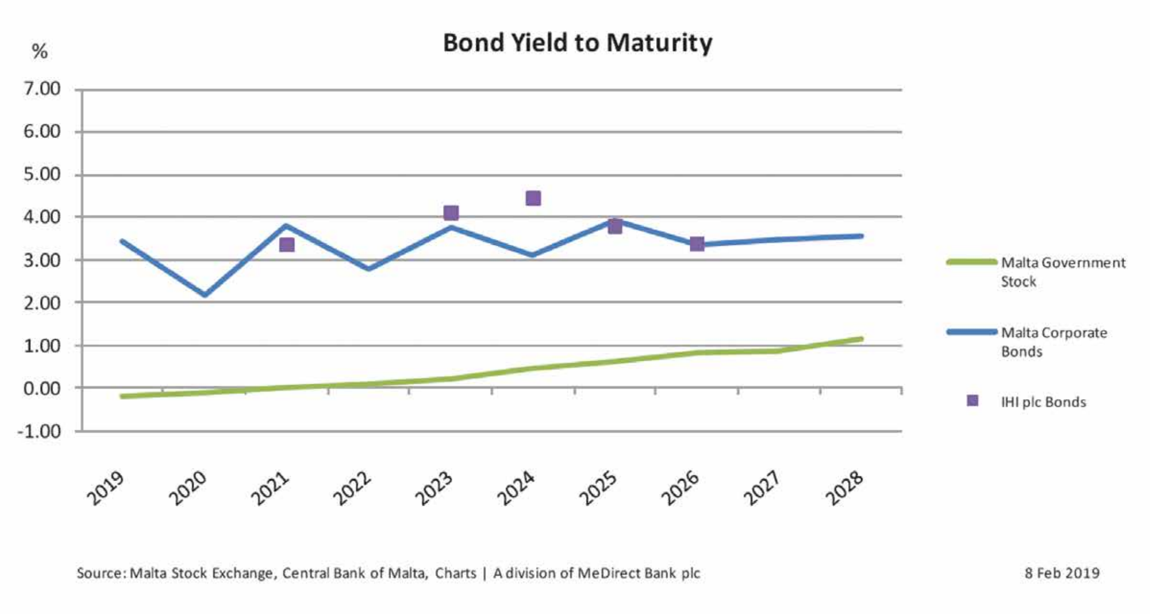
Security ISIN	Amount Listed	Security Name	Currency
MT0000371279	20,000,000	5.5% MIH 2020	EUR
MT0000371261	12,000,000	6.0% MIH 2021	EUR
MT0000371287	40,000,000	5.0% MIH 2022	EUR
n/a	11,000,000	6% Notes 2020 (unlisted)	EUR

Source: Malta Stock Exchange

PART 4 – COMPARABLES

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

COMPARATIVE ANALYSIS	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.5% Pendergardens Dev. plc Secured € 2020 Series I	15,000,000	2.17	6.29	68,589	14,418	66.04
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	2.77	6.29	68,589	14,418	66.04
4.25% Gap Group plc Secured € 2023	40,000,000	3.06	2.61	56,906	6,696	85.08
5.3% United Finance Plc Unsecured € Bonds 2023	8,500,000	3.77	1.19	21,625	4,844	69.04
6% AX Investments Plc Unsecured € 2024	40,000,000	3.47	6.97	325,243	214,590	18.66
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	3.10	4.42	77,088	38,701	45.62
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.64	3.05	107,801	39,813	54.01
4.25% Best Deal Properties Holding plc Secured 2024	16,000,000	3.48	4.02	25,986	3,432	82.64
5.1% 1923 Investments plc Unsecured € 2024	36,000,000	4.23	1.69	118,490	33,711	58.11
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.64	1.26	135,879	39,974	68.23
5.1% 6PM Holdings plc Unsecured € 2025	13,000,000	4.64	–	6,191	-19,896	–
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.60	2.59	1,765,072	901,595	40.43
4.0% International Hotel Invest. plc Secured € 2026	55,000,000	3.31	3.03	1,602,317	884,632	36.36
4.0% International Hotel Invest. plc Unsecured € 2026	60,000,000	3.40	3.03	1,602,317	884,632	36.36
4.0% MIDI plc Secured € 2026	50,000,000	3.38	-0.98	235,302	86,621	39.27
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.16	7.90	161,128	47,607	57.32
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.84	39.11	17,088	5,835	30.63
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.60	5.93	229,882	63,771	50.15
4.0% Eden Finance plc Unsecured 2027	40,000,000	3.49	4.46	169,936	90,162	36.52
4% Stivala Group Finance plc Secured 2027	45,000,000	3.33	6.21	199,560	121,041	31.54
3.85% Hili Finance Company plc Unsecured 2028	40,000,000	3.55	3.27	408,204	82,870	73.40



To date, there are no corporate bonds which have a redemption date beyond 2028. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

PART 5 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including room reservations, food & beverage, rental of commercial space, management of hotel properties and other hotel services.
Direct costs	Direct costs include cost of food, beverages, consumables, labour expenses and all other direct expenses.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting operating costs, depreciation & amortisation, finance costs, impairment provisions, share of profits from associate and affiliate companies and other operating costs.
Operating costs	Operating costs include all operating expenses other than direct costs and include selling & marketing and general & administration expenses.
Gross operating profit before incentive fees	Gross operating profit before incentive fees is the difference revenue, direct costs and other operating costs pertaining to the operation. It refers to the profit made by the operation before deducting incentive fees and ownership related costs.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Fair value of investment property	Fair value of investment property is an accounting adjustment to change the book value of the Group's investment property to its estimated market value.
Impairment of hotel properties	Impairment of hotel properties is an accounting adjustment to change the book value of the Group's hotel properties to their estimated market value.
Share of profit from equity accounted investments	IHI owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the Group, but IHI's share of profit is shown in the profit and loss account under the heading 'share of profit from equity accounted investments'.

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

Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include intangible assets (goodwill on acquisition, the Corinthia brand, website development costs, etc), investment properties (commercial centres in St Petersburg and Tripoli, apartments in Lisbon, etc), property, plant & equipment (hotel properties), and investments accounted for using the equity method (investment in Corinthia Hotel London, Medina Tower, etc).
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, etc), cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings, bonds and long term lease obligations.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.

Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Debt service cover ratio	The debt service cover ratio measures a company's ability to service its current debts by comparing its net operating income with its total debt service obligations.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.