INTERNATIONAL HOTEL INVESTMENTS p.l.c.

FINANCIAL ANALYSIS SUMMARY

28 OCTOBER 2021

MZ INVESTMENT SERVICES

MZ INVESTMENT SERVICES

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

28 October 2021

Dear Sirs

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the MFSA Listing Policies, we have compiled the Financial Analysis Summary (the "**Analysis**") set out in 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 2018 to 31 December 2020 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 2021 and 31 December 2022 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
Senior Financial Advisor

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TABLE OF CONTENTS

PART 1 – INFORMATION ABOUT THE ISSUER

1. KEY ACTIVITIES

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

IMPORTANT EVENTS

Described hereunder are important events in the development of the Group's business since FY2017.

Corinthia Grand Astoria Hotel Brussels (opening 2023)

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

A planning permit was issued in December 2017 for the restoration of the historic ground floor and façade of the original hotel, as well as the reconstruction of all upper floors, adjoining land and town houses. The permit is a major gain in additional volumes and floors, for a total built up area of 16,000m2. The new hotel will have 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.

Development of the Corinthia hotel in Brussels has been delayed due to intensive re-design and negotiations with various contractors with the objective to achieve a project budget in line with the Group's targets. The contract for phase one of the hotel, which covers the demolition, foundations and construction to watertight finish has been signed and works on site have commenced. Project costs are being financed out of an equity injection of €20 million, a bank loan facility of €45 million granted by ARES Bank of Spain and €10 million from each of LAFICO and the Issuer, the ultimate shareholders of NLI Group (which shall be on-lent by NLI to its fully-owned subsidiary and the hotel-owning company, Hotel Astoria S.A.). The Issuer's contribution of €10 million was raised from a Bond Issue pursuant to a prospectus dated 4 March 2019.

Corinthia Meydan Beach Hotel

In May 2016, CHL signed a technical services and pre-opening services agreement with Meydan Group of Dubai for the development of a hotel. The owner and CHL have earlier on this year sold their interests in the hotel. As a result, CHL received a payment of USD5,000,000 on such sale.

Corinthia Hotel Bucharest (opening 2022)

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

Corinthia Palace Hotel Attard

In April 2018, IHI acquired the Corinthia Palace Hotel in Attard through a new formed subsidiary from its ultimate parent, CPHCL. The operating results and assets and liabilities of the acquired business have been consolidated with the Group as from 1 April 2018. Since its acquisition, IHI embarked on a very significant improvement to the hotel's amenities and food and beverage facilities.

Shareholding in GHA Holdings Limited

In 2019, CHL acquired a 10% shareholding in GHA Holdings Limited ("**GHA**"). The other shareholders of GHA comprise Kempinski, Omni, Oracle, Pan Pacific and Minor Hotels. Since the said acquisition, it increased its shareholding in GHA to 13.1%.

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

Corinthia Hotel & Residences Moscow (opening 2023)

In February 2019, IHI acquired a 10% minority share for US$5.5 million in a company formed with a consortium of investors to acquire a landmark property at 10, Tverskaya Street, Moscow (the "**Moscow Project**"). The acquisition has been made with a view to developing the site, having a development gross area of 43,000m^2, into a mixed-use real estate project including a luxury boutique 42-room Corinthia hotel, 109 upmarket residential serviced apartments for re-sale, high-end retail and commercial outlets and underground parking. The asset is located on a prestigious boulevard in Moscow close to Red Square in a highly popular shopping, cultural and business location, as well as a luxury hotspot with other competing luxury brands, all in close proximity of each other. Development works are presently underway.

Corinthia Hotel Rome (opening 2023)

CHL, through a lease agreement, will be operating a redeveloped hotel property in Rome which was acquired and is being funded through its extensive reconstruction and refurbishment, by a third part investor. The property is the former seat of the Central Bank of Italy in Parliament Square. Plans are in hand for the conversion of the 7,500m^2 building into a luxury destination, featuring a number of suites and top of the range bedrooms. The luxurious public areas include 2 restaurants, bars and lounges, all wrapped around a central garden. The hotel also has a spa and other amenities. CDI is contracted to support in the delivery of the project, whilst CHL is the operator and lessee.

Corinthia Hotel Residences Doha (opening 2022/23)

CHL has signed an agreement with United Development Company (UDC), the Qatari master developer of The Pearl in Doha, to manage and operate a luxury Corinthia hotel to be built in UDC's newest flagship real estate development, Gewan Island. The Corinthia Hotel Doha will be built on a site having an area of 13,000m2 and will feature 110 guestrooms, a 1,000-person banquet hall, several restaurants and a luxurious spa facility. The development will also include luxury branded villas, a golf course, and a beach and yacht club, all of which will be also managed by CHL. The beach and yacht club is scheduled to open in 2022 whilst the hotel and luxury branded villas will follow in 2023.

Hal Ferh Site (planning stage)

The Group has completed the re-zoning of the Hal Ferh site at Golden Bay to permit 25 low-rise luxury villas alongside a 162-room resort property. Architectural designs for this site measuring circa 85,000m^2 are largely completed in keeping with the Group's aim to create a luxury resort that is sensitive to Malta's materials and rural landscape. An application to Planning Authority has been submitted recently.

Event Catering

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

Golden Sands Resort Limited

On 26 February 2021, the Issuer acquired the remaining 50% of the issued share capital of Golden Sands Resort Limited. The total consideration payable for the acquisition of the shares and other shareholder's receivables amounted to €13 million.

Corinthia Hotel New York

CHL has been engaged to operate and manage the Corinthia Hotel New York once it opens following extensive refurbishment in early 2023. The hotel was acquired by the private investment firm Reuben Brothers in 2020 and is located in New York's luxurious upper east side. It will have 97 guest rooms including 33 suites, 5 signature suites and 12 luxury residences.

2. DIRECTORS AND KEY EMPLOYEES

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

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

Board of Directors	
Mr Alfred Pisani	Chairman
Mr Moussa Alhassan Atiq Ali	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 Joseph Fenech	Non-Executive Director
Mr Frank Xerri de Caro	Senior Independent Non-Executive Director
Mr David Curmi	Independent Non-Executive Director

Joseph Fenech has been appointed as Director of the Company with effect from 20 April 2021, replacing Dr Joseph J. Vella. Mr Fenech has also been appointed member of the Group's Advisory Committee, including the Audit Committee, Nomination Committee and Remuneration Committee. Following Mr Fenech's appointment to the Board, the post of Chief Executive Officer is solely occupied by Simon Naudi.

The Chairman and the Chief Executive Officer 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 Chief Executive Officer, are Jean-Pierre Schembri (Company Secretary), Neville Fenech (Group Chief Financial Officer) and Clinton Fenech (General Counsel).

The weekly average number of employees engaged at the Issuer's corporate office and in its owned hotels during FY2020 amounted to 1,813 persons (FY2019: 2,952).

3. PRINCIPAL ASSETS AND ORGANISATIONAL STRUCTURE

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 JUNE 2021

Name	Location	Description	% ownership	No. of hotel rooms
Corinthia Hotel	Budapest Hungary	Property owner	100	439
Corinthia Hotel St Petersburg	Russia	Property owner	100	385
Commercial property St Petersburg	Russia	Property owner	100	n/a
Corinthia Hotel Lisbon	Portugal	Property owner	100	518
Pinhiero Chagas	Portugal	Residential apartment block	100	n/a
Corithia Hotel Prague	Czech Republic	Property owner	100	551
Corinthia Hotel Tripoli	Libya	Property owner	100	300
Commercial property Tripoli	Libya	Property owner	100	n/a
Corinthia Hotel St George's Bay	Malta	Property owner	100	250
Marina Hotel St George's Bay	Malta	Property owner	100	200
Corinthia Hotel & Residences London*	United Kingdom	Property owner	50	283
Corinthia Grand Astoria Hotel Brussels*	Belgium	Property owner (under development)	50	126
Corinthia Hotel & Residences Moscow	Russia	Property owner (under development)	10	42
Radisson Blu Resort St Julian's	Malta	Property owner	100	252
Radisson Blu Resort & Spa Golden Sands	Malta	Property owner & vacation ownership operation	100	338
Corinthia Palace Hotel & Spa	Malta	Property owner	100	146
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
Benghazi Development	Libya	Mixed-use property (to be developed)	55	n/a
Corinthia Catering and Catermax	Malta	Event catering	100	n/a
Corinthia Oasis	Malta	Vacant site (to be developed)	100	n/a
Costa Coffee	Malta	Retail catering	100	n/a
				3,830

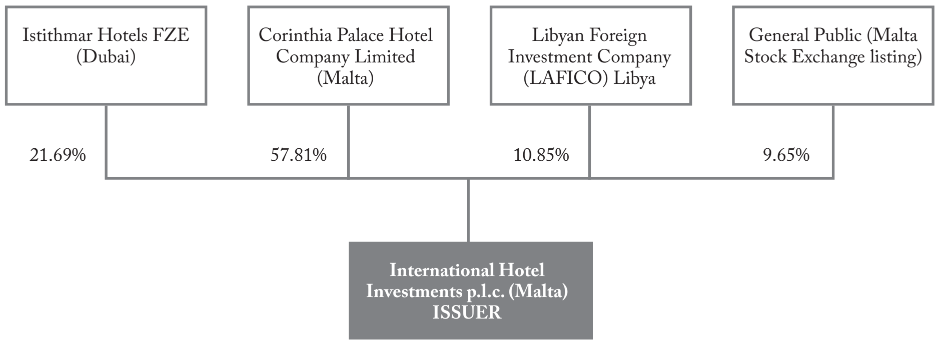
** under control and management of IHI*

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 2018, 2019 and 2020 under the headings: "investment property", "property, plant & equipment" and "investments accounted for using the equity method":

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

	2018 (€'000)	2019 (€'000)	2020 (€'000)
Investment Properties			
Commercial Centre St Petersburg	55,687	64,829	49,350
Commercial Centre Tripoli	73,743	73,743	73,743
Apartment Block Lisbon	2,800	3,160	3,168
Site in Tripoli	29,500	29,500	29,500
Apartment in London	41,809	42,942	35,594
	203,539	**214,174**	**191,355**
Hotel Properties			
Corinthia Hotel St George's Bay	39,070	38,498	37,819
Radisson Blu Resort, St Julian's	37,513	36,580	35,536
Corinthia Hotel Lisbon	114,736	116,943	115,048
Corinthia Hotel Prague	88,300	93,552	92,636
Corinthia Hotel Tripoli	76,367	74,106	71,707
Corinthia Hotel Budapest	121,874	122,774	116,727
Corinthia Hotel St Petersburg	79,022	88,690	66,934
Corinthia Hotel London	495,854	485,509	438,060
Corinthia Palace Hotel and Spa	28,915	30,925	32,701
Marina Hotel	30,500	29,918	29,385
	1,112,151	**1,117,465**	**1,036,553**
Joint Ventures and Associates			
Radisson Blu Resort & Spa Golden Sands (50%)	35,429	27,354	19,647
Medina Towers J.S.C. (25%)	12,760	12,790	12,184
	48,189	**40,144**	**31,831**
Assets in the Course of Development			
The Heavenly Collection Ltd (Hal Ferh)	21,800	21,800	21,800
Corinthia Grand Astoria Hotel Brussels	23,725	26,663	24,048
	45,525	**48,463**	**45,848**
Total	**1,409,404**	**1,420,246**	**1,305,587**

The diagram below summaries, in simplified format, the structure of the Issuer and the position within the said Group of the Corinthia Group. The complete organigram is included in section 4.2 of the registration document forming part of the prospectus dated 28 October 2021.



PART 2 – OPERATIONAL DEVELOPMENT

4. HOTEL PROPERTIES

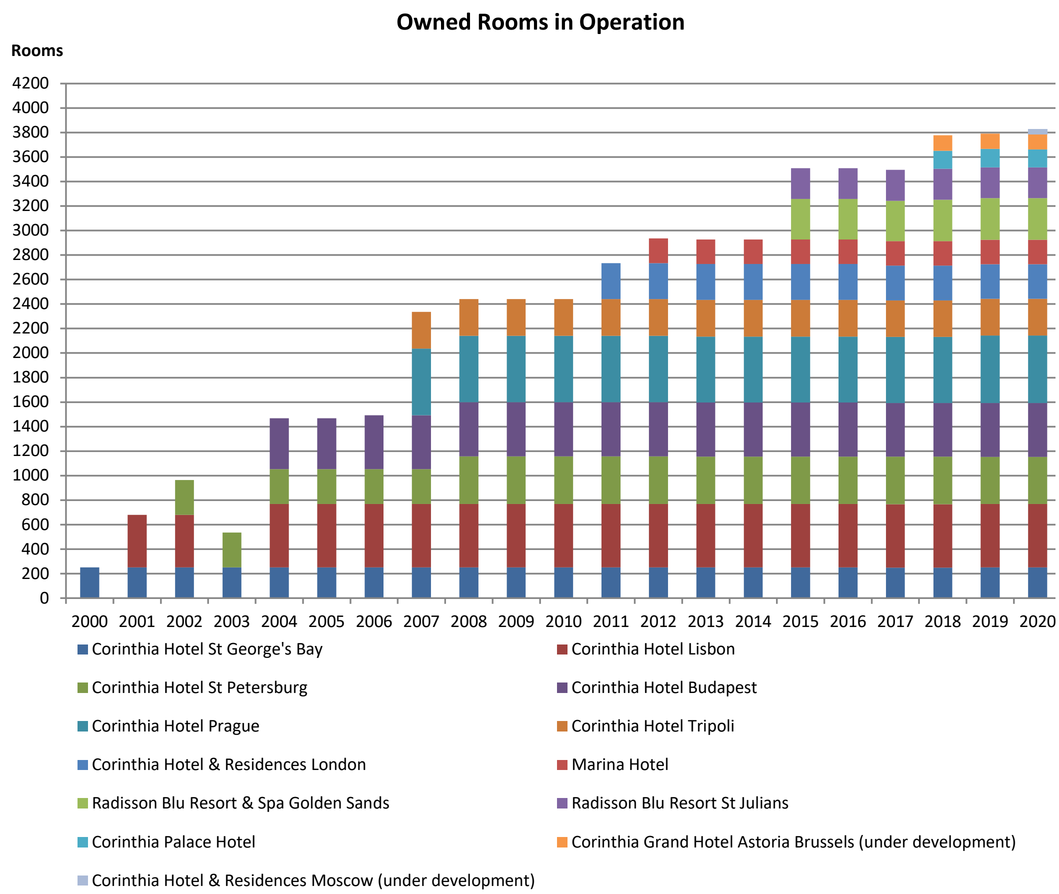
Effects of the COVID-19 Pandemic

The global spread and impact of the COVID-19 pandemic is complex, unpredictable, and continuously evolving and has resulted, since March 2020, in significant disruption and additional risks to the Group's hospitality operations, the travel industries, and the global economy. The COVID-19 pandemic has led governments and other authorities around the world to impose measures intended to control its spread, including restrictions on large gatherings of people, travel bans, border closings and restrictions, business closures, quarantines, shelter-in-place orders, and social distancing measures. As a result, the COVID-19 pandemic and its consequences have significantly reduced global travel and demand for hotel rooms and have had a material detrimental impact on the global commercial activity across the hospitality and travel industries, all of which had, and is expected to continue to have, a material adverse impact on the Group's business, operations, and financial results.

The extent, duration, and magnitude of the COVID-19 pandemic's effects will depend on various factors, all of which are highly uncertain and difficult to predict, including, but not limited to, the impact of the pandemic on global and regional economies, travel, economic activity, as well as actions taken by governments, businesses, and individuals in response to the pandemic, and any additional resurgence, or COVID-19 variants. These factors include the impact of the COVID-19 pandemic on unemployment rates and consumer discretionary spending; governmental or regulatory orders that impact the Group's business and its industry; the demand for travel and transient and group business; levels of consumer confidence; and the pace of recovery when the pandemic subsides. Moreover, even after shelter-in-place orders and travel bans are lifted and vaccines are more widely distributed and available, demand for hotel services, including corporate travel and group meetings, may remain depressed for a significant length of time, and as such, the Group cannot predict with any degree of certainty if and when demand will return to pre-COVID-19 levels.

4.1 ROOM INVENTORY

As at the date of this report, the Issuer fully owns 10 hotel properties, 50% in each of 2 other hotel properties (namely, Corinthia Hotel & Residences London and Corinthia Grand Hotel Astoria Brussels (under construction)), and 10% of the Corinthia Hotel & Residences Moscow (under construction). The chart below sets out the growth in owned-room inventory of the Issuer since incorporation, which increased from 250 to 3,830 rooms over a span of 21 years.



Source: Management information

4.2 CORINTHIA HOTEL BUDAPEST

Introduction

IHI Magyarország Zrt., a fully-owned subsidiary of the Company, owns the 439-room five-star Corinthia Hotel located in Budapest, Hungary ("Corinthia Hotel Budapest"). The carrying value of the Corinthia Hotel Budapest as at 31 December 2020 was €116.7 million (FY2019: €122.7 million).

Economic Update[1]

Hungary's economy started to emerge from the pandemic-induced recession in the second half of 2020. Real GDP fell by 5% in 2020 but industrial and construction activity returned to their pre-pandemic level before the end of the year.

The economy continued its recovery from the economic shock of the pandemic at the beginning of the year (2021). Real GDP rose by 2% quarter-on-quarter in the first quarter of 2021. Recent economic indicators suggest that the recovery may have paused in the second quarter, partly due to persisting supply chain disruptions affecting the automotive industry. The recovery is forecast to resume in the second half of the year as the pandemic recedes and the economy reopens. The expected rebound is signalled by the recent improvement in business and consumer confidence. Growth is set to be driven by the gradual recovery of consumer demand for services, high investment activity supported by EU funds and accommodative fiscal policies. Exports should also make a significant contribution thanks to the supportive external environment and the expected revival of intra-EU tourism.

[1]*European Economic Forecast – Summer 2021 (European Commission Institutional Paper 156 July'21).*

Annual GDP growth is forecast at 6.3% in 2021, followed by 5.0% in 2022. This is a more frontloaded profile for the economic recovery than what was projected in the spring. The revision reflects data for the first quarter which indicate a milder impact of health-related restrictions on economic activity. Upside risks to the forecast stem from the potential introduction of further stimulus measures, notably a proposed personal income tax refund for families with children ahead of the 2022 elections.

The signals from the labour market are more mixed. In the first quarter of 2021, seasonally adjusted employment remained 1.1% below its pre-pandemic level (in the last quarter of 2019), and vacancy statistics do not yet suggest a strong recovery of aggregate labour demand. Monthly data also point to a slight deceleration of private sector wage growth in the first quarter of 2021. At the same time, firms' perceptions of labour shortages have increased recently and wage growth has held up better in the sectors where such shortages were reported. This could reflect mismatches in terms of the location of employment opportunities and prospective workers, as well as mismatches in the types of jobs available and the skills of the labour force. As a consequence, wage growth may remain elevated despite the more gradual recovery of employment.

HICP[2] inflation rose by 5.3% in May 2021 driven by higher fuel prices and recent excise duty increases. The pass-through of the forint's past depreciation and the repricing of various services after the reopening of the economy may continue to add to inflation in the coming months. The re-emergence of labour market bottlenecks could also fuel inflation in 2022. Overall, inflation is forecast at 4.4% in 2021 and 3.3% in 2022.

Operational Performance

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

CORINTHIA HOTEL BUDAPEST	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**
Turnover (€'000)	26,360	28,054	6,116
Gross operating profit before incentive fees (€'000)	8,952	9,790	724
Gross operating profit margin (%)	34	35	12
Occupancy level (%)	81	80	14
Average room rate (€)	135	146	147
Revenue per available room (RevPAR) (€)	109	117	20
Benchmark performance			
Occupancy level (%)	79	80	n/a
Average room rate (€)	151	155	n/a
Revenue per available room (RevPAR) (€)	120	125	n/a
Revenue Generating Index	0.91	0.94	n/a

Source: Management information.

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

In FY2019, management completed a refurbishment programme of the Hotel, which reflected positively in an improvement of 8% in average room rate from €135 in FY2018 to €146 whilst occupancy was maintained at 80% (FY2018: 81%). As such, during the year under review, revenue increased by €1.7 million (+6%) and amounted to €28.1 million (FY2018: €26.4 million). Gross operating profit increased in FY2019 from €9.0 million in FY2018 to €9.8 million (+9%) and gross operating profit margin improved by one percentage point to 35%. During the year, the Hotel performed below its benchmark at an RGI of 0.94 which was nonetheless better than the 0.91 achieved in the prior year.

[2] The Harmonised Indices of Consumer Prices (HICP) measure the changes over time in the prices of consumer goods and services acquired by households.

The financial information for FY2020 reflects the disruption caused by the pandemic on the hotel's services. During the said period, occupancy level was minimal at 14% (FY2019: 80%) and revenue amounted to €6.1 million, a decrease of €21.9 million from the previous year (FY2019: €28.0 million). Gross operating profit amounted to €0.7 million compared to €9.8 million in FY2019. The recovery anticipated in 2021 is somewhat delayed, but travel demand is gradually improving with leisure bookings leading the way compared to group activity and corporate bookings. Management is hopeful that the positive trends and momentum in business will continue for the remainder of the year.

4.3 CORINTHIA HOTEL ST PETERSBURG

Introduction

IHI Benelux B.V. (a fully-owned subsidiary of the Company) owns the 385-room five-star Corinthia Hotel located in St Petersburg, Russia ("**Corinthia Hotel St Petersburg**") and adjoining Commercial Centre (Nevskij Plaza Shopping and Office Centre). A renovation programme was completed in 2018 at a cost of €3.4 million and comprised the refurbishment of all 280 bedrooms and suites in the Hotel's original wing. In Q3 2019, the Hotel commenced the development of a derelict building with a footprint measuring circa 1,500 square metres situated behind the Hotel. The estimated cost of this development is set at €2.6 million and will consist in the creation of a car park and further office space. Due to the COVID-19 pandemic, this latest project has been put on hold. The carrying amount of the Corinthia Hotel St Petersburg and the Commercial Centre as at 31 December 2020 was €66.9 million (FY2019: €88.7 million) and €49.4 million (FY2019: €64.8 million) respectively.

Economic update[3]

Even though the pandemic and lower oil prices hit Russia hard in 2020, the real GDP decline was still moderate reflecting relatively light lockdown restrictions, the use of macroeconomic policy buffers, and the small share of contact-intensive services in the economy. Nevertheless, the structure of the economy and renewed geopolitical tensions also imply only a moderate rebound over the forecast horizon.

Real GDP in Russia declined by a relatively moderate 3% in 2020, as net exports and public consumption partly offset contracting private demand. Private consumption dropped sharply as household income declined and uncertainty increased in particular for households working in the large informal sector. Investments, already low in recent years given the weak business environment, decreased further in 2020, amid a shortage of financing for SMEs, lockdowns hitting the service sector, and worse prospects for the oil sector. At the same time, public funding was redirected rapidly from large-scale investments in national projects that were slowly rolled out, towards public consumption, supporting growth. On the external side, oil production cuts undermined exports' growth, but non-oil exports, in particular agricultural exports, held up well due to a good grain harvest, a weaker rouble and rising global food consumption. Imports were down by a staggering 12% year-on-year, reflecting lower consumption, the depreciating rouble and the abrupt decline in outbound tourism.

Despite the recent increase in household savings which is expected to be unwound going forward, private consumption recovery in 2021 is set to be held back by continued uncertainty and weak disposable income growth as well as by slower credit growth as mortgage subsidies are set to be phased out. Slow progress with vaccinations is likely to cloud the outlook for the service sector for the remainder of 2021, as well. However, domestic consumption is set to be supported by continued social transfers and restrictions on outbound tourism.

Investment is expected to recover only slightly in 2021 and in 2022 as the medium-term outlook for the oil-market does not encourage capital spending, the overall investment climate remains muted and the space for expansionary macroeconomic policy is shrinking amid rising inflation. At the same time, geopolitical factors are expected to make financing of large investments more difficult, and the increasing 'de-coupling' of the Russian economy channels investments to less productive sectors, undermining long-term growth. The rise in public investment and consumption is likely to be moderate as fiscal policy is expected to get more restrictive due to worsening financing conditions following US sanctions and the desire to preserve buffers. Exports are expected to grow faster than imports in both 2021 and 2022, as energy exports are set to increase and the weak rouble supports non-energy exports. At the same time, the import substitution policy, the weak rouble and the negative income trend are likely to curb imports.

Simultaneously, the macroeconomic framework with flexible exchange rates and a fiscal rule centred on a fixed oil price, make Russia less vulnerable to external pressures. In addition, the increase of reserve buffers even in crisis times and the payback of foreign currency denominated debt as well as the declining role of foreigners in the government debt market further insulate Russia from international financial trends. However, this greater macroeconomic stability does not automatically lift growth prospects, given structural weaknesses and bottlenecks in the economy. Taken together, real GDP is expected to grow by 2.7% in 2021 and 2.3% in 2022, taking GDP above the pre-pandemic level in the course of 2022.

[3] *European Economic Forecast – Spring 2021 (European Commission Institutional Paper 149 May'21).*

At its meeting on 23 July 2021, the Board of Directors of the Central Bank of the Russian Federation (CBR) raised the key interest rate by 100 basis points to 6.50%. The move represented the sharpest increase in rates since late 2014 and marked the fourth consecutive hike since March. In line with the previous hike, the decision was driven by elevated price pressures. Inflation accelerated to 6.5% in June 2021 (May: 6.0%), marking the highest reading in nearly five years and climbing further above the Bank's 4.0% target. The price rally continued to gain steam on the back of a robust economic recovery, with GDP estimated to have bounced back to its pre-crisis levels in Q2 2021. Strengthening demand in many industries outpaced their capacity to ramp up output, while consumer lending accelerated, stoking price pressures in turn. Soaring prices for vegetables and tourism services also added fuel to the rally.

The CBR revised its inflation forecast for end-2021 by one percentage point to 5.7% - 6.2% but the Bank expects inflation to slow to 4.0% - 4.5% in 2022 and stay close to 4.0% further ahead - at which point it projects the key rate to return to its long-term neutral range, which is currently estimated at 5.0% - 6.0%.

Fiscal packages of around 3% of GDP, including increased social transfers and support measures for corporations contributed to mitigating the impact of the crisis. While the size of the packages might have not been large compared to other economies, it followed a relatively long phase of restrictive fiscal policy, increasing its impact. After a surplus of 2.6% of GDP in 2019 the budget turned into a deficit of 4.7% of GDP in 2020. Going forward, the deficit is expected to be significantly lower in 2021 at around 3.5% of GDP and 2.5% of GDP in 2022 reflecting higher oil-related revenues, leaving some room for a moderate rise in expenditures.

Downside risks on the external side are related to uncertainty around oil demand and oil prices as well as further escalation of geopolitical tensions, including the possibility of further sanctions. On the upside, higher oil revenues might boost incomes, consumption and investments more than expected as output restrictions are lifted. Higher demand for technology sectors during the pandemic could result in a more efficient use of technology and therefore in higher productivity growth.

Operational Performance

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

CORINTHIA HOTEL ST PETERSBURG	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**
Turnover (€'000)	16,500	16,243	3,171
Gross operating profit before incentive fees (€'000)	8,522	7,857	(612)
Gross operating profit margin (%)	52	48	(19)
Occupancy level (%)	54	60	17
Average room rate (€)	165	144	92
Revenue per available room (RevPAR) (€)	89	87	15
Benchmark performance			
Occupancy level (%)	65	61	n/a
Average room rate (€)	187	196	n/a
Revenue per available room (RevPAR) (€)	122	122	n/a
Revenue Generating Index	0.73	0.71	n/a

Source: Management information.

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

Revenue in FY2019 amounted to €16.2 million, a decrease of €0.3 million from FY2018, while gross operating profit declined from €8.5 million in FY2018 to €7.9 million. The average room rate in the prior year was relatively high (at €165 compared to €144 in FY2019) principally due to FIFA World Cup event, which was partly offset by an increase in occupancy in FY2019 of 6 percentage points to 60% (FY2018: 54%). Compared to benchmark, the Hotel's occupancy level was broadly in line with its competitive set (60% vs 61% respectively). However, the Hotel's achieved average room rate lagged its benchmark by 27% (€144 vs €196 respectively), which inevitably impacted RGI.

The financial information for FY2020 reflects the disruption caused by the pandemic on the hotel's services. During the said period, occupancy level was minimal at 17% (FY2019: 60%) and revenue amounted to €3.2 million, a decrease of €13.0 million from the previous year (FY2019: €16.2 million). The hotel incurred a gross operating loss amounted to €0.6 million compared to a gross operating profit of €7.9 million in FY2019. The recovery anticipated in 2021 is somewhat delayed, but travel demand is gradually improving with domestic leisure bookings leading the way compared to group activity and corporate bookings. Management is hopeful that the positive trends and momentum in business will continue for the remainder of the year.

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)	FY2018 Actual	FY2019 Actual	FY2020 Actual
Turnover (€'000)	5,229	4,751	3,887

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. In FY2020, rental income declined by €864,000 (y-o-y) to €3.9 million (FY2019: €4.8 million). Management is of the view that rental income will take longer to recover as a more competitive market for offices and retail comes to the fore, albeit many of existing tenants are long-standing.

4.4 CORINTHIA HOTEL LISBON

Introduction

Alfa Investimentos Lda (a fully-owned subsidiary of the Company) owns the 518-room five-star Corinthia Hotel located in Lisbon, Portugal ("**Corinthia Hotel Lisbon**"). A renovation programme is presently underway at an estimated cost of €14 million. The refurbishment started in November 2016 and was due to be completed in FY2020. Due to the pandemic, the completion date has been extended by an additional 24 months to better manage cash flow and demand for the newly refurbished rooms. 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 is being 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. The majority of the rooms inventory have been fully renovated.

The carrying amount of the Corinthia Hotel Lisbon as at 31 December 2020 was €115.0 million (FY2019: €116.9 million). Alfa Investimentos Lda also owns an apartment block in Lisbon for investment purposes, valued at €3.2 million as at 31 December 2020 (FY2019: €3.1 million).

Economic Update[4]

Portugal's economy has been recovering since the beginning in the second quarter of 2021, along with the gradual relaxation of pandemic restrictions. This can already be seen in the sharp increase in the Commission's Economic Sentiment Indicator and hard data for retail sales, industrial production and service sector turnover. The pace of recovery has been dampened by the partial reimposition of temporary restrictions in June, which was triggered by a resurgence in infections. Nevertheless, GDP is projected to rise by 3.3% in the second quarter after a drop of 3.2% during the strict lockdown in the previous quarter. A further increase in growth is expected in the third quarter when foreign tourism in Portugal is set to rise, helped by the vaccination campaign in Europe and the rollout of the EU digital COVID certificate.

In full-year terms, domestic demand is expected to contribute the most to GDP growth in both 2021 and 2022. This reflects pent-up demand from domestic consumers as well as support to both corporate and public investment from the country's Recovery and Resilience Plan[5]. Regarding the external sector, exports of services remain constrained by the international travel industry, which is not expected to fully recover by the end of the forecast period (FY2022). However, the outlook for goods exports has improved since the previous forecast. Despite mobility restrictions, Portugal's goods exports increased substantially in the first quarter of this year, surpassing their pre-pandemic levels. Export growth continued in April alongside a further improvement in export order books in May.

[4] *European Economic Forecast – Summer 2021 (European Commission Institutional Paper 156 July'21).*
[5] *The Recovery and Resilience Facility will make €672.5 billion in loans and grants available to support reforms and investments undertaken by Member States. The aim is to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions.*

Overall, GDP is forecast to increase by 3.9% in 2021 and 5.1% in 2022. The economy is thus expected to reach its pre-pandemic level by mid-2022. Risks remain tilted to the downside due to the country's large exposure to foreign tourism. At the same time, this is now largely offset by upside risks in the manufacturing sector, which could benefit further from global demand tailwinds.

Inflation picked up from 0.2% (y-o-y) in the first quarter of 2021 to 0.5% in May on the back of a surge in energy prices, which also had repercussions on transport services and some industrial goods. However, prices of accommodation and restaurants declined substantially in April and May relative to a year earlier, thus keeping the overall inflation rate well below the EU average. Prices of services are expected to gradually increase over the forecast horizon while the upward impact of energy and commodity prices is projected to subside in parallel. Overall, inflation is forecast to increase to 0.8% in 2021 and 1.1% in 2022.

Operational Performance

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

CORINTHIA HOTEL LISBON	FY2018 Actual	FY2019 Actual	FY2020 Actual
Turnover (€'000)	26,404	28,621	7,358
Gross operating profit before incentive fees (€'000)	8,667	9,419	467
Gross operating profit margin (%)	33	33	6
Occupancy level (%)	69	66	13
Average room rate (€)	140	150	140
Revenue per available room (RevPAR) (€)	96	99	18
Benchmark performance			
Occupancy level (%)	71	74	n/a
Average room rate (€)	146	153	n/a
Revenue per available room (RevPAR) (€)	104	113	n/a
Revenue Generating Index	0.92	0.88	n/a

Source: Management information.

In FY2018, revenue increased y-o-y by €1.6 million (+7%) to €26.4 million, principally due to a €7 increase in the average room rate to €140. This had a positive impact on gross operating profit, which increased from €8.1 million in FY2017 to €8.7 million in FY2018.

FY2019 was another positive year where the Hotel registered an 8% increase in revenue and a 9% improvement in gross operating profit. The growth in revenue of €2.2 million to €28.6 million was achieved following a 7% increase in average room rate, from €140 in FY2018 to €150. Notwithstanding the y-o-y improvement in results, the Hotel's performance has lagged its competitive set. In FY2019, the Hotel's occupancy level and average room rate were below benchmark in consequence of the on-going refurbishment works which reduced available hotel inventory and resulted in an RGI of 0.88.

The financial information for FY2020 reflects the disruption caused by the pandemic on the hotel's services. During the said period, occupancy level was minimal at 13% (FY2019: 66%) and revenue amounted to €7.4 million, a decrease of €21.2 million from the previous year (FY2019: €28.6 million). Gross operating profit amounted to €467,000 compared to €9.4 million in FY2019. The recovery anticipated in 2021 is somewhat delayed, but travel demand is gradually improving with leisure bookings leading the way compared to group activity and corporate bookings. Management is hopeful that the positive trends and momentum in business will continue for the remainder of the year

4.5 CORINTHIA HOTEL PRAGUE

Introduction

IHI Towers s.r.o. (a fully-owned subsidiary of the Company) owns the 551-room five-star Corinthia Hotel located in Prague, Czech Republic ("**Corinthia Hotel Prague**"). The carrying amount of the Corinthia Hotel Prague as at 31 December 2020 was €92.6 million (FY2019: €93.6 million).

Economic Update[6]

The strong second wave of the pandemic and related containment measures brought further disruptions to the economy in the first months of this year, leading to a 0.3% quarter-on-quarter GDP decline in the first quarter of 2021. Household consumption slightly declined and together with decreasing government consumption became the most important negative factors behind the decrease in economic activity. On the contrary, investment expenditure provided a positive surprise, growing by 1.6% quarter-on-quarter. Foreign demand developments remained favourable, however, the overall contribution of net exports was lower compared to the previous quarter mainly due to increased imports.

Czech Republic's economy has been recovering since the second half of April. Positive developments in the public health situation and rising foreign demand are reflected in the sentiment indicators for both households and firms. Private consumption is expected to remain the main driver of Czech Republic's economic recovery over the forecast horizon, reflecting the stable situation on the labour market, pent-up demand and the drawing down of accumulated excess savings. At the same time, supply chain disruptions due to the ongoing shortage of semi-conductors are weighing on Czech Republic's automotive sector production and exports. However, these disruptions are expected to be only temporary.

The country's Recovery and Resilience Plan is also set to strengthen private and public investment and thereby boost the economic recovery. In 2022, GDP growth will also be supported by the new EU funding cycle. Overall, GDP is forecast to increase by 3.9% in 2021 and by 4.5% in 2022. Towards the end of the forecast horizon, economic growth in Czech Republic is expected to reach its potential level.

Operational Performance

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

CORINTHIA HOTEL PRAGUE	FY2018 Actual	FY2019 Actual	FY2020 Actual
Turnover (€'000)	20,099	20,454	3,514
Gross operating profit before incentive fees (€'000)	6,373	6,396	(2,161)
Gross operating profit margin (%)	32	31	(61)
Occupancy level (%)	74	76	11
Average room rate (€)	86	85	70
Revenue per available room (RevPAR) (€)	63	65	8
Benchmark performance			
Occupancy level (%)	79	77	n/a
Average room rate (€)	114	119	n/a
Revenue per available room (RevPAR) (€)	91	92	n/a
Revenue Generating Index	0.69	0.71	n/a

Source: Management information.

In FY2018, revenue reached €20.1 million, an increase of 4% from a year earlier, mainly due to an increase in occupancy from 73% to 74% and an increase in average room rate from €83 in FY2017 to €86 in FY2018. Gross operating profit increased by 7% from €6.0 million in FY2017 to €6.4 million in FY2018.

Performance in FY2019 was broadly unchanged when compared to FY2018, with achieved revenue amounting to €20.5 million (FY2018: €20.1 million) and gross operating profit of €6.4 million (FY2018: €6.4 million). RevPAR in FY2019 amounted to €65 compared to €63 in the prior year. The Hotel has consistently underperformed its competitive set principally in terms of room rates. This gap in room rates is largely linked to the Hotel's location just outside the City centre in Prague 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.

[6] *European Economic Forecast – Summer 2021 (European Commission Institutional Paper 156 July'21).*

The financial information for FY2020 reflects the disruption caused by the pandemic on the hotel's services. During the said period, occupancy level was minimal at 11% (FY2019: 76%) and revenue amounted to €3.5 million, a decrease of €17.0 million from the previous year (FY2019: €20.5 million). The hotel incurred a gross operating loss of €2.2 million in FY2020 compared to a gross operating profit of €6.4 million in FY2019. The recovery anticipated in 2021 is somewhat delayed, but travel demand is gradually improving with leisure bookings leading the way compared to group activity and corporate bookings. Management is hopeful that the positive trends and momentum in business will continue for the remainder of the year.

4.6 CORINTHIA HOTEL TRIPOLI

Introduction

Corinthia Towers Tripoli Limited (a fully-owned subsidiary of the Company) owns the 300-room five-star Corinthia Hotel located in Tripoli, Libya ("**Corinthia Hotel Tripoli**"), and a commercial centre measuring circa 10,000 square metres and a tract of undeveloped land, both of which are adjacent to the hotel. The carrying amounts of the Corinthia Hotel Tripoli, commercial centre and the adjacent plot as at 31 December 2020 were €71.7 million, €73.7 million and €29.5 million respectively (FY2019: €74.1 million, €73.7 million, €29.5 million), for a combined total of €174.9 million.

Market Overview[7]

Libya entered 2021 as a divided nation aspiring for recovery and healing. With intensifying conflict and a blockade of oil terminals and fields, the economy registered one of the worst performances in recent records for a substantial part of 2020. Starting in mid-September, a rapprochement between political/military factions brought much-needed relief to the economy, capping the GDP plunge at 31.3%, annually. The appointment of an interim Government of National Unity on 10 March 2021 is a positive turn of events and there is rekindled hope for a lasting political settlement leading to elections, which are due to be held on 24 December 2021.

For a significant part of 2020, the performance of the Libyan economy was the worst in recent records. Even with rebounding oil proceeds in the last quarter, the economy could not recover its earlier losses, and registered a 31.3% real decrease in GDP. On average, oil production in 2020 is estimated at 405,000 barrels per day, roughly a third of actual output in 2019.

With looming uncertainties, projecting future economic trends is a daunting task. However, if the current rapprochement remains on track, a significant economic recovery in Libya from the 2020 slump is within reach in the forthcoming year. With major maintenance problems still pending, oil production is projected to reach 1.1 million barrel per day (MBD) in 2021. This would lead to a rebound in real GDP growth, to 67% in 2021. In terms of level of GDP, the economy would still be 23% below that in 2010, the year prior to the start of the conflict.

Operational Performance

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

CORINTHIA HOTEL TRIPOLI	FY2018 Actual	FY2019 Actual	FY2020 Actual
Turnover – Hotel operations (€'000)	3,778	3,156	5,148
Turnover – Commercial Centre (€'000)	6,927	6,736	7,351
Gross operating profit before incentive fees (€'000)	4,061	4,997	6,938
Gross operating profit margin (%)	38	51	56
Occupancy level (%)	5	4	16
Average room rate (€)	178	205	161
Revenue per available room (RevPAR) (€)	8	7	26

Source: Management information.

[7] *https://www.worldbank.org/en/country/libya/publication/economic-update-april-2021*

The Commercial Centre has remained operational and practically leased out over the years despite the ongoing instability in Libya and in FY2020 generated €7.4 million compared to €6.7 million in the prior year. The remaining office areas for lease will soon be rented out bringing the Centre's retail income to over €7.7 million per annum.

In 2018, the Corinthia Hotel Tripoli generated €3.8 million in revenue, primarily from food and beverage activities at the hotel. Inclusive of the adjoining office and commercial centre, the Hotel registered aggregate revenue of €10.7 million compared to €7.6 million in the prior year (+41%). In turn, gross operating profit increased by €1.6 million (y-o-y) to €4.1 million.

Revenue in FY2019 decreased to €9.9 million compared to €10.7 million (-7%), but gross operating profit improved from €4.1 million to €5.0 million, primarily on account of lower operating costs incurred at the hotel.

Operating performance improved further in FY2020 as revenue increased by €2.6 million (y-o-y) to €12.5 million. Occupancy at the hotel improved from 4% (a year earlier) to 16%, while rental income increased by €0.6 million to €7.4 million. Gross operating profit in FY2020 amounted to €6.9 million, a y-o-y increase of €1.9 million. Looking ahead, developments on the political front augur well for increased demand for the hotel's services.

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

4.7 CORINTHIA HOTEL & RESIDENCES LONDON

Introduction

NLI Holdings Limited (equally owned by the Libyan Foreign Investment Company (LAFICO) and IHI) owns the 283-room luxury Corinthia Hotel located in London, United Kingdom ("**Corinthia Hotel London**"). The Group also owned a penthouse apartment which was sold during FY2021. The sale proceeds were principally applied towards the settlement of the bank loan on the said penthouse and in supporting the partial repayment of the bank loan on the London hotel. The carrying amount of the Corinthia Hotel London (including the penthouse) as at 31 December 2020 was €473.7 million (FY2019: €528.5 million).

Economic Update[8]

After falling by 19.5% in the second quarter of 2020 as a consequence of strict lockdown measures implemented to contain the first wave of the pandemic, UK GDP partially rebounded by 16.9% in the third quarter. To contain a second wave of the pandemic, another lockdown was introduced for the month of November, and GDP growth slowed to 1.3% in the fourth quarter of 2020. Overall, real GDP in 2020 fell by 9.8%, mainly due to a fall in private consumption.

The government tightened restrictions again significantly at the end of December 2020 after a sharp increase in the prevalence of COVID-19 cases. This third lockdown, which was only partially eased on 8 March with the re-opening of schools, weighed on output in the first quarter of 2021.

Shortly before the end of 2020, the UK and the EU signed the Trade and Cooperation Agreement (TCA). While the TCA provides for zero tariffs and zero quotas for all goods complying with the appropriate rules of origin, the UK leaving the European Union has inevitably created significant non-tariff barriers (NTBs). This became evident in early 2021 when UK trade volumes with the EU fell sharply. While some of these disruptions will be temporary, as businesses get used to the new rules, UK trade is expected to remain permanently lower over the forecast period as compared to a situation with unchanged EU-UK trading relations.

Private consumption is expected to pick up quickly as restrictions are being eased and pent-up demand is released, though an increase in unemployment when the furlough scheme finishes at the end of September 2021 is expected to temper private consumption slightly. Business investment is forecast to pick up more strongly in the second half of 2021 and in 2022, as uncertainties regarding the further evolution of the pandemic and the new EU-UK trade relationship fade away. In addition, the 'super-deduction' announced in the March 2021 budget, which allows businesses to offset 130% of eligible investment spending, is expected to have a positive impact on business investment over the forecast period. Government consumption is forecast to contribute positively particularly in 2021. Net exports are projected to be a drag on growth over the forecast horizon, as imports are expected to recover more quickly than exports. This would also cause the current account deficit to increase to around 5% of GDP over the forecast horizon. Overall, GDP is expected to increase by 5.0% in 2021 and by 5.3% in 2022. It is set to recover to pre-pandemic levels by the third quarter of 2022.

[8] *European Economic Forecast – Spring 2021 (European Commission Institutional Paper 149 May'21).*

Government measures supporting employees and the self-employed are expected to keep unemployment relatively low until the third quarter of 2021. Unemployment is then expected to increase, as not all of the employees still on the furlough scheme are expected to return to their jobs. The unemployment rate in 2021 is projected to increase from 4.4% in 2020 to 5.6% in 2021 and to 5.9% in 2022.

The general government deficit is expected to fall from 12.3% in 2020 to 11.8% of GDP in 2021 and to 5.4% in 2022 as the economy recovers. Government fiscal measures to deal with the consequences of the pandemic in 2020-2021 amounted to around 16% of GDP and include income support for employees and self-employed workers, support for businesses and increases in welfare spending. The government also announced liquidity measures of about 16% of GDP, creating contingent liabilities. The main measures from the latest budget in March 2021 to be implemented in the forecast years are the previously mentioned 'super-deduction' and the freezing of the income tax personal allowance from April 2022.

The general government debt-to-GDP ratio increased to above 100% in 2020 in consequence of the additional fiscal measures and the fall in value of GDP. It is expected to exceed 100% over the forecast horizon, at 108.1% in 2021 and 108.4% in 2022.

Operational Performance

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

CORINTHIA HOTEL LONDON	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**
Turnover (£'000)	61,370	65,358	20,280
Gross operating profit before incentive fees (£'000)	20,594	19,588	(221)
Gross operating profit margin (%)	34	30	(1)
Occupancy level (%)	76	78	21
Average room rate (£)	486	499	518
Revenue per available room (RevPAR) (£)	369	391	110
Benchmark performance			
Occupancy level (%)	71	67	n/a
Average room rate (£)	606	661	n/a
Revenue per available room (RevPAR) (£)	432	443	n/a
Revenue Generating Index	0.85	0.88	n/a

Source: Management information.

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

Revenue for FY2019 increased by 6% to £65.4 million on account of a £22 increase in RevPAR from £369 in FY2018 to £391. Notwithstanding, gross operating profit decline by £1.0 million on a comparable basis to £19.6 million because a significant part of the increase in revenue came from the food and beverage department, which has a much lower contribution than increases in rooms' revenue. The gap between the Hotel's performance and its benchmark improved in FY2019 to an RGI of 0.88 (FY2018: 0.85), as the Hotel's occupancy was higher than its competitive set by 11 percentage points, mitigated however by an adverse variance in average room rate of £162.

The financial information for FY2020 reflects the disruption caused by the pandemic on the hotel's services. During the said period, occupancy level was minimal at 21% (FY2019: 78%) and revenue amounted to £20.3 million, a decrease of £45.1 million from the previous year (FY2019: £65.4 million). The hotel incurred a gross operating loss of £221,000 in FY2020 compared to a gross operating profit of £19.6 million in FY2019. The recovery anticipated in 2021 is somewhat delayed, but travel demand is gradually improving with leisure bookings leading the way compared to group activity and corporate bookings. Management is hopeful that the positive trends and momentum in business will continue for the remainder of the year.

4.8 CORINTHIA HOTEL ST GEORGE'S BAY

Introduction

Five Star Hotels Limited (a fully-owned subsidiary of the Company) owns the 250-room five-star Corinthia Hotel located in St Julians, Malta ("**Corinthia Hotel St George's Bay**"). The carrying amount of the Corinthia Hotel St George's Bay as at 31 December 2020 was €37.8 million (FY2019: €38.5 million).

Economic Update[9]

Malta's economy grew at a solid quarter-on-quarter rate of 1.9% in the first quarter of this year (2021), driven mainly by service exports. After a considerable decline (-7.8%) in 2020, real GDP is forecast to rebound to 5.6% in 2021. This is more than the 4.6% projected in the spring. The better growth outlook is driven by the strong performance in the first quarter, which has a strong carry-over effect, and the positive picture painted by recent confidence indicators. It also adjusts the recovery path for the downward revision to 2020 GDP growth. The forecast for 2022 is similarly strong, at 5.8%, which means that Malta's economy is expected to reach pre-pandemic levels of activity around mid-2022.

The high pace of vaccinations in Malta and the improvement in the public health situation allowed for a significant relaxation of restriction measures in the second quarter of 2021. Continued strong improvement in business and consumer sentiment up until May 2021, including the hard-hit food and accommodation services sectors, suggest that economic activity is on a path to a solid recovery. A strong uptake of government-paid consumption vouchers is also supporting a rebound in consumption. Going forward, growth is expected to remain strong on the back of a gradual recovery in the tourism sector, favourable prospects for external demand for other services, and a recovery in private and public investment, supported also by the implementation of the Recovery and Resilience Plan. A limited downside risk is related to possible consequences of the decision of the Financial Action Task Force (an inter-governmental body against money laundering) to add Malta to the grey list of jurisdictions under increased monitoring.

HICP inflation increased moderately since January, but the increase in energy and imported goods prices and a recovery in the tourism and hospitality sectors are set to increase price pressures in 2021. After picking up to 1.1% in 2021, inflation (HICP) is expected to reach 1.6% in 2022.

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	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**
Turnover (€'000)	16,499	16,223	7,344
Gross operating profit before incentive fees (€'000)	4,819	4,643	1,517
Gross operating profit margin (%)	29	29	21
Occupancy level (%)	77	77	33
Average room rate (€)	154	151	120
Revenue per available room (RevPAR) (€)	119	116	39
Benchmark performance			
Occupancy level (%)	71	71	n/a
Average room rate (€)	182	182	n/a
Revenue per available room (RevPAR) (€)	130	129	n/a
Revenue Generating Index	0.92	0.90	n/a

Source: Management information.

[9] *Economic Forecast – Summer 2021 (European Commission Institutional Paper 156 July'21).*

FY2018 results were marginally lower than those achieved in the prior year, with a decrease in revenue of €0.2 million (y-o-y) to €16.5 million and a decrease of €0.5 million (y-o-y) to €4.8 million in terms of gross operating profit. In FY2019, revenue and gross operating profit decreased marginally by €0.3 million and €0.2 million respectively compared to the prior year. Occupancy level was unchanged at 77%, but average room rate decreased by €3 from €154 in FY2018 to €151.

The Hotel's competitive set also recorded positive results in recent years, which is a reflection of the then present buoyant tourism market in Malta. As such, the Hotel performed marginally below par when compared to its competitive set in both FY2018 and FY2019.

The financial information for FY2020 reflects the disruption caused by the pandemic on the hotel's services. During the said period, occupancy level was minimal at 33% (FY2019: 77%) and revenue amounted to €7.3 million, a decrease of €8.9 million from the previous year (FY2019: €16.2 million). Gross operating profit amounted to €1.5 million compared to €4.6 million in FY2019. Notwithstanding the sharp drops in revenue and profitability in 2020 compared to 2019, the performance of this property was not as hard hit as the hospitality industry average as all bookings to the three hotels owned by the Company in the St George's area were consolidated at the Corinthia San Gorg Hotel. The recovery anticipated in 2021 is somewhat delayed, but travel demand is gradually improving with leisure bookings leading the way compared to group activity and corporate bookings. Management is hopeful that the positive trends and momentum in business will continue for the remainder of the year.

4.9 MARINA HOTEL

Introduction

Marina San Gorg Limited (a fully-owned subsidiary of the Company) owns the 200-room four-star Hotel located in St Julians, Malta ("**Marina Hotel**"), adjacent to the Corinthia Hotel St George's Bay. A number of facilities at the Hotel are shared with the Corinthia Hotel St George's Bay, which provides guests with a larger product choice, especially with regards to food and beverage offering and swimming pool areas. Being a four-star hotel with access to five-star conference and meeting space at the Corinthia Hotel St George's Bay is another unique selling point of this property. The carrying amount of the Marina Hotel as at 31 December 2020 was €29.4 million (2019: €29.9 million).

Market Overview

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

Operational Performance

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

MARINA HOTEL	FY2018 Actual	FY2019 Actual	FY2020 Actual
Turnover (€'000)	10,269	9,776	1,908
Gross operating profit before incentive fees (€'000)	3,355	3,047	14
Gross operating profit margin (%)	33	31	1
Occupancy level (%)	82	80	12
Average room rate (€)	123	120	77
Revenue per available room (RevPAR) (€)	101	96	9
Benchmark performance			
Occupancy level (%)	71	71	n/a
Average room rate (€)	145	147	n/a
Revenue per available room (RevPAR) (€)	103	104	n/a
Revenue Generating Index	0.98	0.92	n/a

Source: Management information.

The Hotel's performance in FY2018 was in line with FY2017's results, with revenue and gross operating profit amounting to €10.3 million (FY2017: €10.3 million) and €3.4 million (FY2017: €3.3 million) respectively. Revenue generated in FY2019 amounted to €9.8 million, a decrease of €0.5 million (-5%) from the prior year. Gross operating profit margin declined by 2 percentage points to 31%, resulting in a gross operating profit of €3.0 million compared to €3.4 million in FY2018. During the year, RevPAR was lower on a comparable basis by €5 to €96. The reduction in both revenue and gross operating profit in 2019 was in consequence of the uncertainty that was created because of the timing of the development of a mixed-use project opposite the Marina Hotel.

Compared to benchmark, the Hotel's occupancy level exceeded its competitive set in both FY2018 and FY2019 (FY2019 – Hotel: 80% vs Benchmark: 71%) but underperformed in the average room rate. Overall, the RGI in FY2019 was at 0.92 (FY2018: RGI 0.98).

The financial information for FY2020 reflects the disruption caused by the pandemic on the hotel's services. During the said period, occupancy level was minimal at 12% (FY2019: 80%) and revenue amounted to €1.9 million, a decrease of €7.9 million from the previous year (FY2019: €9.8 million). Gross operating profit amounted to €14,000 compared to €3.0 million in FY2019. The hotel was closed for part of the year under review. The recovery anticipated in 2021 is somewhat delayed, but travel demand is gradually improving with leisure bookings leading the way compared to group activity and corporate bookings. Management is hopeful that the positive trends and momentum in business will continue for the remainder of the year.

4.10 CORINTHIA PALACE HOTEL & SPA MALTA

Introduction

On 10 April 2018, Corinthia Palace Hotel Company Limited (the ultimate parent company) transferred to IHI the 150-room five-star Corinthia Palace Hotel & Spa located in Attard, Malta. The operating results and assets and liabilities of the acquired business are consolidated as of April 2018. **As such, the financial information for Q1 2018 has been included for comparison purposes only.** The carrying amount of the Corinthia Palace Hotel & Spa as at 31 December 2020 was €32.7 million (FY2019: €30.9 million).

Market Overview

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

Operational Performance

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

CORINTHIA PALACE HOTEL & SPA MALTA	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**
Turnover (€'000)	8,166	8,604	3,053
Gross operating profit before incentive fees (€'000)	640	513	(767)
Gross operating profit margin (%)	8	6	(25)
Occupancy level (%)	66	67	16
Average room rate (€)	128	136	114
Revenue per available room (RevPAR) (€)	84	91	18
Benchmark performance			
Occupancy level (%)	71	72	n/a
Average room rate (€)	156	161	n/a
Revenue per available room (RevPAR) (€)	111	116	n/a
Revenue Generating Index	0.76	0.78	n/a

Source: Management information.

In FY2018, the Group initiated an extensive refurbishment program of the hotel's bedrooms and a complete transformation of its spa and gym facilities at a total cost of €7.1 million. The disruption caused by the renovation works adversely impacted operations, albeit marginally, as revenue in FY2018 declined by €0.4 million to €8.2 million.

Revenue generated in FY2019 amounted to €8.6 million, an increase of €0.4 million over FY2018. In contrast, gross operating profit decreased from €0.6 million in FY2018 to €0.5 million. During the year, management recruited additional resources to support the repositioning of the property in view of the improved ambience at the Hotel and its Spa facilities. However, due to various delays, the additional costs more than offset the increase in revenue. As for benchmark performance, the Hotel's operating results were below the figures achieved by its competitive set.

The financial information for FY2020 reflects the disruption caused by the pandemic on the hotel's services. During the said period, occupancy level was minimal at 16% (FY2019: 67%) and revenue amounted to €3.0 million, a decrease of €5.6 million from the previous year (FY2019: €8.6 million). The hotel incurred a gross operating loss in FY2020 of €767,000 compared to a gross operating profit of €513,000 in FY2019. The recovery anticipated in 2021 is somewhat delayed, but travel demand is gradually improving with leisure bookings leading the way compared to group activity and corporate bookings. Management is hopeful that the positive trends and momentum in business will continue for the remainder of the year.

4.11 RADISSON BLU RESORT & SPA GOLDEN SANDS

Introduction

The Radisson Blu Resort & Spa Golden Sands is located on a cliff's edge overlooking Golden Bay beach on the Northern coast of Malta. The title to the site is in the form of temporary utile dominium which expires in 2114. The five-star resort comprises a total of 338 units (including 9 Sands Tower Suites) and a private sandy beach. As at 31 December 2020, the Issuer held a 50% shareholding in the Golden Sands Resort and the carrying amount thereof amounted to €19.6 million (2020: €27.4 million). On 26 February 2021, the Group acquired the remaining 50% shareholding in Golden Sands Resort Limited.

The shareholding in the Radisson Blu Resort & Spa comprised the Group's investment in Golden Sands Resort Limited and Azure Group. Together, these companies were engaged in the operation and management of a combined vacation ownership and hotel operation of the Radisson Blu Resort & Spa. In FY2020, the Azure Group ceased the vacation ownership sales operations and placed the said Group into liquidation. Existing timeshare members will continue to enjoy their entitlement until the end of the term in 2045.

Market Overview

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

Operational Performance

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

RADISSON BLU RESORT & SPA GOLDEN SANDS	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**
Turnover (€'000)	32,032	25,993	5,647
Timeshare	13,318	8,165	0
Hotel operations	18,714	17,828	5,647
EBITDA (€'000)	2,788	(2,915)	(1,896)
EBITDA margin (%)	9	(11)	(34)
IHI's share of EBITDA at 50%	**1,394**	**(1,458)**	**(948)**

Source: Management information.

Until FY2017, timeshare units were sold in weeks with the calendar year split into four seasons: Bronze, Silver, Gold and Platinum. In FY2018 and FY2019, timeshare revenue was generated from the sale of timeshare points and resale of repossessed timeshare points to targeted vacation ownership guests. 'Hotel operations' revenue principally comprise the generation of yearly maintenance fees receivable from timeshare owners, allocation charges in terms of an allocation and occupation agreement with Azure Resorts Limited, fly-buy sales (being discounted rooms offered for promotional purposes), accommodation revenue (from rooms not utilised by timeshare operations) and revenue from F&B outlets and other ancillary services. The operating profit is the resultant surplus after deducting operating expenses, selling and marketing costs, and all administrative and other operating costs of the two entities.

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

In FY2018, revenue was higher on a comparable basis to the previous year by 4% and amounted to €32.0 million. During the year, timeshare revenue increased by €1.8 million to €13.3 million, partly offset by a €0.6 million decline in hotel operations revenue. The transition in the way timeshare was sold adversely impacted EBITDA in FY2018, on account of the incidence of higher costs for third party product related offerings. Accordingly, the joint operations reported an EBITDA for FY2018 of €2.8 million, compared to €3.4 million achieved in the prior year.

A significant downturn was reported in timeshare revenue in FY2019, which declined from €13.3 million in FY2018 to €8.2 million (-39%). In addition, revenue from hotel operations decreased by €0.9 million (-5%) from €18.7 million in FY2018 to €17.8 million. In FY2019, the joint operations registered a loss at EBITDA level amounting to €2.9 million.

The financial information for FY2020 reflects the disruption caused by the pandemic on the hotel's services. During the said period, revenue amounted to €5.6 million, a decrease of €20.4 million from the previous year (FY2019: €26.0 million). Notwithstanding the very substantial reduction in year-on-year revenue, the hotel incurred a loss at EBITDA level limited to €1.9 million compared to a loss of €2.9 million in FY2019. The recovery anticipated in 2021 is somewhat delayed, but travel demand is gradually improving with leisure bookings leading the way compared to group activity and corporate bookings. Management is hopeful that the positive trends and momentum in business will continue for the remainder of the year.

4.12 RADISSON BLU RESORT ST JULIAN'S

Introduction

The Radisson Blu Resort St Julians is a 252-room 5-star hotel located in St George's Bay, St Julians. The carrying amount of the Radisson Blu Resort St Julians as at 31 December 2020 was €35.5 million (2019: €36.6 million).

Market Overview

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

Operational Performance

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

RADISSON BLU RESORT ST JULIANS	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**
Turnover (€'000)	13,927	13,397	2,375
Gross operating profit before incentive fees (€'000)	4,727	4,306	(744)
Gross operating profit margin (%)	34	32	(31)
Occupancy level (%)	75	69	13
Average room rate (€)	137	137	99
Revenue per available room (RevPAR) (€)	103	94	13
Benchmark performance			
Occupancy level (%)	72	72	n/a
Average room rate (€)	181	184	n/a
Revenue per available room (RevPAR) (€)	130	132	n/a
Revenue Generating Index	0.79	0.71	n/a

Source: Management information.

Total revenue in FY2018 amounted to €13.7 million (FY2017: €13.8 million) and gross operating profit remained stable at €4.7 million. In FY2019, revenue generated by the Hotel amounted to €13.4 million, a decrease of €0.5 million from the prior year. Gross operating profit was also lower by €0.4 million, from €4.7 million in FY2018 to €4.3 million.

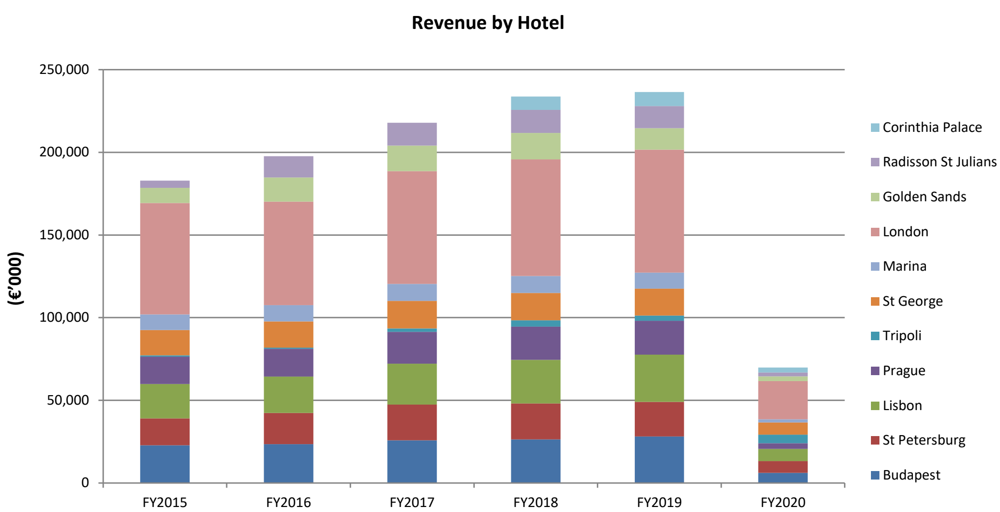
Overall, the Hotel's RevPAR has declined from €103 in FY2018 to €94 in FY2019, while RevPAR of its competitive set increased from €130 in FY2018 to €132. As such, the Hotel's RGI deteriorated from 0.79 in FY2018 to 0.71 in FY2019.

The financial information for FY2020 reflects the disruption caused by the pandemic on the hotel's services, including the closure of the hotel for a number of months. During the said period, revenue amounted to €2.4 million, a decrease of €11.0 million from the previous year (FY2019: €13.4 million). The hotel incurred a gross operating loss of €744,000 compared to a profit of €4.3 million in FY2019. The recovery anticipated in 2021 is somewhat delayed, but travel demand is gradually improving with leisure bookings leading the way compared to group activity and corporate bookings. Management is hopeful that the positive trends and momentum in business will continue for the remainder of the year.

4.13 IHI'S AGGREGATE HOTEL REVENUE AND OPERATING PROFIT

Revenue Geographic Distribution

The chart below depicts revenue generated by each hotel. In the case of Corinthia Hotel London, although the property is 50% owned by IHI, the chart includes 100% of the Hotel's revenue given that 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. For comparison purposes only, 100% of revenue of the Corinthia Hotel London for FY2015 and FY2016 has also been included. As for 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 property.

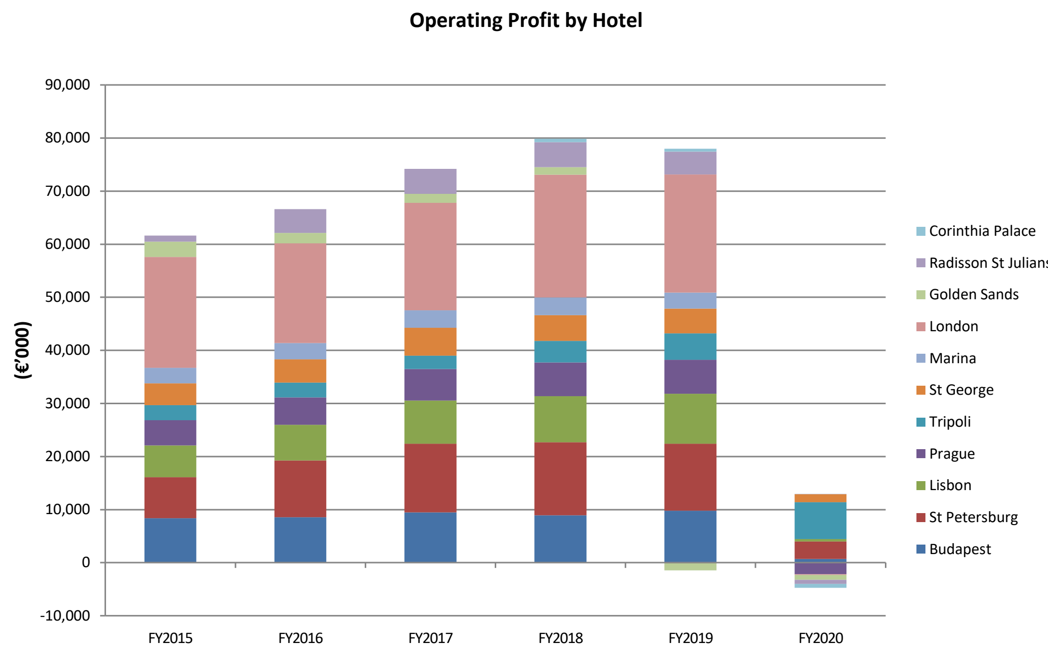


Source: Management information.

- The above chart shows the adverse impact on the Group's hospitality operations following the Covid-19 outbreak in March 2020. The sharp decline in revenue was felt by each and every hotel property, save for the hotel and commercial property in Tripoli.
- Corinthia Hotel & Residences London generates on average 30% of the Group's hotel revenue, followed by Corinthia Hotel Budapest, Corinthia Hotel St Petersburg and Corinthia Hotel Lisbon with circa 12% each of Group hotel revenue.
- Corinthia Palace Hotel & Spa was acquired in April 2018.

Operating Profit Geographic Distribution

The chart below shows operating profit generated by each hotel. In the case of Corinthia Hotel London, although the property is 50% owned by IHI, the chart includes 100% of the Hotel's operating profit given that 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. For comparison purposes only, 100% of operating profit of the Corinthia Hotel London for FY2015 and FY2016 has also been included. As for the Radisson Blu Resort & Spa Golden Sands, the amounts included for each year is 50% of actual results, reflecting the 50% shareholding (directly or indirectly) of IHI in the property.



Source: Management information.

- In FY2020, total operating profit decreased from €76.5 million in FY2019 to €8.1 million. Corinthia Hotel St Petersburg and Corinthia Hotel Tripoli generated €3.3 million and €6.9 million respectively mainly from rental income derived from their respective commercial properties.

4.14 CORINTHIA HOTELS LIMITED

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

CHL is a full-service hotel management company with in-house skills and capabilities supporting the Corinthia brand and operations. It has a track record of driving performance improvements across the Corinthia Group's existing assets, those of CPHCL and of third parties. It ensures consistent service levels and performance across the properties. CHL is scaled to support the future growth of the Corinthia brand. CHL currently manages or is involved in the development of 13 owned (fully or partly) hotels (11 operational and 2 under development), 2 hotels owned by its parent company CPHCL, and 7 third party properties (2 operational and 5 under development). Management contracts are typically entered into and structured for a 20-year term. Its key commercial terms include management fees based on total turnover, marketing and reservation fees based on rooms' revenue and incentive fees based on gross operating profit achieved. It is an efficient use of capital and resource with minimal capital outlay, if any, required for each new management contract and a cost-effective way to gain in-depth knowledge of various markets.

The portfolio of hotels managed by CHL comprise the following:

CORINTHIA HOTELS LIMITED
MANAGED HOTEL PORTFOLIO AS AT 30 JUNE 2021

Name	Location	% ownership	No. of hotel rooms
Owned and managed properties (operational)			
Corinthia Hotel Budapest	Hungary	100	439
Corinthia Hotel St Petersburg	Russia	100	385
Corinthia Hotel Lisbon	Portugal	100	518
Corinthia Hotel Prague	Czech Republic	100	551
Corinthia Hotel Tripoli	Libya	100	300
Corinthia Hotel St George's Bay	Malta	100	250
Marina Hotel St George's Bay	Malta	100	200
Radisson Blu Resort St Julian's	Malta	100	252
Corinthia Palace Hotel & Spa	Malta	100	146
Radisson Blu Resort & Spa Golden Sands	Malta	100	338
Corinthia Hotel & Residences London	United Kingdom	50	283
Owned & managed properties (under development)			
Corinthia Grand Astoria Hotel Brussels (opening 2023)	Belgium	50	126
Corinthia Hotel & Residences Moscow (opening 2023)	Russia	10	42
Managed properties (operational)			
Aquincum Hotel Budapest	Hungary	–	310
Ramada Plaza	Tunisia	–	309
Panorama Hotel Prague	Czech Republic	–	440
Corinthia Hotel Khartoum	Sudan	–	230
Managed properties (under development)			
Corinthia Hotel Bucharest (opening 2022)	Romania	–	34
Corinthia Hotel & Residences Doha (opening 2022)	Qatar	–	118
Corinthia Hotel Rome (opening 2023)	Italy	–	60
Corinthia Hotel New York (opening 2023)	United States of America	–	97
			5,428

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 Senior VP - Operations, a director of rooms & quality, a director of learning & development, and a director of marketing.

CHL has a 13.1% shareholding in GHA Holdings Limited ("**GHA**"), a company that owns the Global Hotel Alliance of which CHL has been a member alongside 35 other hotel brands. The ownership of GHA also comprises founding shareholders Kempinski, Omni and Oracle, as well as Pan Pacific and Minor Hotels.

Operational Performance

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

CORINTHIA HOTELS LIMITED **Management Fees**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**
Turnover (€'000)	17,656	16,963	3,205
IHI Properties (owned and associate) (€'000)	14,205	14,425	2,363
Other Properties (€'000)	2,050	2,307	797
Technical Services (€'000)	1,401	231	45

Source: Management information.

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

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

Due to the significant decline in hotel services and revenue generation during FY2020, CHI's revenue decreased by 81% from €17.0 million in FY2019 to €3.2 million.

4.15 COSTA COFFEE

In May 2012, the Coffee Company Malta Limited ("**TCCM**") entered into a 10-year franchise agreement with Costa Coffee International Limited for the development of Costa Coffee retail outlets in Malta. As at 31 December 2020, TCCM operated 13 outlets each enjoying a strategic location in areas popular for retail operations (FY2019: 13 outlets).

The impact of the pandemic resulted in the temporary closure of Costa Coffee outlets in Q2 2020 and restricted operations thereafter. The outlets located at Malta International Airport were directly impacted by the significant drop in airport passengers following the imposition of travel restrictions between March and December 2020. In consequence, TCCM reported revenue of €3.2 million in FY2020, a decrease of 64% compared to the prior year (FY2019: €9.0 million).

Until FY2019, the Group operated 12 Costa Coffee outlets in the East Coast of Spain through The Coffee Company Spain S.L. ("TCCS"). These outlets were closed in the early part 2020 and TCCS was placed into voluntary liquidation when all remaining outlets closed shop as well. A substantial part of the intangible assets relating to this operation was written off during 2019.

4.16 OTHER ASSETS

During 2019, IHI acquired rights to use the Corinthia brand in all respects. The acquired rights are in addition to the rights previously held by the Group on the acquisition of the Corinthia brand in 2010. The Corinthia brand is recognised in the statement of financial position as an intangible asset amounting to €21.9 million (FY2019: €21.9 million).

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 worldwide. 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 €12.2 million as at the end of FY2020 (2019: €12.8 million).

IHI owns 100% of QPM Limited ("**QP**"), a company which specialises in construction, interior design 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. Since January 2019, QP has included archaeology and land surveying to its list of services, thereby offering a one-stop-shop service for any complex building project. Whilst continuing to provide services to the Corinthia Group, QP is increasing its third-party client base and revenue generation, with the latter representing the most significant part of annual turnover.

Revenue generated by QP in FY2020 amounted to €6.5 million compared to €6.9 million in FY2019 (-6%). It is worth noting that over 80% of revenue was generated from third party owned projects, which are totally unrelated to the Corinthia Group.

5. BUSINESS DEVELOPMENT STRATEGY

The onset of the COVID-19 pandemic in Q1 2020 caused the Group to swiftly implement a broad range of health and safety and cost containment measures to ensure the continued viability of the Group.

In brief, the following actions were implemented:

- All health and safety measures were adopted as directed by the relevant authorities in the various jurisdictions in which the Group operates. Internal guidelines on operations and staff welfare have also been circulated and updated regularly during the re-opening phase of the Group's hotels.

- Far-reaching cost cutting and cost containment measures were implemented, including temporarily shutting down hotels from March 2020 whilst retaining ongoing security and maintenance in all properties.

- Capital expenditure has been suspended, other than to finish ongoing works nearing completion.

- Various actions were initiated following a detailed review of every cost items, including renegotiation of rates and payment deferments.

- Payroll was curtailed by shedding all part-time workers and others on probation and removal of third party labour service providers. Selected redundancy programs were also implemented in some of the Group's operations across Europe. Many of the Group's executives have also taken temporary drastic cuts in their salaries during the 15-month period April 2020 to June 2021.

- The Group benefitted from various schemes adopted by Governments which included salary subsidies, as well as the waiver or deferral of payroll taxes and social security contributions. Countries such as the United Kingdom and Czech Republic went beyond wage subsidies to support the hospitality industry with property tax waivers or outright cash grants.

- The Group has also negotiated with its banks in Malta and internationally to defer payment of capital and, in some cases also interest, apart from the resetting of financial covenants. The Group has also organised separate lines of credit from various banks and even with related parties.

During the second half of 2021, whilst COVID-19 related restrictions have started to ease in Europe, the Group continues to adhere to all health and safety measures as directed by the relevant authorities in the various jurisdictions in which the Group operates. All hotels have re-opened albeit with limited capacity and room rates are gradually increasing to pre-pandemic levels and even higher, particularly in London. Any suspensions relating to capital expenditure are slowly being lifted, whilst all payroll cuts have been removed. IHI is set to maintain a strict focus on containing its cost base going forward. Most government schemes have been scaled down by the time of this Report.

In 2021, revenue is projected to increase on account of all hotels having re-opened and a gradual improvement in the hospitality business generally in those jurisdictions where the Group operates. In markets where there is an internally generated demand through a domestic market, such as Russia and the UK, the Group expects the performance of the Corinthia St Petersburg and Corinthia London to recover faster than the other hotels.

The Group has considered the potential continued impact of COVID-19 on the Group's business in the next few years and has assumed that a gradual recovery to pre COVID-19 level of business could be realised between 2023 and 2025. Notwithstanding this expectation, the anticipated recovery remains highly uncertain as it is dependent on external factors that are clearly not within the control of the Group's management.

A delay in timing of the above-mentioned recovery may result in a situation where the Group may require additional short to medium term funding to meet its working capital and debt service obligations. To this effect, the Group has a long and positive track record in terms of negotiating with banks and other financial institutions to acquire or renegotiate financing facilities. Moreover, the Group has the ongoing support of its principal shareholders, particularly that of its majority shareholder Corinthia Palace Hotel Company Limited.

To further ensure that the Group maintains appropriate liquidity levels, the capital expenditure planned for the coming few years shall be executed in accordance with expectations in the recovery of the hospitality industry. As such, most projects may be completed over a slightly longer period if required without significantly impacting the Group's projected growth.

The Group's total assets as at 30 June 2021 amounted to €1.6 billion, comprising mainly property, plant and equipment and investment property at a carrying amount of €1.4 billion. The potential of identifying property for disposal remains at the Group's discretion under active consideration, should the need arise going forward.

Beyond the COVID-19 crisis, the Group's business strategy is to focus on achieving positive and sustainable financial results, and appreciation in the value of the Group's properties and investments. In the execution of the Group's strategy, management aims to provide a high-quality service at each hotel and treat customers to a unique hospitality experience. Through the provision of a better quality offering 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.

Due to the sudden drop in demand for accommodation services, Group payroll cost was reduced from €93.4 million in FY2019 to €47.3 million in FY2020. The Group intends to retain as much savings as possible in the years ahead although manning levels will have to be increased to manage growing occupancies. Other areas of cost were equally curtailed. Management is taking this opportunity to reassess the Group's cost structures and implement better controls over operating costs.

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

In addition, whilst the Group continues to target investments in under-performing properties in emerging markets, 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.

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.

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, both 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. CDI is currently project managing the re-development in Rome and Brussels.

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

Hotel management contracts

The Group is intent on growing ancillary business lines such as hotel management. On its formation, CHL's activities were limited to the management of hotels that were owned by the Corinthia Group. CHL has in the last few years signed hotel management agreements with third party owners to operate hotels in Doha, Bucharest and Rome and more recently, in New York. 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 significantly its growth path in the forthcoming years.

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

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

Asset divestment

The Group's strategic plan also comprises the divestment of assets located in secondary markets and that have achieved their mature stage of development, to maintain appropriate levels of cash flow, to fund future growth opportunities and, or to create value for shareholders.

PART 3 – PERFORMANCE REVIEW

The financial information provided hereunder is extracted from the audited consolidated financial statements of IHI for each of the years ended 31 December 2018 to 31 December 2020. The projected financial information for the years ending 31 December 2021 and 31 December 2022 has been provided by management of the Company.

The Group's operations in Libya

Note 5 to the 2020 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 2020 were carried at €187.1 million and €5.4 million respectively (2019: €190.1 million and €5.3 million respectively).

Projections

The projected financial information relates to events in the future and is based on assumptions which IHI believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations particularly during this uncertain period of the pandemic where new variants are regularly emerging, and the variation between forecast and actual results may be material.

The Company's senior management team has compiled Group financial projections for the years ending 31 December 2021 and 31 December 2022, comprising historical financial information up to 30 June 2021 and forecast financial information for the residual period, incorporating the estimated impact of the events referred to above on the projected financial results, cash flows and financial position of the Group.

The projected financial information reflects the estimated impact of the prevailing conditions currently experienced, under a scenario which encompasses a set of prudent assumptions that capture the forecast business conditions until 31 December 2022. These assumptions centre around the expected pace of recovery of business. The projections are based on a fraction of the historical 2019 figures. Hence the Group is projecting that only during 2024 revenue levels will fully revert to pre COVID-19 benchmarks, with prior years only representing a percentage of the 2019 revenue and profitability levels. The projections referred to above contemplate the impact of the cost containment and management measures taken, together with government support in various jurisdictions in respect of operating expenditure until a maximum of 31 December 2021.

The Group has been successful in securing banking facilities with local banks under the Malta Development Bank COVID-19 Guarantee Scheme, with the approved facilities amounting to the maximum amount possible under the Scheme.

During 2020, the Group entered into ad hoc arrangements with most of its principal lending banks to defer capital and in some cases interest payments too, which deferrals are reflected within the projections. These moratorium on interest and capital not only cover 2020 but, in some instances, also extend to the first part of 2021.

The Company also secured a line of credit from its parent company, Corinthia Palace Hotel Company Limited, to ensure funding is available in case of any cashflow shortfalls. This line of credit will be partly utilised during 2021 according to the projections with the possibility of using further this credit line in the early part of 2022, if so required.

The Group will be reviewing other funding arrangements expected to mature throughout 2021. Interest payment obligations and bank capital repayments on all such funding arrangements are included within the projections.

Other than the sale of the penthouse apartment in London in 2021, which proceeds were principally utilised to reduce its bank loan indebtedness on the penthouse itself and the Corinthia London hotel and the Apartment block in Lisbon in 2022, the Group is not relying on asset disposals. Accordingly, the projections do not reflect proceeds from disposal of any significant assets during the explicit period thereof, although disposals are an option.

IHI GROUP INCOME STATEMENT (€'000)	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**	**FY2021 Forecast**	**FY2022 Forecast**
Revenue	256,314	268,286	91,909	116,109	232,186
Direct costs	(141,467)	(145,800)	(62,786)	(70,842)	(120,230)
Gross profit	**114,847**	**122,486**	**29,123**	**45,267**	**111,956**
Other operating costs	(47,343)	(52,696)	(32,873)	(30,196)	(57,134)
EBITDA	**67,504**	**69,790**	**(3,750)**	**15,071**	**54,822**
Depreciation and amortisation	(33,202)	(36,766)	(35,779)	(30,419)	(31,133)
Adjustments in value of property and intagible assets	3,944	(3,656)	(10,521)	–	2,000
Changes in value of liabilities and indemnification assets	143	4,798	–	–	–
Results from operating activities	**38,389**	**34,166**	**(50,050)**	**(15,348)**	**25,689**
Share of (loss) profit: equity accounted investments	(1,364)	(3,951)	(2,448)	(219)	–
Finance income	833	546	702	312	207
Finance costs	(21,484)	(23,765)	(23,554)	(24,751)	(24,329)
Other	(7,902)	6,916	(15,012)	(2,779)	–
Profit (loss) before tax	**8,472**	**13,912**	**(90,362)**	**(42,785)**	**1,567**
Taxation	(13)	(8,793)	14,713	8,600	(3,563)
Profit (loss) for the year	**8,459**	**5,119**	**(75,649)**	**(34,185)**	**(1,996)**
Other comprehensive income (expense)					
Gross surplus (impairment) – revaluation of hotel properties	35,842	7,000	(10,246)	–	–
Gross share of other comprehensive income of equity accounted investments	–	(4,550)	–	–	–
Other effects and tax	(19,039)	31,331	(38,076)	9,749	–
	16,803	**33,781**	**(48,322)**	**9,749**	**–**

Total comprehensive income (expense) for the year net of tax	**25,262**	**38,900**	**(123,971)**	**(24,436)**	**(1,996)**

Key Accounting Ratios	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**	**FY2021 Forecast**	**FY2022 Forecast**
Gross profit margin *(Gross profit/revenue)*	45%	46%	32%	39%	48%
Operating profit margin *(EBITDA/revenue)*	26%	26%	-4%	13%	24%
Interest cover (times) *(EBITDA/net finance cost)*	3.14	2.94	-0.16	0.61	2.25
Net profit margin *(Profit after tax/revenue)*	3%	2%	-82%	-29%	-1%
Earnings per share (€) *(Profit after tax/number of shares)*	0.01	0.01	-0.12	-0.06	-0.00
Return on equity *(Profit after tax/shareholders' equity)*	1%	1%	-10%	-5%	0%
Return on capital employed *(EBITDA/total assets less current liabilities)*	4%	4%	0%	1%	4%
Return on assets *(Profit after tax/total assets)*	1%	0%	-5%	-2%	0%

Source: Mz Investments Services Ltd

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

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

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

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

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

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

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

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

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

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

The financial performance for **2020** was materially impacted by COVID-19 and the restrictions and limitations it imposed on the Group's businesses and everyday lives. Total revenue for the year under review amounted to €91.9 million, a reduction of €176.4 million from the revenue generated the year before on account of lockdowns and other restrictions imposed in all countries where the Group operates.

Notwithstanding the significant reduction in revenue generation, the loss at EBITDA level for 2020 was limited to €3.8 million (FY2019: positive EBITDA of €69.8 million). The minimal loss at EBITDA level in 2020 was achieved in consequence of proactive cost-cutting decisions taken at Group and operating subsidiary levels, including reducing staff complements at all levels as well as various programmes on salary cuts and deferrals, apart from government subsidies.

Adjustments in value of property and intangible assets amounted to a loss of €10.5 million in FY2020 compared to a loss of €3.7 million in FY2019. The said loss for 2020 represents an impairment on goodwill of €2.4 million, an impairment of €5.2 million in the carrying value of the London apartment and a write off of €2.9 million with regard to the work in progress on the Hotel Astoria.

The Group's share of results of associates and joint ventures amounted to a loss of €2.4 million compared to a loss in FY2019 of €4.0 million. This loss reflects the performance of hotel operations at Golden Sands and four months of timeshare operations. The timeshare sales operation was discontinued in May 2020. In 2020 'other' items amounted to a loss of €15.0 million (FY2019: profit of €6.9 million). This adverse amount mainly represents exchange differences related to the St Petersburg property on account of a weaker Rouble compared to FY2019. Year-on-year the Rouble devalued by 32% against the Euro. Furthermore, currency translation differences of €2.8 million relating to Azure Resorts Group, previously recorded in translation reserves, were released to profit or loss as a result of the loss of joint control over the joint venture.

Changes in fair value during 2020 in respect of the Group's properties amounting to €10.3 million have been recognised with other comprehensive income to reverse previously recognised revaluation reserves. These impairments relate to the Corinthia Hotel Budapest and Corinthia Hotel London. In 2019, a revaluation surplus of €7.0 million in respect of the Group's properties was recognised within other comprehensive income.

On account of a weaker Sterling and Rouble relative to the reporting currency of the Group which is Euro, the Group recorded a combined currency translation loss of €44.1 million in 2020, relative to a profit of €34.5 million registered in 2019.

The Group registered a loss on total comprehensive income of €123.9 million in 2020 against a profit of €38.9 million registered in 2019.

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

Revenue in **FY2021** is projected to increase by €24.2 million (+26%) y-o-y to €116.1 million on account of an expected improvement in hospitality business in the second semester of the year and the consolidation of Golden Sands Resort Limited's results following the acquisition by IHI of the remaining 50% shareholding thereof in February 2021. Management expects Corinthia St Petersburg and Corinthia London to recover faster than the other hotels mainly due to internally generated demand (domestic tourism).

The above-mentioned increase in revenue is expected to reverse a negative EBITDA of €3.8 million registered in FY2020 to a positive balance amounting to €15.1 million. Notwithstanding, after accounting for depreciation & amortisation of €30.4 million, finance costs of €24.8 million and other net expense items amounting to €2.7 million, the Group is projected to report a loss before taxation of €42.8 million compared to €90.4 million in the prior year.

Other comprehensive income is projected to amount to €9.7 million (FY2020: comprehensive expense of €48.3 million) and principally comprises anticipated positive currency translation differences in Pound Sterling and Russian Rouble. As such, total comprehensive expense is estimated to amount to €24.4 million compared to €124.0 million in FY2020.

The ongoing recovery in hospitality activities is expected to continue in **FY2022**. As such, the Group is projecting revenue for the said financial year to amount to €232.2 million, a 100% increase over FY2021 forecasted revenue of €116.1 million. In terms of hotel occupancies, the Group is assuming that most of its properties should achieve at least 55% - 65% in FY2022 compared to approx. 20% - 30% forecasted for FY2021. The increase in revenue is expected to have a positive impact on the Group's EBITDA, which is projected to increase from €15.1 million in FY2021 to €54.8 million. The operating profit margin is also expected to improve to 24% (from 13% in FY2021) as it is assumed that certain cost-cutting measures and efficiencies implemented during FY2020 are maintained going forward.

Depreciation & amortisation and finance costs are expected to remain broadly unchanged at *circa* €31 million and €24 million respectively.

The projections include a €2.0 million profit from the prospective sale of an apartment block in Rua Pinheiro Chagas in Lisbon which is presently being refurbished. Overall, the Group's annual loss is projected to decrease significantly from €34.2 million in FY2021 to €2.0 million.

IHI GROUP BALANCE SHEET (€'000)	**31 Dec' 18 Actual**	**31 Dec' 19 Actual**	**31 Dec' 20 Actual**	**31 Dec' 21 Forecast**	**31 Dec' 22 Forecast**
ASSETS					
Non-current assets					
Intangible assets (including indemnification)	71,966	72,432	68,035	71,041	69,430
Investment property	203,539	214,174	191,355	158,925	154,979
Property, plant and equipment	1,151,245	1,181,944	1,102,885	1,187,090	1,226,297
Right-of-use assets	–	13,776	11,690	9,561	7,621
Investments accounted for using the equity method	48,189	40,144	31,831	5,590	5,590
Other investments	–	8,401	7,198	9,082	11,418
Other fin. assets at amortised cost and receivables	780	1,801	6,739	2,939	2,939
Deferred tax assets	10,963	9,233	14,214	14,717	14,717
Assets placed under trust management (5.8% Bonds 2021)	3,645	3,698	–	–	–
	1,490,327	1,545,603	1,433,947	1,458,945	1,492,991
Current assets					
Inventories	11,490	12,626	10,647	12,109	14,263
Other fin. assets at amortised cost and receivables	1,683	125	43	43	43
Trade and other receivables	53,029	43,192	35,106	34,258	38,906
Taxation	2,527	3,922	3,324	3,322	3,322
Financial assets at fair value through profit or loss	8,485	8,909	9,250	8,018	–
Cash and cash equivalents	50,190	72,699	46,145	55,861	46,937
Assets placed under trust management (5.8% Bonds 2021)	122	122	5,637	–	–
	127,526	141,595	110,152	113,611	103,471
Total assets	**1,617,853**	**1,687,198**	**1,544,099**	**1,572,556**	**1,596,462**

IHI GROUP BALANCE SHEET (€'000)	31 Dec' 18 Actual	31 Dec' 19 Actual	31 Dec' 20 Actual	31 Dec' 21 Forecast	31 Dec' 22 Forecast
EQUITY					
Capital and reserves					
Called up share capital	615,685	615,685	615,685	615,685	615,685
Reserves and other equity components	7,943	31,073	(3,646)	(1,123)	(1,123)
Retained earnings (accumulated losses)	59,746	54,247	(8,803)	(37,404)	(39,174)
Minority interest	194,246	196,142	169,940	171,582	171,356
	877,620	**897,147**	**773,176**	**748,740**	**746,744**
LIABILITIES					
Non-current liabilities					
Bank borrowings	317,559	324,597	345,920	337,239	316,797
Bonds	202,507	222,584	203,061	282,581	283,037
Lease and other financial liabilities	59	11,202	9,767	7,416	5,720
Other non-current liabilites	102,552	106,885	92,479	93,964	90,449
	622,677	665,268	651,227	721,200	696,003
Current liabilities					
Bank overdrafts	5,899	7,236	9,762	9,843	17,217
Bank borrowings	34,618	38,200	17,465	16,617	48,800
Bonds	–	–	19,938	–	–
Lease and other financial liabilites	4,553	2,795	2,711	2,546	2,283
Other current liabilites	72,486	76,552	69,820	73,610	85,415
	117,556	124,783	119,696	102,616	153,715
	740,233	**790,051**	**770,923**	**823,816**	**849,718**
Total equity and liabilities	**1,617,853**	**1,687,198**	**1,544,099**	**1,572,556**	**1,596,462**

KEY ACCOUNTING RATIO	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast	FY2022 Forecast
Gearing ratio *(Net debt/net debt and shareholders' equity)*	37%	37%	42%	45%	46%
Gearing ratio 2 (times) *(Net debt/net debt and shareholders' equity)*	0.58	0.59	0.69	0.80	0.84
Net debt to EBITDA (years) *(Net debt/EBITDA)*	7.57	7.60	-143.17	39.84	11.44
Net assets per share (€) *(Net asset value/number of shares)*	1.11	1.14	0.98	0.94	0.93
Debt service cover ratio (times) *(EBITDA/net finance cost and loan capital repayment)*	1.86	1.82	n/a	1.39	1.62
Liquidity ratio (times) *(Current assets/current liabilities)*	1.08	1.13	0.92	1.11	0.67

Source: MZ Investments Services Ltd

Total assets of the Group as at 31 December 2020 amounted to €1,544 million (FY2019: €1,687 million) and principally include the assets described in section 3 of this report.

Investment property amounting to €191.4 million includes the apartment in London valued at €35.6 million (FY2019: €42.9 million). This apartment was marketed for sale and a promise of sale agreement was signed in March 2021. The sale was completed in August 2021.

In view of the loss incurred in 2020, equity value decreased from €897.1 million in FY2019 to €773.2 million.

Net debt in FY2020 amounted to €544.4 million compared to €516.2 million in FY2019 (an increase of €28.2 million). To support the Group's cash availability, in the early part of the pandemic the Company engaged with its banks across Europe. Bank of China, HSBC, Bank of Valletta, APS, Sberbank and others were forthright in their support by way of capital repayment deferral schemes and the resetting of banking covenants to match current realities. In Czech Republic, the Group also successfully paid off a maturing loan, by replacing an €18.1 million bullet payment with a new loan from a new banking relationship on favourable terms. In Malta, the Group took full advantage of the EU-sponsored state scheme whereby companies could tap into soft loans, which in the case of IHI amounted to €24.5 million.

Total assets in FY2021 are projected to amount to €1,596 million, an increase of €23.9 million from a year earlier. The value of investment property is expected to decrease by €32.4 million following the sale of the London apartment, while investments accounted for using the equity method are expected to decrease by €26.2 million on account of taking full ownership of Golden Sands Resort Limited and a reduction in the value of Medina Tower following the devaluation of the Libyan dinar in early January 2021.

Property, plant & equipment is projected to increase by €84.2 million, principally reflecting the carrying value of the Radisson Blu Resort & Spa Golden Sands (since it is consolidated on a line-by-line basis). Cash and cash equivalents are projected to increase by €4.1 million from €51.8 million in FY2020 (which comprises also assets placed under trust management) to €55.9 million.

Total liabilities are projected to increase by €52.9 million (y-o-y) and mainly represent additional borrowings concluded during the year as well as the inclusion of liabilities of Golden Sands Resort Limited. Further analysis of borrowings shows that the Group expects to increase outstanding bonds (y-o-y) by €59.6 million while borrowings (bank facilities and advances from Group company) are projected to decrease by €9.4 million from €373.1 million to €363.7 million.

Due to the projected increase in borrowings, the gearing ratio of the Group is expected to increase from 42% in FY2020 to 45%. The liquidity ratio is expected to improve marginally to1.11 times compared to 0.92 times in FY2020.

In **FY2022**, total assets are expected to increase by €23.9 million mainly due to an increase in property, plant & equipment of €39.2 million and principally comprise various refurbishment programmes and the development of Grand Hotel Astoria. Cash balances are projected to decrease from €55.9 million in FY2021 to €46.9 million (lower by €9.0 million).

Year-on-year increase in liabilities is projected at €19.6 million and are expected to amount to €849.7 million (FY2021: €823.8 million). Pursuant to the expected increase in business activities, trade and other payables are projected to increase by €11.8 million in FY2022 from the prior year, while borrowings should increase by €19.6 million to €665.9 million. The gearing ratio of the Group is expected to increase by 1 percentage point in FY2022 to 46%.

IHI GROUP CASH FLOW STATEMENT (€'000)	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**	**FY2021 Forecast**	**FY2022 Forecast**
Net cash from operating activities	58,980	62,850	(2,965)	8,642	54,679
Net cash from investing activities	(35,152)	(22,442)	(11,709)	(3,006)	(63,419)
Net cash from financing activities	(20,839)	(21,587)	(14,860)	7,085	(7,558)
Net movement in cash and cash equivalents	**2,989**	**18,821**	**(29,534)**	**12,721**	**(16,298)**
Cash and cash equivalents at beginnning of year	42,652	44,291	65,463	36,383	46,018
Effect of translation of presentation currency	(1,350)	2,351	454	(3,086)	–
Cash and cash equivalent at end of year	**44,291**	**65,463**	**36,383**	**46,018**	**29,720**

Net cash flows from operating activities principally relate to the operations of the Group, which are analysed in further detail in Part 2 of this report. During 2020, operating activities across the Group's properties was minimal. As such, net cash used in operating activities amounted to €3.0 million compared to net cash generated in the prior year of €62.9 million. In the forecast years (2021 and 2022), the Group expects to generate €8.6 million and €54.7 million respectively in net cash from operating activities.

Due to the pandemic, the Group curtailed its capital expenditure plans for the year. As such, net cash used in investing activities was reduced by almost 50% in FY2020 and amounted to €11.7 million (FY2019: €22.4 million).

Net cash used in investing activities in FY2021 is expected to amount to €3.0 million and comprises cash receipt from sale of the London apartment of €35.7 million while cash outflows include the acquisition of 50% of the Golden Sands Resort amounting to €13 million and capex of circa €25.7 million. In FY2022, net cash outflows are projected to amount to €63.4 million, of which, circa 75% relates to the development of the Grand Hotel Astoria. The remaining balance represents expected capital expenditure programmes to be executed at various Group's properties (particularly at the Corinthia St George's Bay).

Financing activities principally comprise movement in bank and other borrowings, issuance of debt securities, payment of leases and interest paid. During FY2020, the Group repaid €24.0 million of bank borrowings and made withdrawals of €33.6 million (net proceeds of €9.6 million), compared to net proceeds of €19.6 million in FY2019 from bank borrowings and bond issue. Interest paid during the year amounted to €21.9 million (FY2019: €23.0 million), while nil dividends were paid compared to €12.3 million in FY2019.

Net cash from financing activities in FY2021 is projected to amount to €7.1 million, comprising net cash inflows from borrowings (mainly Group loans, bank facilities and bonds) of €34.4 million less lease liabilities and interest payable amounting to €2.6 million and €24.7 million respectively. In FY2022, net cash outflows are projected to amount to €7.5 million and principally include net cash inflows from borrowings amounting to €19.8 million while outflows of €27.3 million primarily comprise interest payable and to a lesser extent tax and lease payments.

Sinking Fund

As at 31 December 2020, the balance held in the reserve account relating to the 5.8% Bonds 2021 amounted to €5.6 million (FY2019: €3.7 million).

Related Party Listed Debt

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

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

Source: Malta Stock Exchange

CPHCL also owns 50% of Mediterranean Investments Holding p.l.c. ("**MIH**"), a company principally involved in the Palm City Residences Project and the Medina Tower Project and which are both situated in Libya. In June 2021, MIH (a company principally involved in the operation of the Palm City Residences in Libya) repaid in full the €11.9 million 6% MIH Unsecured Bonds 2021 (MT0000371261). Below is a list of outstanding debt securities as at the date of this report.

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

Source: Malta Stock Exchange

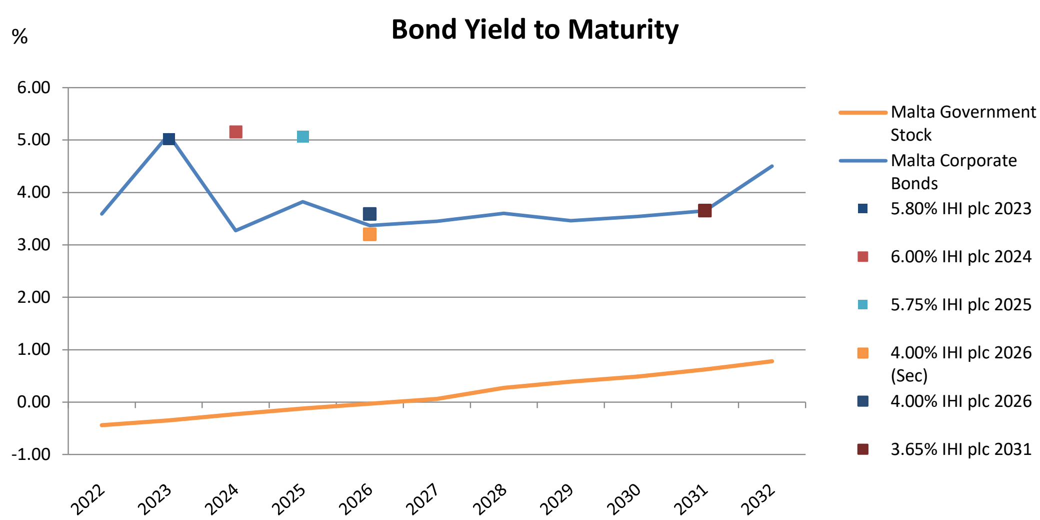
PART 4 – COMPARABLES

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

COMPARATIVE ANALYSIS	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.80% International Hotel Investments plc 2021	**20,000,000**	**5.55**	**0.61**	**1,544,099**	**773,176**	**41.87**
3.65% GAP plc Secured € 2022	29,218,000	3.69	2.24	103,895	15,134	73.44
6.00% Pendergardens Developments plc Secured € 2022 Series	21,518,400	5.69	1.79	60,578	29,491	36.39
4.25% GAP Group plc Secured € 2023	19,247,300	3.67	2.24	103,895	15,134	73.44
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.10	0.67	37,298	6,677	75.91
5.80% International Hotel Investments plc 2023	**10,000,000**	**5.02**	**0.61**	**1,544,099**	**773,176**	**41.87**
6.00% AX Investments Plc € 2024	40,000,000	4.52	0.76	348,657	217,449	25.57
6.00% International Hotel Investments plc € 2024	**35,000,000**	**5.15**	**0.61**	**1,544,099**	**773,176**	**41.87**
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.27	3.66	100,350	50,297	48.12
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.67	2.04	122,396	47,319	52.86
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	3.74	3.09	135,492	45,574	27.66
4.25% Best Deal Properties Holding plc Secured € 2024	14,371,600	2.92	–	27,453	4,128	81.72
3.7% GAP Group plc Secured € 2023-2025 Series 1	21,000,000	3.44	2.24	103,895	15,134	73.44
5.75% International Hotel Investments plc Unsecured € 2025	**45,000,000**	**5.06**	**0.61**	**1,544,099**	**773,176**	**41.87**
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.23	7.33	160,836	54,602	29.84
4.50% Hili Properties plc Unsecured € 2025	37,000,000	3.82	1.46	149,639	62,675	54.94
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	3.37	3.16	43,383	5,522	81.61
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.88	0.51	1,717,057	828,470	42.64
4.00% International Hotel Investments plc Secured € 2026	**55,000,000**	**3.20**	**0.61**	**1,544,099**	**773,176**	**41.87**
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.00	7.39	278,759	53,003	75.22
4.00% International Hotel Investments plc Unsecured € 2026	**60,000,000**	**3.59**	**0.61**	**1,544,099**	**773,176**	**41.87**
3.25% AX Group plc Unsec Bds 2026 Series	15,000,000	3.23	0.76	348,657	217,449	25.57
4.35% SD Finance plc Unsecured 12,000,000	65,000,000	3.84	0.88	328,464	131,504	30.32

COMPARATIVE ANALYSIS (cont.)	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.45	0.50	190,466	108,369	31.32
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.51	2.30	354,069	231,437	26.54
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	3.60	3.44	624,222	106,811	78.42
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.46	2.30	354,069	231,437	26.54
3.80% Hili Finance Comapny plc Unsecured € 2029	80,000,000	3.65	3.44	624,222	106,811	78.42
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.19	0.76	348,657	217,449	25.57
3.65% Intentional Hotel Investments plc Unsecured € 2031	**80,000,000**	**3.65**	**0.61**	**1,544,099**	**773,176**	**41.87**
						30 Sept 2021

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



30 Sept 2021

Source: Malta Stock Exchange, Central Bank of Malta, MZ Investments Services Ltd

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

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'.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Key Performance Indicators	
Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Average room rate	Average room rate is calculated by dividing hotel room revenue by rooms sold. Hotels use this measure to calculate the average price at which they are selling hotel rooms each night.
Revenue per available room (RevPAR)	RevPAR is calculated by multiplying a hotel's average room rate by its occupancy rate. A hotel uses this indicator as a performance measure with other hotels in the same category or market to determine how well the hotel property is yielding.
Revenue generating index	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Profitability Ratios	
Gross profit margin	Gross profit margin is the difference between revenue and direct costs expressed as a percentage of total revenue.
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.

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

Net debt to EBITDA	The net debt to EBITDA ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity.