



**CORINTHIA FINANCE plc**

A member of the Corinthia Group of Companies

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**FINANCIAL ANALYSIS SUMMARY**

18 MARCH 2016

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

18 March 2016

Dear Sirs

**Financial Analysis Summary**

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

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

- (a) Historical financial data for the three years ended 31 December 2012 to 31 December 2014 has been extracted from audited financial statements of the Issuer and Guarantor for the three years in question.
- (b) The forecast data for the years ending 31 December 2015 to 31 December 2017 has been provided by management.
- (c) Our commentary on the results of the Guarantor and on its financial position is based on the explanations provided by management.
- (d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 7 of the Analysis.
- (e) Relevant financial data in respect of the companies included in Part 6 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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

Yours faithfully,



**Wilfred Mallia**  
Director

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## PART 1 – INFORMATION ABOUT THE ISSUER AND GUARANTOR

### 1. ISSUER’S KEY ACTIVITIES

The principal activity of Corinthia Finance p.l.c. (the “**Issuer**”) is to carry on the business of a finance and investment company within the Corinthia Group.

The Issuer is not engaged in any trading activities but is involved in raising debt and advancing same to members of the Corinthia Group as and when the demands of their business or the demands of a particular project so require. Accordingly, the Issuer is economically dependent on the operations, performance and prospects of the Corinthia Group.

### 2. DIRECTORS OF THE ISSUER

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

#### Board of Directors

Joseph Fenech	Chairman and Executive Director
Anthony R. Curmi	Non-Executive Director
Frank Xerri de Caro	Non-Executive Director
Joseph J. Vella	Non-Executive Director

### 3. GUARANTOR’S KEY ACTIVITIES

Corinthia Palace Hotel Company Limited (“**CPHCL**” or the “**Guarantor**”) is the parent company of the Corinthia Group and is principally engaged, directly or through subsidiaries and associated entities, in investments in various countries that are predominantly focused on the ownership, development and operation of mixed-use real estate developments that consist mainly of hotels, residences, offices and retail areas. The business activities of CPHCL are described in further detail in Parts 2 to 5 of this report.

### 4. DIRECTORS OF THE GUARANTOR

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

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

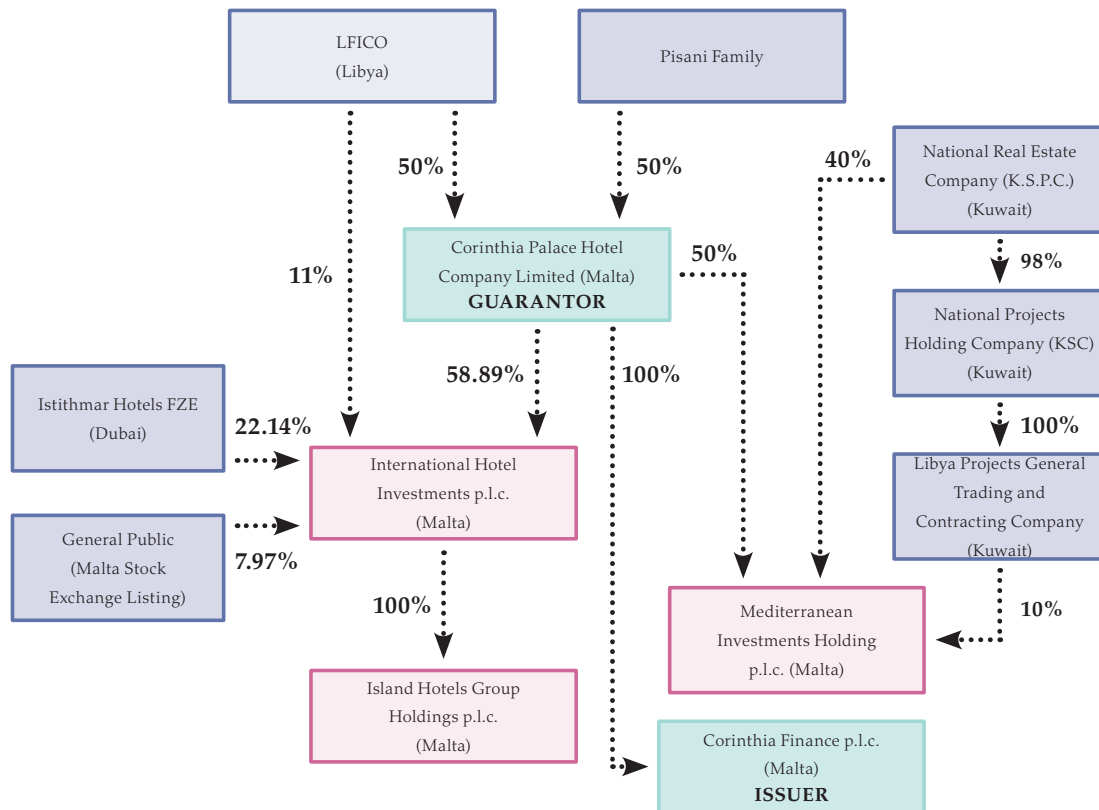
#### Board of Directors

Alfred Pisani	Chairman and Executive Director
Moftah Ali Suliaman Abdullah	Non-Executive Director
Abuagila Almahdi	Non-Executive Director
Mustafa T. Mohamed Khattabi	Non-Executive Director
Joseph Pisani	Executive Director
Victor Pisani	Executive Director

The weekly average number of employees engaged with the companies forming part of the Corinthia Group during FY2015 amounted to 2,950 persons (FY2014: 2,717).

## 5. CORINTHIA GROUP ORGANISATIONAL STRUCTURE

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



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

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**PRINCIPAL ASSETS AND OPERATIONS**

Name	Location	Description	% ownership
<i>Corinthia Palace Hotel Company Limited</i>			
Panorama Hotel Prague	Czech Republic	Property owner	100
Aquincum Hotel Budapest	Hungary	Property owner	100
Corinthia Palace Hotel & Spa	Malta	Property owner	100
Ramada Plaza	Tunisia	Property owner	100
QPM Limited	Malta	Project management	80
Malta Fairs and Conventions Centre Limited	Malta	Conference & leisure conventions	100
Swan Laundry and Drycleaning Co. Limited	Malta	Laundry	100
Danish Bakery Limited	Malta	Bakery	65
Catermax	Malta	Event catering	100
<i>International Hotel Investments p.l.c.</i>			
Corinthia Hotel Budapest	Hungary	Property owner	100
Corinthia Hotel St Petersburg	Russia	Property owner	100
Corinthia Hotel Lisbon	Portugal	Property owner	100
Corinthia Hotel Prague	Czech Republic	Property owner	100
Corinthia Hotel Tripoli	Libya	Property owner	100
Corinthia Hotel St George's Bay	Malta	Property owner	100
Marina Hotel St George's Bay	Malta	Property owner	100
Corinthia Hotel & Residences London	United Kingdom	Property owner	50
CHI Limited	Malta	Hotel management	100
QPM Limited	Malta	Project management	20
Medina Tower	Libya	Mixed-use property (to be developed)	25
<i>Island Hotels Group Holdings p.l.c.</i>			
Radisson Blu Resort St Julians	Malta	Property owner	100
Radisson Blu Resort & Spa Golden Sands	Malta	Property owner	50
Azure Group	Malta	Vacation ownership operation	50
Island Caterers	Malta	Event catering	100
Hal Ferh Complex	Malta	Residence complex (to be developed)	100
Costa Coffee	Malta/Spain	Retail catering	100
<i>Mediterranean Investments Holding p.l.c.</i>			
Palm City Residences	Libya	Gated residence complex	100
Medina Tower	Libya	Mixed-use property (to be developed)	25

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The business activities of the Corinthia Group are described in further detail in Parts 2 to 5 of this report.

## PART 2 – A BRIEF OVERVIEW OF INTERNATIONAL HOTEL INVESTMENTS PLC

### 6. KEY ACTIVITIES

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

To date, IHI has acquired and/or developed hotels in Prague (Czech Republic), Tripoli (Libya), Lisbon (Portugal), Budapest (Hungary), St Petersburg (Russia) and St Julians (Malta). IHI also has a 50% shareholding in a 294 roomed luxury hotel and residential development in London (UK), the latter property consisting of 12 residential apartments located within the same building as the hotel. In April 2014, 11 of the aforesaid apartments were sold to third parties with the holding company retaining ownership of the penthouse apartment.

Revenue and earnings are derived primarily from the operation of owned hotels. A secondary source of income and earnings is generated through rental income of residential and commercial premises, particularly in St Petersburg, Tripoli and Budapest. Additional revenue streams include fees earned by CHI Limited, a wholly owned subsidiary of the Company, from management agreements on hotels owned by IHI itself or CPHCL and other third parties. As at the date of this report, CHI Limited managed eight hotels on behalf of IHI (of which one is fifty per cent owned by IHI) and another five hotels on behalf of CPHCL and third-party owners.

On 10 August 2015, IHI acquired 100% of the issued share capital of Island Hotels Group Holdings p.l.c. (“IHGH”). The business of IHGH largely relates to: the ownership, management and operation of five-star hotels in Malta (namely, the Radisson Blu Resort St Julians and the Radisson Blu Resort & Spa, Golden Sands); the operating of a vacation ownership marketing business for the aforesaid hotels; the operation of retail and event catering business (Island Caterers Limited); and the development and operation of Costa Coffee outlets in Malta, the East Coast of Spain, Canary Islands and the Balearic Islands. IHGH, through a wholly owned subsidiary, also owns a plot of land measuring 83,530m<sup>2</sup> located next to the Radisson Blu Resort & Spa, Golden Sands, Malta. The property is earmarked for the development of a luxury tourist complex.

### 7. DIRECTORS AND KEY EMPLOYEES

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

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

#### Board of Directors

Alfred Pisani	Chairman
Frank Xerri de Caro	Senior Independent Non-Executive Director
Abdulnaser M.B. Ahmida	Non-Executive Director
Douraid Zaghouani	Non-Executive Director
Hamad Mubarak Mohd Buamin	Non-Executive Director
Abuagila Almahdi	Non-Executive Director
Khaled Algonsel	Non-Executive Director
Joseph Pisani	Non-Executive Director
Michael Beckett	Independent Non-Executive Director
Joseph J. Vella	Independent Non-Executive Director

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

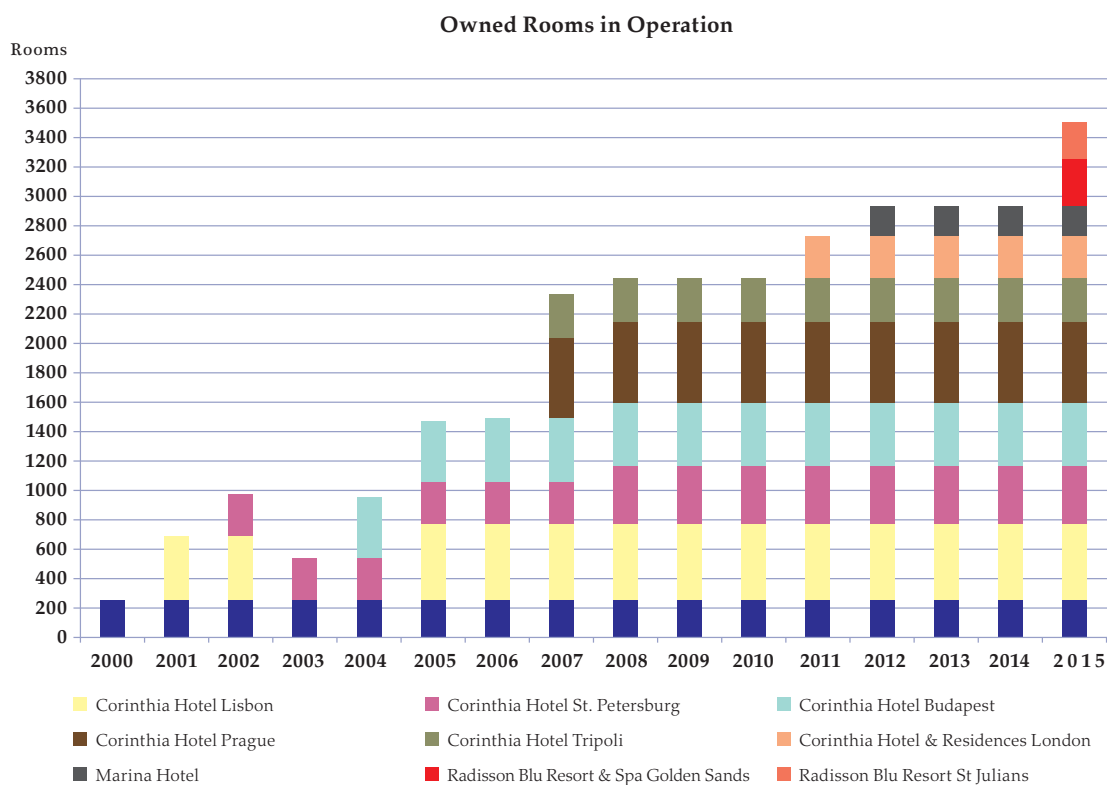
The weekly average number of employees engaged at IHI's corporate office and in its owned hotels during FY2015 amounted to 2,090 persons (FY2014: 1,877).

## 8. OPERATIONAL DEVELOPMENT

### 8.1 HOTEL PROPERTIES

#### 8.1.1 Room inventory

As at the date of this report, IHI fully owns 8 hotel properties and 50% of each of 2 other hotel properties (namely, Corinthia Hotel & Residences London and Radisson Blu Resort & Spa Golden Sands). The chart below sets out the growth in room inventory of IHI since incorporation, which increased from 250 to 3,509 rooms over the 16-year period.



#### 8.1.2 Corinthia Hotel Budapest

##### *Introduction*

IHI Hungary Zrt (a fully-owned subsidiary of the Company) owns the 440-room five-star Corinthia Hotel located in Budapest, Hungary (“**Corinthia Hotel Budapest**”). The hotel was acquired as a vacant building in 2000 for €27 million. The property was subsequently demolished except for the historic facade and ballroom and rebuilt at a cost of €90 million. It was officially opened in April 2003. In 2006, 26 self-catering apartments were added to its stock of rooms and a health spa was opened. The carrying value of the Corinthia Hotel Budapest as at 31 December 2014 is €95.2 million (FY2013: €86.0 million).

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## *Market Overview*

### **i. Economic update**

Hungary grew at the fastest pace in eight years in 2014 as the economy expanded 3.7% (which was up from the 1.5% expansion recorded in 2013), supported by strong fiscal and monetary stimulus and its improved ability to absorb funding from the European Union (EU). More recent indicators showed Hungary's economic expansion gained momentum in the fourth quarter of 2015 because of robust output in the manufacturing and services sectors. In 2015 as a whole, Hungarian GDP rose 2.9% for the year, 0.8% slower than in 2014. At the end of November 2015, the government proposed a drastic reduction to the country's banking tax, which is the highest in Europe, and additional measures to incentivise greater lending. The Central Bank of Hungary expects the economy to expand 2.5% in 2016.

### **ii. Tourism market**

In 2015, the number of nights spent by domestic tourists increased by 6.4% and that of international tourism nights increased by 4.6% compared to a year earlier. The guest turnover of accommodation establishments, measured in tourism nights, increased by an overall 1.3%. The gross revenues of accommodation establishments – at current prices – rose by 4.9%. In 2015, accommodation establishments recorded a total of 25.8 million tourism nights, 5.4% more than in 2014. Key markets that are contributing to growth in incoming travel include Germany, Austria, Russia, UK and the US.

The increase in volume can be attributed mainly to tour groups and leisure individuals taking advantage of discounted prices and a favourable exchange rate. The spike in leisure business in recent years is however not sustainable in the longer term and the market will need to replace this demand from alternative sources. Effort is being made by the industry to focus on thematic product development including: (i) health, heritage & culture, conferences & events; (ii) festivals, religious events, gastronomy; and (iii) products which can extend the average length of stay such as adventure tourism.

Overall, tourism prospects in Hungary are believed to be promising. Domestic tourism will be fuelled mainly by the continued decline of the local currency, making local travel more attractive for the budget conscious. Inbound travel will also benefit from more competitively-priced Hungarian offerings, especially in medical and health tourism. The conflict in neighbouring Ukraine and the escalating economic difficulties in Russia, however, pose great uncertainties as both are important feeder markets and drastic changes in arrival numbers could affect the performance.

## Operational Performance

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

Corinthia Hotel Budapest	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (€'000)	18,069	18,477	20,404	22,522	24,924	25,474
Gross operating profit before incentive fees (€'000)	5,503	5,572	6,500	7,914	8,838	9,064
Gross operating profit margin (%)	30	30	32	35	35	36
Occupancy level (%)	71	72	74	78	80	80
Average room rate (€)	100	103	114	127	138	142
Revenue per available room (RevPAR) (€)	71	74	85	99	110	114
<b>Benchmark performance</b>						
Occupancy level (%)	72	72	76	80	81	80
Average room rate (€)	101	102	103	115	124	127
Revenue per available room (RevPAR) (€)	73	73	78	92	100	102
<b>Revenue Generating Index</b>	0.97	1.01	1.09	1.08	1.10	1.12

Source: Management information.

Positive results were achieved in FY2014, in which, the Hotel registered a 15% increase in RevPAR and a growth in revenue of €1.9 million to €20.4 million. This increase resulted in a €0.9 million improvement in gross operating profit. FY2015 was another positive year in which average room rate is expected to have increased by 11% from €114 in FY2014 to €127 in FY2015, and RevPAR by 16% to €99 in FY2015. In this regard, gross operating profit is expected to increase by €1.4 million from FY2014 to FY2015 (+22%). A substantial part of these improvements is in consequence of the diversification in market segmentation wherein lower rated business is being replaced by the more lucrative leisure market segment. Looking forward, management's revenue strategy (focused on market segmentation) is to be maintained and shall concentrate on increasing revenue from leisure, corporate and conference & event segments with a progressive decrease in the volume of low rated sectors such as groups and tour operator business. As such, it is projected that average room rate will grow further by 9% from €127 in FY2015 to €138 in FY2016, and RevPAR will increase by 11% to €110 in FY2016. Gross operating profit is expected to increase by 12% to €8.8 million in FY2016 and achieve a gross operating margin of 35%. Performance in FY2017 is being projected to increase marginally over FY2016 level.

During the period under review, the Hotel performed at a similar level to its competitive set as to occupancy, but achieved a marginally higher average room rate than its competitors. Overall, the Hotel performed much better than its competitive set in FY2014 (RGI: 1.09) and FY2015 (RGI: 1.08). This over performance relative to the competitive set is anticipated to continue also in the projected years FY2016 and FY2017.

### 8.1.3 Corinthia Hotel St Petersburg

#### Introduction

IHI Benelux B.V. (a fully-owned subsidiary of the Company) owns the 388-room five-star Corinthia Hotel located in St Petersburg, Russia ("Corinthia Hotel St Petersburg"), which was acquired in 2002 for €35 million. The company also purchased properties adjacent to the hotel, which were subsequently demolished and rebuilt as a hotel extension and a commercial centre including retail and office space. This project, which was completed in May 2009, also involved the refurbishment of the lobby and the public areas of the original hotel. It is the intention of the Group to refurbish the rooms of the existing hotel and to develop, in the near future, an area measuring circa 1,500 square metres situated

behind the Hotel and which will consist of the creation of a car park and further office space. The carrying amount of the Corinthia Hotel St Petersburg and the commercial centre as at 31 December 2014 is €90.7 million (FY2013: €113.4 million) and €77.8 million (FY2013: €87.4 million) respectively.

## *Market Overview*

### **i. Economic update**

The Russian economy contracted 3.7% in 2015, the worst contraction in six years, but slightly more moderate than the 3.8% decline forecast by economists. Low oil prices, a decline in real wages, the weakening of the Rouble and the impact from external economic factors adversely affected the Russian economy in 2015. However, initial signs of stabilisation are coming from the industrial sector, while performance in the agricultural sector is also looking better. Despite such evidence, risks on the future outlook persist. Low oil prices, external economic factors and increasing geopolitical risks will continue weighing on the economy. Moreover, reactions from Moscow, NATO and Turkey on the latest incident with Turkey, when a Turkish fighter jet shot down a Russian bomber aircraft on 24 November 2015, may have an adverse effect on the Russian economy.

The Russian Central Bank stated in September 2015 that it expects the economy to contract at a rate of between 3.9% and 4.4% in FY2015. For 2016, the Bank sees that economic growth will depend on the dynamics of energy prices and the economy's ability to adapt to external shocks. The Bank expects the price for Urals oil to average USD 50 per barrel in the next three years. As a result, the Bank sees a more protracted recession. It expects the economy to contract at a rate of between 0.5% and 1.0% in 2016.

### **ii. Tourism market**

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

In 2014, the number of inbound tourists to Russia declined from all European countries and the United States, principally on account of international sanctions imposed on the annexation of Crimea to the Russian Federation. On the other hand, the number of Chinese tourists travelling to Russia grew to 1.125 million visitors. China has now surpassed Germany as the leading country for the Russian inbound tourism market. Overall, arrivals declined by more than 20% (equivalent to six million passengers) to around 24.6 million. To partly compensate for the decline in European and US travellers, the Russian government has become more focused on domestic tourism. Due to the instability of the local currency, trips abroad for Russians are less affordable and there is a shift to domestic over outbound travel. Although statistics for FY2015 are unavailable, the adverse trend in inbound tourism in 2014 is likely to have persisted in 2015. In fact, airlines announced negative expectations for 2015 and cost-saving plans, including reductions in the number of flights and routes and personnel optimisation.

The Russian market is set to recover as from 2017. The depreciated Rouble makes Russia an attractive destination for inbound travel as foreign tourists will find Russian prices rather cheap when converted to US Dollars and euros. Furthermore, hosting the 2018 FIFA World Cup will support Russia's image as a vibrant and interesting destination.

## Operational Performance

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

Corinthia Hotel St Petersburg	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (€'000)	17,645	18,997	14,229	12,783	13,361	17,273
Gross operating profit before incentive fees (€'000)	6,775	7,619	3,007	4,210	3,859	5,647
Gross operating profit margin (%)	38	40	21	33	29	33
Occupancy level (%)	52	54	52	60	62	52
Average room rate (€)	165	180	139	112	109	170
Revenue per available room (RevPAR) (€)	86	98	72	67	68	88
<b>Benchmark performance</b>						
Occupancy level (%)	52	56	53	61	60	60
Average room rate (€)	213	212	193	153	147	175
Revenue per available room (RevPAR) (€)	111	118	85	93	88	105
<b>Revenue Generating Index</b>	0.77	0.83	0.85	0.72	0.77	0.84

Source: Management information.

In FY2014, revenue at the Corinthia Hotel St Petersburg declined by 25% to €14.2 million relative to FY2013 due to a decrease in demand (both leisure and conference business) as a result of the political situation between Russia and Ukraine (in relation to the annexation of Crimea to the Russian Federation). Management's strategy for the year was to maintain occupancy rate at above 50%, which was achieved at the expense of a reduction in average room rate (from €180 in FY2013 to €139 in FY2014), mainly in consequence of the tumbling Rouble, as there was a concerted shift from international to domestic clients.

During FY2015, the Hotel was able to capture a higher share of the domestic market, but the average room rate decreased in euro terms principally as a result of a weaker Rouble. As such, the Hotel is expected to increase occupancy levels from 52% to 60%, but average room rate should decrease from €139 to €112. Overall, revenue in FY2015 is expected to have declined by €1.4 million year-on-year to €12.8 million. On the other hand, gross operating profit will improve by €1.2 million in consequence of cost-reduction measures.

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

Broadly, the same business pattern is projected for FY2016 since the refurbishment programme (previously earmarked to take place during the winter and shoulder months of FY2016) has been postponed. The Hotel is expected to generate €13.4 million in revenue (+5% over FY2015) and register a gross operating profit of €3.9 million (FY2015: €4.2 million). In FY2017, management is anticipating an economic recovery in Russia and a return of international tourists to the country. As such, the average room rate is projected to increase significantly from €109 in FY2016 to €170 in FY2017, and RevPAR in FY2017 should increase by 29% when compared to the prior year.

Similar to the Hotel, its competitive set registered a decrease in RevPAR in FY2014 of 28% (Hotel: -26%), principally as a consequence of the conflict with Ukraine, and also because two major events were organised in FY2013 which increased average rates above normal levels. In FY2015, the Hotel performed at par with its competitive set in terms of occupancy but its average room rate was 27% lower than the average rate of competitors. Beyond FY2016, provided the political situation in Russia is resolved, management expects to initiate the refurbishment of the property (estimated at €23.5 million). This should enable the Hotel to command improved occupancy levels and room rates in the near to medium term.

### *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:

<b>Corinthia Hotel St Petersburg (commercial property)</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Projection</b>	<b>Projection</b>
Turnover (€'000)	2,459	4,740	4,209	4,000	5,050	6,000

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. Occupancy in FY2014 increased to 48% and remained constant in FY2015. Projected growth in income is reflective of existing agreements with respective tenants, marginal increases in occupancy and a recovery in the exchange rate of the Russian Rouble.

#### **8.1.4 Corinthia Hotel Lisbon**

##### *Introduction*

Alfa Investimentos Lda (a fully-owned subsidiary of the Company) owns the 518-room five-star Corinthia Hotel located in Lisbon, Portugal ("**Corinthia Hotel Lisbon**"), which was acquired in 2001 for €45 million. The Corinthia Hotel Lisbon required significant renovation and following an extensive refurbishment was re-opened in May 2004. The carrying amount of the Corinthia Hotel Lisbon as at 31 December 2014 is €92.2 million (FY2013: €79.7 million). Alfa Investimentos Lda also owns an apartment block in Lisbon for investment purposes, valued at €1.1 million as at 31 December 2014 (FY2013: €1.2 million).

##### *Market Overview*

###### **i. Economic update**

Portugal's gross domestic product expanded in the three months through December 2015 from the prior quarter as a rise in exports helped offset a drop in investment. GDP rose 0.2% from the third quarter, when it was unchanged. The Portuguese economy expanded 1.2% in the fourth quarter from a year earlier, the slowest pace of annual growth since the fourth quarter of 2014. For the year of 2015, GDP increased 1.5% after expanding 0.9% in 2014.

Prime Minister Antonio Costa was sworn in at the end of November 2015 and his minority Socialist government plans to reverse state salary cuts faster than the previous administration proposed, while increasing indirect taxes. Costa is also raising the minimum wage and reducing the working week for state workers as he aims to remove some measures introduced during the bailout program that ended in 2014. The Bank of Portugal expects the economy to expand 1.8% in 2016.

## ii. Tourism market

In 2015, tourism accommodation establishments hosted 174 million guests (+8.6%) and registered 48.9 million overnight stays (+6.7%). Compared to the corresponding year, the internal market grew by 5.3% registering 14.5 million overnight stays. Overnight stays from non-residents in 2015 increased by 7.3% and represented 70.3% of the total. On a regional basis, growth was registered in all regions of mainland Portugal, with particular emphasis on the Alentejo region, Azores and the North (+11.8%, +19.6% and +13.6% respectively). As in prior periods, the inbound markets preferred to choose the Algarve, Lisbon and Madeira. The coordination between tourism and aviation authorities to expand available routes turned out to be crucial for Portugal's success in the tourism industry.

### *Operational Performance*

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

<b>Corinthia Hotel Lisbon</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Projection</b>	<b>Projection</b>
Turnover (€'000)	16,187	17,769	19,597	20,699	21,520	21,981
Gross operating profit before incentive fees (€'000)	3,565	4,322	5,674	6,019	6,524	6,688
Gross operating profit margin (%)	22	24	29	29	30	30
Occupancy level (%)	63	66	71	74	73	72
Average room rate (€)	89	94	99	105	109	113
Revenue per available room (RevPAR) (€)	57	62	70	78	80	81
<b>Benchmark performance</b>						
Occupancy level (%)	64	66	70	72	71	71
Average room rate (€)	96	96	97	107	106	109
Revenue per available room (RevPAR) (€)	61	63	68	76	75	77
<b>Revenue Generating Index</b>	0.93	0.98	1.03	1.03	1.07	1.05

Source: Management information.

Overall results continued to improve in FY2014 as the Corinthia Hotel Lisbon registered a year-on-year increase in revenue of €1.8 million (+10%) mainly as a consequence of an increase in RevPAR from €62 to €70. This positive movement resulted in an increase in gross operating profit of €1.4 million. A further improvement of 6% and 11% in revenue (to €20.7 million) and RevPAR (to €78) respectively is expected for FY2015 over FY2014 results.

With the introduction of low cost airline carriers to the country, Portugal is perceived as a 'value for money' destination and this has been one of the leading factors contributing to the growth in the hospitality numbers outlined above. The Hotel has likewise benefitted from this upsurge in business registering significant year-on-year growth both in revenue and gross operating profit. Management plans to continue focusing on higher yielding segments (leisure and conference & events) and considers that due to the size of the Hotel, there should not be any displacement of leisure guests when signing larger conference & events business. It is estimated that revenue will increase by 4% and 2% in FY2016 and FY2017 respectively, and gross operating profit is expected to grow by 8% and 3% in FY2016 and FY2017 respectively.

The Hotel has performed broadly in line with its competitive set in both FY2014 and FY2015 (RGI: 1.03). A similar trend is being projected for the following two years (FY2016 and FY2017) as management expects to maintain the current occupancy rate at over 70%, and increase average room rate by 4% annually in FY2016 and FY2017.

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### 8.1.5 Corinthia Hotel Prague

#### *Introduction*

IHI Towers s.r.o. (a fully-owned subsidiary of the Company) owns the 539-room five-star Corinthia Hotel located in Prague, Czech Republic (“**Corinthia Hotel Prague**”), which was acquired in 2007 for €105 million. The carrying amount of the Corinthia Hotel Prague as at 31 December 2014 is €74.0 million (FY2013: €76.7 million).

#### *Market Overview*

##### **i. Economic update**

The Czech Republic’s economic performance was extraordinarily strong in 2015 and a third consecutive annual expansion above 4.0% was recorded (2015: 4.3%). The expansion mainly came on the back of the domestic economy, fuelled by rising investment, through strong absorption of EU funds, and public spending. Solid private consumption, which is benefiting from expansionary monetary policy and low oil prices, has also encouraged growth. The economy will likely decelerate in 2016 and expand at a more sustainable pace, partly because inflows of EU funds and government spending are projected to slow. As such, the Czech National Bank expects economic growth to slow to 2.8% in 2016.

##### **ii. Tourism market**

In 2015, Czech hotels reported an increase in overnight stays of 10.2% y-o-y to 47.1 million and guest numbers (both resident and foreign guests) increased by 9.6% to 17.2 million. Of the foreign guests, the country experienced a decrease in guests from Russia (-37.4% or 260,000 guests) and from Ukraine (-10.7% or 12,000 arrivals), which was compensated by higher occupancy of guests from neighbouring as well as distant countries. German visitors increased by 12.6% y-o-y as well as Slovaks (+14.6%) and persons from USA (+14.9%). The number of guests from China and South Korea increased by 35.3% and 31.8% respectively.

The Czech government is increasingly prioritising to move tourism beyond the current concentration in the capital, Prague, and increase the potential of undiscovered places in the country. Most significant source markets are Germany, Russia, Italy, UK, US, Slovakia and Poland, while demand is also increasing from other markets such as China and South Korea.

Over the past decade, Prague has seen a number of hotels enter the market, leading to a large growth in hotel room stock (principally upscale and luxury rooms). As a result of this increase in room supply, hotels in Prague have been suffering declines in performance both in terms of occupancies and rates since supply exceeds demand, which was further impacted by the economic crisis. There was a reversal in this trend in 2011 which was sustained thereafter, as the overall hotel market in Prague registered yearly increases in both occupancy levels and average room rates.

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

Hotel performance in Prague is generally expected to continue to improve in the coming years as the market gradually absorbs the remaining oversupply of hotel rooms, leveraging on its image as an attractive and corporate destination. The number of inbound trips is expected to grow at a CAGR of 3% over the near term and this growth will be driven by arrivals from China and a recovery in visitor numbers from Russia. The performance of inbound tourism will be supported by a second airport in the Czech capital, Prague (Vodochody), which is planned to be operational by 2018. This will bring cheaper flights for tourists as several low cost carriers have shown interest in operating flights to Prague.

### Operational Performance

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

Corinthia Hotel Prague	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (€'000)	16,611	14,310	15,740	16,518	17,301	18,641
Gross operating profit before incentive fees (€'000)	3,066	2,846	4,064	4,750	5,032	6,019
Gross operating profit margin (%)	18	20	26	29	29	32
Occupancy level (%)	67	60	65	68	71	72
Average room rate (€)	75	72	71	74	76	83
Revenue per available room (RevPAR) (€)	50	43	46	50	54	60
<b>Benchmark performance</b>						
Occupancy level (%)	68	67	71	77	76	76
Average room rate (€)	106	96	102	106	109	115
Revenue per available room (RevPAR) (€)	72	65	73	82	83	87
<b>Revenue Generating Index</b>	0.69	0.66	0.63	0.61	0.65	0.69

Source: Management information.

In FY2014, the Corinthia Hotel Prague registered a satisfactory performance as it managed to improve occupancy by 5 percentage points over the previous year (from 60% to 65%) whilst broadly maintaining an average room rate above €70. Figures for FY2015 are expected to show that the Hotel continued to build on this positive trend and should achieve a RevPAR of €50 (from €46 in FY2014) and a gross operating profit of €4.8 million (from €4.1 million in FY2014). A broadly similar performance is being projected for FY2016 and FY2017, with marginal increases in occupancy and rates. In the near term, management will continue to work towards displacing tour operator bookings with the more profitable conference & events and leisure business in an effort to improve RevPAR.

The Hotel has, in recent years, consistently underperformed its competitive set principally in terms of room rates (being *circa* 30% lower than benchmark rates). This gap in room rates is largely linked to the Hotel's location just outside the City centre in Prague and its large room inventory, making it more challenging to compete at the same rates offered by the competitive set hotels. Consistent with current performance, management expects to continue to match its competitive set in terms of occupancy and recover part of the gap in room rates. The Hotel is forecasting room rates to increase through, *inter alia*, the generation of more room nights from higher-rated segments, improved segmentation and the expected increase in conference & events business organised at the (neighbouring) Prague Congress Centre. As such, the Hotel is aiming to improve the RGI in the forward years from 0.63 in FY2014 to 0.69 in FY2017.

### 8.1.6 Corinthia Hotel Tripoli

#### Introduction

Corinthia Towers Tripoli Limited (a fully-owned subsidiary of the Company) owns the 299-room five-star Corinthia Hotel located in Tripoli, Libya (“**Corinthia Hotel Tripoli**”), and a commercial centre measuring *circa* 10,000 square metres and a tract of undeveloped land both of which are adjacent to the hotel. The said properties were acquired in 2007 for a total consideration of €207 million analysed as follows: Corinthia Hotel Tripoli (€139 million); the commercial centre (€62 million); and an undeveloped parcel of land (€6 million). The carrying amounts of the Corinthia Hotel Tripoli, commercial centre and the adjacent plot as at 31 December 2014 are €86.7 million (FY2013: €124.1 million), €68.9 million and €28.8 million respectively (FY2013: €73.6 million, €28.8 million), or a combined total of €184.4 million.

#### Market Overview

The continued instability and state of uncertainty prevailing since the 2011 uprising continues to have a negative effect on Libya’s economy. Ongoing conflict between rival militias has left Libya deeply divided, with vast regions split under the rule of various Islamist and nationalist groups and armed gangs taking control on a smaller scale. This has left a security vacuum in the country without a reliable police or army force to maintain law and order. Moreover, a government that is recognised both on a national and international level is yet to be appointed. Practically all foreign embassies in Libya have suspended operations and withdrawn their diplomatic staff, and have advised their respective nationals against all unnecessary travel to the country. This state of affairs is expected to continue in the near term as there is yet no indication that the unstable political and security climate will subside any time soon.

#### Operational Performance

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

Corinthia Hotel Tripoli	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (€’000)	16,526	19,705	8,345	893	2,448	2,264
Gross operating profit before incentive fees (€’000)	4,917	6,568	-1,211	-2,791	-2,858	-3,047
Gross operating profit margin (%)	30	33	-15	-313	-117	-135
Occupancy level (%)	48	59	22	2	5	5
Average room rate (€)	212	208	212	218	189	194
Revenue per available room (RevPAR) (€)	102	122	47	4	9	10

Source: Management information.

The results for FY2014 reflect the prevailing difficult political environment in the country due to the persistent conflicts, unstable political situation and the closure of the international airport. In FY2014, revenue declined by 58%, relative to the year before, to €8.3 million and a gross operating loss of €1.2 million was registered.

On 27 January 2015, the Hotel was the scene of an armed attack and as a result, the Hotel was closed for business during most of the year. Since the attack, repair works have been commissioned and management is committed to resume operations within the shortest time possible in FY2016. However, in view of the current unrest in Libya, low occupancy at the Corinthia Hotel Tripoli is anticipated for FY2016. As such, it is the hotel management’s objective during the course of the said year to try to match payroll and other operating costs to operating income and contribute in some manner towards general overheads such as utilities, security and maintenance costs. The Hotel is projected to incur a gross operating loss in FY2016 of €2.9 million. With respect to FY2017, management has assumed the same state of affairs in Libya as in FY2016 and has therefore projected revenue at €2.3 million and an operating loss of €3.0 million.

### Commercial Operations

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

Corinthia Hotel Tripoli (commercial property)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (€'000)	6,263	5,868	5,863	5,593	5,868	5,868

Source: Management information.

The Commercial Centre which is fully occupied, save for an area of 1,222 square metres which was vacated in 2013, includes rentable office space having a gross area of 7,249 square metres. It also comprises 306 square metres of storage space and 235 of internal and external car spaces. To date, the performance of the Commercial Centre remains largely unaffected by the political conflicts that the country is witnessing.

#### 8.1.7 Corinthia Hotel St George's Bay

##### Introduction

Five Star Hotels Limited (a fully-owned subsidiary of the Company) owns the 250-room five-star Corinthia Hotel located in St Julians, Malta ("Corinthia Hotel St George's Bay"), which was acquired in 2000 for €32 million. In 2006 a refurbishment programme was carried out at a total cost of *circa* €4 million. The carrying amount of the Corinthia Hotel St George's Bay as at 31 December 2014 is €27.6 million (FY2013: €28.3 million).

##### Market Overview

###### i. Economic update

Malta's economy slowed slightly in the third quarter of 2015, but still expanded a robust 5.4% over the same quarter of the previous year. Although the result was below the second quarter's upward revised 5.8% expansion, the figure confirms that the economy is on track to expand at a multi-year high rate in 2015. This increase in Gross Value Added was mainly generated by financial and insurance activities (+22.9%); and professional, technical, administrative and support services activities (+12.7%). On the other hand, a drop of 3.9% was registered in the manufacturing sector. Analysts predict the economy to expand a solid 3.9% in 2015. Growth of the Maltese economy is expected to moderate in 2016 to 3.3%.

###### ii. Tourism market

Tourism in Malta has in recent years been performing at a strong level and this trend continued in 2015 as well. Inbound tourism from January to December 2015 amounted to 1.8 million guests, an increase of 6.0% over the same period in 2014. Although tourists residing in collective accommodation (hotels, guesthouses, hostels, B&Bs, etc) made up 71.7% of the market in 2015, preference for private accommodation has been growing in the last years at a faster pace, and actually increased by 18.2% from 2014. Tourism expenditure was estimated at €1.6 billion, 7.5% higher than that recorded for the comparable period in 2014.

The majority of incoming tourists were leisure guests, predominantly from the European Union. Non-package travel was higher than package travel, with a 56% share of the total market. Nonetheless, package travel still advanced by 1.0% when compared to 2014. Total room nights spent by inbound tourists went up by 5.1% surpassing 14.2 million nights, while average length of stay remained flat at 7.9 nights.

Focus will be maintained on increasing traffic during the winter months and attracting more visitors from new markets to Malta. This bodes well for the Maltese hospitality industry as the expectation is to continue to grow revenues and increase profitability.

Looking forward, Malta' EU Presidency in 2017 together with Valletta serving as the European City of Culture in 2018 are widely expected to generate increased demand for hotels and enhance Malta's image as a tourist destination, which would in turn generate future growth in the hospitality sector. Meanwhile, the somewhat uncertain future of national carrier Air Malta poses a concern to further growth and competition from other Mediterranean countries will likely remain strong.

### 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	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (€'000)	11,196	11,721	13,339	15,225	16,218	16,214
Gross operating profit before incentive fees (€'000)	1,518	1,501	3,049	4,145	4,850	4,676
Gross operating profit margin (%)	14	13	23	27	30	29
Occupancy level (%)	68	71	79	79	81	79
Average room rate (€)	100	107	117	139	145	148
Revenue per available room (RevPAR) (€)	69	75	92	110	117	117
<b>Benchmark performance</b>						
Occupancy level (%)	72	72	74	78	77	77
Average room rate (€)	116	120	130	143	145	151
Revenue per available room (RevPAR) (€)	84	86	95	112	112	116
<b>Revenue Generating Index</b>	0.82	0.87	0.97	0.98	1.04	1.01

Source: Management information.

In FY2014, the Corinthia Hotel St George's Bay registered a 14% increase in revenue over FY2013 to €13.3 million. This positive performance had a significant contribution to gross operating profit of +103% from €1.5 million recorded in FY2013 to €3.0 million in FY2014, also on account of substantial savings in operating and administrative costs. As for FY2015, the Hotel anticipates that it has performed well, both in terms of revenue generation and profitability. In fact, revenue and gross operating profit are expected to increase by €1.9 million (+14%) and €1.1 million (+36%) respectively.

For FY2016, management will continue with its existing revenue management strategy of increasing rates and driving business through its largest growing segment (leisure), principally by undertaking more web-based online and other marketing initiatives. RevPAR is therefore estimated to increase from €110 in FY2015 to €117 in FY2016 (+6%) through a marginal increase in occupancy from 79% to 81% and an improvement in average room rate of 4% from €139 in FY2015 to €145 in FY2016. This should translate to an increase in both revenue and gross operating profit of €1.0 million (+7%) and €0.7 million (+17%) respectively. A similar operating performance as compared to the prior year is being projected for FY2017.

The Hotel's competitive set also recorded positive results in recent years, which is a reflection of the present buoyant tourism market in Malta. As such, the Hotel performed marginally below par with its competition in both FY2014 and FY2015, and the same trend is projected also in FY2016 and FY2017.

### 8.1.8 Marina Hotel

#### Introduction

Marina San Gorg Limited (a fully-owned subsidiary of the Company) owns the 200-room four-star Hotel located in St Julians, Malta (“**Marina Hotel**”), adjacent to the Corinthia Hotel St George’s Bay. It was acquired in early 2012 for €23 million. A number of facilities at the Hotel are shared with the Corinthia Hotel St George’s Bay, which provides guests with a larger product variety, especially with regards to food and beverage offering and swimming pool areas. Being a four-star hotel with access to five-star conference and meeting space at the Corinthia Hotel St George’s Bay is another unique selling point of the property. The carrying amount of the Marina Hotel as at 31 December 2014 is €22.5 million (2013: €20.9 million).

#### Market Overview

The market overview relating to the economy and tourism in Malta is included in section 8.1.7 above.

#### Operational Performance

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

Marina Hotel	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (€’000)	6,655	6,886	7,852	9,486	9,961	10,031
Gross operating profit before incentive fees (€’000)	1,446	1,343	1,822	2,931	3,203	3,151
Gross operating profit margin (%)	22	20	23	31	32	31
Occupancy level (%)	76	76	81	82	82	82
Average room rate (€)	72	77	87	110	117	118
Revenue per available room (RevPAR) (€)	55	59	71	90	96	97
<b>Benchmark performance</b>						
Occupancy level (%)	75	74	75	75	77	77
Average room rate (€)	80	84	90	116	117	121
Revenue per available room (RevPAR) (€)	60	62	68	87	90	93
<b>Revenue Generating Index</b>	0.92	0.95	1.04	1.03	1.07	1.04

Source: Management information.

Since FY2012, the sales team has been focusing more on yield management with a drive towards achieving higher rates by increasing business levels in the higher yielding segments, including leisure and corporate. Particularly in the leisure segment, last-minute business and online bookings have become more prevalent, and therefore management is being more restrictive in offering lower yielding tour operator business and in offering package deals.

In consequence, average room rate has increased over the years from €72 in FY2012 to €87 in FY2014, and RevPAR grew by 29% to €71 in the same period. With respect to FY2015, it is likely that occupancy stabilised at 82% but RevPAR increased to €90 (+27% relative to FY2014). After the growth experienced in FY2014 and FY2015, whereby revenue and gross operating profit increased by 38% and 118% respectively, FY2016 and FY2017 are projected to show more modest growth for the Hotel over the corresponding year.

As for benchmark performance, the Hotel outperformed its competitive set in FY2014 in terms of occupancy by 6 percentage points. On the other hand, average room rate was lower (-3%) than the benchmark rate at €90. It is expected that the Hotel's occupancy level and RevPAR exceeded the market average in FY2015 by 7 percentage points and 3% respectively. As for FY2016 and FY2017, the Hotel is projected to continue to perform better than its competitive set and thereby maintain an RGI above par.

### **8.1.9 Corinthia Hotel & Residences London**

#### *Introduction*

NLI Holdings Limited (equally owned by the Libyan Foreign Investment Company (LFICO) and IHI) owns the 294-room luxury Corinthia Hotel located in London, United Kingdom ("Corinthia Hotel London") together with a penthouse apartment (11 residential apartments in the same premises were sold in April 2014). The said penthouse has been leased in FY2016 for a maximum period of two years.

In 2008, NLI Holdings Limited acquired the former Metropole Building and its adjoining 10 Whitehall Place for £136 million (circa €160 million) and after raising a €150 million bank facility in April 2009, embarked on a two-year project to redevelop and reconstruct the said properties to the luxury Corinthia Hotel and Residences. The carrying amount of the Corinthia Hotel London (excluding the Residences) as at 31 December 2014 was €537.1 million (FY2013: €480.1 million).

#### *Market Overview*

##### **i. Economic update**

The UK economy grew by 0.5% in Q4 2015, taking the annual rate of growth for 2015 to 2.2% (0.7% lower than the 2.9% growth registered in 2014). The disappointing figure was the result of a slowdown in industry due to feeble manufacturing figures as factories struggled with a strong pound and weak external demand. Moreover, the construction sector recorded the first contraction in nearly two years. This could prompt concerns that the UK economy's reliance on the services sector (which continued to expand in 2015) is increasing further. The country's macroeconomic fundamentals remain strong and a robust labour market will sustain growth going forward. However, uncertainty regarding the EU referendum, weak overseas growth and financial market volatility are all creating an unsettling business environment and point to downside risks to the economy in 2016.

##### **ii. Tourism market**

International visits to the UK by overseas residents rose by 5% to 8.5 million in the period October 2015 to December 2015 compared with the same period a year earlier. In the 12 months to December 2015, the number of visits to the UK was 4% higher (to 35.8 million visits) than a year earlier and earnings remained the same during this period (non-residents spent £21.8 billion in 2015). Visits from North America and Europe were up by 8% and 3% respectively and visits from 'Other Countries' grew by 6%. Business trips grew 6%, holiday visits increased by 1% and visits to friends or relatives was up 7%.

## Operational Performance

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

Corinthia Hotel London	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (£'000)	38,424	46,401	47,494	57,906	59,045	60,722
Gross operating profit before incentive fees (£'000)	7,820	14,012	14,374	17,264	18,288	19,570
Gross operating profit margin (%)	20	30	30	30	31	32
Occupancy level (%)	63	72	72	73	77	79
Average room rate (£)	380	407	404	445	452	475
Revenue per available room (RevPAR) (£)	239	293	291	325	348	375
<b>Benchmark performance</b>						
Occupancy level (%)	79	77	76	80	80	80
Average room rate (£)	562	509	539	571	588	605
Revenue per available room (RevPAR) (£)	444	392	410	457	470	484
<b>Revenue Generating Index</b>	0.54	0.75	0.71	0.71	0.74	0.78

Source: Management information.

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

The Hotel's performance in FY2014 was broadly similar to the results achieved in FY2013. Revenue increased by 2% to £47.5 million and gross operating profit increased by £0.4 million to £14.4 million. On the other hand, a significant growth in revenue and gross operating profit is anticipated for FY2015 of £10.4 million (+22%) and £2.9 million (+20%) respectively, mainly as a consequence of an increase in the average room rate from £404 in FY2014 to £445. Management is projecting an increase of four percentage points in occupancy for FY2016 and a further increase in average room rate of 2%, which should equate to an increase in RevPAR of 7% from £325 in FY2015 to £348. Revenue is projected to increase by £1.1 million to £59.0 million in FY2016 and a corresponding increase of 6% is expected in gross operating profit to £18.3 million for that year. Moderate growth is being projected by management for FY2017.

The Hotel's strategy is to maintain an average occupancy level of *circa* 80% and progressively increase average room rate as the Corinthia brand gains more recognition in London and the UK.

In comparison to benchmark results, the Hotel managed an RGI of 0.71 in FY2014 mainly due to an adverse difference of £135 in its average room rate. Similar results for the Hotel as compared to its competitive set are expected for FY2015 (expected RGI of 0.71 in FY2015). The Hotel is projected to close the gap in average room rate when compared to its competitors by FY2017. Looking ahead, the Hotel aims to continue to improve the RGI to achieve par value, by maintaining an occupancy level of *circa* 80% and enhance the Hotel's average room rate through increased marketing and effective yield management.

### 8.1.10 Radisson Blu Resort & Spa Golden Sands

#### Introduction

The Radisson Blu Resort & Spa commenced operations in October 2005 and is located on a cliff's edge overlooking Golden Bay beach on the Northern coast of Malta. IHGH holds a 50% shareholding in the Golden Sands resort (the other 50% being owned by an experienced international timeshare operator) and title to the site is in the form of temporary utile dominium which expires in 2114. The five-star resort comprises a total of 329 rooms, various F&B outlets and is equipped with a 1,000m<sup>2</sup> spa and leisure centre, 4 pools, a tennis court and a private sandy beach.

The carrying amount of 50% of the Radisson Blu Resort & Spa Golden Sands (being the share of IHGH) as at 31 October 2014 is €33.1 million (FY2013: €34.5 million).

#### Market Overview

The market overview relating to the economy and tourism in Malta is included in section 8.1.7 above.

#### Operational Performance

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

Radisson Blu Resort & Spa Golden Sands	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	12 months	12 months	12 months	14 months	12 months	12 months
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (€'000)	25,455	27,133	34,229	36,815	30,279	31,227
Timeshare revenue	14,523	15,641	21,960	21,853	17,107	17,532
Hotel operations	10,932	11,492	12,269	14,962	13,172	13,695
EBITDA (€'000)	5,439	7,177	11,954	13,183	10,658	11,130
EBITDA margin (%)	21	26	35	36	35	36
<b>IHGH's share of EBITDA at 50%</b>	<b>2,720</b>	<b>3,589</b>	<b>5,977</b>	<b>6,592</b>	<b>5,329</b>	<b>5,565</b>

Source: Management information.

Note 1: The Radisson Blu Resort & Spa Golden Sands forms part of IHGH, which was acquired by IHI with effect from 1 July 2015. As such, the financial information in the table above relating to the period prior to 1 July 2015 has been included for comparison purposes only.

Note 2: In FY2015, IHGH changed its financial year end from 31 October 2015 to 31 December 2015. In this regard, the financial information for FY2015 covers the 14-month period 1 November 2014 to 31 December 2015.

A significant portion of the property is being operated as an upscale vacation ownership accommodation model (timeshare) through a 50% holding by IHGH in the Azure Group. To date, pursuant to a room allocation agreement with Azure Resorts Limited (a wholly owned subsidiary of the Azure Group), a total of 257 rooms have been released for sale on a timeshare basis. The remaining rooms together with any unsold weeks on the aforesaid 257 rooms are available for use by the resort in its hotel operations.

All timeshare units are being sold for a fixed time period that expires in 2045. Timeshare units are sold in weeks with the calendar year split into four seasons: Bronze, Silver, Gold and Platinum. As expected, most of the unsold timeshare weeks to date relate to the (low-season) Bronze and Silver packages (circa 59%). The current hotel configuration, which has been allocated to the timeshare operation, also includes a total of 13 superior rooms (marketed as the Heavenly Suites and the Heavenly Collection) that are sold at double the price of the other rooms. The vast majority of the timeshare weeks related to these rooms have already been sold.

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

The table above summarises the results from the operation of the Radisson Blu Resort & Spa and shows that the principal source of revenue is the sale of timeshare units, which accounted for *circa* 60% of revenue between FY2012 to FY2014. The recovery in the UK economy (being Azure's principal market) and the strengthening of the UK Pound against the Euro were the main drivers for the robust increase in timeshare sales in FY2014 (+40%). A similar trend was observed in FY2015, whereby average monthly timeshare sales were maintained when compared to FY2014. The projected revenue for FY2016 has been prudently set at €17.1 million, being a 9% decrease over FY2015 (on an annualised basis). The same level of revenue generation is anticipated by management in FY2017.

As for 'Hotel operations', revenue generated during the reviewed years has increased at a constant pace (approx. compounded annual growth rate of 5%).

The Hotel achieved an EBITDA of €12.0 million in FY2014, a significant increase of €4.8 million (+67%) when compared to the prior year. This result is a reflection of the sharp increase in timeshare weeks sold during the said year. A further 10% growth is expected for FY2015 (+€1.2 million), which actually represents a marginal decline from FY2014 given that FY2015 comprises a 14 month period. EBITDA for FY2016 is projected at €10.7 million as management expects the sales tempo in timeshare to decrease to €17.1 million (annualised FY2015: €18.7 million). For FY2017, a prudent growth rate of 4% in EBITDA has been set by management.

#### **8.1.11 Radisson Blu Resort St Julians**

##### *Introduction*

The Radisson Blu Resort St Julians is a 252 room 5-star hotel located in St George's Bay, St Julians. The Hotel commenced operations in May 1997 and provides accommodation and other services to a range of guests, from leisure to conference and incentive travel groups. The Hotel's amenities include conference facilities, a ballroom, an outdoor and heated indoor pool, a fully equipment gymnasium as well as two tennis courts. The carrying amount of the Radisson Blu Resort St Julians as at 31 October 2014 is €26.9 million (FY2013: €26.3 million).

##### *Market Overview*

The market overview relating to the economy and tourism in Malta is included in section 8.1.7 above.

## Operational Performance

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

Radisson Blu Resort St Julians	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	12 months	12 months	12 months	14 months	12 months	12 months
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (€'000)	9,157	10,026	10,554	10,045	12,863	13,604
Gross operating profit before incentive fees (€'000)	1,782	2,162	2,214	2,367	3,752	4,163
Gross operating profit margin (%)	19	22	21	24	29	31
Occupancy level (%)	69	69	68	78	76	77
Average room rate (€)	86	90	108	133	129	136
Revenue per available room (RevPAR) (€)	59	69	73	104	98	105
<b>Benchmark performance</b>						
Occupancy level (%)	72	73	76	79	77	77
Average room rate (€)	107	114	132	144	146	152
Revenue per available room (RevPAR) (€)	81	87	100	113	113	118
<b>Revenue Generating Index</b>	0.73	0.79	0.73	0.92	0.87	0.89

Source: Management information.

Note 1: The Radisson Blu Resort St Julians forms part of IHGH, which was acquired by IHI with effect from 1 July 2015. As such, the financial information in the table above relating to the period prior to 1 July 2015 has been included for comparison purposes only.

Note 2: In FY2015, IHGH changed its financial year end from 31 October 2015 to 31 December 2015. In this regard, the financial information for FY2015 covers the 14-month period 1 November 2014 to 31 December 2015.

The Radisson Blu Resort St Julians generated revenue of €10.6 million in FY2014, which is marginally higher than that generated in FY2013 and represents an increase of 15% on FY2012. The improvement in the Hotel's income primarily reflects the overall improvement registered across the local hotel industry.

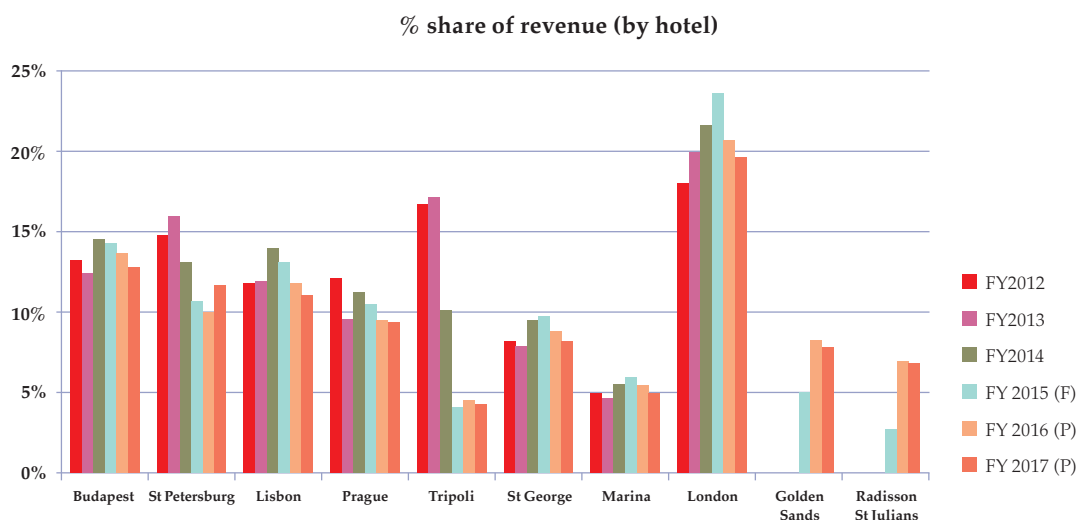
In FY2015, the Hotel was closed for refurbishment between 1 November 2014 and 30 March 2015, and re-opened as of 31 March 2015. The renovation, estimated at *circa* €2 million, enabled the Hotel to better compete in the market and command higher room rates. KPIs outlined in the table above reflect performance results during the period between April and December 2015 (and exclude the low season which typically dilutes the better performing spring/summer months). As for FY2016, management is projecting to achieve an occupancy rate of 76% (FY2015: 78%) and RevPAR of €98 (FY2015: €104). Revenue is projected to increase from €10.0 million to €12.9 million and gross operating profit is expected to increase by €1.4 million to €3.8 million.

A further improvement in RevPAR of 7% from €98 in FY2016 to €105 in FY2017 has been projected by management, as the Hotel continues to shift its principal revenue sectors from tour operator business to direct/online sales. In FY2017, revenue and gross operating profit are expected to increase by 6% (+€0.7 million) and 11% (+€0.4 million) respectively.

### 8.1.12 IHI's Aggregate Hotel Revenue and Operating Profit

#### Revenue Geographic Distribution

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

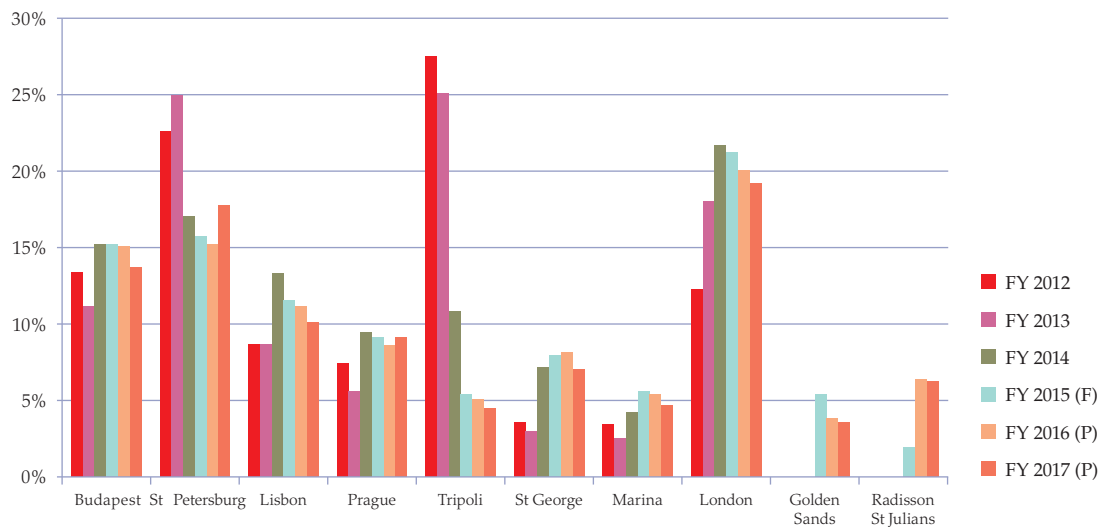


The above chart shows that the Corinthia Hotel & Residences London generates over 20% of total hotel revenue. This percentage share is set to peak in FY2015 to 24% as the Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg continue to underperform in view of political and economic issues in their respective jurisdictions. Pursuant to the acquisition of IHGH, as of 1 July 2015 two properties (namely, Radisson Blu Resort & Spa Golden Sands and Radisson Blu Resort St Julians) have been included in the portfolio of hotels. Apart from the positive effect on contribution towards IHI, the increase in properties will further dilute the possible reliance on the performance on any particular hotel property. As a consequence of the introduction of these two properties and an expected recovery at the Corinthia Hotel St Petersburg in FY2017, it is projected that income generated in FY2016 and FY2017 by Corinthia Hotel & Residences London will constitute *circa* 20% of revenue derived from all hotels.

### Operating Profit Geographic Distribution

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

**% share of total operating profit (by hotel)**



Until FY2013, the primary contributors to operating profit included Corinthia Hotel Tripoli, Corinthia Hotel St Petersburg, Corinthia Hotel Budapest and Corinthia Hotel & Residences London. Thereafter, and particularly in FY2014 and FY2015, operating profits generated by Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg declined substantially for country specific reasons mentioned elsewhere in this report. Such decreases have had a material adverse effect on the consolidated operating profit of IHI, which was however partly mitigated by the improvement in the operating results of IHI's European hotels.

The other hotels all registered improvements in their respective operating profit results relative to the previous year. The Radisson Blu Resort & Spa Golden Sands and the Radisson Blu Resort St Julians, being part of the IHGH acquisition in FY2015, are projected to contribute 10% of IHI's total operating profit from hotel operations in each of FY2016 and FY2017.

## 8.2 MANAGEMENT COMPANY

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

### *Operational Performance*

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

CHI Limited (Management Fees)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (€'000)	9,203	11,478	11,305	13,702	14,729	14,973
IHI Properties (owned and associate) (€'000)	7,754	10,253	9,463	11,717	12,598	12,906
Other Properties (€'000)	1,449	1,225	1,842	1,985	2,131	2,067

*Source: Management information.*

The results of CHI Limited for FY2013 show an increase in turnover of €2.3 million on the previous year and the primary contributor of this increase was Corinthia Hotel & Residences London (in its second full year of operation). Income generated from the other hotels was broadly stable apart from a decrease in income from Corinthia Hotel Prague reflecting a reduction in gross revenue for the year under review.

Revenue in FY2014 decreased marginally when compared to FY2013 principally due to revenue declines at Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg. The situation in FY2015 turned for the better due to increases in revenue generated at the Corinthia Hotel & Residences London and the other European hotels. As such, fees receivable by CHI Limited in FY2015 is expected to amount to €13.7 million, 21% increase over FY2014. CHI Limited is targeting a turnover of €14.7 million in FY2016 which assumes a continued subdued operating environment at the Tripoli Hotel and Corinthia Hotel St Petersburg, and a robust performance in revenue at the London property. Further improvements are also expected in the performance of the other European hotels owned by IHI. Revenue is projected to increase to €15.0 million in FY2017, assuming a positive performance from all hotels, including a recovery in revenue generated at the Corinthia Hotel St Petersburg.

### 8.3 EVENT CATERING BUSINESS

Island Caterers Limited, a fully owned subsidiary of IHGH, was set up in 1992 and operates an event catering business. The company provides catering services for a variety of events including weddings, receptions, banquets, conference and incentive events and private parties.

#### *Operational Performance*

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

Island Caterers Limited	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	12 months	12 months	12 months	14 months	12 months	12 months
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (€'000)	4,012	4,162	5,241	6,341	6,258	6,415
EBITDA (€'000)	156	149	309	490	701	719
EBITDA margin (%)	4	4	6	8	11	11

Source: Management information.

Note 1: Island Caterers Limited forms part of IHGH, which was acquired by IHI with effect from 1 July 2015. As such, the financial information in the table above relating to the period prior to 1 July 2015 has been included for comparison purposes only.

Note 2: In FY2015, IHGH changed its financial year end from 31 October 2015 to 31 December 2015. In this regard, the financial information for FY2015 covers the 14-month period 1 November 2014 to 31 December 2015.

The table above summarises the financial performance of Island Caterers Limited for the period FY2012 to FY2017. The revenue for FY2014 was higher by €1.1 million (+26%) when compared to FY2013, principally due to a large one-off event which took place in September 2014 and revenue generated from the Coastline catering contract in the latter half of the financial year. In April 2014, Island Caterers Limited concluded an agreement with the new owners of the Coastline Hotel for the provision of F&B services to the hotel. The agreement is for the duration of 5 years. In terms of the agreement, the company will utilise the existing kitchen and equipment at the hotel to provide such services.

A further increase in revenue of €1.1 million is anticipated for FY2015, mainly reflecting income derived from the Coastline catering contract for a full year and an additional 2 months of revenue due to a change in the financial year end. Revenue in FY2016 is projected at approximately FY2015's figure of €6.3 million, reflecting a growth of circa 15% (since FY2015 included 14 months rather than 12 months). A growth rate of 3% in revenue is projected for FY2017. Profitability is expected to improve from an EBITDA margin of 8% in FY2015 to 11% in both FY2016 and FY2017. The sales mix should remain static with weddings, corporate and conference incentive travel (CIT) and the Coastline catering contract making up the majority of total revenue for FY2016 and FY2017.

### 8.4 FOOD RETAIL AND CONTRACT CATERING BUSINESS (INCLUDING COSTA COFFEE)

In May 2011, IHGH acquired 50% of the share capital of Buttigieg Holdings Ltd ("BHL"), a company operating in the food retail and contract catering sector. The acquisition of the remaining 50% in BHL was completed in June 2015, prior to IHI's acquisition of IHGH. BHL, through subsidiary companies, operates the Costa Coffee franchise in Malta and in the East Coast territory of Spain, the Balearic Islands and the Canary Islands. Furthermore the company operates, amongst others, a catering contract at Mater Dei Hospital providing catering, vending machine and retail kiosk services to visitors and staff within the hospital premises. This concession expires in November 2017.

The Coffee Company Malta Limited ("TCCM"), a wholly owned subsidiary of BHL, signed a 10-year franchise agreement with Costa Coffee International Limited in May 2012 for the development of Costa Coffee retail outlets in Malta. The first Costa Coffee outlet was opened in June 2012 at the check-in lounge of the Malta International Airport. Since then, another seven Costa Coffee outlets were opened (three outlets at the Malta International Airport [one in

the arrivals area, another in the Schengen area and the third one in the non-Schengen area] and one outlet in each of The Point Shopping Complex Sliema, the premises formerly known as Papillon in Balzan, The Embassy Valletta and Bay Street Complex St Julians). IHGH plans to open another two outlets in Malta and one outlet in Gozo during FY2016 (total of eleven outlets in Malta and Gozo by the end of FY2016).

In March 2014, The Coffee Company Spain S.L. (“TCCS”), a wholly owned subsidiary of BHL, signed a franchise agreement with Costa Coffee International Limited for the development and operation of up to 75 Costa Coffee outlets in the East Coast of Spain, the Balearic and Canary Islands. The first outlet in Spain opened in the third quarter of 2014 and by 31 December 2015 this number increased to a total of 11 outlets. IHGH is projecting to operate a total of 75 outlets by end 2018 and the capital expenditure programme for the additional outlets is estimated at €19.6 million. The funding for the outlets’ growth between 2016 and 2018 is expected to be financed through bank borrowings.

### Operational Performance

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

Buttigieg Holdings Limited (including Costa Coffee)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	12 months	12 months	12 months	14 months	12 months	12 months
	Actual	Actual	Actual	Forecast	Projection	Projection
<i>Turnover</i>						
Costa Coffee (Malta) (€'000)	599	2,108	3,518	6,487	6,896	7,290
Costa Coffee (Spain) (€'000)				2,464	15,142	29,784
Other catering operations (€'000)	5,624	4,335	4,036	5,442	4,037	4,138
	6,223	6,443	7,554	14,393	26,075	41,212
EBITDA (€'000)	243	328	651	930	1,368	2,819
EBITDA margin (%)	4	5	9	6	5	7
<i>Costa Malta</i>						
No. of outlets (at end of financial year)	1	4	8	8	11	11
<i>Costa Spain</i>						
No. of outlets (at end of financial year)			1	11	36	61

Source: Management information.

Note 1: Buttigieg Holdings Limited forms part of IHGH, which was acquired by IHI with effect from 1 July 2015. As such, the financial information in the table above relating to the period prior to 1 July 2015 has been included for comparison purposes only.

Note 2: In FY2015, IHGH changed its financial year end from 31 October 2015 to 31 December 2015. In this regard, the financial information for FY2015 covers the 14-month period 1 November 2014 to 31 December 2015.

In FY2014 BHL generated a turnover of €7.6 million, an increase of 17% on FY2013. During the year, eight Costa outlets were in operation in Malta with the Bay Street outlet only commencing operations in the latter quarter of FY2014. The outlets located at the Malta International Airport generate the highest revenue and represent circa 75% of total turnover derived from Costa outlets in Malta. The said outlets also achieve significantly better EBITDA margins (circa 20%) relative to the other outlets (5% to 12% margin). Revenue generated in FY2015 by TCCM is likely to amount to €6.5 million, almost double the turnover figure of FY2014. This positive movement results from the fact that the eight outlets were operational for the full financial year, improved performance registered by all outlets, and the additional

two months' revenue in the financial year due to a change in year end. A further three openings are projected for FY2016 and revenue from a total of 11 outlets is anticipated to reach €6.9 million. The same outlets are expected to grow revenue by 6% to €7.3 million in FY2017.

The operation of Costa outlets in Spain commenced in FY2014 with one outlet opening in Barcelona. By end FY2015, TCCS opened a further ten outlets and generated €2.5 million in revenue. It is projected that total outlets will increase to 36 stores in FY2016 and 61 stores in FY2017, and revenue generation is expected to amount to €15.1 million and €29.8 million in FY2016 and FY2017 respectively.

'Other catering operations' principally relates to the concession at Mater Dei Hospital. Revenue derived from this activity in FY2014 amounted to €4.0 million and is expected to increase to €5.4 million in FY2015. The increase is mainly due to the additional two months' revenue in the financial year. Thereafter, management is projecting to generate €4.0 million in FY2016 and €4.1 million in FY2017.

## 8.5 OTHER ASSETS

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

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 is set to develop a mixed-use project consisting of a 228-room five-star hotel, 2,000m<sup>2</sup> of retail space and 10,000m<sup>2</sup> 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 consequence 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. 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<sup>2</sup> and is situated in Tripoli's main high street. The architectural concept stems from a 4-storey podium that will include a mix of residential, retail, commercial and conference space. A curved tower rises from the 6<sup>th</sup> level and peaks at the 40<sup>th</sup> level. The development will comprise a total gross floor area of *circa* 199,000m<sup>2</sup>.

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.

With regards to the remaining 60% of funding, MTJSC has in hand an approved and signed sanction letter from a Libya financial institution. However, since the sanction letter was issued in 2014 it is expected that on resumption of works, the Libya financial institution would request a revision of terms and conditions included in the said sanction letter. The project was put on hold in 2014 following the conflict in Libya and the formation of the two governments.

IHI owns 20% of QPM Limited, a company which specialises in construction and the provision of project management services, both locally and overseas. QPM Limited operates independently of, and at arm's length to, IHI and offers a range of project, construction and cost management services and architectural services to a number of international clients in various countries. In August 2012 the offices of David Xuereb and Associates and QPM Limited merged to provide a more comprehensive list of professional services within the construction industry, including project and

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construction management and architectural services. Whilst continuing to provide services to the Corinthia Group, QPM Limited is increasing its third party client base. In FY2014, the majority of QPM Limited's income was derived from third party clients' engagements.

As part of the IHGH acquisition, IHI took ownership of the 83,530m<sup>2</sup> plot of land at Hal Ferh, situated adjacent to the Radisson Blu Resort & Spa, Golden Sands, Malta. The property is valued in the balance sheet of IHGH at €17.6 million. IHI is currently in the process of assessing the project concept and designs and funding requirements, prior to embarking on the execution of this project.

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## **PART 3 – A BRIEF OVERVIEW OF MEDITERRANEAN INVESTMENTS HOLDING PLC**

### **9. KEY ACTIVITIES**

Mediterranean Investments Holding p.l.c. (“MIH”) is principally engaged in the acquisition and development of immovable property in North Africa, including without limitation, residential gated villages, build-operate-transfer and governmental projects, office and commercial buildings, retail outlets, shopping malls, housing, hotels, and conference centres.

### **10. ORGANISATIONAL STRUCTURE**

MIH is owned equally, directly or indirectly, by CPHCL and National Real Estate Company (K.P.S.C.). The latter company is a Kuwaiti-listed company with an international focus on real estate. It has to date developed a strong portfolio of retail, commercial and residential real estate in new and established markets across the Middle East and North Africa (MENA) region.

As at the date of this report, MIH operates the Palm City Residences in Janzour, Libya through a build-operate-transfer agreement entered into with CPHCL for a period of 65 years as from commencement of operations; owns 25% of the share capital of MTJSC (the company incorporated to construct the Medina Tower); and is responsible to develop the Palm Waterfront pursuant to an 80-year build-operate-transfer agreement concluded with CPHCL. The Medina Tower and the Palm Waterfront are situated in Libya and as such both projects are currently on hold due to the prevailing situation in the country. Further information on Palm City Residences, Palm Waterfront and Medina Tower is provided hereunder.

### **11. PALM CITY RESIDENCES**

Palm City Limited (“PCL”) is a wholly owned subsidiary of MIH and was set up to develop and operate the Palm City Residences, which is a 413-unit village that includes residences ranging from one-bedroom apartments to four-bedroom semi-detached villas. The site, which is located in Janzour Libya, has a footprint measuring 171,000m<sup>2</sup> and a shorefront of *circa* 1.3km. The development occupies a built-up area measuring 133,824m<sup>2</sup> and is structured in a village-type environment, offering a host of amenities and leisure facilities that include a supermarket, a variety of retail shops, a laundry, health clinics, a clubhouse, swimming pools, tennis courts and a number of catering outlets and cafes.

CPHCL holds legal title to the land on which the Palm City Residences is constructed by virtue of a 99 year lease agreement dated 5 July 2006. Pursuant to a Build-Operate-Transfer Agreement entered into by and between CPHCL and PCL, with effect from 6 July 2006 PCL was engaged by CPHCL to undertake the construction of the property in accordance with the specifications agreed upon between CPHCL and PCL. All costs and expenses related to the construction and development of the Palm City Residences were borne by PCL.

In consideration of the costs incurred by PCL for the development of the complex, it was agreed that PCL will operate the Palm City Residences for a specified period of 65 years as from completion of the development (till 2075). Throughout the said term, PCL is responsible to operate the Residences at its own risk and for its own benefit. Accordingly any losses incurred, any expenses (including maintenance of the site and buildings), or any profits made out of the operation of the gated village, are for the account of PCL. All revenues generated from the leasing of accommodation facilities are retained by PCL, enabling it to obtain compensation for the expenses incurred by it for the construction and development of the Palm City Residences and to make a reasonable return on its investment.

Upon expiry of this 65 year term, PCL is obliged to transfer the operation of the complex to CPHCL, and from that point in time the benefit of revenue generated and the risks associated with the running of the said complex shall be transferred to CPHCL.

MIH is in the process of registering a joint stock company in Libya, to be owned as to 90% of its share capital by PCL (CPHCL and National Real Estate Company (K.P.S.C.) holding the remaining 10% in equal proportions between them). Subject to approval by the Libyan Investment Board, title to the land underlying the Palm City Residences will be transferred by CPHCL to such company. Upon such title transfer taking place, the Build-Operate-Transfer Agreement between PCL and CPHCL will be terminated, resulting in PCL no longer being bound to return the operation of the Palm City Residences to CPHCL upon the lapse of the said 65 year term.

The following table sets out a summary of the operating performance of the Palm City Residences for the years indicated therein:

<b>Palm City Residences - Operating Performance</b> (€'000)	<b>FY2012</b> Actual	<b>FY2013</b> Actual	<b>FY2014</b> Actual	<b>FY2015</b> Forecast	<b>FY2016</b> Projection	<b>FY2017</b> Projection
<b>Revenue</b>						
Rental income - residential	25,717	29,194	27,493	9,627	2,670	3,456
Rental income - commercial	288	422	585	1,115	31	391
Food & beverage	390	449	314	41	42	60
Other income	656	679	1,631	214	9	15
<b>Total revenue</b>	<b>27,051</b>	<b>30,744</b>	<b>30,023</b>	<b>10,997</b>	<b>2,752</b>	<b>3,922</b>
Operating expenses	(4,577)	(5,468)	(7,886)	(3,718)	(2,751)	(3,987)
<b>Operating Profit</b>	<b>22,474</b>	<b>25,276</b>	<b>22,137</b>	<b>7,279</b>	<b>1</b>	<b>(65)</b>
Number of units	413	413	413	413	413	413
Occupancy level at year end	91%	94%	66%	16%	11%	11%
RevPAU (revenue per unit per month)	€5,189	€5,891	€5,613	€5,778	€5,848	€6,400

Source: Management information.

Following the disruption in operations in FY2011 due to the civil unrest, FY2012 was a positive year for MIH as the Palm City Residences reported an occupancy level at year end of 91% (average occupancy level during FY2012 was 79%). In addition, there was a significant shift from short-term rentals to medium and long term leases (that provide more stability to the generation of income). Revenue for the year almost trebled when compared to the prior year, from €10.2 million in FY2011 to €27.1 million in FY2012. As expected, tenants emanating from the oil & gas sector occupied the largest portion of the leases in the village at 46%, followed by non-governmental organisations (NGOs) which took up 27%.

The financial year ended 31 December 2013 was another positive year and results surpassed those achieved in the prior year. Overall, Palm City Residences increased revenue by 14% to €30.7 million and achieved an operating profit of €25.3 million (FY2012: €22.5 million). Although political instability and security uncertainty prevailed in the country, expats primarily involved in the oil & gas sector continued to trickle into Libya to re-establish oil production at pre-war levels. In FY2013, Palm City Residences reported an occupancy level as at 31 December 2013 of 94% compared to 91% a year earlier. Part of this achievement was due to the fact that a number of gated residences in the vicinity were closed for business. As a result, management was able to conclude longer term rentals at higher monthly rates.

The aforesaid positive trend continued during the first half of FY2014. However, thereafter, operating activity was adversely affected by the political conflict that developed in Libya. By year end, occupancy declined substantially as some of the leases that expired during the year were not renewed, and other clients applied the *force majeure* clause and cancelled their lease contracts. MIH however remained committed to its investment and retained sufficient human resources to keep the complex fully operational.

The instability in Libya significantly disrupted operations in FY2015 as the Residences recorded a very low average occupancy level of 34%, which was down to 16% by the end of the said financial year. Management has assumed that this situation will persist also in FY2016 and FY2017, and has therefore projected occupancy level at 11% in consequence of the non-contract renewal on expiry. As a result, revenue for FY2016 and FY2017 is being projected at €2.8 million and €3.9 million respectively, which should be sufficient to broadly cover operating expenses. Looking forward, management is confident that a fast-track recovery in occupancy levels and income can be achieved once the political impasse in Libya is resolved.

## 12. PALM WATERFRONT

Palm Waterfront Ltd (“PWL”) is a wholly owned subsidiary of MIH and will be primarily engaged in the development and operation of the Palm Waterfront, located in Shuhada Sidi Abuljalil, Janzour, Libya adjacent to the Palm City Residences, pursuant to a Build-Operate-Transfer Agreement entered into with CPHCL in December 2013. The arrangement gives PWL the right to develop the Palm Waterfront site. Furthermore, PWL is entitled to manage and operate the Palm Waterfront, once completed, for a period of 80 years.

The site has a footprint of *circa* 50,000m<sup>2</sup> and the planned development shall include a 164 room 4-star hotel, 257 residential units for lease or sale, an entertainment centre comprising six cinemas and a bowling centre, retail outlets and restaurants, car park and a marina. Apart from the studio and two bedroom apartments, most of the residences at the Palm Waterfront will have spacious layouts. The average size of an apartment will be *circa* 250m<sup>2</sup> and the larger units are planned to measure approximately 450m<sup>2</sup> of indoor space together with large outdoor terraces.

In developing Palm Waterfront, MIH will be utilising its experience obtained in the construction of the Palm City Residences. The management team has also taken into consideration feedback received from tenants residing at Palm City Residences to optimise the design layout, services available and general ambience of the proposed project. Furthermore, the same architectural firm that was responsible for the Palm City Residences has been appointed to design Palm Waterfront. Detailed design drawings have been finalised and submitted to the planning authority in Tripoli for approval. It is the intention of PWL to offer the residential units, when complete, either on a lease basis or outright sale, but will react to market trends as necessary, and will therefore align its strategies and offerings in accordance with such trends and market developments.

With respect to the planned 164 room 4-star hotel, PWL will utilise CPHCL’s experience in operating hotels in Libya. The project will be initiated once PWL has raised the required funding, as to 40% equity and 60% debt, to complete the development phase, and has obtained the necessary planning approvals from the local authorities. This project has been temporarily placed on hold in view of the prevailing situation in Libya. The provision of funding will be considered as and when the project is re-activated.

## 13. MEDINA TOWER

MIH has a 25% shareholding in Medina Tower Joint Stock Company for Real Estate Investment and Development (“MTJSC”). This company was set up for the purpose of owning and developing the Medina Tower. Further information on Medina Tower is provided in section 8.5 of this report.

## 14. MARKET OVERVIEW

The market overview relating to Libya is included in section 8.1.6 above.

## 15. VALUATION OF MAJOR ASSETS

The table below highlights the major assets of MIH:

Valuation of Major Assets	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
	€'000	€'000	€'000	€'000	€'000	€'000
Palm City Residences (65-year Build-Operate-Transfer Agreement expiring 2071)	310,406	310,676	250,000	250,034	250,034	250,034
Palm Waterfront (80-year Build-Operate-Transfer Agreement expiring 2093)	-	8,115	8,307	8,307	8,307	8,307
Medina Tower (25% shareholding in MTJSC)	12,649	12,696	12,701	13,000	13,000	13,000
	<b>323,055</b>	<b>331,487</b>	<b>271,008</b>	<b>271,341</b>	<b>271,341</b>	<b>271,341</b>

Source: Consolidated audited financial statements of MIH for the years ended 31 December 2012, 2013 and 2014; management information.

Palm City Residences as an investment property is subject to an annual fair value test in terms of international accounting standards. Due to the lack of comparable properties in the market, the determination of fair value could not be objectively established on the basis of the current active market prices. Therefore, the fair value was determined on the basis of the discounted value of future cash flows expected from the operation of the property for the remaining period of 57 years. During FY2014, a valuation exercise was carried out by an independent professional valuer to help the directors determine the fair value of the investment property. The resultant value, based on the assessment of the directors, decreased by €60.9 million in FY2014 over FY2013 to €250 million as a consequence of a considerable increase in the country risk premium due to the uncertainty in Libya, and an increase in the property risk premium to reflect the risk associated with the quality of the rental cash flow streams.

The value of the Palm Waterfront is attributable to the cash consideration of €7 million paid to CPHCL in relation to the BOT agreement that will give PWL the right to eventually operate the Palm Waterfront. The difference in value relates to preliminary capitalised expenses incurred by MIH on the project.

MIH acquired 25% shareholding in MTJSC in FY2010 for €3.9 million as an initial 30% contribution for its equity stake. A further investment of €9.1 million was injected in FY2012, representing the remaining 70% equity contribution (aggregate investment of €13 million). The net difference between the equity injection and the value on the balance sheet relates to the proportionate share of losses incurred in relation to expenses paid by the company.

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## PART 4 – A BRIEF OVERVIEW OF CORINTHIA PALACE HOTEL COMPANY LIMITED

### 16. GENERAL OVERVIEW

CPHCL is the parent holding company of the Corinthia Group (“Group”) and its primary investments comprise the following:

- 58.89% shareholding in International Hotel Investments p.l.c. (*vide* Part 2 of this report); and
- 50% shareholding in Mediterranean Investments Holding p.l.c. (*vide* Part 3 of this report).

In addition to the above, CPHCL owns a number of other properties, investments and business ventures, directly or indirectly, which include interests in a number of hotels located outside Malta. Section 18 below provides a brief description of the principal hotel properties owned by CPHCL.

### 17. BUSINESS DEVELOPMENT STRATEGY

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

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

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

The Corinthia Group’s strategy focuses on the operation of hotels that are principally in the five star category. In this respect, the Group has identified a number of assets, including four and three star hotels, which are either earmarked for redevelopment or no longer fit its long term strategy. Such non-core assets will be disposed of at the opportune moment in the near to medium term. As to core assets, ongoing investment in their upkeep is given due importance in order to preserve their attractiveness and incremental value.

In addition to the aforementioned strategy for internal growth, the Corinthia 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 Corinthia Group’s hotel portfolio and mixed-use properties by acquisition, particularly if these entail a potential for capital appreciation. In 2015, the Group acquired IHGH which, *inter alia*, will enable the Group to redevelop the three hotels located near St George’s Bay, St Julians, Malta into a mixed-use luxury development. This recent acquisition will also allow the Group to diversify its revenue streams through the expansion of Costa Coffee outlets principally in Spain. Furthermore, other mixed-use properties described elsewhere in this report are earmarked for development in the coming years and which are expected to generate positive returns for the Corinthia Group. It is projected that further acquisition opportunities will arise as a result of the extensive network of contacts of the Chairman, Directors and Chief Executives of the Corinthia Group. If available at attractive prices and subject to funding, the Group is principally interested to acquire hotels in its target markets, including certain European cities.

### Management contracts

Where attractive opportunities arise, the Corinthia Group will seek to expand its portfolio of hotels 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 give it a good position to establish such relationships, which are expected to gather momentum in the short to medium term, principally through the exposure that the Corinthia Hotel & Residences London gave to the international market.

## 18. OPERATIONAL DEVELOPMENT

### 18.1 HOTEL PROPERTIES

#### 18.1.1 Panorama Hotel Prague

##### Introduction

Corinthia Panorama s.r.o. (a fully-owned subsidiary of CPHCL) owns the 440-room four-star Hotel located in Prague, Czech Republic (“**Panorama Hotel**”). The Panorama Hotel is situated in Prague’s commercial district, just outside the city centre. It offers a range of rooms, including standard, superior, deluxe and business rooms, as well as a presidential suite. Guests at the Panorama Hotel benefit from access to the fitness and wellness centre, and the business centre. The carrying value of the Panorama Hotel as at 31 December 2014 is €29.5 million (2013: €27.5 million).

##### Market Overview

The market overview relating to the economy and tourism in the Czech Republic is included in section 8.1.5 above.

##### Operational Performance

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

Panorama Hotel Prague	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (€'000)	8,574	8,815	9,110	9,787	10,017	9,992
Gross operating profit before incentive fees (€'000)	1,168	1,371	2,015	2,595	2,550	2,584
Gross operating profit margin (%)	14	16	22	27	25	26
Occupancy level (%)	70	71	70	75	75	75
Average room rate (€)	43	44	48	50	53	53
Revenue per available room (RevPAR) (€)	30	32	34	38	39	39
<b>Benchmark performance</b>						
Occupancy level (%)	69	69	71	72	72	72
Average room rate (€)	42	39	38	42	43	45
Revenue per available room (RevPAR) (€)	29	27	27	30	31	32
<b>Revenue Generating Index</b>	1.04	1.19	1.26	1.26	1.25	1.22

Source: Management information.

During the three years FY2012 – FY2014, hotel operations were broadly stable, whereby the Hotel registered an average occupancy level of *circa* 70% and RevPAR ranged between €30 and €34. In FY2015, the Panorama Hotel performed better than in the prior year as occupancy increased from 70% to 75% and RevPAR increased from €34 to €38. It is

the management's intention to maintain the same operational strategy for the Panorama Hotel and therefore, the projections for FY2016 and FY2017 are broadly similar to the results achieved in FY2015.

As for benchmark performance, the Hotel's occupancy level was broadly in line with that of its competitors in FY2012 – FY2014, at *circa* 70%. However, the Hotel generally outperforms its competitive set in terms of average room rate, and consequently RevPAR. In FY2014, the average room rate of the Hotel was 26% higher than its benchmark competitive set, at €48. As for FY2015, the Hotel is expected to achieve a better average room rate of €50 as compared to €42 for its competitors, and should also achieve a higher occupancy level of 75% in comparison to the benchmark performance of 72%. Looking forward, management anticipates that the Hotel is able to outperform its competitors both in FY2016 and FY2017.

### 18.1.2 The Aquincum Hotel Budapest

#### Introduction

Thermal Hotel Aquincum Rt (a fully-owned subsidiary of CPHCL) owns the 310-room five-star Aquincum Hotel located in a prime area alongside the river Danube with panoramic views of the Buda Hills. The main feature of this business and leisure hotel is its 1,660m<sup>2</sup> Spa, which derives its therapeutic water directly from Margaret Island. The carrying amount of the Aquincum Hotel as at 31 December 2014 is €30.1 million (2013: €27.5 million).

#### Market Overview

The market overview relating to the economy and tourism in Hungary is included in section 8.1.2 above.

#### Operational Performance

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

The Aquincum Hotel Budapest	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (€'000)	6,019	6,307	7,188	7,301	7,728	8,299
Gross operating profit before incentive fees (€'000)	947	1,012	1,463	1,600	1,699	1,850
Gross operating profit margin (%)	16	16	20	22	22	22
Occupancy level (%)	63	65	75	72	74	74
Average room rate (€)	50	51	52	56	57	57
Revenue per available room (RevPAR) (€)	31	33	39	40	42	45
<b>Benchmark performance</b>						
Occupancy level (%)	67	68	71	76	75	75
Average room rate (€)	60	60	54	58	60	62
Revenue per available room (RevPAR) (€)	40	41	38	44	45	46
<b>Revenue Generating Index</b>	0.77	0.81	1.02	0.91	0.94	0.98

Source: Management information.

The Aquincum Hotel's financial performance in FY2014 improved when compared to a year earlier, principally due to a 15% increase in occupancy, from 65% in FY2013 to 75%. Revenue for FY2014 amounted to €7.2 million (a 14% increase from the FY2013 figure) and gross operating profit increased from €1.0 million in FY2013 to €1.5 million in FY2014 (+45%). Performance in FY2015 is expected to have been broadly similar to FY2014 results. As such, RevPAR is forecasted to amount to €40 (FY2014: €39) whilst gross operating profit is expected at €1.6 million (FY2014: €1.5 million).

The revenue projections for FY2016 and FY2017 indicate y-o-y increases of €0.4 million and €0.6 million respectively.

As for benchmark performance, the Hotel's RGI in FY2014 was equal to 1.0 – that is, performance was in line with that of its competitive set. Analysing the KPIs further, it is noted that the occupancy level of the Hotel was 75% in FY2014, four percentage points higher than competition, but its average room rate was €2 lower than its peers at €52. The RGI for FY2015 is expected to be below par, at 0.91, primarily due to a lower occupancy level (72% as compared to 76% projected for the competitive set) and average room rate (€56 as compared to €58 projected for the competitive set). As for FY2016 and FY2017, the Hotel is projected to increase RevPAR in each of the said years but will maintain its position as in FY2015 against benchmark performance.

### 18.1.3 Corinthia Palace Hotel & Spa Malta

#### Introduction

Corinthia Palace Hotel Company Limited directly owns the 150-room five-star Corinthia Palace Hotel & Spa located in Attard, Malta. The carrying amount of the Hotel as at 31 December 2014 is €21.5 million (2013: €22.4 million).

#### Market Overview

The market overview relating to the economy and tourism in Malta is included in section 8.1.7 above.

#### Operational Performance

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

Corinthia Palace Hotel & Spa Malta	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
Turnover (€'000)	4,876	4,507	5,918	7,203	7,358	7,645
Gross operating profit before incentive fees (€'000)	-399	-493	-124	486	387	402
Gross operating profit margin (%)	-8	-11	-2	7	5	5
Occupancy level (%)	58	42	59	66	69	70
Average room rate (€)	78	108	104	109	106	108
Revenue per available room (RevPAR) (€)	44	44	60	76	73	78
<b>Benchmark performance</b>						
Occupancy level (%)	68	71	74	79	75	75
Average room rate (€)	96	102	111	126	130	134
Revenue per available room (RevPAR) (€)	65	72	82	100	97	100
<b>Revenue Generating Index</b>	0.67	0.61	0.73	0.76	0.75	0.78

Source: Management information.

In the financial years FY2012 to FY2014, the Corinthia Palace Hotel & Spa generated revenues of between €4.5 million and €5.9 million but incurred a gross operating loss in each of the said financial years. Efforts are being made by management to turnaround this situation, principally through cost-cutting measures and investing in energy-efficient systems. Moreover, whilst benefiting from Malta's strong tourism performance, the sales team is focused on yield management with a drive towards achieving higher rates. For FY2015, it is expected that the Hotel will generate revenues of €7.2 million (+22% on the previous year) and more importantly, should achieve a gross operating profit of €0.5 million. The occupancy level is forecasted at 66% (compared to 59% in FY2014) and RevPAR at €76 (+27% when compared to FY2014). A stable outlook is being projected for FY2016 and FY2017.

As for benchmark performance, the Hotel's current operating results are below the figures achieved by its competitive set. However, the Corinthia Palace Hotel & Spa has made significant progress, particularly in FY2014 and FY2015, in which it registered an RGI of 0.73 in FY2014 (FY2013: 0.61) and expects to improve the RGI in FY2015 to 0.76. The RGI for FY2016 and FY2017 is projected at 0.75 and 0.78 respectively, which is approximately at same level as in FY2015.

#### 18.1.4 Ramada Plaza Tunis Hotel

##### *Introduction*

Societe de Promotion Hoteliere Khamsa s.a. (a fully-owned subsidiary of the Group) owns the 309-room five-star Ramada Plaza Tunis Hotel which is located on an unspoiled sandy beach on the Côte de Carthage Gammarth, 18Km from the capital Tunis. The Hotel has extensive health and leisure facilities. The carrying amount of the Ramada Plaza Tunis Hotel as at 31 December 2014 is €26.6 million (2013: €27.2 million).

##### *Market Overview*

Tunisia was once again rocked by terrorist activity on 24 November 2015 when a bus carrying presidential guards was targeted in the capital. This marks the third high-profile incident for Tunisia in 2015. The latest attack will exacerbate the country's security concerns and has far-reaching implications for the economy. Since the attacks in March 2015 on the Bardo Museum which was followed a couple of months later by a terrorist attack in Sousse, approximately 70 hotels have closed and employment in the tourism sector has plummeted. Business activity is set to follow suit, as apprehensive investors begin to scale back their investments in Tunisia.

##### *Operational Performance*

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

<b>Ramada Plaza Tunis Hotel</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Projection</b>	<b>Projection</b>
Turnover (€'000)	5,314	4,616	5,715	4,588	5,545	6,501
Gross operating profit before incentive fees (€'000)	1,628	1,129	1,846	845	1,550	2,201
Gross operating profit margin (%)	31	24	32	18	28	34
Occupancy level (%)	49	41	49	39	46	53
Average room rate (€)	57	57	60	62	62	62
Revenue per available room (RevPAR) (€)	27	23	29	24	29	32

*Source: Management information.*

FY2014 was a positive year for the Hotel as revenue increased from €4.6 million in FY2013 to €5.7 million (+24%). Moreover, gross operating profit almost doubled from €1.1 million to €1.9 million. However, the violence that hit the country during FY2015 inevitably affected the Hotel's performance and as a consequence management is forecasting revenue and gross operating profit to decrease by 20% and 54% respectively. As for FY2016, it is expected that occupancy should recover from 39% in FY2015 to 46%, and RevPAR should increase by 21% to €29, re-establishing levels achieved in FY2014. Y-o-y growth in revenue is projected in FY2016 (+21%) and FY2017 (+17%), with a corresponding y-o-y increase in gross operating profit in FY2016 (+83%) and FY2017 (+42%).

## PART 5 – GROUP PERFORMANCE REVIEW

### 19. FINANCIAL INFORMATION RELATING TO CORINTHIA FINANCE PLC

The following financial information is extracted from the audited financial statements of the Issuer for each of the years ended 31 December 2012 to 31 December 2014. The forecasted financial information for the years ending 31 December 2015 to 2017 has been provided by management of the Company. **The projected financial statements relate to events in the future and are based on assumptions which the Issuer believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.**

Corinthia Finance p.l.c. Income Statement	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
(€)	Actual	Actual	Actual	Forecast	Projection	Projection
Finance income	3,168,520	3,011,080	3,019,367	3,022,430	3,135,557	2,446,067
Finance costs	(3,099,325)	(2,950,505)	(2,947,205)	(2,945,475)	(2,985,972)	(2,350,000)
Administrative expenses	(36,832)	(40,463)	(41,104)	(41,515)	(41,930)	(42,349)
<b>Profit before tax</b>	<b>32,363</b>	<b>20,112</b>	<b>31,058</b>	<b>35,440</b>	<b>107,655</b>	<b>53,718</b>
Taxation	(10,803)	(4,703)	(4,674)	(8,400)	(24,370)	(13,690)
<b>Profit for the year</b>	<b>21,560</b>	<b>15,409</b>	<b>26,384</b>	<b>27,040</b>	<b>83,285</b>	<b>40,028</b>

Corinthia Finance p.l.c. Cash Flow Statement	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
(€)	Actual	Actual	Actual	Forecast	Projection	Projection
Net cash from operating activities	(95,935)	(53,622)	(20,538)	14,221	(418,335)	(16,236)
Net cash from investing activities	10,543,580	3,779,036	4,107,794	207,974	(1,920,970)	398,278
Net cash from financing activities	(10,450,872)	(3,739,241)	(4,087,885)	(207,974)	2,344,692	(398,278)
<b>Net movement in cash and cash equivalents</b>	<b>(3,227)</b>	<b>(13,827)</b>	<b>(629)</b>	<b>14,221</b>	<b>5,387</b>	<b>(16,236)</b>
Cash and cash equivalents at beginning of year	32,895	29,668	15,841	15,212	29,433	34,820
<b>Cash and cash equivalents at end of year</b>	<b>29,668</b>	<b>15,841</b>	<b>15,212</b>	<b>29,433</b>	<b>34,820</b>	<b>18,584</b>

Corinthia Finance p.l.c. Balance Sheet	31 Dec'12	31 Dec'13	31 Dec'14	31 Dec'15	31 Dec'16	31 Dec'17
(€)	Actual	Actual	Actual	Forecast	Projection	Projection
<b>Assets</b>						
<i>Non-current</i>						
Loans owed by parent company	47,100,000	46,310,000	45,170,000	44,962,026	46,882,995	46,484,718
Other long-term financial assets	400,000	1,168,344	2,444,524	2,852,227	632,498	1,052,498
	47,500,000	47,478,344	47,614,524	47,814,253	47,515,493	47,537,216
<i>Current</i>						
Receivables	1,709,558	2,081,749	1,718,177	1,943,393	2,473,248	2,507,789
Current tax asset	2,774	-	-	-	-	-
Cash and cash equivalents	29,668	15,841	15,212	29,433	34,820	18,584
	1,742,000	2,097,590	1,733,389	1,972,826	2,508,068	2,526,373
<b>Total assets</b>	<b>49,242,000</b>	<b>49,575,934</b>	<b>49,347,913</b>	<b>49,787,079</b>	<b>50,023,561</b>	<b>50,063,589</b>

Corinthia Finance p.l.c. Balance Sheet (cont.) (€)	31 Dec'12 Actual	31 Dec'13 Actual	31 Dec'14 Actual	31 Dec'15 Forecast	31 Dec'16 Projection	31 Dec'17 Projection
<i>Equity and liabilities</i>						
<b>Equity</b>						
Called up share capital	250,000	250,000	250,000	250,000	250,000	250,000
Investment revaluation reserve	-	7,650	156,354	216,482	116,482	116,482
Retained earnings	63,860	79,269	105,653	132,693	215,978	256,006
	<b>313,860</b>	<b>336,919</b>	<b>512,007</b>	<b>599,175</b>	<b>582,460</b>	<b>622,488</b>
<b>Liabilities</b>						
<i>Non-current</i>						
Bonds in issue	47,500,000	47,467,600	47,427,600	47,427,600	47,500,000	47,500,000
Deferred tax liability	-	375	2,363	2,364	2,364	2,364
	<b>47,500,000</b>	<b>47,467,975</b>	<b>47,429,963</b>	<b>47,429,964</b>	<b>47,502,364</b>	<b>47,502,364</b>
<i>Current</i>						
Payables	1,428,140	1,771,040	1,405,943	1,757,940	1,938,737	1,938,737
	<b>1,428,140</b>	<b>1,771,040</b>	<b>1,405,943</b>	<b>1,757,940</b>	<b>1,938,737</b>	<b>1,938,737</b>
	<b>48,928,140</b>	<b>49,239,015</b>	<b>48,835,906</b>	<b>49,187,904</b>	<b>49,441,101</b>	<b>49,441,101</b>
<b>Total equity and liabilities</b>	<b>49,242,000</b>	<b>49,575,934</b>	<b>49,347,913</b>	<b>49,787,079</b>	<b>50,023,561</b>	<b>50,063,589</b>

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

## 20. FINANCIAL INFORMATION RELATING TO CORINTHIA PALACE HOTEL COMPANY LIMITED

The following financial information is extracted from the audited consolidated financial statements of CPHCL for each of the years ended 31 December 2012 to 31 December 2014. The forecasted financial information for the years ending 31 December 2015 to 2017 has been provided by management of the Company. **The projected financial statements relate to events in the future and are based on assumptions which CPHCL believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material. With specific reference to CPHCL's operations in Libya, assessment of future performance is more difficult to forecast due to the ongoing economic instability and lack of clarity on the political situation in the country. In view of this state of affairs, the actual results from the operations in Libya may vary significantly from projections.**

CPHCL Income Statement (€'000)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
Revenue	158,676	164,901	159,238	179,524	224,516	252,360
Net operating expenses	(134,390)	(133,221)	(131,185)	(143,922)	(181,167)	(200,396)
<b>EBITDA</b>	<b>24,286</b>	<b>31,680</b>	<b>28,053</b>	<b>35,602</b>	<b>43,349</b>	<b>51,964</b>
Depreciation and amortisation	(29,014)	(28,169)	(24,129)	(26,687)	(28,421)	(29,802)
Other income	1,664	1,687	1,295	594	522	425
Loss on exchange	(965)	(2,175)	(788)	(1,976)	(10)	-
Net impairment of hotel properties	(6,402)	5,000	5,170	-	-	-
<b>Results from operating activities</b>	<b>(10,431)</b>	<b>8,023</b>	<b>9,601</b>	<b>7,533</b>	<b>15,440</b>	<b>22,587</b>
Net finance costs	(21,148)	(17,325)	(17,573)	(19,375)	(22,877)	(22,166)
Gain on sale of investment property	-	3,447	-	-	1,500	5,893
Revaluation to fair value of investment properties	4,154	7,159	(14,629)	-	-	-
Share of results of associate companies	29,242	425	(29,075)	(817)	1,678	(4,738)
Other	124	(1,613)	923	(316)	(243)	(241)
<b>Profit (loss) before tax</b>	<b>1,941</b>	<b>116</b>	<b>(50,753)</b>	<b>(12,975)</b>	<b>(4,502)</b>	<b>1,335</b>
Taxation	973	4,653	12,028	(867)	(1,899)	(4,244)
<b>Profit (loss) for the year</b>	<b>2,914</b>	<b>4,769</b>	<b>(38,725)</b>	<b>(13,842)</b>	<b>(6,401)</b>	<b>(2,909)</b>
<b>Other comprehensive income</b>						
Net revaluation (impairment) of hotel properties	(12,283)	13,115	(27,514)	-	-	-
Share of other comprehensive income of equity accounted investments	18,456	39,466	19,197	5,500	-	-
Other effects and tax	1,032	(10,429)	11,598	-	-	-
	<b>7,205</b>	<b>42,152</b>	<b>3,281</b>	<b>5,500</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income (expense) for the year net of tax</b>	<b>10,119</b>	<b>46,921</b>	<b>(35,444)</b>	<b>(8,342)</b>	<b>(6,401)</b>	<b>(2,909)</b>
<b>CPHCL Cash Flow Statement (€'000)</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Projection</b>	<b>Projection</b>
Net cash from operating activities	8,807	21,111	8,942	26,819	28,585	34,327
Net cash from investing activities	(33,646)	(7,183)	39,362	(33,758)	(25,492)	(6,484)
Net cash from financing activities	(3,025)	(26,948)	(32,166)	(2,906)	17,966	(24,201)
<b>Net movement in cash and cash equivalents</b>	<b>(27,864)</b>	<b>(13,020)</b>	<b>16,138</b>	<b>(9,845)</b>	<b>21,059</b>	<b>3,642</b>
Cash and cash equivalents at beginning of year	40,837	12,973	(47)	16,091	6,246	27,305
<b>Cash and cash equivalents at end of year</b>	<b>12,973</b>	<b>(47)</b>	<b>16,091</b>	<b>6,246</b>	<b>27,305</b>	<b>30,947</b>

<b>CPHCL Balance Sheet</b>	<b>31 Dec'12</b>	<b>31 Dec'13</b>	<b>31 Dec'14</b>	<b>31 Dec'15</b>	<b>31 Dec'16</b>	<b>31 Dec'17</b>
<b>(€'000)</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Projection</b>	<b>Projection</b>
<b>Assets</b>						
<i>Non-current</i>						
Intangible assets	6,239	5,823	5,336	23,772	22,268	21,860
Investment properties	209,800	225,379	210,799	232,799	221,249	212,148
Property, plant and equipment	660,485	662,385	621,287	639,928	636,758	632,443
Investments in associates	286,180	325,462	284,277	315,513	314,463	304,282
Loan receivable from associates	-	-	-	8,618	5,429	10,877
Other investments	19	-	-	-	-	-
Deferred tax assets	2,566	6,576	4,814	4,552	8,238	8,289
Investment held by trustee	2,626	3,465	10,411	7,308	10,032	3,233
	<b>1,167,915</b>	<b>1,229,090</b>	<b>1,136,924</b>	<b>1,232,490</b>	<b>1,218,437</b>	<b>1,193,132</b>
<i>Current</i>						
Inventories	7,298	7,560	7,379	8,673	9,712	10,056
Investments	14	-	-	-	-	-
Trade and other receivables	56,880	43,854	35,096	45,102	47,913	48,337
Taxation	621	2,891	2,642	3,192	3,438	3,541
Cash and cash equivalents	21,649	15,249	26,404	19,762	34,823	36,685
Assets held for sale	9,404	1,222	-	-	-	-
	<b>95,866</b>	<b>70,776</b>	<b>71,521</b>	<b>76,729</b>	<b>95,886</b>	<b>98,619</b>
<b>Total assets</b>	<b>1,263,781</b>	<b>1,299,866</b>	<b>1,208,445</b>	<b>1,309,219</b>	<b>1,314,323</b>	<b>1,291,751</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Called up share capital	20,000	20,000	20,000	20,000	20,000	20,000
Other reserves	183,552	211,016	211,477	216,477	216,477	216,477
Retained earnings	179,083	187,195	155,268	145,451	136,958	133,125
Non-controlling interest	248,457	259,609	246,961	248,434	250,527	251,450
	<b>631,092</b>	<b>677,820</b>	<b>633,706</b>	<b>630,362</b>	<b>623,962</b>	<b>621,052</b>
<b>Liabilities</b>						
<i>Non-current</i>						
Borrowings and bonds	419,484	387,648	381,062	449,466	469,561	439,170
Other non-current liabilities	114,586	115,992	102,352	110,143	108,187	103,740
	<b>534,070</b>	<b>503,640</b>	<b>483,414</b>	<b>559,609</b>	<b>577,748</b>	<b>542,910</b>
<i>Current</i>						
Borrowings and bonds	42,764	55,179	39,790	37,415	38,765	48,106
Other current liabilities	55,855	63,227	51,535	81,833	73,848	79,683
	<b>98,619</b>	<b>118,406</b>	<b>91,325</b>	<b>119,248</b>	<b>112,613</b>	<b>127,789</b>
	<b>632,689</b>	<b>622,046</b>	<b>574,739</b>	<b>678,857</b>	<b>690,361</b>	<b>670,699</b>
<b>Total equity and liabilities</b>	<b>1,263,781</b>	<b>1,299,866</b>	<b>1,208,445</b>	<b>1,309,219</b>	<b>1,314,323</b>	<b>1,291,751</b>

The key accounting ratios are set out below:

Key Accounting Ratios	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Operating profit margin (EBITDA/revenue)	15%	19%	18%	20%	19%	21%
Interest cover (times) (EBITDA/net finance cost)	1.15	1.83	1.60	1.84	1.89	2.34
Net profit margin (Profit after tax/revenue)	2%	3%	-24%	-8%	-3%	-1%
Earnings per share (€) <sup>1</sup> (Profit attributable to parent company/number of shares)	0.35	0.21	-1.61	-0.62	-0.42	-0.15
Return on equity (Profit after tax/shareholders' equity)	0%	1%	-6%	2%	-1%	0%
Return on capital employed (Operating profit/total assets less current liabilities)	2%	3%	3%	3%	4%	4%
Return on assets (Profit after tax/total assets)	0%	0%	-3%	-1%	0%	0%

<sup>1</sup>Earnings per share calculation set out above has been based on the current number of shares in issue of the Company of 20,000,000 shares of €1 each.

Source: Charts Investment Management Service Limited

During 2012, the Corinthia Group's hotels registered increases in revenues over 2011 with much of this attributable to the higher rates being achieved through the in-house developed reservation and distribution system. The Corinthia Hotel Tripoli, however, was affected by the continued state of flux in Libya following the end of the revolution in 2011 with the result that the expected improvement in its operating performance did not materialise to the budgeted level.

On the other hand the Corinthia Hotel & Residences London registered the most notable increase in revenues and gross operating profit which is reported with the share of equity accounted investments.

The investment property revaluation uplift of €4.2 million was attributable to an increase in value of the commercial centre adjacent to the Corinthia Hotel St. Petersburg. On the other hand, the valuations of the Corinthia Group's hotel properties resulted in a net impairment of €6.4 million. This charge was due to the reduction in the valuation of the Corinthia Hotel Lisbon, largely triggered by an increase in country risk that pushed up the cost of capital on investments in Portugal.

The share of profit from equity accounted investments amounted to €29.2 million and principally reflects the combined share of results of the Corinthia Group's investment in associated companies, namely the direct 50% investment in MIH and the 50% investment in Corinthia Hotel and Residences in London through its subsidiary IHI.

2012 was the first full year of operation for the London hotel and it resulted in a significant improvement in the operating profit, relative to the year before. This was, however, impacted by substantial charges for depreciation and financing costs resulting in a net loss of €22 million. This loss was, however, more than compensated by a substantial uplift of €32 million in the value of the Residences that resulted in a combined net profit of €10 million, of which IHI's share was €5 million.

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In 2012 Palm City Residences registered a significant increase in signed lease agreements with a 91% occupancy rate achieved by the end of the year. This resulted in a net profit after tax of €11.4 million. In turn, this improvement in the property's operational results and in the projected future cash flows, triggered an uplift in the value of this investment property of €56.8 million less €19.1 million deferred tax. The Corinthia Group's share from these combined positive results amounted to €24.5 million.

Net finance costs amounting to €23.8 million remained on the same level of the previous year as the loan and bond repayments made during the year were largely matched by new loans and bonds.

During 2012 the Corinthia Group registered a profit after tax of €2.9 million compared to a loss of €11.4 million in 2011.

The net income of €7.2 million recognised in the Statement of Comprehensive Income mainly reflects the Corinthia Group's share of revaluation uplifts of €17 million net of tax, on Corinthia Hotel & Residences London and €2.8 million on Corinthia Hotel Prague less impairment charges, net of tax, of €8.7 million on Corinthia Hotel and Commercial Centre St Petersburg and €2.7 million on Corinthia Hotel Budapest.

After adding the net comprehensive income of €7.2 million to the profit after tax of €2.9 million, the total comprehensive income for 2012 amounted to €10.1 million against a total comprehensive expense of €24.9 million in 2011, a positive year-on-year variance of €35 million.

The Corinthia Group's revenue for 2013 amounted to €164.9 million reflecting an increase of €6.2 million on the revenue of 2012 (€158.7 million). Moreover the results of the Corinthia Hotel & Residences in London and Palm City Residences in Zanzour, Libya, in which the Corinthia Group holds a 50% shareholding, are not included in the consolidated operating results but reflected in the line entitled 'Share of results of associate companies'.

In general, the Corinthia Group's hotels registered increases in revenues mainly from higher rates achieved through a strategic shift in market segmentation and from a sustained increase in business generated by the in-house developed reservation and distribution system. The highest improvements were registered in Lisbon, St Petersburg, and Libya, while some reductions were experienced in the Czech Republic and Tunisia. The best performer was the Corinthia Hotel and Commercial Centre in St Petersburg.

Net operating expenses also increased on account of increased occupancies, additional payroll costs in Libya in consequence of changes in work practices, and a general increase in the cost base in line with enhanced brand service standards being introduced across the Corinthia Group.

The Corinthia Hotel & Residences London, as it entered its second year of operation, continued to register improvements in its operating results, but being an associate, the results of this operation are reported with the share of equity accounted investments.

While the charge for depreciation remained on the same level of 2012, following the annual property valuation exercise, a reversal of impairment of €5 million was registered on the Corinthia Hotel Lisbon as a result of its improved results achieved in 2013 and a better long-term outlook for this property.

The share of results of associated companies amounting to €0.4 million principally reflects the combined share of results of the Corinthia Group's investment in associated companies, mainly the 50% investment in Corinthia Hotel and Residences in London and the 50% investment in MIH, being the owning company of the Palm City Residences complex in Libya.

In 2013 MIH registered its best operational results to date through the robust performance of its subsidiary PCL. Launched in 2009, Palm City Residences weathered the after-effects of the Libyan revolution and in 2013 achieved a record 94% occupancy while the operational expenses were well contained. The profit for the year after tax amounted to €13.8 million.

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The Corinthia Hotel & Residences London registered a significant improvement in its operating results reaching a Gross Operating Profit of €16.7 million against €9.67 million registered in 2012. However the operating profit turned into a loss after tax of €11.7 million after accounting for depreciation, financing costs and valuation movements on the residences.

The gain of €3.4 million registered on the sale of investment property represents the 50% Corinthia Group's share relating to the assignment of rights of use of the Palm Waterfront site to an associated company.

The gain on revaluation to fair value of investment properties amounting to €7.2 million was mainly the result of an uplift of €6.6 million in the valuation of a plot of land earmarked for development belonging to CPHCL.

In 2013 the Corinthia Group recognised a tax Income of €4.7 million (2012: €1.0 million) in consequence of the recognition of deferred tax income on losses on which there is a reasonable expectation of recovery.

The income of €42.2 million recognised in the Statement of Comprehensive Income mainly reflects the Corinthia Group's share of a revaluation uplift of €39.5 million, net of tax, on Corinthia Hotel & Residences London, an uplift of €16.3 million net of tax on the revaluation of the Corinthia Palace Hotel, less an impairment charge of €8.2 million, also net of tax, taken on Corinthia Hotel St. Petersburg.

Property revaluation adjustments feature in both the Corinthia Group's income statement and in the comprehensive income statement. Adjustments to the income statement represent movements in the values of investment properties and impairment adjustments or reversals thereof on hotel properties. Conversely, adjustments to the comprehensive income statement represent increases in values, or reversals thereof, in the book value of hotel properties.

After adding the net comprehensive income of €42.2 million to the profit after tax of €4.8 million, the Corinthia Group's total comprehensive income for 2013 amounted to €46.9 million against a total comprehensive income of €10.1 million registered in 2012, a year-on-year improvement of €36.8 million.

In 2014 the Corinthia Group's revenue amounted to €159.2 million reflecting a decrease of €5.7 million on the turnover registered in 2013 (€164.9 million). As in previous years, these consolidated figures do not include the 50% share of results of the Corinthia Hotel & Residences London and Palm City Residences in Libya which are reflected in the line item 'Share of results of associate companies'. In view of the instability in Libya in the second half of the year and the political situation in the Russian Federation, the revenues generated by Corinthia Hotel Tripoli and Corinthia Hotel St. Petersburg for the year ended 31 December 2014 were lower than those of 2013 by *circa* €16.1 million. This reduction was, however, in the main compensated by increased revenues and the rationalisation of operating costs by the Corinthia Group's other hotel properties across Europe. The Corinthia Group's EBITDA for 2014 at €28.6 million (excluding the Corinthia Hotel & Residences London and Palm City Residences) represents a reduction of only €2.6 million on the EBITDA of €31.2 million reported in 2013.

The depreciation charge for 2014 reduced by more than €4.1 million on the prior year and this was largely due to some assets becoming fully depreciated. In 2014 there was also a reduction of approximately €2.6 million in finance costs (from €24 million in 2013 to €21.4 million in 2014) in consequence of reduced EURIBOR rates coupled with the further reduction of the Corinthia Group's indebtedness.

The loss of €29.1 million (2013: profit of €0.4 million) registered on the Corinthia Group's share of results of associate companies mainly reflects the developments at the Corinthia Hotel & Residences London (50% share of the loss of €29.1 million registered on this investment), and at MIH through its principal subsidiary company PCL (50% share of the loss of €28.1 million).

In 2014 the Corinthia Hotel & Residences London registered a marginal improvement in its operating performance over 2013. However, depreciation and interest costs turned this profit into a loss of €11.2 million. The continued positive trend in operational performance resulted in an uplift of €17.9 million in this property's value recognized in other comprehensive income. In April 2014, 11 apartments in Whitehall Place adjacent to the Corinthia Hotel London were sold to third parties while the penthouse apartment was retained to be sold when the right opportunity arises. Except for one-off property costs resulting from this sale of apartments, this disposal of these residences had no effect on the Corinthia Group's financial results since these apartments had already been valued at their market price.

For MIH, 2014 was a year of mixed experiences, with the first semester proving to be a record performance at Palm City Residences, whilst the second semester was overshadowed by the political conflict that developed in Libya. Despite these difficult circumstances, management remained resolute in primarily ensuring the safety of its clients and its staff, but also in keeping this property operational at all times. This helped to achieve a profit after tax, but before impairment charges, of €12 million (2013: €13.8 million). However, in view of the reduced profitability and the higher country risk, MIH recognised an impairment charge on this property of €40.1 million net of tax.

Although, in 2014 the Corinthia Group registered an encouraging operational performance despite the problems in Libya and in Russia, its profitability for 2014 was adversely impacted by the resultant impairment charges on its properties in these two countries. In fact, the Corinthia Group recognised an impairment charge of €69.2 million in the value of its hotels and investment properties in Tripoli and in St. Petersburg. On the other hand, through the robust performance achieved by a number of the Corinthia Group's hotels located in Europe, the Corinthia Group registered a total uplift of €52.7 million in the fair values of these properties, most notable of which were the ones located in London (limited to 50% share), Lisbon and Budapest.

The net effect of these revaluation adjustments, excluding that on Palm City Residences, was a charge of €9.4 million reflected in the Income Statement and a further charge of €8.4 million in the Statement of Comprehensive Income with the relative tax effect mitigating the overall net impairment charge to €6.2 million. In consequence of the foregoing, in 2014 the Corinthia Group registered a loss after tax of €38.7 million compared to a profit of €4.8 million in 2013.

The other comprehensive income of €3.3 million (2013: €42.2 million) mainly reflects the net effect of the Corinthia Group's share of impairment charges of €4.3 million, net of tax, and a favourable translation adjustment of €6.4 million on the investment in the Corinthia Hotel & Residences London as a result of the strengthening of the Pound Sterling versus our reporting currency, the Euro.

After adding the net comprehensive income of €3.3 million to the loss after tax of €38.7 million, the Corinthia Group's total comprehensive expense for 2014 amounted to €35.4 million against a total comprehensive income of €46.9 million registered in 2013.

Property revaluation adjustments feature prominently in both the Corinthia Group's income statement and in the comprehensive income statement. In 2014 the net impairment charges were significant and were the principal reasons for the deviation in the results for the year when compared to 2013. It is also important to highlight the fact that the total comprehensive expense of €35.4 million includes €44 million of non-cash related adjustments relating to impairments, depreciation and translation adjustments.

Revenue for FY2015 is being forecasted to increase by 12.7% (+€20.3 million) to €179.5 million primarily as a consequence of the acquisition of IHGH as of July 2015. The major operations of IHGH that are consolidated on a line-by-line basis include the Radisson Blu Resort St Julians, Island Caterers and Costa Coffee (operations in Malta and Spain). IHGH also operates the Radisson Blu Resort & Spa Golden Sands (vacation ownership and hotel operation), but due to IHGH's 50% ownership in the hotel, its yearly results are included in 'Share of results of associate companies'.

The majority of the Group's hotels are expected to register an increase in revenue and operating gross profit, broadly in accordance with their respective competitive set. Declines in performance will be registered at the Corinthia Hotel Tripoli, which was closed for most of 2015, and to a much lesser extent at the Corinthia Hotel St Petersburg.

With respect to the Group's associated companies, the Corinthia Hotel & Residences London is forecasted to increase gross operating profit by 20% in 2015 when compared to 2014, but will again register a loss for the year after accounting for depreciation and finance costs. Occupancy at the Palm City Residences in Libya remained low for most of 2015 and as such, MIH is expected to register a marginal loss for the year. The contribution from the Radisson Blu Resort & Spa Golden Sands for the six month period since acquisition date should partly compensate for the aforesaid losses. Therefore, 'Share of results of associate companies' is in 2015 forecasted at a loss of €0.8 million. Overall, CPHCL is forecasting a comprehensive expense for FY2015 of €8.3 million (FY2014: -€35.4 million).

The projections for 2016 reflect a full year's performance of IHGH, being the primary reason for the increase in revenue and EBITDA of €45.0 million and €7.7 million respectively. All hotels are expected to improve performance year-on-year, but significant growth is anticipated in the Costa Coffee operation where number of operating outlets in Spain is projected to increase from 11 to 36 (FY2016) and revenue should increase from €14.4 million in FY2015 to €26.1 million in FY2016. During the year, the Group expects to sell a plot in Marsa and the Amber Properties and register a profit on disposal of €1.5 million. Share of results of associate companies is projected at €1.7 million, made up principally of profits anticipated at Corinthia Hotel & Residences London and Radisson Blu Resort & Spa Golden Sands, however partly mitigated by losses expected to be incurred at MIH. The comprehensive expense for FY2016 is projected at €6.4 million, being 23% lower than the comparable figure for FY2015.

Revenue for FY2017 is projected at €252.4 million, an increase of €27.8 million from a year earlier. The principal contributors to this increase comprise the anticipated recovery at the Corinthia Hotel St Petersburg (+€3.9 million) and further growth in the Costa Coffee operations (+€15.1 million) where outlets are projected to increase from 47 in FY2016 to 72 by the end of 2017. The other group hotels are expected to increase revenue at their respective normalised rate of growth. As such, EBITDA is projected to increase by 46%, from €15.4 million in FY2016 to €22.6 million in FY2017.

During FY2017, the Group expects to continue disposing of non-core assets and is therefore projecting a profit on disposal of €5.9 million (FY2016: €1.5 million). With respect to the share of results of associated companies, the Group is projecting a positive improvement in MIH's results and a profit from the Radisson Blu Resort & Spa Golden Sands. As for the Corinthia Hotel & Residences London, it is anticipated that the penthouse apartment will be sold in FY2017 and therefore the resultant building taxes and one-time selling costs will cause the London operation to declare a loss for the year.

Overall, the Group expects to register a profit before tax in FY2017 of €1.3 million as compared to a loss before tax of €4.5 million in the previous financial year, and a FY2017 comprehensive expense of €2.9 million (FY2016: -€6.4 million).

**The estimates for the forward years as presented in this document assume that the carrying values of hotel and investment properties will remain constant in FY2015 to FY2017, and therefore no adjustment has been made as to possible impairment or uplift in value of assets that may be booked and which may materially affect the consolidated income statement and balance sheet values.**

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

<b>CPHCL Group Borrowings</b>	<b>31 Dec'12</b>	<b>31 Dec'13</b>	<b>31 Dec'14</b>	<b>31 Dec'15</b>	<b>31 Dec'16</b>	<b>31 Dec'17</b>
<b>(€'000)</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Projection</b>	<b>Projection</b>
<b>Bank borrowings</b>						
Corinthia Palace Hotel Company Limited	18,158	16,004	8,219	5,142	3,432	1,722
Panorama Hotel Prague	19,764	16,984	16,177	15,342	14,477	13,584
Pankrac Property Holdings s.r.o.			1,300	1,286	1,209	1,130
Aquincum Hotel Budapest	16,201	15,442	14,583	13,732	13,006	12,083
Ramada Plaza Tunis hotel	7,976	6,679	5,889	5,397	6,621	5,985
Swan Laundry and Drycleaning Co Ltd	504	530	200	52	-	-
Danish Bakery Ltd	408	220	20	-	-	-
Corinthia Construction (Overseas) Limited	1,512	4,491	3,779	2,100	700	-
QP Management Ltd	800	800	400	400	-	-
MFCC					4,642	4,392
Corinthia Hotel St George's Bay	4,854	4,022	1,620	12,000	10,500	9,000
Corinthia Hotel Budapest	33,396	31,383	29,235	26,937	24,490	21,884
Corinthia Hotel St Petersburg	49,095	55,837	55,248	54,146	52,745	50,935
Corinthia Hotel Lisbon	37,007	35,215	31,622	28,961	26,360	23,437
Corinthia Hotel Tripoli	51,500	42,000	36,917	36,667	36,667	36,667
Corinthia Hotel Prague	40,126	33,018	30,840	28,586	26,255	23,843
Marina Hotel	1,483	953	9,574	8,295	7,545	6,695
CHI	1,520	1,907	1,857	477	248	-
IHI p.l.c.	13,300	11,200	8,100	5,000	36,500	29,250
Radisson Blu Resort St Julians				3,245	2,540	1,802
Island Caterers Ltd				64	-	-
Buttigieg Holdings Ltd				246	210	167
Costa Coffee (Malta/Spain)				1,496	10,179	14,935
Bank overdrafts	3,486	9,994	8,367	15,748	7,517	10,030
	<b>301,090</b>	<b>286,679</b>	<b>263,947</b>	<b>265,319</b>	<b>285,843</b>	<b>267,541</b>

### Bonds

6% Corinthia Finance plc 2019-2022	7,500	7,500	7,500	7,500	7,500	7,500
6.25% Corinthia Finance plc 2016 - 2019	40,000	39,967	39,928	39,968		
4.25% Corinthia Finance plc 2026					40,000	40,000
6.3% IHI Bonds 2013	4,054					
6.2% - 6.8% IHI Bonds 2013	1,690					
6.5% IHI Bonds 2012 - 2014	12,475	2,500				
6.25% IHI Bonds 2015 - 2019	34,600	34,679	34,762			
6.25% IHI Bonds 2017 - 2020	24,711	24,759	24,641	24,832	24,832	24,832
5.8% IHI Bonds 2021	19,557	19,591	19,633	20,000	20,000	20,000
5.8% IHI Bonds 2023		9,865	9,876	10,000	10,000	10,000
5.75% IHI Bonds 2025				45,000	45,000	45,000
IHI Bond issue costs				(1,566)	(1,639)	(986)
6.5% IHGH Bonds 2017 - 2019				14,000	14,000	14,000
6% IHGH Bonds 2024				35,000	35,000	35,000
IHGH Bond issue costs				(628)	(555)	(482)
	<b>144,587</b>	<b>138,861</b>	<b>136,340</b>	<b>194,106</b>	<b>194,138</b>	<b>194,864</b>
<b>Other interest bearing borrowings</b>						
Shareholders' loans	16,571	17,287	20,565	20,631	21,898	23,303
Other loans	-	-	-	6,825	6,447	1,568
	<b>16,571</b>	<b>17,287</b>	<b>20,565</b>	<b>27,456</b>	<b>28,345</b>	<b>24,871</b>
<b>Total borrowings and bonds</b>	<b>462,248</b>	<b>442,827</b>	<b>420,852</b>	<b>486,881</b>	<b>508,326</b>	<b>487,276</b>

### Key Accounting Ratios

	31 Dec'12	31 Dec'13	31 Dec'14	31 Dec'15	31 Dec'16	31 Dec'17
Net assets per share (€) <sup>1</sup> (Net asset value/number of shares)	0.03	0.03	0.03	0.03	0.03	0.03
Liquidity ratio (times) (Current assets/current liabilities)	0.97	0.60	0.78	0.64	0.85	0.77
Gearing ratio (Net debt/Net debt and shareholders' equity)	41%	39%	38%	43%	43%	42%
Debt service cover ratio (times) (EBITDA/net finance cost and loan capital repayment)	0.47	0.51	0.49	0.85	1.01	1.09

<sup>1</sup>Net assets per share calculation set out above has been based on the current number of shares in issue of the Company of 20,000,000 shares of €1 each.

Source: Charts Investment Management Service Limited

The debt service cover ratio measures a company's ability to service its current debts by comparing EBITDA to total debt service obligations. In FY2014, the Group registered a debt service cover ratio of 0.49 times (FY2013: 0.51), being significantly below the target ratio of 1.0. The Group was adversely impacted by the difficult political and operating

climate in both Libya and Russia and the devaluation of the local currency in the Russian Federation. This situation caused significant declines in revenue and operating profit generated by the Corinthia Hotel Tripoli and the Corinthia Hotel St Petersburg, and therefore was the primary reason for the Group's debt service cover ratio to fall below 1.0. The Group is actively addressing such position by refinancing certain borrowings at more advantageous capital repayment schedules and at low finance costs. It is projected that the debt service cover ratio will improve to 1.01 by FY2016.

### *Sinking Fund*

In terms of the Prospectuses of each of the bonds detailed hereunder, the respective companies are required to build a sinking fund for each of the said bonds, the value of which will by the respective redemption date of each bond be equivalent to 50% of the outstanding value of the bonds. Below is a table outlining the balances held in the respective sinking funds as at the end of the financial years 31 December 2012 to 31 December 2017.

<b>Sinking Fund Balances</b>	<b>31 Dec'12</b>	<b>31 Dec'13</b>	<b>31 Dec'14</b>	<b>31 Dec'15</b>	<b>31 Dec'16</b>	<b>31 Dec'17</b>
<b>(€'000)</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Projection</b>	<b>Projection</b>
<b>Corinthia Finance plc</b>						
€39.9 million 6.25% Bonds 2016 - 2019	400	1,162	2,340	2,575	-	-
€7.5 million 6% Bonds 2019-2022			103	313	668	1,088
<b>IHI</b>						
€35 million 6.25% Bonds 2015 - 2019	2,188	2,265	4,632	-	-	-
€25 million 6.25% Bonds 2017 - 2020	38	38	3,336	3,336	6,250	-
€20 million 5.8% Bonds 2021					1,073	2,145
<b>IHGH</b>						
€14 million 6.50% Bonds 2017 - 2019				1,084	2,041	-
	<b>2,626</b>	<b>3,465</b>	<b>10,411</b>	<b>7,308</b>	<b>10,032</b>	<b>3,233</b>

### *Debt Securities issued by Associated Companies*

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

<b>Security ISIN</b>	<b>Amount Listed</b>	<b>Security Name</b>	<b>Currency</b>
MT0000371238	28,519,400	7.15% MIH 2015-2017	EUR
MT0000371246	4,351,100	7.15% MIH 2015-2017	GBP
MT0000371253	7,120,300	7.15% MIH 2015-2017	USD
MT0000371279	20,000,000	5.5% MIH 2020	EUR
Unlisted Notes	11,000,000	6% MIH 2020	EUR
MT0000371261	12,000,000	6% MIH 2021	EUR

## 21. FINANCIAL INFORMATION RELATING TO INTERNATIONAL HOTEL INVESTMENTS PLC

The following financial information is extracted from the audited consolidated financial statements of IHI for each of the years ended 31 December 2012 to 31 December 2014. The forecasted financial information for the years ending 31 December 2015 to 2017 has been provided by management of the Company. **The projected financial statements relate to events in the future and are based on assumptions which IHI believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material. With specific reference to IHI's operation in Libya, assessment of future performance is more difficult to forecast due to the ongoing economic instability and lack of clarity on the political situation in the country. In view of this state of affairs, the actual results from the operation in Libya may vary significantly from projections.**

IHI Group Income Statement (€'000)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Forecast	Projection	Projection
Revenue	118,567	123,734	116,379	132,497	169,648	192,916
Direct costs	(63,554)	(64,152)	(61,147)	(53,896)	(75,841)	(86,245)
<b>Gross profit</b>	<b>55,013</b>	<b>59,582</b>	<b>55,232</b>	<b>78,601</b>	<b>93,807</b>	<b>106,671</b>
Other operating costs	(27,288)	(24,601)	(26,382)	(45,546)	(53,989)	(60,915)
<b>EBITDA</b>	<b>27,725</b>	<b>34,981</b>	<b>28,850</b>	<b>33,055</b>	<b>39,818</b>	<b>45,756</b>
Depreciation and amortisation	(24,208)	(23,763)	(18,390)	(19,875)	(21,175)	(22,317)
Movement in fair value of investment property	4,154	571	(15,391)	-	-	-
Net impairment of hotel properties	(7,796)	5,000	2,081	-	-	-
<b>Results from operating activities</b>	<b>(125)</b>	<b>16,789</b>	<b>(2,850)</b>	<b>13,180</b>	<b>18,643</b>	<b>23,439</b>
Share of (loss) profit from equity accounted investments	4,970	(5,788)	(14,537)	(160)	4,502	(1,424)
Net finance costs	(16,783)	(15,940)	(13,035)	(14,673)	(16,790)	(16,576)
Net fair value loss on interest rate swaps	1,009	1,789	1,466	-	-	-
Movement in reimbursement assets	(454)	(883)	(879)	(880)	(880)	(880)
<b>Profit (loss) before tax</b>	<b>(11,383)</b>	<b>(4,033)</b>	<b>(29,835)</b>	<b>(2,533)</b>	<b>5,475</b>	<b>4,559</b>
Taxation	950	4,299	13,549	(187)	(1,424)	(3,363)
<b>Profit (loss) for the year</b>	<b>(10,433)</b>	<b>266</b>	<b>(16,286)</b>	<b>(2,720)</b>	<b>4,051</b>	<b>1,196</b>
<b>Other comprehensive income</b>						
Net impairment of hotel properties	(10,889)	(8,200)	(28,953)	-	-	-
Share of other comprehensive income of equity accounted investments	19,695	41,616	18,380	5,500	-	-
Other effects and tax	(482)	(7,447)	11,170	-	-	-
	<b>8,324</b>	<b>25,969</b>	<b>597</b>	<b>5,500</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (expense) for the year net of tax</b>	<b>(2,109)</b>	<b>26,235</b>	<b>(15,689)</b>	<b>2,780</b>	<b>4,051</b>	<b>1,196</b>
<b>IHI Group Cash Flow Statement</b> (€'000)	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Projection</b>	<b>Projection</b>
Net cash from operating activities	30,145	42,078	29,986	26,473	28,922	33,859
Net cash from investing activities	(21,187)	(4,287)	(4,160)	(31,281)	(39,674)	(19,466)
Net cash from financing activities	(23,837)	(43,666)	(13,467)	(4,451)	29,730	(11,107)
<b>Net movement in cash and cash equivalents</b>	<b>(14,879)</b>	<b>(5,875)</b>	<b>12,359</b>	<b>(9,259)</b>	<b>18,978</b>	<b>3,286</b>
Cash and cash equivalents at beginning of year	26,242	11,363	5,491	14,776	5,517	24,495
<b>Cash and cash equivalents at end of year</b>	<b>11,363</b>	<b>5,488</b>	<b>17,850</b>	<b>5,517</b>	<b>24,495</b>	<b>27,781</b>

<b>IHI Group Balance Sheet</b>	<b>31 Dec'12</b>	<b>31 Dec'13</b>	<b>31 Dec'14</b>	<b>31 Dec'15</b>	<b>31 Dec'16</b>	<b>31 Dec'17</b>
<b>(€'000)</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Projection</b>	<b>Projection</b>
<b>Assets</b>						
<i>Non-current</i>						
Intangible assets	46,095	44,856	43,556	60,432	58,946	59,660
Reimbursement assets	23,449	22,566	21,687	20,807	19,927	19,047
Investment properties	191,393	191,964	176,675	176,675	198,675	198,674
Property, plant and equipment	555,482	534,558	494,971	542,499	516,431	514,690
Investments in associates	167,441	201,689	213,241	254,574	250,304	237,286
Loan receivable	43,450	44,332	3,208	3,500	-	-
Cash held by trustee	2,223	2,303	7,967	4,420	9,364	2,145
	<b>1,029,533</b>	<b>1,042,268</b>	<b>961,305</b>	<b>1,062,907</b>	<b>1,053,647</b>	<b>1,031,502</b>
<i>Current</i>						
Inventories	5,294	5,454	5,307	6,558	7,097	7,416
Loan receivable	-	-	-	-	-	-
Trade and other receivables	36,997	31,819	23,309	34,445	42,715	47,142
Taxation	436	2,883	2,639	3,180	21	21
Cash and cash equivalents	16,423	10,248	19,480	12,029	25,053	28,813
	<b>59,150</b>	<b>50,404</b>	<b>50,735</b>	<b>56,212</b>	<b>74,886</b>	<b>83,392</b>
<b>Total assets</b>	<b>1,088,683</b>	<b>1,092,672</b>	<b>1,012,040</b>	<b>1,119,119</b>	<b>1,128,533</b>	<b>1,114,894</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Called up share capital	554,238	554,238	554,239	573,636	580,309	580,309
Reserves and other equity components	63,842	88,701	88,886	70,532	80,956	77,310
Retained earnings	(17,824)	(16,448)	(48,941)	(46,660)	(58,525)	(53,053)
Minority interest	-	-	630	630	630	1,134
	<b>600,256</b>	<b>626,491</b>	<b>594,814</b>	<b>598,138</b>	<b>603,370</b>	<b>603,700</b>
<b>Liabilities</b>						
<i>Non-current</i>						
Borrowings and bonds	312,995	292,729	271,464	344,422	361,246	330,528
Other non-current liabilities	97,390	97,332	82,938	87,019	85,750	85,619
	<b>410,385</b>	<b>390,061</b>	<b>354,402</b>	<b>431,441</b>	<b>446,996</b>	<b>416,147</b>
<i>Current</i>						
Borrowings and bonds	32,976	27,725	27,787	25,843	27,449	43,941
Other current liabilities	45,066	48,395	35,037	63,697	50,718	51,106
	<b>78,042</b>	<b>76,120</b>	<b>62,824</b>	<b>89,540</b>	<b>78,167</b>	<b>95,047</b>
	<b>488,427</b>	<b>466,181</b>	<b>417,226</b>	<b>520,981</b>	<b>525,163</b>	<b>511,194</b>
<b>Total equity and liabilities</b>	<b>1,088,683</b>	<b>1,092,672</b>	<b>1,012,040</b>	<b>1,119,119</b>	<b>1,128,533</b>	<b>1,114,894</b>

Key Accounting Ratios	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Gross profit margin <i>(Gross profit/revenue)</i>	46%	48%	47%	59%	55%	55%
Operating profit margin <i>(EBITDA/revenue)</i>	23%	28%	25%	25%	23%	24%
Interest cover (times) <i>(EBITDA/net finance cost)</i>	1.65	2.19	2.21	2.25	2.37	2.76
Net profit margin <i>(Profit after tax/revenue)</i>	-9%	0%	-14%	-2%	2%	1%
Earnings per share (€) <sup>1</sup> <i>(Profit attributable to parent company/number of shares)</i>	-0.02	0.00	-0.03	-0.00	0.01	0.00
Return on equity <i>(Profit after tax/shareholders' equity)</i>	-2%	0%	-3%	0%	1%	0%
Return on capital employed <i>(Operating profit/total assets less current liabilities)</i>	3%	3%	3%	3%	4%	4%
Return on assets <i>(Profit after tax/total assets)</i>	-1%	0%	-2%	0%	0%	0%

<sup>1</sup>Earnings per share calculation set out above has been based on the current number of shares in issue of the Company of 573,636,129 shares of €1 each.

Source: Charts Investment Management Service Limited

Results from the respective hotel operations in **FY2012** were generally positive. The IHI Group financial statements for the said year also reflected the acquisition of the Marina Hotel and the first full year of operation of the Corinthia Hotel & Residences London. However the results of the Corinthia Hotel & Residences London, as mentioned elsewhere in this report are not consolidated in IHI's results. Revenue for FY2012 increased by €14.4 million (+14%) to €118.6 million when compared to FY2011 (€104.2 million). The main factors included the contribution from the Marina Hotel (+€6.6 million) and significant improvements at Corinthia Hotel St Petersburg (+23%) and Corinthia Hotel Tripoli (+18%). The remaining hotels registered broadly similar revenue as in FY2011, except for Corinthia Hotel Lisbon which showed a decrease in income of 13% from €18.7 million in FY2011 to €16.2 million in FY2012. Countries such as Portugal and Hungary were severely affected by the adverse economic situation in a number of their feeder markets, increased competition, and a decline in consumer spending.

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

During the year under review net property revaluation adjustments, through the income statement and comprehensive income statement, amounted to a positive balance of €3.9 million (FY2011: -€15.1 million). The fair value of the Commercial Centre in St Petersburg was increased by €4.2 million (FY2011: -€5.6 million) on account of growth in lease income streams. This uplift was offset by impairments totalling €18.7 million (FY2011: €15.2 million) in the valuation of the hotel properties, mainly, Corinthia Hotel Lisbon (€6.4 million), Corinthia Hotel Budapest (€3.0 million) and Corinthia

Hotel St Petersburg (€10.9 million). The impairments resulted from an oversupply of hotel rooms in the respective markets and increased competition which has restricted improvements in both occupancy rate and average room rate, and in the case of the former two hotels the respective countries' economic situation and associated risks. On the other hand, there has been a positive uplift in the value of the 50% share in the Corinthia Hotel & Residences London of €18.5 million (FY2011: -€5.4 million).

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

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

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

"Share of results from equity accounted investments" represents IHI's 50% equity shareholding in Corinthia Hotel & Residences London. As highlighted in section 8.1.9 of this document, operating profit generated by the Hotel in its second year of operation improved significantly to £14.0 million (equivalent to €18 million) (FY2012: £7.8 million, equivalent to €10 million). However, after accounting for depreciation, property charges and finance costs the Hotel incurred a loss for the year, of which, IHI's 50% share of such loss amounted to €5.8 million.

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

In view of the prolonged instability in Libya and the political issues between Russia and Ukraine, revenue generated at Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg in FY2014 was lower than the prior year by *circa* €16.1 million. Such reduction was however partly compensated by increased revenues at the other IHI properties and therefore the overall decrease in income for the said financial year amounted to €7.4 million (a reduction of 6%). This reduction in income inevitably impacted IHI's EBITDA, which decreased by 18% from €35.0 million in 2013 to €28.9 million in 2014. The depreciation charge for 2014 reduced by more than €5.4 million (from €23.8 million in 2013 to €18.4 million in 2014) as no provision was made on assets that were fully depreciated.

In April 2014, 11 apartments in Whitehall Place London forming part of the Corinthia Hotel & Residences London, of which IHI holds a 50% stake, were sold to third parties. The penthouse apartment was retained and will be sold when the right opportunity arises. Except for one-off property costs resulting from the aforesaid sale of the apartments, the disposal had no effect on IHI's financial statements since the apartments were already valued at

their market price in 2013. A loss was registered from equity accounted investments (London Hotel and Residences) for 2014 of €14.6 million, in consequence of building taxes, depreciation, interest and the one-time selling costs of the 11 apartments as the hotel performance registered a marginal improvement in performance in 2014 over 2013. A smaller loss is expected from equity accounted investments (London Hotel) for FY2015 of €4.0 million and should breakeven in the subsequent year.

There has also been a reduction of approximately €2.9 million in finance costs in 2014 (from €15.9 million in 2013 to €13.0 million in 2014) as a result of reduced EURIBOR rates in 2014 coupled with the further reduction of IHI's debt in consequence of scheduled repayments of bank loans.

After accounting for movements in fair value of properties described hereunder, IHI recorded a loss for the year ended 31 December 2014 of €16.3 million (2013: Profit of €0.3 million).

#### Analysis of Movements in Property Values

for the year ended 31 December 2014

(€'000)	Income Statement	Other Comprehensive Income	Total
Corinthia Hotel Lisbon	1,240	13,728	14,968
Lisbon Apartments	(156)	-	(156)
Corinthia Hotel Budapest	10,357	-	10,357
Marina Hotel	1,766	-	1,766
Corinthia Hotel Tripoli	(8,038)	(26,814)	(34,852)
Tripoli Commercial Centre	(5,659)	-	(5,659)
Corinthia Hotel St Petersburg	(3,243)	(15,867)	(19,110)
St Petersburg Commercial Centre	(9,577)	-	(9,577)
Corinthia Hotel & Residences London	-	17,933	17,933
<b>Net movement in property values</b>	<b>(13,310)</b>	<b>(11,020)</b>	<b>(24,330)</b>

#### Classified in the financial statements as follows:

Movement in fair value of investment property	(15,391)	-	(15,391)
Net impairment reversal (loss) on hotel properties	2,081	(28,953)	(26,872)
Revaluation of hotel property (equity accounted investments)	-	17,933	17,933
<b>Net movement in property values</b>	<b>(13,310)</b>	<b>(11,020)</b>	<b>(24,330)</b>

On a yearly basis, a value in use assessment is carried out on IHI's hotels and investment properties by independent advisors. This process involves the preparation of 10-year future cash flows prepared by an expert in the hospitality industry and financial modeling by an independent accountancy firm. In 2014, the aforesaid process was performed on all IHI properties other than the Corinthia Hotel Tripoli, due to the current uncertain environment prevailing in Libya which presented significant difficulty for such advisors to determine a value in use of the property.

As such, a value in use on the Corinthia Hotel Tripoli was determined after the independent advisors presented several scenarios and parameters to the directors for their consideration. The directors resolved to adopt the more prudent basis of valuation by applying to the model higher country and other risk premia, and assume a weaker outlook on future performance. In consequence, the value of the property was impaired by €34.9 million.

As denoted in the above table, IHI was negatively impacted in 2014 by a reduction of €69.2 million in the values of its properties in Tripoli and St Petersburg (hotels and commercial centres) as a consequence of the force majeure situation prevailing in each of the said jurisdictions and the devaluation of the Russian Rouble. On the other hand, through the robust performance achieved by a number of IHI's European hotels, IHI registered an improvement of €44.9 million in the fair values of such properties, most notably of which is the uplift in London (limited to 50% share), in Lisbon and in Budapest.

Overall, during the year under review, IHI reported a net impairment (before tax) in the fair value of its properties of €24.3 million (2013: +€36.8 million) which is reported as to €13.3 million in the Income Statement and €11.0 million in the Comprehensive Income Statement.

**FY2015** was mainly characterised by the acquisition of IHGH in August 2015. IHGH largely relates to the ownership and operation of the Radisson Blu Resort St Julians, Island Caterers, Costa Coffee outlets in Malta and Spain, and the operation of a number of catering contracts. IHGH also owns an 83,530m<sup>2</sup> plot of land at Hal Ferh, Golden Sands. Furthermore, IHGH has a 50% shareholding in the Radisson Blu Resort & Spa Golden Sands which comprises the operation of a five-star hotel and a vacation ownership business. In view of the 50% ownership, the results of the Radisson Blu Resort & Spa Golden Sands are included in the income statement as share of profit from equity accounted investments (together with the Corinthia Hotel & Residences London).

IHI's revenue for FY2015 is expected to amount to €132.5 million, an increase of €16.1 million from a year earlier. The growth represents better revenue figures reported by all IHI hotels in FY2015 over FY2014, other than the Corinthia Hotel St Petersburg (-€1.4 million y-o-y) and the Corinthia Hotel Tripoli (-€7.5 million y-o-y). Moreover, an amount of €18.3 million relates to revenue generated by IHGH for the period 1 July 2015 (being the effective date of acquisition) to 31 December 2015. EBITDA for the year is forecasted at €33.1 million, an increase of 15% when compared to FY2014.

Share of results from equity accounted investments comprises the 50% ownership in the Corinthia Hotel & Residences London and the Radisson Blu Resort & Spa Golden Sands. The former hotel is expected to report a 20% rise in operating profit to £17.3 million. However, after taking into account depreciation, finance costs and other fixed charges, the Corinthia Hotel & Residences London is forecasted to report a loss of €1.9 million as compared to a loss of €14.5 million in FY2014 (being IHI's 50% share). On the other hand, 50% share of profits of the Radisson Blu Resort & Spa Golden Sands is expected to amount to €1.8 million.

Overall, IHI is forecasted to incur a net loss of €2.7 million in FY2015, a y-o-y recovery of €13.5 million.

Management is projecting significant growth in revenue for both **FY2016** and **FY2017** when compared to FY2015. The Corinthia Hotel St Petersburg is anticipated to report a gradual recovery in revenue, particularly in FY2017. The other hotels are expected to follow the trend of prior years and register healthy increases in revenue. FY2016 will be the first year in which the IHI group financials will incorporate a full year results of IHGH. Overall, revenue is expected to increase from €132.5 million in FY2015 to €169.6 million in FY2016. Revenue is projected to increase further in FY2017 by €23.3 million, principally due to the significant growth expected from the Costa Coffee operations and the partial recovery in the performance of the Corinthia Hotel St Petersburg.

Reflecting the improvement in revenue, IHI's EBITDA is expected to increase from €33.1 million in FY2015 to €39.8 million in FY2016 (+20%) and increase by a further 15% to €45.8 million in FY2017.

Share of profit from equity accounted investments is expected to amount to €4.5 million in FY2016 as compared to a loss of €0.2 million in FY2015. However, IHI is projected to report a share of loss from equity accounted investments in FY2017 of €1.4 million. IHI is anticipating that in FY2017 it will dispose of the penthouse apartment at the Corinthia Hotel & Residences London and will therefore report a loss on this transaction in consequence of one-time selling costs.

After taking into account finance costs and taxation, IHI is projecting a profit for FY2016 and FY2017 of €4.1 million and €1.2 million respectively.

**The estimates for the forward years as presented in this document assume that the carrying values of hotel and investment properties will remain constant in FY2015 to FY2017, and therefore no adjustment has been made as to possible impairment or uplift of assets that may be booked and which may materially affect the consolidated income statement and balance sheet values.**

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

<b>IHI Group Borrowings</b>	<b>31 Dec'12</b>	<b>31 Dec'13</b>	<b>31 Dec'14</b>	<b>31 Dec'15</b>	<b>31 Dec'16</b>	<b>31 Dec'17</b>
<b>(€'000)</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Projection</b>	<b>Projection</b>
<b>Bank borrowings</b>						
Corinthia Hotel St George's Bay	2,968	2,159	1,271	12,000	10,500	9,000
Corinthia Hotel Budapest	33,396	31,383	29,235	26,937	24,490	21,884
Corinthia Hotel St Petersburg	49,095	55,999	55,248	54,146	52,745	50,935
Corinthia Hotel Lisbon	35,722	34,181	31,622	28,961	26,360	23,437
Corinthia Hotel Tripoli	51,500	42,000	36,917	36,667	36,667	36,667
Corinthia Hotel Prague	40,126	33,018	30,840	28,586	26,255	23,843
Marina Hotel	1,112	833	9,150	8,295	7,545	6,695
CHI	-	-	1,000	477	248	-
IHI p.l.c.	13,300	11,200	8,100	5,000	36,500	29,250
Radisson Blu Resort St Julians				3,245	2,540	1,802
Island Caterers				64	-	-
IHGH p.l.c.				-	-	-
The Coffee Company Malta/Spain				1,496	10,179	14,935
Buttigieg Holdings Limited				246	210	167
Bank overdrafts	5,060	4,760	1,630	6,512	558	1,032
	<b>232,279</b>	<b>215,533</b>	<b>205,013</b>	<b>212,632</b>	<b>234,797</b>	<b>219,647</b>

**Bonds**

6.3% IHI Bonds 2013	4,054					
6.2% - 6.8% IHI Bonds 2013	1,690					
6.5% IHI Bonds 2012 - 2014	12,475	2,500				
6.25% IHI Bonds 2015 - 2019	34,600	34,678	34,762			
6.25% IHI Bonds 2017 - 2020	24,711	24,758	24,641	24,832	24,832	24,832
5.8% IHI Bonds 2021	19,557	19,592	19,633	20,000	20,000	20,000
5.8% IHI Bonds 2023		9,865	9,876	10,000	10,000	10,000
5.75% IHI Bonds 2025				45,000	45,000	45,000
Bond issue costs				(1,566)	(1,277)	(1,024)
6.5% IHGH Bonds 2017 - 2019				14,000	14,000	14,000
6% IHGH Bonds 2024				35,000	35,000	35,000
Bond issue costs				(628)	(555)	(482)
	<b>97,087</b>	<b>91,393</b>	<b>88,912</b>	<b>146,638</b>	<b>147,000</b>	<b>147,326</b>
<b>Other interest bearing borrowings</b>						
Parent company	16,089	13,236	5,092	-	-	-
Related companies	516	292	234	10,995	6,898	7,496
	<b>16,605</b>	<b>13,528</b>	<b>5,326</b>	<b>10,995</b>	<b>6,898</b>	<b>7,496</b>
<b>Total borrowings and bonds</b>	<b>345,971</b>	<b>320,454</b>	<b>299,251</b>	<b>370,265</b>	<b>388,695</b>	<b>374,469</b>

**Key Accounting Ratios**

	31 Dec'12	31 Dec'13	31 Dec'14	31 Dec'15	31 Dec'16	31 Dec'17
Net assets per share (€) <sup>1</sup> <i>(Net asset value/number of shares)</i>	1.05	1.09	1.04	1.04	1.05	1.05
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	0.76	0.66	0.81	0.63	0.96	0.88
Gearing ratio <i>(Total net debt/net debt and shareholders' equity)</i>	35%	33%	32%	37%	38%	36%
Debt service cover ratio (times) <i>(EBITDA/net finance cost and loan capital repayment)</i>	0.77	0.73	0.83	1.05	0.93	1.17

<sup>1</sup>Net assets per share calculation set out above has been based on the current number of shares in issue of the Company of 573,636,129 shares of €1 each.

Source: Charts Investment Management Service Limited

The debt service cover ratio measures a company's ability to service its current debts by comparing EBITDA to total debt service obligations. In FY2014, IHI registered a debt service cover ratio of 0.83 times (FY2013: 0.73), being marginally below the target ratio of 1.0. IHI was adversely impacted by the difficult political and operating climate in both Libya and Russia and the devaluation of the local currency in the Russian Federation. This situation caused significant declines in revenue and operating profit generated by the Corinthia Hotel Tripoli and the Corinthia Hotel

St Petersburg, and therefore was the primary reason for IHI's debt service cover ratio to remain below 1.0. On the other hand, in FY2014, IHI's other hotel properties performed better in terms of EBITDA earnings relative to FY2013, and this partly mitigated the above mentioned decrease in EBITDA.

When compared to 2013 the debt service cover ratio has improved from 0.73 to 0.83 in 2014. Such recovery was principally the result of a reduction in IHI's indebtedness from €320.5 million (in 2013) to €299.3 million in 2014, and a decrease in borrowing costs due to the decline in EURIBOR rates in the past few years. As to annual net interest payable, this amount decreased by €2.9 million from €15.9 million (in 2013) to €13.0 million in 2014.

In the financial years 2015 to 2017, the debt service cover ratio is projected to improve to above parity. The principal factor related to such improvement is the higher projected EBITDA in the said financial years which is expected to increase proportional more than increases in net finance costs.

### *Sinking Fund*

In terms of the Prospectuses of each of the bonds detailed hereunder, the respective companies are required to build a sinking fund for each of the said bonds, the value of which will by the respective redemption date of each bond be equivalent to 50% of the outstanding value of the bonds. Below is a table outlining the balances held in the respective sinking funds as at the end of the financial years 31 December 2012 to 31 December 2017.

<b>Contributions to Sinking Fund (€'000)</b>	<b>31 Dec'12 Actual</b>	<b>31 Dec'13 Actual</b>	<b>31 Dec'14 Actual</b>	<b>31 Dec'15 Forecast</b>	<b>31 Dec'16 Projection</b>	<b>31 Dec'17 Projection</b>
€35 million 6.25% Bonds 2015 - 2019	2,188	2,265	4,632			
€25 million 6.25% Bonds 2017 - 2020	38	38	3,336	3,336	6,250	
€20 million 5.8% Bonds 2021					1,073	2,145
	<b>2,226</b>	<b>2,303</b>	<b>7,968</b>	<b>3,336</b>	<b>7,323</b>	<b>2,145</b>

## 22. FINANCIAL INFORMATION RELATING TO ISLAND HOTELS GROUP HOLDINGS PLC

The following financial information is extracted from the audited consolidated financial statements of IHGH for each of the years ended 31 October 2012 to 31 October 2014. The forecasted financial information for the years ending 31 December 2015 to 2017 has been provided by management of the Company. **The projected financial statements relate to events in the future and are based on assumptions which IHGH believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.**

For the financial years 2012 and 2013, IHGH reported its interests in jointly controlled entities using proportionate consolidation, that is, IHGH's share of the assets, liabilities, income and expenses of the jointly controlled entity were combined with similar items in the financial statements of IHGH on a line-by-line basis. As from FY2014, investments in associates (principally, the hotel and vacation ownership operations of the Radisson Blu Resort & Spa Golden Sands) are accounted for using the equity method of accounting.

Furthermore, IHGH changed its accounting year end in 2015 from 31 October to 31 December. Consequently, the financial information for the financial period ended 31 December 2015 covers a 14-month period (1 November 2014 to 31 December 2015).

IHGH Group Income Statement (€'000)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual (12 months)	Actual (12 months)	Restated (12 months)	Forecast (14 months)	Projection (12 months)	Projection (12 months)
Revenue	33,086	30,669	15,836	25,114	45,196	61,232
Direct costs	(17,359)	(14,971)	(8,176)	(13,602)	(23,482)	(31,532)
<b>Gross profit</b>	<b>15,727</b>	<b>15,698</b>	<b>7,659</b>	<b>11,512</b>	<b>21,714</b>	<b>29,700</b>
Other operating costs	(10,300)	(9,678)	(5,123)	(8,682)	(16,177)	(22,291)
<b>EBITDA</b>	<b>5,427</b>	<b>6,020</b>	<b>2,536</b>	<b>2,830</b>	<b>5,537</b>	<b>7,409</b>
Depreciation and amortisation	(3,330)	(2,829)	(1,175)	(2,102)	(2,977)	(3,683)
<b>Results from operating activities</b>	<b>2,097</b>	<b>3,191</b>	<b>1,361</b>	<b>728</b>	<b>2,560</b>	<b>3,726</b>
Share of (loss)/profit from equity accounted investments	(1)	(25)	2,802	2,865	3,143	3,353
Investment income	-	-	-	3,040	-	-
Net finance costs	(2,930)	(2,480)	(2,575)	(4,172)	(3,812)	(4,035)
<b>Profit (loss) before tax</b>	<b>(834)</b>	<b>686</b>	<b>1,588</b>	<b>2,461</b>	<b>1,891</b>	<b>3,044</b>
Taxation	(155)	10	(58)	(310)	(1,086)	(1,225)
	<b>(989)</b>	<b>696</b>	<b>1,530</b>	<b>2,151</b>	<b>805</b>	<b>1,819</b>
Discontinued operation	-	(141)	1,202	-	-	-
<b>Profit (loss) attributable to parent company</b>	<b>(989)</b>	<b>555</b>	<b>2,732</b>	<b>2,151</b>	<b>805</b>	<b>1,819</b>

IHGH Group Cash Flow Statement (€'000)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Restated	Forecast	Projection	Projection
	(12 months)	(12 months)	(12 months)	(14 months)	(12 months)	(12 months)
Net cash from operating activities	3,839	4,235	(4,499)	5,059	(1,040)	2,681
Net cash from investing activities	(1,473)	(5,088)	4,588	3,001	(5,312)	(5,338)
Net cash from financing activities	(2,968)	737	25,720	(30,588)	12,415	6,317
<b>Net movement in cash and cash equivalents</b>	<b>(602)</b>	<b>(116)</b>	<b>25,808</b>	<b>(22,528)</b>	<b>6,063</b>	<b>3,660</b>
Cash and cash equivalents at beginning of year	(9,677)	(10,267)	(6,525)	19,283	(3,245)	2,818
Effect of foreign exchange rate changes	12	(20)	-	-	-	-
<b>Cash and cash equivalents at end of year</b>	<b>(10,267)</b>	<b>(10,403)</b>	<b>19,283</b>	<b>(3,245)</b>	<b>2,818</b>	<b>6,478</b>

IHGH Group Balance Sheet (€'000)	31 Oct'12	31 Oct'13	31 Oct'14	31 Dec'15	31 Dec'16	31 Dec'17
	Actual	Actual	Restated	Forecast	Projection	Projection
<b>Assets</b>						
<i>Non-current</i>						
Intangible assets	34,699	33,873	11,021	16,078	15,876	15,709
Property, plant and equipment	85,025	86,010	27,846	58,293	64,259	68,883
Investments in associates	-	-	37,863	38,263	37,793	38,406
Loans and receivables	8,169	8,970	7,393	7,010	2,010	-
Other cash at bank	-	-	137	74	31	-
	<b>127,893</b>	<b>128,853</b>	<b>84,260</b>	<b>119,718</b>	<b>119,969</b>	<b>122,998</b>
<i>Current</i>						
Inventories	1,212	1,225	312	1,280	1,499	1,655
Trade and other receivables	8,674	10,085	14,816	6,511	8,588	8,898
Loans and receivables	-	94	4	-	-	-
Taxation	26	218	319	-	-	-
Assets classified as held for sale	-	-	-	-	-	-
Other cash at bank	-	-	211	74	31	-
Cash and cash equivalents	1,014	665	20,305	-	2,818	6,478
	<b>10,926</b>	<b>12,287</b>	<b>35,967</b>	<b>7,865</b>	<b>12,936</b>	<b>17,031</b>
<b>Total assets</b>	<b>138,819</b>	<b>141,140</b>	<b>120,227</b>	<b>127,583</b>	<b>132,905</b>	<b>140,029</b>

IHGH Group Balance Sheet ( <i>cont.</i> ) (€'000)	31 Oct'12	31 Oct'13	31 Oct'14	31 Dec'15	31 Dec'16	31 Dec'17
	Actual	Actual	Restated	Forecast	Projection	Projection
<i>Equity and liabilities</i>						
<b>Equity</b>						
Called up share capital	36,340	36,584	36,584	38,584	38,584	38,584
Currency translation reserve	906	85	1,522	1,522	1,522	1,522
Retained earnings	(777)	(466)	2,267	4,418	5,223	7,042
	<b>36,469</b>	<b>36,203</b>	<b>40,373</b>	<b>44,524</b>	<b>45,329</b>	<b>47,148</b>
<b>Liabilities</b>						
<i>Non-current</i>						
Borrowings and bonds	50,378	50,947	60,932	57,401	63,146	60,878
Other non-current liabilities	16,129	16,553	6,238	7,505	7,725	8,377
	<b>66,507</b>	<b>67,500</b>	<b>67,171</b>	<b>64,906</b>	<b>70,871</b>	<b>69,255</b>
<i>Current</i>						
Borrowings and bonds	18,237	18,192	3,811	5,490	3,989	10,638
Other current liabilities	17,606	19,245	8,873	12,664	12,716	12,988
	<b>35,843</b>	<b>37,437</b>	<b>12,684</b>	<b>18,154</b>	<b>16,705</b>	<b>23,626</b>
	<b>102,350</b>	<b>104,937</b>	<b>79,854</b>	<b>83,060</b>	<b>87,576</b>	<b>92,881</b>
<b>Total equity and liabilities</b>	<b>138,819</b>	<b>141,140</b>	<b>120,227</b>	<b>127,583</b>	<b>132,905</b>	<b>140,029</b>

Key Accounting Ratios	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Gross profit margin <i>(Gross profit/revenue)</i>	48%	51%	48%	46%	48%	49%
Operating profit margin <i>(EBITDA/revenue)</i>	16%	20%	16%	11%	12%	12%
Interest cover (times) <i>(EBITDA/net finance cost)</i>	1.85	2.43	0.98	0.68	1.45	1.84
Net profit margin <i>(Profit after tax/revenue)</i>	-3%	2%	10%	9%	2%	3%
Earnings per share (€) <sup>1</sup> <i>(Profit attributable to parent company/number of shares)</i>	-0.03	0.02	0.04	0.06	0.02	0.05
Return on equity <i>(Profit after tax/shareholders' equity)</i>	-3%	2%	4%	5%	2%	4%
Return on capital employed <i>(Operating profit/total assets less current liabilities)</i>	5%	6%	2%	3%	5%	6%
Return on assets <i>(Profit after tax/total assets)</i>	-1%	0%	1%	2%	1%	1%

<sup>1</sup>Earnings per share calculation set out above has been based on the current number of shares in issue of the Company of 36,583,660 shares of €1 each for 2012 to 2014, and 38,583,660 from 2015 onwards.

Source: Charts Investment Management Service Limited

In **FY2012**, IHGH generated revenue of €33.1 million and EBITDA of €5.4 million. The operating profit derived by IHGH hotels was broadly flat compared to a slight growth in the market average. Further analysis shows that the hotels compared favourably to the market on occupancy levels and cost base management but were below par on the level of average room rate achieved. Of significance to the bottom line group result was the relatively weak performance in vacation ownership. The poor economic conditions within the UK left their mark on this part of the business and success in developing non-UK markets has been very limited. The positive sign was that IHGH managed to grow revenues slightly in vacation ownership however the cost of generating such revenues was disproportionate and as a result margins were lower than in prior years.

With respect to non-hotel catering revenues, FY2012 was the first full year of IHGH's investment in Buttigieg Holdings Ltd (50% shareholding). Overall, IHGH incurred a net loss of €1.0 million in FY2012.

Turnover of IHGH in **FY2013** was lower than in the previous year at €30.7 million (FY2012: 33.1 million) but EBITDA for the year increased to €6.0 million against €5.4 million in FY2012. The performance of IHGH mirrored that of the tourism industry generally. All IHGH hotels performed well and growth was achieved in every part of the business, the biggest gains being registered at the Radisson Blu Resort & Spa Golden Sands. Vacation ownership sales registered a remarkable recovery (from €25.5 million in FY2012 to €27.1 million in FY2013) and profit margins achieved were at the level deemed appropriate by management (at 26% as compared to 21% in FY2012).

During the year, IHGH decided to exit the four star market through the sale of the Coastline Hotel and focus at developing the Costa Coffee franchise in Spain. The sale transaction of the Coastline Hotel was concluded in FY2014.

The non-hotel catering revenue was stable in FY2013 when compared to the previous year. Island Caterers generated €4.2 million (FY2012: €4.0 million), while BHL (which includes the Costa outlets) registered a turnover of €6.4 million (FY2012: €6.2 million). The ongoing focus on this part of the business is to maintain market position in the event catering sector with the Island Caterers brand and to grow the Costa Coffee retail catering market. In FY2013, five Costa Coffee stores were opened in Malta and an agreement was signed with Costa International Limited for the development and roll out of the Costa Coffee outlets in the East Coast of Spain, the Balearic Islands and the Canary Islands.

As from **FY2014**, investments in associates are accounted for using the equity method of accounting and therefore, results of associate companies are included in the income statement as 'share of profit from equity accounted investments'. This change in accounting policy has principally effected the presentation of operating results of the Radisson Blu Resort & Spa Golden Sands. In fact, the decline in revenue from €30.7 million in FY2013 to €15.8 million in FY2014 represents the 50% share of revenue of the Radisson Blu Resort & Spa Golden Sands, which as of FY2014 is included, not in terms of revenue but in terms of profitability, in 'Share of profit from equity accounted investments'.

Section 8.1.10 of this report provides a detailed assessment of results of the Radisson Blu Resort & Spa Golden Sands. In FY2014, this hotel generated €34.2 million in revenue (FY2013: €27.1 million) principally due to a remarkable recovery in vacation ownership revenues of 40% to €22.0 million when compared to FY2013. This increase in revenue, together with the tightening of the cost base, contributed to an increase in IHGH's share of EBITDA from €3.6 million in FY2013 to €6.0 million in FY2014.

As for the Costa Coffee operations, a total of nine outlets were opened in FY2014 (of which one was in Barcelona) and revenue increased from €2.1 million in FY2013 to €3.5 million in FY2014. Island Caterers also reported a very good year in FY2014 with a growth in revenue of 26% to €5.2 million and a doubling in EBITDA to €0.3 million. Following the sale of the Coastline Hotel, Island Caterers entered into an agreement with the new owners to provide catering services to the hotel. Overall, IHGH achieved a profit before tax of €1.6 million, more than double the profit earned in FY2013 (of €0.7 million).

In **FY2015**, IHGH acquired the remaining 50% in Buttigieg Holdings Limited and thereby became a fully owned subsidiary of the group. Revenue is expected to increase by €9.3 million to €25.1 million in FY2015, principally due to the increase in revenue generated from 19 Costa Coffee outlets in Malta and Spain (FY2014: 9 outlets). FY2015 was another positive year for vacation ownership and hotel operations at the Radisson Blu Resort & Spa Golden Sands. As such, share of profits from associates is expected to amount to €2.9 million in FY2015 as compared to €2.8 million in the prior year. Overall, profit for the year from continuing operations is expected to amount to €2.2 million (FY2014: €1.5 million).

Revenue in FY2016 is projected to increase by 80% to €45.2 million, primarily due to revenue from the Costa Coffee operations. Since Buttigieg Holdings Limited became fully owned in June 2015, only €8.7 million of total revenue amounting to €14.4 million (generated by 19 Costa Coffee outlets and other catering operating) is included in IHGH's revenue for FY2015. In addition to revenue generated for a full year from the aforesaid outlets, 28 new openings are projected for FY2016 (three in Malta and twenty five in Spain). Other than the Costa Coffee operations, the Radisson Blu Resort St Julians is projected to increase revenue by €2.8 million to €12.9 million and income from Island Caterers is expected to remain stable at €6.3 million. Share of profit from associate companies (50% of the Radisson Blu Resort & Spa Golden Sands) is projected to increase by 10% to €3.1 million. Profit before tax in FY2016 is projected at €1.9 million, as compared to a loss of €0.6 million in FY2015 after excluding non-recurring investment income of €3.0 million.

As in the prior year, growth in revenue during FY2017 is expected to come from the Costa Coffee operation. The number of outlets in Malta will be unchanged at 11 outlets, but number of outlets in Spain is projected to increase from 36 in FY2016 to 61 in FY2017. This will result in a y-o-y increase in revenue of 68% (+€15.0 million) to €37.1 million in FY2017. Other revenue (Radisson Blu Resort St Julians, Island Caterers and other catering operations) is expected to increase by 4% to €24.2 million in FY2017. Share of profits from associates is anticipated to increase marginally from €3.1 million in FY2016 to €3.4 million in FY2017. As a result, profit before tax is projected to increase by 61% from €1.9 million in FY 2016 to €3.0 million in FY2017.

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

<b>IHGH Group Borrowings</b> (€'000)	<b>31 Oct'12</b>	<b>31 Oct'13</b>	<b>31 Oct'14</b>	<b>31 Dec'15</b>	<b>31 Dec'16</b>	<b>31 Dec'17</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Projection</b>	<b>Projection</b>
<b>Bank borrowings</b>						
Radisson Blu Resort St Julians	7,536	7,365	7,083	3,245	2,540	1,802
Island Caterers	387	291	189	56	-	-
IHGH p.l.c.	9,243	10,835	6,410	-	-	-
The Coffee Company Malta Limited <sup>1</sup>				1,283	918	535
The Coffee Company Spain S.L. <sup>1</sup>				-	8,865	14,435
Buttigieg Holdings Limited <sup>1</sup>				243	206	167
Joint ventures (50% share of bank borrowings)	7,075	5,355	-	-	-	-
Coastline Hotel loan (hotel was sold in FY2014)	6,773	6,080	-	-	-	-
Coastline Hotel overdraft (hotel was sold in FY2014)	512	670	-	-	-	-
Bank overdrafts	10,769	10,398	1,021	3,245	-	-
	<b>42,295</b>	<b>40,994</b>	<b>14,703</b>	<b>8,072</b>	<b>12,529</b>	<b>16,939</b>
<b>Bonds</b>						
6.5% IHGH Bonds 2017 - 2019	14,000	14,000	14,000	14,000	14,000	14,000
6% IHGH Bonds 2024			35,000	35,000	35,000	35,000
Bond issue costs			(701)	(629)	(555)	(482)
	<b>14,000</b>	<b>14,000</b>	<b>48,299</b>	<b>48,371</b>	<b>48,445</b>	<b>48,518</b>
<b>Other interest bearing borrowings</b>						
Related companies	4,180	5,370	1,172	6,188	5,945	5,889
Loans and advances from Joint Venturer	1,606	1,606	-	-	-	-
Obligations under finance lease	-	216	305	260	216	170
	<b>5,786</b>	<b>7,192</b>	<b>1,477</b>	<b>6,448</b>	<b>6,161</b>	<b>6,059</b>
<b>Other non-interest bearing borrowings</b>						
Related companies	12	-	-	-	-	-
Loans and advances from Joint Venturer	6,522	6,953	264	-	-	-
	<b>6,534</b>	<b>6,953</b>	<b>264</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total borrowings and bonds</b>	<b>68,615</b>	<b>69,139</b>	<b>64,743</b>	<b>62,891</b>	<b>67,135</b>	<b>71,516</b>

<sup>1</sup>IHGH's share of bank borrowings is included under the heading 'Joint Ventures'. These entities became 100% subsidiaries on 10 June 2015.

Key Accounting Ratios	31 Oct'12	31 Oct'13	31 Oct'14	31 Dec'15	31 Dec'16	31 Dec'17
Net assets per share (€) <sup>1</sup> <i>(Net asset value/number of shares)</i>	1.00	0.99	1.10	1.15	1.17	1.22
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	0.30	0.33	2.84	0.43	0.77	0.72
Gearing ratio <i>(Total net debt/net debt and shareholders' equity)</i>	65%	65%	52%	59%	59%	58%
Debt service cover ratio (times) <i>(EBITDA/net finance cost and loan capital repayment)</i>	0.88	1.69	0.62	0.52	1.11	1.04

<sup>1</sup>Net assets per share calculation set out above has been based on the current number of shares in issue of the Company of 36,583,660 shares of €1 each for 2012 to 2014, and 38,583,660 from 2015 onwards.

Source: Charts Investment Management Service Limited

The gearing ratio demonstrates the degree to which the capital employed in a business is funded by external borrowings as compared to shareholders' funds. A company with high leverage tends to be more vulnerable when its business goes through a slowdown. The gearing ratio of IHGH at 31 December 2015 is expected to equate to 59%.

The debt service cover ratio measures a company's ability to service its current debts by comparing EBITDA to total debt service obligations. In 2015, IHGH's debt service cover ratio is likely to be at 0.52 times (FY2014: 0.62), being significantly below the target ratio of 1.0. Management expects this situation to improve in the near term as IHGH focuses on expanding its Costa Coffee operations in Malta and Spain. As a result of such investment, EBITDA is projected to increase from €0.7 million in FY2015 to €2.6 million in FY2016 and €3.7 million in FY2017. Consequently, the debt service cover ratio should exceed the minimum target of 1.0 in both FY2016 (1.11 times) and FY2017 (1.04 times).

### Sinking Fund

In terms of the Prospectus of the bond detailed hereunder, IHGH is required to build a sinking fund, the value of which will by the redemption date of the bond be equivalent to 50% of the outstanding value of bonds. Below is a table outlining the balance held in the sinking fund as at the end of the financial years 31 December 2012 to 31 December 2017.

Contributions to Sinking Fund (€'000)	31 Oct'12 Actual	31 Oct'13 Actual	31 Oct'14 Actual	31 Dec'15 Forecast	31 Dec'16 Projection	31 Dec'17 Projection
€14 million 6.50% Bonds 2017 - 2019	23	23	510	1,084	2,041	-
	23	23	510	1,084	2,041	-

## 23. FINANCIAL INFORMATION RELATING TO MEDITERRANEAN INVESTMENT HOLDINGS PLC

The following financial information is extracted from the audited consolidated financial statements of MIH for each of the years ended 31 December 2012 to 31 December 2014. The forecasted financial information for the years ending 31 December 2015 to 2017 has been provided by management of the Company. **The projected financial statements relate to events in the future and are based on assumptions which MIH believes to be reasonable. The assessment of future performance of MIH's operation in Libya is difficult to forecast due to the ongoing economic instability and lack of clarity on the political situation in the country. In view of this state of affairs, the actual results from the operation in Libya may vary significantly from projections.**

<b>MIH Group Income Statement</b> (€'000)	<b>FY2012</b> Actual	<b>FY2013</b> Actual	<b>FY2014</b> Actual	<b>FY2015</b> Forecast	<b>FY2016</b> Projection	<b>FY2017</b> Projection
Revenue	27,315	30,875	30,091	11,004	2,827	4,002
Operating expenses	(6,778)	(7,730)	(8,142)	(4,946)	(3,549)	(4,321)
<b>EBITDA</b>	<b>20,537</b>	<b>23,145</b>	<b>21,949</b>	<b>6,058</b>	<b>(722)</b>	<b>(319)</b>
Depreciation and amortisation	(240)	(260)	(191)	(142)	(122)	(197)
<b>Results from operating activities</b>	<b>20,297</b>	<b>22,885</b>	<b>21,758</b>	<b>5,916</b>	<b>(844)</b>	<b>(516)</b>
Share of profit (loss) from equity accounted investments	(276)	47	5	-	-	-
Increase (decrease) in fair value of investment property	56,804	-	(60,867)	-	-	-
Net finance costs	(8,236)	(6,798)	(8,969)	(6,966)	(5,313)	(6,619)
Net fair value gain (loss) on interest rate swaps	(431)	249	85	268	390	-
<b>Profit (loss) before tax</b>	<b>68,158</b>	<b>16,383</b>	<b>(47,988)</b>	<b>(782)</b>	<b>(5,767)</b>	<b>(7,135)</b>
Taxation	(19,115)	(2,590)	19,896	298	-	317
<b>Profit (loss) after tax</b>	<b>49,043</b>	<b>13,793</b>	<b>(28,092)</b>	<b>(484)</b>	<b>(5,767)</b>	<b>(6,818)</b>

<b>MIH Group Cash Flow Statement</b> (€'000)	<b>FY2012</b> Actual	<b>FY2013</b> Actual	<b>FY2014</b> Actual	<b>FY2015</b> Forecast	<b>FY2016</b> Projection	<b>FY2017</b> Projection
Net cash from operating activities	22,033	22,426	20,761	2,974	(827)	(1,437)
Net cash from investing activities	(15,888)	(9,942)	(437)	704	539	361
Net cash from financing activities	(22,165)	(15,111)	(20,348)	(9,566)	(3,906)	1,278
<b>Net movement in cash and cash equivalents</b>	<b>(16,020)</b>	<b>(2,627)</b>	<b>(24)</b>	<b>(5,888)</b>	<b>(4,194)</b>	<b>202</b>
Cash and cash equivalents at beginning of year	28,844	12,815	10,289	10,277	4,389	195
Effect of foreign exchange rate changes	(9)	101	12	-	-	-
<b>Cash and cash equivalents at end of year</b>	<b>12,815</b>	<b>10,289</b>	<b>10,277</b>	<b>4,389</b>	<b>195</b>	<b>397</b>

<b>MIH Group Balance Sheet</b>	<b>31 Dec'12</b>	<b>31 Dec'13</b>	<b>31 Dec'14</b>	<b>31 Dec'15</b>	<b>31 Dec'16</b>	<b>31 Dec'17</b>
(€'000)	Actual	Actual	Actual	Forecast	Projection	Projection
<b>Assets</b>						
<i>Non-current</i>						
Intangible assets	2	2	2	2	2	2
Property, plant and equipment	415	8,581	8,751	8,621	8,606	8,611
Investment property	310,406	310,676	250,000	250,034	250,034	250,034
Investments accounted for using the equity method	12,649	12,696	12,701	13,001	13,001	13,001
Financial assets	1,871	-	-	-	-	-
Lease prepayment	438	430	423	415	407	400
	<b>325,781</b>	<b>332,385</b>	<b>271,877</b>	<b>272,073</b>	<b>272,050</b>	<b>272,048</b>
<i>Current</i>						
Inventories	273	395	647	519	519	535
Trade and other receivables	7,170	7,529	7,392	5,984	4,687	4,666
Taxation	-	299	611	-	-	-
Cash and cash equivalents	13,086	10,299	10,286	4,389	195	397
	<b>20,529</b>	<b>18,522</b>	<b>18,936</b>	<b>10,892</b>	<b>5,401</b>	<b>5,598</b>
<b>Total assets</b>	<b>346,310</b>	<b>350,907</b>	<b>290,813</b>	<b>282,965</b>	<b>277,451</b>	<b>277,646</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Called up share capital	48,002	48,002	48,002	48,002	48,002	48,002
Other equity components	46	-	-	-	-	-
Retained earnings	104,345	118,138	90,046	89,561	83,798	76,980
	<b>152,393</b>	<b>166,140</b>	<b>138,048</b>	<b>137,563</b>	<b>131,800</b>	<b>124,982</b>
<b>Liabilities</b>						
<i>Non-current</i>						
Borrowings and bonds	116,549	93,536	76,137	99,025	61,790	107,556
Other non-current liabilities	50,031	51,499	30,128	29,567	29,177	28,883
	<b>166,580</b>	<b>145,035</b>	<b>106,265</b>	<b>128,592</b>	<b>90,967</b>	<b>136,439</b>
<i>Current</i>						
Borrowings and bonds	8,720	23,494	29,558	3,180	42,680	4,069
Other current liabilities	18,617	16,238	16,942	13,630	12,004	12,156
	<b>27,337</b>	<b>39,732</b>	<b>46,500</b>	<b>16,810</b>	<b>54,684</b>	<b>16,225</b>
	<b>193,917</b>	<b>184,767</b>	<b>152,765</b>	<b>145,402</b>	<b>145,651</b>	<b>152,664</b>
<b>Total equity and liabilities</b>	<b>346,310</b>	<b>350,907</b>	<b>290,813</b>	<b>282,965</b>	<b>277,451</b>	<b>277,646</b>

Key Accounting Ratios	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Operating profit margin (EBITDA/revenue)	75%	75%	73%	55%	-26%	-13%
Interest cover (times) (EBITDA/net finance cost)	2.49	3.40	2.45	0.87	-0.14	-0.08
Net profit margin (Profit after tax/revenue)	180%	45%	-93%	-4%	-204%	-170%
Earnings per share (€) <sup>1</sup> (Profit after tax/number of shares)	1.02	0.29	-0.59	-0.01	-0.12	-0.14
Return on equity (Profit after tax/shareholders' equity)	32%	8%	-20%	0%	-4%	-5%
Return on capital employed (Operating profit/total assets less current liabilities)	6%	7%	9%	2%	0%	0%
Return on assets (Profit after tax/total assets)	14%	4%	-10%	0%	-2%	-2%

<sup>1</sup>Earnings per share calculation set out above has been based on the current number of shares in issue of the Company of 48,002,000 shares of €1 each.

Source: Charts Investment Management Service Limited

During **FY2012**, revenue increased considerably from €10.2 million in 2011 to €27.3 million mainly as a result of a substantial increase in signed lease agreements at the Palm City Residences which registered an occupancy rate of 91% at the year's end. EBITDA for the year amounted to €20.5 million, and after accounting for an uplift in the fair value of the property and taking into account net finance costs of €8.2 million, MIH reported a profit before tax of €68.2 million. As a result of the uplift and profitability at Palm City Limited ("**PCL**"), the assets of the Group increased by €55 million to €346 million. In FY2012, MIH increased its investment in MTJSC (the company incorporated to construct the Medina Tower) by a further €9.1 million to a total amount of €13 million.

In view of the change in timing of the funding requirements for the Medina Tower project, the Issuer sought approval from bondholders, in June 2012, to utilise an amount of €8 million from bond proceeds, originally earmarked for the Medina Tower project, to reduce the temporary shareholders' loan granted in the previous year. The resolution was successfully passed and the Issuer proceeded to reduce the loan to €5.2 million. The Issuer repaid a further €2 million through proceeds received from PCL in settlement of an outstanding loan. The shareholders' loan as at the end of 2012 amounted to €3.2 million.

In **FY2013**, the Group generated total revenue of €30.9 million, which is 13% higher when compared to the previous year. This increase was achieved as more units at the Palm City Residences were leased to third parties, resulting in an occupancy rate of 94% by year's end. PCL has converted a number of short term leases to longer term contracts,

thus providing increased stability in tenancy and revenue generation. During the year under review the Group increased its EBITDA by €2.6 million to €23.1 million and registered an EBITDA margin of 75% (FY2012: 75%). Profit before tax achieved in FY2013 amounted to €16.4 million which, excluding the effect of the uplift in valuation of the Palm City Residences (explained in further detail below), is €5 million (+44%) more than FY2012 profit before tax.

On 5 December 2013, MIH entered into a build-operate-transfer agreement with CPHCL for an aggregate value of €7 million to construct and operate the Palm Waterfront.

In addition, due to the Group's continued positive financial performance in FY2013, MIH reduced further its outstanding bank borrowings by €8 million, from €49 million in FY2012 to €40.9 million in FY2013.

**FY2014** was a year of mixed experiences, with the first half proving to be a record performing period for MIH through its operations of Palm City Residences, whilst the second half of the year was overshadowed by the political conflict that developed in Libya.

During the first six months of the year under review, MIH's revenues were €16.3 million, which when compared to the corresponding period the year before, represents a 4% increase. What is equally noteworthy is the conversion of revenue to EBITDA which was maintained at 74%, signifying a strong performance and a sound ability to retain low costs of operation.

The performance, both in terms of revenue generation and EBITDA, started to deteriorate towards the latter part of FY2014 following the political unrest that unravelled in July 2014. Occupancy levels at Palm City Residences reduced to 66% by year's end from 95% in July. Although most of the tenants had evacuated their staff, it is worth noting that paying occupancy had remained fairly strong, signifying a commitment by tenants to return to the complex in the short to medium term. Management once again demonstrated its abilities to operate under strenuous conditions by continuing to offer its services to its existing clientele whilst also taking bold decisions to cut down on operating costs. As occupancy levels started to decline, management implemented a number of cost cutting measures primarily by reducing personnel headcount. Furthermore, negotiations were underway to restructure the existing bank loan facility. In view of the decline in operations at the Palm City Residences, its fair value was reduced by €60.9 million. Excluding this movement, MIH registered a profit before tax in FY2014 of €12.9 million (FY2013: €16.4 million).

Revenue generated during **FY2015** is expected to amount to €11.0 million due to the low occupancy level achieved throughout the year. The instability in Libya significantly disrupted operations in FY2015 and this situation is projected to persist in FY2016 as well as FY2017. As such, MIH is forecasted to incur a loss of €0.5 million, €5.8 million and €6.8 million in FY2015, FY2016 and FY2017 respectively.

Throughout the first six months of FY2015, MIH continued to develop plans for the construction of the Medina Tower project in Tripoli, Libya. Significant progress has been registered on various aspects of the Medina Tower project. There have been value added changes to the design aimed at decreasing costs related to the sub-structure whilst increasing revenues arising from an increased number of units as a result of an additional two floors. However, in view of the existing political situation in Libya, this project is presently on hold.

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

<b>MIH Group Borrowings</b> (€'000)	<b>31 Dec'12</b> Actual	<b>31 Dec'13</b> Actual	<b>31 Dec'14</b> Actual	<b>31 Dec'15</b> Forecast	<b>31 Dec'16</b> Projection	<b>31 Dec'17</b> Projection
<b>Bank borrowings</b>	<b>48,961</b>	<b>40,945</b>	<b>33,475</b>	<b>16,580</b>	<b>13,400</b>	<b>10,720</b>
<b>Bonds</b>						
7.5% Bonds 2012 - 2014	14,757	14,758				
7.5% Bonds 2015	19,650	19,650	19,650			
7.15% EUR Bonds 2015 - 2017	27,990	28,093	27,531	28,414	27,964	
7.15% GBP Bonds 2015 - 2017	5,323	5,212	5,212	5,869	5,869	
7.15% USD Bonds 2015 - 2017	5,388	5,172	5,172	6,332	6,332	
6% Bonds 2021			12,000	11,355	12,000	12,000
5.5% Bonds 2020				20,000	20,000	20,000
6% Bonds 2020 (unlisted)				11,000	11,000	11,000
New bond issue						41,000
	<b>73,108</b>	<b>72,885</b>	<b>69,565</b>	<b>82,970</b>	<b>83,165</b>	<b>84,000</b>
<b>Other interest bearing borrowings</b>						
Shareholders' loan	3,200	3,200	2,655	2,655	7,905	16,905
	<b>3,200</b>	<b>3,200</b>	<b>2,655</b>	<b>2,655</b>	<b>7,905</b>	<b>16,905</b>
<b>Total borrowings and bonds</b>	<b>125,269</b>	<b>117,030</b>	<b>105,695</b>	<b>102,205</b>	<b>104,470</b>	<b>111,625</b>

<b>Key Accounting Ratios</b>	<b>31 Dec'12</b>	<b>31 Dec'13</b>	<b>31 Dec'14</b>	<b>31 Dec'15</b>	<b>31 Dec'16</b>	<b>31 Dec'17</b>
Net assets per share (€) <sup>1</sup> (Net asset value/number of shares)	3.17	3.46	2.88	2.87	2.75	2.60
Liquidity ratio (times) (Current assets/current liabilities)	0.75	0.47	0.41	0.65	0.10	0.35
Gearing ratio (Net debt/net debt and shareholders' equity)	42%	39%	41%	42%	44%	47%
Debt service cover ratio (times) (EBITDA/net finance cost and loan capital repayment)	1.27	1.09	1.02	0.57	-0.09	-0.39

<sup>1</sup>Net assets per share calculation set out above has been based on the current number of shares in issue of the Company of 48,002,000 shares of €1 each.

Source: Charts Investment Management Service Limited

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MIH does not have sufficient working capital for its present requirements. In FY2014, MIH reported a working capital deficiency of €27.6 million, as a result of the significant repayment of a long-term loan and the classification of the 7.5% MIH bonds 2015, issued by MIH pursuant to a prospectus dated 15 July 2008, as a current liability, taken in previous years to finance the Palm City project. For FY2015 to FY2017 it is forecasted that MIH will have a working capital deficiency of €5.9 million, €49.3 million and €7.5 million respectively, the shortfall in FY2016 resulting from the reclassification as a current liability of the 7.15% MIH bonds 2015 – 2017 maturing on 23 July 2017, amounting to an aggregate of just under €40 million (issued pursuant to a prospectus dated 14 June 2010).

In view of MIH's working capital deficiency set out above, apart from the issue of €20 million 5.5% unsecured bonds 2020 in July 2015 and €11 million 6% unsecured notes 2020 in September 2015, the directors have agreed with PCL's lenders to reschedule the payment terms of existing bank borrowings, thus reducing the capital repayments currently projected for the years 2016 to 2020. The directors have also obtained written assurances from the shareholders of MIH that they will, after appropriate due diligence on the shortfall requirements, continue to financially support the company, proportionate to their shareholding, on an on-going basis, to enable it to meet its liabilities as and when they fall due. Accordingly, the directors are confident that MIH will continue to have adequate levels of cash to sustain its operations and investments.

## PART 6 - COMPARABLES

The table below compares the Corinthia Group and the Issuer's proposed bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes all issuers (excluding financial institutions) that have listed bonds maturing in the medium term (within eight to ten years), similar to the duration of the Issuer's bonds. Although there are significant variances between the activities of the Corinthia Group and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Corinthia Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Corinthia Group.

Comparative Analysis	Nominal Value (€'000)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'million)	Net Asset Value (€'million)	Gearing Ratio (%)
6.0% AXI plc 2024	40,000	3.80	2.80	188.38	102.17	38.32
5.3% Mariner Finance plc 2024	35,000	3.79	4.58	60.03	20.91	62.44
5.0% Tumas Investments plc 2024	25,000	3.61	4.49	274.89	98.84	49.14
5.0% Hal Mann Vella plc 2024	30,000	4.03	0.46	77.29	30.14	55.04
5.1% PTL Holdings plc 2024	36,000	4.00	1.04	72.48	6.13	87.51
5.1% 6PM Holdings plc 2025 (note 1)	13,000	3.69	9.96	12.55	5.66	36.63
4.5% Hili Properties plc 2025	37,000	3.68	1.59	91.89	25.94	65.67
4.5% Medserv plc 2026	21,982	4.01	5.37	80.84	9.47	72.44
<b>4.25% Corinthia Finance plc 2026</b>	<b>40,000</b>	<b>4.25</b>	<b>1.92</b>	<b>1,208.45</b>	<b>633.71</b>	<b>39.91</b>

25 Feb '16

Source: Malta Stock Exchange, Charts Investment Management Service Limited

Annual Accounts:

AX Holdings Ltd (YE 31/10/2014), Mariner Finance plc (YE 31/12/2014), Tumas Group Company Ltd (YE 31/12/2014),

Hal Mann Vella Group plc (YE 31/12/14), PTL Holdings plc (YE 31/12/14), 6PM Holdings plc (YE 31/12/14), Hili Properties plc (Forecast YE 31/12/15),

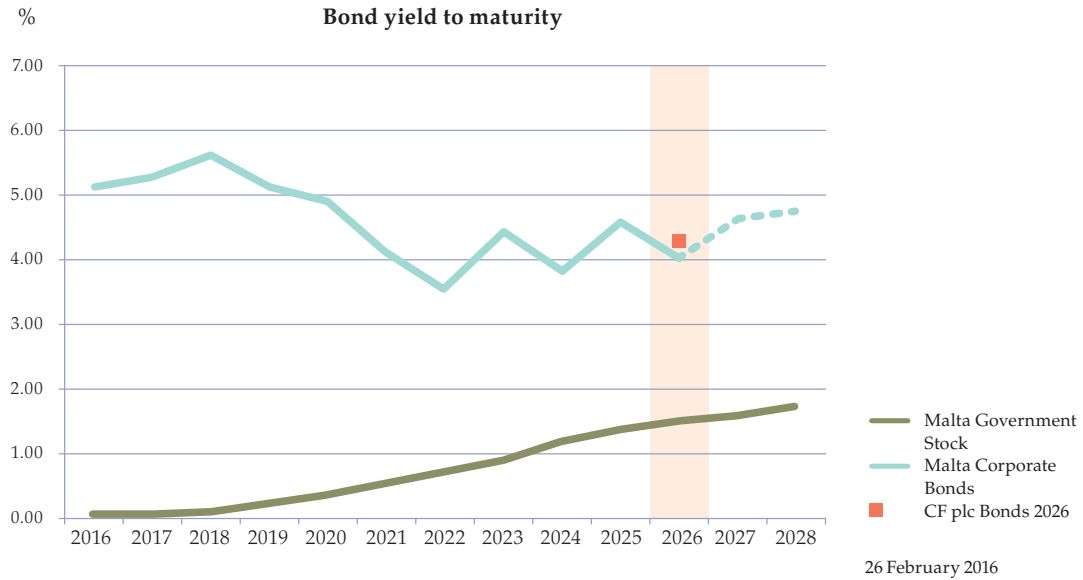
Medserv plc (YE 31/12/2014), Corinthia Palace Hotel Company Limited (YE 31/12/2014)

Note 1: Total assets and net asset value are denominated in Pound Sterling.

The interest cover ratio determines the ability of a company to pay interest on its outstanding borrowings. For the financial year ended 31 December 2014, the Corinthia Group's earnings before depreciation, interest and taxes was 1.92 times above interest expense for the year.

The debt to equity ratio or gearing ratio demonstrates the degree to which the capital employed in a business is funded by external borrowings as compared to shareholders' funds. A company with high leverage tends to be more vulnerable when its business goes through a slowdown. The gearing ratio of the Corinthia Group at 31 December 2014 equated to 39.91%.

The chart below shows the yield to maturity of the proposed bond as compared to other corporate bonds listed on the Malta Stock Exchange. The Malta Government Stock yield curve has also been included as the benchmark risk-free rate for Malta.



To date, there are no corporate bonds which have a redemption date beyond 2026 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta. The premium over Malta Government Stock has been assumed at 310 basis points, which is the average premium for medium term corporate bonds. The Corinthia Finance plc Bond has been priced at 282 basis points above Malta Government Stock and broadly equal to listed corporate bonds.

## PART 7 - EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including room reservations, food & beverage, rental of commercial space, management of hotel properties and other hotel services.
Direct costs	Direct costs include cost of food, beverages, consumables, labour expenses and all other direct expenses.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting operating costs, depreciation & amortisation, finance costs, impairment provisions, share of profits from associate and affiliate companies and other operating costs.
Operating costs	Operating costs include all operating expenses other than direct costs and include selling & marketing and general & administration expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Fair value of investment property	Fair value of investment property is an accounting adjustment to change the book value of the Group's investment property to its estimated market value.
Impairment of hotel properties	Impairment of hotel properties is an accounting adjustment to change the book value of the Group's hotel properties to their estimated market value.
Share of profit from equity accounted investments	IHI owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the Group, but IHI's share of profit is shown in the profit and loss account under the heading 'share of profit from equity accounted investments'.
Fair value on interest rate swaps	An interest rate swap is a derivative instrument in which IHI swaps with another counter party flexible interest rate cash flows with fixed interest rate cash flows or vice versa. The fair value is an accounting adjustment to change the book value of the derivative to its estimated market value.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Key Performance Indicators	
Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Average room rate	Average room rate is calculated by dividing hotel room revenue by rooms sold. Hotels use this measure to calculate the average price at which they are selling hotel rooms each night.
Revenue per available room (RevPAR)	RevPAR is calculated by multiplying a hotel's average room rate by its occupancy rate. A hotel uses this indicator as a performance measure with other hotels in the same category or market to determine how well the hotel property is yielding.
Revenue generating index	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Profitability Ratios	
Gross profit margin	Gross profit margin is the difference between revenue and direct costs expressed as a percentage of total revenue.

Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.

#### Efficiency Ratios

Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.

#### Equity Ratios

Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
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#### 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.
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Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Debt service cover ratio	The debt service cover ratio measures a company's ability to service its current debts by comparing its net operating income with its total debt service obligations.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.