Financial Analysis Summary

31 August 2020

Issuer

Corinthia Finance p.l.c.

Guarantor

Corinthia Palace Hotel Company Limited

MZ INVESTMENT SERVICES

MZ INVESTMENT SERVICES

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

31 August 2020

Dear Sirs

Financial Analysis Summary

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

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

(a) Historical financial data has been extracted from the audited financial statements of: (i) the Issuer for the financial year ended 31 December 2017, the 14-month period ended 28 February 2019 and the financial year ended 28 February 2020; and (ii) the Guarantor for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019.

(b) The forecast data for the year ending 28 February 2021 (in relation to the Issuer) and 31 December 2020 (in relation to the Guarantor) has been provided by management.

(c) Our commentary on the results of the Guarantor and on its financial position is based on the explanations provided to us by management.

(d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 5.

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

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

Yours faithfully,

Evan Mohnani
Senior Financial Advisor

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PART 1 – INFORMATION ABOUT THE ISSUER AND GUARANTOR

1. ISSUER'S KEY ACTIVITIES

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

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

2. DIRECTORS OF THE ISSUER

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

Board of Directors

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

3. GUARANTOR'S KEY ACTIVITIES

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

4. DIRECTORS OF THE GUARANTOR

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

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

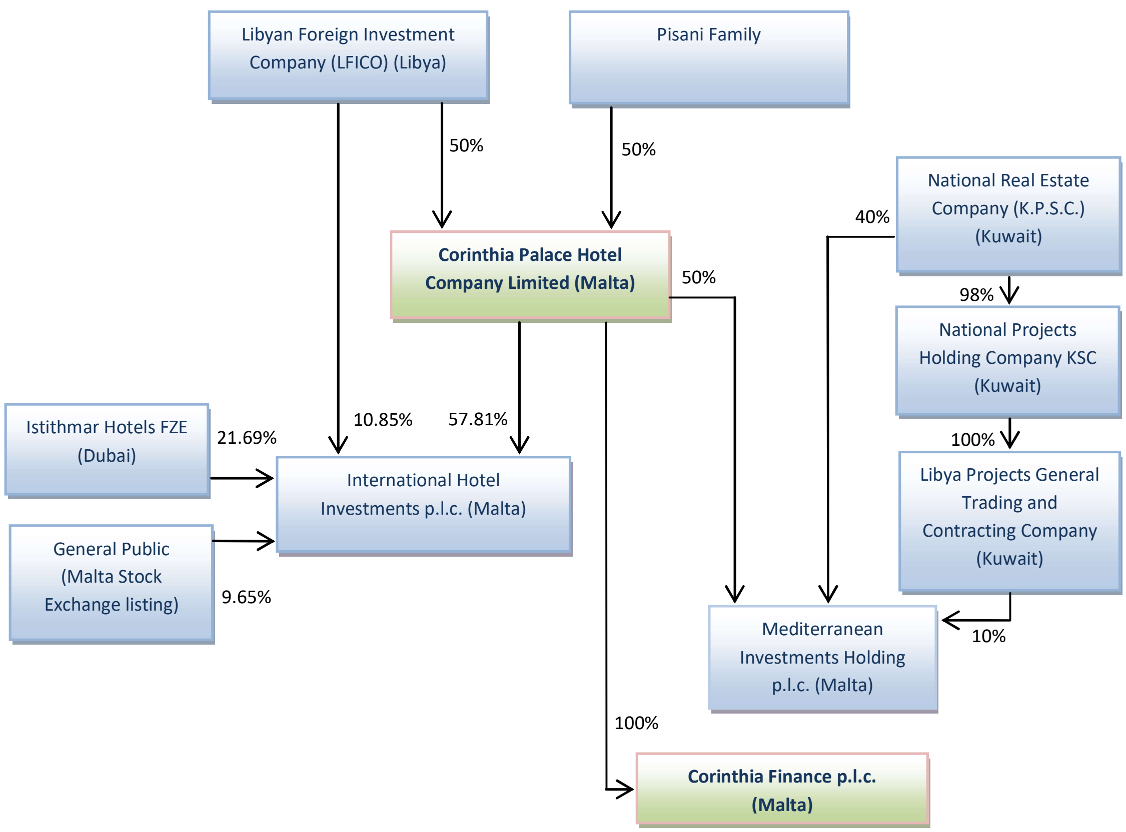
Board of Directors

Alfred Pisani	Chairman and Executive Director
Joseph Pisani	Executive Director
Victor Pisani	Executive Director
Karima Munir Elbeshir	Non-Executive Director
Khalid S T Benrjoba	Non-Executive Director
Khaled Amr Algonsel	Non-Executive Director

The weekly average number of employees engaged with the companies forming part of the Corinthia Group during FY2019 amounted to 3,599 persons (FY2018: 3,487).

5. CORINTHIA GROUP ORGANISATIONAL STRUCTURE

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



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

PRINCIPAL ASSETS AND OPERATIONS

Name	Location	Description	% ownership	No. of hotel rooms
Corinthia Palace Hotel Company Limited				
Aquincum Hotel Budapest	Hungary	Property owner	100	310
Ramada Plaza Tunis Hotel	Tunisia	Property owner	100	309
Malta Fairs and Conventions Centre Limited	Malta	Conference & leisure conventions	100	n/a
Danish Bakery Limited	Malta	Bakery	65	n/a
Swan Laundry and Drycleaning Co. Limited	Malta	Laundry & dry cleaning	100	n/a
Marsa Investments Ltd	Malta	Property company	100	n/a
International Hotel Investments p.l.c.				
Corinthia Hotel Budapest	Hungary	Property owner	100	439
Corinthia Hotel St Petersburg	Russia	Property owner	100	385
Commercial property St Petersburg	Russia	Property owner	100	n/a
Corinthia Hotel Lisbon	Portugal	Property owner	100	518
Corinthia Hotel Prague	Czech Republic	Property owner	100	551
Corinthia Hotel Tripoli	Libya	Property owner	100	300
Commercial property Tripoli	Libya	Property owner	100	n/a
Corinthia Hotel St George's Bay	Malta	Property owner	100	250
Marina Hotel St George's Bay	Malta	Property owner	100	200
Corinthia Hotel & Residences London*	United Kingdom	Property owner	50	283
Corinthia Grand Astoria Hotel Brussels*	Belgium	Property owner (under development)	50	125
Corinthia Hotel & Residences Moscow	Russia	Property owner (under development)	10	54
Corinthia Palace Hotel & Spa	Malta	Property owner	100	150
Medina Tower	Libya	Mixed-use property (to be developed)	25	n/a
Radisson Blu Resort St Julians	Malta	Property owner	100	252
Radisson Blu Resort & Spa Golden Sands	Malta	Property owner & vacation ownership operation	50	338
Corinthia Hotels Limited	Malta	Hotel management	100	n/a
QPM Limited	Malta	Project management	100	n/a
CDI Limited	Malta	Project development	100	n/a
Corinthia Catering and Catermax	Malta	Event catering	100	n/a
The Heavenly Collection Ltd (Hal Ferh)	Malta	Vacant site (to be developed)	100	n/a
Costa Coffee	Malta/Spain	Retail catering	100	n/a
Mediterranean Investments Holding p.l.c.				
Palm City Residences	Libya	Gated residence complex	100	n/a
Medina Tower	Libya	Mixed-use property (to be developed)	25	n/a
				4,464

** under control and management of IHI*

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

Effects of COVID-19

The Group's hospitality operations have been dramatically impacted by the unprecedented COVID-19 pandemic, particularly following the closure of all the Group's hotels in March 2020. Although the majority of the Group's hotels have reopened for business, confirmed bookings are at very low levels and are expected to remain so for the rest of 2020. The situation is very fluid and the actual impact on the performance of each of the Group's hotels is highly dependent on the severity and duration of the pandemic.

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

6. HOTEL PROPERTIES

6.1 THE AQUINCUM HOTEL BUDAPEST

Introduction

Thermal Hotel Aquincum Rt (a fully-owned subsidiary of CPHCL via CIL (UK)) owns the 310-room five-star Aquincum Hotel located in a prime area alongside the river Danube with panoramic views of the Buda Hills. The main feature of this business and leisure hotel is its 1,660m^2 Spa, which derives its therapeutic water directly from Margaret Island. The carrying amount of the Aquincum Hotel as at 31 December 2019 is €29.5 million (2018: €31.7 million).

Economic Update[1]

Before COVID-19, Hungary's economy was on track for a gradual slowdown after several years of outstanding growth. Real GDP rose by 4.9% in 2019, and the first monthly indicators in 2020 signalled continued momentum.

Economic performance in 2020 is expected to depend on the health impact of the virus, the sectoral specialisation of the economy, and the economic policy response. Confirmed case numbers have remained limited so far. Sanitary measures have severely restricted certain services. Tourism and transport, which account for half of service exports, are among the most affected sectors. Constraints on industrial and construction activity remain moderate, but the international recession can hit manufacturing particularly strongly due to the dominant role of highly cyclical industries (e.g. automotive). The initial policy measures have focused on liquidity provision, including a debt moratorium for all borrowers until the end of 2020, but the overall fiscal policy response has been muted so far.

Economic activity is estimated to have begun contracting in March and should reach its trough in the second quarter of 2020. A gradual economic recovery is projected in the second half of the year as containment measures are assumed to be gradually lifted. Unemployment could rise sharply, due to the flexibility of the labour market. The liquidity support and temporary job protection measures offered to companies are expected to provide limited containment only. Consequently, household consumption is set to fall sharply. Declining demand

[1] European Economic Forecast – Spring 2020 (European Commission Institutional Paper 125 May'20).

and high uncertainty are expected to reduce private investment. The trade balance could improve thanks to the shrinking demand for imported consumer durables and capital goods, and also due to falling energy import prices. Thus, the current account is projected to return to a surplus after a modest deficit in 2019.

In 2020, GDP is projected to decrease by 7%, while unemployment rate could rise from an annual average of 3.4% in 2019 to 7%.

GDP is projected to bounce back by 6% in 2021, while the unemployment rate could fall back to 6%. Output could remain below its 2019 level, due to the gradual recovery of external demand and tourism flows, and domestic headwinds. The latter include elevated unemployment and limited income support to households, delaying the recovery of consumption and the lagged impact of declining house prices on real estate projects.

There are both upside and downside risks to the projection. More vigorous fiscal policy support could limit the economic fallout in 2020 and hasten the recovery in 2021. On the other hand, a wave of corporate bankruptcies could weigh on the recovery by restricting job creation and lending.

Operational Performance

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

The Aquincum Hotel Budapest	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**
Turnover (€'000)	8,136	8,278	8,842
Gross operating profit before incentive fees (€'000)	2,087	1,683	2,003
Gross operating profit margin (%)	26	20	23
Occupancy level (%)	74	71	73
Average room rate (€)	65	67	72
Revenue per available room (RevPAR) (€)	48	48	52
Benchmark performance			
Occupancy level (%)	78	79	80
Average room rate (€)	71	74	78
Revenue per available room (RevPAR) (€)	55	58	63
Revenue Generating Index	0.87	0.82	0.84

Source: Management information.

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

Revenue and RevPAR generated in FY2018 were broadly in line with the comparative year at €8.3 million (FY2017: €8.1 million) and €48 (FY2017: €48) respectively. Notwithstanding, gross operating profit margin was lower by 5 percentage points to 20%, which resulted in a decrease in gross operating profit before incentive fees of €0.4 million from €2.1 million in FY2017 to €1.7 million in FY2018.

In FY2019, revenue generated by the Hotel increased by 7% to €8.8 million (FY2018: €8.3 million), while gross operating profit increased from €1.7 million in FY2018 to €2.0 million. During the year, the Hotel registered an increase in occupancy level, which improved by 2 percentage points to 73%. The average room rate was higher by €5 (y-o-y) to €72, thereby positively impacting RevPAR by €4, from €48 in FY2018 to €52.

As in prior years, the Hotel's RGI in FY2019 was below par at 0.84. Further analyses shows that occupancy level at the Hotel was 7 percentage points below its competitive set, while its average room rate was at €72 compared to the benchmark rate of €78. As such, the discrepancy in RevPAR amounted to €9 (€52 generated by the Hotel compared to €63 achieved by its competitive set).

6.2 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 2019 is €15.8 million (2018: €14.5 million). The year-on-year change in the property's carrying value is principally due to the exchange rate movement in the Tunisian Dinar (being the company's functional currency) against the Euro (being the reporting currency).

Economic Update

Real GDP growth slowed to 1.5% in 2019 following two years of rebounds. Growth in the agriculture and fishing sectors slumped to 1.7% in 2019 from 9.8% in 2018. Growth was spurred primarily by tourism and financial services and, on the demand side, by private consumption.

The fiscal deficit improved slightly to 3.9% in 2019, from 4.6% in 2018. The current account deficit was 10% of GDP in 2019 and is projected to stay fairly high at 9.9% in 2020 and 8.4% in 2021. Despite the central bank policy of raising interest rates since 2017, inflation remained at 7.1% in 2019.

Unemployment was 15.3% during the first quarter of 2019 but dropped slightly as the decline in unemployment among graduates continued. Continuing inequalities are destabilising the social climate and impeding investment and growth. Reducing them implies accelerating the structural reforms initiated since 2011 and introducing specific measures aimed at more inclusive growth. Public spending needs prioritising and better targeting to spearhead the economy.[2]

The economy will have deteriorated even further in the second quarter of 2020, after GDP contracted in the first quarter as containment measures impaired domestic production and stemmed the flow of tourist arrivals. The external sector suffered heavily in April–May 2020 as exports plummeted and tourism fell sharply as borders remained shut. As such, the unemployment rate is set to spike, with large numbers of private-sector workers taking unpaid leave during May. Moving into the third quarter, a reopening of borders in late June, the continued easing of lockdown restrictions and the approval on 15 June 2020 of USD 175 million in budgetary support from the World Bank bode well for both domestic demand and a return of much-needed tourist revenues. Meanwhile, political tensions are resurfacing with recently installed Prime Minister Fakhfakh facing calls for his resignation over corruption allegations, signalling a potential return of the instability seen at the beginning of the year.[3]

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[2] https://www.afdb.org/en/countries-north-africa-tunisia/tunisia-economic-outlook
[3] https://www.focus-economics.com/countries/tunisia

Operational Performance

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

Ramada Plaza Tunis Hotel	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**
Turnover (€'000)	5,439	5,973	6,391
Gross operating profit before incentive fees (€'000)	1,442	1,786	2,008
Gross operating profit margin (%)	27	30	31
Occupancy level (%)	55	66	69
Average room rate (€)	51	49	53
Revenue per available room (RevPAR) (€)	28	32	36

Source: Management information.

The security situation in Tunisia improved considerably in FY2017, which encouraged more tourists to visit the country. This enabled the Hotel to significantly increase its occupancy from 40% in FY2016 to 55%, although average room rate decreased from €58 in FY2016 to €51. During the year, revenue increased by 19% from €4.6 million in FY2016 to €5.4 million, while gross operating profit before incentive fees increased by 48% from €0.97 million in FY2016 to €1.44 million.

The Hotel's operational performance continued to improve in FY2018, both in terms of revenue and gross operating profit, which increased by 10% and 24% respectively. During the said year, occupancy level improved from 55% in FY2017 to 66%, while RevPAR increased from €28 in FY2017 to €32.

The Hotel registered further growth in FY2019, as occupancy increased by 3 percentage points to 69% and RevPAR improved from €32 in FY2018 to €36. Consequently, revenue generated by the Hotel increased by 7% from €6.0 million in FY2018 to €6.4 million, while gross operating profit increased by 12% from €1.8 million in FY2018 to €2.0 million.

7. BUSINESS OUTLOOK AND DEVELOPMENT STRATEGY

During the first half of 2020, the Group reacted swiftly to the COVID-19 pandemic and implemented a broad range of health and safety measures while ensuring the continued viability of the Group.

In brief, the following actions were undertaken:

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

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

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

- Various actions were initiated following a detailed review of every cost items, including renegotiation of rates and payment deferments.
- Payroll was curtailed by shedding all part-time workers and others on probation and removal of outside labour service providers. Many of the Group's employees have also taken drastic cuts in their salaries.
- The Group benefitted from various schemes adopted by Governments which included salary subsidies, as well as the waiver or deferral of payroll taxes and social security contributions. In the case of the UK, the Group also benefitted from a waiver of property taxes for 2020.
- The Group has also negotiated with its banks in Malta and internationally to defer payment of capital and, in some cases also interest. The Group has also organised separate lines of credit from various banks and even with related parties.

The Directors have revised their outlook for the Group to extend beyond the end of 2020 and up to December 2021.

Beyond the COVID-19 crisis, the Group's business strategy is to focus on achieving positive and sustainable financial results, and appreciation in the value of the Group's properties and investments. In the execution of the Group's strategy, management aims to provide a high-quality service at each hotel and treat customers to a unique hospitality experience. Through the provision of better quality offerings the brand value is further enhanced, and occupancy levels and average room rates are improved. Moreover, it enables the Group to target higher-yielding customers, in particular those from the leisure and conference & event segments.

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

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

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

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

Acquisitions, joint ventures and developments

Management remains active in growing the Group's portfolio of hotels and mixed-use properties by acquisition, particularly if these entail a potential for capital appreciation. In 2015, the Group, through IHI, acquired Island Hotels Group Holdings plc (IHGH), including properties in Golden Bay and St Julian's, Malta. The latter constitutes a fundamental part of the luxury re-development of the three neighbouring hotels located near St George's Bay, St Julian's, Malta, which the Group plans to undertake subject to obtaining all necessary approvals.

On 11 April 2016, NLI Holdings Ltd (in which IHI owns a 50% shareholding) acquired the entire issued share capital of the Belgian hotel-owning company, Hotel Astoria S.A., resulting in the acquisition of the Grand Hotel Astoria in Brussels. The hotel, once re-developed, will be renamed the Corinthia Hotel Brussels and will add another key destination to the Corinthia brand's growing portfolio.

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

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

Hotel management contracts

The Group is intent on growing ancillary business lines such as hotel management. On its formation, CHL's activities were limited to the management of hotels that were owned by the Corinthia Group. CHL, a 100% subsidiary of IHI, has in the last few years signed hotel management agreements with third party owners to operate hotels in Dubai, Doha, Bucharest and Rome. CHL continues to actively pursue the negotiation and conclusion of a number of management agreements with third party hotel owners and it is expected that this company shall accelerate its growth path in the forthcoming years.

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

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

Asset divestment

The Group's strategic plan also comprises the divestiture of non-core assets for the purposes of maintaining appropriate levels of cash flow, to fund future growth opportunities and, or to create value for shareholders.

PART 3 – GROUP PERFORMANCE REVIEW

8. FINANCIAL INFORMATION RELATING TO CORINTHIA FINANCE PLC

In 2018, the Board of Directors approved a change to the Issuer's financial year end from 31 December 2018 to 28 February 2019. Accordingly, the following financial information is extracted from the audited financial statements of the Issuer for the year ended 31 December 2017, the 14-month period ended 28 February 2019 and the year ended 28 February 2020. The forecast financial information for the year ending 28 February 2021 has been provided by management of the Company. **The projected financial statements are based on future events and assumptions which the Issuer believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results can be material.**

Corinthia Finance p.l.c. **Income Statement** **(€'000)**	**FY2017** **12-months** **Actual**	**FY2019** **14-months** **Actual**	**FY2020** **12-months** **Actual**	**FY2021** **12-months** **Forecast**
Finance income	2,233	2,637	2,031	1,750
Finance costs	(2,150)	(2,508)	(1,974)	(1,700)
Administrative expenses	(43)	(52)	(46)	(41)
Realised gains on disposal of investments	5	-	-	-
Profit before tax	**45**	**77**	**11**	**9**
Taxation	-	(22)	(3)	(3)
Profit for the year	**45**	**55**	**8**	**6**
Other comprehensive income				
Fair value gains - financial assets	(7)	-	-	-
Reclassification on disposal of investments	(5)	-	-	-
	(12)	-	-	-
Total comprehensive income for the year	**33**	**55**	**8**	**6**

Corinthia Finance p.l.c. **Cash Flow Statement** **(€'000)**	**FY2017** **12-months** **Actual**	**FY2019** **14-months** **Actual**	**FY2020** **12-months** **Actual**	**FY2021** **12-months** **Forecast**
Net cash from operating activities	(66)	(90)	(40)	(79)
Net cash from investing activities	2,220	2,248	10,024	1,750
Net cash from financing activities	(2,150)	(2,150)	(9,890)	(1,700)
Net movement in cash and cash equivalents	**4**	**8**	**94**	**(29)**
Cash and cash equivalents at beginning of year	7	11	19	113
Cash and cash equivalents at end of year	**11**	**19**	**113**	**84**

Corinthia Finance p.l.c. Statement of Financial Position (€'000)	31 Dec'17 Actual	28 Feb'19 Actual	28 Feb'20 Actual	28 Feb'21 Forecast
ASSETS				
Non-current assets				
Loans owed by parent company	46,460	45,870	39,910	39,910
Other long-term financial assets	1,062	1,582	-	-
Deferred tax asset	2	-	-	-
	47,524	47,452	39,910	39,910
Current assets				
Receivables	2,250	2,394	1,915	2,151
Other assets	37	20	20	20
Cash and cash equivalents	11	19	113	84
	2,298	2,433	2,048	2,255
Total assets	**49,822**	**49,885**	**41,958**	**42,165**
EQUITY				
Capital and reserves				
Called up share capital	250	250	250	250
Retained earnings	130	94	3	9
	380	**344**	**253**	**259**
LIABILITIES				
Non-current liabilities				
Bonds in issue	47,500	47,500	40,000	40,000
Current liabilities				
Payables	1,942	2,041	1,705	1,906
	49,442	**49,541**	**41,705**	**41,906**
Total equity and liabilities	**49,822**	**49,885**	**41,958**	**42,165**

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.

In FY2020, CPHCL repaid a €6.0 million loan in full and in accordance with the prospectus dated 27 February 2012, the Issuer exercised the early redemption option and fully redeemed the €7.5 million 6% bonds 2019/ 2022. As such, loans owed by parent company were reduced to €39.9 million, whilst outstanding bonds at year end amounted to €40 million.

During the year under review, the Issuer registered a profit after tax of €8,480 compared to €54,584 in FY2019. No movements were reported in other comprehensive income.

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

The financial information provided hereunder is extracted from the audited consolidated financial statements of CPHCL for each of the years ended 31 December 2017 to 31 December 2019. The forecast financial information for the year ending 31 December 2020 has been provided by management of the company.

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

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

Following the above transaction, the Issuer redeemed in full the €7.5 million 6% bonds maturing 2019 – 2022 (ISIN: MT0000101254) in October 2019.

Standards, interpretations and amendments to published standards effective in 2018

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 "*Financial Instruments*" and IFRS 15 "*Revenue from Contracts with Customers*".

IFRS 9 replaces the provisions of IAS 39 that relate to *inter alia* the recognition, classification and measurement of financial assets and financial liabilities. IFRS 9 was adopted without restating comparative information. Accordingly, on 1 January 2018, certain investments amounting to €8.6 million were reclassified from available-for-sale to fair value through profit or loss (FVTPL). Related fair value gains of €0.2 million were transferred from available-for-sale financial assets reserve to retained earnings.

In accordance with the transition provisions in IFRS 15, the Group adopted the new rules retrospectively and have restated comparatives for FY2017. The Group holds investments in joint ventures involved in the timeshare business (Radisson Blu Resort & Spa Golden Sands and Azure Group), whose revenue recognition policies were significantly revised as a result of the initial application of IFRS 15. These joint ventures receive an upfront timeshare signing fee as well as a yearly membership fee.

Prior to the adoption of IFRS 15, certain revenues were recognised at inception of the timeshare agreements on the basis that these do not include an identifiable amount for subsequent services and did not relate to the provision of future services. As from 1 January 2018, the standard requires an assessment of whether the upfront timeshare signing fee needs to be amortised over the life of the agreement. Management has analysed the revenue streams in assessing the impact of IFRS 15 on their contracts with customers. The main adjustments to FY2017 financial statements comprise a reduction in investments accounted for using the equity method (in the statement of financial position) of €10.4 million and a corresponding adjustment in retained earnings. In addition, share of net results of equity accounted investments (in the income statement) has been revised from a profit of €2.1 million to a loss of €1.5 million (an adverse movement of €3.6 million).

Review of accounting for the London asset acquisitions

During FY2018, the Group's management undertook a detailed review of an assets-acquisition agreement (in relation to the apartments at Corinthia London) entered into by the NLI Group in 2008. By virtue of this review, management identified that the consideration payable for the properties acquired included an additional amount payable at the earlier of an event of sale of the underlying properties and November 2019. The consideration payable is based on the value of the underlying properties when this becomes due. This element of deferred and variable consideration was however not recognised in the accounting records of the NLI Group. Accordingly, the FY2017 financial statements were adjusted to reflect an increase in trade and other payables of €9.2 million and a decrease in total equity of the same amount.

Impact on the FY2017 financial statements

	€'000
Income Statement	
Profit for the year as originally presented	**5,752**
Share of results of equity accounted investments	(3,648)
Net change in fair value of contingent consideration (relating to correction of error above)	657

Profit for the year as restated	**2,761**
	=======
Statement of Financial Position	
Total equity as originally presented	**901,595**
Investments accounted for using the equity method	(10,447)
Other non-current liabilities	(9,214)

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

Standards, interpretations and amendments to published standards effective in 2019

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

Accordingly, on 1 January 2019, the Group recognised right-of-use assets and lease liabilities amounting to €17.0 million and €16.2 million respectively in the Consolidated Balance Sheet for the lease of property currently treated as operating leases. With regard to the impact in the Consolidated Income Statement, the nature of the relevant expense will change from being an operating lease expense to depreciation and interest expense.

The Group's operations in Libya

Note 6 to the 2019 financial statements explains the significant uncertainties and judgments surrounding the valuation of the Group's assets in Libya that have a bearing on the projected cash flows from the relative operations, and which are in turn influenced by the timing of a recovery in the country. Different plausible scenarios may impact the financial performance of the Libya operations and the valuation of related assets in a significant matter. This matter is considered to be of fundamental importance to stakeholders because of the potential impact that this uncertainty may have on the valuation of the Group's assets in Libya and the recoverability of certain debtors, which as at 31 December 2019 were carried at €353.0 million (FY2018: €352.1 million).

Projections

The projected financial information relates to events in the future and is based on assumptions which the Group believes to be reasonable. However, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

In the initial 2 months of FY2020, the Group's operational performance was in line with Board expectations. However, in early March 2020, hotel bookings started to decline due to the COVID-19 outbreak and by the end of March, the Group's hotels and catering activities experienced an immediate and significant deterioration.

Immediate measures were adopted across the Group to reduce operating costs to the minimum required to secure and maintain the Group's properties, with the objective of preserving financial resources. The Group's most material remaining operating cost is payroll and accordingly the Group has taken immediate action to reduce its payroll related costs. The Group adopted a series of bold and far-reaching measures that have significantly reduced operating costs and payroll expenses. It is benefitting from varying schemes adopted by the respective Governments in all countries in which the Group operates, including Malta and the United Kingdom, which include outright salary subsidies, as well as the waiver or deferral of payroll taxes and social security contributions, together with waiver of property taxes for 2020.

The projected financial information reflects the estimated impact of the stressed conditions currently experienced, under a scenario which encompasses a set of prudent and severe assumptions. These assumptions centre around the expected timing of resumption of operations of the different hospitality and catering businesses, the expected pace of recovery to business as usual once operations resume, and expected level of activity and revenues post resumption. The Group is incorporating minimal forecast revenues for the residual period of the financial year ending 31 December 2020 within the projections. The Group is assuming that revenue levels will not revert to pre COVID-19 benchmarks before FY2022.

The Group is assessing the resumption of business dates on a specific property and business basis. The Group intends to resume certain operations in the latter part of 2020 and others during 2021, but this plan is reviewed on an ongoing basis taking into account developments and events as these unfold.

Corinthia Palace Hotel Company Limited Consolidated Income Statement (€'000)	**FY2017 Restated**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Revenue	291,183	302,456	310,063	107,226
Net operating expenses	(223,039)	(233,988)	(242,077)	(117,212)
EBITDA	**68,144**	**68,468**	**67,986**	**(9,986)**
Depreciation and amortisation	(38,372)	(39,436)	(42,549)	(39,695)
Other net income (expenses)	4,692	336	5,430	7
Gain (loss) on exchange	(2,137)	475	(79)	(7,788)
Net impairment (hotel & other properties, intangibles)	(1,452)	4,282	(1,830)	-
Results from operating activities	**30,875**	**34,125**	**28,958**	**(57,462)**
Net finance costs	(26,356)	(25,023)	(26,843)	(27,585)
Investment income	-	126	2,204	-
Gain on sale of investment in subsidiaries	-	-	46,487	-
Share of results of associate companies	(1,416)	9,579	3,382	3,721
Other	(6,033)	(8,974)	5,336	-
Profit (loss) before tax	**(2,930)**	**9,833**	**59,524**	**(81,326)**
Taxation	5,691	9,903	(6,179)	16,939
Profit (loss) for the year	**2,761**	**19,736**	**53,345**	**(64,387)**
Other comprehensive income (expense)				
Gross surplus on revaluation of hotel properties & other assets	25,724	37,675	7,000	-
Share of other comprehensive income of equity accounted investments	6,726	1,794	(4,550)	-
Other effects and tax	413	(23,553)	30,938	(39,179)
	32,863	**15,916**	**33,388**	**(39,179)**
Total comprehensive income (expense) net of tax	**35,624**	**35,652**	**86,733**	**(103,566)**

Key Accounting Ratios	FY2017 Restated	FY2018 Actual	FY2019 Actual	FY2020 Forecast
Operating profit margin *(EBITDA/revenue)*	23%	23%	22%	n/a
Interest cover (times) *(EBITDA/net finance cost)*	2.59	2.74	2.53	n/a
Net profit margin *(Profit after tax/revenue)*	1%	7%	17%	n/a
Earnings per share (€) *(Profit after tax/number of shares)*	0.14	0.99	2.67	n/a
Return on equity *(Profit after tax/shareholders' equity)*	0%	2%	6%	n/a
Return on capital employed *(EBITDA/total assets less current liabilities)*	4%	4%	4%	n/a
Return on assets *(Profit after tax/total assets)*	0%	1%	3%	n/a

Source: MZ Investment Services Ltd

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 16 - Leases

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

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

Total revenue for **FY2019** amounted to €310.1 million, an increase of €7.6 million (+3%) compared to the prior year (FY2018: €302.5 million). The annual growth in revenue is a result of the positive trend in the majority of the Group's properties. Notwithstanding, EBITDA was broadly unchanged at €68.0 million (FY2018: €68.5 million).

Results from operating activities amounted to €29.0 million in FY2019, compared to €34.1 million in FY2018 (-€5.1 million or -15%). The effect of IFRS 16 in FY2019 impacted depreciation and amortisation by €2.5 million. In addition, the Group reported adverse changes in fair value of intangible assets and investment property of €1.8 million compared to net increases in fair value of €4.3 million in FY2018 (being a y-o-y negative variance of €6.1 million). In contrast, other net income (which includes net changes in fair value of contingent consideration) increased from €0.3 million in FY2018 to €5.4 million.

In FY2019, the Group sold the Panorama Hotel and adjoining garage complex located in the Czech Republic, through the disposal of its shareholding in Pankrac Property Holdings s.r.o. and realised a profit of €46.5 million on this sale.

Net finance costs increased from €25.0 million in FY2018 to €26.8 million, while net exchange differences on borrowings improved from a negative amount of €9.0 million in FY2018 to a gain amounting to €5.3 million. This improvement of €14.3 million in exchange differences is mainly related to the St Petersburg property on account of an improved rouble compared to the previous year.

The net profit of €3.4 million in FY2019 resulting from the Group's share of results of associate companies (FY2018: €9.6 million) was adversely impacted by the results of the Golden Sands hotel and timeshare operation, which resulted in an erosion of €4 million. The corresponding loss registered in FY2018 for this activity was €1.4 million. The timeshare operation has been discontinued in 2020. On the other hand, the results of MIH p.l.c. through its principal subsidiary company Palm City Ltd, owner of the Palm City Residences in Libya, continued to improve. In FY2019, this investment contributed €7.3 million to the Group's profitability (FY2018: €10.9 million, €7 million of which related to the net fair value gain on the investment property).

During the year, the Group recognised a fair value gain of €2.2 million (FY2018: €0.1 million) in profit or loss on financial assets.

In consequence of the foregoing, in FY2019, the Group registered a profit after tax of €53.3 million against a profit of €19.7 million in FY2018. It is to be noted that whilst in FY2019 there was a tax charge of €6.2 million, in FY2018, there was a tax credit of €9.9 million.

The other comprehensive income for FY2019 was also positive with an income of €33.4 million (FY2018: €15.9 million), mainly reflecting the effect of currency translation differences. The impact of an improved sterling and rouble relative to the reporting currency of the Group, which is the euro, resulted in the Group recording a combined currency translation profit of €32.1 million (FY2018: loss of €16.5 million). Conversely, whilst in FY2018 the Group reported a revaluation surplus on hotel properties of €37.7 million, this surplus was limited to €7 million in FY2019.

The Group's total comprehensive income for FY2019 amounted to €86.7 million, compared to a total comprehensive income of €35.7 million registered in 2018.

Key accounting ratios – A comparability analysis of the last three financial years shows that operating profit margin and return on capital employed were consistent at *circa* 22% and 4%. Net profit margin increased substantially in FY2019, from 7% in FY2018 to 17% mainly due to the gain on sale of investment in subsidiaries. The Group's interest cover was broadly stable during the review period at slightly over 2.50 times.

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

Revenue in **FY2020** is projected to decrease substantially by €202.8 million (y-o-y) to €107.2 million on account of the complete shutdown of the majority of the Group's operations in Q2 2020, and the significant curtailment of operations during the remainder of the financial year. As a result, EBITDA is expected to decline from €68.0 million in FY2019 to - €10.0 million, which considering the very significant reduction in revenue of nearly 65% is considered as a positive achievement. Furthermore, this projection does not include possible wage support beyond September 2020, grants still being defined by the relevant authorities and the potential income from insurance claims.

Below EBITDA, the Group is forecasting a depreciation & amortisation charge of €39.7 million (FY2019: €42.5 million), net finance costs amounting to €27.6 million (FY2019: €26.8 million) and loss on exchange rate movements of €7.8 million (FY2019: €79,000). On the other hand, share of results of associate companies is expected to be positive at €3.7 million (FY2019: €3.4 million). After accounting for a tax credit of €16.9 million, the loss for the year is estimated at €64.4 million.

Other comprehensive expense principally includes adverse currency translation differences of €39.2 million. Due to this negative movement and the expected loss for the year, total comprehensive expense is estimated at €103.6 million (FY2019: total comprehensive income of €86.7 million).

Corinthia Palace Hotel Company Limited				
Statement of Financial Position	**31 Dec'17**	**31 Dec'18**	**31 Dec'19**	**31 Dec'20**
(€'000)	**Restated**	**Actual**	**Actual**	**Forecast**
ASSETS				
Non-current assets				
Intangible assets	13,496	8,589	6,469	5,592
Investment properties	234,668	228,667	232,652	217,935
Property, plant and equipment	1,238,824	1,252,693	1,239,706	1,171,705
Investments in associates & joint ventures	118,236	128,950	127,525	129,466
Right-of-use assets	-	-	15,986	14,296
Trade and other receivables	484	1,406	267	267
Deferred tax assets	12,985	21,702	20,719	20,331
Financial assets	-	-	8,401	8,401
Assets placed under trust arrangement	3,258	5,229	3,698	-
	1,621,951	1,647,236	1,655,423	1,567,993
Current assets				
Inventories	13,100	14,122	15,335	10,333
Trade and other receivables	43,131	48,314	43,873	33,215
Taxation	3,335	3,956	6,786	5,069
Financial assets	8,604	8,485	10,073	13,162
Assets placed under trust arrangement	122	122	122	5,606
Cash and cash equivalents	62,694	61,179	125,749	79,557
Assets held for sale	1,689	1,267	1,283	1,073
	132,675	137,445	203,221	148,015
Total assets	**1,754,626**	**1,784,681**	**1,858,644**	**1,716,008**
EQUITY				
Called up share capital	20,000	20,000	20,000	20,000
Other reserves	158,890	164,767	152,343	122,809
Retained earnings	227,657	241,495	297,479	261,664
Non-controlling interest	475,387	482,621	490,331	440,881
	881,934	**908,883**	**960,153**	**845,354**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	627,465	624,886	634,841	664,201
Lease liabilities	-	-	13,193	11,654
Other non-current liabilities	118,507	113,130	109,819	85,616
	745,972	738,016	757,853	761,471
Current liabilities				
Bank overdrafts	17,873	6,289	7,244	8,807
Borrowings and bonds	29,380	44,184	43,155	23,587
Lease liabilities	-	-	3,149	2,971
Other current liabilities	79,467	87,309	87,090	73,818
	126,720	137,782	140,638	109,183
	872,692	**875,798**	**898,491**	**870,654**
Total equity and liabilities	**1,754,626**	**1,784,681**	**1,858,644**	**1,716,008**

Key Accounting Ratios	**FY2017 Restated**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Gearing ratio *(Net debt/Net debt and shareholders' equity)*	41%	40%	37%	42%
Net debt to EBITDA (years) *(Net debt/EBITDA)*	8.93	8.89	8.29	n/a
Net assets per share (€) *(Net asset value/number of shares)*	20.33	21.31	23.49	20.22
Debt service cover ratio (times) *(EBITDA/net finance cost and loan capital repayment)*	1.20	0.98	0.96	n/a
Liquidity ratio (times) *(Current assets/current liabilities)*	1.05	1.00	1.44	1.36

Source: MZ Investment Services Ltd

Total assets as at 31 December 2019 increased by €74.0 million compared to the comparable year (FY2018) and amounted to €1,859 million. The principal movements are described hereunder:

- Property, plant and equipment decreased by €13.0 million (y-o-y) to €1,239.7 million. This figure comprised the disposal of Pankrac Property Holdings s.r.o., exchange differences, and capital expenditure relating to the development and upgrades to various hotel properties and other projects.
- Following the adoption of IFRS 16, the Group recognised right-of-use assets amounting to €16.0 million.
- Financial assets amounted to €8.4 million (FY2018: nil) relating to the 10% equity stake in each of Global Hotel Alliance and a hotel and residential development in Moscow.
- Cash and cash equivalents increased by €64.6 million pursuant to the disposal of the Prague property.

The y-o-y increase in total liabilities amounted to €22.7 million. During the year, the Group adopted IFRS 16 and recognised lease liabilities of €16.3 million. Furthermore, borrowings & bonds increased by €9.9 million, from €675.4 million in FY2018 to €685.2 million.

Total assets in FY2020 are projected to amount to €1,716 million, a decrease of €143 million from a year earlier. The value of investment property and property, plant & equipment is expected to decrease by €82.7 million, mainly on account of adverse exchange rate fluctuations in the rouble and pound sterling and the annual depreciation charge, partly offset by capital expenditure anticipated to amount to €14.3 million. Due to the disruptions caused by the COVID-19 pandemic, inventories and trade & other receivables are expected to decline by €5.0 million and €10.7 million respectively. Furthermore, cash and cash equivalents are projected to decrease y-o-y by €46.2 million.

A decrease of €27.8 million is being forecast for total liabilities, whereby other current and non-current liabilities (mainly comprising trade & other payables and deferred taxation respectively) are expected to decrease by €37.5 million. On the other hand, bank and other borrowings are projected to increase by €11.4 million in FY2020 to €696.6 million.

Due to an increase in borrowings, the gearing ratio of the Group is expected to increase from 37% in FY2019 to 42%. Notwithstanding, the liquidity ratio is projected to remain broadly stable at 1.36 times in FY2020.

Corinthia Palace Hotel Company Limited Cash Flow Statement (€'000)	FY2017 Restated	FY2018 Actual	FY2019 Actual	FY2020 Forecast
Net cash from operating activities	36,404	35,021	46,203	(44,411)
Net cash from investing activities	(10,074)	(30,834)	40,944	(17,265)
Net cash from financing activities	(6,787)	5,882	(23,532)	13,921
Net movement in cash and cash equivalents	**19,543**	**10,069**	**63,615**	**(47,755)**
Cash and cash equivalents at beginning of year	25,278	44,821	54,890	118,505
Cash and cash equivalents at end of year	**44,821**	**54,890**	**118,505**	**70,750**

In FY2019, net cash from operating activities amounted to €46.2 million, an increase of €11.2 million compared to the prior year (FY2018: €35.0 million), mainly on account of favourable working capital changes amounting to €9.7 million (FY2019: +€5.9 million, FY2018: -€3.8 million). Due to the COVID-19 pandemic, the Group is expecting net cash outflows from operating activities to amount to €44.4 million.

Net cash from investing activities amounted to €40.9 million in FY2019 (FY2018: cash outflows amounted to €30.8 million). In FY2019, the Group received net proceeds from the sale of the Panorama Hotel and adjacent garage of €64.2 million, whilst capital expenditure in relation to the Group's hotels amounted to €18.9 million (FY2018: €30.9 million). Furthermore, net cash outflows to acquire financial assets amounted to €7.5 million (FY2018: nil). During FY2020, an amount of €3.0 million has been utilised to acquire financial assets, while the €14.3 million is earmarked for capital expenditure purposes (total of €17.3 million).

In FY2019, net cash used in financing activities amounted to €23.5 million (FY2018: cash inflows of €5.9 million). Cash inflows amounted to €19.7 million and related to proceeds from issue of bonds. On the other hand, cash outflows amounted to €43.2 million and comprised net repayments of borrowings of €20.9 million, dividend payments of €12.5 million, payments for redemption of bonds amounting to €7.5 million and €2.3 million was utilised for payments of lease obligations.

In FY2020, net cash from financing activities is estimated at €13.9 million, mainly comprising net movements in bank and other borrowings amounting to €18.2 million, less payments relating to lease obligations of €2.5 million and contribution to sinking fund of €1.8 million.

SINKING FUNDS

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

Sinking and Reserve Funds (€'000)	31 Dec'17 Restated	31 Dec'18 Actual	31 Dec'19 Actual	31 Dec'20 Forecast
Corinthia Finance plc				
€7.5 million 6% Bonds 2019 - 2022	1,090	1,580		
IHI				
€20 million 5.8% Bonds 2021	2,290	3,771	3,820	5,606
	3,380	**5,351**	**3,820**	**5,606**

VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the forecast financial information for the year ended 31 December 2019 included in the prior year's Financial Analysis Summary dated 30 August 2019 and the audited consolidated financial statements for the year ended 31 December 2019.

Corinthia Palace Hotel Company Limited **Consolidated Income Statement** **(€'000)**	**FY2019** **Actual**	**FY2019** **Forecast**	**Variance**
Revenue	310,063	308,350	1,713
Net operating expenses	(242,077)	(236,280)	(5,797)
EBITDA	**67,986**	**72,070**	**(4,084)**
Depreciation and amortisation	(42,549)	(40,940)	(1,609)
Other net income (expenses)	5,430	978	4,452
Gain (loss) on exchange	(79)	(101)	22
Net impairment (hotel & other properties, intangibles)	(1,830)	(1,628)	(202)
Results from operating activities	**28,958**	**30,379**	**(1,421)**
Net finance costs	(26,843)	(25,890)	(953)
Share of results of associate companies	3,382	6,450	(3,068)
Other	54,027	48,355	5,672
Profit before tax	**59,524**	**59,294**	**230**
Taxation	(6,179)	(1,989)	(4,190)
Profit for the year	**53,345**	**57,305**	**(3,960)**
Other comprehensive income			
Gross surplus on revaluation of hotel properties & other assets	7,000	-	7,000
Share of other comprehensive income of equity accounted investments	(4,550)	-	(4,550)
Other effects and tax	30,938	10,670	20,268
	33,388	**10,670**	**22,718**
Total comprehensive income for the year net of tax	**86,733**	**67,975**	**18,758**

As presented in the above table, the Group generated €1.7 million more revenue in FY2019 than projected. However, net operating costs were higher than expected by €5.8 million, thus resulting in an adverse difference in EBITDA amounting to €4.1 million.

The variance in results from operating activities was negative by €1.4 million, on account of positive movements in other net income of €4.5 million, partly mitigated by higher than expected depreciation & amortisation charges of €1.6 million.

Other items (comprising gain on disposal of subsidiaries, changes in fair value of financial assets and net exchange differences on borrowings) amounted to €54.0 million, being €5.7 million higher than projected. In contrast, share of results of associate companies was lower than expected by €3.1 million, and actual net finance costs were higher by €1.0 million.

Actual profit for the year was lower than projected by €4.0 million, mainly due to tax charge, which amounted to €6.2 million compared to a forecast figure of €2.0 million.

Corinthia Palace Hotel Company Limited **Statement of Financial Position** **(€'000)**	**31 Dec'19** **Actual**	**31 Dec'19** **Forecast**	**Variance**
ASSETS			
Non-current assets			
Intangible assets	6,469	7,000	(531)
Investment properties	232,652	229,506	3,146
Property, plant and equipment	1,239,706	1,222,385	17,321
Investments in associates & joint ventures	127,525	142,066	(14,541)
Right-of-use assets	15,986	-	15,986
Trade and other receivables	267	1,406	(1,139)
Deferred tax assets	20,719	21,543	(824)
Financial assets	8,401	20,000	(11,599)
Assets placed under trust arrangement	3,698	5,431	(1,733)
	1,655,423	1,649,337	6,086
Current assets			
Inventories	15,335	15,958	(623)
Trade and other receivables	43,873	48,546	(4,673)
Taxation	6,786	5,458	1,328
Financial assets	10,073	9,405	668
Assets placed under trust arrangement	122	-	122
Cash and cash equivalents	125,749	64,157	61,592
Assets held for sale	1,283	1,492	(209)
	203,221	145,016	58,205
Total assets	**1,858,644**	**1,794,353**	**64,291**
EQUITY			
Called up share capital	20,000	20,000	-
Other reserves	152,343	175,437	(23,094)
Retained earnings	297,479	266,202	31,277
Non-controlling interest	490,331	487,025	3,306
	960,153	**948,664**	**11,489**
LIABILITIES			
Non-current liabilities			
Borrowings and bonds	634,841	602,912	31,929
Lease liabilities	13,193	-	13,193
Other non-current liabilities	109,819	112,895	(3,076)
	757,853	715,807	42,046
Current liabilities			
Bank overdrafts	7,244	5,855	1,389
Borrowings and bonds	43,155	46,105	(2,950)
Lease liabilities	3,149	-	3,149
Other current liabilities	87,090	77,922	9,168
	140,638	129,882	10,756
	898,491	**845,689**	**52,802**
Total equity and liabilities	**1,858,644**	**1,794,353**	**64,291**

Total assets as at 31 December 2019 were higher than forecast by €64.3 million, mainly on account of cash balances which were higher than expected by €61.6 million. The actual results include the recognition of €16.0 million of right-of-use assets which were not reflected in the projections. Financial assets in non-current assets amounting to €8.4 million represents the Group's 10% investment in each of Global Hotel Alliance and a hotel and residential development in Moscow. The projections included an amount of €20 million which were earmarked for the redemption of the €40 million 4.25% bonds in 2026. Such funds were transferred back to cash balances.

Capital and reserves were higher than forecast by €11.5 million, while total liabilities were higher by €52.8 million. In total liabilities, borrowings and bonds increased more than expected by €30.4 million. An amount of €16.3 million represents lease liabilities which were not included in the forecast.

Corinthia Palace Hotel Company Limited **Cash Flow Statement** **(€'000)**	**FY2019** **Actual**	**FY2019** **Forecast**	**Variance**
Net cash from operating activities	46,203	28,925	17,278
Net cash from investing activities	40,944	41,313	(369)
Net cash from financing activities	(23,532)	(66,826)	43,294
Net movement in cash and cash equivalents	**63,615**	**3,412**	**60,203**
Cash and cash equivalents at beginning of year	54,890	54,890	-
Cash and cash equivalents at end of year	**118,505**	**58,302**	**60,203**

Actual net movement in cash and cash equivalents was higher than projected by €60.2 million, mainly arising from a €43.3 million positive variance in net cash from financing activities. The projections had assumed that the Group would repay a higher amount of borrowings during the year. A positive variance of €17.3 million was registered in net cash from operating activities, which emanates from variable movement in working capital changes.

Debt Securities issued by Associated Companies

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

Security ISIN	Amount Listed	Security Name	Currency
MT0000371261	12,000,000	6.0% MIH 2021	EUR
MT0000371287	40,000,000	5.0% MIH 2022	EUR
MT0000371295	20,000,000	5.5% MIH 2023	EUR
n/a	11,000,000	6% Notes 2020 (unlisted)	EUR

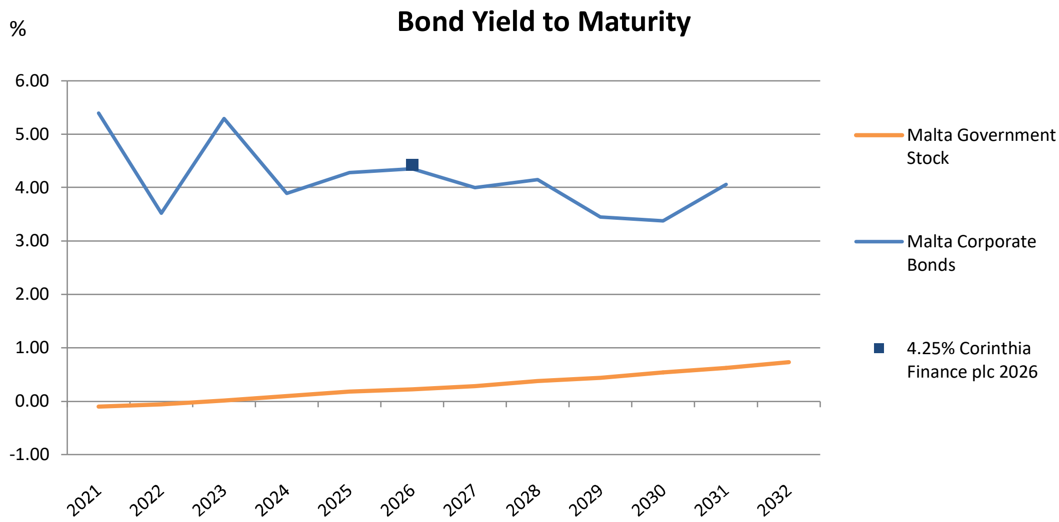
Source: Malta Stock Exchange

PART 4 - COMPARABLES

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

Comparative Analysis	**Nominal Value** (€)	**Yield to Maturity (%)**	**Interest Cover (times)**	**Total Assets** (€'000)	**Net Asset Value** (€'000)	**Gearing Ratio** (%)
5.80% International Hotel Investments plc 2021	20,000,000	5.39	3.01	1,687,198	897,147	37.31
3.65% GAP Group plc Secured € 2022	36,736,700	3.52	2.22	87,886	11,155	77.98
6.00% Pendergardens Developments plc Secured € 2022 Series	26,781,200	3.36	3.75	81,524	28,343	37.45
4.25% GAP Group plc Secured € 2023	19,394,000	3.87	2.22	87,886	11,155	77.98
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.29	0.76	27,159	6,916	62.72
5.80% International Hotel Investments plc 2023	10,000,000	5.11	3.01	1,687,198	897,147	37.31
6.00% AX Investments Plc € 2024	40,000,000	4.45	5.55	342,395	226,115	19.63
6.00% International Hotel Investments plc € 2024	35,000,000	5.36	3.01	1,687,198	897,147	37.31
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.89	4.81	95,310	47,100	48.85
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.46	2.67	117,625	45,146	53.77
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	5.11	3.30	137,275	45,063	30.57
4.25% Best Deal Properties Holding plc Secured € 2024	16,000,000	3.49	-	27,455	3,366	85.88
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	5.50	3.01	1,687,198	897,147	37.31
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	5.10	4.03	4,066	- 18,883	-
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.28	1.65	150,478	57,635	56.47
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	4.35	6.47	48,019	6,405	81.08
4.25% Corinthia Finance plc Unsecured € 2026	**40,000,000**	**4.43**	**2.53**	**1,859**	**960,153**	**37.33**
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.88	3.01	1,687,198	897,147	37.31
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.47	8.99	273,233	57,082	60.43
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.73	3.01	1,687,198	897,147	37.31
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	3.25	5.55	341,785	227,069	19.11
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.35	8.48	316,563	132,582	31.98
4.00% Eden Finance plc Unsecured € 2027	40,000,000	4.00	6.42	199,265	113,124	28.12
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.76	4.92	225,284	123,107	38.32
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	4.15	3.87	628,916	110,128	77.11
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.45	4.92	225,284	123,107	38.32
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	4.07	3.87	628,916	110,128	77.11
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.68	5.55	341,785	227,069	19.11
						03-Aug-20

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



Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd 3 August 2020

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

The 2026 bonds are presently trading at a yield of 4.43%, which is *circa* 8 basis points higher than other corporate bonds maturing in the same year. The premium over FY2026 Malta Government Stock is 421 basis points.

Due to the global economic fallout from the coronavirus outbreak, the difference between corporate bond yields and benchmark Malta Government Stock yields has widened across the entire yield curve. This unprecedented event has brought about an economic slowdown, which will likely adversely affect operational results of a number of companies.

PART 5 - EXPLANATORY DEFINITIONS

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

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

Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities (room revenue, food & beverage, rental income, hotel services, etc) of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include intangible assets (goodwill on acquisition, website development costs, etc), investment properties (commercial centres in St Petersburg and Tripoli, apartments in Lisbon, etc), property, plant & equipment (hotel properties), and investments accounted for using the equity method (investment in Corinthia Hotel London, Palm City, Medina Tower, etc).
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, etc), cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings, bonds and long term lease obligations.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.

Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures a company's resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Debt service cover ratio	The debt service cover ratio measures a company's ability to service its current debts by comparing its net operating income with its total debt service obligations.
Net assets per share	Is calculated by dividing the total net asset value of the company by the number of shares outstanding.
Net debt to EBITDA	The net debt to EBITDA ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.