CORINTHIA FINANCE plc

A member of the Corinthia Group of Companies

**COMPANY ANNOUNCEMENT**

**Financial Analysis Summary**

Corinthia Finance p.l.c. announces that the Financial Analysis Summary of Corinthia Palace Hotel Company Ltd as guarantor of Corinthia Finance p.l.c. is attached to this Company Announcement and is also available on the Company's website: *https://www.cphcl.com/analysis-summaries/*.

Eugenio Privitelli
Company Secretary

*Encl.*

25 June 2021

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# Financial Analysis Summary

25 June 2021

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

25 June 2021

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 in the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to 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 14-month period ended 28 February 2019 and the financial years ended 28 February 2020 and 28 February 2021; and (ii) the Guarantor for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020.

(b) The forecast data for the year ending 28 February 2022 (in relation to the Issuer) and 31 December 2021 (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

**MZ Investment Services Ltd**
63, St Rita Street,
Rabat RBT 1523,
Malta
Tel: 2145 3739

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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:

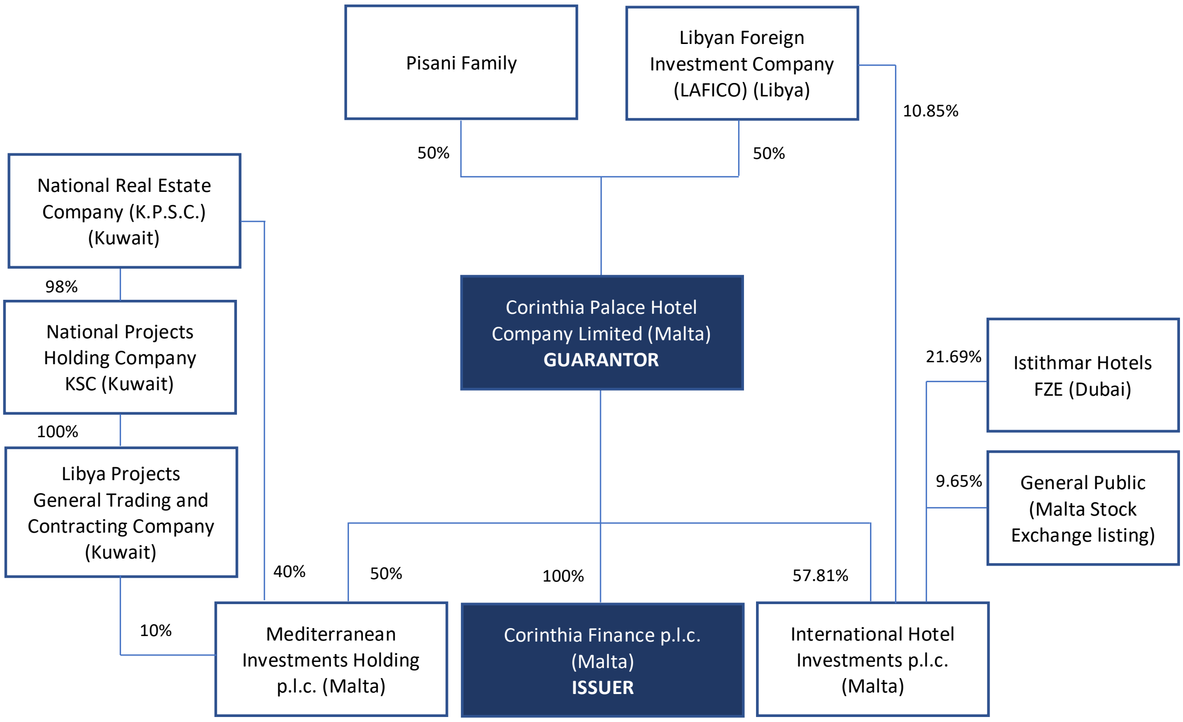
**Board of Directors**

| | |
|---|---|
| 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 FY2020 amounted to 2,021 persons (FY2019: 3,599).

## 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 |
| Pinhiero Chagas | Portugal | Residential apartment block | 100 | n/a |
| 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 | 56 |
| 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 | Retail catering | 100 | n/a |
| ***Mediterranean Investments Holding p.l.c.*** | | | | |
| Palm City Residences | Libya | Gated residence complex | 100 | n/a |
| Palm Waterfront | Libya | Vacant site (to be developed) | 100 | n/a |
| Medina Tower | Libya | Mixed-use property (to be developed) | 25 | n/a |
| | | | | **4,466** |

** under control and management of IHI*

*# the remaining 50% ownership was acquired by IHI on 26 February 2021*

**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 the COVID-19 Pandemic***

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

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

# 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 2020 is €27.9 million (2019: €29.5 million).

## Economic Update[1]

*Hungary's bounce back from the 2020 recession might be temporarily interrupted by a third wave of the COVID-19 pandemic, but a recovery is expected to resume once containment measures are lifted. Strong growth is expected to sustain inflationary pressures in 2022, while the economic recovery is expected to drive an improvement in public finance figures.*

Hungary's economy started to emerge from the pandemic-induced recession in the second half of 2020. Real GDP fell by 5% in 2020 but industrial and construction activity returned to their pre-pandemic level before the end of the year. Real GDP continued rising even in the fourth quarter of 2020, despite the re-imposition of health-related restrictions. However, a third wave of infections has led to tighter restrictions for some services and supply chain disruptions affected industry at the beginning of 2021. Real GDP is thus set to decrease mildly in the first quarter of 2021. Most services are expected to rebound quickly after restrictions are eased, boosting economic activity from the second quarter of 2021.

Real GDP is projected to grow by 5% in 2021 and 5.5% in 2022. GDP is forecast to reach its pre-pandemic level by the end of 2021. Household consumption is poised to rebound thanks to steady real income growth, and the increasing ability and willingness, of consumers to spend once restrictions are lifted. Household income is set to rise in consequence of the improving labour market, the gradual reintroduction of a 13th monthly pension and an income tax cut for employees below the age of 25 in 2022. Private investment is expected to be bolstered by rising capacity utilisation and significant government subsidies. Public investment is set to remain high over the forecast horizon, at around 6.5% of GDP, thanks to the support of grants from the Recovery and Resilience Facility[2].

Export growth is set to benefit from recovering external demand and recent capacity increases in manufacturing. The revival of tourism and air travel could take longer, extending beyond 2022. The current account is expected to remain in a small deficit. The rising trade surplus is set to be offset by a growing deficit of the income balance as the profitability of foreign-owned firms recuperates. However, large EU fund inflows should maintain the net saving position of the economy.

Employment stood at 1.1% below its pre-pandemic level in the first quarter of 2021, according to seasonally adjusted Labour Force Survey data. However, labour market slack (including unemployment, under employment and potential job seekers among the inactive) remained low by historic standards and strong wage growth has persisted. In February 2021, nominal wages rose by 8.9% y-o-y in the private sector and 13.5% in the public sector, the latter driven by salary increases for health workers. Over the forecast horizon, the economic recovery is expected to absorb the labour market slack, and maintain robust wage growth.

There are also upside risks to the forecast related to potentially re-emerging labour shortages that could result in even faster wage growth.

Inflation, which has risen in recent months on the back of higher commodity prices and excise duty increases, is forecast to peak near 5% in April-May 2021. Although headline inflation is projected to recede, core inflation may remain high due to the gradual pass-through of past currency depreciation and emerging price pressures

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

[2] The Recovery and Resilience Facility will make €672.5 billion in loans and grants available to support reforms and investments undertaken by Member States. The aim is to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions.

following the reopening of the economy. After averaging 3.4% in 2020, HICP[3] inflation is forecast at 4.0% in 2021 and 3.2% in 2022.

The general government deficit deteriorated by 6 percentage points to 8.1% of GDP in 2020, as a result of the COVID-19 pandemic and the measures taken to contain its effects. While tax revenues increased only marginally compared to 2019, expenditures grew strongly. The evolution of tax revenue was driven by the economic slowdown and tax cuts; notably temporary reductions for the most affected sectors and a 2 percentage point cut to employers' social contributions in July 2020, which were only partly compensated by the introduction of new taxes on banks and retail companies. Around two thirds of all expenditure measures to contain the effects of the pandemic were capital expenditures, including investment grants and capital transfers. The remaining part included, among others, wage subsidy schemes, a one-off bonus for health workers and emergency medical expenditures.

In 2021, the deficit is forecast to decrease to 6.8% of GDP, due to the recovering economy and the phasing out of most of the government's anti-crisis measures. However, new measures are expected to weigh on the deficit. These include, among others, vaccine purchases, planned wage increases for healthcare workers, a subsidised loan programme for SMEs, a temporary reduction in the local business tax, home buying and renovation support for families with children, a reduced VAT rate on newly built houses, and a gradual re-introduction of the 13th monthly pension. Risks stem mainly from higher spending ahead of the 2022 elections.

In 2022, the deficit is set to decline to 4.5% of GDP, driven mostly by the more favourable macroeconomic developments. New expansionary measures include an additional 2 percentage point cut to employers' social contributions at the beginning of the year and the personal income tax exemption for employees under the age of 25.

Government debt surged to 80.4% of GDP in 2020, driven also by the revaluation of foreign currency debt and the build-up of liquid reserves. It is expected to decrease to 78.6% in 2021, thanks also to a more favourable stock-flow adjustment, and to 77.1% in 2022.

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

## Operational Performance

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

| **The Aquincum Hotel Budapest** | **FY2018 Actual** | **FY2019 Actual** | **FY2020 Actual** |
|---|---|---|---|
| Turnover (€'000) | 8,278 | 8,842 | 1,874 |
| Gross operating profit before incentive fees (€'000) | 1,683 | 2,003 | -1,155 |
| Gross operating profit margin (%) | 20 | 23 | -62 |
| Occupancy level (%) | 71 | 73 | 15 |
| Average room rate (€) | 67 | 72 | 65 |
| Revenue per available room (RevPAR) (€) | 48 | 52 | 10 |
| ***Benchmark performance*** | | | |
| Occupancy level (%) | 79 | 80 | n/a |
| Average room rate (€) | 74 | 78 | n/a |
| Revenue per available room (RevPAR) (€) | 58 | 63 | n/a |
| ***Revenue Generating Index*** | 0.82 | 0.83 | n/a |

*Source: Management information.*

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 0.83. 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).

The financial information for FY2020 reflects the disruption caused by the pandemic on the hotel's services. During the said period, occupancy level was minimal at 15% (FY2019: 73%) and revenue amounted to €1.9 million, a decrease of €6.9 million from the previous year (FY2019: €8.8 million). The hotel incurred a gross operating loss of €1.2 million compared to a gross operating profit of €2.0 million in FY2019. The recovery anticipated in 2021 is somewhat delayed, but management is hopeful that demand will gradually return as from the second half of the year.

## 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 2020 is €15.9 million (2019: €15.8 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[4]

As the COVID-19 pandemic stretches into 2021 and in a context of heightened socio-political unrest, Tunisia's growth and fiscal outlook is weaker than before. The recovery will require more stability and a joint national effort to steer the economy to the right path.

Real GDP contracted by 8.8% in 2020 as sharp declines in domestic and external demand followed the pandemic. With a 9.3% contraction, manufacturing, a mainstay of the Tunisian economy, was deeply impacted. An 80% decline in passenger arrivals also caused a downturn in tourism and transport. Notably, business pulse surveys indicate that almost a quarter of firms (23.6%), mainly in the services sector, were either temporarily or permanently closed by the end of 2020. This had a knock-on effect on unemployment, which stood at 17.4% by end 2020, compared to 14.9% pre-pandemic.

Growth in Tunisia is temporarily expected to accelerate by 4% in 2021 as the pandemic's effects on exports begin to abate and domestic demand begins to recover. The uptick is, however, not large enough to return output to pre-pandemic levels of 2019. After this short-term rise, growth is expected to return to a more subdued trajectory, expanding by around 2% by 2023, reflecting pre-existing structural weaknesses and a gradual global recovery from the pandemic. These estimates are presented with significant downside risks. The pace of the recovery will depend on the extent of the pandemic in 2021, vaccine rollout in Tunisia and key trading partners as well as measures to mitigate the pandemic's impact on households and firms.

[4] https://www.worldbank.org/en/country/tunisia/publication/economic-update-april-2021

### Operational Performance

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

| Ramada Plaza Tunis Hotel | FY2018 Actual | FY2019 Actual | FY2020 Actual |
|---|---|---|---|
| Turnover (€'000) | 5,973 | 6,391 | 1,910 |
| Gross operating profit before incentive fees (€'000) | 1,786 | 2,008 | -228 |
| Gross operating profit margin (%) | 30 | 31 | -12 |
| Occupancy level (%) | 66 | 69 | 20 |
| Average room rate (€) | 49 | 53 | 51 |
| Revenue per available room (RevPAR) (€) | 32 | 36 | 10 |

*Source: Management information.*

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.

The financial information for FY2020 reflects the disruption caused by the pandemic on the hotel's services. During the said period, occupancy level was minimal at 20% (FY2019: 69%) and revenue amounted to €1.9 million, a decrease of €4.5 million from the previous year (FY2019: €6.4 million). The hotel incurred a gross operating loss of €228,000 compared to a gross operating profit of €2.0 million in FY2019. The pandemic is having a devastating impact on the economy and households. As such, management is uncertain as to when tourism demand will return in a meaningful manner.

## 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 implemented:

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

- Far-reaching cost cutting and cost containment measures were implemented, including 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 item, 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. Selected redundancy programs were also implemented in some of the Group's operations across Europe. Many of the Group's executives 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. Countries such as the United Kingdom and Czechia went beyond wage subsidies to support the hospitality industry with property tax waivers or outright cash grants.

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

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

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

Due to the sudden drop in demand for accommodation services, Group payroll cost was reduced from €110.7 million in FY2019 to €57.4 million in FY2020. The Group intends to retain as much savings as possible in the years ahead although manning levels will have to be increased to an extent to manage growing occupancies. Other areas of cost were equally curtailed. Management is taking this opportunity to reassess the Group's cost structures and implement better controls over operating costs.

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

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

***Acquisitions, joint ventures and developments***

Management remains active in growing the Group's portfolio of hotels and mixed-use properties by acquisition, particularly if these entail a potential for capital appreciation. In 2015, the Group, through IHI, acquired Island Hotels Group Holdings plc (IHGH), including a vacant site earmarked for development in Golden Bay and hotel 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.

In February 2019, the Group acquired a 10% minority share in a company formed with a consortium of investors to acquire a landmark property at 10, Tverskaya Street, Moscow. The acquisition has been made with a view to developing the site, having a developable gross area of 43,000m$^2$, into a mixed-use real estate project including a luxury boutique 54-room Corinthia hotel, upmarket residential serviced apartments for re-sale, high-end retail and commercial outlets and underground parking. Development works are presently underway.

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 be operated by the Corinthia Hotels and will carry the Corinthia flag.

***Hotel management contracts***

The Group is intent on growing ancillary business lines such as hotel management. On its formation, CHL's activities were limited to the management of hotels that were owned by the Corinthia Group. CHL, 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 divestment of non-core assets located in secondary markets and that have achieved their mature stage of development, to maintain appropriate levels of cash flow, to fund future growth opportunities and, or to create value for shareholders.

A case in point was the sale of the Panorama Hotel and adjacent garage (located in the Czech Republic) to a third party in August 2019. The cash consideration for the disposal of Pankrac Property Holdings s.r.o. (the company which owns the subject properties), including an amount as compensation for working capital balances and after settlement of an outstanding bank loan of the said company, amounted to *circa* €68 million. The profit realised by the Group on this transaction amounted to €46.5 million. Furthermore, 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.

# 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 14-month period ended 28 February 2019 and the years ended 28 February 2020 and 28 February 2021. The forecast financial information for the year ending 28 February 2022 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.**

| **Corinthia Finance p.l.c.<br>Income Statement<br>(€'000)** | **FY2019<br>14-months<br>Actual** | **FY2020<br>12-months<br>Actual** | **FY2021<br>12-months<br>Actual** | **FY2022<br>12-months<br>Forecast** |
|---|---|---|---|---|
| Finance income | 2,637 | 2,031 | 1,750 | 1,750 |
| Finance costs | (2,508) | (1,974) | (1,700) | (1,700) |
| Administrative expenses | (52) | (46) | (40) | (41) |
| Realised gains on disposal of investments | - | - | - | - |
| **Profit before tax** | **77** | **11** | **10** | **9** |
| Taxation | (22) | (3) | (3) | (3) |
| **Profit for the year** | **55** | **8** | **7** | **6** |
| **Total comprehensive income for the year** | **55** | **8** | **7** | **6** |

| Corinthia Finance p.l.c. Cash Flow Statement (€'000) | FY2019 14-months Actual | FY2020 12-months Actual | FY2021 12-months Actual | FY2022 12-months Forecast |
|---|---|---|---|---|
| Net cash from operating activities | (90) | (40) | (107) | (79) |
| Net cash from investing activities | 2,248 | 10,024 | 1,767 | 1,750 |
| Net cash from financing activities | (2,150) | (9,890) | (1,700) | (1,700) |
| **Net movement in cash and cash equivalents** | **8** | **94** | **(40)** | **(29)** |
| Cash and cash equivalents at beginning of year | 11 | 19 | 113 | 73 |
| **Cash and cash equivalents at end of year** | **19** | **113** | **73** | **44** |

| Corinthia Finance p.l.c. Statement of Financial Position (€'000) | 28 Feb'19 Actual | 28 Feb'20 Actual | 28 Feb'21 Actual | 28 Feb'22 Forecast |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Loans owed by parent company | 45,870 | 39,910 | 39,910 | 39,910 |
| Other long-term financial assets | 1,582 | - | - | - |
| Deferred tax asset | - | - | - | - |
| | 47,452 | 39,910 | 39,910 | 39,910 |
| **Current assets** | | | | |
| Receivables | 2,394 | 1,915 | 1,924 | 1,940 |
| Other assets | 20 | 20 | 20 | 20 |
| Cash and cash equivalents | 19 | 113 | 73 | 44 |
| | 2,433 | 2,048 | 2,017 | 2,004 |
| **Total assets** | **49,885** | **41,958** | **41,927** | **41,914** |
| **EQUITY** | | | | |
| **Capital and reserves** | | | | |
| Called up share capital | 250 | 250 | 250 | 250 |
| Retained earnings | 94 | 3 | 10 | 9 |
| | **344** | **253** | **260** | **259** |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Bonds in issue | 47,500 | 40,000 | 40,000 | 40,000 |
| **Current liabilities** | | | | |
| Payables | 2,041 | 1,705 | 1,667 | 1,655 |
| | **49,541** | **41,705** | **41,667** | **41,655** |
| **Total equity and liabilities** | **49,885** | **41,958** | **41,927** | **41,914** |

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.

There were no material movements in the statement of financial position as at 28 February 2021 compared to the prior year. As such, loans owed by parent company were unchanged at €39.9 million, whilst outstanding bonds amounted to €40 million.

During the year under review, the Issuer registered total comprehensive income of €6,715 compared to €8,480 in FY2020.

No material transactions and, or movements are being projected for FY2022.

## 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 2018 to 31 December 2020. The forecast financial information for the year ending 31 December 2021 has been provided by management of the company.

**The Group's operations in Libya**

Note 5 to the 2020 financial statements explains the significant uncertainties and judgments surrounding the valuation of the Group's assets in Libya that have a bearing on the projected cash flows from the relative operations, and which are in turn influenced by the timing of a recovery in the country. Different plausible scenarios may impact the financial performance of the Libya operations and the valuation of related assets in a significant matter. This matter is considered to be of fundamental importance to stakeholders because of the potential impact that this uncertainty may have on the valuation of the Group's assets in Libya and the recoverability of certain debtors, which as at 31 December 2020 were carried at €355.8 million (FY2019: €353.0 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 particularly during this uncertain period of the pandemic where new variants are regularly emerging, and the variation between forecast and actual results may be material.**

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

The projected financial information reflects the estimated impact of the prevailing conditions currently experienced, under a scenario which encompasses a set of prudent assumptions that capture the forecast business conditions until 31 December 2021. These assumptions centre around the expected timing of resumption of operations of the different hospitality and catering businesses, the expected pace of recovery of business once operations resume, and expected level of activity and revenues post resumption. The Group is incorporating minimal revenues for the first semester of 2021 with the exception of the St Petersburg operation where the situation is more bullish. The forecast for the second semester of 2021, once international travel resumes, is based on a fraction of the historical 2019 figures. Hence the Group is projecting that only during 2024 revenue levels will revert to pre COVID-19 benchmarks, with prior years only representing a percentage of the 2019 revenue and profitability levels. The projections referred to above contemplate the impact of the cost containment and management measures taken, together with government support in various jurisdictions in respect of operating expenditure until a maximum of 31 December 2021.

The Group has been successful in securing banking facilities with local banks under the Malta Development Bank COVID-19 Guarantee Scheme, with the approved facilities amounting to the maximum amount possible under the Scheme. Although the approved loans have not been fully drawn as at the sign off date, the entire amount of the facilities is included as liquidity inflows later on in 2021.

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

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

The Group is not relying on asset disposals other than the planned sale of the penthouse apartment in London principally to reduce its bank loan indebtedness and accordingly did not reflect proceeds from disposal of any significant assets during the explicit period of the cash flow projections, although disposals are an option.

| Corinthia Palace Hotel Company Limited<br>Consolidated Income Statement<br>(€'000) | FY2018<br>Actual | FY2019<br>Actual | FY2020<br>Actual | FY2021<br>Forecast |
|---|---|---|---|---|
| Revenue | 302,456 | 312,874 | 106,397 | 135,091 |
| Net operating expenses | (233,988) | (242,156) | (114,689) | (126,832) |
| **EBITDA** | **68,468** | **70,718** | **(8,292)** | **8,259** |
| Depreciation and amortisation | (39,436) | (42,549) | (39,434) | (33,218) |
| Other net income (expenses) | 336 | (1,826) | (2,751) | - |
| Gain (loss) on exchange | 475 | - | - | (3,322) |
| Adjustments in value of hotel & other properties, intangibles | 4,282 | 2,615 | (6,196) | - |
| **Results from operating activities** | **34,125** | **28,958** | **(56,673)** | **(28,281)** |
| Finance costs | (25,023) | (27,896) | (27,841) | (28,631) |
| Investment income & movement in value of financial assets | 126 | 3,257 | 1,289 | 194 |
| Gain on sale of investment in subsidiaries | - | 46,487 | - | - |
| Share of results of associate companies | 9,579 | 3,382 | 9,114 | 2,638 |
| Other | (8,974) | 5,336 | (13,182) | (1,196) |
| **Profit (loss) before tax** | **9,833** | **59,524** | **(87,293)** | **(55,276)** |
| Taxation | 9,903 | (6,179) | 11,559 | 9,942 |
| **Profit (loss) for the year** | **19,736** | **53,345** | **(75,734)** | **(45,334)** |
| **Other comprehensive income (expense)** | | | | |
| Gross surplus (impairment) on revaluation of hotel properties & other assets | 37,675 | 7,000 | (10,246) | - |
| Share of other comprehensive income of equity accounted investments | 1,794 | (4,550) | 239 | - |
| Other effects and tax | (23,553) | 30,938 | (45,732) | 19,324 |
| | **15,916** | **33,388** | **(55,739)** | **19,324** |
| **Total comprehensive income (expense) net of tax** | **35,652** | **86,733** | **(131,473)** | **(26,010)** |

| Key Accounting Ratios | FY2018 Actual | FY2019 Actual | FY2020 Actual | FY2021 Forecast |
|---|---|---|---|---|
| Operating profit margin *(EBITDA/revenue)* | 23% | 23% | -8% | 6% |
| Interest cover (times) *(EBITDA/finance cost)* | 2.74 | 2.54 | -0.30 | 0.29 |
| Net profit margin *(Profit after tax/revenue)* | 7% | 17% | -71% | -34% |
| Earnings per share (€) *(Profit after tax/number of shares)* | 0.99 | 2.67 | -3.79 | -2.27 |
| Return on equity *(Profit after tax/shareholders' equity)* | 2% | 6% | -9% | -6% |
| Return on capital employed *(EBITDA/total assets less current liabilities)* | 4% | 4% | -1% | 1% |
| Return on assets *(Profit after tax/total assets)* | 1% | 3% | -4% | -3% |

*Source: MZ Investment Services Ltd*

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 turned 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, 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 after tax 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 €312.9 million, an increase of €10.4 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. In consequence, EBITDA, at €70.7 million, increased by the same percentage of 3% on the prior year's result (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 (resulting in 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 accounted for an erosion of €4 million. The corresponding loss registered in FY2018 for this activity was

€1.4 million. The timeshare sales 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 after tax 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.

The financial performance for **2020** was materially impacted by COVID-19 and the restrictions and limitations it imposed on the Group's businesses and everyday lives. Total Group revenue for the year under review amounted to €106.4 million, a reduction of €206.5 million from the revenue generated the year before on account of lockdowns and other restrictions imposed in all countries where the Group operates.

Notwithstanding the significant reduction in revenue generation, the Group loss at EBITDA level for 2020 was limited to €8.3 million. The corresponding EBITDA in 2019 was €70.7 million. The minimal loss at EBITDA level in 2020 was achieved in consequence of proactive cost-cutting across-the-board measures taken at Group level, including reducing staff complements at all levels as well as various programmes on salary cuts and deferrals. The Group also tapped into subsidies and funds available from various Governments, and successfully renegotiated terms with most of the Group's funding banks.

Adjustments in value of property and intangible assets amounted to a loss of €6.2 million in FY2020 compared to a gain of €2.6 million in FY2019. The said loss for 2020 primarily represents an impairment of €5.2 million in the carrying value of the London apartment.

In 2020, the Group reported a net profit from its share of results of associate companies of €9.1 million (2019: €3.4 million). Although the current year's performance was dampened by the results of the Golden Sands hotel and timeshare operation (50% share owned by IHI p.l.c.) resulting in an erosion of €2.5 million, this amount represents a lower loss than that achieved in the preceding year when a loss of €4 million was registered from this activity. The timeshare sales 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 further. In 2020, this investment contributed €12.5 million to the Group's profitability (2019: €7.3 million).

In 2020 'other' items amounted to a loss of €13.2 million (FY2019: profit of €5.3 million). Out of this loss, €10.4 million mainly represents exchange differences related to the St Petersburg property on account of a weaker Rouble compared to FY2019. Year-on-year the Rouble devalued by 32% against the Euro. The remaining loss of €2.8 million relates to currency translation differences on the Azure Resorts Group, previously recorded in translation reserves, which were released to profit or loss as a result of the loss of joint control over the joint venture.

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

On account of a weaker Sterling and Rouble relative to the reporting currency of the Group which is Euro, the Group recorded a combined currency translation loss of €52.4 million in 2020, relative to a profit of €31.9 million registered in 2019 (included as part of 'Other effects and tax').

The Group registered a loss on total comprehensive income of €131.5 million in 2020 against a profit of €86.7 million registered in 2019.

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

Revenue in **FY2021** is projected to increase by €29.7 million (+27%) y-o-y to €135.1 million on account of an expected improvement in hospitality business and the consolidation of Golden Sands Resort Limited's results following the acquisition by the Group of the remaining 50% shareholding thereof in February 2021. Management expects Corinthia St Petersburg and Corinthia London to recover faster than the other hotels mainly due to internally generated demand (domestic tourism).

The above-mentioned increase in revenue is expected to reverse a negative EBITDA of €8.3 million registered in FY2020 to a positive balance amounting to €8.3 million. Associate companies (primarily Mediterranean Investments Holding p.l.c.) are projected to contribute €2.6 million compared to €9.1 million in FY2020. The lower level of profitability at the MIH level is principally in consequence of the impact of a devaluation of the Libyan Dinar in early January 2021 on Libyan Dinar denominated assets and liabilities. Notwithstanding, after accounting for depreciation & amortisation of €33.2 million, finance costs of €28.6 million and other net expense items amounting to €4.4 million, the Group is expected to report a loss before taxation of €55.3 million compared to €87.3 million in the prior year.

Other comprehensive income is projected to amount to €19.3 million (FY2020: comprehensive expense of €55.7 million) and principally relates to anticipated positive currency translation differences in Pound Sterling and Russian Rouble. As such, total comprehensive expense is estimated to amount to €26.0 million compared to €131.5 million in FY2020.

| Corinthia Palace Hotel Company Limited<br>Statement of Financial Position<br>(€'000) | 31 Dec'18<br>Actual | 31 Dec'19<br>Actual | 31 Dec'20<br>Actual | 31 Dec'21<br>Forecast |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 8,589 | 6,469 | 5,253 | 9,077 |
| Investment properties | 228,667 | 232,652 | 208,623 | 176,193 |
| Property, plant and equipment | 1,252,693 | 1,239,706 | 1,153,817 | 1,230,986 |
| Investments in associates & joint ventures | 128,950 | 127,525 | 130,635 | 106,308 |
| Right-of-use assets | - | 15,986 | 15,088 | 16,164 |
| Other financial assets | 1,406 | 267 | 5,105 | - |
| Deferred tax assets | 21,702 | 20,719 | 32,444 | 32,946 |
| Financial assets | - | 8,401 | 7,198 | 9,083 |
| Assets placed under trust arrangement | 5,229 | 3,698 | - | - |
| | 1,647,236 | 1,655,423 | 1,558,163 | 1,580,757 |
| **Current assets** | | | | |
| Inventories | 14,122 | 15,335 | 13,056 | 17,001 |
| Trade and other receivables | 48,314 | 43,873 | 30,684 | 30,075 |
| Taxation | 3,956 | 6,786 | 4,438 | 3,363 |
| Financial assets | 8,485 | 10,073 | 13,799 | 12,705 |
| Assets placed under trust arrangement | 122 | 122 | 5,637 | - |
| Cash and cash equivalents | 61,179 | 125,749 | 90,350 | 61,789 |
| Assets held for sale | 1,267 | 1,283 | 930 | - |
| | 137,445 | 203,221 | 158,894 | 124,933 |
| **Total assets** | **1,784,681** | **1,858,644** | **1,717,057** | **1,705,690** |
| **EQUITY** | | | | |
| Called up share capital | 20,000 | 20,000 | 20,000 | 20,000 |
| Other reserves | 164,767 | 152,343 | 123,351 | 130,932 |
| Retained earnings | 241,495 | 297,479 | 262,217 | 232,324 |
| Non-controlling interest | 482,621 | 490,331 | 422,902 | 414,204 |
| | **908,883** | **960,153** | **828,470** | **797,460** |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings and bonds | 624,886 | 634,841 | 639,523 | 670,630 |
| Lease liabilities | - | 13,193 | 13,474 | 15,054 |
| Other non-current liabilities | 113,130 | 109,819 | 104,429 | 104,389 |
| | 738,016 | 757,853 | 757,426 | 790,073 |
| **Current liabilities** | | | | |
| Bank overdrafts | 6,289 | 7,244 | 10,487 | 8,836 |
| Borrowings and bonds | 44,184 | 43,155 | 39,915 | 26,834 |
| Lease liabilities | - | 3,149 | 2,727 | 2,695 |
| Other current liabilities | 87,309 | 87,090 | 78,032 | 79,792 |
| | 137,782 | 140,638 | 131,161 | 118,157 |
| | **875,798** | **898,491** | **888,587** | **908,230** |
| **Total equity and liabilities** | **1,784,681** | **1,858,644** | **1,717,057** | **1,705,690** |

| Key Accounting Ratios | FY2018 Actual | FY2019 Actual | FY2020 Actual | FY2021 Forecast |
|---|---|---|---|---|
| Gearing ratio<br>*(Net debt/Net debt and shareholders' equity)* | 40% | 37% | 42% | 45% |
| Gearing ratio 2 (times)<br>*(Net debt/shareholders' equity)* | 0.67 | 0.60 | 0.74 | 0.83 |
| Net debt to EBITDA (years)<br>*(Net debt/EBITDA)* | 8.89 | 7.97 | -73.39 | 79.09 |
| Net assets per share (€)<br>*(Net asset value/number of shares)* | 21.31 | 23.49 | 20.28 | 19.16 |
| Debt service cover ratio (times)<br>*(EBITDA/net finance cost and loan capital repayment)* | 1.10 | 1.54 | n/a | 0.16 |
| Liquidity ratio (times)<br>*(Current assets/current liabilities)* | 1.00 | 1.44 | 1.21 | 1.06 |

*Source: MZ Investment Services Ltd*

Total assets of the Group as at 31 December 2020 amounted to €1,717 million (FY2019: €1,859 million) and principally include the assets described in section 5 of this report.

Investment property amounting to €208.6 million includes the apartment in London valued at €35.6 million (FY2019: €42.9 million). This apartment was marketed for sale and a promise of sale agreement was signed in March 2021. The sale completion is expected to occur in October 2021.

In view of the loss incurred in 2020, equity value decreased from €960.1 million in FY2019 to €828.5 million.

Borrowings and bonds in FY2020 amounted to €689.9 million compared to €685.2 million in FY2019 (a marginal increase of €4.7 million). To support the Group's cash availability, the Group, early on in the pandemic, engaged with its banks across Europe. Bank of China, HSBC, Bank of Valletta, APS, Sberbank, ABC Bank, K & H Bank and others were forthright in their support by way of capital repayment deferral schemes and the temporary postponement of banking covenants to match current realities. In Czechia Republic, the Group also successfully paid off a maturing loan, by replacing an €18.1 million bullet payment with a new loan from a new banking relationship on favourable terms. In Malta, the Group took full advantage of the EU-sponsored state scheme whereby companies could tap into soft loans, which in the case of IHI amounted to €24.5 million.

Total assets in FY2021 are projected to amount to €1,706 million, a decrease of €11.4 million from a year earlier. The value of investment property is expected to decrease by €32.4 million following the sale of the London apartment, while investments accounted for using the equity method will decrease by €24.3 million mainly on account of taking full ownership of Golden Sands Resort Limited and a €5.0 million dividend distribution by MIH. In this regard, Golden Sands Resort Limited will be consolidated on a line-by-line basis. As such, the y-o-y projected movement in property, plant & equipment of €77.2 million is mainly attributed to the carrying value of the Radisson Blu Resort & Spa Golden Sands. Cash and cash equivalents are projected to decrease by €34.2 million from €96.0 million in FY2020 (which comprises also assets placed under trust management) to €61.8 million.

Total liabilities are projected to increase by €19.6 million (y-o-y) and mainly represent additional borrowings and financial liabilities concluded during the year as well as the inclusion of liabilities of Golden Sands Resort Limited.

Due to the projected increase in borrowings, the gearing ratio of the Group is expected to increase from 42% in FY2020 to 45%. The liquidity ratio is expected to weaken to 1.06 times compared to 1.21 times in FY2020.

| **Corinthia Palace Hotel Company Limited**<br>**Cash Flow Statement**<br>**(€'000)** | **FY2018**<br>**Actual** | **FY2019**<br>**Actual** | **FY2020**<br>**Actual** | **FY2021**<br>**Forecast** |
|---|---|---|---|---|
| Net cash from operating activities | 35,021 | 69,383 | (2,130) | 3,040 |
| Net cash from investing activities | (30,834) | 40,997 | (15,401) | 1,819 |
| Net cash from financing activities | 5,882 | (49,206) | (18,152) | (28,242) |
| **Net movement in cash and cash equivalents** | **10,069** | **61,174** | **(35,683)** | **(23,383)** |
| Cash and cash equivalents at beginning of year | 44,821 | 54,890 | 118,505 | 79,863 |
| Effect of translation of group entities to presentation currency | - | 2,441 | (2,959) | (3,527) |
| **Cash and cash equivalents at end of year** | **54,890** | **118,505** | **79,863** | **52,953** |

Net cash flows from operating activities principally relate to the hospitality operations of the Group. During 2020, operating activities across the Group's properties was minimal. As such, net cash used in operating activities amounted to €2.1 million compared to net cash generated in the prior year of €69.4 million. In the forecast year (2021), the Group expects to generate €3.0 million in net cash from operating activities.

Due to the pandemic, the Group curtailed its capital expenditure plans for the year. Payments to acquire property, plant and equipment was lower by 31% on a comparable basis and amounted to €14.0 million (FY2019: €20.2 million). Net cash used in investing activities in FY2020 amounted to €15.4 million. In FY2019, the Group received €64.2 million from the sale of properties in the Czech Republic and as such, net cash inflows for the year amounted to €41.0 million. Management has maintained the same strategy for FY2021, where capital expenditure will be limited. Furthermore, the projections assume receipt of net proceeds from the sale of the London apartment. As such, net cash inflows from investing activities in FY2021 is expected to amount to €1.8 million.

Financing activities principally comprise movement in bank and other borrowings, issuance of debt securities, payment of leases and dividends, and interest paid. During FY2020, the Group repaid €24.8 million of bank borrowings and made withdrawals of €34.1 million (net proceeds of €9.3 million), compared to net proceeds of €7.4 million in FY2019 from bank borrowings and bond issue. Interest paid during the year amounted to €23.4 million (FY2019: €25.6 million), while €210,000 in dividends were paid compared to €12.5 million in FY2019.

Net cash used in financing activities in FY2021 is projected to amount to €28.2 million, comprising net cash inflows from borrowings of €5.4 million, less lease liabilities of €2.4 million, interest payable amounting to €30.3 million and other payments of €0.9 million.

## SINKING FUND

As at 31 December 2020, the balance held in the reserve account relating to the 5.8% Bonds 2021 amounted to €5.6 million (FY2019: €3.8 million).

## VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the forecast financial information for the year ended 31 December 2020 included in the prior year's Financial Analysis Summary dated 31 August 2020 and the audited consolidated financial statements for the year ended 31 December 2020.

| **Corinthia Palace Hotel Company Limited**<br>**Consolidated Income Statement (FY2020)**<br>**(€'000)** | **Actual** | **Forecast** | **Variance** |
|---|---|---|---|
| Revenue | 106,397 | 107,226 | (829) |
| Net operating expenses | (114,689) | (117,212) | 2,523 |
| **EBITDA** | **(8,292)** | **(9,986)** | **1,694** |
| Depreciation and amortisation | (39,434) | (39,695) | 261 |
| Other net income (expenses) | (2,751) | 7 | (2,758) |
| Gain (loss) on exchange | - | (7,788) | 7,788 |
| Adjustments in value of hotel & other properties, intangibles | (6,196) | - | (6,196) |
| **Results from operating activities** | **(56,673)** | **(57,462)** | **789** |
| Finance costs | (27,841) | (27,585) | (256) |
| Investment income & movement in value of financial assets | 1,289 | - | 1,289 |
| Share of results of associate companies | 9,114 | 3,721 | 5,393 |
| Other | (13,182) | - | (13,182) |
| **Profit (loss) before tax** | **(87,293)** | **(81,326)** | **(5,967)** |
| Taxation | 11,559 | 16,939 | (5,380) |
| **Profit (loss) for the year** | **(75,734)** | **(64,387)** | **(11,347)** |
| **Other comprehensive income (expense)** | | | |
| Gross surplus (impairment) on revaluation of hotel properties & other assets | (10,246) | - | (10,246) |
| Share of other comprehensive income of equity accounted investments | 239 | - | 239 |
| Other effects and tax | (45,732) | (39,179) | (6,553) |
| | **(55,739)** | **(39,179)** | **(16,560)** |
| **Total comprehensive income (expense) net of tax** | **(131,473)** | **(103,566)** | **(27,907)** |

As presented in the above table, revenue for FY2020 was lower than forecast by €829,000, which was mitigated by a decrease of €2.5 million in direct and operating costs. As such, the variance in EBITDA was positive and amounted to €1.7 million.

The variance in loss before tax was worse than expected by €6.0 million on account of higher than expected losses on exchange rate movements in Pound Sterling and Russian Rouble and impairments in value of property and intangible assets which could not be foreseen and thus were not included in the projections. On the other hand, actual share of results of associate companies amounted to €9.1 million compared to a forecast amount of €3.7 million, thereby resulting in a positive variance of €5.4 million.

Impairments and exchange rate losses also adversely impacted other comprehensive expense by €16.8 million. Overall, total comprehensive expense was higher than projected by €27.9 million to €131.5 million again due to currency movements on Sterling and Rouble against Euro, which could not be determined at the forecast stage as such movements are determined on the end of year rate.

| **Corinthia Palace Hotel Company Limited<br>Cash Flow Statement (FY2020)<br>(€'000)** | **Actual** | **Forecast** | **Variance** |
|---|---|---|---|
| Net cash from operating activities | (2,130) | (44,411) | 42,281 |
| Net cash from investing activities | (15,401) | (17,265) | 1,864 |
| Net cash from financing activities | (18,152) | 13,921 | (32,073) |
| **Net movement in cash and cash equivalents** | **(35,683)** | **(47,755)** | **12,072** |
| Cash and cash equivalents at beginning of year | 118,505 | 118,505 | - |
| Effect of translation of group entities to presentation currency | (2,959) | - | (2,959) |
| **Cash and cash equivalents at end of year** | **79,863** | **70,750** | **9,113** |

Actual net movement in cash and cash equivalents was higher than projected by €12.1 million, mainly arising from a positive variance in operating and investing activities of €44.1 million. Due to better than expected cash management in FY2020, drawdowns from bank loan facilities were lower than projected and thereby resulted in a variance of €32.1 million.

| **Corinthia Palace Hotel Company Limited**<br>**Statement of Financial Position (31 Dec'20)**<br>**(€'000)** | **Actual** | **Forecast** | **Variance** |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 5,253 | 5,592 | (339) |
| Investment properties | 208,623 | 217,935 | (9,312) |
| Property, plant and equipment | 1,153,817 | 1,171,705 | (17,888) |
| Investments in associates & joint ventures | 130,635 | 129,466 | 1,169 |
| Right-of-use assets | 15,088 | 14,296 | 792 |
| Other financial assets | 5,105 | 267 | 4,838 |
| Deferred tax assets | 32,444 | 20,331 | 12,113 |
| Financial assets | 7,198 | 8,401 | (1,203) |
| | 1,558,163 | 1,567,993 | (9,830) |
| **Current assets** | | | |
| Inventories | 13,056 | 10,333 | 2,723 |
| Trade and other receivables | 30,684 | 33,215 | (2,531) |
| Taxation | 4,438 | 5,069 | (631) |
| Financial assets | 13,799 | 13,162 | 637 |
| Assets placed under trust arrangement | 5,637 | 5,606 | 31 |
| Cash and cash equivalents | 90,350 | 79,557 | 10,793 |
| Assets held for sale | 930 | 1,073 | (143) |
| | 158,894 | 148,015 | 10,879 |
| **Total assets** | **1,717,057** | **1,716,008** | **1,049** |
| **EQUITY** | | | |
| Called up share capital | 20,000 | 20,000 | - |
| Other reserves | 123,351 | 122,809 | 542 |
| Retained earnings | 262,217 | 261,664 | 553 |
| Non-controlling interest | 422,902 | 440,881 | (17,979) |
| | **828,470** | **845,354** | **(16,884)** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings and bonds | 639,523 | 664,201 | (24,678) |
| Lease liabilities | 13,474 | 11,654 | 1,820 |
| Other non-current liabilities | 104,429 | 85,616 | 18,813 |
| | 757,426 | 761,471 | (4,045) |
| **Current liabilities** | | | |
| Bank overdrafts | 10,487 | 8,807 | 1,680 |
| Borrowings and bonds | 39,915 | 23,587 | 16,328 |
| Lease liabilities | 2,727 | 2,971 | (244) |
| Other current liabilities | 78,032 | 73,818 | 4,214 |
| | 131,161 | 109,183 | 21,978 |
| | **888,587** | **870,654** | **17,933** |
| **Total equity and liabilities** | **1,717,057** | **1,716,008** | **1,049** |

Total assets as at 31 December 2020 were higher than forecast by €1.0 million. This amount mainly reflected higher than expected impairments in value of property and intangibles, and adverse movement in the exchange rate of the Pound Sterling and Russian Rouble (-€27.2 million), which could not be determined at the forecast stage. These adverse amounts were mitigated by higher than expected cash balances (+€10.8 million), other financial assets (+€4.8 million) and deferred tax assets (+€12.1 million).

Capital and reserves were lower by €16.9 million mainly due to the impact of the above. In total liabilities, borrowings were lower than expected by €6.7 million. In contrast, other non-current liabilities (mainly deferred tax) and current liabilities (primarily trade and other payables) were higher than forecast by €18.8 million and €4.2 million respectively.

## Debt Securities issued by Associated Companies

In June 2021, MIH (a company principally involved in the operation of the Palm City Residences in Libya) repaid in full the €11.9 million 6% MIH Unsecured Bonds 2021 (MT0000371261). Below is a list of outstanding debt securities as at the date of this report.

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

*Source: Malta Stock Exchange*

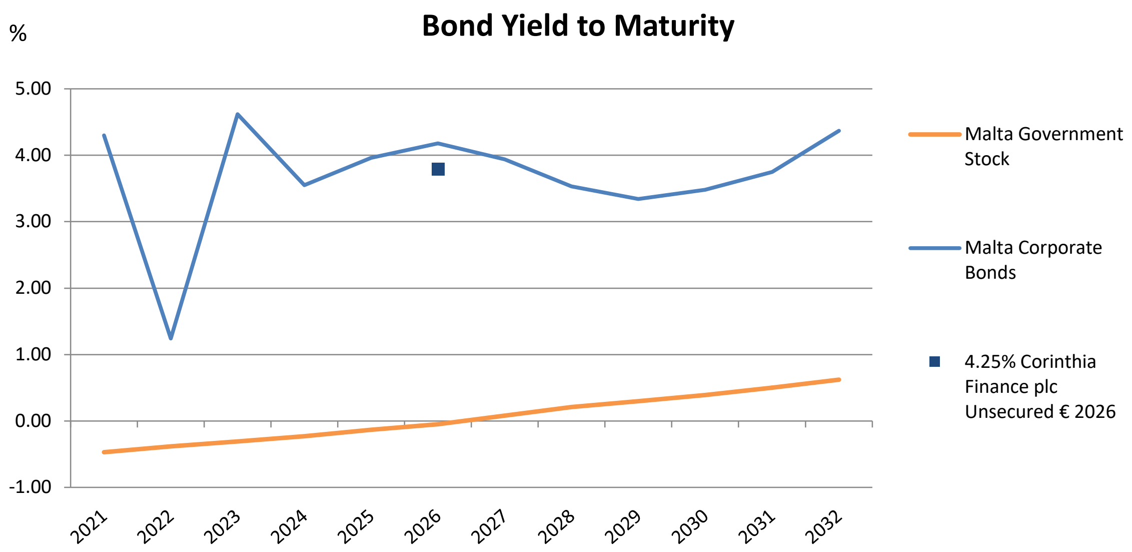
# PART 4 - COMPARABLES

The table below compares the 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 | 4.30 | - | 0.61 | 1,544,099 | 773,176 | 41.87 |
| 3.65% GAP Group plc Secured € 2022 | 30,049,800 | 1.24 | | 2.24 | 103,895 | 15,134 | 73.44 |
| 6.00% Pendergardens Developments plc Secured € 2022 Series | 21,845,300 | 3.53 | | 1.79 | 60,578 | 29,491 | 36.39 |
| 4.25% GAP Group plc Secured € 2023 | 19,247,300 | 2.66 | | 2.24 | 103,895 | 15,134 | 73.44 |
| 5.30% United Finance Plc Unsecured € Bonds 2023 | 8,500,000 | 4.62 | | 0.67 | 37,298 | 6,677 | 75.91 |
| 5.80% International Hotel Investments plc 2023 | 10,000,000 | 4.47 | - | 0.61 | 1,544,099 | 773,176 | 41.87 |
| 6.00% AX Investments Plc € 2024 | 40,000,000 | 4.76 | | 0.76 | 348,657 | 217,449 | 25.57 |
| 6.00% International Hotel Investments plc € 2024 | 35,000,000 | 4.16 | - | 0.61 | 1,544,099 | 773,176 | 41.87 |
| 5.30% Mariner Finance plc Unsecured € 2024 | 35,000,000 | 3.55 | | 3.66 | 100,350 | 50,297 | 48.12 |
| 5.00% Hal Mann Vella Group plc Secured € 2024 | 30,000,000 | 4.04 | | 2.04 | 122,396 | 47,319 | 52.86 |
| 5.10% 1923 Investments plc Unsecured € 2024 | 36,000,000 | 4.31 | | 3.09 | 135,492 | 45,574 | 27.66 |
| 4.25% Best Deal Properties Holding plc Secured € 2024 | 14,776,400 | 3.03 | | - | 27,453 | 4,128 | 81.72 |
| 3.7% GAP Group plc Secured € 2023-2025 Series 1 | 21,000,000 | 3.45 | | 2.24 | 103,895 | 15,134 | 73.44 |
| 5.75% International Hotel Investments plc Unsecured € 2025 | 45,000,000 | 4.34 | - | 0.61 | 1,544,099 | 773,176 | 41.87 |
| 5.10% 6PM Holdings plc Unsecured € 2025 | 13,000,000 | 4.56 | | 7.33 | 160,836 | 54,602 | 29.84 |
| 4.50% Hili Properties plc Unsecured € 2025 | 37,000,000 | 3.96 | | 1.46 | 149,639 | 62,675 | 54.94 |
| 4.35% Hudson Malta plc Unsecured € 2026 | 12,000,000 | 4.18 | | 3.16 | 43,383 | 5,522 | 81.61 |
| **4.25% Corinthia Finance plc Unsecured € 2026** | **40,000,000** | **3.79** | **-** | **0.51** | **1,717,057** | **828,470** | **42.64** |
| 4.00% International Hotel Investments plc Secured € 2026 | 55,000,000 | 3.46 | - | 0.61 | 1,544,099 | 773,176 | 41.87 |
| 3.75% Premier Capital plc Unsecured € 2026 | 65,000,000 | 3.32 | | 7.39 | 278,759 | 53,003 | 75.22 |
| 4.00% International Hotel Investments plc Unsecured € 2026 | 60,000,000 | 3.64 | - | 0.61 | 1,544,099 | 773,176 | 41.87 |
| 3.25% AX Group plc Unsec Bds 2026 Series I | 15,000,000 | 2.28 | | 0.76 | 348,657 | 217,449 | 25.57 |
| 4.35% SD Finance plc Unsecured € 2027 | 65,000,000 | 3.96 | | 6.86 | 324,427 | 137,612 | 28.31 |
| 4.00% Eden Finance plc Unsecured € 2027 | 40,000,000 | 3.94 | - | 0.50 | 190,466 | 108,369 | 31.32 |
| 4.00% Stivala Group Finance plc Secured € 2027 | 45,000,000 | 3.21 | | 2.30 | 354,069 | 231,437 | 26.54 |
| 3.85% Hili Finance Company plc Unsecured € 2028 | 40,000,000 | 3.53 | | 3.44 | 624,222 | 106,811 | 78.42 |
| 3.65% Stivala Group Finance plc Secured € 2029 | 15,000,000 | 3.34 | | 2.30 | 354,069 | 231,437 | 26.54 |
| 3.80% Hili Finance Company plc Unsecured € 2029 | 80,000,000 | 3.80 | | 3.44 | 624,222 | 106,811 | 78.42 |
| 3.75% AX Group plc Unsec Bds 2029 Series II | 10,000,000 | 2.69 | | 0.76 | 348,657 | 217,449 | 25.57 |

*31-May-21*

*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 31 May 2021

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 3.79%, which is *circa* 39 basis points lower than other corporate bonds maturing in the same year. The premium over FY2026 Malta Government Stock is 384 basis points.

# 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. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity. |