Mediterranean Investments Holding p.l.c.

# COMPANY ANNOUNCEMENT

## Financial Analysis Summary

*The following is a Company Announcement issued by Mediterranean Investments Holding p.l.c. pursuant to the Listing Rules issued by the Listing Authority.*

Mediterranean Investments Holding p.l.c. announces that the Financial Analysis Summary authored by Rizzo, Farrugia & Co (Stockbrokers) Limited is being attached hereto and can also be viewed on the Company's website http://www.mihplc.com/content.aspx?id=419316&subId=118211.

Stephen Bajada
Company Secretary

*Encl.*

26 June 2019

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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The Board of Directors
**Mediterranean Investments Holding plc**
22, Europa Centre,
John Lopez Street,
Floriana FRN 1400

25 June 2019

Dear Sirs,

**Mediterranean Investments Holding plc – Financial Analysis Summary (**the **"Update FAS")**

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

The purpose of the Analysis is that of summarising key financial data appertaining to Mediterranean Investments Holding plc (the "**Company**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the three years ended 31 December 2018 has been extracted from the Company's audited statutory financial statements;

(b) The updated forecasts for the financial year ending 31 December 2019 have been provided by management and approved by the Directors of the Company;

(c) Our commentary on the results of the Company and on the respective financial position is based on explanations provided by the Company;

(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions as set out and defined within the report; and

(e) Relevant financial data in respect of the comparative set as analysed in Part D of this report has been extracted from public sources such as the web sites of the companies concerned, or financial statements filed at the Registry of Companies.

The Update FAS is meant to assist potential investors by summarising the more important financial data of the Company. The Update FAS does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Update FAS does not constitute an endorsement by our firm of the securities of the Company and should not be interpreted as a recommendation to invest. We shall not accept any liability for any loss or damage arising out of the use of the Update FAS and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. As with all investments, potential investors are encouraged to seek independent professional advice before investing.

Yours sincerely,

Vincent E. Rizzo

Director

MEDITERRANEAN INVESTMENTS HOLDING P.L.C.

# FINANCIAL ANALYSIS SUMMARY
## Update 2019

*Prepared by Rizzo, Farrugia & Co (Stockbrokers) Ltd, in compliance with the Listing Policies issued by the Malta Financial Services Authority, dated 5 March 2013.*

25 June 2019

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

## Table of Contents

## List of Abbreviations

| | |
|---|---|
| AHC | Alinmaa Holding Company |
| AUCC | Arab Union Contracting Company (Libya) |
| BOT | Build, Operate and Transfer agreement dated 2 October 2007 and entered between Corinthia and PCL |
| CF | Corinthia Finance plc |
| CPHCL | Corinthia Palace Hotel Company Limited |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| F&B | Food and beverages |
| GDP | Gross Domestic Product |
| IHI | International Hotel Investments plc |
| LPTACC | Libya Projects and General Trading and Contracting Co. |
| MFSA | Malta Financial Services Authority |
| MGS | Malta Government Stocks |
| MIH | Mediterranean Investments Holding plc |
| MSS Agreement | Management and Support Services Agreement |
| MTJSC | Medina Tower Joint Stock Company |
| NGO | Non-Government Organisation |
| NREC | National Real Estate Company |
| PCL | Palm City Limited |
| PPE | Property, plant and equipment |
| PWL | Palm Waterfront Limited |
| RevPAU | Revenue per available unit |
| UN | United Nations |
| UNSMIL | United Nations Support Mission in Libya |
| YTM | Yield to maturity |

## Important Information

### Purpose of the Document

Mediterranean Investments Holding p.l.c. (the "**Company**" or "**MIH**") issued the following listed bonds:

- €12 million 6% Unsecured Bonds 2021 pursuant to a prospectus dated 2 June 2014;
- €20 million 5.5% Unsecured Bonds 2020 pursuant to a prospectus dated 1 July 2015 ("**Bond 2020**"); and
- €40 million 5% Unsecured Bonds 2022 pursuant to a prospectus dated 29 May 2017 ("**Bond 2022**")

(hereinafter, collectively referred to as the "**Bond Issues**").

Each prospectus included a Financial Analysis Summary ("**FAS**") in line with the requirements of the Listing Policies as issued and last updated by the MFSA on 5 March 2013. The purpose of this report is to provide an update to the FAS (the "**Update FAS**") on the performance and on the financial position of the Company.

*NB: Information pertaining to Corinthia Palace Hotel Company Limited, as guarantor to the 2015 and 2017 bonds, will be made available in an update FAS to be issued by Corinthia Finance plc, expected by no later than 31 August 2019 and which will be available on www.corinthiagroup.com/analysis-summaries/.*

### Sources of Information

The information that is presented has been collated from several sources, including the Company's website (www.mihplc.com), the Company's audited Financial Statements for the years ended 31 December 2016, 2017 and 2018 and management forecasts for financial year ending 31 December 2019.

Forecasts that are included in this document have been prepared by management and approved for publication by the directors of the Company, who undertake full responsibility for the assumptions on which these forecasts are based.

Wherever used, FYXXXX refers to financial year covering the period 1st January to 31st December. The financial information is being presented in thousands of Euro, unless otherwise stated, and has been rounded to the nearest thousand.

### Previous FAS Issued

The Company has published the following FAS which are available on its website:

FAS dated 2 June 2014 (appended to the prospectus)

FAS dated 1 July 2015 (appended to the prospectus)

FAS dated 31 May 2016

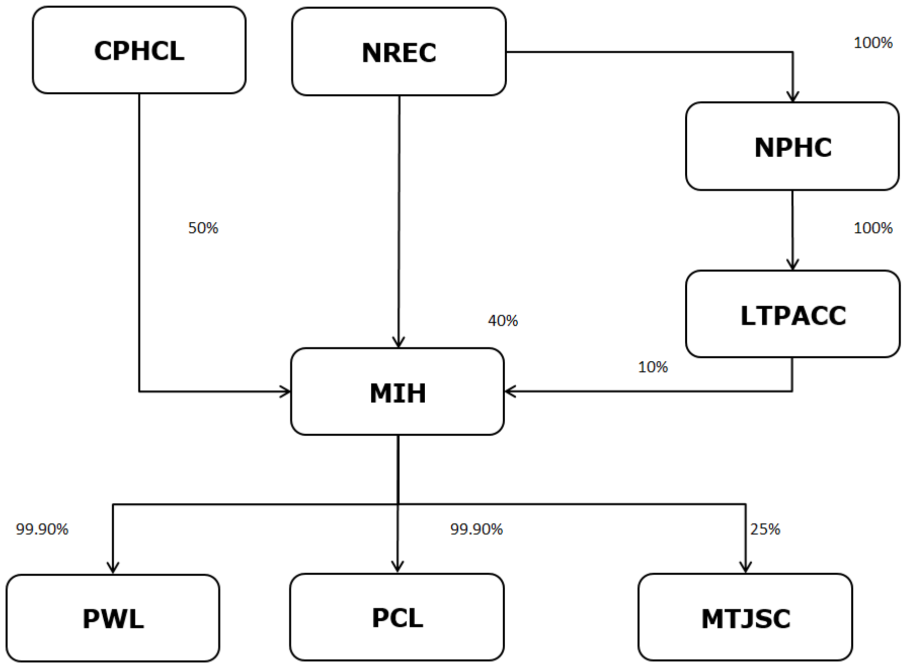
FAS dated 29 May 2017 (appended to the prospectus)

FAS dated 22 June 2018

## PART A BUSINESS & MARKET OVERVIEW UPDATE

### 1. INTRODUCTION

MIH was incorporated in December 2005 and converted into a public limited company in 2007. It is owned equally by National Real Estate Company ("**NREC**") directly or indirectly and CPHCL, as illustrated hereunder.




The principal activities of MIH relate to the acquisition and development of immoveable property outside Malta, particularly in North Africa. The types of properties of interest to the Company include, without limitation, residential gated villages, build-operate-transfer projects, office and commercial buildings, retail outlets, shopping malls, housing, conference centres and other governmental projects.

Currently, MIH, through its wholly owned subsidiary Palm City Limited ("**PCL**"), operates the Palm City Residences in Janzour, Libya through a build-operate-transfer agreement entered into between PCL and Corinthia Palace Hotel Company Limited ("**CPHCL**"). It also owns 25% of the share capital of Medina Tower Joint Stock Company ("**MTJSC**"), a company incorporated with the objective to construct the Medina Tower, a proposed 199,000 square metre mixed-used development in the heart of Tripoli. Palm Waterfront Ltd ("**PWL**") is a wholly owned subsidiary of MIH (99.9%) and is responsible for the development of the Palm Waterfront project The Palm Waterfront is located adjacent to Palm City Residences. The Palm Waterfront will become a natural extension to the Residences and will create synergy between the two developments by providing added facilities such as a hotel, yacht marina, restaurants and leisure outlets that will greatly enhance the living experience at both Palm City Residences and Palm Waterfront. The Medina Tower and the Palm Waterfront projects are also both situated in Libya and their execution is currently on hold.

### PCL

Palm City Ltd is a private limited liability company incorporated and registered in Malta on 10 June 2004. It has an authorised share capital of €250,000,000 and an issued share capital of €140,500,000 divided into 140,500,000 ordinary shares of €1 each, fully paid up. PCL is a wholly owned subsidiary of the Company.

### PWL

Palm Waterfront Ltd is a private limited liability company incorporated and registered in Malta on 3 August 2012. It has an authorised share capital of €100,000,000 and an issued share capital of €2,000 divided into 2,000 ordinary shares of €1 each, fully paid up. PWL is a wholly owned subsidiary of the Company.

### MTJSC

The Company holds a 25% equity participation in Medina Tower Joint Stock Company for Real Estate Investment and Development ("**MTJSC**"), a joint stock company incorporated and registered in Libya on 20 May 2010. The remaining 75% is held equally by IHI and two Libyan investment companies – Arab Union Contracting Company ("**AUCC**") and Alinmaa Holding Company ("**AHC**").

*Further information on operations and updates on each of PCL, PWL and MTJSC is found in section 5 of this report.*

## THE PARENT COMPANIES

### CPHCL

CPHCL is a company registered in Malta which owns 50% of MIH and acts as the guarantor in terms of Bond 2020 and Bond 2022 (information about the Guarantor can be found in the FAS on CPHCL dated 27 June 2018, an update to this report is expected to be issued by no later than 31 August 2019). Apart from its investment in MIH, CPHCL has over the years expanded into an international group in the hospitality and leisure industry, principally through IHI plc, a company in which CPHCL holds 58% of its equity. It is the parent company of the Corinthia Group and is principally engaged in the ownership, development and operation of hotels and other activities related to the hospitality industry in various countries either directly or through subsidiaries.

### NREC

NREC holds a 40% direct shareholding in MIH and another 10% is held indirectly through its wholly-owned subsidiary – Libya Projects and General Trading and Contracting Co. ("**LPTACC**"). NREC is a Kuwaiti-listed company with an international focus on real estate. It has to date developed a strong portfolio of retail, commercial and residential real estate mainly in new and established markets across the Middle East and North Africa (MENA) region.

## 2. GOVERNANCE AND MANAGEMENT

The current Board of MIH consists of seven directors who are entrusted with the overall direction and management of the Company. The Board's mandate is to identify and execute new investment opportunities and obtain related funding. The Board is composed as follows:

| | |
|---|---|
| Alfred Pisani | Executive Director and Chairman |
| Joseph Fenech | Executive Director |
| Joseph M. Pisani | Non-Executive Director |
| Mario P. Galea | Non-Executive Director |
| Faisal J. S. Alessa | Non-Executive Director *(appointed on 28 March 2018)* |
| Ahmed Wahedi | Non-Executive Director *(appointed on 14 March 2018)* |
| Ahmed Yousri Helmy | Non-Executive Director *(appointed on 14 March 2018)* |

The following directors resigned during 2018:

| | |
|---|---|
| Samuel D. Sidiqi | Non-Executive Director and Deputy Chairman *(resigned 14 March 2018)* |
| Bassem Bitar | Non-Executive Director *(resigned on 28 March 2018)* |
| Shivamurthy Bhanapur Hiremath | Non-Executive Director *(resigned on 14 March 2018)* |

The company secretary is Stephen Bajada.

The Company does not have any employees of its own. MIH is reliant on resources made available by CPHCL pursuant to a management and support services agreement ("**MSS Agreement**"). Through the MSS Agreement, Reuben Xuereb provides his services as the CEO of the Company, Rachel Stilon as the CFO and Stephen Bajada as the Company Secretary. Other than these executives, there are several executives in the accounting, auditing, legal, secretarial and other departments who provide services to MIH on an ad-hoc basis.

The average number of employees engaged by the MIH group within the various subsidiaries during FY2018 was 80, of which 20 are administrative employees and the remaining are employed in operations.

## 3. MATERIAL UPDATES

### PALM CITY RESIDENCES

Over the past three years, the financial performance of MIH improved, despite the persisting socio-political turmoil in Libya. Occupancy levels at Palm City Residences have risen gradually following the 2016 lows. In fact, these rose to 45% by late FY2018 which is considerably higher than the low of 10.7% which was recorded towards the end of 2016.

Interest in Palm City Residences continued to show encouraging signs as occupancy levels rose coupled with a marginal rise in the average monthly rate per unit to €8,500 during FY2018 from €8,400 in FY2017. To add to this, there has also been a notable shift in demand from short/medium term leases to medium/long term leases which indicate signs of improvement in the surroundings of the region.

In FY2018, numerous property audits were carried out by security consultants on behalf of the lessees, which certified the Palm City Residences as a safe and secure compound that provides the highest level of service not only in terms of hospitality but, more importantly, from the perspective of safety and security. Additionally, management has procured services relating to a technical audit of its IT systems and a separate engineering audit on the plant and equipment during FY2018. Within the compound, Palm City currently operates an all-day dining restaurant/bistro/cafe, an internationally well-stocked supermarket, health & fitness centre and an international health care centre. In the near term, management expects to see the re-opening of a second restaurant within the compound.

Notwithstanding the difficult operating environment, during the past three years, Palm City Residences was operational at all times, even increasing its workforce and creating new roles in recent months which were necessary to keep up with the increase in demand. Moreover, PCL continued to invest in additional and enhanced security features in an effort to better secure the gated village. This was important as several tenants, particularly those who are heavily invested in Libya, kept their leases running with a view to physically return to the country at the first possible opportunity.

## 4. MATERIAL CONTRACTS

### 4.1 MSS AGREEMENT

MIH is party to an MSS Agreement with CPHCL. Through this agreement, MIH is provided with management support services at the strategic level of its business that benefits MIH from the experience and expertise of CPHCL in the conduct of its business and the implementation of a highly efficient and cost-effective construction programme. The MSS Agreement also makes available for MIH top executive and central administrative level staff and support personnel from the Corinthia Group. Under this agreement, MIH is provided with such services for an annual fee of €365,000 (which is adjusted annually for a 5% inflation) giving MIH access to:

- the commitment of an executive team with over 40 years' experience of successfully operating in Libya;
- an experienced, motivated, proven and loyal local and foreign senior management team of international calibre with an average of over 25 years' service;
- a team of well-qualified and dynamic young professionals, increasing the potential for future growth;
- an effective monitoring system assuring controls on standards and performance;
- a long experience in developing, managing and maintaining properties planned and built to high quality standards; and
- corporate strength through a long-term policy of diversification into construction, project management and other service ventures.

### 4.2 BUILD-OPERATE-TRANSFER AGREEMENT

Through its subsidiaries – PCL and PWL – MIH has in place two build-operate-transfer ("**BOT**") agreements with one of its major shareholders – CPHCL – as detailed further in section 5 below.

## 5. UPDATE OF THE MAJOR ASSETS OF THE COMPANY

The values attributable to the major asset of each of the underlying investments are summarised below:

| | Valuation Basis | FY2016 | FY2017 | FY2018 |
|---|---|---|---|---|
| | | *€'000* | *€'000* | *€'000* |
| **Palm City Residences** *(65-year BOT agreement expiring 2071)* | Discounted Cash Flows | 250,212 | 250,268 | 271,977 |
| **Palm Waterfront** *(80-year BOT agreement expiring in 2093)* | Cost + Capitalised expenses | 8,309 | 8,583 | 8,682 |
| **Medina Tower** * *(25% shareholding in MTJSC)* | Equity contribution | 13,705 | 12,603 | 12,761 |

*Source: MIH plc financial statements for the years 2016, 2017 and 2018.*

** The equity contribution that MIH has in Medina Tower is denominated in Libyan Dinars (LYD). MIH's investment in Medina Tower did not change between FY2016 and FY2018, and the differences in the value of such investment as quoted above relate to foreign exchange differences (unrealised) relating to the EUR/LYD rates prevailing as at the year-end date.*

### 5.1 PALM CITY RESIDENCES

The following is an overview of the only operating asset of the Company – Palm City Residences.

PCL is a wholly owned subsidiary of MIH (99.9%), set up to develop and operate the Palm City Residences in Janzour, Libya. The site hosting the development of a 413-unit village has a footprint of 171,000 square metres and a shorefront of approximately 1.7 kilometres.

CPHCL holds title to the land where Palm City Residences is built, pursuant to a 99-year lease agreement dated 5 July 2006. PCL entered into a BOT agreement for 65 years with CPHCL (effective 6 July 2006) whereby PCL was engaged to undertake the construction and operations of the complex. Under the BOT agreement, PCL will operate the residences at its own risk and for its own benefit. Upon expiry of this agreement, PCL will be required to transfer the operations back to CPHCL for the remaining useful life of the lease until 2105[1].

[1] *The Group is in the process of registering a joint stock company in Libya, to be owned as to 90% of its share capital by PCL (CPHCL and NREC to hold the remaining 10% in equal proportions between them). Subject to approval by the competent authority in Libya, the Libyan Investment Board, title to the land underlying the Palm City Residences will be transferred by CPHCL to such company. Upon such title transfer taking effect, the BOT agreement between PCL and CPHCL will be terminated, resulting in PCL no longer being bound to return the operation of the Palm City Residences to CPHCL upon the lapse of the said 65-year term.*

### PERFORMANCE OF PALM CITY RESIDENCES

In each of the past three financial years (FY2016 to FY2018), PCL generated 100% of the Group's annual revenues as per below table:

| *for the year ended 31 December* | Actual 2016 *€'000* | Actual 2017 *€'000* | Actual 2018 *€'000* |
|---|---|---|---|
| Residential leases | 3,259 | 6,917 | 15,905 |
| Commercial leases | 85 | 478 | 1,118 |
| F&B | 43 | 415 | 1,024 |
| Other income | 241 | 549 | 813 |
| **Total PCL revenue** | **3,627** | **8,359** | **18,860** |
| | | | |
| **MIH plc - Group Revenue** | **3,627** | **8,359** | **18,860** |
| | | | |
| **PCL revenue contribution** | **100%** | **100%** | **100%** |
| | | | |
| **Average Occupancy** | **14%** | **17%** | **37%** |
| **RevPAU (revenue in € per unit per month)** | **658** | **1,396** | **3,209** |

*Source: Management Information*

By the end of FY2017, the NGO sector occupied 57% of the total occupied units compared to 24% occupied by the Oil and Gas Sector, with cumulative residential revenue amounting to €6.9 million out of a total of €8.3 million. In the same period, total occupancy increased from 18.25% in June 2017 up to 24.7% by the end of the year.

By end of FY2018, PCL's main contributors to its residential revenue figure remained unchanged as embassies (21.7%), non-governmental organisations (37.2%) and the oil and gas sector (26.4%) all contributed heavily towards the €18.9 million total revenue figure generated by PCL in 2018. In fact, the total revenue figure translated into a 125% increase when compared to FY2017. By end of March 2019, management reported that occupancy had reached 55%, grossing a quarterly revenue of €6.6 million, therefore putting PCL on course to achieve even stronger revenue figures in FY2019.

During the FY2017, tenant leasing sentiment gradually shifted from a preference for short and medium-term leases (2015-16) to one where medium and long-term stays became more prevalent (2017-18). In fact, in FY2017 20% (FY2016:41%) of the tenants had a lease agreement for the short-term (one year or less), 57% (FY2016:41%) of the tenants had a lease agreement for medium-term (one year) whilst 24% (FY2016:18%) opted to go for a longer-term (two to five-year lease agreement).

By the close of FY2018, this sentiment continued to shift further towards the longer term. In fact, short-term and medium-term leases contributed to just 6.91% and 6.54% of total occupancies in 2018 respectively. Due to the improvement of the situation within the region and PCL's tenants' commitment to move back to the country and remain there for the long-term, the majority of tenants in FY2018 opted for long-term leases which amounted to 86.55% of total occupancies within this period.

In FY2017, the revenue per available unit per month (RevPAU) more than doubled to €1,396 from the poor results registered in FY2016 (€658), reflecting the increase in demand for tenancy at Palm City Residences. In FY2018, RevPAU surged by another 130% when compared to the previous financial year. This figure is very encouraging when one considers that despite an increase in pricing per unit at PCL, the demand for the units at the Residences continued to increase and more importantly in long-term leases.

The competitive edge that Palm City Residences has over other similar residential compounds has always been its location and security features, given its location to an area close to Tripoli but secluded in terms of security features. According to management, one of the only other competing complexes located in the vicinity of Palm City Residences, Oea Village, have all 130 of its units taken up by the United Nations. On the other hand, the other competing compound, namely Peacock Hotel, has had its business disrupted in May 2019, due to its close proximity to the recent occurrence of hostilities. This may lead to an increase in leasing out of units for PCL as demand from other compounds shifts to their more securely located complex. In fact, management emphasised that while there are alternative accommodation options in Tripoli, none of the other options offer the same level of lifestyle, top-quality service, security and the extent of facilities, both leisure and commercial, that Palm City offers. As a result, management believes that the Group enjoys a dominant market position and although Palm City Residences suffered from a significant decline in occupancy levels in previous years, it remained operational at all times, maintained in pristine condition and is closely monitored by management.

### Outlook for PCL

The last two years have been encouraging for MIH as its operations continue to make progress due to the favourable and more stable outlook in Libya. Several large foreign companies operating in Libya are in fact returning and the need for accommodation is rising once more. As a result, the occupancy level within Palm City rebounded significantly since the lows experienced in 2016.

Management advised that interest in Palm City is on an upward trend as it continued to gain momentum towards the end of FY2018 and into FY2019. This was again supported by the high standard of accommodation and security procedures offered at Palm City which were not available elsewhere in Libya. A healthy number of visits and enquiries have been received from a number of companies, embassies and NGO's which is an indicator that the international community is eager to engage with Libya commercially and diplomatically again, following the difficulties of the post-revolutionary period. Such interest continued during the course of the first few months of 2019, with the Group concluding additional lease agreements with embassies, NGO's, international security service providers and other entities which are reportedly paying rates that are the highest rates ever charged by Palm City. Management expects occupancy to reach 75% by the end of 2019, as shall be discussed further in the following sections of this report.

## 5.2 Other Non-Operational Assets

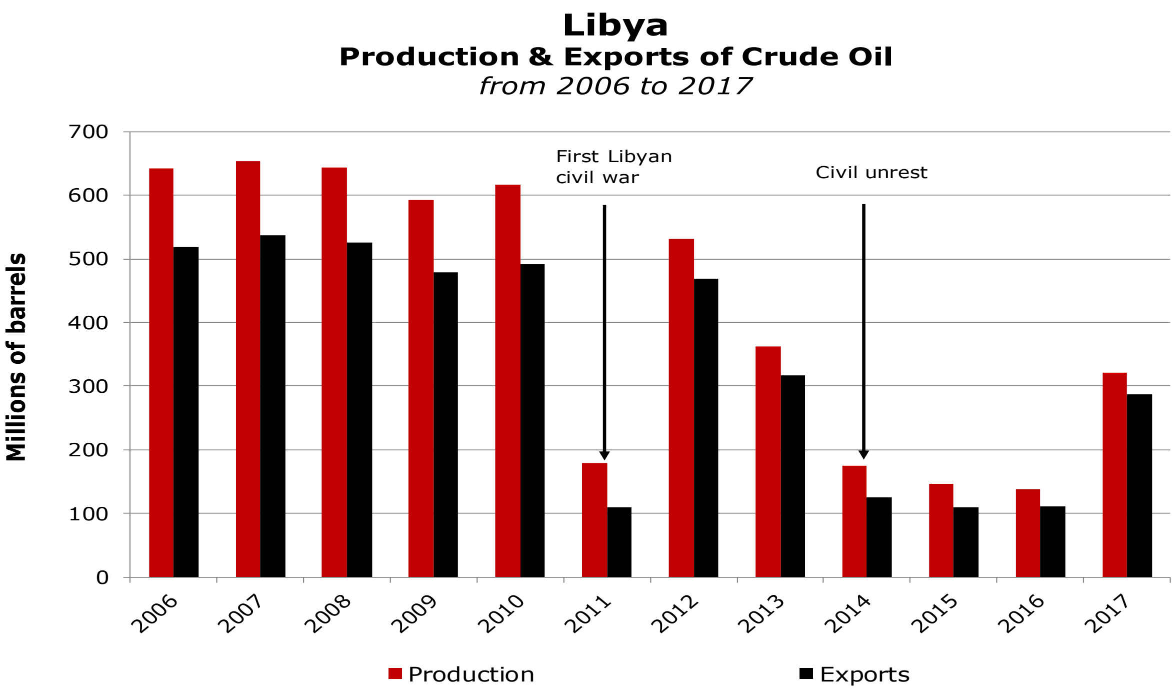
MIH has two other projects that are on hold in view of the prevailing instability in Libya. These are the Palm Waterfront complex (through the 99.9%-owned PWL) and the Medina Towers (through its 25% investment in MTJSC). There has been no development or update to any of these assets during FY2018.

## 6. Country and Market Update

Following the revolution in mid-2011, Libya has still not yet created the political infrastructure that is required for the country to become truly democratic and instil functional power transition mechanisms. After the National Transitional Council (which was originally setup following the end of the first Libyan civil war) handed power to the elected General National Congress in 2012, socio-political division in the country remerged as voters opted for a new parliament in June 2014 – the House of Representatives – to replace the General National Congress. As resistance and fighting broke out (principally in Tripoli and Benghazi), the House of Representatives relocated to the port city of Tobruk on the eastern side of Libya whilst the former General National Congress took seat in Tripoli.

In late 2015, the United Nations brokered the Libyan Political Agreement ("**LPA**") that included members of both the House of Representatives and the General National Congress. This development was intended at restoring political stability in the country and at forming an interim Government of National Accord. However, the LPA never took off as differences between the two main factions remained unresolved.

Meanwhile, the socio-political unrest that took place in Libya in recent years left a significant dent on the performance of the economy which is virtually wholly dependent on the production and exportation of crude oil. In fact, data provided by the Central Bank of Libya[2] and countryeconomy.com[3] (reproduced in the charts below) clearly shows the substantial drop in oil production and exportation in 2011 (during the first Libyan civil war) from previous years, the strong rebound in 2012 following the restoration of some political order and the establishment of the National Transitional Council, and the reduced activity in the aftermath of the civil unrest that broke out in 2014.




*Source: https://cbl.gov.ly/en/*

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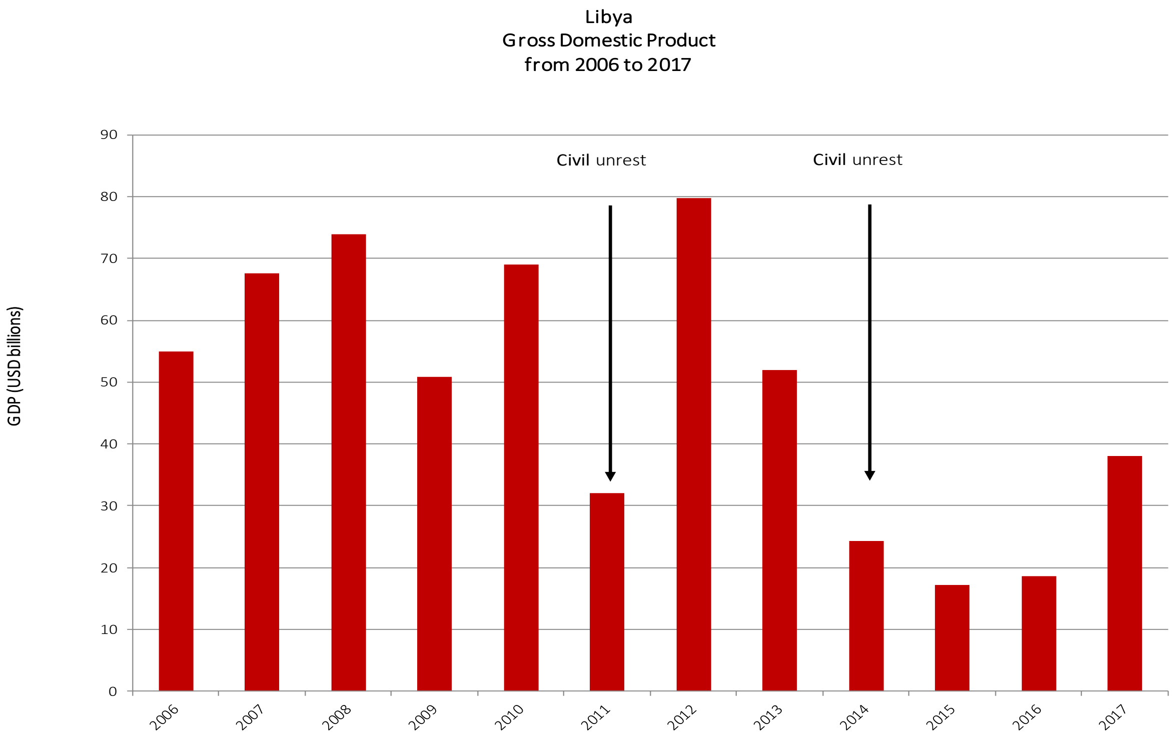
[2] https://cbl.gov.ly/en/
[3] https://countryeconomy.com/gdp/libya




*Source*: *https://countryeconomy.com/gdp/libya*

This trend continued up until 2017 whereby crude oil production and exports then began to rebound strongly following the growing chances of a possible organisation of fresh elections in 2018. In September 2017, the United Nations Support Mission in Libya ("**UNSMIL**")[4] announced a new roadmap aimed at restoring a lasting political solution in the country which included changes to the previous LPA.

Such efforts by the UNSMIL in 2017 immediately left a positive effect on the country's oil sector and, as a result, on the entire Libyan economy. In fact, production of oil stood at 320.8 million barrels for 2017, compared to a total of nearly 138 million barrels for the entire 2016. Of these, just over 287 million barrels were exported compared to a total export of 111 million barrels during 2016. Consequently, Libya's GDP surged by over 60% in 2017 to USD33.3 billion (at current prices) compared to USD20.5 billion in 2016.

At a conference held in Paris in May 2018, which was attended by more than 20 countries and organisations, the contesting parties to the upcoming elections, in agreement with the international community, issued a joint communique[5] undertaking to hold peaceful elections and respect the results of such elections when these occur. Although elections were expected towards the end of 2018, they have since been pushed back to June 2019. The conclusion of any such elections, are being watched closely by the international community, as these are expected to be the first step for the country to implement unified military and security institutions necessary for rule of law as well as economic and infrastructural reconstruction. Another conference held in Palermo in November 2018, which was attended by over 30 nations and organisations and included Libyan Prime Minister Fayez al-Sarraj and Libyan field marshal Khalifa Haftar, led to no significant breakthroughs.

[4] https://unsmil.unmissions.org/

[5] https://www.libyaherald.com/2018/05/30/paris-conference-communique-commits-parties-to-december-2018-elections

Overall, turmoil within the country seems to be worsening again following the temporary closure of Mitiga Airport in January 2018, the postponement of elections in December 2018 and the fact that clashes between the Libyan National Army and the Government of National Accord are now approaching central Tripoli. Going forward Libya remains largely mired in conflict whilst the economic outlook continues to be highly uncertain and entirely dependent on the much wider dynamics of the global oil industry.

## 7. MIH'S HISTORIC & FORECASTED FINANCIAL PERFORMANCE

Following discussions with management, it transpired that while the situation in Libya remains volatile, management continues to experience a steady increase in enquiries and lease signing from embassies, NGO's, international security service providers, the oil and gas sector and other entities to relocate to Palm City Residences which signifies that there continues to be renewed interest by institutions to return to Libya, albeit gradually. In fact, by the end of the first quarter of FY2019, occupancy rates reached 55%, from 45% as at end FY2018.

Management also noted that currently there is no other complex that can readily accommodate tenants in a secure environment that mirrors the facilities available at Palm City Residences. Moreover, Libya will need to undergo a massive infrastructural development, which will involve some level of input from foreign investors and these would seek to contract tenancy in Libya in the short to medium term. Thus, given the recent international discussions, management is confident that the demand for accommodation at Palm City Residences will continue to improve in the foreseeable future. To this effect, management has forecasted effective occupancy levels to increase to 75% by the end of FY2019.

## 7.1 INCOME STATEMENT

| | Actual | Actual | Actual | Forecast |
|---|---|---|---|---|
| *for the year ended/ending 31 December* | 2016 | 2017 | 2018 | 2019 |
| | *€'000* | *€'000* | *€'000* | *€'000* |
| Revenue | 3,627 | 8,359 | 18,860 | 31,209 |
| Operating expenses | (2,475) | (3,030) | (4,808) | (7,101) |
| **Gross Profit** | **1,152** | **5,329** | **14,052** | 24,108 |
| | | | | |
| Administrative expenses | (1,618) | (1,517) | (2,192) | (3,255) |
| Marketing costs | (316) | (276) | (203) | (42) |
| **EBITDA** | **(782)** | **3,536** | **11,657** | **20,811** |
| Other income | 121 | 144 | - | - |
| Depreciation | (124) | (93) | (65) | (56) |
| **Results from operating activities** | **(785)** | **3,586** | **11,592** | 20,755 |
| Increase in FV of investment property | | | 21,594 | **-** |
| Share of loss from equity accounted investments | - | (80) | (180) | - |
| | | | | |
| Finance income | 1,118 | 2,757 | 2,166 | 212 |
| Finance costs | (6,955) | (6,538) | (5,895) | (5,434) |
| ***Net finance costs*** | ***(5,837)*** | ***(3,781)*** | **(3,729)** | **(5,222)** |
| | | | | |
| Net fair value gain on interest rate swaps | 239 | 145 | 30 | - |
| **(Loss) / Profit before tax** | **(6,383)** | **(130)** | **29,308** | **15,532** |
| Tax (expense)/ income | 84 | 356 | (23) | (221) |
| Deferred tax | (143) | - | (7,558) | - |
| | | | | |
| **Net (Loss) / Profit for the year** | **(6,443)** | **226** | **21,726** | **15,311** |
| **Adjusted Net (Loss) / Profit** *(excluding deferred tax in relation to fair value adjustments of investment property)* | (6,299) | 226 | 7,690 | 15,311 |

### FY2018 REVIEW

Over the past three years, MIH has experienced rather contrasting figures due to the political unrest in Libya and the fluctuations in the price of oil, which has in turn caused wild swings of volatility in terms of business. Nevertheless, the current trend seems to be a positive one as occupancy levels within Palm City continued to rise significantly following the lows experienced in FY2016. In fact, several foreign companies have begun to gradually return to Libya and increase their operations albeit with caution. FY2017 saw the occupancy rate rise to 24%, whereas by the end of FY2018 this figure practically doubled to 45%.

In FY2018, MIH's financial performance went from strength to strength, building upon the encouraging results it obtained in FY2017. This reflected the overall improved confidence in the region and that the efforts of the UNSMIL to instil reconciliation in the country have produce positive outcomes. In fact, revenues for MIH more than doubled to €18.9 million from €8.4 million the year before.

In consequence of the increased business, operating expenses increased by 58.6% to €4.8 million from €3.0 million in 2017. This significant rise was mainly due to expenses made by the Company to cater for the increase in client intake as well as other necessary operational costs which are non-recurring. Nonetheless, this increase in operating expenses was far lower than the increase in revenues, reflecting management's efforts at keeping costs under strict control but without sacrificing the necessary investments in security which remains a top priority for MIH at Palm City. Accordingly, the gross profit surged by 163% to €14.1 million from €5.3 million in the previous year.

Administrative expenses rose by 44.5% to €2.2 million (FY2017: €1.5 million), while marketing costs were contained, dropping by 26.4% to €0.2 million when compared to FY2017.

During FY2018, MIH generated an EBITDA of €11.7 million. This represents a significant improvement of 229% from the EBITDA of €3.5 million posted in the previous year. After accounting for depreciation charges of €0.06 million, the operating profit stood at €11.6 million compared to €3.6 million in FY2017.

The improved level of occupation in FY2018 led to an increase in the fair value of its investment property which amounted to €21.6 million (before accounting for deferred tax), following a very significant impairment in FY14. Net finance costs for FY2018 was marginally lower at €3.7 million (FY2017: €3.8 million) reflecting lower amount of interest payments on bonds reflecting a full year effect of the roll-over of the 7.15% bonds with the bonds issued in 2017 having a coupon rate of 5%

MIH recorded a pre-tax profit of €29.3 million (FY2017: loss of €0.13 million). Whilst it is worth noting that a considerable portion of this figure was derived from the €21.6 million revaluation uplift of the Palm City Residences; adjusting the net profit for FY2018 by removing the effect of such revaluation results in a €7.7 million profit before tax in FY2018, therefore making 2018 an overall positive year when compared to the challenging comparative years.

## Forecast FY2019

As for the current financial year ending 31 December 2019, MIH has prepared and approved updated forecasts. These are based on a number of considerations, including an improvement in the economic and political situation in Libya which is supported also by feedback and serious enquiries received from oil and gas companies, NGOs, embassies, state entities and other organisations such as international schools, seeking to relocate to Palm City Residences over a longer timeframe.

The above considerations are reflected in forecasted occupancy levels which are expected to increase to 75% by the end of FY2019, thereby generating additional revenues, also on the back of improved rates charged for the units being leased. This rise in demand is further strengthened by the fact that there has been a favourable shift towards longer-term contracts when renting out units at PCL despite the rise in RevPAU.

Against this background, MIH is now forecasting revenues to reach the €31.2 million level in FY2019. Given this increased business, operating and administrative expenses are once again expected to increase by 47.9% to a total of €10.4 million. EBITDA is forecasted to rise by as much as 78% more than the actual figures for FY2018 to €20.8 million. After accounting for depreciation of €0.05 million, net finance costs of €5.2 million, and a tax charge of €0.2 million, MIH is expecting to register a net profit of €15.3 million in FY2019.

## 7.2 Cash Flow Statement

| for the year ended / ending 31 December | Actual 2016 €'000 | Actual 2017 €'000 | Actual 2018 €'000 | Forecast 2019 €'000 |
|---|---|---|---|---|
| Net cash (used in) / from operating activities | (711) | 6,183 | 14,019 | 19,825 |
| Net cash from / (used in) investing activities | 347 | (393) | (253) | (1,217) |
| Net cash used in financing activities | (3,554) | (2,327) | (9,217) | (16,329) |
| **Net (decrease) / increase in cash and cash equivalents** | **(3,918)** | **3,463** | **4,549** | **2,279** |
| Cash and cash equivalents b/fwd | 5,435 | 1,497 | 4,902 | 9,854 |
| **Cash and cash equivalents c/fwd before the effect of foreign exchange rate changes** | **1,517** | **4,960** | **9,451** | **12,133** |
| Effect of foreign exchange rate changes | (20) | (58) | 403 | - |
| **Cash and cash equivalents c/fwd** | **1,497** | **4,902** | **9,854** | **12,133** |

### FY2018 Review

In FY2018, MIH's cash position continued to improve in line with the increase in business activity and profitability that PCL is experiencing. In fact, during FY2018 MIH generated €14 million in net cash from operating activities compared to net cash amounting to €6.2 million generated in FY2017 which translated into an increase of over 127%. This improvement in cash flow comes as a result of the marginal increase in average rates being charged by PCL and also increased occupancy which is also evident in the Company's stronger EBITDA figure.

To add to this, the cash paid by the Group in investing activities in FY2018 fell from €0.3 million in FY2017 to €0.25 million in FY2018. However, in terms of cash flows used by the Group in its financing activities, during FY2018 the Company paid €9.2 million in payments (FY2017: €2.3 million). In order to compensate for the lower cash generated from operations in 2017, the Group received a loan of €5 million from LAFICO (supported by a corporate guarantee provided by CPHCL), as well as additional funding of €1.93 million in shareholders' loans. Therefore the €2.3 million financing activities in FY2017 is the net outflow after receiving such advances. In FY2018, there was no need for shareholders' support, and the cash generated from operations was not only enough to cover the repayment of bank loans, bond and bank interest payments but was also applied towards the gradual repayment of shareholders' loans.

### Forecast FY2019

Cash generated from operations in FY2019 is expected to be in the region of €19.8 million, reflecting both increasing margins and the additional contracts that have been signed and those that are expected to be signed during the year. In fact, the Company is expected to continue to experience increased occupancy rates. FY2019 also expects to see an increase in spending in terms of investing activities as the company is expected to use €1 million on investment property.

Cash used for financing activities are also expected to increase with scheduled repayments of shareholders' loans and accelerated repayment of bank loans being made in line with the loan agreements. Nonetheless, the Company's overall cash position is expected to improve further in 2019, allowing the Company to put aside funds that can be utilised in the redemption of its upcoming bond maturities.

## 7.3 Statement of Financial Position

| *for the year ended / ending 31 December* | Actual 2016 | Actual 2017 | Actual 2018 | Forecast 2019 |
|---|---|---|---|---|
| | *€'000* | *€'000* | *€'000* | *€'000* |
| **Non-current assets** | | | | |
| Intangible assets | 2 | 2 | 2 | 2 |
| Investment property | 250,212 | 250,268 | 271,977 | 273,049 |
| Property, plant and equipment | 8,542 | 8,789 | 8,864 | 8,912 |
| Investments accounted for using the equity method | 13,705 | 12,603 | 12,761 | 12,761 |
| Lease prepayment | 407 | 400 | 392 | 384 |
| **Total non-current assets** | **272,869** | **272,062** | **293,996** | **295,108** |
| **Current assets** | | | | |
| Inventories | 441 | 653 | 948 | 932 |
| Trade and other receivables | 2,330 | 2,863 | 4,107 | 7,209 |
| Cash and cash equivalents | 1,539 | 4,904 | 9,879 | 12,133 |
| **Total current assets** | **4,309** | **8,420** | **14,934** | **20,274** |
| **Total assets** | **277,178** | **280,483** | **308,930** | **315,382** |
| **Equity** | | | | |
| Share capital | 48,002 | 48,002 | 48,002 | 48,002 |
| Retained earnings & Other Reserves | 83,677 | 82,525 | 104,708 | 120,019 |
| **Total equity** | **131,679** | **130,527** | **152,710** | **168,021** |
| **Non-current liabilities** | | | | |
| Bank & other borrowings | 10,780 | 12,898 | 9,242 | 5,000 |
| Bonds | 43,000 | 82,424 | 82,540 | 51,663 |
| Shareholders' loan | 8,275 | 10,203 | 9,203 | 5,203 |
| Other non-current liabilities | - | 825 | 2,693 | 2,965 |
| Deferred tax liability | 29,127 | 29,127 | 36,358 | 36,358 |
| Derivative financial instruments | 29 | - | - | - |
| **Total non-current liabilities** | **91,211** | **135,478** | **140,037** | **101,189** |
| **Current liabilities** | | | | |
| Bank borrowings | 2,736 | 2,635 | 3,624 | 2,547 |
| Bonds | 40,292 | - | - | 29,408 |
| Derivative financial instruments | 146 | 30 | - | - |
| Trade and other payables | 9,753 | 10,513 | 11,556 | 13,926 |
| Current taxation | 1,360 | 1,300 | 1,003 | 291 |
| **Total current liabilities** | **54,288** | **14,478** | **16,183** | **46,172** |
| **Total liabilities** | **145,499** | **149,956** | **156,220** | **147,361** |
| **Total equity and liabilities** | **277,178** | **280,483** | **308,930** | **315,382** |

## FY2018 Review

In FY2018, the total asset base of the Company grew 10.1% when compared to FY2017, to a total of €308.9 million which was mainly derived from the revaluation of the Company's largest asset, Palm City Residences. This asset is operated by its 100% subsidiary, PCL and its valuation is based on the projected revenue streams discounted to present day value by a series of rates depending on the risk associated with particularly identified criteria. FY2018 saw a €21.6 million increase in the fair value of the Palm City Residence to €271.5 million. This uplift came after a significant drop in the market value of PCL in 2014 (a reduction of €61 million in fair value) and three years of unchanged valuation following that. The other significant assets of MIH are namely "*Property Plant and Equipment*" (PPE) and shares held in an associate company (MTJSC). PPE amounted to €8.86 million as at 31 December 2018 (FY2017: €8.79 million) and comprise primarily of land and capitalised construction works for the planned development of the Palm Waterfront project. On the other hand, the shares held by MIH in MTJSC had a carrying value of €12.7 million as at the end of FY2018 and represent MIH's equity contribution to MTJSC (equivalent to 25% of MTJSC).

The called-up share capital of MIH as at 31 December 2018 remained unchanged at €48 million whilst other reserves increased by 26.9% to €104.7 million, largely reflecting the net profit registered during the year under review which rose to €21.7 million due to an increase in occupancy rates following the calmer environment in Libya and the revaluation of the Palm City Residences.

On the other hand, in FY2018 total liabilities rose by 4.1% when compared to the previous financial period. Non-current liabilities grew 3.3% amid significant rises in deferred tax liability in consequence of the valuation uplift and other non-current liabilities. The Group's funding base continues to be composed of a mix of equity, bank debt, shareholders' loans and capital market borrowings. Over the past financial period the Group did however manage to reduce its long-term bank borrowings by €3.7 million from €12.8 million in FY2017 to €9.2 million in FY2018 as well as reduce its shareholders' loans by €1 million to €9.2 million. There were no bond redemptions during FY2018 and as such the amount of bonds remained unchanged at €82.5 million.

## Forecasts FY2019

In 2019, MIH is forecasting total assets to increase slightly by 2.1% to €315.4 million from €308.9 million. FY2019 also promises to see various drops in the Group's total liabilities figure from €156.2 million to €147.4 million. Total bank and other borrowings are expected to fall from €12.8 million to €7.5 million and shareholders' loans are also expected to decline by €4 million from €9.2 million to €5.2 million as the Company applies the cash generated from its revenues towards reduction in its borrowings in general. FY2019 will also see €29.4 million in bonds move to current liabilities as their maturity falls below one year. Total equity is expected to increase by 10.0% to €168 million in FY2019. This increase also reflects the anticipated net profit that MIH is expecting to make in FY2019 as occupancy levels and margins continue to strengthen.

## 7.4 Financial Ratios and Key Metrics

The below are a set of key financial ratios and metrics applicable to the Company.

*NB: where the returns are negative, the ratio cannot be commented about and as such is marked as 'n/a'.*

Key profitability ratios of MIH continued to improve in FY2018 as the Company managed to register enhanced EBITDA, operating and net profit figures which built on the encouraging results obtained in FY2017. The interest cover for FY2018 shows that the Company is now able to generate enough EBITDA to well cover its debt service obligations, as the key metric rose to 3.13 times in FY2018, well above the FY2017 figure of 0.94 times, and thereby expected not to have to rely on shareholders' support over the coming period. Furthermore, it is forecasted that during FY2019, MIH will repay its shareholders an additional €2 million each in shareholders' loans and thus further decreasing its overall borrowings which is expected to strengthen its interest coverage ratio even further.

| | *Actual* FY2016 | *Actual* FY2017 | *Actual* FY2018 | *Forecast* FY2019 |
|---|---|---|---|---|
| Gross Profit margin *(Gross Profit / Revenue)* | 31.76% | 63.75% | 74.51% | 77.25% |
| EBITDA margin *(EBITDA / Revenue)* | n/a | 42.30% | 61.81% | 66.68% |
| Operating Profit margin *(Operating Profit / Revenue)* | n/a | 42.90% | 61.46% | 66.50% |
| Net Profit margin (NPM) *(Net Profit for the period / Revenue)* | n/a | 2.71% | 115.20%* | 49.06% |
| Return on Equity (ROE) *(Profit attributable to owners of the Company / Average Equity attributable to owners of the Company)* | n/a | 0.17% | 15.43%* | 9.55% |
| Return on Capital Employed *(Profit for the period / Average Capital Employed)* | n/a | 0.10% | 8.76%* | 5.90% |
| Return on Assets (ROA) *(Profit for the period / Average Assets)* | n/a | 0.08% | 7.37%* | 4.90% |
| Interest Coverage Ratio *(EBIDTA / Net Finance Costs* | n/a | 0.94x | 3.13x | 3.99x |

## ADJUSTED FIGURES

**The FY2018 ratios marked with an asterix were computed using figures as published in the Company's annual statements, which also include a property uplift. The workings below aim to re-compute ROA, ROE and NPM using normalised profits, by eliminating the effect of the revaluation of the property and the related deferred tax element.*

| Changes to Income Statement (Net Profit) | |
|---|---|
| | FY2018 |
| **Profit / (Loss) after tax (as per Income Statement)** | 21,726 |
| Revaluation of IP | (21,594) |
| Deferred Tax re revaluation of IP | 7,558 |
| **Net Profit / (Loss) for the year** | **7,690** |

| Changes to Balance Sheet (vis-à-vis normalised profit) | |
|---|---|
| | FY2018 |
| Total Equity as per FS | 152,710 |
| Net Profit as per FS | (21,726) |
| Adjusted Net Profit | 7,690 |
| **Adjusted Total Equity** | **138,674** |
| | |
| Total Assets as per FS | 308,930 |
| Equity as per FS | (152,710) |
| Adjusted Equity | 138,674 |
| **Adjusted Total Assets** | **294,894** |

*Using the above figures, the adjusted ROA, ROE and NPM would be: 2.67%, 5.7% and 40.8%, respectively.*

In line with the stronger financial performance that MIH is forecasting for FY2019, the Company is anticipating a further improvement in its profitability ratios. In particular, the EBITDA and the net profit margins are expected to climb to 66.68% and 49.06% respectively (from 61.4% and 40.79% in 2018, as adjusted), whilst the interest cover is expected to reach almost 4 times despite the higher incidence of net finance costs (primarily on the back of much lower finance income).

| | *Actual* FY2016 | *Actual* FY2017 | *Actual* FY2018 | *Forecasts* FY2019 |
|---|---|---|---|---|
| **Current Ratio** *(Current Assets / Current Liabilities)* | 0.08x | 0.58x | 0.92x | 0.44x |
| **Cash Ratio** *(Cash & cash equivalents / Current Liabilities)* | 0.03x | 0.34x | 0.61x | 0.26x |

Over the years, the Group's current ratio, representing the amount of current assets available to settle short-term liabilities, has been below one for the past 3 years. Nonetheless, the FY2018 figure continued the upward trend towards parity, as the ratio climbed to 0.92 times when compared to just 0.58 times in 2017. The composition of the Company's current liabilities primarily includes bank borrowings, trade and other payables. Trade and other payables were again mainly made up of accrued expenses, which rose slightly from €3.8 million to €3.9 million and deferred income, which surged over 60% to €4.6 million from €2.86 million. In FY2019, this current ratio is expected to change drastically as the 5.5% bonds and the 6% unlisted bonds both redeemable in 2020 will be classified as a current liability. In fact, the forecasted figure for FY2019 will see the ratio fall to 0.44 times. Should the Company opt to refinance its debt obligations which become redeemable in 2020, the effect on the current ratio will be reversed.

Similarly, in FY2018 the cash ratio improved to 0.61 times from 0.34 times as at the end of FY2017, reflected mainly by the increase in cash balances to €9.9 million from €4.9 million as at 31 December 2018. However, MIH is expecting its working capital position to fall in 2019, with the current ratio forecasted to drop to 0.26 times, on the back of the 5.5% bonds amounting to €18.4 million which will mature in 2020 and will therefore become classified as current liabilities.

| | *Actual* | *Actual* | *Actual* | *Forecast* |
|---|---|---|---|---|
| | FY2016 | FY2017 | FY2018 | FY2019 |
| | *€'000* | *€'000* | *€'000* | *€'000* |
| **Equity** | 131,679 | 130,527 | **152,710** | 168,021 |
| Bank and other borrowings | 13,516 | 15,533 | 12,865 | 7,547 |
| Bonds | 83,292 | 82,424 | 82,540 | 81, 071 |
| Shareholders' Loan | 8,275 | 10,203 | 9,203 | 5,203 |
| **Total Borrowings** | 105,084 | 108,160 | **104,609** | 93,821 |
| Cash at Bank and in hand | 1,539 | 4,904 | 9,879 | 12,133 |
| **Net Debt** | 103,545 | 103,256 | **94,730** | 81,688 |

The mix of funding sources has enabled MIH to keep the Group's level of gearing at relatively acceptable levels across the years. Furthermore, in view of the improved financial performance that is being forecasted for FY2019, the net debt to EBITDA ratio is expected to drop significantly to just 3.93 times from 8.13 times in FY2018. This indicates that MIH will approximately require four years to fully repay its net debt assuming that the forecasted EBITDA of €20.8 million is maintained on an annual basis.

| | *Actual* | *Actual* | *Actual* | *Forecast* |
|---|---|---|---|---|
| | FY2016 | FY2017 | FY2018 | FY2019 |
| **Gearing Ratio (1)**<br>*(Net debt / Total Equity)* | 0.79x | 0.79x | 0.62x | 0.49x |
| **Gearing Ratio (2)**<br>*[Total debt / (Total Debt plus Total Equity)]* | 44.38% | 45.31% | 40.65% | 35.83% |
| **Net Debt to EBIDTA**<br>*(Net Debt / EBIDTA)* | n/a | 29.20x | 8.13x | 3.93x |

## 7.5 Variations in the Company's Financial Performance

| *for the year ended 31 December* | *Actual* 2018 | *Forecast (revised)* 2018 | *Variance* |
|---|---|---|---|
| | *€'000* | *€'000* | |
| Revenue | 18,860 | 17,655 | *6.8%* |
| Operating expenses | (4,808) | (4,630) | *3.8%* |
| **Gross Profit** | **14,052** | **13,025** | *7.3%* |
| Administrative expenses | (2,192) | (2,139) | *2.5%* |
| Marketing costs | (203) | (46) | *341.3%* |
| **EBITDA** | **11,657** | **10,840** | *7.5%* |
| Depreciation | (65) | (38) | *71.1%* |
| **Results from operating activities** | **11,592** | **10,803** | *7.3%* |
| Increase / (Decrease) in FV of investment property | 21,594 | - | *n/a* |
| Share of profit from equity accounted investments | (180) | - | *n/a* |
| | | | |
| Finance income | 2,166 | 1,167 | *85.6%* |
| Finance costs | (5,895) | (6,115) | *(3.6%)* |
| ***Net finance costs*** | **(3,729)** | ***(4,948)*** | *(24.6%)* |
| Net fair value gain/(loss) on interest rate swaps | 30 | 30 | *n/a* |
| **Profit before tax** | **29,308** | **5,885** | *398.0%* |
| Tax (expense) income | (23) | (248) | *(90.7%)* |
| Deferred tax | (7,558) | - | *n/a* |
| **Net Profit for the year** | **21,726** | **5,637** | *285.4%* |
| | | | |
| ***Normalisation*** | | | |
| *Less FV impact* | *(21,594)* | *n/a* | *n/a* |
| *Add Deferred Tax* | *7,558* | *n/a* | *n/a* |
| ***Normalised Net Profit for the Year*** | ***7,690*** | ***5,637*** | *36.5%* |

Overall, the actual FY2018 financial performance of MIH was better than estimated. In fact, revenues were 6.8% higher. Moreover, although total operating, administrative and marketing costs were also higher than previously forecasted, EBITDA and operating profit still exceeded forecasts by 7.5% and 7.3% respectively. In addition, MIH posted a net profit of €21.7 million in FY2018 which is a significant increase when compared with the previous estimate of a net profit of just €5.6 million. Such a large increase was mainly due to the revaluation of PCL which saw the asset's value increase by €21.5 million. When adjusting the net profit figure for FY2018 to remove the impact of this revaluation as well as the deferred tax it brought about, the normalised net profit for the year stood at €7.6 million, which is 36.5% more than the amount forecasted for FY2018.

## PART C LISTED SECURITIES

MIH is 50% owned by CPHCL which in turn is also the parent company of IHI plc and Corinthia Finance plc. Below is a list of all outstanding debt listed on the local capital market of each of MIH, IHI and Corinthia Finance:

### Mediterranean Investments Holding plc

The issued bonds of MIH as at the date of this Analysis are listed hereunder.

| ISIN | Bond Amount | Coupon | Prospectus Date | Maturity Date |
|---|---|---|---|---|
| MT0000371261 | €12 million | 6.00% | 2 June 2014 | 22 June 2021 |
| MT0000371279 | €20 million* | 5.50% | 1 July 2015 | 31 July 2020 |
| Unlisted Bond | €11 million | 6.00% | 18 September 2015 | 3 October 2020 |
| MT0000371287 | €40 million | 5.00% | 29 May 2017 | 6 July 2022 |

**Amount outstanding as at the date of this report: €18.4 million*

***Other Related Party Bond Issues***

### Corinthia Finance plc

| | | |
|---|---|---|
| MT0000101254 | €7,500,000 | 6.00% Corinthia Finance plc 2019/22 |
| MT0000101262 | €40,000,000 | 4.25% Corinthia Finance plc 2026 |
| | **€47,500,000** | |

### International Hotel Investments plc

| | | |
|---|---|---|
| MT0000111279 | €20,000,000 | 5.80% International Hotel Investments plc 2021 |
| MT0000111287 | €10,000,000 | 5.80% International Hotel Investments plc 2023 |
| MT0000481227 | €35,000,000 | 6.00% International Hotel Investments plc 2024 |
| MT0000111295 | €45,000,000 | 5.75% International Hotel Investments plc 2025 |
| MT0000111303 | €55,000,000 | 4.00% International Hotel Investments plc 2026 |
| MT0000111311 | €40,000,000 | 4.00% International Hotel Investments plc 2026 |
| MT0000111329 | €20,000,000 | 4.00% International Hotel Investments plc 2026 |
| | **€225,000,000** | |

Total outstanding debt listed on the local capital market of MIH, IHI and Corinthia Finance amounts to €342.9 million.

IHI plc has its 615,684,920 ordinary shares with a nominal value of €1 each listed on the Malta Stock Exchange.

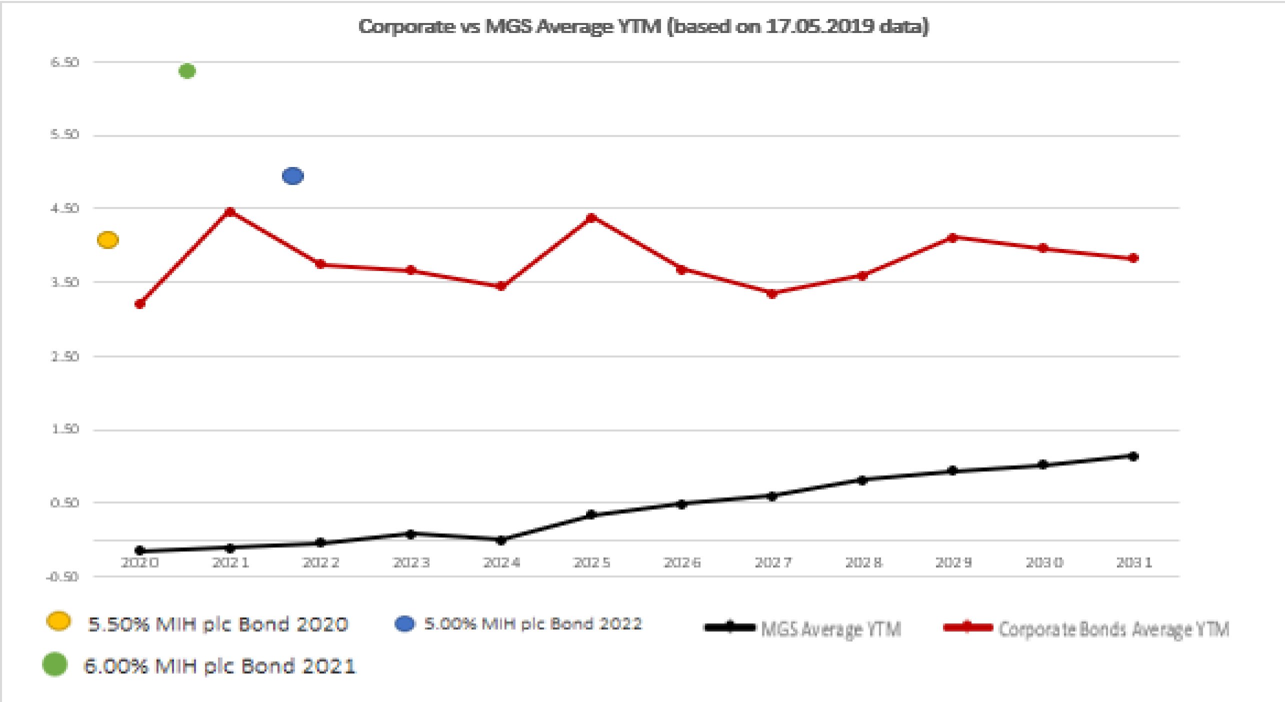
## PART D COMPARATIVES

The table below compares the Company's bonds with other local corporate bonds having broadly similar maturities. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations vary significantly from those of the Company and are therefore not directly comparable. Nevertheless, the table below provides a sample of some comparatives:

| Bond Details | Outstanding Amount *(€)* | Total Assets *(€'000)* | Total Equity *(€'000)* | Gearing Ratio *(%)* | Net Debt to EBIDTA *(times)* | Interest Cover *(times)* | YTM (as at 17.05.2019) *%* |
|---|---|---|---|---|---|---|---|
| 5.50% MED. INV. HOLDING PLC 2020 | 20,000,000 | 308,930 | 48,002 | 40.7% | 8.2x | 3.1x | 2.91% |
| 5.50% Pendergardens Devts plc 2020 | 15,000,000 | 80,052 | 25,712 | 61.6% | 31.0x | 0.8x | 4.82% |
| 6.00% MED. INV. HOLDING PLC 2021 | 12,000,000 | 308,930 | 48,002 | 40.7% | 8.2x | 3.1x | 5.99% |
| 5.8% IHI plc 2021 | 20,000,000 | 1,617,853 | 877,620 | 39.2% | 7.6x | 2.36x | 3.82% |
| 5.75% Central Business Centre plc 2021 | 3,000,000 | 28,984 | 16,057 | 42.0% | 113.0x | -0.6x | 3.82% |
| 5.00% MED. INV. HOLDING PLC 2022 | 40,000,000 | 308,930 | 48,002 | 40.7% | 8.2x | 3.1x | 4.82% |
| 6.00% Pendergardens Devts plc 2022 | 27,000,000 | 80,052 | 25,712 | 61.6% | 31.0x | 0.8x | 2.66% |
| 6.00% Medserv plc 2020-2023 | 20,000,000 | 156,777 | 18,697 | 76.0% | 2.9x | 1.2x | 6.00% |
| 4.25% GAP Group plc 2023 | 40,000,000 | 55,237 | 9,869 | 78.8% | 1.6x | 10.2x | 3.49% |
| 5.80% IHI plc 2023 | 10,000,000 | 1,617,853 | 877,620 | 39.2% | 7.6x | 2.36x | 3.82% |

*Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 17 May 2019. Ratio workings and financial information quoted have been based on the respective issuers' published financial data (or their guarantors, where and as applicable).*

The chart below shows the average yield to maturity of the MIH bonds compared to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve. All the yields presented hereunder are as at 17 May 2019.




The following is a summary of the YTMs of each of the outstanding MIH bonds and how they compared to the average YTMs of corporate bond and MGS with a similar maturity:

| | YTM | Premium (Discount) over Corporate Bond Average | Premium over Average MGS |
|---|---|---|---|
| MIH 5.5% 2020 | 2.91% | -0.29% | 3.06% |
| MIH 6% 2021 | 5.99% | 1.53% | 6.09% |
| MIH 5% 2022 | 4.82% | 1.08% | 4.86% |

## INCOME STATEMENT EXPLANATORY DEFINITIONS

| | |
|---|---|
| Revenue | Total revenue generated by the company from its business activity during the financial year. |
| EBITDA | Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations. |
| Normalisation | Normalisation is the process of removing non-recurring expenses or revenue from a financial metric like EBITDA, EBIT or earnings. Once earnings have been normalised, the resulting number represents the future earnings capacity that a buyer would expect from the business. |
| EBIT | Earnings before interest and tax. |
| Depreciation and Amortization | An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated. |
| Finance Income | Interest earned on cash bank balances and from the intra-group companies on loans advanced. |
| Finance Costs | Interest accrued on debt obligations. |
| Net Profit | The profit generated in one financial year. |

## CASH FLOW STATEMENT EXPLANATORY DEFINITIONS

| | |
|---|---|
| Cash Flow from Operating Activities | The cash used or generated from the company's business activities. |
| Cash Flow from Investing Activities | The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets. |
| Cash Flow from Financing Activities | The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments. |

## STATEMENT OF FINANCIAL POSITION EXPLANATORY DEFINITIONS

| | |
|---|---|
| Assets | What the company owns which can be further classified in Current and Non-Current Assets. |
| Non-Current Assets | Assets, full value of which will not be realised within the forthcoming accounting year |

| | |
|---|---|
| Current Assets | Assets which are realisable within one year from the statement of financial position date. |
| Liabilities | What the company owes, which can be further classified in Current and Non-Current Liabilities. |
| Current Liabilities | Obligations which are due within one financial year. |
| Non-Current Liabilities | Obligations which are due after more than one financial year. |
| Equity | Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves. |

## Profitability Ratios

| | |
|---|---|
| EBITDA Margin | EBITDA as a percentage of total revenue. |
| Operating Profit Margin | Operating profit margin is operating profit achieved during the financial year expressed 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. |
| 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 | This is computed by dividing profit after tax by total assets. |

## Liquidity Ratios

| | |
|---|---|
| Current Ratio | The current ratio is a financial ratio that measures whether a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities. |
| Cash Ratio | Cash ratio is the ratio of cash and cash equivalents of a company to its current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents and nothing else. |

## Solvency Ratios

| | |
|---|---|
| Interest Coverage Ratio | This is calculated by dividing a company's EBITDA of one period by the company's net finance costs of the same period. |
| 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. |
| Net Debt to EBITDA | This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA. |

## Other Definitions

| | |
|---|---|
| Yield to Maturity | YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price. |

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