RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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ANNEX IV | FINANCIAL ANALYSIS SUMMARY

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

1 July 2020

Dear Sirs

Mediterranean Investments Holding plc – Financial Analysis Summary (the "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**") and that of the guarantor – Corinthia Palace Hotel Company Limited ("**CPHCL**" or "**Guarantor**", hereinafter). The data is derived from various sources of information available or is based on our own computations as follows:

a. Historical financial data for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 has been extracted from the audited consolidated financial statements of the Company;
b. Historical financial data for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 has been extracted from the audited financial statements of the Guarantor;
c. The forecasts for the financial year ending 31 December 2020 have been provided by management and approved by the respective Directors of the Company and of the Guarantor;
d. Our commentary on the results and on the respective financial position is based on explanations provided by the management of the Company and CPHCL, respectively;
e. 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
f. 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 FAS is meant to assist potential investors by summarising the more important financial data of the Company and the Guarantor. The 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 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 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

ANNEX IV | FINANCIAL ANALYSIS SUMMARY

MEDITERRANEAN INVESTMENTS HOLDING P.L.C.

FINANCIAL ANALYSIS SUMMARY

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

1 July 2020

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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List of Abbreviations

AHC	Alinmaa Holding Company
AUCC	Arab Union Contracting Company (Libya)
BOT	Build, Operate and Transfer agreement
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

This report is drawn in line with the Listing Policies dated 5 March 2013 of the Listing Authority of Malta. It is appended to the prospectus issued by Mediterranean Investments Holding p.l.c. (the "**Company**" or "**MIH**") pursuant to a €20 million 5.5% unsecured bond issue maturing in 2023 ("**Bond 2020**").

The information that is presented on MIH has been collated from several sources, including the Company's website (www.mihplc.com), MIH's management, the Company's audited consolidated financial statements for the years ended 31 December 2017, 2018 and 2019. Similarly, the information on Corinthia Palace Hotel Company Limited ("**CPHCL**" or "**Guarantor**") has been extracted from the company's website (www.cphcl.com), discussions with management, the company's audited financial statements for the years ended 31 December 2017, 2018 and 2019.

Forecasts that are included in this document have been prepared by management and approved for publication by the directors of the Company and those of the Guarantor, 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.

PART A BUSINESS & MARKET OVERVIEW

1 INTRODUCTION

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

The principal activities of MIH relate to the acquisition, development and operation of real estate projects 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 Limited (“**PWL**”) is a wholly owned subsidiary of MIH (99.9%) and is responsible for the development of the Palm Waterfront project The Palm Waterfront project is located adjacent to Palm City Residences. The Palm Waterfront project 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 Limited 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

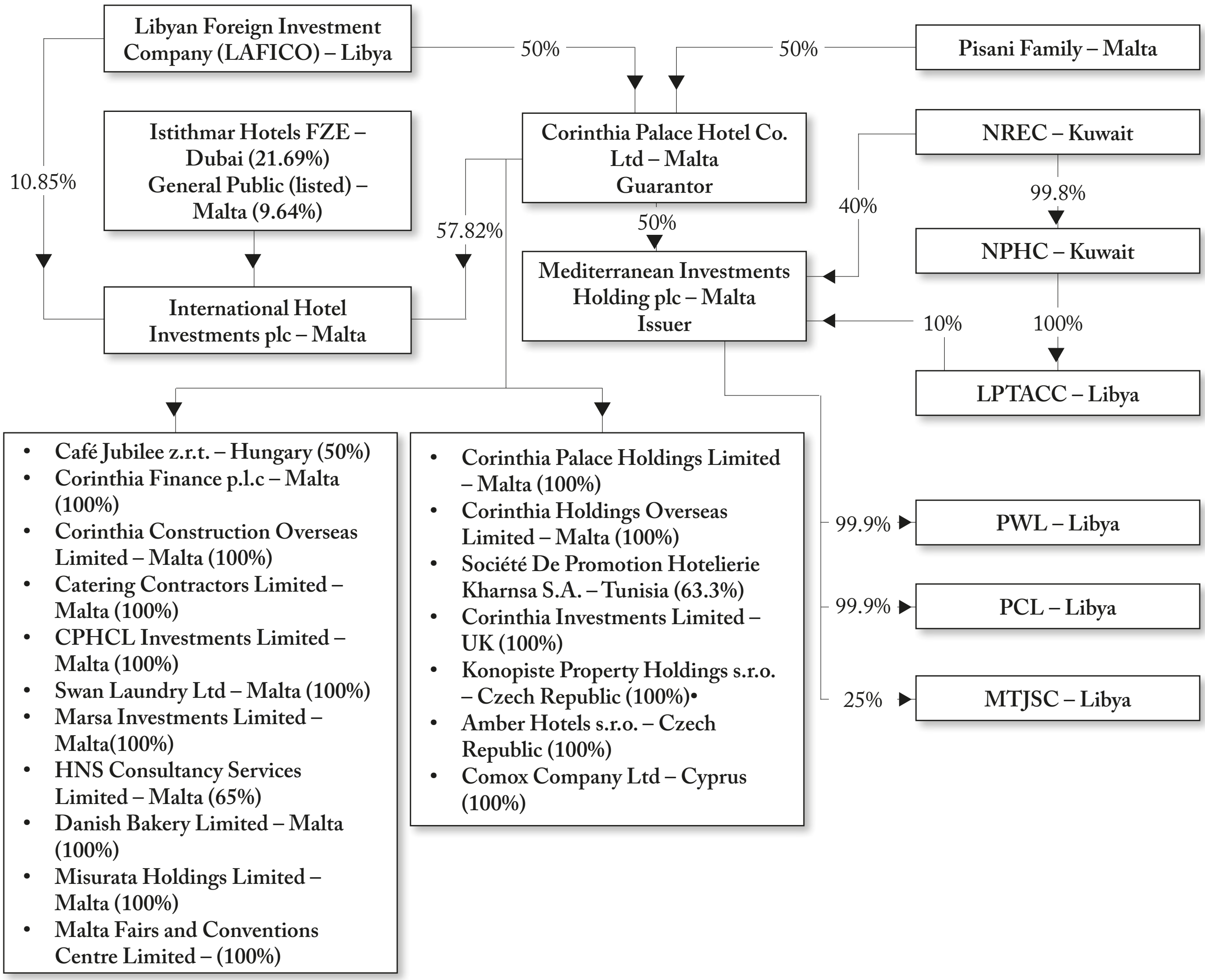
Palm Waterfront Limited is a private limited liability company incorporated and registered in Malta on 3 August 2012. It has an authorised share capital of €100,000,000 and an issued share capital of €2,000 divided into 2,000 ordinary shares of €1 each, fully paid up. PWL is a wholly owned subsidiary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

Organisation and Shareholding Chart of the MIH and CPHCL Entities



Source: Management Information

The Parent Companies

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.

CPHCL – The Guarantor

CPHCL is an investment company registered in Malta which owns 50% of MIH and acts as the guarantor in terms of the 2020 Bond being issued by the Company. 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 (refer to the organisation structure in the previous page for a list of subsidiaries).

As at 31 December 2019, CPHCL owned assets worth €471 million, supported by an equity base of €310 million.

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
Faisal J. S. Alessa	Non-Executive Director
Ahmed Wahedi	Non-Executive Director
Ahmed Yousri A. Noureldin Helmi	Non-Executive Director
Mario P. Galea	Non-Executive Director

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 FY2019 was 85, of which 24 are administrative employees and the remaining are employed in operations.

The Guarantor's Board is composed of the following directors:

Alfred Pisani	Executive Director and Chairman
Joseph M. Pisani	Executive Director
Victor Pisani	Executive Director
Khalid S T Benrjoba	Non-Executive Director
Karima Munir Elbeshir Elguel	Non-Executive Director

3 MATERIAL DEVELOPMENTS

Issuer

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 been rising gradually. In fact, average occupancy in FY2017 was 18.6%, going up to 39.2% in FY2018 and 55.2% in FY2019.

Interest in Palm City Residences continued to show encouraging signs as occupancy levels rose coupled with a further rise in the average monthly rate per unit to €8,850 during FY2019 from €8,500 in FY2018. Moreover, there has also been a notable shift in demand from short/medium term leases to medium/long term leases which according to management are an indication of an improvement in lessees' outlook to the socio-political situation in Libya.

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 years 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. During FY2019, the company incurred capital expenditure amounting to €0.6 million which related to the perimeter wall surrounding the Residences and constructed a security gate room for additional security. 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.

Guarantor

Over the years, CPHCL divested of its direct shareholding in operational assets. These divestments are in line with the Group's strategy wherein CPHCL has been focusing on setting the strategic direction for the Group and allowing the respective boards of the Group's subsidiaries to focus on achieving operational objectives.

In 2018, CPHCL sold the Corinthia Palace Hotel in Attard to IHI, while its operations remained the responsibility of Corinthia Hotels Limited (CHL). Furthermore, in 2019, CPHCL sold its direct shareholding in Corinthia Caterers Limited and Catermax Limited to IHI, which the latter integrated into IHI's other catering companies and rebranded these as Corinthia Caterers. Moreover in 2019, CPHCL concluded a share purchase and sale agreement with a third party in relation to the disposal of its 100% shareholding in Pankrac Property Holdings sro (the company owning the Panorama Hotel and adjacent garage). The net cash consideration for this disposal amounted to circa €68 million. *Further information about these disposals is included in the financial analysis part pertaining in this report to the Guarantor.*

4 ISSUER'S MATERIAL CONTRACTS

4.1 MSS Agreement

MIH is party to an MSS Agreement with CPHCL entered into in January 2020. Under 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 business model. The MSS Agreement also makes available to MIH top executive and central administrative level staff and support personnel from the Corinthia Group. MIH is provided the below services at an annual fee of €404,400 (which is adjusted annually by a 5% inflation):

- the commitment of an executive team with over 43 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 with equally high standards demanded on maintenance, resulting in high quality, well-maintained assets; 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 the Guarantor – CPHCL – as detailed further in sections 5.1.1 and 5.2.1 below.

5 MAJOR ASSETS OF THE ISSUER

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

	Valuation Basis	**FY2017** *€'000*	**FY2018** *€'000*	**FY2019** *€'000*
Palm City Residences *(65-year BOT agreement expiring 2071)*	Discounted Cash Flows	250,268	271,977	272,542
Palm Waterfront *(80-year BOT agreement expiring in 2093)*	Cost + Capitalised expenses	8,583	8,682	8,784
Medina Tower* *(25% shareholding in MTJSC)*	Equity contribution	12,603	12,761	12,790

Source: MIH plc financial statements for the years 2017, 2018 and 2019

**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 FY2017 and FY2019, and the differences in the value of such investment as reported 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].

5.1.1 Performance of Palm City Residences

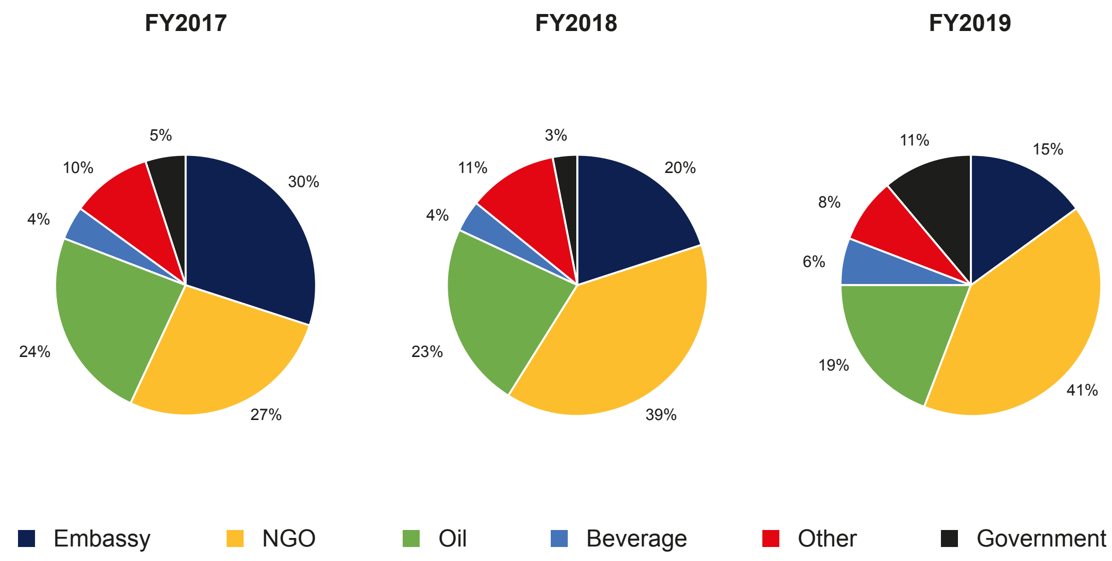
In each of the past three financial years (FY2017 to FY2019), PCL generated 100% of the Group's annual revenues as per below table:

	Actual FY2017 *€'000*	Actual FY2018 *€'000*	Actual FY2019 *€'000*
Residential leases	6,917	15,905	24,173
Commercial leases	478	1,118	1,210
F&B	415	1,024	814
Other income	549	813	1,064
Total PCL revenue	**8,359**	**18,860**	**27,261**
MIH plc - Group Revenue	**8,359**	**18,860**	**27,261**
PCL revenue contribution	**100%**	**100%**	**100%**
Average Occupancy	**18.6%**	**39.2%**	**55.2%**
RevPAU (revenue in € per unit per month)	**1,396**	**3,209**	**4,877**

Source: Management Information

PCL is the only revenue-generating asset of MIH in FY2019, as the other two projects remain on hold in view of the continued level of instability in Libya. Nevertheless, with Palm City Residences being the only gated residential venue of international repute, it is sought after by a number of blue-chip companies, organisations and embassies. Other than the improved occupancy levels noted over the years, the revenue that was being generated per available unit has increased notably – from €1,396 in FY2017 to €4,877 in FY2019.

[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.



The occupancy mix has historically been predominantly composed of leases concluded with Embassies, NGOs and Oil & Gas companies, which took up more than 75% of the leased units between FY2017 to FY2019. In FY2019, there was a notable shift in units occupied by government entities which increased to 11% (3% in FY2018 and 5% in FY2017).

Lease Contract Term

	FY2017	FY2018	FY2019
Short Term (< 1 year)	20%	16%	20%
Medium Term (1 year)	56%	51%	42%
Long Term (2 to 5 years)	24%	33%	38%

Over the years, the contracted leases for units at the Palm City Residences continued to shift towards the longer term. In the hope for an improving 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 had been opting to enter into longer-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 150 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 since May 2019, due to its close proximity to the centre of hostilities. This may lead to an increase in leasing 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 the years prior to the reporting period, it remained operational at all times, maintained in pristine condition and is closely monitored by management.

5.1.4 Outlook for PCL

In view of the impact of COVID-19, management forecast occupancy levels at Palm City Residences to be marginally lower (down to average occupancy of 46.1%), affecting mainly the short-term leases. Although travel restrictions are in place, these will affect non-essential travelling which will result in fewer people relocating to Libya until the situation stabilises (which is expected to happen after FY2020[2]).

Furthermore, for FY2020, the Company does not anticipate any major capital expenditure requirement.

[2] *https://www.worldbank.org/en/country/libya/publication/economic-update-april-2020*

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 development (through the 99.9% – owned PWL) and the Medina Towers (through its 25% investment in MTJSC). There has been no development to any of these assets during FY2019.

6 MATERIAL ASSETS OF THE GUARANTOR

The Guarantor's investments consist of:

	FY2017	FY2018	FY2019
	€'000	*€'000*	*€'000*
Investment in Subsidiaries			
Equity Investments	373,741	372,532	367,756
Loans Receivable	18,519	13,958	10,171
	392,260	**386,490**	**377,927**
Investment in Associates			
Equity Investments	24,181	24,002	24,002
Loans Receivable	5,161	4,602	2,602
	29,342	**28,604**	**26,604**
Total Investment	**421,602**	**415,094**	**404,531**

Further information about CPHCL's main assets is included in section 9.2 of this report

7 MARKET OVERVIEW

Industry Overview: Travelling & Tourism

In the first quarter of this year, the world experienced an unprecedented situation in consequence of COVID-19 restrictions on travel all over the world, with 72% of borders completely closed to international travel[3] as at the end of April 2020 due to the pandemic which brought the world economy to a sudden halt. The IMF predicts that the global economy is projected to contract sharply in 2020, much worse than during the 2008 – 09 financial crisis[4]. Travel has been the hardest hit industry, with tourism and the hospitality industry being the sector most impacted as countries introduced strict lock down measures and people stayed at home. The scale of the pandemic's impact is outlined in a report by the World Tourism Organization (UNWTO), which predicts a decline in international arrivals of between 58% and 80% this year[5]. The prediction of a 58% decline is based on the gradual reopening of international borders and easing of travel restrictions in early July; the 80% figure is based on an early December move. In June 2020, a number of countries opened their borders and lifted travel restrictions, with the objective of trying to gradually revive the tourism sector under a new normal scenario. As expected, there remains substantial uncertainty on what will happen in the months ahead and a lot is likely to depend on exogenous factors such as the emergence of a second wave of the pandemic, the availability of a vaccine in the medium term, the health situation in key feeder markets and changing attitudes to travelling in the long-term across all segments including leisure, business, conferences and mass events.

Country overview

Libya

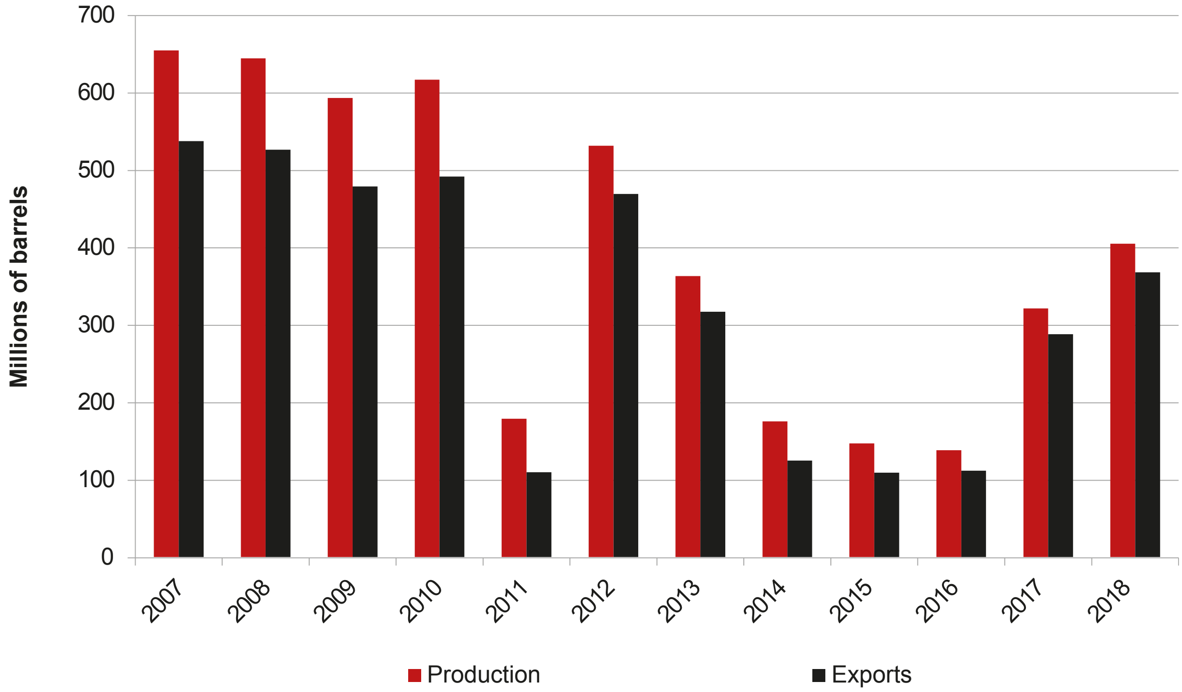
Following the revolution in early 2011, Libya has yet to create a political infrastructure that is required for the country to become truly democratic and instil functional power transition mechanisms.

[3] *https://www.forbes.com/sites/lealane/2020/05/11/world-tourism-organization-offers-stunning-fact-100-of-global-destinations-restricting-travel/#bded6fa7287d*
[4] *https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020*
[5] *https://www.imtj.com/news/unwto-predicts-60-80-drop-international-arrivals/*

The socio-political unrest in Libya in recent years continued to leave 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[6] and countryeconomy.com[7] (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.

Economic diversification is a key priority. Over 2014 – 2018, the oil, gas, and related extractive sectors accounted for more than 65% of GDP, more than 95% of export earnings, and 96% of the budget. In consequence, the Libyan economy remains extremely vulnerable to oil production shocks and oil price fluctuations. Rapid diversification from hydrocarbon resources is essential for a stronger, resilient, and more inclusive economic growth.

Libya Production & Exports of Crude Oil From 2006 to 2018

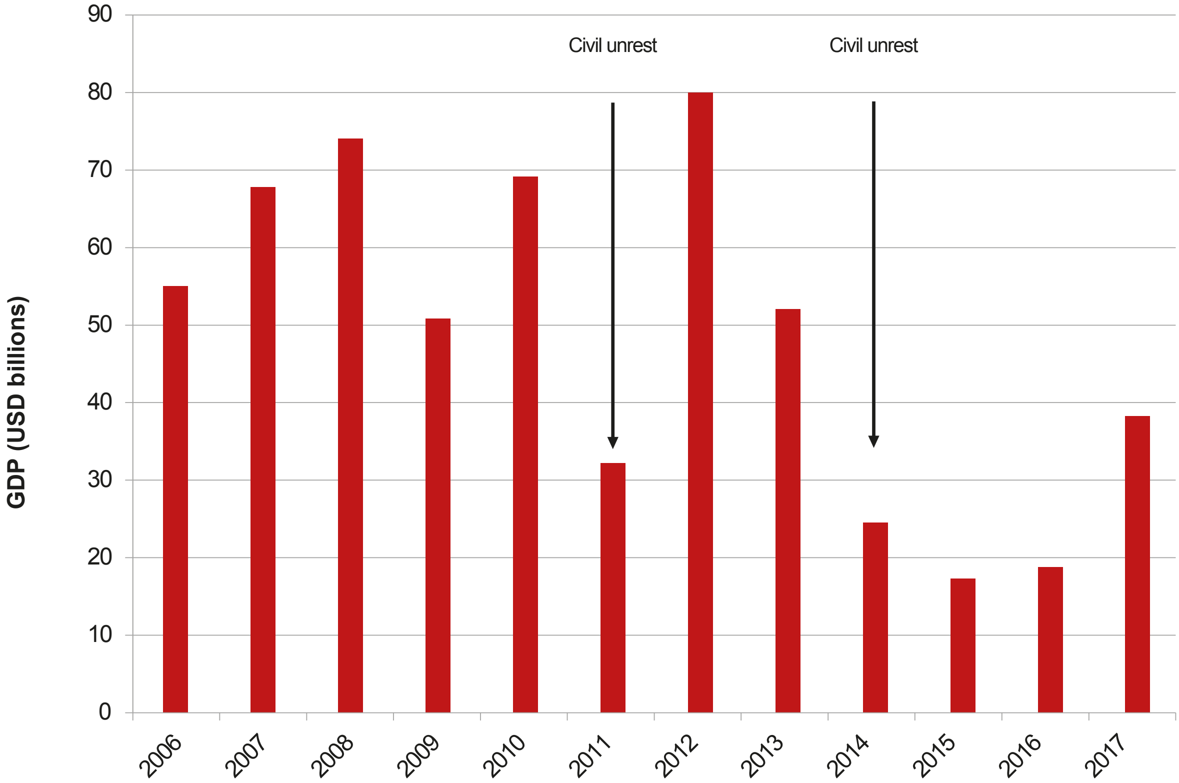


Source: https://cbl.gov.ly/en/

[6] *https://cbl.gov.ly/en/*

[7] *https://countryeconomy.com/gdp/libya*

Libya Gross Domestic Product from 2006 to 2017



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

This trend continued up until 2017 whereby crude oil production and exports began to rebound strongly following growing chances of a possible organisation of fresh elections in 2018. Efforts by the United Nations Support Mission in Libya ("UNSMIL") aimed at restoring a lasting political solution in the country in 2017 immediately left a positive effect on the country's oil sector. Oil prices dipped again as demand plunged following the outbreak of COVID. Early June, prices started recovering following the resumption of economic activity across the globe, supported by the OPEC+ decision to extend the 10 million barrels per day curb for another month until 31 July. This was well received by markets and the price of oil was back up to over the $40 a barrel.

Overall, the political situation in the country seems to be worsening again following postponement of elections in December 2018 and the fact that clashes between the Libyan National Army and the Government of National Accord have continued to be focused on 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.

In response to the pandemic, the National Centre for Disease Control (NCDC) has implemented strict measures to contain the spread of the virus into and within Libya, including closing the country's borders, banning of large public gatherings and imposing travel restrictions.

PART B – FINANCIAL REVIEW

8 MIH'S HISTORIC & FORECASTED FINANCIAL PERFORMANCE

Following discussions with management, it transpired that while the situation in Libya remains volatile, PCL continued 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 interest by institutions to return to Libya, albeit gradually. As discussed earlier, average occupancy levels continued to improve in the period FY2017 to FY2019 from 18.6% in FY2017 to 39.2% in FY2018 and 55.2% in FY2019.

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.

Notwithstanding, average occupancy at Palm City Residences for FY2020 is forecasted to dip marginally to 46.1%, reflecting the impact of the coronavirus pandemic and the significant drop in crude oil prices experienced during the second quarter of FY2020.

8.1 Income Statement

	Actual FY2017 €'000	Actual FY2018 €'000	Actual FY2019 €'000	Forecast FY2020 €'000
Revenue	8,359	18,860	27,261	21,836
Operating expenses	(3,030)	(4,808)	(5,257)	(4,558)
Gross Profit	**5,329**	**14,052**	**22,004**	**17,278**
Administrative & Marketing expenses	(1,793)	(2,395)	(2,502)	(2,128)
EBITDA	**3,536**	**11,657**	**19,502**	**15,150**
Other income	144	-	472	309
Depreciation	(93)	(65)	(177)	(190)
Results from operating activities	**3,586**	**11,592**	**19,797**	**15,269**
Increase in FV of investment property	-	21,594	-	-
Share of loss from equity accounted investments	(80)	(180)	(149)	-
Net finance costs	(3,781)	(3,729)	(4,833)	(5,135)
Net fair value gain on interest rate swaps	145	30	-	-
Gain in Foreign Exchange	-	-	-	127
Profit / (Loss) before tax	**(130)**	**29,307**	**14,815**	**10,261**
Tax (expense) income	356	(23)	(283)	(308)
Deferred tax on FV adjustment	-	(7,558)	-	-
Net Profit for the year	**226**	**21,726**	**14,532**	**9,953**

FY2017 – FY2019 Review

Over the past three years, MIH experienced rather contrasting results, yet with significant year-on-year improvements, 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. In fact, several foreign companies have begun to gradually return to Libya and increase their presence and operations albeit with caution and at different levels.

On the back of an increase in occupancy of the units within Palm City Residences, revenue increased from €8.4 million in FY2017 to €27.3 million for FY2019. The average rate commanded for the leased out units increased over the years, from €8,500 in FY2017 to €8,850 in FY2019. *More detail on the revenue generation of Palm City Residences is included in section 5.2 of this report.*

In consequence of the increased business, operating expenses increased by 58.6% to €4.8 million in FY2018 from €3.0 million in FY2017, and a further 9.3% increase in FY2019 to €5.3 million. The significant rise in FY2018 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 were non-recurring. Nonetheless, this increase in operating expenses was far lower than the increase in revenues during the period under review, 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.

Administrative expenses and marketing costs were generally contained in FY2019 at the same levels of FY2018, following the increase in expenses incurred in FY2018 relative to the increase in administrative salaries and wages and general overhead costs that had to be incurred in cognisance of the increased level of business.

As a result of the improved occupancy levels and the generally contained expenses, EBITDA margin improved from 42.3% in FY2017 to 61.8% in FY2018 and further to 71.5% in FY2019. After accounting for depreciation charges and other income, the operating profit stood at €19.8 million in FY2019, up from €11.6 million in FY2018 and €3.6 million in FY2017.

The improved level of occupancy in FY2018 led to a fair value adjustment to MIH's investment property (Palm City Residences) which amounted to €21.6 million (before accounting for deferred tax), following a very significant impairment of €61.2 million back in FY2014. No fair value adjustments were made in either of FY2017 and FY2019.

Net finance costs include the interest costs payable by MIH on the outstanding bonds in issue, bank borrowings and shareholders' loans, netted against income generated from interest on deposits and exchange differences. In view of the decrease in bank loans during FY2019 due to capital repayments, interest costs on such loans was also lower.

Meanwhile, however, the exchange differences netted off against finance costs were lower for FY2019 when compared to each of FY2017 and FY2019, resulting in an increase in the net finance costs for the Company for FY2019.

MIH recorded a pre-tax profit in the last two years – in FY2019 this was of €14.8 million, while in FY2018 this was of €29.3 million, of which €21.6 million reflected the revaluation uplift of Palm City Residences.

Forecast FY2020

As explained earlier on in this section, management expect average occupancy levels to be marginally lower in FY2020, at 46.1% (FY2019: 55.2%) in view of the immediate impact of COVID-19, particularly on the short-term leases which are those more susceptible to travel restrictions and limitations related to essential services. As a result, the Company is expected to record a net profit for the year of €10 million, with marginal containment of direct costs envisaged for the year.

8.2 Statement of Financial Position

	Actual FY2017 €'000	Actual FY2018 €'000	Actual FY2019 €'000	Forecast FY2020 €'000
Non-current assets				
Intangible assets	2	2	2	2
Investment property	250,268	271,977	272,542	273,312
Property, plant and equipment	8,789	8,864	9,511	9,459
Investments accounted for using the equity method	12,603	12,761	12,790	12,790
Lease prepayment	400	392	-	-
Total non-current assets	**272,062**	**293,996**	**294,845**	**295,563**
Current assets				
Inventories	653	948	1,005	1,027
Trade and other receivables	2,863	4,107	5,874	7,420
Cash and cash equivalents	4,904	9,879	13,158	19,792
Taxation recoverable	-	-	309	619
Total current assets	**8,420**	**14,934**	**20,347**	**28,858**
Total assets	**280,483**	**308,930**	**315,192**	**324,421**
Equity				
Share capital	48,002	48,002	48,002	48,002
Retained earnings	82,525	104,708	119,479	129,432
Total equity	**130,527**	**152,710**	**167,481**	**177,434**
Non-current liabilities				
Bank & other borrowings	12,898	9,242	5,000	5,000
Bonds	82,424	82,540	51,663	82,349
Shareholders' loan	10,203	9,203	5,203	5,203
Other non-current liabilities	825	2,693	2,715	3,225
Deferred tax liability	29,127	36,358	36,177	36,177
Total non-current liabilities	**135,478**	**140,037**	**100,759**	**131,955**
Total non-current liabilities				
Bank borrowings	2,635	3,624	3,511	849
Bonds	-	-	29,408	-
Derivative financial instruments	30	-	-	-
Trade and other payables	10,513	11,556	13,399	13,846
Lease liability	-	-	117	-
Current taxation	1,300	1,003	517	337
Total current liabilities	**14,478**	**16,183**	**46,951**	**15,032**
Total liabilities	**149,956**	**156,220**	**147,710**	**146,987**
Total equity and liabilities	**280,483**	**308,930**	**315,192**	**324,421**

FY2017 – FY2019 Review

The Company's asset base improved by 10% between FY2017 and FY2018, reflecting mainly the revaluation of the Palm City Residences during the year. The increase in FY2019 reflects the additional cash buffers available at the end of the financial year and the increase in trade receivables reflective of the improved occupancy levels, as well as the improvements made by PCL on the residences as continued maintenance and update of the security features were incurred surrounding the premises.

Equity continued to improve in all three years under review – the increase in both FY2018 and FY2019 reflect the improved profitability retained by the MIH group, with FY2018 increase including also the effect of the revaluation of the Palm City Residences.

On the liabilities side, the main components are two – trade and other payables and debt instruments. Trade and other payables consist of accrued interest and expenses, dues to related parties, deferred income related to lease renewals and security deposits owed to tenants. Most of these components are directly related to revenue generation, and as such, the increase in occupancy over the years is evident also in the increase in trade and other payables.

On the debt side, MIH's obligations can be split as follows:

	Actual FY2017	**Actual FY2018**	**Actual FY2019**
	€'000	*€'000*	*€'000*
Bank Borrowings	15,533	12,865	8,511
Bonds	82,424	82,540	81,071
Shareholders' Loans	10,203	9,203	5,203
	108,160	**104,609**	**94,786**
Cash & cash equivalents	(4,904)	(9,879)	(13,158)
Net Debt	**103,256**	**94,730**	**81,627**

Source: MIH's Statement of Financial Position

As indicated earlier, the Company reduced its level of borrowings over the years and reliance on shareholder support reduced in line with the Company's ability to service its obligations from cash generated from operations, resulting in the partial repayment of shareholders' loans. Furthermore, MIH has been accumulating a significant amount of cash balances and as at the end of the three-year period, had a net debt of €81.6 million (as opposed to the €103.3 million at the end of FY2017).

Forecasts FY2020

MIH's statement of financial position leading to 31 December 2020 is expected to be marginally different to that of FY2019. The notable changes are in the cash and equivalents, as the Company is expected to service its interest costs and repay part of its bank borrowings. Total assets as at the end of FY2020 are expected to amount to €324.4 million (FY2019: €315.2 million). The assumptions provided by management also envisage a re-issue of a bond on the capital market in Malta to replace the maturing one, to the tune of €20 million. The Company also has a bond of €11 million which is unlisted and placed privately. This is also due to mature in FY2020, however, management advised that negotiations are ongoing for the unlisted bond to be extended by a further three years under the same existing terms. As such, borrowings will decline by €2.6 million – all related to a reduction in bank borrowings. Equity is expected to reflect the profits made and retained for FY2020, increasing to €177.4 million (FY2019: €167.5 million), which is in the main supported by an increase in cash balances of €6.7 million.

8.3 Cash Flow Statement

	Actual FY2017 *€'000*	Actual FY2018 *€'000*	Actual FY2019 *€'000*	Forecast FY2020 *€'000*
Net cash from operating activities	6,103	14,019	18,776	14,186
Net cash used in investing activities	(313)	(253)	(753)	(908)
Net cash used in financing activities	(2,327)	(9,217)	(15,450)	(6,565)
Net increase in cash and cash equivalents	**3,463**	**4,549**	**2,574**	**6,713**
Cash and cash equivalents b/fwd	1,497	4,902	9,854	13,077
Cash and cash equivalents c/fwd before the effect of foreign exchange rate changes	**4,960**	**9,451**	**12,427**	**19,790**
Effect of foreign exchange rate changes	(58)	403	650	-
Cash and cash equivalents c/fwd	**4,902**	**9,854**	**13,077**	**19,790**

FY2017 – FY2019 Review

MIH's cash position continued to improve over the years under review, in line with the increase in business activity and profitability that PCL has been experiencing over the years. By the end of FY2019, MIH had €13.1 million in cash and cash equivalents. This improvement in cash flows from operations came as a result of the combined effect of increases in average rates being charged by PCL for each unit leased out and an increased level of occupancy which is also evident in the Company's stronger EBITDA figure.

Cash used by the Company in its investing activities was rather minimal, as PCL sought to maintain the upkeep the gated residences up to standard. No other investments took place by the MIH group other than at PCL.

Apart from servicing its loans and bond interest costs (which were €5.8 million in FY2017, €5.5 million in FY2018 and €5.3 million in FY2019), MIH paid back circa €13.3 million of its debts during the three years under review, through a mix of bank loan repayments, partial repayment of shareholders' loans and bonds buy-back on the Malta Stock Exchange.

Forecast FY2020

As indicated earlier, the Company's operations in FY2020 are expected to be reflective of the pandemic effect. As such, cash flows from operations are forecasted to be lower than FY2019, at €14.2 million. In terms of capex, management does not expect any major expenditure, with the €1 million spend in maintenance costs is expected to be incurred for the upkeeping of the Palm City Residences[8]. Furthermore, in terms of financing activities, MIH remains committed to servicing its finance costs and reduce its bank borrowings and it is forecasted that the Company will make €6.6 million in net payments related to its debt obligations (net of €1.1 million of bond proceeds). As such, the cash position of MIH at the end of FY2020 is expected improve further and reach €19.8 million.

8.4 Financial Ratios and Key Metrics

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

Profitability Ratios

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

Key profitability ratios of MIH improved materially in FY2018 and FY2019 when compared to FY2017. The improved level of average occupancy achieved during the years contributed healthy margins even when FY2018 profitability figures are adjusted for the revaluation of the Palm City Residences. The interest cover for both FY2018 and FY2019 continue to indicate the Company's ability to generate enough EBITDA to well cover its debt service obligations, as the key metric rose to 3.13 times in FY2018 and 4.04 times in FY2019, well above the FY2017 figure of 0.94 times.

[8]Palm City Residences is classified as an investment property. As such, the property is not depreciated but subject to a revaluation. And any replacements of capex nature are expensed through income statement. The Company only capitalises improvements to the premises or additions in terms of new items

While profitability metrics are expected to be marginally subdued in view of the expected impact of COVID on occupancies for FY2020, the debt servicing coverage remains healthy and thereby MIH is not expected to have to rely on shareholders' support over the coming period.

	Actual FY2017	Actual FY2018	Actual FY2019	Forecast FY2020
Gross Profit margin *(Gross Profit / Revenue)*	63.75%	74.51%	80.72%	79.13%
EBITDA margin *(EBITDA / Revenue)*	42.30%	61.81%	71.54%	69.38%
Operating Profit margin *(Operating Profit / Revenue)*	42.90%	61.46%	72.62%	69.93%
Net Profit margin (NPM) *(Net Profit for the period / Revenue)*	2.71%	115.20%*	53.30%	45.58%
Return on Equity (ROE) *(Net Profit / Average Equity of the Company)*	0.17%	15.43%*	9.08%	5.77%
Return on Capital Employed *(Net Profit / Average Capital Employed)*	0.10%	8.76%*	5.59%	3.73%
Return on Assets (ROA) *(Net Profit / Average Assets)*	0.08%	7.37%*	4.66%	3.11%
Interest Coverage Ratio *(EBITDA / Net Finance Costs)*	0.94x	3.13x	4.04x	2.95x

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

Liquidity Ratios

	Actual FY2017	Actual FY2018	Actual FY2019	Forecast FY2020
Current Ratio *(Current Assets / Current Liabilities)*	0.58x	0.92x	0.43x	1.92x
Cash Ratio *(Cash & cash equivalents / Current Liabilities)*	0.34x	0.61x	0.28x	1.32x

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. The FY2019 is further burdened by the reclassification to current liabilities of two bonds which are up for maturity during FY2020 – for a total of €29.4 million. The Company is seeking to issue a new bond to re-finance the €20 million bond (outstanding: €18.4 million) while it is in negotiations with the bondholders of the privately placed €11 million bond to extend the maturity of this debt by a further three years (the negotiations indicate that there is acceptance of the bondholders to extend for a further three years). Excluding the effect of these upcoming bonds, the Company's current and cash ratios would have improved in FY2019 over those of FY2018, also in view of the cash that the Company managed to generate from its improved operations. This is also expected to be the case in FY2020.

Solvency Ratios

The Company's net debt continued to improve further. Such decline was supported by the fact that the Company generated additional cash that allowed it to build a significant buffer, part of which was used for the partial repayment of bank and shareholders' loans.

Furthermore, the mix of funding sources has enabled MIH to keep its level of gearing at very acceptable levels. This is also expected to be the case for FY2020.

	Actual FY2017	Actual FY2018	Actual FY2019	Forecast FY2020
Gearing Ratio (1) *(Net debt / Total Equity)*	0.79x	0.62x	0.49x	0.41x
Gearing Ratio (2) *[Total debt / (Total Debt plus Total Equity)]*	45.31%	40.65%	36.14%	34.49%
Net Debt to EBIDTA *(Net Debt / EBIDTA)*	29.21x	8.13x	4.19x	4.86x

9 GUARANTOR'S FINANCIAL INFORMATION

The following is an analysis of the performance, financial position and cash flows of CPHCL. The financial information presented is not the consolidated position of CPHCL but is on a company-basis only. The historic financial information has been sourced from the audited financial statements of CPHCL for the years ended 31 December 2017, 2018 and 2019. The forecasts have been prepared and provided by the company's management.

Business Overview of CPHCL

CPHCL is the holding company of the companies that form part of the Corinthia group – with the main ones being International Hotel Investments plc ("**IHI**") and a 50% holding in MIH. It also has a few direct investments in hotel operations and other operations which are linked to hospitality and F&B operations.

IHI is the largest subsidiary company of CPHCL, whose objective is to invest, acquire and develop real estate projects with a principal focus on hospitality assets. Hotel properties owned by IHI are located in Malta, Prague, Lisbon, Libya, Budapest, St Petersburg, and 50% equity stakes in a luxury hotel and an upscale London residential property and in a hotel in Malta and Brussels, the latter going through a development program. IHI operates also the franchise for the Costa brand in Malta and part of Spain and owns Corinthia Caterers – the catering arm. It also owns a plot of land in the north of Malta known as Hal Ferh, to which it has obtained full development permit to develop in a luxury tourist resort.

IHI is also the owner of the Corinthia brand and Corinthia Hotels Limited (CHL) – the latter is a hotel management company that apart from managing IHI's hotels, it also has agreements in place with third-parties to manage four other hotels located in Prague, Budapest, Tunisia and Khartoum. Furthermore, CHL has an arrangement in place with Reuben Brothers to develop and operate a hotel in Rome, with conversion works expected to commence in 2020.

In terms of other subsidiary companies owned directly by CPHCL, the following are determined by management to be the main operating assets:

Aquincum Hotel	Hungary	Hotel	100%
Ramada Plaza	Tunisia	Hotel	100%
Corinthia Investments Limited	United Kingdom	Investment company	100%
Swan Laundry and Dry Cleaning Company Limited	Malta	Dry cleaning	100%
Danish Bakery Limited	Malta	Industrial bakery	65%
Malta Fairs and Conventions Centre Limited	Malta	Events & exhibitions	100%

Since CPHC, as a stand-alone, owns shares in these companies and ventures, the revenue generated from such investments is recognised as investment income. CPHCL also extends loans to a number of its subsidiaries, acting as a treasury operation for the group. Over the years, CPHCL has disposed of some of its assets, as shall be discussed in subsequent parts of this report.

9.1 Income Statement

	Actual FY2017 €'000	Actual FY2018 €'000	Actual FY2019 €'000	Forecast FY2020 €'000
Continuing Operations				
Revenue	-	-	-	-
Net operating expenses	(5,708)	(6,363)	(6,564)	(3,349)
Other income	4,079	1,159	1,443	1,252
Exchange differences	(1,580)	224	(303)	1,008
EBITDA	**(3,209)**	**(4,980)**	**(5,424)**	**(1,089)**
Depreciation & amortisation	(49)	(39)	(221)	(214)
Credit losses on investments & loans receivable	-	(2,716)	(2,765)	-
Net changes in fair value of contingent consideration	-	85	-	-
Net changes in fair value of indemnification liabilities	210	210	210	(428)
Investment income	11,770	11,269	24,036	15,890
Finance income	229	314	214	183
Finance costs	(5,061)	(5,019)	(4,807)	(4,192)
Gain on disposal of investments	-	-	69,650	-
Gain on sale of fixed assets	-	-	2,400	-
Profit / (loss) before tax	**3,890**	**(876)**	**83,295**	**10,150**
Tax income (expense)	98	(225)	2,369	-
Profit / (loss) from continuing operations	**3,988**	**(1,101)**	**85,664**	**10,150**
Discontinued Operations				
Profit / (loss) from discontinued operations	(98)	1,535	-	-
Profit for the year	**3,890**	**434**	**85,664**	**10,150**

FY2017 – FY2019 Review

As explained earlier, CPHCL does not operate any of its assets directly, but is invested in a number of ventures. As a result, there is no reported revenue for any of the years FY2017 to FY2019. Since it is a holding company of the Corinthia group and acts as a treasury function for the group, CPHCL's operating expenses constitute head office-related costs, primarily staff costs (and related expenses) and management fee payable to International Hotel Investments plc. Other income refers to income generated from management fees charged, which has been stable for the past two years. The decline between FY2017 and FY2018 relate to a one-off gain made in FY2017 on intercompany balances. Given the exposure of CPHCL towards subsidiaries which are not located within the Eurozone, the company recognises the impact that unhedged foreign currency exposures have on the company's performance. The company notes these exposures to be in Sterling (GBP), Tunisian Dinar, Hungarian Forint and Czech Koruna.

In view of the characteristics of the company's business model, EBITDA was negative across the historic period under review. Notwithstanding, CPHCL reported investment income received from its investment in a number of subsidiaries which is in the form of dividend. In FY2017, the majority of the investment income came from dividends attributable to the Cypriot subsidiary Comox Enterprises Limited (property company), which distributed approximately €10 million of dividends, offsetting a loan that CPHCL had towards this company. In FY2018, the majority of the investment income came from IHI - €8.4 million – and a further €0.6 million from Pankrac Property Holdings, €0.4 million from Danish Bakery Limited, €0.4 million from Swan Laundry and €1.5 million from CPHCL Investments Limited. In FY2019, investment income increased further to €24 million, comprising €14.9 million of dividends received from Top Spirit (a Czech company acquired in 1998), offset against a balance due by CPHCL to Top Spirit. A further €8.3 million was paid as dividends by IHI, while other distributions amounted to €0.8 million.

In FY2019, the company made a number of disposals. The gain on disposal of fixed assets refer to the sale of fixed assets related to the disposal of Catermax and Corinthia Caterers to IHI.

In terms of disposal of investments, in FY2019, CPHCL also concluded the following disposals:

Gain on Disposal of Investments – FY2019 (A)

	€'000
Disposal of investment in Pankrac Property Holding*	71,635
Loss on sale of Corinthia Caterers	(1,364)
Loss on sale of Catermax	(58)
Loss re QPM conditional consideration w/o	(563)
	69,650

** The sale of Pankrac Property Holding (PPH) generated a gain on disposal of €71.6 million, which reflects the proceeds of €76.9 million net of investment costs of €3.5million and transaction costs of €1.7million. For cashflow purposes, out of the proceeds of €76.9 million, transaction costs of €1.7million are deducted and the loan repayment by the Guarantor to PPH amounting to €8.8 million is also netted off from the cash consideration.*

In FY2018, CPHCL recognised impairments and write-offs on credit balances receivable from its subsidiaries amounting to €2.7 million, while the figure for FY2019 was of €2.8 million, representing the full impairment of the loan receivable from Corinthia Palace Holdings Limited. No such impairments were necessary in FY2017. Finance costs hovered around the €5 million mark in each of the years under review.

FY2019 was a record year for CPHCL, recognising a profit from continued operations of €85.7 million (FY2017: €3.9 million and FY2018: Loss of €1.1 million).

Meanwhile, a decision was made in FY2017 to sell the Corinthia Palace Hotel in Attard, which as a result was classified as an Asset Held for Sale in the company's balance sheet. This sale was finalised in FY2018, when the company sold the hotel to IHI. The profit / losses realised from this operation were recognised under Discontinued Operations in the Income Statement. From such sale, the company recognised a profit on disposal of €1.8 million, netted off against a loss of €0.3 million the hotel made in the year, resulting in a profit after tax from discontinued operations in FY2018 of €1.5 million.

Forecast FY2020

Revenue for FY2020 is expected to be characterised by dividends receivable from Panorama a.s. and Acquincum Hotel which will account for €15.5 million out of the total €15.9 million receivable during the year – the dividend will not be received in cash but will be net off against existing loan balances that the respective companies have with CPHCL. This revenue is expected to well cover the company's expenses for the year, primarily finance costs and administrative expenses, resulting in a net profit of €10.2 million (taxation is expected to be nil in FY2020). No sale of assets is forecasted to happen during FY2020.

9.2 Statement of Financial Position

	Actual FY2017 €'000	Actual FY2018 €'000	Actual FY2019 €'000	Forecast FY2020 €'000
Assets				
Non-Current				
Investment Property	820	820	820	820
Property, Plant & Equipment (PPE)	182	148	387	176
Investment in Subsidiaries, Associates & JVs	421,602	415,095	404,531	414,674
Deferred Tax Assets	-	2,751	3,555	3,555
Trade & Other Receivables	484	1,030	-	-
	423,088	**419,844**	**409,293**	**419,225**
Current				
Inventories	590	-	-	-
Trade & Other Receivables	15,140	8,273	9,108	9,339
Current Tax Assets	-	1,095	2,570	1,185
Financial Assets - Investments	-	-	1,186	4,035
Cash & Equivalents	61	2,809	46,590	26,684
	15,791	**12,177**	**59,428**	**41,244**
Assets classified as held for sale	25,971	-	-	-
	41,762	**12,177**	**59,428**	**41,244**
Total Assets	**464,850**	**432,021**	**468,721**	**460,468**
Equity & Liabilities				
Equity				
Issued Capital	20,000	20,000	20,000	20,000
Other Reserves	19,220	21,617	21,617	21,617
Retained Earnings	215,317	205,951	268,615	278,737
	254,537	**247,568**	**310,232**	**320,354**
Liabilities				
Non-Current				
Bank Borrowings	1,691	4,032	3,306	3,038
Other Borrowings	125,705	134,195	116,517	98,487
Deferred Tax Liabilities	33	-	-	-
Indemnification Liabilities	23,816	23,606	23,395	23,395
	151,245	**161,833**	**143,219**	**124,920**
Current				
Bank Borrowings	10,970	10,970	1,290	1,286
Other Borrowings	22,687	947	1,155	947
Current Tax Liabilities	995	-	-	-
Trade & Other Payables	24,416	19,875	12,402	12,959
	59,068	**22,620**	**14,847**	**15,192**
Total Liabilities	**210,313**	**184,453**	**158,489**	**140,113**
Total Equity & Liabilities	**464,850**	**432,021**	**468,721**	**460,468**

FY2017 – FY2020 Review

Total assets by the end of the period under review stood at €468.7 million, of which €312.6 million was attributable to the value of IHI (over 66% of total assets). A split between what constitutes equity value of the investment in subsidiaries and associates / joint ventures and loans receivable from them is included hereunder:

	FY2017 (A)	FY2018 (A)	FY2019 (A)
	€'000	*€'000*	*€'000*
Equity			
Subsidiary Companies			
Corinthia Investments Limited	13,867	13,867	13,867
International Hotel Investments plc	312,593	312,593	312,593
Amber Hotels s.r.o.	3,261	3,261	2,537
Corinthia Construction (Overseas) Limited	3,382	2,173	2,173
Corinthia Finance plc	250	250	250
CPHCL Investments Limited	663	663	663
Danish Bakery Limited	879	879	879
Flight Catering Company Limited	521	521	-
Konopiste Property Holding s.r.o.	1,561	1,561	1,561
Marsa Investments Limited	3,888	3,888	3,888
Pankrac Property Holdings s.r.o.	3,532	3,532	-
Swan Laundry & Dry Cleaning Limited	521	521	521
Top Spirit a.s.	15,564	15,564	15,564
Other Subsidiaries	24	24	24
	373,739	**372,530**	**367,753**
Associates & JVs			
Café Jubliee ZRT	179	-	-
Mediterranean Investments Holding plc	24,002	24,002	24,002
	24,181	**24,002**	**24,002**
	397,920	**396,532**	**391,755**
Loans Receivables			
Subsidiaries			
Amber Hotels s.r.o.	246	248	-
Corinthia Construction (Overseas) Limited	5,392	-	-
Corinthia Holding Overseas Limited	1,993	5,965	5,965
Corinthia Palace Holdings Limited	5,591	2,700	-
Flight Catering Company Limited	1,000	1,000	-
HNS Consultancy Limited	-	320	420
Konopiste Property Holding s.r.o.	2,617	2,843	2,903
Societe de Promotion Hoteliere Khamsa S.A.	1,680	883	883
	18,519	**13,959**	**10,171**
Associates & JVs			
BCW	2	-	-
Café Jubliee SRT	58	-	-
Mediterranean Investments Holding plc	5,102	4,602	2,602
	5,162	**4,602**	**2,602**
	23,681	**18,561**	**12,773**
Total Investment*	**421,601**	**415,093**	**404,528**

**subject to rounding differences to SFP figures.*

Main developments in the investment portfolio:

- FY2019 – full disposal of Pankrac Property Holdings s.r.o. [€3.5 million]
- FY2019 – full disposal of Flight Catering Company Limited [€0.5 million]
- FY2019 – impairment of Amber Hotels s.r.o. due to a capital reduction exercise [€0.7 million]
- FY2018 – impairment of Corinthia Construction (Overseas) Limited [€1.2 million]
- FY2018 – impairment of full investment in Café Jubilee [€0.2 million]

In FY2018, CPHCL adopted IFRS 9 – Financial Instruments. This accounting standard requires companies to assess their loans receivables on a forward-looking basis vis-à-vis the expected credit losses associated with the said debt instrument. A retrospective one-off adjustment was recognised in retained earnings for a total of €6.8 million on FY2017 balances. Furthermore, following IFRS 9 assessments in FY2018 and FY2019, the following were the main changes:

- FY2018 – exposure to Corinthia Palace Holdings Limited increased from €5.6 million to €7.2 million but the end of year assessment resulted in an impairment of €4.5 million
- FY2018 – impairment of €0.8 million of the loan receivable from Societe de Promotion Hoteliere Khamsa
- FY2018 – impairment of €1.4 million of the loan receivable from Corinthia Holding Overseas Limited
- FY2018 – full impairment of the receivables of Café Jubilee [€58,000] and BCW [€2,000]
- FY2018 – intercompany set off of €5.4 million between Corinthia Holding (Overseas) Limited and Corinthia Construction (Overseas) Limited
- FY2019 – full impairment of €2.8 million of the loan receivable from Corinthia Palace Holdings Limited

The investment property on the company's balance sheet comprises two sites owned by CPHCL in Libya, while PPE includes the building occupied by CPHCL net of annual depreciation charges. Deferred tax assets relate to the unutilised tax losses and unabsorbed capital allowances for FY2018. In FY2019, this increased further relating to the tax on future dividends receivable from IHI.

In FY2017, the company reclassified three properties as held for sale – two hotels in Turkey and the Corinthia Palace Hotel in Attard, Malta. The two Turkish hotels are owned but not operated by Corinthia group and the decision to dispose these assets was taken in view of the fact that these did not meet the luxury standard operated by the group. The hotel in Attard was reclassified as held for sale as the company had plans to sell this to its subsidiary – IHI. In terms of trade and other receivables, the majority of these are owed from subsidiary companies.

The company's equity base is made up as follows:

	FY2017 (A)	**FY2018 (A)**	**FY2019 (A)**
	€'000	*€'000*	*€'000*
Issued Share Capital	20,000	20,000	20,000
Translation Reserves	2,950	2,950	2,950
Revaluation Reserves	16,270	18,667	18,667
Retained Earnings	215,317	205,951	268,615
	254,537	**247,568**	**310,232**

The changes over the year for the equity components related to:

- FY2018 – €2.4 million were reclassified to the revaluation reserve from deferred tax liability following the sale of the Corinthia Palace Hotel in Attard
- FY2017 to FY2019 – retained earnings increased by €53.3 million, reflecting the profitability of the company during the course of these years

CPHCL's indebtedness is made up of borrowings from banks and other interest-bearing borrowings from group companies and related parties. Bank borrowings have inherently constituted less than 10% of the company's borrowings, while the remainder were balances dues to related parties and group companies. The level of borrowings that the company had at the end of the three years under review was €38.9 million lower than that as at the end of FY2017, reflecting a series of repayments made over the years as well as set offs of dues with other inter-company receivables.

The company also has a substantial level of trade & other payables, which in the main is attributable to payables to related parties, particularly subsidiaries. The level of trade & other payables has declined over the years, from €24.4 million as at the end of FY2017 to €12.4 million by the end of FY2019.

On its balance sheet, CPHCL has a balance referred to as 'indemnification liabilities'. These relate to tax liabilities that would have arisen on the gain registered by CPHCL if a transfer of certain property assets / investments would have been made outside the Corinthia group rather than to IHI as a related group company. To this effect, the sale of two investments in 2007 – IHI Towers s.r.o. and Corinthia Towers Tripoli Limited – from CPHCL to IHI were indemnified from any future tax the latter may incur if IHI had to transfer the investments to a third party. If that happens, CPHCL will be liable to pay for the tax due on the original transfer price instead of IHI.

Forcast FY2020

As stated earlier, FY2020 is not expected to feature any divestment of assets. As such, the composition of the statement of financial position is not expected to be materially different, albeit there will be additional loans advanced by CPHCL to IHI of €9 million and a further €1.4 million to other subsidiaries, bringing the total investment in subsidiaries and associates to €414.4 million. The company intends to make use of any funds in the sinking fund (pertaining to Corinthia Finance plc) to purchase marketable investments, expected to be in the region of €1.2 million.

The €460.5 million total assets are expected to be supported by total equity of €320.4 million (FY2019: €310.2 million)the increase reflecting the profits expected to be made and retained in FY2020. Borrowings are expected to continue to decline further, reflecting the cash position of the company that allows it to gradually continue to reduce its bank borrowings over the coming years.

9.3 Cash Flow Statements

	Actual FY2017 *€'000*	Actual FY 2018 *€'000*	Actual FY 2019 *€'000*	Forecast FY 2020 *€'000*
Net cash used in operating activities	(8,176)	(6,975)	(17,024)	(1,121)
Net cash (used in) / generated from investing activities	(3,056)	29,977	77,899	390
Net cash generated from / (used in) financing activities	7,547	(11,011)	(17,051)	(19,175)
Net change in cash & equivalents	**(3,685)**	**11,991**	**43,824**	**(19,906)**
Cash & equivalents at beginning of year	(5,540)	(9,225)	2,766	46,590
Cash & equivalents at end of year	**(3,685)**	**2,766**	**46,590**	**26,684**
Overdraft	9286	43	4	-
Cash & Equivalents (tallying to SFP)	**61**	**2,809**	**46,590**	**26,684**

FY2017 – FY2019 Review

After adjusting for non-cash charges to the company's profit figures for the years under review and working capital movements, the cash flows used in operations moved from an outflow of €8.2 million in FY2017 to €7.0 million in FY2018 and increased again to €23.6 million in FY2019 as the company settled €9.7 million payable to IHI.

In terms of investing activities, the company had a net cash outflow position of €3.1 million as at the end of FY2017 as it extended a loan to a subsidiary for €3.6 million and paid a further €1.5 million for refurbishment works carried out at the Corinthia Palace Hotel and netted off by a dividend received of €1.7 million. In FY2018, investing activities were characterised by dividends received of €6.6 million, a net increase in loans to subsidiaries of approximately €3 million, and €26 million net proceeds from the sale of the Corinthia Palace Hotel in Attard. In FY2019, the company recognised a net inflow from investing activities. Again, the proceeds from the disposal of the company's investment in Pankrac Property Holdings relating to the sale of the Panorama Hotel were received, resulting in an injection of €66.4 million. These were augmented by dividends received for the year to the tune of €8 million, receipt of €2.4 million relating to the sale of intangible assets and net receipt of loan repayments from associates amounting to €2 million.

In FY2017, the company's financing activities were in the main the result of a repayment of a loan by related parties amounting to €7.9 million, netted off by a net outflow in relation to bank borrowings. In FY2018, there was another loan received from related parties of €7.3 million, although the company made a payment of €20.7 million in relation to loans from related party, resulting in a net cash used in financing activities of €13.3 million, after accounting for a further net cash inflow from bank borrowings of €2.4 million. FY2019 cash outflows used in financing activities was characterised by a €12.1 million loan repayable to shareholders, a payment of €5.9 million to Corinthia Finance plc as guarantor to the 6% bond the latter redeemed in 2019, receipts of €2.2 million from related parties and €1.8 million payable to the banks, netted off by €0.6 million drawdown of further bank borrowings.

The final cash position of the company at the end of FY2019 was €46.6 million.

Forecast FY2020

CPHCL is expected to have a closing cash balance of €26.7 million after extending additional loans to its subsidiaries and the gradual repayment of bank facilities. Cash flows will be supported by the dividend receivable from the subsidiaries although this does not include any reliance on any dividends from IHI or MIH.

9.4 Ratios – Guarantor

Since CPHCL, as a stand-alone, owns shares in Corinthia group companies and ventures, the revenue generated from such investments is recognised as investment income, which is not revenue and nor does it sit above the EBITDA line given the one-off nature of such income (dividends and sale proceeds from disposal of assets are not classifiable as 'operations' and as such in view of their one-off nature, would not form part of operating income). As a result, a number of ratios typically produced to calculate performance metrics and margins cannot be computed. In consequence, the below ratios are those which apply to this company.

The company's profitability ratios are characterised by the volatility of the income generated in any given year, which is not dependent on the company but on the performance of the underlying investments and any disposals made during the year. FY2020 is expected to be a year which will not feature any disposal.

	FY2017 (A)	FY2018 (A)	FY2019 (A)	FY2020 (F)
Return on Equity *(Net Profit / Average Equity of the Company)*	1.54%	0.17%	30.71%	3.22%
Return on Capital Employed *(Net Profit / Average Capital Employed)*	1.17%	0.11%	20.86%	2.37%
Return on Assets *(Net Profit / Average Assets)*	0.84%	0.10%	19.02%	2.18%

The disposal of assets during FY2019 boosted the company's cash balances, which resulted in an improvement in the company's solvency ratios. These ratios are also expected to remain substantially healthy in FY2020.

	FY2017 (A)	FY2018 (A)	FY2019 (A)	FY2020 (F)
Current Ratio *(Current Assets / Current Liabilities)*	0.71x	0.54x	4.00x	2.71x
Cash Ratio *(Cash & cash equivalents / Current Liabilities)*	0.00x	0.12x	3.14x	1.76x

The company's gearing levels have been improving year on year, in cognisance of the profits made and retained within the company as well as the gradual repayment of debts from the improved cash balances following the disposals made. The company's gearing ratios are expected to improve further in FY2020, despite the fact that there will not be any further disposals during the current financial year.

	FY2017 (A)	FY2018 (A)	FY2019 (A)	FY2020 (F)
Gearing Ratio (1) *(Net debt / Total Equity)*	0.63x	0.56x	0.25x	0.24x
Gearing Ratio (2) *[Total debt / (Total Debt plus Total Equity)]*	38.75%	36.28%	28.34%	24.46%

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
MT0000371279	€20 million*	5.50%	1 July 2015	31 July 2020
Unlisted Bond	€11 million	6.00%	18 September 2015	3 October 2020
MT0000371261	€12 million	6.00%	2 June 2014	22 June 2021
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

MT0000101262	€40,000,000	4.25% Corinthia Finance plc 2026

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 (Secured)
MT0000111311	€60,000,000	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 €306.8 million, net of sinking fund provisions.

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	Total Equity	Gearing **	Net Debt to EBITDA	Interest Cover	YTM (as at 15.06.2020)
6.00% Med. Inv Holding plc 2021	12,000,000	315,191,762	167,481,413	32.77%	4.01	4.21	6.00%
5.80% Int. Hotel Investments plc 2021*	20,000,000	1,617,853,000	877,620,000	36.98%	7.75	3.22	4.72%
5.75% Central Business Centre plc 2021	3,000,000	29,538,961	16,552,695	41.40%	13.16	4.25	4.05%
6.00% Pendergardens Developments plc 2022	26,921,000	81,524,000	28,343,000	54.25%	5.29	3.75	3.51%
5.00% Med. Inv Holding plc 2022	40,000,000	315,191,762	167,481,413	32.77%	4.01	4.21	5.53%
5.80% Int. Hotel Investments plc 2023*	10,000,000	1,617,853,000	877,620,000	36.98%	7.75	3.22	5.78%
6.00% Medserv plc 30.09.2020/23	20,000,000	154,685,386	14,768,232	78.62%	4.27	2.25	6.10%
4.25% GAP Group plc 2023*	19,433,000	55,237,000	9,869,000	79.79%	5.57	4.44	3.85%
5.50% Med. Inv Holding plc 2023	20,000,000	315,191,762	167,481,413	32.77%	4.01	4.21	5.50%

*Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 15 June 2020. Ratio workings and financial information quoted have been based on the respective issuers' published financial data (or their guarantors, where and as applicable) – * The financial data of these companies relate to FY2018 (no FY2019 financial statements were available as at 15 June 2020).*

*** Gearing: (Net Debt/ Net Debt + Total Equity)*

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 15 June 2020.

Corporate Bond vs Corporate & MGS YTM – as at 15.06.2020