



Cyprus' Tourism Market Overview

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Cyprus' Tourism Market Overview

Country Profile (1 of 2)



- **Location:** Lies at the crossroads of Europe, Africa and Asia. Located south of Turkey, west of Syria and Lebanon, northwest of Israel, north of Egypt, and southeast of Greece
- **Geographical size:** 3rd largest island in the Mediterranean, covering 9.251 km²
- **Population:** 3rd most populous island in the Mediterranean, with 947.000 people (est. 2016)
- **Currency:** Euro (since 1 January 2008)
- **GDP at current prices:** €17,9 billion (2016)
GDP per capita in PPS¹: 83% of EU-28 (2016)
- **Language:** Mother tongue is Greek. English language is widely spoken
- **Human Development Index:** 33rd out of 188 (HDR², 2016)
- **Main economic sectors:**
 - Services (87% of GVA in 2016): business and financial services, tourism, shipping, real estate
 - Industry (11% of GVA in 2016): manufacturing of pharmaceutical and food products, construction
- **International memberships:** EU (2004), Eurozone (2008), Commonwealth, United Nations, Council of Europe, IMF, World Bank, World Trade Organisation et al.

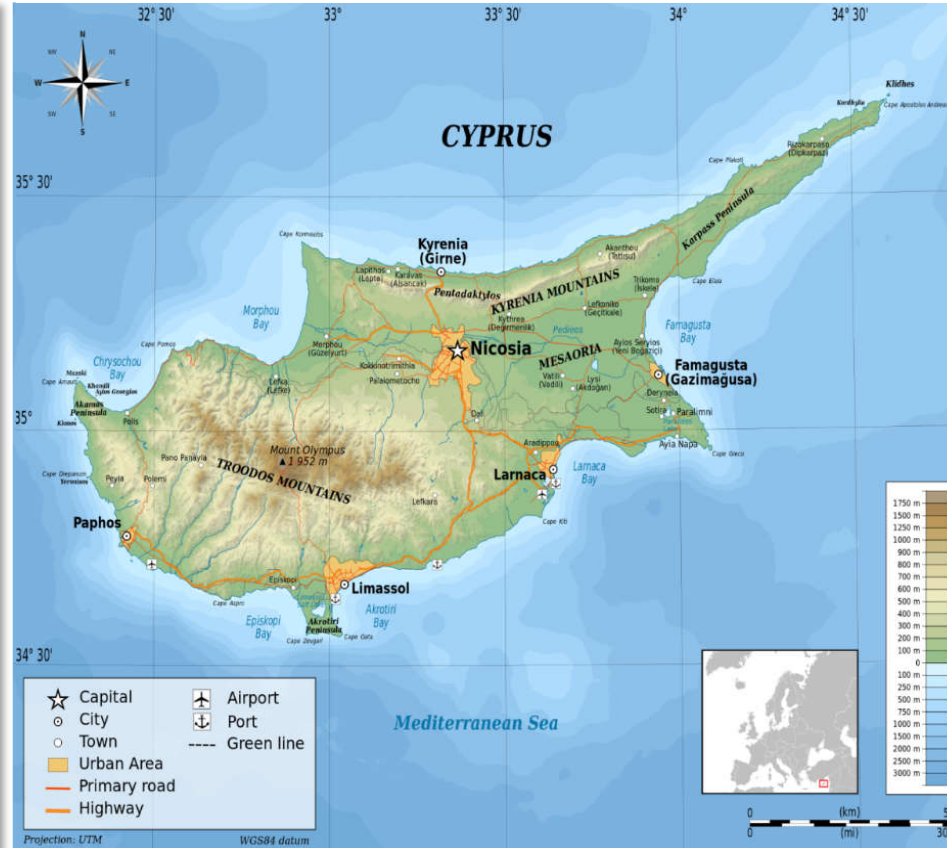
Source: Ministry of Finance, Cyprus Statistical Service, Eurostat, United Nations, World Bank.

Notes: ¹ Purchasing Power Standards; ² Human Development Report;

Cyprus' Tourism Market Overview

Country Profile (2 of 2)

- Independent since 1960 (before used to be a British Colony)
- Internal conflicts between Greek-Cypriots and Turkish-Cypriots turned into fully-fledged armed fighting between the two communities
- In 1974 Greek-Cypriots performed a military coup with the support of military junta in Greece
- Taking opportunity of the coup, Turkey invaded the northern part of the island
- Turkish military troops are still occupying and administering the northern part of the island until today (covering about 36% of the island's area)
- A UN Buffer Zone is separating the two communities
- There are ongoing negotiations in place for the unification of the island
- Current negotiations for solution to the Cyprus Problem may change the political system to Federation

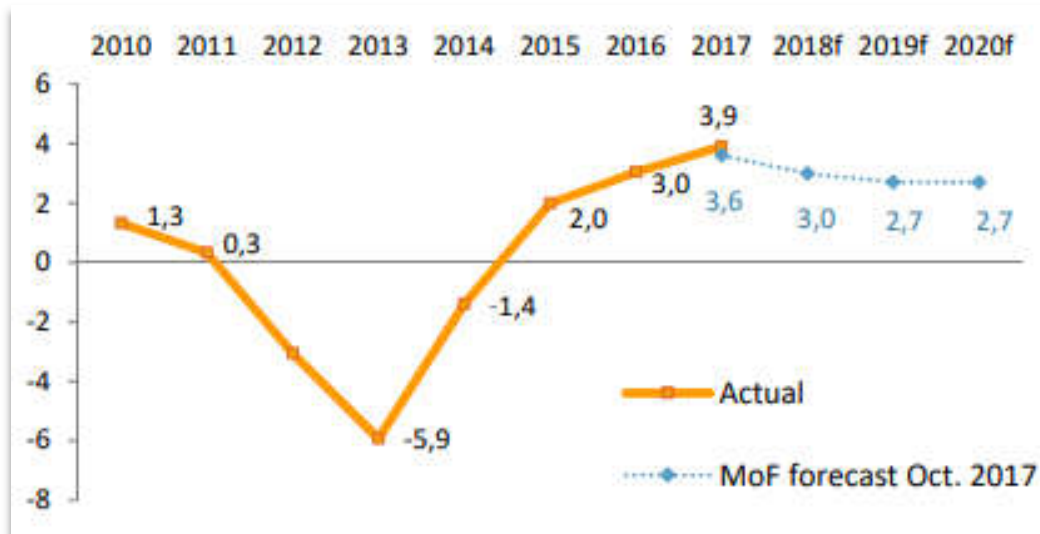


- **Political System:** Presidential Democracy. President is elected every 5 years by universal vote and holds Executive Authority (last elections occurred in Q1 2018)
- **Legislature Authority:** House of Representatives
- **Legal System:** Modelled on the English legal system and European Law; also practices Common Law
- **Capital:** Nicosia (~40% of the population)
- **Other cities:** Limassol, Larnaca, Paphos, Famagusta
- **Time Zone:** CET+1
- **Access Points:** Two multi-purpose ports located in coastal cities of Limassol (privatised in 2016) and Larnaca, and two international airports (Larnaca & Paphos)

Cyprus' Tourism Market Overview

Outlook of the Cyprus Economy

Growth (% change) in Real GDP



- The Republic of Cyprus, following receipt of financial assistance from Troika (EU-ECB-IMF), has undergone an Economic Adjustment Programme which was successfully completed in the first quarter of 2016.
- Cyprus returned to growth in 2015 with real GDP recording an increase of 2,0%, followed by an increase of 3,0% in 2016 and 3,9% in 2017.
- Growth is broad-based and derives from higher demand in the sectors of tourism, business services and retail trade. The positive developments are partly due to the gains realised from price competitiveness recorded in recent years.
- On the expenditure side, consumption has been the main driver in the upswing which can be attributed to higher employment levels and disposable income as well as spillover effects from stronger external demand.
- Investment has recorded growth since 2015 mostly due to the commencement (and planning for medium term implementation) of high value added projects in the tourism, transport, health and energy sectors.

Other Main Indicators	2016	2017f	2018f	2019f	2020f
Unemployment Rate	12,9%	11%	9,5%	8,0%	6,5%
Public Debt (% of GDP)	107%	98%	92%	86%	81%
Fiscal Balance (% of GDP)	0,5%	1,0%	1,3%	1,4%	1,4%

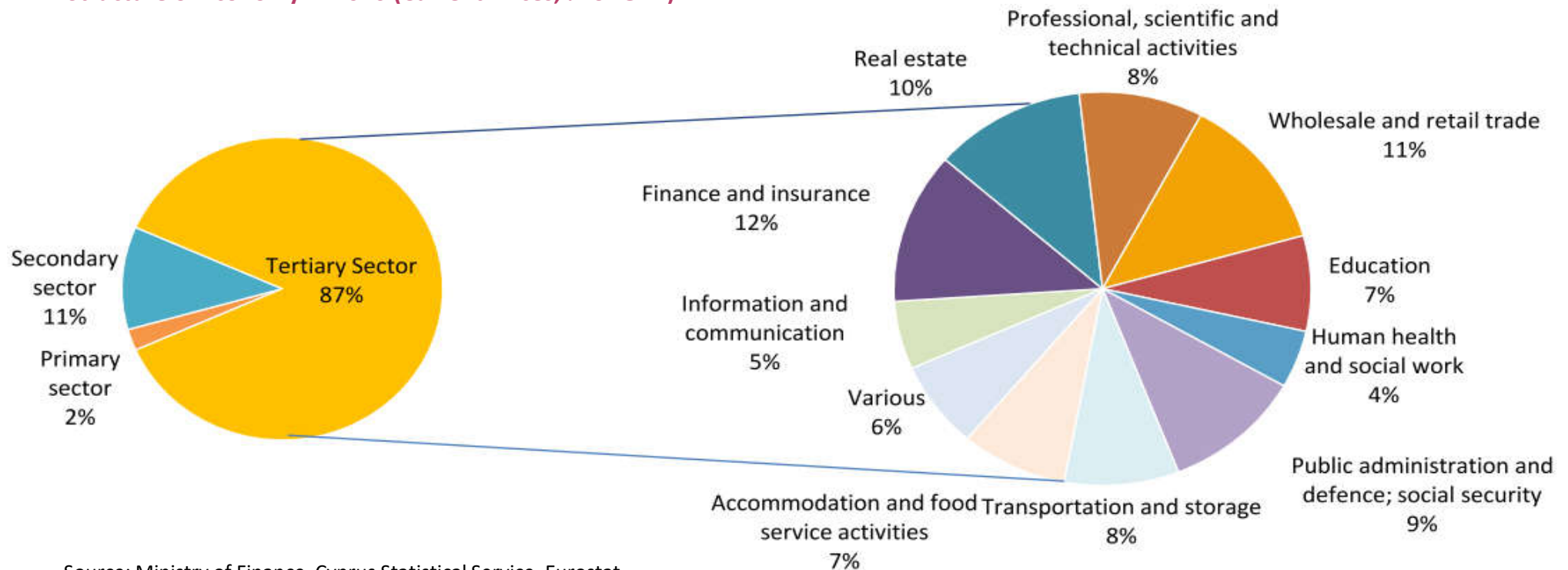
Source: Ministry of Finance, Cyprus Statistical Service, European Commission.
 Note: "f" denotes forecasts by the Ministry of Finance as of October 2017.

Cyprus' Tourism Market Overview

Major Pillars of the Cyprus Economy

The economy of Cyprus is service-driven, open and dynamic. Tourism, financial services, professional business services, shipping and real estate have been the important sectors over the past decade.

Structure of Economy in 2016 (Current Prices, % of GVA)



Source: Ministry of Finance, Cyprus Statistical Service, Eurostat.

According to the report issued by the World Travel & Tourism Council on the economic impact of Travel & Tourism in Cyprus for 2017, the total contribution of Travel & Tourism to Cyprus' GDP was €4,16 billion, representing 22,3% of GDP in 2017, and is forecast to rise by 6,2% in 2018, and to grow by 3,8% per annum from 2018 to 2028 reaching to €6,43 billion in 2028, representing 29,0% of GDP.

Cyprus' Tourism Market Overview

Sector Overview (1 of 2)

Because of its location in the Eastern Mediterranean Sea, its climate and beautiful beaches, its membership in the EU and its developed infrastructure, Cyprus is one of the most popular travel destinations in south-eastern Europe for tourists from both within and outside the EU.

According to traveler surveys conducted by the Cyprus Statistical Service, air travel is the predominant method of tourist travel as ca. 98% of tourists visiting Cyprus travel by air (with the remaining ca. 2% traveling by boat).

Key tourist areas

- The key tourist areas in Cyprus are in Famagusta, Paphos (incl. Polis Chrysochous) and Limassol. The market is primarily driven by tourist arrivals during the summer months at the seaside hotels and resorts located in these areas.
- While the markets of Protaras and Ayia Napa, located in the Famagusta area, mostly shut down during the winter months, Paphos and Limassol remain open to tourism all year-round and offer cultural events, history and archaeology, as well as specialised sports such as golf.

Seasonality

- Promotion of tourism in Cyprus has focused primarily on the concept of 'sun and sea'. This creates a seasonality to tourism which means there is an uneven spread of tourists' inflow throughout the year.
- The peak season for tourist arrivals is the seven month period from April to October. Cyprus has always been known as a summer destination which in itself makes it difficult to attract tourists during the winter months.
- The sector is undergoing comprehensive restructuring to become a premium holiday destination with new markets being opened up (e.g. Marinas, luxury hotels, Golf resorts, Casino resorts, Medical Tourism, Sports Tourism, etc.) in an attempt to reduce the tourism seasonality effect. This aims to extend the tourism season by two months to cover the shoulder months of November and March.
- Efforts performed which aimed to enhance the tourism sector, such as extension of season and better flight connectivity, contributed to the increase in arrivals. Evidently, the tourist arrivals during the last Winter season (November 2017 to March 2018) has doubled compared to the respective Winter Season of 2012/13. Recent increase is largely attributed to the political instability in neighbouring tourist markets, growth in the key source markets of UK and Russia and the introduction of new routes and air carriers providers enhancing access to Cyprus from alternative markets.

Cyprus' Tourism Market Overview

Sector Overview (2 of 2)

Key advantages

- As a destination for **Holiday tourism**:
 - Cyprus has a pleasant Mediterranean climate, enjoying year-round sunshine, with mild winters (mean daily minimum 5°C and maximum 13°C) and sunny, dry summers (mean daily minimum and maximum temperatures are 21°C and 36°C respectively).
 - The island offers a wonderful living experience in a comfortable, stress-free and safe environment. Commutes are minimal, easy and cost-effective in Cyprus. One can drive from the capital, Nicosia, to the beach in Larnaca, in about 30 minutes and to the Troodos mountains in just over an hour.
 - Cyprus' boasts great natural beauty with rare flora and fauna, stunning coastlines, golden sandy beaches and clear blue waters, as well as glorious mountains and peaceful, picturesque villages.
 - Tourists do not have to worry about language and education. English is widely spoken on the island, while most people are bilingual.
- As a destination for **Cultural tourism**: heritage, clean archaeological sites, representing the numerous different historical periods in Cyprus's evolution, which are easily accessible and valued guide services.
- As a destination for **Health & Wellbeing tourism**: high quality of services and facilities provided.
- As a destination for **Religious tourism**: easy access and civility of churches. The demand for this type of tourism is mainly driven by northern European countries such as Russia which have similar religious beliefs to Cyprus.

Key Acknowledgments

- Cyprus' tourism industry has been honoured with numerous prestigious awards, including the following:
 - the sustainable Destinations Global Top 100, an initiative of TravelMole.com, VISION on Sustainable Tourism, Totem Tourism, and
 - Green Destination titles bestowed to Limassol and Paphos.
- The island was ranked as the 5th best relocation destination worldwide by a recent Knight Frank Global Lifestyle Review, while Limassol, has been ranked 4th best retirement destination globally by the 2016 Knight Frank Global Lifestyle Review.
- In addition, the Cyprus Tourism Organisation was the winner of the Silver Award as the 'Best Destination for Responsible Tourism' which was announced at the prestigious World Responsible Tourism Awards ceremony. This event was held in 2015 at the World Travel Market, the leading global event for the travel industry.
- Cyprus' famous beaches have been crowned 'Cleanest Bathing Waters in Europe,' with a consistent 100% score year after year and awarded with 57 Blue Flags achieving three records:
 - the most Blue Flags per capita in the world;
 - the most dense concentration of Blue Flag beaches;
 - the most Blue Flag beaches per coastline.

Cyprus' Tourism Market Overview

Key Tourist Attractions

Legend

- Capital
- Major cities

Nicosia District

Hosts the capital of Cyprus and the main commercial and business centre, with a world famous archaeological museum, the Venetian walls, and Laiki Yitonia which is a labyrinth of traditional streets.

Famagusta District

Located on the south east coast of Cyprus, consisting of Ayia Napa, Protaras, and Paralimni. Famagusta has a wider range of beaches than other cities. Ayia Napa in particular is a reputable party town and prime site for nightlife.

Paphos District

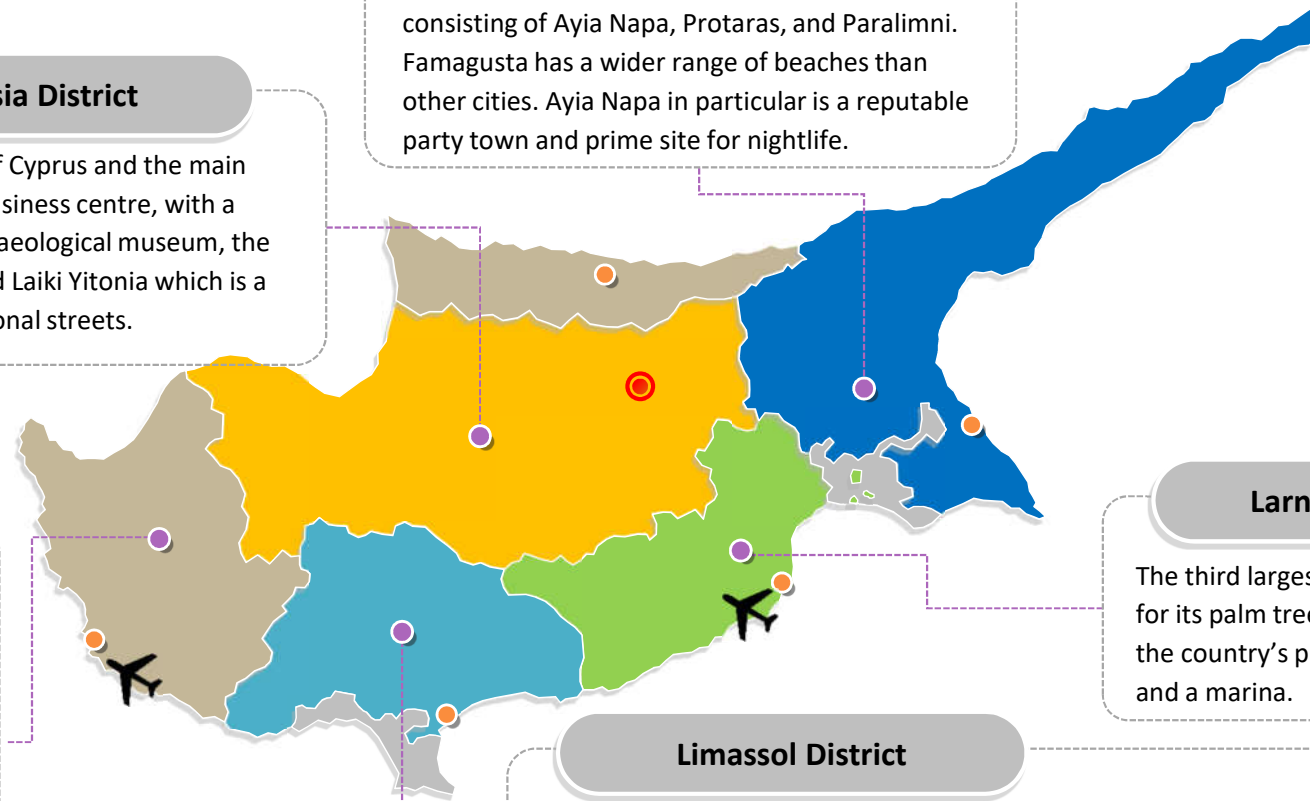
Popular coastal town in the southwest of Cyprus. Visitors can enjoy spectacular scenery and some of Cyprus' finest beaches. Paphos offers ancient historical sites, some classified as world heritage sites by Unesco and an attractive harbour. The city has been selected by the EU as the European Capital of Culture for 2017.

Larnaca District

The third largest city in Cyprus, known for its palm tree seafront. It is home to the country's primary airport, a seaport and a marina.

Limassol District

The second largest city in Cyprus and is situated on the southern coast of the island. It has developed significantly in recent years, emerging as a business hub as well as a party town with reputable beach bars, Carnival and Wine Festivals. Limassol has the largest port in Cyprus while the existence of a luxurious marina together with the awaited development of the Casino Resort assists the city to attract wealthy tourists.



Source: Cyprus Tourism Organisation.

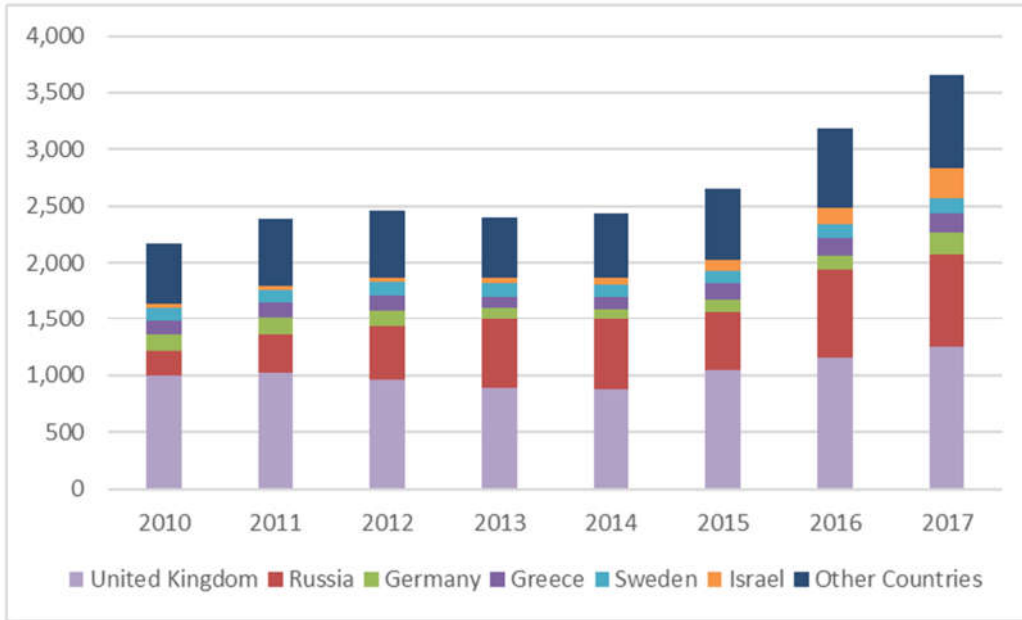
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Cyprus' Tourism Market Overview

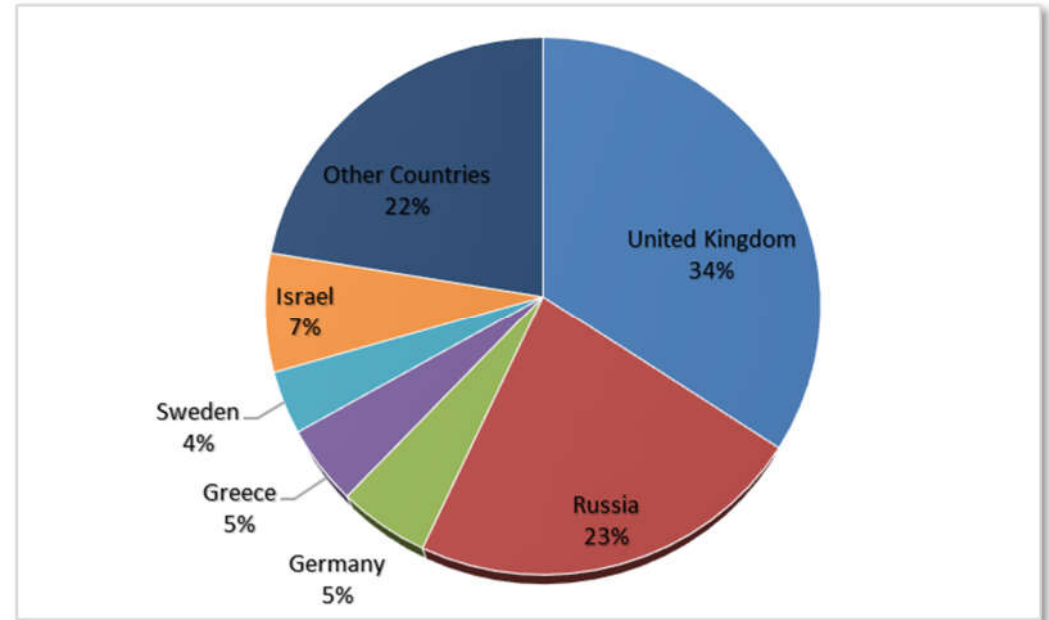
Tourist Arrivals

Number of tourists (Arrivals, thousands)



Source: Cyprus Statistical Service.

Key Source Markets (2017, %)

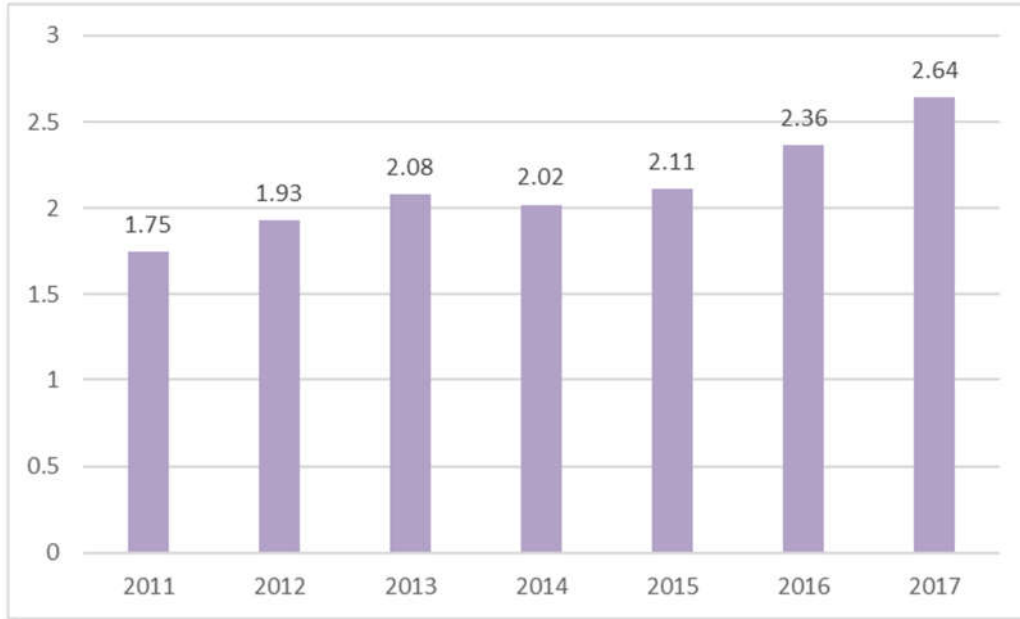


- Over the period 2004 to 2014, the average number of tourist arrivals were in the range of 2,4 mln. Tourist arrivals increased significantly both in 2015 and 2016 reaching 2,7 mln and 3,2 mln respectively. Arrivals in 2017 reached 3,65 mln, an all-time record, increasing by 14,4% compared to 2016, and continuing the 20% growth of the previous year. Arrivals in the first three months of 2018 recorded an increase of 29% over the respective quarter of 2017, with expectations that this trend shall endure in the following months.
- According to the report issued by the World Travel & Tourism Council on the economic impact of Travel & Tourism in Cyprus for 2017, tourist arrivals are forecasted to reach 5,2 mln by 2028, through diversification and expansion of product offerings.
- The origin of tourists has diversified over time with tourists from the UK representing 34% in 2017, down from 56% in 2005. The second largest origin market is Russia with 23% in 2017, followed by Germany, Greece, Israel and the Scandinavian countries.

Cyprus' Tourism Market Overview

Revenue from Tourism

Tourism Revenue (€ billion)

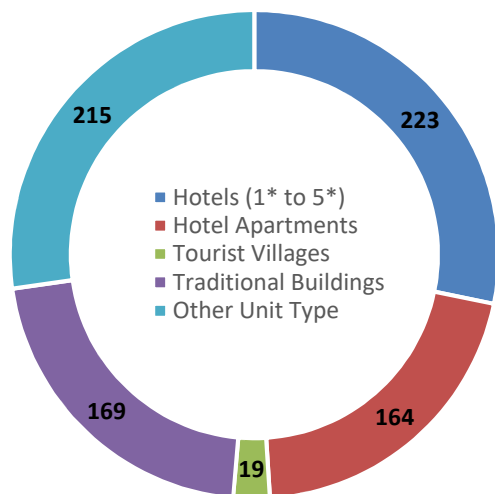


Source: Cyprus Statistical Service.

- Revenues have increased at a lower rate than the increase in arrivals due to travel characteristics (such as length of stay and forms of stay, e.g. all-inclusive packages) and exchange rate fluctuations impacting tourists' purchasing power.
- In 2017, tourism receipts stood at approx. €2,64 billion, which amounted to around 14% of the country's GDP. Compared to the Revenue level recorded in 2011, receipts from tourism have increased by approx. 50%.
- The expenditure per person for the period of January – December 2017 reached €722,62 compared to €741,68 in the corresponding period of the previous year, recording a decrease of 2,6%. The expenditure per person/per day for the period of January – December 2017 compared to the period of January – December 2016 also recorded a decrease of 2,6% (from €78,07 to €76,07).
- In the past five years, Cyprus has taken important steps in the aviation industry with passenger traffic exceeding 45% which resulted in improving connectivity through the establishment of new airlines and the introduction of new routes.

Cyprus' Tourism Market Overview

Accommodation Capacity



Hotels	# of units	# of beds
5*	25	11.562
4*	57	21.540
3*	76	15.579
2*	43	3.622
1*	22	975
Total	223	53.278

Accommodation Capacity per District (No. of beds)

District	Hotels (1* to 5*)	Hotel Apartments & Tourist Villages	Other Unit type	Total
Nicosia	2.710	130	26	2.866
Limassol	9.255	958	657	10.870
Larnaca	4.231	1.012	673	5.916
Famagusta	18.535	13.808	2.455	34.798
Paphos	17.076	7.282	3.284	27.642
Mountain Resorts	1.471	-	675	2.146
Total	53.278	23.190	7.770	84.238

Source: Annual Report for 2016, Pancyprian Hotel Association.

- Accommodation offered in Cyprus mainly consists of hotels, hotel apartments, tourist villages and traditional buildings. As of 31 December 2016, there were a total of 790 accommodation units in Cyprus, with an overall bed capacity of 84.238.
- The largest number of accommodation units are found in Paphos (265), which is also the district with the largest number of tourist villages. Famagusta has the largest number of hotels (73) and hotel apartments (95), and has the highest bed capacity of all districts in Cyprus.
- As a result of attractive incentive schemes offered by the Cypriot government regarding urban planning permissions, a large number of hotel businesses, based in the coastal areas, have filed applications for hotel expansion or renovation and a number of building permit applications for new hotel establishments.

Helping you acquire a Hotel Business

Our Buy-side services evolve around all phases of an M&A process, and in particular those actions which are critical for a successful business transaction. We can assist you in:

1. Identifying suitable investment opportunities by reference to detailed features of the sector and your investment criteria;
2. Understanding the targeted business' upsides and risks;
3. Acquiring at the right price and optimal price structure;
4. Delivering any synergies post-acquisition.

Our services cover pre-deal evaluation (Target screening, Investment Appraisal, Financial & Tax Due Diligence, Transaction Structuring), performance of valuation exercises, and managing the entire transaction process, incl. preparing and submitting an offer, negotiating and completing the Share Purchase Agreement (SPA).

Helping you raise Finance to fund your investment

In case you are seeking to finance an acquisition of a hotel business, we can assess the available sources of finance and assist you by identifying and structuring the most suitable package to fund the deal.

Our services include preparation of feasibility studies, financial models or business plans, evaluation of financing proposals, and our hands-on and continuous support in your interactions with finance providers.

Helping you divest your Hotel Business / identify an investor

Our Sell-side services are directed into maximising your return by providing the right level of assistance at any point across the transaction process' preparatory stage and executional stage. We can assist you in:

1. Improving the attractiveness of the sale opportunity;
2. Addressing value leakage risks;
3. Selling at the right price and optimal price structure;
4. Separating the disposed business effectively.

Our services cover from preparation of Deal Marketing material or Transaction Process Letters, performance of investor soundings, and preparation of Vendor Due Diligence reports to Negotiating support and Separation advice.



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