



ISLAND HOTELS

GROUP HOLDINGS PLC

SHAREHOLDERS' CIRCULAR

DATED 23 January 2015

This circular is being issued by Island Hotels Group Holdings p.l.c. (C 44855) with registered office at Radisson Blu Resort St. Julians, Louis V. Farrugia Street, St. George's Bay, St. Julians STJ 3391 Malta (the "**Company**") pursuant to the requirements of the provisions of Chapter 6 of the Listing Rules in connection with the Special Business being proposed at the extraordinary general meeting of the Company scheduled for the 20 February 2015.

IMPORTANT INFORMATION

THIS IS AN IMPORTANT DOCUMENT.

SHAREHOLDERS SHALL BE REQUESTED TO VOTE ON THE ISSUES AND MATTERS DESCRIBED HEREIN AT THE EXTRAORDINARY GENERAL MEETING. IN THE EVENT THAT SHAREHOLDERS RECEIVING THIS DOCUMENT ARE IN ANY DOUBT AS TO THE IMPORT OF THIS DOCUMENT OR AS TO ANY ACTION REQUIRED OF THEM THEY ARE URGED TO CONSULT THEIR INDEPENDENT PROFESSIONAL ADVISERS.

This circular contains information about the resolution that is being proposed for adoption at the forthcoming extraordinary general meeting of shareholders scheduled for 20 February 2015 (the “**EGM**”). It is being dispatched to all shareholders entitled to attend and vote at that meeting to enable them to understand better the nature of the resolution that is to be considered at the EGM and to provide the necessary information about the resolution to assist shareholders to make a properly informed decision.

This circular is being dispatched in compliance with the Listing Rules of the Listing Authority and particularly in compliance with the requirements for such a circular in terms of Listing Rule 6.39 which requires that where shareholders are sent a notice of a meeting which includes any business, other than Ordinary Business at an extraordinary general meeting, an explanatory Circular must accompany the notice.

This circular briefly explains to shareholders of the Company the proposed resolution as special business at the EGM and complies with the requirements of listing rule 6.2 on the contents of all circulars.

Where any or all of the securities of the Company have been sold or transferred by the addressee of this Circular, then the Circular and any other relevant documents should be passed to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Directors are recommending the adoption of the resolution contained in the Notice convening the EGM, and accordingly the Directors make their unqualified recommendation to shareholders to vote in favour of the proposal and of the resolution being submitted to their vote, and in their opinion the transactions described in this document are in the best interests of the Company.

All the Directors of the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

INTRODUCTION

This circular is intended to explain to shareholders the import of the special business that is required to be addressed at the EGM and to provide them with sufficient explanation to enable them to make informed decisions.

For the duration of fourteen (14) days from the issuance of this circular, the Memorandum and Articles of Association of the Company and the annual financial report and half-yearly financial report of the Company are available for inspection at the Company's registered office.

THE RESOLUTION

At the forthcoming extraordinary general meeting shareholders are being requested by the directors to consider the following resolution for approval:

Special Business

That the Company be and is hereby authorised and empowered to make such disclosures, including disclosure of price sensitive information, as the directors may consider appropriate to enable International Hotel Investments p.l.c. as a bona fide offeror for the shareholding in the Company, to consider making a binding offer for shares in the Company, subject to compliance with the terms set out in Listing Rule 5.174 of the Listing Rules.

EXPLANATION OF THE RESOLUTION

Background

The Company has recently become aware that a majority of its shareholders have been conducting negotiations with International Hotel Investments plc (IHI) with a view to merging all the Company's assets and operations within those of IHI through an acquisition of the shares in the Company by IHI and that a conditional agreement has been reached regulating how this objective could be achieved.

The agreement regulates the mechanics of how the objective to acquire all of the shares in the Company could be achieved, and on terms that will be equal to all shareholders in the Company. The agreement is subject to the satisfaction of various conditions over the coming months, including but not limited to, compliance with regulatory requirements and obtaining shareholders' approvals, as and where necessary, as well as, among other terms and conditions, conducting a satisfactory due diligence on the Company.

Based on publicly available information and IHI's analysis, IHI has indicated a tentative Enterprise Value of € 106.5 million and a tentative Net Equity Value of the Company of €50 million. In the event that the transaction were to proceed, and the indicative value confirmed, IHI will proceed with a voluntary offer for all the shares of the Company in which the price for the shares in the Company would be paid as to €1 in cash, split into two tranches, the first tranche of €0.55c payable on completion and the second tranche payable 12 months later. In addition to this cash component, the shareholders of the Company will also receive 0.246 IHI shares for each share they hold in the Company through the issuance of 9 million IHI shares by IHI.

In order to decide whether to proceed with an offer and as is the market practice in transactions of this nature IHI would however only be prepared to make a binding offer for shares in the Company, after it would have had the opportunity of making a full assessment and evaluation of the Company and its business – which entails that they obtain access to information which is not publicly available and which typically would include price-sensitive information.

The majority shareholders of the Company have requested the directors to enable such an exercise with respect to IHI. The directors consider IHI as a bona fide offeror within the exemption provided for in the Listing Rules under LR5.174.

Following such a request the directors are proposing this resolution to the shareholders, for them to determine whether to authorise, within the parameters provided by the listing rules, the disclosure of information to IHI and its advisors, so that IHI can consider making an offer for the shares in the Company for the consideration of shareholders.

LR 5.174

This listing rule contemplates the situation where a bona fide bidder shows an interest in acquiring a substantial shareholding in a company whose securities are admitted to listing and provides the applicable parameters for a company to enable such bidder to make a proper evaluation of the Company and its business before making or confirming a firm offer to acquire or conversely whether to make an offer at all. The listing rule requires that before the company can disclose information about itself or its business which is not publicly available and which could be price sensitive certain conditions have to be observed.

These conditions are:

1. the express consent of the Company in general meeting by an ordinary resolution of the Company unless the memorandum or articles of the Company require an extraordinary resolution, to make such disclosure of information to bona fide offerors. Such consent may, but need not, be limited to a specific prospective offeror(s);
2. the signing of a confidentiality agreement signed by the prospective transferor and the prospective offeror(s) to prevent the disclosure and use of the information furnished, other than for the purpose of the acquisition of the Substantial Shareholding in the Issuer;
3. an undertaking from the prospective offeror(s) whereby they bind themselves not to deal in the Company's shares or any derivative instrument relating thereto, whether directly or indirectly, for a period of one year following completion of the transaction or termination thereof or discontinuance or withdrawal, other than to complete the transaction that prompted the disclosure of information hereunder;
4. an undertaking from the prospective transferor that it acknowledges that the information received from the Company cannot be used or communicated other than for the purposes of a transaction in the shares that are the subject of the offer, whether wholly or in part, whether with the prospective offeror(s) or otherwise, and that it cannot deal in other shares of the Company for a period of one year following completion of the transaction or termination thereof or discontinuance or withdrawal.

The resolution placed before shareholders at the EGM is intended specifically to comply with the first requirement under this listing rule.

Process

In the event that the shareholders approve the resolution as proposed the directors shall be empowered to disclose the necessary information to IHI and its advisors within the parameters stated above. It is therefore expected, provided that this resolution is duly carried, that the directors shall then proceed as follows:

- Negotiate, sign and execute with IHI and the prospective transferor a confidentiality agreement as required by the applicable listing rule and sign and execute such other agreements with IHI and the prospective transferor containing the undertakings required by the listing rule;
- Following the above the directors and their advisers will then have satisfied all the requirements of the listing rule and shall proceed on an agreed process with IHI to disclose the information requested.
- It is expected that, subject to the satisfaction of the other conditions in the conditional agreement referred to above, IHI would then be in a position to make a binding offer or decide not to make an offer at all.

What is expected of shareholders?

Shareholders are expected to vote on the resolution and therefore on whether they are of the view that the directors should enable the process whereby IHI should be able to consider proceeding to make a binding offer to shareholders in the Company for their shares.

At this stage shareholders are simply being requested to authorise the directors to provide information to IHI and its advisors, thus facilitating the process that could lead IHI to make an offer to acquire all the shares in the Company. There can be no guarantee that following such disclosure of information an offer will actually be made. The consequence of the proposed resolution being carried is simply that the directors will be authorised to provide such information as may be reasonably required by IHI to make an offer; or decide not to make an offer at all.

Recommendation of the Directors

It is the directors' view and recommendation that this resolution is carried and approved by shareholders.

The directors believe that an acquisition of the Company's assets, management expertise and businesses by IHI represents an opportunity for the Company's shareholders to crystallise their investment at a fair price while continuing to form part of the future growth and development of IHI.

Shareholders will naturally remain free to decide at a later stage, if and when an offer is made, whether they would wish to accept the offer.