



COMPANY ANNOUNCEMENT

ISLAND HOTELS

GROUP HOLDINGS PLC

Date of Announcement:

3 July 2015

Reference:

77/2015

The following is a Company Announcement issued by Island Hotels Group Holdings p.l.c. (the “**Company**”) pursuant to the Malta Financial Services Authority Listing Rules.

Quote

The Company announces that on 3 July 2015 its Board of Directors discussed the offer received from International Hotel Investments p.l.c. (the “**Offeror**”) for a Voluntary Public Bid launched in terms of Chapter 11 of the Listing Rules (the “**Voluntary Bid**”), in respect of all the issued shares in the Company with the intention of acquiring the entire issued share capital of the Company. The Board of Directors has evaluated the Voluntary Bid and the effects of the implementation of the Voluntary Bid on employment, conditions of employment and the location of the Company’s place of business. The Statement of Opinion from the Board of Directors required in terms of Listing Rules 11.28 and 11.29 is attached to this Company Announcement and has been made available for public viewing on the Company’s website at www.islandhotels.com.

The Company further announces that, as set out in the offer document pursuant to which the Voluntary Bid has been launched, a number of shareholders of the Company, including T.M.C. 2 Limited (C51460), Double You Limited (C25234), Double You Holdings Company Limited (C67884), T Limited (C25235) and TZ Holdings Company Limited (C67883) which cumulatively hold shares representing over 91% of the issued ordinary share capital of the Company, had pursuant to the conditional agreement entered into with the Offeror (referred to in company announcement IHG62) undertaken in favour of the Offeror that in the event that an offer were to be made to them by the Offeror on the terms and under the conditions provided for in the conditional agreement, they would be bound to accept such offer for all their shares in the Company.

As further specified in the said offer document, as a result of the Offer having been made under the terms and conditions provided for in the conditional agreement, and subject to the Voluntary Bid becoming unconditional and irrevocable in all respects, during the course of the acceptance period the Offeror is expected to secure acceptances which amount to at least 91% of the entire issued share capital of the Company.

Unquote

Unquote

Signed:

Kenneth Abela

Company Secretary

Island Hotels Group Holdings p.l.c.

Registered Address: Radisson Blu Resort St. Julians, Louis V. Farrugia Street, St. George’s Bay, St. Julians STJ 3391, Malta

Telephone: +356 2137 4894

Company Registration No.: C44855

Island Hotels Group Holdings p.l.c. is a public limited company registered in terms of the Companies Act (Cap.386 of the Laws of Malta)



ISLAND HOTELS

GROUP HOLDINGS PLC

Statement of Opinion

from the Board of Directors of Island Hotels Group Holdings p.l.c.

with regard to the

Voluntary Public Takeover Bid by

International Hotel Investments p.l.c.

In terms of the Offer Document dated 1 July 2015

ISLAND HOTELS GROUP HOLDINGS P.L.C.

REGISTERED ADDRESS: RADISSON BLU RESORT ST. JULIANS, LOUIS V. FARRUGIA STREET, ST. GEORGES BAY, ST. GEORGE'S BAY, ST. JULIANS

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This Statement of Opinion (or “Statement”) is being made by the Board of Directors (the “Board” and each, a “Director”) of Island Hotels Group Holdings p.l.c. (hereinafter “IHGH” or the “Company”) pursuant to the listing rules issued by the Malta Financial Services Authority (the “Listing Rules”) 11.28 to 11.31. This Statement is made with reference to the offer document dated 1 July 2015 (the “Offer Document”) published by International Hotel Investments p.l.c. (“IHI” or, the “Offeror”).

All undefined terms used in this Statement shall have the definitions and interpretation given to them in the Offer Document.

1. INTRODUCTION

By means of a company announcement dated 2 July 2015, IHGH informed the public that it had received an offer from the Offeror detailing a bid to all the Shareholders of the Company to purchase and acquire one hundred per cent (100%) of the issued ordinary shares in the Company, and in each case together with all ancillary rights associated with these Shares at the time of the settlement of the Offer. The Offeror offered to pay the Offer Price in either of two ways: (i) a Combined Consideration consisting of a Cash Component and an IHI Share Component; or (ii) a Cash Alternative by way of full cash alternative, in either case as defined and according to the terms set out in the Offer Document.

On 16 January 2015, the Company announced that the Board of Directors of the Company had been notified by a majority of its shareholders that they had been conducting negotiations with IHI with a view to merging all IHGH assets and operations within those of IHI through an acquisition of IHGH by IHI and that a conditional agreement had been reached regulating how this objective could be achieved. It was stated that the agreement is subject to the satisfaction of various conditions over the subsequent months, including but not limited to, IHI conducting a satisfactory due diligence on the Company.

At an Extraordinary General Meeting of IHGH, held on 20 February 2015, a Shareholders’ resolution was passed to allow the Board to disclose information, including price sensitive information, in order to enable a *bona fide* Offeror for a substantial shareholding in the Company to make, confirm, withdraw or modify an offer for shares in the Company, subject to compliance with the terms set out in Listing Rule 5.174 of the Listing Rules.

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On 25 June 2015 the Offeror announced that it had completed its due diligence exercise and that all other conditions precedent in the said conditional agreement had been satisfied, and accordingly announced its intention to make the Offer.

The Company has now received the Offeror's voluntary public takeover bid in terms of Chapter 11 of the Listing Rules (the "**Voluntary Bid**") in respect of all the issued shares in IHGH. Details of the Voluntary Bid including the terms and the price offered per Share are contained in the Offer Document. A copy of the Offer Document has been sent by the Offeror to each Shareholder registered as a holder of Shares in the Company as at the 30 June 2015 and is also available on the Company's website at www.islandhotels.com.

The Offeror has communicated the Offer Document to the Malta Financial Services Authority pursuant to the requirements of the relevant Listing Rules.

A report by PricewaterhouseCoopers, a firm registered as a partnership of certified public accountants in terms of the Accountancy Profession Act and having its registered office at 78 Mill Street, Qormi, QRM3101, Malta, being the expert appointed and who is independent from the Offeror and IHGH, as required by Listing Rules 11.23 and 11.24, has been appended to the Offer Document as Annex 2.

The Board is consequently issuing this Statement after having reviewed the Offer Document, the expert opinion of PricewaterhouseCoopers and received the advice of its legal counsel.

The Offeror will be funded, and the Voluntary Bid will be financed through, the available cash resources of the Offeror. The Offeror has confirmed that it has sufficient financial resources to meet the consideration on full acceptance of the Offer and to pay the costs associated with the Offer. In the Offer Document, the Offeror indicated that it has already secured funding for the settlement of the initial instalment of the cash consideration of €21,100,000, which will become due on Settlement Date (the date falling on the business day immediately following the date on which the Shares are recorded in the name of IHI in the register of members held at the Central Securities Depository at the Malta Stock Exchange or such other date as the Central Securities Depository may determine), and that it is in the process of raising additional funding, the proceeds of which will be used, *inter alia*, to finance the deferred consideration of €17,483,660 which will become due on the first anniversary of the said Settlement Date.

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According to the Offer Document shareholders would also receive the IHI Share Component of the Combined Consideration through the issue of 0.246 IHI shares for each IHGH share held. IHI shall issue the IHI Share Component to all shareholders on the Settlement Date, save for the majority shareholders who shall receive their entitlement to the IHI Share Component at a later date.

2. CONSIDERATIONS

a. General

The intention of the Offeror is to acquire the entire issued share capital of the Company. Its Voluntary Bid is conditional and subject to the fulfilment, or waiver by the Offeror, of various conditions (the “**Completion Conditions**” as specified in section 6.4 of the Offer Document). In terms of the Listing Rules the Board is required to provide its opinion of the Voluntary Bid and the reasons on which it is based, including its views on the effects of implementation of the Voluntary Bid on all the Company’s interests and specifically employment, and on the Offeror’s strategic plans for IHGH and their likely repercussions on employment and the locations of the Company’s places of business as set out in the Offer Document in accordance with Listing Rule 11.22.9.

b. Strategic Outlook

The Offeror’s vision for IHGH, should it acquire control, is to maintain the Company’s current business focus and to create significant operational synergies and efficiencies in existing operations all round, and provide a stronger platform for international growth.

The Offer Document provides that the Offeror shall retain the Company as a distinct corporate entity, positioned as an important unit within the IHI Group and benefitting from IHI’s added value in terms of financial, human and marketing resources.

With the acquisition of the Radisson® BLU Resort St Julians, it will become possible for the Offeror to undertake the development of a mixed-use real-estate project extending over the sites currently occupied by the three hotels and converting the whole of the St. George’s Bay Area into a unique six-star destination in the medium to long term.

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The board of directors of IHI is actively considering establishing a special purpose vehicle for the development of the St. George's Bay site intended to be able to finance the project independently and without reliance on IHI as the holding company, thus allowing IHI to develop its future strategies without any financial constraints of the project. It is the intention of the IHI board, subject to obtaining all the necessary clearances from the various authorities in a timely manner, to move towards a phased development of the project over a period of several years.

In the short term, the Radisson® BLU Resort St Julians (through Bay Point Hotel Limited) will continue to be operated as is, under the franchise agreement with the owner of the Radisson® BLU brand, and will be challenged to maximise earnings through a more aggressive revenue yield strategy.

Other synergies exist with other parts of the IHGH Group, including diversification by the Offeror in the vacation ownership market both at the accommodation level and at the marketing level, markets to which the Offeror has so far not been exposed. The Radisson® BLU Golden Sands Resort and Spa will, accordingly, be operated as is, also under the franchise agreement with the owner of the Radisson® BLU brand, and will be focused on maximising vacation ownership and hotel revenue.

It is the intention of the Offeror to adopt a plan that seeks further synergies with the Costa franchise and an amalgamation of IHGH's catering operations with the catering event business of the Offeror. The acquisition of Island Caterers will thus provide the right platform for the Offeror to consolidate its presence in the local market in the event catering business an industry segment in which the IHI Group already has an important presence.

The Offeror intends to carry forward the project proposed by the Company for the Hal-Ferh site within a comprehensive overall development plan in the medium to long term strategy of the Offeror's Group. In all cases, synergies benefitting the Company and its subsidiary companies and various business units in marketing and purchasing will be sought through a process of best practices shared with the Offeror's own hotel and real-estate management teams in Malta.

c. Employees

Section 9 of the Offer Document provides that if the Voluntary Bid is successful, it is the intention of the Offeror to retain the services of Winston J. Zahra, the current CEO, but to ask the non-executive directors of the Company to resign; the Company's senior management team will be retained and tasked to execute a continuing plan for each of the Company's and its subsidiary

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business units; and the Offeror has no intention of making any significant changes to the conditions of employment of IHGH's existing management and employees. The Offer Document adds that the Offeror's plans for the Company are not expected to have any immediate repercussions on the operations and employees of the Company and the Offeror itself.

In line with the requirements set out in Listing Rule 11.20, IHGH's Board of Directors and management have informed the employees about the Voluntary Bid and how it fits into the overall plan for the development and growth of the Company. The employees have been provided with a copy of the Offer Document.

d. Squeeze-out

In view of Listing Rules 11.42 to 11.45, if as a result of the Offer, the Offeror acquires and holds 90% or more of the issued share capital and votes in the Company as at the Closing Date (as defined in the Offer Document), the Offer Document, in Section 10.1, states that Offeror intends to exercise its right to require all the remaining Shareholders to sell and transfer to the Offeror the remaining Shares, and each remaining Shareholder will have the right to require the Offeror to purchase the remaining Shares, in both cases at a fair price payable in cash within a maximum of ninety (90) calendar days from the Closing Date. In this respect it is pertinent to note that the Offer Document provides that as at the date of the Offer Document, the Offeror already holds commitments of acceptances from Shareholders (including the Major Shareholders referred to in the Offer Document), of 91.64% of the issued share capital of the Company, that are expected to be converted to acceptances during the course of the Acceptance Period.

According to the Listing Rules, in order to establish a fair price the Offeror must appoint an independent expert to draw up a report determining the price considered to be a fair and reasonable value of those Shares. Details on any exercise of the squeeze-out rights and the Independent Expert's report will be communicated to the remaining Shareholders by means of a company announcement of the Offeror published through the Malta Stock Exchange.

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e. Delisting

Section 10.2 of the Offer Document provides that following completion of the Offer, and dependent upon the number of Shares acquired by the Offeror pursuant to the Offer, the Offeror intends to propose to the Board of Directors and the general meeting of the Company to apply to the Listing Authority for the delisting of the Shares from the Official List of the Malta Stock Exchange on the basis that the conditions for listing can no longer be fulfilled, and that subject to any direction which may be given by the Listing Authority and subject to the observance of all procedures and formalities as set out in the Listing Rules, the Offeror intends to procure that the Company be de-listed from the Official List of the Malta Stock Exchange.

3. DELIBERATIONS

The Board of Directors of IHGH has evaluated the Voluntary Bid taking into consideration the best interests of IHGH and taking into consideration the possibility of long-term development of the Company.

Based on the representations made in the Offer Document and based on the content of the Expert's report which forms part of the Offer Document, the Board of Directors of IHGH is of the opinion that the acquisition of IHGH will be beneficial to the Company, will create greater business opportunities identified within IHGH's existing markets, create significant operational synergies and efficiencies in existing operations all round, and provide a stronger platform for international growth.

It is the Board of Directors' understanding that the Voluntary Bid should not presently generate any significant changes to:

- (a) the actual employment structure of the Company;
- (b) the conditions of employment of the Company's employees and management.

Moreover, the Board of Directors has evaluated in detail the representations made by the Offeror in the Offer Document with regard to their outlook on the business strategy of IHGH, which will remain: the ownership, management and operation of five-star hotels in Malta (namely, the Radisson® BLU Resort St Julians and the Radisson® BLU Golden Sands Resort and Spa) in the short term; the development of a mixed-use real-estate project extending over the sites currently

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occupied by the Radisson® BLU Resort St Julians, the Corinthia Hotel and Marina Hotel in St. George's Bay into a unique six-star destination in the medium to long term; the operation of a vacation ownership and marketing business for the Radisson® BLU Golden Sands Resort and Spa; the operation of retail and event catering business (Island Caterers); the development of the Hal-Ferh site within a comprehensive overall development plan; and the development and operation of COSTA Coffee® outlets in Malta, the East Coast of Spain, Canary Islands and the Balearic Islands.

While the Board of Directors expresses an overall positive opinion on the effect of the implementation of the Voluntary Bid on IHGH, no opinion is given on the price offered in the Offer Document which, in the opinion of the Board of Directors, should be evaluated taking into consideration the numerous aspects detailed above as well as the current needs, aspirations and individual circumstances of each individual Shareholder.

Nothing in this document should be interpreted or construed as providing or purporting to provide advice to Shareholders, whether to accept the Bid or not.

The Board strongly recommends that each Shareholder seeks independent advice and guidance from their own independent stockbrokers and/or financial consultants in order to fully assess the terms of the Offer Document and to decide whether to accept the Voluntary Bid or not in the light of each Shareholder's individual position.

By order of the Board of Directors of IHGH p.l.c.

Winston V. Zahra

Chairman of the Board of Directors

Date: 3 July 2015

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