Financial Analysis Summary

31 May 2016

Issuer

Island Hotels Group Holdings p.l.c.

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

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The Directors
Island Hotels Group Holdings p.l.c.
Radisson Blu Resort St Julians
Louis V. Farrugia Street
St George's Bay, St Julians
Malta

31 May 2016

Dear Sirs

Financial Analysis Summary

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 financial analysis is that of summarising key financial data appertaining to Island Hotels Group Holdings p.l.c. (the "**Issuer**", "**Company**" or "**Group**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the financial years ended 31 October 2013 and 31 October 2014, and for the financial period from 1 November 2014 to 31 December 2015, has been extracted from audited financial statements of the Issuer periods in question.

(b) The forecast data for the years ending 31 December 2016 and 31 December 2017 has been provided by management.

(c) Our commentary on the results of the Group and on its financial position is based on the explanations provided by management.

(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 5 of the Analysis.

(e) Relevant financial data in respect of the companies included in Part 4 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

WEALTH MANAGEMENT ▪ CORPORATE BROKING

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of the Island Hotels Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek independent professional financial advice before investing in the Issuer's securities.

Yours faithfully,

Wilfred Mallia
Director

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PART 1 – INFORMATION ABOUT THE ISSUER

1. KEY ACTIVITIES

Island Hotels Group Holdings p.l.c. (the "**Issuer**" or "**IHGH**") is principally engaged in the ownership, management and operation of five-star hotels in Malta (namely, the Radisson Blu Resort St Julians and the Radisson Blu Resort & Spa, Golden Sands); the operation of a vacation ownership marketing business (Radisson Blu Resort & Spa, Golden Sands and Azure Resorts Limited); the operation of retail and event catering business (Island Caterers Limited); and the development and operation of Costa Coffee outlets in Malta, the East Coast of Spain, Canary Islands and the Balearic Islands. IHGH, through a wholly owned subsidiary, also owns a plot of land measuring 83,530m^2 located next to the Radisson Blu Resort & Spa, Golden Sands, Malta. The property is earmarked for the development of a luxury tourist complex.

On 10 August 2015, International Hotel Investments p.l.c. ("**IHI**") acquired 100% of the issued share capital of IHGH.

2. DIRECTORS

IHGH is managed by a Board comprising five directors who are entrusted with its overall direction and management.

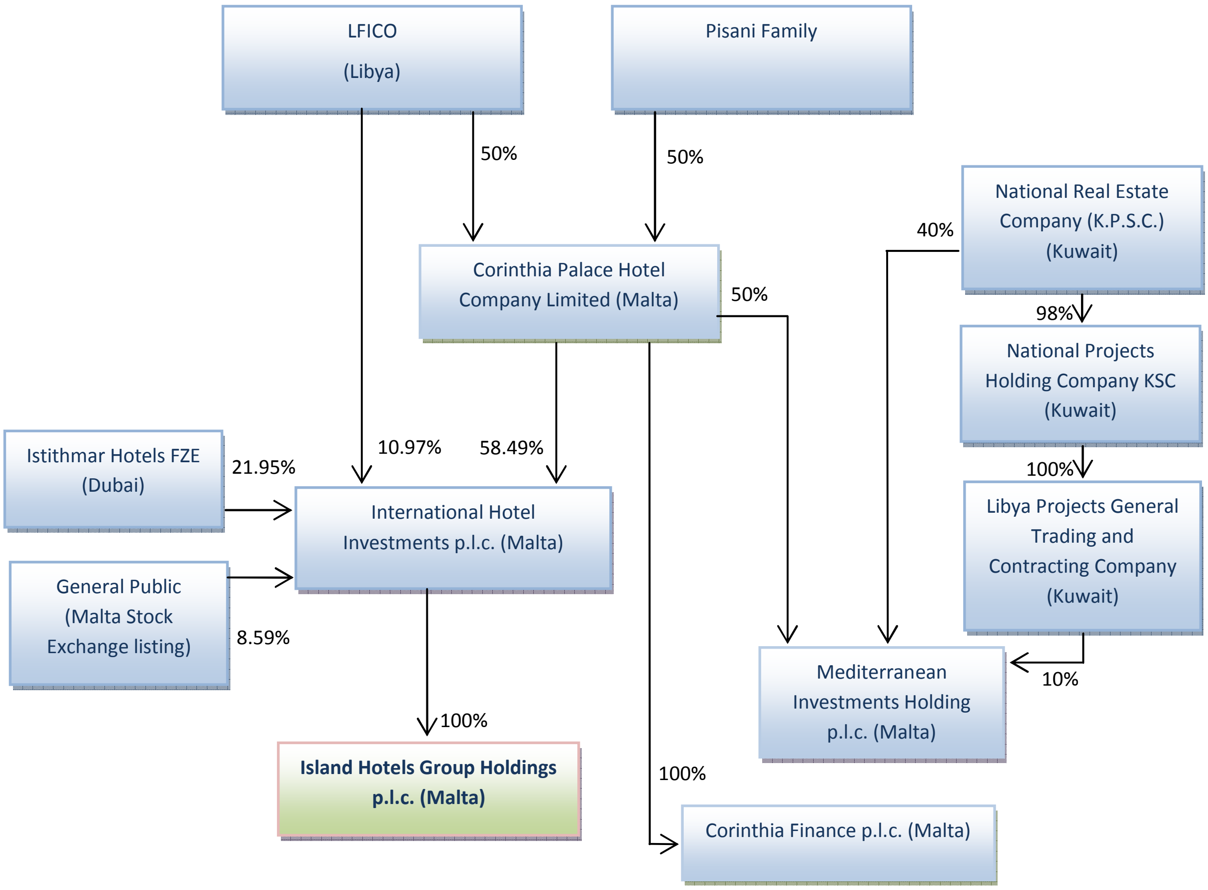
The Board members of the Issuer as at the date of this report are included hereunder:

Board of Directors

Winston V. Zahra	Chairman
Winston J. Zahra	Chief Executive Officer
Joseph Fenech	Non-Executive Director
Simon Naudi	Non-Executive Director
Frank Xerri De Caro	Independent Non-Executive Director

3. ORGANISATIONAL STRUCTURE

The diagram below summaries the structure of the Corinthia Group in connection with the set-up of its public companies and the position within the said group of IHGH. The complete list of companies forming part of IHGH is included in the consolidated audited financial statements of IHGH for the 14-month period ended 31 December 2015.



The following table provides a list of the principal assets and operations of IHGH:

ISLAND HOTELS GROUP HOLDINGS PLC
PRINCIPAL ASSETS AND OPERATIONS
AS AT 31 MAY 2016

Name	Location	Description	% ownership	No. of hotel rooms
Radisson Blu Resort St Julians	Malta	Property owner	100	252
Radisson Blu Resort & Spa Golden Sands	Malta	Property owner & vacation ownership operation	50	329
Island Caterers	Malta	Event catering	100	n/a
Hal Ferh Complex	Malta	Residence complex (to be developed)	100	n/a
Costa Coffee	Malta/Spain	Retail catering	100	n/a
				581

PART 2 – OPERATIONAL DEVELOPMENT

4. HOTEL PROPERTIES

4.1 RADISSON BLU RESORT & SPA GOLDEN SANDS

Introduction

The Radisson Blu Resort & Spa Golden Sands commenced operations in October 2005 and is located on a cliff's edge overlooking Golden Bay beach on the Northern coast of Malta. IHGH holds a 50% shareholding in the Golden Sands resort (the other 50% being owned by an experienced international timeshare operator) and title to the site is in the form of temporary utile dominium which expires in 2114. The five-star resort comprises a total of 329 rooms, various F&B outlets and is equipped with a 1,000m^2 spa and leisure centre, 4 pools, a tennis court and a private sandy beach.

The carrying amount of 50% of the Radisson Blu Resort & Spa Golden Sands (being the share of IHGH) as at 31 December 2015 is €32.7 million (31 October 2014: €33.1 million).

Market Overview

i. Economic update

The Maltese economy has shown remarkable resilience in the face of the unstable economic environment elsewhere. The rate of economic growth in real terms, at 6.3% in 2015, has exceeded by a wide margin the euro area average. It was mainly supported by domestic demand, which was in turn sustained by strong private investment and consumption. Notably, total investment rose by 21.4% in real terms.

Going forward, the Central Bank of Malta projects a growth rate of 5.3% in 2016, with the main impetus coming from private consumption and investment. It is expected that growth will be supported by low commodity prices and a strong rise in employment, which would contribute to aggregate household spending, and in turn to domestic demand.

On the fiscal side, there was a further improvement in public finances. The general government debt to gross domestic product (GDP) is projected at 63.6% for 2015, down from 67.1% in 2014. According to the Central Bank's March projections, this ratio is estimated to decline further to 61.0% and 58.6% in 2016 and 2017 respectively. The deficit-to-GDP, currently projected at 1.6% down from 2.1% in 2014, is forecast to reach 1.1% and 0.9% in 2016 and 2017 respectively.

ii. Tourism market

Tourism in Malta has in recent years been performing at a strong level and this trend continued in 2015 as well. Inbound tourism from January to December 2015 amounted to 1.8 million guests, an increase of 6.0% over the same period in 2014. Although tourists residing in collective accommodation (hotels, guesthouses, hostels, B&Bs, etc) made up 71.7% of the market in 2015, preference for private accommodation has been growing in the last years at a faster pace, and actually increased by 18.2% from 2014. Tourism expenditure was estimated at €1.6 billion, 7.5% higher than that recorded for the comparable period in 2014.

The majority of incoming tourists were leisure guests, predominantly from the European Union. Non-package travel was higher than package travel, with a 56% share of the total market. Nonetheless, package travel still advanced by 1.0% when compared to 2014. Total room nights spent by inbound tourists went up by 5.1% surpassing 14.2 million nights, while average length of stay remained flat at 7.9 nights.

Focus will be maintained on increasing traffic during the winter months and attracting more visitors from new markets to Malta. This bodes well for the Maltese hospitality industry as the expectation is to continue to grow revenues and increase profitability.

Looking forward, Malta's EU Presidency in 2017 together with Valletta serving as the European City of Culture in 2018 are widely expected to generate increased demand for hotels and enhance Malta's image as a tourist destination, which would in turn generate future growth in the hospitality sector. Meanwhile, the somewhat uncertain future of the national carrier Air Malta poses a concern to further growth and competition from other Mediterranean countries will likely remain strong.

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the periods indicated therein:

Radisson Blu Resort & Spa Golden Sands	**FY2013 12 months Actual**	**FY2014 12 months Actual**	**FY2015 14 months Actual**	**FY2016 12 months Projection**	**FY2017 12 months Projection**
Turnover (€'000)	27,133	34,229	43,584	32,251	32,270
Timeshare revenue	*15,641*	*21,960*	*27,426*	*20,212*	*19,682*
Hotel operations	*11,492*	*12,269*	*16,158*	*12,039*	*12,588*
EBITDA (€'000)	7,177	11,954	13,553	11,740	11,715
EBITDA margin (%)	26	35	31	36	36
IHGH's share of EBITDA at 50%	**3,589**	**5,977**	**6,777**	**5,870**	**5,858**

Source: Management information.

Note: In FY2015, IHGH changed its financial year end from 31 October 2015 to 31 December 2015. In this regard, the financial information for FY2015 covers the 14-month period 1 November 2014 to 31 December 2015.

A significant portion of the property's inventory is being operated as an upscale vacation ownership accommodation model (timeshare) through a 50% holding by IHGH in the Azure Group. To date, pursuant to a room allocation agreement with Azure Resorts Limited (a wholly owned subsidiary of the Azure Group), a total of 257 rooms have been released for sale on a timeshare basis. The remaining rooms together with any unsold weeks on the aforesaid 257 rooms are available for use by the resort in its hotel operations.

All timeshare units are being sold for a fixed time period that expires in 2045. Timeshare units are sold in weeks with the calendar year split into four seasons: Bronze, Silver, Gold and Platinum. As expected, most of the unsold timeshare weeks to date relate to the (low-season) Bronze and Silver packages (*circa* 59%). The current hotel configuration, which has been allocated to the timeshare operation, also includes a total of 13 superior rooms (marketed as the Heavenly Suites and the Heavenly Collection) that are sold at double the price of the other rooms. The vast majority of the timeshare weeks related to these rooms have already been sold.

Timeshare revenue is generated from the sale of timeshare weeks and resale of repossessed timeshare weeks to targeted vacation ownership guests. 'Hotel operations' revenue principally comprises the generation of yearly maintenance fees receivable from timeshare owners, allocation charges in terms of the aforesaid agreement with Azure Resorts Limited, fly-buy sales (being discounted rooms offered for promotional purposes), accommodation revenue (from rooms not utilised by timeshare operations) and revenue from F&B outlets and other ancillary services. The operating profit is the resultant surplus after deducting operating expenses, selling and marketing costs, and all administrative and other operating costs.

The table above summarises the results from the operation of the Radisson Blu Resort & Spa Golden Sands and shows that the principal source of revenue is the sale of timeshare units, which accounted for *circa* 60% of revenue between FY2013 to FY2015. The recovery in the UK economy (being Azure's principal market) and the strengthening of the UK Pound against the Euro were the main drivers for the robust increase in timeshare sales in FY2014 (+40%). A similar trend was observed in FY2015, whereby revenue increased by 25% from €22.0 million in FY2014 to €27.4 million. On an annual basis (since FY2015 reflects a 14-month period), average growth in timeshare sales was of 7% when compared to FY2014. Revenue for FY2016 is expected to be lower by €7.2 million (-26%) when compared to the previous 14-month period to €20.2 million (on an annualised basis the decrease is estimated at €3.3 million or -14%). As for FY2017, revenue is projected at broadly the same level as in FY2016 and is expected to amount to €19.7 million (FY2016: 20.2 million).

As for 'hotel operations', revenue generated in FY2015 amounted to €16.2 million, an increase of €3.9 million from FY2014, albeit the 2015 results represent a 14-month period as opposed to a 12-month period for 2014. Thereafter, revenue is projected to decrease to €12.0 million in FY2016 and achieve a marginally higher figure in FY2017 amounting to €12.6 million.

The Hotel achieved an EBITDA of €12.0 million in FY2014, a significant increase of €4.8 million (+67%) when compared to the prior year. This result is a reflection of the sharp increase in timeshare weeks sold during the said year. A further 13% growth was registered in FY2015 (+€1.6 million), which actually represents a marginal decline from FY2014 given that FY2015 comprises a 14 month period. EBITDA for FY2016 is projected at €11.7 million, which is in line with the EBITDA achieved on an annualised basis in FY2015 (that is, €11.6 million). Management anticipates that the Hotel will continue to perform at the current level also in FY2017 and is therefore projecting an EBITDA of €11.7 million.

4.2 RADISSON BLU RESORT ST JULIANS

Introduction

The Radisson Blu Resort St Julians is a 252 room 5-star hotel located in St George's Bay, St Julians. The Hotel commenced operations in May 1997 and provides accommodation and other services to a range of guests, from leisure to conference and incentive travel groups. The Hotel's amenities include conference facilities, a ballroom, an outdoor and heated indoor pool, a fully equipped gymnasium as well as two tennis courts. The carrying amount of the Radisson Blu Resort St Julians as at 31 December 2015 is €37.7 million (31 October 2014: €26.9 million).

Market Overview

The market overview relating to the economy and tourism in Malta is included in section 4.1 above.

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the periods indicated therein:

Radisson Blu Resort St Julians	FY2013 12 months Actual	FY2014 12 months Actual	FY2015 14 months Actual	FY2016 12 months Projection	FY2017 12 months Projection
Turnover (€'000)	10,026	10,554	10,156	12,863	13,604
Gross operating profit before incentive fees (€'000)	2,162	2,214	2,642	3,752	4,163
Gross operating profit margin (%)	22	21	26	29	31
Occupancy level (%)	69	68	77	76	77
Average room rate (€)	90	108	135	129	136
Revenue per available room (RevPAR) (€)	69	73	104	98	105
Benchmark performance					
Occupancy level (%)	73	76	79	77	77
Average room rate (€)	114	132	144	146	152
Revenue per available room (RevPAR) (€)	87	100	113	113	118
Revenue Generating Index	0.79	0.73	0.92	0.87	0.89

Source: Management information.

Note: In FY2015, IHGH changed its financial year end from 31 October 2015 to 31 December 2015. In this regard, the financial information for FY2015 covers the 14-month period 1 November 2014 to 31 December 2015.

The Radisson Blu Resort St Julians generated revenue of €10.6 million in FY2014, which is marginally higher than that generated in FY2013 and represents an increase of 15% on FY2012. The improvement in the Hotel's income primarily reflects the overall improvement registered across the local hotel industry.

In FY2015, the Hotel was closed for refurbishment between 1 November 2014 and 30 March 2015, and re-opened as of 31 March 2015. The renovation, estimated at *circa* €2 million, enabled the Hotel to better compete in the market and command higher room rates. KPIs outlined in the table above reflect performance results during the period between April and December 2015 (and exclude the low season which typically dilutes the better performing spring/summer months). In this respect, although revenue was marginally lower when compared to FY2014 by €0.4 million due to the period of closure, the hotel achieved a higher gross operating profit in FY2015 by €0.4 million, from €2.2 million in FY2014 to €2.6 million.

As a consequence of the refurbished hotel and new product offerings, management expects to broadly maintain the occupancy rate at FY2015 level (even though FY2015 results exclude the dilution effect of the winter months). Average room rate is projected at €129 (+19% on FY2014 rate and -4% when compared to FY2015 rate) and RevPAR is estimated at €98 (+34% on FY2014 and -6% when compared to FY2015 rate). Revenue is projected to increase from €10.2 million in FY2015 to €12.9 million and gross operating profit is expected to increase by €1.1 million to €3.8 million.

A further improvement in RevPAR of 7% from €98 in FY2016 to €105 in FY2017 has been projected by management, as the Hotel continues to shift its principal revenue sectors from tour operator business to direct/online sales. In FY2017, revenue and gross operating profit are expected to increase by 6% (+€0.7 million) and 11% (+€0.4 million) respectively.

4.3 EVENT CATERING BUSINESS

Island Caterers Limited, a fully owned subsidiary of IHGH, was set up in 1992 and operates an event catering business. The company provides catering services for a variety of events including weddings, receptions, banquets, conference and incentive events and private parties.

Operational Performance

The following table sets out the turnover of Island Caterers Limited for the periods indicated therein:

Island Caterers Limited	FY2013 12 months Actual	FY2014 12 months Actual	FY2015 14 months Actual	FY2016 12 months Projection	FY2017 12 months Projection
Turnover (€'000)	4,162	5,241	6,323	6,258	6,415
EBITDA (€'000)	149	309	380	701	719
EBITDA margin (%)	4	6	6	11	11

Source: Management information.

Note: In FY2015, IHGH changed its financial year end from 31 October 2015 to 31 December 2015. In this regard, the financial information for FY2015 covers the 14-month period 1 November 2014 to 31 December 2015.

The table above summarises the financial performance of Island Caterers Limited for the period FY2013 to FY2017. The revenue for FY2014 was higher by €1.1 million (+26%) when compared to FY2013, principally due to a large one-off event which took place in September 2014 and revenue generated from the Coastline catering contract in the latter half of that financial year. In April 2014, Island Caterers Limited concluded an agreement with the new owners of the Coastline Hotel for the provision of F&B services to the hotel. The agreement is for the duration of five years. In terms of the agreement, the company will utilise the existing kitchen and equipment at the hotel to provide such services.

A further increase in revenue of €1.1 million was registered in FY2015 to €6.3 million, mainly reflecting income derived from the Coastline catering contract for a period of eight months (since the hotel was closed in the winter months for refurbishment undertaken by the new hotel owners). Revenue in FY2016 is projected at approximately FY2015's figure of €6.3 million, reflecting a growth of *circa* 15% (since FY2015 included 14 months rather than 12 months). A growth rate of 3% in revenue is projected for FY2017. Profitability is expected to improve from an EBITDA margin of 6% in FY2015 to 11% in both FY2016 and FY2017. The sales mix should remain static and the majority of total revenue for FY2016 and FY2017 is expected to comprise weddings, corporate events, conference incentive travel (CIT) and the Coastline catering contract.

4.4 FOOD RETAIL AND CONTRACT CATERING BUSINESS (INCLUDING COSTA COFFEE)

In May 2011, IHGH acquired 50% of the share capital of Buttigieg Holdings Ltd ("**BHL**"), a company operating in the food retail and contract catering sector. The acquisition of the remaining 50% in BHL was completed in June 2015, prior to IHI's acquisition of IHGH. BHL, through subsidiary companies (both locally and overseas), operates the Costa Coffee franchise in Malta and in the East Coast territory of Spain, the Balearic Islands and the Canary Islands. Furthermore the company operates, amongst others, a catering contract at Mater Dei Hospital providing catering, vending machine and retail kiosk services to visitors and staff within the hospital premises. This concession expires in November 2017.

The Coffee Company Malta Limited ("**TCCM**"), a wholly owned subsidiary of BHL, signed a 5-year franchise agreement (renewable by a further five years) with Costa Coffee International Limited in May 2012 for the development of Costa Coffee retail outlets in Malta. The first Costa Coffee outlet was opened in June 2012 at the check-in lounge of the Malta International Airport. Since then, another nine Costa Coffee outlets were opened (three outlets at the Malta International Airport [one in the arrivals area, another in the Schengen area and the third one in the non-Schengen area] and one outlet in each of The Point Shopping Complex Sliema, the premises formerly known as Papillon in Balzan, The Embassy Valletta, Bay Street Complex St Julians, Marsaxlokk [opened in February 2016] and Spinola Bay St Julians [opened in April 2016]). TCCM plans to open another outlet bringing the total to eleven outlets by the end of FY2016.

In March 2014, The Coffee Company Spain S.L. ("**TCCS**"), a wholly owned subsidiary of BHL, signed a 5-year franchise agreement (renewable by a further five years) with Costa Coffee International Limited for the development and operation of up to 75 Costa Coffee outlets in the East Coast of Spain, the Balearic and Canary Islands. The first outlet in Spain opened in the third quarter of 2014 and by 31 December 2015 this number increased to a total of 10 outlets. TCCS is projecting to operate a total of 75 outlets and the capital expenditure programme for the additional outlets is estimated at €19.6 million. The funding relating to the increase in outlets is expected to be financed through bank borrowings and internally generated cash resources.

Operational Performance

The following table sets out the turnover of BHL for the years indicated therein:

Buttigieg Holdings Limited (including Costa Coffee)	**FY2013 12 months Actual**	**FY2014 12 months Actual**	**FY2015 14 months Actual**	**FY2016 12 months Projection**	**FY2017 12 months Projection**
Turnover					
Costa Coffee (Malta) (€'000)	2,108	3,518	6,647	6,896	7,290
Costa Coffee (Spain) (€'000)			1,906	7,484	15,109
Other catering operations (€'000)	4,335	4,036	5,419	4,037	4,138
	6,443	7,554	13,972	18,417	26,537
EBITDA (€'000)	328	651	-413	387	1,868
EBITDA margin (%)	5	9	-3	2	7
Costa Malta					
No. of outlets (at end of financial year)	4	8	8	11	11
Costa Spain					
No. of outlets (at end of financial year)		1	10	22	37

Source: Management information.

Note: In FY2015, IHGH changed its financial year end from 31 October 2015 to 31 December 2015. In this regard, the financial information for FY2015 covers the 14-month period 1 November 2014 to 31 December 2015.

In FY2014 BHL generated a turnover of €7.6 million, an increase of 17% on FY2013. During the year, eight Costa outlets were in operation in Malta with the Bay Street outlet only commencing operations in the latter quarter of FY2014. Revenue generated in FY2015 by TCCM amounted to €6.6 million, almost double the turnover figure of FY2014. This positive movement resulted from the fact that the eight outlets were operational for the full financial year, improved performance registered by all outlets, and the additional two months' revenue in the financial period due to a change in year end. A further three openings are projected for FY2016, out of which two have already opened, and revenue from the 11 outlets is anticipated to reach €6.9 million. The same outlets are expected to grow revenue by 6% to €7.3 million in FY2017 reflecting the full year operation of the three new outlets opened in the prior year.

The operation of Costa outlets in Spain commenced in FY2014 with one outlet opening in Barcelona. By end FY2015, TCCS opened a further nine outlets and generated €1.9 million in revenue. Looking ahead, the Group has resolved to change the tempo of outlet openings in Spain and as such, the original development strategy to open 75 outlets by 2018 will be extended over a longer period of time. The revised timeline will enable management to increase focus on achieving operating efficiencies in each new outlet. In this respect, the budgeted number of outlets in operation for FY2016 has been revised down from 36 to 22 outlets and projected revenue has been lowered from €15.1 million to €7.5 million. In FY2017, outlets in Spain are expected to amount to 37, being 24 outlets lower than original projections and revenue generation has been revised down from €29.8 million to €15.1 million.

'Other catering operations' principally relates to the concession at Mater Dei Hospital. Revenue derived from this activity in FY2014 amounted to €4.0 million and increased to €5.4 million in FY2015. The increase was mainly due to the additional two months' revenue in the financial year. Thereafter, management is projecting to generate €4.0 million in FY2016 and €4.1 million in FY2017.

4.5 OTHER ASSETS

IHGH owns a plot of land at Hal Ferh measuring 83,530m^2 and situated adjacent to the Radisson Blu Resort & Spa, Golden Sands, Malta. The property is valued in the balance sheet as at 31 December 2015 of IHGH at €21.6 million. The Group has initiated the process to formulate a design concept and to determine funding requirements for the development of the aforesaid site.

PART 3 – PERFORMANCE REVIEW

5. FINANCIAL INFORMATION RELATING TO ISLAND HOTELS GROUP HOLDINGS PLC

The following financial information is extracted from the audited consolidated financial statements of IHGH for each of the years ended 31 October 2013, 31 October 2014 and 14-month period ended 31 December 2015. The forecasted financial information for the years ending 31 December 2016 and 2017 has been provided by management of the Company. **The projected financial statements relate to events in the future and are based on assumptions which IHGH believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.**

For the financial year 2013, IHGH reported its interests in jointly controlled entities using proportionate consolidation, that is, IHGH's share of the assets, liabilities, income and expenses of the jointly controlled entity were combined with similar items in the financial statements of IHGH on a line-by-line basis. As from FY2014, investments in associates (principally, the hotel and vacation ownership operations of the Radisson Blu Resort & Spa Golden Sands) are accounted for using the equity method of accounting.

Furthermore, IHGH changed its accounting year end in 2015 from 31 October to 31 December. Consequently, the financial information for the financial period ended 31 December 2015 covers a 14-month period (1 November 2014 to 31 December 2015.

IHGH Group Income Statement	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**
(€'000)	**Actual**	**Actual**	**Actual**	**Projection**	**Projection**
	(12 months)	**(12 months)**	**(14 months)**	**(12 months)**	**(12 months)**
Revenue	30,669	15,836	24,412	37,538	46,557
Direct costs	(14,971)	(8,176)	(14,237)	(20,156)	(24,201)
Gross profit	**15,698**	**7,659**	**10,175**	**17,382**	**22,356**
Other operating costs	(9,678)	(5,123)	(7,837)	(12,827)	(15,897)
EBITDA	**6,020**	**2,536**	**2,338**	**4,555**	**6,459**
Property, plant & equipment written off	-	-	(898)	-	-
Depreciation and amortisation	(2,829)	(1,175)	(2,680)	(4,009)	(4,436)
Results from operating activities	**3,191**	**1,361**	**(1,240)**	**546**	**2,023**
Share of (loss)/profit from joint ventures	(25)	2,802	3,443	3,614	3,573
Investment income	-	-	5,027	19	18
Other expenses	-	-	(289)	-	-
Net finance costs	(2,480)	(2,575)	(4,007)	(3,397)	(3,315)
Profit before tax	**686**	**1,588**	**2,934**	**782**	**2,299**
Taxation	10	(58)	491	(239)	(586)
	696	**1,530**	**3,425**	**543**	**1,713**
Discontinued operation	(141)	1,202	-	-	-
Profit for the year/period	**555**	**2,732**	**3,425**	**543**	**1,713**
Other comprehensive income					
Revaluation of leasehold property, net of deferred tax	-	-	6,852	-	-
Exchanges differences	820	1,437	1,403	-	-
	820	**1,437**	**8,255**	**-**	**-**
Total comprehensive income for the year/period net of tax	**1,375**	**4,169**	**11,680**	**543**	**1,713**

IHGH Group Balance Sheet	31 Oct'13	31 Oct'14	31 Dec'15	31 Dec'16	31 Dec'17
(€'000)	Actual	Actual	Actual	Projection	Projection
ASSETS					
Non-current assets					
Intangible assets	33,873	11,021	20,350	19,103	17,885
Property, plant and equipment	86,010	27,846	66,348	69,212	71,884
Investments in associates & joint ventures	-	37,863	39,770	39,231	39,772
Loans and receivables	8,970	7,393	829	1,785	235
Other cash at bank	-	137	74	31	-
	128,853	84,260	127,371	129,362	129,776
Current assets					
Inventories	1,225	312	925	1,093	1,290
Trade and other receivables	10,085	14,816	8,499	8,026	7,882
Loans and receivables	94	4	6,452	-	-
Taxation	218	319	296	-	-
Other cash at bank	-	211	63	43	31
Cash and cash equivalents	665	20,305	1,534	3,808	8,382
	12,287	35,967	17,769	12,970	17,585
Total assets	**141,140**	**120,227**	**145,140**	**142,332**	**147,361**
EQUITY					
Capital and reserves					
Called up share capital	36,584	36,584	38,584	38,584	38,584
Reserves	85	1,522	9,777	9,646	9,514
Retained earnings	(466)	2,267	5,692	6,366	8,210
	36,203	**40,373**	**54,053**	**54,596**	**56,308**
LIABILITIES					
Non-current liabilities					
Borrowings and bonds	50,947	60,932	57,072	60,290	58,000
Other non-current liabilities	16,553	6,238	12,507	11,293	11,310
	67,500	67,171	69,579	71,583	69,310
Current liabilities					
Borrowings and bonds	18,192	3,811	5,894	3,183	8,726
Other current liabilities	19,245	8,873	15,614	12,970	13,017
	37,437	12,684	21,508	16,153	21,743
	104,937	**79,854**	**91,087**	**87,736**	**91,053**
Total equity and liabilities	**141,140**	**120,227**	**145,140**	**142,332**	**147,361**

IHGH Group Cash Flow Statement	FY2013	FY2014	FY2015	FY2016	FY2017
(€'000)	Actual	Actual	Actual	Projection	Projection
	(12 months)	(12 months)	(14 months)	(12 months)	(12 months)
Net cash from operating activities	4,235	(4,499)	6,683	(1,945)	2,661
Net cash from investing activities	(5,088)	4,588	(3,931)	(1,667)	(2,773)
Net cash from financing activities	737	25,720	(23,505)	8,890	4,686
Net movement in cash and cash equivalents	**(116)**	**25,808**	**(20,753)**	**5,278**	**4,574**
Cash and cash equivalents at beginning of year/period	(10,267)	(6,525)	19,283	(1,470)	3,808
Effect of foreign exchange rate changes	(20)	-	-	-	-
Cash and cash equivalents at end of year/period	**(10,403)**	**19,283**	**(1,470)**	**3,808**	**8,382**

Key Accounting Ratios	FY2013	FY2014	FY2015	FY2016	FY2017
Gross profit margin *(Gross profit/revenue)*	51%	48%	42%	46%	48%
Operating profit margin *(EBITDA/revenue)*	20%	16%	10%	12%	14%
Interest cover (times) *(EBITDA/net finance cost)*	2.43	0.98	0.58	1.34	1.95
Net profit margin *(Profit after tax/revenue)*	2%	10%	14%	1%	4%
Earnings per share (€)[1] *(Profit after tax/number of shares)*	0.02	0.04	0.09	0.01	0.04
Return on equity *(Profit after tax/shareholders' equity)*	2%	4%	6%	1%	3%
Return on capital employed *(Operating profit/total assets less current liabilities)*	6%	2%	2%	4%	5%
Return on assets *(Profit after tax/total assets)*	0%	1%	2%	0%	1%

[1] *Earnings per share calculation set out above has been based on the current number of shares in issue of the Company of 36,583,660 shares of €1 each for 2013 and 2014, and 38,583,660 from 2015 onwards.*

Source: Charts Investment Management Service Limited

In **FY2013**, IHGH generated revenue of €30.7 million and EBITDA of €6.0 million. All IHGH hotels performed well and growth was achieved in every part of the business. During the year, IHGH decided to exit the four star market through the sale of the Coastline Hotel, which transaction was concluded in FY2014.

Four Costa Coffee stores were opened in Malta during FY2013 and an agreement was signed with Costa International Limited for the development and roll out of Costa Coffee outlets in the East Coast of Spain, the Balearic Islands and the Canary Islands.

As from **FY2014**, investments in associates are accounted for using the equity method of accounting and therefore, results of associate companies are included in the income statement as 'share of (loss)/profit from joint ventures'. This change in accounting policy has principally effected the presentation of operating results of the Radisson Blu Resort & Spa Golden Sands. In fact, the decline in revenue from €30.7 million in FY2013 to €15.8 million in FY2014 is mainly the 50% share of revenue of the Radisson Blu Resort & Spa Golden Sands, which as of FY2014 is included, not in terms of revenue but in terms of profitability, in 'Share of (loss)/profit from joint ventures'.

Section 4.1 of this report provides a detailed assessment of results of the Radisson Blu Resort & Spa Golden Sands. In FY2014, this hotel generated €34.2 million in revenue (FY2013: €27.1 million) principally due to a remarkable recovery in vacation ownership revenues of 40% to €22.0 million when compared to FY2013. This increase in revenue, together with the tightening of the cost base, contributed to an increase in IHGH's share of EBITDA from €3.6 million in FY2013 to €6.0 million in FY2014.

As for the Costa Coffee operations, a total of nine outlets were opened in FY2014 (of which one was in Barcelona) and revenue increased from €2.1 million in FY2013 to €3.5 million in FY2014. Island Caterers also reported a very good year in FY2014 with a growth in revenue of 26% to €5.2 million and a doubling in EBITDA to €0.3 million. Following the sale of the Coastline Hotel, Island Caterers entered into an agreement with the new owners to provide catering services to the hotel.

Overall, IHGH achieved a profit before tax of €1.6 million, being more than double the profit earned in FY2013 (of €0.7 million).

In **FY2015,** two significant events occurred that had a substantial effect on IHGH's financial statements, namely the purchase of the remaining 50% shareholding in Buttigieg Holdings Limited (June 2015) and the purchase of the remaining 50% shareholding in The Heavenly Collection Limited (December 2015). Buttigieg Holdings Limited incorporates within it the Costa Coffee operation in Malta and Spain, the Mater Dei customer canteen contract and other ancillary operations, whereas The Heavenly Collection Limited owns a plot of land at Golden Bay known as Hal Ferh. The results of Buttigieg Holdings Limited from 1 November 2014 to 9 June 2015 have been reported within the line 'Share of (loss)/profit from joint ventures', whereas the results from 10 June 2015 to 31 December 2015 are consolidated with the rest of the IHGH Group. Investment income amounting to €5.0 million included in FY2015 relates to the profit registered from the acquisition of the aforementioned transactions.

Revenue for the period under review amounted to €24.4 million, an increase of €8.6 million when compared to FY2014. Gross profit was also higher by €2.5 million, from €7.7 million in FY2014 to €10.2 million in FY2015. The principal reasons for the significant movement in revenue and gross profit include the fact that FY2015 comprises a 14-month period while FY2014 results are for a 12-month period. Furthermore, as from 10 June 2015, 100% of the results of Buttigieg Holdings Limited are consolidated in IHGH's results.

Overall, the Group's trading results for FY2015 were positive when compared to FY2014, despite the fact that the Radisson Blu Resort St Julians was closed for refurbishment between November 2014 and March 2015, and notwithstanding that the catering operation at the Coastline Hotel was limited to eight months because of refurbishment works undertaken by the hotel's new owners.

The new product on offer at the Radisson Blu Resort St Julians, the record increase in tourist arrivals in Malta, as well as the Group's own revenue management efforts all contributed to the achievement of higher occupancy levels and room rates at the hotel. Moreover, FY2015 was another positive year for vacation ownership and hotel operations at the Radisson Blu Report & Spa Golden Sands, but these results are reported under share of profits/(losses) generated from associates.

An increase in the volume of activity in the event catering area of the business was also registered, whilst the Costa Coffee outlets in Malta continued to increase both their revenues and operating profit. During FY2015, the Group opened an additional 9 stores in Spain.

In FY2015, the IHGH Group reported a profit after tax of €3.4 million, an increase of €0.7 million over FY2014. Comprehensive income for the year (net of tax) increased from €4.2 million in FY2014 to €11.7 million in FY2015 after accounting for an uplift in the valuation of the Radisson Blu Resort St Julians of €6.9 million (net of deferred tax).

Revenue in **FY2016** is projected to increase by 54% to €37.5 million, primarily due to revenue from the Costa Coffee operations. Since Buttigieg Holdings Limited became fully owned in June 2015, only €8.0 million of total revenue amounting to €14.0 million (generated by 18 Costa Coffee outlets and other catering operating) is included in IHGH's revenue for FY2015. In addition to revenue generated for a full year from the aforesaid outlets, 15 new openings are projected for FY2016 (three in Malta and twelve in Spain). Other than the Costa Coffee operations, the Radisson Blu Resort St Julians is projected to increase revenue by €2.7 million to €12.9 million and income from Island Caterers is expected to remain stable at €6.3 million. Share of profit from associate companies (50% of the Radisson Blu Report & Spa Golden Sands) is projected to decrease from €3.9 million in FY2015 to €3.6 million. Profit before tax in FY2016 is projected at €0.8 million, as compared to a loss of €2.1 million in FY2015, after excluding non-recurring investment income of €5.0 million.

As in the prior year, growth in revenue during **FY2017** is principally expected to come from the Costa Coffee operation. The number of outlets in Malta will remain unchanged at 11 outlets, but the number of outlets in Spain is projected to increase from 22 in FY2016 to 37 in FY2017. This will result in a y-o-y increase in revenue of 56% (+€8.0 million) to €22.4 million in FY2017. Other revenue (Radisson Blu Resort St Julians, Island Caterers and other catering operations) is expected to increase by 4% to €24.2 million in FY2017. Share of profits from joint venture is anticipated to remain stable at €3.6 million (FY2017) when compared to be prior year. As a result, profit before tax is projected to increase by €1.5 million from €0.8 million in FY2016 to €2.3 million in FY2017.

Other than equity, IHGH is financed through bank loans, corporate bonds and other borrowings from related companies, analysed as follows:

IHGH Group Borrowings (€'000)	**31 Oct'13 Actual**	**31 Oct'14 Actual**	**31 Dec'15 Actual**	**31 Dec'16 Projection**	**31 Dec'17 Projection**
Bank borrowings					
Bank loans	29,926	13,682	4,927	8,711	11,994
Bank overdrafts	11,068	1,021	3,004	-	-
	40,994	**14,703**	**7,931**	**8,711**	**11,994**
Bonds					
6.5% IHGH Bonds 2017 - 2019	14,000	14,000	14,000	14,000	14,000
6% IHGH Bonds 2024		35,000	35,000	35,000	35,000
Bond issue costs		(701)	(618)	(541)	(469)
	14,000	**48,299**	**48,382**	**48,459**	**48,531**
Other interest bearing borrowings					
Related companies	5,370	1,172	693	224	-
Loans and advances from Joint Venturer	1,606	-	4,500	4,500	4,500
Obligations under finance lease	216	305	265	220	175
	7,192	**1,477**	**5,458**	**4,944**	**4,675**
Other non-interest bearing borrowings					
Related companies	-	-	1,195	1,359	1,526
Loans and advances from Joint Venturer	6,953	264	-	-	-
	6,953	**264**	**1,195**	**1,359**	**1,526**
Total borrowings and bonds	**69,139**	**64,743**	**62,966**	**63,473**	**66,726**

Key Accounting Ratios	31 Oct'13	31 Oct'14	31 Dec'15	31 Dec'16	31 Dec'17
Net assets per share (€)[1] *(Net asset value/number of shares)*	0.99	1.10	1.40	1.41	1.46
Liquidity ratio (times) *(Current assets/current liabilities)*	0.33	2.84	0.83	0.80	0.81
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	65%	52%	53%	52%	51%
Debt service cover ratio (times) *(EBITDA/net finance cost and loan capital repayment)*	1.69	1.30	0.89	1.57	1.81

[1] Net assets per share calculation set out above has been based on the current number of shares in issue of the Company of 36,583,660 shares of €1 each for 2013 and 2014, and 38,583,660 from 2015 onwards.

Source: Charts Investment Management Service Limited

Sinking Fund

In terms of the Prospectus of the bond detailed hereunder, IHGH is required to build a sinking fund, the value of which will by the redemption date of the bond be equivalent to 50% of the outstanding value of bonds. Below is a table outlining the balance held in the sinking fund as at the end of the financial years 31 December 2013 to 31 December 2017.

Contributions to Sinking Fund (€'000)	31 Oct'13 Actual	31 Oct'14 Actual	31 Dec'15 Actual	31 Dec'16 Projection	31 Dec'17 Projection
€14 million 6.50% Bonds 2017 - 2019	23	510	507	1,507	-
	23	**510**	**507**	**1,507**	**-**

Variance Analysis

IHGH Group Income Statement (€'000)	**FY2015 Actual**	**FY2015 Forecast**	**Variance**
Revenue	24,412	25,114	(702)
Direct costs	(14,237)	(13,602)	(635)
Gross profit	**10,175**	**11,512**	**(1,337)**
Other operating costs	(7,837)	(8,682)	845
EBITDA	**2,338**	**2,830**	**(492)**
Property, plant & equipment written off	(898)	-	(898)
Depreciation and amortisation	(2,680)	(2,102)	(578)
Results from operating activities	**(1,240)**	**728**	**(1,968)**
Share of (loss)/profit from joint ventures	3,443	2,865	578
Investment income	5,027	3,040	1,987
Other expenses	(289)	-	(289)
Net finance costs	(4,007)	(4,172)	165
Profit (loss) before tax	**2,934**	**2,461**	**473**
Taxation	491	(310)	801
Profit (loss) for the year	**3,425**	**2,151**	**1,274**

As presented in the above table, actual revenue and EBITDA for FY2015 were lower than projected by €0.7 million and €0.5 million respectively. In addition, there was a one-time write off of €0.9 million worth of property, plant and equipment, and 'other expenses' amounting to €0.3 million were incurred during the year. Such amounts were not included in the forecast income statement. In contrast, investment income and profit from joint ventures were higher than projected by €2.0 million and €0.6 million respectively. Profit before tax was higher than projected by €0.5 million, and profit for the year increased by €1.3 million as a consequence of a positive tax difference of €0.8 million between the actual and forecasted amount.

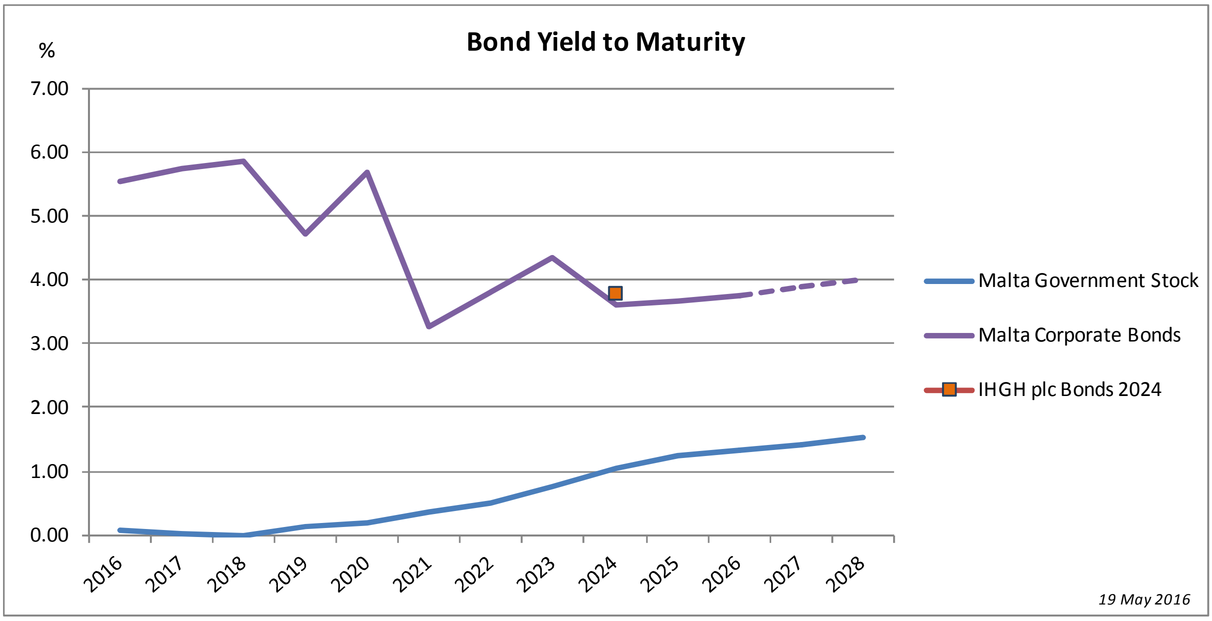
PART 4 – COMPARABLES

The table below compares the Company and its latest issued bond to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Company's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Company.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
6.8% Premier Capital plc € Bond 2017-2020	24,641,000	5.73	4.58	72,208	17,739	64.59
6.6% Eden Finance plc 2017-2020	13,984,000	5.68	3.10	145,427	76,648	38.42
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.28	n/a	58,098	11,734	61.87
5.8% International Hotel Investments plc 2023	10,000,000	4.04	1.45	1,159,643	608,288	36.49
6% AX Investments Plc € 2024	40,000,000	4.02	2.88	206,038	111,482	36.65
6% Island Hotels Group Holdings plc € 2024	**35,000,000**	**3.80**	**0.58**	**145,140**	**54,053**	**53.19**
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	3.76	3.49	67,669	25,823	57.66
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.61	0.05	81,842	31,150	55.46
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	3.97	2.32	70,543	6,592	86.78
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.43	1.50	90,867	26,315	71.30
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.76	1.13	1,357,869	641,031	41.81

19 May'16

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts Investment Management Service Limited



To date, there are no corporate bonds which have a redemption date beyond 2026 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

PART 5 - EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including room reservations, food & beverage, vacation ownership, event catering and other related services.
Direct costs	Direct costs include cost of food, beverages, consumables, labour expenses and all other direct expenses.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting operating costs, depreciation & amortisation, finance costs, impairment provisions, share of profits from associate and affiliate companies and other operating costs.
Gross operating profit before incentive fees	Gross operating profit before incentive fees is the difference between revenue, direct costs and other operating costs pertaining to the operation. It refers to the profit made by the operation before deducting incentive fees and ownership related costs.
Operating costs	Operating costs include all operating expenses other than direct costs and include selling & marketing and general & administration expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Fair value of investment property	Fair value of investment property is an accounting adjustment to change the book value of the Group's investment property to its estimated market value.
Impairment of hotel properties	Impairment of hotel properties is an accounting adjustment to change the book value of the Group's hotel properties to their estimated market value.
Share of profit from equity accounted investments	IHGH owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the Group, but IHGH's share of profit is shown in the profit and loss account under the heading 'share of profit from equity accounted investments'.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.

Key Performance Indicators	
Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Average room rate	Average room rate is calculated by dividing hotel room revenue by rooms sold. Hotels use this measure to calculate the average price at which they are selling hotel rooms each night.
Revenue per available room (RevPAR)	RevPAR is calculated by multiplying a hotel's average room rate by its occupancy rate. A hotel uses this indicator as a performance measure with other hotels in the same category or market to determine how well the hotel property is yielding.
Revenue generating index	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Profitability Ratios	
Gross profit margin	Gross profit margin is the difference between revenue and direct costs expressed as a percentage of total revenue.
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.

Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities (room revenue, food & beverage, vacation ownership, event catering, etc) of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include intangible assets, investment properties, property, plant & equipment, and investments accounted for using the equity method.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, etc), cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings, bonds and long term lease obligations.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.

Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Debt service cover ratio	The debt service cover ratio measures a company's ability to service its current debts by comparing its net operating income with its total debt service obligations.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.