Financial Analysis Summary

15 June 2017

Issuer

Island Hotels Group Holdings p.l.c.

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

The Directors
Island Hotels Group Holdings p.l.c.
22, Europa Centre,
John Lopez Street,
Floriana. FRN 1400
Malta

15 June 2017

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 ("Analysis") 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 periods ended 31 October 2014, 31 December 2015 and 31 December 2016 has been extracted from audited financial statements of the Issuer periods in question.

(b) The forecast data for the year ending 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.

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

TABLE OF CONTENTS

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 (the Azure Group); 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.

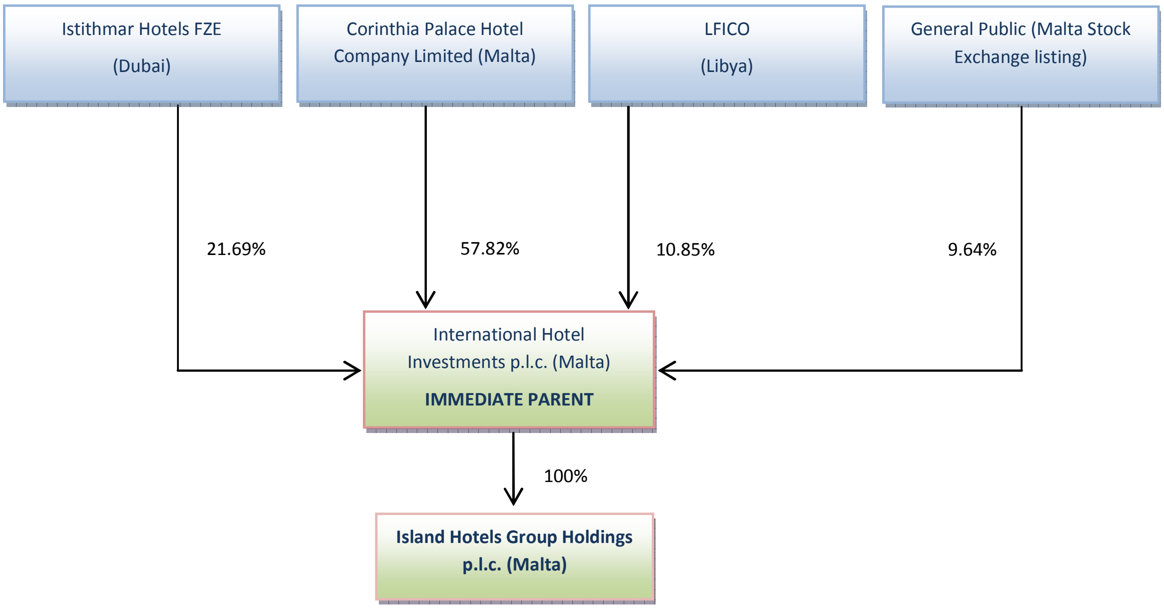
The Board members of the Issuer as at the date of this report are included hereunder:

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 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 year ended 31 December 2016.



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 DECEMBER 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	Vacant site (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 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 2016 is €31.5 million (31 December 2015: €32.7 million).

Market Overview

i. Economic update

Economic activity in Malta is expected to remain relatively strong in the near term, supported by both demand and supply factors. In particular, the energy reforms that have taken place in recent years, new investment projects, increased labour market participation and robust services exports are the primary drivers supporting the economic expansion. Real GDP growth in 2016 was at 5.0%, and thereafter is projected to decelerate to 4.1% in 2017, 3.7% in 2018 and 3.3% in 2019.

During 2016, Gross Value Added (GVA) increased by €536.8 million when compared to the prior year (2015), to €8,693.0 million. GVA is the net result of output valued at basic prices less intermediate consumption valued at purchasers' prices. The increase in GVA was mainly generated by professional, scientific & technical activities and administrative & support services activities which increase by €116.6 million or 11.9%; arts, entertainment & recreation, repair of household goods & other services which increased by €100.8 million or 9.3%; and public administration & defence, education, human health & social work activities which increased by €90.2 million or 6.2%. A decrease of €21.0 million or -6.0% was registered in construction.

Economic growth was primarily driven by net exports of goods and services, which increased (in real terms) by €359.3 million or 63.7% from €563.8 million in 2015 to €923.1 million in 2016. Household consumption expenditure also increased on a y-o-y basis by €164.3 million or 3.9% to €4,397.1 million. On the other hand, declines in investment and government consumption were registered in 2016 when compared to a year earlier.

Inflation rose to 1.06% in December 2016, up from 0.68% in November 2016. The main upward impacts on annual inflation were recorded in the food index, the beverages and tobacco index, and the household equipment and house maintenance costs. This increase was mitigated by a reduction in the prices of fuel, clothing and transport.

ii. Tourism market

Tourism in Malta has in recent years been performing at a strong level and this trend continued in 2015 as well as in 2016. 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.

Inbound tourist trips from January to December 2016 amounted to 1.99 million, an increase of 10.2% when compared to a year earlier. Total nights spent by inbound tourists went up by 5.7%, reaching almost 15.0 million nights. During 2016, total guests in collective accommodation establishments surpassed 1.6 million, an increase of 2.1% over the same period in 2015. Within the collective accommodation establishments, the 5 star and 4 star hotels gained 10,878 guests (+2.8%) and 30,779 guests (+4.5%) respectively in 2016 when compared to a year earlier, while there was a decrease of 24,042 guests (-5.7%) in the 3 star category. Tourism expenditure was estimated at €1.71 billion in 2016, an increase of 4.3% over 2015.

Focus will be maintained on increasing arrivals 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 the current year (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 further growth in the hospitality sector. Meanwhile, the somewhat uncertain future of the national carrier Air Malta poses a concern to further growth whilst 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 years indicated therein:

Radisson Blu Resort & Spa Golden Sands	**FY2014 12 months Actual**	**FY2015 14 months Actual**	**FY2016 12 months Actual**	**FY2017 12 months Forecast**
Turnover (€’000)	34,229	42,843	40,197	30,394
Timeshare revenue	*21,960*	*27,426*	*25,614*	*16,761*
Hotel operations	*12,269*	*15,417*	*14,583*	*13,633*
EBITDA (€’000)	11,954	13,547	14,451	10,692
EBITDA margin (%)	35	32	36	35
IHGH's share of EBITDA at 50%	**5,977**	**6,774**	**7,226**	**5,346**

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 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 295 rooms have been released for sale on a timeshare basis. The remaining rooms together with any unsold weeks on the aforesaid 295 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 and shows that the principal source of revenue is the sale of timeshare units, which accounted for *circa* 65% of revenue between FY2014 to FY2016. 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 was lower by €2.6 million (-6%) when compared to the previous 14-month period to €40.2 million (but on an annualised basis y-o-y revenue was €3.5 million higher (+9.5%)). During the reviewed year, the vacation ownership operation was adversely impacted on translation of financial results from the Pound Sterling to the euro currency. The projected revenue for FY2017 has been prudently set at €16.8 million, a decline of €8.9 million (-34%) when compared to a year earlier.

As for 'Hotel operations', revenue generated in FY2015 amounted to €15.4 million, an increase of €3.1 million from FY2014. Revenue decreased by €0.8 million (-5%) to €14.6 million in FY2016 in comparison to the prior year. Revenue in FY2017 is projected to decline by 6% (y-o-y) from €14.6 million in FY2016 to €13.6 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 comprised a 14 month period. FY2016 was a very positive year for the Hotel as it generated an EBITDA of €14.5 million, surpassing FY2015's EBITDA by €0.9 million (notwithstanding that FY2015 included 14 months of operations). Projected lower timeshare revenue in FY2017, referred to in the preceding paragraph, is expected to adversely impact EBITDA by €3.8 million (-26%, y-o-y), from €14.5 million in FY2016 to €10.7 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 2016 is €40.3 million (31 December 2015: €37.5 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 years indicated therein:

Radisson Blu Resort St Julians	FY2014 12 months Actual	FY2015 14 months Actual	FY2016 12 months Actual	FY2017 12 months Forecast
Turnover (€'000)	10,554	10,156	12,811	13,450
Gross operating profit before incentive fees (€'000)	2,214	2,642	4,492	4,509
Gross operating profit margin (%)	21	26	35	34
Occupancy level (%)	68	77	76	80
Average room rate (€)	108	135	123	127
Revenue per available room (RevPAR) (€)	73	104	93	103
Benchmark performance				
Occupancy level (%)	76	79	77	77
Average room rate (€)	132	144	146	152
Revenue per available room (RevPAR) (€)	100	113	113	118
Revenue Generating Index	0.73	0.92	0.82	0.87

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 was marginally higher than that generated in FY2013. 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.

Revenue generated at the Hotel increased in FY2016 by €2.7 million (+26, y-o-y) and gross operating profit also increased from €2.6 million in FY2015 to €4.5 million in FY2016. Occupancy rate in FY2016 was broadly maintained at FY2015 level, but RevPAR was lower by 8% from €104 in FY2015 to €93 (it is to be noted that RevPAR in FY2015 excludes the dilution effect of the winter months).

As a consequence of a robust local tourism market and management's focus to shift its principal revenue sectors from tour operator business to direct/online sales, the Hotel is projected to increase both average room rate (from €123 in FY2016 to €127 in FY2017) and occupancy rate (from 76% in FY2016 to 80% in FY2017). Projected revenue is thus forecasted to increase by €0.6 million to €13.5 million in FY2017, but no movement is expected in gross operating profit which should match FY2016's figure of €4.5 million.

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 years indicated therein:

Island Caterers Limited	**FY2014 12 months Actual**	**FY2015 14 months Actual**	**FY2016 12 months Actual**	**FY2017 12 months Forecast**
Turnover (€'000)	5,241	6,323	5,981	6,131
EBITDA (€'000)	309	380	371	380
EBITDA margin (%)	6	6	6	6

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 FY2014 to FY2017. The revenue for FY2014 was higher by €1.1 million (+26%) when compared to the prior year, 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 5 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 amounted to €6.0 million, which was €0.3 million lower than FY2015's figure of €6.3 million. However, when adjusting FY2015's results to a 12-month period rather than the reported 14-month period, a y-o-y increase was registered in FY2016. Revenue in FY2017 is projected to amount to €6.1 million, representing a y-o-y increase of 2.5%. The company is expected to register an EBITDA margin of 6%, which is unchanged when compared to prior years.

The sales mix is not expected to change in FY2017 and will in aggregate 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.

The Coffee Company Malta Limited ("**TCCM**"), a wholly owned subsidiary of BHL, entered into a 10-year franchise agreement 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]). The company plans to open a further three outlets in Malta over the coming years.

In March 2014, The Coffee Company Spain S.L. ("**TCCS**"), a wholly owned subsidiary of BHL, entered into a 10-year franchise agreement 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 as at the date of this report, total openings has increased to 15 outlets. Nine of these outlets are located in Barcelona with the other six located in Valencia (2), Palma (2) and Benidorm (2). A sixteenth outlet will be opening in June 2017 bringing the number of stores in Barcelona to a total of 10. The company is currently consolidating its position on the Spanish market and once results achieve the required levels of performance, further outlets will be opened across the region.

Operational Performance

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

Buttigieg Holdings Limited (including Costa Coffee)	FY2014 12 months Actual	FY2015 14 months Actual	FY2016 12 months Actual	FY2017 12 months Forecast
Turnover				
Costa Coffee (Malta) (€'000)	3,518	6,647	7,081	7,045
Costa Coffee (Spain) (€'000)		1,906	4,592	6,315
Other catering operations (€'000)	4,036	5,419	3,313	3,238
	7,554	13,972	14,986	16,598
EBITDA (€'000)	651	-413	-1,231	999
EBITDA margin (%)	9	-3	-8	6
Costa Malta				
No. of outlets (at end of financial year)	8	8	10	10
Costa Spain				
No. of outlets (at end of financial year)	1	10	15	16

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 two outlets were opened in FY2016, and revenue generated from the 10 outlets amounted to €7.1 million (+7%, y-o-y). The same outlets are expected to generate the same level of revenue in FY2017 as 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. An additional five outlets initiated operations in FY2016 and aggregate revenue amounted to €4.6 million. Revenue in FY2017 is projected to increase by €1.7 million to €6.3 million from a total of 16 outlets.

Revenue derived from 'other catering operations' 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. Projected revenue for FY2016 is estimated at €3.2 million, which is comparably lower than normalised revenue generated in FY2015 of €4.6 million (being €5.4 million as adjusted to reflect a 12-month period). The lower revenue registered in FY2016 (€3.3 million as compared to €5.4 million in FY2015) is primarily the result of consolidation of certain catering operations with other companies forming part of the Corinthia Group. In FY2017, management is projecting revenue to amount to €3.2 million, which is broadly similar to the performance reported for FY2016.

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 2016 of IHGH at €21.6 million (FY2015: €21.6 million). The Group is currently in the process of assessing the project designs and concept and funding requirements, prior to embarking on the execution of this project.

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 financial periods ended 31 October 2014, 31 December 2015 and 31 December 2016. The forecasted financial information for the year ending 31 December 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.**

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 (€'000)	**FY2014 Actual (12 months)**	**FY2015 Actual (14 months)**	**FY2016 Actual (12 months)**	**FY2017 Forecast (12 months)**
Revenue	15,836	24,411	33,813	36,178
Direct costs	(8,176)	(16,927)	(24,453)	(25,048)
Gross profit	**7,659**	**7,484**	**9,360**	**11,130**
Other operating costs	(5,123)	(5,146)	(5,951)	(6,096)
EBITDA	**2,536**	**2,338**	**3,409**	**5,034**
Property, plant & equipment written off	-	(898)	-	-
Depreciation and amortisation	(1,175)	(2,680)	(4,731)	(4,047)
Results from operating activities	**1,361**	**(1,240)**	**(1,322)**	**987**
Share of profit from joint ventures	2,802	3,443	4,159	3,013
Investment income	-	5,304	249	18
Other expenses	-	(289)	-	-
Net finance costs	(2,575)	(4,284)	(3,734)	(3,341)
Profit (loss) before tax	**1,588**	**2,934**	**(648)**	**677**
Taxation	(58)	491	90	(400)
	1,530	**3,425**	**(558)**	**277**
Discontinued operation	1,202	-	-	-
Profit (loss) for the year/period	**2,732**	**3,425**	**(558)**	**277**
Other comprehensive income				
Revaluation of leasehold property, net of deferred tax	-	6,852	2,785	-
Exchanges differences	1,437	1,403	(3,286)	-
	1,437	**8,255**	**(501)**	**-**
Total comprehensive income (expense) net of tax	**4,169**	**11,680**	**(1,059)**	**277**

IHGH Group Balance Sheet (€'000)	**31 Oct'14 Actual**	**31 Dec'15 Actual**	**31 Dec'16 Actual**	**31 Dec'17 Forecast**
ASSETS				
Non-current assets				
Intangible assets	11,021	20,350	19,852	18,635
Property, plant and equipment	27,846	66,348	68,760	66,578
Investments in associates & joint ventures	37,863	39,770	38,888	39,379
Loans and receivables	7,393	829	281	237
Other cash at bank	137	74	35	-
	84,260	127,371	127,816	124,829
Current assets				
Inventories	312	925	923	1,030
Trade and other receivables	14,816	8,907	7,935	7,586
Loans and receivables	4	6,043	2,778	-
Taxation	319	296	22	-
Other cash at bank and assets under trust	211	63	1,615	34
Cash and cash equivalents	20,305	1,534	2,914	3,355
	35,967	17,768	16,187	12,005
Total assets	**120,227**	**145,139**	**144,003**	**136,834**
EQUITY				
Capital and reserves				
Called up share capital	36,584	38,584	38,584	38,584
Reserves	1,522	9,777	9,145	8,959
Retained earnings	2,267	5,692	5,266	5,728
	40,373	**54,053**	**52,995**	**53,271**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	60,932	57,072	54,470	54,429
Other non-current liabilities	6,238	12,507	13,272	12,873
	67,171	69,579	67,742	67,302
Current liabilities				
Borrowings and bonds	3,811	4,640	9,207	1,657
Other current liabilities	8,873	16,867	14,059	14,604
	12,684	21,507	23,266	16,261
	79,854	**91,086**	**91,008**	**83,563**
Total equity and liabilities	**120,227**	**145,139**	**144,003**	**136,834**

IHGH Group Cash Flow Statement (€'000)	FY2014 Actual (12 months)	FY2015 Actual (14 months)	FY2016 Actual (12 months)	FY2017 Forecast (12 months)
Net cash from operating activities	(4,499)	11,159	300	1,818
Net cash from investing activities	4,588	(4,208)	4,053	1,958
Net cash from financing activities	25,720	(27,704)	(4,515)	1,211
Net movement in cash and cash equivalents	**25,808**	**(20,753)**	**(162)**	**4,987**
Cash and cash equivalents at beginning of year/period	(6,525)	19,283	(1,470)	(1,632)
Cash and cash equivalents at end of year/period	**19,283**	**(1,470)**	**(1,632)**	**3,355**

Key Accounting Ratios	FY2014	FY2015	FY2016	FY2017
Gross profit margin *(Gross profit/revenue)*	48%	31%	28%	31%
Operating profit margin *(EBITDA/revenue)*	16%	10%	10%	14%
Interest cover (times) *(EBITDA/net finance cost)*	0.98	0.55	0.91	1.51
Net profit margin *(Profit after tax/revenue)*	10%	14%	-2%	1%
Earnings per share (€) *(Profit after tax/number of shares)*	0.04	0.09	-0.01	0.01
Return on equity *(Profit after tax/shareholders' equity)*	4%	6%	-1%	1%
Return on capital employed *(Operating profit/total assets less current liabilities)*	2%	2%	3%	4%
Return on assets *(Profit after tax/total assets)*	1%	2%	0%	0%

Source: Charts Investment Management Service Limited

With effect 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.

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 FY2015 amounted to €24.4 million, an increase of €8.6 million when compared to FY2014. Despite the increase in revenue, gross profit and EBITDA were slightly lower than in the previous year. This is mainly due to the consolidation of 100% of the results of Buttigieg Holdings Limited as from 10 June 2015.

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.

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 valuation of the Radisson Blu Resort St Julians of €6.9 million (net of deferred tax).

In **FY2016**, the Group reported a turnover of €33.8 million (FY2015: €24.4 million) and an EBITDA of €3.4 million (FY2015: €2.3 million). The financial results under review include full consolidation of the Buttigieg Holdings Group, whereas in FY2015, the results of Buttigieg Holdings Group from 1 November 2014 to 31 May 2015 are incorporated within the line item "Share of profit from joint ventures", and the financials from 1 June 2015 to 31 December 2015 are fully consolidated.

As such, the increase in y-o-y revenue totalling €9.4 million is principally due to the effect of accounting for revenue generated by Buttigieg Holdings Group as stated above and continued improvement in the Costa Coffee operation (aggregate movement amounted to €6.5 million). The balance of the increase in revenue of €2.6 million was mainly generated by the Radisson Blu Resort St Julian's on account of higher tourist numbers and improved operating performance. As to the event catering operation, the business activity in FY2016 was mostly unchanged when compared to the prior year.

FY2016 EBITDA was adversely impacted by the Costa Coffee operation in Spain, which operation remained challenging during the whole year. Consequently, the y-o-y increase in EBITDA was only marginal at €1.1 million, from €2.3 million in FY2015 to €3.4 million.

Share of profit from joint ventures reflects the 50% share of profits generated the Radisson Blu Report & Spa Golden Sands, which in FY2016 amounted to €4.2 million as compared to €3.6 million in FY2015 (the difference of -€0.2 million relates to 50% of the results of Buttigieg Holdings Ltd for the period 1 November 2014 to 31 May 2015). The vacation ownership operation at the Golden Sands had a positive year when compared to FY2015, notwithstanding its exposure to the Pound Sterling, which had a negative impact on translation of financial results to the euro currency (exchange differences on translating foreign operations have been accounted for below loss for the year in 'other comprehensive income/expense').

After accounting for net finance costs of €3.7 million (FY2015: €4.3 million) and credit tax of €90,000 (FY2015: credit of €0.5 million), the Group reported a loss for the year amounting to €0.6 million (FY2015: profit of €3.4 million).

Other comprehensive expense in FY2016 amounted to €0.5 million (FY2015: income of €8.3 million), and comprised a gain in revaluation of the Radisson Blu Resort St Julians of €2.8 million (net of deferred tax) and an exchange loss on translating foreign operations in relation to the Radisson Blu Report & Spa Golden Sands of €3.3 million. In consequence, the Group reported total comprehensive expense for FY2016 of €1.1 million (FY2015: total comprehensive income of €11.7 million).

The Group is projected to generate revenue of €36.2 million in **FY2017**, an increase of €2.4 million (+7%) when compared to FY2016. Most of this increase (*circa* €1.7 million) is expected from the operations of Costa Coffee in Spain, whilst the remaining balance is anticipated from the Radisson Blu Resort St Julians. EBITDA is forecasted to improve by €1.6 million, from €3.4 million in FY2016 to €5.0 million in FY2017.

Share of profit from associate companies (50% of the Radisson Blu Report & Spa Golden Sands) is projected to decrease from €4.2 million in FY2016 to €3.0 million on account of lower projected vacation ownership sales. Profit after tax in FY2017 is expected to amount to €0.3 million, as compared to a loss of €0.6 million in FY2016.

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'14 Actual**	**31 Dec'15 Actual**	**31 Dec'16 Actual**	**31 Dec'17 Forecast**
Bank borrowings				
Bank loans	13,682	4,927	5,764	4,459
Bank overdrafts	1,021	3,004	4,546	-
	14,703	**7,931**	**10,310**	**4,459**
Bonds				
6.5% IHGH Bonds 2017 - 2019	14,000	14,000	3,134	-
6% IHGH Bonds 2024	35,000	35,000	35,000	35,000
Bond issue costs	(701)	(617)	(543)	(469)
	48,299	**48,383**	**37,591**	**34,531**
Other interest bearing borrowings				
Related companies	1,172	633	197	-
Loans and advances from Joint Venturer	-	4,500	4,500	4,500
Obligations under finance lease	305	265	213	168
	1,477	**5,398**	**4,910**	**4,668**
Other non-interest bearing borrowings				
Related companies	-	-	10,866	12,428
Loans and advances from Joint Venturer	264	-	-	-
	264	**-**	**10,866**	**12,428**
Total borrowings and bonds	**64,743**	**61,712**	**63,677**	**56,086**

Key Accounting Ratios	**31 Oct'14**	**31 Dec'15**	**31 Dec'16**	**31 Dec'17**
Net assets per share (€) *(Net asset value/number of shares)*	1.10	1.40	1.37	1.38
Liquidity ratio (times) *(Current assets/current liabilities)*	2.84	0.83	0.70	0.74
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	52%	53%	53%	50%
Debt service cover ratio (times) *(EBITDA/net finance cost and loan capital repayment)*	1.30	0.89	1.29	1.16

Source: Charts Investment Management Service Limited

Variance Analysis

IHGH Group Income Statement (€'000)	**FY2016 Actual**	**FY2016 Forecast**	**Variance**
Revenue	33,813	37,538	(3,725)
Direct costs	(24,453)	(20,156)	(4,297)
Gross profit	**9,360**	**17,382**	**(8,022)**
Other operating costs	(5,951)	(12,827)	6,876
EBITDA	**3,409**	**4,555**	**(1,146)**
Depreciation and amortisation	(4,731)	(4,009)	(722)
Results from operating activities	**(1,322)**	**546**	**(1,868)**
Share of profit from joint ventures	4,159	3,614	545
Investment income	249	19	230
Net finance costs	(3,734)	(3,397)	(337)
Profit (loss) before tax	**(648)**	**782**	**(1,430)**
Taxation	90	(239)	329
Profit (loss) for the year	**(558)**	**543**	**(1,101)**

As presented in the above table, actual revenue and EBITDA for FY2016 were lower than projected by €3.7 million and €1.1 million respectively. This adverse result was primarily due to the operation of Costa Coffee in Spain, which has been more challenging than initially anticipated.

In the FY2016 financial statements there was a change in the allocation of expenses between direct costs and other operating costs in line with the classification of expense items as presented in the consolidated financial statements of IHI (the parent company), and this has resulted in a variance in direct costs and other operating costs of -€4.3 million and +€6.9 million respectively. In aggregate, when compared to the forecast, there was a reduction in costs of €2.6 million partly as a consequence of the lower than expected revenue.

Depreciation & amortisation was higher than forecasted by €0.7 million, but was partly offset by a higher share of profit from joint ventures of €0.5 million. Overall, the Group reported a loss for the year of €0.6 million as compared to a projected profit of €0.5 million.

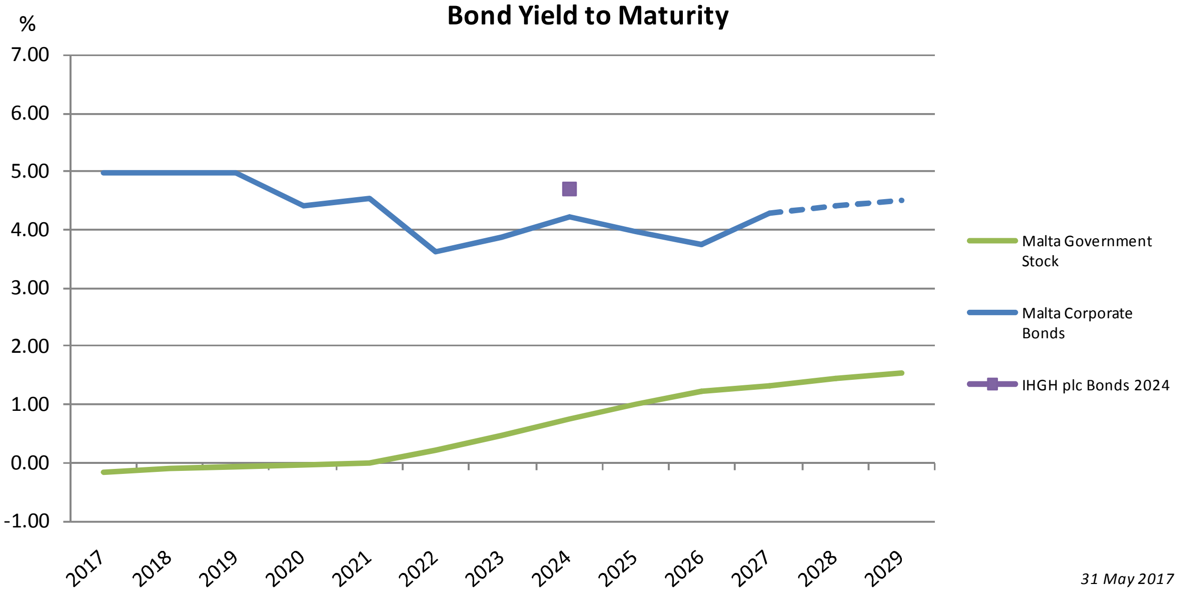
PART 4 – COMPARABLES

The table below compares the Company and its issued bonds 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 (%)**
5.5% Pendergardens Dev. plc Secured € 2020 Series I	15,000,000	4.41	1.49	63,273	11,488	63.23
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.62	1.49	63,273	11,488	63.23
4.25% Gap Group plc Secured € 2023	40,000,000	3.80	2.48	57,086	6,004	86.39
5.3% United Finance Plc Unsecured € Bonds 2023	8,500,000	3.87	2.05	18,153	3,796	73.85
6% AX Investments Plc € 2024	40,000,000	4.26	3.62	270,425	163,719	27.97
6% Island Hotels Group Holdings plc € 2024	35,000,000	4.71	0.91	144,003	52,994	53.41
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	4.22	4.25	72,117	30,380	52.06
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	4.46	- 0.02	82,096	32,298	54.54
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	4.61	1.59	71,711	4,751	89.91
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.96	1.40	97,042	28,223	72.36
4.0% International Hotel Invest. plc Secured € 2026	55,000,000	3.68	2.46	1,220,254	646,822	36.39
4.0% MIDI plc Secured € 2026	50,000,000	3.58	0.59	203,780	67,359	40.62
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.50	7.60	193,351	41,630	58.76
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	4.28	4.82	156,433	56,697	53.20
4.0% Eden Finance plc 2027	40,000,000	3.75	3.98	165,496	92,620	34.60

31 May'17

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 2027 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.