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## SECURITIES NOTE DATED 21 NOVEMBER 2016

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Listing Rules published by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No 486/2012 of the 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013, Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015. This Securities Note is issued pursuant to the requirements of Listing Rule 4.14 of the Listing Rules and contains information about the Bonds being issued by International Hotel Investments p.l.c. Application has been made for the admission to listing and trading of the Bonds on the Official List of the Malta Stock Exchange. This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.

In respect of an issue of up to  
**€40,000,000 4% Unsecured Bonds 2026**  
of a nominal value of €100 per Bond issued at par by



### **INTERNATIONAL HOTEL INVESTMENTS p.l.c.**

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA  
WITH COMPANY REGISTRATION NUMBER C 26136

ISIN:- MT0000111311

**THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENTS ARE IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.**

**THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE SECURITIES.**

**A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.**

APPROVED BY THE DIRECTORS

Joseph Fenech on behalf of: Alfred Pisani, Frank Xerri de Caro, Abdalnaser M.B. Ahmida, Douraid Zaghouani, Hamad Mubarak Mohd Buamin, Abuagila Almahdi, Khaled Amr Algonsel, Joseph Pisani, Winston V. Zahra, Joseph J. Vella.

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Manager and Registrar

**BOV**  
Bank of Valletta

Sponsor

**CHARTS**  
WEALTH MANAGEMENT • CORPORATE BROKING

Legal Counsel

**CAMILLERI PREZIOSI**  
ADVOCATES



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### IMPORTANT INFORMATION

THIS SECURITIES NOTE CONSTITUTES PART OF THE PROSPECTUS DATED 21 NOVEMBER 2016 AND CONTAINS INFORMATION ABOUT INTERNATIONAL HOTEL INVESTMENTS PLC (THE “**ISSUER**”) IN ITS CAPACITY AS ISSUER AND AN ISSUE BY THE ISSUER OF A MAXIMUM OF €40,000,000 UNSECURED BONDS 2026 OF A NOMINAL VALUE OF €100, ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 4% PER ANNUM, PAYABLE ANNUALLY IN ARREARS ON 20 DECEMBER OF EACH YEAR AND REPAYABLE IN FULL AT MATURITY ON 20 DECEMBER 2026 UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION (THE “**BONDS**”), IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE COMPANIES ACT AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS, AS AMENDED BY COMMISSION DELEGATED REGULATION (EU) NO. 486/2012 OF 30 MARCH 2012, COMMISSION DELEGATED REGULATION (EU) NO. 862/2012 OF 4 JUNE 2012, COMMISSION DELEGATED REGULATION (EU) NO. 759/2013 OF 30 APRIL 2013, COMMISSION DELEGATED REGULATION (EU) NO. 382/2014 OF 7 MARCH 2014 AND COMMISSION DELEGATED REGULATION (EU) NO. 2016/301 OF 30 NOVEMBER 2015. THIS SECURITIES NOTE SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER.

IN ACCORDANCE WITH THE ALLOCATION POLICY TO BE DETERMINED AND PUBLISHED BY THE ISSUER, BONDS SHALL BE ALLOCATED, AMONGST OTHERS, TO HOLDERS OF THE €25,000,000 6.25% BONDS 2017-2020 ISSUED BY THE ISSUER PURSUANT TO A PROSPECTUS DATED 1 MARCH 2010 AND THE HOLDERS OF €14,000,000 6.5% BONDS 2017-2019 ISSUED BY ISLAND HOTELS GROUP HOLDINGS P.L.C. PURSUANT TO A PROSPECTUS DATED 28 AUGUST 2009 (TOGETHER THE “**EXCHANGEABLE BONDS**”) WHO, IN CONSIDERATION FOR THE BONDS APPLIED FOR PURSUANT TO THIS PROSPECTUS ELECT TO SURRENDER EXCHANGEABLE BONDS IN FAVOUR OF THE ISSUER.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF BONDS OF THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS OR ADVISORS.

**THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.**

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY BONDS ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRY OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.



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SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH, PENDING SUCH IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE BONDS CAN ONLY BE OFFERED TO “QUALIFIED INVESTORS” (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

THE BONDS HAVE NOT BEEN NOR WILL THEY BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT, 1933 AS AMENDED, OR UNDER ANY FEDERAL OR STATE SECURITIES LAW AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR ANY AREA SUBJECT TO ITS JURISDICTION (THE “U.S.”) OR TO OR FOR THE BENEFIT OF, DIRECTLY OR INDIRECTLY, ANY U.S. PERSON (AS DEFINED IN REGULATION “S” OF THE SAID ACT). FURTHERMORE THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT, 1940 AS AMENDED AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS SET OUT THEREIN.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES IN ACCORDANCE WITH THE ACT.

STATEMENTS MADE IN THE PROSPECTUS ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

THE CONTENTS OF THE ISSUER’S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER’S WEBSITE DO NOT FORM PART OF THE PROSPECTUS. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

ALL THE ADVISORS TO THE ISSUER NAMED IN THE PROSPECTUS UNDER THE HEADING “ADVISORS TO THE ISSUER” UNDER SECTION 3 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS ISSUE AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS.



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### 1. DEFINITIONS

Words and expressions and capitalised terms used in this Securities Note shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words, expressed and capitalised terms as indicated in the Registration Document forming part of the Prospectus. Additionally, the following words and expressions as used in this Securities Note shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

<b>Act</b>	the Companies Act (Cap 386 of the Laws of Malta);
<b>Applicant/s</b>	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
<b>Application/s</b>	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form and delivering same to any of the Authorised Financial Intermediaries;
<b>Application Form/s</b>	the two forms of application of subscription for Bonds, specimens of which are contained in Annex II of this Securities Note;
<b>Authorised Financial Intermediaries</b>	the licensed stockbrokers and financial intermediaries listed in Annex I of this Securities Note;
<b>Bond(s)</b>	a maximum of €40,000,000 unsecured bonds of a face value of €100 per bond bearing interest at the rate of 4% per annum and redeemable on the Redemption Date at their nominal value;
<b>Bondholder</b>	a holder of Bonds;
<b>Bond Issue</b>	the issue of the Bonds;
<b>Bond Issue Price</b>	the price of €100 per Bond;
<b>Business Day</b>	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
<b>Company, IHI or Issuer</b>	International Hotel Investments p.l.c., a public limited liability company registered under the laws of Malta with Company registration number C 26136 and having its registered office at 22, Europa Centre, Floriana FRN 1400, Malta;
<b>CSD</b>	the Central Securities Depository of the Malta Stock Exchange, having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
<b>Cut-Off Date</b>	close of business of 17 November 2016 (trading session of 15 November 2016);
<b>Euro or €</b>	the lawful currency of the Republic of Malta;
<b>Exchange, Malta Stock Exchange or MSE</b>	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, and bearing company registration number C 42525;
<b>Exchangeable Bond Transfer</b>	either of: the subscription for Bonds by an Existing IHI Bondholder settled, after submitting the appropriate pre-printed Application Form 'A' received by mail directly from the Issuer, by the transfer to the Issuer of all or part of the IHI Exchangeable Bonds held by such Existing IHI Bondholder as at the Cut-Off Date; or the subscription for Bonds by an Existing IHG Bondholder settled, after submitting the appropriate pre-printed Application Form 'B' received by mail directly from the Issuer, by the transfer to the Issuer of all or part of the IHG Exchangeable Bonds held by such Existing IHG Bondholder as at the Cut-Off Date;
<b>Exchangeable Bonds</b>	the IHI Exchangeable Bonds and the IHG Exchangeable Bonds;
<b>Existing Bondholder/s</b>	together, Existing IHI Bondholder/s and Existing IHG Bondholder/s;
<b>Existing IHG Bondholder/s</b>	the holders of IHG Exchangeable Bonds as at the Cut-Off Date;

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<b>Existing IHI Bondholder/s</b>	the holders of IHI Exchangeable Bonds as at the Cut-Off Date;
<b>IHG</b>	Island Hotels Group Holdings p.l.c., a company registered under the laws of Malta having its registered office at Radisson Blu Resort St. Julians, Louis V. Farrugia Street, St. George's Bay, St. Julians STJ 3391, Malta and bearing company registration number C 44855;
<b>IHG Exchangeable Bonds</b>	the 6.5% bonds 2017-2019 issued by IHG pursuant to a prospectus dated 28 August 2009, amounting as at the date of this Prospectus to €14,000,000, and which are due to be redeemed on the IHG Exchangeable Bonds Redemption Date, that is 1 July 2017;
<b>IHG Exchangeable Bonds Redemption Date</b>	1 July 2017, this being the first designated early redemption date provided for in the prospectus issued by IHG on 28 August 2009;
<b>IHI Exchangeable Bonds</b>	the 6.25% Bonds 2017-2020 issued by IHI pursuant to a prospectus dated 1 March 2010, amounting as at the date of this Prospectus to €24,831,700, and which are due to be redeemed on the IHI Exchangeable Bonds Redemption Date, that is 9 April 2017;
<b>IHI Exchangeable Bonds Redemption Date</b>	9 April 2017, this being the first early redemption date provided for in the prospectus issued by IHI on 1 March 2010;
<b>Interest Payment Date</b>	20 December of each year between and including each of the year 2017 and the year 2026, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
<b>Intermediaries' Offer</b>	an offer to be made on 16 December 2016 to Authorised Financial Intermediaries for the subscription of any resultant balance of Bonds following the subscription of Bonds by Existing Bondholders;
<b>Issue Period</b>	the period between 24 November 2016 and 12 December 2016 during which time the Bonds are in issue for Existing IHI Bondholders and Existing IHG Bondholders;
<b>Listing Authority</b>	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of Legal Notice 1 of 2003;
<b>Listing Rules</b>	the listing rules of the Listing Authority;
<b>Loan Agreement</b>	an intra-group agreement entered into by and between IHI and IHG on 18 November 2016 pursuant to which IHI grants on loan an amount of €14,000,000 for the redemption and cancellation of the IHG Exchangeable Bonds, as described in section 5.1.8(iii) of this Securities Note;
<b>Official List</b>	the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws;
<b>Prospectus</b>	collectively the Registration Document, Summary Note and this Securities Note (each as defined in this Securities Note);
<b>Redemption Date</b>	20 December 2026;
<b>Redemption Value</b>	the nominal value of each Bond (€100 per Bond);
<b>Registration Document</b>	the registration document issued by the Issuer dated 21 November 2016, forming part of the Prospectus;

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<b>Regulation</b>	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of supplements to the prospectus; and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of the prospectus and dissemination of advertisements;
<b>Securities Note</b>	this document in its entirety;
<b>Sponsor</b>	Charts Investment Management Service Limited, an authorised financial intermediary licensed by the MFSA and a Member of the MSE;
<b>Summary Note</b>	the summary note issued by the Issuer dated 21 November 2016, forming part of the Prospectus;
<b>Terms and Conditions</b>	the terms and conditions of the Bond Issue, including the terms contained in this Securities Note.

All references in the Prospectus to “Malta” are to the “Republic of Malta”.

Unless it appears otherwise from the context:

- a) words importing the singular shall include the plural and vice-versa;
- b) words importing the masculine gender shall include the feminine gender and vice-versa;
- c) the word “may” shall be construed as permissive and the word “shall” shall be construed as imperative.





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### 2. RISK FACTORS

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY ON THE REDEMPTION DATE UNLESS THE BONDS ARE PREVIOUSLY RE-PURCHASED AND CANCELLED. THE ISSUER SHALL REDEEM THE BONDS ON THE REDEMPTION DATE.

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

NEITHER THIS SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE BONDS: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION OR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS SECURITIES NOTE OR ANY OTHER PART OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS OR ANY BONDS, SHOULD PURCHASE ANY BONDS.

ACCORDINGLY PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

#### 2.1 FORWARD LOOKING STATEMENTS

This Securities Note contains “forward looking statements” which include, among others, statements concerning matters that are not historical facts and which may involve projections of future circumstances. These forward looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer’s Directors. No assurance is given that the future results or expectations will be achieved.

#### 2.2 GENERAL

An investment in the Issuer and the Bonds may not be suitable for all recipients of the Prospectus and prospective investors are urged to consult an independent investment advisor licensed under the Investment Services Act (Cap. 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Bonds before making an investment decision. In particular, such advice should be sought with a view to ascertaining that each prospective investor:

- a) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference to the Prospectus or any applicable supplement;
- b) has sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the prospective investor’s currency;
- c) understands thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- d) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.



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### 2.3 RISKS RELATING TO THE BONDS

An investment in the Bonds involves certain risks including, but not limited to, those described below:

- The existence of an orderly and liquid market for the Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Issuer's Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all.
- Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different.
- No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.
- The Bonds, as and when issued, shall constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any. Furthermore, subject to the negative pledge clause (section 5.7 of this Securities Note), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect.
- Privileges or similar charges accorded by law in specific situations may arise during the course of the business of the Issuer which may rank with priority or preference to the Bonds.
- In the event that the Issuer wishes to amend any of the Terms and Conditions of the Bond Issue it shall call a meeting of Bondholders in accordance with the provisions of section 5.13 of this Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.
- The attention of prospective investors in the Bonds is drawn to section 7.3.1 of this Securities Note, which provides that the issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List.
- The Terms and Conditions of this Bond Issue are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.



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### 3. PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules for the purpose of providing prospective investors with information with regard to the Issuer. All of the directors of the Issuer, whose names appear under the sub-heading “Directors” under the heading “Identity of Directors, Senior Management, Advisors and Auditors of the Issuer”, in Section 3 of the Registration Document, accept responsibility for the information contained in this Securities Note.

To the best of the knowledge and belief of the directors of the Issuer, who have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The directors of the Issuer accept responsibility accordingly.

#### 3.1 CONSENT FOR USE OF PROSPECTUS

##### **Consent required in connection with the use of the Prospectus by the Authorised Financial Intermediaries:**

For the purposes of any subscription for Bonds through any of the Authorised Financial Intermediaries in terms of this Securities Note and any subsequent resale, placement or other offering of Bonds by such Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Directive, the Issuer consents to the use of this Prospectus (and accepts responsibility for the information contained therein) with respect to any such subsequent resale or placement or other offering of Bonds, provided this is limited only:

- (i) in respect of Bonds subscribed for through Authorised Financial Intermediaries listed in Annex I of this Securities Note during the Issue Period and the Intermediaries’ Offer (if applicable);
- (ii) to any resale or placement of Bonds subscribed for as aforesaid, taking place in Malta;
- (iii) to any resale or placement of Bonds subscribed for as aforesaid, taking place within the period of 60 days from the date of the Prospectus.

Neither the Issuer nor the Sponsor has any responsibility for any of the actions of any Authorised Financial Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of Bonds.

Other than as set out above, neither the Issuer nor the Sponsor has authorised (nor do they authorise or consent to the use of this Prospectus in connection with) the making of any public offer of the Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Issuer or the Sponsor and neither the Issuer nor the Sponsor has any responsibility or liability for the actions of any person making such offers.

Investors should enquire whether an intermediary is considered to be an Authorised Financial Intermediary in terms of the Prospectus. If the investor is in doubt as to whether it can rely on the Prospectus and/or who is responsible for its contents, it should obtain legal advice.

No person has been authorised to give any information or to make any representation not contained in or inconsistent with this Prospectus. If given or made, it must not be relied upon as having been authorised by the Issuer or Sponsor. The Issuer does not accept responsibility for any information not contained in this Prospectus.

**In the event of a resale, placement or other offering of Bonds by an Authorised Financial Intermediary, the Authorised Financial Intermediary shall be responsible to provide information to investors on the terms and conditions of the resale, placement or other offering at the time such is made.**

Any resale, placement or other offering of Bonds to an investor by an Authorised Financial Intermediary will be made in accordance with any terms and other arrangements in place between such Authorised Financial Intermediary and such investor including as to price, allocations and settlement arrangements. Where such information is not contained in the Prospectus, it will be the responsibility of the applicable Authorised Financial Intermediary at the time of such resale, placement or other offering to provide the investor with that information and neither the Issuer nor the Sponsor has any responsibility or liability for such information.

**Any Authorised Financial Intermediary using this Prospectus in connection with a resale, placement or other offering of Bonds subsequent to the Bond Issue shall, limitedly for the period of 60 days from the date of the Prospectus, publish on its website a notice to the effect that it is using this Prospectus for such resale, placement or other offering in accordance with the consent of the Issuer and the conditions attached thereto. The consent provided herein shall no longer apply following the lapse of such period.**

Any new information with respect to Authorised Financial Intermediaries unknown at the time of the approval of this Securities Note will be made available through a company announcement which will also be made available on the Issuer’s website: <http://www.ihplc.com>.



## SECURITIES NOTE

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### 4. ESSENTIAL INFORMATION

#### 4.1 REASONS FOR THE ISSUE AND USE OF PROCEEDS

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €39,500,000 (consisting of a combination of Exchangeable Bonds and cash), will be used by the Issuer for the purpose of:

- (i) acquiring for redemption and cancellation a maximum amount of €24,831,700 in IHI Exchangeable Bonds from Existing IHI Bondholders subscribing for Bonds by way of Exchangeable Bond Transfer, and to redeem any IHI Exchangeable Bonds remaining in issue as at the IHI Exchangeable Bonds Redemption Date;
- (ii) acquiring a maximum amount of €14,000,000 in IHG Exchangeable Bonds from Existing IHG Bondholders subscribing for Bonds by way of Exchangeable Bond Transfer, with a view to such IHG Exchangeable Bonds being redeemed and cancelled forthwith by IHG pursuant to the terms of the Loan Agreement, as better described in section 5.1.8(iii) of this Securities Note; and
- (iii) granting on loan to IHG such amount as may be necessary for it to redeem and cancel any IHG Exchangeable Bonds remaining in issue as at the IHG Exchangeable Bonds Redemption Date, pursuant to the terms of the Loan Agreement as better described in section 5.1.8(iii) of this Securities Note.

Any remaining balance of the net Bond Issue proceeds will be used by the Issuer for general corporate funding purposes.

In the event that the Issuer does not receive subscriptions for the full €40,000,000 in Bonds, the Issuer will proceed with the listing of the amount of Bonds subscribed for, and shall apply the net proceeds received in the manner and order of priority set out above. Any residual amounts required by the Issuer for the purposes of the uses specified in clauses (i) – (iii) of this section 4.1, which shall not have been raised through the Bond Issue, shall be financed from the Group's general cash flow and/or banking facilities.

#### 4.2 EXPENSES

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €500,000. There is no particular order of priority with respect to such expenses.

#### 4.3 ISSUE STATISTICS

<b>Amount:</b>	€40,000,000;
<b>Form:</b>	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the Central Securities Depository of the Malta Stock Exchange ('CSD');
<b>Denomination:</b>	Euro (€);
<b>ISIN:</b>	MT0000111311;
<b>Minimum amount per subscription:</b>	Minimum of €2,000 and multiples of €100 thereafter;
<b>Redemption Date:</b>	20 December 2026;
<b>Plan of Distribution:</b>	The Bonds are open for subscription by Existing Bondholders and, to the extent of any balance of Bonds not subscribed for by Existing Bondholders, by Authorised Financial Intermediaries pursuant to the Intermediaries' Offer;

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## SECURITIES NOTE

**Preferred Allocation to holders of Exchangeable Bonds:** (i) Existing Bondholders applying for Bonds may elect to settle all or part of the amount due on the Bonds applied for by the transfer to the Issuer of Exchangeable Bonds at par value, subject to a minimum holding of €2,000 in Bonds. Any Existing Bondholders whose holding in Exchangeable Bonds is less than €2,000 shall be required to pay the difference together with the submission of their Application Form (“**Cash Top-Up**”). Existing Bondholders electing to subscribe for Bonds by way of Exchangeable Bond Transfer shall be allocated Bonds for the corresponding nominal value of Exchangeable Bonds transferred to the Issuer (including Cash Top-Up, where applicable).

Bonds applied for by Existing Bondholders by way of Exchangeable Bond Transfer as described above shall be allocated prior to any other allocation of Bonds;

(ii) Existing Bondholders wishing to apply for a number of Bonds exceeding in value the aggregate nominal value of Exchangeable Bonds held by them as at the Cut-Off Date (the “**Excess**”) may subscribe for such additional Bonds in terms of sub-section 7.2.2 below;

Subject to interest payable to the Existing IHI Bondholders and Existing IHG Bondholders in accordance with section 5.4 below, the transfer of IHI Exchangeable Bonds and/or IHG Exchangeable Bonds (as applicable) to the Issuer in consideration for the subscription for Bonds shall cause the obligations of the Issuer with respect to the IHI Exchangeable Bonds and the obligations of IHG with respect to the IHG Exchangeable Bonds to be extinguished, and shall give rise to obligations on the part of the Issuer under the Bonds;

<b>Bond Issue Price:</b>	At par (€100 per Bond);
<b>Status of the Bonds:</b>	The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves and with other unsecured debt, if any;
<b>Listing:</b>	Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the MSE for the Bonds to be listed and traded on its Official List;
<b>Application Forms available:</b>	24 November 2016;
<b>Intermediaries’ Offer:</b>	The Intermediaries’ Offer as set out in section 7.5 of this Securities Note;
<b>Closing date for Applications:</b>	12.00 hours on 12 December 2016;
<b>Issue Period:</b>	The period between 24 November 2016 and 12 December 2016 during which time the Bonds are in issue for Existing IHI Bondholders and Existing IHG Bondholders;
<b>Interest:</b>	4% per annum;
<b>Interest Payment Date(s):</b>	Annually on 20 December as from 20 December 2017 (the first interest payment date);
<b>Governing Law of Bonds:</b>	The Bonds are governed by and shall be construed in accordance with Maltese law;
<b>Jurisdiction:</b>	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

#### 4.4 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for the possible subscription for Bonds by Authorised Financial Intermediaries (which includes Bank of Valletta p.l.c., Charts Investment Management Service Limited and the latter’s sister company Mediterranean Bank plc), and any fees payable in connection with the Bond Issue to Charts Investment Management Service Limited as Sponsor and to Bank of Valletta p.l.c. as Manager and Registrar, so far as the Issuer is aware no person involved in the Issue has an interest material to the Issue.



## SECURITIES NOTE

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### 5. INFORMATION CONCERNING THE SECURITIES TO BE ISSUED AND ADMITTED TO TRADING

#### 5.1 GENERAL

- 5.1.1 Each Bond forms part of a duly authorised issue of 4% Bonds 2026 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €40,000,000 (except as otherwise provided under clause 5.12 “Further Issues”). The expected Issue Date of the Bonds is 29 December 2016.
- 5.1.2 The currency of the Bonds is Euro (€).
- 5.1.3 Subject to admission to listing of the Bonds to the Official List of the MSE, the Bonds are expected to be assigned ISIN MT0000111311.
- 5.1.4 All outstanding Bonds not previously purchased and cancelled shall be redeemed by the Issuer at par on the Redemption Date.
- 5.1.5 The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.
- 5.1.6 The Issue Period of the Bonds is between 24 November 2016 and 12 December 2016, both days included.
- 5.1.7 The Bond Issue is not underwritten.
- 5.1.8 Following the closing of the Bond Issue, the Issuer will proceed to:
- (i) list the Bonds subscribed for;
  - (ii) effect cancellation of the IHI Exchangeable Bonds received from Existing IHI Bondholders electing to acquire Bonds by Exchangeable Bond Transfer in respect of part or all of their holding of IHI Exchangeable Bonds. Any IHI Exchangeable Bonds remaining in issue shall be redeemed by the Issuer on the IHI Exchangeable Bonds Redemption Date (9 April 2017);
  - (iii) put into effect the Loan Agreement, an intra-group agreement entered into by and between IHI and IHG on 18 November 2016 pursuant to which IHI grants on loan an amount of €14,000,000 (consisting in IHG Exchangeable Bonds and/or cash) for the redemption and cancellation of: the IHG Exchangeable Bonds acquired by IHI from Existing IHG Bondholders subscribing for Bonds by way of Exchangeable Bond Transfer in terms of the Prospectus, with a view to such IHG Exchangeable Bonds being redeemed and cancelled forthwith by IHG pursuant to the terms of the Loan Agreement; and any IHG Exchangeable Bonds remaining in issue as at the IHG Exchangeable Bonds Redemption Date, in respect of which the Loan Agreement provides for the loan by IHI to IHG of a deferred cash component which is to consist of such amount as may be necessary for IHG to settle the relative redemption amount due on such remaining IHG Exchangeable Bonds.

#### 5.2 RANKING OF THE BONDS

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of the Issuer, present and future, if any. Furthermore, subject to the negative pledge clause set out in section 5.7 of this Securities Note, third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect. As at the date of this Securities Note, the Issuer does not have any subordinated indebtedness.

The following sets out a summary of the Group’s indebtedness which as at 30 September 2016 amounted to €391.6 million, and includes bank loans, corporate bonds and other borrowings from related parties. The bank borrowings and the 4% IHI secured bonds 2026 included hereunder are secured by privileges, hypothecs and other security. The indebtedness being created by the Bonds, together with other issued unsecured bonds, rank after all bank borrowings and the 4% IHI secured bonds 2026. In addition, the Bonds would also rank after any future debts which may be secured by a cause of preference such as a privilege and/or a hypothec.



## SECURITIES NOTE

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### **IHI Group Borrowings**

as at 30 September 2016

	<b>Amount (€'000)</b>
<b>Secured borrowings:</b>	
Bank loans	184,526
4% IHI Secured Bonds 2026	54,210
	<hr/> 238,736
<b>Unsecured borrowings:</b>	
Unsecured bonds	146,902
Other interest bearing borrowings	6,000
	<hr/> 152,902
<b>Total borrowings</b>	<hr/> <b>391,638</b> <hr/>

### **5.3 RIGHTS ATTACHING TO THE BONDS**

There are no special rights attached to the Bonds other than the right of the Bondholders to:

- (i) the repayment of capital;
- (ii) the payment of interest;
- (iii) ranking with respect to other indebtedness of the Issuer in accordance with the provisions of Section 5.2 hereof;
- (iv) attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bond; and
- (v) enjoy all such other rights attached to the Bonds emanating from this Prospectus.

### **5.4 INTEREST**

The Bonds shall bear interest from and including 20 December 2016 at the rate of 4% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 20 December 2017 (covering the period 20 December 2016 to 19 December 2017). Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. In terms of article 2156 of the Civil Code (Cap. 16 of the Laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five years.

When interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a three hundred and sixty (360) day year consisting of twelve (12) months of thirty (30) days each, and in the case of an incomplete month, the number of days elapsed.

An Exchangeable Bond Transfer (as defined in section 7.2.1 below) effected by an Existing IHI Bondholder shall be without prejudice to the rights of the holders of IHI Exchangeable Bonds to receive interest on the IHI Exchangeable Bonds up to and including 8 April 2017. The Issuer will settle the difference between the interest rate applicable to the IHI Exchangeable Bonds (6.25%) and the interest rate of 4% applicable to the Bonds, from 20 December 2016 up to and including 8 April 2017, being the day prior to the IHI Exchangeable Bonds Redemption Date, to all persons holding IHI Exchangeable Bonds who would have submitted their Application Form 'A' by not later than 12.00 hours on 12 December 2016 and, consequently, exercising their option to subscribe for Bonds and settle the consideration for Bonds by transferring their IHI Exchangeable Bonds to the Issuer as mentioned above.

An Exchangeable Bond Transfer (as defined in section 7.2.1 below) effected by an Existing IHG Bondholder shall be without prejudice to the rights of the holders of IHG Exchangeable Bonds to receive interest on the IHG Exchangeable Bonds up to and including 30 June 2017. The Issuer will settle the difference between the interest rates applicable to the IHG Exchangeable Bonds (6.5%) and the interest rate of 4% applicable to the Bonds, from 20 December 2016 up to and including 30 June 2017, being the day prior to the IHG Exchangeable Bonds Redemption Date, to all persons holding IHG Exchangeable Bonds who would have submitted their Application Form 'B' by not later than 12.00 hours on 12 December 2016 and, consequently, exercising their option to subscribe for Bonds and settle the consideration for Bonds by transferring their IHG Exchangeable Bonds to the Issuer as mentioned above.

### **5.5 YIELD**

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is four per cent (4%).

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### 5.6 REGISTRATION, FORM, DENOMINATION AND TITLE

- 5.6.1** Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of bondholders held at the CSD for the purpose of inspecting information held on their respective account.
- 5.6.2** The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to Bonds held in the register kept by the CSD.
- 5.6.3** The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100 provided that on subscription, the Bonds will be issued for a minimum of €2,000 per individual Bondholder. Authorised Financial Intermediaries subscribing for Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client.
- 5.6.4** Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading 'Transferability of the Bonds' in Section 5.11 of this Securities Note.
- 5.6.5** Upon submission of an Application Form, Bondholders who do not have an online e-portfolio account will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Those Bondholders who opt not to avail themselves of this facility should indicate such on the Application Form. Further detail on the e-portfolio is found on <https://eportfolio.borzamalta.com.mt/Help>.

### 5.7 NEGATIVE PLEDGE

The Issuer undertakes, for as long as any principal or interest under the Bonds or any of the Bonds remains outstanding, not to create or permit to subsist any Security Interest (as defined below), other than a Permitted Security Interest (as defined below), upon the whole or any part of its present or future assets or revenues to secure any Financial Indebtedness (as defined below) of the Issuer, unless at the same time or prior thereto the Issuer's indebtedness under the Bonds, shares in and is secured equally and rateably therewith, and the instrument creating such Security Interest so provides.

**"Financial Indebtedness"** means any indebtedness in respect of: (A) monies borrowed; (B) any debenture, bond, note, loan stock or other security; (C) any acceptance credit; (D) the acquisition cost of any asset to the extent payable before or after the time of acquisition or possession by the party liable where the advance or deferred payment is arranged primarily as a method of raising finance for the acquisition of that asset; (E) leases entered into primarily as a method of raising finance for the acquisition of the asset leased; (F) amounts raised under any other transaction having the commercial effect of borrowing or raising of money; (G) any guarantee, indemnity or similar assurance against financial loss of any person;

**"Security Interest"** means any privilege, hypothec, pledge, lien, charge or other encumbrance or real right which grants rights of preference to a creditor over the assets of the Issuer;

**"Permitted Security Interest"** means: (A) any Security Interest arising by operation of law; (B) any Security Interest securing temporary bank loans or overdrafts in the ordinary course of business; (C) any other Security Interest (in addition to (A) and (B) above) securing Financial Indebtedness of the Issuer, in an aggregate outstanding amount not exceeding 80% of the difference between the value of the unencumbered assets of the Issuer and the aggregate principal amount of Bonds outstanding at the time.

Provided that the aggregate Security Interests referred to in (B) and (C) above do not result in the unencumbered assets of the Issuer being less than one hundred and four per cent (104%) of the aggregate principal amount of the Bonds still outstanding;

**"unencumbered assets"** means assets which are not subject to a Security Interest.

### 5.8 PAYMENTS

- 5.8.1** Payment of the principal amount of a Bond will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission or any charges in connection therewith. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.





## SECURITIES NOTE

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- 5.8.2** In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.
- 5.8.3** Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission or any charges in connection therewith.
- 5.8.4** All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.
- 5.8.5** No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

### 5.9 REDEMPTION AND PURCHASE

- 5.9.1** Unless previously purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 20 December 2026.
- 5.9.2** Subject to the provisions of this section 5.9, the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.
- 5.9.3** All Bonds so purchased will be cancelled forthwith and may not be re-issued or re-sold.

### 5.10 EVENTS OF DEFAULT

The Bonds shall become immediately due and repayable at their principal amount together with accrued interest, if any, if any of the following events (“Events of Default”) shall occur:

- 5.10.1** the Issuer shall fail to pay any interest on any Bond when due and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by any Bondholder; or
- 5.10.2** the Issuer shall fail to pay the principal amount on any Bond when due and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by any Bondholder; or
- 5.10.3** the Issuer shall fail to duly perform or shall otherwise be in breach of any other material obligation contained in the Terms and Conditions of the Bonds and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by any Bondholder; or
- 5.10.4** an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer; or
- 5.10.5** the Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; or
- 5.10.6** the Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; or
- 5.10.7** there shall have been entered against the Issuer a final judgment by a court of competent jurisdiction (which is not covered by insurance as to which a claim has been submitted and as to which the insurer has not disclaimed or indicated an intent to disclaim responsibility for the payment thereof) from which no appeal may be or is made for the payment of money in excess of ten million Euro (€10,000,000) or its equivalent and ninety (90) days shall have passed since the date of entry of such judgment without its having been satisfied or stayed; or
- 5.10.8** any default occurs and continues for ninety (90) days under any contract or document relating to any Financial Indebtedness (as defined in section 5.7 above) of the Issuer in excess of ten million Euro (€10,000,000) or its equivalent at any time.



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### 5.11 TRANSFERABILITY OF THE BONDS

- 5.11.1 The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.
- 5.11.2 Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.
- 5.11.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 5.11.4 The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.
- 5.11.5 The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds.

### 5.12 FURTHER ISSUES

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds), and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue.

### 5.13 MEETINGS OF BONDHOLDERS

- 5.13.1 The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting.
- 5.13.2 A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 5.13 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.
- 5.13.3 The amendment or waiver of any of the Terms and Conditions of the Bond Issue contained in this Securities Note may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.
- 5.13.4 A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two (2) Bondholders present, in person or by proxy, representing not less than 50% in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting: the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.
- 5.13.5 Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.



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- 5.13.6** Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.
- 5.13.7** The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the auditors of the Issuer.
- 5.13.8** The proposal placed before a meeting of Bondholders shall only be considered approved if at least 65% in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.
- 5.13.9** Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

### **5.14 AUTHORISATIONS AND APPROVALS**

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a board of directors' resolution passed on 26 October 2016.

### **5.15 NOTICES**

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his registered address and posted.

### **5.16 REPRESENTATIONS AND WARRANTIES OF THE ISSUER**

- 5.16.1** The Issuer represents and warrants to Bondholders, who shall be entitled to rely on such representations and warranties, that:
- (i) it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its property and other assets under legal title; and
  - (ii) it has the power to execute, deliver and perform its obligations under the Prospectus and that all necessary corporate, shareholder and other actions have been duly taken to authorise the execution, delivery and performance of the same, and further that no limitation on its power to borrow or guarantee shall be exceeded as a result of the Terms and Conditions or the Prospectus.
- 5.16.2** To the best of the Directors' knowledge, the Prospectus contains all relevant material information with respect to the Issuer and all information contained in the Prospectus is in every material respect true and accurate and not misleading, and there are no other facts in relation to the Issuer, its businesses and financial position, the omission of which would, in the context of issue of the Bonds, make any statement in the Prospectus misleading or inaccurate in any material respect.

### **5.17 GOVERNING LAW AND JURISDICTION**

The Bonds are governed by and shall be construed in accordance with Maltese law.

Any legal action, suit or proceedings against the Issuer arising out of or in connection with the Bonds and/or the Prospectus shall be brought exclusively before the Maltese courts.



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### 6. TAXATION

#### 6.1 GENERAL

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Bonds, including their acquisition, holding and disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of investors. The precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

#### 6.2 MALTA TAX ON INTEREST

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is otherwise instructed by a Bondholder or if the Bondholder does not fall within the definition of “recipient” in terms of article 41(c) of the Income Tax Act, (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% of the gross amount of the interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta). Bondholders who do not fall within the definition of a “recipient” do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder need not declare the interest so received in his income tax return. No person shall be charged to further tax in respect of such income.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax on it at the standard rates applicable to that person at that time. Additionally in this latter case the Issuer will advise the Inland Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients unless the beneficiary is a non-resident of Malta. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.

#### 6.3 EXCHANGE OF INFORMATION

Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State and third country reporting jurisdictions is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State and other participating jurisdictions where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation. The automatic exchange of information, namely details of certain financial account information in respect of account holders, and, in some case, beneficial holders thereof, extends also to jurisdictions that are not EU Member States (participating jurisdictions) with which there is a relevant arrangement in place.



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### 6.4 FOREIGN ACCOUNT TAX COMPLIANCE ACT

The United States (US) enacted the Foreign Account Tax Compliance Act, 2010 (FATCA) that generally impose a reporting regime and withholding requirements with respect to certain US source payments (including dividends and interest), gross proceeds from the disposition of property that can produce US source interest and dividends and certain payments made by, and financial accounts held with, entities that are classified as financial institutions under FATCA. The US entered into an intergovernmental agreement with Malta on 6 December 2013 regarding the implementation of FATCA. Payments effected by the issuer on or with respect to the Bonds are not expected to be subject to withholding under FATCA except to the extent that any Bondholder fails to comply with its obligations under FATCA. However, FATCA may affect payments made to custodians or intermediaries, if any, in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It may also affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Bondholders should choose any custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Bonds are discharged once it has effected payment as stipulated in this Prospectus and therefore the Issuer has no responsibility for any amount thereafter transmitted through the payment chain.

FATCA require participating financial institutions, as defined, to satisfy applicable due diligence and reporting requirements in terms of the intergovernmental agreement entered into by Malta together with the relevant regulations and guidelines issued by the Commissioner for Revenue. Consequently, certain confidential information in relation to the Bondholders and/or other relevant persons may be reported to the Commissioner for Revenue and automatically exchanged pursuant to these requirements.

FATCA is rather complex and each Bondholder should consult his own tax advisor to obtain a more detailed explanation of FATCA and to determine how it might affect such holder in his specific circumstance.

### 6.5 MALTESE TAXATION ON CAPITAL GAINS ON TRANSFER OF THE BONDS

On the assumption that the Bonds would not fall within the definition of "securities" in terms of article 5(1)(b) of the Income Tax Act, that is, "shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return", no tax on capital gains is chargeable in Malta in respect of transfer of the Bonds.

### 6.6 DUTY ON DOCUMENTS AND TRANSFERS

In terms of article 50 of the Financial Markets Act (Cap. 345 of the Laws of Malta) as the Bonds constitute financial instruments of a company quoted on a regulated market Exchange, as is the MSE, redemptions and transfers of the Bonds are exempt from Maltese duty.

**INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS AND TO BONDHOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.**



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### 7. TERMS AND CONDITIONS OF THE BOND ISSUE

#### 7.1 EXPECTED TIMETABLE OF THE BOND ISSUE

1. Application Forms mailed to Existing IHI Bondholders and Existing IHG Bondholders	23 November 2016
2. Closing date for applications to be received from Existing IHI Bondholders and Existing IHG Bondholders	12.00 hours on 12 December 2016
3. Intermediaries' Offer*	16 December 2016
4. Commencement of interest on the Bonds	20 December 2016
5. Expected date of announcement of basis of acceptance	20 December 2016
6. Refunds of unallocated monies	28 December 2016
7. Expected dispatch of allotment advices	28 December 2016
8. Expected date of admission of the Bonds to listing	29 December 2016
9. Expected date of commencement of trading in the Bonds	30 December 2016

\* In the event that the total amount of Applications received from Existing Bondholders exceeds €40,000,000, the Intermediaries' Offer will not take place.

#### 7.2 TERMS AND CONDITIONS OF APPLICATION

**7.2.1** Existing IHI Bondholders and Existing IHG Bondholders applying for Bonds may elect to settle all or part of the amount due on the Bonds applied for by completing a pre-printed Application Form 'A' or pre-printed Application Form 'B' respectively, indicating that the consideration for the Bonds applied for shall be settled by way of transfer to the Issuer of all or part of the Exchangeable IHI Bonds and/or Exchangeable IHG Bonds respectively held as at the Cut-Off Date in an amount equivalent to the par value of the Bonds applied for, subject to a minimum application of €2,000 ("Exchangeable Bond Transfer"). Any Existing IHI Bondholders and Existing IHG Bondholders whose holding in Exchangeable IHI Bonds and/or Exchangeable IHG Bonds respectively is less than €2,000 shall be required to pay the difference together with the submission of their pre-printed Application Form 'A' and/or pre-printed Application Form 'B', as applicable ("Cash Top-Up").

**7.2.2** In addition to the aforesaid, holders of Exchangeable Bonds transferring all of the Exchangeable Bonds held by them as at the Cut-Off Date pursuant to section 7.2.1 above may apply for an amount of Bonds in excess of the amount of Exchangeable Bonds being transferred. In such case the holders of Exchangeable Bonds may subscribe for additional Bonds, in multiples of €100, by completing the appropriate section of their pre-printed Application Form 'A' and/or pre-printed Application Form 'B', as applicable ("Excess"). The completed Application Form is to be lodged with any of the Authorised Financial Intermediaries by not later than 12.00 hours on 12 December 2016, together with payment of the Cash Top-Up referred to section 7.2.1 above and the full price of the additional Bonds applied for, in Euro and in clear funds. Payment may be made in cash or cheque payable to "The Registrar – IHI Bond Issue 2016".

**7.2.3** By submitting a signed pre-printed Application Form 'A' or pre-printed Application Form 'B' indicating that the Exchangeable Bond Transfer is being selected (whether in whole or in part consideration for the Bonds being applied for), the Applicant is thereby confirming:

- (i) that all or part (as the case may be) of the Exchangeable Bonds held by the Applicant on the Cut-off Date are being transferred to the Issuer, together with the payment due in respect of any Cash Top-Up, if applicable;
- (ii) that the pre-printed Application Form 'A' or pre-printed Application Form 'B' constitutes the Applicant's irrevocable mandate to the Issuer to:
  - a. cause the transfer of the said Exchangeable Bonds in the Issuer's name in consideration of the issue of Bonds; and
  - b. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Exchangeable Bonds in the Issuer and fully and effectively vest title in the appropriate number of Bonds in the Applicant;
- (iii) the obligations of the Issuer with respect to the IHI Exchangeable Bonds being transferred to the Issuer are extinguished, replaced by obligations on the part of the Issuer under the Bonds to be issued upon acceptance by the Issuer of the application in question;
- (iv) the obligations of IHG with respect to the IHG Exchangeable bonds being purchased by the Issuer shall remain applicable towards IHI as holder of the IHG Exchangeable Bonds transferred to it pursuant to this Bond Issue.



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By submitting a signed pre-printed Application Form 'A' and/or pre-printed Application Form 'B' in terms of sections 7.2.2 and 7.2.3 above, the Applicant is thereby confirming that: (i) in the case of the Cash Top-Up and/or payment in respect of the Excess being due, the Applicant's remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured on its first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application, and furthermore the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such payment is accepted by the Issuer, acting through the Registrar (which acceptance shall be made in the Issuer's absolute discretion and may be on the basis that the Applicant indemnifies the Issuer against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation).

Where the Applicant is the holder of Exchangeable Bonds which as at the Cut-Off Date are held subject to usufruct, the signatures of both the bare owner and the usufructuary will be required in the Application Form 'A' and/or Application form 'B'.

### 7.3 GENERAL TERMS AND CONDITIONS

**7.3.1** The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List of the MSE. In the event that the Bonds are not admitted to the Official List of the MSE, no Exchangeable Bond Transfers (see section 7.2 above) shall take effect, and any Application monies (in the case of a Cash Top-Up or Excess) received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form.

**7.3.2** In view of the fact that the proceeds of the Bond Issue are intended to be applied to the redemption of the outstanding amount of the Exchangeable Bonds, the Company has not established an aggregate minimum subscription level for the Bond Issue.

As indicated in section 4.1 above under the heading "Reasons for the Issue and Use of Proceeds", the IHI Exchangeable Bonds forming the subject of Exchangeable Bond Transfers shall be acquired out of the proceeds of the Bond Issue, for redemption and cancellation by the Issuer. The IHG Exchangeable Bonds forming the subject of Exchangeable Bond Transfers shall be purchased by the Issuer with a view to such IHG Exchangeable Bonds being redeemed and cancelled forthwith by IHG pursuant to the terms of the Loan Agreement as described in section 5.1.8 (iii) above (with any remaining IHG Exchangeable Bonds being redeemed and cancelled by IHG on the IHG Exchangeable Bonds Redemption Date pursuant to the utilisation of the deferred cash component provided for in the Loan Agreement described in section 5.1.8 (iii) above). Any IHI Exchangeable Bonds remaining in issue thereafter are due to be redeemed by the Issuer on the IHI Exchangeable Bonds Redemption Date. The IHG Exchangeable Bonds are due to be redeemed by IHG on the IHG Exchangeable Bonds Redemption Date, pursuant to a decision of the board of directors of IHG which was communicated to the Issuer on 26 October 2016.

**7.3.3** The contract created by the Issuer's acceptance of an Application filed by a prospective bondholder shall be subject to all the terms and conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer. It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.

**7.3.4** If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such representative may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to appear on the Application Form.

**7.3.5** In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first-named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

**7.3.6** In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed *vis-à-vis* the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).





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- 7.3.7 Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
- 7.3.8 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 7.3.9 No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person, nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 7.3.10 It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 7.3.11 Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 7.3.12 The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for by Applicants is €2,000. The completed Application Forms are to be lodged with any of the Authorised Financial Intermediaries. Submission of pre-printed Application Forms 'A' by Existing IHI Bondholders and pre-printed Application Forms 'B' by Existing IHG Bondholders must be accompanied by the payment due in respect of the Cash Top-Up and/or the payment due in respect of the Excess amount applied for, if applicable, in Euro. Payment may be made either in cash or by cheque payable to "**The Registrar – IHI Bond Issue 2016**". In the event that any cheque accompanying an Application Form is not honoured on its first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application Form.
- 7.3.13 Within five (5) Business Days from closing of the subscription lists, the Issuer shall announce the result of the Issue and shall determine, and issue a company announcement setting out, the basis of acceptance of applications and allocation policy to be adopted.
- 7.3.14 Other than in the case of an Exchangeable Bond Transfer, in the event that an Existing Bondholder applying for a number of Bonds exceeding in value the aggregate nominal value of Exchangeable Bonds held by him/her as at the Cut-Off Date has been allocated a number of Bonds which is less than the Excess applied for, then such Existing Bondholder shall receive a refund of the price of the Bonds applied for but not allocated. Such refund shall be without interest and shall be made by credit transfer to such account indicated in the Application Form, at the Existing Bondholder's sole risk within five (5) Business Days from the date of announcement of basis of acceptance.
- 7.3.15 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 (Legal Notice 180 of 2008, as subsequently amended), Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients pursuant to Article 1.2(d) and 2.4 of the "Members' Code of Conduct" appended as Appendix 3.6 of the MSE Bye-Laws, irrespective of whether the Authorised Financial Intermediaries are Exchange Members or not. Such information shall be held and controlled by the MSE in terms of the Data Protection Act (Cap. 440 of the Laws of Malta) for the purposes and within the terms of the MSE's data protection and privacy policy as published from time to time.
- 7.3.16 By completing and delivering a pre-printed Application Form, whether 'A' or 'B', the Applicant:
- a. agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein;
  - b. warrants that the information submitted by the Applicant in the pre-printed Application Form is true and correct in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) appearing on the pre-printed Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;
  - c. authorises the Issuer and the MSE to process the personal data that the Applicant provides in the pre-printed Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;





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- d. confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- e. agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance or surrender of the Exchangeable Bonds, as the case may be, and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- f. agrees to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
- g. warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or his/her Application;
- h. warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- i. represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- j. agrees that unless such Application is made with Charts Investment Management Service Limited as Authorised Financial Intermediary, Charts Investment Management Service Limited will not, in their capacity of Sponsor, treat the Applicant as their customer by virtue of such Applicant making an Application for the Bonds, and that Charts Investment Management Service Limited will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their suitability for the Applicant;
- k. agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form;
- l. renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds.

### 7.4 PLAN OF DISTRIBUTION AND ALLOTMENT

The Bonds are open for subscription to the following categories of investors:

- (i) Holders of Exchangeable Bonds may apply for Bonds and settle the consideration due by the transfer to the Issuer of all or part of the Exchangeable Bonds held by such Applicant as at the Cut-Off Date by submitting an Application Form 'A' (in the case of IHI Exchangeable Bonds) or Application Form 'B' (in the case of IHG Exchangeable Bonds);
- (ii) Holders of Exchangeable Bonds shall also have the option to apply for Bonds in excess of their respective holding in Exchangeable Bonds as at the Cut-Off Date by completing the appropriate section of Application Form 'A' (in the case of IHI Exchangeable Bonds) or Application Form 'B' (in the case of IHG Exchangeable Bonds);
- (iii) Authorised Financial Intermediaries shall be entitled to subscribe for any Bonds not subscribed for by Existing IHI Bondholders and Existing IHG Bondholders as aforesaid, as detailed in section 7.5 below.

The minimum subscription amount of Bonds that can be subscribed for by Applicants is €2,000.

It is expected that an allotment advice will be dispatched to Applicants within five (5) Business Days of the announcement of the allocation policy. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance or surrender of the Exchangeable Bonds, as the case may be, and any verification of identity as required by the Prevention of Money Laundering Act, (Cap. 373 of the Laws of Malta) and regulations made thereunder. Such monies will not bear interest while retained as aforesaid.

Dealings in the Bonds shall not commence prior to admission to trading of the Bonds by the MSE or prior to the said notification.



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### 7.5 INTERMEDIARIES' OFFER

In the event that following subscription of Bonds by Existing Bondholders there remain Bonds that are unallocated, such Bonds shall form part of an Intermediaries' Offer on 16 December 2016. As such, the Issuer shall enter into conditional subscription agreements with Authorised Financial Intermediaries for the subscription of the Bonds whereby it will bind itself to allocate Bonds to such investors subsequent to closing of the Issue Period. In terms of each subscription agreement the Issuer will be conditionally bound to issue, and each Authorised Financial Intermediary will bind itself to subscribe for, a number of Bonds subject to being admitted to trading on the Official List of the Malta Stock Exchange. The subscription agreements will become binding on each of the Issuer and the Authorised Financial Intermediaries upon delivery, provided that these intermediaries would have paid to the Issuer all subscription proceeds in cleared funds on delivery of the subscription agreement.

Authorised Financial Intermediaries subscribing for Bonds may do so for their own account or for the account of underlying customers, including retail customers, and shall in addition be entitled to distribute any portion of the Bonds subscribed for upon commencement of trading.

### 7.6 PRICING

The Bonds are being issued at par, that is, at €100 per Bond.

### 7.7 ALLOCATION POLICY

The Issuer shall allocate the Bonds on the basis of the following policy and order of priority:

- (i) Up to an aggregate amount of €38,831,700 shall be allocated to Existing IHI Bondholders and Existing IHG Bondholders applying for Bonds by way of Exchangeable Bond Transfer in accordance with section 7.2.1 above (subject to a minimum application of €2,000);
- (ii) The balance of Bonds not subscribed for by Existing Bondholders limitedly by means of an Exchangeable Bond Transfer, if any, shall be allocated to Existing IHI Bondholders and Existing IHG Bondholders in respect of any additional Bonds applied for other than by Exchangeable Bond Transfer exceeding in value the aggregate nominal value of Exchangeable Bonds held by them as at the Cut-Off Date, without priority or preference and in accordance with the allocation policy as determined by the Issuer and Registrar. Any unsatisfied excess amounts relative to such Applications will, following scaling down by the Issuer (acting through the Registrar) of the relative Applications, be returned by direct credit transfer to the account number indicated on the respective Application Form within five (5) Business Days from the date of final allocation;
- (iii) In the event that following the allocations made pursuant to (i) and (ii) above there shall still remain unallocated Bonds, the Issuer shall offer such remaining Bonds for subscription by Authorised Financial Intermediaries participating through the Intermediaries' Offer in accordance with section 7.5 above.

The Issuer will announce the allocation policy for the allotment of the Bonds through a company announcement within five (5) Business Days of the closing of the Issue Period.

### 7.8 ADMISSION TO TRADING

**7.8.1** The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 21 November 2016.

**7.8.2** Application has been made to the MSE for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List.

**7.8.3** The Bonds are expected to be admitted to the MSE with effect from 29 December 2016 and trading is expected to commence on 30 December 2016.

### 7.9 ADDITIONAL INFORMATION

Save for the financial analysis summary set out as Annex III, the Securities Note does not contain any statement or report attributed to any person as an expert.

The financial analysis summary has been included in the form and context in which it appears with the authorisation of Charts Investment Management Service Limited of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana, FRN 1913, Malta, which has given and has not withdrawn its consent to the inclusion of such report herein.

Charts Investment Management Service Limited does not have any material interest in the Issuer. The Issuer confirms that the financial analysis summary has been accurately reproduced in the Securities Note and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.



## SECURITIES NOTE

### ANNEX I – AUTHORISED FINANCIAL INTERMEDIARIES

Name	Address	Telephone
APS Bank Ltd	APS Centre, Tower Road, Birkirkara BKR 4012	25603000
Bank of Valletta p.l.c.	BOV Centre, Cannon Road, St Venera SVR 9030	22751732
Calamatta Cuschieri & Co Ltd	Fifth Floor, Valletta Buildings, South Street, Valletta VLT 1103	25688688
Charts Investment Management Service Ltd	Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913	21224106
Curmi & Partners Ltd	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	21347331
Financial Planning Services Ltd	4, Marina Court No. 1, G. Cali Street, Ta' Xbiex XBX 1421	21344244
FINCO Treasury Management Ltd	Level 5, The Mall Complex, The Mall, Floriana FRN 1470	21220002
GlobalCapital Financial Management Ltd	Testaferrata Street, Ta' Xbiex XBX 1403	21342342
Growth Investments Ltd	Customer Service Centre, Pjazza Papa Giovanni XXIII, Floriana FRN 1420	25909357
Hogg Capital Investments Ltd	Ferris Building, Level 4, 1, St Luke's Road, Gwardamangia, Pieta PTA 1020	21322872
Jesmond Mizzi Financial Advisors Ltd	67/3, South Street, Valletta VLT 1105	23265696
Lombard Bank Malta p.l.c.	67. Republic Street, Valletta VLT 1117	25581806
Mediterranean Bank plc	10, St Barbara Bastion, Valletta VLT 1961	25574400
Mercieca Financial Investment Services Ltd	Mercieca, John F. Kennedy Square, Victoria, Gozo VCT 2580	21553892
MFSP Financial Management Ltd	220, Immaculate Conception Street, Msida MSD 1838	21332200
Michael Grech Financial Investment Services Ltd	The Brokerage, Level 0 A, St Marta Street, Victoria, Gozo VCT 2550	21554492
MZ Investment Services Ltd	55, MZ House, St Rita Street, Rabat RBT 1523	21453739
Rizzo, Farrugia & Co (Stockbrokers) Ltd	Airways House, Third Floor, High Street, Sliema SLM 1549	22583000



# SECURITIES NOTE



INTERNATIONAL HOTEL INVESTMENTS p.l.c.

## INTERNATIONAL HOTEL INVESTMENTS P.L.C. €40,000,000 4% UNSECURED BONDS 2026 APPLICATION FORM 'A' EXISTING IHI BONDHOLDERS

Please read the notes overleaf before completing this Application Form. Mark 'X' where applicable.

### A APPLICANT (See note 4)

TEL. NO.	MOBILE NO. (MANDATORY for e-portfolio registration)

Already registered for e-portfolio

Please do not register me for e-portfolio

This Application Form is not transferable and entitles you to a preferential treatment as holder of International Hotel Investments p.l.c. 6.25% Bonds 2017/2020 (the "IHI Exchangeable Bonds") and is to be submitted as a method of payment where the Applicant selects to apply for the International Hotel Investments p.l.c. 4% Unsecured Bonds 2026 (the "Bonds") so as to transfer to the Issuer all or part of the holding in the IHI Exchangeable Bonds held by the Applicant as at 17 November 2016 (the "Cut-Off Date"), the nominal value of which is set out in Box 1 of Panel B hereunder. By submitting this signed Application Form, Existing IHI Bondholders shall be deemed to:

- i. cause the transfer of the said IHI Exchangeable Bonds in the Issuer's name in consideration of the issue of Bonds; and
- ii. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said IHI Exchangeable Bonds in the Issuer and fully and effectively vest title in the appropriate number of Bonds in the Applicant.

### B I/WE APPLY TO PURCHASE AND/OR ACQUIRE (See notes 2 & 6)

**BOX 1 - Nominal Value of IHI Exchangeable Bonds**

AMOUNT IN FIGURES **Box 1**

**BOX 2 - I/We wish to purchase and acquire the amount set out in Box 2 in Bonds at the Bond Issue Price (at par) pursuant to the Prospectus dated 21 November 2016 (minimum €2,000 and in multiples of €100 thereafter).**

€

AMOUNT IN FIGURES **Box 2**

€

AMOUNT IN WORDS

AMOUNT IN FIGURES **Box 3**  
Difference payable on Application  
**Box 2 - Box 1**

€

**BOX 3 - Amount of Bonds applied for less the nominal holding in IHI Exchangeable Bonds payable in full upon application under the Terms and Conditions of the Bonds set out in the Prospectus.**

### C RESIDENT - WITHHOLDING TAX DECLARATION (See notes 7 & 8a) (to be completed ONLY if the Applicant is a Resident of Malta)

I/We elect to have final withholding tax deducted from my/our interest.

I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).

### D NON-RESIDENT - DECLARATION FOR TAX PURPOSES (See notes 3, 8 & 8a) (to be completed ONLY if the Applicant is a Non-Resident)

TAX COUNTRY	CITY OF BIRTH
T.I.N. (Tax Identification Number)	COUNTRY OF BIRTH
PASSPORT/NATIONAL I.D. CARD NUMBER	COUNTRY OF ISSUE
	ISSUE DATE

I/We am/are NOT Resident in Malta but I/we am/are Resident in the European Union.

I/We am/are NOT Resident in Malta and I/we am/are NOT Resident in the European Union.

### E INTEREST, REFUND & REDEMPTION MANDATE (See note 9) (completion of this Panel is MANDATORY)

BANK	IBAN
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I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions of the Bonds (as contained therein) which I/we fully accept.

Signature/s of Applicant/s

Date

(Parent/s or legal guardian/s are/is to sign if Applicant is a minor)

(All parties are to sign in the case of a joint Application)

(Bare owner/s and usufructuary/ies to sign in the case of holdings of IHI Exchangeable Bonds that are subject to usufruct)

AUTHORISED FINANCIAL INTERMEDIARY'S STAMP

AUTHORISED FINANCIAL INTERMEDIARY'S CODE

APPLICATION NUMBER

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## SECURITIES NOTE

### Notes on how to complete this Application Form and other information

*The following notes are to be read in conjunction with the Prospectus dated 21 November 2016 regulating the Bond Issue*

1. This Application is governed by the Terms and Conditions of Application contained in Section 7.2 of the Securities Note dated 21 November 2016 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. This Application Form is to be completed in BLOCK LETTERS.
3. Applicants who are Non-Residents in Malta for tax purposes must complete Panel D overleaf.
4. The MSE account number pertaining to the Applicant has been pre-printed in Panel A and reflects the MSE account number on the Issuer's Register at the CSD as at 17 November 2016 (trading session of the 15 November 2016). **APPLICANTS ARE TO NOTE THAT ANY BONDS ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THIS APPLICATION FORM EVEN IF THE DETAILS OF SUCH MSE ACCOUNT, AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF.**

Upon submission of an Application Form, Bondholders who do not have an online e-Portfolio account will be registered by the CSD for the online e-Portfolio facility and will receive by mail at their registered address a handle code to activate the new e-Portfolio login. Registration for e-Portfolio requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to the Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-Portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Those Bondholders who opt not to avail themselves of this facility should indicate such on the Application Form. Further detail on the e-Portfolio is found on <https://eportfolio.borzamalta.com.mt/Help>.

5. In the case where an Existing IHI Bondholder is a body corporate, Application Forms must be signed by duly authorised representative/s indicating the capacity in which they are signing.
6. The amount set out in Box 2 of Panel B overleaf must be in multiples of €100. The Issuer will be giving preference to Applications made by Existing IHI Bondholders up to their full amount held as at the Cut-Off Date, subject to a minimum application of €2,000.

Where the Applicant wishes to acquire a number of Bonds having an aggregate value which exceeds the nominal value of the number of IHI Exchangeable Bonds set out in Box 1 of Panel B, the Applicant may do so by including such higher amount in Box 2 in Panel B. In such case, the Applicant must ensure that the relative Application Form is accompanied by payment of the difference between the full price of the amount of Bonds applied for and the nominal value of IHI Exchangeable Bonds being transferred. Payment of the amount representing such difference, which is to be inserted in Box 3 of Panel B overleaf, must be made in Euro in cleared funds to "The Registrar - IHI Bond Issue 2016". In the event that the cheque accompanying an Application Form is not honoured on the first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.

7. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as residents in Malta. In such case, the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case, such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will then be obliged to declare interest so received in the tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a prescribed fund will have final withholding tax (currently 10%) deducted from interest payments.

In terms of Section 6.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of final withholding tax (currently 15%) of the gross amount of interest, pursuant to Article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta).

8. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State and third country reporting jurisdictions is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State and other participating jurisdictions where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation. The automatic exchange of information, namely details of certain financial account information in respect of account holders, and in some cases, beneficial holders thereof, extends also to jurisdictions that are not EU Member States (participating jurisdictions) with which there is a relevant arrangement in place.
- 8a. The contents of Notes 7 and 8 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.
9. Should any Application not be accepted, or be accepted for fewer Bonds than those applied for, the monies of the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the bank account as indicated in Panel E. Interest or redemption proceeds will be credited to the account designated in Panel E or as otherwise amended by the Bondholder/s during the term of the Bond.
10. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in Annex I of the Securities Note during normal office hours by not later than 12:00 on 12 December 2016. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the closing date indicated above. The Issuer reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of Application as contained in the Prospectus. Any Applications received by the Registrar after 12:00 on 12 December 2016 will not be accepted.
11. By completing and delivering an Application Form you (as the Applicant/s) acknowledge that:
  - a. the Issuer may process the personal data that you may provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
  - b. the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
  - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself, as the Applicant to whom the personal data relates.

**The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investments Services Act (Cap. 370 of the Laws of Malta), for advice.**



# SECURITIES NOTE



INTERNATIONAL HOTEL INVESTMENTS p.l.c.

## INTERNATIONAL HOTEL INVESTMENTS P.L.C. €40,000,000 4% UNSECURED BONDS 2026 APPLICATION FORM 'B' EXISTING IHG BONDHOLDERS

Please read the notes overleaf before completing this Application Form. Mark 'X' where applicable.

### A APPLICANT (See note 4)

TEL. NO.	MOBILE NO. (MANDATORY for e-portfolio registration)

Already registered for e-portfolio       Please do not register me for e-portfolio

This Application Form is not transferable and entitles you to a preferential treatment as holder of Island Hotels Group Holdings p.l.c. 6.5% Bonds 2017/2019 (the "IHG Exchangeable Bonds") and is to be submitted as a method of payment where the Applicant selects to apply for the International Hotel Investments p.l.c. 4% Unsecured Bonds 2026 (the "Bonds") so as to transfer to the Issuer all or part of the holding in the IHG Exchangeable Bonds held by the Applicant as at 17 November 2016 (the "Cut-Off Date"), the nominal value of which is set out in Box 1 of Panel B hereunder. By submitting this signed Application Form, Existing IHG Bondholders shall be deemed to:

- i. cause the transfer of the said IHG Exchangeable Bonds in the Issuer's name in consideration of the issue of Bonds; and
- ii. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said IHG Exchangeable Bonds in the Issuer and fully and effectively vest title in the appropriate number of Bonds in the Applicant.

### B I/WE APPLY TO PURCHASE AND/OR ACQUIRE (See notes 2 & 6)

BOX 1 - Nominal Value of IHG Exchangeable Bonds

BOX 2 - I/We wish to purchase and acquire the amount set out in Box 2 in Bonds at the Bond Issue Price (at par) pursuant to the Prospectus dated 21 November 2016 (minimum €2,000 and in multiples of €100 thereafter).

AMOUNT IN WORDS

BOX 3 - Amount of Bonds applied for less the nominal holding in IHG Exchangeable Bonds payable in full upon application under the Terms and Conditions of the Bonds set out in the Prospectus.

AMOUNT IN FIGURES Box 1

€

AMOUNT IN FIGURES Box 2

€

AMOUNT IN FIGURES Box 3  
Difference payable on Application  
Box 2 - Box 1

€

### C RESIDENT - WITHHOLDING TAX DECLARATION (See notes 7 & 8a) (to be completed ONLY if the Applicant is a Resident of Malta)

- I/We elect to have final withholding tax deducted from my/our interest.
- I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).

### D NON-RESIDENT - DECLARATION FOR TAX PURPOSES (See notes 3, 8 & 8a) (to be completed ONLY if the Applicant is a Non-Resident)

TAX COUNTRY	CITY OF BIRTH	
T.I.N. (Tax Identification Number)	COUNTRY OF BIRTH	
PASSPORT/NATIONAL I.D. CARD NUMBER	COUNTRY OF ISSUE	ISSUE DATE

- I/We am/are NOT Resident in Malta but I/we am/are Resident in the European Union.
- I/We am/are NOT Resident in Malta and I/we am/are NOT Resident in the European Union.

### E INTEREST, REFUND & REDEMPTION MANDATE (See note 9) (completion of this Panel is MANDATORY)

BANK	IBAN
------	------

I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions of the Bonds (as contained therein) which I/we fully accept.

Signature/s of Applicant/s \_\_\_\_\_ Date \_\_\_\_\_  
 (Parent/s or legal guardian/s are/is to sign if Applicant is a minor)  
 (All parties are to sign in the case of a joint Application)  
 (Bare owner/s and usufructuary/ies to sign in the case of holdings of IHG Exchangeable Bonds that are subject to usufruct)

AUTHORISED FINANCIAL INTERMEDIARY'S STAMP

AUTHORISED FINANCIAL INTERMEDIARY'S CODE

APPLICATION NUMBER



## SECURITIES NOTE

### Notes on how to complete this Application Form and other information

*The following notes are to be read in conjunction with the Prospectus dated 21 November 2016 regulating the Bond Issue*

1. This Application is governed by the Terms and Conditions of Application contained in Section 7.2 of the Securities Note dated 21 November 2016 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. This Application Form is to be completed in BLOCK LETTERS.
3. Applicants who are Non-Residents in Malta for tax purposes must complete Panel D overleaf.
4. The MSE account number pertaining to the Applicant has been pre-printed in Panel A and reflects the MSE account number on the Issuer's Register at the CSD as at 17 November 2016 (trading session of the 15 November 2016). **APPLICANTS ARE TO NOTE THAT ANY BONDS ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THIS APPLICATION FORM EVEN IF THE DETAILS OF SUCH MSE ACCOUNT, AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF.**

Upon submission of an Application Form, Bondholders who do not have an online e-Portfolio account will be registered by the CSD for the online e-Portfolio facility and will receive by mail at their registered address a handle code to activate the new e-Portfolio login. Registration for e-Portfolio requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to the Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-Portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Those Bondholders who opt not to avail themselves of this facility should indicate such on the Application Form. Further detail on the e-Portfolio is found on <https://eportfolio.borzamalta.com.mt/Help>.

5. In the case where an Existing IHG Bondholder is a body corporate, Application Forms must be signed by duly authorised representative/s indicating the capacity in which they are signing.
6. The amount set out in Box 2 of Panel B overleaf must be in multiples of €100. The Issuer will be giving preference to Applications made by Existing IHG Bondholders up to their full amount held as at the Cut-Off Date, subject to a minimum application of €2,000.

Where the Applicant wishes to acquire a number of Bonds having an aggregate value which exceeds the nominal value of the number of IHG Exchangeable Bonds set out in Box 1 of Panel B, the Applicant may do so by including such higher amount in Box 2 in Panel B. In such case, the Applicant must ensure that the relative Application Form is accompanied by payment of the difference between the full price of the amount of Bonds applied for and the nominal value of IHG Exchangeable Bonds being transferred. Payment of the amount representing such difference, which is to be inserted in Box 3 of Panel B overleaf, must be made in Euro in cleared funds to "The Registrar - IHG Bond Issue 2016". In the event that the cheque accompanying an Application Form is not honoured on the first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.

7. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as residents in Malta. In such case, the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case, such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will then be obliged to declare interest so received in the tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a prescribed fund will have final withholding tax (currently 10%) deducted from interest payments.

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8. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State and third country reporting jurisdictions is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State and other participating jurisdictions where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation. The automatic exchange of information, namely details of certain financial account information in respect of account holders, and in some cases, beneficial holders thereof, extends also to jurisdictions that are not EU Member States (participating jurisdictions) with which there is a relevant arrangement in place.
- 8a. The contents of Notes 7 and 8 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.
9. Should any Application not be accepted, or be accepted for fewer Bonds than those applied for, the monies of the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the bank account as indicated in Panel E. Interest or redemption proceeds will be credited to the account designated in Panel E or as otherwise amended by the Bondholder/s during the term of the Bond.
10. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in Annex I of the Securities Note during normal office hours by not later than 12:00 on 12 December 2016. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the closing date indicated above. The Issuer reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of Application as contained in the Prospectus. Any Applications received by the Registrar after 12:00 on 12 December 2016 will not be accepted.
11. By completing and delivering an Application Form you (as the Applicant/s) acknowledge that:
  - a. the Issuer may process the personal data that you may provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
  - b. the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
  - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself, as the Applicant to whom the personal data relates.

**The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investments Services Act (Cap. 370 of the Laws of Malta), for advice.**



SECURITIES NOTE

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SECURITIES NOTE

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ANNEX III – FINANCIAL ANALYSIS SUMMARY

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INTERNATIONAL HOTEL INVESTMENTS P.L.C.

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FINANCIAL ANALYSIS SUMMARY

21 NOVEMBER 2016

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The Directors  
International Hotel Investments p.l.c.  
22, Europa Centre  
Floriana FRN 1400  
Malta

21 November 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 (the “**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 International Hotel Investments 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 three years ended 31 December 2013 to 31 December 2015 has been extracted from audited financial statements of the Issuer for the three years 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 Issuer and its financial position is based on the explanations provided by management.
- (d) The ratios quoted in the Analysis 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 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

International Hotel Investments p.l.c. (the “**Issuer**”, “**Company**” or “**Group**”) is a company listed on the Malta Stock Exchange, and is principally engaged in the ownership, development and operation of hotels and ancillary real estate in Europe and North Africa.

To date, the Issuer has acquired and/or developed hotels in Prague (Czech Republic), Tripoli (Libya), Lisbon (Portugal), Budapest (Hungary), St Petersburg (Russia), St Julian’s (Malta) and Golden Sands (Malta). The Issuer also has a 50% shareholding in a 294 roomed luxury hotel and residential development in London (UK), the latter property originally consisting of 12 residential apartments located within the same building as the hotel. In April 2014, 11 of the aforesaid apartments were sold to third parties with the holding company retaining ownership of the penthouse apartment.

Revenue and earnings are derived primarily from the operation of owned hotels. A secondary source of income and earnings is rental income of residential and commercial premises, particularly in St Petersburg and Tripoli. Additional revenue streams include fees earned by CHI Limited, a wholly owned subsidiary of the Company, from management agreements on hotels owned by IHI itself or CPHCL and other third parties. As at the date of this report, CHI Limited manages eight hotels owned by the Issuer (of which one is 50% owned by the Company) and another five hotels owned by CPHCL and third-party owners. Furthermore, revenue is also generated from a vacation ownership marketing business, a retail and event catering business, and the operation of Costa Coffee outlets in Malta and Spain.

On 29 July 2013 CHI entered into a pre-opening and technical services agreement, as well as a hotel operation agreement for the operation of a 148 room hotel in Abuja, Nigeria in relation to the development, construction and operation of a hotel to be operated by CHI as a Corinthia® Hotel on a site in Abuja, Nigeria. The foundation works for the hotel commenced in the second half of 2015 and the development is currently at the pricing of tenders stage.

On 10 August 2015, the Issuer acquired 100% of the issued share capital of Island Hotels Group Holdings p.l.c. (“**IHGH**”). The business of IHGH largely relates to: 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). It also includes 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<sup>2</sup> located adjacent to the Radisson Blu Resort & Spa, Golden Sands, Malta. The property is earmarked for the development of a hotel and residential complex.

On 11 April 2016, NLI Holdings Ltd, the owner of the Corinthia Hotel and Residential Development in London, acquired the Grand Hotel Astoria in Brussels for £11 million and a deferred payment of €500,000 payable two years from opening of the reconstructed and refurbished hotel, free of interest, through the acquisition of the entire issued share capital of the Belgian hotel-owning company, Hotel Astoria S.A. IHI will undertake the redevelopment of the hotel on behalf of NLI Holdings Ltd, much as it had done on the London project, this time through its newly created vehicle Corinthia Developments International Limited (“**CDI**”). CDI has reconfigured the plans currently in place for the hotel, and with the help of GA Design in London (the same designers of the London project), reorganised the ground floor flows and uses, as well as reconfigured the bedroom inventory, to ensure that all bedrooms are larger than 30m<sup>2</sup>. The new key count is set at 121 bedrooms of which 25% will be junior suites or suites. The Issuer, on behalf of the owner NLI Holdings Ltd, has started work on the financing requirements for this project. The owning company, Hotel Astoria S.A., has been awarded a building permit and negotiations are taking place to amend this permit to meet the revised plans, to carry out the planned redevelopment and aims to progress works to completion by early 2019. Subsequent to completion, CHI will manage the hotel on behalf of Hotel Astoria S.A. under the Corinthia brand.

In May 2016, CHI signed a technical services and pre-opening services agreement with Meydan Group of Dubai, to assist Meydan’s architects, engineers and consultants in the planning and development of a luxury hotel and residences to be operated under the Corinthia® brand on Jumeirah Beach in Dubai, UAE. CHI has also entered into a management agreement in respect of this hotel having a term of 20 years commencing as of the scheduled hotel opening date in early 2022. In addition, the Dubai entity has engaged CHI to provide consulting services to its two existing hotels in Dubai.

CHI has also entered into a memorandum of understanding with another globally-recognised investment fund for the development and management, under the Corinthia® brand, of a luxury boutique hotel in central Rome. CDI will be tasked with delivering the hotel as developer and project manager, while CHI will be responsible to operate the hotel upon completion. Works are expected to commence in 2017 and the hotel is expected to open in 2019.

On 12 September 2016, IHI acquired from Corinthia Palace Hotel Company Limited the remaining 80% share in QPM Limited (“QPM”) - a provider of architectural, engineering, management and technical construction services. The cash consideration of €4.6 million was paid from part of the net proceeds of the June 2016 bond issue. The share purchase agreement further includes additional condition payments that may be or may become due to QPM and which, had they been crystallised at the point in time of the acquisition date, would have enhanced the value of QPM, resulting in a higher purchase consideration.

The said additional conditional payments comprise the following: (i) QPM is due an amount for services provided on a third party project. Upon receipt of all or part of said amount by QPM, the purchaser will be bound to pay an additional amount to the seller calculated on a given percentage of settled amounts; (ii) in view of the political and economic situation in Libya, the business activities of QPM in the country have stalled. In the event that QPM were to recommence any projects in Libya and were to generate cash revenues in any of the financial years ending 31 December 2017, 2018 and 2019, the seller will be due an additional amount from the purchaser based on a percentage of such cash revenues; (iii) Although QPM is already engaged to provide its services on the Corinthia St George’s Bay Development, this engagement has not been factored in the valuation. Accordingly the seller will be due an amount equivalent to a percentage of revenues generated by QPM from the project on an annual basis up to 31 December 2026.

None of the above events have been included in the determination of the consideration payable for the acquisition of QPM, and therefore the figure indicated above may vary accordingly as aforesaid.

## 2. DIRECTORS AND KEY EMPLOYEES

The Issuer is managed by a Board consisting of ten directors entrusted with its overall direction and management, including the establishment of strategies for future development.

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

### Board of Directors

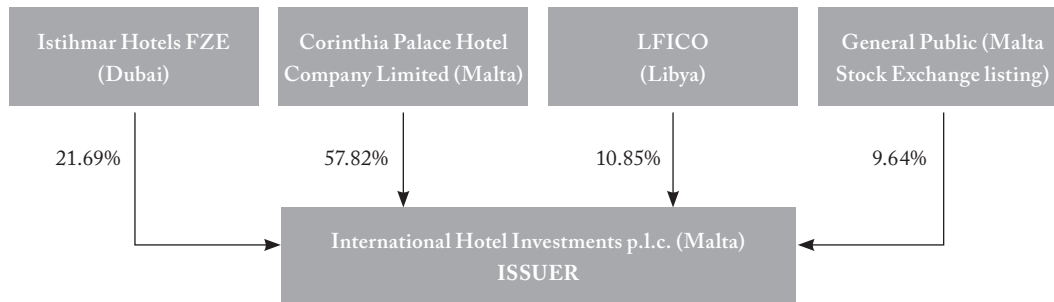
Alfred Pisani	Chairman
Abdulnaser M.B. Ahmida	Non-Executive Director
Douraid Zaghouni	Non-Executive Director
Hamad Mubarak Mohd Buamin	Non-Executive Director
Abuagila Almahdi	Non-Executive Director
Khaled Amr Algonsel	Non-Executive Director
Joseph Pisani	Non-Executive Director
Winston V. Zahra	Non-Executive Director
Frank Xerri de Caro	Independent Non-Executive Director
Joseph J. Vella	Independent Non-Executive Director

The Chairman and the Joint Chief Executive Officers (Joseph Fenech and Simon Naudi) are responsible for the identification and execution of new investment opportunities. They are also responsible for managing the Company’s assets, ensuring the establishment of appropriate management contracts of the hotel properties in the case of operational properties, and negotiating and awarding project contracts in respect of the development or refurbishment of new properties.

The weekly average number of employees engaged at the Issuer’s corporate office and in its owned hotels during FY2015 amounted to 2,014 persons (FY2014: 1,877).

### 3. CORINTHIA GROUP ORGANISATIONAL STRUCTURE

The following diagram summaries, in simplified format, the structure of the Corinthia Group and the position within the said group of the Issuer. The complete list of companies forming part of the Group is included in the consolidated audited financial statements of the Issuer for the year ended 31 December 2015.



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

#### INTERNATIONAL HOTEL INVESTMENTS PLC PRINCIPAL ASSETS AND OPERATIONS

Name	Location	Description	% ownership	No. of hotel rooms
Corinthia Hotel Budapest	Hungary	Property owner	100	440
Corinthia Hotel St Petersburg	Russia	Property owner	100	388
Commercial property St Petersburg	Russia	Property owner	100	n/a
Corinthia Hotel Lisbon	Portugal	Property owner	100	518
Corinthia Hotel Prague	Czech Republic	Property owner	100	539
Corinthia Hotel Tripoli	Libya	Property owner	100	299
Commercial property Tripoli	Libya	Property owner	100	n/a
Corinthia Hotel St George's Bay	Malta	Property owner	100	250
Marina Hotel St George's Bay	Malta	Property owner	100	200
Corinthia Hotel & Residences London	United Kingdom	Property owner	50	294
Corinthia Grand Astoria Hotel Brussels	Belgium	Hotel property (to be developed)	50	n/a
Radisson Blu Resort St Julians	Malta	Property owner	100	252
Radisson Blu Resort & Spa Golden Sands	Malta	Property owner & vacation ownership operation	50	329
CHI Limited	Malta	Hotel management	100	n/a
QPM Limited	Malta	Project management	100	n/a
Medina Tower	Libya	Mixed-use property (to be developed)	25	n/a
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
				<b>3,509</b>

The following table illustrates the carrying values of the principal properties of the Issuer, accounted for in the balance sheet under the headings: “investment properties”, “property, plant & equipment” and “investments accounted for using the equity method”:

**INTERNATIONAL HOTEL INVESTMENTS PLC  
VALUATION OF PRINCIPAL PROPERTIES**

<b>AS AT 31 DECEMBER</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Investment Properties</b>			
Commercial Centre St Petersburg	87,400	77,830	67,231
Commercial Centre Tripoli	73,903	68,243	68,243
Commercial Centre Lisbon	1,161	1,102	1,300
Site in Tripoli	29,500	29,500	29,500
	<b>191,964</b>	<b>176,675</b>	<b>166,274</b>
<b>Hotel Properties</b>			
Corinthia Hotel St George’s Bay	28,327	27,557	37,711
Radisson Blu Resort, St Julians	-	-	37,711
Corinthia Hotel Lisbon	79,725	92,168	89,200
Corinthia Hotel Prague	76,700	74,039	82,901
Corinthia Hotel Tripoli	124,090	86,687	84,085
Corinthia Hotel Budapest	85,984	95,231	104,800
Corinthia Hotel St Petersburg	113,448	90,729	70,610
Marina Hotel	20,896	22,499	28,813
	<b>529,170</b>	<b>488,910</b>	<b>535,831</b>
<b>Joint Ventures and Associates</b>			
Corinthia Hotel & Residences London (50%)	324,298	296,167	315,680
Radisson Blu Resort & Spa Golden Sands (50%)	-	-	32,672
Medina Towers J.S.C. (25%)	12,420	12,701	13,871
	<b>336,718</b>	<b>308,868</b>	<b>362,223</b>
<b>Assets in the Course of Development</b>			
The Heavenly Collection Ltd (Hal Ferh)	-	-	21,576
	-	-	21,576
<b>Total</b>	<b>1,057,852</b>	<b>974,453</b>	<b>1,085,904</b>

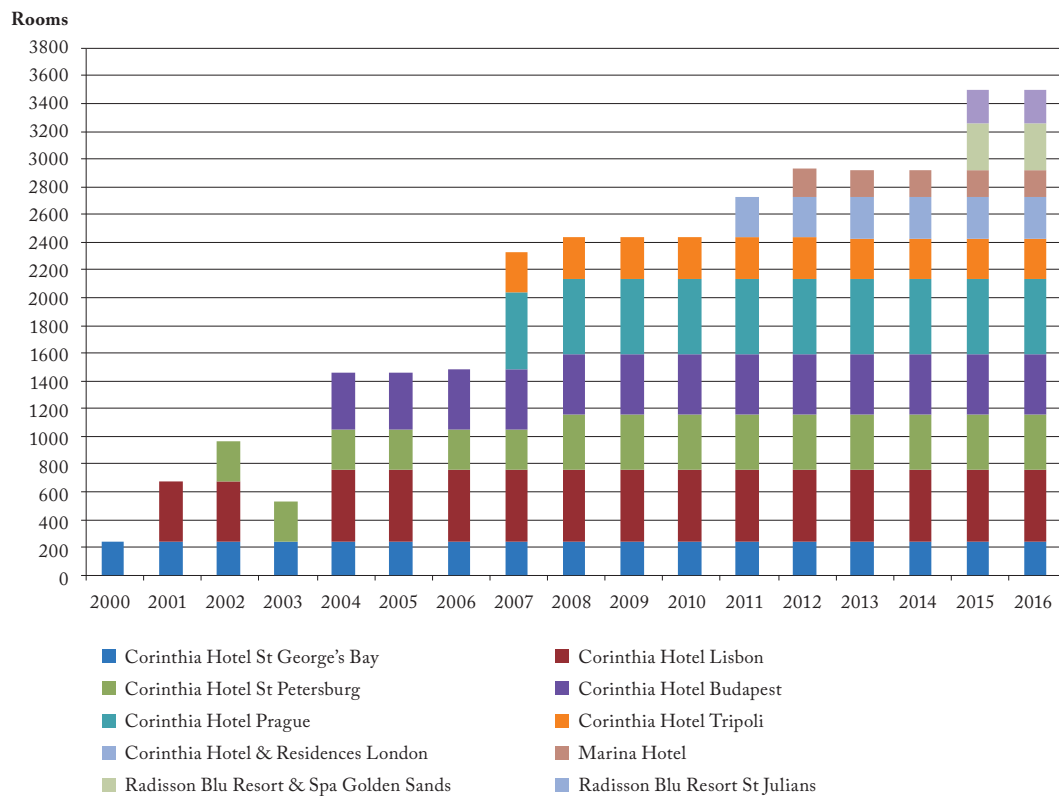
PART 2 – OPERATIONAL DEVELOPMENT

4. HOTEL PROPERTIES

4.1 ROOM INVENTORY

As at the date of this report, the Issuer fully owns 8 hotel properties and 50% of each of 2 other hotel properties (namely, Corinthia Hotel & Residences London and Radisson Blu Resort & Spa Golden Sands). The chart below sets out the growth in room inventory of the Issuer since incorporation, which increased from 250 to 3,509 rooms over a 16-year period.

Owned Rooms in Operation



Source: Management information.



## 4.2 CORINTHIA HOTEL BUDAPEST

### *Introduction*

IHI Magyarország Zrt., a fully-owned subsidiary of the Company, owns the 440-room five-star Corinthia Hotel located in Budapest, Hungary (“**Corinthia Hotel Budapest**”). The hotel was acquired as a vacant building in 2000 for €27 million. The property was subsequently demolished except for the historic facade and ballroom and rebuilt at a cost of €90 million. It was officially opened in April 2003. In 2006, 26 self-catering apartments were added to its stock of rooms, which are included in the above room count, and a health spa was opened. The carrying value of the Corinthia Hotel Budapest as at 31 December 2015 is €104.8 million (FY2014: €95.2 million). According to a valuation report prepared by Mareking LLC and Markus and Partners LLC and dated 17 June 2016, the market value of the Budapest hotel amounts to €146.2 million.

### *Market Overview*

#### *i. Economic update*

Hungary’s economy picked up pace in the fourth quarter of 2015 as GDP growth accelerated from 2.4% in Q3 2015 to 3.2% (Q4). The pick-up in growth was driven by a robust performance from the domestic economy. Private consumption recorded the largest gain in almost a decade, expanding 3.2% annually. Continued gains in the labour market and higher real wages have supported household spending. Investment activity also gained steam, supported by final drawdowns on EU development funds. Fixed investment growth tallied 6.5% in Q4 2015, contrasting Q3’s 1.4% contraction. In addition, government consumption accelerated, rising 6.7% (Q3: +5.1% year-on-year).

On the external side of the economy, demand for imports remained strong although growth declined from 8.1% in Q3 to 8.0% in Q4 2015. Meanwhile, exports expanded by 7.7% y-o-y in Q4. On a quarter-on-quarter basis, GDP increased a seasonally-adjusted 1.0%, which was above the 0.6% increase recorded in Q3 and marked the best result since June 2014. For the full year 2015, growth came in at 2.9% (2014: 3.7%).

Hungary’s economy regained traction in Q2 2016, proving resilient to an unprecedented decline in fixed investment over fading EU funding and recovering some of the ground lost in Q1 2016. GDP expanded 2.6% annually in Q2 2016, according to data released by the Central Statistics Office (KSH), marking a considerable pickup over Q1’s four-year low of 1.1%. A remarkable rebound in the external sector, which partly resulted from a recovery in the vehicle industry (which in Q1 2016 had suffered from production stoppages), and buoyant private consumption drove the acceleration and helped to overcome weakness in fixed investment.

Sequential data confirm that Q1’s dip was temporary: on a quarter-on-quarter basis, GDP expanded a seasonally-adjusted 1.0% in Q2 2016, which contrasted with the 0.5% decrease recorded in Q1 2016. Overall, Q2’s GDP data underline expectations that growth in 2016 will fall short of the previous year’s outstanding result as EU funding dries up. Healthy private consumption, which is benefitting from a buoyant labour market and fiscal and monetary stimulus, will nonetheless still support a robust expansion. The Central Bank of Hungary sees GDP expanding 2.8% in 2016 and 3.0% in 2017.

#### *ii. Tourism market*

In 2015, the number of nights spent by domestic tourists increased by 6.4% and that of international tourism nights increased by 4.6% compared to a year earlier. The guest turnover of accommodation establishments, measured in tourism nights, increased by an overall 1.3%. The gross revenues of accommodation establishments – at current prices – rose by 4.9%. In 2015, accommodation establishments recorded a total of 25.8 million tourism nights, 5.4% more than in 2014. Key markets that are contributing to growth in incoming travel include Germany, Austria, Russia, UK and the US.

During the six month period January to June 2016, accommodation establishments registered an increase in tourism nights of 4.5% (total for the period was 11.0 million tourism nights) when compared to the same period in 2015. The number of nights spent by international and domestic tourists increased by 3.4% and 5.6% respectively. Accommodation establishments generated gross revenues of HUF168.5 billion (circa €554.1 million) during the period under review, an increase of 6.6% over the comparable period.

The increase in volume can be attributed mainly to tour groups and leisure individuals taking advantage of discounted prices and a favourable exchange rate. The spike in leisure business in recent years is however not sustainable in the longer term and the market will need to replace this demand from alternative sources. Efforts are being made by the industry to focus on thematic product development including: (i) health, heritage & culture, conferences & events; (ii) festivals, religious events, gastronomy; and (iii) products which can extend the average length of stay such as adventure tourism.

Overall, tourism prospects in Hungary are believed to be promising. Domestic tourism will be fuelled mainly by a weaker local currency, making local travel more attractive for the budget conscious. Inbound travel will also benefit from more competitively-priced Hungarian offerings, especially in medical and health tourism. The conflict in neighbouring Ukraine and the economic difficulties in Russia, however, pose great uncertainties as both countries are important feeder markets and drastic changes in arrival numbers could affect the performance.

### *Operational Performance*

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

<b>Corinthia Hotel Budapest</b>	<b>FY2013 Actual</b>	<b>FY2014 Actual</b>	<b>FY2015 Actual</b>	<b>FY2016 Forecast</b>	<b>FY2017 Budget</b>
Turnover (€'000)	18,477	20,404	22,810	23,092	25,391
Gross operating profit before incentive fees (€'000)	5,572	6,500	8,364	8,305	9,331
Gross operating profit margin (%)	30	32	37	36	37
Occupancy level (%)	72	74	78	79	81
Average room rate (€)	103	114	127	130	140
Revenue per available room (RevPAR) (€)	74	85	99	103	113
<b>Benchmark performance</b>					
Occupancy level (%)	72	76	80	81	80
Average room rate (€)	102	103	115	124	127
Revenue per available room (RevPAR) (€)	73	78	92	100	102
<b>Revenue Generating Index</b>	1.01	1.09	1.08	1.03	1.11

*Source: Management information.*

Positive results were achieved in FY2014, in which, the Hotel registered a 15% increase in RevPAR and a growth in revenue of €1.9 million to €20.4 million. This increase resulted in a €0.9 million improvement in gross operating profit. FY2015 was another positive year in which average room rate increased by 11% from €114 in FY2014 to €127 in FY2015, and RevPAR by 16% to €99 in FY2015. In this regard, gross operating profit increased by €1.9 million from FY2014 to FY2015 (+29%). A substantial part of these improvements in performance is attributable to the diversification in market segmentation wherein lower rated business is being replaced by the more lucrative leisure market segment.

Revenue for FY2016 is expected to be marginally higher than FY2015's revenue at €23.1 million (FY2015: €22.8 million) and gross operating profit is anticipated to be broadly similar at €8.3 million (FY2015: €8.4 million). As for FY2017, occupancy and RevPAR are expected to increase from 79% to 81% and €103 to €113 respectively, mainly due to one-off international events and exhibitions to be organised in 2017 at the HUNGEXPO – the largest multifunctional venue in Budapest. As a result, FY2017 revenue is projected to increase by €2.3 million (+10%) to €25.4 million and gross operating profit is set to increase from €8.3 million in FY2016 to €9.3 million (+12%). In the forward years, management is expected to continue to implement a strategy of focusing more on increasing revenue from leisure, corporate and conference & event segments with progressive decrease in the volume of low rated sectors (such as groups and tour operator business).

During the historical period under review, the Hotel performed at a similar level to its competitive set as to occupancy, but achieved a marginally higher average room rate than its competitors. Overall, the Hotel performed much better than its competitive set in FY2014 (RGI: 1.09) and FY2015 (RGI: 1.08). This over performance relative to the competitive set is anticipated to continue also in the projected years FY2016 and FY2017 (RGI of 1.03 and 1.11 respectively).

#### *Variance Analysis*

<b>Corinthia Hotel Budapest</b>	<b>FY2016 Forecast (updated)</b>	<b>FY2016 Forecast (Jun'16)</b>	<b>FY2016 Variance</b>	<b>FY2017 Budget (updated)</b>	<b>FY2017 Budget (Jun'16)</b>	<b>FY2017 Variance</b>
Turnover (€'000)	23,092	24,659	-1,567	25,391	25,204	187
Gross operating profit before incentive fees (€'000)	8,305	8,887	-582	9,331	9,114	217
Occupancy level (%)	79	80	-1	81	80	1
Average room rate (€)	130	138	-8	140	142	-2
Revenue per available room (RevPAR) (€)	103	110	-7	113	114	-1

As presented in the above table, revenue and gross operating profit for FY2016 are expected to be lower than projected in the June 2016 financial analysis summary, primarily due to a lower than expected average room rate of €130 (FY2016 forecast (Jun'16): €138). Regarding FY2017, the latest projections are broadly unchanged when compared to the FY2017 budget (Jun'16).

### **4.3 CORINTHIA HOTEL ST PETERSBURG**

#### *Introduction*

IHI Benelux B.V. (a fully-owned subsidiary of the Company) owns the 388-room five-star Corinthia Hotel located in St Petersburg, Russia ("**Corinthia Hotel St Petersburg**"), which was acquired in 2002 for €35 million. The company also purchased properties adjacent to the hotel, which were subsequently demolished and rebuilt as a hotel extension and a commercial centre including retail and office space. This development project, which was completed in May 2009, also involved the refurbishment of the lobby and the public areas of the original hotel. It is the intention of the Group to refurbish the rooms of the original hotel and to develop, in the near future, an area measuring *circa* 1,500 square metres situated behind the Hotel and which will consist in the creation of a car park and further office space. The carrying amount of the Corinthia Hotel St Petersburg and the commercial centre as at 31 December 2015 is €70.6 million (FY2014: €90.7 million) and €67.2 million (FY2014: €77.8 million) respectively.

#### *Market Overview*

##### *i. Economic update*

Russia's economy decreased significantly in 2015, affected by a combination of low oil prices, international sanctions, a sharp depreciation of the Rouble and structural weakness. GDP decreased 3.8% annually in Q4 2015 as economic activity was adversely impacted by a steep deterioration in domestic demand.

The contraction in the Russian economy in the second quarter of 2016 was the slowest since the recession that began in late 2014. Data showed that GDP contracted 0.6% annually in Q2 2016, which was better than the 1.2% decrease recorded in Q1 2016. The agricultural sector increased in Q2 2016 by 2.0% (year-on-year), an improvement from the 0.7% rise in Q1 2016. The industrial sector grew by 0.3% in Q2 2016, which although was marginal, it marked the first expansion in the sector since it began to contract in Q3 2014. On the other hand, most of Russia's services continued to perform poorly in Q2 2016, mainly due to the still lacklustre private consumption. The construction sector has performed negatively since mid-2013 and continued to weigh on the economy also in Q2 2016 as it declined by 9.5% (Q1 2016: -1.6% year-on-year).

Considering that the price for Urals oil should average USD 38 per barrel in 2016, the Central Bank expects the economy to contract between 0.3% and 0.7% in 2016. The Bank expects the economy to expand at a rate of between 1.1% and 1.4% in 2017, assuming that Urals oil prices average USD 40 per barrel.

#### ii. Tourism market

A weaker Rouble has resulted in an increase of 5% to 31.3 million in the number of international tourist arrivals to Russia in 2015 when compared to a year earlier (FY2014: 29.8 million), despite geopolitical tensions that have marred diplomatic relations and trade ties with the West. Growth was primarily registered in arrivals from China, South Korea and Middle Eastern countries including Iran.

On the other hand, the Russian outbound tourist flow decreased by 31.3% to 12 million international trips in 2015, the largest drop in 18 years. The decline in the number of Russian tourists travelling abroad resulted from the weakening of the Russian currency as well as the ban on flights to Russia's two most popular international tourist destinations – Turkey and Egypt. In Europe, the sharpest decline in the number of travellers from Russia was registered in Greece (-48%), followed by Bulgaria, Spain and Croatia.

The number of tourists visiting Russia in Q1 2016 decreased by 29% when compared to the figures for the same period in 2015, from 4.91 million foreign tourists to 3.48 million. The decrease in inbound tourism is attributable to certain countries, particularly Ukraine and other former Soviet countries, which are traditionally important feeder markets for the Russian tourism industry. In compensation, more emphasis is being made to attract tourist traffic from newer markets, including China, Iran, Kuwait and Vietnam. The Russian inbound tourism market is expected to improve in the coming years, particularly in 2018 when Russia is set to host the FIFA World Cup.

#### Operational Performance

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

<b>Corinthia Hotel St Petersburg</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Budget</b>
Turnover (€'000)	18,997	14,229	12,976	13,857	17,295
Gross operating profit before incentive fees (€'000)	7,619	3,007	4,237	5,612	6,405
Gross operating profit margin (%)	40	21	33	40	37
Occupancy level (%)	54	52	60	62	52
Average room rate (€)	180	139	112	118	170
Revenue per available room (RevPAR) (€)	98	72	67	73	88
<b>Benchmark performance</b>					
Occupancy level (%)	56	53	61	60	60
Average room rate (€)	212	193	153	147	175
Revenue per available room (RevPAR) (€)	118	85	93	88	105
<b>Revenue Generating Index</b>	0.83	0.85	0.72	0.83	0.84

Source: Management information.

In FY2014, revenue at the Corinthia Hotel St Petersburg declined by 25% to €14.2 million relative to FY2013 due to a decrease in demand (both leisure and conference business) as a result of the political situation between Russia and Ukraine (in relation to the annexation of Crimea to the Russian Federation). Management's strategy for the year was to maintain occupancy rate at above 50%, which was achieved at the expense of a reduction in average room rate (from €180 in FY2013 to €139 in FY2014), mainly in consequence of the tumbling Rouble, as there was a concerted shift from international to domestic clients.

During FY2015, the Hotel was able to capture a higher share of the domestic market, but the average room rate decreased in euro terms principally as a result of a weaker Rouble. As such, the Hotel increased occupancy levels from 52% to 60%, but average room rate decreased from €139 to €112. Overall, revenue in FY2015 declined by €1.3 million year-on-year to €13.0 million. On the other hand, gross operating profit improved by €1.2 million in consequence of cost-reduction measures.

The challenges set and so far acted upon by the Hotel's management team have been to source alternative markets, targeting in particular as much business as possible from within the Russian Federation itself, and to operate the Hotel with a wide range of room rates targeting upscale corporate to luxury travellers. A sales office has been opened in Moscow with Russian-language online marketing being given prominence. RevPAR will remain under pressure in the near term, because of competition in the market and the increasing supply of rooms in consequence of the opening of new hotels. Consequently, the strategy adopted by the Hotel will remain focused on securing a base demand and driving occupancy rather than building average room rate.

Broadly, the same business pattern is projected for FY2016 since the refurbishment programme (previously earmarked to take place during the winter and shoulder months of FY2016) has been postponed. The Hotel is expected to generate €13.8 million in revenue (+7% over FY2015) and register a gross operating profit of €5.6 million (FY2015: €4.2 million). In FY2017, management is anticipating an economic recovery in Russia and a return of international tourists to the country. As such, the average room rate is projected to increase significantly from €118 in FY2016 to €170 in FY2017, and RevPAR in FY2017 should increase by 21% when compared to the prior year.

Similar to the Hotel, its competitive set registered a decrease in RevPAR in FY2014 of 28% (Hotel: -26%), principally as a consequence of the conflict with Ukraine, and also because two major events were organised in FY2013 which increased average rates above normal levels. In FY2015, the Hotel performed at par with its competitive set in terms of occupancy but its average room rate was 27% lower than the average rate of competitors. Beyond FY2016, provided the political situation in Russia is resolved, management expects to initiate the refurbishment of the property (estimated at €23.5 million). This should enable the Hotel to command improved occupancy levels and room rates in the near to medium term.

#### **Commercial Operations**

The following table sets out the turnover of the commercial properties adjacent to the Corinthia Hotel St Petersburg for the years indicated therein:

<b>Corinthia Hotel St Petersburg (commercial property)</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Budget</b>
Turnover (€'000)	4,740	4,209	3,518	4,700	5,500

*Source: Management information.*

The commercial properties comprise a mix of commercial areas, shops and office space, with total rentable area in excess of 11,600 square metres. Occupancy in FY2014 increased to 48% and remained constant in FY2015. Projected growth in income is reflective of existing agreements with respective tenants, marginal increases in occupancy and a recovery in the exchange rate of the Russian Rouble.

### Variance Analysis

Corinthia Hotel St Peterburg	FY2016 Forecast (updated)	FY2016 Forecast (Jun'16)	FY2016 Variance	FY2017 Budget (updated)	FY2017 Budget (Jun'16)	FY2017 Variance
Turnover (€'000)	13,857	13,193	664	17,295	17,257	38
Gross operating profit before incentive fees (€'000)	5,612	4,320	1,292	6,405	6,042	363
Occupancy level (%)	62	62	0	52	52	0
Average room rate (€)	118	109	9	170	170	0
Revenue per available room (RevPAR) (€)	73	68	5	88	88	0
Turnover - commercial (€'000)	4,700	5,050	-350	5,500	6,000	-500

As illustrated in the above table, the projected turnover for FY2016 has been revised upwards by €0.7 million to €13.9 million, and gross operating profit is expected to be higher by €1.3 million from the FY2016 forecast (Jun'16) gross operating profit of €4.3 million to €5.6 million. Occupancy level has been maintained at 62%, but the average room rate has been revised upwards when compared to the FY2016 forecast (Jun'16) from €109 to €118. Rental income from the commercial property is expected to be lower by €0.4 million to €4.7 million. Revenue projected for FY2017 is broadly unchanged but gross operating profit is expected to improve by €0.4 million to €6.4 million. Commercial rental income projected to be generated in FY2017 has been lowered from €6.0 million to €5.5 million.

## 4.4 CORINTHIA HOTEL LISBON

### Introduction

Alfa Investimentos Lda (a fully-owned subsidiary of the Company) owns the 518-room five-star Corinthia Hotel located in Lisbon, Portugal ("**Corinthia Hotel Lisbon**"), which was acquired in 2001 for €45 million. The Corinthia Hotel Lisbon required significant renovation and following an extensive refurbishment was re-opened in May 2004. The carrying amount of the Corinthia Hotel Lisbon as at 31 December 2015 is €89.2 million (FY2014: €92.2 million). Alfa Investimentos Lda also owns an apartment block in Lisbon for investment purposes, valued at €1.3 million as at 31 December 2015 (FY2014: €1.1 million).

### Market Overview

#### i. Economic update

Portugal's gross domestic product expanded in the three months through December 2015 from the prior quarter as a rise in exports helped offset a drop in investment. GDP rose 0.2% from the third quarter, when it was unchanged. The Portuguese economy expanded 1.2% in the fourth quarter from a year earlier, the slowest pace of annual growth since the fourth quarter of 2014. For the year of 2015, GDP increased 1.5% after expanding 0.9% in 2014. During 2015, the government unveiled a plan to repay IMF bailout loans ahead of schedule. In this respect, up to 10 February 2016, Portugal reimbursed a total amount of €10.4 billion to IMF (representing 36% of total loans outstanding).

Portugal's GDP increased a seasonally adjusted 0.3% in Q2 2016 over the previous quarter, according to revised data published by the National Statistics Institute on 31 August 2016. On a year-on-year comparison, GDP expanded 0.9% in Q2 2016, matching the growth rate in Q1 2016.

Overall domestic demand recorded a noticeable slowdown, despite the measures put in place by the government to reverse the austerity imposed by the previous administration. Private consumption growth decelerated from Q1's 1.0% to a weak 0.1%, while government consumption growth remained at the previous 0.3%. On a positive note, total investment recorded a 0.7% increase over the previous quarter, which represented the highest level in four quarters and a solid rebound from Q1's 0.6% contraction.

The external sector was the main driver of the pickup in the Portuguese economy in Q2 2016. It made an overall contribution to growth of plus 0.1 percentage points, the highest since September 2015, which contrasted the minus 0.4 percentage points recorded in Q1 2016. Exports of goods and services accelerated to 1.3% growth, which exceeded the 0.1% rise observed in the first quarter of 2016. Imports also rose from 1.0% in Q1 2016 to 1.1% in Q2 2016. The Bank of Portugal expects the economy to expand 1.3% in 2016 and 1.6% in 2017.

#### ii. Tourism market

In 2015, tourism accommodation establishments hosted 17.4 million guests (+8.6%) and registered 48.9 million overnight stays (+6.7%). Compared to the corresponding year, the internal market grew by 5.3% registering 14.5 million overnight stays. Overnight stays from non-residents in 2015 increased by 7.3% and represented 70.3% of the total. On a regional basis, growth was registered in all regions of mainland Portugal, with particular emphasis on the Alentejo region, Azores and the North (+11.8%, +19.6% and +13.6% respectively). As in prior periods, the inbound markets preferred to choose the Algarve, Lisbon and Madeira. The coordination between tourism and aviation authorities to expand available routes turned out to be crucial for Portugal's success in the tourism industry.

In the period January to July 2016, tourism accommodation establishments recorded 10.6 million guests (+10.7%) and registered 29.6 million overnight stays (+10.2%). The United Kingdom (the largest market) recorded a 7.7% y-o-y increase in overnight stays in July 2016, below the accumulated January to July 2016 increase of 12.2%. Spain was the second largest market in July 2016 and registered an increase of 8.3% (y-o-y), which was lower than the January to July 2016 increase of 13.2%. Total revenue from hotel activities amounted to €371.6 million in July 2016 and revenue from accommodation was €280.6 million (+16.8% and +17.5% y-o-y respectively). These increases were broadly similar to the aggregate for the period January to July 2016 (+16.7% and +17.8% y-o-y respectively).

The Lisbon tourism market has expanded in the last few years both as a leisure and business destination. In particular, the continuing popularity of cruise tourism and golf tourism and an increased awareness of Lisbon in the conference & events sector have aided demand growth, particularly in the five-star segment.

#### Operational Performance

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

<b>Corinthia Hotel Lisbon</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Budget</b>
Turnover (€'000)	17,769	19,597	20,798	21,534	22,137
Gross operating profit before incentive fees (€'000)	4,322	5,674	6,242	6,491	6,789
Gross operating profit margin (%)	24	29	30	30	31
Occupancy level (%)	66	71	74	72	72
Average room rate (€)	94	99	105	109	113
Revenue per available room (RevPAR) (€)	62	70	78	78	81
<b>Benchmark performance</b>					
Occupancy level (%)	66	70	72	71	71
Average room rate (€)	96	97	107	106	109
Revenue per available room (RevPAR) (€)	63	68	76	75	77
<b>Revenue Generating Index</b>	0.98	1.03	1.03	1.04	1.05

Source: Management information.



Overall results continued to improve in FY2014 as the Corinthia Hotel Lisbon registered a year-on-year increase in revenue of €1.8 million (+10%) mainly as a consequence of an increase in RevPAR from €62 to €70. This positive movement resulted in an increase in gross operating profit of €1.4 million to €5.7 million. A further improvement of 6% and 11% in revenue (to €20.8 million) and RevPAR (to €78) respectively was registered in FY2015 over FY2014 results.

With the introduction of low cost airline carriers to the country, Portugal is perceived as a 'value for money' destination and this has been one of the leading factors contributing to the growth in the hospitality figures outlined above. The Hotel has likewise benefitted from this upsurge in business registering significant year-on-year growth both in revenue and gross operating profit. Management plans to continue focusing on higher yielding segments (leisure and conference & events) and believes that due to the size of the Hotel, there should not be any displacement of leisure guests when signing larger conference & events business. It is estimated that revenue will increase y-o-y by 4% to €21.5 million and 3% to €22.1 million in FY2016 and FY2017 respectively, and gross operating profit is expected to grow y-o-y by 4% to €6.5 million and 5% to €6.8 million in FY2016 and FY2017 respectively.

The Hotel has performed broadly in line with its competitive set in both FY2014 and FY2015 (RGI: 1.03). A similar trend is being projected for the following two years (FY2016 and FY2017) as management expects to maintain the current occupancy rate at over 70%, and increase average room rate by 4% annually in FY2016 and FY2017.

#### *Variance Analysis*

<b>Corinthia Hotel Lisbon</b>	<b>FY2016 Forecast (updated)</b>	<b>FY2016 Forecast (Jun'16)</b>	<b>FY2016 Variance</b>	<b>FY2017 Budget (updated)</b>	<b>FY2017 Budget (Jun'16)</b>	<b>FY2017 Variance</b>
Turnover (€'000)	21,534	21,313	221	22,137	21,770	367
Gross operating profit before incentive fees (€'000)	6,491	6,491	0	6,789	6,675	114
Occupancy level (%)	72	73	-1	72	72	0
Average room rate (€)	109	109	0	113	113	0
Revenue per available room (RevPAR) (€)	78	80	-2	81	81	0

As presented in the above table, the latest projections for FY2016 and FY2017 are broadly unchanged from the June'16 projections which were included in the June 2016 financial analysis summary.



## 4.5 CORINTHIA HOTEL PRAGUE

### *Introduction*

IHI Towers s.r.o. (a fully-owned subsidiary of the Company) owns the 539-room five-star Corinthia Hotel located in Prague, Czech Republic (“**Corinthia Hotel Prague**”), which was acquired in 2007 for €105 million. The carrying amount of the Corinthia Hotel Prague as at 31 December 2015 is €82.9 million (FY2014: €74.0 million).

### *Market Overview*

#### *i. Economic update*

The Czech Republic’s economic performance was extraordinarily strong in 2015 and a third consecutive annual expansion above 4.0% was recorded (2015: 4.3%). The expansion mainly came on the back of the domestic economy, fuelled by rising investment, through strong absorption of EU funds, and public spending. Solid private consumption, which is benefiting from expansionary monetary policy and low oil prices, has also encouraged growth.

The Czech Republic’s economy lost some steam in the second quarter of 2016, slowing from a 3.0% annual increase in Q1 2016 to a 2.6% expansion. The reading was the lowest in two years and highlights the magnitude of the impact on investment of the diminished absorption of aid from the European Structural and Investment Fund. The high levels of investment growth made possible in 2015 thanks to the EU funds started to dissipate in the first quarter of 2016 and have further declined in Q2 2016, dragging on overall GDP growth. Weaker private consumption and to a lesser extent a decrease in public spending also held back growth, while the external sector performed strongly.

Although Czech exports expanded at a somewhat slower pace, they remained robust, as they continued to benefit from an artificially weak Czech koruna. The Central Bank has maintained an exchange rate floor of 27.0 CZK per EUR since 2013 in order to stimulate inflation. This has had the side effect of boosting exports and, consequently, the economy. However, exports lost some momentum in Q2 2016, growing at the slowest rate since Q4 2013 (Q1 2016: +5.9% y-o-y; Q2 2016: +5.7% y-o-y). Import growth slowed more sharply, from 5.5% to 3.1% in Q2 2016. As a result, the external sector’s contribution to overall GDP growth rose from 0.6 percentage points in Q1 2016 to an almost-five-year high of 2.3 percentage points in Q2 2016. The Czech National Bank expects the economy to expand 2.3% in 2016 and 3.4% in 2017.

#### *ii. Tourism market*

In comparison to the prior year (2014), Czech hotels reported for 2015 an increase in overnight stays of 10.2% to 47.1 million and guest numbers (both resident and foreign guests) increased by 9.6% to 17.2 million. Of the foreign guests, in 2015, the country experienced a decrease in guests from Russia (-37.4% or 260,000 guests) and from Ukraine (-10.7% or 12,000 arrivals), which was compensated by higher visitation of guests from neighbouring as well as distant countries. German visitors increased by 12.6% y-o-y as well as Slovaks (+14.6%) and nationals from USA (+14.9%). The number of guests from China and South Korea increased by 35.3% and 31.8% respectively.

The number of overnight stays in collective accommodation establishments totalled 11.6 million in Q2 2016 (+1.0% y-o-y). The number of nights spent by residents was up 3.8% y-o-y, out of which foreign guests spent 1.4% fewer nights in accommodation establishments. There was a 3.1% y-o-y increase in the number of guests in collective accommodation establishments in Q2 2016 (4.6 million) and occupancy of hotels increased by 4.1% y-o-y (3.4 million guests). The highest number of foreign guests came from Germany (20% of total foreign guest, +1.6% y-o-y), followed by Slovakia (+11.2% y-o-y) and United States (-1.8% y-o-y).

The Czech government is increasingly prioritising to move tourism beyond the current concentration in the capital, Prague, and increase the potential of undiscovered places in the country. Most significant source markets are Germany, Russia, Italy, UK, US, Slovakia and Poland, while demand is also increasing from other markets such as China and South Korea.

Over the early part of the past decade, Prague has seen a number of hotels enter the market, leading to a large growth in hotel room stock (principally upscale and luxury rooms). As a result of this increase in room supply, hotels in Prague have been suffering declines in performance both in terms of occupancies and rates since supply exceeded demand, which was further impacted by the economic crisis. There was a reversal in this trend in 2011 which was sustained thereafter, as the overall hotel market in Prague registered yearly increases in both occupancy levels and average room rates.

Although Prague remains an important meeting and convention destination, its primary market is tour operator business and this mismatch between supply and demand continues to exert significant pressure on room rates. Apart from the oversupply of hotel rooms, other challenges experienced by the market in Prague include the absence of high-spending leisure clientele, low demand on weekends and the dependence on the domestic corporate market.

Hotel performance in Prague is generally expected to continue to improve in the coming years as the market gradually absorbs the remaining oversupply of hotel rooms, leveraging on its image as an attractive and corporate destination. The number of inbound trips is expected to grow at a compound annual growth rate of 3% over the near term and this growth will be driven by arrivals from China and a recovery in visitor numbers from Russia. The performance of inbound tourism will be supported by a second airport in the Czech capital, Prague (Vodochody), which is planned to be operational by 2018. This will enable cheaper flights for tourists as several low cost carriers have shown interest in operating flights to Prague.

#### **Operational Performance**

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

<b>Corinthia Hotel Prague</b>	<b>FY2013 Actual</b>	<b>FY2014 Actual</b>	<b>FY2015 Actual</b>	<b>FY2016 Forecast</b>	<b>FY2017 Budget</b>
Turnover (€'000)	14,310	15,740	16,731	16,620	17,751
Gross operating profit before incentive fees (€'000)	2,846	4,064	4,931	5,058	5,694
Gross operating profit margin (%)	20	26	29	30	32
Occupancy level (%)	60	65	68	66	70
Average room rate (€)	72	71	74	78	80
Revenue per available room (RevPAR) (€)	43	46	50	51	56
<b>Benchmark performance</b>					
Occupancy level (%)	67	71	77	76	76
Average room rate (€)	96	102	106	109	115
Revenue per available room (RevPAR) (€)	65	73	82	83	87
<b>Revenue Generating Index</b>	0.66	0.63	0.61	0.61	0.64

Source: Management information.

In FY2014, the Corinthia Hotel Prague registered a satisfactory performance as it managed to improve occupancy by 5 percentage points over the previous year (from 60% to 65%) whilst broadly maintaining an average room rate above €70. Results for FY2015 show that the Hotel continued to build on this positive trend and thereby achieved a RevPAR of €50 (from €46 in FY2014) and a gross operating profit of €4.9 million (from €4.1 million in FY2014). A marginal decline in revenue is being projected for FY2016 but gross operating profit is expected to be slightly higher when compared to FY2015. Turnover for FY2017 is projected at €17.8 million, an increase of 7% from a year earlier, mainly due to an increase in projected occupancy from 66% to 70% and an increase in average room rate from €78 in FY2016 to €80 in FY2017. In the near term, management will continue to work towards displacing tour operator bookings with the more profitable conference & events and leisure business in an effort to improve RevPAR.

The Hotel has, in recent years, consistently underperformed its competitive set principally in terms of room rates (being *circa* 30% lower than benchmark rates). This gap in room rates is largely linked to the Hotel's location just outside the City centre in Prague and its large room inventory, making it more challenging to compete at the same rates offered by the competitive set hotels, which are centrally located and smaller in size. Consistent with current performance, management expects to continue to match its competitive set in terms of occupancy and recover part of the gap in room rates. The Hotel is forecasting room rates to increase through, *inter alia*, the generation of more room nights from higher-rated segments, improved segmentation and the expected increase in conference & events business organised at the (neighbouring) Prague Congress Centre. As such, the Hotel is aiming to improve the RGI in the forward years from 0.61 in FY2015 to 0.64 in FY2017.

### Variance Analysis

Corinthia Hotel Prague	FY2016 Forecast (updated)	FY2016 Forecast (Jun'16)	FY2016 Variance	FY2017 Budget (updated)	FY2017 Budget (Jun'16)	FY2017 Variance
Turnover (€'000)	16,620	17,161	-541	17,751	18,495	-744
Gross operating profit before incentive fees (€'000)	5,058	4,984	74	5,694	5,968	-274
Occupancy level (%)	66	71	-5	70	72	-2
Average room rate (€)	78	76	2	80	83	-3
Revenue per available room (RevPAR) (€)	51	54	-3	56	60	-4

As illustrated in the above table, projected revenue for FY2016 and FY2017 has been revised downwards when compared to the FY2016 forecast (Jun'16) and FY2017 budget (Jun'16) by €0.5 million and €0.7 million respectively. On the other hand, gross operating profit for FY2016 has been maintained at same level at *circa* €5.0 million, but management is projecting a lower amount for FY2017 from €6.0 million to €5.7 million (-€0.3 million).

## 4.6 CORINTHIA HOTEL TRIPOLI

### Introduction

Corinthia Towers Tripoli Limited (a fully-owned subsidiary of the Company) owns the 299-room five-star Corinthia Hotel located in Tripoli, Libya (“**Corinthia Hotel Tripoli**”), and a commercial centre measuring *circa* 10,000 square metres and a tract of undeveloped land both of which are adjacent to the hotel. The said properties were acquired in 2007 for a total consideration of €207 million split as follows: Corinthia Hotel Tripoli (€139 million); the commercial centre (€62 million); and an undeveloped parcel of land (€6 million). The carrying amounts of the Corinthia Hotel Tripoli, commercial centre and the adjacent plot as at 31 December 2015 are €84.1 million, €68.2 million and €29.5 million respectively (FY2014: €86.7 million, €68.2 million, €29.5 million), or a combined total of €181.8 million.

### Market Overview

The instability and state of uncertainty prevailing since the 2011 uprising continues to have a negative effect on Libya's economy. Ongoing conflict between rival militias has left Libya deeply divided, with vast regions split under the rule of various Islamist and nationalist groups and armed gangs taking control on a smaller scale. This has left a security vacuum in the country without a reliable police or army force to maintain law and order. Moreover, a government that is recognised both on a national and international level is yet to be appointed. Practically all foreign embassies in Libya have suspended operations and withdrawn their diplomatic staff, and have advised their respective nationals against all unnecessary travel to the country. This state of affairs is expected to continue in the near term as there is yet no indication that the unstable political and security climate will subside any time soon.

### *Operational Performance*

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

<b>Corinthia Hotel Tripoli</b>	<b>FY2013 Actual</b>	<b>FY2014 Actual</b>	<b>FY2015 Actual</b>	<b>FY2016 Forecast</b>	<b>FY2017 Budget</b>
Turnover (€'000)	19,705	8,345	852	823	2,264
Gross operating profit/(loss) before incentive fees (€'000)	6,568	-1,211	-2,831	-3,122	-2,257
Gross operating profit/(loss) margin (%)	33	-15	-332	-379	-100
Occupancy level (%)	59	22	2	1	5
Average room rate (€)	208	212	218	221	194
Revenue per available room (RevPAR) (€)	122	47	4	2	10

*Source: Management information.*

The results for FY2014 reflect the prevailing difficult political environment in the country due to the persistent conflicts, unstable political situation and the closure of the international airport. In FY2014, revenue declined by 58%, relative to the year before, to €8.3 million and a gross operating loss of €1.2 million was registered.

On 27 January 2015, the Hotel was the scene of an armed attack and has since remained closed for business. In FY2015 and the first half of FY2016, repair works were commissioned and completed for the Hotel to resume operations as and when the current unrest in Libya resides. During FY2016, the Hotel is projected to incur a gross operating loss of €3.1 million. As for FY2017, management's objective during the course of the said year is to try to match payroll and other operating costs to operating income, if the opportunity arises for the Hotel to re-open for business, and thereby contribute in some manner towards general overheads such as utilities, security and maintenance costs. It is projected that revenue in FY2017 will amount to €2.3 million (FY2016: €0.8 million) and is expected to incur an operating loss of €2.3 million (FY2016: operating loss of €3.1 million).

There are currently no statistics published in terms of hotel performance in Tripoli. As such, no comparison can be made between the Corinthia Hotel Tripoli and other hotels situated in Tripoli.

### *Commercial Operations*

The following table sets out the turnover of the Commercial Centre adjacent to the Corinthia Hotel Tripoli for the years indicated therein:

<b>Corinthia Hotel Tripoli (commercial property)</b>	<b>FY2013 Actual</b>	<b>FY2014 Actual</b>	<b>FY2015 Forecast</b>	<b>FY2016 Forecast</b>	<b>FY2017 Budget</b>
Turnover (€'000)	5,868	5,863	5,593	5,000	5,000

*Source: Management information.*

The Commercial Centre which is fully occupied, save for an area of 1,222 square metres which was vacated in 2013, includes rentable office space having a gross area of 7,249 square metres. It also comprises 306 square metres of storage space and 235 of internal and external car spaces. To date, the performance of the Commercial Centre remains largely unaffected by the political conflicts that the country is witnessing.

### Variance Analysis

Corinthia Hotel Tripoli	FY2016 Forecast (updated)	FY2016 Forecast (Jun'16)	FY2016 Variance	FY2017 Budget (updated)	FY2017 Budget (Jun'16)	FY2017 Variance
Turnover (€'000)	823	2,325	-1,502	2,264	2,264	0
Gross operating loss before incentive fees (€'000)	-3,122	-2,979	-143	-2,257	-3,093	836
Occupancy level (%)	1	5	-4	5	5	0
Average room rate (€)	221	189	32	194	194	0
Revenue per available room (RevPAR) (€)	2	9	-7	10	10	0
Turnover - commercial (€'000)	5,000	5,868	-868	5,000	5,868	-868

As presented in the above table, projected revenue for FY2016 has been reduced from €2.3 million to €0.8 million in view of the fact that the Hotel was not operational during the said year. Projected revenue for FY2017 is unchanged at €2.3 million, but projected gross operating loss has been lowered from €3.1 million to €2.3 million. Projected commercial rental income has been reduced in each of FY2016 and FY2017 from €5.9 million to €5.0 million.

## 4.7 CORINTHIA HOTEL ST GEORGE'S BAY

### Introduction

Five Star Hotels Limited (a fully-owned subsidiary of the Company) owns the 250-room five-star Corinthia Hotel located in St Julians, Malta (“**Corinthia Hotel St George’s Bay**”), which was acquired in 2000 for €32 million. The carrying amount of the Corinthia Hotel St George’s Bay as at 31 December 2015 is €37.7 million (FY2014: €27.6 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 zone 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.

According to provisional gross domestic product (GDP) figures, the Maltese economy continued to grow at a robust pace during the second quarter of 2016. Real GDP increased by 3.0% in annual terms, following a rate of 5.3% in the first quarter of the year.

During the second quarter of 2016, domestic demand remained the primary source of growth for the Maltese economy. On an annual basis, domestic demand increased by 2.6% and contributed 2.7 percentage points to real GDP growth. All domestic demand components increased on a year earlier, except for gross fixed capital formation (GFCF) which contracted by 2.1% following a 19.2% increase in the first quarter and shed 0.5 percentage points from GDP growth. Non-residential construction, which was lifted by government spending on infrastructural projects a year earlier, was the main contributor to this decline. Exports began to outpace imports in the second quarter, reversing the pattern seen in recent months.

## 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.

Inbound tourist trips from January to July 2016 amounted to 1.1 million, an increase of 9.7% when compared to the same period a year earlier. Total nights spent by inbound tourists went up by 7.3% to almost 7.8 million nights. During the said seven month period, total guests in collective accommodation establishments amounted to 0.9 million, an increase of 0.7% over the same period in 2015. Within the collective accommodation establishments, the 5 star hotels and 4 star hotels gained 4,696 guests (+2.2%) and 17,126 guests (+4.4%) respectively in the period January to July 2016 when compared to the same period a year earlier, while there was a decrease of 24,518 guests (-10.2%) in the 3 star category. Total nights spent went up by 0.6%, surpassing the 5.0 million mark. Tourism expenditure was estimated at €886.0 million during the first 7 months of 2016, an increase of 5.4% over the same period in 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 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:

<b>Corinthia Hotel St George's Bay</b>	<b>FY2013 Actual</b>	<b>FY2014 Actual</b>	<b>FY2015 Actual</b>	<b>FY2016 Forecast</b>	<b>FY2017 Budget</b>
Turnover (€'000)	11,721	13,339	15,218	15,430	15,882
Gross operating profit before incentive fees (€'000)	1,501	3,049	4,244	4,350	4,547
Gross operating profit margin (%)	13	23	28	28	29
Occupancy level (%)	71	79	77	79	80
Average room rate (€)	107	117	139	137	140
Revenue per available room (RevPAR) (€)	75	92	107	108	112
<b>Benchmark performance</b>					
Occupancy level (%)	72	74	76	77	77
Average room rate (€)	120	130	143	145	151
Revenue per available room (RevPAR) (€)	86	95	109	112	116
<b>Revenue Generating Index</b>	0.87	0.97	0.98	0.96	0.97

Source: Management information.

In FY2014, the Corinthia Hotel St George's Bay registered a 14% increase in revenue over FY2013 to €13.3 million. This positive performance had a significant contribution to gross operating profit of +103% from €1.5 million recorded in FY2013 to over €3.0 million in FY2014, also on account of substantial savings in operating and administrative costs. As for FY2015, the Hotel continued to perform well, both in terms of revenue generation and profitability. In fact, revenue and gross operating profit increased by €1.9 million (+14%) and €1.2 million (+39%) respectively.

During FY2016, management continued to focus of its revenue management strategy of increasing rates and driving business through the Hotel's largest growing segment (leisure), principally by undertaking more web-based online and other marketing initiatives. RevPAR is estimated to increase from €107 in FY2015 to €108 in FY2016 as a result of a 2 percentage point increase in occupancy from 77% to 79%, which increase is expected to be partly offset by a lower average room rate of €2 (from €139 in FY2015 to €137 in FY2016). As such, revenue and gross operating profit for FY2016 are expected to be broadly at par when compared to FY2015 figures. A further improvement is projected for FY2017 as occupancy is forecasted to increase by one percentage point to 80% and average room rate should increase from €137 in FY2016 to €140. This should translate to an increase of 3% in revenue to €15.9 million and an increase in gross operating profit from €4.4 million in FY2016 to €4.5 million in FY2017.

The Hotel's competitive set also recorded positive results in recent years, which is a reflection of the present buoyant tourism market in Malta. As such, the Hotel performed marginally below par with its competition in both FY2014 and FY2015, which trend is also being projected for FY2016 and FY2017.

#### *Variance Analysis*

<b>Corinthia Hotel St George's Bay</b>	<b>FY2016 Forecast (updated)</b>	<b>FY2016 Forecast (Jun'16)</b>	<b>FY2016 Variance</b>	<b>FY2017 Budget (updated)</b>	<b>FY2017 Budget (Jun'16)</b>	<b>FY2017 Variance</b>
Turnover (€'000)	15,430	16,316	-886	15,882	16,313	-431
Gross operating profit before incentive fees (€'000)	4,350	5,007	-657	4,547	4,836	-289
Occupancy level (%)	79	81	-2	80	79	1
Average room rate (€)	137	145	-8	140	148	-8
Revenue per available room (RevPAR) (€)	108	117	-9	112	117	-5

Although the Hotel is expected to perform better in FY2016 when compared to FY2015, revenue and gross operating profit are expected to be lower than those projected in the FY2016 forecast (Jun'16). As indicated in the above table, management has revised downwards projected revenue (from €16.3 million to €15.4 million) and gross operating profit (from €5.0 million to €4.4 million), the primary reason being an over-estimated average room rate which has been reduced in the latest projections from €145 to €137. As a consequence, the projections for FY2017 have also been revised downwards, although management still expects a year-on-year improvement in results.

## 4.8 MARINA HOTEL

### Introduction

Marina San Gorg Limited (a fully-owned subsidiary of the Company) owns the 200-room four-star Hotel located in St Julians, Malta (“**Marina Hotel**”), adjacent to the Corinthia Hotel St George’s Bay. It was acquired in early 2012 for €23 million. A number of facilities at the Hotel are shared with the Corinthia Hotel St George’s Bay, which provides guests with a larger product variety, especially with regards to food and beverage offering and swimming pool areas. Being a four-star hotel with access to five-star conference and meeting space at the Corinthia Hotel St George’s Bay is another unique selling point of the property. The carrying amount of the Marina Hotel as at 31 December 2015 is €28.8 million (2014: €22.5 million).

### Market Overview

The market overview relating to the economy and tourism in Malta is included in section 4.7 above.

### Operational Performance

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

<b>Marina Hotel</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Budget</b>
Turnover (€’000)	6,886	7,852	9,484	9,787	10,061
Gross operating profit before incentive fees (€’000)	1,343	1,822	2,957	3,067	3,184
Gross operating profit margin (%)	20	23	31	31	32
Occupancy level (%)	76	81	81	82	83
Average room rate (€)	77	87	111	116	118
Revenue per available room (RevPAR) (€)	59	71	90	95	98
<b>Benchmark performance</b>					
Occupancy level (%)	74	75	74	77	77
Average room rate (€)	84	90	117	117	121
Revenue per available room (RevPAR) (€)	62	68	87	90	93
<b>Revenue Generating Index</b>	0.95	1.04	1.03	1.06	1.05

Source: Management information.

The sales team has, in recent years, been focusing more on yield management with a drive towards achieving higher rates by increasing occupancy levels in the higher yielding segments, including leisure and corporate. Particularly in the leisure segment, last-minute business and online bookings have become more prevalent, and therefore management is being more restrictive in offering lower yielding tour operator allocations on package deals.

In consequence, average room rate has increased over the years from €84 in FY2013 to €117 in FY2015, and RevPAR grew by 40% from €62 to €87 in the same period (an annualised growth of *circa* 18%). After the growth experienced in FY2015, whereby revenue increased by 21% (from €7.9 million in FY2014 to €9.5 million) and gross operating profit increased by 62% (from €1.8 million in FY2014 to €3.0 million), FY2016 and FY2017 are projected to show more modest growth for the Hotel over the corresponding years.

As for benchmark performance, the Hotel outperformed its competitive set in FY2014 in terms of occupancy by 6 percentage points. On the other hand, average room rate was lower (-3%) than the benchmark rate at €90. In FY2015, the Hotel’s occupancy level and RevPAR exceeded the market average by 7 percentage points and 3% respectively. As for FY2016 and FY2017, the Hotel is projected to continue outperforming its competitive set and thereby maintain an RGI above par.



### Variance Analysis

Corinthia Hotel Marina	FY2016 Forecast (updated)	FY2016 Forecast (Jun'16)	FY2016 Variance	FY2017 Budget (updated)	FY2017 Budget (Jun'16)	FY2017 Variance
Turnover (€'000)	9,787	9,978	-191	10,061	10,049	12
Gross operating profit before incentive fees (€'000)	3,067	3,148	-81	3,184	3,094	90
Occupancy level (%)	82	82	0	83	82	1
Average room rate (€)	116	117	-1	118	118	0
Revenue per available room (RevPAR) (€)	95	96	-1	98	97	1

As presented in the above table, the latest projections for FY2016 and FY2017 are broadly unchanged from the projections which were included in the June 2016 financial analysis summary.

## 4.9 CORINTHIA HOTEL & RESIDENCES LONDON

### Introduction

NLI Holdings Limited (equally owned by the Libyan Foreign Investment Company (LFICO) and IHI) owns the 294-room luxury Corinthia Hotel located in London, United Kingdom ("Corinthia Hotel London") together with a penthouse apartment (11 residential apartments in the same premises were sold in April 2014). The said penthouse has been leased in FY2016 for a maximum period of two years.

In 2008, NLI Holdings Limited acquired the former Metropole Building and its adjoining 10 Whitehall Place for £136 million (*circa* €160 million) and after raising a £135 million bank facility in April 2009, which was subsequently increased to £150 million, embarked on a two-year project to redevelop and reconstruct the said properties to the luxury Corinthia Hotel and Residences. The carrying amount of 50% of the Corinthia Hotel London (including the penthouse) as at 31 December 2015 is €315.7 million (FY2014: €296.1 million).

### Market Overview

#### i. Economic update

The UK economy grew by 0.5% in Q4 2015, taking the annual rate of growth for 2015 to 2.2% (0.7% lower than the 2.9% growth registered in 2014). The disappointing figure was the result of a slowdown in industry due to feeble manufacturing figures as factories struggled with a strong Sterling and weak external demand. Moreover, the construction sector recorded the first contraction in nearly two years. This could prompt concerns that the UK economy's reliance on the services sector (which continued to expand in 2015) is increasing further.

The preliminary estimate of gross domestic product (GDP) indicated that the UK economy grew by 0.6% in the second quarter (April to June) of 2016. The services industry continued to be the main driver of growth in output in the latest quarter, growing by 0.5% in Quarter 2 2016 and contributing 0.4 percentage points to the quarterly GDP growth rate. Production increased by 2.1% and contributed 0.3 percentage points to the quarterly GDP growth. The other 2 main industrial groupings contracted, with construction falling by 0.4% and agriculture falling by 1.0%.

A rebound in survey data in August 2016 following the downturn right after the EU referendum suggests that the Brexit shock on business and consumer confidence is slowly fading out. Helped by the weaker exchange rate, the manufacturing Purchasing Managers' Index (PMI) hit its highest reading in August, reflecting expansion in both activity and new orders. It remains to be seen whether the sector is recovering the ground lost following the referendum or if the strong performance will continue. In August, consumer confidence recovered somewhat, on the back of accommodative monetary policy and a robust labour market, but the index still remains below its pre-Brexit level. The economy is expected to grow 1.6% in 2016 and 0.5% in 2017.

ii. *Tourism market*

International visits to the UK by overseas residents rose by 5% to 8.5 million in the period October 2015 to December 2015 compared with the same period a year earlier. In the 12 months to December 2015, the number of visits to the UK was 4% higher (to 35.8 million visits) than a year earlier and earnings remained the same during this period (non-residents spent £21.8 billion in 2015). Visits from North America and Europe were up by 8% and 3% respectively and visits from 'Other Countries' grew by 6%. Business trips grew 6%, holiday visits increased by 1% and visits to friends or relatives was up 7%.

Overseas residents made 36.6 million visits to the UK in the 12 months August 2015 to July 2016, an increase of 4% compared with the same period a year earlier. Overseas residents spent £21.8 billion on these visits, which was 1% less than the same period a year earlier. Visits from North America and Europe were up by 5% and 3% respectively, and visits from 'Other Countries' grew by 4%. The number of holiday visits decreased by 2%; business visits and visiting friends and family increase by 3% and 9% respectively.

**Operational Performance**

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

<b>Corinthia Hotel London</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Budget</b>
Turnover (£'000)	46,401	47,494	52,543	54,084	59,043
Gross operating profit before incentive fees (£'000)	14,012	14,374	16,548	16,911	18,919
Gross operating profit margin (%)	30	30	31	31	32
<b>IHI's share of gross operating profit at 50%</b>	<b>7,006</b>	<b>7,187</b>	<b>8,274</b>	<b>8,456</b>	<b>9,460</b>
Occupancy level (%)	72	72	73	76	79
Average room rate (£)	407	404	445	431	457
Revenue per available room (RevPAR) (£)	293	291	325	328	361
<b>Benchmark performance</b>					
Occupancy level (%)	77	76	80	80	80
Average room rate (£)	509	539	571	588	605
Revenue per available room (RevPAR) (£)	392	410	457	470	484
<b>Revenue Generating Index</b>	<b>0.75</b>	<b>0.71</b>	<b>0.71</b>	<b>0.70</b>	<b>0.75</b>

Source: Management information.

Note: IHI owns 50% of the Corinthia Hotel London and as such its share of profits or losses is included in the consolidated financial statements of IHI under the heading 'Share of profit from equity accounted investments' of the income statement.

The Hotel's performance in FY2014 was broadly similar to the results achieved in FY2013. Revenue increased by 2% to £47.5 million and gross operating profit increased by £0.4 million to £14.4 million. On the other hand, an increase of £5.0 million (+11%) and £2.2 million (+15%) was registered in revenue and gross operating profit respectively in FY2015, mainly as a consequence of an increase in the average room rate from £404 in FY2014 to £445. Management is projecting an increase of three percentage points in occupancy for FY2016 and a marginal decrease in average room rate from £445 to £431, which should equate to a slight increase in RevPAR from £325 in FY2015 to £328. Revenue is projected to increase by £1.5 million to £54.1 million in FY2016 and a corresponding increase of 2% is expected in gross operating profit to £16.9 million for that year. Growth of 9% and 12% in revenue and gross operating profit respectively is being projected by management for FY2017 over FY2016.

The Hotel's strategy is to achieve an average occupancy level of *circa* 80% and progressively increase average room rate as the Corinthia brand gains further recognition in London and the UK.

In comparison to benchmark results, the Hotel managed an RGI of 0.71 in FY2014 mainly due to an adverse difference of £135 in its average room rate. Similar results for the Hotel as compared to its competitive set were registered in FY2015 (RGI of 0.71). The Hotel is projected to close the gap in average room rate when compared to its competitors by FY2017. Looking ahead, the Hotel aims to continue to improve the RGI to narrow the gap further to benchmark results, by maintaining an occupancy level of circa 80% and enhance the Hotel's average room rate through increased marketing and effective yield management.

#### *Variance Analysis*

<b>Corinthia Hotel London</b>	<b>FY2016 Forecast (updated)</b>	<b>FY2016 Forecast (Jun'16)</b>	<b>FY2016 Variance</b>	<b>FY2017 Budget (updated)</b>	<b>FY2017 Budget (Jun'16)</b>	<b>FY2017 Variance</b>
Turnover (£'000)	54,084	56,011	-1,927	59,043	60,722	-1,679
Gross operating profit before incentive fees (£'000)	16,911	17,717	-806	18,919	19,570	-651
<b>IHI's share of gross operating profit at 50%</b>	<b>8,456</b>	<b>8,859</b>	<b>-403</b>	<b>9,460</b>	<b>9,785</b>	<b>-326</b>
Occupancy level (%)	76	77	-1	79	79	0
Average room rate (£)	431	441	-10	457	475	-18
Revenue per available room (RevPAR) (£)	328	340	-12	361	375	-14

As presented in the above table, management had initially projected (in June'16) to achieve an average room rate of €441 and a RevPAR of £340 in FY2016. Both variables have been lowered in the latest projections, which will adversely affect revenue by an estimated £1.9 million (from £56.0 million to £54.1 million) and gross operating profit is projected at £0.8 million lower to £16.9 million. As for FY2017, the projections reflect a reduction in estimated revenue of £1.7 million (from £60.7 million to £59.0 million) and a lower gross operating profit by £0.7 million to £18.9 million, mainly due to a reduction in projected average room rate of £18 from £475 to £457. Occupancy level in FY2017 is expected to be maintained as per the FY2017 budget (Jun'16) at 79%.

#### 4.10 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<sup>2</sup> 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

The market overview relating to the economy and tourism in Malta is included in section 4.7 above.

##### 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 Forecast	FY2017 12 months Budget
Turnover (€'000)	27,133	34,229	43,584	35,740	36,110
Timeshare revenue	15,641	21,960	27,426	23,796	23,566
Hotel operations	11,492	12,269	16,158	11,944	12,544
EBITDA (€'000)	7,177	11,954	13,553	14,711	13,841
EBITDA margin (%)	26	35	31	41	38
<b>IHGH's share of EBITDA at 50%</b>	<b>3,589</b>	<b>5,977</b>	<b>6,777</b>	<b>7,356</b>	<b>6,921</b>

Source: Management information.

Note 1: The financial results of the Radisson Blu Resort & Spa Golden Sands are consolidated with the results of IHI with effect from 1 July 2015.

As such, financial information in the table above relating to the period prior to 1 July 2015 has been included for comparison purposes only.

Note 2: 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 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 weeks, 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. Although Sterling has weakened significantly against the Euro during FY2016, management is still expecting a good performance in timeshare sales for the year. As such, revenue for FY2016 is expected to be lower by €3.6 million (-13%) when compared to the previous 14-month period to €23.8 million, but marginally higher on an annualised basis. With respect to FY2017, revenue is projected at broadly the same level as in FY2016 and is expected to amount to €23.6 million (FY2016: 23.8 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 €12.5 million.

The Hotel achieved an EBITDA of €12.0 million in FY2014, a significant increase of €4.8 million (+67%) 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. EBITDA for FY2016 is projected at €14.7 million, an increase of €1.2 million over FY2015 (which comprised a 14-month period). On an annualised basis, the projected FY2016 EBITDA reflects a €3.1 million increase over a 12-month period in FY2015. Management anticipates that the Hotel will continue to perform at the current level also in FY2017 and is therefore projecting an EBITDA of €13.8 million.

#### Variance Analysis

Radisson Blu Resort & Spa Golden Sands	FY2016 Forecast (updated)	FY2016 Forecast (Jun'16)	FY2016 Variance	FY2017 Budget (updated)	FY2017 Budget (Jun'16)	FY2017 Variance
Turnover (€'000)	35,740	32,251	3,489	36,110	32,270	3,840
Timeshare revenue	23,796	20,212	3,584	23,566	19,682	3,884
Hotel operations	11,944	12,039	-95	12,544	12,588	-44
EBITDA (€'000)	14,711	11,740	2,971	13,841	11,715	2,126
<b>IHGH's share of EBITDA at 50%</b>	<b>7,356</b>	<b>5,870</b>	<b>1,486</b>	<b>6,921</b>	<b>5,858</b>	<b>1,063</b>

As presented in the above table, the FY2016 operational performance of the Hotel has exceeded management's expectations, particularly in relation to timeshare operations. In fact, timeshare has been sufficiently strong to more than compensate for the weaker Sterling against the Euro. As such, projected revenue for FY2016 has been revised upwards by €3.5 million from €32.3 million (FY2016 forecast Jun'16) to €35.7 million. As a consequence, EBITDA is expected to be higher by €3.0 million from €11.7 million to €14.7 million. The projections for FY2017 have also been amended to reflect the upside, as management has assumed that the improved business environment in timeshare experienced in FY2016 will be maintained in the subsequent financial year.

#### 4.11 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 4.7 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	FY2014	FY2015	FY2016	FY2017
	12 months Actual	12 months Actual	14 months Actual	12 months Forecast	12 months Budget
Turnover (€'000)	10,026	10,554	10,156	12,920	13,604
Gross operating profit before incentive fees (€'000)	2,162	2,214	2,642	4,140	4,339
Gross operating profit margin (%)	22	21	26	32	32
Occupancy level (%)	69	68	77	76	77
Average room rate (€)	90	108	135	128	136
Revenue per available room (RevPAR) (€)	69	73	104	97	105
<b>Benchmark performance</b>					
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
<b>Revenue Generating Index</b>	0.79	0.73	0.92	0.86	0.89

Source: Management information.

Note 1: The financial results of the Radisson Blu Resort St Julians are consolidated with the results of IHI with effect from 1 July 2015.

As such, financial information in the table above relating to the period prior to 1 July 2015 has been included for comparison purposes only.

Note 2: 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 higher than that generated in FY2013 by €0.5 million. 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 of €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, in FY2016, at FY2015 level (even though FY2015 results exclude the dilution effect of the winter months). Average room rate for FY2016 is projected at €128 (+19% on FY2014 rate and -5% when compared to FY2015 rate) and RevPAR is estimated at €97 (+33% on FY2014 and -7% when compared to FY2015 rate). Revenue is projected to increase from €10.2 million in FY2015 to €12.9 million in FY2016 and gross operating profit is expected to increase by €1.5 million to €4.1 million.

A further improvement in RevPAR of 8% from €97 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 line with IHT's marketing strategy for its two hotels in the St George's Bay area. In FY2017, revenue and gross operating profit are expected to increase by 5% (+€0.7 million) and 5% (+€0.2 million) respectively.

#### *Variance Analysis*

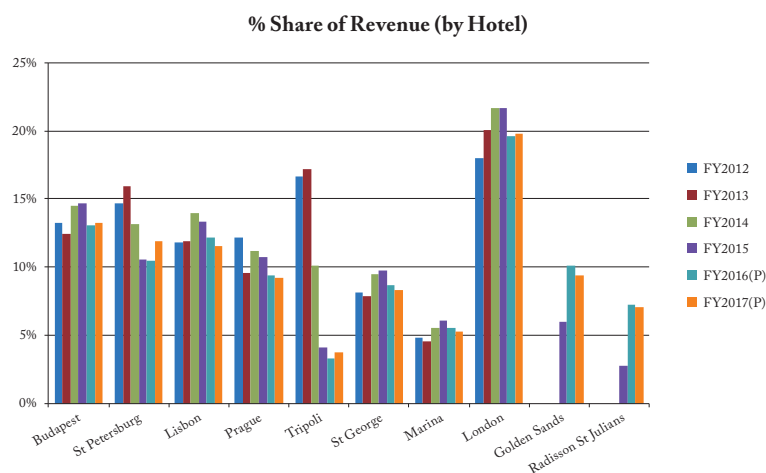
<b>Radisson Blu Resort St Julians</b>	<b>FY2016 Forecast (updated)</b>	<b>FY2016 Forecast (Jun'16)</b>	<b>FY2016 Variance</b>	<b>FY2017 Budget (updated)</b>	<b>FY2017 Budget (Jun'16)</b>	<b>FY2017 Variance</b>
Turnover (€'000)	12,920	12,863	57	13,604	13,604	0
Gross operating profit before incentive fees (€'000)	4,140	3,752	388	4,339	4,163	176
Occupancy level (%)	76	76	0	77	77	0
Average room rate (€)	128	129	-1	136	136	0
Revenue per available room (RevPAR) (€)	97	98	-1	105	105	0

As presented in the above table, the latest projections for FY2016 and FY2017 are broadly unchanged from the June'16 projections. The only significant movement is in gross operating profit, whereby the Hotel is projecting to achieve higher cost savings in FY2016 than initially estimated, which should translate in a higher than expected gross operating profit of €0.4 million from €3.7 million to €4.1 million. In FY2017, gross operating profit is set to improve further over the FY2017 budget (Jun'16) by €0.2 million to €4.3 million.

#### 4.12 IHI'S AGGREGATE HOTEL REVENUE AND OPERATING PROFIT

##### *Revenue Geographic Distribution*

The chart below depicts total revenue generated by each hotel as a percentage of aggregate hotel revenue generated by the Group's hotels. In the case of the Corinthia Hotel London and the Radisson Blu Resort & Spa Golden Sands, the amounts included for each year is 50% of actual revenue, reflecting the 50% shareholding (directly or indirectly) of IHI in the respective hotels.



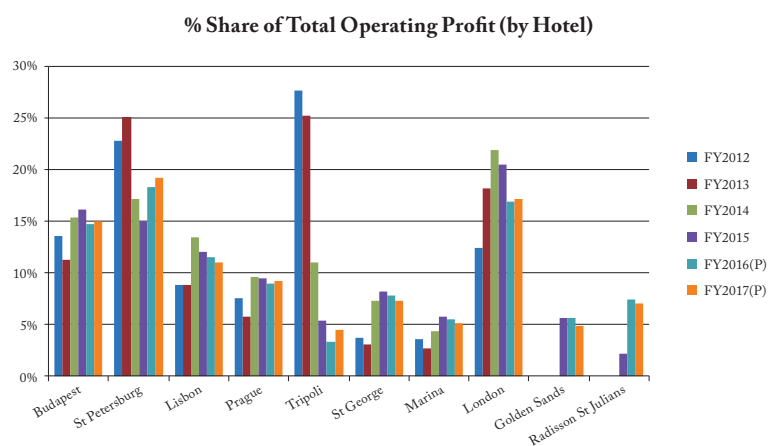
*Source: Management information.*

The above chart shows that the Corinthia Hotel & Residences London generates over 20% of total hotel revenue. This percentage share peaked in FY2015 to 22% as the Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg underperformed in view of political and economic issues in their respective jurisdictions. Pursuant to the acquisition of IHGH, and the consolidation of its results as from 1 July 2015, two properties (namely, Radisson Blu Resort & Spa Golden Sands and Radisson Blu Resort St Julians) have been included in the portfolio of hotels. Apart from the positive effect on revenue contribution towards IHI, the increase in properties will further dilute the reliance on the performance on any particular hotel property. As a consequence of the introduction of these two properties, a gradual increase in operating performance at the Corinthia Hotel St Petersburg and the adverse effect of the Euro/Sterling exchange rate on earnings of the London property, it is projected that income generated in FY2016 and FY2017 by Corinthia Hotel & Residences London will constitute *circa* 18% of revenue derived from all hotels. Likewise, the revenue generation from the other hotels, although increasing in real terms (year-on-year), is reducing in percentage terms both in FY2016 and FY2017.



**Operating Profit Geographic Distribution**

The chart below shows operating profit generated by each hotel as a percentage of IHI's hotel operating profit (directly or indirectly). The amounts relating to the Corinthia Hotel London and the Radisson Blu Resort & Spa Golden Sands are only 50% of each hotel's actual results, reflecting the 50% shareholding (directly or indirectly) of IHI in the respective hotels.



Source: Management information.

Until FY2013, the primary contributors to operating profit included Corinthia Hotel Tripoli, Corinthia Hotel St Petersburg, Corinthia Hotel Budapest and Corinthia Hotel & Residences London. Thereafter, and particularly in FY2014 and FY2015, operating profits generated by Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg declined substantially for country specific reasons mentioned elsewhere in this report. Such decreases had a material adverse effect on the consolidated operating profit of IHI, which was however partly mitigated by the continued improvement in the operating results of IHI's European hotels.

The other hotels all registered improvements in their respective operating profit results relative to the previous year. The Radisson Blu Resort & Spa Golden Sands and the Radisson Blu Resort St Julians, being part of the IHGH acquisition in FY2015, are projected to contribute in aggregate *circa* 12% of IHI's total operating profit from hotel operations in each of FY2016 and FY2017.

#### 4.13 MANAGEMENT COMPANY

CHI Limited (a fully-owned subsidiary of IHI) manages and operates a number of hotel properties, predominantly owned by IHI and CPHCL). IHI acquired the shares of CHI in three tranches: a 20% shareholding was purchased on IHI's formation in 2000 at a cost of *circa* €750,000, a further 50% was acquired in October 2006 at a cost of €20.15 million, and in May 2012 IHI acquired the remaining 30% from Wyndham for an aggregate consideration of €250,000 in terms of an agreement signed in 2006 (at the same time of acquisition of the 50% share purchase).

##### *Operational Performance*

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

CHI Limited (Management Fees)	FY2013 Actual	FY2014 Actual	FY2015 Forecast	FY2016 Forecast	FY2017 Budget
Turnover (€'000)	11,478	11,305	15,665	16,200	17,044
IHI Properties (owned and associate) (€'000)	10,253	9,463	13,678	13,957	14,756
Other Properties (€'000)	1,225	1,842	1,987	2,243	2,288

*Source: Management information.*

Revenue in FY2014 decreased marginally when compared to FY2013 principally due to revenue declines at Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg. The situation in FY2015 turned for the better due to increases in revenue generated at the Corinthia Hotel & Residences London and the other IHI European hotels. As such, fees receivable by CHI Limited in FY2015 amounted to €15.7 million, 39% increase over FY2014. CHI Limited is targeting a turnover of €16.2 million in FY2016 which assumes a continued subdued operating environment at the Corinthia Hotel Tripoli, a gradual improvement at Corinthia Hotel St Petersburg, and a stable performance in revenue at the London property. Further improvements are also expected in the performance of the other European hotels owned by IHI. Revenue is projected to increase to €17.0 million in FY2017, assuming a positive performance from all hotels, including a continued recovery in revenue generated at the Corinthia Hotel St Petersburg.

##### *Variance Analysis*

CHI Limited (Management Fees)	FY2016 Forecast (updated)	FY2016 Forecast (Jun'16)	FY2016 Variance	FY2017 Budget (updated)	FY2017 Budget (Jun'16)	FY2017 Variance
Turnover (€'000)	16,200	16,294	-94	17,044	17,000	44
IHI Properties (owned and associate) (€'000)	13,957	14,267	-310	14,756	14,933	-177
Other Properties (€'000)	2,243	2,027	216	2,288	2,067	221

As presented in the above table, the latest projections for FY2016 and FY2017 are broadly unchanged in aggregate from the June'16 projections, since lower than expected revenue from the IHI Properties is expected to be partly compensated for by a projected increase in revenue generated from Other Properties.

#### 4.14 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:

<b>Island Caterers Limited</b>	<b>FY2013 12 months Actual</b>	<b>FY2014 12 months Actual</b>	<b>FY2015 14 months Actual</b>	<b>FY2016 12 months Forecast</b>	<b>FY2017 12 months Budget</b>
Turnover (€'000)	4,162	5,241	6,323	5,597	5,737
EBITDA (€'000)	149	309	380	511	524
EBITDA margin (%)	4	6	6	9	9

*Source: Management information.*

*Note 1: The financial results of Island Caterers Limited are consolidated with the results of IHI with effect from 1 July 2015. A such, financial information in the table above relating to the period prior to 1 July 2015 has been included for comparison purposes only.*

*Note 2: 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 utilises 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 €5.6 million, which is broadly in line with FY2015's performance on an annualised basis (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 9% 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.

##### *Variance Analysis*

<b>Island Caterers Limited</b>	<b>FY2016 Forecast (updated)</b>	<b>FY2016 Forecast (Jun'16)</b>	<b>FY2016 Variance</b>	<b>FY2017 Budget (updated)</b>	<b>FY2017 Budget (Jun'16)</b>	<b>FY2017 Variance</b>
Turnover (€'000)	5,597	6,258	-661	5,737	6,415	-678
EBITDA (€'000)	511	701	-190	524	719	-195

As presented in the above table, the projected revenue for FY2016 and FY2017 has been revised downwards by €0.7 million in each year and principally reflects an over-estimation by management of expected revenue to be generated from the Coastline catering contract.

#### 4.15 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 Valetta, Bay Street Complex St Julians, Marsaxlokk [opened in February 2016] and Spinola Bay St Julians [opened in April 2016]).

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 by 31 December 2015 this number increased to a total of 10 outlets. It is projected that an additional 6 outlets will be operational by end FY2016 (an aggregate of 16 outlets).

Looking ahead, the Group has resolved to reconsider the outlet openings in Spain, such that the original development strategy to open 75 outlets by 2018 will be reviewed so as to assess the commercial viability of opening as many outlets and if so, over which period of time. The revised strategy will enable management to increase focus on achieving operating efficiencies in each new outlet prior to rolling out any more new stores in the territory. The capital expenditure previously earmarked for the total outlet openings (75), estimated at €19.6 million, and the financing thereof, is also being reconsidered as part of this revised strategy.

##### Operational Performance

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

<b>Buttigieg Holdings Limited (including Costa Coffee)</b>	<b>FY2013 12 months Actual</b>	<b>FY2014 12 months Actual</b>	<b>FY2015 14 months</b>	<b>FY2016 12 months Forecast</b>	<b>FY2017 12 months Budget</b>
<b>Turnover</b>					
Costa Coffee (Malta) (€’000)	2,108	3,518	6,647	6,787	7,045
Costa Coffee (Spain) (€’000)			1,906	4,707	6,340
Other catering operations (€’000)	4,335	4,036	5,419	3,159	3,238
	6,443	7,554	13,972	14,653	16,623
EBITDA (€’000)	328	651	-413	-964	995
EBITDA margin (%)	5	9	-3	-7	6
<b>Costa Malta</b>					
No. of outlets (at end of financial year)	4	8	8	10	10
<b>Costa Spain</b>					
No. of outlets (at end of financial year)		1	10	16	16

Source: Management information.

Note 1: The financial results of the Buttigieg Holdings Limited are consolidated with the results of IHI with effect from 1 July 2015.

As such, financial information in the table above relating to the period prior to 1 July 2015 has been included for comparison purposes only.

Note 2: 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 from the 10 outlets is anticipated to reach €6.8 million. The same outlets are expected to grow revenue by 4% to €7.0 million in FY2017 reflecting the full year operation of the two new outlets opened in FY2016.

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. It is projected that an additional six outlets will be in operation by end FY2016 and aggregate revenue is expected to amount of €4.7 million. Revenue generated in FY2017 is projected to increase by €1.6 million to €6.3 million from the same complement of outlets as in FY2016 since no further openings are envisaged for FY2017.

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 projected revenue for FY2016 is primarily the result of consolidation of certain catering operations with other companies forming part of the Corinthia Group. Thereafter, in FY2017, management is projecting revenue to amount to €3.2 million, which is broadly similar to the estimate for FY2016.

#### Variance Analysis

Buttigieg Holdings Limited (including Costa Coffee)	FY2016 Forecast (updated)	FY2016 Forecast (Jun'16)	FY2016 Variance	FY2017 Budget (updated)	FY2017 Budget (Jun'16)	FY2017 Variance
Costa Coffee (Malta) (€'000)	6,787	6,896	-109	7,045	7,290	-245
Costa Coffee (Spain) (€'000)	4,707	7,484	-2,777	6,340	15,109	-8,769
Other catering operations (€'000)	3,159	4,037	-878	3,238	4,138	-900
	14,653	18,417	-3,764	16,623	26,537	-9,914
EBITDA (€'000)	-964	387	-1,351	995	1,868	-873
<b>Costa Malta</b>						
No. of outlets (at end of financial year)	10	11	-1	10	11	-1
<b>Costa Spain</b>						
No. of outlets (at end of financial year)	16	22	-6	16	37	-21

As illustrated in the above table, projected revenue for FY2016 has been revised downwards by €3.8 million to €14.7 million, primarily due to lower revenue expected from Costa Spain and the transfer of certain catering operations to another company within the Corinthia Group (previously classified within 'Other catering operations'). Costa Spain has so far generated revenue below management's initial expectations and as such, the Group has resolved to slow down the tempo of outlet openings in Spain. In this respect, the budgeted number of outlets in Spain for FY2016 has been reduced from 22 to 16 outlets and projected revenue is expected to amount to €4.7 million, a decrease of €2.8 million from the forecast (Jun'16). The Group does not intend to open any new outlets in Spain during FY2017, but will rather focus on improving operational performance of the current 16 outlets. This revision in strategy has adversely impacted FY2017 revenue projections by €8.8 million, from €15.1 million (FY2017 budget (Jun'16)) to €6.3 million.

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#### 4.16 OTHER ASSETS

In December 2010, IHI acquired the 'Corinthia' brand from Corinthia Palace Hotel Company Limited. The transaction provides for a two tier settlement whereby: (i) IHI initially paid the amount of €19.6 million for the existing room stock operated under the Corinthia brand; and (ii) IHI will also pay a pre-agreed price to Corinthia Palace Hotel Company Limited every time a Corinthia hotel opens for business until 2020. The amount of €19.6 million is recognised as an intangible asset in the balance sheet of IHI.

IHI has a 55% equity participation in Libya Hotel Development and Investment JSC, a company that acquired a derelict building formerly known as the El-Jazeera Hotel and adjoining site in Benghazi, Libya. Libya Hotel Development and Investment JSC is set to develop a mixed-use project consisting of a 228-room five-star hotel, 2,000m<sup>2</sup> of retail space and 10,000m<sup>2</sup> of office space. Whilst the necessary planning permits for the project were issued by the Benghazi planning authorities and demolition works commenced in January 2014, in consequence of the prevailing situation in Libya all works on this development have been put on hold, and current plans are due for reconsideration depending on future developments in Libya. It is anticipated that the funding required for the project, once resumed, will be sourced from a combination of equity injected by the shareholders and appropriate bank financing.

IHI owns 25% of the share capital of Medina Tower Joint Stock Company, a company set up for the purpose of owning and developing the Medina Tower, in Tripoli. IHI has to date injected €13 million in the company as its equity participation. The parcel of land, over which the project will be developed, measures *circa* 11,000m<sup>2</sup> and is situated in Tripoli's main high street. The architectural concept stems from a 4-storey podium that will include a mix of residential, retail, commercial and conference space. A curved tower rises from the 6<sup>th</sup> level and peaks at the 40<sup>th</sup> level. The development will comprise a total gross floor area of *circa* 199,000m<sup>2</sup>.

The project designs of the Medina Tower are complete and all development approvals have been obtained from the relevant authorities. As to the financing of the project, the equity contribution for the first phase of this project is already fully paid up and will comprise 40% of the capital requirement for the said project. With regards to the remaining 60% of funding, MTJSC has in hand an approved and signed sanction letter from a Libyan financial institution. However, since the sanction letter was issued in 2014, it is expected that on resumption of works, the Libyan financial institution would request a revision of terms and conditions included in the said sanction letter. The project was put on hold in 2014 following the conflict in Libya and the prevailing political uncertainty.

IHI owns 100% of QPM Limited, a company which specialises in construction and the provision of project management services, both locally and overseas. QPM Limited operates independently of, and at arm's length to, IHI and offers a range of project, construction and cost management services and design and architectural services to a number of international clients in various countries. In August 2012 the offices of David Xuereb and Associates and QPM Limited merged to provide a more comprehensive list of professional services within the construction industry, including project and construction management and architectural services. Whilst continuing to provide services to the Corinthia Group, QPM Limited is increasing its third party client base. In FY2015, the majority of QPM Limited's income was derived from third party clients' engagements.

As part of the IHGH acquisition, IHI took ownership of a plot of land at Hal Ferh measuring 83,530m<sup>2</sup>, 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.

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## 5. BUSINESS DEVELOPMENT STRATEGY

The Group's business strategy focuses on achieving positive and sustainable financial results, and appreciation in the value of the Group's properties and investments. In the execution of the Group's strategy, management aims to provide a high quality service at each hotel and treat customers to a unique hospitality experience. Through the provision of better quality offerings the brand value is further enhanced, and occupancy levels and average room rates are improved. Moreover, such strategy enables the Group to target higher-yielding customers, in particular, from the leisure and conference/event segments.

Electronic booking portals have gained significant importance in generating room reservations. In this respect, the Group is continuously optimising its website 'Corinthia.com', further developing its online reservation system and investing in online marketing.

From a cost perspective, improved results are being achieved through the implementation of cost-control and energy-efficient measures at Group hotels, particularly since the acquisition of the IHGH Group and the merger of the two businesses. These are predominantly evident in the procurement of goods through the increased purchasing power of the hotel properties in Malta and the consolidation and rationalisation of members sitting on the board of directors and other administrative costs across the IHGH Group.

The Group's strategy focuses on the operation of hotels that are principally in the five star category and ongoing investment in their upkeep is given due importance in order to preserve their attractiveness and incremental value.

In addition to the aforementioned strategy for internal growth, the Group aims to grow its business externally by further expanding the portfolio of hotels and mixed-use properties and venturing into other businesses through:

### *Acquisitions, joint ventures and developments*

Management remains active in growing the Group's portfolio of hotels and mixed-use properties by acquisition, particularly if these entail a potential for capital appreciation. In 2015, the Group acquired IHGH which, *inter alia*, will enable the Group to redevelop the three hotels located near St George's Bay, St Julian's, Malta into a mixed-use luxury development. This recent acquisition will also allow the Group to diversify its revenue streams through the expansion of Costa Coffee outlets principally in Spain. Furthermore, other mixed-use properties described elsewhere in this report are earmarked for development in the coming years, which are expected to generate positive returns for the Group. Furthermore, management remains active in the pursuit of new investment opportunities. In particular, if available at attractive prices and subject to funding, the Group is principally interested in acquiring hotels in its target markets, including key European cities.

### *Management contracts*

The Group is intent to expand its portfolio of hotels by entering into agreements to manage hotels for third party owners. Management believes that the strength of the Corinthia brand, its reservation system and online presence, and the quality of its existing operations, place it in a good position to establish such relationships, which are expected to gather momentum in the short to medium term, principally through the exposure that the Corinthia Hotel & Residences London gave to the international market.

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## PART 3 – PERFORMANCE REVIEW

The financial information provided hereunder is extracted from the audited consolidated financial statements of IHI for each of the years ended 31 December 2013 to 31 December 2015.

The audit report contained in the audited consolidated financial statements for the year ended 31 December 2015 includes an emphasis of matter relating to the significant political and economic uncertainties prevailing in Libya and their impact on the Group's results for 2015. An overview of operations situated in Libya and related financial performance is provided in this report in sections 4.6 "Corinthia Hotel Tripoli" and 4.16 "Other Assets".

Note 5 to the 2015 financial statements further explains the significant uncertainties and judgments surrounding the valuation of the Group's assets in Libya that have also a bearing on the projected cash flows from the relative operations, and which are in turn influenced by the timing of a recovery in the country. Different plausible scenarios may impact the financial performance of the Libya operations and the valuation of related assets in a significant matter. This matter is considered to be of fundamental importance to stakeholders because of the potential impact that this uncertainty may have on the valuation of the Group's assets in Libya, which at 31 December 2015 were carried at €194.8 million.

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 IHI 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. With specific reference to IHI's operation in Libya, assessment of future performance is more difficult to forecast due to the ongoing political instability and the ensuing economic situation in the country. In view of this state of affairs, the actual results from the operation in Libya may vary significantly from projections.**



<b>IHI Group Income Statement (€'000)</b>	<b>FY2013 Actual</b>	<b>FY2014 Actual</b>	<b>FY2015 Actual</b>	<b>FY2016 Forecast</b>	<b>FY2017 Budget</b>
Revenue	123,734	116,379	134,074	153,851	169,085
Direct costs	(64,152)	(61,147)	(70,326)	(75,083)	(79,684)
<b>Gross profit</b>	<b>59,582</b>	<b>55,232</b>	<b>63,748</b>	<b>78,768</b>	<b>89,401</b>
Other operating costs	(24,601)	(26,382)	(31,631)	(41,635)	(44,775)
<b>EBITDA<sup>1</sup></b>	<b>34,981</b>	<b>28,850</b>	<b>32,117</b>	<b>37,133</b>	<b>44,626</b>
Depreciation and amortisation	(23,763)	(18,390)	(20,093)	(21,670)	(22,174)
Movement in fair value of investment property	571	(15,391)	193	-	-
Net impairment of hotel properties	5,000	2,081	11,639	-	-
<b>Results from operating activities</b>	<b>16,789</b>	<b>(2,850)</b>	<b>23,856</b>	<b>15,463</b>	<b>22,452</b>
Share of (loss) profit: equity accounted investments	(5,788)	(14,537)	(2,557)	3,988	5,141
Net finance costs	(15,940)	(13,035)	(22,199)	(11,249)	(16,724)
Net fair value loss on interest rate swaps	1,789	1,466	-	-	-
Movement in fair value of indemnification assets	(883)	(879)	551	(210)	(210)
<b>Profit (loss) before tax</b>	<b>(4,033)</b>	<b>(29,835)</b>	<b>(349)</b>	<b>7,992</b>	<b>10,659</b>
Taxation	4,299	13,549	(3,398)	(5,849)	(4,804)
<b>Profit (loss) for the year</b>	<b>266</b>	<b>(16,286)</b>	<b>(3,747)</b>	<b>2,143</b>	<b>5,855</b>
<b>Other comprehensive income</b>					
Net impairment of hotel properties	(8,200)	(28,953)	21,105	-	-
Share of other comprehensive income of equity accounted investments	41,616	18,380	9,674	-	-
Other effects and tax	(7,447)	11,170	(15,883)	-	-
	25,969	597	14,896	-	-
<b>Total comprehensive income (expense) for the year net of tax</b>	<b>26,235</b>	<b>(15,689)</b>	<b>11,149</b>	<b>2,143</b>	<b>5,855</b>

<sup>1</sup>EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

<b>IHI Group Balance Sheet (€'000)</b>	<b>31 Dec'13 Actual</b>	<b>31 Dec'14 Actual</b>	<b>31 Dec'15 Actual</b>	<b>31 Dec'16 Forecast</b>	<b>31 Dec'17 Budget</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	44,856	43,556	55,989	54,951	52,566
Indemnification assets	22,566	21,687	22,238	22,028	21,818
Investment property	191,964	176,675	166,274	174,290	174,290
Property, plant and equipment	534,558	494,971	572,103	570,955	562,864
Investments in associates	201,689	213,241	267,045	245,532	246,580
Loan receivable	44,332	3,208	3,728	4,629	4,585
Assets placed under trust management	2,303	7,967	3,870	1,073	2,145
	<b>1,042,268</b>	<b>961,305</b>	<b>1,091,247</b>	<b>1,073,458</b>	<b>1,064,848</b>
<b>Current assets</b>					
Inventories	5,454	5,307	6,280	6,104	6,538
Loan receivable	-	-	7,325	10,000	-
Trade and other receivables	31,819	23,309	33,032	38,354	37,906
Taxation	2,883	2,639	2,896	3,821	21
Cash and cash equivalents	10,248	19,480	18,863	24,640	46,853
	<b>50,404</b>	<b>50,735</b>	<b>68,396</b>	<b>82,919</b>	<b>91,318</b>
<b>Total assets</b>	<b>1,092,672</b>	<b>1,012,040</b>	<b>1,159,643</b>	<b>1,156,377</b>	<b>1,156,166</b>
<b>EQUITY</b>					
<b>Capital and reserves</b>					
Called up share capital	554,238	554,239	573,636	597,751	597,751
Reserves and other equity components	88,701	88,886	86,719	61,235	61,235
Retained earnings	(16,448)	(48,941)	(52,665)	(50,522)	(44,667)
Minority interest	-	630	598	598	598
	<b>626,491</b>	<b>594,814</b>	<b>608,288</b>	<b>609,062</b>	<b>614,917</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings and bonds	292,729	271,464	342,616	375,233	347,852
Other non-current liabilities	97,332	82,938	108,740	107,329	109,008
	<b>390,061</b>	<b>354,402</b>	<b>451,356</b>	<b>482,562</b>	<b>456,860</b>
<b>Current liabilities</b>					
Borrowings and bonds	27,725	27,787	25,784	18,379	37,288
Other current liabilities	48,395	35,037	74,215	46,374	47,101
	<b>76,120</b>	<b>62,824</b>	<b>99,999</b>	<b>64,753</b>	<b>84,389</b>
	<b>466,181</b>	<b>417,226</b>	<b>551,355</b>	<b>547,315</b>	<b>541,249</b>
<b>Total equity and liabilities</b>	<b>1,092,672</b>	<b>1,012,040</b>	<b>1,159,643</b>	<b>1,156,377</b>	<b>1,156,166</b>

<b>IHI Group Cash Flow Statement (€'000)</b>	<b>FY2013 Actual</b>	<b>FY2014 Actual</b>	<b>FY2015 Actual</b>	<b>FY2016 Forecast</b>	<b>FY2017 Budget</b>
Net cash from operating activities	42,078	29,986	29,502	33,767	46,118
Net cash from investing activities	(4,287)	(4,160)	(28,555)	(29,761)	(7,565)
Net cash from financing activities	(43,666)	(13,467)	(7,133)	6,505	(17,316)
<b>Net movement in cash and cash equivalents</b>	<b>(5,875)</b>	<b>12,359</b>	<b>(6,186)</b>	<b>10,511</b>	<b>21,237</b>
Cash and cash equivalents at beginning of year	11,363	5,491	17,850	11,664	22,175
<b>Cash and cash equivalents at end of year</b>	<b>5,488</b>	<b>17,850</b>	<b>11,664</b>	<b>22,175</b>	<b>43,412</b>

<b>Key Accounting Ratios</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Gross profit margin (Gross profit/revenue)	48%	47%	48%	51%	53%
Operating profit margin (EBITDA/revenue)	28%	25%	24%	24%	26%
Interest cover (times) (EBITDA/net finance cost)	2.19	2.21	1.45	3.30	2.67
Net profit margin (Profit after tax/revenue)	0%	-14%	-3%	1%	3%
Earnings per share (€) (Profit after tax/number of shares)	0.00	-0.03	-0.01	0.00	0.01
Return on equity (Profit after tax/shareholders' equity)	0%	-3%	-1%	0%	1%
Return on capital employed (EBITDA/total assets less current liabilities)	3%	3%	3%	3%	4%
Return on assets (Profit after tax/total assets)	0%	-2%	0%	0%	1%

Source: Charts Investment Management Service Limited

IHI's revenue for **FY2013** amounted to €123.7 million, reflecting an improvement of €5.2 million (+4%) on turnover registered in FY2012. This increase in revenue was mainly due to better results at properties in Tripoli (+19% y-o-y), Lisbon (+10% y-o-y) and St Petersburg (+8% y-o-y). In contrast, Corinthia Hotel Prague experienced a decline of 14% in revenue as a result of a lower occupancy level (-10%) and achieved average room rate (-4%) primarily in consequence of a 33% contraction in the conference & events business. The drop in turnover at Corinthia Hotel Prague was however mitigated by substantial cost savings at operational level. The other hotels recorded modest gains when compared to prior year. Overall, in FY2013 there was a significant increase in EBITDA of €7.3 million (+26%) over the results achieved in FY2012.

In FY2013, the property valuation of the Corinthia Hotel Lisbon was revised upwards by €5 million in view of the improved outlook at the hotel. In addition, a net uplift of €571,000 in the fair value of investment properties was recorded in the year under review (commercial property St Petersburg: +€400,000; commercial property Tripoli: +€200,000; apartments in Lisbon: -€29,000).

"Share of results from equity accounted investments" represents IHI's 50% equity shareholding in Corinthia Hotel & Residences London. As highlighted in section 8.1.9 of this document, operating profit generated by the hotel in its second year of operation improved significantly to £14.0 million (equivalent to €18 million) (FY2012: £7.8 million, equivalent to €10 million). However, after accounting for depreciation, property charges and finance costs the hotel incurred a loss for the year, of which, IHI's 50% share of such loss amounted to €5.8 million.

Net finance costs for FY2013 were lower by €1.6 million compared to prior year, primarily reflecting (i) the continued reduction of IHI Group indebtedness through regular repayments of borrowings; and (ii) the recognition of fair value gains on interest rate swaps. Overall, IHI registered a profit for the year ended 31 December 2013 of €0.3 million (FY2012: net loss of €10.4 million).

In view of the prolonged instability in Libya and the political issues between Russia and Ukraine, revenue generated at Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg in **FY2014** was lower than the prior year by *circa* €16.1 million. Such reduction was however partly compensated by increased revenues at the other IHI properties and therefore the overall decrease in income for the said financial year was limited to €7.4 million (a reduction of 6%). This reduction in income inevitably impacted IHI's EBITDA, which decreased by 18% from €35.0 million in 2013 to €28.9 million in 2014. The depreciation charge for 2014 reduced by more than €5.4 million (from €23.8 million in 2013 to €18.4 million in 2014) as no provision was required on assets that were fully depreciated.

In April 2014, 11 apartments in Whitehall Place London forming part of the Corinthia Hotel & Residences London, of which IHI holds a 50% stake, were sold to third parties. The penthouse apartment was retained and will be sold when the right opportunity arises. Except for one-off property costs resulting from the aforesaid sale of the apartments, the disposal had no effect on IHI's financial statements since the apartments were already valued at their market price in 2013. A loss was registered from equity accounted investments (London Hotel and Residences) for 2014 of €14.6 million, in consequence of building taxes, depreciation, interest and the one-time selling costs of the 11 apartments as the hotel performance registered a marginal improvement in performance in 2014 over 2013.

Finance costs in FY2014 were lower by approximately €2.9 million (from €15.9 million in 2013 to €13.0 million in 2014) as a result of reduced EURIBOR<sup>1</sup> rates in 2014 coupled with the further reduction of IHI's debt in consequence of scheduled repayments of bank loans. After accounting for movements in fair value of properties described hereunder, IHI recorded a loss for the year ended 31 December 2014 of €16.3 million (2013: Profit of €0.3 million).

**Analysis of Movements in Property Values  
for the year ended 31 December 2014  
(€'000)**

	<b>Income Statement</b>	<b>Other Comprehensive Income</b>	<b>Total</b>
Corinthia Hotel Lisbon	1,240	13,728	<b>14,968</b>
Lisbon Apartments	(156)	-	<b>(156)</b>
Corinthia Hotel Budapest	10,357	-	<b>10,357</b>
Marina Hotel	1,766	-	<b>1,766</b>
Corinthia Hotel Tripoli	(8,038)	(26,814)	<b>(34,852)</b>
Tripoli Commercial Centre	(5,659)	-	<b>(5,659)</b>
Corinthia Hotel St Petersburg	(3,243)	(15,867)	<b>(19,110)</b>
St Petersburg Commercial Centre	(9,577)	-	<b>(9,577)</b>
Corinthia Hotel & Residences London	-	17,933	<b>17,933</b>
<b>Net movement in property values</b>	<b>(13,310)</b>	<b>(11,020)</b>	<b>(24,330)</b>
<b>Classified in the financial statements as follows:</b>			
Movement in fair value of investment property	(15,391)	-	<b>(15,391)</b>
Net impairment reversal (loss) on hotel properties	2,081	(28,953)	<b>(26,872)</b>
Revaluation of hotel property (equity accounted investments)	-	17,933	<b>17,933</b>
<b>Net movement in property values</b>	<b>(13,310)</b>	<b>(11,020)</b>	<b>(24,330)</b>

<sup>1</sup>The Euro Interbank Offered Rate (EURIBOR) is a daily reference rate, published by the European Money Markets Institute, based on the average interest rates at which Eurozone banks offer to lend unsecured funds to other banks in the euro wholesale money market (or interbank market).

On a yearly basis, a value in use assessment is carried out on IHI's hotels and investment properties by independent advisors. This process involves the preparation of 10-year future cash flows prepared by an expert in the hospitality industry and financial modeling by an independent accountancy firm. In 2014, the aforesaid process was performed on all IHI properties other than the Corinthia Hotel Tripoli, due to the then current uncertain environment prevailing in Libya which presented significant difficulty for such advisors to determine a value in use of the property.

As such, a value in use on the Corinthia Hotel Tripoli was determined after the independent advisors presented several scenarios and parameters to the directors for their consideration. The directors resolved to adopt the more prudent basis of valuation by applying to the model higher country and other risk premia, and assumed a weaker outlook on future performance. In consequence, the value of the property was impaired by €34.9 million.

As denoted in the above table, IHI was negatively impacted in 2014 by a reduction of €69.2 million in the values of its properties in Tripoli and St Petersburg (hotels and commercial centres) in consequence of the force majeure situation prevailing in each of the said jurisdictions and the devaluation of the Russian Rouble. On the other hand, through the robust performance achieved by a number of IHI's European hotels, IHI registered an improvement of €44.9 million in the fair values of such properties, most notably of which is the uplift in the hotels situated in London (limited to 50% share), Lisbon and Budapest.

Overall, during the year under review, IHI reported a net impairment charge (before tax) in the fair value of its properties of €24.3 million (2013: +€36.8 million) which is reported as to €13.3 million in the Income Statement and €11.0 million in the Comprehensive Income Statement.

**FY2015** was mainly characterised by the acquisition of IHGH in August 2015. IHGH business relates to the ownership and operation of the Radisson Blu Resort St Julians, Island Caterers, Costa Coffee outlets in Malta and Spain, and the operation of a number of catering contracts. IHGH also owns an 83,530m<sup>2</sup> plot of land at Hal Ferh, Golden Sands. Furthermore, IHGH has a 50% shareholding in the Radisson Blu Resort & Spa Golden Sands which comprises the operation of a five-star hotel and a vacation ownership business. In view of the 50% ownership, the results of the Radisson Blu Resort & Spa Golden Sands are included in the income statement as share of profit from equity accounted investments (together with the Corinthia Hotel & Residences London).

IHI's revenue for FY2015 amounted to €134.1 million, an increase of €17.7 million from a year earlier. The increase in revenue is attributable to the increased revenues in IHI's European operations (€9.8 million) and the consolidation of the IHGH results for the second half of 2015 (€17.6 million). Against this, there was a combined reduction of €9.7 million from the Group's hotels located in St Petersburg and Tripoli.

EBITDA for 2015, excluding the consolidation of results of associate companies and in particular the London hotel results, amounted to €32.1 million compared to €28.8 million achieved in 2014. Here again, the increase in EBITDA is mainly attributable to the improved performance in all the Group's hotels excluding Tripoli and the consolidation of IHGH's results as from the second semester of 2015. Administrative costs for the year under review include a one-time abortive cost of €1.3 million, representing professional fees and expenses incurred in pursuing the launch of an international bond.

Share of results from equity accounted investments comprises the 50% ownership in the Corinthia Hotel & Residences London and the Radisson Blu Resort & Spa Golden Sands. The performance of the Corinthia Hotel & Residences London improved significantly in the year under review with record occupancies, rates and EBITDA earnings being achieved as this property moves towards its maturity. IHI's 50% share of the hotel's EBITDA in 2015 amounted to €8.2 million compared to €4.5 million in 2014. The residential penthouse at 10 Whitehall Place was leased for a term of two years commencing in early 2016. With respect to the Radisson Blu Resort & Spa Golden Sands, the hotel generated an EBITDA of €7.4 million in the period 1 July 2015 to 31 December 2015, out of which the Group's 50% share amounted to €3.7 million.

In 2015, the Group registered net property uplifts, before tax, of €42.6 million on account of the improved trading performance of the Group's hotels located in Europe. This contrasts sharply with the net impairment charge, before tax, of €24.4 million registered in 2014. As detailed below, these uplifts are reflected as to €11.8 million through the income statement (2014: impairment of €13.3 million) with the balance of €30.8 million being recognised through the comprehensive income statement (2014: impairment of €11.1 million).

**Analysis of Movements in Property Values  
for the year ended 31 December 2015  
(€'000)**

	Income Statement	Other Comprehensive Income	Total
Corinthia Hotel Lisbon	-	(1,669)	(1,669)
Lisbon Apartments	193	-	193
Corinthia Hotel St George's Bay	2,281	8,700	10,981
Corinthia Hotel Prague	10,103	992	11,095
Corinthia Hotel Budapest	3,309	6,516	9,825
Marina Hotel	-	6,566	6,566
Corinthia Hotel St Petersburg	(4,054)	-	(4,054)
St Petersburg Commercial Centre	-	-	-
Corinthia Hotel & Residences London	-	9,674	9,674
<b>Net movement in property values</b>	<b>11,832</b>	<b>30,779</b>	<b>42,611</b>

**Classified in the financial statements as follows:**

Movement in fair value of investment property	193	-	193
Net impairment reversal (loss) on hotel properties	11,639	21,105	32,744
Revaluation of hotel property (equity accounted investments)	-	9,674	9,674
<b>Net movement in property values</b>	<b>11,832</b>	<b>30,779</b>	<b>42,611</b>

Net finance costs in 2015 amounted to €22.2 million, an increase of €9.2 million when compared to 2014. A significant portion of this increase (€8.5 million) represents adverse exchange differences on bank borrowings in Euro on the property in St Petersburg in consequence of the adopting of the Rouble as the functional currency. After accounting for taxation and other items in the comprehensive income statement, IHI reported total comprehensive income for the year, net of tax, of €11.1 million (2014: comprehensive loss, net of tax, of €15.7 million).

Revenue for **FY2016** is projected to increase by €19.8 million from €134.1 million in FY2015 to €153.9 million, mainly due to the incorporation of a full year's results of IHGH. The Corinthia Hotel St Petersburg is anticipated to report a gradual recovery in revenue, and the majority of the other hotels are expected to register increases in income. Reflecting the improvement in revenue, EBITDA is expected to amount to €37.1 million in FY2016, an increase of €5.0 million when compared to a year earlier. Share of profit from equity accounted investments is forecasted at €4.0 million (FY2015: loss of €2.6 million) and primarily comprises share of results of the Corinthia Hotel London and the Radisson Blu Resort & Spa Golden Sands.

Revenue is projected to increase by €15.2 million (+10%) in **FY2017** to €169.1 million, as all hotels (including the Corinthia Hotel St Petersburg and Corinthia Hotel Tripoli) and the Costa Coffee operations are expected to register growth over the comparable period. EBITDA is expected to increase from €37.1 million in FY2016 to €44.6 million in FY2017 (+20%). Share of profit from equity accounted investments is forecasted to amount to €5.1 million in FY2017, an increase of €1.2 million over FY2016.

After taking into account finance costs and taxation, IHI is projecting a profit of €2.1 million and €5.9 million in FY2016 and FY2017 respectively (FY2015: loss of €3.7 million).

**The estimates for the forward years as presented in this document assume that the carrying values of hotel and investment properties will remain constant in FY2016 and FY2017, and therefore no adjustment has been made as to possible impairment or uplift of assets that may be booked and which may materially affect the consolidated income statement and balance sheet values.**

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

<b>IHI Group Borrowings (€'000)</b>	<b>31 Dec'13 Actual</b>	<b>31 Dec'14 Actual</b>	<b>31 Dec'15 Actual</b>	<b>31 Dec'16 Forecast</b>	<b>31 Dec'17 Budget</b>
<b>Bank borrowings</b>					
Bank loans	210,773	203,383	205,990	182,446	173,004
Bank overdrafts	4,760	1,630	7,199	2,465	3,441
	<b>215,533</b>	<b>205,013</b>	<b>213,189</b>	<b>184,911</b>	<b>176,445</b>
<b>Bonds</b>					
6.3% IHI Bonds 2013					
6.2% - 6.8% IHI Bonds 2013					
6.5% IHI Bonds 2012 - 2014	2,500				
6.25% IHI Bonds 2015 - 2019	34,678	34,762			
6.25% IHI Bonds 2017 - 2020	24,758	24,641	24,695		
5.8% IHI Bonds 2021	19,592	19,633	19,676	19,722	19,771
5.8% IHI Bonds 2023	9,865	9,876	9,887	9,899	9,911
5.75% IHI Bonds 2025			44,060	44,138	44,220
4% IHI Secured Bonds 2026				54,086	54,182
4% IHI Unsecured Bonds 2026				39,420	39,478
6.5% IHGH Bonds 2017 - 2019			14,000		
6% IHGH Bonds 2024			34,384	34,458	34,531
	<b>91,393</b>	<b>88,912</b>	<b>146,702</b>	<b>201,723</b>	<b>202,093</b>
<b>Other interest bearing borrowings</b>					
Parent company	13,236	5,092	3,091	-	-
Related companies	292	234	5,418	6,978	6,602
	13,528	5,326	8,509	6,978	6,602
<b>Total borrowings and bonds</b>	<b>320,454</b>	<b>299,251</b>	<b>368,400</b>	<b>393,612</b>	<b>385,140</b>

<b>Key Accounting Ratios</b>	<b>31 Dec'13</b>	<b>31 Dec'14</b>	<b>31 Dec'15</b>	<b>31 Dec'16</b>	<b>31 Dec'17</b>
Net assets per share (€) <i>(Net asset value/number of shares)</i>	1.13	1.07	1.06	1.02	1.03
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	0.66	0.81	0.68	1.28	1.08
Gearing ratio <i>(Total net debt/net debt and shareholders' equity)</i>	33%	32%	36%	38%	35%
Debt service cover ratio (times) <i>(EBITDA/net finance cost and loan capital repayment)</i>	0.73	0.86	1.08	1.07	1.71

Source: Charts Investment Management Service Limited

The debt service cover ratio measures a company's ability to service its current debts by comparing EBITDA to total debt service obligations. In FY2015, the Group registered a debt service cover ratio of 1.08 times (FY2014: 0.86), being marginally higher than the target ratio of 1.0. The improvement in ratio was principally due to an increase in EBITDA and lower loan capital repayments when compared to FY2014. On the other hand, net interest payable in FY2015 was higher by €9.2 million than that incurred in FY2014. The majority of this amount (€8.5 million) relates to adverse exchange differences on bank borrowings of Corinthia St Petersburg. The debt service cover ratio is expected to improve further in FY2017 as the Group is projecting y-o-y increases in EBITDA, lower net interest payments and a reduction in net loan capital repayment obligations.

#### *Sinking Fund*

In terms of the Prospectuses of each of the bonds detailed hereunder, the respective companies are required to build a sinking fund for each of the said bonds, the value of which will by the respective redemption date of each bond be equivalent to 50% of the outstanding value of the bonds. Below is a table outlining the balances held in the respective sinking funds as at the end of the financial years 31 December 2013 to 31 December 2017.

<b>Contributions to Sinking Fund (€'000)</b>	<b>31 Dec'13 Actual</b>	<b>31 Dec'14 Actual</b>	<b>31 Dec'15 Actual</b>	<b>31 Dec'16 Forecast</b>	<b>31 Dec'17 Budget</b>
€35 million 6.25% Bonds 2015 - 2019	2,265	4,632			
€25 million 6.25% Bonds 2017 - 2020	38	3,335	3,363		
€20 million 5.8% Bonds 2021				1,073	2,145
€14 million 6.50% IHGH Bonds 2017 - 2019			507		
	<b>2,303</b>	<b>7,967</b>	<b>3,870</b>	<b>1,073</b>	<b>2,145</b>

#### *Variance Analysis*

<b>IHI Group Income Statement (€'000)</b>	<b>FY2016 Forecast (updated)</b>	<b>FY2016 Forecast (Jun'16)</b>	<b>FY2016 Variance</b>	<b>FY2017 Budget (updated)</b>	<b>FY2017 Budget (Jun'16)</b>	<b>FY2017 Variance</b>
Revenue	153,851	163,317	(9,466)	169,085	181,761	(12,676)
Direct costs	(75,083)	(87,154)	12,071	(79,684)	(98,346)	18,662
<b>Gross profit</b>	<b>78,768</b>	<b>76,163</b>	<b>2,605</b>	<b>89,401</b>	<b>83,415</b>	<b>5,986</b>
Other operating costs	(41,635)	(36,370)	(5,265)	(44,775)	(37,557)	(7,218)
<b>EBITDA</b>	<b>37,133</b>	<b>39,793</b>	<b>(2,660)</b>	<b>44,626</b>	<b>45,858</b>	<b>(1,232)</b>
Depreciation and amortisation	(21,670)	(21,719)	49	(22,174)	(22,626)	452
Movement in fair value of investment property	-	-	-	-	-	-
Net impairment of hotel properties	-	-	-	-	-	-
<b>Results from operating activities</b>	<b>15,463</b>	<b>18,074</b>	<b>(2,611)</b>	<b>22,452</b>	<b>23,232</b>	<b>(780)</b>
Share of (loss) profit: equity accounted investments	3,988	4,962	(974)	5,141	5,662	(521)
Net finance costs	(11,249)	(17,051)	5,802	(16,724)	(17,121)	397
Net fair value loss on interest rate swaps	-	-	-	-	-	-
Movement in fair value of indemnification assets	(210)	(210)	-	(210)	(210)	-
<b>Profit (loss) before tax</b>	<b>7,992</b>	<b>5,775</b>	<b>2,217</b>	<b>10,659</b>	<b>11,563</b>	<b>(904)</b>
Taxation	(5,849)	(3,323)	(2,526)	(4,804)	(4,567)	(237)
<b>Profit (loss) for the year</b>	<b>2,143</b>	<b>2,452</b>	<b>(309)</b>	<b>5,855</b>	<b>6,996</b>	<b>(1,141)</b>



As presented in the above table, forecasted revenue for **FY2016** has been lowered by €9.5 million when compared to the FY2016 forecast (Jun'16), principally on account of the Costa Coffee operation in Spain which has been performing below management's expectations (as explained in more detail in section 4.15 of this report). In addition, projected revenue from a number of hotels has been revised downwards from the June'16 projections, including the Corinthia Hotel Budapest, Corinthia Hotel Prague, Corinthia Hotel Tripoli and Corinthia Hotel St George's Bay. As a consequence, projected results from operating activities have been lowered from €18.1 million to €15.5 million.

Net finance costs for FY2016 are projected to be lower than initially expected, mainly due to an unrealised exchange gain (on the strengthening of the Russian Rouble against the Euro) of €5.8 million on Euro denominated loans funding the Group's assets in St Petersburg. Overall, profit for FY2016 is projected at €2.1 million as compared to €2.5 million projected in the FY2016 forecast (Jun'16).

Projected revenue for **FY2017** has been lowered from the FY2017 budget (Jun'16) by €12.7 million to €169.1 million, primarily due to the change in management's strategy in relation to the Costa Coffee operation in Spain. However, the said revision in revenue is not expected to adversely impact EBITDA to a significant extent, which is projected to be lower by €1.2 million from an initial projection of €45.9 million to €44.6 million. Profit for FY2017 has been reduced by €1.1 million from €7.0 million to €5.9 million.

#### **Related Party Listed Debt**

Corinthia Palace Hotel Company Limited ("CPHCL") is the parent company and owns 57.82% of the issued share capital of IHI. CPHCL, through its wholly owned subsidiary Corinthia Finance p.l.c., has the following outstanding debt securities listed on the Malta Stock Exchange:

Security ISIN	Amount Listed	Security Name	Currency
MT0000101239	6,514,700	6.25% Corinthia Finance plc 2016-19	EUR
MT0000101254	7,500,000	6% Corinthia Finance plc 2019-22	EUR
MT0000101262	40,000,000	4.25% Corinthia Finance plc 2026	EUR

*Source: Malta Stock Exchange*

CPHCL owns 50% of Mediterranean Investments Holding p.l.c. ("MIH"), a company principally involved in the Palm City Residences Project and the Medina Tower Project and which are both situated in Libya. MIH has the following outstanding debt securities listed on the Malta Stock Exchange:

Security ISIN	Amount Listed	Security Name	Currency
MT0000371238	28,519,400	7.15% MIH 2015-17	EUR
MT0000371246	4,351,100	7.15% MIH 2015-17	GBP
MT0000371253	7,120,300	7.15% MIH 2015-17	USD
MT0000371261	12,000,000	6% MIH 2021	EUR
MT0000371279	20,000,000	5.5% MIH 2020	EUR
n/a	11,000,000	6% Notes 2020 (unlisted)	EUR

*Source: Malta Stock Exchange*

## PART 4 - COMPARABLES

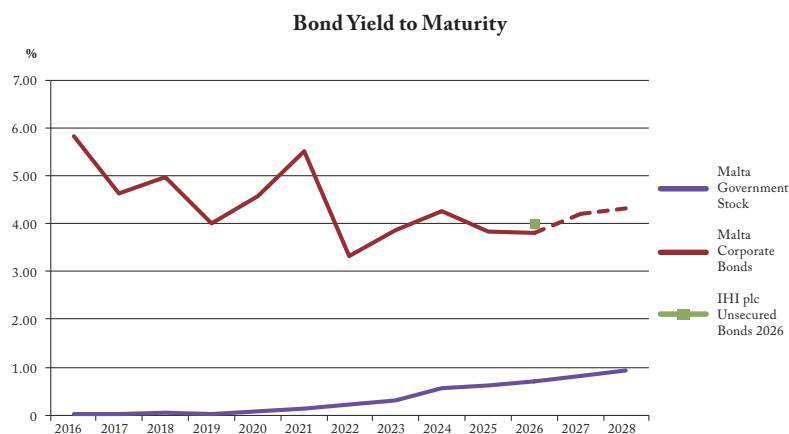
The table below compares the Group and the proposed bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Group and other issuers (including different industries, principal markets,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

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
6.6% Eden Finance plc 2017-2020	13,984,000	5.72	3.10	145,427	76,648	38.42
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.33	n/a	58,098	11,734	61.87
4.25% Gap Group plc Secured € 2023	40,000,000	4.25	n/a	61,002	7,541	81.51
6% AX Investments Plc € 2024	40,000,000	3.69	2.88	206,038	111,482	36.65
6% Island Hotels Group Holdings plc € 2024	35,000,000	4.68	0.58	145,140	54,053	53.19
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	4.62	3.49	67,669	25,823	57.66
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	4.25	0.05	81,842	31,150	55.46
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	4.65	2.32	70,543	6,592	86.78
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.83	1.50	90,867	26,315	71.30
4.0% MIDI plc Secured € 2026	50,000,000	3.54	2.64	187,462	71,248	37.55
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.75	7.93	185,070	43,401	57.85
<b>4.0% International Hotel Invest. plc Unsecured € 2026</b>	<b>40,000,000</b>	<b>4.00</b>	<b>1.45</b>	<b>1,159,643</b>	<b>608,288</b>	<b>36.49</b>

25 October 2016

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

Note: The financial information relating to Premier Capital plc has been extracted from the forecast for the year ending 31 December 2016



25 October 2016

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 AND REFERENCES

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including room reservations, food & beverage, rental of commercial space, management of hotel properties and other hotel 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.
Operating costs	Operating costs include all operating expenses other than direct costs and include selling & marketing and general & administration expenses.
Gross operating profit before incentive fees	Gross operating profit before incentive fees is the difference 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.
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	IHI 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 IHI's share of profit is shown in the profit and loss account under the heading 'share of profit from equity accounted investments'.
Fair value on interest rate swaps	An interest rate swap is a derivative instrument in which IHI swaps with another counter party flexible interest rate cash flows with fixed interest rate cash flows or vice versa. The fair value is an accounting adjustment to change the book value of the derivative to its estimated market value.
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.
<b>Key Performance Indicators</b>	
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.
<b>Profitability Ratios</b>	
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.
<b>Efficiency Ratios</b>	
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.
<b>Equity Ratios</b>	
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.
<b>Cash Flow Statement</b>	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities (room revenue, food & beverage, rental income, hotel services, 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.
<b>Balance Sheet</b>	
Non-current assets	Non-current assets 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 (goodwill on acquisition, the Corinthia brand, website development costs, etc), investment properties (commercial centres in St Petersburg and Tripoli, apartments in Lisbon, etc), property, plant & equipment (hotel properties), and investments accounted for using the equity method (investment in Corinthia Hotel London, Medina Tower, etc).
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.
<b>Financial Strength Ratios</b>	
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.

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