
Financial Analysis Summary

31 May 2016

Issuer

**Mediterranean Investments Holding
p.l.c.**

The Directors
Mediterranean Investments Holding p.l.c.
22, Europa Centre
Floriana FRN 1400
Malta

31 May 2016

Dear Sirs

Financial Analysis Summary

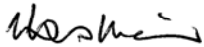
In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Mediterranean Investments Holding p.l.c. (the “**Issuer**” 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 on its financial position is based on the explanations provided by management.
- (d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 5 of the Analysis.
- (e) Relevant financial data in respect of the companies included in Part 4 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of the 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

Mediterranean Investments Holding p.l.c. (the “**Issuer**” or “**MIH**”) is principally engaged in the acquisition and development of immovable property in North Africa, including without limitation, residential gated villages, build-operate-transfer and governmental projects, office and commercial buildings, retail outlets, shopping malls, housing and conference centres.

As at the date of this report, MIH operates the Palm City Residences in Janzour, Libya through a build-operate-transfer agreement entered into with CPHCL for a period of 65 years as from commencement of operations; owns 25% of the share capital of MTJSC, the company incorporated to construct the Medina Tower; and has a build-operate-transfer agreement covering a period of 80 years in relation to the Palm Waterfront.

2. DIRECTORS

MIH is managed by a Board consisting of seven directors entrusted with its overall direction and management, and is mandated to identify and execute new investment opportunities and obtain funding thereof.

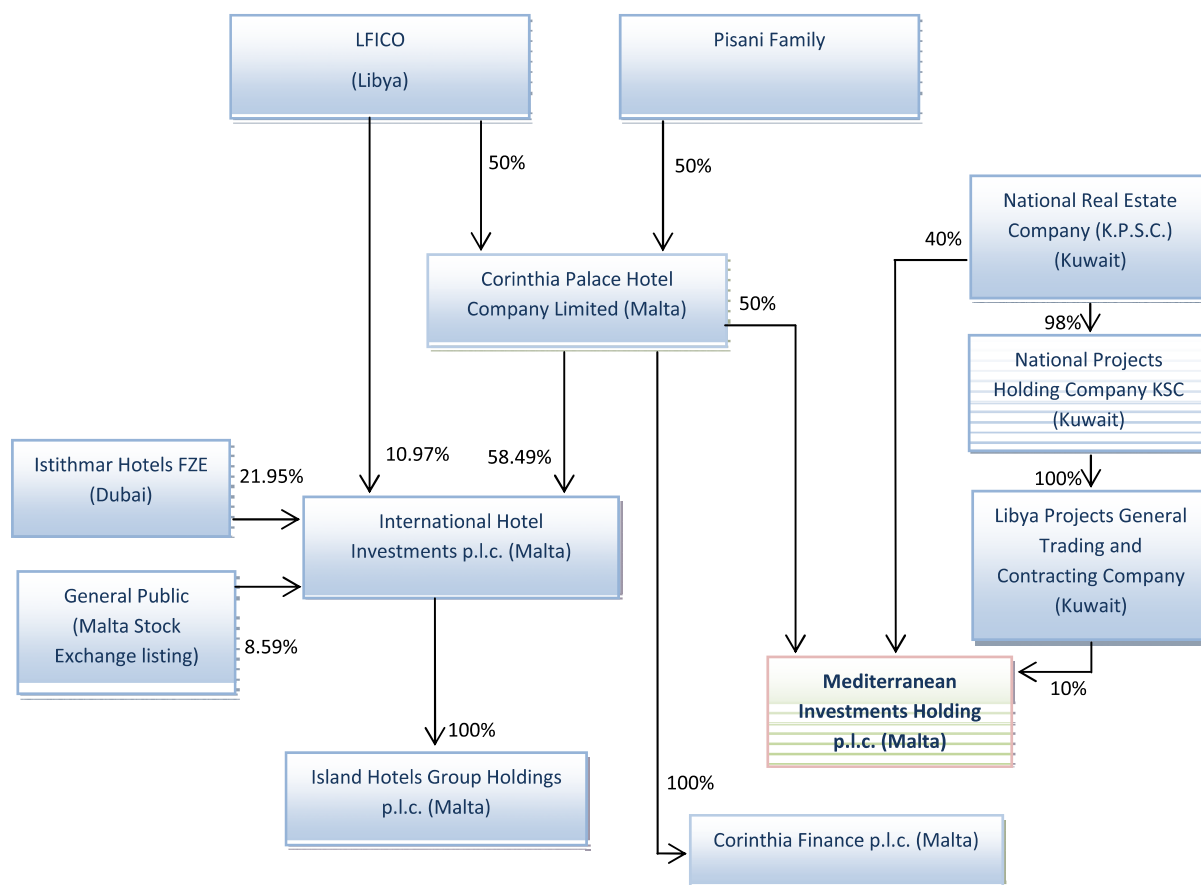
The Board members of MIH as at the date of this report are as follows:

Board of Directors

Alfred Pisani	Executive Director and Chairman
Samuel Dean Sidiqi	Non-Executive Director and Vice Chairman
Joseph Fenech	Executive Director
Faisal J.S. Alessa	Non-Executive Director
Khadija Oubala	Non-Executive Director
Mario P. Galea	Non-Executive Director
Joseph M. Pisani	Non-Executive Director

3. ORGANISATIONAL STRUCTURE

The diagram below summaries the structure of the Corinthia Group relating to its public companies and the position within the said group of MIH. The complete list of companies forming part of MIH is included in the consolidated audited financial statements of MIH for the year ended 31 December 2015.



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

MEDITERRANEAN INVESTMENTS HOLDING PLC PRINCIPAL ASSETS AND OPERATIONS AS AT 31 MAY 2016			
Name	Location	Description	% ownership
Palm City Residences	Libya	Gated residence complex	100
Medina Tower	Libya	Mixed-use property (to be developed)	25

PART 2 – OPERATIONAL DEVELOPMENT

4. PALM CITY RESIDENCES

Palm City Limited (“PCL”) is a wholly owned subsidiary of MIH and was set up to develop and operate the Palm City Residences, which is a 413-unit village that includes residences ranging from one-bedroom apartments to four-bedroom detached villas. The site, which is located in Janzour Libya, has a footprint measuring 171,000m² and a shorefront of *circa* 1.3km. The development occupies a built-up area measuring *circa* 100,000m² and is structured in a village-type environment, offering a host of amenities and leisure facilities that include a supermarket, a variety of retail shops, a laundry, health clinic, a clubhouse, swimming pools, tennis courts and a number of catering outlets and cafes.

Corinthia Palace Hotel Company Limited (“CPHCL”) holds legal title to the land on which the Palm City Residences is constructed by virtue of a 99 year lease agreement dated 5 July 2006. Pursuant to a Build-Operate-Transfer Agreement entered into by and between CPHCL and PCL, with effect from 6 July 2006 PCL was engaged by CPHCL to undertake the construction of the property in accordance with the specifications agreed upon between CPHCL and PCL. All costs and expenses related to the construction and development of the Palm City Residences were borne by PCL.

In consideration of the costs incurred by PCL for the development of the complex, it was agreed that PCL will operate the Palm City Residences for a specified period of 65 years as from completion of the development (till 2075). Throughout the said term, PCL is responsible to operate the Residences at its own risk and for its own benefit. Accordingly any losses incurred, any expenses charged (including maintenance of the site and buildings), or any profits made out of the operation of the gated village, are for the account and benefit of PCL. All revenues generated from the leasing of accommodation facilities are retained by PCL, enabling it to obtain compensation for the expenses incurred by it for the construction and development of the Palm City Residences and to make a reasonable return on its investment.

Upon expiry of this 65 year term, PCL is obliged to transfer the operation of the complex to CPHCL, and from that point in time the benefit of revenue generated and the risks associated with the running of the said complex shall be transferred to CPHCL.

MIH is in the process of registering a joint stock company in Libya, to be owned as to 90% of its share capital by PCL with CPHCL and National Real Estate Company (K.P.S.C.) holding the remaining 10% in equal proportions between them. Subject to approval by the Privatisation Investment Board, title to the land underlying the Palm City Residences will be transferred by CPHCL to such company. Upon such title transfer taking place, the Build-Operate-Transfer Agreement between PCL and CPHCL will be terminated, resulting in PCL no longer being bound to return the operation of the Palm City Residences to CPHCL upon the lapse of the said 65 year term.

The following table sets out a summary of the operating performance of the Palm City Residences for the years indicated therein:

Palm City Residences - Operating Performance (€'000)	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Projection	FY2017 Projection
Revenue					
Rental income - residential	29,194	27,493	9,622	2,670	3,456
Rental income - commercial	422	585	252	31	391
Food & beverage	449	314	41	42	60
Other income	679	1,631	1,356	9	15
Total revenue	30,744	30,023	11,271	2,752	3,922
Operating expenses	(5,468)	(7,886)	(3,587)	(2,751)	(3,987)
Operating Profit	25,276	22,137	7,684	1	(65)
Number of units	413	413	413	413	413
Occupancy level at year end	94%	66%	15%	11%	11%
RevPAU (revenue per unit per month)	€5,891	€5,613	€5,778	€5,848	€6,400

Source: Management information.

The financial year ended 31 December 2013 was a positive year for MIH as results surpassed those achieved in the prior year. Overall, Palm City Residences increased revenue by 14% from €27.1 million in FY2012 to €30.7 million in FY2013 and achieved an operating profit of €25.3 million (FY2012: €22.5 million). Although political instability and security uncertainty prevailed in the country, expats primarily involved in the oil & gas sector continued to trickle into Libya to re-establish oil production at pre-revolution levels. Palm City Residences reported an occupancy level as at 31 December 2013 of 94% compared to 91% a year earlier. Part of this achievement was due to the fact that a number of gated residences in the vicinity were closed for business. As a result, management was able to conclude longer term rentals at higher monthly rates.

The aforesaid positive trend continued during the first half of FY2014. However, thereafter, operating activity was adversely affected by the political conflict that developed in Libya. By year end, occupancy declined substantially as some of the leases that expired during the year were not renewed, and other clients applied the *force majeure* clause and cancelled their lease contracts. MIH however remained committed to its investment and retained sufficient human resources to keep the complex fully operational.

The instability in Libya significantly disrupted operations in FY2015 as the Residences recorded a very low average occupancy level of 34% for the year, which was down to 15% by the end of the said financial year. Management assumed that this situation will persist also in FY2016 and FY2017, and has therefore projected occupancy level at 11% in consequence of the non-contract renewal on expiry. As a result, revenue for FY2016 and FY2017 is being projected at €2.8 million and €3.9 million respectively, which should be sufficient to broadly cover operating expenses. Looking forward, management is confident that a fast-track recovery in occupancy levels and income can be achieved once the political instability in Libya is resolved.

5. PALM WATERFRONT

Palm Waterfront Ltd (“PWL”) is a wholly owned subsidiary of MIH and will be primarily engaged in the development and operation of the Palm Waterfront, located in Shuhada Sidi Abuljalil, Janzour, Libya adjacent to the Palm City Residences, pursuant to a Build-Operate-Transfer Agreement entered into with CPHCL in December 2013. The arrangement gives PWL the right to develop the Palm Waterfront site. Furthermore, PWL is entitled to manage and operate the Palm Waterfront, once completed, for a period of 80 years.

The site has a footprint of *circa* 50,000m² and the planned development shall include a 164 room 4-star hotel, 257 residential units for lease or sale, an entertainment centre comprising six cinemas and a bowling centre, retail outlets and restaurants, car park and a marina. Apart from the studio and two bedroom apartments, most of the residences at the Palm Waterfront will have spacious layouts. The average size of an apartment will be *circa* 250m² and the larger units are planned to measure approximately 450m² of indoor space together with large outdoor terraces.

In developing Palm Waterfront, MIH will be utilising its experience obtained in the construction of the Palm City Residences. The management team has also taken into consideration feedback received from tenants residing at Palm City Residences to optimise the design layout, services available and general ambience of the proposed project. Furthermore, the same architectural firm that was responsible for the Palm City Residences has been appointed to design Palm Waterfront. Detailed design drawings have been finalised and submitted to the planning authority in Tripoli for approval. It is the intention of PWL to offer the residential units, when complete, either on a lease basis or outright sale, but will react to market trends as necessary, and will therefore align its strategies and offerings in accordance with such trends and market developments.

With respect to the planned 164 room 4-star hotel, PWL will utilise CPHCL’s experience in operating hotels in Libya. The project will be initiated once PWL has raised the required funding, as to 40% equity and 60% debt, to complete the development phase, and has obtained the necessary planning approvals from the local authorities. This project has been temporarily placed on hold in view of the prevailing situation in Libya. The provision of funding will be considered as and when the project is re-activated.

6. MEDINA TOWER

MIH has a 25% shareholding in Medina Tower Joint Stock Company for Real Estate Investment and Development (“MTJSC”). This company was set up for the purpose of owning and developing the Medina Tower. The parcel of land, over which the project will be developed, measures *circa* 11,000m² 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 6th level and peaks at the 40th level. The development will comprise a total gross floor area of *circa* 199,000m².

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.

7. MARKET OVERVIEW

The continued 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.

Although an agreement was reached in December 2015 for the formation of a Government of National Accord (GNA) and notwithstanding the reported efforts of the UN Special Mission in Libya (UNSMIL), sustained levels of governance, stability and economic development cannot as yet be considered to have been achieved. Since the GNA has taken office in Tripoli, ministries have been taken over and government has started to function albeit to a limited extent as it is still awaiting official acceptance from the Tobruk parliament.

8. VALUATION OF MAJOR ASSETS

The table below highlights the major assets of MIH:

Valuation of Major Assets	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual €'000	Actual €'000	Actual €'000	Projection €'000	Projection €'000
Palm City Residences <i>(65-year Build-Operate-Transfer Agreement expiring 2071)</i>	310,676	250,000	250,043	250,056	250,056
Palm Waterfront <i>(80-year Build-Operate-Transfer Agreement expiring 2093)</i>	8,115	8,307	8,307	8,307	8,307
Medina Tower <i>(25% shareholding in MTJSC)</i>	12,696	12,701	14,314	14,281	14,281
	331,487	271,008	272,664	272,644	272,644

Source: Consolidated audited financial statements of MIH for the years ended 31 December 2013, 2014 and 2015; management information.

Palm City Residences as an investment property is subject to an annual fair value test in terms of international accounting standards. Due to the lack of comparable properties in the market, the determination of fair value could not be objectively established on the basis of current active market prices. Therefore, the fair value was determined on the basis of the discounted value of future cash flows expected from the operation of the property for the remaining period of 57 years. During FY2014, a valuation exercise was carried out by an independent professional valuer to help the directors determine the fair value of the investment property. The resultant value, based on the assessment of the directors, decreased by €60.9 million in FY2014 over FY2013 to €250 million as a consequence of a considerable increase in the country risk premium due to the uncertainty in Libya, and an increase in the property risk premium to reflect the risk associated with the quality of the rental cash flow streams.

The value of the Palm Waterfront is attributable to the cash consideration of €7 million paid to CPHCL in relation to the BOT agreement that will give PWL the right to eventually operate Palm Waterfront. The difference in value relates to preliminary expenses incurred by MIH on the project which were capitalised.

MIH acquired 25% shareholding in MTJSC in FY2010 for €3.9 million as an initial 30% contribution for its equity stake. A further investment of €9.1 million was injected in FY2012, representing the remaining 70% equity contribution (aggregate investment of €13 million). The net difference between the equity injection and the value on the balance sheet relates to the proportionate share of losses incurred in relation to expenses paid by the company together with exchange movements on the equity injection.

PART 3 – PERFORMANCE REVIEW

9. FINANCIAL INFORMATION RELATING TO MEDITERRANEAN INVESTMENTS HOLDING PLC

The following financial information is extracted from the audited consolidated financial statements of MIH for each of the years ended 31 December 2013 to 31 December 2015. The forecasted financial information for the years ending 31 December 2016 and 2017 has been provided by management of the Company. **The projected financial statements relate to events in the future and are based on assumptions which MIH believes to be reasonable. The assessment of future performance of MIH's operation in Libya is difficult to forecast due to the ongoing economic instability and lack of clarity on the political situation in the country. In view of this state of affairs, the actual results from the operation in Libya may vary significantly from projections.**

MIH Group Income Statement (€'000)	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Projection	FY2017 Projection
Revenue	30,875	30,091	11,340	2,827	4,002
Operating expenses	(7,730)	(8,142)	(4,717)	(3,549)	(4,321)
EBITDA	23,145	21,949	6,623	(722)	(319)
Depreciation and amortisation	(260)	(191)	(142)	(122)	(197)
Results from operating activities	22,885	21,758	6,481	(844)	(516)
Share of profit (loss) from equity accounted investments	47	5	-	-	-
Increase (decrease) in fair value of investment property	-	(60,867)	-	-	-
Net finance costs	(6,798)	(8,969)	(7,569)	(5,313)	(6,619)
Net fair value gain (loss) on interest rate swaps	249	85	244	390	-
Profit (loss) before tax	16,383	(47,988)	(844)	(5,767)	(7,135)
Taxation	(2,590)	19,896	461	-	317
Profit (loss) after tax	13,793	(28,092)	(383)	(5,767)	(6,818)
Other comprehensive income/(loss)	(47)	-	831	-	-
Total comprehensive income/(loss) for the year	13,746	(28,092)	448	(5,767)	(6,818)

MIH Group Cash Flow Statement (€'000)	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Projection	FY2017 Projection
Net cash from operating activities	22,426	20,761	5,287	(1,873)	(1,437)
Net cash from investing activities	(9,942)	(437)	(217)	539	361
Net cash from financing activities	(15,111)	(20,348)	(9,912)	(3,906)	1,278
Net movement in cash and cash equivalents	(2,627)	(24)	(4,842)	(5,240)	202
Cash and cash equivalents at beginning of year	12,815	10,289	10,277	5,435	195
Effect of foreign exchange rate changes	101	12	-	-	-
Cash and cash equivalents at end of year	10,289	10,277	5,435	195	397

MIH Group Balance Sheet (€'000)	31 Dec'13 Actual	31 Dec'14 Actual	31 Dec'15 Actual	31 Dec'16 Projection	31 Dec'17 Projection
Assets					
<i>Non-current</i>					
Intangible assets	2	2	2	2	2
Property, plant and equipment	8,581	8,751	8,649	8,606	8,611
Investment property	310,676	250,000	250,043	250,056	250,056
Investments accounted for using the equity method	12,696	12,701	14,314	14,281	14,281
Financial assets	-	-	-	-	-
Lease prepayment	430	423	415	407	400
	<u>332,385</u>	<u>271,877</u>	<u>273,423</u>	<u>273,352</u>	<u>273,350</u>
<i>Current</i>					
Inventories	395	647	446	519	535
Trade and other receivables	7,529	7,392	4,175	4,687	4,666
Taxation	299	611	312	-	-
Cash and cash equivalents	10,299	10,286	5,460	195	397
	<u>18,522</u>	<u>18,936</u>	<u>10,393</u>	<u>5,401</u>	<u>5,598</u>
Total assets	350,907	290,813	283,816	278,753	278,948
Equity and liabilities					
Equity					
Called up share capital	48,002	48,002	48,002	48,002	48,002
Other equity components	-	-	831	-	-
Retained earnings	118,138	90,046	89,663	85,100	78,282
	<u>166,140</u>	<u>138,048</u>	<u>138,496</u>	<u>133,102</u>	<u>126,284</u>
Liabilities					
<i>Non-current</i>					
Borrowings and bonds	93,536	76,137	99,099	61,790	107,556
Other non-current liabilities	51,499	30,128	29,632	29,177	28,883
	<u>145,035</u>	<u>106,265</u>	<u>128,731</u>	<u>90,967</u>	<u>136,439</u>
<i>Current</i>					
Borrowings and bonds	23,494	29,558	3,212	42,680	4,069
Other current liabilities	16,238	16,942	13,377	12,004	12,156
	<u>39,732</u>	<u>46,500</u>	<u>16,589</u>	<u>54,684</u>	<u>16,225</u>
	<u>184,767</u>	<u>152,765</u>	<u>145,320</u>	<u>145,651</u>	<u>152,664</u>
Total equity and liabilities	350,907	290,813	283,816	278,753	278,948

Key Accounting Ratios	FY2013	FY2014	FY2015	FY2016	FY2017
Operating profit margin (EBITDA/revenue)	75%	73%	58%	-26%	-8%
Interest cover (times) (EBITDA/net finance cost)	3.40	2.45	0.88	-0.14	-0.05
Net profit margin (Profit after tax/revenue)	45%	-93%	-3%	-204%	-170%
Earnings per share (€) ¹ (Profit after tax/number of shares)	0.29	-0.59	-0.01	-0.12	-0.14
Return on equity (Profit after tax/shareholders' equity)	8%	-20%	0%	-4%	-5%
Return on capital employed (Operating profit/total assets less current liabilities)	7%	9%	2%	0%	0%
Return on assets (Profit after tax/total assets)	4%	-10%	0%	-2%	-2%

¹ Earnings per share calculation set out above has been based on the current number of shares in issue of the Company of 48,002,000 shares of €1 each.
Source: Charts Investment Management Service Limited

In **FY2013**, the Group generated total revenue of €30.9 million, which is 13% higher when compared to the previous year. This increase was achieved as more units at the Palm City Residences were leased to third parties, resulting in an occupancy rate of 94% by year's end. PCL converted a number of short term leases to longer term contracts, thus providing increased stability in tenancy and revenue generation. During the year under review the Group increased its EBITDA by €2.6 million over the previous year, to €23.1 million and registered an EBITDA margin of 75% (FY2012: 75%). Profit before tax achieved in FY2013 amounted to €16.4 million which, excluding the effect of the uplift in valuation of the Palm City Residences (explained in further detail below), is €5 million (+44%) more than FY2012 profit before tax.

On 5 December 2013, MIH entered into a build-operate-transfer agreement with CPHCL for an aggregate value of €7 million to construct and operate the Palm Waterfront.

In addition, due to the Group's continued positive financial performance in FY2013, MIH reduced further its outstanding bank borrowings by €8 million, from €48.9 million in FY2012 to €40.9 million in FY2013.

FY2014 was a year of mixed fortunes, with the first half proving to be a record performing period for MIH through its operations of Palm City Residences, whilst the second half of the year was overshadowed by the political conflict that developed in Libya.

During the first six months of the year under review, MIH's revenues were €16.3 million, which when compared to the corresponding period the year before, represents a 4% increase. What is equally noteworthy is the conversion of revenue to EBITDA which was maintained at 74%, signifying a strong performance and a sound ability to retain low costs of operation.

The performance, both in terms of revenue generation and EBITDA, started to deteriorate towards the latter part of FY2014 following the political unrest that unravelled in July 2014. Occupancy levels at Palm City Residences reduced to 66% by year's end from 95% in July. Although most of the tenants had evacuated their staff, paying occupancy remained fairly strong, signifying a commitment by tenants to return to the complex in the short to medium term. Management once again demonstrated its abilities to operate under strenuous conditions by continuing to offer its services to its existing clientele whilst also taking bold decisions to cut down on operating costs. As occupancy levels started to decline, management implemented a number of cost cutting measures primarily by reducing personnel headcount. Furthermore, negotiations were underway to restructure the existing bank loan facility.

In view of the decline in the operational performance at Palm City Residences, its fair value was reduced by €60.9 million. Excluding this movement, MIH registered a profit before tax in FY2014 of €12.9 million (FY2013: €16.4 million).

A number of factors, not least the continued political instability in Libya throughout **FY2015** as well as the fall in the price of oil, instigated foreign companies operating in Libya to reduce further their presence in the country. As expected, the reduction of foreign personnel in Libya had a significant adverse impact on the financial performance of Palm City Residences. Notwithstanding the above setbacks, management's efforts in aggressively pursuing all possible leasing opportunities and the strict control of operational costs, yielded enough revenue to register a positive result from operating activities. During the year under review, MIH generated revenue of €11.3 million (FY2014: €30.1 million) and reported EBITDA of €6.6 million (FY2014: €21.9 million). Total comprehensive income for FY2015 amounted to €0.4 million compared to a comprehensive loss of €28.1 million in FY2014.

The projections for **FY2016** and **FY2017** assume that the instability in Libya will persist in the said financial years. Management believes that in order to maintain the existing revenue streams, as well as in preparation for returning tenants in future, it is imperative that Palm City Residences continues to operate uninterrupted despite the huge challenges being faced. In order to safeguard the well-being of its personnel as well as that of its tenants, management has implemented a number of security and contingency plans which include infrastructural improvements and security breach counter-measures. In FY2016 and FY2017, MIH is projecting to generate revenue of €2.8 million and €4.0 million respectively and expects to incur a loss for the year of €5.8 million and €6.8 million respectively.

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

MIH Group Borrowings (€'000)	31 Dec'13 Actual	31 Dec'14 Actual	31 Dec'15 Actual	31 Dec'16 Projection	31 Dec'17 Projection
Bank borrowings	40,945	33,475	16,645	13,400	10,720
Bonds					
7.5% Bonds 2012 - 2014	14,758				
7.5% Bonds 2015	19,650	19,650			
7.15% EUR Bonds 2015 - 2017	28,093	27,531	28,324	27,964	
7.15% GBP Bonds 2015 - 2017	5,212	5,212	5,670	5,869	
7.15% USD Bonds 2015 - 2017	5,172	5,172	6,547	6,332	
6% Bonds 2021		12,000	11,470	12,000	12,000
5.5% Bonds 2020			20,000	20,000	20,000
6% Bonds 2020 (unlisted)			11,000	11,000	11,000
New bond issue					41,000
	72,885	69,565	83,011	83,165	84,000
Other interest bearing borrowings					
Shareholders' loan	3,200	2,655	2,655	7,905	16,905
	3,200	2,655	2,655	7,905	16,905
Total borrowings and bonds	117,030	105,695	102,311	104,470	111,625

Key Accounting Ratios	31 Dec'13	31 Dec'14	31 Dec'15	31 Dec'16	31 Dec'17
Net assets per share (€) ¹ (Net asset value/number of shares)	3.46	2.88	2.89	2.77	2.63
Liquidity ratio (times) (Current assets/current liabilities)	0.47	0.41	0.63	0.10	0.35
Gearing ratio (Net debt/net debt and shareholders' equity)	39%	41%	41%	44%	47%
Debt service cover ratio (times) (EBITDA/net finance cost and loan capital repayment)	1.09	1.02	0.59	-0.09	-0.21

¹ Net assets per share calculation set out above has been based on the current number of shares in issue of the Company of 48,002,000 shares of €1 each.

Source: Charts Investment Management Service Limited

MIH does not have sufficient working capital for its present requirements. In FY2015, MIH reported a working capital deficiency of €6.2 million, and is projecting a working capital deficiency of €49.3 million and €10.6 million in FY2016 and FY2017 respectively. The shortfall in FY2016 results from the reclassification as a current liability of the 7.15% MIH bonds 2015 – 2017 maturing on 23 July 2017, which amounts to an aggregate of just under €40 million (issued pursuant to a prospectus dated 14 June 2010). Excluding this reclassification, the working capital deficiency for FY2016 amounts to €9.3 million.

In view of MIH's working capital deficiency set out above, apart from the issue of €20 million 5.5% unsecured bonds 2020 in July 2015 to replace a maturing bond and €11 million 6% unsecured notes 2020 in September 2015, the directors have agreed with PCL's lenders to reschedule the payment terms of existing bank borrowings, thus reducing the capital repayments currently projected for the years 2016 to 2020. The directors have also obtained written assurances from the shareholders of MIH that they will, after appropriate due diligence on the shortfall requirements, continue to financially support the company, proportionate to their shareholding, on an on-going basis, to enable it to meet its liabilities as and when they fall due. Accordingly, the directors are confident that MIH will continue to have adequate levels of cash to sustain its operations and investments.

Variance Analysis

MIH Group Income Statement (€'000)	FY2015 Actual	FY2015 Forecast	Variance
Revenue	11,340	11,004	336
Operating expenses	(4,717)	(4,946)	229
EBITDA	6,623	6,058	565
Depreciation and amortisation	(142)	(142)	-
Results from operating activities	6,481	5,916	565
Net finance costs	(7,569)	(6,966)	(603)
Net fair value gain (loss) on interest rate swaps	244	268	(24)
Profit (loss) before tax	(844)	(782)	(62)
Taxation	461	298	163
Profit (loss) for the year	(383)	(484)	101

As presented in the above table, actual revenue and EBITDA for FY2015 were higher than projected by €0.3 million and €0.6 million respectively. In contrast, the increase in EBITDA was more than offset by higher than expected net finance costs of €0.6 million. Profit after tax was better than projected by €0.1 million as a consequence of a positive tax difference of €0.2 million between the actual and forecasted amount.

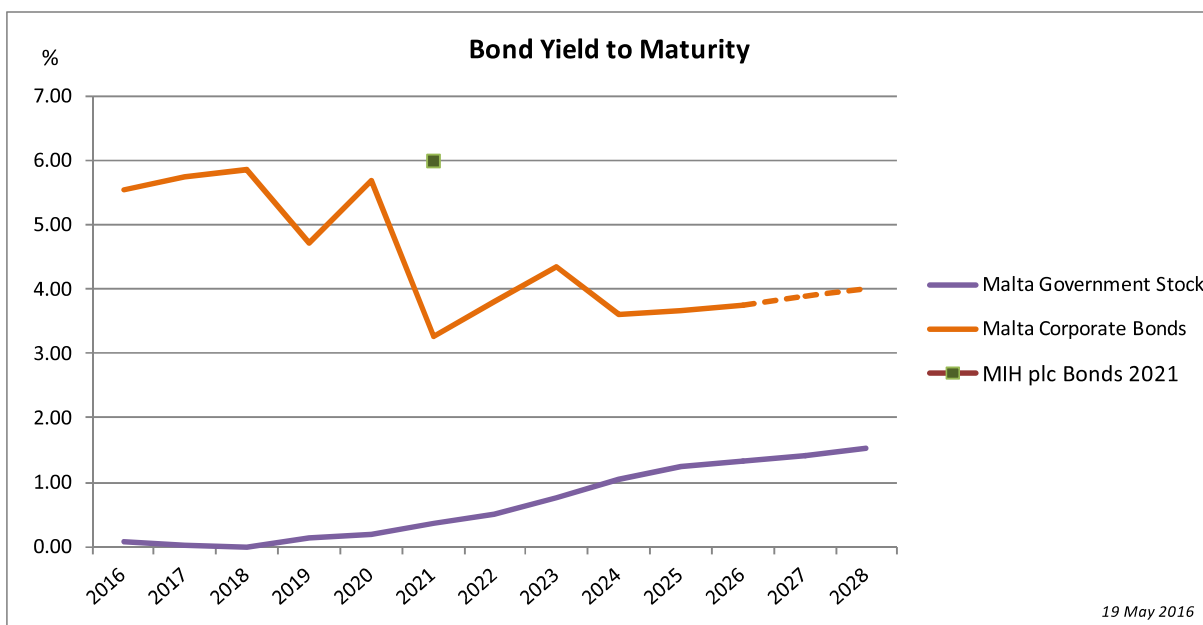
PART 4 - COMPARABLES

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

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
6.8% Premier Capital plc € Bond 2017-2020	24,641,000	5.73	4.58	72,208	17,739	64.59
6.6% Eden Finance plc 2017-2020	13,984,000	5.68	3.10	145,427	76,648	38.42
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.28	n/a	58,098	11,734	61.87
5.8% International Hotel Investments plc 2023	10,000,000	4.04	1.45	1,159,643	608,288	36.49
6% AX Investments Plc € 2024	40,000,000	4.02	2.88	206,038	111,482	36.65
6% Island Hotels Group Holdings plc € 2024	35,000,000	3.80	0.58	145,140	54,053	53.19
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	3.76	3.49	67,669	25,823	57.66
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.61	0.05	81,842	31,150	55.46
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	3.97	2.32	70,543	6,592	86.78
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.43	1.50	90,867	26,315	71.30
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.76	1.13	1,357,869	641,031	41.81
6.0% Mediterranean Inv. Holding plc Unsecured 2021	12,000,000	3.76	0.87	283,816	138,496	41.15

19 May'16

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



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

PART 5 - EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including residential & commercial leases, food & beverage, and other services.
Operating expenses	Operating expenses include all direct and other operating costs, selling & marketing and general & administration expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Fair value of investment property	Fair value of investment property is an accounting adjustment to change the book value of the Group's investment property to its estimated market value.
Share of profit from equity accounted investments	MIH owns minority stakes in Medina Tower (25%). The results of this company are not consolidated with the subsidiaries of the Group, but MIH's share of profit is shown in the profit and loss account under the heading 'share of profit from equity accounted investments'.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.

Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.

Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.

Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
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Equity Ratios

Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
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Cash Flow Statement

Cash flow from operating activities	Cash generated from the principal revenue-producing activities (leases, food & beverage, other 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.

Balance Sheet

Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates 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 purchased. Such assets include property, plant & equipment, investment properties (Palm City Residences), and investments accounted for using the equity method (investment in Medina Tower).
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.
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 taxation.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.

Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
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 and shareholders' equity.