MEDITERRANEAN INVESTMENTS HOLDING P.L.C.

FINANCIAL ANALYSIS SUMMARY

NB: Information about the Guarantor of the Bonds is available from a Financial Analysis Summary dated 18 March 2016 (http://corinthiagroup.com/analysis-report/) and which is expected to be updated by no later than 30 June 2017.

29 May 2017

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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The Board of Directors
Mediterranean Investments Holding plc
22, Europa Centre,
John Lopez Street,
Floriana FRN 1400

29 May 2017

Dear Sirs

Mediterranean Investments Holding plc – Financial Analysis Summary (the "**Analysis**")

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 Analysis is that of summarising key financial data appertaining to Mediterranean Investments Holding plc (the "**Issuer**"). 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 2014 to 2016 has been extracted from the Issuer's audited statutory financial statements for the three years in question, as and when appropriate.
(b) The forecast data for financial year ending 31 December 2017 and projections for the financial year ending 31 December 2018 have been provided by management of the Issuer.
(c) Our commentary on the results of the Issuer and on the respective financial position is based on the explanations provided by the Issuer.
(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions as set out and defined within the Analysis.
(e) Relevant financial data in respect of competitors as analysed in Section 10 has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

The Analysis is meant to assist potential investors by summarising the more important financial data of the Issuer. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the securities of the Issuer and should not be interpreted as a recommendation to invest. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. As with all investments, potential investors are encouraged to seek professional advice before investing.

Yours sincerely

Vincent E. Rizzo
Director

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LIST OF ABBREVIATIONS

AUCC	Arab Union Contracting Company (Libya)
AUR	Average unit rate
BOT	Build, Operate and Transfer agreement dated 2 October 2007 and entered between Corinthia and PCL
bpd	Barrels per day
CPHCL	Corinthia Palace Hotel Company Limited
CPI	Consumer Price Index
DSCR	Debt service cover ratio
EBITDA	Earnings before interest, tax, depreciation and amortisation
F&B	Food and beverages
FV	Fair value
FYxxxx	The financial year ended 31 December xxxx
GDP	Gross Domestic Product
IHI	International Hotel Investments plc
KPI	Key performance indicator
LFICO	Libyan Foreign Investment Company, a Libyan sovereign wealth fund
LPTACC	Libya Projects and General Trading and Contracting Co.
MFSA	Malta Financial Services Authority
MGS	Malta Government Stocks
NCI	Non-Controlling Interest
NGO	Non-Government Organisation
NREC	National Real Estate Company
MTJSC	Medina Tower Joint Stock Company for Real Estate Investment and Development, a company incorporated in Libya on 20 May 2010.
PCL	Palm City Ltd
PPE	Property, plant and equipment
PWL	Palm Waterfront Ltd
Rev PAU	Revenue per available unit
UN	United Nations
YTM	Yield to maturity

PART 1

1 KEY ACTIVITIES AND PRINCIPAL MARKETS

The principal activities of Mediterranean Investments Holding p.l.c. (hereinafter, "**MIH**" or the "**Issuer**") relate to the acquisition and development of immoveable property outside Malta, particularly in North Africa. The types of properties of interest to the Issuer include, without limitation, residential gated villages, build-operate-transfer projects, office and commercial buildings, retail outlets, shopping malls, housing, conference centres and other governmental projects.

Currently, MIH, through its wholly-owned subsidiary Palm City Limited ("**PCL**"), operates the Palm City Residences in Janzour, Libya through a build-operate-transfer agreement entered into between PCL and Corinthia Palace Hotel Company Limited ("**CPHCL**"). It also owns 25% of the share capital of Medina Tower Joint Stock Company ("**MTJSC**"), a company incorporated with the objective to construct the Medina Tower, a proposed 199,000 square metre mixed-used development in the heart of Tripoli. Palm Waterfront Ltd ("**PWL**") is a wholly-owned subsidiary of MIH (99.9%) and is responsible for the development of the Palm Waterfront project. The Medina Tower and the Palm Waterfront projects are also both situated in Libya and are currently on hold in view of the prevailing situation in the country.

2 DIRECTORS AND KEY EMPLOYEES

2.1 The Board of Directors and Key Employees

The Board of MIH consists of seven directors who are entrusted with the overall direction and management of the Company. The Board's mandate is to identify and execute new investment opportunities and obtain related funding.

The Board is currently composed of the following Directors:

Alfred Pisani	Executive Director and Chairman
Samuel D. Sidiqi	Non-Executive Director and Deputy Chairman
Joseph Fenech	Executive Director
Joseph Pisani	Non-Executive Director
Faisal J. S. Alessa	Non-Executive Director
Bassem Bitar *(appointed 1st January 2017)*	Independent, Non-Executive Director
Mario P. Galea	Independent, Non-Executive Director

The company secretary of the Issuer is Stephen Bajada.

2.2 Executive Management of the Issuer and Group Employees

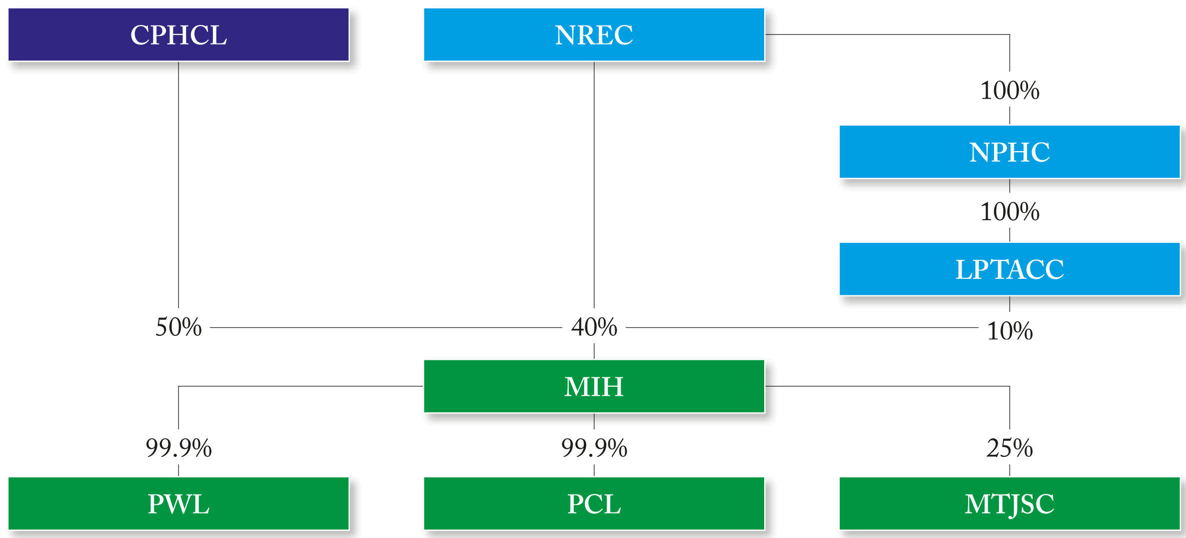
The Issuer does not have any employees of its own. MIH is reliant on resources made available by CPHCL pursuant to a management and support services agreement ("**MSS Agreement**") which is described further in section 4.1 of this document. Through the MSS Agreement, Reuben Xuereb provides his services as the CEO of the Issuer, Rachel Stilon as the CFO and Stephen Bajada as the Company Secretary.

The average number of employees engaged by the MIH group during FY2016 was 63, of which 13 are administrative employees and the remaining are employed in operations.

3 ORGANISATIONAL STRUCTURE AND OPERATIONAL DEVELOPMENT

3.1 Organisational Structure

MIH was incorporated in December 2005 and converted into a public limited company in 2007. It is owned equally by NREC and CPHCL, directly or indirectly, as shown hereunder.



MIH and its Subsidiaries and Associate Company (the "Group")

In terms of the Memorandum and Articles of Association of MIH, the two major shareholders – CPHCL and NREC - are entitled to appoint three Directors each and jointly have the right to appoint the seventh Director who is to be an independent non-executive director. The Chairman is appointed by each of CPHCL and NREC based on a three-year term rotation policy.

MIH is the 99.9% shareholder of both PCL and of PWL and has a 25% shareholding in MTJSC. Through CPHCL, MIH is part of an extended group of companies related to the Corinthia Group, including the locally-listed International Hotel Investments plc, Corinthia Finance plc and Island Hotels Group Holdings plc.

PCL

Palm City Ltd is a private limited liability company incorporated and registered in Malta on 10 June 2004. It has an authorised share capital of €250,000,000 and an issued share capital of €140,500,000 divided into 140,500,000 ordinary shares of €1 each, fully paid up. PCL is a wholly-owned subsidiary of the Issuer.

PWL

Palm Waterfront Ltd is a private limited liability company incorporated and registered in Malta on 3 August 2012. It has an authorised share capital of €100,000,000 and an issued share capital of €2,000 divided into 2,000 ordinary shares of €1 each, fully paid up. PWL is a wholly-owned subsidiary of the Issuer.

MTJSC

The Issuer holds a 25% equity participation in Medina Tower Joint Stock Company, a company registered in Libya. The remaining 75% is held by IHI, AUCC and Alinmaa (the latter being two Libyan investment companies) in equal proportions.

Further information on each of PCL, PWL and MTJSC is found in section 5 of this report.

The Parent Companies

CPHCL

CPHCL is a Malta registered company which owns 50% of MIH and acts as the guarantor in terms of the €20 million 5.5% Bonds 2020 issued by MIH in 2015 and is acting as a guarantor in terms of the bonds to which this FAS relates to (information about the Guarantor can be found in the FAS on CPHCL dated 18 March 2016; an update to this report is expected to be issued by no later than 30 June 2017). Apart from its investment in MIH, CPHCL has over the years expanded into an international group in the hospitality and leisure industry. It is the parent company of the Corinthia Group and is principally engaged in the ownership, development and operation of hotels and other activities related to the hospitality industry in various countries either directly or through subsidiaries.

NREC

NREC holds a 40% direct shareholding in MIH and another 10% is held indirectly through its wholly-owned subsidiary – LPTACC. NREC is a Kuwaiti-listed company with an international focus on real estate. It has to date developed a strong portfolio of retail, commercial and residential real estate in new and established markets across the Middle East and North Africa (MENA) region.

3.2 Key Historical Events of the Group

2005 Issuer is incorporated.
2006 Commenced construction of Palm City Residences.
2007 PCL concludes a 65-year build-operate-transfer agreement with CPHCL.
2007 MIH issues €15 million bond to partly fund the development of Palm City Residences.
2008 MIH issues €20 million bond to further fund the Group's acquisition strategy.
2010 MTJSC is set up to construct Medina Tower.
Palm City Residences is fully complete and operational. 276 out of 413 units have been leased at Palm City and 109 units are subject to negotiations. MIH issues €40 million bonds for its equity funding in Medina Tower project and other corporate requirements.
2011 Operations at Palm City Residences are disrupted due to the uprising in Libya (between February – October 2011).
2012 Medina Tower project is delayed due to the political upheaval in the country.
2013 PWL concludes an 80-year build-operate-transfer agreement with CPHCL.
2014 MIH issues €12 million bond to repay part of a €15 million bond which was issued in 2007. The balance of the maturing bond was met out of the Company's own cash flow.
2015 MIH issues €20 million bond to repay a €20 million bond which was issued in 2008.
2015 MIH issues €11 million bond (unlisted) to part repay a bank facility which funds were applied to part finance the development of Palm City Residences.

3.3 Material Developments in the Past 3 Years

3.3.1 Palm City Residences

The first half of FY2014 was a record year for Palm City Residences. The Group registered a 4% increase in performance when compared to the FY2013 corresponding period. However, during the second half of FY2014, PCL's occupancy levels were hampered by the political conflicts that developed in Libya, as a number of maturing tenancies were not renewed, while some other tenants applied the *force majeure* clause and requested a cancellation of their lease agreements. The lower than usual occupancy levels at Palm City Residences persisted throughout FY2015 and FY2016. Interest in Palm City Residences started to trickle back in towards the end of 2016 and during the first months of 2017, PCL secured a number of lease agreements with embassies, NGO's and other institutions, increasing occupancy levels from a low 8% in December 2016 to 14% by March 2017.

Throughout this period of turmoil, Palm City Residences has remained operational at all times. PCL has invested in additional security features in an effort to maintain the entire village as secure as possible. Even though most of the residences have been vacated, a number of tenants, particularly those who are heavily invested in Libya, have kept their leases running with a view to physically returning at the first possible opportunity.

3.3.2 Bond Issues

In June 2015, MIH issued unsecured bonds amounting to €20 million, which were guaranteed by CPHCL. The issue proceeds were used to re-finance the €20 million 7.5% bonds that matured on 4 August 2015. Furthermore, MIH issued €11 million unsecured and unlisted bonds to partly replace a bank facility which funds were originally applied to part-finance the development of Palm City Residences.

The outstanding bonds of MIH as at the date of this Analysis are listed hereunder. The proceeds from this bond issue will be used to finance the redemption of the €40 million bonds which MIH issued in 2010 and which are due for redemption in July.

ISIN	Bond Amount	Coupon	Prospectus Date	Maturity Date	Outstanding Bonds
MT0000371238 MT0000371246 MT0000371253	€30 million + €10 million over- allotment option	7.15%	14-Jun-10	23-Jul-17	€ 28,519,400 £4,351,100 $7,120,300
MT0000371261	€12 million	6.00%	02-Jun-14	22-Jun-21	€ 12,000,000
MT0000371279	€20 million	5.50%	01-Jul-15	31-Jul-20	€ 20,000,000
Unlisted Bond	€11 million	6.00%	18-Sep-15	03-Oct-20	€ 11,000,000

4 MATERIAL CONTRACTS

4.1 MSS Agreement

MIH is party to a MSS Agreement with CPHCL. Through this agreement, MIH is provided with management support services at the strategic level of its business that benefits MIH from the experience and expertise of CPHCL in the conduct of its business and the implementation of a highly efficient and cost-effective construction programme. The MSS Agreement also makes available for MIH top executive and central administrative level staff and support personnel from the Corinthia Group. Under this agreement, MIH is provided with such services for an annual fee of €330,750 (which is adjusted annually for a 5.0% inflation) giving MIH access to:

- the commitment of an executive team with over 40 years' experience of successfully operating in Libya;
- an experienced, motivated, proven and loyal local and foreign senior management team of international calibre with an average of over 15 years' service;
- a team of well-qualified and dynamic young professionals, increasing the potential for future growth;
- an effective monitoring system assuring controls on standards and performance;
- a long experience in developing and managing properties planned and built to exacting standards with equally high standards demanded on maintenance, resulting in high quality, well-maintained assets; and
- corporate strength through a long-term policy of diversification into construction, project management and other service ventures.

4.2 Build-Operate-Transfer Agreement

Through its subsidiaries – PCL and PWL – MIH has in place two build-operate-transfer ("**BOT**") agreements with one of its major shareholders – CPHCL – as detailed further in sections 5.1.1 and 5.2.1 below.

5 OVERVIEW OF THE MAJOR ASSETS OF THE ISSUER

The values attributable to the major asset of each of the underlying investments are summarised below:

	Valuation Basis	**FY2014** *€'000*	**FY2015** *€'000*	**FY2016** *€'000*
Palm City Residences *(65-year BOT agreement expiring 2071)*	Discounted Cash Flows	250,000	250,043	250,212
Palm Waterfront *(80-year BOT agreement expiring in 2093)*	Cost + Capitalised expenses	8,307	8,307	8,309
Medina Tower *(25% shareholding in MTJSC)*	Equity contribution	12,701	14,314	13,705

Source: MIH plc financial statements for the years 2014, 2015 and 2016

5.1 Operational Asset – Palm City Residences

The following is an overview of the major operating asset of the Issuer – Palm City Residences.

5.1.1 Background to Palm City Residences

PCL is a wholly owned subsidiary of MIH (99.9%), set up to develop and operate the Palm City Residences in Janzour, Libya. The site hosting the development of a 413-unit village has a footprint of 171,000 square metres and a shorefront of approximately 1.7 kilometres.

CPHCL holds title to the land where Palm City Residences is built, pursuant to a 99-year lease agreement dated 5 July 2006. PCL entered into a BOT agreement for 65 years with CPHCL (effective 6 July 2006) whereby PCL was engaged to undertake the construction and operations of the complex. Under the BOT agreement, PCL will operate the residences at its own risk and for its own benefit. Upon expiry of this agreement, PCL will be required to transfer the operations back to CPHCL for the remaining useful life of the lease until 2105[1].

The composition of the 413-unit gated residential complex in Janzour is summarised below:

Property Type	No of units	Size per unit (m^2)	Size (m^2)	% of total size
Palm City Residence				
Studio apartments	24	36	864	1%
2 bedroom apartments	95	79	7,505	12%
2 bedroom maisonettes	56	115	6,440	11%
3 bedroom apartments	44	203	8,932	15%
3 bedroom terraced houses	142	176	24,992	41%
Bungalows	44	171	7,524	12%
Villas	8	505	4,040	7%
Total	**413**		**60,297**	**100%**

Source: Management Information

The complex's amenities include a variety of shops, supermarket, health clinic, catering outlets, cafeterias, pools, fitness centre and sports facilities, amongst others.

[1]The Group is in the process of registering a joint stock company in Libya, to be owned as to 90% of its share capital by PCL (CPHCL and NREC to hold the remaining 10% in equal proportions between them). Subject to approval by the competent authority in Libya, the Libyan Investment Board, title to the land underlying the Palm City Residences will be transferred by CPHCL to such company. Upon such title transfer taking effect, the BOT 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.

5.1.2 Occupancy Levels at Palm City Residences

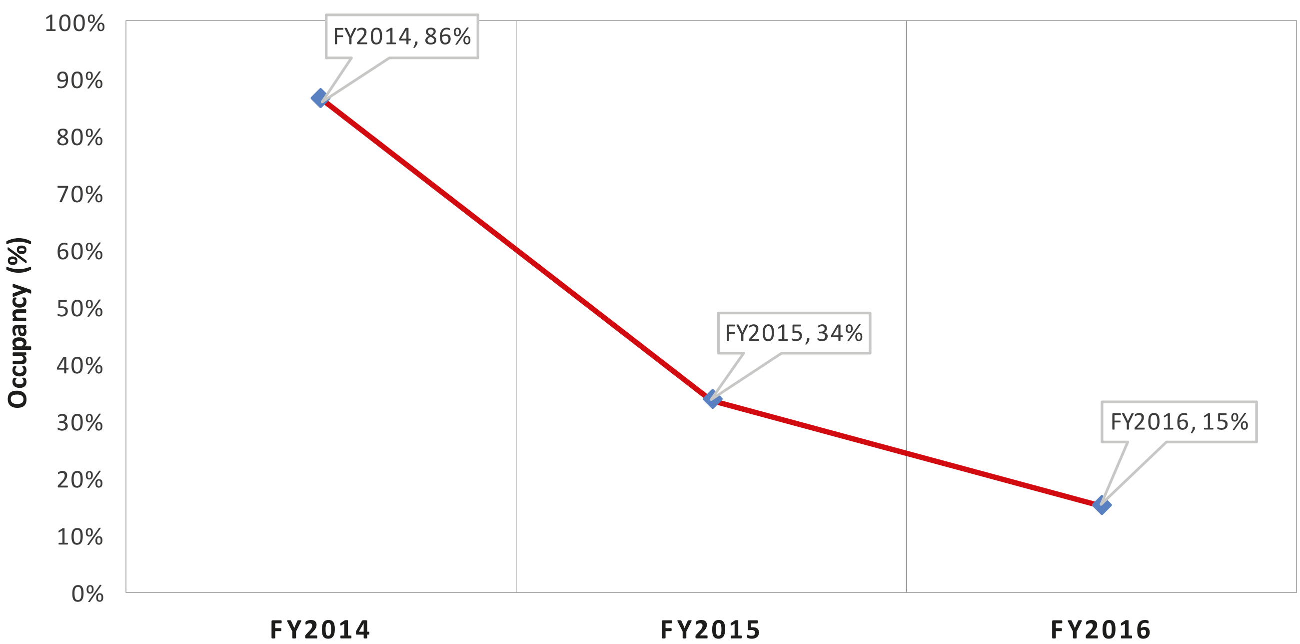
The development of the Palm City Residences (or "Residences") was completed in late 2009 and by 2010 all the Residences were operational. By the end of the first year, the complex reached occupancy levels above 70%. Meanwhile, in February 2011, civil unrest in Libya commenced and this disrupted the occupancy levels of Palm City Residences. Notwithstanding, PCL remained committed to its project and adequate staff levels were maintained to keep the complex fully operational during the period of unrest in 2011.

Following the end of hostilities in October 2011, leasing of units at Palm City Residences increased steadily again and by the end of April 2012, the complex was already operating at 79% occupancy levels. By the end of the year, the Residences occupancy was in excess of 90% as foreign investment resumed in Libya. During FY2012, PCL reduced some of the commercial space to provide additional office space to meet the increasing demand as some tenants preferred the complex over other areas within Libya to set up office.

FY2013 was equally positive, with 390 units of the 413 available being leased out, resulting in 94% occupancy levels by the end of the year. The demand for leases shifted from the shorter-term towards the more stable longer-term leases during that year, adding future income visibility to the Group. A dip between the third and fourth quarter of 2013 was the result of the expiry of a significant lease contract of the UN, which occupied 76 units. These were re-let shortly after and occupancy returned to record levels.

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 some other clients applied the *force majeure* clause to cancel 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% The situation of lower than usual occupancy levels persisted in FY2016 where occupancy levels reduced to an average of 15% for the said financial year.

Average Occupancy Levels



Source: Management Information

5.1.3 Performance of Palm City Residences

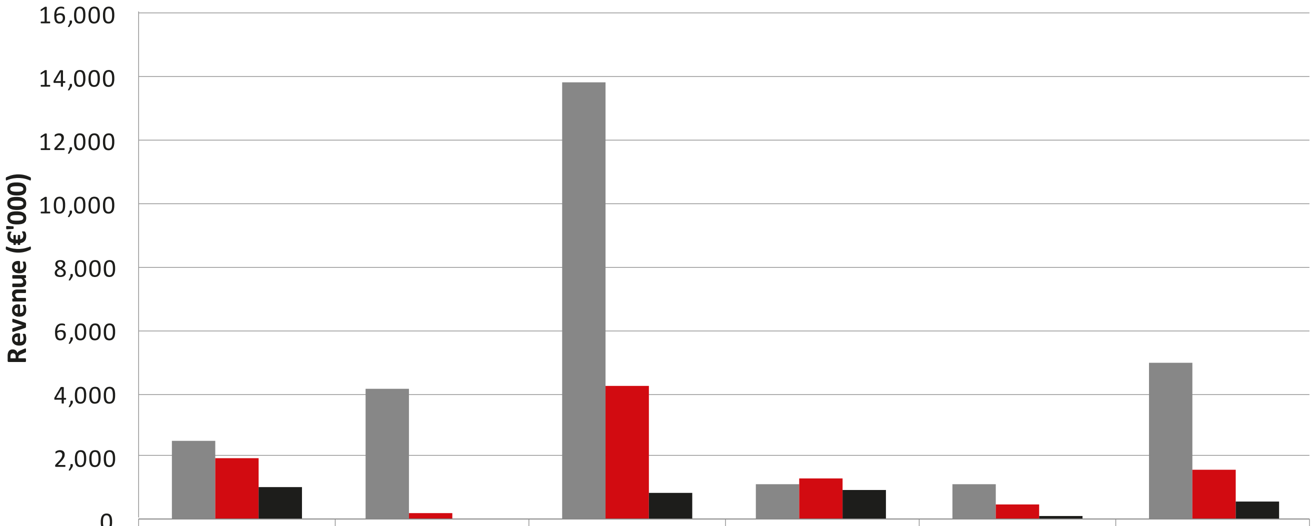
In each of the past three years (2014 to 2016), PCL (being the only operational asset of MIH to date) generated in excess of 99% of the Group's annual revenues as per below table:

<u>Revenue Breakdown – PCL</u> *<u>for the year ended 31 December</u>*	Actual FY2014 *€'000*	Actual FY2015 *€'000*	Actual FY2016 *€'000*
Residential leases	27,493	9,622	3,259
Commercial leases	585	252	85
F&B	314	41	43
Other income	1,631	1,356	241
Total PCL revenue	**30,023**	**11,270**	**3,627**
MIH plc - Group Revenue	**30,091**	**11,340**	**3,627**
PCL revenue contribution	99.8%	99.4%	100%

Source: Management Information

Up to FY2014, the main contributors to the residential revenue were clients operating in the oil and gas sector and non-government organisations which represented 50% and 15% of total residential revenue respectively as can be seen from the distribution graph below. However, in FY2016 residential revenues from oil and gas industry decreased by 81% due to the civil unrest in Libya which resulted in consequence of the shutdown of oil production and exports, as well as a decline in oil prices.

Residential revenue breakdown by industry sector

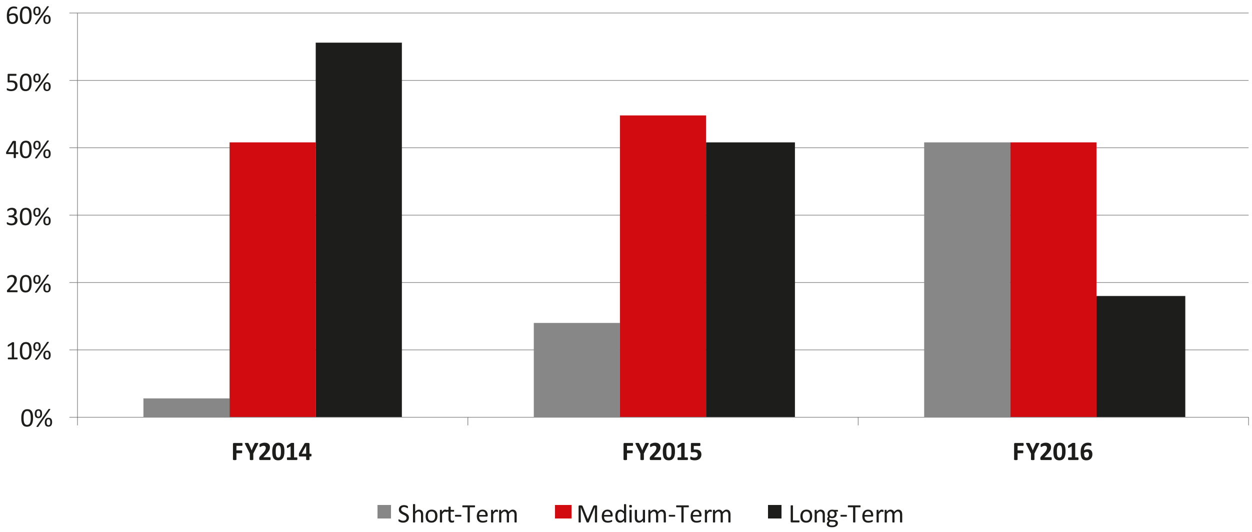


	Embassy	NGO	Oil	Beverage	Construction	Other
FY14	2,474	4,124	13,747	1,100	1,100	4,948
FY15	1,924	192	4,234	1,251	481	1,540
FY16	978	0	815	880	65	521

Source: Management information

During the years, the trend in tenancy shifted from the longer-term to the medium and shorter-term. In fact, in FY2016 41% (FY2015 : 14%; FY2014 : 3%) of the tenants had a binding lease agreement for the short-term (one year or less), 41% (FY2015 : 45%; FY2014 : 41%) of the tenants had a binding lease agreement for medium-term (one year) whilst, only 18% (FY2015 : 41%; FY2014 : 56%) opted to go for a longer-term (two to five-year lease agreement).

Distribution of Lease Terms



Source: Management information

During the years under review, the revenue per available unit per month (RevPAU) has decreased significantly in line with the very low average occupancy levels achieved. Furthermore, since the type of units that remained subject to a lease agreement were not necessarily the high-end detached villas, the rest pushed further down the average revenue per unit generated.

KPIs	**FY2014**	**FY2015**	**FY2016**
Average Occupancy	86.0%	34.0%	15.0%
RevPAU (revenue in € per unit per month)	5,548	1,941	658

Source: Management information

The competitive edge that Palm City Residences had over other similar residential compounds has always been its location, being located in an area close to Tripoli but secluded in terms of security features. Other competing complexes located in the vicinity of Palm City Residences, such as the Regatta Complex, were subject to attacks and have since then been dismissed as alternative residential complexes by NGOs, oil companies and the like, who seek a more secluded, secure and safe environment for their expatriates. According to management, whilst there are alternative accommodation options in Tripoli, none of the other options offer the same level of top quality service, security and the extent of facilities both leisure and commercial that Palm City offers. As a result, the Group enjoys a dominant market position and although Palm City Residences suffered from a significant decline in occupancy levels, it remained operational to date, maintained in pristine condition and closely monitored by its management at all times.

5.1.4 Outlook for PCL

For the Group, FY2015 and FY2016 were extremely challenging years. Operating activity was adversely affected by the continued political instability in Libya which emerged in July 2014 and continued throughout 2015 and 2016. This has manifested itself in foreign companies operating in Libya downsizing further their presence in the country by decreasing the number of foreign personnel in Libya and therefore reducing the need for accommodation. As a result, during FY2015 and FY2016, the Group recorded a very low average occupancy level within Palm City Residences.

Management advised that interest in Palm City started to gather momentum towards the end of FY2016 given the high standard of accommodation and security procedures not available elsewhere in Libya. Meanwhile, management has continued reaching out to several Libyan oil and gas companies, state entities and other organisations such as international schools, aiming to entice potential clients seeking to lease units, to relocate to Palm City. A number of visits and enquiries have been received from a number of companies, embassies and NGO's and, according to management, the re-opening of the Italian embassy in Tripoli earlier this year indicates that the international community is forward leaning in its attempts to engage with Libya, commercially and diplomatically, throughout the difficulties of the post-revolutionary period. In fact, management advised that in the first quarter of 2017, the Group concluded lease agreements with embassies, NGO's, international security service providers and other entities paying rates that are the highest rates charged to date by Palm City. Given the recent contractual discussions, occupancy levels are expected to increase to 21% by July 2017. Beyond the occupancy, another important development is the rates at which the residential units are being leased which has been subject to a pick-up in view of the fact of the quasi-monopolistic position that Palm City Residences currently enjoys.

While there are signs that stability may be returning to Libya, the outcome remains very uncertain and particularly fluid. However, management appears confident that a fast-track recovery in occupancy levels and income can be achieved once the political instability in Libya is resolved. Management indicated its confidence that the turnaround achieved at Palm City Residences in 2012 will be repeated when conditions improve particularly since the quality of the complex and its features are unmatched elsewhere in the country. Furthermore, the Group continued to implement its strategic development plan to respond to the reality of the downturn in the Libyan market.

5.2 Other Non-Operational Assets

MIH has two other projects that are on hold in view of the prevailing instability in Libya. These are the Palm Waterfront complex (through the 99.9%-owned PWL) and the Medina Towers (through its 25% investment in MTJSC).

5.2.1 Palm Waterfront Limited

Palm Waterfront Limited (PWL) is a wholly owned subsidiary of MIH, established primarily with the intention to develop and operate the Palm Waterfront site. The site is subject to a 99-year lease in favour of CPHCL and like PCL, PWL entered into a BOT Agreement on 5 December 2013 with CPHCL. The BOT expects PWL to construct and eventually operate the Palm Waterfront 40,000 square metre site for a period of 80 years. The planned development is situated in Shuhada Sidi Abuljalil in Janzour, Libya, adjacent to Palm City Residences, and is expected to incorporate a 164-room 4-star hotel, 259 residential units for resale, an entertainment centre of six cinemas and one bowling centre, retail outlets, car park and a marina. Funding for the development of this project is not yet in place.

In devising the concept behind the Palm Waterfront project, MIH has taken into consideration feedback received from tenants at the Palm City Residences, including property design layout, services offered and general ambience. It is the intention of PWL to offer residential units at Palm Waterfront, 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 at the Palm Waterfront, PWL will take advantage of the Corinthia Group's experience in operating hotels, particularly in the operation of the Corinthia Hotel Tripoli. Design drawings of the project have been finalised and submitted to the planning authority in Tripoli for approval. The project will be initiated once the situation in Libya stabilises and PWL raises the required funding as to 40% equity and 60% debt, to complete the development phase.

5.2.2 Medina Tower Joint Stock Company

MIH owns 25% of MTJSC, which was set up in 2010 for the purpose of owning and developing the Medina Tower. The remaining 75% is owned to the extent of 25% by IHI, 25% by AUCC and 25% by Al Enmaa (AUCC and Al Enmaa were formerly known as EDREICO). Medina Tower is expected to be a mixed used development, set to be developed over a site measuring circa 11,000 square metres and is situated on Tripoli's main high street.

The development phases will be financed through funding provided on a 60:40 debt-to-equity ratio. Whilst the equity contribution required for the first phase of this project is already fully paid up, a term sheet has also been signed a few years back with a Libyan financial institution with a view to securing the full debt funding requirements for this project. Said term sheet provides for a moratorium on capital repayments for the duration of the development of the site. The development is expected to be completed within circa 48 months from commencement of works. This project is also on hold until prospects improve and stability in Libya resumes.

The project has full development permits and the development of the Medina Tower will consist of a 199,000-square metre 42-storey structure, comprising 254 residences for resale, 25,200 square metres of office space for rental, 21,200 square metres for retail and leisure, as well as a spa, conference and car park facilities for rental to third parties.

6 COUNTRY AND MARKET OVERVIEW[2]

Libya is a country rich in oil and gas resources, but shaken by its political tensions and a decline in security. The civil war and the chaotic political transition weigh heavily on its economic development. Despite continued challenges to stabilize the political situation and achieve one central government, the interim Libyan Government of National Accord ("GNA") which was formed in 2016 has not as yet been recognised as the official government and the deep fragmentation of the conflict will see insecurity remain an enduring feature of the country's operating environment.

Libya's territory has the largest oil reserves in Africa and one of the largest in the world. As a result, Libya's economy is highly dependent on oil production which accounts for 94% of government revenues and accounts for approximately 70% of Libya's GDP. Before the civil war in 2011, the country was the fourth largest oil producer in Africa, holding more than 40% of African reserves and 3% of world reserves. Until 2011, the country was the second largest exporter of oil in Africa; however, its production has since continued to decline with output falling from the post-revolution peak of 1.6 million bpd in July 2012 to less than 300,000 bpd during 2016. In January 2016, it was estimated that the country lost out on USD68 billion in oil revenues since 2013, when the rise of instability brought the oil industry to a near standstill.

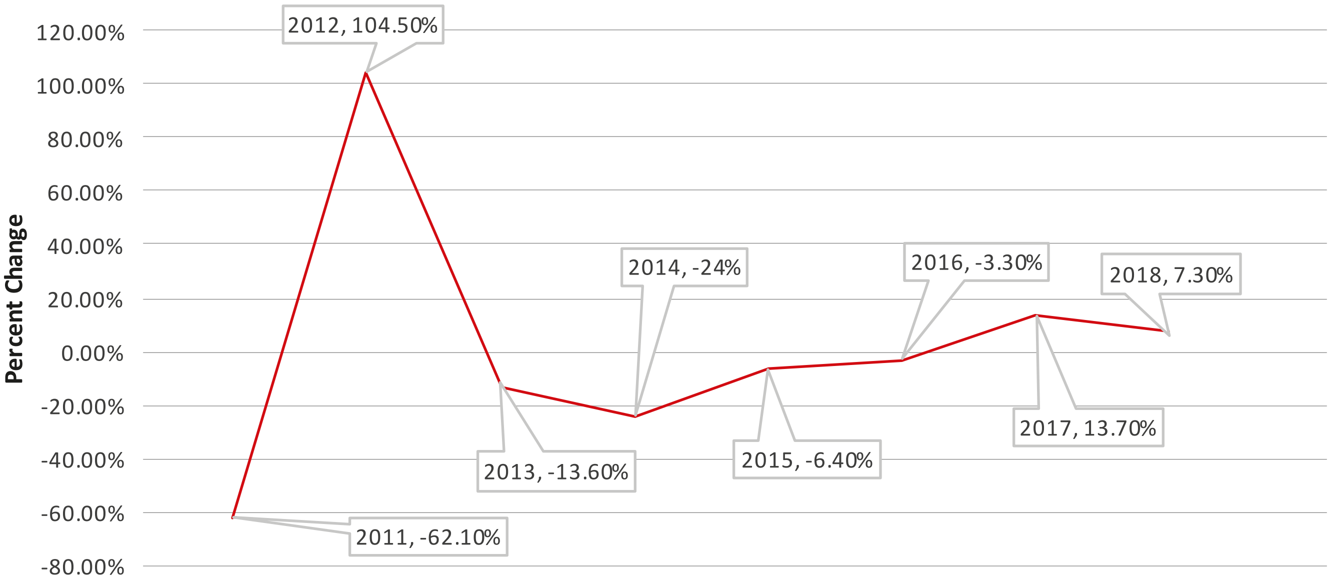
The collapse in Libya's oil revenues has led to a major depletion of the country's foreign currency reserves which have shrunk from USD107.6 billion in 2013 to USD43 billion by the end of 2016, and resulted in a devaluation of the Libyan dinar. Inflation rate has also accelerated due to the ramifications from violent unrest - labour strikes, lost or damaged inventories, import shutouts, and the destruction of infrastructure. Inflation rate averaged 6.61% from 2004 until 2016, reaching an all -time high of 31.10% in July 2016 and a record low of -4.20% in December 2004. The inflationary pressures are further eroding Libya's real incomes. In fact, in the first seven months of 2016, Libya's state income of 3.2 billion dinars (approximately USD2.28 billion) was just a tenth of what it was worth during the same period in 2015.

The Libyan economy has remained mired in recession since 2013 due to the heavy dependence on the oil and gas industry owing to the impact of extremely low oil production. Accordingly, the GDP has contracted to 3.30% in 2016 against a contraction of 6.40% in 2015. According to the International Monetary Fund, Libya's economy is projected to grow by 13.7% in 2017.

[2]*Information for this section was obtained from a number of third-party sources, as listed hereunder:*

- *http://www.reuters.com/article/us-libya-security-politics-idUSKBN14M13A*
- *http://libyaprospect.com/index.php/2016/07/25/libyas-progression-opportunities-and-obstacles/*
- *https://www.nordeatrade.com/en/explore-new-market/libya/economical-context?vider_sticky=oui&accepter_cookies=oui&*
- *http://www.ihsglobalinsight.com/SDA/SDADetail22587.htm*
- *http://oilprice.com/Latest-Energy-News/World-News/Libyan-Oil-Production-Exceeds-550000-Bpd.html*
- *http://www.nhsmun.nyc/sites/default/files/UNPBC.pdf*
- *http://www.tradingeconomics.com/libya/inflation-cpi*
- *https://www.rt.com/business/364945-world-bank-libya-economic-collapse/*
- *International Monetary Fund*
- *https://www.nordeatrade.com/no/explore-new-market/libya/economical-context*
- *https://www.imf.org*

Libya GDP Annual Growth Rate



Source: International Monetary Fund

The big challenges remain the country's political unity and its economic diversification, the fight against corruption, the development of the banking sector and the strengthening of its institutions. The lack of security makes the country's living conditions difficult, and many people have in fact left the country. Much of the already deficient infrastructure has been destroyed, further complicating the ready supply of drinking water and electricity. A third of the population is living below the poverty line and the unemployment rate is very high. External factors will also prove challenging, including uncertainties in the global economy and Europe, which will further constrain capital flows into Libya.

The following table highlights some of Libya's key macroeconomic indicators (actual and forecast) as presented by the International Monetary Fund.

	2014	2015(e)	2016(e)	2017(p)	2018(p)
Real GDP Growth	(24.0)	(6.4)e	(3.3)e	13.7e	7.3e
GDP per Capita (USD)	7,097	6,277e	6,169e	7,972e	9,327e
General Government Gross Debt (in % of GDP)	36.4	73.8e	101.8e	100.2e	115.6e
Inflation Rate (%)	2.8	14.1e	14.2e	12.5e	11.5e
Current Account (billions USD)	(12.35)	(16.70)e	(18.66)e	(18.99)e	(19.79)e
Current Account (in % of GDP)	(27.80)	(42.10)e	(47.4)e	(36.9)e	(32.6)e

Source: International Monetary Fund (https://www.imf.org)
(e) indicates estimates; (p) indicates projections

In 2017, the GNA albeit slowly is expected to make steady progress in re-uniting and re-building the Libyan army and police. Progress is also expected in building the new "Presidential Guard" ("PG") force of some five thousand professional highly trained soldiers that can secure government and other vital state institutions and installations. The PG will be an essential factor in order to end the leverage, and even blackmail, exerted by the unaccountable militias, which have been recently controlling most of these institutions and installations. The construction industry is being regarded as the most important non-oil sector to contribute to any eventual economic recovery in the country. In fact, the industry could benefit from the reconstruction efforts stemming from the civil unrest. Other prospective industries of the country which could further contribute to the economic recovery are food processing, textiles, handicrafts and cement.

PART 2

7 ISSUER'S HISTORIC FINANCIAL PERFORMANCE

NB: The MFSA Listing Policies require a 3-year historical analysis of financial information of the Issuer. The commentary that follows the table below focuses on the financial years from FY2014 to FY2016, both years included.

All figures referred to in this section of the report have been extracted from the audited financial statements of the Issuer for the respective years and supported by management information as necessary, with the exception of ratios which have been calculated by Rizzo, Farrugia & Co (Stockbrokers) Limited.

7.1 Statement of Comprehensive Income

for the year ended 31 December	Actual FY2014 *€'000*	Actual FY2015 *€'000*	Actual FY2016 *€'000*
Revenue	30,091	11,340	3,627
Operating expenses	(5,138)	(2,610)	(2,475)
Gross Profit	**24,953**	**8,730**	**1,152**
Administrative expenses	(2,707)	(2,858)	(1,618)
Marketing costs	(327)	(180)	(316)
EBITDA	**21,918**	**5,692**	**(782)**
Other income	30	931	121
Depreciation	(191)	(143)	(124)
Results from operating activities	**21,757**	**6,481**	**(785)**
Decrease in FV of investment property	(60,867)	–	–
Share of profit from equity accounted investments	5	–	–
Finance income	97	279	1,118
Finance costs	(9,065)	(7,849)	(6,955)
Net finance costs	**(8,967)**	**(7,569)**	**(5,837)**
Net fair value gain/(loss) on interest rate swaps	85	245	239
(Loss) before tax	**(47,988)**	**(844)**	**(6,383)**
Tax (expense) income	(1,391)	(237)	84
Deferred tax	21,287	699	(143)
(Loss) for the year	**(28,092)**	**(383)**	**(6,443)**

Normalised Net Profit / (Loss) for the Year *for the year ended 31 December*	Actual FY2014 *€000*	Actual FY2015 *€000*	Actual FY2016 *€000*
(Loss) after tax (as per Income Statement)	**(28,092)**	**(383)**	**(6,443)**
Revaluation of IP	60,867	–	–
Deferred Tax re revaluation of IP	(20,751)	–	241
Other Deferred Tax	(536)	(699)	(98)
Adjusted Net Profit / (Loss) for the year	**11,488**	**(1,082)**	**(6,299)**

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. Occupancy levels at Palm City Residences reduced to 66% by year's end from 94% in July 2014. Although most of the tenants had evacuated their staff, paying occupancy remained fairly strong, which at the time signified a level of 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.

The lower than usual leases at Palm City Residences persisted throughout FY2015 and FY2016 due to the continued political instability in Libya as well as the fall in the price of oil, which instigated foreign companies operating in Libya to reduce further their presence in the country. In fact, in FY2015 and FY2016 the complex recorded a very low average occupancy level of 34% and 15% respectively.

During FY2016, MIH continued to face difficult market conditions and the continued instability in Libya has negatively impacted the Group's performance. As a result, MIH registered a 68% drop in revenue to €3.6 million (FY2015: €11.3 million) reflecting the low level of occupancy at Palm City Residences.

Operating expenses reduced to €2.5 million, albeit at a slower pace than revenue. 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. Accordingly, gross profit for FY2016 was of €1.2 million representing an 87% drop from the level of FY2015. Administrative expenses, in line with the slowdown in performance have been reduced by 43% to €1.6 million when compared to FY2015, while marketing costs increased by 76% as management continued to retain constant communications with tenants to secure their return to Palm City. As a result of the continuing operational difficulties and the significant drop in occupancy, the Group recorded a negative EBITDA of €0.78 million for FY2016 when compared to the positive €5.7 million registered in FY2015.

The Group registered a significant reduction in bank interest payable attributable to a decrease in bank loans. In FY2015 the company decreased its bank borrowing levels to €16.6 million from €33.5 million reported in FY2014. As a result of repayments made in FY2016, the bank loans decreased further to €13.5 million. An increase in finance income received during FY2016 was a result of favourable movements in foreign exchange differences on the Group's foreign currency loan and bond exposures. In this respect, net finance costs decreased by 23% to €5.8 million.

After deducting a depreciation charge of €0.12 million and net finance costs of €5.8 million, the loss before tax amounted to €6.4 million, as opposed to the loss of €0.84 million registered in FY2015.

The below are the key profitability ratios of the Issuer:

for the year ended 31 December	**Actual FY2014**	**Actual FY2015**	**Actual FY2016**
Gross Profit margin *(Gross Profit / Revenue)*	82.93%	76.99%	31.76%
EBITDA margin *(EBITDA / Revenue)*	72.84%	50.20%	–
Operating Profit margin *(Operating Profit / Revenue)*	72.31%	57.15%	–
Adjusted Net Profit margin *(Adjusted Net Profit for the period / Revenue)*	–	–	–
Return on Equity *(Profit attributable to owners of the Company / Average Equity attributable to owners of the Company)*	–	–	–
Return on Capital Employed *(Profit for the period / Average Capital Employed)*	–	–	–
Return on Assets *(Profit for the period / Average Assets)*	–	–	–
Interest Coverage Ratio *(EBIDTA / Net Finance Costs)*	2.44x	0.75x	–

The Group's interest cover ratio was positive in FY2014, as EBITDA substantially covered the servicing of the debt obligations of the Group. EBITDA of FY2015 covered only 75% of the interest payments of the year, while in FY2016, due to the sustained low level of occupancy, EBITDA was negative, thereby failing to cover the debt servicing requirements of the Group.

Notwithstanding this, the support from CPHCL and NREC was evident in the past year through the provision of shareholders' loans to MIH to be able to meet its debt servicing obligations as and when they became due.

7.2 Cash Flow Statement

for the year ended 31 December	**Actual FY2014** €'000	**Actual FY2015** €'000	**Actual FY2016** €'000
Net cash from operating activities	20,761	5,287	(711)
Net cash used in investing activities	(437)	(217)	347
Net cash (used in)/from financing activities	(20,347)	(9,912)	(3,554)
Net (decrease)/increase in cash and cash equivalents	**(23)**	**(4,842)**	**(3,918)**
Cash and cash equivalents b/fwd	10,289	10,277	5,435
Cash and cash equivalents c/fwd before the effect of foreign exchange rate changes	10,266	5,435	1,517
Effect of foreign exchange rate changes	11	–	(20)
Cash and cash equivalents c/fwd	**10,277**	**5,435**	**1,497**

Group cash flows in each of FY2014, FY2015 and FY2016 have been largely affected by the slowdown of activity experienced by PCL in each of the respective years. Cash flows from operating activities decreased by €21.5 million (from €20.8 million in FY2014 to a negative €0.7 million in FY2016) largely reflecting the downturn in the Group's business activity.

The cash used by the Group in investing activities in FY2014 consisted primarily of payments of €0.4 million and €0.2 million made by the Group to acquire additional PPE and investment property respectively in relation to the Palm Waterfront investment which the Group was been gearing up for when the situation in Libya improves.

In terms of cash flows used by the Group in its financing activities, during FY2014, the Group repaid an amount of bank loans and €4.7 million of outstanding bonds, €3 million of which related to the bond issued in 2007 whereby the Issuer rolled over a lower amount during FY2014. Furthermore, €10.5 million of bank loans were repaid in FY2015, financed primarily through the issue of the €11 million unlisted bond. In total, during the periods under review, the Group reduced bank borrowings substantially. During FY2016, the Group received an unsecured loan from its shareholders of €5.6 million which bears an interest rate of 5.0% per annum and is repayable between two and five years.

for the year ended 31 December	**Actual FY2014**	**Actual FY2015**	**Actual FY2016**
Current Ratio *(Current Assets / Current Liabilities)*	0.41x	0.63x	0.08x
Cash Ratio *(Cash & cash equivalents / Current Liabilities)*	0.22x	0.33x	0.03x

Over the years, the Group's current ratio, representing the amount of current assets available to settle short-term liabilities, has been below one. The composition of the Issuer's current liabilities includes bank borrowings and outstanding bonds, in particular the €40.3 million outstanding in FY2017. The bonds are being redeemed through a new bond issue of €40 million specifically for this purpose. Should these amounts be excluded from the calculation, the ratio approximates that of FY2014, which nonetheless, is not optimal. It should also be noted that under current liabilities there is a substantial amount shown as trade and other payables which experienced a drop of 23.7% in FY2015 and a further drop of 15.1% in FY2016. The main factors contributing to this significant change is the fact that trade payables decreased as a result of a management initiative to decrease costs in view of the curtailed operations of PCL. Furthermore, security deposits decreased by approximately €1 million year-on-year during FY2015 and FY2016 as some tenants decided to terminate or not renew the lease agreements.

During the years under review, the Group, through a combination of scheduled and accelerated bank borrowing repayments, reduced the level of cash balances and thus impacted the cash ratio accordingly.

7.3 Statement of Financial Position

for the year ended 31 December	Actual FY2014 *€'000*	Actual FY2015 *€'000*	Actual FY2016 *€'000*
Non-current assets			
Intangible assets	2	2	2
Investment property	250,000	250,043	250,212
Property, plant and equipment	8,751	8,649	8,542
Investments accounted for using the equity method	12,701	14,314	13,705
Lease prepayment	423	415	407
Total non-current assets	**271,876**	**273,423**	**272,869**
Current assets			
Inventories	647	446	441
Trade and other receivables	7,392	4,175	2,330
Cash and cash equivalents	10,286	5,460	1,539
Taxation recoverable	611	312	–
Total current assets	**18,936**	**10,393**	**4,309**
Total assets	**290,813**	**283,816**	**277,178**
Equity			
Share capital	48,002	48,002	48,002
Other components of equity	–	831	456
Retained earnings	90,046	89,663	83,220
Total equity	**138,048**	**138,496**	**131,679**
Non-current liabilities			
Bank borrowings	23,567	13,433	10,780
Bonds	49,915	83,011	43,000
Shareholders' loan	2,655	2,655	8,275
Deferred tax liability	29,469	29,218	29,127
Derivative financial instruments	659	414	175
Total non-current liabilities	**106,265**	**128,731**	**91,358**
Current liabilities			
Bank borrowings	9,917	3,212	2,736
Bonds	19,650	–	40,292
Trade and other payables	15,044	11,488	9,753
Current taxation	1,890	1,890	1,360
Total current liabilities	**46,500**	**16,589**	**54,141**
Total liabilities	**152,765**	**145,320**	**145,499**
Total equity and liabilities	**290,813**	**283,816**	**277,178**

The total asset base of the Group amounted to €290.8 million in FY2014, €283.8 million in FY2015 and €277.2 million in FY2016. The largest asset that MIH has on its balance sheet is the Palm City Residences, operated by its 100% subsidiary, PCL. The investment property has inherently made up the majority of the Group's asset base. The value attributable to the investment property is based on the projected revenue streams which are discounted at a series of rates depending on the risk associated with particular identified criteria. Due to the uncertainty and civil strife in Libya, the value of the group's investment property (the Palm City Residences) was reduced from €311 million in FY2013 to €250 million in FY2014. Subsequent to a fair value assessment of the investment property in FY2016, management of the Issuer is of the opinion that the fair value of the investment property is justified.

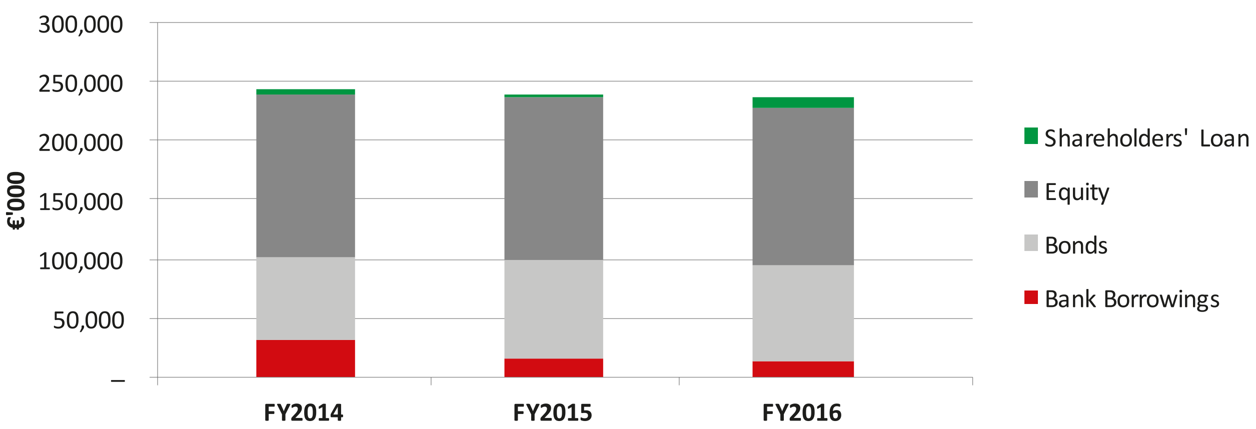
During the period under review, the called-up share capital of MIH stands at €48 million while the authorised share capital of the company stands at €100 million. Retained earnings decreased to €83.2 million in FY2016 from the €90 million in FY2014 in view of the losses suffered by the Group in both FY2015 and FY2016.

The increase in non-current borrowings from €49.9 million in FY2014 to €83 million in FY2015 is mainly attributable to the issue of a €20 million unsecured bond principally used by MIH to finance the redemption of the €20 million bond which MIH issued in 2008 and an €11 million unsecured and unlisted bond issued by MIH to repay bank borrowings. On the other hand, the decrease in non-current borrowings from €83 million in FY2015 to €43 million in FY2016 is mainly attributable to the reclassification to current liabilities of the €40.2 million bonds which will mature in FY2017.

The amount of trade and other receivables of the Group is in the main made up of trade receivables, which makes up between 30% and 40% of total receivables. The decline in receivables is consistent with the decrease in revenues.

The Group's funding base has inherently been composed of a mix of equity, bank debt, shareholders' loans and capital market borrowings. During the years, the Group managed to reduce its level of bank borrowings from €33.4 million in FY2014 to €16.6 million in FY2015 and to €13.5 million in FY2016. The amount of bonds outstanding has increased from €69.6 million in FY2014 to €83.3 million in FY2016. On the other hand, total equity went down from €138.5 million in FY2015 to €131.7 million by the end of FY2016, reflecting the losses incurred during these years, due to a reduction in occupancies and revenues.

Base Funding



Source: MIH financial statements for the years 2014, 2015 and 2016

BORROWINGS *for the year ended 31 December*	**Actual FY2014** *€'000*	**Actual FY2015** *€'000*	**Actual FY2016** *€'000*
Bank Borrowings (current and non-current)	33,475	16,619	13,475
Bonds (current and non-current)	69,565	83,011	83,292
Shareholders' Loan	2,655	2,655	8,275
Total Borrowings	**105,695**	**102,285**	**105,042**
Cash at bank and in hand	10,286	5,434	1,497
Net Debt	**95,409**	**96,851**	**103,544**

This mix of funding sources has enabled MIH to keep the Group's level of gearing at very acceptable levels. However, the decrease in revenue, resulting in lower EBITDA during FY2015 and FY2016 has resulted in a weaker interest coverage ratio from 2.44 times in FY2014 to 0.75 times in FY2015. The weaker net debt to EBIDTA signifies that, based on the EBITDA of FY2015, the Group will require 17 years of EBITDA to pay back its net debt.

for the year ended 31 December	**Actual FY2014**	**Actual FY2015**	**Actual FY2016**
Gearing Ratio (1) *(Net debt / Total Equity)*	0.69x	0.70x	0.79x
Gearing Ratio (2) *[Total debt / (Total Debt plus Total Equity)]*	43.36%	42.49%	44.38%
Interest Coverage ratio *(EBITDA / Net finance costs)*	2.44x	0.75x	–
Net Debt to EBIDTA *(Net Debt / EBIDTA)*	4.35x	17.01x	–

7.4 Working Capital

During the period under review, working capital shortfalls were on the increase despite the significant decreases in both the Group's current assets and current liabilities. In FY2014, the Group had a working capital deficiency of €27.6 million. This deficiency decreased to €6.2 million in FY2015 but increased again to €49.8 million in FY2016 particularly in view of capital market borrowings amounting to €40.2 million becoming current liabilities in view of their maturity in 2017.

PART 3

8 FORECASTS OF THE ISSUER

In terms of the Listing Policies issued by the MFSA, the Issuer is required to prepare forecasts for the current year. Furthermore, the Issuer is presenting the FY2018 projections in addition to the forecasts of FY2017.

8.1 Key Assumptions

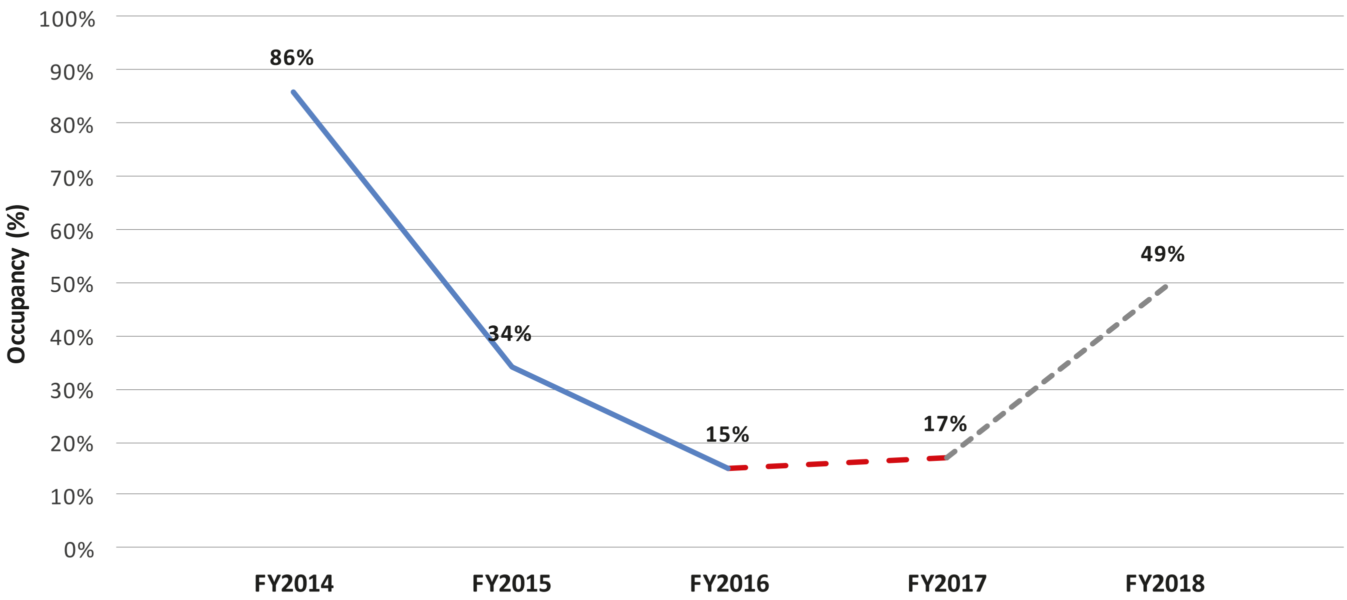
The key assumptions approved by the Directors of the Issuer in compiling the forecasts and projections below are the following:

- The economic and political situation in Libya will start stabilizing in FY2017, with further recovery in FY2018.
- The Group will not significantly change the manner in which it conducts its business.
- Taxation rates in the jurisdictions that MIH operate in will not change materially.
- There will be no significant foreign exchange fluctuations.
- The rate of inflation for Euro is assumed at 2% per annum.

Further to discussions with management, it transpired that while the situation in Libya remains volatile, management is experiencing an interesting increase in enquiries from embassies, NGO's, international security service providers and other entities to relocate to Palm City Residence which signifies that there is renewed interest by institutions to return to Libya, albeit gradually. In the first quarter of 2017, PCL leased out a total of 32 residential units and ancillary facilities which are expected to generate over €4.5 million in revenues over a one-year term. The majority of these contracts are for periods between two to five years, with an option to extend. Management has indicated that by the end of July 2017, PCL would have leased out a total of 70 residential units and ancillary facilities. This is expected to push the average occupancy rate to 17% for FY2017.

Management also noted that currently there is no other complex that can readily accommodate tenants in a secure environment that mirrors the facilities available at Palm City Residences. Moreover, Libya will need to undergo a massive infrastructural development, which will involve some level of input from foreign investors and these would seek to contract tenancy in Libya in the short to medium term. Thus, given the recent contractual discussions, management appears confident that the demand for accommodation at PCL will improve in the foreseeable future. To this effect, management has forecasted effective occupancy levels to increase to 21% by the end of FY2017 and to an average occupancy level of 49% in FY2018.

Projected Average Occupancy Levels



Source: Management Information

8.2 Income Statement

STATEMENT OF COMPREHENSIVE INCOME *for the year ended 31 December*	Actual FY2016 *€'000*	Forecast FY2017 *€'000*	Projection FY2018 *€'000*
Revenue	3,627	6,783	20,047
Operating, Admin & Marketing expenses	(4,409)	(3,555)	(6,407)
EBIDTA	**(782)**	**3,228**	**13,640**
Other income	121	-	-
Depreciation	(124)	(54)	(177)
Results from operating activities	**(785)**	**3,174**	**13,463**
Finance income	1,118	-	-
Finance costs	(6,955)	(6,633)	(6,024)
Net finance costs	**(5,837)**	**(6,633)**	**(6,024)**
Net fair value gain on interest rate swaps	239	329	-
Profit / (Loss) before tax	**(6,383)**	**(3,130)**	**7,439**
Tax income	84	-	-
Deferred tax	(143)	-	(256)
Net Profit / (Loss) for the year	**(6,443)**	**(3,130)**	**7,183**

Source: Management information

Management has prepared and approved the forecasts for FY2017 and projections for FY2018 after carefully considering the economic and political situation in Libya as well as the feedback being received from oil and gas companies, NGOs, embassies, state entities and other organisations such as international schools, seeking to relocate to Palm City Residences.

The Group assumes that during FY2017 and FY2018 conditions in Libya will start to improve gradually and that its clients and indeed other interested investors and operators will re-establish their presence in the country. This is reflected in forecasted occupancy levels which are expected to increase, generating revenue growth over the revenue registered in FY2016 of 47% and 82% for FY2017 and FY2018 respectively on account of improved occupancies and increased unit rates.

The table below provides a breakdown of revenue for FY2017 and FY2018 compared to that generated in year FY2016.

REVENUE AND OTHER INCOME ANALYSIS BY BUSINESS ACTIVITY *for the year ended 31 December*	Actual FY2016 *€'000*	Forecast FY2017 *€'000*	Projection FY2018 *€'000*
Residential rental revenue	3,259	6,519	19,136
Commercial revenue	85	191	558
Food and Beverage	43	45	292
Other Income Departments	240	28	60
Total Revenue	**3,627**	**6,783**	**20,047**

Source: Management information (rounding differences may apply)

During FY2017, operating expenses are forecasted at a level of €3.6 million (FY2016: €4.4 million) as management will be maintaining strict control of such costs and it will not be incurring one-time costs paid in FY2016. However, during FY2018 these are expected to increase to €6.4 million in line with the envisaged growth in revenue.

EBIDTA for FY2017 and FY2018 is expected to improve to €3.2 million and €13.6 million respectively when compared to the negative EBIDTA of €0.78 million registered in FY2016. The forecasted increase in revenues will impact the level of profitability of the Group, which is expected to record a lower loss for FY2017 of €3.1 million (which is 51% lower than the loss incurred in FY2016) and a net profit of €7.2 million in FY2018.

8.3 Cash Flow Statement

for the year ended 31 December	**Actual FY2016**	**Forecast FY2017**	**Projection FY2018**
Net cash from operating activities	(711)	1,286	12,313
Net cash used in investing activities	347	(20)	(765)
Net cash (used in)/from financing activities	(3,554)	(1,192)	(8,475)
Net (decrease)/increase in cash and cash equivalents	**(3,918)**	**74**	**3,073**
Cash and cash equivalents b/fwd	5,435	1,497	1,571
Cash and cash equivalents c/fwd before the effect of foreign exchange rate changes	1,517	–	–
Effect of foreign exchange rate changes	(20)	–	–
Cash and cash equivalents c/fwd	**1,497**	**1,571**	**4,644**

Source: Management information

In FY2017 and FY2018, the Group is expected to improve its cash position. The Group's operations are expected to generate a net cash inflow from operations of €1.3 million and €12.3 million by the end of FY2017 and FY2018 respectively. No further material investment is being envisaged during the forecasted two years and the €0.02 million and €0.77 million are earmarked as payments to acquire PPE in relation to general capital expenditure undertaken on an annual basis. After servicing its debt obligations, the Group's cash balance at the end of FY2017 and FY2018 is expected to be €1.6 million and €4.6 million respectively.

8.4 Statement of Financial Position

for the year ended 31 December	Actual FY2016 *€'000*	Forecast FY2017 *€'000*	Projection FY2018 *€'000*
Non-current assets			
Intangible assets	2	2	2
Investment property	250,212	250,231	250,231
Property, plant and equipment	8,542	8,490	9,079
Investments accounted for using the equity method	13,705	13,705	13,705
Lease prepayment	407	400	392
Total non-current assets	**272,869**	**272,828**	**273,409**
Current assets			
Inventories	441	447	461
Trade and other receivables	2,330	2,628	4,368
Cash and cash equivalents	1,539	1,571	4,644
Total current assets	**4,309**	**4,647**	**9,473**
Total assets	**277,178**	**277,475**	**282,881**
Equity			
Share capital	48,002	48,002	48,002
Other components of equity	456	–	–
Retained earnings	83,220	80,551	87,733
Total equity	**131,679**	**128,553**	**135,735**
Non-current liabilities			
Bank and other borrowings	10,780	13,034	5,742
Bonds	43,000	83,000	83,000
Shareholders' loans	8,275	11,703	11,703
Deferred tax liability	29,127	29,127	29,127
Taxation	–	–	256
Derivative financial instruments	175	176	176
Total non-current liabilities	**91,358**	**137,040**	**130,004**
Current liabilities			
Bank borrowings	2,736	2,670	6,641
Bonds	40,292	–	–
Trade and other payables	9,753	8,446	10,442
Current taxation	1,360	766	59
Total current liabilities	**54,141**	**11,883**	**17,142**
Total liabilities	**145,499**	**148,922**	**147,146**
Total equity and liabilities	**277,178**	**277,475**	**282,881**

Source: Management information

In FY2017 and FY2018, the Group's asset base is expected to remain relatively unchanged compared to FY2016. While trade debtors will remain stable in FY2017, these are expected to increase in FY2018 when occupancy levels at Palm City Residences start increasing and generating an increased level of revenue.

The composition of the funding side is expected to be marginally different as the Group will receive additional financing support from its shareholders to enable the Group to finance its debt service obligations (including interest) when they fall due.

The financial ratios of the Issuer are expected to remain unchanged in FY2017 and forecasted to improve significantly during FY2018. In fact, the gross profit and EBIDTA margins are expected to improve when compared to FY2016 attributable to an anticipated higher level of occupancy levels.

The Group's interest cover ratio for FY2017 is estimated to be better than FY2016 as EBITDA is expected to cover 49% of the interest payments of the year. The further increase in revenue envisaged during FY2018 (resulting in higher EBITDA), is expected to result in an interest coverage ratio of 2.26 times. On the other hand, MIH's gearing level is anticipated to remain at the same levels of FY2016.

9 RELATED PARTY LISTED SECURITIES

MIH is 50% owned by CPHCL which is the parent company of three locally-listed public companies – MIH plc (the Issuer), IHI plc and Corinthia Finance plc. Below is a list of all outstanding debts listed on the local capital market of each of these three public limited liability companies:

Mediterranean Investments Holding plc	EUR Equivalent	
MT0000371238	28,519,400	7.15% MIH plc 2015-2017 (EUR)
MT0000371246	5,107,321	7.15% MIH plc 2015-2017 (GBP4,351,100) *
MT0000371253	6,770,693	7.15% MIH plc 2015-2017 (USD7,120,300) *
MT0000371279	20,000,000	5.50% MIH plc 2020
MT0000371261	12,000,000	6.00% MIH plc 2021
	72,397,415	

* The EUR equivalent of the GBP and USD bonds are approximate rounded values based on exchange rates as at 31 December 2016 (closing)

NB: (i) The first three bonds are being replaced by the €40 million bond issue pursuant to which this Financial Analysis Summary relates to.
(ii) The above list excludes the €11 million 6.00% UNLISTED bond which matures in 2020.

Corinthia Finance plc		
MT0000101254	7,500,000	6.00% Corinthia Finance plc 2019-2022
MT0000101262	40,000,000	4.25% Corinthia Finance plc 2026
	47,500,000	

International Hotel Investments plc		
MT0000111279	20,000,000	5.80% International Hotel Investments plc 2021
MT0000111287	10,000,000	5.80% International Hotel Investments plc 2023
MT0000111295	45,000,000	5.75% International Hotel Investments plc 2025
MT0000111303	55,000,000	4.00% International Hotel Investments plc 2026
MT0000111311	40,000,000	4.00% International Hotel Investments plc 2026
	170,000,000	

Island Hotels Group Holdings plc		
MT0000481219	3,133,600	6.50% IHGH plc 2017-2019
MT0000481227	35,000,000	6.00% IHGH plc 2024
	38,133,600	

Total outstanding debt listed on the local capital market currently amounts to *circa* €328 million.

10 COMPARISON TO OTHER ISSUERS

The table below compares the Issuer and its proposed bond issue to other listed debt on the local market having broadly similar maturities. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations vary significantly from those of the Issuer and are therefore not directly comparable. Nevertheless, the table below provides a sample of some comparatives:

Bond Details	Outstanding Amount (€)	Total Assets (€'000)	Total Equity (€'000)	*Gearing Ratio (%)	Interest Cover (times)	YTM (as at 16.05.2017) %
5.50% Med. Inv. Holding p.l.c. 2020	20,000,000	277,178	131,679	44.38	n/a	4.80
5.50% Pendergardens Developments p.l.c. 2020	15,000,000	63,273	11,488	78.30	0.17	4.21
6.00% Med. Inv. Holding p.l.c. 2021	12,000,000	277,178	131,679	44.38	n/a	6.00
5.00% GlobalCapital p.l.c. 2021	10,000,000	113,143	15,120	n/a	1.77	5.00
5.8% IHI p.l.c. 2021	20,000,000	1,220,254	646,822	38.53	6.18	4.21
5.75% Central Business Centre p.l.c. 2021	3,000,000	16,141	10,270	36.35	0.42	4.56
5.00% Med. Inv. Holding p.l.c. 2022	**40,000,000**	**277,178**	**131,679**	**44.38**	**n/a**	**5.00**
6.00% Corinthia Finance p.l.c. 2019-2022	7,500,000	1,389,627	665,357	44.12	2.39	5.63
6.00% Pendergardens Developments p.l.c. 2022	27,000,000	63,273	11,488	78.30	0.17	4.15
6.00% Medserv p.l.c. 2020-2023	20,000,000	121,453	26,408	66.81	2.24	4.89
4.25% GAP Group p.l.c. 2023	40,000,000	57,086	6,004	87.45	2.48	3.89
5.80% IHI p.l.c. 2023	10,000,000	1,220,254	646,822	38.53	6.18	4.51

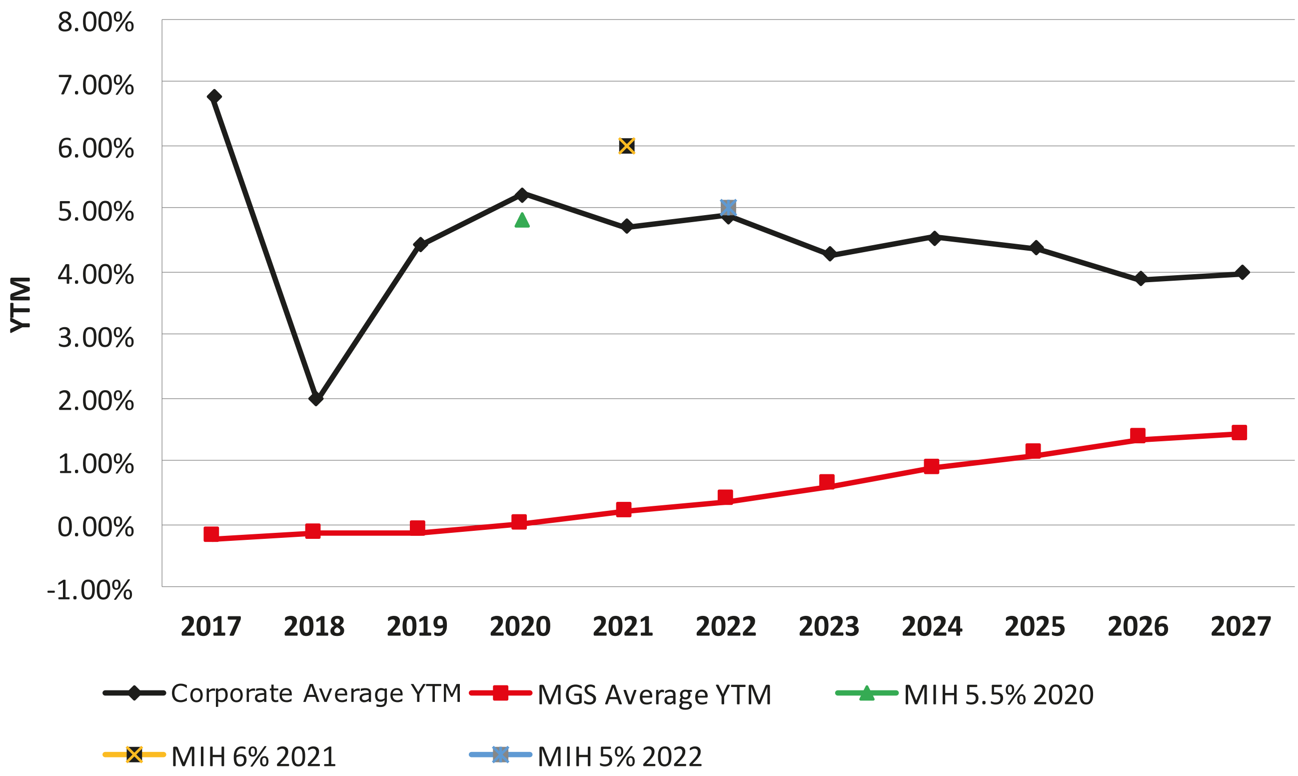
**Gearing Ratio: Total Debt / (Total Debt + Equity)*

Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 16 May 2017. Ratio workings and financial information quoted have been based on the issuer's published financial data, including:

PenderGardens Development plc FY2016 annual report;
GlobalCapital plc FY2016 annual report;
IHI plc FY2016 annual report;
Central Business Centre plc FY2016 annual report;
Corinthia Finance plc - figures based on the Guarantor (Corinthia Palace Hotel Company Limited) FY2016 annual report;
Medserv plc FY2016 annual report; and
GAP Group plc FY2016 annual report.

The chart below shows the average yield to maturity of the new MIH Bond 2022 compared to other corporate bonds listed on the Malta Stock Exchange (including two of the Issuer's debt securities: MIH 5.5% 2020 and MIH 6% 2021) and benchmarked against the Malta Government Stock yield curve as at 16 May 2017.

MIH Bonds vs Corporate Bonds & MGS YTM – as at 16.05.2017



At a coupon of 5%, the MIH Bond 2022 is priced at a premium of just over 464 basis points over MGS maturing in 2022.

GLOSSARY

Income Statement Explanatory Definitions

Revenue	Total revenue generated by the company from its business activity during the financial year.
Cost of Sales	The costs incurred in direct relation to the operations of the Issuer or Guarantor
Gross Profit	The difference between Revenue and Cost of Sales.
EBITDA	Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations.
Depreciation and Amortization	An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated.
Finance Income	Interest earned on cash bank balances and from the intra-group companies on loans advanced.
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit generated in one financial year.

Cash Flow Statement Explanatory Definitions

Cash Flow from Operating Activities	The cash used or generated from the company's business activities.
Cash Flow from Investing Activities	The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets.
Cash Flow from Financing Activities	The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments.

Balance Sheet Statement Explanatory Definitions

Assets	What the company owns which can be further classified in Current and Non-Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Liabilities	What the company owes, which can be further classified in Current and Non-Current Liabilities.
Current Liabilities	Obligations which are due within one financial year.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings and any reserves.