ANNEX III

FINANCIAL ANALYSIS SUMMARY

CURMI & PARTNERS

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1st November 2018

The Directors
The Phoenicia Malta
The Mall
Floriana,
FRN1478
Malta

Dear Sirs

Phoenicia Finance Company p.l.c. – Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary ("the Analysis") set out on the following pages. A copy of this report is also attached to this letter.

The purpose of the Analysis is that of summarising key financial data appertaining to Phoenicia Finance Company p.l.c. ("the Issuer" or "PFC"), in addition to Phoenicia Hotel Company Limited ("PHCL") and Phoenicia Malta Limited ("PML") (collectively, "the Guarantors"). The Issuer and the Guarantors are collectively referred to as "the Group". The data is derived from various sources, as disclosed, or is based on our own computations as follows:

1. Historical financial data for the three years ended 31st December 2015, 31st December 2016 and 31st December 2017 have been extracted from the Group's Combined Financial Statements which have been provided by the management of the Group and are based on an aggregation of the audited financial statements of the Guarantors taking into consideration intercompany and consolidation adjustments.
2. The forecast data for the financial year ending 31st December 2018 and the projected data for the year ending 31st December 2019 have been extracted from the Issuer and Group's financial projections as prepared and approved by management.
3. Our commentary on the results of the Issuer and on its financial position is based on the explanations set out by the Issuer in the Prospectus.
4. The ratios quoted in the following pages have been computed by us applying the definitions set out and defined in the Section 9 of the Analysis.
5. The principal peer companies listed in Part 8 of the Financial Analysis Summary have been identified by us. The relevant financial data in respect of such companies has been sourced from publicly available information, mainly financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis in the following pages is meant to assist potential investors by summarising the more important financial data set out in the Prospectus. 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 proposed bond issue

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by the issuer and should not be interpreted as a recommendation to invest in any of the Issuer's or the Group's securities. 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 in the Bonds.

Yours sincerely,

Karl Falzon
Head of Capital Markets & Research
For and on behalf of
Curmi and Partners Limited

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1.
OVERVIEW OF THE ISSUER

1.1 HISTORY AND DEVELOPMENT OF THE ISSUER

Phoenicia Finance Company plc ("the Issuer" or "PFC"), is a public limited liability company that was established on 23rd October 2018 to act as the financing arm of the group of companies that owns and operates The Phoenicia Malta hotel ("the Group"). The principal object of the Issuer is to carry on the business of a finance company in connection with the ownership, development, operation, and financing of the Group's hotel and leisure facilities. The Issuer's intended purpose is to raise finance for the business of the Group which is carried out through Phoenicia Hotel Company Limited ("PHCL") and Phoenicia Malta Limited ("PML") (collectively, "the Guarantors"). In this respect, the Issuer is mainly dependent on the business prospects of the Guarantors. The Issuer operates exclusively in and from Malta.

1.2 SHAREHOLDING OF THE ISSUER

The authorised and issued share capital of the Company is €250,000 divided into 250,000 ordinary shares of a nominal value of €1 each share, and are fully paid up and subscribed for. The shares are allotted and taken up by PML, except for 1 share which is subscribed for, allotted and taken up by Mr Mark D. Shaw, the ultimate beneficial owner of the Group.

1.3 DIRECTORS

The Board of Directors of the Company consists of five directors who are entrusted with setting the overall direction and strategy of the Company. As at the date of this Financial Analysis Summary, the Board of Directors of the Issuer is constituted as follows:

Mark D. Shaw	Chairman
Jean Pierre Ellul Castaldi	Executive Director
Mario P. Galea	Non-Executive Director
Benjamin Muscat	Non-Executive Director
Etienne Borg Cardona	Non-Executive Director

2.
OVERVIEW OF THE GROUP

The business of the Group mainly relates to the ownership, management and operation of The Phoenicia Malta hotel ("the Hotel" or "the Phoenicia"), an iconic five star hotel situated in Floriana. The Hotel was built in the 1930s and officially opened in 1947 as Malta's first luxury hotel.

The Phoenicia currently comprises 136 rooms, 8 of which are luxurious suites. Additionally, Phoenicia also offers conference and banqueting facilities, along with food and beverage outlets within the Hotel premises. The footprint of the hotel covers less than 10 percent of the broader site, which comprises of over 40,000 sqm of premium land made up of various zones that are not yet fully exploited.

The Phoenicia has been a member of the Leading Hotels of the World ("LHW") network since December 2015, reinforcing its position in the luxury accommodation segment on an international level. The Phoenicia's recent history is characterised by a major refurbishment project ("the Refurbishment") which was undertaken between November 2015 and mid-April 2017, during which the Hotel was closed. The Phoenicia re-opened in mid-April 2017 with approximately 100 rooms, and opened in full capacity in November 2017. The Refurbishment entailed a significant upgrade and restoration of the Hotel and the surrounding sites.

The Hotel is in the process of completing the last phase of the refurbishment programme; the construction of a Spa and health club ("the Spa") which is expected to open during the first quarter of 2019.
Key historical developments include the following:

1935	PHCL (previously known as "Malta Hotels Company Limited") was incorporated in the United Kingdom for the purpose of acquiring by emphyteutical title the land over which the Premises was subsequently constructed.

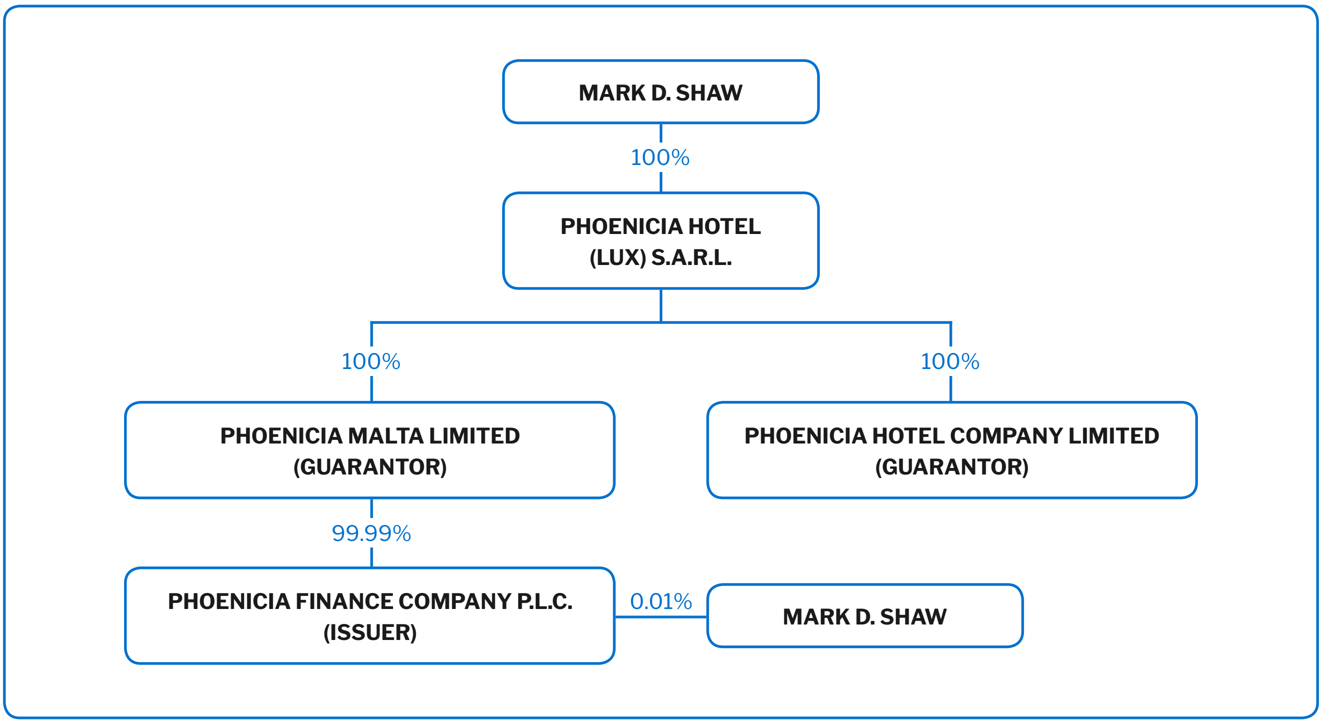
1947	The Phoenicia Hotel celebrated its official opening in 1947.
1961	PHCL granted the Premises on sub-emphyteusis to Ms Agnes Graham.
1965	PHCL was registered as an oversea company in Malta.
1966	Ms Agnes Graham transferred the sub-emphyteusis over the Premises to Holtours Limited.
1997	The Phoenicia Hotel was renamed "Le Méridien Phoenicia".
2007	PML (previously known as Cuffe (Malta) Limited) was incorporated on 8 June 2007, for the purpose of acquiring the sub-emphyteusis over the Premises from Holtours Limited. The hotel was renamed as "The Phoenicia Malta".
2013	Acquisition of the Phoenicia Group by the current owner.
2016	The Phoenicia Hotel was closed for refurbishment in November 2015 up to April 2017.
2017	The Phoenicia Hotel was re-opened for business on 15 April 2017.

Phoenicia has changed owners along the years, as the sub-empytheusis over the Hotel has been granted and acquired by four different owners since 1935. The current shareholder acquired the Group in 2013 which is also when the underlying debt of PML was assigned to a new lender Teramy SARL ("Teramy") from National Asset Management Agency ("NAMA"). The total debt assigned to Teramy amounted to €21 million ("the Teramy Secured Loan").

2.1 ORGANISATIONAL STRUCTURE

The Phoenicia is owned and operated by 2 companies that are controlled by Phoenicia Hotel (LUX) SARL, the parent of the Group. The Hotel is owned by PML, a private limited liability company which principally acts as the property holding company of the Group. PML leases the Phoenicia premises to the operating company of the Group, PHCL. On the basis of an operating lease agreement, PHCL pays rental income arising from the lease of investment property to the asset owning company PML.

The organisational structure of the Group is illustrated in the diagram below. As stated above, the Issuer's principal activity is that of acting as the financing arm of the Group and is thus dependent upon the operations and performance of the Phoenicia Group entities, namely PML and PHCL.



As at the date of the Prospectus, the Group employs an average of 137 full-time empolyees.

2.2 OVERVIEW OF THE GUARANTORS

2.2.1 PHOENICIA MALTA LIMITED

PML was established in 2007 to act as the property holding company of the Group. PML owns the premises on which the Phoenicia hotel is built under the title of perpetual sub-emphyteusis.

The main activity of PML is the leasing of the Phoenicia premises to PHCL by virtue of a lease agreement which is renewable every year. PML generates revenue from the annual rent paid by PHCL to PML, which is due in monthly instalments in advance. The annual ground rent due to PML is currently €1.75 million and is renewable every three years. In terms of its memorandum of association, PML is empowered to secure and guarantee any debt, liability, or obligation of any third party.

2.2.2 PHOENICIA HOTEL COMPANY LIMITED

PHCL was incorporated in the United Kingdom in 1935 and registered in Malta in 1965. PHCL is the operating company of the Group and is responsible for the operations of the Phoenicia Hotel. Through PHCL the Group provides hospitality services which can be further divided into three major segments; hotel accommodation ("Rooms"), restaurants and bars, conferencing and banqueting ("Catering") and other minor divisions ("Other").

Rooms

The Hotel generates a large proportion of its revenue from the provision of 136 hotel rooms, 8 of which are luxury suites. Room revenue is generated through various channels, including online bookings made on the Hotel's official website, global distribution systems, LHW reservation systems and other online travel agents. Room revenue, excluding any in-room add-ons, accounted for 68% of total revenue in FY2017.

Catering

The catering segment covers the Hotel's food and beverage facilities which can be further subdivided into the operations of the Hotel's restaurants and bars and the Hotel's conference and banqueting services offered at the Phoenicia. The Hotel operates 5 food and beverage outlets and 650 sqm of conference and banqueting facilities used to cater for large events, weddings, conferences and meeting rooms. Catering revenue accounted for 30% of total revenue in 2017.

Other

Phoenicia also generates a small portion of its revenue from other activities such as the sub-leasing of two establishments and a tour operating desk for commercial purpose as well as ancillary services such as telephone and airport transfers.

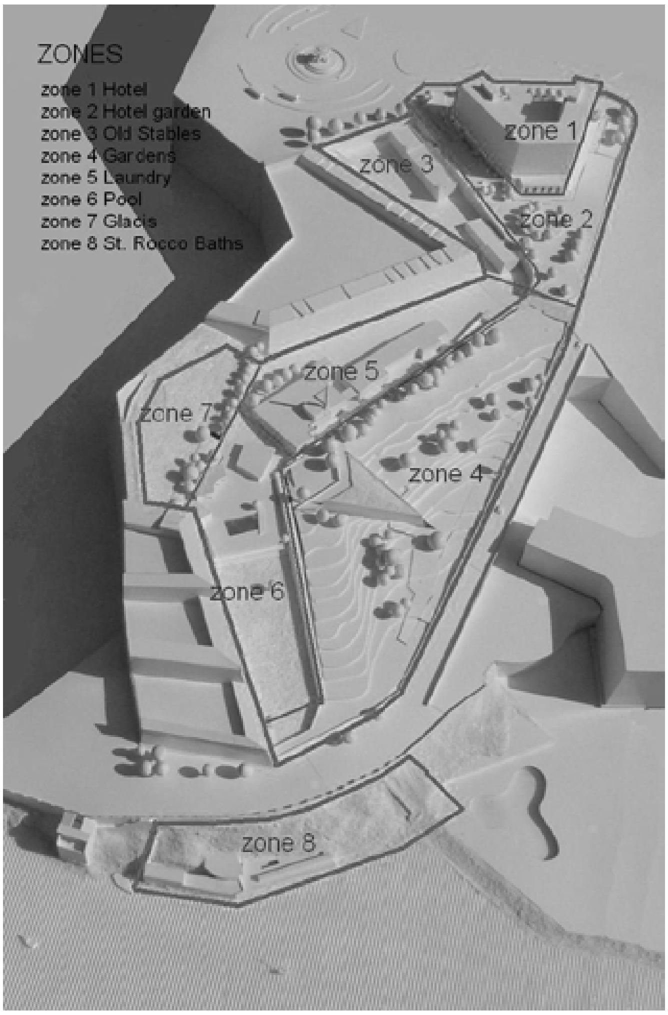
The Phoenicia has been a member of the LHW network since December 2015. This membership further establishes the Hotel's position in the luxury hotel segment and provides access to global loyalty programmes, namely the American Express Travel's Fine Hotels and Resorts, and is presently the only local hotel to be given this prestigious accolade.

In 2016, PHCL entered into a hotel management agreement with Campbell Gray Hotel Limited ("CGHL") for a period of fifteen years from the reopening of the Hotel in April 2017. CGHL assists Phoenicia's local management team with operational management, marketing and PR. The Group's relationship with CGHL provides the Phoenicia Hotel with access to CGHL's large-scale reservation and distribution system, which allows the Group to benefit from its extensive operating experience and marketing opportunities.

3.
MAJOR ASSETS OF THE GROUP

3.1 THE PHOENICIA HOTEL

The Phoenicia Hotel is owned by PML and operated by PHCL. It is a prestigious, five-star property situated in Floriana. The Hotel contains 136 rooms, including 8 suites, 3 restaurants, 2 bars and conference amenities.



As mentioned earlier, the Hotel is in the process of completing a major refurbishment program with an estimated investment of circa €29.4 million. The Hotel was closed for the period between November 2015 and mid-April 2017, during which the majority of the works were completed. The Phoenicia re-opened in mid-April 2017 with approximately 100 rooms, due to construction delays in relation to the Hotel's listed status and proximity to heritage locations, and opened with full capacity in November 2017. As part of the final stage of this project, the Hotel is currently developing a Spa and health club which will include six treatment rooms, an indoor pool, a gym, a sauna, a hammam, and a juice bar. The Spa is expected to be operational by the first quarter of 2019. The refurbishment has already shown significant improvements in the Hotel's business offering and performance metrics.

HOTEL METRICS AND COMBINED FINANCIAL INFORMATION

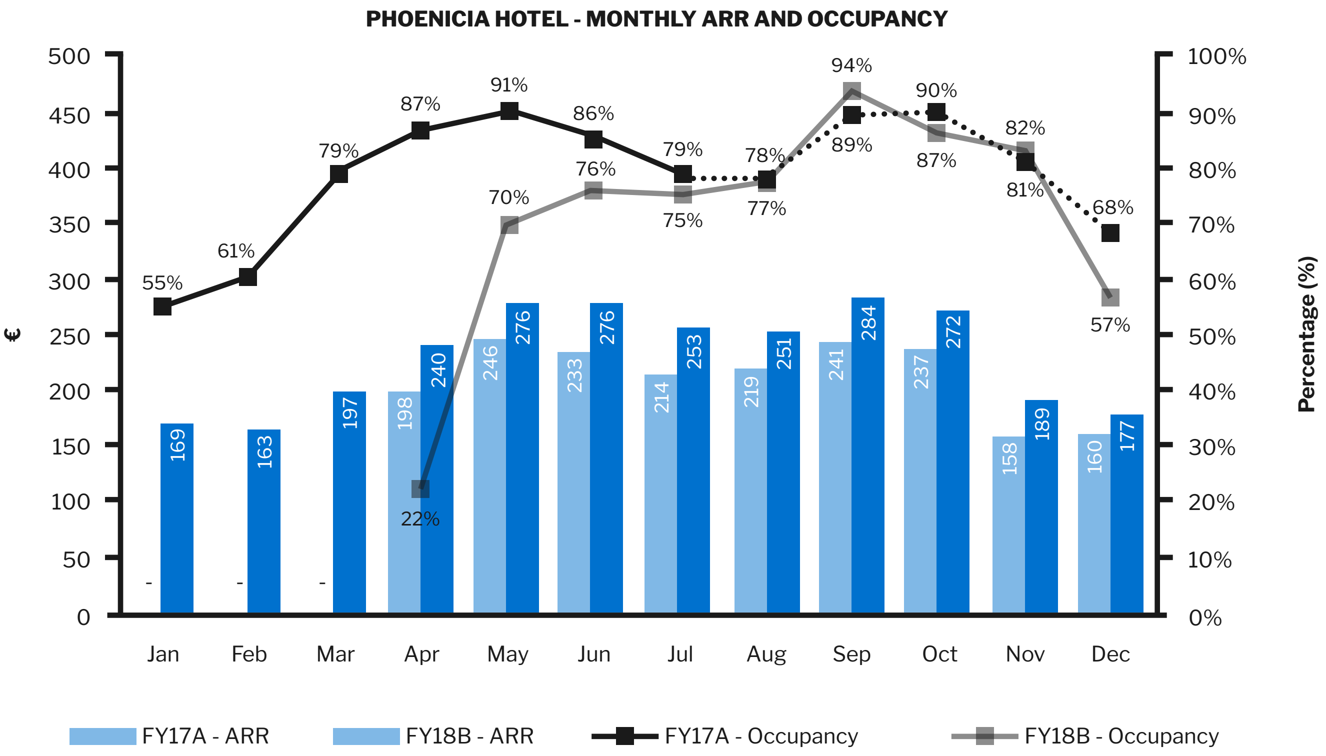
KPIs	**2015** Actual	**2016** Actual	**2017** Actual	**LTM 2018** Actual	**2018** Forecast	**2019** Forecast
Revenue (€000)	7,822	348	6,777	11,226	13,245	15,214
Gross Operating Profit (€000)	2,836	(2,414)	1,260	4,058	5,499	6,556
EBITDA (€000)	2,726	(2,592)	919	3,596	4,947	5,970
Benchmark Performance						
Occupancy level	76%	76%	69%			
Average Room Rate (ARR) (€)	135	142	137			
Revenue per available room (RevPAR) (€)	103	110	121			
Phoenicia Performance						
Room Revenue (€000)	5,467	-	4,611	7,729	9,160	10,309
Overall occupancy	85%	-	74%	77%	79%	82%
Gross Operating Profit Margin	36%	-693%	19%	36%	42%	43%
ARR (€)	149	-	213	218	234	253
RevPAR (€)	127	-	157	168	185	208

Source: Management information; Combined Financial Statements; MHRA Reports

The Phoenicia's operating and financial performance in the last three years has been impacted by the refurbishment program. The Hotel was closed between November 2015 and April 2017, thus the figures for FY2015 - FY2017 do not show 12-month trading periods. The last twelve month ("LTM") figures which cover the period July 2017 to June 2018 ("LTM 2018") illustrate the improvement in the Hotel's performance following the refurbishment. Following the negative performance in 2016, gross operating profit ("GOP") showed improvements in 2017, albeit significantly lower than 2015 levels. However, LTM 2018 revenue rose at a faster pace than cost of sales and operating expenses, thus achieving a notable improvement in GOP. This is also reflected in the Group's GOP margins, improving to 36% in LTM 2018. GOP in both absolute terms and margins are projected to increase in 2018 and 2019.

The improved performance is mainly driven by the higher average room rate ("ARR") which increased by 43% from FY2015 to FY2017 and is expected to continue to increase in FY2018 as partly observed in the ARR during LTM2018. Phoenicia achieved higher ARR than the average of the 5 star hotel sector in Malta ("the Industry"), exceeding by 11% (pre-refurbishment) in FY2015 and by 56% (post-refurbishment) in FY2017. The increase in ARR in FY2017 was in line with the industry increase. Phoenicia has also achieved higher revenue per available room ("RevPAR") than the industry average in FY2015 and FY2017. Management expects that the increases anticipated in the ARR will also drive RevPAR growth over the forecast period.

The Phoenicia's peak months include May, June, September and October. Management notes that Phoenicia's seasonality pattern could be considered particular in that it reflects a more linear revenue stream than that of peers. Phoenicia's occupancy levels decreased from 85% in 2015 to 74% in 2017, albeit exceeding the average of the five star market, despite the part-closure of the Hotel from January to mid-April of the same year. Management expects the occupancy rate to continue to increase, reaching pre-refurbishment occupancy levels in 2020. In addition, during the current financial year, the Hotel achieved higher room rates, occupancy rates and growth rates than those achieved in the previous year. Management anticipates that RevPAR and occupancy levels for 2018 will reach €185 and 78.7% respectively on the basis of latest management budgets.



Source: Management information

3.2 THE REFURBISHMENT

The Phoenicia is in the process of completing a major refurbishment of its buildings and surrounding grounds. The total investment is estimated at €29.4 million and is expected to be completed by 2019, upon completion of the Spa and Health club. The total project entails a significant upgrade and restoration of the Hotel and surrounding site including:

- Replacement of all guest bathrooms
- Refurbishment of guest bedrooms with the addition of new balconies on all 4th floor guest bedrooms
- Overhaul and renewal of the Hotel's mechanical and electrical plant, including new air-conditioning and ventilation plant
- Construction of a new outdoor swimming pool
- Refurbishment of the Grand Ballroom and other public areas
- Restoration of the Hotel's facade including new fenestration
- Renewed landscaping and external lighting
- Spa and Health club (target completion date: Q1 2019)

The largest capital outlays related to the guest room and corridor renovations (€6.1 million), mechanical, electrical and plumbing services (€6.4 million), the Spa and Health club (€4.4 million) and general external works (€2.1 million).

The majority of the works were carried out between November 2015 and April 2017, which resulted in the closure of the Hotel for this period. On re-opening in 2017, the Hotel operated with approximately 100 rooms and achieved full capacity in November 2017. Management have noted that due to the sensitivities connected to the Hotel's listed status and proximity to heritage locations, the project ran into delays which in turn resulted into cost over runs.

However, management also indicates that the Refurbishment has ultimately consolidated the Hotel's position as a top end 5 star property. The Spa and Health club is expected to be completed in Q1 2019 for a total investment of €4.4 million. This property will include a new gymnasium, a heated indoor swimming pool, six treatment rooms, a sauna, steam room, experience showers and a juice bar. The addition of the Spa is expected to attract new guest profiles and contribute to incremental room revenue.

3.3 VALUATIONS OF LAND AND BUILDINGS

The Group's Property, Plant and Equipment ("PPE") consists of the leasehold land, buildings, plant & machinery at the site of the Hotel. Following completion of the Hotel's refurbishment and commencement of operations, the Group obtained an independent valuation from local architects, DeMicoli & Associates Architects, in accordance with the recommendations of the Valuation Standards for Accredited Valuers. The fair value determined on the basis of this valuation was €92 million as at 29th October 2018 which also includes the estimated value of all underlying plant and equipment used in the ongoing operation of the Hotel and which are utilised in the generation of income. The revaluation resulted in a fair value gain of €45 million in 2017, resulting in a net movement in other comprehensive income of €38.4 million, after a deferred tax adjustment.

4. INDUSTRY OVERVIEW

4.1 ECONOMIC UPDATE[1]

Malta achieved one of the highest growth rates in Europe, with real GDP increasing by 6.6% in 2017, mainly driven by the services sector as well as improvements in manufacturing and construction sectors. Albeit still strong, GDP growth rose at a slower pace in the first quarter of 2018, rising by 4.4% year-on-year ("YoY"), marginally lower than the 4.6% growth achieved in the last quarter of 2017. Growth is forecasted to remain robust to moderate for the remainder of 2018, increasing by 5.4% for the year.

Unemployment has continued to fall in the first quarter of 2018 to 4.4% with both employment and labour supply from higher labour participation and inflows of foreign workers, growing strongly. Nonetheless, the labour market remains tight with the unemployment rate below structural employment of 4.8%.

4.2 TOURISM AND HOSPITALITY[2]

The local tourism industry has continued to strengthen, with tourist arrivals increasing by 15.7% in 2017. With the number of tourists exceeding 2.2 million visitors. Tourists arrivals in the first six months of 2018 increased by 17.4% over the same period last year, reaching more than a million tourists.

In 2017, the number of tourist nights exceeded 2016 levels by 10.3%, nights spent in collective accommodation increased by 6.0% whilst private accommodation increased popularity and rose at a faster pace of 16.7%. This positive momentum continued in the first half of 2018 with the number of tourist nights increasing by 17.8% over the same period last year, 59% of which were spent in collective accommodation.

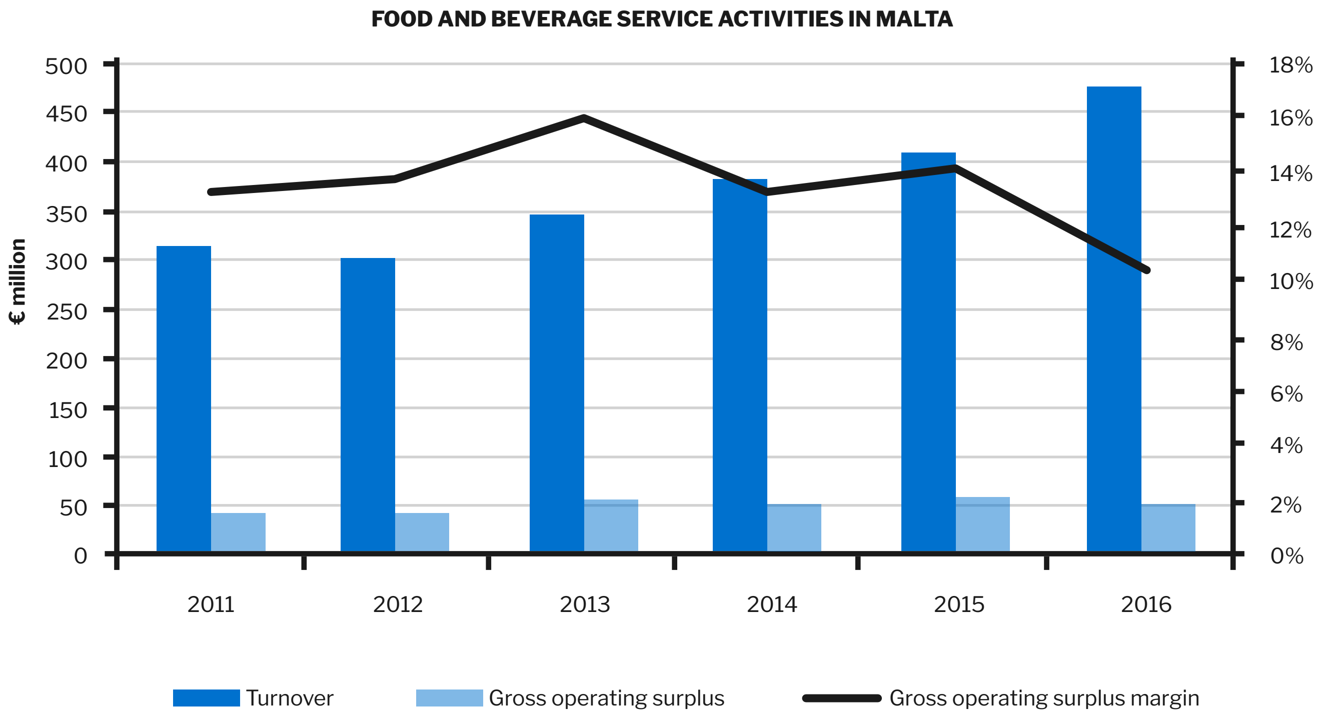
For the first half of 2018, occupancy rates declined in comparison to the H1 2017, from 72% to 70%, whilst average room rates for the 5-star segment increased by 4% in the same period.

The composition of 5-star hotel's business mix remained relatively unchanged for the first half of 2018: 23% of business came from online tour operators, 21% from corporate business, 20% direct and 16% from both tour operators and CIT. Non-accommodation income per available room at 5 star hotels amounted to €56.7, decreasing by 4% from January to June 2018 in comparison to the period last year.

4.3 FOOD AND BEVERAGE[3]

The food and beverage sector comprises of restaurant and mobile food services, beverage serving activities, event catering and other food services. The number of food and beverage enterprises in Malta amounted to 2, 176 as at 2016 (latest data available on Eurostat), increasing by 9% over the previous year. The total turnover from the food and beverage sector amounted to €471 million in 2016, increasing at an annual compound rate of 9% since 2011. A total of €48.7 million of gross operating surplus was generated by the sector in 2016, dropping 16% from 2015. Since 2011, gross operating surplus grew by an annual compound growth rate of 4%.

1 Central Bank of Malta Annual Report 2017; Quarterly review 2018 Vol 15 No 3
2 Hotel Performance survey by Deloitte Q4 2017; MHRA Survey Q2 2018 and Year to Date
3 Eurostat (NACE REV.2 HN and S95); MHRA Survey Q1 2018; MHRA Survey Q2 2018 and Year to Date; Central Bank of Malta 'Household expenditure in Malta and the RPI Inflation Basket'.



Source: Eurostat (NACE REV.2 HN and S95);

Expenditure patterns of the Maltese population have changed throughout the years, which is largely a result of increased net income which rose by 28.6% between 2008 and 2015 (latest available data). Total household expenditure rose by 14.1% in the same period. Over the years, the share of consumer spending on restaurants and hotels increased from 7.1% in 2008 to 8.3% in 2015, implying that consumers tend to eat out more frequently as income rises.

5. PROPOSED BOND ISSUE

The Issuer will be issuing a bond amounting to €25 million ("the Bond"), with a nominal value of €100 each, which will be issued at par and bear interest at a rate of 4.15% per annum. The Bond will be redeemed on the 15th December 2028, unless previously redeemed at the option of the Issuer on any of the early redemption dates at a price of €100.

The Bond will constitute general, direct, unsecured and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantors. The Bonds shall at all times rank pari passu without any priority or preference among themselves and, in respect of the Guarantors, they shall rank without any priority or preference over all their unsecured indebtedness, if any.

As noted, the Bond is callable whereby the Issuer reserves the option to redeem the security at a price of €100 during the period 2023-2027, on any of the following early redemption dates: 15th December 2023, 15th December 2024, 15th December 2025, 15th December 2026, and 15th December 2027. As a result of the callable option, the Bonds are complex financial instruments.

The proceeds from the Bond Issue are expected to amount to €24.5 million, which will be on-lent by the Issuer to PML and shall be utilised by PML for the following purposes:

i. An amount of c.€19.5 million will be used to re-finance Teramy facilities, including c.€17.8 million to re-finance the Teramy Secured Loan and c.€1.7 million to re-finance additional unsecured advances ("the Teramy Unsecured Loan"; and
ii. An amount of €4 million will be used to part re-finance outstanding bank facilities; and
iii. The remaining balance will used for general funding purposes

6. PERFORMANCE AND FINANCIAL POSITION OF THE ISSUER

The Issuer was registered on the 23rd October 2018, and thus has no trading record or operational history. The Issuer was incorporated to act as a financing vehicle of the Group and is therefore dependent on the financial and operational performance of the Group.

The financial information presented for the Issuer represents the projections of the Issuer for the financial years ending 31st December 2018 and 31st December 2019 as provided by management. Projected financial statements are based on assumptions and relate to events in the future. Thus, the actual outcome may be adversely affected by unforeseen events and the variation between forecasts and actual results can be material.

6.1 STATEMENT OF COMPREHENSIVE INCOME

PHOENICIA FINANCE COMPANY PLC

STATEMENT OF COMPREHENSIVE INCOME (€000) - 31 DECEMBER	2018 Forecast	2019 Forecast
Financial Income	-	1,169
Finance Costs	-	(1,083)
Net interest earned	-	86
Administrative expenses	(25)	(50)
Profit before tax	(25)	36
Tax expense	-	(28)
Profit for the year	(25)	8

Source: Management information

PFC was set up as a special purpose vehicle, acting as the finance company for the Group and thus, income is to be generated from interest receivable on advances to Group companies. In 2019, the Issuer is projected to receive €1.2 million from interest receivable from Group companies and incur €1.1 million in finance costs, comprising of interest payable to bond holders and bond amortisation costs.

6.2 STATEMENT OF CASH FLOWS

PHOENICIA FINANCE COMPANY PLC

STATEMENT OF CASH FLOWS (€000) - 31 DECEMBER	2018 Forecast	2019 Forecast
Net cash (used in) operating activities	(25)	(33)
Net cash (used in) / generated from investing activities	(24,550)	86
Net cash generated from financing activities	24,800	-
Net movement in cash and cash equivalents	225	53
Cash and cash equivalents at beginning of year	-	225
Cash and cash equivalents at end of year	225	278

Source: Management information

The Issuer is expected to receive the proceeds from the Bond issue in 2018, which will be advanced to PML, which will in turn implement the planned use of proceeds.

6.3 STATEMENT OF FINANCIAL POSITION

PHOENICIA FINANCE COMPANY PLC

STATEMENT OF FINANCIAL POSITION (€000) - 31 DECEMBER	2018 Forecast	2019 Forecast
ASSETS		
Non-current assets		
Loan owned by company	24,550	24,550
Total non-current assets	**24,550**	**24,550**
Current assets		
Cash and cash equivalents	225	278
Total current assets	**225**	**278**
TOTAL ASSETS	**24,775**	**24,828**
EQUITY AND LIABILITIES		
Issued Capital	250	250
Retained earnings	(25)	(17)
Total Equity	**225**	**233**
Non-current liabilities		
Bonds in issue	24,550	24,595
Total non-current liabilities	**24,550**	**24,595**
Total liabilities	**24,550**	**24,595**
TOTAL EQUITY AND LIABILITIES	**24,775**	**24,828**

Source: Management information

The Issuer's balance sheet reflects its role as the financing arm of the Group with both total assets and total liabilities as at 31st December 2018 expected to amount to €24.6 million from the bond issue.

7. PERFORMANCE AND FINANCIAL POSITION OF THE GROUP

The Issuer is dependent on the business prospects of the Guarantors and, consequently, the operating results of the Guarantors have a direct effect on the Issuer's financial position and performance.

The Group does not have a statutory requirement to prepare consolidated financial information. However, management prepared combined financial statements for FY2015-FY2017 based on an aggregation of the audited financial statements of PML and PHCL[4], and after taking into consideration intercompany and consolidation adjustments ("the Combined Financial Statements"). Combined financial information for FY2015A has not been audited. The annual Combined Financial Statements of PML and PHCL for FY2016 and FY2017 have been audited by Ernst & Young Malta Limited Independent Auditors, as stated in their report. Combined Financial Statements are also provided on the basis of management forecasts for PML and PHCL standalone, taking into account applicable consolidation adjustments.

4 The audited financial statements of the Guarantors have been prepared in accordance with IFRS as adopted by the European Union and comply with the Companies Act, Cap. 386 of the Laws of Malta

The following financial information is extracted from the Combined Financial Statements of the Group for the three years ended 31st December 2015 to 31st December 2017. The forecasted financial information for the years 31st December 2018 ("FY2018") and 31st December 2019 ("FY2019") have been provided by the management of the Group. FY2018 projections are based on actual results covering the period January 2018 to July 2018 together with the flexed budget for August 2018 to December 2018. The forecasts and projections in this report assume that the bonds will bear interest at the rate of 4.15% payable annually. The projected financial statements relate to future events and are based on assumptions Thus, the actual outcome may be adversely affected by unforeseen situations and the variation between forecasts and actual results can be material.

7.1 STATEMENT OF COMPREHENSIVE INCOME

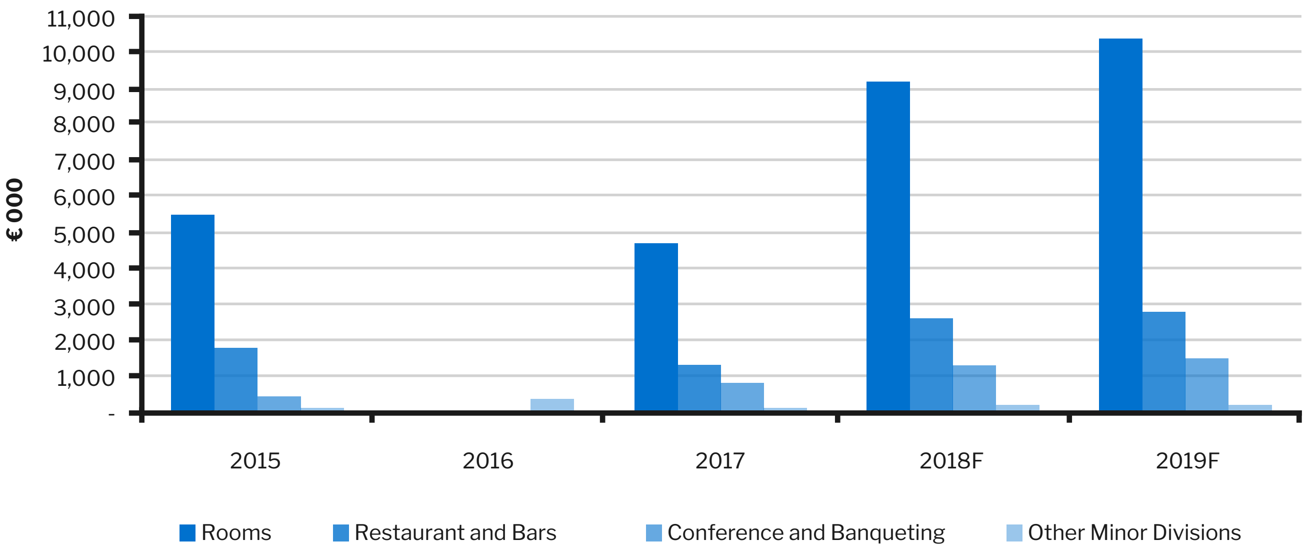
COMBINED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME (€000) - 31 DECEMBER	**2015** Actual	**2016** Actual	**2017** Actual	**2018** Forecast	**2019** Forecast
Revenue	**7,822**	**348**	**6,777**	**13,245**	**15,214**
Cost of Sales	(3,131)	(1,410)	(3,516)	(5,204)	(5,945)
Gross Profit	**4,692**	**(1,061)**	**3,261**	**8,041**	**9,269**
Administrative expenses	(860)	(689)	(921)	(1,107)	(1,179)
Selling and marketing expenses	(346)	(369)	(466)	(653)	(724)
Property maintenance	(337)	(243)	(365)	(410)	(418)
Energy	(314)	(52)	(249)	(372)	(391)
Gross Operating Profit	**2,836**	**(2,414)**	**1,260**	**5,499**	**6,556**
Management service fees	(78)	(139)	(305)	(506)	(539)
Insurance	(33)	(39)	(36)	(46)	(47)
EBITDA	**2,726**	**(2,592)**	**919**	**4,947**	**5,970**
Depreciation	(558)	(571)	(1,545)	(2,486)	(2,635)
Waiver of loan	-	4,000	-	-	-
EBIT	**2,168**	**836**	**(626)**	**2,461**	**3,335**
Finance Costs	(1,112)	(1,129)	(1,458)	(1,703)	(1,725)
Teramy break fee	-	-	-	(3,316)	-
Profit before tax	**1,055**	**(293)**	**(2,084)**	**(2,558)**	**1,610**
Tax expense	(1)	-	2,203	(160)	(748)
Profit for the year	**1,054**	**(293)**	**119**	**(2,718)**	**862**
Revaluation of PPE	-	-	38,418	-	-
Total comprehensive income for the year	**1,054**	**(293)**	**38,537**	**(2,718)**	**862**

Source: Combined Financial Statements; Management information

The Group's recent operating and financial performance is characterised by the major refurbishment program which resulted in the closure of the Hotel from November 2015 to April 2017. Financial statements during this period do not reflect full historic twelve months of operations. The Group generates revenue from three business segments: Rooms, Catering and Other ancillary revenue. As from FY2019, the Group is also expecting to start generating revenue from its Spa and Health Club.

PHOENICIA GROUP - REVENUE BREAKDOWN



Source: Management Information; Combined Financial Statements; Curmi and Partners Ltd

In 2015, the Group generated revenue of €7.8 million, 70% of which was generated from Rooms revenue, 29% from Catering and 1% from other minor divisions. Despite being closed for almost two months, revenue was 3% higher than the previous year, mainly as a result of higher occupancy and ARR. The Group's cost of sales comprise of direct labour costs, which relate to salaries of hotel room and catering departments and direct expenses relating to room and catering expenses such as commissions, guest amenities and food and beverage cost of sales. In 2015 direct labour and direct expenses amounted to €1.6 million and €1.5 million respectively, resulting in a gross contribution of €4.7 million. After deducting operating expenses and fixed charges, the Group's EBITDA amounted to €2.7 million. Pre-tax profit amounted to €1.1 million.

The closure of the Hotel during 2016 resulted in a negative financial performance for that year. The Hotel did not generate income from the accommodation or catering operations, nonetheless the Group kept its entire full time staff complements on its payroll, incurring direct labour costs of €0.9 million. Management opted to pursue this strategy, when taking into consideration the risks associated with a shortfall of qualified labour in the market. The Hotel generated €348k in revenue by placing its existing reservations into other hotels, receiving a surplus over rebooked rates. During FY2016, Phoenicia signed the management agreement with CGHL whereby the Hotel benefits from CGHL's input in terms of sales, marketing, branding and PR, paying certain base and incentive fees. EBITDA amounted to a negative €2.6 million in 2016, as costs, albeit lower than 2015, continued to be incurred despite the closure of the Group's main operating segments. During the year, the Teramy Secured Loan was reduced by a loan waiver of €4 million by the lender to support the Hotel during the period of closure.

In 2017, the Phoenicia recommenced operations following the Refurbishment, raising both the ARR to €213 (FY2015: €149) and RevPAR to €157 (FY2015: €127) compared to the pre-refurbishment period. Revenue levels were lower compared to FY2015 due to less operational months and reduced room capacity for most of the operational months which in turn contributed to lower occupancy rates. Catering revenue was also impacted by lower occupancy levels. Despite being closed for the first quarter of the year, direct costs (+12%), operational costs (+8%) and fixed charges all increased over both 2015 and 2016. The Group's EBITDA amounted to €0.9 million whilst pre-tax loss amounted to €2.1 million. As a result of the revaluation of PPE following the Refurbishment, total comprehensive income increased to €38.5 million, driven by the increase in fair value following the revaluation of the property.

The Group's financial results are expected to improve further in 2018, reflecting the first full year impact of the refurbishment program and in line with current operations. Management expects total revenue to increase to €13.2 million in FY2018 and to circa €15 million in FY2019. The composition of revenue is expected to remain relatively unchanged, with the majority of total revenue coming from Rooms and Catering revenue. The growth is projected to be driven by increases in the ARR and occupancy levels, which are expected to reach €234 and 79% respectively for 2018. Catering revenue is also forecasted to improve as a result of higher occupancy at the Hotel and an increase in conference and banqueting covers on account of additional business which is projected to improve due to increased marketing efforts and exposure in international wedding fairs. Additionally, management indicates that the completion of the Spa, expected in Q1 2019, is forecast to provide a further source of income and potential upside in ARRs.

On the other hand, operations from other minor divisions are expected to remain in line with previous years and management does not anticipate any changes in the number of outlets that are sub-leased.

Generally costs are projected to continue to increase in both 2018 and 2019 in line with expected growth of operations, but are expected to stabilise thereafter. Management expects EBITDA to amount to €4.9 million in 2018 and circa €6 million in 2019. A loss before tax of €2.6 million is projected for 2018 primarily as a result of a one-off payment of a €3.3 million break fee relating to the early repayment of the Teramy Secured Loan. Profitability is expected to be restored in FY2019, amounting to €1.6 million before tax.

7.2 STATEMENT OF CASH FLOWS

COMBINED FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS (€000) - 31 DECEMBER	**2015** Actual	**2016** Actual	**2017** Actual	**2018** Forecast	**2019** Forecast
Net cash generated from / (used in) operating activities	3,095	(1,878)	2,052	5,400	6,245
Net cash (used in) / generated from investing activities	(1,576)	(14,641)	(6,156)	(5,540)	(1,918)
Net cash (used in) / generated from financing activities	(1,268)	14,253	4,601	2,700	(3,416)
Net movement in cash and cash equivalents	**251**	**(2,266)**	**497**	**2,560**	**911**
Cash and cash equivalents at beginning of year	1,317	1,569	(699)	(202)	2,358
Cash and cash equivalents at end of year	**1,568**	**(697)**	**(202)**	**2,358**	**3,269**

Source: Combined Financial Statements, Management information

During FY2015 net cash from operating activities amounted to €3.1 million, driven mainly by the cash generated from the Hotel's operations. The Refurbishment project commenced in November, with the cash used in investing activities by the end of 2015 amounting to €1.6 million.

Cash flow movements and balances during FY2016 reflect the ongoing development of the project. Net cash used in operating activities amounted to €1.9 million, with the Group continuing to sustain a substantial cost base (particularly due to the decision not to reduce headcount) whilst not earning income. During FY2016 the capital outlay for the Refurbishment amounted to €14.6 million. The Group raised c.€20 million of borrowings via bank facilities, with c.€15 million directed towards development funding and the balance utilised to part refinance the Teramy debt. The negative balance of cash and cash equivalents at the end of 2016 amounted to €0.7 million.

The Hotel reopened in 2017, enabling then Group to generate positive cash flows from operations of €2.1 million during that year. Cash outflows related to the investment project amounted to €6.2 million, with the Group raising a further €5.7 million in bank finance.

The current year represents the first full financial year of operations since the Refurbishment and cash inflows from operating activities are forecast to total €5.4 million. As the capital investment moves towards completion, investing activities are expected to absorb a further €5.5 million including payments to develop the project. Expected financing cash flows of €2.7 million reflect primarily the net impact of the Bond issue and the refinancing transactions. Inflows are expected to amount to €29 million, including the Bond and additional bank funding of €4 million. In turn, the Group is expecting to repay Teramy debt obligations totalling circa €19.5 million (including principal, accrued interest, and the break fee) in addition to a bank facility of €4 million. Dividends are not expected to be paid out until the year ending 31st December 2021, in line with restricted payments convenants in place.

7.3 STATEMENT OF FINANCIAL POSITION

COMBINED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION (€000) - 31 DECEMBER	2015 Actual	2016 Actual	2017 Actual	2018 Forecast	2019 Forecast
ASSETS					
Non-current assets					
Property, plant and equipment	20,224	34,287	86,726	89,703	87,525
Deferred tax asset	-	-	2,203	2,147	1,502
Other non-current assets	50	50	50	-	-
Total non-current assets	**20,274**	**34,337**	**88,979**	**91,850**	**89,027**
Current assets					
Inventories	71	63	210	178	204
Trade and other receivables	279	-	666	579	668
Other current assets	88	352	69	202	228
Cash and cash equivalents	1,569	4	10	2,358	3,269
Current assets	**2,006**	**419**	**955**	**3,317**	**4,369**
TOTAL ASSETS	**22,280**	**34,756**	**89,934**	**95,167**	**93,396**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	13	13	13	13
Revaluation reserves	-	-	34,584	34,627	34,671
Deferred shares	839	839	839	839	839
Retained earnings	(3,221)	(3,513)	438	(2,222)	(1,300)
Total equity	**(2,369)**	**(2,661)**	**35,874**	**33,257**	**34,223**
Non-current liabilities					
Long-term senior debt borrowings	21,052	31,769	36,923	21,850	20,088
Other creditors	-	-	-	20	20
10 year 4.15% Bond issue 2018-2028	-	-	-	24,550	24,595
Deferred tax liability	-	-	6,534	6,432	6,329
Total non-current liabilities	**21,052**	**31,769**	**43,457**	**52,853**	**51,032**
Current liabilities					
Trade Payables	609	758	2,422	1,332	1,424
Long-term payables	1,995	1,995	1,995	333	333
Accruals, provisions and deferred income	627	812	1,163	1,588	1,760
Advances for customers	189	274	489	871	1,000
Indirect taxes including social security	115	88	139	253	296
Other payables	5	6	16	42	43
ST Interest-bearing loans and borrowings	57	717	1,780	1,706	1,710
Capital payables	-	297	2,387	2,934	1,473
Bank overdraft	-	702	212	-	-
Current tax creditor	-	-	-	(1)	102
Total current liabilities	**3,598**	**5,649**	**10,602**	**9,058**	**8,141**
Total liabilities	**24,649**	**37,418**	**54,059**	**61,910**	**59,173**
TOTAL EQUITY AND LIABILITIES	**22,280**	**34,756**	**89,934**	**95,167**	**93,396**

Source: Combined Financial Statements, Management information

As at 31st December 2015, total assets amounted to €22.3 million, primarily consisting of PPE (mainly leasehold land, buildings, plant and machinery at the site of the hotel). Trade and other receivables amounted to €0.3 million and mainly relate to customer balances against the usage of Hotel's services, restaurant and bars and conference and banqueting. Cash and cash equivalents amounted to €1.6 million as at year end of 2015. Working capital amounted to a negative balance €1.6 million in 2015.

Total liabilities amounted to €24.6 million as at 31st December 2015, primarily consisting of the Teramy debt obligations, including the Teramy Secured Loan (€20.7 million), the Teramy Unsecured Loan (€2.0 million) and bank facilities amounting to €0.4 million. The negative balance of total equity of €2.4 million as at 31st December 2015 reflects primarily the impact of the accumulated depreciation on retained earnings, from the translation of the financial statements into Combined Financial Statemements.

Total assets increased to €34.8 million as at 31st December 2016, as a result of an increase in the value of PPE from works carried out in relation to the refurbishment. The decline in the cash balance reflects the utilisation of internally generated cash flows for the Refurbishment and to cover the necessary expenses whilst the hotel was closed for the full year.

On the funding side, total borrowings increased by 54% to €35.5 million during 2016, driven by the capital investment for the Refurbishment. The composition of the underlying debt also shifted. Bank facilities increased to €19.9 million, providing funding for the Refurbishment and also part refinancing the Teramy Secured Loan. The outstanding balance on this facility decreased to €12.6 million, with this reduction also reflecting a waiver of €4 million granted by the lender to support the Group. Due to the closure of the Hotel, the loss for the year increased, resulting in negative retained earnings and a negative total equity balance of €3.5 million and €2.7 million respectively.

The Phoenicia's balance sheet as at 31st December 2017 primarily reflects the revaluation of the property undertaken by the Group. PPE increased significantly compared to the previous year to €86.7 million, driven by an independent valuation of the Hotel and of the surrounding site and the property refurbishment. As a result of the revaluation exercise, €34.6 million was taken to the Group's revaluation reserve. Management notes that following commencement of operations, it obtained an independent valuation of the property in order to revise the valuation to fair value. The valuation estimated the value at €92 million, which also includes the estimated value of plant and equipment used in the generation of income. Total assets amounted to €89.9 million as at 31st December 2017.

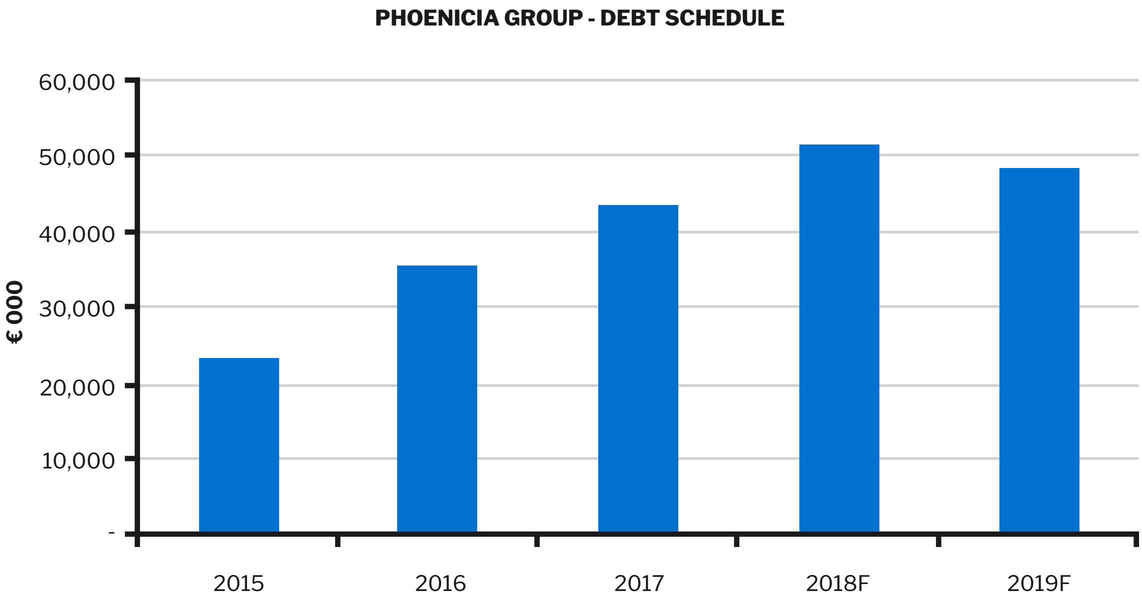
It is noted that the negative working capital balance increased during the period 2015-2017 as capital payables, deferred income, and short term borrowings all increased whilst the Group drew down its available cash balances. These trends were driven by the limited generation of cash from operations due to the closure, which coincided with the investment in the Refurbishment. However, it is noted that the movements in actual trade working capital were more moderate.

Total borrowings increased by a further 22% to €43.3 million (including capital payables), primarily reflecting the continued funding of the Refurbishment. Total equity amounted to €35.9 million, mainly consisting of the Revaluation reserve of €34.6 million, which in turn reflects the impact of the property revaluation.

The financial statements of PML, one of the Guarantors, indicate that as at 31st December 2017 there were certain variances on capital commitments of €5.3 million, with such variances claimed by counterparties but considered not due by management. On this basis it is noted that no provisions have been made in this regard, and management is of the view that the potential for incurring additional debt for this purpose is unlikely and does not envisage increases in capital related liabilities.

As at the end of 2018, total assets are expected to increase to €95.2 million, reflecting further development works on the Hotel. The balance for cash and cash equivalents is projected to amount to €2.4 million by the end of the year. Total borrowings are projected to increase by circa 19% to €51.4 million, reflecting the net effect of the Bond issue and the repayment of the Teramy obligations and the part repayment of certain bank facilities. Total equity is expected to amount to €33.3 million as at 31st December 2018, reflecting the effect of the one off break fee on retained earnings.

7.4 BORROWINGS



Source: Management Information; Combined Financial Statements

The Group has been mainly financed through debt over the years. When the Group was acquired by the current ultimate beneficial owner, the underlying debt of PML due to the NAMA was assigned to Teramy. The level of borrowings further increased in recent periods, with the Group funding a major investment project via debt in 2016. In total, the Group obtained an amount of c. €25 million in bank debt since 2016 primarily to finance the Refurbishment of the Hotel, with circa €5 million of these bank facilities used to repay a portion of the Teramy debt.

The proposed Bond issue is expected to result in a further shift in the funding mix, whereby the Teramy debt is being extinguished with proceeds from the Bond. A portion of the bank debt is also being refinanced via the Bond proceeds.

COMBINED FINANCIAL STATEMENTS

BORROWINGS BREAKDOWN	2015 Actual	2016 Actual	2017 Actual	2018 Forecast	2019 Forecast
Bank Borrowings	428	20,629	25,375	23,556	21,798
Other Borrowings	22,677	14,851	17,923	3,287	1,826
4.15% Bond	-	-	-	24,550	24,595
Total Borrowings	**23,105**	**35,479**	**43,297**	**51,393**	**48,219**

Source: Combined Financial Statements; Management information

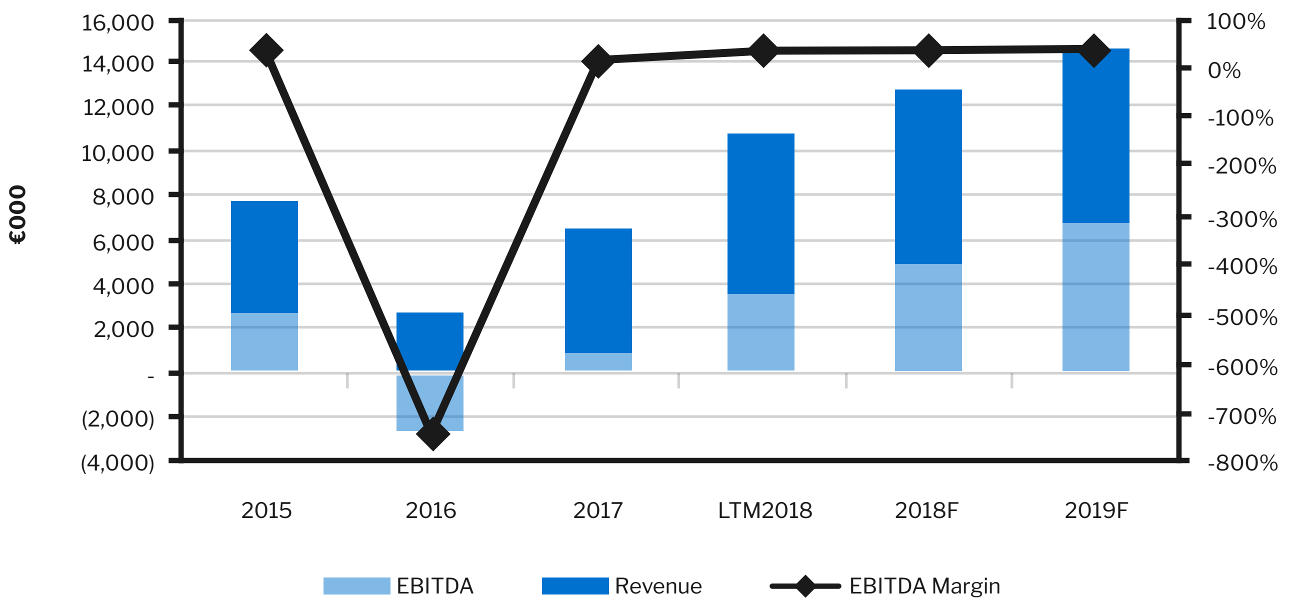
7.5 EVALUATION OF PERFORMANCE AND FINANCIAL POSITION

It is relevant to note that the Hotel's operating performance and financial results over recent years reflect the Refurbishment project undertaken by the Group. This resulted in the closure of the Hotel for the period between November 2015 and April 2017, which inevitably had a considerable impact on the Group's operating performance in 2016, and to an extent 2015 and 2017. Management took the decision to not reduce the number of full time employees during the closure. Although this strategy negatively impacted the Group's financial position during that period, it allowed the Hotel to implement a solid recovery once the property became operational which in turn is now being reflected in the current and expected financial results.

Although the Hotel has not yet been operational for a full financial year since the renovation, the projections for the financial year ending 31st December 2018, which are based on actual results for the period January 2018 to June 2018 and a flexed budget for August

2018 to December 2018, show evident improvements in the Group's performance for the last rolling twelve months. These enhanced results are achieved through higher ARR and occupancy levels, and are a result of the positive impact from the recent investments as well as wider industry trends. Operating expenses, particularly sales and marketing expenses and salaries, have increased in 2017 and into 2018 to date. Going forward, Management expects the cost base to increase at a slower pace than ARR and occupancy levels. These trends are reflected in the expected improvement in the Group's EBITDA and operating margins to 37% and 42% respectively. In 2019, the Phoenicia's performance is expected to further benefit also from the completion of the Spa which is expected to increase revenues, attract a new profile of guests, and provide upside potential to rates.

PHOENICIA GROUP - PERFORMANCE OVERVIEW



Source: Management information; Combined Financial Statements; Curmi and Partners Ltd

COMBINED FINANCIAL STATEMENTS

PROFITABILITY RATIOS - 31 DECEMBER	**2015** Actual	**2016** Actual	**2017** Actual	**2018** Forecast	**2019** Forecast
Gross Profit Margin (Gross Profit / Revenue)	60.0%	-304.7%	48.1%	60.7%	60.9%
Operating Profit Margin (Gross Operating Profit / Revenue)	36.3%	-693.1%	18.6%	41.5%	43.1%
EBITDA Margin (EBITDA / Revenue)	34.8%	-744.2%	13.6%	37.4%	39.2%
Interest Coverage (EBITDA / Net Finance Costs)	2.5x	-2.3x	0.6x	2.9x	3.5x
Return on Assets (Gross Operating Profit / Average Total Assets)	12.7%	-8.5%	2.0%	5.9%	7.0%
Return on Capital Employed (Gross Operating Profit / Average Capital Employed	15.2%	-10.1%	2.3%	6.6%	7.7%
Net Profit Margin (Profit for the year / Revenue)	13.5%	-84.0%	1.8%	-20.5%	5.7%
Return on Equity (Profit for the year / Average Total Equity)	-44.5%	11.6%	0.7%	-7.9%	2.6%

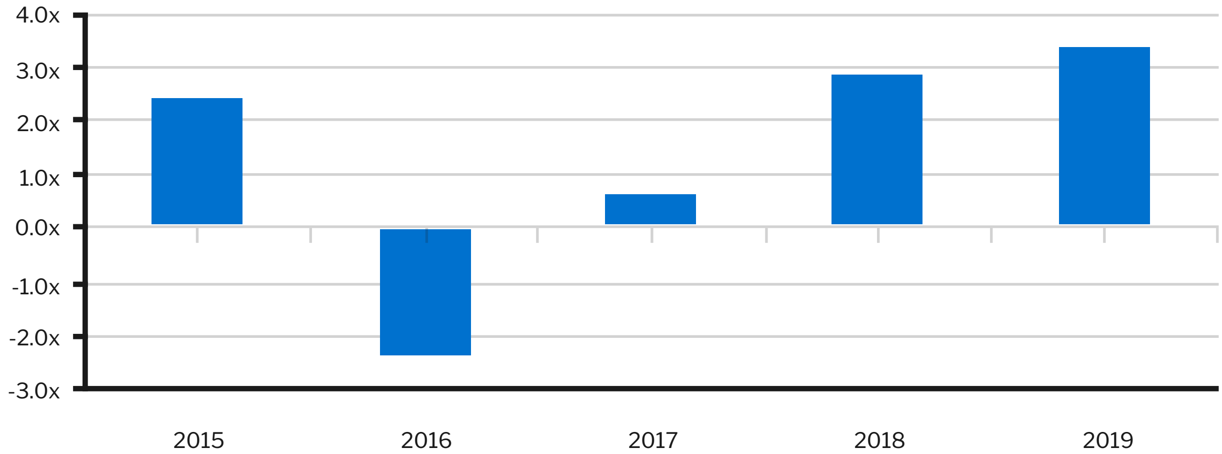
Source: Combined Financial Statements; Management information; Curmi and Partners Ltd

Return on Capital Employed ("ROCE") and Return on Assets ("ROA"), hereby estimated on the basis of gross operating profit, were also hit due to the closure of the Hotel. Following a full-year of operations, management is expecting to begin to reap the benefits of the newly refurbished hotel with ROA and ROCE expected to increase in 2018 and improving further in 2019.

Interest cover ratios were under pressure during the closure period, driven by negative or substantially diminished EBITDA, with finance costs remaining relatively unchanged. With the normalisation of operations, the Group's interest cover is projected to improve to 2.9x in 2018 (with this measure excluding the break fee of €3.3 million, a non-recurring finance cost item) and to 3.5x in 2019.

As reflected in the net profit margins, the Group incurred a loss after tax in 2016 and a profit after tax in 2017, which was boosted from a tax credit of €2.2 million. The net profit margin in 2018 is expected to be negative due to a loss which is largely a result of the one-off finance cost. However, management expects bottom line margins and profitability to be restored in the coming years.

PHOENICIA GROUP - INTEREST COVERAGE RATIO



Source: Management information; Combined Financial Statements; Curmi and Partners Ltd

Over the recent period, the Group's liquidity ratios were below 1x, with current liabilities exceeding current assets, particularly due to an increase in capital payables related to the Refurbishment, even though trade payables also increased during 2017. Whilst this is not uncommon in the industry, with cash inflows from sales mainly received in advance compared to delayed outflows related to suppliers and expenses, the Group's position in this respect was also impacted by the fact that the Hotel was closed for a prolonged period incurring operating expenses whilst generating limited cash, and furthermore liquidity resources were diverted towards the Refurbishment.

COMBINED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION RATIOS - 31 DECEMBER	2015 Actual	2016 Actual	2017 Actual	2018 Forecast	2019 Forecast
Current Ratio (Current Assets / Current Liabilities)	0.6x	0.1x	0.1x	0.4x	0.5x
Quick Ratio (Current Assets less Inventories / Current Liabilities)	0.5x	0.1x	0.1x	0.3x	0.5x
Gearing Ratio (1) (Borrowings / {Total Equity + Borrowings})	111.4%	108.1%	54.7%	60.7%	58.5%
Gearing Ratio (2) (Borrowings / Total Equity)	-9.8x	-13.3x	1.2x	1.5x	1.4x
Net Leverage Ratio (Net Borrowings / EBITDA)	7.9x	-13.7x	47.1x	9.9x	7.5x
Free Cash Flow to Debt (Free cash flow / Borrowings)	6.9x	-47.1%	-9.6%	-9.4%	12.8%

Source: Management information; Combined Financial Statements; Curmi and Partners Ltd

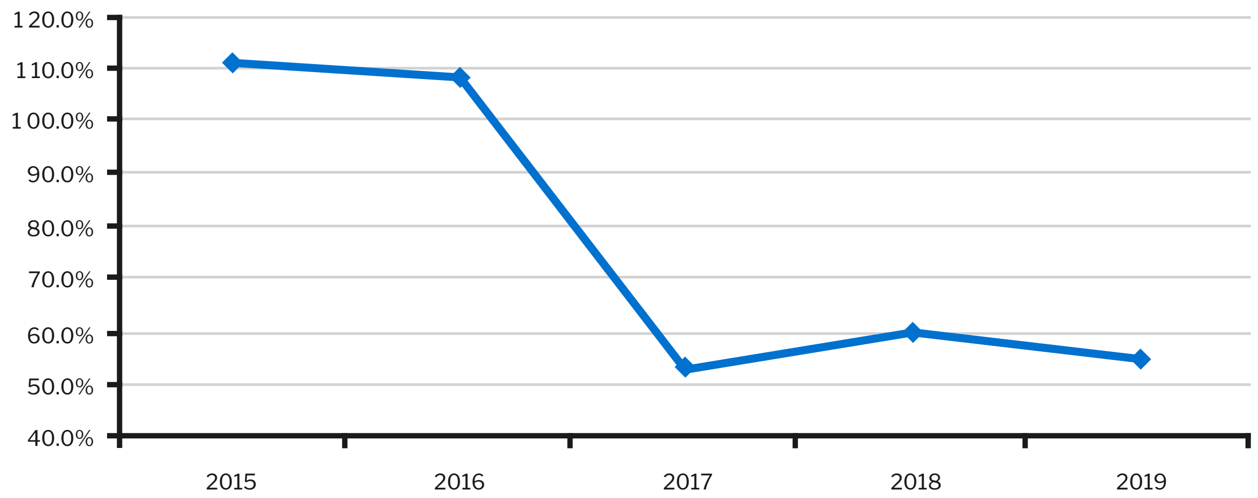
Prior to the Hotel's revaluation, the leverage in the Group's capital structure was particularly elevated as borrowing levels increased substantially to fund the major capital outlay. On the other hand total equity levels were negative, driven lower by the negative retained earnings. Gearing levels improved significantly to 54.7% in 2017 as the equity base benefited from the property revaluation. Additionally, the ongoing return to normalised operations and enhanced profitability going forward is expected to further support the stabilisation of gearing at levels closer to peers in the sector. As at year end 2018, the debt-to-total capital ratio is expected at around 60.7%, reflecting the net movements from the refinancing including the Bond issue. Net leverage in terms of the level of net debt to EBITDA was also affected by the closure of the Hotel and by the increase in borrowings, as particularly evident in FY2017. The Group's position is expected to revert closer to 2015 levels by 2019, as a result of enhanced EBITDA generation and slightly lower debt levels.

Dividends are not expected to be paid out until the year ending 31st December 2021, in line with restricted payments covenants in place. Furthermore, these covenants stipulate that in the financial years following the year ending 31st December 2021, the Group will not pay any dividends unless the interest cover ratio is not below 3x and the debt-to-total capital ratio does not exceed 60%. Additionally, management notes that the dividend pay-out policy will also be driven by the level of profitability and the Group's overall strategy, including its investment plans.

Free cash flow, hereby estimated by adjusting EBITDA for capital expenditures, changes in working capital (including inventories, trade and other receivables, trade and other payables, and advances from customers) and taxes paid, was substantially negative throughout the period of the Refurbishment due to the major capital outlays in this period. However, the Group's position in this respect is expected to improve as from the current financial year – reflecting the fact that Phoenicia's current major investment cycle has now peaked.

Management notes that the Group holds development plans that were approved by the Planning Authority to develop an additional 42 rooms in the area known as St. John's Ditch ("the Ditch"). However it is noted that the above projections do not factor the impact for any further development.

PHOENICIA GROUP - GEARING RATIO



Source: Management information; Combined Financial Statements; Curmi and Partners Ltd

8.
COMPARABLES

The table below compares a selection of ratios of the Group to those of other issuers and groups operating in the local hotel and entertainment industry. It is relevant to note that there could be variances in the mix of operations undertaken by these groups. Additionally, other differences could include characteristics of the specific debt instrument.

However, the below comparison of basic credit metrics could be considered a useful indication of the relative financial performance and debt servicing capability of the Issuer. The below ratios relating to peers are calculated using projected financials for FY2018 presented in 2018 financial analysis summaries, whilst for the Group both 2018 and 2019 ratio projections have been included.

COMPARABLES - HOSPITALITY RELATED COMPANIES LISTED ON MSE

ISSUER/GROUP	GEARING	INTEREST COVERAGE	NET DEBT / EBITDA
Phoenicia Group	**60.7%**	**2.9x**	**9.9x**
Phoenicia Group 2019P	**58.5%**	**3.5x**	**7.5x**
Eden Leisure Group	37.3%	6.1x	3.7x
Tumas Group (Spinola Deveopments)	37.1%	11.2x	1.4x
AX Holdings	26.0%	5.9x	2.9x
SD Holdings	53.0%	6.5x	2.9x
International Hotel Investments	39.3%	3.4x	7.5x

Source: Eden Finance plc Financial Analysis Summary 2018; Tumas Investments plc Financial Analysis Summary 2018; AX Investments plc Financial Analysis Summary 2018; SD Finance plc Financial Analysis Summary 2018; International Hotel Investmestments plc Financial Analysis Summary ; Phoenicia Management Information; Curmi and Partners Ltd

The table below illustrates ratios for international hotel groups. It is relevant to consider that most major international operators tend to operate with a relatively large focus on the management, rather than the ownership, of hotel properties, or are shifting towards more of an "asset-light" business model. This is likely to be reflected in improved financial ratios.

ISSUER/GROUP	GEARING	INTEREST COVERAGE	NET DEBT / EBITDA
NH Hotels	39%	0.8x	6.3x
Starwood Hotels & Resorts	69%	3.2x	9.2x
Accor	34%	-1.8x	5.5x
InterContinental Hotels Group	173%	2.2x	12.5x

Source: Bloomberg

9.
GLOSSARY

Non-current assets	Non-current assets are long-term investments, the full value of which will not be realised within the accounting year.
Current assets	Current assets are all assets that are realisable within one year from the statement of financial position date. Such amounts include trade receivables, inventory, cash and bank balances.
Current liabilities	Current liabilities are liabilities payable within a period of one year from the statement of financial position date, and include trade payables and short-term borrowings.
Non-current liabilities	Long-term financial obligations or borrowings that are not due within the present accounting year. Non-current liabilities include long-term borrowings, bonds and long-term lease obligations.
Total Equity	Total equity includes share capital, reserves, retained earnings and minority interests. It relates to the capital and reserves that are attributable to owners of the company.
Cash flow from operating activities	Cash flow from operating activities illustrates the cash-generating abilities of a company's core activities, and includes cash inflows and outflows that are related to operating activities.
Cash flow from investing activities	Cash flows from investing activities reflect the change in cash position resulting from investments and divestments.
Cash flow from financing activities	Cash flows from financing activities shows the cash inflows and outflows related to financing transactions with providers of funding, owners and the creditors.
Free Cash Flow	A measure of the ability to generate the cash flow necessary to maintain operations. It is the balance after all cash flows for operating activities, fixed asset net investments, working-capital expenditures. The definition of free cash flow may vary; for this purpose it was based on EBITDA adjusting for net investments, working capital and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation (EBITDA) is a measure of operating profitability. It excludes depreciation and amortisation, and is viewed as measure of a company's core profitability and cash generating ability.

Operating and Financial Ratios

ARR	Average Room Rate (ARR) is the average price of each room sold during a particular period of time. It is calculated by dividing accommodation revenue by the number of rooms sold.
RevPAR	Revenue per available room (RevPAR). It is calculated by dividing the hotel's total revenue by the number of rooms available and the number of days in the period under consideration.
Occupancy level	Occupancy level is the percentage of available rooms being sold for a certain period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Current ratio	The current ratio measures the ability to pay short term debts over the next 12 months. It compares a company's current assets to its current liabilities.
Quick ratio	Similarly to current ratio the quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. It excludes inventories from current assets.

Gearing or leverage ratio	The gearing or leverage ratio indicates the relative proportion of borrowings and equity used to finance a company's assets. It is estimated by dividing total borrowings by total borrowings plus total equity, or as the ratio of total borrowings to total equity.
Interest Coverage ratio	Interest coverage ratio is generally calculated by dividing a company's EBITDA, or EBIT (operating profit) of one period by the company's interest expense of the same period. It measures the ability of the borrower to service the finance costs related to borrowings.
Net Debt to EBITDA	This ratio compares financial borrowings and EBITDA as a metric for estimating debt sustainability, financial health and liquidity position of an entity. It compares the financial obligations to the actual cash profits.
Gross Profit Margin	Gross profit margin is the ratio of gross profit to revenue. It is the percentage by which gross profits exceed cost of sales, and is a measure of profitability at the most fundamental level.
Operating Profit Margin	Operating margin is a measure of profitability that measures the proportion of revenue that is left over after paying for all costs of production incurred in ordinary operations.
EBITDA Margin	Similarly to operating margin, EBITDA margin is a measure of profitability that measures the proportion of revenue that is left over after paying for all costs of production incurred in ordinary operations.
Net Profit Margin	Net profit margin is the ratio of profit for the period to revenues, and is a measure of how much of revenues is converted into bottom line profits.
Return on Assets (ROA)	Return on assets is the ratio of profit for the period or operating profit to average total assets for the period. It measures efficiency in using its assets to generate income.
Return on Capital Employed (ROCE)	This ratio measures efficiency in generating income but takes into consideration the sources of financing. Profit for the period or operating profit is divided by the capital employed (fixed assets plus working capital or total assets less current liabilities)
Return on Equity	Measures the profitability in terms of how much profit is generated in relation to owners' investment.

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