FINANCIAL ANALYSIS SUMMARY

27th June 2022

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PARTNERS

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27th June 2022

The Directors
The Phoenicia Malta
The Mall
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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 Update 2022 ("the FAS Update 2022") set out on the following pages. A copy of this report is also attached to this letter.

The purpose of the FAS Update 2022 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 2019, 31st December 2020 and 31st December 2021 have been extracted from the Group's audited Combined Financial Statements and the Issuer's audited financial statements.
2. The forecast data for the financial year ending 31st December 2022 have been extracted from the Issuer and Group's financial projections as prepared and provided by management.
3. Our commentary on the financial results and position of the Issuer and of the Group is based on the explanations set out by management of the Group.
4. The ratios quoted in the following pages have been computed by us applying the definitions set out and defined in the Section 8 of the analysis.
5. The comparable companies listed in Section 7 of the FAS Update 2022 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 FAS Update 2022 is meant to assist potential investors by summarising the more important financial data of the Group. The FAS Update 2022 does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the information made available in the public domain by the Group. The FAS Update 2022 does not constitute an endorsement by our firm of the securities of the Issuer or Group and should not be interpreted as a recommendation to invest in any of

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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 FAS Update 2022. As with all investments, potential investors are encouraged to seek professional advice before investing in the securities of the Issuer or Group.

Yours sincerely,

Karl Falzon
Head of Capital Markets
For and on behalf of
Curmi & 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" or "the Company") is a public limited liability company that was established on the 23rd October 2018 to act as the financing arm of The Phoenicia Malta Group of companies ("the Group"). The principal object of the Issuer is to carry on the business of a finance company, including managing the cash flow requirements of the Group, mainly the business carried out by the two main operating companies: 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 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. In September 2021, Mrs Robyn Pratt was appointed as General Manager.

As at the date of the Financial Analysis Summary Update 2022 ("FAS 2022"), 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

2.1 History of the Group

The Group owns, manages and operates The Phoenicia Malta ("the Hotel" or "the Phoenicia"), an iconic five star hotel situated in Floriana. The Hotel was built in the 1930s, but opened for business in 1947 as Malta's first luxury hotel.

As from February 2022, the number of rooms was reduced from 136 to 132 following a project to convert 8 rooms into 4 brand new Pegasus Suites. Within the Hotel are another 8 luxurious suites and 4 interconnecting rooms which were also redesigned in recent months. 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. A major refurbishment project ("the Refurbishment") was undertaken in recent years to upgrade the facilities and restore the Hotel and the surrounding sites. This meant that the Hotel was closed for around 17 months, from November 2015 to (mid) April 2017, when it could operate at around 75% capacity, opening at full capacity in November 2017.

In 2020, the Hotel faced several unprecedented challenges related to the outbreak of Coronavirus (Covid-19) pandemic. On 30th January 2020, the World Health Organization declared Covid-19 as a Public Health Emergency of International Concern, and a pandemic on 11th March 2020. Governments globally announced several measures to limit contagion. Hotels suffered a total curtailment of their business during March to June 2020 and they were forced to introduce a number of new restrictions and follow strict guidelines from March 2020. Furthermore, mass events were also restricted, and therefore large conferences, weddings and other receptions were not allowed, also having a significant impact on the operations of the Phoenicia. In order to mitigate the impact on the Hotel's operational and financial sustainability, management implemented a number of measures, including cost-cutting initiatives and enhanced flexibility within the workforce.

As part of the Refurbishment, the Hotel embarked on a project of completion of the Spa building together with the upgrading of a number of other areas of the hotel. The works on the Spa continued during 2020 and on 15th October, the Spa was open for inhouse guests. Thereafter, it was extended to non-guests. The Spa was open throughout all of 2021 however operating under restrictions on the use of facilities. The first 6 months of 2021 were still significantly impacted by Covid-19 restrictions. However the Spa's contribution increased from July onwards. The Spa entails an indoor swimming pool, 5 treatment rooms, a gym, studio, sauna, steam room, multi jet showers, salt room and a water bar, and is managed by the world-renowned French Spa operators, Deep Nature.

In 2021, with the Covid-19 vaccination programme being rolled out across Malta and abroad, tourism slowly recovered to more familiar levels. The newly refurbished Phoenicia and its improved cost efficiencies was prepared to welcome the increase in demand, reestablishing itself as a leader within the luxury hotel space in Malta.

Key historical developments include the following:

1935	PHCL (previously known as "Malta Hotels Company Limited") was incorporated in the UK 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 overseas company in Malta.
1966	Ms. Agnes Graham transferred the sub-emphyteusis over the premises to Holtours Limited.
1997	The Phoenicia Hotel was renamed to "Le Méridien Phoenicia".
2007	PML (previously 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	Major refurbishment project completed and the Phoenicia Hotel was re-opened for business on 15 April 2017.
2018	Major refinancing by PFC via issue of the €25million 4.15% Unsecured Bond 2023-2028.
2018	First full-year of operations following the refurbishment, which enhanced the Hotel's performance and consolidated its position as one of the top performers in the five star segment.
2020	Inauguration of the Spa managed by the world-renowned French Spa operators, Deep Nature.

Phoenicia has changed owners along the years, as the sub-emphyteusis 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"). In 2018, the Group successfully refinanced the Teramy Secured Loan as well as other bank borrowings through the €25million Bond issue.

2.2 Organisational Structure

The Phoenicia is owned and operated by two 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 that 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.

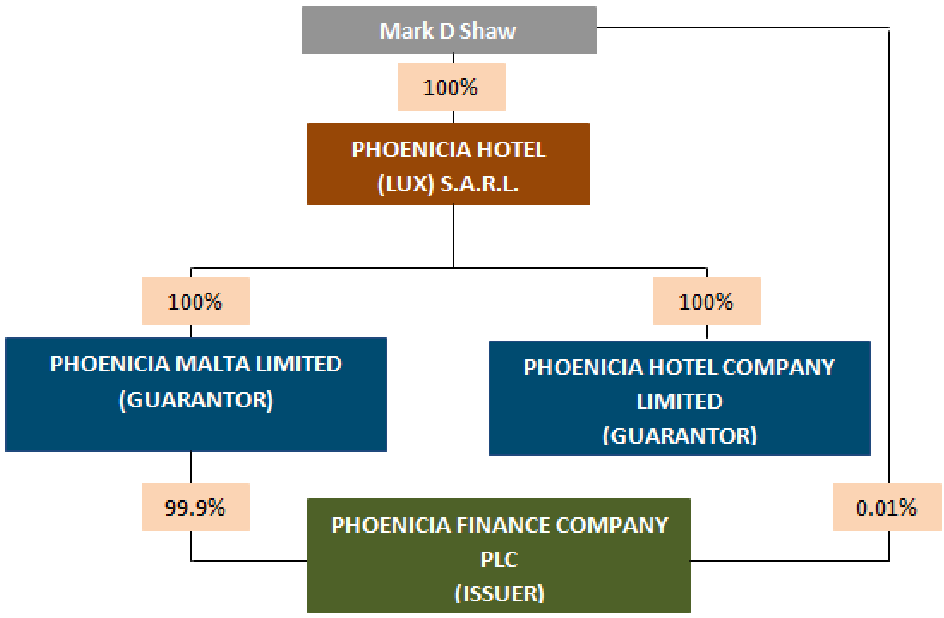

Figure 1: Organisational structure
Source: Management information

The Issuer and the two operating companies constituting the Group employed an average of 132 employees in 2021. This number increased to 140 employees as at the date of this FAS 2022. These numbers are higher than the number of full-time employees as indicated in the Financial Analysis Summary Update 2021. This is a consequence of the recovery in the Hotel's business and significant increase in demand since 2020 following the release of Covid-19 restrictions.

2.3 Overview of the Guarantors

2.3.1 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 operating activity of PML is to lease the Phoenicia premises to PHCL by virtue of a lease agreement, which is renewable every year. Rental agreement is currently at €2.5million per annum, assuming a complete development of the hotel. Rent is paid on a monthly basis in advance and the agreement is renewable every three years.

Following the outbreak of the Covid-19 pandemic, PML gave a rent concession to PHCL of €175k in 2020 and a further €175k rent concession in 2021.

2.3.2 Phoenicia Hotel Company Limited

PHCL was incorporated in the United Kingdom in 1935 and registered in Malta in 1965. PHCL 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"). The operations of the company were naturally greatly impacted by the Covid-19 pandemic but recovered strongly in 2021 and is expected to continue on this trajectory in 2022.

Rooms

The Rooms segment is the most important source of income for the Group, accounting for 69% of the Group's revenue in 2019, 56% in 2020 and 63% in 2021. The trend has reversed upwards in 2021 following the total curtailment of business between March and June 2020. The Hotel has a capacity of 132 rooms, 12 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.

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 4 food and beverage outlets (with a further outlet which is currently leased out) and 650 sqm of conference and banqueting facilities used to cater for large events, weddings, conferences and meeting rooms. In 2021, restrictions which were previously in place following the pandemic were gradually being lifted, allowing both new and postponed events to be held. Catering revenue accounted for 33% of Group revenue in 2021, which is proportionally lower than the share of 41% generated in 2020; but this was mainly due to the more evident increase in Rooms revenue.

Other

In 2021, the newly developed Spa generated €191k in turnover. Phoenicia also generates income via the provision of concierge services, the sub-leasing of two establishments, as well as guest laundry and airport transfers.

The Phoenicia has been a member of the LHW (The Leading Hotels of the World) 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.

3 MAJOR ASSETS OF THE GROUP

3.1 The Phoenicia Hotel

The Phoenicia is a prestigious five-star hotel situated in Floriana that is owned by PML and operated by PHCL. The Hotel has a capacity of 132 rooms, including 12 luxury suites, 3 restaurants, 2 bars, a Spa and conference amenities.

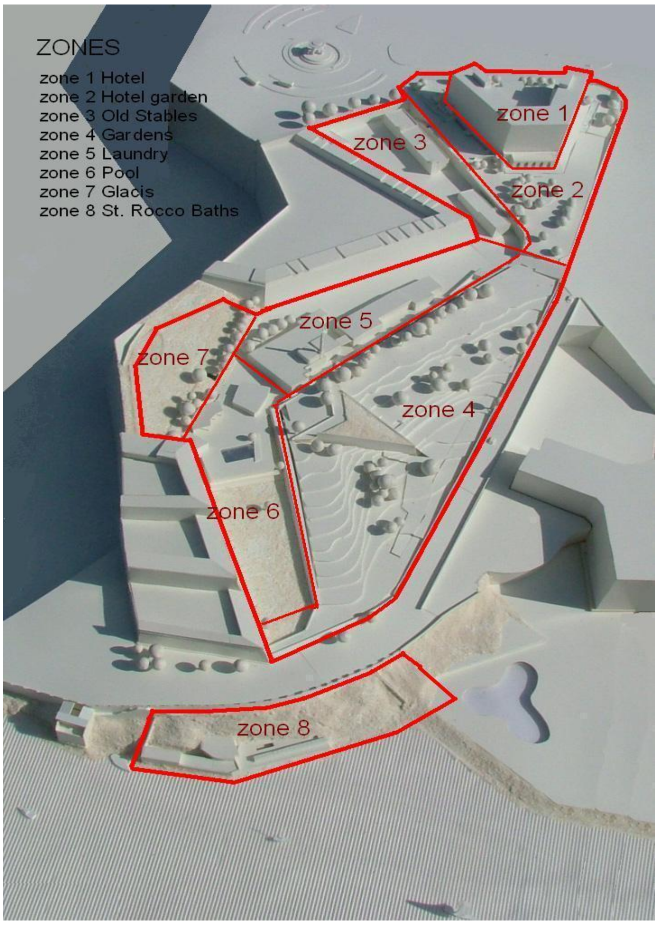

Figure 2: Phoenicia Hotel
Source: Management information

The Hotel's property is valued at €88.7million as at 31st December 2021. A valuation update to the property determined by management was not implemented during 2021. Management notes that following an assessment of inputs used in the previous valuation, it was concluded that there are no material changes that would lead to significant changes in value of the property. Following the significant revaluation of the property on the back of the refurbishment program in 2017, in 2020 the valuation technique of the sites in operation was changed in the context of the sudden operative disruptions and uncertainties caused by the pandemic, whereby a valuation technique which considers the medium to long-term projection was deemed to be more appropriate in the circumstances to reflect the impact of the pandemic. The revalued amount of the sites in operation was determined by management based on a multi-period projection and discounted cash flow model. The value of the other sites was determined similar to the prior valuation based on the application of a market derived capitalization rate to the annual earnings.

Hotel Metrics and Combined Financial Information KPIs	2019 Actual	2020 Actual	2021 Actual	2022 Forecast
Revenue (€000)	13,265	2,941	8,037	13,348
Gross Operating Profit (€000)[1]	5,218	(1,519)	1,705	4,579
EBITDA (€000)	4,906	(1,206)	2,508	4,735
Benchmark Performance				
Occupancy	73%	20%	33%	
ARR (€)	169	140	180	
RevPAR (€)	124	27	59	
Phoenicia Performance				
Room Revenue (€000)	9,169	1,648	5,102	8,630
Gross Operating Profit Margin	39%	-52%	21%	34%
Occupancy	79%	20%	48%	69%
ARR (€)	233	162	215	259
RevPAR (€)	185	33	103	179

Source: Management information; Combined Financial Statements; MHRA Reports[2]; STR Report

The closure of the Hotel between March and June 2020 (the beginning of the peak summer season), the restrictions imposed by the UK on travel to Malta and consequent uncertainties brought about by the pandemic, pushed revenues down by 77.8%, to €2.9million in 2020. This drop in demand was experienced by the hospitality sector as a whole, as in fact, the Hotel's key industry KPI figures were in line with the benchmark. The lower demand caused the Hotel to lower its rates whereby the average room rate ("ARR") dropped from €233 to €162, a decline of 30.5% in 2020.

In 2021, Covid-19 travel and social event restrictions were steadily softening building up to the peak summer months. Malta's hospitality industry was able to enjoy an influx of tourists during peak season which is evident from the Group's trending monthly occupancy rate in the chart below. Moreover in 2021, the Hotel raised the room rates back up to the pre-pandemic rates without significant negative implications in the Hotel's occupancy rate.

[1] Gross Operating Profit estimate is a hotel KPI that differs from the operating profit (as per financial statements) as it excludes the impact of insurance, management fees, depreciation, amortization and government grants
[2] The MHRA Report was referred to for 2019 benchmark only since the 2020 and 2021 reports were not yet published at time of writing.

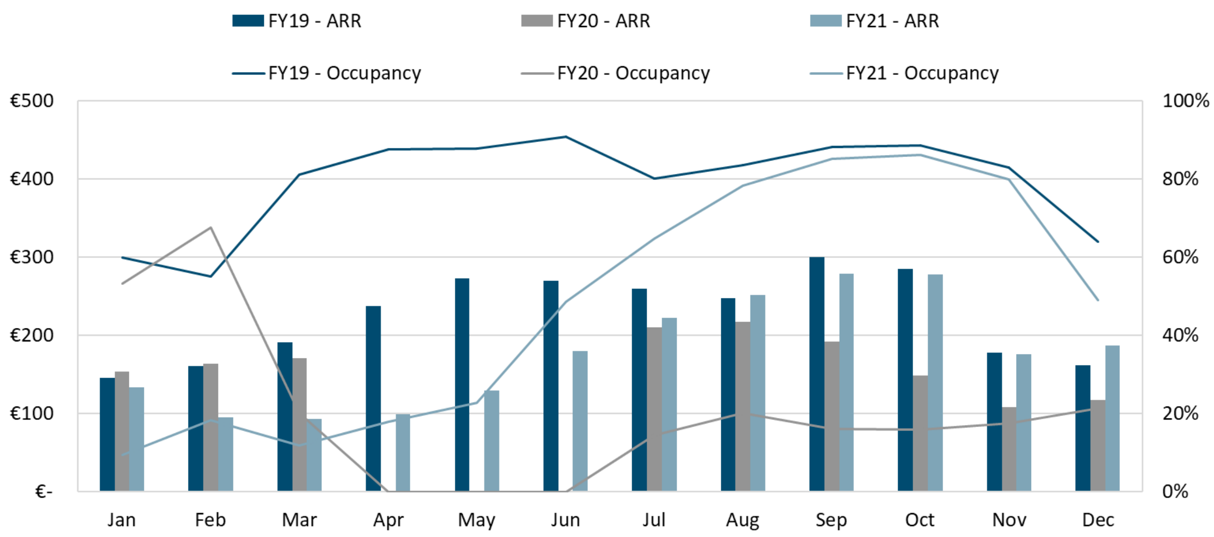

Figure 3: Phoenicia Hotel – Monthly ARR and Occupancy
Source: Management information

The 2021 full year results illustrate a strong positive movement in the Group's recovery from the lows of 2020. The year's results exceeded management forecasts in terms of revenues and operational efficiency. Revenues amounted to €8.0million (+37% vs forecasts). Earlier relaxation of public safety measures contributed to the achievement in addition to stronger catering.

The Group registered strong results with respect to its local peers, outperforming the benchmark across all major industry metrics. The Hotel's 48% occupancy rate was significantly higher than the benchmark's 33% for 2021, while the Hotel's ARR and Revenue per Available Room ("RevPAR") of €215 and €103 respectively both lead the luxury hotel benchmarks.

Despite Management not expecting the Hotel's occupancy level to return to pre-pandemic levels by 2022 (2022 Forecast: 69% vs. 2019 Actual: 79%), total 2022 revenues are expected to reach the same levels as 2019 (2022 Forecast: €13.3million vs. 2019 Actual: €13.3million) due to likely stronger results from the catering and Spa operations.

4 INDUSTRY OVERVIEW

4.1 Economic Update[3]

In the year 2021, the global economy started to recover from the impact of the Covid-19 pandemic, as the progress in vaccinations enabled the re-opening of the economy and the lifting of containment measures. Having said this, disruptions in production and supply led to broadening of inflationary pressures that were further amplified by rising energy prices.

Real Gross Domestic Product ("GDP") in both the Euro area and the EU grew by 5.3% in 2021, after having contracted by 6.4% and 5.9% respectively in 2020, and by the end of 2021, GDP stood on par with pre-pandemic levels. The Maltese economy also began to recover from the effects of the pandemic, with GDP rising by 9.4% in 2021, with GDP level surpassing that of 2019 marginally, driven by domestic demand and net exports.

Pandemic-related job retention schemes and the recovery in activity supported the labour market over the year. Whilst the unemployment rate in the Euro area decreased marginally to average 7.7% for 2021, by the end of 2021 it had fallen to 7.0%. In Malta, the Wage Supplement Scheme supported the ongoing normalisation of economic activity, with the unemployment rate at 3.2% as at December 2021, down from 3.9% at the start of the year. During the first months of 2022, the unemployment rate continued to fall in annual terms, with the number of registered unemployed standing below pre-pandemic levels since mid-2021.

During 2021, Euro area inflation rose significantly during the year, with the Harmonised Index of Consumer Prices ("HICP") reaching 2.6%, mainly driven by higher energy inflation. Over the year, the European Central Bank ("ECB") maintained the accommodative monetary policy stance in its effort to stabilise at the ECB's inflation target of 2% over the medium-term. In Malta, annual inflation rate based on HICP stood at 4.5% in March, up from 4.2% in the previous month, whereas inflation rate based on the Retail Price Index ("RPI") rose to 4.4% in March, compared to 4.2% a month earlier.

The ECB's pandemic emergency purchase programme ("PEPP") was initiated in March 2020 to counter serious risks to monetary policy transmission mechanism. Via this programme, the ECB provided a total of €1.9trillion to the economy. It was decided that the net asset purchases will be discontinued as from March 2022, with maturing principal payments from securities purchased under PEPP to be reinvested until at least the end of 2024. The net purchases under the Asset Purchase Programme ("APP") are expected to continue until the ECB starts raising key ECB interest rates. As at May 2022, the interest rate on the main refinancing operations was 0.00%, the interest rate on the deposit facility was -0.50% and the interest rate on the marginal lending facility was 0.25%.

With the evolution of the Russian invasion in Ukraine, the impact of current sanctions and of possible additional measures, the rise in energy and fuel prices, as well as China's coronavirus

[3] Central Bank of Malta Annual Report 2021; Central Bank of Malta Economic Update 4/2022

lockdowns, the outlook for euro area activity and inflation has become very uncertain, according to ECB staff macroeconomic projections published in March 2022. Real GDP in Euro area is expected to grow by 3.7% in 2022, before moderating in 2.8% in 2023 and 1.6% in 2024. However, in the shorter term, demand will be retained by the rapid increase in energy prices and continued uncertainty effects. Moreover, the sanctions and deterioration in the Russian economy may also weaken prospects for euro area trade. Having said this, the impact may be temporary and may not impact global supply chains significantly. The Central Bank of Malta envisages that over the medium term, growth will converge towards historical average rates, given the backdrop of a tighter fiscal policy stance and higher interest rates.

4.2 Tourism and Hospitality[4]

The tourism and hospitality industries are two of Malta's main economic pillars which have seen large improvements in the years prior to the Covid-19 pandemic. The Maltese tourism sector has been severely hit by the crisis with total tourist expenditure in 2021 falling by 60.8% when compared to 2019[5]. As reported in a policy note published by the Central Bank of Malta ("The Economic Effects of the Covid-19 Tourism Downturn" published in December 2021), the drop in tourism contributed to a 7.8% fall in overall Gross Value Added. This is due to the impact that a decrease in the tourism sector has on other industries, including but not exclusive to, accommodation, food services activities, transportation services and retail trade. The study also showed that the tourism industry has contributed to falls in private consumption of 6.4% and in total exports of 6.2%[6].

During 2021, tourism activity started to recover from the low levels recorded in the previous year but was still impacted by travel-related restrictions still in place over the year. The number of inbound tourists increased by 47.0% in 2021 as compared to 2020, with most of the increase being accounted for by tourists who visited Malta for leisure purposes. The largest increases in arrivals were from the United Kingdom (22.1% of total tourist arrivals) and France (13.8% of total tourist arrivals).

[4] NSO; Malta's Summer Tourism Strategy: Pay Visitors to Come – Skift; Deloitte Hotel Performance June to December 2020; Deloitte Hotel Performance January – February 2021

[5] NSO: Inbound tourists, nights spent and total expenditure by period of departure and country of residence

[6] Central Bank of Malta, Policy Note, December 2021, "The Economic Effects of the Covid-19 Tourism Downturn", Nathaniel Debono and Noel Rapa

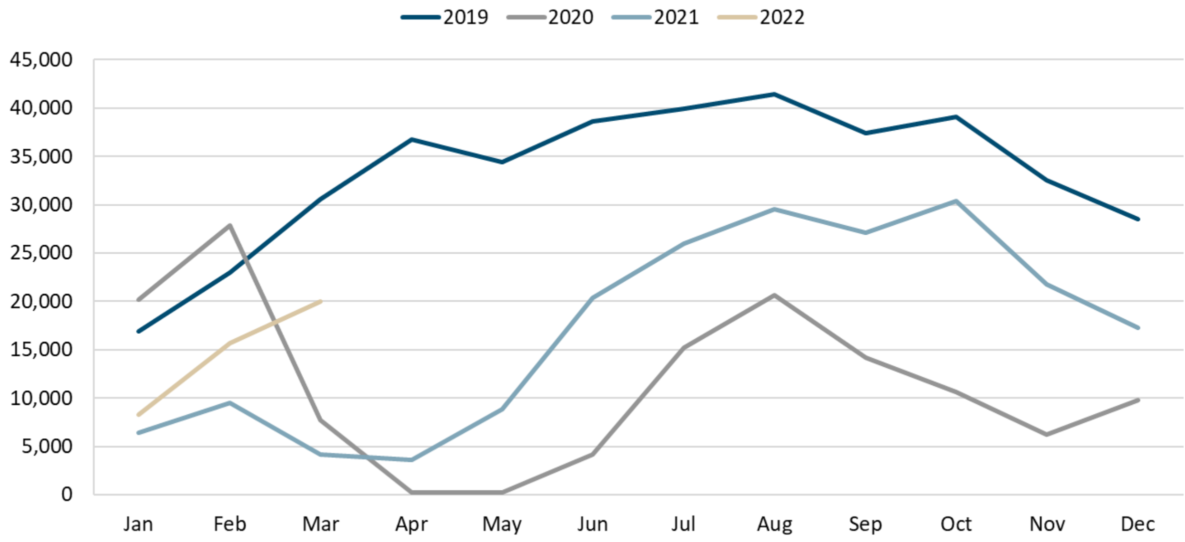

Figure 4: Resident and non-resident guests at 5-star hotels in Malta on a monthly basis
Source: National Statistics Office

Increased inbound tourism led to an increase in tourism expenditure by 91.3% to €871million in 2021, from €455million in 2020. Notwithstanding this improvement, overall tourist expenditure was still only 39.2% of the level recorded in 2019[7]. According to Malta International Airport data, in 2021 seat capacity increased by 43.5%, reaching a total of 2.5million passengers. This was less than half its 2019 level (34.8%)[8].

In April 2021, the Malta Tourism Authority ("MTA") also introduced incentives for "Free Independent Travellers" whereby an allocated budget of €3.5million was placed to encourage travellers to stay in rated hotels. The MTA provided €100 per person on every booking in a 5* hotel, €75 per person to those booking in a 4* hotel and €50 per person to those booking in a 3* hotel. It was estimated that this scheme would attract more than 35,000 tourists[9], and it was active as from June 2021 until the budget was used up.

The above mentioned developments throughout the latter part of 2021 and into 2022, were also reflected in relative progress in certain parameters within the hotel industry. According to a Deloitte MHRA presentation, during Q4 2021 local 5-star hotel occupancy rates were approximately 75% of Q4 2019 levels. In addition, the 5-star industry achieved an improved (+7.5% vs Q4 2019) Average Daily Rate ("ADR") in Q4 2021. In Q1 2022, 5-star hotel occupancy rates in Malta were roughly 40-50% below Q1 2019, whilst ADR for Q1 2022 was in line with Q1 2019.

[7] Central Bank of Malta, 54th Annual Report and Statement of Accounts 2021
[8] Malta International Airport plc Company Announcement 359/2022
[9] Malta Tourism Authority, Incentives for Free Independent Travellers (FIT), April 2021

4.3 Food and Beverage[10]

The food and beverage industry is a large, diverse industry, which is full of specialised machinery. It is amongst the EU's biggest manufacturing sector in terms of jobs and value added. According to FoodDrinkEurope, the EU food and drink industry employs 4.5million people, generates a turnover of €1.1trillion and generates €222billion in value-added[11]. Although it is one of the oldest industries, it is still full of innovation, with industry players always looking for new ways to produce what consumers want at the best possible price.

The National Statistics Office ("NSO") provisions indicate that the number of food and beverage enterprises in Malta increased to circa 2,322 in 2021, increasing by 0.6% over the previous year. Having said this, this number is still 2.4% lower than the number of enterprises in 2019, prior to the pandemic. In 2020, the industry was heavily impacted by the restrictions in the business of a number of hotels, bars, restaurants and other catering establishments, and this had a material impact on the sector. However, last year, the government relaxed some of these restrictive measures and, although the industry was still under some restrains, the sector started to regain momentum. In fact, in 2021 the industry generated a Gross Operating Surplus amounting to €149million, representing a gross operating surplus margin of 32.1%, the highest margin recorded by the industry over the past 10 years.

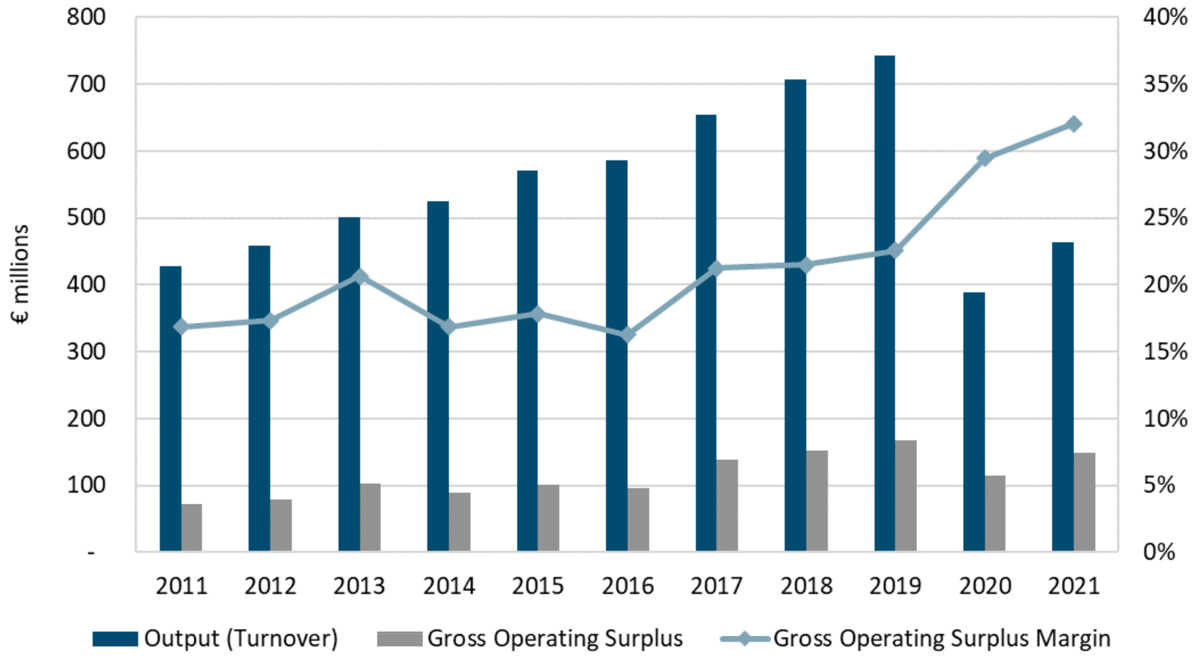

Figure 5: Food and beverage service activities in Malta
Source: National Statistics Office

[10] National Statistics Office, NACE56
[11] FoodDrinkEurope, EU Food and Drink Industry, 2021 Data and Trends

The post-pandemic era has given rise to different challenges, with increasing costs becoming the norm. The Food and Agricultural Organization Food Price Index ("FFPI"), which tracks monthly changes in the international prices of commonly traded food commodities, averaged 157.4 points in May 2022, which is 29.2 points (23%) above its value in the corresponding month last year. Increasing demand, concerns about commodity inflation and surges in raw material prices are also causing problems for food and beverage manufacturers. These significant cost increases in raw materials and ingredients are becoming extremely challenging for food and beverage companies to remain competitive and ensure sustainable margins.

5 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 before this date. 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 audited financial statements of 2019, 2020 and 2021 with the financial year running from 1st January to 31st December. The forecasted financial statements for the year 31st December 2022 have been provided by the management of the Group, which are based on certain assumptions. Events and circumstances may differ from expectations; therefore, actual results may vary considerably from projections. This section also includes references to forecast financial statements provided by management for 2021, which were included in the Financial Analysis Summary of 2021.

5.1 Statement of Comprehensive Income

Phoenicia Finance Company plc Statement of comprehensive income (€000)	**2019** Actual	**2020** Actual	**2021** Actual	**2021** Forecast	**2021** Variance	**2022** Forecast
Finance income	**1,191**	**1,275**	**1,287**	**1,287**	**-**	**1,287**
Finance costs	(1,146)	(1,153)	(1,158)	(1,158)	-	(1,164)
Net interest	**45**	**123**	**129**	**129**	**-**	**123**
Administrative expenses	(70)	(68)	(82)	(66)	25%	(75)
Expected credit losses	-	-	-	-		-
Profit before tax	**(25)**	**55**	**47**	**63**	**-26%**	**48**
Income tax credit / (expense)	-	(19)	(16)	(22)	-26%	(16)
Profit for the period	**(25)**	**36**	**30**	**41**	**-26%**	**32**

Source: Phoenicia Finance Company plc annual reports; 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 2021, PFC reported finance income of €1.3million, which related to interest on loan to parent company. Finance costs amounted to €1.2million, relating to interest on the Bond of €1.0million and amortisation of bond issue costs of €121k. In 2022, the Issuer is projected to receive €1.3million from interest receivable from Group companies and incur €1.2million in finance costs, comprising of interest payable to bond holders and bond amortisations costs.

5.2 Statement of Cash Flows

Phoenicia Finance Company plc Statement of cash flows (€000)	2019 Actual	2020 Actual	2021 Actual	2021 Forecast	2021 Variance	2022 Forecast
Net cash generated from operating activities	7	(46)	(19)	(80)	-76%	(21)
Net cash used from investing activities	(1,750)	(325)	-	-	-	-
Net cash used from financing activities	(254)	-	-	-	-	-
Net movement in cash and cash equivalents	**(1,997)**	**(371)**	**(19)**	**(80)**	**-76%**	**(21)**
Cash and cash equivalents at beginning of year	2,459	461	90	90	-	71
Cash and cash equivalents at end of year	**461**	**90**	**71**	**10**	**625%**	**50**

Source: Phoenicia Finance Company plc annual reports; Management information

There were no significant developments throughout the year which caused significant variances from the forecasted results. For the year ending 31st December 2022, Management is anticipating net cash outflows of €21k, resulting in a cash balance of €50k.

5.3 Statement of Financial Position

Phoenicia Finance Company plc Statement of financial position (€000)	2019 Actual	2020 Actual	2021 Actual	2021 Forecast	2021 Variance	2022 Forecast
Assets						
Non-current assets:						
Financial assets	24,176	24,501	24,501	24,501	-	24,501
Deferred tax asset	21	5	5	5	-	5
Total non-current assets	**24,196**	**24,505**	**24,505**	**24,505**	**-**	**24,505**
Current assets:						
Financial assets	56	56	56	56	-	56
Other receivables	182	408	601	607	-1%	780
Cash and cash equivalents	461	90	71	10	625%	50
Total current assets	**699**	**554**	**728**	**673**	**8%**	**886**
Total assets	**24,895**	**25,059**	**25,233**	**25,179**	**0%**	**25,392**
Equity and Liabilities						
Capital and Reserves:						
Issued Capital	250	250	250	250	-	250
Retained Earnings	(39)	(3)	27	38	-28%	59
Total Equity	**211**	**247**	**277**	**288**	**-4%**	**309**
Non-current liabilities:						
Interest-bearing borrowings	24,511	24,627	24,747	24,747	-	24,874
Total non-current liabilities	**24,511**	**24,627**	**24,747**	**24,747**	**-**	**24,874**
Current liabilities:						
Interest-bearing borrowings	45	45	45	45	-	45
Trade and other payables	127	121	147	76	94%	147
Current tax payable	-	19	16	22	-26%	16
Total current liabilities	**172**	**186**	**209**	**143**	**46%**	**209**
Total liabilities	**24,684**	**24,812**	**24,956**	**24,891**	**0%**	**25,082**
Total equity and liabilities	**24,895**	**25,059**	**25,233**	**25,179**	**0%**	**25,392**

Source: Phoenicia Finance Company plc annual reports; Management information

Table totals may be subject to rounding

The Issuer's balance sheet reflects its role as the financing arm of the Group with total assets of €25.2million at the end of 2021, mainly consisting of the loan to parent company (€24.5 million) and other receivables (€0.6million) relating to prepayments for administrative expenses and amounts due from the parent company for expenses paid by PFC as part of general cashflow management purposes. The funding side includes the €25million 4.15% 2023-2028 unsecured bond ("the Bond Issue") that financed the loan to the parent company.

6 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 statements. However, management prepared combined financial statements for FY2019-FY2021 based on an aggregation of the audited financial statements of PML, PHCL and PFC[12], and after taking into consideration intercompany and consolidation adjustments ("the Combined Financial Statements"). The Combined Financial Statements for FY2019, FY2020 and FY2021 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, taking into account applicable consolidation adjustments.

The following financial information is extracted from the Combined Financial Statements of the Group for the three years ended 31st December 2019 to 31st December 2021. The forecasted financial information for the year ending 31st December 2022 ("FY2022") has been provided by the management of the Group. Events and circumstances may differ from expectations; therefore, actual results may vary considerably from projections. This section also includes references to forecasted financial statements provided by management for 2021 which were included in the 2021 Financial Analysis Summary.

[12] 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

6.1 Statement of Comprehensive Income

Combined Financial Statements Statement of comprehensive income (€000) - 31 December	2019 Actual	2020 Actual	2021 Actual	2021 Forecast	2021 Variance	2022 Forecast
Revenue	**13,265**	**2,941**	**8,037**	**5,881**	**36.7%**	**13,348**
Cost of sales	(7,197)	(4,266)	(5,770)	(4,917)	17.3%	(7,674)
Gross profit	**6,068**	**(1,325)**	**2,267**	**964**	**135.3%**	**5,674**
Administrative expenses	(3,071)	(2,499)	(2,769)	(2,513)	10.2%	(3,126)
Selling and marketing expenses	(691)	(455)	(457)	(581)	-21.3%	(652)
Other income	333	903	1,120	898	24.7%	484
Operating profit	**2,638**	**(3,376)**	**161**	**(1,233)**	**-113.0%**	**2,380**
Finance costs	(1,794)	(1,766)	(1,786)	(1,897)	-5.9%	(1,850)
Profit before tax	**845**	**(5,142)**	**(1,625)**	**(3,130)**	**-48.1%**	**529**
Income tax credit / (tax expense)	45	2,216	1,059	1,586	-33.2%	101
Profit for the year	**890**	**(2,926)**	**(566)**	**(1,544)**	**-63.3%**	**630**
Revaluation of PPE	-	3,028	-	-	-	-
Total comprehensive income for the year	**890**	**102**	**(566)**	**(1,544)**	**-63.3%**	**630**
EBITDA	4,906	(1,206)	2,508	1,146	118.9%	4,735
Adjusted EBITDA*	4,906	(2,109)	1,388	248	460.0%	4,251

Source: Combined Financial Statements, Management information

**Adjusted EBITDA is calculated by excluding government grant (non-recurring revenue) from reported EBITDA*

The financial performance of the Group during 2021 was characterised by a notable improvement, driven by increased demand for its services as Covid-19 related restrcitions began to be reversed throughout the year. The Group's results were supported by the implementation of cost cutting measures, and also benefitted from Covid-19 assistance schemes (including wage supplements and deferral of taxes) and a moratorium on debt repayments. The Group, which generates revenues from three business segments (Rooms, Catering and Other revenues) has also began to benefit more notably from the Spa which was initially opened in Autumn 2020 and operated at an increased capacity since July 2021.

Overall performance also exceeded management expectations, reflecting an improvement compared to 2020, led by improving trends as from the summer and autumn periods, but not yet attaining pre-pandemic levels.

Following the robust performance of the Hotel during the two years post reopening, the pandemic led to severe challenges for the Group. Global travel restrictions imposed as from March 2020 resulted in unprecedented declines in occupancy and revenue per room. Whilst the Group changed its target market to the local guests, local restrictions and the general uncertainties relating to Covid-19 contagion levels also had a continued negative impact. Furthermore, the restrictions on mass events and social distancing rules limited the number of conferences, weddings and other such events which the Hotel usually hosts, thereby also decreasing revenues from catering.

Group revenues decreased by 77.8% to €2.9million in 2020. The opening of the pool in the summer months helped to generate revenues in the catering sector, amounting to €1.2million in 2020 (representing 41% of total revenues).

In 2020, the Hotel's limited operations decreased cost of sales by 40.7%, from €7.2million to €4.3million whilst administrative expenses also decreased. Notably, a number of cost-cutting measures and staff costs policies were implemented by management including total curtailment of all direct variable payroll and other variable operating expenses, and reductions in payroll costs reflecting reduction in working hours. Furthermore, terminations and retirement of full-time employees was not subject to replacement and a number of inter-departmental synergies were applied to limit costs. During the year the Group benefited from a Covid-19 wage supplement from the government to support the wages of its employees. EBITDA during 2020 was negative at an amount of €1.2million and a loss of €5.1million was registered.

In terms of the lease agreement, PHCL pays annual rent of €2.5million revisable every three years assuming a complete development of the hotel. Following the outbreak of Covid-19 pandemic, similarly to 2020 the lessor gave a rent concession to PHCL of €0.2million, which off-set at Group level.

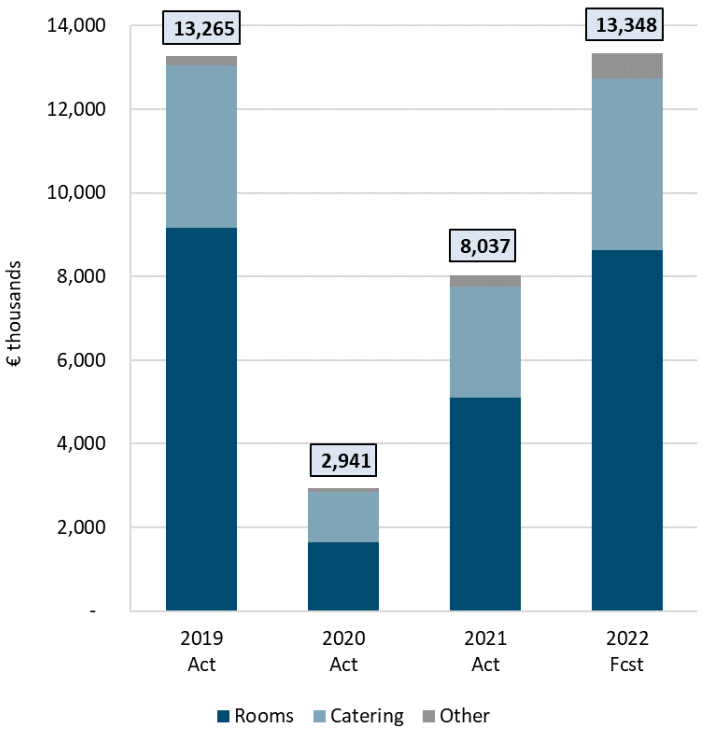

Figure 6: Phoenicia Group – Revenue Breakdown
Source: Management information, Combined financial statements, Curmi & Partners Ltd

Total revenues during 2021 amounted to €8million (2020: €2.9million), reflecting a healthy recovery from the lows of 2020. Both the core activity of accommodation (€5.1million) and catering revenue (€2.7million) more than doubled. The turnaround commenced during summer 2021, as a number of Covid-related restrictions were lifted, and incoming tourist travel was facilitated compared to the previous months. Both occupancy levels and rates progressed strongly towards pre-pandemic levels into the autumn. With tighter travel restrictions in the UK in comparison to other geographical locations, the Hotel saw an increase in non-UK residents stay at the Hotel in recent months. Albeit this increased diversification, the UK market still accounts for more than 50% of the rooms let. The greater utilization of the Spa also contributed to the generation of income. The situation did deteriorate again in December and during the opening months of the current year, as the spread of a new variant of the Covid-19 triggered a reversal of the positive trajectory.

However, the shift experienced during the second half of last year allowed the Group to exceed management forecasts for 2021. In contrast to 2020 the Group achieved operating profitability, even though at levels still well below 2019. Gross profit and operating profit amounted to €2.3million (2020: loss of €1.3million) and €0.2million (2020: loss of €3.4million) respectively.

Administrative expenses increased to €2.8million (+11%), with selling and marketing expenses relatively unchanged. Energy and maintenance costs increased, with the amounts for 2020 having been impacted by the closures that took place during that year. Staff expenses, amounting to €2.9million (2020: €2.5million) and other direct costs both increased notably, also in a reflection of the unfolding pick-up in business activity. During 2021 the Group continued to benefit from a Covid-19 wage supplement, totaling €1.1million, from the government to support the wages of its employees.

In line with the evident improvement in other financial indicators, EBITDA generated by the Group amounted to €2.5million (including the grant of €1.1million), which compares to a negative amount of €1.2million in 2020 and forecasts for 2021 of €1.1million. With finance costs remaining stable at €1.8million, the loss for the year declined to €0.6million (2020: €2.9million). Management is of the view that following the extensive implementation of vaccination programs and a significantly improved situation with respect to the pandemic, on the basis of current information available, the travel and accommodation industry is expected to continue normalizing during 2022. The Group's expectations for the current financial year also take into consideration the relatively challenging start to the year mentioned above. Whilst the war in Ukraine and inflationary pressures in particular pose a threat to consumer sentiment, possibly also with respect to travel plans, this development is not expected to impact the prospects for the Hotel in a notable manner. Management expects to achieve a return to close to pre pandemic levels in terms of key business indicators and overall financial performance. Revenues are expected to increase to €13.3million, with projected EBITDA rising to €4.7million. An increase in costs, encompassing in particular salaries and direct expenses, is expected to accompany the growth of the business. A return to bottom line profitability is also expected, with projected profit before tax for the year amounting to €0.5million.

6.2 Statement of Cash Flows

Combined Financial Statements Statement of cash flows (€000) - 31 December	2019 Actual	2020 Actual	2021 Actual	2021 Forecast	2021 Variance	2022 Forecast
Net cash generated from operating activities	4,036	(340)	2,555	1,558	64.0%	4,369
Net cash used from investing activities	(1,585)	(2,194)	(828)	(707)	17.2%	(1,308)
Net cash used from financing activities	(3,552)	1,430	218	173	26.2%	(4,716)
Net movement in cash and cash equivalents	**(1,101)**	**(1,105)**	**1,945**	**1,024**	**90.0%**	**(1,655)**
Cash and cash equivalents at beginning of year	2,299	1,198	93	93	-	2,039
Cash and cash equivalents at end of year	**1,198**	**93**	**2,039**	**1,117**	**82.5%**	**383**

Source: Combined Financial Statements, Management information

Table totals may be subject to rounding

Despite the challenges faced in 2020, the Group showed resilience in maintaining a positive cashflow for that year. The Group was able to rely on internally generated cash reserves coming from the previous two full years of strong uninterrupted business following the refurbishment, in addition to the drawdowns from the available MDB loan facility. Effective working capital management in 2020 also contributed positively along with access to financing and governmental support since the onset of the pandemic. In 2020, the Group was able to generate €875k in cash from working capital as a result of the utilization of inventory and the abrupt slowdown of event catering from which income is typically received on credit.

During FY2020, PHCL obtained a facility of €6million from the bank to cover shortfall in operating cashflow arising from the Covid-19 pandemic, with an amount of €2.7million drawn in FY2020 and €3.3million drawn in FY2021. The facility, referred to as the "MDB Loan", benefits from governmental support and the Hotel is eligible for an interest rate subsidy of 2.4% for the first two years.

In 2021, the Group generated €2.5million in operating profit before working capital movements. The strong operational performance in addition to further drawdowns on the MDB Loan allowed the Group to pay off outstanding bank loans of €0.6m and due interest payments of €2.4million. The Group's capital investment in Property, Plant and Equipment over recent years mainly came as a result of investment in the Spa. This amounted to €1.9million in 2020 and €0.5million in 2021.

In 2022, the Group is expected to generate positive cash flows from operating activities amounting to €4.4million. The net cash used in investing activities is expected to amount to €1.3million, of which primarily €0.6million relates to room improvements and €0.3million to furniture, fittings and equipment. The Group is expected to make capital repayments on bank loans amounting to €3million.

The net cash to be used in financing activities is expected to be €4.7million, thus resulting in a negative movement in cash of €1.7million for the year.

6.3 Statement of Financial Position

Combined Financial Statements Statement of financial position (€000) - 31 December	2019 Actual	2020 Actual	2021 Actual	2021 Forecast	2021 Variance	2022 Forecast
Assets						
Non-current assets:						
Property, plant and equipment	86,399	90,196	88,677	88,524	0.2%	87,629
Deferred tax asset	2,980	5,198	6,116	6,806	-10.1%	6,241
Other receivables	50	50	50	50	-	50
Total non-current assets	**89,429**	**95,444**	**94,843**	**95,380**	**-0.6%**	**93,920**
Current assets:						
Inventories	197	150	186	185	0.4%	192
Trade and other receivables	734	524	809	346	133.7%	664
Cash and cash equivalents	1,198	93	2,039	1,084	88.1%	383
Total current assets	**2,130**	**768**	**3,033**	**1,615**	**87.8%**	**1,239**
Total assets	**91,559**	**96,212**	**97,876**	**96,995**	**0.9%**	**95,159**
Equity and Liabilities						
Capital and reserves:						
Share capital	13	13	13	13	-	13
Deferred shares	839	839	839	839	-	839
Revaluation reserve	36,260	39,227	39,164	39,227	-0.2%	39,164
Retained earnings	(644)	(3,508)	(4,012)	(5,052)	-20.6%	(3,382)
Total equity	**36,469**	**36,571**	**36,005**	**35,027**	**2.8%**	**36,635**
Non-current liabilities:						
Interest-bearing loans and borrowings	44,446	46,587	48,616	48,574	0.1%	45,432
Deferred tax liability	4,761	5,506	5,348	5,506	-2.9%	5,348
Total non-current liabilities	**49,208**	**52,093**	**53,964**	**54,080**	**-0.2%**	**50,780**
Current liabilities:						
Trade and other payables	3,953	4,565	4,952	4,853	2.0%	4,446
Interest-bearing loans and borrowings	1,910	2,964	2,939	3,013	-2.5%	3,257
Current tax payable	20	19	16	22	-26.2%	41
Total current liabilities	**5,882**	**7,548**	**7,908**	**7,889**	**0.2%**	**7,744**
Total liabilities	**55,090**	**59,641**	**61,872**	**61,969**	**-0.2%**	**58,524**
Total equity and liabilities	**91,559**	**96,212**	**97,876**	**96,995**	**0.9%**	**95,159**

Source: Combined Financial Statements, Management information

Total assets increased to €97.9million in FY2021, increasing by €1.7million from the previous year, mainly driven by the recovery of operations leading to stronger levels of cashflow and higher receivables. Furthermore, deferred tax assets increased as deferred tax on unutilized tax losses and capital allowances amounting to €6.1million were recognized in the financial statements. Due to the faster recovery which the Hotel experienced in 2021 compared to what was forecasted, the Group held significantly higher levels of trade receivables and cash in 2021 versus what was expected in management forecasts.

Total liabilities increased from €59.6million in 2020 to €61.9million in 2021. Interest-bearing loans and borrowings increased to €51.6million (2020: €49.6million) including both short-term and long-term loans and borrowings, primarily as the Group drew down the remaining balance of the MDB Loan. Trade and other payables increased marginally from €4.6million to €5.0million as contract liabilities representing advances from customers increased from €0.8million to €1.0million. During 2020, the Government of Malta issued a scheme in response to the pandemic for the deferral of indirect taxes. The Group obtained this deferral for which the balance will start to be paid off in June 2022 and is expected to be settled by December 2024. This increased the indirect taxes including social security payable by €0.6million, to €0.7million in FY2020 and by a further €0.5million to €1.2million in FY2021.

Management expects total assets to amount to €95.2million as at 31st December 2022, a decrease of 2.8% from €97.9million in FY2021. This decrease of €2.7million is attributable to a slight decrease of €1.0million in non-current assets and a reduction in cash holdings of €1.7million as following the moratorium, all debt repayments will have recommenced. Total equity is expected to increase marginally given that the expected retained loss in FY2022 will continue to decrease as the business operations return back to normalised levels. Total borrowings and trade and other payables are expected to decrease to €48.7million and €4.4million respectively.

6.4 Borrowings

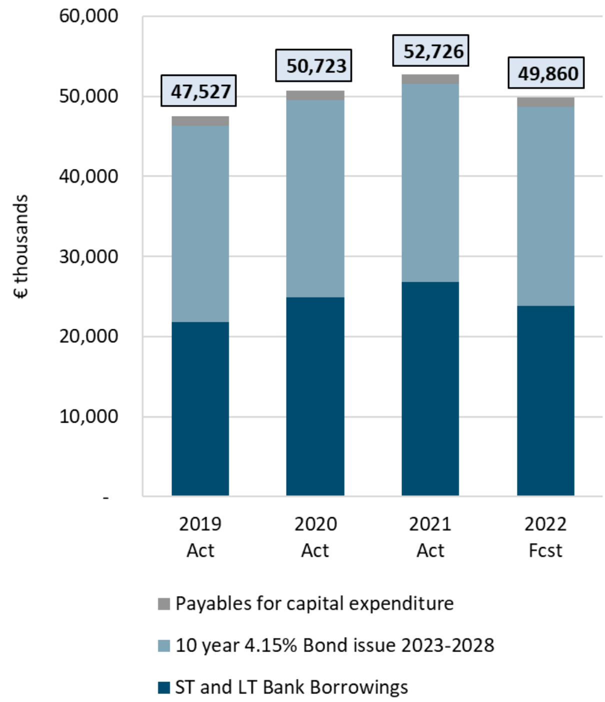

Figure 7: Phoenicia Group – Debt Schedule
Source: Management information, Combined financial statements

The Group has been mainly financed through debt over the years. Total borrowings as at 31st December 2021 amounted to €52.7million, mainly comprising of the Bond issue and bank debt. Other borrowings comprise of creditors for capital expenditure. As previously explained, in response to the Covid-19 pandemic the Group obtained further finance to support working capital and liquidity requirements. From the €6million MDB Loan, €2.7million was borrowed in 2020 and the remaining €3.3million was utilized in 2021.

6.5 Evaluation of Performance and Financial Position

The Group delivered an evidently improved performance during 2021 compared to the previous year, which was more heavily impacted by the severe challenges brought about by the pandemic. Financial results also exceeded management expectations.

Upward trends in occupancy levels, RevPAR and ARR generally tracked the loosening of Covid-19 restrictions throughout the year, whilst revenues and profitability improved across all levels, also supported by implemented measures in terms of increased efficiencies and cost cutting. On the basis of the current situation, management believes that the sustained recovery will continue throughout 2022, allowing the Hotel to attain almost pre-pandemic levels of operations.

Notwithstanding the termination of support schemes such as the wage supplements, a further robust increase in EBITDA generation is expected. Meanwhile, management still continues to assess ongoing trends with a view to ensure financial sustainability and a high level offering. Management expects that a prime factor for the improvement in operations would be access to the British market.

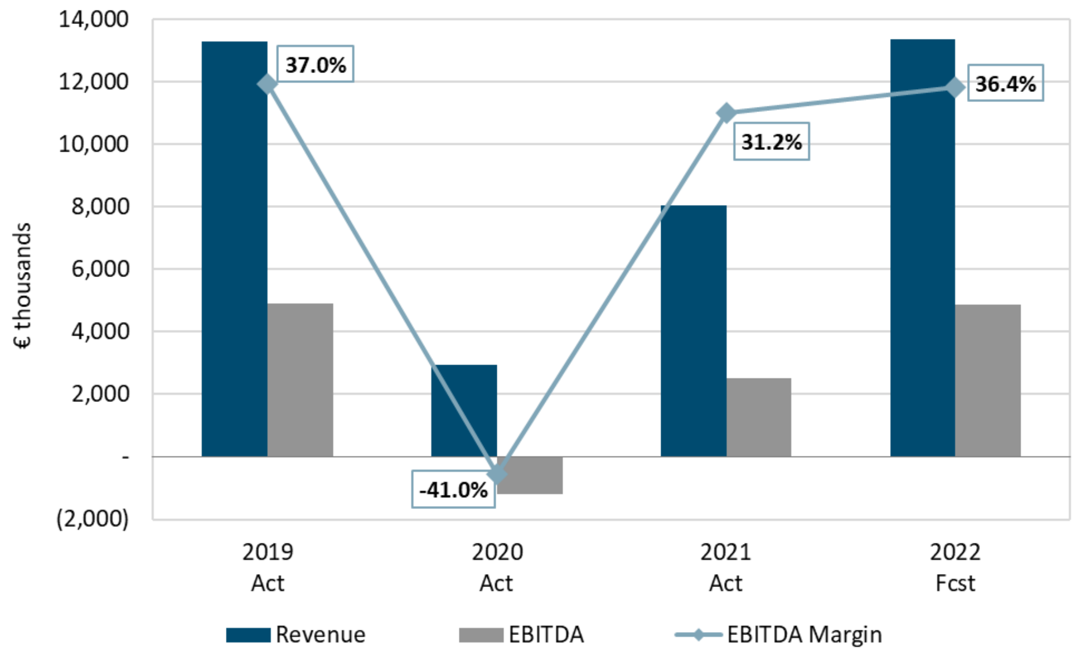

Figure 8: Phoenicia Group – Generation of EBITDA
Source: Management information, Combined financial statements

Combined Financial Statements Profitability Ratios - 31 December	**2019** Actual	**2020** Actual	**2021** Actual	**2022** Forecast
Gross Profit Margin *(Gross Profit / Revenue)*	45.7%	-45.1%	28.2%	42.5%
Gross Operating Profit Margin *(Gross Operating Profit / Revenue)*	39.3%	-51.7%	21.2%	34.3%
EBITDA Margin *(EBITDA / Revenue)*	37.0%	-41.0%	31.2%	35.5%
Adjusted EBITDA margin *(Adjusted EBITDA / Revenue)*	37.0%	-71.7%	17.3%	31.8%
Interest Coverage *(EBITDA / Net Finance Costs)*	2.7x	-0.7x	1.4x	2.6x
Adjusted Interest Coverage *(Adjusted EBITDA / Net Finance Costs)*	2.7x	-1.2x	0.8x	2.3x
Return on Assets *(Gross Operating Profit / Average Total Assets)*	5.6%	-1.6%	1.8%	4.7%
Return on Capital Employed *(Gross Operating Profit / Average Capital Employed)*	6.1%	-1.7%	1.9%	5.2%
Net Profit Margin *(Profit for the year / Revenue)*	6.7%	-99.5%	-7.0%	4.7%
Return on Equity *(Profit for the year / Average Total Equity)*	2.5%	-8.0%	-1.6%	1.7%

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

Last year's profitability ratios reflected the movement towards more normal business conditions by reverting to positive levels. Operating margins, Return on Capital Employed ("ROCE") and Return on Assets ("ROA") hereby estimated on the basis of gross operating profit, have not yet reached 2019 levels but the notable positive swing is evident, as the Group benefited from the upward trend in revenues and continued focus on cost management. Operating Profit and EBITDA margins reached 21% and 31% respectively (Adjusted EBITDA Margin at 17.3%). Interest cover improved to 1.4x.

Bottom line profitability remained negative, but at levels that were better than expected. Projected ratios for 2022 reflect the overall expectations for a further strong recovery in profitability, to levels just below what was achieved in 2019.

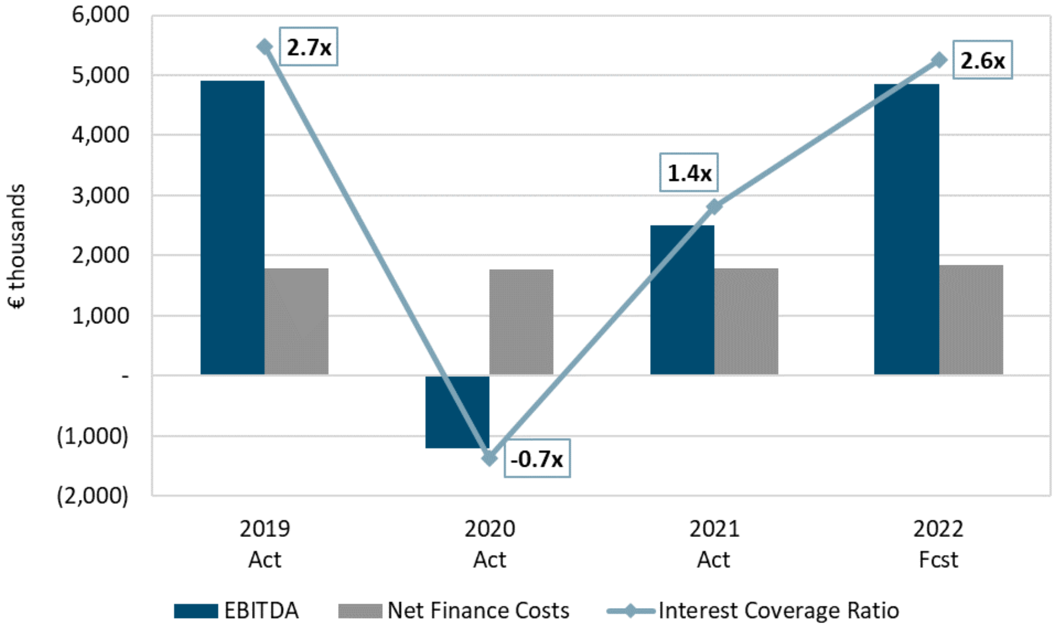

Figure 9: Phoenicia Group – Coverage of Interest Payments
Source: Management information, Combined financial statements

As depicted in the chart above, the Group's capability to cover the due interest charges is being enhanced by the improvement in EBITDA following the general recovery in business. With net finance costs remaining relatively flat over the period under analysis, and a positive outlook in terms of EBITDA, the Group expects to maintain a healthier interest coverage ratio in 2022.

Combined Financial Statements Balance Sheet Ratios - 31 December	**2019** Actual	**2020** Actual	**2021** Actual	**2022** Forecast
Current Ratio *(Current Assets / Current Liabilities)*	0.4x	0.1x	0.4x	0.2x
Quick Ratio *({Current Assets - Inventory} / Current Liabilities)*	0.3x	0.1x	0.4x	0.1x
Gearing Ratio *(Borrowings / {Total Equity + Borrowings})*	56.6%	58.1%	59.4%	57.6%
Adjusted Gearing Ratio *(Borrowings / Total Equity)*	1.3x	1.4x	1.5x	1.4x
Net Leverage Ratio *(Net Borrowings / EBITDA)*	9.4x	-42.0x	20.2x	10.4x
Free Cash Flow to Debt *(Free cash flow / Borrowings)*	6.2%	-5.8%	2.3%	7.7%

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

NB: Certain ratios in 2020 indicate exceptional values given the extraordinary circumstances during the year

Within the hospitality industry, liquidity ratios below 1x are not uncommon, with cash inflows from sales mainly received in advance compared to delayed outflows related to suppliers and expenses. Over the recent period, the Group's liquidity ratios had declined further as cash balances were particularly impacted. This working capital relationship improved in 2021 with the positive recovery of business, however in 2022 the gap between current liabilities and assets is expected to widen given the lower expected levels of cash to be retained as a result of a return to normalised debt repayments following the end of the moratorium.

The Group's capital structure and general financial profile improved following the refurbishment and the re-opening of the Hotel, benefiting from the revaluation and the improved operational performance thereafter. However due to the pandemic, this positive trajectory experienced an evident reversal during 2020 and 2021, as reflected in a deterioration in gearing, net leverage and the free cash flow position. This was driven by weaker profitability and cash flow generation, with debt funding increasing to sustain the business.

The generation of positive EBITDA during 2021 resulted in an improvement of the the Group's financial profile, albeit with leverage still at very elevated levels. With income expected to continue on a positive trajectory following the lows of 2020, and with management expecting less reliance on interest-bearing funding moving forward, these key metrics are expected to return to continue to progress towards 2019 levels during 2022.

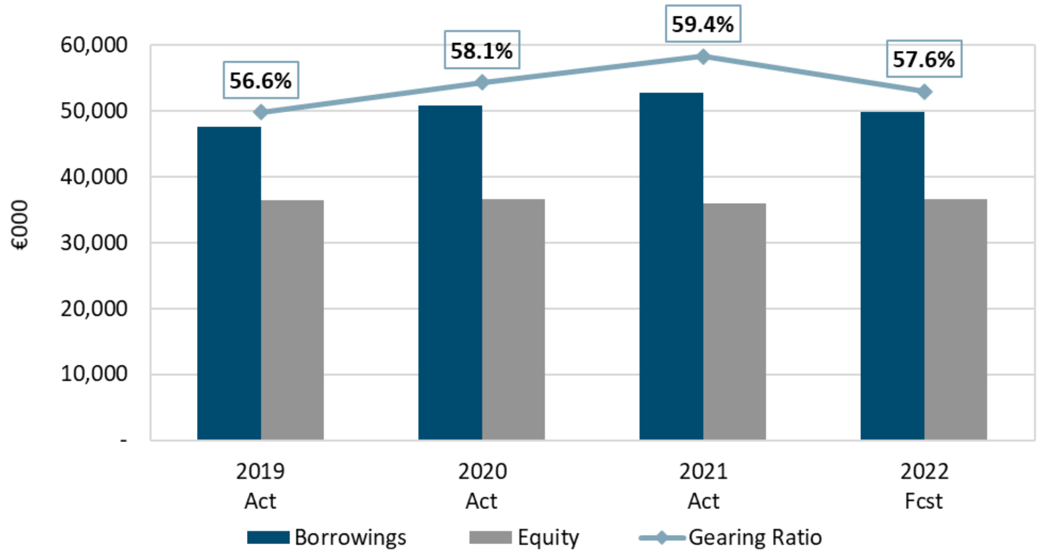

Figure 10: Phoenicia Group – Gearing Ratio
Source: Management information, Combined financial statements

In fact, the Group's net leverage position returned to positive levels in 2021, albeit at high debt levels, as positive EBITDA was generated following a pick-up in business. In 2022, management forecasts indicate the net leverate ratio to return to a level of 9.3x which was previously obtained pre-pandemic in 2019. This suggests that the relationship between financing and operations is starting to normalise.

Free cash flow ("FCF"), 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, has improved and is seen reaching 2019 levels. Management notes that whilst the Group is expected to benefit from recent major investments, future plans for capital expenditures are being moderated going forward.

The Board of Directors agreed not to pay any dividends for the year ended 31st December 2021. The Company's dividend pay-out policy is driven by the level of profitability and the Group's overall strategy, including its investment plans. Additionally, dividend payments are restricted by the relevant covenants in place.

7 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. In particular, certain other corporate groups operate in a diverse range of sectors, with operations not restricted to the hotel sector as is the case for the Group. This was especially relevant during the heights of the pandemic, as some of the Group's competitors operate in other industry segments which were less impacted than the hotel industry. Furthermore, whilst the Group operates a single property, most other companies operate multiple hotel assets. 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 are calculated using financials for FY2021 presented in their audited annual financial statements.

Comparable Analysis	Gearing	Interest Coverage	Net Debt / EBITDA
Phoenicia Group	**59.4%**	**1.4x**	**20.2x**
AX Holdings	27.0%	1.7x	12.2x
International Hotel Investments	51.5%	1.1x	21.2x
Eden Leisure Group	32.2%	3.6x	5.7x
SD Holdings	38.6%	0.9x	14.7x
Tumas Group (Spinola Developments)	27.6%	4.9x	2.6x

Source: Financial Statements, Curmi & Partners Ltd

8 GLOSSARY

Income Statement	
Gross Operating Profit	Gross operating profit refers to the total revenue of the hotel less expenses incurred earning that revenue. This indicator is a performance measure used in the hotel industry.
Gross Operating Surplus	Gross operating surplus is the surplus on production activities before taking into account interest, rents or charges paid or received for the use of assets.
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.
Balance Sheet	
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 Statement	
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.
Key Metrics	
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.
Operating & Financial Ratios	

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.
Gross Operating Profit Margin	Gross operating profit margin is the ratio of Gross Operating Profit to revenue. It measures how much profit is made on revenue after paying for costs incurred to earn revenue.
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.