CURMI & PARTNERS

PHOENICIA FINANCE COMPANY P.L.C.

FINANCIAL ANALYSIS SUMMARY

21st June 2024

CURMI & PARTNERS

CURMI &
PARTNERS

Finance House,
Princess Elizabeth Street,
Ta' Xbiex, XBX 1102, Malta

T (+356) 2134 7331
W curmiandpartners.com
E info@curmiandpartners.com

21 June 2024

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 Update 2024 ("the FAS Update 2024") set out on the following pages. A copy of this report is also attached to this letter.

The purpose of the FAS Update 2024 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 2021, 31st December 2022 and 31st December 2023 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 2024 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 2024 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 2024 is meant to assist potential investors by summarising the more important financial data of the Group. The FAS Update 2024 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 2024 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

Finance House,
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Ta' Xbiex, XBX 1102, Malta

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W curmiandpartners.com
E info@curmiandpartners.com

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 2024. 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, 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. Mrs Robyn Pratt is the General Manager of the Hotel.

As at the date of the Financial Analysis Summary Update June 2024 ("FAS Jun-24"), the Board of Directors of the Issuer is constituted as follows:

Mark D. Shaw	Chairman and Non-Executive Director
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"), a renowned five-star hotel located in Floriana. The Hotel was built in the 1930s and officially opened for business in 1947 as Malta's inaugural luxury hotel.

The hotel currently contains 132 rooms, of which twelve are luxurious suites and four are interconnected rooms. In February 2022, the total room count at the Hotel was reduced from 136 to 132 as part of a project that transformed eight rooms into four new Pegasus Suites. The Phoenicia also provides conference and banqueting facilities, as well as various food and beverage outlets within its premises. It is worth noting that the Hotel's physical footprint occupies less than 10 percent of the overall site, which spans over 40,000 square meters of prime land encompassing various zones that have not been fully utilized yet.

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 2020 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 six months of 2021 were still significantly impacted by Covid-19 restrictions. However the Spa's contribution increased from July 2021 onwards. The Spa entails an indoor swimming pool, five treatment rooms, a gym, studio, sauna, steam room, multi jet showers, salt room and a water bar, and is managed by the management of Hotel Phoenicia Malta.

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 was prepared to welcome the increase in demand, re-establishing itself as a leader within the luxury hotel space in Malta. This positive momentum continued into 2022 in which business activity surpassed pre-pandemic level. The benefits resulting from the operational efficiencies implemented due to Covid-19, as well as the various recent property renovations and upgrades, are now being realized.

In 2024, the Group underwent a refinancing exercise. A new €50.0 million 5.75% unsecured bond due 2028-2033 (“5.75% Bond 2028-33”) was issued, which in turn funded the refinancing of the €25.0 million 4.15% unsecured bond due 2023-2028 (“4.15% Bond 2023-28”) via an exchange offer, in addition to the part refinancing of outstanding banking facilities.

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 €25 million 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 new Spa building in its unique design, inspired by ancient Roman baths which blends with the Art Deco elements of the Hotel.
2024	Refinancing by PFC via issue of the €50 million 5.75% Unsecured Bond 2028-2033.

2.2 Organisational Structure

The Phoenicia is owned and operated by two companies that are controlled by Phoenicia Hotel (LUX) SARL, the immediate 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.

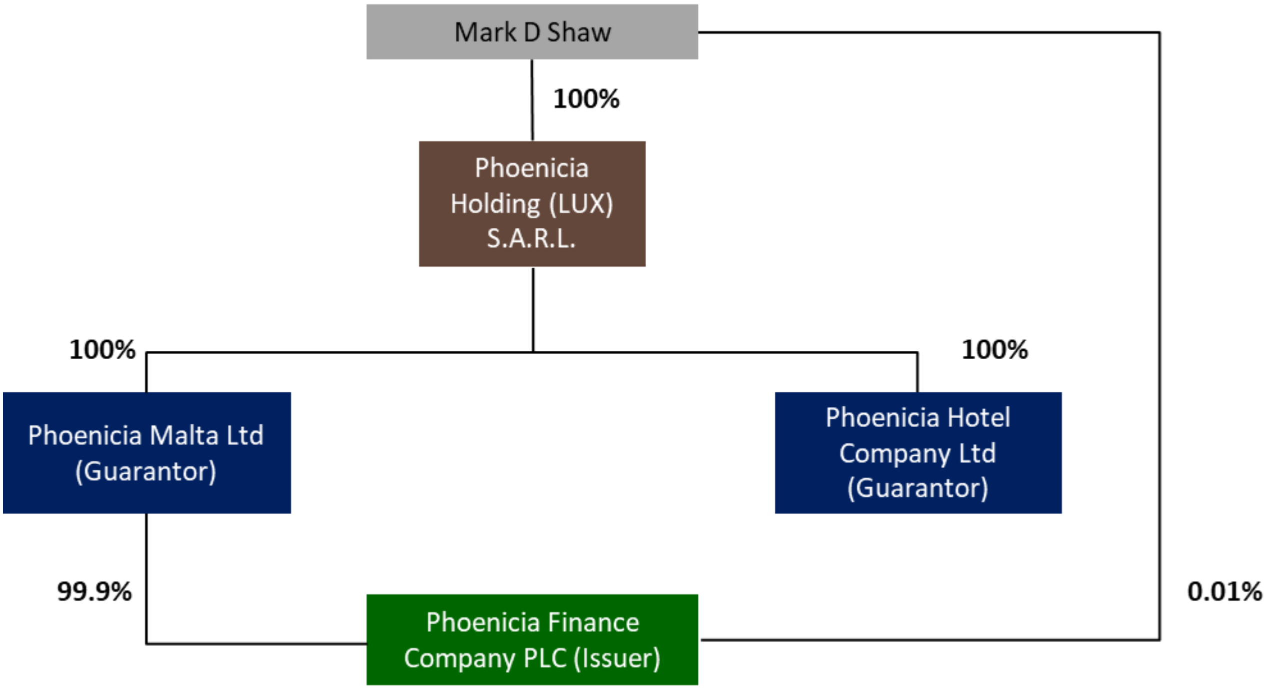

Figure 1: Organisational structure
Source: Management information

The Issuer and the two operating companies constituting the Group employed an average of 187 employees in 2023. As of June 2024 this number increased to 200 employees.

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 €3.2 million 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 followed by further rent concessions of €175k and €75k in 2021 and 2022 respectively.

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”) mainly comprising of the Spa. These operations have been performing strongly in recent periods, following the recovery from the naturally challenging Covid-19 pandemic phase.

Rooms

The Rooms segment is the most important source of income for the Group, accounting for 66% of the Group’s revenue in 2023, up from 65% in 2022. The trend reversed upwards in 2021 following the total curtailment of business between March and June 2020 and continued on this positive trajectory in 2022 and 2023. 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, the Leading Hotels of the World network (“LHW”) reservation systems and other online travel agents.

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.

During 2023, The Phoenicia has been selected to become a member of the US Virtuoso Network, one of the most prestigious luxury travel networks in the world. Virtuoso is the leading global network of agencies specializing in luxury and experiential travel, with more than 20,000 advisors and partnering with the world's best hotels, cruise lines, tour operators, and more. In addition, during 2023 The Phoenicia earned a Forbes Travel Guide Four-Star award and is showcased with other honorees on ForbesTravelGuide.com.

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. Catering revenue accounted for 29% of Group revenue in 2023.

Other

The Spa is expected to generate revenues of €539k by the end of 2024 as opposed to the €471k reported in 2023. Phoenicia also generates income via the provision of concierge services, the sub-leasing of four establishments, as well as guest laundry and airport transfers.

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.

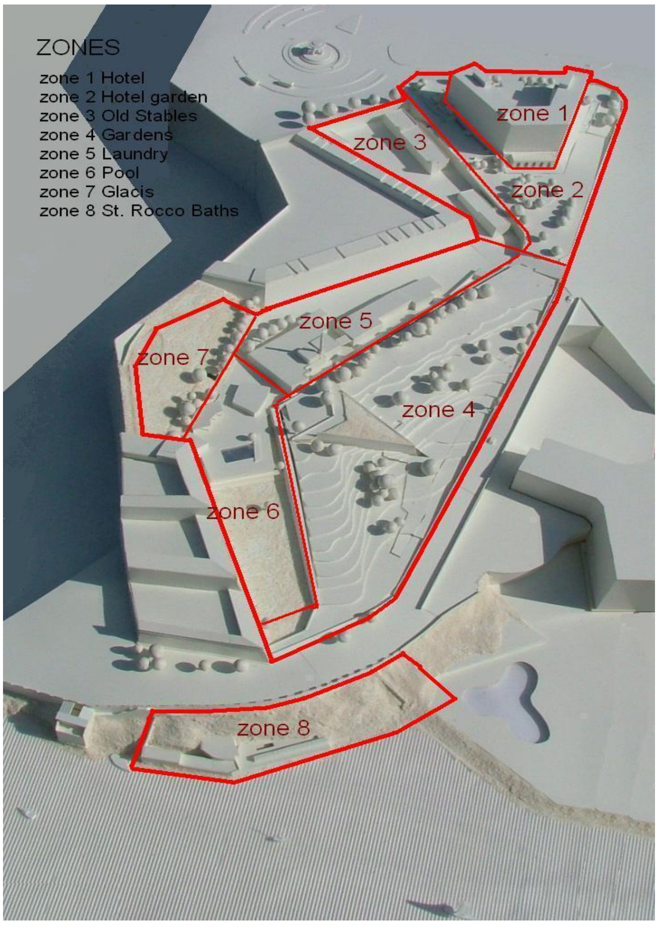

Figure 2: Phoenicia Hotel
Source: Management information

The Hotel's property was valued at €99.5 million as at 31 December 2022. In September 2023, the Group engaged independent architects DeMicoli & Associates Architects to carry out an updated and independent valuation of the property. The combined value of the existing property, including a potential proposed development, was estimated to be in the region of €120 million. As at 31st December 2023, the value of the property stood at €98.8 million on the Group's balance sheet.

This revalued amount was determined by reviewing the previous, current and forecast trading performance while taking into account the following:

1) Land and existing buildings (132 rooms), including the new Spa and Wellness centre
2) Trade fixtures, fittings, furniture and equipment
3) The market's perception of the trading potential together with an assumed ability to obtain or renew existing licenses, consents and certifications
4) The value of the potential development in the form of additional rooms/suites/keys

Hotel Metrics and Combined Financial Information	2021	2022	2023	2024
KPIs	Actual	Actual	Actual	Forecast
Revenue (€000)	8,037	14,747	19,158	21,486
Gross Operating Profit (€000)	1,705	5,223	7,938	8,974
EBITDA (€000)	2,508	4,497	5,561	7,008
Benchmark Performance				
Occupancy	33%	49%	66%	
ARR (€)	180	198	207	
RevPAR (€)	59	98	136	
Phoenicia Performance				
Room Revenue (€000)	5,102	9,601	12,739	14,558
Gross Operating Profit Margin	21%	35%	41%	42%
Occupancy	48%	67%	75%	75%
ARR (€)	215	295	351	403
RevPAR (€)	103	199	264	301

Source: Management information; Combined Financial Statements ; STR benchmark consisting of local 5-star peers

The current year is expected to be another record year for the Hotel in terms of top line revenue and profitability. This is largely attributable to the consistently increasing room rates which the Hotel is able to command, in particular following the upgrades made in recent years coupled with its uniqueness in terms of location and footprint, and its ability to tap into upper market niche market sources not only in the UK but also increasingly from other markets such as the US through its affiliations and partnerships with leading global marketing consortia like LHW, Virtuoso and American Express Travel.

Following on from the improving KPIs achieved in 2021 and 2022 (reflecting the first full year of normalized occupancy after COVID-19), the Group again achieved strong operational results during 2023, evidently outperforming its market.

Management expects these positive trends to continue in 2024, particularly driven by a 15% increase in ARR from €351 to €403, which in turn is expected to boost RevPAR to above €300, more than compensating for the expectation of a relatively flat occupancy level of around 75%

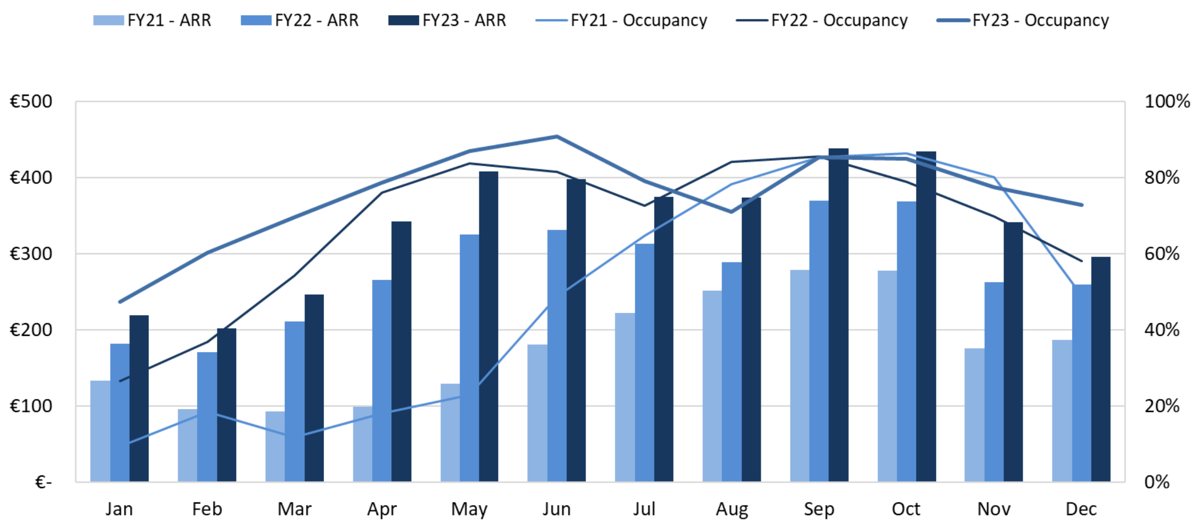

Figure 3: Phoenicia Hotel – Monthly ARR and Occupancy
Source: Management information

The main driver in the stronger-than-expected top line performance in 2023, similarly to recent years, came as a result of the increase in room rates, demonstrating the Hotel's continued ability to attract guests at even higher rates. The Phoenicia's premium pricing model following the various upgrades and renovations to the premises, which management highlights is targeted towards enhancing such rates and RevPar, continues to have a significantly positive impact. Lastly, the outperformance in revenue from Rooms had a knock-on effect on (and in turn also benefited from) the Group's other sources of income as in-house guests made greater use of the Hotel's catering outlets and Spa facilities.

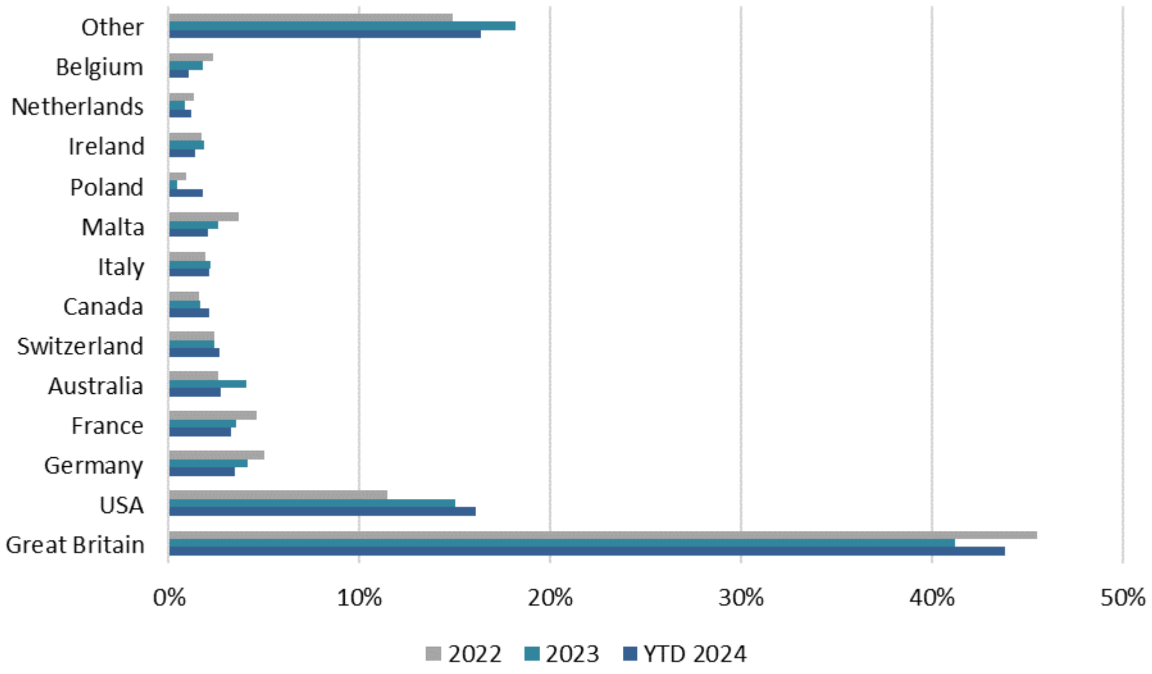

Figure 4: Geographical Mix of Source of Business
Source: Management information (2024 figures are comprised of actual data from January to May)

In terms of geographic room revenue breakdown, the UK market continues to be dominant despite a drop from 46% in 2022 to 41% in 2023. Despite this, the Hotel continues to benefit from a wide customer base. While revenue from European countries, such as Germany and France each declined by circa 1% in 2023, the Hotel has experienced revenue growth from countries outside of Europe, particularly the United States. In fact, revenue derived from the US market, increased to 15% in 2023 from 11% in 2022 while revenue from the Australian market increased to 4% in 2023 from 3% in 2022. Going forward, management has indicated that generating additional revenue from international markets such as the United States and Austrialia, through their relationships with LHW, Virtuoso and the local tourism authority will remain key in driving further growth from such markets.

3.2 St. John's Gardens Development Project

The St. John's Gardens development project ("SJG Project") is a potential project that is being planned by the Group. The SJG Project is a comprehensive endeavor aimed at revitalizing the St John's Ditch and related areas within the Phoenicia hotel's premises. Whilst still subject to planning approval, the Group has very recently submitted a full development application in respect of this potential investment. Managememnt indicates that the primary objective would be to expand the Hotel's current offerings on the basis of a holistic masterplan that embellishes the historical significance of the site.

The Group has very recently submitted a full development application in respect of the St. John's Gardens Project to the Planning Authority. This application is intended to substitute planning permit PA/02925/15 which is a renewal of PA /05753/09 for an extension of bedrooms, accompanied by the upgrading of the existing hotel, the restoration and rehabilitation of the nearby stables to accommodate bedrooms, as well as the upgrading of St. John's Ditch and the nearby hotel grounds.

This new project will include two new accommodation buildings, one entailing the restoration and conversion of the Old Stables building and the other the old laundry buildings, resulting in a total of51 guest rooms, which include 10 suites. The Coach House building will also be restored and repurposed to serve as a central Reception area between the two guest room blocks, complete with a bar and dining facilities, as well as meeting space. A landscaped garden alongside St John's ditch will connect these guest areas in the Upper and Lower areas of St Johns Gardens, and offer a scenic pathway leading to the Bastion Pool. In addition, a new pool facility will be added as an extension of the existing Bastion Pool, and this will be serviced by the existing Bastion Pool building without the need for a separate structure. To accommodate operational needs, an extension to the existing pool back of house building is also being proposed. Management highlights that furthermore the SJG Project emphasizes the restoration of several heritage sites on the property, and will prioritise sustainability.

Figure 5: St. John's Gardens Development Project
Source: Management information

The Group is currently forecasting that the SJG Project will reach completion in 2027. Management notes that on the basis of current budgetary estimates, the SJG Project is estimated to cost in the region of circa €35 million, and could potentially result in an expected incremental average annual EBITDA of €7.5 million.

4 INDUSTRY OVERVIEW

4.1 Economic update[1]

Real GDP growth in 2023 was that of 5.6% driven by strong exports and domestic demand. Higher immigration and tourism flows were driven by stronger than expected consumption and exports. The Maltese economy continued to benefit from a low-pass through of monetary policy to retail interest rates and from government measures that kept energy prices stable.

HICP inflation was that of 5.6% in 2023 even though the government kept energy prices at 2020 levels. Inflation slowed down during the furst quarter of 2024, mainly driven by lower

[1] European Commission – European Economic Forecast Spring 2024 – Institutional Paper 286 May 2024)

services inflation, with headline inflation forecasted at 2.8% in 2024 as food prices are set to remain the fastest growing component.

Malta's labour market experienced growth of 6.5% in 2023. The rate of unemployment fell to 3.1% and is expected to fall marginally to 3.0% in 2024 as the Maltese economy is expected to continue to attract foiregn workers with labour and skill shortages being the main limiting factors for the economy.

The general government deficit fell to 4.9% of GDP in 2023 from 5.5% in 2022 mainly due to lower subsidies and the national airline's restructuring costs. In 2024, the deficit is forecasted lower at 4.3% of GDP with contained growth of intermediate consumption expenditure and the public wage bill being the main drivers. Furthermore, the debt-to-GDP ratio was that of 50.4% in 2023, 1.2% lower than the prior year, due to strong nominal growth. The debt-to-GDP ratio is expected to increase to 52% in 2024.

The tourism sector reached pre-pandemic levels in 2023. Tourist arrivals increased by more than 26% during the first two months of 2024, however, tourism expenditure grew at a slower pace when compared to the prior year.

4.2 Inbound tourism

In 2023, the tourism industry continued recovering from the pandemic and surpassed the pre-pandemic total inbound tourist arrivals of 2019. Between January and December 2023, data[2] released by the National Statistics Office (NSO) illustrates that Malta welcomed 2,953,064 tourists which is 7.3% higher than the 2,753,239 arrivals during 2019 and 29.1% higher than the 2,286,597 million arrivals in 2022. This strong performance experienced in 2023 is evidence of the strong economic recovery seen in the latter part of 2022 following the loosening of travel restrictions in Q2 2022 that had been imposed by the Government to combat a surge in Covid-19 cases.

[2] National Statistics Office – Inbound Tourism

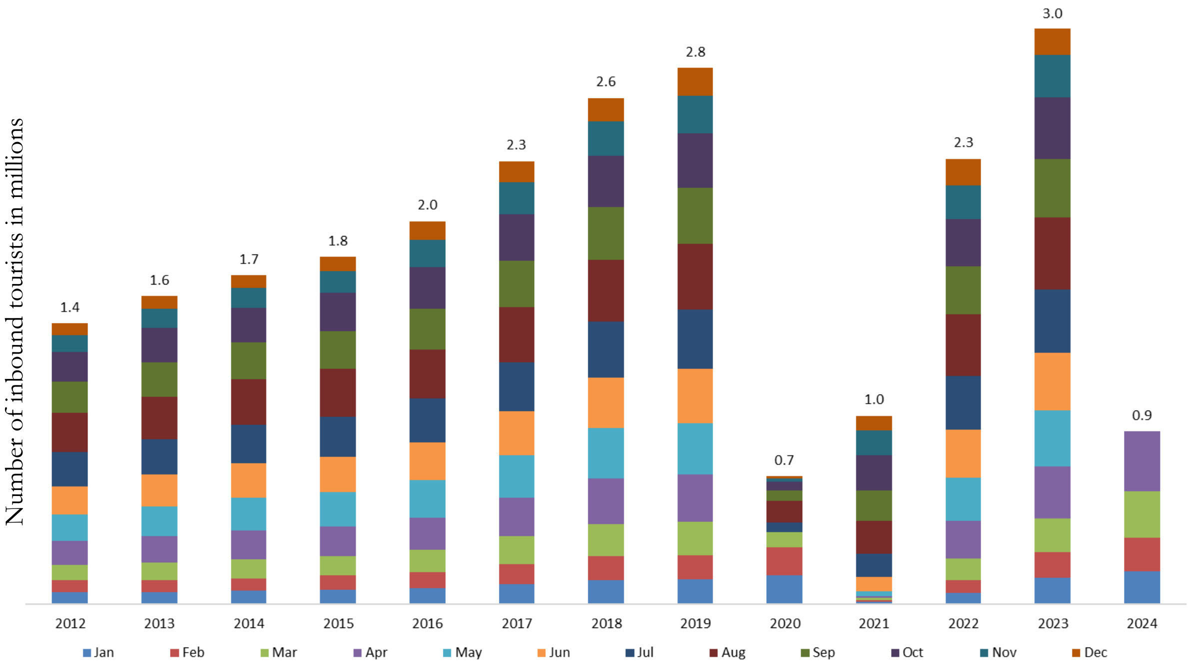

Figure 6: Total inbound tourism in Malta & Gozo monthly between Jan 2012 and Aug 2023
Source: National Statistics Office

Expenditure per capita between January and December 2023 was 7.7% higher than what was recorded during the same period in 2019 with an average of €869 spent per tourist in 2023 versus €817 in 2019. However, the inflationary pressures brought about in 2022 are also contributing to this increase.

On a broader scale, the European Travel Commission[3] highlighted that European tourism has continued to recover as 2023 foreign tourist arrivals are just 2% below the levels recorded in 2019. Southern European countries remained popular destinations with travellers but the Western and Northern European countries also experienced an increasing number of arrivals. Throughout 2023, inflation has been one of the major influences on travel behaviour, however, these pressures started to ease towards the end of 2023. Long-haul travel to Europe is expected to pick up in 2024 particualrly from the Asia-Pacific and Chinese markets.

4.3 Malta's five-star hotel market

The NSO data for inbound tourism referenced earlier further indicates that, in 2023, the five-star hotel industry has seen a similar trend to the wider tourism industry in which 8% more guests have stayed in a five-star hotel in Malta between January and August 2023 with respect to the same period in 2019. This may suggest that the high-end hospitality sector is in line to experience similar growth to the wider local tourism industry.

[3] European Travel Commission – European Tourism: Trends & Prospects (Q1 2023)

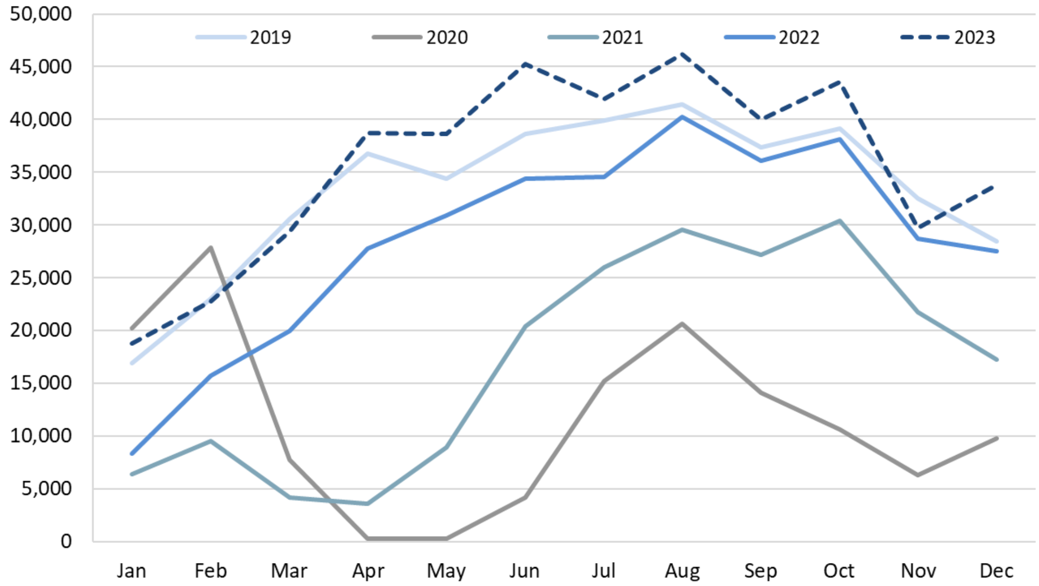

Figure 7: Total guests at 5-star hotels in Malta & Gozo monthly between Jan 2019 and Aug 2023
Source: National Statistics Office

Occupancy rates in five-star hotels in 2023 (60% between January and December) continued to lag pre-pandemic levels (67% January - December 2019) despite an increase in the number of guests, suggesting that the expansion in supply of five-star accommodation is having an effect. In fact, the number of five-star establishments and bedrooms at the end of 2022 stood at 18 and 3,920 respectively, which is considerably higher than the 14 five-star hotels and 3,196 five-star bedrooms around Malta and Gozo in 2019.

According to the annual survey[4] issued by Deloitte and the Malta Hotels & Restaurants Association (MHRA), the average daily rates (ADR) for five-star hotels in Malta during Q4 2023 increased by 28.7% over Q4 2019, reaching €190 per room, and by 22.2% on a year-to-date basis compared to 2019.

4.4 Food and beverage industry

From research carried on the food and beverage service activities in Malta[5], it is forecasted that significant growth will be achieved in the industry whereby revenue is expected to grow by 50% between 2023 and 2027.

Findings from the Ernst & Young Attractiveness Survey[6] show that 54% of participants expressed their demand for staff with specialized skills. Malta's labour market, however, is faced with constraints due to its geographical limitations and size. Despite the increased employment of foreign workers, the situation remains only partially alleviated.

[4] MHRA Hotel Survey by Deloitte Malta
[5] Statista Research – Food & Beverage Service Activities in Malta (Aug '23)
[6] EY Attractiveness Survey 2022

5 PERFORMANCE AND FINANCIAL POSITION OF THE ISSUER

The Issuer was incorporated in 2018 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 2021, 2022 and 2023 with the financial year running from 1st January to 31st December. The forecasted financial statements for the year ending 31st December 2024 and 31st December 2025 are entirely projected and based on certain assumptions. Events and circumstances may differ from expectations; therefore, actual results may vary considerably from projections.

5.1 Statement of Comprehensive Income

Phoenicia Finance Company plc Statement of comprehensive income (€000)	2021 Actual	2022 Actual	2023 Actual	2024 Forecast
Finance income	**1,287**	**1,287**	**1,287**	**2,854**
Finance costs	(1,158)	(1,164)	(1,164)	(2,929)
Net interest	**129**	**123**	**123**	**(74)**
Administrative expenses	(82)	(95)	(94)	(100)
Profit before tax	**47**	**28**	**29**	**(175)**
Income tax expense	(16)	(10)	(10)	89
Profit for the period	**30**	**18**	**19**	**(86)**

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 2023, PFC reported finance income of €1.3 million, related to interest received on a loan to the parent company, equal to the interest received in 2022. In 2024, an increase to €2.9 million of finance income is anticipated due to the increase in the loan balance, in turn funded via the issue of the new bond amounting to €50 million. Finance costs amounted to €1.2 million during 2023, relating to interest payable on the 4.15% Bond 2023-28 of €1.0 million and amortisation of bond issue costs of €126k. In 2024 finance costs are expected to increase to €2.9 million due to the increased indebtedness as a result of the issue of the new 5.75% Bond 2028-33, with this higher cost also reflecting borrowing costs on the outstanding portion of the 4.15% Bond 2023-28.

5.2 Statement of Cash Flows

Phoenicia Finance Company plc Statement of cash flows (€000)	**2021** Actual	**2022** Actual	**2023** Actual	**2024** Forecast
Net cash used in / generated from operating activities	(19)	178	(228)	160
Net cash used in investing activities	-	-	-	(24,424)
Net cash used in financing activities	-	-	-	30,004
Net movement in cash and cash equivalents	**(19)**	**178**	**(228)**	**5,740**
Cash and cash equivalents at beginning of year	90	71	249	21
Cash and cash equivalents at end of year	**71**	**249**	**21**	**5,761**

Source: Phoenicia Finance Company plc annual reports; Management information

During 2023, cash outflows from operations of the finance company was that of €228k related to the issuance of the new bond issue. For the year ending 31st December 2024, management is anticipating overall net cash inflows of €5.7 million, reflecting mainly the movements from the new bond issue of €30 million and the outflow of €24.4 million relating to an advance made to PML.

5.3 Statement of Financial Position

Phoenicia Finance Company plc Statement of financial position (€000)	**2021** Actual	**2022** Actual	**2023** Actual	**2024** Forecast
Assets				
Non-current assets:				
Financial assets	24,501	24,501	24,501	48,938
Other receivables	-	-	124	-
Deferred tax asset	5	5	5	94
Total non-current assets	**24,505**	**24,505**	**24,629**	**49,032**
Current assets:				
Financial assets	56	56	56	17
Other receivables	601	587	839	556
Cash and cash equivalents	71	249	21	5,761
Total current assets	**728**	**892**	**917**	**6,334**
Total assets	**25,233**	**25,398**	**25,546**	**55,366**
Equity and Liabilities				
Capital and Reserves:				
Issued Capital	250	250	250	250
Retained Earnings	27	45	64	(21)
Total Equity	**277**	**295**	**314**	**229**
Non-current liabilities:				
Interest-bearing borrowings	24,747	24,874	25,000	54,886
Total non-current liabilities	**24,747**	**24,874**	**25,000**	**54,886**
Current liabilities:				
Interest-bearing borrowings	45	45	45	61
Trade and other payables	147	183	187	190
Current tax payable	16	-	-	-
Total current liabilities	**209**	**229**	**232**	**251**
Total liabilities	**24,956**	**25,102**	**25,232**	**55,137**
Total equity and liabilities	**25,233**	**25,398**	**25,546**	**55,366**

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 €25.5 million at the end of 2023, mainly consisting of the loan to the parent company and other receivables (€0.8 million). These other receivables relate to amounts due from the parent company for expenses paid by PFC as part of general cashflow management purposes. The balance sheet of PFC is expected to increase to circa €55 million by the end of 2024, as the related party balance will increase in line with the issue of the 5.75% Bond 2028-33.

During the first quarter of 2024, PFC issued a bond amounting to €50 million due in 2033 and callable after 5 years at a coupon of 5.75%. The transaction offered holders of the 4.15% Bond 2023-28 issued in 2018 the opportunity to invest in the 5.75% 2028-33 by exchanging at par their existing holding in the 5.75% Bond 2028-33. Following the transaction a balance of circa €5.7million remained outstanding in the 4.15% Bond 2023-28, with the funding side therefore showing an increase of around €30 million. Management notes that cash balances are being held equivalent to this outstanding amount of the 4.15% Bond 2023-28, with the aim of funding its redemption in the future.

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 prepares combined financial statements based on an aggregation of the audited financial statements of PML, PHCL and PFC[7], and after taking into consideration intercompany and consolidation adjustments ("the Combined Financial Statements"). The Combined Financial Statements for FY2021, FY2022 and FY2023 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 2021 to 31st December 2023. The forecasted financial information for the year ending 31st December 2024 ("FY2024") have been provided by the management of the Group. Events and circumstances may differ from expectations; therefore, actual results may vary considerably from projections.

[7] 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 Dec	**2021** Actual	**2022** Actual	**2023** Forecast	**2023** Actual	**2023** Variance	**2024** Forecast
Revenue	**8,037**	**14,747**	**18,114**	**19,158**	**5.8%**	**21,486**
Cost of sales	(5,770)	(8,387)	(9,056)	(9,626)	6.3%	(10,369)
Gross profit	**2,267**	**6,360**	**9,058**	**9,533**	**5.2%**	**11,117**
Administrative expenses	(2,769)	(4,119)	(4,722)	(5,502)	16.5%	(5,390)
Selling and marketing expenses	(457)	(657)	(792)	(762)	-3.9%	(1,038)
Other income	1,120	507	-	-	-	-
Operating profit	**161**	**2,091**	**3,544**	**3,269**	**-7.8%**	**4,689**
Net finance costs	(1,786)	(1,927)	(2,402)	(2,378)	-1.0%	(2,952)
Profit before tax	**(1,625)**	**164**	**1,142**	**891**	**-22.0%**	**1,737**
Income tax credit / (tax expense)	1,059	106	349	(584)	-267.4%	(591)
Profit for the year	**(566)**	**269**	**1,491**	**307**	**-79.4%**	**1,145**
Revaluation of PPE	-	10,509	-	-	-	-
Total comprehensive income for the year	**(566)**	**10,778**	**1,491**	**307**	**-79.4%**	**1,145**
EBITDA	2,508	4,497	5,855	5,561	-5.0%	7,008
Adjusted EBITDA*	1,388	3,989	5,855	5,561	-5.0%	7,008

Source: Combined Financial Statements, Management information

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

In line with the rebound of 2021 (as social restrictive measures began to be released), the Hotel's performance continued to thrive in 2022 and 2023. The Group continues to perform well across all business segments with the Hotel earning above average rates, benefitting strongly from the recently developed Spa and upgraded catering facilities.

Given the natural spillover effect that room occupancy has on the performance of the Hotel's other services, the performance of the bars and restaurant, as well as the Spa facilities all picked up in particular from Q2 2022 onwards and closed off last year performing above pre-pandemic levels. In 2024, a further enhanced performance is being forecasted across all revenue streams.

Rooms are forecasted to achieve the most significant increase, with revenues rising by 14% to €14.6 million from the €12.7 million earned in 2023.

The Hotel's restaurant and bars are expected to see a moderate increase of 14% in 2024 driven by the stronger Q1 already achieved in 2024. Lastly, the performance of the Spa continued to be particularly strong in 2023, resulting in a 24% overall annual increase to €0.5 million from last year's €0.4 million. Management forecasts Spa revenue to increase by 14% in 2024.

The catering department (including conferencing and banqueting activities in addition to restaurant and bars) is forecasted to achieve an 5% growth in 2024 from the 24% recorded in 2023 benefiting from the opening of an new outlet within the Hotel property.

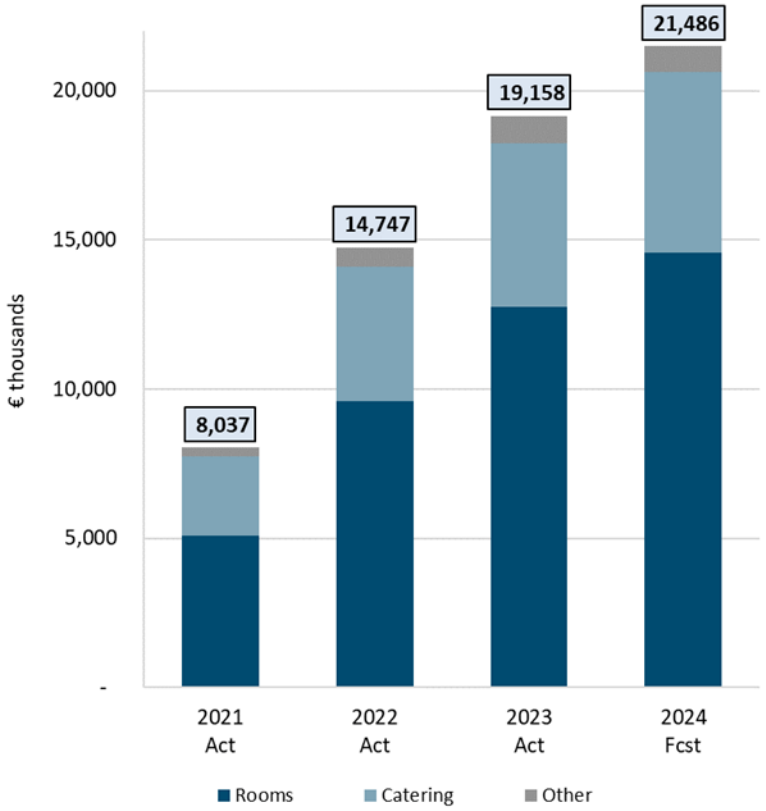

Figure 8: Revenue Breakdown
Source: Management information, Combined financial statements

With the increased business activity cost of sales has also been on a rising trend to support the necessary business demands, given that the nature of such costs is largely variable. However, while cost of sales increased 15% in 2023, gross profit margin increased to 50% from 43%, reflecting the nature of the growth in the business that is driven by rates. Other operating costs including administrative expenses and selling and marketing expenses also rose, albeit at a slower rate than the prior year, experiencing increases of 34% and 16% respectively during 2023.

In 2024, cost of sales are expected to increase. However, the gross profit margin is expected to improve slightly further to 52%. During 2023, there was a substantial increase in administrative expenses, primarily relating to professional, legal and consulting fees, which totaled €2.1 million. Management notes that such increased costs are considered as one-off items.

In fact, during 2024, such expenses are expected to decline from the figures reported in 2023 (-60%). On the other hand, management fees paid to Hazledene Group Limited, an entity in which the shareholders have an interest, are expected to rise by 12% to €0.6 million in 2024. With respect to the management fees, the Group entered into transactions with Hazledene Group Limited for an expense of an administrative nature, relating to the management of the hotel operations These activities will be based on a management fee equivalent to 3% of net hotel revenues.

The Group is expected to generate €7 million in EBITDA in 2024, up circa €1.4 million when compared to 2023, and notably +43% over 2019, which itself was a record year prior to 2023. In 2024 net finance costs are expected to increase by 24% to €3.0 million as a result of the higher finance costs associated with the 5.75% Bond 2028-33 issued during the first quarter of 2024.

Total comprehensive income in 2023 declined significantly as the Group did not benefit from any fair value gains which amounted to €10.5 million in 2022 which were attributable to the upward revaluation in the Hotel’s property and surrounding sites. Management noted that the fair value was estimated on the basis of a multi-period projection and Discounted Cash Flow model, in order to update the estimated valuation in the context of the improved results following the Covid-19 pandemic period. In 2024, similarly to 2023, the Group does not expect to benefit from an upward revaluation in the Hotel’s property and surrounding sites, with total comprehensive income expected to €1.1 million from the prior year’s €0.3 million.

6.2 Statement of Cash Flows

Combined Financial Statements Statement of cash flows (€000) - 31 Dec	2021 Actual	2022 Actual	2023 Actual	2024 Forecast
Net cash generated from / used in operating activities	2,555	5,218	5,467	7,594
Net cash used in investing activities	(828)	(21,755)	(1,585)	(1,122)
Net cash generated from / used in financing activities	218	15,658	(4,378)	409
Net movement in cash and cash equivalents	**1,945**	**(879)**	**(496)**	**6,881**
Cash and cash equivalents at beginning of year	93	2,039	1,160	664
Cash and cash equivalents at end of year	**2,039**	**1,160**	**664**	**7,545**

Source: Combined Financial Statements, Management information

Table totals may be subject to rounding

The Group's net cash flows from operating activities have been on a steady increase from 2021, in line with the evident improvement in core operations. Management anticipates a further positive movement of €7.4 million between 2023 and 2024.

The Group's capital expenditure in property, plant and equipment over recent years mainly came as a result of investment in the Spa and some additional room improvements related to the new Pegasus suites. Such outlays also include an amount of €1.8 million disbursed in 2022. Separately, outflows from investing activities also reflect the provision of a €20 million loan to the Phoenicia Holding Lux S.a.r.l., the ultimate parent company of the Group ("the Parent Co Loan"). In 2023, cash outflows from investing activites declined to €1.6 million, as the Group's capital expenditure normalised and is expected to decline further to €1.1 million in 2024.

Financing cash flows over the past two years primarily relate to the net impact of debt refinancing transactions. The bank loan facilities held as at 31st December 2021 (€26.8 million) were repaid in full in November 2022 via other bank loan facilities obtained by Phoenicia Malta Limited, which amounted to over €44 million.

In 2024, the net cash flow movement of €0.4 million is expected to reflect primarily the net impact from the flows relating to the the refinancing exercise carried out by the Group during the first quarter of the year.

6.3 Statement of Financial Position

Combined Financial Statements Statement of financial position (€000) - 31 Dec	2021 Actual	2022 Actual	2023 Forecast	2023 Actual	2023 Variance	2024 Forecast
Assets						
Non-current assets:						
Property, plant and equipment	88,677	99,522	98,542	98,815	0.3%	97,618
Deferred tax asset	6,116	6,330	6,693	6,027	-9.9%	5,437
Loan receievable	-	20,000	20,000	21,245	6.2%	22,486
Other receivables	50	50	50	174	248.1%	50
Total non-current assets	**94,843**	**125,902**	**125,285**	**126,262**	**0.8%**	**125,591**
Current assets:						
Inventories	186	238	314	375	19.5%	362
Trade and other receivables	809	753	517	823	59.2%	856
Income tax receivable	-	9	-	-	-	-
ST Loan receivable	-	119	-	-	-	-
Cash and cash equivalents	2,039	1,160	527	664	25.9%	7,545
Total current assets	**3,033**	**2,280**	**2,603**	**1,877**	**-27.9%**	**8,763**
Total assets	**97,876**	**128,182**	**127,887**	**128,139**	**0.2%**	**134,354**
Equity and Liabilities						
Capital and reserves:						
Share capital	13	13	419	419	0.0%	419
Deferred shares	839	839	-	-	-	-
Foreign exchange reserve	-	-	433	433	0.0%	433
Revaluation reserve	39,164	43,468	43,468	43,363	-0.2%	43,363
Retained earnings	(4,012)	2,463	3,954	2,832	-28.4%	3,969
Total equity	**36,005**	**46,783**	**48,274**	**47,047**	**-2.5%**	**48,184**
Non-current liabilities:						
Interest-bearing loans and borrowings	48,616	68,214	66,291	67,341	1.6%	71,803
Deferred tax liability	5,348	6,429	6,440	6,738	4.6%	6,738
Total non-current liabilities	**53,964**	**74,643**	**72,731**	**74,078**	**1.9%**	**78,540**
Current liabilities:						
Trade and other payables	4,952	5,706	5,110	5,963	16.7%	6,554
Interest-bearing loans and borrowings	2,939	1,045	1,759	1,045	-40.6%	1,061
Current tax payable	16	4	14	4	-67.4%	14
Total current liabilities	**7,908**	**6,756**	**6,882**	**7,013**	**1.9%**	**7,629**
Total liabilities	**61,872**	**81,399**	**79,613**	**81,091**	**1.9%**	**86,170**
Total equity and liabilities	**97,876**	**128,182**	**127,887**	**128,138**	**0.2%**	**134,354**

Source: Combined Financial Statements, Management information

Total assets increased marginally in 2023 to €129.1 million as unlike the prior year the Group did not benefit from an upward revaluation of the Hotel's property. In 2022 the Group's property was revalued upwards by €8.8 million and also due to the provision of the Parent Co Loan. This asset is a 20-year term loan to the parent company of €20 million, unsecured and bearing an interest of 2.4% plus 3 months EURIBOR per annum. Management notes that in turn this loan funded the buy-out by the shareholder of share options in the Group held by a third party, reflecting the shareholder's long term ownership plans. The Group's asset base is expected to increase by 5% in 2024 mainly due to an increase in cash and cash equivalents. The Group's liquidity position is set to increase significantly in 2024 to €7.5 million from €0.6 million mainly due to the expected improvement in EBITDA.

Total liabilities increased from €81.4 million in 2022 to €82.1 million in 2023, driven by the rise in the Group's tax liability which was partly offset by a marginal decline in long-term borrowings. In 2024, total liabilities are set to increase by 6% to €87.2 million. The increase in long-term borrowings, which is set to increase by 7% to €71.8 million following the refinancing exercise carried out earlier this year, and the increase in trade payable to €6.6 million are expected to be the main contributors to the total liabilities figure expected.

Total equity increased to €47.0 million in 2023, driven by the Group's profitability as retained earnings increased to €2.8 million from €2.5 million. In 2023, while the higher earnings contributed to the higher total equity balance, the Group's deferred shares were converted into ordinary shares. Forecasts provided by management for 2024 show that total equity is expected to increase by 3.0% to €48.2 million as profitability is forecasted to increase more than it did in 2023 while the remaining figures that contribute to the Group's total equity figure are expected to remain unchanged.

6.4 Borrowings

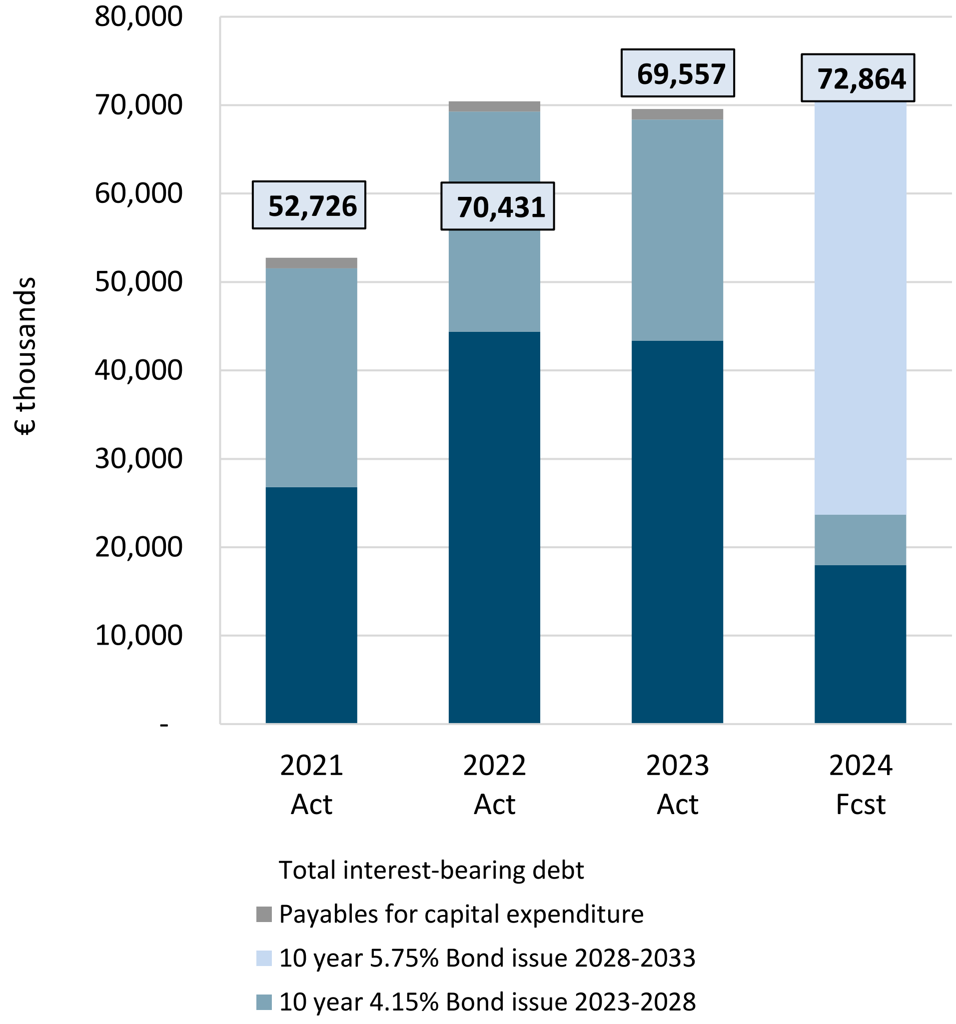

Figure 9: Debt Schedule
Source: Management information, Combined financial statements

The Group has been mainly financed through debt over the years. Total borrowings as at 31st December 2023 amounted to €68.4 million, comprising of a combination of bond debt and bank debt with this figure also taking into account capital creditors. Historically, the majority of the Group's debt structure was composed of bank borrowings, via a local financial institution, which were used for the renovation works carried out in the Hotel and also to finance the purchase of the shareholder's share options in the holding company.

Whilst the overall debt balance is expected to rise slightly in 2024, the composition of borrowings will undergo a considerable shift following the issuance of the bond that is set to mature in 2033. The majority of the Group's debt is expected to be composed of the recently issued 5.75% Bond 2028-33, in addition to the portion of the 4.15% Bond 2023-28 that was not rolled over by investors. The Group will still retain a portion of its debt structure in the form of bank loans, but this form of debt will represent a less signicant portion of the Group's overall debt structure. Bank borrowings are expected to decline to circa €17 million from €43.4 million.

6.5 Evaluation of Performance and Financial Position

On the basis of the current year-to-date data, management believes that the sustained enhancement in ARR and RevPAR is set to continue in 2024, while occupancy levels are expected to remain stable. Management notes that over the longer term beyond the current year, occupancy levels will also pick up further. However it is noted that the Group is expected to continue prioritizing value creation through a premium pricing model.

Revenues and profitability are expected to continue improving across all levels, also supported by measures implemented to increase efficiencies and minimise costs. Despite the termination of Government subsidies in 2023, the Group was able to report an improved level of EBITDA, with management projected this figure to rise further in the current year.

Operating margins also reflect the robust outlook, with GOP and EBITDA margins expected to reach 43% and 33% respectively in 2024. However, the EBITDA margin projected for 2024 is lower than the previous forecast for the same year due to higher one-off professional, legal and consulting fees expected to be incurred.

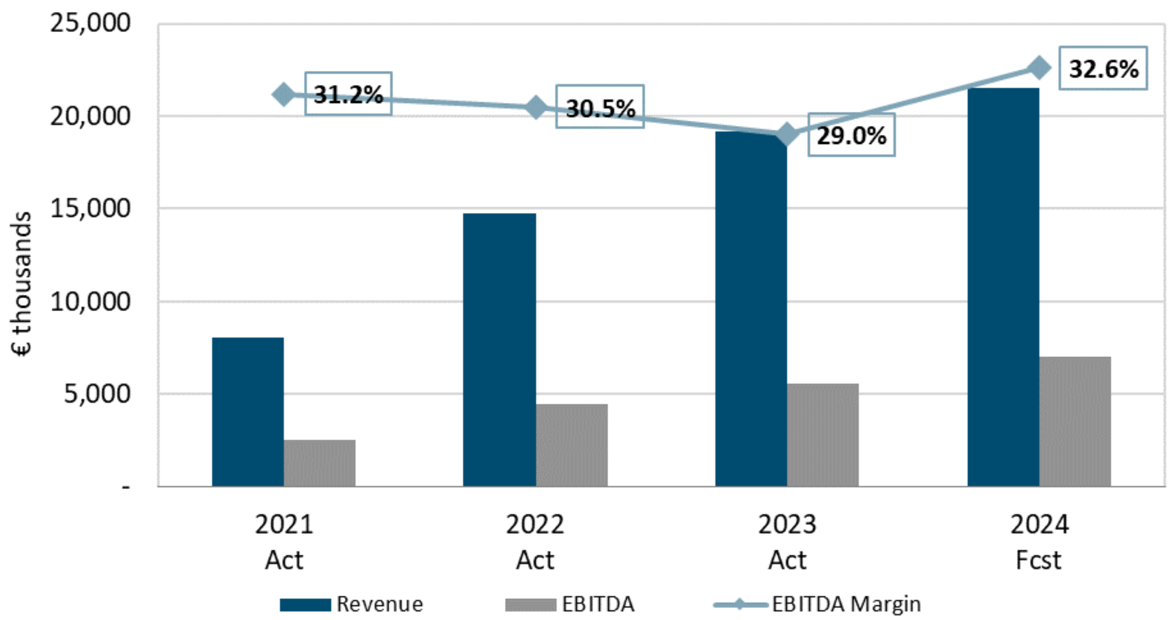

Figure 10: EBITDA Generation
Source: Management information, Combined financial statements

Combined Financial Statements Profitability Ratios - 31 December	**2021** Actual	**2022** Actual	**2023** Actual	**2024** Forecast
Gross Profit Margin *(Gross Profit / Revenue)*	28.2%	43.1%	49.8%	51.7%
Operating Profit Margin *(Operating Profit / Revenue)*	2.0%	14.2%	17.1%	21.8%
EBITDA Margin *(EBITDA / Revenue)*	31.2%	30.5%	29.0%	32.6%
Adjusted EBITDA margin *(Adjusted EBITDA / Revenue)*	17.3%	27.1%	29.0%	32.6%
Interest Coverage *(EBITDA / Net Finance Costs)*	1.4x	2.3x	2.3x	2.4x
Adjusted Interest Coverage *(Adjusted EBITDA / Net Finance Costs)*	0.8x	2.1x	2.3x	2.4x
Return on Assets *(Operating Profit / Average Total Assets)*	0.2%	1.8%	2.6%	3.6%
Return on Capital Employed *(Operating Profit / Average Capital Employed)*	0.2%	2.0%	3.2%	4.4%
Net Profit Margin *(Profit for the year / Revenue)*	-7.0%	1.8%	1.6%	5.3%
Return on Equity *(Profit for the year / Average Total Equity)*	-1.6%	0.7%	0.7%	2.4%

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

The most recent positive trend in profitability ratios since 2021 is attributable to two main factors, namely the rebound following the pandemic and the Hotel's strategy to focus on a value added offering.

Management is forecasting a continuation of this trend on the basis of actual performance registered this year and also of a particularly firm bookings outlook for 2024. The Group is expected to continue benefiting from the global recognitions recently earned, particulary by joining Virtuoso, a premier international luxury travel network, and the LHW consortia. Such awards have enabled the Hotel to attract guests from growing markets such as the US. Similar to peers, whilst cost pressures present a challenge, the characteristics of the business model allow the Group to be be less sensitive to pricing and cyclical trends.

Forecasts for 2024 across all metrics show improvements on last year's. However, when compared to the last set of forecasts published, occupancy levels are expected to remain stable in 2024 compared to the prior expectation of an improvement to 81%, albeit at an incremental average room rate growth of 10.7% over prior forecast.

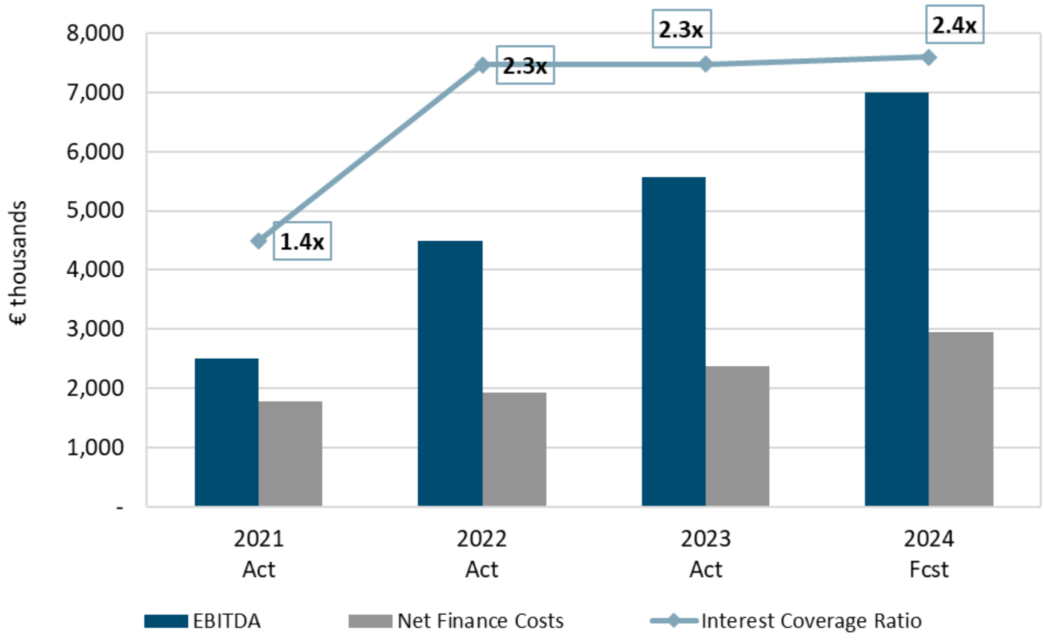

Figure 11: Interest Payment Covereage
Source: Management information, Combined financial statements

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. It is noted that finance costs have increased on the back of the increase in borrowings. However, management expects the positive outlook for EBITDA generation to offset the increased cost of debt servicing, with interest cover gradually increasing to 2.4x in 2024.

Combined Financial Statements Balance Sheet Ratios - 31 December	**2021** Actual	**2022** Actual	**2023** Actual	**2024** Forecast
Current Ratio *(Current Assets / Current Liabilities)*	0.4x	0.3x	0.2x	1.0x
Quick Ratio *({Current Assets - Inventory} / Current Liabilities)*	0.4x	0.3x	0.1x	1.0x
Gearing Ratio (Debt-to-Total Capital) *(Borrowings / {Total Equity + Borrowings})*	59.4%	60.1%	59.7%	60.6%
Gearing Ratio *(Borrowings / Total Equity)*	1.5x	1.5x	1.5x	1.5x
Net Leverage Ratio *(Net Borrowings / EBITDA)*	20.2x	15.4x	12.4x	9.5x
Free Cash Flow to Debt *(Free cash flow / Borrowings)*	2.3%	-24.1%	12.0%	7.9%

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.

The Group's capital structure and general financial profile had initially improved following the refurbishment and the re-opening of the Hotel, benefiting from both the revaluation and the improved operational performance. However due to the pandemic, this positive trajectory experienced a sharp evident reversal during 2020 followed by an enhanced performance in 2021. In 2022 the Hotel's financial profile maintained its 2021 levels, with some deterioration in the free cash flow ("FCF") position driven by the capital outflow related to the loan advancement to the parent company. In 2023 the Group's net leverage and debt serviceability improved with the trajectory expected to continue in 2024 due to the improvement in profitbaility.

The Group's net leverage position is expected to improve in 2024 from 15.1x to 9.3x. The expected de-leveraging is set to occur mainly through organic means as the improvement in EBITDA and liquidity together with a marginal increase in debt, is expected to result in a lower net leverage ratio.

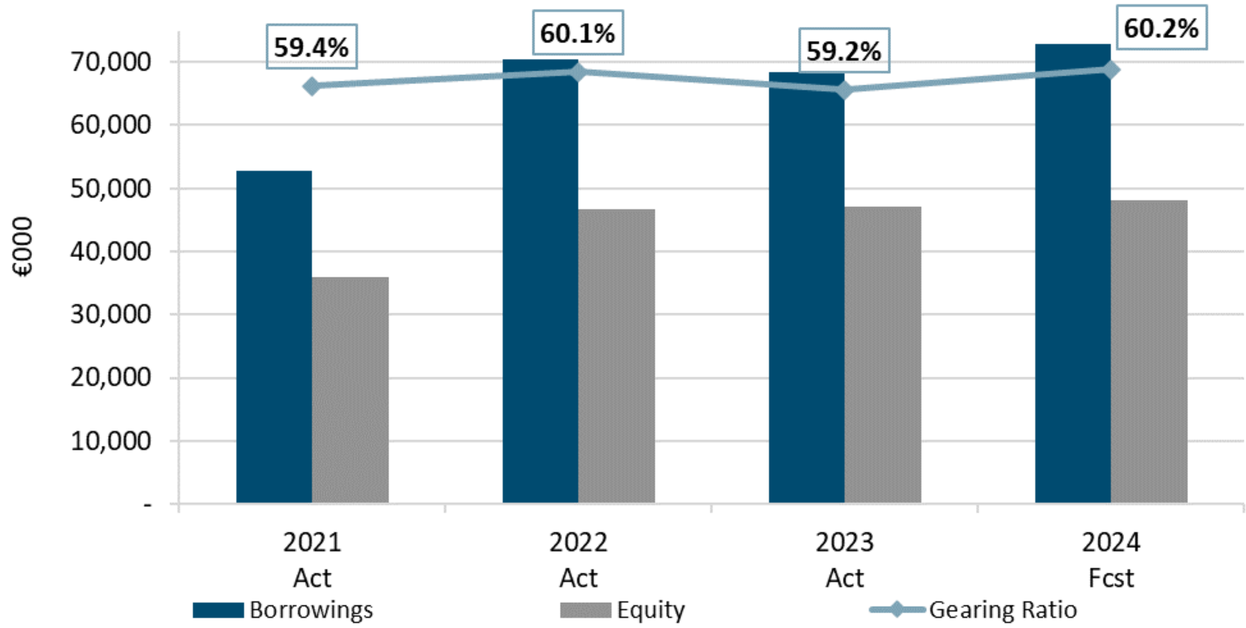

Figure 12: Gearing Ratio
Source: Management information, Combined financial statements

The Group's historical and forecasted gearing has remained relatively stable despite taking on additional circa €20 million in bank funding, as it was offset by the strengthened level of retained earnings from core business. In 2023, gearing declined to 59.2% from 60.1%. Gearing is expected to remain stable in 2024 as the increase in equity is not projected to be sufficient enough to offset the increase in borrowings.

The consolidation of the capital structure by the shareholder, and the debt refinancing driven by the issue of the new bond, are intended to provide a long term sustainable platform going forward. More specifically with respect to indebtedness, the evolving debt structure is viewed by management as more suitable for potential further investment, such as the SJG Project, which may be undertaken in line with the Group's track record of targeted value accreting investments.

It is also noted that the Group has not made any dividend payments in the past ten years. Management indicates that going forward the Company's dividend pay-out policy will continue to be driven by the level of profitability and the Group's overall strategy, including its investment plans. Additionally, dividend payments are restricted by the restricted payments covenants in place. In this respect, no dividend payments are permitted until after the financial year ending December 2024, with dividend payments for the two subsequent financial years requiring at least 50% of such payment to be utilised to offset the outstanding balance on the Parent Company Loan.

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 for the initial months of the year until May 2022, after which the local health authorities allowed for normal hospitality operations to be resumed by lifting restrictions, thereby suggesting that some of the Group's competitors operating in other industry segments were less impacted overall in 2022. 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 the latest readily available audited annual financial statements.

Comparable Analysis	Gearing	Interest Coverage	Net Debt / EBITDA
Phoenicia Group	**59.7%**	**2.3x**	**12.4x**
AX Holdings	39.4%	1.2x	21.3x
International Hotel Investments	49.0%	1.6x	10.4x
Eden Leisure Group	18.0%	5.5x	4.1x
SD Holdings	22.1%	4.7x	1.7x
Tumas Group (Spinola Developments)	25.4%	7.5x	2.0x

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.
Adjusted EBITDA	A revised EBITDA which takes into consideration the receipt of a government grant between 2020 and 2022 to assist in the recovery following the pandemic.
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.