

SECURITIES NOTE

DATED 15 NOVEMBER 2018

This Securities Note is issued in accordance with the provisions of Chapter 4 of the Listing Rules published by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of the 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013, Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015. This Securities Note is issued pursuant to the requirements of Listing Rule 4.14 of the Listing Rules and contains information about the Bonds being issued by Phoenixia Finance Company p.l.c. The Listing Authority has approved the admission to listing of the Bonds on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the admission to listing and trading of the Bonds on its Official List. This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about Phoenixia Finance Company p.l.c.

Issue of €25,000,000 4.15% Unsecured Bonds 2023-2028
of a nominal value of €100 per Bond issued at par

(due 15 December 2028, subject to early redemption at the option of the Issuer
on any Early Redemption Date)
by

PHOENICIA FINANCE COMPANY P.L.C.

a public limited liability company registered in Malta
with company registration number C 88958

with the joint and several Guarantee* of
Phoenixia Malta Limited

a private limited liability company registered in Malta with company registration number C 41576
and

Phoenixia Hotel Company Limited

a private limited liability company registered in the United Kingdom and registered
as an oversea company in Malta with registration number OC1

ISIN: MT0002081207

*Prospective investors are to refer to the Guarantee contained in Annex II of this Securities Note forming part of the Prospectus for a description of the scope, nature and term of the Guarantee. Reference should also be made to the Sections entitled "Risks" or "Risk Factors" contained in the Summary Note, the Registration Document and this Securities Note for a discussion of certain risk factors which should be considered by prospective investors in connection with the Bonds and the Guarantee provided by the Guarantors.

Sponsor

**CURMI &
PARTNERS**

Manager & Registrar

BOV
Bank of Valletta

Legal Counsel

**Refalo &
Zammit Pace**
ADVOCATES

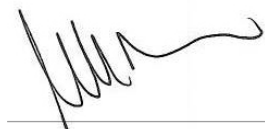
THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENT IS IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS OF INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE SECURITIES.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENT. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.

THESE BONDS ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF INVESTORS. A PROSPECTIVE INVESTOR SHOULD NOT INVEST IN THESE BONDS UNLESS: (I) HE/SHE HAS THE NECESSARY KNOWLEDGE AND EXPERIENCE TO UNDERSTAND THE RISKS RELATING TO THIS TYPE OF FINANCIAL INSTRUMENT; (II) THE BONDS MEET THE INVESTMENT OBJECTIVES OF THE PROSPECTIVE INVESTOR; AND (III) THE PROSPECTIVE INVESTOR IS ABLE TO BEAR THE INVESTMENT AND FINANCIAL RISKS RESULTING FROM INVESTING IN THESE BONDS.

APPROVED BY THE DIRECTORS



Mark D. Shaw



Jean Pierre Ellul Castaldi



Mario P. Galea



Benjamin Muscat



Etienne Borg Cardona

IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY PHOENICIA FINANCE COMPANY P.L.C. (THE "ISSUER") OF €25,000,000 UNSECURED BONDS 2023-2028 OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 4.15% PER ANNUM PAYABLE ANNUALLY ON 15 DECEMBER OF EACH YEAR UNTIL THE REDEMPTION DATE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON THE REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION OR UNLESS OTHERWISE PREVIOUSLY REDEEMED AT THE OPTION OF THE ISSUER ON ANY OF THE EARLY REDEMPTION DATES (THE "BONDS"). THE BOND ISSUE IS GUARANTEED BY PHOENICIA MALTA LIMITED AND PHOENICIA HOTEL COMPANY LIMITED (THE "GUARANTORS").

AUTHORISED FINANCIAL INTERMEDIARIES MUST UNDERTAKE AN APPROPRIATENESS TEST AND, WHEN PROVIDING ADVICE IN RESPECT OF A PURCHASE OF THE BONDS, A SUITABILITY TEST, ON PROSPECTIVE BONDHOLDERS IN ORDER TO BE SATISFIED THAT THE BONDS ARE A SUITABLE INVESTMENT FOR THE RESPECTIVE CLIENT, PRIOR TO EXECUTING A PURCHASE OF THE BONDS.

THIS SECURITIES NOTE:

- A. CONTAINS INFORMATION ABOUT THE ISSUER, THE GUARANTORS AND THE BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT AND THE REGULATION, AND SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER FORMING PART OF THE PROSPECTUS; AND
- B. SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE BONDS ARE ISSUED BY THE ISSUER AND ACQUIRED BY A BONDHOLDER WHICH TERMS SHALL REMAIN BINDING UNTIL THE REDEMPTION DATE OF THE BONDS UNLESS THEY ARE OTHERWISE CHANGED IN ACCORDANCE WITH THIS SECURITIES NOTE.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER, THE GUARANTORS OR THEIR RESPECTIVE DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF BONDS OF THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, THE GUARANTORS OR THEIR RESPECTIVE DIRECTORS OR ADVISORS.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR BONDS BY ANY PERSON IN ANY JURISDICTION: (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED; OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND, ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT LEGAL ADVISORS, ACCOUNTANTS AND/OR OTHER FINANCIAL ADVISORS AS TO LEGAL, TAX, INVESTMENT OR ANY OTHER RELATED MATTERS CONCERNING THE BONDS AND THE PROSPECTUS.

IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY BONDS ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRY OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH, PENDING SUCH

IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE BONDS CAN ONLY BE OFFERED TO “QUALIFIED INVESTORS” (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

THE BONDS HAVE NOT BEEN NOR WILL THEY BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT 1933, AS AMENDED, OR UNDER ANY FEDERAL OR STATE SECURITIES LAW AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR ANY AREA SUBJECT TO ITS JURISDICTION (THE “U.S.”) OR TO OR FOR THE BENEFIT OF, DIRECTLY OR INDIRECTLY, ANY U.S. PERSON (AS DEFINED IN REGULATION “S” OF THE SAID ACT). FURTHERMORE, THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT 1940, AS AMENDED, AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS SET OUT THEREIN.

A COPY OF THE PROSPECTUS HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES AND TO THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES IN ACCORDANCE WITH THE ACT.

STATEMENTS MADE IN THE PROSPECTUS ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

THE CONTENTS OF ANY WEBSITE OF THE PHOENICIA GROUP OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO ANY WEBSITE OF THE PHOENICIA GROUP DO NOT FORM PART OF THE PROSPECTUS. ACCORDINGLY, NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

THE ISSUER DISCLAIMS ANY AND ALL RESPONSIBILITY FOR ANY DEALINGS MADE, REPRESENTATIONS GIVEN, PROCESSES ADOPTED, FUNDS COLLECTED OR APPLICATIONS ISSUED BY AUTHORISED FINANCIAL INTERMEDIARIES IN THEIR EFFORT TO PLACE OR RE-SELL THE BONDS SUBSCRIBED BY THEM.

ALL THE ADVISORS TO THE ISSUER AND THE GUARANTORS NAMED IN THE PROSPECTUS UNDER THE HEADING “ADVISORS” UNDER SECTION 3.3 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER AND THE GUARANTORS IN RELATION TO THIS ISSUE AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS.

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1.

DEFINITIONS

Words and expressions and capitalised terms used in this Securities Note shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words, expressions and capitalised terms as indicated in the Registration Document forming part of the Prospectus. Additionally, the following words and expressions as used in this Securities Note shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the laws of Malta);
Applicant/s	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application/s	the application/s to subscribe for Bonds made by an Applicant/s by completing an Application Form/s and delivering same to any of the Authorised Financial Intermediaries;
Application Form	the form of application of subscription for Bonds, a specimen of which is contained in Annex I of this Securities Note;
Appropriateness Test	shall have the meaning set out in Section 7.2.14 of this Securities Note;
Authorised Financial Intermediaries	the financial intermediaries whose details appear in Section 7.4 of this Securities Note;
Bond(s)	a maximum of €25,000,000 unsecured bonds due on the Redemption Date having a nominal value of €100 per bond bearing interest at a rate of 4.15% per annum and redeemable at their nominal value, as detailed in this Securities Note. The Bonds are guaranteed jointly and severally by PML and PHCL;
Bond Issue	the issue of the Bonds;
Bondholder	a holder of Bonds to be issued by the Issuer in terms of the Prospectus;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Combined Financial Statements	the financial statements of the Guarantors prepared as general purpose financial statements which comply with the requirements of International Financial Reporting Standards as adopted by the EU. The Guarantors are under common control and they have historically operated as combined entities. The combined financial statements have been drawn up on the basis of the financial statements of PML and PHCL. All significant intercompany accounts and transactions between PML and PHCL have been eliminated in the combined financial statements;
Company or Issuer	Phoenicia Finance Company p.l.c., a public limited liability company registered under the laws of Malta with company registration number C 88958, and having its registered office at The Phoenicia Hotel, The Mall, Floriana, Malta;
CSD	the Central Securities Depository of the Malta Stock Exchange having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
Debt-to-Total Capital Ratio	the ratio of the total Financial Indebtedness to the sum of Total Equity + Financial Indebtedness;
Directors or Board	the directors of the Issuer whose names are set out under the heading “Directors” in Section 3.1 of the Registration Document;

Early Redemption Date	15 December 2023, 15 December 2024, 15 December 2025, 15 December 2026 or 15 December 2027 subject to the Issuer giving the Bondholders at least 60 days' notice in writing;
Euro (€)	the lawful currency of the Republic of Malta;
Financial Analysis Summary	the financial analysis summary prepared by Curmi & Partners Ltd in line with the applicable requirements of the Listing Authority policies and which is intended to summarise the key financial data set out in the Prospectus relating to the Issuer and the Guarantors, a copy of which is set out in Annex III of this Securities Note forming part of the Prospectus;
Financial Indebtedness	shall have the meaning ascribed to the term in Section 5.7 of this Securities Note;
Group or Phoenicia Group	PML, PHCL, the Issuer, and their subsidiaries from time to time;
Guarantee	the joint and several guarantee dated 15 November 2018 granted by the Guarantors as security for the punctual performance of all the obligations undertaken by the Issuer under the Bond Issue. A copy of the Guarantee and description of the nature, scope and terms of the Guarantee are appended to this Securities Note as Annex II thereto;
Guarantors	PML and PHCL, each a Guarantor;
Intercompany Loan Agreement	the intercompany loan agreement dated 15 November 2018, entered into between the Issuer and PML, as further described in Section 4.1.1 of the Registration Document;
Interest Cover Ratio	the ratio of EBITDA to total interest costs for the given period;
Interest Payment Date	15 December of each year between and including each of the years 2019 and the year 2028 (or in the event of early redemption at the option of the Issuer, 15 December of each year between and including each of the years 2019 and the relevant Early Redemption Date), provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issue Date	expected on 12 December 2018;
Listing Authority	the Board of Governors of the Malta Financial Services Authority, appointed as the Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Listing Rules	the listing rules issued by the Listing Authority, as may be amended from time to time;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Manager and Registrar	Bank of Valletta p.l.c., a company registered under the Laws of Malta with company registration number C 2833 and having its registered office at 58, Zachary Street, Valletta VLT 1130, Malta;
MiFIR	Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments;
Offer Period	the period between 26 November 2018 and 28 November 2018, during which the Bonds are on offer;
Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Phoenicia Hotel or Hotel	the hotel operating as "The Phoenicia Malta", which is operated by PHCL in terms of a lease agreement with PML, as fully described in Section 4.4.1 of the Registration Document;

PHCL	Phoenicia Hotel Company Limited, a private limited liability company registered in the United Kingdom, having its registered office at Eversheds House 70, Great Bridgewater Street, Manchester M1 5ES, United Kingdom, and registered as an overseas company in Malta with registration number OC1;
PHL	Phoenicia Hotel (Lux) S.à r.l., a company registered in Luxembourg, with registration number B178459, and having its registered address at 6, rue Eugène Ruppert, Luxembourg 2453, Luxembourg;
PML	Phoenicia Malta Limited, a private limited liability company registered in Malta with company registration number C 41576 and having its registered office at The Phoenicia Hotel, The Mall, Floriana, Malta;
Prospectus	the Summary Note, the Registration Document, and this Securities Note, all dated 15 November 2018;
Redemption Date	15 December 2028, or in the event of early redemption at the Issuer's sole discretion on any one of the relevant Early Redemption Dates;
Redemption Value	the nominal value of each Bond (€100 per Bond);
Registration Document	the registration document issued by the Issuer dated 15 November 2018 forming part of the Prospectus;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of supplements to the prospectus; and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of the prospectus and dissemination of advertisements;
Securities Note	this document dated 15 November 2018, in its entirety forming part of the Prospectus;
Sponsor	Curmi & Partners Ltd, an authorised financial intermediary licensed by the Malta Financial Services Authority, a member of the MSE and a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 3909 and having its registered office at Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102, Malta;
Subsidiaries	all entities over which PHL as ultimate holding company has control and which as at the date of this Registration Document include, without limitation, each of PML, PHCL and the Issuer. In terms of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), a group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity;
Suitability Test	shall have the meaning set out in Section 7.2.14 of this Securities Note;
Summary Note	the summary note issued by the Issuer dated 15 November 2018, forming part of the Prospectus;

Terms and Conditions

the terms and conditions of issue of the Bonds, set out in Section 4.3, Section 5 and Section 7 of this Securities Note;

Teramy

Teramy Investments S.à r.l., a company registered in Luxembourg, with registration number B171015, and having its registered address at 6, rue Eugène Ruppert, 4, 2453, Luxembourg;

Total Equity

the residual interest in the assets of the entity after deducting all its liabilities, and includes funds contributed by shareholders, retained earnings, reserves representing appropriations of retained earnings and reserves representing capital maintenance adjustments.

Unless it appears otherwise from the context:

- a. words importing the singular shall include the plural and vice-versa;
- b. words importing the masculine gender shall include the feminine gender and vice-versa;
- c. the word 'may' shall be construed as permissive and the word 'shall' shall be construed as imperative.

2. RISK FACTORS

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE.

THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY ON THE REDEMPTION DATE UNLESS THE BONDS ARE PREVIOUSLY REPURCHASED AND CANCELLED, OR UNLESS THE BONDS ARE OTHERWISE PREVIOUSLY REDEEMED AT THE OPTION OF THE ISSUER ON ANY OF THE EARLY REDEMPTION DATES AT THEIR NOMINAL VALUE AS THE ISSUER MAY DETERMINE BY GIVING NOT LESS THAN 60 DAYS' NOTICE IN WRITING TO BONDHOLDERS.

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

THE BONDS ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF RETAIL INVESTORS. A POTENTIAL INVESTOR SHOULD NOT INVEST IN THE BONDS UNLESS: I) HE/SHE HAS THE NECESSARY KNOWLEDGE AND EXPERIENCE TO UNDERSTAND THE RISKS RELATING TO THIS TYPE OF FINANCIAL INSTRUMENT; II) THE BONDS MEET THE INVESTMENT OBJECTIVES OF THE POTENTIAL INVESTOR; AND III) SUCH POTENTIAL INVESTOR IS ABLE TO BEAR THE INVESTMENT AND FINANCIAL RISKS WHICH RESULT FROM INVESTMENT IN THESE BONDS.

NEITHER THIS SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE BONDS: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION; OR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE GUARANTORS OR THE SPONSOR OR AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS SECURITIES NOTE OR ANY OTHER PART OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS OR ANY BONDS, SHOULD PURCHASE ANY BONDS.

ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

2.1. FORWARD-LOOKING STATEMENTS

This Securities Note contains "forward looking statements" which include, among others, statements concerning matters that are not historical facts and which may involve projections of future circumstances. These forward-looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer's and/or Guarantors' Directors. No assurance is given that the future results or expectations will be achieved.

2.2. SUITABILITY OF INVESTMENT

The Bonds are complex financial instruments and may not be suitable for all recipients of the Prospectus. Prospective investors are urged to consult an independent investment advisor licensed under the Investment Services Act (Cap. 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Bonds before making an investment decision. In particular, such advice should be sought with a view to ascertaining that each prospective investor:

- a. has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference to the Prospectus or any applicable supplement;
- b. has sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the prospective investor's currency;
- c. understands thoroughly the terms of the Bonds and is familiar with the behaviour of any relevant indices and financial markets; and
- d. is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

2.3. RISKS RELATING TO THE BONDS

No prior market

Prior to the Bond Issue, there has been no public market nor trading record of the Bonds within or outside Malta. Due to the absence of any prior market for the Bonds, there can be no assurance that the Bond Issue price will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue.

Orderly and liquid market

The existence of an orderly and liquid market for the Bonds depends on a number of factors, including but not limited to, the presence of willing buyers and sellers of the Issuer's Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Accordingly, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at, or above, the Bond Issue price or at all.

Interest rate risk

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Currency risk

Any investor whose currency of reference is not the Euro shall bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference.

Changes in circumstances

No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time. If such changes take place they could have an adverse effect on the market price for the Bonds.

Continuing compliance obligations

Even after the Bonds are admitted to trading on the MSE, the Issuer is required to remain in compliance with certain requirements relating, *inter alia*, to the free transferability, clearance, and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Listing Authority has the authority to suspend trading or listing of the Bonds if, *inter alia*, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The Listing Authority may discontinue the listing of the Bonds on the MSE. Any such trading suspensions or listing revocations / discontinuations could have a material adverse effect on the liquidity and value of the Bonds.

Changes in law

The Terms and Conditions of this Bond Issue are based on the requirements of the Listing Rules of the Listing Authority, the Act and the Commission Regulation EC No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament

and of the Council in effect as at the date of the Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of the Prospectus.

Changes to Terms and Conditions

In the event that the Issuer wishes to amend any of the Terms and Conditions of this Bond Issue it shall call a meeting of Bondholders in accordance with the provisions of Section 5.14 of this Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

Early redemption

The Issuer has the option to redeem the Bonds, in whole, at a price of €100 per Bond, on any of the Early Redemption Dates (in accordance with the provisions of Section 5.10 of this Securities Note), together with any unpaid interest until the time of redemption.

This optional redemption feature may have a negative impact on the market value of the Bonds. During a period when the Issuer may opt to redeem the Bonds, the market value may not rise considerably above the price at which the Bond will be redeemed.

Should the Issuer decide to redeem the Bonds on any of the Early Redemption Dates, the Bondholder may not be able to re-invest the proceeds from the redemption at yields that would have been received on the Bonds had they not been redeemed.

Additional indebtedness and security

Both the Issuer and the Guarantors may incur additional borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or further undertakings, assets or revenues.

Independent credit rating

The Issuer has not sought, nor does it intend to seek, the credit rating of an independent agency and there has been no assessment by any independent rating agency of the Bonds.

2.4. RISKS RELATING TO RANKING

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

2.5. RISKS RELATING TO THE GUARANTEE

The joint and several Guarantee entitles the Bondholders to take action against the Guarantors without having to first take action against the Issuer to pay both the interest due and the principal amount under said Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus. The strength of this undertaking on the part of the Guarantors and therefore, the level of recoverability by the Bondholders from the Guarantors of any amounts due under any of the Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantors.

3. PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules for the purpose of providing prospective investors with information with regard to the Issuer, the Guarantors and the Bonds. All of the Directors of the Issuer, whose names appear under the heading "Identity of Directors, Advisors and Auditors of the Issuer and the Guarantors" in Section 3 of the Registration Document, accept responsibility for the information contained in this Securities Note.

To the best of the knowledge and belief of the Directors of the Issuer, who have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of the Issuer accept responsibility accordingly.

4. KEY INFORMATION

4.1. REASONS FOR THE ISSUE AND USE OF PROCEEDS

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €24,550,000, will be on-lent by the Issuer to PML pursuant to the Inter-Company Loan Agreement (as defined in Section 4.1.1 of the Registration Document) and shall be utilised by PML for the following purposes, in the amounts and order of priority set out below:

- i. an amount of €17,837,566 will be used to re-finance the Teramy Secured Loan (details of which are set out in Section 11.4 of the Registration Document), which will have the effect of reducing PML's financing cost, and a further amount of €1,662,434 will be used to refinance the Teramy Unsecured Loan (details of which are set out in Section 11.5 of the Registration Document), accordingly settling all amounts owing by PML to Teramy (as defined in Section 11 of the Registration Document). Moreover, as a result, all hypothecary rights granted by PML to Teramy in security of the Teramy Secured Loan will be cancelled; and
- ii. an amount of €4,000,000 will be used to part re-finance outstanding BOV Bank Facilities (details of which are set out in Section 11.6 of the Registration Document).

The remaining balance of the net Bond Issue proceeds in the amount of €1,050,000 shall be used for the Group's general corporate funding requirements, including operational costs.

4.2. EXPENSES

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €450,000 and will be deducted from the proceeds of the Issue. There is no particular order of priority with respect to such expenses.

4.3. ISSUE STATISTICS

Amount	€25,000,000;
Form	the Bonds will be issued in a fully registered and dematerialised form and will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD;
Denomination	Euro (€);
ISIN	MT0002081207;
Minimum amount per subscription	minimum of €2,000 and multiples of €100 thereafter;
Redemption Date	15 December 2028;
Early Redemption Dates	means 15 December 2023, 15 December 2024, 15 December 2025, 15 December 2026 and 15 December 2027 subject to the Issuer giving the Bondholders at least 60 days' notice in writing;
Redemption Value	at par (€100 per Bond);
Plan of distribution	the Bonds are open for subscription by Authorised Financial Intermediaries, either for their own account or for the account of their underlying customers;
Bond Issue Price	at par (€100 per Bond);
Status of the Bonds	the Bonds, as and when issued and allotted, shall constitute the general, direct, unsecured and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantors jointly and severally. The Bonds shall at all times rank <i>pari passu</i> without any priority or preference among themselves and, in respect of the Guarantors, they shall rank without any priority or preference over all their unsecured indebtedness, if any;

Listing	the Listing Authority has approved the Bonds for admissibility to listing and subsequent trading on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List;
Placement Agreements	the Issuer intends to enter into placement agreements for the full amount of the Bond Issue with the Authorised Financial Intermediaries. Completed and signed placement agreements shall be submitted by Authorised Financial Intermediaries by latest 12:00 hours on 26 November 2018 as further detailed in Section 7.4 of this Securities Note;
Offer Period	26 November 2018 to 28 November 2018, both days included;
Interest	4.15% per annum;
Interest Payment Date(s)	annually, on 15 December as from 15 December 2019 (the first interest payment date);
Governing law of Bonds	the Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction	the Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Prospectus and/or the Bonds.

4.4. INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for the subscription for Bonds by Authorised Financial Intermediaries (which include the Sponsor and Manager & Registrar), and any fees payable in connection with the Bond Issue to Curmi & Partners Ltd, as Sponsor, and Bank of Valletta p.l.c. as Manager & Registrar, so far as the Issuer is aware no person involved in the Bond Issue has an interest material to the Bond Issue.

4.5. CONSENT FOR USE OF PROSPECTUS

Consent required in connection with the use of the Prospectus by the Authorised Financial Intermediaries:

For the purposes of any subscription for Bonds through any of the Authorised Financial Intermediaries during the Offer Period in terms of this Securities Note and any subsequent resale, placement or other offering of Bonds by such Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Directive, the Issuer consents to the use of this Prospectus (and accepts responsibility for the information contained therein) with respect to any such subsequent resale, placement or other offering of Bonds, provided this is limited only:

- i. in respect of Bonds subscribed for through Authorised Financial Intermediaries pursuant to the placement agreements as detailed in Section 7.4 of this Securities Note during the Offer Period;
- ii. to any resale or placement of Bonds subscribed for as aforesaid, taking place in Malta;
- iii. to any resale or placement of Bonds subscribed for as aforesaid, taking place within the period of 60 days from the date of the Prospectus.

There are no other conditions attached to the consent given by the Issuer hereby which are relevant for the use of the Prospectus.

None of the Issuer, the Sponsor or Manager & Registrar, or any of their respective advisors, take any responsibility for any of the actions of any Authorised Financial Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of Bonds.

Other than as set out above, neither the Issuer nor the Sponsor or Manager & Registrar has authorised (nor do they authorise or consent to the use of this Prospectus in connection with) the making of any public offer of the Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Issuer or the Sponsor or Manager & Registrar and neither the Issuer nor the Sponsor or Manager & Registrar has any responsibility or liability for the actions of any person making such offers.

Investors should enquire whether an intermediary is considered to be an Authorised Financial Intermediary in terms of the Prospectus. If the investor is in doubt as to whether it can rely on the Prospectus and/or who is responsible for its contents, it should obtain legal advice.

No person has been authorised to give any information or to make any representation not contained in or inconsistent with this Prospectus. If given or made, it must not be relied upon as having been authorised by the Issuer or Sponsor. The Issuer does not accept responsibility for any information not contained in this Prospectus.

In the event of a resale, placement or other offering of Bonds by an Authorised Financial Intermediary, the Authorised Financial Intermediary will provide information to investors on the terms and conditions of the resale, placement or other offering at the time such is made.

Any resale, placement or other offering of Bonds to an investor by an Authorised Financial Intermediary will be made in accordance with any terms and other arrangements in place between such Authorised Financial Intermediary and such investor including as to price, allocations and settlement arrangements. Where such information is not contained in the Prospectus, it will be the responsibility of the applicable Authorised Financial Intermediary at the time of such resale, placement or other offering to provide the investor with that information and neither the Issuer, nor the Sponsor, has, or shall have, any responsibility or liability for such information.

Any Authorised Financial Intermediary using this Prospectus in connection with a resale, placement or other offering of Bonds subsequent to the Bond Issue shall, limitedly for the period of 60 days from the date of the Prospectus, publish on its website a notice to the effect that it is using this Prospectus for such resale, placement or other offering in accordance with the consent of the Issuer and the conditions attached thereto. The consent provided herein shall no longer apply following the lapse of such period.

Any new information with respect to Authorised Financial Intermediaries unknown at the time of approval of this Securities Note will be made available through a company announcement which will also be made available on the Issuer's website: www.phoeniciafinance.com

5. INFORMATION CONCERNING THE SECURITIES TO BE ISSUED AND ADMITTED TO TRADING

Each Bond shall be issued on the terms and conditions set out in this Securities Note and, by subscribing to or otherwise acquiring the Bonds, the Bondholders are deemed to have knowledge of all the terms and conditions of the Bonds hereafter described and to accept and be bound by the said terms and conditions.

5.1. GENERAL

- 5.1.1.** Each Bond forms part of a duly authorised issue of 4.15% Unsecured Bonds 2023–2028 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €25,000,000 (except as otherwise provided under Section 5.13 ("Further Issues")). The Issue Date of the Bonds is expected on 12 December 2018.
- 5.1.2.** The currency of the Bonds is Euro (€).
- 5.1.3.** Subject to admission to listing of the Bonds to the Official List of the MSE, the Bonds are expected to be assigned ISIN MT0002081207.
- 5.1.4.** Unless previously purchased and cancelled or redeemed on any of the Early Redemption Dates, the Bonds shall be redeemable at par on the Redemption Date.
- 5.1.5.** The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.
- 5.1.6.** The Bond Issue is not underwritten.
- 5.1.7.** There are no special rights attached to the Bonds other than the right of the Bondholders to the payment of capital and interest and in accordance with the ranking specified in Section 5.2 hereunder.

5.2. RANKING OF THE BONDS

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed jointly and severally by the Guarantors, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantors, if any. Furthermore, subject to the negative pledge clause (Section 5.7 of this Securities Note), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer and of the Guarantors, as the case may be, for so long as such security interests remain in effect. As at the date of this Securities Note, the Issuer does not have any indebtedness which is subordinated to the Bonds.

The following table sets out a summary of the Group's indebtedness as at 30 June 2018, which amounted in aggregate to €35.85 million (including accrued interest as at that date). The borrowings listed below are secured by privileges and hypothecs (as further described below), and therefore the indebtedness being created by the Bonds, together with other unsecured debt, ranks after all these borrowings. In addition, the Bonds would also rank after any future debts that may be secured by a cause of preference such as a privilege and/or a hypothec.

FACILITY	PURPOSE	COUNTERPARTY	DATE TAKEN	TERM (YEARS)	PRINCIPAL BALANCE (JUN 18)	INTEREST BALANCE (JUN 18)	SECURED BY
Teramy Secured Loan	Loan granted to PML (formerly 'Cuffe (Malta) Limited') for acquisition finance	"Teramy Investments S.a r.l. (acquired by assignment on 28 November 2012)"	09 August 2007	26	€12.27m	€1.76m	General Hypothec, Special Hypothec and Special Privilege over the Premises granted by PML
Loan facility	Loan granted to PHCL for business purposes and secured by PML	Bank of Valletta plc ("BOV")	04 April 2014	10	€0.33m	NIL	General Hypothec granted by PHCL and Special Hypothec over the Premises granted by PML
Loan I	Loan granted to PML for project development	BOV	09 August 2016	15	€15.47m	€0.11m	General Hypothec, Special Hypothec and Special Privilege over the Premises granted by PML and General Hypothec granted by PHCL
Loan II	Teramy partial payment; part funding of additional development	BOV	09 August 2016	15	€5.87m	€0.04m	General Hypothec and Special Hypothec over the Premises granted by PML and General Hypothec granted by PHCL

The Teramy Secured Loan is subordinated to the above indebtedness in favour of BOV and has no fixed date of repayment. The proceeds from the Bond Issue will be used, *inter alia*, to re-finance, and therefore to repay in full the Teramy Secured Loan as described in Section 4.1 of this Securities Note. As a result, the indebtedness under the Teramy Secured Loan will be settled in full and all hypothecary rights granted by PML to Teramy in security of the Teramy Secured Loan will be cancelled.

As at 30 June 2018, PHCL also had an unutilised overdraft facility with BOV of €600,000, secured by a general hypothec over all the assets of PHCL.

5.3. RIGHTS ATTACHING TO THE BONDS

This Securities Note in its entirety contains the terms and conditions of issue of the Bonds and creates the contract between the Issuer and a Bondholder. Any and all references to the terms and conditions of the Bonds shall be construed as a reference to all and each section of this Securities Note. A Bondholder shall have such rights as are, pursuant to this Securities Note, attached to the Bonds, including:

- the repayment of capital;
- the payment of interest;
- ranking with respect to other unsecured indebtedness of the Issuer and the Guarantors in accordance with the provisions of Section 5.2 above;
- seeking recourse from the Guarantors pursuant to the Guarantee, in case of failure by the Issuer to pay any sum payable by it to Bondholders pursuant to the terms of the Bonds detailed in this Securities Note;
- the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
- the enjoyment of all such other rights attached to the Bonds emanating from the Prospectus.

5.4. INTEREST

The Bonds shall bear interest from and including 12 December 2018 at the rate of 4.15% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 15 December 2019 (covering the period 12 December 2018 to 14 December 2019). Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

In terms of article 2156 of the Civil Code (Cap. 16 of the Laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five years.

When interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the number of days elapsed.

5.5. YIELD

The gross yield calculated on the basis of the Interest, the Bond Issue Price, and the Redemption Value of the Bonds is 4.15%. The table below illustrates the gross yield at the different Early Redemption Dates.

REDEMPTION	REDEMPTION DATES	ISSUE PRICE	REDEMPTION PRICE	YIELD TO CALL
At Early Redemption Dates	2023	€100 (at par)	€100 (at par)	4.15%
	2024	€100 (at par)	€100 (at par)	4.15%
	2025	€100 (at par)	€100 (at par)	4.15%
	2026	€100 (at par)	€100 (at par)	4.15%
	2027	€100 (at par)	€100 (at par)	4.15%
Upon Maturity	2028	€100 (at par)	€100 (at par)	4.15%

5.6. REGISTRATION, FORM, DENOMINATION, AND TITLE

Certificates will not be delivered to Bondholders in respect of the Bonds. The entitlement to Bonds will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of bondholders held at the CSD for the purpose of inspecting information held on their respective account.

The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to Bonds held in the register kept by the CSD.

Upon submission of an Application Form, Bondholders who opt to subscribe for the online e-portfolio account with the CSD, by marking the appropriate box on the Application Form, will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further details on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.

The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100 provided that on subscription the Bonds will be issued for a minimum of €2,000 per individual Bondholder. Authorised Financial Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client.

Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided in Section 5.12 below under the heading "Transferability of the Bonds".

5.7. NEGATIVE PLEDGE

The Issuer and the Guarantors undertake, for as long as any principal or interest under the Bonds or any of the Bonds remains outstanding, not to create or permit to subsist any Security Interest (as defined below), other than a Permitted Security Interest (as defined below), upon the whole or any part of their respective present or future assets or revenues, to secure any Financial Indebtedness (as defined below) of the Issuer and/or the Guarantors, unless the instrument creating any such Security Interest shall provide that the Issuer's and Guarantors' indebtedness under the Bonds, shares in and is secured equally and rateably with such Security Interest.

“Financial Indebtedness” means any indebtedness in respect of: (a) monies borrowed; (b) any debenture, bond, note, loan stock or other security; (c) any acceptance credit; (d) the acquisition cost of any asset to the extent payable before or after the time of acquisition or possession by the party liable where the advance or deferred payment is arranged primarily as a method of raising finance for the acquisition of that asset; (e) leases entered into primarily as a method of raising finance for the acquisition of the asset leased; (f) amounts raised under any other transaction having the commercial effect of borrowing or raising of money; (g) any guarantee, indemnity or similar assurance against financial loss of any person;

“Security Interest” means any privilege, hypothec, pledge, lien, charge or other encumbrance or real right which grants rights of preference to a creditor over the assets of the Issuer or the Guarantors;

“Permitted Security Interest” means:

- i. any Security Interest arising by operation of law;
- ii. any Security Interest securing temporary bank loans or overdrafts or guarantees in the ordinary course of business;
- iii. any Security Interest securing any indebtedness of the Issuer created for the sole purpose of financing or raising finance for the redemption of all Bonds;
- iv. any other Security Interest (in addition to (i), (ii), and (iii) above) securing Financial Indebtedness of the Issuer or Guarantors (as the case may be), in an aggregate outstanding amount not exceeding 80% of the difference between the value of Unencumbered Assets of the Issuer and Guarantors and the aggregate principal amount of Bonds outstanding at the time;

provided that the aggregate Security Interests referred to in (ii), (iii), and (iv) above do not result in the Unencumbered Assets of the Issuer being less than the aggregate principal amount of the Bonds still outstanding together with one year's interest thereon;

“Unencumbered Assets” means assets which are not subject to a Security Interest.

5.8. RESTRICTIVE COVENANTS

None of the Guarantors shall, whether directly or indirectly:

- i. declare or pay any dividend or make any other distribution of a dividend nature to its immediate or ultimate shareholders; and/or
- ii. purchase, redeem or acquire (including in the course of a reduction of share capital) any of its own shares except out of the proceeds of a fresh issue of shares made for such purpose,

(any such payment as set forth in (i) and (ii) above is referred to herein as a “Restricted Payment”) until the financial year ending 31 December 2021.

Furthermore, in the financial years following the financial year ending 31 December 2021, none of the Guarantors shall make any Restricted Payment unless:

- the Interest Cover Ratio calculated on the basis of the Combined Financial Statements as at the most recent financial period is not below three times (3x), taking into consideration the impact of the proposed Restricted Payment;
- the Debt-to-Total Capital Ratio calculated on the basis of the Combined Financial Statements does not exceed 60% as at the most recent financial period, taking into consideration the proposed Restricted Payment.

5.9. PAYMENTS

Payment of the principal amount of Bonds will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven days of the Redemption Date. The Issuer shall not be responsible for any charges, loss or delay in transmission. Upon payment of the Redemption Value, the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.

In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment, the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.

Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business 15 days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven days of the Interest Payment Date. The Issuer shall not be responsible for any charges, loss or delay in transmission.

All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is or may become compelled by law to deduct or withhold for or on account of any present or

future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.

No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments. The Issuer shall not be liable for charges, expenses and commissions levied by parties other than the Issuer.

5.10. REDEMPTION AND PURCHASE

Unless previously purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 15 December 2028 provided that the Issuer reserves the right to redeem all the Bonds on any one of the Early Redemption Dates. The Issuer shall give at least 60 days' notice in writing to all Bondholders of its intention to effect such earlier redemption.

The Issuer shall be discharged of any and all payment obligations under the Bonds upon payment made net of any withholding or other taxes due or which may be due under Maltese law and which is payable by the Bondholders.

Subject to the provisions of this Section 5.10, the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

All Bonds repurchased by the Issuer shall be cancelled forthwith and may not be re-issued or re-sold.

5.11. EVENTS OF DEFAULT

The Bonds shall become immediately due and repayable at their principal amount together with any accrued interest, if any of the following events ("**Events of Default**") shall occur:

- i. the Issuer shall fail to pay any interest on any Bond when due and such failure shall continue for 30 days after written notice thereof shall have been given to the Issuer by any Bondholder; or
- ii. the Issuer shall fail duly to perform or shall otherwise be in breach of any other material obligation contained in the Terms and Conditions of the Bonds and such failure shall continue for 60 days after written notice thereof shall have been given to the Issuer by any Bondholder; or
- iii. an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer and/or the Guarantors; or
- iv. the Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or cease to carry on its business or a substantial part of its business; or
- v. the Issuer is unable, or admits in writing, its inability to pay its debts as they fall due or otherwise becomes insolvent; or
- vi. there shall have been entered against the Issuer and/or the Guarantors a final judgment by a court of competent jurisdiction from which no appeal may be or is made for the payment of money in excess of €2,500,000 or its equivalent and 90 days shall have passed since the date of entry of such judgment without it having been satisfied or stayed; or
- vii. any default occurs and continues for 90 days under any contract or document relating to any Financial Indebtedness (as defined in Section 5.7 of this Securities Note) of the Issuer and/or the Guarantors in excess of €2,500,000 or its equivalent at any time.

5.12. TRANSFERABILITY OF THE BONDS

The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole (that is, in multiples of €100) in accordance with the rules and regulations of the MSE applicable from time to time.

Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time be properly required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person. Provided always that if a Bond is transmitted in furtherance of this paragraph, a person will not be registered as a Bondholder unless such transmission is made in multiples of €100.

All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.

The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty, or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the person to whom the transfer/ transmission has been made.

The Issuer will not register the transfer or transmission of Bonds for a period of 15 days preceding the due date for any payment of interest on the Bonds.

The minimum subscription amount of €2,000 shall only apply during the Offer Period. As such, no minimum holding requirement shall be applicable once the Bonds are admitted to listing on the Official List of the MSE and commence trading thereafter subject to trading in multiples of €100.

5.13. FURTHER ISSUES

Subject to the negative pledge clause (Section 5.7 of this Securities Note), the Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds), or upon such terms as the Issuer may determine at the time of their issue.

5.14. MEETINGS OF BONDHOLDERS

The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting and to effect any change to the applicable Terms and Conditions of the Bonds.

A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more than 30 days preceding the date scheduled for the meeting and not less than 14 days' notice in writing. Such notice shall set out the time, place, and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this Section 5.14 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

The amendment or waiver of any of the provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose, at least two Bondholders present, in person or by proxy, representing not less than 50% in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within 30 minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date, and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two days from the date of the original meeting publish by way of company announcement that date, time, and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven days, and not later than 15 days, following the original meeting. At an adjourned meeting, the number of Bondholder present, in person or by proxy, shall constitute a quorum, and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.

Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of the shareholders shall also chair meetings of Bondholders.

Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting, the Directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time which the vote is being taken, and any Bondholders considered for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be considered for the purpose of such vote.

The voting process shall be managed by the company secretary of the Issuer under the supervision and scrutiny of the auditors of the Issuer.

The proposal placed before a meeting of Bondholders shall only be considered approved if at least 80% in nominal value of the Bondholders present at the meeting, or at any adjourned meeting, as the case may be, at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.

Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

5.15. AUTHORISATIONS AND APPROVALS

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a Board of Directors' resolution passed on 15 November 2018. The Guarantee being given by the Guarantors in respect of the Bonds has been authorised by resolution of the boards of directors of each of the Guarantors, both dated 15 November 2018.

5.16. REPRESENTATIONS AND WARRANTIES

The Issuer represents and warrants to the Bondholders, who shall be entitled to rely on such representations and warranties, that:

- i. it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its property and other assets under legal title; and
- ii. it has the power to execute, deliver and perform its obligations under the Prospectus and that all necessary corporate, shareholder, and other actions have been duly taken to authorise the execution, delivery and performance of the same, and further that no limitation on its power to borrow or guarantee shall be exceeded as a result of the Terms and Conditions or the Prospectus.

The Prospectus contains all relevant material information with respect to the Issuer and the Guarantors and all information contained in the Prospectus is in every material respect true and accurate and not misleading, and there are no other facts in relation to the Issuer and/or the Guarantors, their respective businesses and financial position, the omission of which would, in the context of issue of the Bonds, make any statement in the Prospectus misleading or inaccurate in any material respect.

5.17. NOTICES

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of 24 hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his registered address and posted.

5.18. GOVERNING LAW AND JURISDICTION

The Bonds are governed by and shall be construed in accordance with Maltese law.

Any legal action, suit, or proceedings against the Issuer and/or the Guarantors arising out of or in connection with the Bonds and/or the Prospectus shall be brought exclusively before the Maltese courts.

6.

TAXATION

6.1. GENERAL

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Bonds, including their acquisition, holding, and transfer as well as on any income derived therefrom or on any gains derived on the transfer of such Bonds. The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation, as well as the levels of tax on the subject-matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of investors. The precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

6.2. MALTA TAX ON INTEREST

Any interest payable in respect of a Bond which is the subject of a public issue to a Bondholder which is a "recipient" as defined in Article 41(c) of the Income Tax Act (Chapter 123 of the Laws of Malta) shall, unless the Bondholder, where applicable, has instructed the Issuer to receive the interest gross of any withholding tax, be paid to such Bondholder net of a final withholding tax. This is currently at the rate of 15% (10% in the case of certain types of collective investment schemes) of the gross amount of the interest, pursuant to

Article 33 of the Income Tax Act (Chapter 123 of the Laws of Malta). Bondholders which do not fall within the definition of a “recipient” do not qualify for the said rate and should seek advice on the taxation of such income, as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder is not obliged to declare the interest so received in his income tax return (to the extent that the interest is paid net of tax). No person shall be charged to further tax in respect of such income and the tax deducted shall not be available as a credit against the recipient's tax liability or available as a refund. The Issuer will render an account to the Maltese Commissioner for Revenue of all interest paid, all amounts of tax deducted by the payor in respect of the interest paid and of the identity of all such recipients.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax at the standard rates applicable to such Bondholder at that time. Additionally, in this latter case the Issuer will advise the Maltese Commissioner for Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients unless the beneficiary is a non-resident of Malta. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c)(i) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.

6.3. EXCHANGE OF INFORMATION

In terms of applicable Maltese legislation, the Issuer and/or its agent are required to collect and forward certain information (including, but not limited to, information regarding payments made to certain Bondholders and information on their accounts) to the Maltese Commissioner for Revenue. The Maltese Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions.

The Foreign Account Tax Compliance Act (“FATCA”) of the United States (“U.S.”) requires foreign financial institutions to provide the Internal Revenue Service with information on Specified U.S. persons holding accounts outside of the U.S., including certain non-U.S. entities with U.S. Controlling Persons. Non-compliance results in a punitive 30% withholding tax on distributions captured by FATCA. FATCA is transposed into Maltese law through the Exchange of Information (United States of America) (FATCA) Order, Subsidiary Legislation 123.156. Consequently, all Maltese financial institutions are obliged to identify and report to the Maltese tax authorities financial accounts held by Specified U.S. persons and certain non-U.S. entities with U.S. Controlling Persons. Financial account information in respect of holders of the Bonds could fall within the scope of FATCA and they may therefore be subject to reporting obligations.

Council Directive 2014/107/EU amending Directive 2011/16/EU led to the transposition of the OECD's Standard for Automatic Exchange of Financial Account Information in Tax Matters (the Common Reporting Standard or “CRS”) in the domestic laws of European Union Member States. CRS was transposed into Maltese law as part of the Cooperation with Other Jurisdictions on Tax Matters Regulations, Subsidiary Legislation 123.127. In terms of CRS, Maltese financial institutions are required to identify and report to the Maltese tax authorities financial accounts held by a Reportable Person and certain entities with one or more Controlling Persons that is a Reportable Person. Financial account information in respect of holders of the Bonds could fall within the scope of CRS and they may therefore be subject to reporting obligations.

6.4. MALTESE TAXATION ON CAPITAL GAINS ON TRANSFER OF THE BONDS

On the assumption that the Bonds would not fall within the definition of “securities” in terms of Article 5(1)(b) of the Income Tax Act, that is, *‘shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return’*, to the extent that the Bonds are held as capital assets by the Bondholder, no income tax on capital gains is chargeable in respect of transfer of the Bonds.

6.5. DUTY ON DOCUMENTS AND TRANSFERS

In terms of the Duty on Documents and Transfers Act (Chapter 364 of the Laws of Malta), duty on documents and transfers is chargeable *inter alia* on the transfer or transmission *causa mortis* of marketable securities. A marketable security is defined in the said legislation as *‘a holding of share capital in any company and any document representing the same’*. Consequently, the Bonds should not be treated as constituting marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof should not be chargeable to duty on documents and transfers.

Furthermore, even if the Bonds are considered marketable securities for the purposes of the Duty on Documents and Transfers Act, in terms of article 50 of the Financial Markets Act (Chapter 345 of the Laws of Malta) the Bonds constitute financial instruments of a company quoted on a regulated market exchange, namely the MSE, and therefore any redemptions and transfers of the Bonds should, in any case, be exempt from duty in terms of Exemption from Payment of Duty on Documents and Transfers, Subsidiary Legislation 364.01.

INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS AND TO BONDHOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

7.

TERMS AND CONDITIONS OF THE BOND ISSUE

7.1. EXPECTED TIMETABLE OF THE BOND ISSUE

1. Placement date	26 November 2018
2. Offer Period	26 November 2018 to 28 November 2018
3. Commencement of interest on the Bonds	12 December 2018
4. Expected date of notification of registration	12 December 2018
5. Expected date of admission of the securities to listing	12 December 2018
6. Expected date of commencement of trading in the securities	14 December 2018

7.2. TERMS AND CONDITIONS OF APPLICATION

The following terms and conditions shall be read in conjunction with all the other terms and conditions relative to and regulating the contractual relationship created between the Issuer and the Guarantors on the one hand and the Bondholders on the other.

- 7.2.1.** Applications may be lodged with any Authorised Financial Intermediary by not later than 12:00 hours (Central European Time) on 28 November 2018.
- 7.2.2.** By submitting a signed Application Form, the Applicant is thereby confirming to the Issuer and the Authorised Financial Intermediary through whom the Application is made, that the Applicant's remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured on its first presentation, the Authorised Financial Intermediary reserves the right to invalidate the relative Application. Furthermore, the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such consideration is accepted by the respective Authorised Financial Intermediary (which acceptance shall be made in the Authorised Financial Intermediary's absolute discretion and may be on the basis that the Applicant indemnifies the Authorised Financial Intermediary against all costs, damages, losses, expenses, and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation).
- 7.2.3.** The contract created by the Issuer's acceptance of an Application filed by a prospective bondholder through an Authorised Financial Intermediary shall be subject to all terms and conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer.
- 7.2.4.** If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties, and undertakings contained in these terms and condition on their behalf. Such representative may be requested to submit the relative power of attorney/ resolution or copy thereof duly certified by a lawyer or notary public if so required by the Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to appear on the Application Form.
- 7.2.5.** Applications in the name of a corporation or corporate entity or association of persons, need to include a valid Legal Entity Identifier ("LEI") in the space provided on the Application Form. Failure to include a valid LEI code, will result in the Application being cancelled by the Issuer acting through the Registrar and subscription monies will be returned to the Applicant in accordance with Section 7.2.16 below.
- 7.2.6.** In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first-named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional (Joint) Applicants" in the Application Form or joint holders in the register, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

- 7.2.7.** In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed *vis-à-vis* the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).
- 7.2.8.** Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted (the birth certificate is not required if the minor already holds securities which are listed on the MSE). Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of 18 years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of 18 years.
- 7.2.9.** The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America, and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 7.2.10.** No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 7.2.11.** It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself to fully observe the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer, or other taxes required to be paid in such territory.
- 7.2.12.** Subject to all other terms and conditions set out in the Prospectus, the Issuer acting through the Registrar reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple Applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer acting through the Registrar is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 7.2.13.** The Bonds will be issued in multiples of €100. The minimum subscription amount of the Bonds that can be subscribed for by Applicants is €2,000. Submission of Application Forms must be accompanied by the full price of the Bonds applied for, in Euro. Payment may be made either in cash or bank transfer or by cheque payable to the respective Authorised Financial Intermediary. In the event that any cheque accompanying an Application Form is not honoured on its first presentation, the respective Authorised Financial Intermediary reserves the right to invalidate the relative Application Form.
- 7.2.14.** The completed Application Forms are to be lodged with the Issuer or any of the Authorised Financial Intermediaries. Authorised Financial Intermediaries shall, prior to accepting an Application, conduct an Appropriateness Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered appropriate for the Applicant. To the extent that an Authorised Financial Intermediary is providing advice in respect of a purchase of the Bonds by an Applicant, such Authorised Financial Intermediary shall be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

For the purpose of this Securities Note, the term “Appropriateness Test” means the test conducted by any licensed financial intermediary, when providing an investment service (other than investment advice or portfolio management) in relation to the subscription for and the trading of Bonds, for the purpose of such licensed financial intermediary determining (after collecting the necessary information) whether the investment service or the Bonds are appropriate for the prospective Applicant or prospective transferee. In carrying out this assessment, the licensed financial intermediary shall ask the Applicant or the prospective transferee to provide information regarding the Applicant or transferee’s knowledge and experience so as to determine that the Applicant or transferee has the necessary experience and knowledge in order to understand the risks involved in relation to the Bonds or investment service offered or demanded, in accordance with Part BI of the Investment Services Rules (“ISR”). In the event that the licensed financial intermediary considers, on the basis of the test conducted, that the transfer of Bonds is not appropriate for the Applicant or prospective transferee, the licensed financial intermediary shall reject the prospective Applicant’s request to subscribe for or acquire Bonds, irrespective of whether the Applicant or transferee is warned that the investment in the Bonds is not appropriate for the Applicant or transferee.

For the purpose of this Securities Note, the term “Suitability Test” means the process through which a licensed financial intermediary providing investment advice or portfolio management services in relation to the subscription for and trading of Bonds obtains such information from the Applicant or prospective transferee as is necessary to enable the licensed financial

intermediary to recommend to or, in the case of portfolio management, to effect for, the Applicant or prospective transferee, the investment service and trading in Bonds that are considered suitable for him/her, in accordance with Part BI of the ISR. The information obtained pursuant to this test must be such as to enable the licensed financial intermediary to understand the essential facts about the Applicant or prospective transferee and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or to be entered into in the course of providing a portfolio management service, satisfies the following criteria:

- a. it meets the investment objectives of the Applicant or prospective transferee in question;
- b. it is such that the Applicant or prospective transferee is able financially to bear any related investment risks consistent with investment objectives of such Applicant or prospective transferee; and
- c. it is such that the Applicant or prospective transferee has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

7.2.15. By not later than 05 December 2018, the Issuer shall announce the results of the Bond Issue through a press release.

7.2.16. In the event that an Applicant fails to submit full information and/or documentation required with respect to an Application, the Applicant shall receive a full refund without interest, by credit transfer to such account indicated in the Application Form at any time before the Bonds are admitted to listing on the Official List of the MSE. The Issuer shall not be responsible for any charges, loss, or delay arising in connection with such credit transfer.

7.2.17. The Issuer has not sought assessment of the Bonds by any independent credit rating agency.

7.2.18. For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations (Legal Notice 372 of 2017, as may be subsequently amended from time to time), all Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the “Members’ Code of Conduct” appended as Appendix 3.6 of the MSE Bye-Laws, irrespective of whether the Authorised Financial Intermediaries are Exchange Members or not. Such information shall be held and controlled by the MSE in terms of the Data Protection Act (Chapter 440 of the Laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679 for the purposes and within the terms of the MSE’s data protection and privacy policy as published from time to time.

7.2.19. It shall be incumbent on the respective Authorised Financial Intermediary to ascertain that all other applicable regulatory requirements relating to subscription of Bonds by an Applicant are complied with, including without limitation the obligation to comply with all applicable MiFIR requirements as well as applicable MFSA Rules for investment services providers.

7.2.20. By completing and delivering an Application Form, the Applicant:

- a. agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the Guarantors and the issue of the Bonds contained therein;
- b. warrants that the information submitted by the Applicant in the Application Form is true, correct and valid in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant’s address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant. Notwithstanding, the Issuer acting through the Registrar reserves the right to contact the applicant/s to verify, and if need be correct, the information submitted on the application form;
- c. authorises the Issuer, the Registrar, and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Chapter 440 of the Laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679. The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;
- d. confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer and the Guarantors or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- e. agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the Prevention of Money Laundering Act (Chapter 373 of the laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- f. agrees to provide the Issuer acting through the Registrar with any information which it/they may request in connection with the Application;
- g. warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental

or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bonds or his/her Application;

- h. warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- i. represents that the Applicant is not a U.S. person (as such term is defined in Regulation 'S' under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- j. agrees that unless such Application is made with Curmi & Partners Ltd, as Authorised Financial Intermediary, Curmi & Partners Ltd will not, in their capacity of Sponsor, treat the Applicant as their customer by virtue of such Applicant making an Application for the Bonds, and that Curmi & Partners Ltd will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their suitability for the Applicant;
- k. agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form;
- l. renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds.

7.2.21. Any licensed financial intermediary effecting a transfer of Bonds in the secondary market shall be required to carry out an Appropriateness Test and, if providing advice, a Suitability Test, in respect of the transferee, and be satisfied, based on the results of such test (or tests, as applicable), that an investment in the Bonds may be considered appropriate and/or suitable (as applicable) for such transferee.

7.3. PLAN OF DISTRIBUTION AND ALLOTMENT

The Bonds shall be allocated to Authorised Financial Intermediaries pursuant to placement agreements, details of which are included in Section 7.4 below.

The Bonds are open for subscription to all categories of investors, provided that the Authorised Financial Intermediaries shall be required to carry out an Appropriateness Test in respect of each Applicant for the purpose of assessing such Applicant's level of knowledge and experience prior to investing in the Bonds. Applications shall not be accepted by the Authorised Financial Intermediaries unless, based on the results of such Appropriateness Test, the Authorised Financial Intermediaries are satisfied that an investment in the Bonds may be considered appropriate for the Applicant. To the extent that the Authorised Financial Intermediaries is providing advice in respect of a purchase of the Bonds by an Applicant, the Authorised Financial Intermediaries shall be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

Subscriptions shall be made through any of the Authorised Financial Intermediaries, subject to a minimum subscription amount of €2,000 in nominal value of Bonds and in multiples of €100 thereafter.

It is expected that an allotment letter will be issued by the Issuer to Applicants by latest 12 December 2018. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta), and regulations made thereunder. Such monies will not bear interest while retained as aforesaid.

Dealings in the Bonds shall not commence prior to the Bonds being admitted to the Official List of the Malta Stock Exchange.

7.4. PLACEMENT AGREEMENTS

The Issuer has reserved the full amount of the Bond Issue for subscription by Authorised Financial Intermediaries through placement agreements, whereby the Issuer will bind itself to allocate the Bonds to such Authorised Financial Intermediaries in accordance with the terms of such placement agreements. The Authorised Financial Intermediaries will in turn bind themselves to subscribe to a specified amount of Bonds subject to, and conditional upon, the Bonds being admitted to the Official List of the MSE.

The placement agreements, which are subject to the terms of the Prospectus, will become binding on all parties thereto on the date of signing of the placement agreement and need to be submitted by latest 12:00 hours on 26 November 2018, being the placement date, subject to the Issuer having received all subscription proceeds in cleared funds by the placement date. Such agreements shall become unconditional upon admission of the Bonds to trading on the Official List.

In terms of the placement agreements, Authorised Financial Intermediaries may subscribe for Bonds for their own account or for the account of underlying customers, and shall in addition be entitled to either distribute to the underlying customers any portion of the Bonds subscribed for upon commencement of trading, or submit to the Registrar, Application Forms directly in the name of their

underlying customers. In either case, subscription amounts made by Applicants through Authorised Financial Intermediaries, including those made under nominee, shall be in multiples of €100, subject to a minimum subscription amount of €2,000 in Bonds by each individual Bondholder/underlying customer as the case may be.

AUTHORISED FINANCIAL INTERMEDIARIES

NAME	ADDRESS	TELEPHONE
Curmi & Partners Ltd	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102, Malta	21347331
Bank of Valletta p.l.c.	BOV Centre, Cannon Road, St Venera SVR 9030, Malta	22751732

7.5. PRICING

The Bonds are being issued at par, that is, at €100 per Bond, with the full amount payable upon subscription.

7.6. ALLOCATION POLICY

The Issuer shall allocate the Bonds to Authorised Financial Intermediaries pursuant to the placement agreements entered into with the Issuer, details of which can be found in Section 7.4 above.

7.7. ADMISSION TO TRADING

- i. The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 15 November 2018.
- ii. Application has been made to the MSE for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the MSE.
- iii. The Bonds are expected to be admitted to the MSE with effect from 12 December 2018 and trading is expected to commence on 14 December 2018.

7.8. ADDITIONAL INFORMATION

Save for the Financial Analysis Summary set out in Annex III, this Securities Note does not contain any statement or report attributed to any person as an expert.

The Financial Analysis Summary has been included in the form and context in which it appears with the authorisation of Curmi & Partners Ltd, of Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102, Malta, which has given and has not withdrawn its consent to the inclusion of such report herein.

Curmi & Partners Ltd does not have any material interest in the Issuer or the Guarantors. The Issuer confirms that the Financial Analysis Summary has been accurately reproduced in this Securities Note and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.



ANNEXES

Please read the notes overleaf before completing this Application Form. Mark 'X' where applicable.

APPLICANT (see notes 2 to 8)

<input type="checkbox"/> Non-Resident	<input type="checkbox"/> Minor (under 18)	<input type="checkbox"/> Body Corporate/ Body of Persons	<input type="checkbox"/> CIS-Prescribed Fund
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME / REGISTERED NAME	
ADDRESS			
			POSTCODE
MSE A/C NO. (if applicable)	I.D. CARD / PASSPORT / COMPANY REG. NO.	DOCUMENT TYPE	COUNTRY OF ISSUE
LEI (Legal Entity Identifier) (If applicant is NOT an Individual)	DATE OF BIRTH	NATIONALITY	MOBILE NO.
<input type="checkbox"/> PLEASE REGISTER ME FOR E-PORTFOLIO (mobile number is mandatory for e-portfolio registration)			

C ADDITIONAL (JOINT) APPLICANTS (see note 3) (please use Addendum to Application Form if space is not sufficient)

TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH
		NATIONALITY

D MINOR'S PARENTS / LEGAL GUARDIAN(S) (see note 4) (to be completed ONLY if the Applicant is a minor)

TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH
		NATIONALITY
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH
		NATIONALITY

E I/WE APPLY TO PURCHASE AND ACQUIRE (see note 9):

AMOUNT IN FIGURES €	AMOUNT IN WORDS
Phoenicia Finance Company p.l.c. 4.15% Unsecured Bonds 2023 - 2028 (the "Bonds") (minimum subscription of €2,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 15 November 2018 (the "Prospectus"), payable in full upon application under the Terms and Conditions of the Bonds as set out in the Prospectus. An Appropriateness Test shall be conducted by Authorised Financial Intermediaries prior to the Applicant subscribing for the Bonds (see note 7)	

F RESIDENT - WITHHOLDING TAX DECLARATION (see notes 10 & 11) (to be completed ONLY if the Applicant is a resident of Malta)

<input type="checkbox"/> I/We elect to receive interest NET of FWT.	<input type="checkbox"/> I/We elect to receive interest GROSS (i.e. without FWT.)
---	---

G NON-RESIDENT - DECLARATION FOR TAX PURPOSES (see note 2 & 11) (to be completed ONLY if the Applicant is a non-resident)

TAX COUNTRY	CITY OF BIRTH
T.I.N. (Tax Identification Number)	COUNTRY OF BIRTH
<input type="checkbox"/> NOT resident in Malta but resident in the European Union	<input type="checkbox"/> NOT resident in Malta and NOT resident in the European Union

H INTEREST AND REDEMPTION MANDATE (see note 12) (completion of this panel is MANDATORY)

BANK	IBAN

I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions of the Bonds as contained therein which I/we fully accept.
I/We hereby authorise the Company to forward the details to the Malta Stock Exchange for the purposes of registering the Bonds in my/our MSE account, to register for the e-portfolio (where applicable) and to enable the reporting of all necessary transaction and personal information provided in this Application Form in compliance with Article 26 of MiFIR (Markets in Financial Instruments Regulation) to the Malta Financial Services Authority as competent authority ("Transaction Reporting"). Furthermore, I/we understand and acknowledge that the Company may require additional information for Transaction Reporting purposes and agree that such information will be provided.

Signature/s of Applicant/s
(Parent/s or legal guardian/s are/is to sign if Applicant is a minor)
(All parties are to sign in the case of a joint Application)

Date

AUTHORISED FINANCIAL INTERMEDIARY'S STAMP

AUTHORISED FINANCIAL INTERMEDIARY'S CODE

APPLICATION NUMBER

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 15 November 2018 regulating the Bond Issue

1. This Application is governed by the general Terms and Conditions of Application contained in Section 7.2 of the Securities Note dated 15 November 2018 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS. Applicants who are non-residents in Malta for tax purposes, must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
3. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals must be given in Panels B and C **but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below). Applications by more than two persons are to use the Addendum to the Application Form.**

Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel B), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.

4. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted (the birth certificate is not required if the minor already holds securities which are listed on the MSE). The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
5. In the case of a body corporate, the name of the entity exactly as registered and the registration number are to be inserted in Panel B. A valid Legal Entity Identifier ("LEI") needs to be inserted in Panel B. **Failure to include a valid LEI code, will result in the Application being cancelled by the Registrar.** Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
6. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THIS APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE AFFECTED.**
7. In terms of Section 7.2.14 of the Securities Note, where an Applicant makes an application for the subscription of Bonds, the Authorised Financial Intermediary shall, prior to accepting such application, conduct an Appropriateness Test in respect of the Applicant. To the extent that Authorised Financial Intermediaries are providing advice or portfolio management in respect of a purchase of Bonds by an Applicant, Authorised Financial Intermediaries shall also be required to conduct a Suitability Test in respect of an Applicant.
8. Where a decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be included in the space provided on the Addendum to Application Form.
9. Applications must be for a minimum subscription of €2,000 and thereafter in multiples of €100 and must be accompanied by the relevant subscription amount in Euro.
10. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will be obliged to declare interest so received in the tax return. The Issuer will render an account to the Maltese Commissioner for Revenue of all interest paid, all amounts of tax deducted by the payor in respect of the interest paid and of the identity of all such recipients. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a prescribed fund (having indicated their status in the appropriate box in Panel A) will have final withholding tax (currently 10%), deducted from interest payments.
In terms of Section 6.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of final withholding tax, (currently 15%) of the gross amount of interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta).
11. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

The contents of Notes 10 and 11 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.

12. Interest and redemption proceeds will be credited to the account indicated in Panel H or as otherwise amended by the Bondholder/s during the term of the Bond.
13. Authorised Financial Intermediaries are to submit completed Application Forms representing the total amount committed in terms of the Placement Agreement as mentioned in Section 7.4 of the Securities Note by latest 12:00 hours on 28 November 2018. The Issuer reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of Application as contained in the Prospectus.
14. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:
 - a. the Issuer or its duly appointed agents including the CSD and the Registrar, may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2106/679 as amended from time to time;
 - b. the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
 - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer.

Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.

ANNEX II

GUARANTEE

To all Bondholders:

Reference is made to the issue of €25,000,000 4.15% Unsecured Bonds to be redeemed and finally repaid on 15 December 2028, subject to early redemption at the option of the Issuer on any of 15 December 2023, 15 December 2024, 15 December 2025, 15 December 2026 or 15 December 2027 (the **"Bonds"**) by Phoenicia Finance Company p.l.c., a company registered in Malta bearing company registration number C 88958 (the **"Issuer"**), pursuant to and subject to the Terms and Conditions contained in a prospectus to be dated 15 November 2018 (the **"Prospectus"**).

Now therefore, by virtue of this Guarantee, Phoenicia Malta Limited (C-41576) and Phoenicia Hotel Company Limited (OC1) (hereinafter together referred to as the **"Guarantors"**), hereby stand, jointly and severally between them, as surety with the Issuer and irrevocably and unconditionally undertake to effect the due and punctual performance of all the payment obligations undertaken by the Issuer under the Bonds if the Issuer fails to do so and, without prejudice to the generality of the foregoing, undertake to pay on an on-going basis, interest which may become due and payable during the term of the Bonds and the principal amount of the Bonds on the Redemption Date should the Issuer default in paying the Bondholders under the Bonds, within 30 days from the date when such amounts fall due and remain unpaid by the Issuer. Signed and executed on this 15 November 2018, after approval of the board of directors of Phoenicia Malta Limited and Phoenicia Hotel Company Limited.

1. INTERPRETATION

In this Guarantee, unless the context otherwise requires:

- a. terms and expressions defined in or construed for the purposes of the Prospectus shall have the same meanings or be construed in the same manner when used in this Guarantee, unless defined otherwise in this Guarantee;
- b. **"Indebtedness"** means any and all moneys, obligations, and liabilities now and hereafter due, owing or incurred by the Issuer under the Bonds to the Bondholders (whether alone and/or with others) in terms of the Prospectus and in any and all cases whether for principal, interests, capitalised interests, charges, disbursements, or otherwise and whether for actual or contingent liability; and
- c. **"writing"** or **"in writing"** means any method of visual representation and shall include facsimile transmissions, telexes and other such electronic methods.

2. NATURE AND SCOPE OF THE GUARANTEE

2.1 The offering of Bonds that will be made by the Issuer pursuant to the Prospectus will be made with the benefit of the joint and several corporate guarantee of the Guarantors, the full terms of which are set out in clause 4 below.

2.2 The Guarantee is unconditional and shall cover all payments that may be due to Bondholders pursuant to the Prospectus.

3. INFORMATION ABOUT THE GUARANTORS

The information about the Guarantors required pursuant to the Listing Rules and the Regulation may be found in the Registration Document.

4. TERMS OF THE GUARANTEE

4.1 UNDERTAKING TO PAY

For the purposes of the Guarantee, the Guarantors, as primary obligors, jointly and severally between them and with the Issuer, hereby irrevocably and unconditionally guarantee to each Bondholder that if for any reason the Issuer fails to pay any sum payable by it to such Bondholder pursuant to the terms and conditions of the Bonds detailed in the Securities Note as and when the same shall become due under any of the foregoing, the Guarantors will pay to such Bondholder on written demand the amount payable by the Issuer to such Bondholder. All demands shall be sent to the address or facsimile or other numbers as are stated below in clause 4.11 as the same may be changed by company announcement issued by the Issuer from time to time. Such payment shall be made in the currency in force in Malta at the time the payment falls due.

4.2 GUARANTORS AS JOINT AND SEVERAL SURETY

Each Guarantor will be liable under this Guarantee as joint and several surety with the Issuer.

4.3 CONTINUING OBLIGATIONS

The liability of each Guarantor under this Guarantee shall be continuing until such time as the Indebtedness is fully repaid and shall in no way be prejudiced or affected, nor shall it in any way be discharged or reduced, by reason of:

- a. the insolvency, liquidation or winding-up of the Issuer; or
- b. the incapacity or disability of the Issuer or any other person liable for any reason whatsoever; or

- c. any change in the name, style, constitution, any amalgamation or reconstruction of either the Issuer or any of the Guarantors;
- d. a Bondholder conceding any time or indulgence or renewing the term for payment or omitting to claim or enforce or extract payment from the Issuer or any other person liable; or
- e. any event, act, or omission that might, were it not for this clause operate to exonerate any Guarantor without settlement in full of the Indebtedness towards the relevant Bondholder.

4.4 INDEMNITY

As a separate and alternative stipulation, each Guarantor unconditionally and irrevocably agrees that any Indebtedness to be payable by the Issuer but which is for any reason (whether or not now known or becoming known to the Issuer, any Guarantor or any Bondholder) not recoverable from any Guarantor, will nevertheless be recoverable from it as if it were the sole principal debtor and will be paid by it to the Bondholder on demand. This indemnity constitutes a separate and independent obligation from the other obligations in this Guarantee, gives rise to a separate and independent obligation from the other obligations in this Guarantee, and gives rise to a separate and independent cause of action.

4.5 STATUS OF GUARANTEE

The obligations of the Guarantors under this Guarantee constitute a general, direct, unconditional and unsecured obligation of the Guarantors and rank equally with all other existing and future unsecured obligations of the Guarantors, if any, except for any debts for the time being preferred by law.

4.6 REPRESENTATIONS AND WARRANTIES

4.6.1 Each Guarantor hereby warrants and represents that:

- a. it has all corporate power, and has taken all necessary corporate or other action, to enable it to execute, deliver, and perform this Guarantee, and that this Guarantee constitutes the legal, valid, and binding obligations of each Guarantor;
- b. it is not in breach of or in default under any agreement relating to indebtedness to which it is a party or by which it may be bound nor has any default occurred in its regard;
- c. all the information, verbal or otherwise tendered in connection with the negotiation and preparation of this Guarantee is accurate and true and there has been no omission of any material facts; and
- d. the granting of this Guarantee is in the commercial interest of each Guarantor and that each Guarantor acknowledges that it is deriving commercial benefit therefrom.

4.6.2 As from the date of this Guarantee, until such time as the Indebtedness is paid in full to the Bondholders, and for as long as this Guarantee shall remain in force, the Guarantors shall hold true, good and valid all the representations and warranties given under this clause.

4.7 DEPOSIT AND PRODUCTION OF THE GUARANTEE

The instrument creating this Guarantee shall be deposited with and held by the Issuer at its registered address until all obligations of the Guarantors have been discharged in full, and until such time, the Guarantors acknowledge the right of every Bondholder to obtain a copy of the instrument creating the Guarantee.

4.8 SUBROGATION

Until all amounts which may be payable under the terms of the Bonds have been irrevocably paid in full, the Guarantors shall not by virtue of this Guarantee be subrogated to any rights of any Bondholder or claim in competition with the Bondholders against the Issuer.

4.9 BENEFIT OF THE GUARANTEE AND NO ASSIGNMENT

This Guarantee is to be immediately binding upon the Guarantors for the benefit of the Bondholders. The Guarantors shall not be entitled to assign or transfer any of their respective obligations under this same Guarantee.

4.10 AMENDMENTS

The Guarantors have the power to veto any changes to the terms and conditions of the Bonds which are issued with the benefit of its Guarantee.

4.11 NOTICES

4.11.1 Any notice required to be given by any party hereto to the other party shall be deemed to have been validly served if delivered by hand or sent by pre-paid registered letter through the post or by facsimile to such other party at his address given herein or such other address as may from time to time be notified to the other party for this purpose and any notice so served shall be deemed to have been served, if delivered by hand, at the time of delivery, or if by post, seven days after posting and if by

facsimile, at the time of transmission of the facsimile, provided that in the case of a change in the details of specified below, a company announcement by the Issuer to this effect shall constitute sufficient and proper notice to the Bondholders for the purposes of this clause.

4.11.2 For the purposes of this Guarantee, the proper addresses and telephone numbers of the Guarantors are:

Phoenicia Malta Limited

Address: The Phoenicia Hotel, The Mall, Floriana, Malta
Telephone number: +356 2122 5241
Contact person: Jean Pierre Ellul Castaldi

Phoenicia Hotel Company Limited

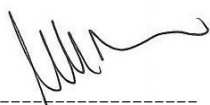
Address: The Phoenicia Hotel, The Mall, Floriana, Malta
Telephone number: +356 2122 5241
Contact person: Jean Pierre Ellul Castaldi

4.12 GOVERNING LAWS AND JURISDICTION

4.12.1 This Guarantee is governed by and shall be construed in accordance with Maltese law.

4.12.2 Any dispute, controversy or claim arising out of or relating to this Guarantee or as to the interpretation, validity, performance, or breach thereof shall be brought exclusively before the Maltese courts.

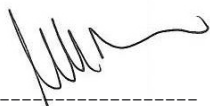
Signed:



Mark Shaw
Director
(Phoenicia Malta Limited)



Jean Pierre Ellul Castaldi
Director
(Phoenicia Malta Limited)



Mark Shaw
Director
(Phoenicia Hotel Company Limited)



Jean Pierre Ellul Castaldi
Director
(Phoenicia Hotel Company Limited)

ANNEX III

FINANCIAL ANALYSIS SUMMARY

**CURMI &
PARTNERS**

1st November 2018

The Directors
The Phoenicia Malta
The Mall
Floriana,
FRN1478
Malta

Dear Sirs

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

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

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

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

The Analysis in the following pages is meant to assist potential investors by summarising the more important financial data set out in the Prospectus. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the proposed bond issue

by the issuer and should not be interpreted as a recommendation to invest in any of the Issuer's or the Group's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. As with all investments, potential investors are encouraged to seek professional advice before investing in the Bonds.

Yours sincerely,



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

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1.

OVERVIEW OF THE ISSUER

1.1 HISTORY AND DEVELOPMENT OF THE ISSUER

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

1.2 SHAREHOLDING OF THE ISSUER

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

1.3 DIRECTORS

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

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

2.

OVERVIEW OF THE GROUP

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

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

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

The Hotel is in the process of completing the last phase of the refurbishment programme; the construction of a Spa and health club (“the Spa”) which is expected to open during the first quarter of 2019.

Key historical developments include the following:

1935	PHCL (previously known as “Malta Hotels Company Limited”) was incorporated in the United Kingdom for the purpose of acquiring by emphyteutical title the land over which the Premises was subsequently constructed.
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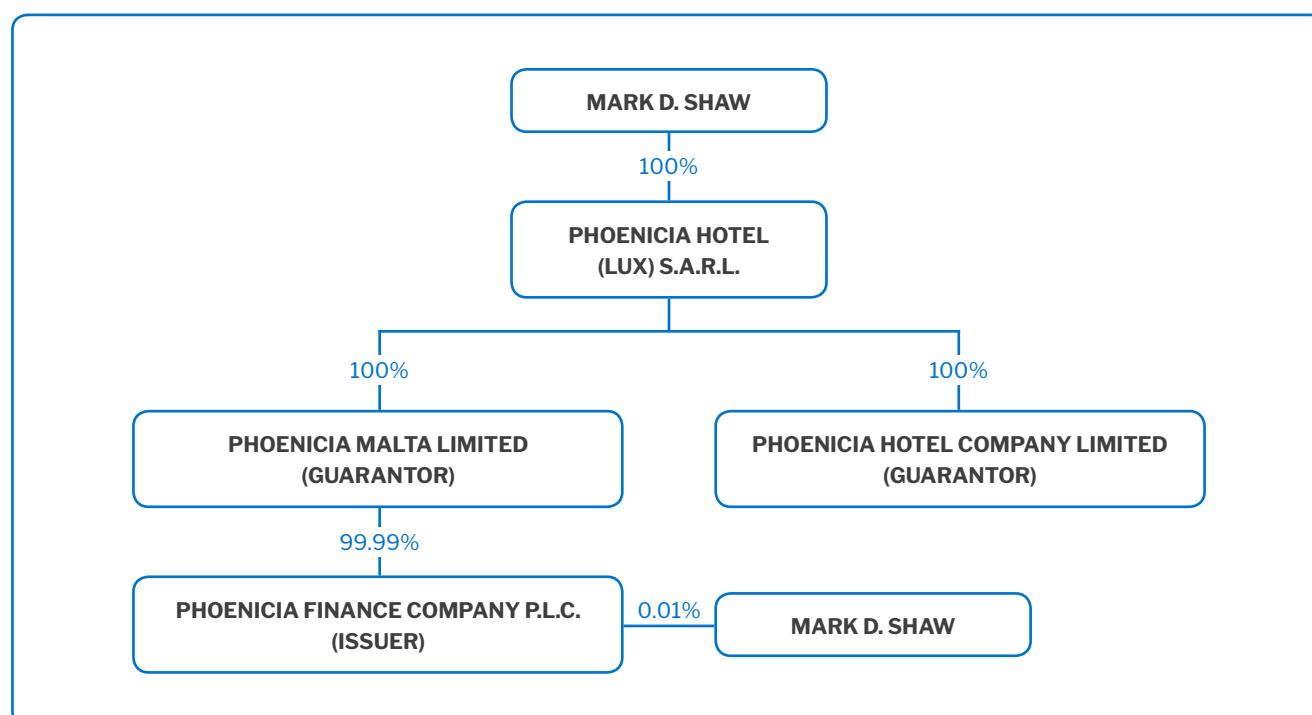
1947	The Phoenicia Hotel celebrated its official opening in 1947.
1961	PHCL granted the Premises on sub-emphyteusis to Ms Agnes Graham.
1965	PHCL was registered as an oversea company in Malta.
1966	Ms Agnes Graham transferred the sub-emphyteusis over the Premises to Holtours Limited.
1997	The Phoenicia Hotel was renamed “Le Méridien Phoenicia”.
2007	PML (previously known as Cuffe (Malta) Limited) was incorporated on 8 June 2007, for the purpose of acquiring the sub-emphyteusis over the Premises from Holtours Limited. The hotel was renamed as “The Phoenicia Malta”.
2013	Acquisition of the Phoenicia Group by the current owner.
2016	The Phoenicia Hotel was closed for refurbishment in November 2015 up to April 2017.
2017	The Phoenicia Hotel was re-opened for business on 15 April 2017.

Phoenicia has changed owners along the years, as the sub-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”).

2.1 ORGANISATIONAL STRUCTURE

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

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



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

2.2 OVERVIEW OF THE GUARANTORS

2.2.1 PHOENICIA MALTA LIMITED

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

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

2.2.2 PHOENICIA HOTEL COMPANY LIMITED

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

Rooms

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

Catering

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

Other

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

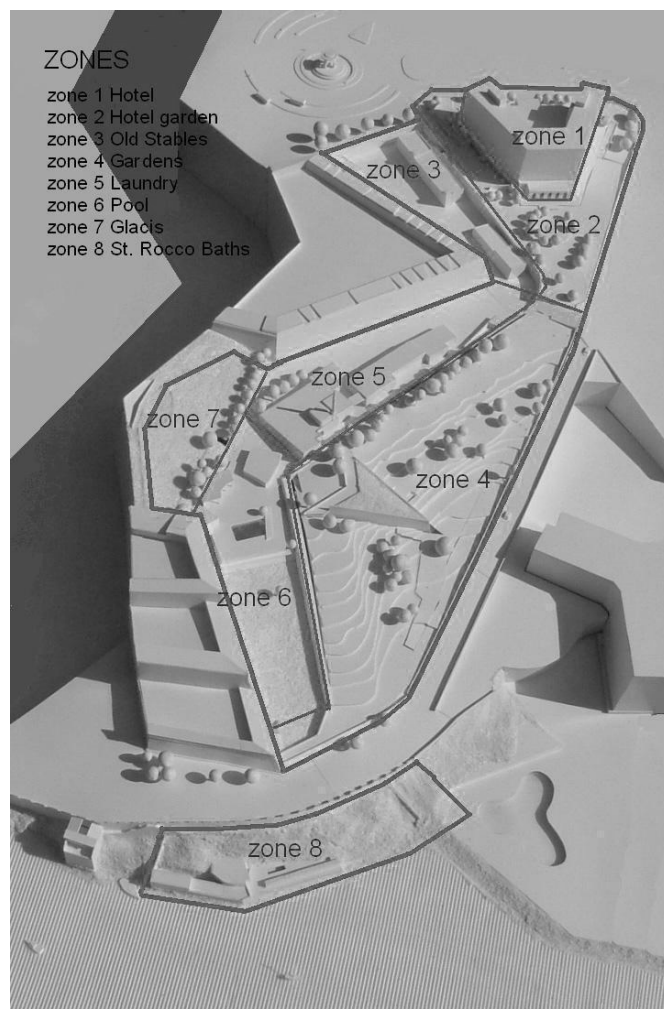
The Phoenicia has been a member of the LHW network since December 2015. This membership further establishes the Hotel's position in the luxury hotel segment and provides access to global loyalty programmes, namely the American Express Travel's Fine Hotels and Resorts, and is presently the only local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

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

3. MAJOR ASSETS OF THE GROUP

3.1 THE PHOENICIA HOTEL

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



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

HOTEL METRICS AND COMBINED FINANCIAL INFORMATION

KPIs	2015 Actual	2016 Actual	2017 Actual	LTM 2018 Actual	2018 Forecast	2019 Forecast
Revenue (€000)	7,822	348	6,777	11,226	13,245	15,214
Gross Operating Profit (€000)	2,836	(2,414)	1,260	4,058	5,499	6,556
EBITDA (€000)	2,726	(2,592)	919	3,596	4,947	5,970

Benchmark Performance

Occupancy level	76%	76%	69%
Average Room Rate (ARR) (€)	135	142	137
Revenue per available room (RevPAR) (€)	103	110	121

Phoenicia Performance

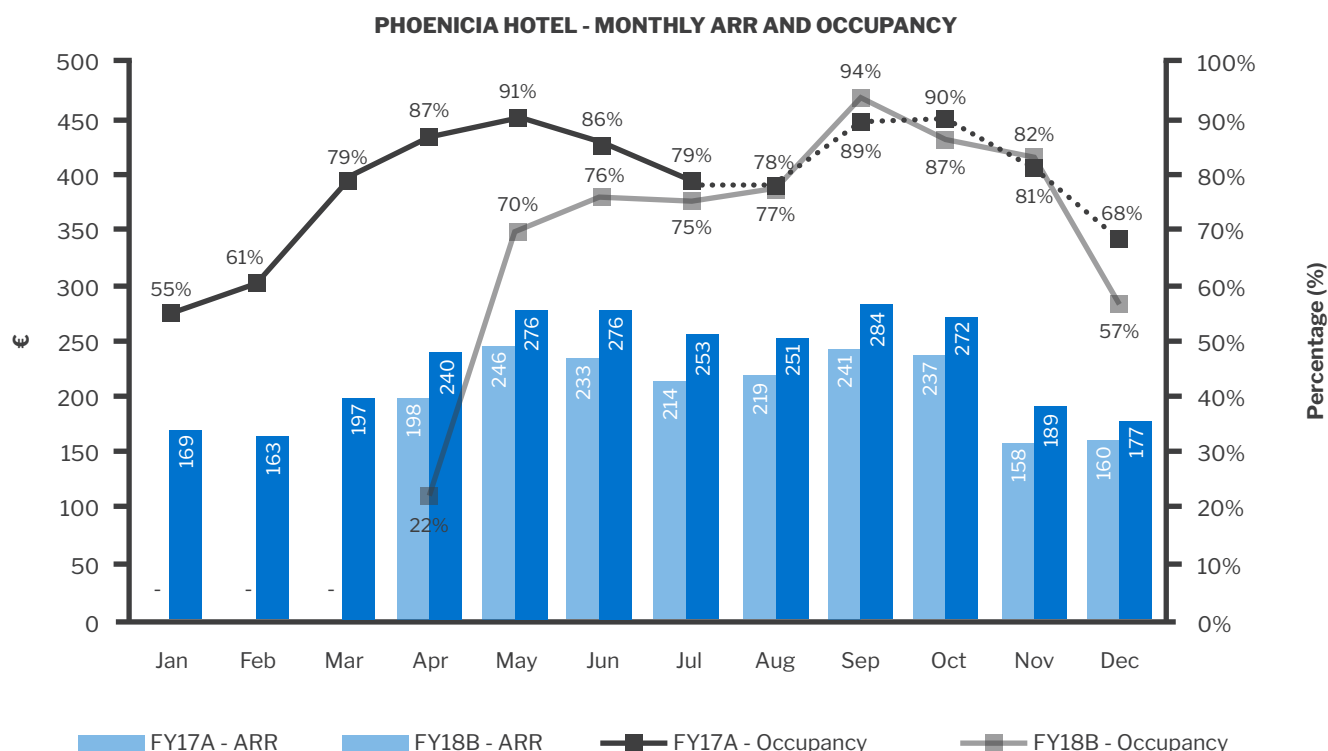
Room Revenue (€000)	5,467	-	4,611	7,729	9,160	10,309
Overall occupancy	85%	-	74%	77%	79%	82%
Gross Operating Profit Margin	36%	-693%	19%	36%	42%	43%
ARR (€)	149	-	213	218	234	253
RevPAR (€)	127	-	157	168	185	208

Source: Management information; Combined Financial Statements; MHRA Reports

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

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

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



Source: Management information

3.2 THE REFURBISHMENT

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

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

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

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

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

3.3 VALUATIONS OF LAND AND BUILDINGS

The Group's Property, Plant and Equipment ("PPE") consists of the leasehold land, buildings, plant & machinery at the site of the Hotel. Following completion of the Hotel's refurbishment and commencement of operations, the Group obtained an independent

valuation from local architects, DeMicoli & Associates Architects, in accordance with the recommendations of the Valuation Standards for Accredited Valuers. The fair value determined on the basis of this valuation was €92 million as at 29th October 2018 which also includes the estimated value of all underlying plant and equipment used in the ongoing operation of the Hotel and which are utilised in the generation of income. The revaluation resulted in a fair value gain of €45 million in 2017, resulting in a net movement in other comprehensive income of €38.4 million, after a deferred tax adjustment.

4.

INDUSTRY OVERVIEW

4.1 ECONOMIC UPDATE¹

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

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

4.2 TOURISM AND HOSPITALITY²

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

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

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

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

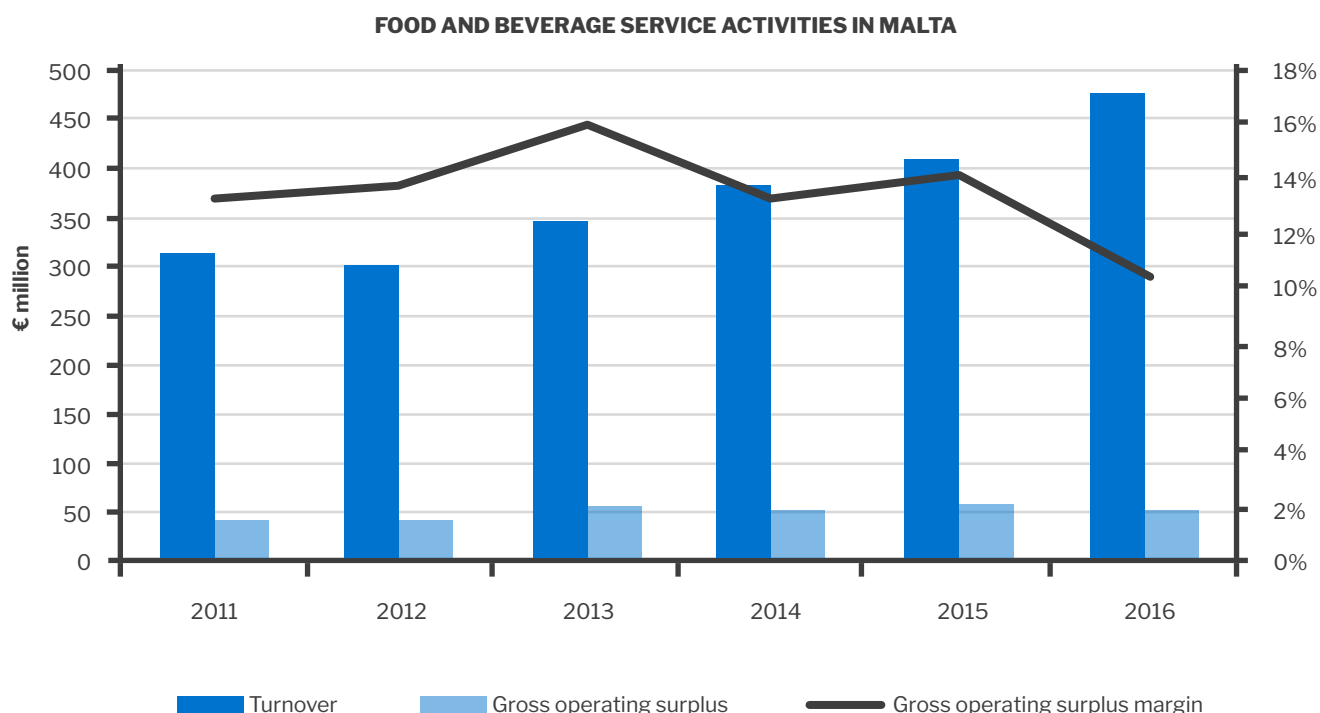
4.3 FOOD AND BEVERAGE³

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

1 Central Bank of Malta Annual Report 2017; Quarterly review 2018 Vol 15 No 3

2 Hotel Performance survey by Deloitte Q4 2017; MHRA Survey Q2 2018 and Year to Date

3 Eurostat (NACE REV.2 HN and S95); MHRA Survey Q1 2018; MHRA Survey Q2 2018 and Year to Date; Central Bank of Malta ‘Household expenditure in Malta and the RPI Inflation Basket’.



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

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

5. PROPOSED BOND ISSUE

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

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

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

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

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

6. PERFORMANCE AND FINANCIAL POSITION OF THE ISSUER

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

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

6.1 STATEMENT OF COMPREHENSIVE INCOME

PHOENICIA FINANCE COMPANY PLC

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

Source: Management information

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

6.2 STATEMENT OF CASH FLOWS

PHOENICIA FINANCE COMPANY PLC

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

Source: Management information

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

6.3 STATEMENT OF FINANCIAL POSITION

PHOENICIA FINANCE COMPANY PLC

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

Source: Management information

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

7.

PERFORMANCE AND FINANCIAL POSITION OF THE GROUP

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

The Group does not have a statutory requirement to prepare consolidated financial information. However, management prepared combined financial statements for FY2015-FY2017 based on an aggregation of the audited financial statements of PML and PHCL⁴, and after taking into consideration intercompany and consolidation adjustments ("the Combined Financial Statements"). Combined financial information for FY2015A has not been audited. The annual Combined Financial Statements of PML and PHCL for FY2016 and FY2017 have been audited by Ernst & Young Malta Limited Independent Auditors, as stated in their report. Combined Financial Statements are also provided on the basis of management forecasts for PML and PHCL standalone, taking into account applicable consolidation adjustments.

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

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

7.1 STATEMENT OF COMPREHENSIVE INCOME

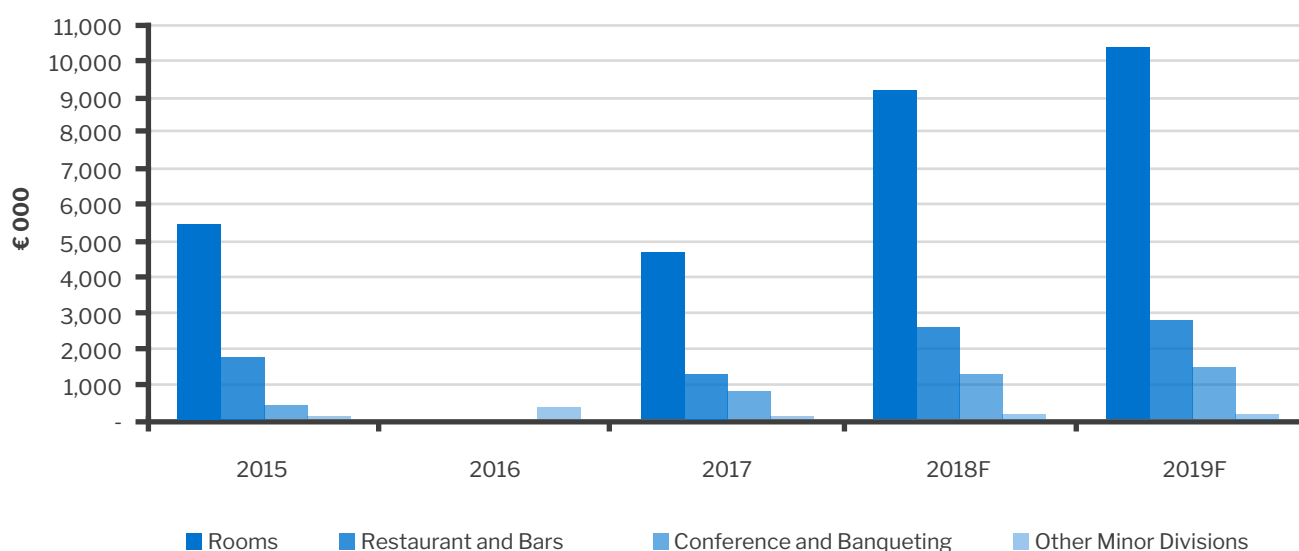
COMBINED FINANCIAL STATEMENTS

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

Source: Combined Financial Statements; Management information

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

PHOENICIA GROUP - REVENUE BREAKDOWN



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

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

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

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

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

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

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

7.2 STATEMENT OF CASH FLOWS

COMBINED FINANCIAL STATEMENTS

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

Source: Combined Financial Statements, Management information

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

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

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

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

7.3 STATEMENT OF FINANCIAL POSITION

COMBINED FINANCIAL STATEMENTS

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

Source: Combined Financial Statements, Management information

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

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

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

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

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

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

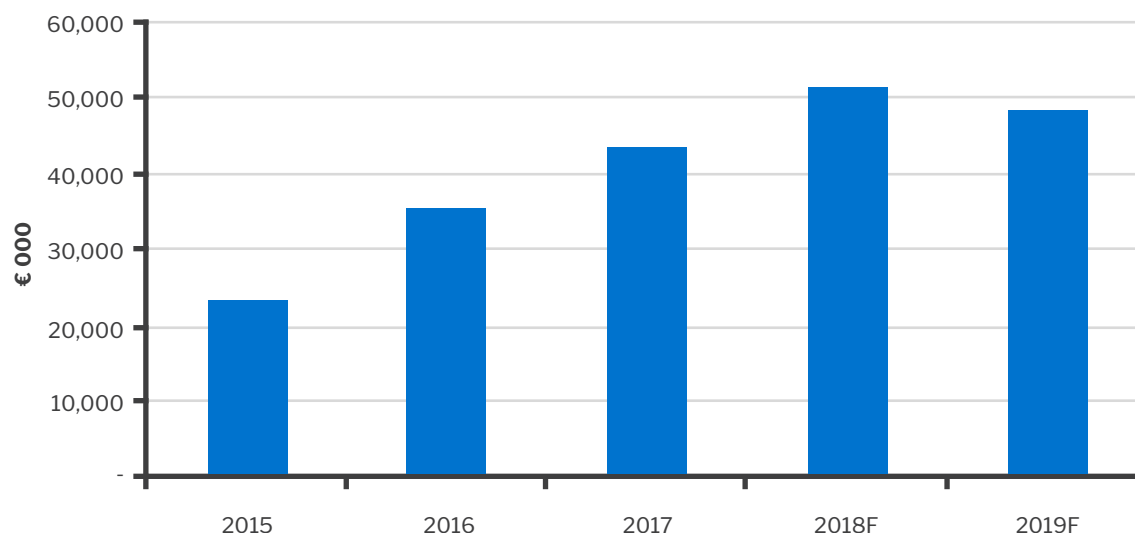
Total borrowings increased by a further 22% to €43.3 million (including capital payables), primarily reflecting the continued funding of the Refurbishment. Total equity amounted to €35.9 million, mainly consisting of the Revaluation reserve of €34.6 million, which in turn reflects the impact of the property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

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

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

7.4 BORROWINGS

PHOENICIA GROUP - DEBT SCHEDULE



Source: Management Information; Combined Financial Statements

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

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

COMBINED FINANCIAL STATEMENTS

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

Source: Combined Financial Statements; Management information

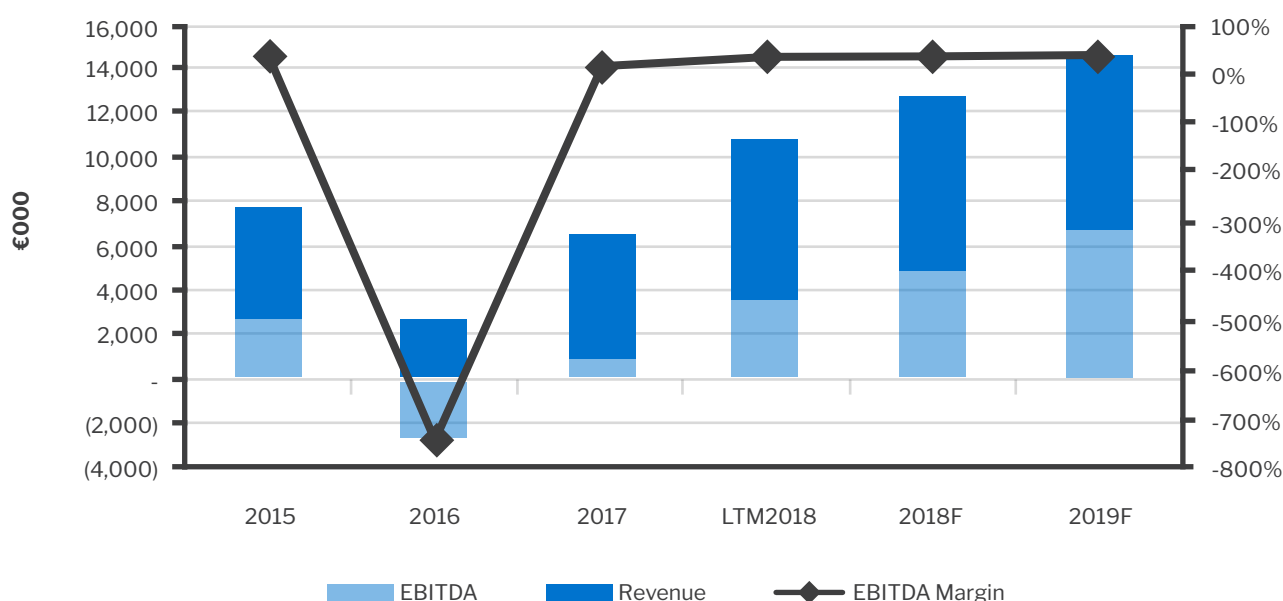
7.5 EVALUATION OF PERFORMANCE AND FINANCIAL POSITION

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

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

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

PHOENICIA GROUP - PERFORMANCE OVERVIEW



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

COMBINED FINANCIAL STATEMENTS

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

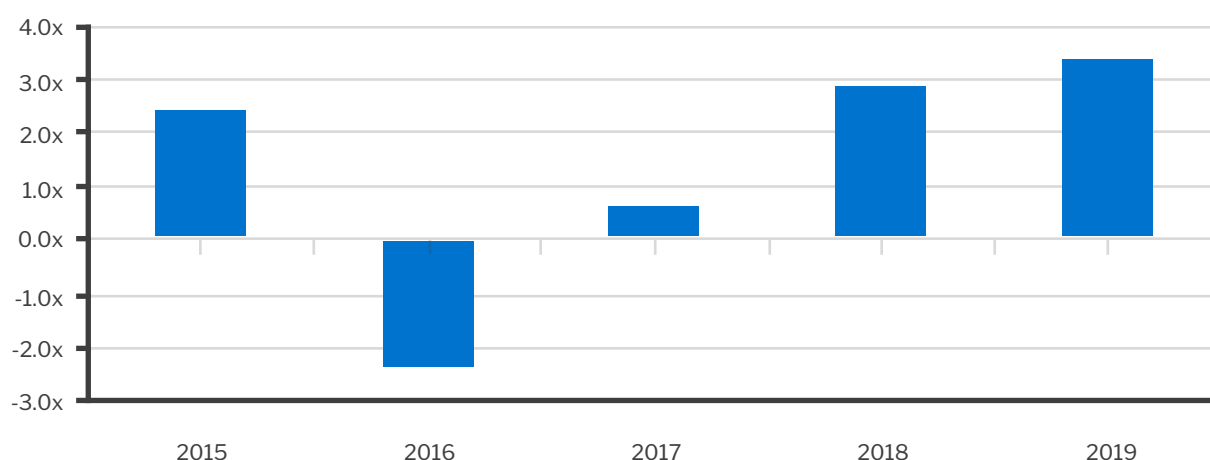
Source: Combined Financial Statements; Management information; Curmi and Partners Ltd

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

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

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

PHOENICIA GROUP - INTEREST COVERAGE RATIO



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

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

COMBINED FINANCIAL STATEMENTS

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

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

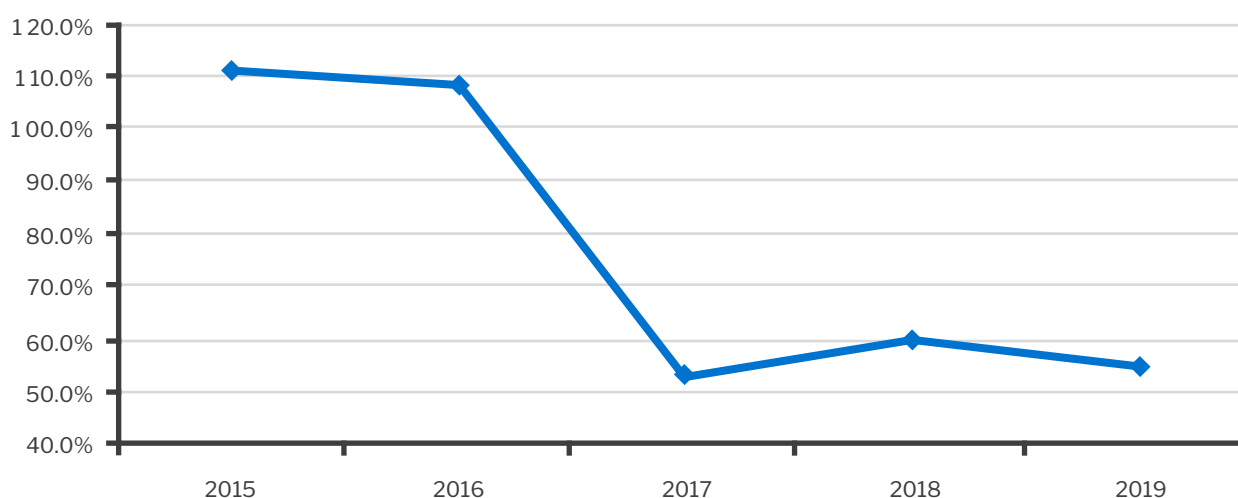
Prior to the Hotel's revaluation, the leverage in the Group's capital structure was particularly elevated as borrowing levels increased substantially to fund the major capital outlay. On the other hand total equity levels were negative, driven lower by the negative retained earnings. Gearing levels improved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

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

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

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

PHOENICIA GROUP - GEARING RATIO



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

8. COMPARABLES

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

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

COMPARABLES - HOSPITALITY RELATED COMPANIES LISTED ON MSE

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

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

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

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

Source: Bloomberg

9. GLOSSARY

Non-current assets	Non-current assets are long-term investments, the full value of which will not be realised within the accounting year.
Current assets	Current assets are all assets that are realisable within one year from the statement of financial position date. Such amounts include trade receivables, inventory, cash and bank balances.
Current liabilities	Current liabilities are liabilities payable within a period of one year from the statement of financial position date, and include trade payables and short-term borrowings.
Non-current liabilities	Long-term financial obligations or borrowings that are not due within the present accounting year. Non-current liabilities include long-term borrowings, bonds and long-term lease obligations.
Total Equity	Total equity includes share capital, reserves, retained earnings and minority interests. It relates to the capital and reserves that are attributable to owners of the company.
Cash flow from operating activities	Cash flow from operating activities illustrates the cash-generating abilities of a company's core activities, and includes cash inflows and outflows that are related to operating activities.
Cash flow from investing activities	Cash flows from investing activities reflect the change in cash position resulting from investments and divestments.
Cash flow from financing activities	Cash flows from financing activities shows the cash inflows and outflows related to financing transactions with providers of funding, owners and the creditors.
Free Cash Flow	A measure of the ability to generate the cash flow necessary to maintain operations. It is the balance after all cash flows for operating activities, fixed asset net investments, working-capital expenditures. The definition of free cash flow may vary; for this purpose it was based on EBITDA adjusting for net investments, working capital and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation (EBITDA) is a measure of operating profitability. It excludes depreciation and amortisation, and is viewed as measure of a company's core profitability and cash generating ability.
Operating and Financial Ratios	
ARR	Average Room Rate (ARR) is the average price of each room sold during a particular period of time. It is calculated by dividing accommodation revenue by the number of rooms sold.
RevPAR	Revenue per available room (RevPAR). It is calculated by dividing the hotel's total revenue by the number of rooms available and the number of days in the period under consideration.
Occupancy level	Occupancy level is the percentage of available rooms being sold for a certain period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Current ratio	The current ratio measures the ability to pay short term debts over the next 12 months. It compares a company's current assets to its current liabilities.
Quick ratio	Similarly to current ratio the quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. It excludes inventories from current assets.

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

NOTES

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