



## Mediterranean Investments Holding Plc (MIH) 5.5% 2020

### Issuer and Guarantor

The legal and commercial name of the Issuer is Mediterranean Investments Holding plc (MIH) having registration number C-37513. The legal and commercial name of the Guarantor is Corinthia Palace Hotel Company Limited having registration number C-257.

The Issuer was registered in Malta in terms of the Act on 12<sup>th</sup> December 2005 as a private limited liability company and was subsequently converted into a public limited company on 6<sup>th</sup> November 2007. The Issuer is domiciled in Malta. The Guarantor was registered in Malta in terms of the Act on 21<sup>st</sup> June 1966 as a private limited liability company. The Guarantor is domiciled in Malta.

The principal object of the Issuer, which objects are limited to activities outside Malta and to such other activities as are or may be necessary for its operations from Malta, is to directly or indirectly acquire and develop real estate opportunities in North Africa, including, without limitation, opportunities with respect to retail outlets, shopping malls, office and commercial buildings, residential gated compounds, housing, hotels, build-operate-transfer and other governmental projects and conference centres. The issue of bonds falls within the objects of the Issuer.

Palm City Residences has remained operational at all times throughout the political turmoil in Libya that started in 2011. Whilst the unrest in Libya had largely subsided by the end of the last quarter in 2011, the second half of 2014 saw various protests and episodes of violence, with security concerns and fragmented governance in many parts of the country. From the occupancy levels of 94% at Palm City Residences registered in 2013 and the first two quarters of 2014, occupancy reduced to 53% by February 2015 and 49% in March 2015. It is likely that the present situation of lower than usual occupational leases at Palm City Residences will persist throughout 2015 with increased levels of activity returning to Tripoli as from 2016 given the long-term view of numerous Palm City Ltd tenants and the lack of expatriate accommodation having equivalent standards and security measures in place.

As to the Medina Tower development, the project designs are complete and all development approvals have been obtained from the relevant authorities. The joint venture company responsible for the project, Medina Tower Joint Stock Company for Real Estate and Development (MTJSC), has concluded a term sheet with a Libyan financial institution which would secure the debt funding for the said project on a debt to equity basis of 60:40. This project, the development of which is expected to be completed within circa 48 months from commencement of the works, is currently on hold given the political situation in Libya.

Palm Waterfront project, which is to be developed next to Palm City Residences, is on hold as at the date of the Prospectus. The development plans submitted to local authorities include 164-room 4-star hotel and a mix of residential units which, when complete, will either be leased or sold by Palm Waterfront Ltd. depending on market

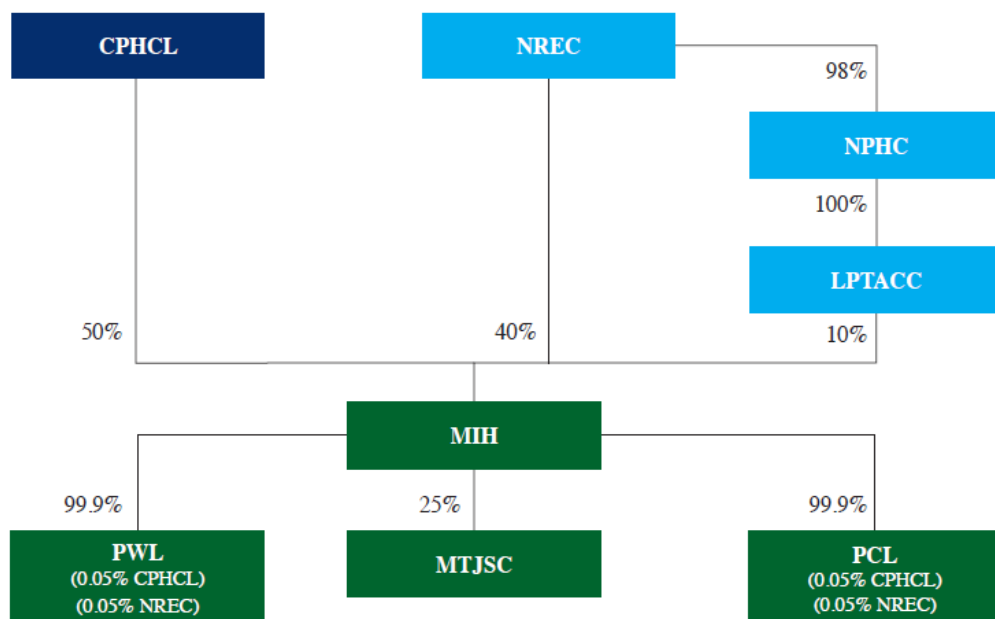
trends prevailing at the time.

As regards the Guarantor, Corinthia Palace Hotel Company Limited has, throughout the years, adopted a strategy aimed at increasing its resilience during challenging times, the likes of which have been experienced of late. In this regard, the results of this strategy have been particularly effective in acting as buffers against the adverse effects of this economic downturn.

Corinthia Palace Hotel Company Limited has distributed its investments across diverse geographic locations and is now achieving further diversity through growth in ancillary business segments. The diversity of the Corinthia Group's investment portfolio mitigates its exposure to any one specific country or source of business. This diversity ensures that the Corinthia Group's earnings provide a healthy mix between active (hotel business) and passive income (long-term rental income), thereby ensuring a more balanced profit and cash generation.

Whereas Corinthia Palace Hotel Company Limited remains primarily a holding company, its subsidiary company IHI remains a hotel owning and operating company with a number of its hotel assets containing significant retail, office and/or residential components, meaning that it has through the years managed to put its competences in hotel management and real estate development to profitable use. By end 2014, €9.4 million (2013: €9.8 million; 2012: €9 million), or the equivalent of 33% (2013: 28%; 2012: 31%) of IHI's EBITDA, were generated from these ancillary business lines.

The Issuer is the parent company of the Group. The organisational structure of the Group is illustrated in the diagram below as at the date of the Prospectus.



- CPHCL** Corinthia Palace Hotel Company Limited, a company registered under the laws of Malta  
**NREC** National Real Estate Company KSCP, a company registered under the laws of Kuwait  
**NPHC** National Projects Holding Company (KSC), a company registered under the laws of Kuwait  
**LPTACC** Libya Projects General Trading and Contracting Company, a company registered under the laws of Kuwait  
**MIH** Mediterranean Investments Holdings  
**PWL** Palm Waterfront Ltd, a company registered under the laws of Malta  
**MTJSC** Medina Tower Joint Stock Company for Real Estate and Development, a joint stock investment company registered under the commercial laws of Libya  
**PCL** Palm City Ltd., a company registered under the laws of Malta

### **Mediterranean Investment Holding Plc - €20 million 5.50% Unsecured Bonds 2020**

- EUR 20 million 5.5% Unsecured Bonds 2020 of a nominal value of €100 per bond issued at par. The Bonds are guaranteed by Corinthia Palace Hotel Company Limited.
- The minimum subscription of Eur 2,000 in bonds and multiples of Eur 100 thereafter.
- Redeemable on their nominal value on 31<sup>st</sup> July 2020.
- Interest Payments will be on 31<sup>st</sup> July of each year between and including each of the years 2016 and the year 2020, as from 1<sup>st</sup> August 2016.
- The application forms are mailed to Maturing Bondholders and holders of Existing MIH Bonds, Existing Corinthia Finance Bonds and Existing IHI Bonds on 2<sup>nd</sup> July 2015.
- Expected date of commencement of trading in the bonds is 10<sup>th</sup> August 2015.

### **Important Dates:**

<b>TIME-TABLE</b>		
1	Application Forms mailed to Maturing Bondholders and holders of Existing MIH Bonds, Existing Corinthia Finance Bonds and Existing IHI Bonds as at the Cut-off Date	2 <sup>nd</sup> July 2015
2	Closing of the Issue Period for Maturing Bondholders and holders of Existing MIH Bonds, Existing Corinthia Finance Bonds and Existing IHI Bonds as at the Cut-off Date	17 <sup>th</sup> July 2015 (by 1200 hours)
3	Intermediaries Offer *	21 <sup>st</sup> July 2015
4	Announcement of basis of acceptance	24 <sup>th</sup> July 2015
5	Dispatch of allotment advices and refunds (if any)	31 <sup>st</sup> July 2015
6	Issue date of the Bonds and commencement of interest	31 <sup>st</sup> July 2015
7	Expected date of admission of the Bonds to listing	7 <sup>th</sup> August 2015
8	Expected date of commencement of trading in the Bonds	10 <sup>th</sup> August 2015
* <i>In the event that the total amount of Applications received from Maturing Bondholders and/or holders of Existing MIH Bonds as at the Cut-Off Date and/or holders of Existing Corinthia Finance Bonds as at the Cut-off Date and/or holders of Existing IHI Bonds as at the Cut-off Date, as the case may be, exceeds Eur 20,000,000, the Intermediaries' Offer will not take place.</i>		

The proceeds from the Bond Issue, which net of Issue expenses are expected to amount to approximately €19,500,000, will be used by the Issuer for the redemption of the outstanding amount of the Maturing Bonds, which, as at the date of the Prospectus, amounted to €19,649,600. Any shortfall will be financed by the Issuer from its general cash flow.

The Bonds are open for subscription by: Maturing Bondholders; holders of Existing MIH Bonds as at the Cut-off Date; holders of Existing Corinthia Finance Bonds as at the Cut-off Date; holders of Existing IHI Bonds as at the Cut-off Date; and Authorised Intermediaries pursuant to the Intermediaries' Offer in respect of any balance of the Bonds not subscribed to by Maturing Bondholders and/or by holders of Existing MIH Bonds as at the Cut-off Date and/or by holders of Existing Corinthia Finance Bonds as at the Cut-off Date and/or by holders of Existing IHI Bonds as at the Cut-off Date, as the case may be, as aforesaid.

Maturing Bondholders applying for Bonds may elect to settle all or part of the amount due on the Bonds applied for by the transfer to the Issuer of Maturing Bonds at par value, subject to a minimum holding of €2,000 in Bonds and rounded upwards to the nearest €100. Any Maturing Bondholders whose holding in Maturing Bonds is less than €2,000 shall be required to pay the difference.

### **Risks - Essential information on the key risks specific to the Issuer, the Group and its business**

Below is a summary of the principal risks associated with an investment in the Issuer and the Bonds. There may be other risks which are not mentioned below.

- All of the respective assets of the Issuer through Palm City Ltd, their operations, business interests and activities, are located or conducted in Libya through a branch of Palm City Ltd.
- Emerging markets present economic and political conditions which differ from those of the more developed markets and could possibly present less social, political and economic stability, which could render investment in such markets more risky than investments in more developed markets.
- The occupancy levels at the Palm City Residences, and progress achieved in the development of the Medina Tower and the Palm Waterfront could be adversely impacted by the events set out above, all of which could have an adverse impact on the Group's operations and financial results.
- The Libyan legal and judicial system may be different from that which some investors may be more familiar with in certain civil and common law jurisdictions.
- All industries, including the property development industry, are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit.
- The Issuer and Palm City Ltd both have a material amount of debt, and the amount of debt funding of the Issuer is expected to increase as and when the Issuer undertakes the Medina Tower and the Palm Waterfront projects, and other possible future development plans.

- Although the Group seeks to hedge against interest rate fluctuations, this may not always be economically viable.
- The Issuer relies, and will in future be relying heavily, on the contacts and expertise of the Corinthia Group and National Real Estate Company KSCP, its principal shareholders, in connection with providing assistance in the application for and procurement of permits, licenses or other development authorisations from the competent authorities in Libya, in relation to present and future projects.
- Corinthia Palace Hotel Company Limited has been trading since 1966 and has a history in mixed-use real estate developments that consist principally of hotels, residences, offices, retail areas, as well as industrial and event catering. The hotel industry globally is characterised by strong and increasing competition.
- Corinthia Palace Hotel Company Limited's business, either directly or through subsidiaries, consists of the acquisition, development and running of real estate projects that consist principally of ownership, development and operation of hotels, residences, offices and retail spaces in its own right including the holding company and/or shareholder in other mixed-use hotel ownership and real estate companies, as well as the rental of these spaces to third parties. Property acquisition and development projects are subject to a number of specific risks, including the inability to source adequate opportunities, cost overruns, insufficiency of resources to complete the projects, rental of commercial areas not being effected at the prices and within the times envisaged, higher interest costs and curtailment of revenue generated. If these risks were to materialise, they would have an adverse impact on CPHCL's revenue generation, cash flows and financial performance.
- The Group's growth since inception is, in part, attributable to the efforts and abilities of the members of the executive management teams and other key personnel of the Issuer and PCL. If one or more of the members of this team were unable or unwilling to continue in their present position, they may not be replaceable within the short term, which could have a material adverse effect on the Group's business, financial condition and results of operations.
- The timely payment of interest payable by the Issuer on its debt securities could be negatively conditioned by unforeseen adverse circumstances affecting the operations of Palm City Ltd which could significantly impinge on Palm City Ltd's cash flow.
- The Group's activities potentially expose it to a variety of financial risks, including market risk (principally interest rate risk and fair value risk), credit risk and risks associated with the unpredictability of financial markets, all of which could have adverse effects on the financial performance of the Issuer and Palm City Ltd.
- The Issuer's overseas operations are exposed, in the case of transactions not denominated in Euro, to foreign currency risk on transactions, receivables and borrowings that are denominated in a currency other than the Euro. As a result, exchange gains and losses may arise on the realisation of amounts receivable and the settlement of amounts payable in foreign currencies.
- Historically, the Group has maintained insurance at levels determined by the Group to be appropriate in light of the cost of cover and the risk profiles of the business in which the Group operates. With respect to

losses for which the Group is covered by its policies, it may be difficult and may take time to recover such losses from insurers.

## Historical Financial Information

- The Net Profit or Net Loss of the Issuer (Mediterranean Investment Holding plc) is the following. In 2012 the net profit amounted to Eur 49 million and Eur 13.8 million in 2013. The net loss in 2014 amounted to Eur 28.1 million.
- The total assets of the Issuer are the following. In 2012 the total assets amounted to Eur 346 million and Eur 351 million in 2013 whereas the total assets in 2014 amounted to Eur 291 million.
- The Interest Coverage ratio (EBITDA/Net Finance Costs) of the Issuer reads 2.49 in 2012, 3.39 in 2013 and 2.44 in 2014.
- The total assets of the Guarantor are the following. In 2012 the total assets amounted to Eur 1.26 billion and Eur 1.30 billion in 2013 whereas the total assets in 2014 amounted to Eur 1.21 billion.
- For the year ended 31<sup>st</sup> December 2014, the Group's interest cover ratio stood at 2.98 times, registering a significant improvement of 112% in coverage since FY12. Over the same period, interest paid by the Group decreased by 4% to Eur 7.4 million, whilst a 6.9% upward movement in EBITDA was registered.

The Issuer does not have sufficient working capital for its present requirements. In 2014, the Group reported a working capital deficiency of €27.6 million, as a result of the significant repayment of a long-term loan and the classification of the Maturing Bond as a current liability, taken in previous years to finance the Palm City project.

For the years 2015 and 2016 it is forecasted that the Group will have a working capital deficiency of €11 million and €46.9 million respectively, the latter shortfall resulting from the reclassification as a current liability of the 7.15% bonds 2015-2017 maturing on 23 July 2017, amounting as at the date of the Prospectus to an aggregate amount of just under €40 million, issued by the Issuer pursuant to a prospectus dated 14<sup>th</sup> June 2010.

In view of the Group's working capital deficiency set out above, apart from the new issue of Bonds, which is being supported by an Underwriting Agreement by the Issuer's shareholders, to repay the Maturing Bond, the Directors have been in formal discussions with Palm City Ltd.'s lenders to renegotiate the payment terms of existing bank borrowings. The on-going discussions with these lenders aim to refinance the remaining balance of the bank loan over a longer period, thus reducing the capital repayments currently shown in the forecasts provided for the years 2015 to 2020.

The Directors believe that they will be successful in their endeavours to achieve this objective. The Directors have also obtained written assurances from the shareholders of MIH that they will, after appropriate due diligence on the shortfall requirements, continue to financially support the company, proportionate to their shareholding, on an



on-going basis, to enable it to meet its liabilities as and when they fall due. Accordingly, the Directors are confident that the Issuer will continue to have adequate levels of cash to sustain its operations and investments.

The Guarantor is not aware of any recent events which are, to a material extent, relevant to the evaluation of its solvency.

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