CBC plc

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Central Business Centres PLC (the **"Company"**) pursuant to the Rules of the Listing Authority.

Quote

The Company announces that, it has updated the Financial Analysis Summary, based on its audited Financial Statements for year ended 31 December 2019, and taking into account the 2020 forecasts. The updated Financial Analysis Summary is attached herewith and is also available on the Company's website: [http://www.centralbusinesscentres.com/Investors/FinancialStatements.aspx].

Unquote

Desiree Cassar
Company Secretary
24 June 2020

CENTRAL BUSINESS CENTRES p.l.c.
Cortis Group, Cortis Buildings,
Mdina Road, Zebbug, Malta, ZBG 4211
t. 2146 1758 f: 2146 5894
e: info@centralbusinesscentres.com
www.centralbusinesscentres.com

CBC/LH/2015/01

FINANCIAL ANALYSIS SUMMARY
Central Business Centres p.l.c.
23rd June 2020

The Directors
Central Business Centres plc,
Cortis Buildings,
Mdina Road,
Zebbug, ZBG 4211,
Malta

23rd June 2020

Dear Sir/Madam,

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**" or "**FAS**") set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Central Business Centres plc (the "**Issuer**" or the "**Company**"). The data is derived from various sources or is based on our own computations as follows:

a) Historical financial data for the three years ended 2017, 2018 and 2019 have been extracted from the Issuer's audited statutory financial statements for the three years in question.

b) The forecast data for the financial year ending 31st December 2020 has been provided by management.

c) Our commentary on the results of the Issuer and on its financial position is based on the explanations provided by management.

d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in the "**Glossary and Definitions**".

e) The principal relevant market players listed in the "**Comparative Analysis**" section of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of the Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Issuer's securities.

Yours sincerely,

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Nick Calamatta
Director

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Part 1 - Information about the Issuer

1.1 Issuer's key activities and structure

Central Business Centres plc ("**CBC**" or "**Issuer**") was set-up in 2014 whereby in January 2019, the previous six shareholders of the Company transferred the bare ownership of their shareholding in the Company to several family members, however retained the usufruct thereon. With the present shareholding structure no individual shareholder has a holding of more than 10% in the Company. The principal activity of the Issuer is to hold commercial property for investment purposes and generate returns from this property through rental agreements. The Issuer's aim is to develop the "**Central Business Centre**" brand by emulating the success of the business centre in Zebbug, which has been generating a steady flow of rental returns since its opening in 2011, followed by the commencement of operations of the Gudja Business Centre in 2016 and the St. Julian's Business Centre in 2019.

▪ The Company's history

In 2014, upon its incorporation, CBC acquired three properties from the Cortis Group, which is a related group.

The three properties comprised:

1. A business centre in Zebbug (acquisition also included the contracts with tenants already in place);
2. A plot of land in Gudja, together with a shell structure for commercial use;
3. A plot of land and an old villa with adjoining gardens in St Julian's, together with permits for the restoration of the villa and the development of a third business centre for commercial use.

The Company issued a €6 million Bond Issuance programme on 5 December 2014. On 22 December 2014, CBC issued its first tranche of €3 million 7-year bonds at 5.75% as part of this programme. On the 4 December 2015, the Company issued a further €3 million 10-year bond at 5.25%.

The Company developed the Gudja Business Centre during 2014-2015 and the first tenants entered the premises as from 1 December 2015. The property is further described later on throughout section 1.3 of the Analysis.

Finishing works on the business centre in St. Julian's are almost complete and management confirmed that this business centre started operating during the second quarter of 2019. Management explained that as 31 December 2019 the St. Julian's business centre was 38% occupied whereby the first tenant moved in on 1st June 2019. Management anticipate that this property will be further occupied during the rest of 2020. Works on the villa (Villa Fieres) in St. Julian's is ongoing. These two properties are further described in greater detail in section 1.3 of the Analysis.

During 2017, the Company purchased a large tract of land located in Zebbug from S.M.W. Cortis Limited for a consideration of €11.5 million, with the intention of developing it into business premises comprising of storage, retail and office space.

During the same year, the Company issued a €10 million Bond Issuance programme on 30th May 2017. On 12th June 2017, CBC issued a first tranche of €6 million 10-year bonds at 4.4%, resulting in net bond proceeds of €5.88 million. The bond proceeds were mainly deployed to finance the purchase of the Zebbug property (€5.7 million) and for general corporate funding purposes (€1.8 million). The remaining €5.8 million consideration was financed through a subordinated loan from S.M.W. Cortis Limited.

1.2 Directors and key employees

Board of Directors

The Board of Directors of the Issuer is composed of the following persons:

Name	Designation
Joseph Cortis	Executive Director, Chairman
Petramay Attard Cortis	Non-Executive Director
Alfred Sladden	Non-Executive Director
Raymond Cortis	Non-Executive Director
Joseph M Formosa	Non-Executive Director

The business address of all of the Directors is the registered office of the Issuer.

The executive director of the Issuer, on the strength of his respective knowledge and experience in the applicable business interests of the Company to which he contributes directly, occupy the senior management and key executive position across the Company. As of 31 December 2019, the Issuer had no employees (FY18: Nil). Management confirmed that the Company subcontracts all of its administration, repair and maintenance works.

1.3 Major assets owned by the Company

The main assets held by the business include**:**

- ◊ Central Business Centre - Zebbug;
- ◊ Central Business Centre - Gudja;
- ◊ Central Business Centre and Villa Fieres (under development) - St Julian's;
- ◊ New site in Zebbug (acquired during 2017 and earmarked for a commercial development – more details below);

▪ Central Business Centre - Zebbug

Central Business Centre - Zebbug was acquired by the Issuer from S.M.W Cortis Ltd. This is currently rented out at full occupancy to third parties.

- ◊ The property was developed in 2011/12 on land acquired by the Cortis Group in 2002.

- ◊ The property was independently valued at €4 million on 10th May 2017 by Architect Joe Cassar.
- ◊ CBC purchased the property for a consideration of €3.7million and the consideration comprised €2.3 million in cash and €1.4 million by means of a subordinated loan from S.M.W. Cortis Ltd.
- ◊ The property comprises 1,509 sqm of office space, over five floors (including ground floor, intermediate floor, levels 1, 2 and a penthouse at level 3). Additionally, there are 27 parking spaces at underground levels 1 and 2.
- ◊ Based on management information as at April 2020, the Zebbug Business Centre was fully occupied with tenants. Rent agreements signed with tenants cater for an increase in rent of around 5% to 6% every three years from the start of the contract. First rent revisions came into force in June 2014 with a further batch of contracted rents revised in FY15. In addition to the rent, tenants pay a maintenance fee which is equivalent to 10% of the rent due respectively. This amount is used by the Company to fund annual maintenance and common area costs. Management anticipate full occupancy throughout 2020 relating to this business centre.

▪ Central Business Centre - Gudja

- ◊ The Issuer acquired the property for €2.4 million from S.M.W. Cortis. The purchase was settled by means of subordinated loan from S.M.W. Cortis Ltd.
- ◊ The business centre in Gudja is complete and comprises of a basement, extending to under half the width of the adjacent drive-in and two upper levels for commercial use.
- ◊ The property is situated on a main road artery, a few minutes from Malta International Airport and within close proximity to the Freeport.
- ◊ The property was valued at €3.5 million on 10th May 2017 by Architect Joe Cassar following completion of the majority of finishing works.
- ◊ The project comprises approximately 1,365 sqm of office space over three floors including the ground floor as well as 555 sqm of commercial space at basement level.
- ◊ 19 car spaces are available, 7 of these car spaces at basement level, whilst a further 12 spaces are open air spaces adjacent to the building.
- ◊ The building is operational and tenant occupancy as at April 2020 was at 100%. However, management recently explained that one of its tenants decided to exit the premises at the end of June due to COVID-19 related issues, leaving this business centre with an 86% occupancy rate. While management explained that this particular tenant has all rental payments up to date, management also confirmed that the Company is already in discussions with other potential tenants to rent out this area which will be available from 1st July on-wards. All rental agreements are subject to a 6% increase in rent every three years from the start date of the contract. Each tenant is charged a maintenance fee equal to 10% of the rental value respectively, as catered for in the signed rental contracts. Management explained that this business centre is anticipated to remain 86% occupied during 2020.

▪ St. Julian's Business Centre and Villa Fieres

The Issuer owns property in Spinola, St Julian's comprising of:

◊ Villa Fieres, whose total area covers approximately 1,100 Sqm. The building itself occupies a footprint of approximately 200 Sqm and has two floors and a semi-basement. The garden covers approximately 900 Sqm.

Management explained that the villa has permits for commercial and/or residential use and is earmarked for rental to third parties either as a high-end restaurant location or as a residence for high net worth individuals.

Management also discussed that permits regarding this villa are expected to be concluded during Q3 2020. Upon conclusion of the said permits, management explained that the consequent construction works are anticipated to be fully completed by Q1 2021 end of 2020.

◊ St. Julian's business centre, is a newly built building of approximately 2,360 sqm of office space spread over five floors and a ground floor area currently occupied by seven outlets, three of which are rented out to third parties on long-term leases. The office space is targeted at medium-sized leases (250-500 sqm per tenant). The building will comprise two floors at 550 sqm each, two floors at 480 sqm each and one floor at 300 sqm.

Management explained that the St. Julian's Business Centre was 38% and 56% occupied up until December 2019 and April 2020 respectively. Management also pointed out that apart from minor amendments to the building, which amongst other includes signage works, all finishing works pertaining to the St. Julian's business centre are fully completed. As a result, it is expected that this business centre will be approximately 70% occupied during Q4 2020.

The Cortis Group acquired Fieres Ltd in May 2002. The Issuer acquired the properties for €6.5million and the purchase price was settled by means of subordinated loans from the Cortis Group companies. The properties were valued at €7.5 million on 10th May 2017 by Architect Joe Cassar.

- **New Zebbug Site**

The issuer owns property in Zebbug comprising a showroom, a factory and warehouses. It also holds a permit for the extension to develop additional stores, parking facilities and landscaping.

The company has however entered into an agreement with LIDL Immobiliare Malta Ltd (LIDL) - Further details are provided in section 1.4 of the Analysis.

1.4 Operational Developments

- **St. Julian's Business Centre and Villa Fieres**

During 2018, the Company completed the process of obtaining a statutory permit from the Planning Authority. Subsequently, apart from minor amendments to the building such as signage installation, works on the business centre are fully completed. Management confirmed that the first tenant moved in on 1st June 2019, whereby this business centre was 38% and 56% occupied as at December 2019 and April 2020 respectively. As per management's assumptions, and as described in further detail above, the remaining floors are expected to be 70% occupied by the fourth quarter of 2020.

The ground floor level of the business centre site comprised seven retail outlets. The four outlets that have already been vacated have been converted into a ground floor entrance to the Central Business Central and three (smaller) retail outlets have been developed. The remaining three outlets are expected to be developed into new retail outlets once vacated.

Villa Fieres is currently under restoration and development, with further maintenance works yet to be completed. The Company is still in the process of obtaining an extension of the current development permit, whereby management explained that the said permits are expected to be obtained during Q3 2020. Once obtained, this will enable the Company to speed up the construction works, whereby it is envisaged that it will be fully completed by the end of Q1 2021.

- **New Zebbug site**

On 19th October 2017, the Company entered into a Promise of Sale Emphyteutical Grant Agreement with LIDL Immobiliare Malta Ltd (LIDL) in relation to a part of the newly acquired land in Zebbug for developing a supermarket, including ancillary facilities such as warehouse facilities, utility spaces, parking spaces and loading/unloading ramp and bay.

As at April 2020, management confirmed that LIDL are still in process of obtaining a development permit from the Planning Authority for this site. Management expect to have the relevant approvals in hand during Q3 2020. Once permit approvals are in hand, management discussed that the construction of the supermarket will be implemented immediately.

Since July 2017, the said Zebbug site was being rented out to the Cortis Group from CBC until the development permit procedure is fully finalised by the Planning Authority. However, although to date such permits are not yet finalised (and are expected to be finalised during Q3 2020 as discussed above), management confirmed that during 2019 CBC started receiving lease income on this property from LIDL.

1.5 COVID-19 Update

Since early 2020, the COVID-19 outbreak across the world has caused disruption to business and economic activity and may ultimately impact the Company's future performance and asset values. The scale and duration of these developments remain uncertain but could impact the Company's earnings, cash flow and financial position. Although, to date, the Company has not seen a material impact on its operations due to this crisis, COVID-19 could lead to reduced rental streams and therefore reduced future revenues and future cash flows.

Assessment of COVID-19 situation, potential impact on the Company, reasonable assumptions to financial forecasts and necessary disclosures

Given that the negative consequences brought about by COVID-19 on CBC are not yet fully known, the Company has evaluated the situation of each tenant closely and prepared several financial projections to assess the potential impact that the pandemic might have on the Company. As a result, the Company preferred to utilise a ‘prudent approach’ relating to projections for the purpose of this document.

Management explained that the Company prepared the financial projections in full for FY20, taking into consideration all anticipated revenue derived from projects which are scheduled for the current financial year (which are clearly explained in section 1.3 and 1.4 of the Analysis). However, in line with the fact that the full impact of COVID-19 is not yet fully known, management further discussed that the Company preferred to take a prudent approach and anticipate a 50% decline in terms of revenue projected for FY20. Upon comparing this revenue figure with that of FY19, projected revenue utilised for the purpose of this document (FY20) represents a 30% decline from that achieved during FY19.

In furtherance, management confirmed that up until June 2020, no tenant within the Company's properties has defaulted, and no tenant is expected to default moving forward. In light of the current circumstances, management explained that the Company entered into an agreement with some tenants such that rental payments pertaining to these tenants will be delayed.

Subsequently, the Company has entered into an agreement (favourable credit terms) with these specific tenants such that rental payments pertaining to 'March 20 – June 20' or 'April – July' to be paid 50% at the end of May with the remaining 50% anticipated to be paid at the end of September. Management also explained that through the adoption of such agreement, all rental income relating to FY20 is nonetheless expected to be paid during this period. In fact, management confirmed that the aforementioned rent pertaining to May has been honoured by all tenants, except for two tenants who asked for further delay in payments. However, management argued that rent payments related to these two clients is nonetheless expected to be received during FY20.

Moreover, management also discussed that the Company did not provide any form of discounts to tenants throughout this crisis and also confirmed that in view of the current situation, the yearly increases included in the tenants' contracts will still be honoured and will not be overturned moving forward.

Cost mitigation

Management explained that if such COVID-19 climate is prolonged, their planned capital expenditure on Villa Fieres, which is anticipated to commence following the relevant permit approvals, will be temporary halted. Additionally, management confirmed that other capital expenditure which was expected to take place throughout the course of 2020, namely referring to the signage installation on the St. Julian's business centre, is currently halted until the COVID-19 situation turns back to normality.

Liquidity management

In an attempt to further combat the implications brought about by COVID-19, management explained that CBC already has a liquidity contingency plan in place if the Company finds itself under increased pressure due to the aforementioned favourable credit terms given to its tenants. In fact, management confirmed that CBC already has the necessary access to short-term financing if required.

In furtherance, the directors have assessed the reserves and financing available to the Company and are confident that these are adequate to support the Company in the foreseeable future. More importantly, management has also confirmed that CBC has the sufficient resources at its disposal to honour its existing bond interest payment obligations.

Part 2 – Historical Performance and Forecasts

2.1 Issuer's Income Statement

All financial information presented in this section was derived from the audited accounts of the Issuer or supplied by management. Given that some of the Company's projects were not yet complete during the period under review, Management does not consider the FY17, FY18 and FY19 results to be reflective of the Company's future performance.

Statement of Comprehensive Income	Dec-17 Audited	Dec-18 Audited	Dec-19 Audited	Dec-20 Forecast
	€'000s	€'000s	€'000s	€'000s
Revenue	329	356	1,086	763
Operating Expenses (Excl. Dep)	(183)	(253)	(198)	(175)
EBITDA	**146**	**103**	**888**	**588**
Depreciation	-	(8)	(22)	(22)
EBIT	**146**	**95**	**866**	**566**
Fair value movement relating to investment property	663	-	-	-
Finance costs	(479)	(626)	(627)	(629)
Finance costs capitalised	311	465	418	290
Profit before tax	**641**	**(66)**	**657**	**227**
Tax Expense	(785)	(53)	(162)	(115)
Net Income	**(144)**	**(119)**	**495**	**112**

Ratio Analysis[1]	2017A	2018A	2019A	2020F
Profitability				
Growth in Revenue (YoY Revenue Growth)	46.9%	8.2%	205.1%	-29.7%
EBITDA Margin (EBITDA / Revenue)	44.4%	28.9%	81.8%	77.1%
Operating (EBIT) Margin (EBIT/Revenue)	44.4%*	26.7%	79.7%	74.2%
Net Margin (Profit for the year / Revenue)	-43.8%	-33.3%*	45.6%	14.7%
Interest Coverage (EBITDA / Cash interest paid)	0.3x	0.2x	1.9x	1.0x

** Marginal difference from last year due to rounding differences variance*

1. Revenue

Revenue is derived from rental income and maintenance fees charged to tenants occupying premises in CBC's rental properties.

During 2019, rental income increased by 205% to circa €1.1m as a result of the higher occupancy achieved at the Gudja business centre and the St. Julian's business centre respectively. The increase in rental income is also attributable to the commencement of rental income from LIDIL regarding the new Zebbug site. Although LIDL are still in process of obtaining a development permit from the

[1] Ratios were computed based on rounded figures to the nearest thousands

Planning Authority for this site, during FY19, the Company started receiving lease income from this property as previously agreed.

Furthermore, during FY19 the Zebbug business centre and the Gudja business centre were fully occupied with tenants, whereas as at December 2019, the St. Julian's business centre had an occupancy level of 38% (April 20: 56%).

In view of the current COVID-19 climate, management explained that the Company has evaluated the situation of each tenant closely and prepared several financial projections to assess the impact that the pandemic might have on the Company. As a result and as further explained in section 1.5 of the Analysis, the Company preferred to utilise a 'prudent approach' relating to the above projections used for the purpose of this document.

Management explained that the Company prepared the financial projections in full for FY20, taking into consideration all anticipated revenue derived from projects which are scheduled for the current financial year (which are clearly explained in section 1.3 and 1.4 of the Analysis). However, in line with the fact that the full impact of COVID-19 is not yet fully known, management further discussed that the Company preferred to take a prudent approach and anticipate a 50% decline in terms of revenue projected for FY20. Upon comparing this revenue figure with that of FY19, projected revenue utilised for the purpose of this document represents a 30% decline from that achieved during FY19.

Moreover, management confirmed that up till now no tenant has defaulted, and no tenant is expected to default moving forward. In light of the current situation, management explained that the Company is experiencing a delay in rental payments on some tenants. Subsequently, the Company has offered such tenants favourable credit terms as explained in further detail throughout section 1.5 of the Analysis. Management also discussed that through the adoption of such terms, all rental income relating to FY20 is nonetheless expected to be paid during this period, as indicated through the recent collection of almost all payments relating to May. This is the primary reason as to why management deem the above projections as being conservative.

Management also explained that the Company did not provide any form of discounts to tenants and also confirmed that the yearly increases included in the tenants' contracts will still be honoured and will not be overturned moving forward.

In line with the forecasts demonstrated above, it is projected that the Zebbug and Gudja business centres will be 100% and 86% occupied during 2020. As described in further detail throughout section 1.4 of the Analysis, the St. Julian's business centre was 56% occupied up until April 20 and is expected to be approximately 70% occupied during Q4 2020. Although management expects the occupancy in the St Julian's business centre to increase in 2020, they still opted for conservative assumptions given that the negative repercussions brought about by this pandemic are not yet fully known. As a result of the above assumptions, revenue for FY20 is projected to amount to circa €0.8m.

Revenue Segmental Analysis	2017A	2018A	2019A
	€'000s	€'000s	€'000s
Zebbug Central Business Centre	154	157	147
Zebbug new property	50	100	550
Gudja Business Centre	118	99	113
St. Julian's Business Centre	-	-	276
Total rental Income	**322**	**356**	**1086**
Other Income	7	-	-
Total Revenue	**329**	**356**	**1086**

i. The purchase agreement of the Zebbug Business Centre by CBC provided that all income derived from the property until 31st December 2014 were to be earned by S.M.W. Cortis, the previous owner of the property, while all income from the property derived from the 1st January 2015 would accrue to CBC. As per management, the Zebbug Central Business Centre is currently 100% occupied.

ii. CBC started receiving rental income from the Cortis Group in relation to the acquired site in Zebbug since July 2017. Until the development permit procedure relating to LIDL's proposed development is fully finalised by the Planning Authority, the said property will be rented out to the Cortis Group. Management confirmed that this site is not being leased out to the Cortis Group anymore. Subsequently, although LIDL are still in process of obtaining a development permit from the Planning Authority for this site, during FY19, the Company started receiving lease income from LIDIL on this property as previously agreed.

iii. Rental income from Gudja Business Centre reflects the rental income earned from three new tenants occupying Gudja Business Centre whose lease agreement was effective from the 1st December 2015. During FY19, another tenant entered this building, increasing the occupancy rate to 100%. Management expect this business centre to remain fully occupied throughout 2020.

iv. Other revenue is primarily composed of utilities expense recharge to tenants net of actual expenses incurred by the Issuer with regards to the relevant properties.

2. Operating expenses

Operating expenses are primarily comprised of administration and management fees, professional fees, rent expense and insurance.

Operating expenses exclusive of depreciation incurred during FY19 declined by 22.1% to €197k. As previously explained in the publication of the 2019 Financial Analysis Summary, the FY18 operating expenses figure included a one-time expense relating to a Planning Authority penalty. Given the non-recurring nature of such expense, this was not was not repeated during the year under review, thus contributing towards a lower operating figure for FY19.

Management anticipate a lower level of operating expenses expected to be incurred during FY20. This is deemed to be in line with the correspondent expected decline in revenue generation explained above.

3. Depreciation

In line with further additions of plant and machinery at the St. Julian's business centre during the year under review, the depreciation charge for the year increased from €8k in FY18 to €22k in FY19.

4. Operating profit

Operating profit generated during FY19 amounted to circa €0.9m in comparison to an operating profit of €95k in FY18. As clearly discussed above, the decline in operating expenses exclusive of depreciation (-22.1%) coupled with the overall increase in revenue (205%), led to an overall increase in EBIT margin from 26.7% in 2018 to 79.8% in FY19.

In line with the expected decline in rental income during FY20, operating profit is expected to reach circa €0.6m in 2020, translating into an EBIT margin of 74.2%.

5. Finance costs

Finance costs relate to the annual interest expense incurred on outstanding debt and the annual amortisation of the bond issue costs which in 2019 amounted to approximately €33k. Moreover, finance costs incurred during FY19 amounted to €627k and are projected to remain at this level during FY20.

Finance costs capitalised reflect the part interest incurred on debt which is directly linked with development projects still under construction. Interest is capitalised until the development of the respective property is complete. This is reflected as an increase in the value of Investment property. Given that by the end of FY20, all of the St. Julian's project is almost complete, interest cost capitalised is expected to decline to €290k, which is mainly related to the required investment to finish development works at Villa Fieres.

<u>Assumptions used in the FY20 income statement's forecasts:</u>

- In line with the current COVID-19 climate, management expect rental income to decline down to circa €0.8m (-29.7%) during FY20. Given that the negative consequences brought about by COVID-19 are not yet fully known, management explained that the Company preferred to take a prudent approach regarding forecasts relating to the current financial year. In line with the fact that the full impact of COVID-19 is not yet fully known, management further discussed that the Company preferred to take a prudent approach and anticipate a 50% decline in terms of revenue projected for FY20. Upon comparing this revenue figure with that of FY19, projected revenue utilised for the purpose of this document represents a 30% decline from that achieved during FY19. However, as previously explained in the revenue section above, the situation is under control whereby the Company is still aiming to earn practically all rental income for the period, in addition to increasing the Group's occupancy by year-end, due to the anticipated increase in St Julian's property. This argument is further strengthened through management confirming that in line with the favourable credit terms given to clients, all rental payments relating to May were almost fully honoured.

- Operating expenses excluding depreciation are expected to decrease to €175k in FY20 from €197k in FY18. During FY19, CBC had already experienced a reduction in operating expenses given that several expenses incurred in prior years were of a non-recurring nature and as such did not form part of the overall operating expenses during FY19. In line with CBC's anticipated decline in revenue during FY19, the Company is expected to incur lower level of operating expenses for FY20.

- Tax expense relates entirely to tax on rental income projected at a flat rate of 15% in accordance with existing tax legislation.

- Interest income is projected at a flat rate of 0.5% on excess cash transferred to investments.

- Finance costs incurred during FY19 amounted to €627k and are projected to remain at this level during FY20. Due to the fact that the St. Julian's business centre and the newly acquired property in Zebbug started generating rental income in 2019, all related bond interest is now treated as an expense.

2.1.1 Variance Analysis

Statement of Comprehensive Income	Dec-19F	Dec-19A	Variance
	€'000s	€'000s	€'000s
Revenue	983	1,086	103
Operating Expenses	(231)	(198)	34
EBITDA	**752**	**888**	**137**
Depreciation	(8)	(22)	(14)
EBIT	**744**	**866**	**122**
Fair value movement relating to investment property	-	-	-
Finance costs	(627)	(627)	-
Finance costs capitalised	396	418	22
Profit before tax	**513**	**657**	**144**
Tax Expense	(147)	(162)	(15)
Net Income	**366**	**495**	**129**

- **Variance Analysis Commentary**

As per discussions with management, actual revenue for FY19 was higher than previously anticipated. This upsurge in revenue is mainly attributable to a higher occupancy achieved at the St. Julian's business centre and is also in line with the fact that both the Gudja and Zebbug business centres were operating at full capacity during the period. As highlighted in the revenue section above, the increase in revenue is also in line with the commencement of rental income from LIDIL on the new Zebbug site.

Actual costs were €34k lower than previously anticipated. This reduction in costs is attributable to the fact that a Planning Authority penalty incurred in prior years was of a non-recurring nature and as such did not form part of the overall operating expenses during FY19.

The depreciation charge for FY19 was €14k higher than previously expected. This increase is in line with further additions of plant and machinery implemented at the St. Julian's business centre during the year under review.

Upon taking into consideration the aforementioned increase in revenue and the lower level of operating expenses incurred during the period, the Company reported a higher level of operating profit (EBIT) for FY19.

As previously expected, CBC incurred €0.6m in finance costs during FY19. Moreover, the Company recorded a higher level of capitalised finance costs, mainly as the St. Julian's business centre experienced a delay to start operating and hence the interest capitalised was higher. Consequently, the net financing costs incurred by the Issuer were lower than expected during FY19

The Company's tax expense is based on generated lease income. Given that CBC generated higher levels of rental income in FY19, a higher tax expense was incurred. As a result of the above discussion, CBC reported a higher net profit than previously expected.

2.2 Issuer's Financial Position

Statement of Financial Position	Dec-17 Audited	Dec-18 Audited	Dec-19 Audited	Dec-20 Forecast
	€'000s	€'000s	€'000s	€'000s
Assets				
Non-current assets				
Investment Property	27,369	28,604	29,122	29,383
Property, plant and equipment	-	79	195	195
Total non-current assets	**27,369**	**28,683**	**29,317**	**29,578**
Current assets				
Trade and other receivables	112	146	91	91
Current tax assets	13	-	-	-
Cash and cash equivalents	1,074	155	132	166
Total current assets	1,199	301	223	257
Total assets	**28,568**	**28,984**	**29,540**	**29,835**
Equity and liabilities				
Capital and reserves				
Share capital	250	250	250	250
Capital reserve	15,850	16,100	16,100	16,250
Revaluation reserve	596	596	596	596
Retained earnings	(770)	(889)	(393)	(281)
Total equity	**15,926**	**16,057**	**16,553**	**16,815**
Non-current Liabilities				
Borrowings	11,762	11,794	11,826	11,860
Deferred tax liabilities	740	739	739	739
Total non-current liabilities	**12,502**	**12,533**	**12,565**	**12,599**
Current liabilities				
Trade and other payables	140	367	285	421
Current tax liability	-	27	137	-
Total current Liabilities	**140**	**394**	**422**	**421**
Total liabilities	12,642	12,927	12,987	13,020
Total equity and liabilities	**28,568**	**28,984**	**29,540**	**29,835**

Ratio Analysis[2]	2017A	2018A	2019A	2020F
Profitability				
Return on Common Equity (Net Income / Total Equity)	-1.1%	-0.7%	3.0%	0.7%
Return on Assets (Net Income / Total Assets)[3]	-0.64%	-0.41%	1.69%	0.38%
Financial Strength				
Gearing 1 (Net Debt / Total Equity)	67.1%	72.5%	70.6%	69.5%
Gearing 2 (Total Liabilities / Total Assets)	44.3%	44.6%	44.0%	43.6%
Net Debt / EBITDA	73.2x[4]	113.0x	13.2x	19.9x
Current Ratio (Current Assets / Current Liabilities)	8.6x	0.8x	0.5x	0.6x
Net Debt / CFO	59.7x	(37.2)x	54.3x	(96.6)x

1. Investment property is composed of four separately identifiable assets, namely the Zebbug Central Business Centre, the Gudja Business Centre and Property in St Julian's, including Villa Fieres and the Zebbug property held for development.

2. The increase in the carrying amount of investment property from FY18 to FY19 was primarily driven by the capitalisation of interest relating to the St. Julian's business centre.

3. In line with further additions of plant and machinery relating to the St. Julian's business centre during FY19, which were marginally higher than previously projected, CBC's Property, Plant and Equipment for the year increased to €0.2m.

4. Trade and other receivables during FY19 declined to €91k as several outstanding payments payable to CBC were settled during the period. This is expected to remain at this level during the FY20.

5. The entire €16.1m capital reserve relates to three subordinated loans with related parties, which under IAS 32 are classified as equity. The Company entered into two-subordinated loan agreements amounting to €10m during 2014 to part finance the acquisition of the Zebbug Central Business Centre, the Gudja Central Business Centre and Villa Fieres sites. The terms of the Subordinated loan agreements stipulate that these loans are interest free (unless otherwise agreed from time to time) and will not be settled unless the company has sufficient funds to repay in full the principle and interest on the bonds in issuance in accordance with the terms of the Bond Issuance Programme. During 2017, the company entered into another subordinated loan agreement with the same terms and conditions of the former two, to part finance the acquisition of the new Zebbug property. Should the negative implications brought about by COVID-19 prolong such that CBC will start experiencing liquidity constraints, the Cortis Group will be able to inject the required cash. As a result, the Company once again preferred to take a conservative approach in this regard and anticipate capital reserves to marginally increase to €16.3m during FY20.

[2] Ratios were computed based on rounded figures to the nearest thousands
[3] Return on assets was previously worked out on the total assets as at year-end, however this was amended to reflect the average of total assets over two years financial performance
[4] Net Debt/EBITDA for FY17 was previously erroneously calculated and as such has been amended this year

6. The Company has an additional €0.4 million subordinated loan facility from S.M.W. Cortis Limited in place, in which as at December 2018, CBC utilised €0.25 million. This was extended to finance any cash shortfalls the Company may have during the St. Julian's development. Management indicated that this subordinated loan facility will remain in place. There were no subordinated loans with related parties during FY19.
7. In line with the fact that the Company reported an improved financial performance for FY19, the negative balance in retained earnings has been reduced to negative €0.4m. This has eventually led total equity for FY19 to increase to €16.6m.
8. CBC plc issued a bond of €3m on 22nd December 2014 and another bond of €3m from the same issuance programme on the 24th of December 2015. The net proceeds of these funds were used to part finance the acquisition of the properties acquired in FY14 and to finance the development of St. Julian's Central Business Centre. During 2017, the Company set up a €10m Bond Issuance programme which was approved by the MFSA on 30th May 2017. On 12th June 2017 CBC issued a first tranche of €6m 10-year bonds at 4.4%, primarily to finance the purchase of the Zebbug property. Borrowings are presented net of bond issue costs. The bond issue cost is amortised over the term of the debt instrument. The nominal balance of debt securities in issue amounts to €6m. Total borrowings marginally increased to €11.8m during FY19.
9. During the FY19, there were no other material shifts in the composition of the balance sheet. Apart from minor amendments to the building, the project in St. Julian's is almost completed and started operating in the second quarter of FY19. Moreover, it is expected to that CBC will benefit from a positive revaluation on Villa Fieres once the project is fully completed. Further detail specifically related to CBC's projects development progress may be found in section 1.3 and section 1.4 of the Analysis.

2.3 Issuer's Cash Flow

Statement of Cash Flows	Dec-17 Audited	Dec-18 Audited	Dec-19 Audited	Dec-20 Forecast
	€'000s	€'000s	€'000s	€'000s
Cash flows from operating activities				
Cash generated from operations	669	173	726	588
Cash interest paid	(454)	(471)	(459)	(594)
Income tax paid	(36)	(15)	(52)	(115)
Net cash flows generated from operating activities	**179**	**(313)**	**215**	**(121)**
Cash flows from investing activities				
Purchase of investment property	(12,152)	(808)	(100)	-
Purchase of property plant and equipment	-	(48)	(138)	-
Net cash flows generated from/(used in) investing activities	**(12,152)**	**(856)**	**(238)**	**-**
Cash flows from financing activities				
Quasi equity	-	-	-	150
Proceeds from issuance of bond	6,000	-	-	-
Proceeds from subordinated loans with related parties	5,800	250	-	-
Net cash flows used in/(generated from) financing activities	**11,800**	**250**	**-**	**150**
Net movement in cash and cash equivalents	(173)	(919)	(23)	29
Cash and cash equivalents at start of year	1,247	1,074	155	132
Cash and cash equivalents at end of year	**1,074**	**155**	**132**	**161**

Ratio Analysis	2017A	2018A	2019A	2020F
Cash Flow				
Free Cash Flow (Net cash from operations - Capex)	€(11,973)	€(1,169)	€(23)	€(121)

Cash flows from operating activities in FY19 is relatively in line with previous expectations and is reflective of the positive financial performance recorded by CBC during this period. A lower level of cash interest paid during FY19 (due to a lower level of capitalised interest), enabled the Company to exceed previous expectations and record a net cash flow figure from operating activities amounting to €0.2m. In line with the expected negative consequences brought about by COVID-19 during the period, the Company expects to generate a negative balance of €0.1m for FY20.

Net cash flows used in investing activities is relatively close to previous expectations. The main reason as to why purchases of investment property was lower than previously anticipated is line with the fact that permits at Villa Fieres are still waiting approval, and as such no works were implemented on this property during FY19. Moreover, the purchase of property, plant and equipment figure relates to additions of plant and machinery utilised at the St. Julian's business centre during the year under review.

As previously explained in section 2.2 of the Analysis, there were no subordinated loans with related parties during FY19. As a result, CBC had no financing activities for FY19. Moreover, the anticipated quasi equity of €0.2m for FY20 is reflective of the fact that should the negative implications brought about by COVID-19 prolong such that CBC will start experiencing liquidity constraints, the Cortis Group will be able to inject the required cash.

Part 3 – Key market and competitor data

3.1 General Market Conditions[5]

In May, the Malta Central Bank's Business Conditions' Index (BCI) fell slightly when compared with the previous month, suggesting that economic conditions remain significantly below their long-term average. The European Commission's Economic Sentiment Indicator (ESI) rose somewhat from the very low reading registered in April. The largest increase in confidence during the month was recorded in the construction sector, although sentiment improved in all other sectors except among retailers. In April, the volume of retail trade contracted in annual terms. Similarly, annual growth in industrial production turned negative. The number of registered unemployed and the unemployment rate edged up, although the latter remained relatively low from a historical perspective. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) eased to 1.1% in April, from 1.2% in March, while inflation based on the Retail Price Index (RPI) fell to 0.8%, from 1.0% in March.

3.2 Economic Update and Projections[6]

The Central Bank of Malta expects economic growth to be severely affected by the outbreak of COVID-19 and the containment measures imposed by governments worldwide to stem the spread of the virus. Given the high uncertainty surrounding the evolution of the pandemic, the Bank is presenting two scenarios, a baseline and a more severe scenario. In the baseline scenario, which accounts for a situation in which containment measures are at least partially successful, GDP is projected to contract by 4.8% in 2020, and grow by around 5.8% and 4.2% in the following two years. Despite the projected recovery, the level of economic activity is expected to be around 6% lower than that expected prior to the outbreak of COVID-19.

Under the baseline scenario, the largest contributor to the decline in GDP in 2020 is net exports, reflecting an expected decline in foreign demand, restrictions to travel-related activities, and disruptions to the global supply chain. Domestic demand is also expected to contribute negatively, as the shut-down of various activities and elevated uncertainty is expected to adversely impact private consumption and investment. Going forward, domestic demand is expected to be the main driver of the projected recovery in 2021 and 2022.

In view of the foreseen contraction in economic growth, employment is set to decline in 2020, leading towards an increase in the unemployment rate. Fiscal measures are however expected to be supportive of the labour market, and hence, the expected losses in headcount employment are rather mild when compared with the foreseen decline in GDP. The labour market is then expected to rebound in the following years, due to the projected improvement in economic activity levels.

In 2020, lower domestic and international price pressures should also lead toward an easing in annual inflation, based on the Harmonised Index of Consumer Prices (HICP). However, in the short-run, inflation is expected to be impacted by cost-push factors, in the context of disruptions to the global supply chain. It is then set to edge up to 1.5% by 2022, reflecting a pick-up in economic activity, affecting prices of services and non-energy industrial goods inflation (NEIG).

[5] Central Bank of Malta – Economic Update: Issue 6/2020
[6] Central Bank of Malta – Economic Projections 2020-2022 - 2020:2

Public finances are expected to deteriorate in 2020 due to the expected decline in economic activity and the introduction of COVID-19 related measures. In the baseline scenario, the government balance is projected to be in deficit of 6.8% of GDP in 2020. As most COVID-19 related measures are set to end this year, the deficit is expected to narrow in 2021, and to stand at 2.9% of GDP by 2022. The government debt-to-GDP ratio is projected to rise from 43.7% in 2019 to reach 55.0% by 2022.

In the severe scenario, it is assumed that the health protocols would have to be enhanced and extended to contain a second wave of infections. The Bank estimate that GDP could contract by 8.3% this year, and rebound by 6.8% and 3.8% in 2021 and 2022. In this case, the level of GDP would only reach 2019 levels by the end of 2022. Moreover, the unemployment rate would rise further, and inflation would be slightly weaker. In addition, the government deficit would reach 10.4% in 2020, while the government debt-to-GDP ratio would rise to 63.0% by the end of 2022.

- **Property**

The strong economic growth sustained by the Maltese economy in recent years has contributed to a rise in the employment rate and the influx of foreign workers within the Maltese workforce. This has contributed to an increase in the demand for rental of office and commercial space in Malta. To address such growing demand, the supply of office and commercial space in Malta have considerably increased over the last couple of years. Of note, there are several traditional businesses areas in Malta. For instance, Sliema attracts many international brands and companies. Likewise, Valletta being Malta's capital city is considered as the hub for law firms and many long-established family businesses. Other traditional commercial areas include the likes of St Julian's which is popular for its sea-view offices and Floriana, which attracts businesses that want to be located in the vicinity of Valletta. In furtherance, there are also top quality commercial developments within in the proximity of the airport and in other residential areas such as Naxxar, Mosta, Mellieha and in other parts of the south of Malta. The variety of commercial and office space in Malta cater for every type of business, from start-ups to established global organisations. In this regard, numerous business centres have recently been developed, with new centres in the pipeline. These include SkyParks, The Quad, Trident Park, The Centre, Aragon House Business Centre, amongst others.

Data specifically related to commercial property in Malta is limited, thus making it more challenging to identify the exact state of this sector. Nevertheless, it is evident that Malta has over recent years completely evolved and has attracted a numerous amount of foreign companies related to sectors within the financial services, gaming and IT related fields. It is therefore apparent that the demand for good commercial property has drastically increased, whereby Malta's property sector has been dominated by a situation of demand seemingly excessing supply. The latter has resulted into the majority of high quality commercial developments being fully let. In line with latest statistical data issued by Eurostat[7], the index reflecting office building permits, segregated by the total useful floor area, indicates an increase of circa 152% from Q4-2009 to Q4-2019 regarding the 'number of meters squared which are currently pending permit approval for office construction purposes'. To further strengthen this argument, once comparing Q4-2009 to Q3-2018 (at the office space boom), the index demonstrates an increase of circa 1184%. The decline to 152% is reflective of the fact that several office developments, commenced construction operations as discussed above.

[7] Eurostat website: https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

- **COVID-19 impact on rental commercial market**[8]

In accordance to the economic turmoil caused by the COVID-19 outbreak, leases in Europe, Malta included, are currently in a state of disarray. Many businesses have been forced to shut down, employees have been laid off or have had to suffer pay-cuts. The pandemic has overnight caused havoc in commercial as well as in residential leases. Retail outlets, whose revenues have ground to halt overnight, are generally still bound to pay their rents, even though they may not be able to do so much longer. At the same time landlords of such commercial properties now have to deal with tenants defaulting on the rents. The situation is no different in the housing sector (including both longer and shorter term lets); landlords have suddenly found themselves with vacant properties, and others are attempting to evict defaulting tenants.

Property owners and tenants are thus faced with serious and often distressing questions affecting their lease relationships. Much will depend on both the duration of this crisis and the extent of the impact on the global economies as well as, the scale and effectiveness of mitigating measures provided by the relevant authorities. Additionally, in line with the growing list of economies (including Malta) which are currently taking tentative steps to ease restrictions or publishing indicative timetables, it would be interesting to see how global economies will react.

The Company is focused in the development of small to medium sized office space, which, in the opinion of the Directors represents a vacuum in the real-estate local market which has seen the construction and development of larger scale commercial property projects.

Management confirmed that the first tenant relating to the St 'Julian's Business Centre has moved in on 1st June 2019 and, are confident that the remaining floors will be approximately 70% rented out by the fourth quarter of 2020. Both the Zebbug and Gudja business centres are currently fully occupied with tenants. Furthermore, the Company has already entered into an agreement with LIDL Immobiliare Malta Ltd (LIDL) in relation to the newly acquired land in Zebbug for developing a supermarket.

3.3 Listed Debt Securities of the Issuer

Description	Amount	ISIN Number
5.75% Central Business Centres plc Unsecured € 2021 S1T1	€3,000,000	MT0000881202
5.25% Central Business Centres plc Unsecured € 2025 S2T1	€3,000,000	MT0000881210
4.40% Central Business Centres plc Unsecured € 2027 S1/17 T1	€6,000,000	MT0000881228

[8] Agile, Perspectives on Malta's economy post COVID-19 (Seed)

3.4 Comparative Analysis

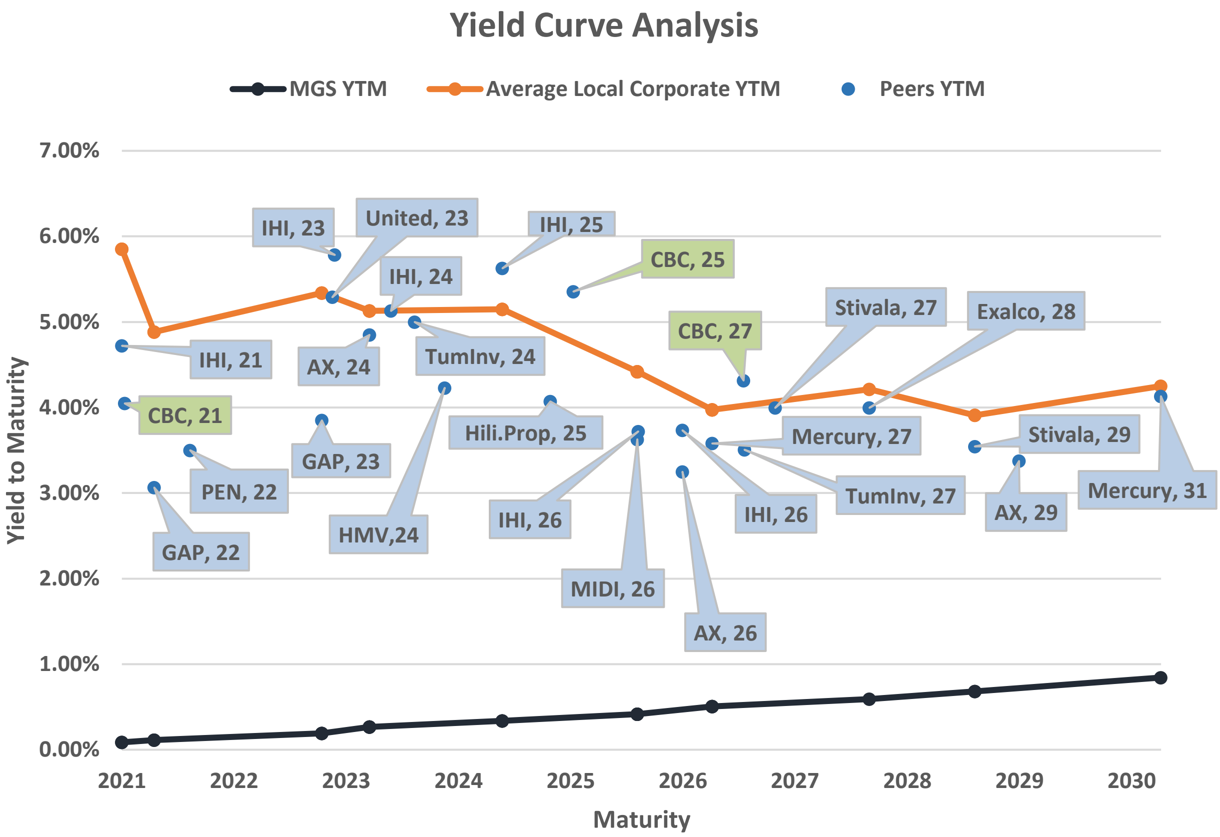
The purpose of the table below compares the proposed debt issuance of the group to other debt instruments. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore also different.

Security	Nom Value €000's	Yield to Maturity (%)	Interest coverage (EBITDA) (times)	Total Assets (€'millions)	Total Equity (€'millions)	Total Liabilities / Total Assets (%)	Net Debt / Total Equity (%)	Net Debt / EBITDA (times)	Current Ratio (times)	Return on Common Equity (%)	Net Margin (%)	Revenue Growth (YoY) (%)	Last Closing Price *
5.8% International Hotel Investments plc 2021	20,000	4.72%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	5.7%	101.50
5.75% Central Business Centres plc Unsecured € 2021 S1T1 (xd)	3,000	4.05%	1.9x	29.5	16.6	44.0%	70.7%	13.2x	0.5x	3.0%	45.6%	205.0%	102.50
3.65% GAP Group plc Secured € 2022	36,737	3.06%	4.4x	55.2	9.9	82.1%	256.0%	3.6x	6.4x	36.0%	9.8%	103.2%	101.00
6% Pendergardens Developments plc Secured € 2022 Series II	26,921	3.50%	3.7x	81.5	28.3	65.2%	118.6%	5.3x	1.5x	0.1x	0.0x	1.0x	105.00
4.25% GAP Group plc Secured € 2023	19,433	3.85%	4.4x	55.2	9.9	82.1%	256.0%	3.6x	6.4x	36.0%	9.8%	103.2%	101.20
5.3% United Finance Plc Unsecured € Bonds 2023	8,500	5.29%	0.8x	27.2	6.9	74.5%	168.3%	18.0x	0.7x	0.1%	17.9%	28.1%	100.00
5.8% International Hotel Investments plc 2023	10,000	5.78%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	5.7%	100.01
6% AX Investments Plc € 2024	40,000	4.85%	5.5x	342.4	226.1	34.0%	23.2%	3.2x	0.9x	2.2%	9.4%	-8.1%	103.80
6% International Hotel Investments plc € 2024	35,000	5.13%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	5.7%	103.00
5% Tumas Investments plc Unsecured € 2024	25,000	5.00%	23.0x	266.9	154.5	42.1%	19.6%	0.5x	3.2x	37.3%	36.1%	128.6%	100.00
5% Hal Mann Vella Group plc Secured € 2024	30,000	4.23%	2.4x	117.6	45.1	61.6%	116.3%	9.5x	1.2x	6.5%	12.9%	-0.7%	103.00
5.75% International Hotel Investments plc Unsecured € 2025	45,000	5.63%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	5.7%	100.50
4.5% Hili Properties plc Unsecured € 2025	37,000	4.07%	1.8x	150.5	57.6	61.7%	136.6%	12.7x	1.1x	9.9%	62.4%	20.0%	102.00
5.25% Central Business Centres plc Unsecured € 2025 S2T1 (xd)	3,000	5.36%	1.9x	29.5	16.6	44.0%	70.7%	13.2x	0.5x	3.0%	45.6%	205.0%	99.50
4% MIDI plc Secured € 2026	50,000	3.63%	6.1x	234.6	104.0	55.7%	49.2%	4.2x	3.0x	8.2%	29.6%	-47.2%	102.00
4% International Hotel Investments plc Secured € 2026	55,000	3.72%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	5.7%	101.50
4% International Hotel Investments plc Unsecured € 2026	60,000	3.73%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	5.7%	101.50
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.25%	6.9x	325.2	214.6	34.0%	22.9%	2.3x	1.0x	15.9%	54.8%	23.1%	100.00
3.75% Mercury Projects Finance plc Secured € 2027	11,500	3.58%	7.7x	38.0	0.8	1.0x	6.6x	4.8x	0.6x	1.0x	0.1x	2.6x	101.00
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1 (xd)	6,000	4.32%	1.9x	29.5	16.6	44.0%	70.7%	13.2x	0.5x	3.0%	45.6%	205.0%	100.50
3.75% Tumas Investments plc Unsecured € 2027	25,000	3.51%	23.0x	266.9	154.5	42.1%	19.6%	0.5x	3.2x	37.3%	36.1%	128.6%	101.50
4% Stivala Group Finance plc Secured € 2027	45,000	4.00%	4.0x	225.3	123.1	45.4%	68.3%	7.4x	0.7x	5.0%	26.0%	19.5%	100.01
4% Exalco Finance plc Secured € 2028	15,000	4.00%	3.9x	68.2	39.7	41.7%	47.1%	5.7x	1.0x	5.0%	44.7%	13.9%	100.01
3.65% Stivala Group Finance plc Secured € 2029	15,000	3.54%	4.0x	225.3	123.1	45.4%	68.3%	7.4x	0.7x	5.0%	26.0%	19.5%	100.80
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.37%	5.5x	342.4	226.1	34.0%	23.2%	3.2x	0.9x	2.2%	9.4%	-8.1%	103.00
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.13%	7.7x	38.0	0.8	97.9%	663.5%	4.8x	0.6x	101.2%	12.3%	261.0%	101.00
Average**	**28,091**	**4.2%**	**5.8x**	**546.4**	**295.3**	**55.3%**	**133.6%**	**6.2x**	**1.7x**	**18.5%**	**18.7%**	**51.3%**	

Source: Latest Available Audited Financial Statements and MSE

* Last price as at 16/06/2020

** Average figures do not capture the financial analysis of the Group



Source: Malta Stock Exchange, Central Bank of Malta and Calamatta Cuschieri Estimates

The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted.

The graph plots the entire MGS yield curve, thus taking into consideration the yield of comparable issuers. The graph illustrates on a stand-alone basis, the yield of comparable issuers having a maturity between 1-4 years, 5-7 years and 7-10 years respectively (Peers YTM).

As can be witnessed in the comparative analysis, the Group's leverage is below the average of its comparable issuers on the Malta Stock Exchange at 44% gearing (Total Liabilities/ Total Assets), compared to an average of 55.3% or at a gearing (Net Debt / Total Equity) of 70.7% compared to an average of 133.6% for the industry.

As at 16th June 2020, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 1-4 years was 408 basis points. The 5.75% Central Business Centres 2021 is currently trading at a YTM of 405 basis points, meaning a spread of 396 basis points over the equivalent MGS. This means that this bond is trading at a marginal discount of 12 basis points in comparison to the market.

As at 16th June 2020, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 5-7 years was 375 basis points. The 5.25% Central Business Centres 2025 is currently trading at a YTM of 536 basis points, meaning a spread of 501 basis points over the equivalent MGS. This means that this bond is trading at a premium of 126 basis points in comparison to the market.

As at 16th June 2020, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 7-10 years was 275 basis points. The 4.4% Central Business Centres 2027 is currently trading at a YTM of 432 basis points, meaning a spread of 333 basis points over the equivalent MGS. This means that this bond is trading at a premium of 58 basis points in comparison to the market.

Part 4 - Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.
Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by the average total assets (average assets of two years financial performance).
Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.
Balance Sheet	
Total Assets	What the Group/Company owns which can de further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.

Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can de further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.
Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio Gearing Ratio Level 1 Gearing Ratio Level 2	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets. Is calculated by dividing Net Debt by Total Equity. Is calculated by dividing Total Liabilities by Total Assets.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.
Other Definitions	
Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.
Occupancy Level	The occupancy level is expressed as a percentage and indicates the number of rooms occupied to the total number of available rooms in a given time period.