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The Board of Directors
Exalco Finance p.l.c.
Cornerstone Business Centre,
Level 4, 16th September Square,
Mosta, MST 1180
Malta

21 June 2021

Dear Sirs,

Exalco Finance p.l.c. – update to the Financial Analysis Summary ("Update FAS")

In accordance with your instructions and in line with the requirements of the Listing Authority Policies, we have compiled the Update FAS set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the Analysis is that of summarising key information appertaining to Exalco Finance p.l.c. (the "**Company**" or "**Issuer**") and Exalco Properties Limited (the "**Guarantor**"). The data is derived from various sources or is based on our own computations as follows:

(a) The Company's audited financial information for the years ended 31 December 2018, 2019 and 2020;
(b) The Guarantor's historical financial information has been sourced from the consolidated audited financial statements of Exalco Properties Limited for the years ended 31 December 2018, 2019 and 2020;
(c) Projected financial information for the year ending 31 December 2021 as provided and approved by management of the Issuer and the Guarantor;
(d) Our commentary on the results and respective financial position of the Issuer and Guarantor is being based on explanations from management;
(e) The Ratios presented in the Update FAS have been computed by us applying the definitions as set out and defined within the Update FAS; and
(f) Relevant financial data in respect of the comparative set as analysed in part D has been extracted from public sources such as the web sites of the companies concerned, financial statements filed with the Malta Business Registry or other published documents such as Financial Analysis Summaries.

The Update FAS is meant to assist potential investors by summarising the more important financial data of the Issuer and Guarantor. The Update FAS does not contain all data that is relevant to potential investors and is meant to complement, and not replace, financial and/or investment advice. The Update FAS does not constitute an endorsement by our firm of the securities of the Issuer and should not be interpreted as a recommendation to invest. We shall not accept any liability for any loss or damage arising out of the use of the Update FAS and no representation or warranty is provided in respect of the reliability of the information contained in this report. As with all investments, potential investors are encouraged to seek professional advice before investing.

Yours sincerely,

Vincent E Rizzo
Director

FINANCIAL ANALYSIS SUMMARY

Update 2021

Prepared by Rizzo, Farrugia & Co (Stockbrokers) Ltd in compliance with the Listing Policies issued by the Malta Financial Services Authority, dated 5 March 2013.

21 June 2021

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Important Information

Purpose of the Document

Exalco Finance plc (the "**Company**", "**Exalco Finance**" or the "**Issuer**") issued €15 million 4% Secured Bonds 2028 pursuant to a prospectus dated 31 July 2018 (the "**Bond Issue**"). The prospectus included a Financial Analysis Summary ("**FAS**") in line with the requirements of the Listing Policies as issued and last updated by the MFSA on 5 March 2013. The purpose of this report is to provide an update to the FAS (the **"Update FAS**") on the performance and on the financial position of the Company and Exalco Properties Limited, as guarantor to the Bond Issue (the "**Guarantor**" or "**Exalco Properties**").

Sources of Information

The information that is presented has been collated from a number of sources, including the Company's website (www.exalcogroup.com), the Company's audited Financial Statements for the years ended 31 December 2018, 2019 and 2020, the Guarantor's audited Financial Statements for the years ended 31 December 2018, 2019 and 2020 and forecasts for financial year ending 31 December 2021 for both the Company and the Guarantor.

Forecasts that are included in this document have been prepared and approved for publication by the directors of the Company and Guarantor, who undertake full responsibility for the assumptions on which these forecasts are based.

Wherever used, FYXXXX refers to financial year covering the period 1st January to 31st December. The financial information is being presented in thousands of Euro, unless otherwise stated, and has been rounded to the nearest thousand.

Previous FAS Issued

The Company has published the following FAS which is available on its website:

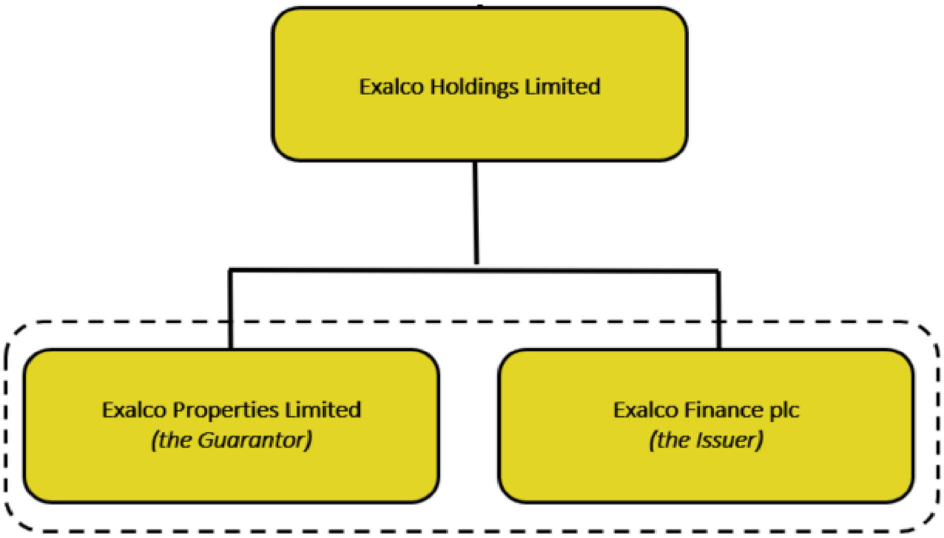
- FAS dated 31 July 2018 (appended to the prospectus)
- FAS dated 6 June 2019
- Addendum to FAS dated 19 August 2019
- FAS dated 31 July 2020

1 INTRODUCTION

Exalco Finance plc was incorporated on 17 July 2018 with company registration number C 87384, to act as the financing vehicle of the Exalco Group [Exalco Holdings Limited (C 86836) and its subsidiaries], the principal constituent of which is the Issuer's sister company, Exalco Properties Limited (C 11273).

Set up in 1990, Exalco Properties was formerly known as Exalco Group Limited. It is the main operating company of the group, whose activities comprise the acquisition, development, management and leasing of property in Malta. The current property portfolio of the Guarantor includes six business centres, on lease to corporate clients on both short- and long-term leases.

Both Issuer and Guarantor share common ownership, through the said holding company Exalco Holdings Limited, as follows:



The Issuer is a financing vehicle, raising finance for the use and benefit of the Exalco group, of which the main operating entity is presently the Guarantor. The proceeds of the Bond Issue have been on-lent to the Guarantor and as such the Issuer is dependent on the Guarantor.

2 GOVERNANCE & MANAGEMENT

THE ISSUER'S DIRECTORS AND SENIOR MANAGEMENT

Being a public limited liability company listing securities on the Official List of the Malta Stock Exchange, Exalco Finance is bound by the Code of Corporate Governance (the "**Code**"). As such, its board of directors is composed of a mix of executive and non-executive directors in terms of the Code. The board is currently composed as follows:

Mr Alexander Montanaro	Chairman of the Board, Executive Director
Mr Jean Marc Montanaro	Executive Director
Mr Michael Montanaro	Executive Director
Mr Mario Galea	Non-Executive Director
Mr Lawrence Zammit	Non-Executive Director
Mr Kevin Valenzia	Non-Executive Director

The Issuer is a finance company and does not have employees of its own.

THE GUARANTOR'S DIRECTORS AND SENIOR MANAGEMENT

Mr Alexander Montanaro	Chairman of the Board, Executive Managing Director
Mr Jean Marc Montanaro	Executive Director & Financial Controller
Mr Michael Montanaro	Executive Director & Property Manager

3 Update on the Business and the Market Environment of the Issuer and Guarantor

There have been no changes to the asset composition of the Guarantor during the past twelve months. The Guarantor owns and manages six business centres apart from two smaller and unrelated properties.

As disclosed in the FAS of last year, FY2020 was characterised by the COVID-19 pandemic. In line with latest information and developments at the time of publication last year, the Company had realistically factored in those material developments into expectations for the remainder of FY2020. COVID-19 did indeed impact almost all of FY2020 but also continues to influence developments in FY2021. It is within this context that this year's analysis as provided in Section B of this report would need to be read.

From a business perspective, all six business centres were operational during FY2020 as opposed to 2019 when the Phoenix Centre (the Guarantors latest acquisition) was only partially rented for most of that year as the refurbishment of the top two floors were completed in June 2019. The pandemic did indeed have an impact on the Company and its business as anticipated however, the scenario-driven assessment referred to last year clearly indicated that all obligations will continue to be met even under the worst-case scenario and management worked diligently throughout the challenging year to achieve a very good set of results based on that assessment.

In the annual report for FY2020, the Directors of the Company indicate that for FY2021 they do not anticipate any significant changes in either the company's activities or in their ability to continue to meet all their obligations. This expectation is formed based on a continuous update to the scenario-driven assessment referred to last year. Furthermore, management remains fully aware and conscious of ongoing challenges and is closely monitoring developments as the situation may still rapidly deteriorate for extended periods of time. The commitment by management to mitigate to the extent possible any of these effects remains intact.

4 MAJOR & OTHER ASSETS

The Issuer is a finance vehicle, and as expected, the major asset it has on its book is the loan to the Guarantor, which funds were raised through a bond issue during FY2018.

The major assets of the Guarantor are the properties which the Guarantor leases to third parties, details of which are being included hereunder.

Business Centre	Location	Title / Tenure	Year of Acquisition/ Completion	No of Levels	NLA*: Offices	NLA*: Commercial	No. of Parking Spaces
Golden Mile Business Centre	St Julian's	Wholly owned	2017	7	2,880	-	25
Marina Business Centre	Ta' Xbiex	Wholly owned	2011	6	3,532	64	78
Mayfair Business Centre	St Julian's	Wholly owned	1999	7	836	1,620	12
Cornerstone Business Centre	Mosta	Wholly owned	2006	5	1,880	372	32
Parklane Business Centre	Hamrun	Wholly owned	1999	4	695	250	6
Phoenix Business Centre	St Venera	Wholly owned	2018	5	2,200	1,300	20
Other Assets							
Borton House	Mosta	Wholly owned	1990	3	200	-	2
Ibragg Maisonette	Ibragg	Wholly owned	2014	1	-	-	1

Source: Management information

**NLA: net lettable area*

5 MATERIAL AGREEMENTS

The Issuer is a financing vehicle for the Group and the contracts relate to its lending function to the Group's main operating company, that is the Guarantor. A loan agreement has been entered into by and between the Issuer (as lender) and the Guarantor (as borrower) on the 20 July 2018 pursuant to which the Issuer advanced the net proceeds from the Bond Issue to the Guarantor.

The Guarantor is party to several contracts which are considered to be material in the context of its operations, particularly those with tenants of the business centres. Furthermore, the Guarantor has provided guarantees to the Security Trustee, for the benefit of the Bondholders, with respect to the payment of the indebtedness to the Security Trustee at any time due or owing under the Bonds.

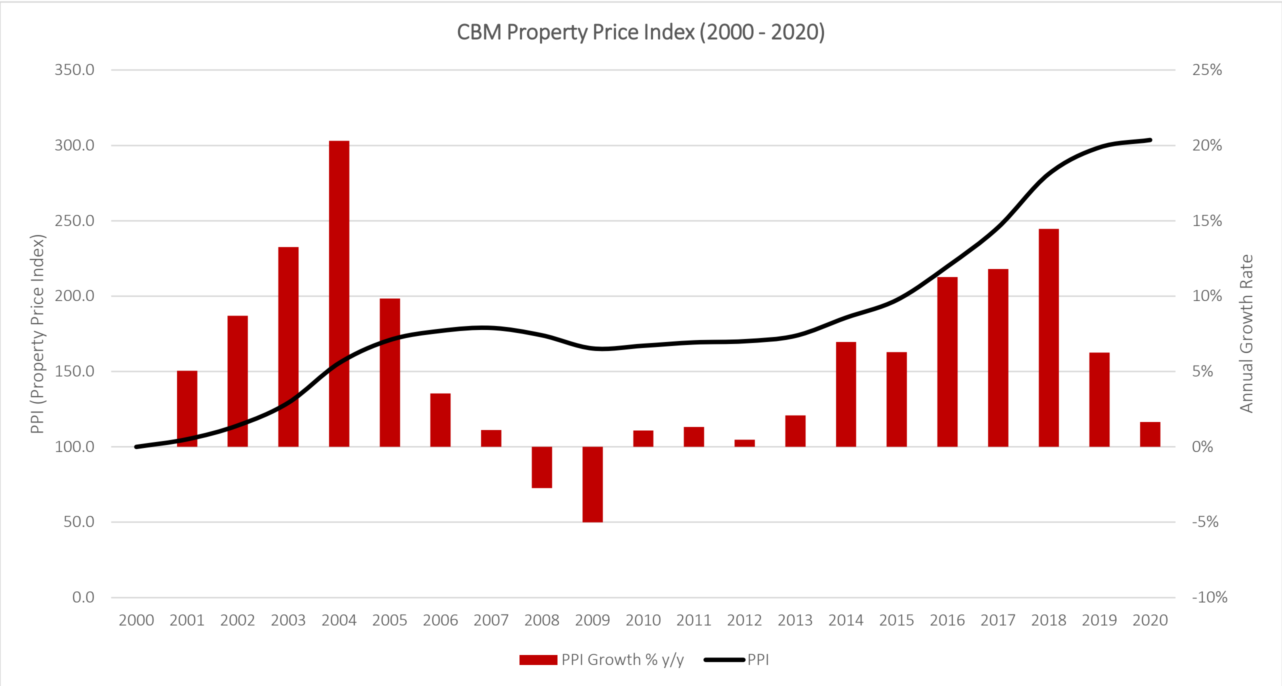
Since the publication of the FAS in July 2020, management advised that the Issuer and the Guarantor have not entered into any further material agreements that require disclosure.

6 MARKET OVERVIEW

The construction and real estate industries have traditionally been key drivers of growth for the local economy. Moreover, the positive correlation between the performances of the local economy and the construction and real estate industry has been particularly evident in recent years. These have been mainly fuelled by favourable local and external macroeconomic dynamics as well as various initiatives (including fiscal incentives) by the Government of Malta aimed at boosting the overall level of public and private investment, regenerate business/retail and consumer confidence, and increase the participation and relocation of numerous foreigners and foreign companies opting to reside and do business in Malta.

The outbreak of COVID-19 disrupted the momentum that was building in the local economy as all sectors were adversely affected. The construction and real estate industry was no exception although the data indicates that the industry has been relatively resilient.

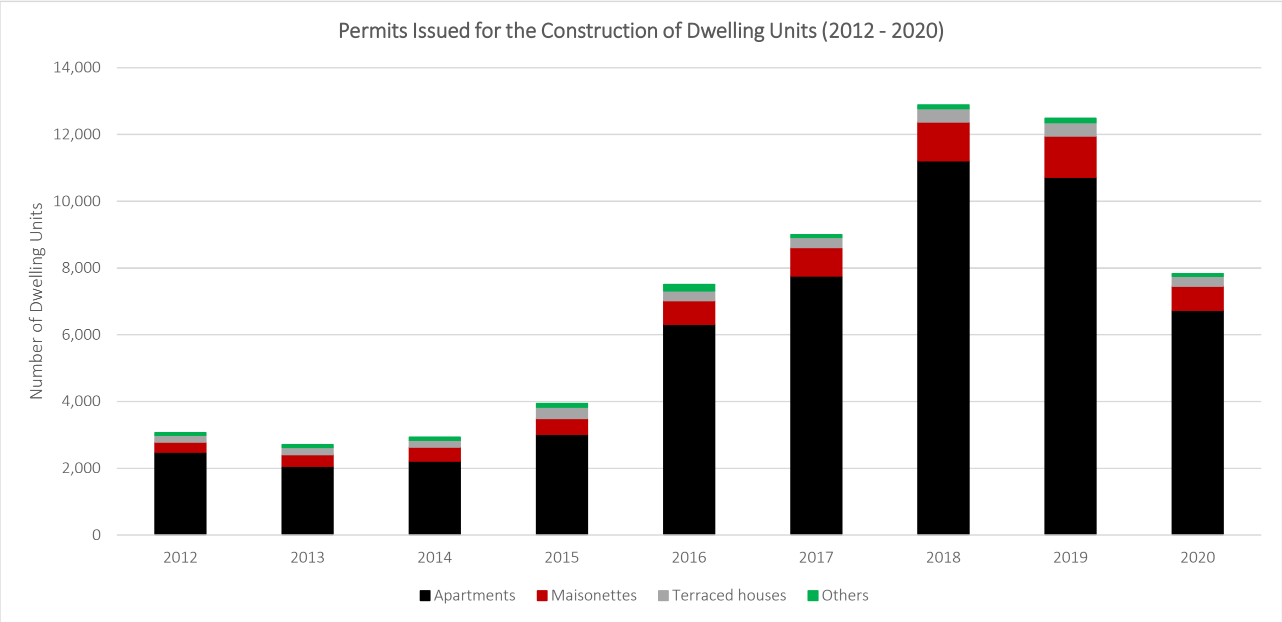
The most recent data issued by the Central Bank of Malta shows that residential property prices in Malta (based on advertised prices) increased by 1.7% in 2020 over the previous year. This led the CBM Property Price Index, which tracks movements in the advertised prices of the major types of residential property, to reach a new all-time high of 303.6 points as at the end of 2020 compared to 298.7 points as at the end of 2019.



Source: Central Bank of Malta

The CBM Property Price Index also shows that property prices in Malta have increased by a compound average growth rate ("**CAGR**") of 5.4% per annum (in nominal terms) since 2000.

Despite the adverse effects of CVOID-19 on local real-estate market, property prices continued to increase albeit at a much slower pace. The Central Bank of Malta, in its 2020 Annual Report[1], notes that local property prices have been supported by the prevailing low interest rate environment as well as by the various support schemes related to property that were launched by the Government of Malta. Nonetheless, the Central Bank also noted that the decline in the rate of property price increases could also be reflective of "…a degree of stabilisation in the housing market, following a period of above average growth." Moreover, apart from the adverse impact of the pandemic, the Central Bank also attributes this stabilisation to the fact that "…the large number of permits issued in recent years likely has increased the availability of housing…"[2]. In fact, as demand for residential property moderated because of COVID-19 (reflecting lower household income and lower demand for private rental accommodation as expatriates returned to their respective home country), the number of permits for residential units issued by the Planning Authority sharply contracted to the lowest levels in the last four years. During 2020, the Planning Authority sanctioned the development of 7,831 units contrasting the 12,485 permits issued in 2019. The decline in permit issuance during 2020 was evident across most types of residential dwellings[3].



Source: Planning Authority

[1] *Central Bank of Malta, 2021, Annual Report 2020, available from https://www.centralbankmalta.org/site/Publications/AR-2020.pdf?revcount=9620, [Accessed 21 May 2021]*
[2] *Central Bank of Malta, 2021, Quarterly Review, Vol. 54 No. 2, available from https://www.centralbankmalta.org/site/Publications/QR-2021-2.pdf?revcount=6882 [Accessed 21 May 2021]*
[3] *Planning Authority, 2021, Dwelling Unit Approvals for 2000 – 2020, available from https://www.pa.org.mt/file.aspx?f=34865, [Accessed 21 May 2021]*

COMMERCIAL PROPERTY

Although commercial property is a very important niche of the local property market, available statistics are indeed limited. Nonetheless, the Central Bank of Malta notes that non-residential investment increased at a slower rate than in the previous year with permits issued for the construction of such properties declining significantly from the high levels recorded in 2018 and 2019 but remained slightly above the historic average.[4]

ECONOMIC RESULTS

Despite all the disruptions, primarily brought about by COVID-19, property remains an important contributor to the country's GDP. In fact, gross value added of the construction sector increased by 2.9% to €494.4 million in 2020 compared to €480.6 million in the previous year. Over the same period, the percentage share of the construction sector to Malta's GDP marginally increased to 4.7% (2019: 4.3%). Meanwhile, during 2020 the real estate activities segment contracted by 0.9% to €748.4 million from €755.2 million in 2019.[5]

[4] *Central Bank of Malta, 2021, Annual Report 2020, available from https://www.centralbankmalta.org/site/Publications/AR-2020.pdf?revcount=9620, [Accessed 21 May 2021]*

[5] *National Statistics Office, Gros Domestic Product:2020, available from https://nso.gov.mt/en/News_Releases/Documents/2021/03/News2021_040.pdf, [Accessed 21 May 2021]*

7. THE ISSUER

The Issuer was registered on 17 July 2018, and as such, the first set of historic audited financial information relate to the period between the date of incorporation and 31 December 2018. FY2019 was the first full year of operation for the Issuer since its incorporation. The Issuer does not undertake any trading activities itself apart from the raising of capital and the advancing thereof to the Guarantor and is therefore economically dependent on the financial and operational performance of the business of the Guarantor.

The financial statements presented for the Issuer in this section reflect audited financial statements for the period between 17 July 2018 and 31 December 2018 and full financial years ended 31 December 2019 and 2020. The forecasts for FY2021 produced in this section reflect management's expectations.

7.1 INCOME STATEMENT

	Actual FY2018 *€000's*	Actual FY2019 *€000's*	Actual FY2020 *€000's*	Forecast FY2021 *€000's*
Interest on loans to fellow companies	238	604	612	612
Facility fee	93	127	129	132
Finance Income	**331**	**731**	**741**	**744**
Finance cost	(233)	(630)	(630)	(630)
Net Finance Cost	**98**	**101**	**111**	**114**
Loss allowance on financial assets	(29)	-	-	-
Administrative Expenses	(51)	(65)	(59)	(62)
Profit before tax	**18**	**36**	**52**	**52**
Taxation	(16)	(13)	(18)	(18)
Profit for the Year	2	23	34	34

Source: Management information

REVIEW FY2020 AND FORECAST FY2021

The results for the Issuer for the year ended 31 December 2020 do not vary significantly from those of the previous year and will not vary much going forward in view of the objects of the Company. Being the finance vehicle of the Group, the significance of these numbers is restricted to appreciating the fact that the principal inflows and outflows are interest income on the bond issue proceeds loaned to the Guarantor and the facility fee chargeable to the Guarantor as the ultimate beneficiary of the funds raised by the Issuer which are used to pay off the bond finance costs. As expected, the forecasts for FY2021 show practically no changes given the nature of the Company's activities.

7.2 Statement of Financial Position

	Actual FY2018 €000's	Actual FY2019 €000's	Actual FY2020 €000's	Forecast FY2021 €000's
Assets				
Non-Current Assets				
Loans & receivables	14,672	14,972	14,972	15,022
Current Assets				
Trade & other receivables	288	247	250	250
Cash & cash equivalents	250	44	127	106
Total Assets	15,210	15,263	15,349	15,378
Equity & Liabilities				
Equity				
Share Capital	250	250	250	250
Retained Earnings	2	25	59	93
Total Equity	**252**	**275**	**309**	**343**
Non-Current Liabilities				
Amortised bond issue	14,713	14,743	14,773	14,803
Current Liabilities				
Trade and other payables	229	232	267	232
Current tax	16	13	-	-
Total Liabilities	**14,958**	**14,988**	**15,040**	**15,035**
Total Equity & Liabilities	15,210	15,263	15,349	15,378

Source: Management information

Review FY2020 and Forecast FY2021

The balance sheet of the Issuer is very straightforward and reflective of its objectives as a financing arm for the Guarantor. As at the end of FY2020, the Issuer's total assets amounted to €15.3 million, and these are not expected to vary during the current financial year. In the main, these comprise of the loan to the Guarantor. Liabilities include the amortised bond issue of €14.8 million as well as accrued interest. The Issuer does not expect any material changes in its balance sheet for FY2021 in line with its objectives and purpose.

7.3 Cash Flow Statement

	Actual FY2018 €000's	Actual FY2019 €000's	Actual FY2020 €000's	Forecast FY2021 €000's
Cash flows from operating activities	-	94	83	(21)
Cash flows used in investing activities	(14,700)	(300)	-	-
Cash flow from financing activities	14,950	-	-	-
Net movements in cash & cash equivalents	**250**	**(206)**	**83**	**(21)**
Opening cash & cash equivalents	-	250	44	127
Closing cash & cash equivalents	250	44	127	106

Source: Management information

Review FY2020 and Forecast FY2021

The cash flow from operating activities of the Issuer comprise facility fees and interest received from the Guarantor. Cash flows used in investing activities reflect the loan advanced to the Guarantor, while the cash flow from financing activities represent the share capital upon incorporation and the bond issue proceeds, net of bond issue costs.

There was an immaterial decrease in cash flow from operating activities in 2020 compared to 2019 however, this is higher than the figure forecasted last year for 2020 as net income was slightly higher than anticipated while costs came in slightly lower. Net cash movements in FY2021 are marginally negative due to the forecasted decrease in payables.

8 THE GUARANTOR

The financial statements of the Guarantor are being presented hereunder. The historical financial figures for the years ended 31 December 2018, 2019 and 2020 have been sourced from the audited consolidated financial statements. Reference herein is made to "**Historical Financial Information**" in this regard.

Forecasts for the year ended 31 December 2021 (the "**Management Forecasts**") have been provided by management who maintain sole responsibility for them and for the assumptions on which they are based.

Financial information presented hereunder may be subject to rounding differences.

8.1 INCOME STATEMENT

	Actual FY2018 *€000's*	*Actual* FY2019 *€000's*	*Actual* FY2020 *€000's*	Forecast FY2021 *€000's*
Property Leasing	3,215	3,634	4,028	4,206
Net property management income	172	132	137	95
Net revenue from property leasing activities	**3,387**	**3,766**	**4,165**	**4,301**
Other net (costs)/income from property leasing	19	15	17	20
Selling, general and administrative costs	(470)	(435)	(433)	(433)
EBITDA	**2,936**	**3,346**	**3,749**	**3,888**
Depreciation	(338)	(338)	(340)	(332)
EBIT	**2,598**	**3,008**	**3,409**	**3,556**
Net finance expenses	(733)	(870)	(926)	(916)
Profit before tax	**1,865**	**2,138**	**2,483**	**2,639**
Current taxation	(485)	(546)	(576)	(631)
Profit for the year	**1,380**	**1,592**	**1,907**	**2,008**

Source: Historical Financial Information and Management Projections

REVIEW FY2020

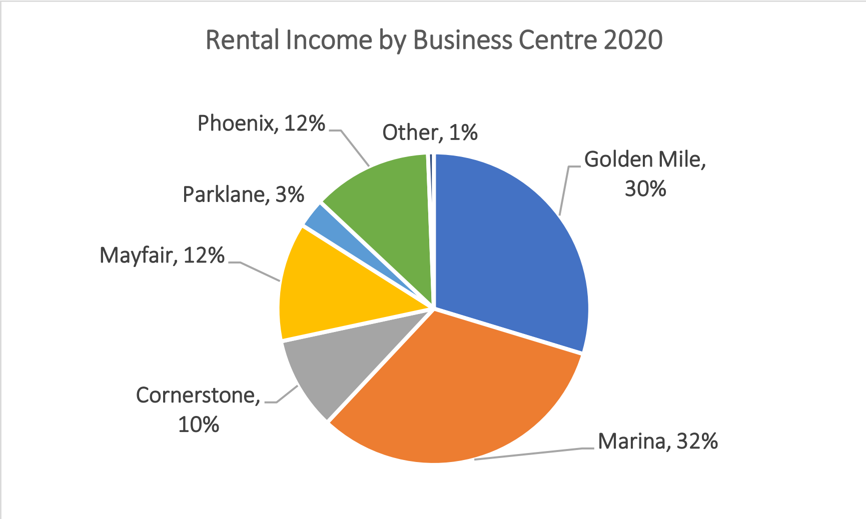
REVENUE ANALYSIS

The Guarantor's revenue generating segments are property leasing and property management. Net revenue reached €4.1 million in FY2020 compared to €3.8 million in FY2019. The principal contributor to this increase is the first full year of contribution from the Phoenix Business Centre which was acquired towards the end of 2018 and the vacant two levels were refurbished in the first half of 2019. Rental income from this Centre increased further from the final quarter of 2019 as the two levels that underwent refurbishment were leased. A remaining portion of the final level was also leased in 2020 with revenue starting to accrue from the final quarter. Revisions to some other rental contracts throughout 2020 bringing them to market rates also contributed to some top line income growth.

Property Leasing

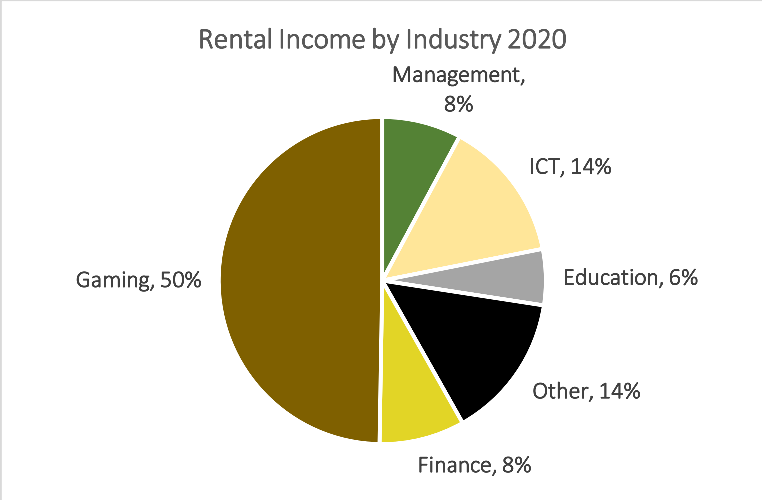
This segment is represented by the leasing of the six business centres in Malta entirely owned by the Guarantor.

The business centres provide a total net lettable area of *circa* 15,700 sqm, of which *circa* 3,600 sqm is commercial space. The business centres are leased out to corporate clients on both short and long-term leases. The lease agreements in place between the Guarantor and its tenants provide an initial definite term of rent and are subject for annual increments ranging between 2% and 3% of the rent payable in the previous year. Certain lease agreements also cater for the automatic renewal of the lease for a period ranging from one to three years. Additionally, all the rental agreements provide the option for the termination of the lease agreement by the lessee by giving a written notice a few months before the expiration of the lease term (between 3 to 12 months), either during the original or the renewed term.



Source: Management information

The Golden Mile Business Centre in Saint Julian's and the Marina Business Centre in Ta' Xbiex remained the largest revenue contributors by quite a margin over the other properties and together accounted for 62% of the revenue of FY2020 (FY2019: 65%). As highlighted earlier, Phoenix contributed a first full year in 2020 and accounts for 12% of rental income, exactly in line with Mayfair. Contributions per business centre are expected to remain almost unchanged in 2021.



Source: Management information

While the Guarantor has various tenants operating in different sectors, there remains a noticeable concentration on the gaming industry. However, while at the end of FY2019, this industry accounted for 53% of total revenue, by the end of FY2020, gaming contributed 50%. It is worth noting that in 2018 this sector's contribution was at 63%. Similarly, an increase in the ICT sector is evident up from just 5% in 2018 to 14% in 2020. The finance sector contribution increased from 6% to 8% during the period under review.

The Golden Mile Business Centre remains fully occupied by one large gaming company and given also that this business centre represents 30% of total revenue, such concentration remains material although on a decreasing trend. With the introduction of Phoenix and the gradual changes in tenant mix, concentration risk should diminish further. In terms of rental income by tenant, in FY2020 the top four tenants across all business centres accounted for 58% of total rental income (FY2019: 56%).

Property Management

This segment complements the rental property segment, as it maintains the business centres on behalf of its tenants. Services provided by the Group include common area management, general repairs and maintenance, and in-house maid services. The company generated net revenues of €137,000 from these services during FY2020 compared to €132,000 in FY2019. This stream is likely to remain valid but relatively immaterial.

Other Components of the Income Statement

EBITDA (operating profit adjusted for depreciation, amortisation and before charging tax and interest expenses) reached €3.8 million in FY2020 (FY2019: €3.3 million). As highlighted above, the contribution of the Phoenix Business Centre in FY2020 and the revision to certain rental agreements in line with market rates, are the main factors behind this increase. EBITDA margin remained very high at 90% (FY2019: 89%).

Depreciation remained unchanged at €0.3 million in FY2020 while operating profits increased to €3.4 million (FY2019: €3.0 million). Net finance expenses increased marginally in FY2020 at €0.9 million compared to €0.87 million due to the non-recurrence of an element of finance income in 2019.

Forecasts - FY2021

We have been advised that the assumptions on which the forecasts for FY2021 are based reflect normal activity. Whereas in FY2020 the impact of COVID-19 was factored into forecasts very prudently, the forecasts for this year reflect a relative return to 'normality' principally in the context of the fact that during last year and despite COVID-19, management entered into new agreements and revised certain others which now have a full year effect in FY2021.

Indeed, it is currently forecasted that business in FY2021 will improve marginally over that for FY2020 principally for the reasons highlighted earlier that is, the effect of rental streams emanating from the entire Phoenix building after the remaining portion of the final level was also leased in September 2020 as well as the renewal of some agreements and annual increments based on existing agreements taking effect.

In fact, overall revenues are expected to increase to €4.3 million in FY2021, compared to €4.2 million in FY2020. Management expects all centres to remain almost fully occupied and the tenant mix to remain broadly unchanged.

Consequently, EBITDA is also expected to increase from €3.8 million in FY2020 to €3.9 million in FY2021. EBITDA margin is expected to remain at a very healthy level of 90% reflecting the lean cost-base of the Group.

Net finance costs are expected to remain unchanged in FY2021 at just over €0.9 million after the increase registered in 2019 following the drawdown in facilities in relation to the Phoenix Business Centre. After deducting tax, profit for the year is expected to be higher at €2 million compared to €1.9 million in FY2020.

8.2 Statement of Financial Position

	Audited	Audited	Audited	Forecast
	FY2018	FY2019	FY2020	FY2021
	€000's	€000's	€000's	€000's
Assets				
Non-Current Assets				
Property, plant and equipment	451	449	445	443
Investment property	60,404	60,900	60,840	60,601
Loans and receivables	2,033	2,482	2,486	2,488
Total Non-Current Assets	**62,888**	**63,831**	**63,771**	**63,532**
Current Assets				
Trade and other receivables	665	1,008	1,177	1,144
Cash and cash equivalents	3,450	1,907	4,138	5,605
Total Current Assets	**4,115**	**2,915**	**5,315**	**6,749**
Total Assets	**67,003**	**66,746**	**69,086**	**70,281**
Equity & Liabilities				
Equity				
Share Capital	2,840	2,840	2,840	2,840
Revaluation & other Reserves	30,328	30,322	30,322	30,322
Retained Earnings	3,397	4,890	6,797	8,655
Total Equity	**36,565**	**38,052**	**39,959**	**41,817**
Non-Current Liabilities				
Deferred tax liabilities	4,686	4,685	4,685	4,684
Security Deposits	678	645	716	692
Borrowings for continuing operations	7,167	5,838	5,518	4,693
Amounts due to fellow subsidiaries	14,700	14,700	15,000	15,050
Total Non-current liabilities	**27,231**	**25,868**	**25,919**	**25,119**
Current Liabilities				
Trade and other payables	1,862	1,706	1,973	2,054
Deposits received from clients	164	194	240	289
Borrowings	733	379	388	371
Current tax liabilities	448	547	607	631
Total Current Liabilities	**3,207**	**2,826**	**3,208**	**3,345**
Total Liabilities	**30,438**	**28,694**	**29,127**	**28,464**
Total Equity & Liabilities	**67,003**	**66,746**	**69,086**	**70,281**

Source: Historical Financial Information and Management Projections

Review FY2020

The Guarantor's asset base as of the end of FY2020 remained principally composed of *Investment property*, which accounts for 88% of total assets. A breakdown of the portfolio of investment property is presented in a previous section of this FAS. On the liabilities side, the major components are bank and bond borrowings as well as deferred taxes which account for 72% and 16% of total liabilities, respectively.

The Statement of Financial Position as at 31 December 2020 compared to the figures as at 31 December 2019, reveals that total assets increased by 3.5% to €69 million. This is largely the result of an increase in year-end cash balances from €1.9 million to €4.1 million resulting from a net positive swing in cash movements for the year.

Meanwhile, total liabilities stood at €29.1 million, a marginal increase from the €28.7 million at the end of FY2019. The change principally reflects an increase in payables (current liabilities). Total liabilities remain to a large extent composed of the borrowings via the bonds in issue.

Equity increased marginally on account of an increase in retained earnings reflecting the Guarantor's profitability for the period.

Forecasts FY2021

For FY2021, the Guarantor's balance sheet is expected to grow principally on account of the expected increase in current assets and specifically through a further increase in cash and cash equivalents compared to the levels as at the end of FY2020. On the funding side, the principal contributor to expansion is in retained earnings as the financial position is expected to reflect the earnings for the year as reflected in the forecast income statement for FY2021. Management does not currently forecast any changes in the quantity or composition of investment properties during 2021 despite the effects of the pandemic and based on the information available to management as at the date of this report. Similar to last year, despite COVID-19 and principally following the additional leases entered into in 2020 as well as the revision of certain contracts also negotiated in 2020, management believes that the value of *investment property*, based on the terms of all the lease agreements currently in force and the fact that the buildings are 100% occupied, should remain unchanged. Liabilities are expected to reduce marginally as bank loan repayments commence.

Analysis of borrowings

	Audited	Audited	Audited	Forecast
	FY2018	FY2019	FY2020	FY2021
	€000's	€000's	€000's	€000's
Borrowings (bank loan and bonds)	22,600	20,917	20,906	20,114
Less: Net Cash and cash equivalents	3,450	1,907	4,138	5,605
Total net borrowings	**19,150**	**19,010**	**16,768**	**14,509**

Source: Historical Financial Information and Management Projections

8.3 Statement of Cash Flows

	Audited	Audited	Audited	Forecast
	FY2018	FY2019	FY2020	FY2021
	€000's	€000's	€000's	€000's
Net cash flow from operating activities	2,209	1,420	2,519	2,351
Net cash flow used in investing activities	(6,929)	(831)	(277)	(92)
Net cash flow (used in) / from financing activities	7,957	(2,132)	(11)	(792)
Net movement in cash & cash equivalents	**3,237**	**(1,543)**	**2,231**	**1,467**
Opening cash & cash equivalents	213	3,450	1,907	4,138
Net cash & cash equivalents at end of year	**3,450**	**1,907**	**4,138**	**5,605**

Source: Historical Financial Information and Management Projections

Review FY2020

For the period ended 31 December 2020, the Guarantor generated increased operational cash flows of €2.5 million compared to €1.4 million in FY2019. As outlined earlier in the report, the additional leases related to Phoenix contributed to this increased cash generation. In FY2020, there was a non-recurrence of payments directly related to Phoenix that were accounted for in FY2019 (including tax and settlement of certain payables). There was also a repayment of a short-term loan in FY2019 that was not repeated in FY2020. As a result of the above, net cash used in both investing and financing activities fell. The company ended the year with a higher and healthy level of cash.

Forecasts FY2021

Net operating cash flows for FY2021 are expected to drop marginally compared to FY2020 due to a forecasted increase in tax and bank interest as well as the payment of a dividend in FY2021. On the other hand, cash movement in investing and financing activities is expected to reflect the commencement of repayment of the bank loan drawn down in 2018. The Guarantor expects to end FY2021 in a net healthy positive cash position of €5.6 million after the payment of all obligations due for the year under review.

8.4 Guarantor Ratio Analysis

Profitability Ratios

The below is a set of ratios prepared to assist in measuring the company's earnings potential from its property portfolio.

	Audited FY2018	*Audited* FY2019	*Audited* FY2020	*Forecast* FY2021
EBITDA Margin *(EBITDA / Revenue)*	86.7%	88.8%	90.0%	90.4%
Operating profit Margin (EBIT Margin) *(Operating Profit / Revenue)*	76.7%	79.9%	81.8%	82.7%
Net Profit Margin *(Net Profit / Revenue)*	40.7%	42.3%	45.8%	46.7%
Return on Average Equity *(Net Profit / Average Equity)*	3.8%	4.3%	4.9%	5.2%
Return on Average Assets *(Net Profit / Average Assets)*	2.1%	2.4%	2.8%	2.9%

The Guarantor's margins reflect the lean cost structure of its business model. Margins have generally been stable, strong and on an increasing trend over the years under review. The forecasts for FY2021 indicate further strengthening.

Liquidity Ratios

The below is a set of ratios prepared to assist in measuring the company's ability to meet its short-term obligations.

	Audited FY2018	*Audited* FY2019	*Audited* FY2020	*Forecast* FY2021
Current Ratio *(Current Assets / Current Liabilities)*	1.28x	1.03x	1.66x	2.02x
Cash Ratio *(Cash & Cash Equivalents / Current Liabilities)*	1.08x	0.67x	1.29x	1.68x

As highlighted in our report last year, an improvement in ratios was forecasted as cash and cash equivalents increase following the launch (and first full year) of Phoenix Business Centre as well as the renegotiation of certain agreements to reflect market rates. The extent of the Guarantor's debt servicing commitments remains very much skewed to the bonds in issue as bank loans (drawn for Phoenix Business Centre) only constitute 25% of total debt. As a result, cash retention is maximized thereby resulting in improving and heathy liquidity ratios.

Solvency Ratios

The below is a set of ratios prepared to assist in measuring the company's ability to meet its debt obligations.

	Audited FY2018	*Audited* FY2019	*Audited* FY2020	*Forecast* FY2021
Interest Cover *(EBITDA / Net Finance Costs)*	4.00x	3.85x	4.05x	4.24x
Gearing Ratio (1) *(Net Borrowings / Equity)*	0.52x	0.50x	0.42x	0.35x
Gearing Ratio (2) *(Total Borrowings / [Total Borrowings + Equity])*	38.2%	35.5%	34.3%	32.5%
Gearing Ratio (3) *(Net Borrowings / [Net Borrowings + Equity])*	34.4%	33.3%	29.6%	25.8%
Net Debt to EBITDA *(Net Borrowings / EBITDA)*	6.52x	5.68x	4.47x	3.73x

The Guarantor has a healthy interest cover reflective of the healthy EBITDA generation concurrent with a prudent borrowings position. The improving trend has been maintained and is indeed expected to improve further in FY2021 as EBITDA growth (albeit marginal) outpaces stable finance costs.

Based on the forecasts for FY2021 prepared by management, leverage (gearing) also shows an improving (reducing) trend. As equity gradually increases principally through improved profitability (retained earnings) and bank loans are gradually repaid, the levels of gearing (as measured in three different manners) heads lower to levels which are considered even more reasonable and prudent.

The Net Debt to EBITDA ratio similarly shows an improvement (a lower ratio is a better result) for the same reasons outlined above. The results indicate that, all things being equal and on the basis of the current assumptions and forecasts for FY2021, it will take the company less than four years to repay its borrowings in full.

8.5 Variance Analysis – Income Statement

for the year ended 31 December	*Actual Audited* **2020** *€000's*	*Forecast per FAS* **2020** *€000's*	*Variance* **%**
Property Leasing	4,028	3,805	+6
Net property management income	137	148	-7
Net revenue from property leasing activities	**4,165**	**3,953**	**+5**
Other net income from leasing activities	17	17	-
Selling, general and administrative costs	(433)	(470)	-8
EBITDA	**3,749**	**3,500**	**+7**
Depreciation	(340)	(340)	-
EBIT	**3,409**	**3,160**	**+8**
Net finance expenses	(926)	(921)	+1
Profit before tax	**2,483**	**2,239**	**+11**
Current taxation	(576)	(570)	+1
Profit for the year	**1,907**	**1,669**	**+14**

Source: 2020 Audited Financial Statements and FAS dated 31 July 2020

A variance analysis of the Guarantor's income statement for FY2020 reveals changes that are largely of an immaterial nature. The visibility of earnings and relatively fixed and controlled nature of costs together with management's prudent assumptions resulted in an overall actual position that was better than that forecasted during what can possibly be described as the toughest year on record.

Actual EBITDA as at year end reached €3.75 million compared to a forecasted €3.5 million, a 7% positive variance. This was brought about by slightly lower expenses and higher revenue on the back of increased income flows from a full year at Phoenix Business Centre but more importantly from certain revisions to existing agreements. Depreciation levels were exactly in line with those forecasted as were net finance expenses. As a result, profit before tax was 11% higher than previously anticipated while net profits for the year were 14% higher than forecasted.

Overall, the results indicate that management's assumptions in the preparation of the forecasts this time last year were indeed reasonable.

PART C LISTED SECURITIES

The Issuer's listed debt securities comprise:

Bond:	€15 million 4% Secured Bonds 2028
ISIN:	MT0001911206
Prospectus Date:	31 July 2018
Redemption Date:	20 August 2028

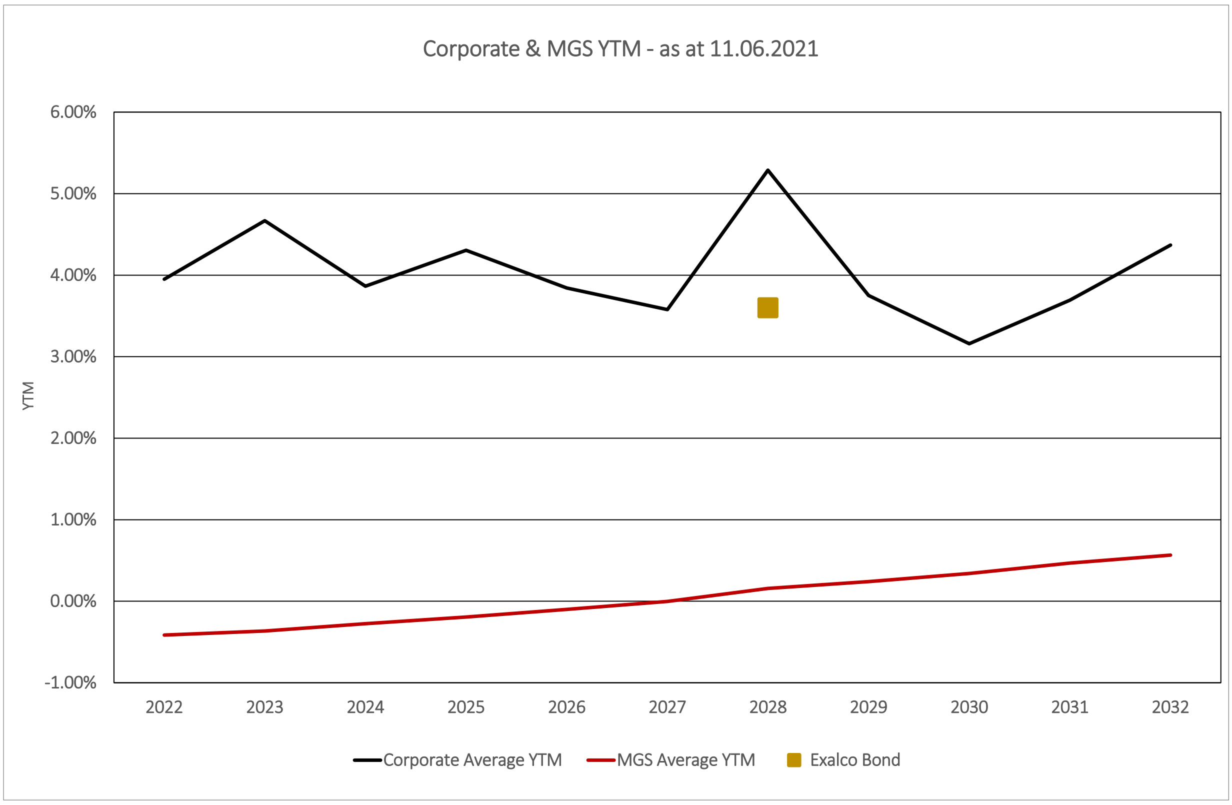
The table below compares the Issuer and its proposed bond issue to other listed debt on the local market having broadly similar maturities. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations may vary significantly from those of the Issuer and are therefore not directly comparable. Nevertheless, the table below provides a sample of some comparatives:

Bond Details	Outstanding Amount *(€)*	Gearing Ratio* *(%)*	Net Debt to EBITDA *(times)*	Interest Cover *(times)*	YTM *(as at 11.06.2021)* *(%)*
4.50% Grand Harbour Marina plc 2027	15,000,000	83.8	6.43	2.39	4.04
4.00% Eden Finance plc 2027	40,000,000	31.0	N/A	N/A	3.24
3.75% Tumas Investments plc 2027	25,000,000	17.6	1.55	8.22	3.38
3.50% Simonds Farsons Cisk plc 2027	20,000,000	13.4	1.24	12.00	2.53
3.75% Virtu Finance plc 2027	25,000,000	45.1	5.27	4.52	3.06
4.00% Exalco Finance plc 2028 (Secured)	15,000,000	29.6	4.47	4.05	3.60
3.85% HILI Finance Company plc 2028	40,000,000	65.9	N/A	N/A	3.81
4.00% SP Finance plc 2029 (Secured)	12,000,000	46.0	139.74	0.12	3.85

Source: Yield to Maturity from rizzofarrugia.com based on bond prices as at 11 June 2021. Ratio workings and financial information quoted have been based on the Issuer's and their guarantors where applicable, from published financial data for the year ended 2020.

**Gearing Ratio: Net Debt / [Net Debt + Total Equity]*

The chart below compares the Exalco Finance plc bond to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 11 June 2021.



Source: Rizzo, Farrugia & Co (Stockbrokers) Ltd.

As at 11 June 2021, the Exalco Finance plc bonds yielded 3.6% per annum to maturity (since the bonds were trading at a premium at the time). This is approximately 344 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2027, and circa 169 basis points below the average YTM of corporate debt maturing in the same year.

STATEMENT OF COMPREHENSIVE INCOME EXPLANATORY DEFINITIONS

Revenue	Total revenue generated by the company from its business activity during the financial year.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortization. It reflects the company's earnings purely from operations and is commonly used to analyse and compare profitability across companies as it eliminates effects of financing and accounting decisions which vary between companies in its computation.
EBIT	EBIT is an abbreviation for earnings before interest and tax. Similar to the above but factors in also depreciation and amortisation.
Depreciation and Amortization	An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated.
Finance Income	Interest earned on cash bank balances and from the intra-group companies on loans advanced (if any).
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit after tax generated in one financial year from all operational as well as non-operational activities.

CASH FLOW STATEMENT EXPLANATORY DEFINITIONS

Cash Flow from Operating Activities	The cash used or generated from the company's principal operational business. activities.
Cash Flow from Investing Activities	The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets.
Cash Flow from Financing Activities	The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments.

STATEMENT OF FINANCIAL POSITION EXPLANATORY DEFINITIONS

Assets	What the company owns which can be further classified into Current and Non-Current Assets.

Non-Current Assets	Assets, full value of which will not be realised within one year from the statement of financial position date. These usually comprise longer term investments such as property, plant, equipment and investment properties. They are capitalised rather than expensed meaning that the company allocates the cost of the asset over the number of years for which the asset will be in use.
Current Assets	Assets which are realisable within one year from the statement of financial position date. These usually comprise receivables, inventory (stock) as well as cash and cash equivalents.
Liabilities	What the company owes, which can be further classified in Current and Non-Current Liabilities.
Current Liabilities	All obligations which are due within one financial year. These usually comprise payables and short-term debt which may include bank borrowing and/or bonds.
Non-Current Liabilities	All obligations which are due after more than one financial year. Would typically include bank borrowing and bonds.
Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves and/or other equity components.

Profitability Ratios

EBITDA Margin	EBITDA as a percentage of total revenue.
Operating Profit Margin	Operating profit margin is operating profit achieved during the financial year expressed as a percentage of total revenue.
Net Profit Margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Return on Equity (ROE)	ROE measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on Assets (ROA)	ROA measures the rate of return to shareholders on assets and is computed by dividing profit after tax by total assets.

Liquidity Ratios

Current Ratio	The current ratio (or liquidity ratio) is a financial ratio that measures whether a company has enough resources to pay its debts over the next 12 months (current liabilities). It compares a company's current assets to its current liabilities.

Cash Ratio	Cash ratio is the ratio of cash and cash equivalents of a company to its current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents and nothing else.

Solvency Ratios

Interest Coverage Ratio	This is calculated by dividing a company's EBITDA of one period by the company's net finance costs of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt (borrowings) used to finance a company's assets and is calculated by dividing a company's total debt by total debt plus shareholders' equity. The gearing ratio may also be calculated using net as opposed to total debt and can be calculated both as a ratio as well as a percentage.
Net Debt to EBITDA	This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA. The ratio provides an indication of how many years it would take for a company to pay back its debt in full assuming constant EBITDA and debt levels of the remaining years.

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.

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