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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

10 June 2022

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 2019, 2020 and 2021;
(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 2019, 2020 and 2021;
(c) Projected financial information for the year ending 31 December 2022 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 2022

Prepared by Rizzo, Farrugia & Co (Stockbrokers) Ltd in compliance with the Listing Policies issued by the Malta Financial Services Authority dated 5 March 2013 and revised on 13 August 2021.

10 June 2022

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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 by the MFSA on 5 March 2013 and last updated on 13 August 2021. 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 2019 to 2021, the Guarantor's audited Financial Statements for the years ended 31 December 2019 to 2021 and forecasts for financial year ending 31 December 2022 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:

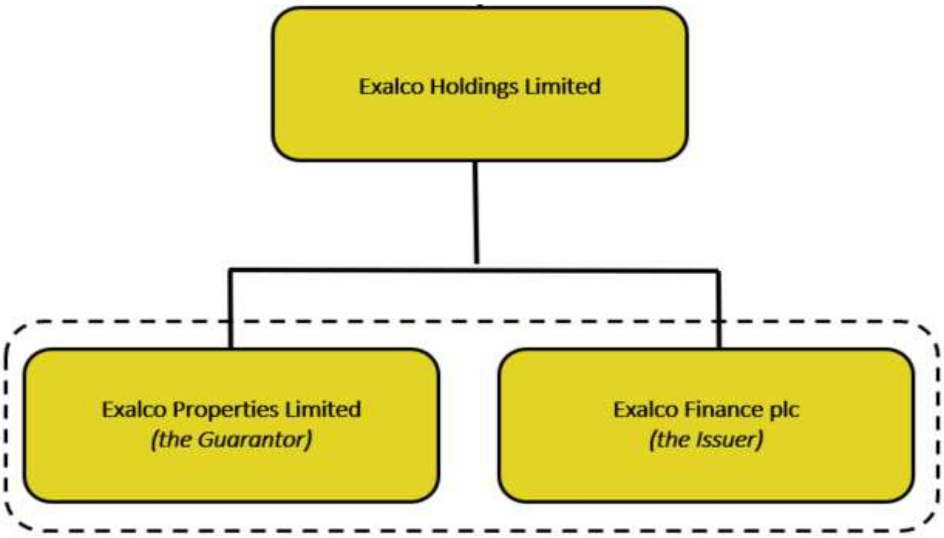
- FAS dated 31 July 2018 (appended to the prospectus)
- FAS dated 6 June 2019
- Addendum to FAS dated 19 August 2019
- FAS dated 31 July 2020
- FAS dated 21 June 2021

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, all of which were in operation for the entire year under review.

While the pandemic did indeed have an impact on the business of the Company in FY2020, FY2021 turned out to be a more “normal” year as Covid-19 although still very much present for most of the year, subsided to an extent providing an element of relief and return to gradual stability throughout the course of the year. Within this context and indeed in line with management expectations at the time, FY2021 turned out to be a good year and indeed highlighting the business’s resilience.

In the annual report for FY2021, the Directors of the Company indicate that for FY2022 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 notwithstanding, the Directors caution principally on the basis of the latest developments surrounding the conflict between Russia and Ukraine and its potential impact on business. The Directors once again emphasise that they are monitoring ongoing macro developments attentively with the continued intent to mitigate possible effects on any part of the business.

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 and owing under the Bonds.

Since the publication of the Update FAS in June 2021, 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 over the 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[1] shows that residential property prices in Malta (based on advertised prices) increased by 1.7% in 2020, and an additional 2.6% in 2021. The CBM Property Price Index also shows that property prices in Malta have increased by a compound average growth rate ("**CAGR**") of 5.56% per annum (in nominal terms) since 2000.

Commercial Property

Although commercial property is a very important niche of the local property market, available statistics are indeed limited. Nonetheless, the most recent data published by the Central Bank of Malta[2] indicates a rebound in the commercial property space following the dip experienced in 2020 with the onset of the COVID-19 pandemic which derailed the sector's momentum of the previous three years. In fact, the number of commercial development permits (comprising permits related to agriculture, manufacturing, warehousing, retail, offices, tourism as well as restaurant and bars) increased to 1,705 permits in 2021 (compared to 1,557 in 2020) although this is still below the record levels of more than 2,000 commercial development permits granted in each of 2017, 2018 and 2019.

Furthermore, the outbreak of the pandemic is also leading to accelerated changes in the way companies operate. In fact, whilst employment figures have remained resilient throughout the pandemic and the government maintains its efforts to both support existing business and attract other companies to the island, new and innovative ways of working, such as remote working, are gaining popularity. Such trends may adversely impact demand for office space which in the meantime is growing in supply as new developments are completed.

Economic Results

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1 Central Bank of Malta, 2022, Property Prices Index based on Advertised Prices, available from https://www.centralbankmalta.org/site/Subscriber%20Categories/Real%20Economy%20Indicators/house_prices.xls?rnd=20220420140507&recount=8417 [Accessed 20 April 2022]

2 Central Bank of Malta, 2022, Development Permits for Commercial, Social and Other Purposes, available from https://www.centralbankmalta.org/site/Subscriber%20Categories/Real%20Economy%20Indicators/dev_permits.xls?rnd=20220420140507&revcount=2940 [Accessed 20 April 2022]

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 (GVA) of the construction sector increased by 5.8% to €528.1 million in 2021 compared to €499.2 million in the previous year. Similarly, the gross value added related to real-estate activities expanded by 8.3% to €673.1 million. Over the same period, the percentage share of the construction sector and real estate activities to Malta's GVA remained relatively stable at 10.3% in 2021 compared to 10.4% in 2020.[3]

3 *National Statistics Office, Gros Domestic Product:2021, available from* *https://nso.gov.mt/en/News_Releases/Documents/2022/03/News2022_037.pdf, [Accessed 20 April 2022]*

7. THE ISSUER

The Issuer was registered on 17 July 2018. As such, 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 full financial years ended 31 December 2019 to 2021. The forecasts for FY2022 produced in this section reflect management's expectations.

7.1 INCOME STATEMENT

	Actual FY2019 *€000's*	Actual FY2020 *€000's*	Actual FY2021 *€000's*	Forecast FY2022 *€000's*
Interest on loans to fellow companies	604	612	612	616
Facility fee	127	129	132	135
Finance Income	**731**	**741**	**744**	**751**
Finance cost	(630)	(630)	(630)	(630)
Net Finance Cost	**101**	**111**	**114**	**121**
Administrative Expenses	(65)	(59)	(59)	(61)
Profit before tax	**36**	**52**	**55**	**60**
Taxation	(13)	(18)	(19)	(21)
Profit for the Year	23	34	36	39

Source: Management information

REVIEW FY2021 AND FORECAST FY2022

As would be expected, the results for the Issuer for the year ended 31 December 2021 do not vary significantly from those of the previous years and indeed, 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 the 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. Indeed, the forecasts for FY2022 show minimal changes given the nature of the Company's activities.

7.2 STATEMENT OF FINANCIAL POSITION

	Actual FY2019 €000's	Actual FY2020 €000's	Actual FY2021 €000's	Forecast FY2022 €000's
Assets				
Non-Current Assets				
Loans & receivables	14,972	14,972	15,022	15,172
Current Assets				
Trade & other receivables	247	250	250	253
Cash & cash equivalents	44	127	127	44
Total Assets	15,263	15,349	15,399	15,469
Equity & Liabilities				
Equity				
Share Capital	250	250	250	250
Retained Earnings	25	59	95	134
Total Equity	275	309	345	384
Non-Current Liabilities				
Amortised bond issue	14,743	14,773	14,802	14,833
Current Liabilities				
Trade and other payables	232	267	252	252
Current tax	13	-	-	-
Total Liabilities	14,988	15,040	15,054	15,085
Total Equity & Liabilities	15,263	15,349	15,399	15,469

Source: Management information

REVIEW FY2021 AND FORECAST FY2022

The balance sheet of the Issuer is particularly straightforward and reflective of its objectives as a financing arm for the Guarantor. As at the end of FY2021, the Issuer's total assets amounted to €15.4 million and changes during the current financial year are expected to be marginal. In the main, these comprise an additional loan to the Guarantor from funds generated from operations. 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 FY2022 in line with its objectives and purpose.

7.3 CASH FLOW STATEMENT

	Actual FY2019 €000's	Actual FY2020 €000's	Actual FY2021 €000's	Forecast FY2022 €000's
Cash flows from operating activities	94	83	50	67
Cash flows used in investing activities	(300)	-	-	-
Cash flow from financing activities	-	-	(50)	(150)
Net movements in cash & cash equivalents	**(206)**	**83**	**-**	**(83)**
Opening cash & cash equivalents	250	44	127	127
Closing cash & cash equivalents	**44**	**127**	**127**	**44**

Source: Management information

REVIEW FY2021 AND FORECAST FY2022

The cash flows from operating activities of the Issuer comprise facility fees and net interest received from the Guarantor. Cash flows used in financing activities relate to a loan of €50,000 advanced to the Guarantor. During FY2022, the Issuer is expecting to loan out a further €150,000 to the Guarantor.

8 THE GUARANTOR

The financial statements of the Guarantor are being presented hereunder. The historical financial figures for the years ended 31 December 2019, 2020 and 2021 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 2022 (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 FY2019 *€000's*	*Actual* FY2020 *€000's*	*Actual* FY2021 *€000's*	Forecast FY2022 *€000's*
Property Leasing	3,634	4,028	4,237	4,380
Net property management income	132	137	102	93
Net revenue from property leasing activities	**3,766**	**4,165**	**4,339**	**4,473**
Other net (costs)/income from property leasing	15	17	19	20
Selling, general and administrative costs	(435)	(433)	(414)	(499)
EBITDA	**3,346**	**3,749**	**3,944**	**3,993**
Depreciation	(338)	(340)	(339)	(340)
EBIT	**3,008**	**3,409**	**3,605**	**3,653**
Net finance expenses	(870)	(926)	(916)	(818)
Profit before tax	**2,138**	**2,483**	**2,689**	**2,835**
Current taxation	(546)	(576)	(616)	(657)
Profit for the year	**1,592**	**1,907**	**2,073**	**2,178**

Source: Historical Financial Information and Management Projections

REVIEW FY2021

REVENUE ANALYSIS

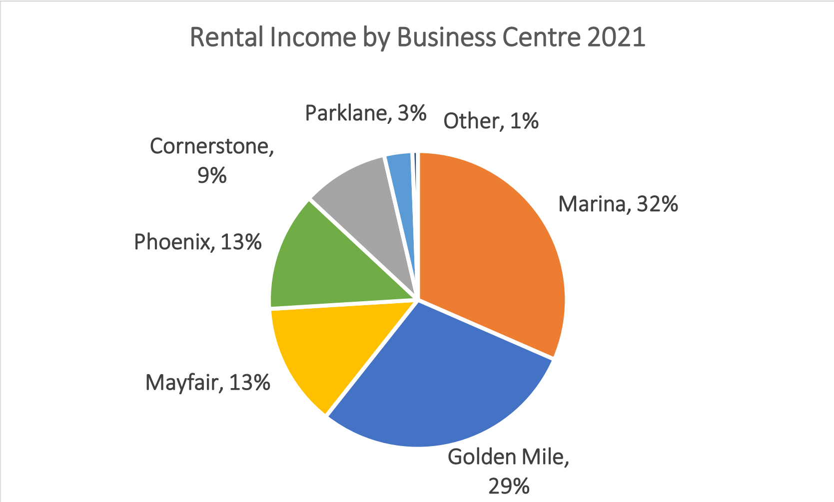
The Guarantor's revenue generating segments are property leasing and property management. Net revenue reached €4.33 million in FY2021 compared to €4.16 million in FY2020. The increase in revenue is mainly attributable to a number of revised rental contracts in line with market rates as well as the first year of full occupancy for the Phoenix Business Centre following the leasing of a final portion of the new completed floors during FY2020.

An analysis of revenue generation by asset and tenant mix is provided overleaf.

Property Leasing

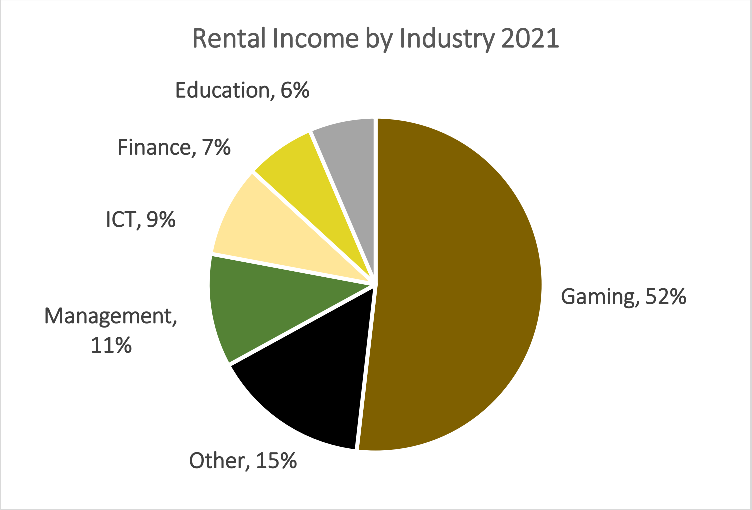
This segment is represented by the leasing of the six business centres in Malta entirely owned by the Guarantor.

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 Marina Business Centre in Ta' Xbiex and the Golden Mile Business Centre in Saint Julians's remained the largest revenue contributors by quite a margin over the other properties and together accounted for 61% of the revenue of FY2021 (FY2020: 62%). These two principal business centres account for circa 41% of the Guarantor's total lettable area. Phoenix in Santa Venera (since FY2020) and Mayfair in Saint Julian's contributed a further 13% of rental income each. On the basis of current terms of lease agreements in force, contributions per business centre are expected to remain almost unchanged in 2022, barring a couple of statutory revisions.



Source: Management information

The chart above (updated from the FAS of 2021) highlights once again the noticeable concentration in rental income from the gaming sector. This contribution has remained range-bound in the 50%-53% bracket since 2019 after having fallen from 63% in 2018. While most other sector contributions remained largely unchanged, the "Other" component which comprises finance, management or ICT, now account for 15% of revenue.

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 and important to highlight. On the other hand, the Marina (being the largest contributor) as well as the other centres all accommodate a mix of tenants. In terms of rental income by tenant, in FY2021 the top four tenants across all business centres accounted for 59% of total rental income (FY2020: 58%).

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 €102,000 from these services during FY2021 compared to €137,000 in FY2020. This stream is likely to continue also in the years ahead but remain relatively immaterial.

Other Components of the Income Statement

EBITDA (operating profit adjusted for depreciation, amortisation and before charging tax and interest expenses) reached €3.9 million in FY2021 (FY2020: €3.8 million). As highlighted above, the revision to certain rental agreements in line with market rates is the main factor behind this increase. EBITDA margin remained very high at 90%, unchanged over the previous year. Depreciation remained unchanged at €0.3 million in FY2021 while operating profits increased marginally to €3.6 million. Net finance expenses, at €0.9 million, are exactly in line with FY2020.

Overall, the income statement for FY2021 is completely in line with expectations and section 8.5 of this report provides a variance analysis to support this.

Forecasts - FY2022

We have been advised that similar to last year, the assumptions on which the forecasts for FY2022 are based reflect normal activity. Whereas in FY2020 the impact of COVID-19 was factored into forecasts very prudently, the forecasts for FY2021 reflected 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. The assumptions, on which the forecast for FY2022 are based, also reflect continued stability and while challenges remain as indeed reported by the Directors in their Annual Report and Audited Financial Statement for 2021, no significant changes in the Guarantor's activities or business are expected.

Indeed, it is currently forecasted that business in FY2022 will improve over that for FY2021 principally for the reasons highlighted earlier that is, the effect of certain revisions to rental streams taking effect. In fact, overall revenues are expected to increase to just under €4.5 million in FY2022, compared to €4.3 million in FY2021. Management expects all centres to remain fully occupied and the tenant mix to remain broadly unchanged.

Consequently, EBITDA is also expected to increase from €3.9 million in FY2021 to €4 million in FY2022. EBITDA margin is expected to remain at a very healthy level of over 89% reflecting the lean cost-base of the Group.

Net finance costs are expected to drop in FY2022 at just over €0.8 million following the acceleration of bank loan repayments in FY2021. After deducting tax, profit for the year is expected to be higher at just under €2.2 million compared to just under €2.1 million in FY2021.

8.2 STATEMENT OF FINANCIAL POSITION

	Audited	*Audited*	*Audited*	*Forecast*
	FY2019	**FY2020**	**FY2021**	**FY2022**
	€000's	*€000's*	*€000's*	*€000's*
Assets				
Non-Current Assets				
Property, plant and equipment	449	445	443	442
Investment property	60,900	60,840	60,778	60,541
Loans and receivables	2,482	2,486	2,486	2,499
Total Non-Current Assets	**63,831**	**63,771**	**63,707**	**63,482**
Current Assets				
Trade and other receivables	1,008	1,177	788	1,163
Cash and cash equivalents	1,907	4,138	3,360	4,550
Total Current Assets	**2,915**	**5,315**	**4,148**	**5,713**
Total Assets	**66,746**	**69,086**	**67,855**	**69,195**
Equity & Liabilities				
Equity				
Share Capital	2,840	2,840	2,840	2,840
Revaluation & other Reserves	30,322	30,322	30,322	30,322
Retained Earnings	4,890	6,797	8,719	10,490
Total Equity	**38,052**	**39,959**	**41,881**	**43,652**
Non-Current Liabilities				
Deferred tax liabilities	4,685	4,685	4,685	4,685
Security Deposits	645	716	456	456
Borrowings for continuing operations	5,838	5,518	2,029	1,366
Amounts due to fellow subsidiaries	14,700	15,000	15,050	15,200
Total Non-current liabilities	**25,868**	**25,919**	**22,220**	**21,707**
Current Liabilities				
Trade and other payables	1,706	1,973	2,097	2,138
Deposits received from clients	194	240	527	527
Borrowings	379	388	495	513
Current tax liabilities	547	607	635	657
Total Current Liabilities	**2,826**	**3,208**	**3,754**	**3,835**
Total Liabilities	**28,694**	**29,127**	**25,974**	**25,543**
Total Equity & Liabilities	**66,746**	**69,086**	**67,855**	**69,195**

Source: Historical Financial Information and Management Projections

Review FY2021

The Guarantor's asset base as of the end of FY2021 remained principally composed of *Investment property*, which accounts for 89% 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 67% (FY2020: 72%) and 18% (FY2020: 16%) of total liabilities, respectively. Worthy of note in this regard is a reduction in non-current borrowings (bank) of over €3 million.

The Statement of Financial Position as at 31 December 2021 compared to the figures as at 31 December 2020, reveals that total assets decreased marginally from €69 million to €67.8 million. This is the result of a decrease in cash as at year end as a result of the accelerated repayment of some non-current bank borrowings. Nevertheless, cash levels remain elevated and working capital remains positive.

Total liabilities (to a large extent composed of the borrowings via the bonds in issue) registered a decrease of over €3 million as explained above mainly on account of a reduction in bank borrowings. Equity increased marginally from €39.9 million to €41.8 million given the increase in retained earnings which in turn reflect the Guarantor's profitability for the period.

Forecasts FY2022

For FY2022, the Guarantor's balance sheet is expected to grow principally on account of the expected increase in year-end cash position on the assets side. Other movements in assets overall are expected to be marginal.

On the funding side, similar to previous years, 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 FY2022. Management does not currently forecast any changes in the quantity or composition of investment properties during 2022 as at the date of this report. Similar to last year, management forecasts unchanged investment property values as occupancy and rates remain broadly unchanged in a more stable business environment compared to 2021 and 2020. Liabilities are expected to remain broadly unchanged (very slight reduction) following a more material reduction in FY2021.

Analysis of borrowings

	Audited FY2019 €000's	Audited FY2020 €000's	Audited FY2021 €000's	Forecast FY2022 €000's
Borrowings (bank loan and bonds)	20,917	20,906	17,574	17,079
Less: Net Cash and cash equivalents	1,907	4,138	3,360	4,550
Total net borrowings	19,010	16,768	14,214	12,529

Source: Historical Financial Information and Management Projections

8.3 Statement of Cash Flows

	Audited FY2019 €000's	Audited FY2020 €000's	Audited FY2021 €000's	Forecast FY2022 €000's
Net cash flow from operating activities	1,420	2,519	2,830	1,806
Net cash flow used in investing activities	(831)	(277)	(276)	(121)
Free Cash Flow (FCF)	589	2,242	2,554	1,685
Net cash flow (used in) / from financing activities	(2,132)	(11)	(3,332)	(495)
Net movement in cash & cash equivalents	(1,543)	2,231	(778)	1,190
Opening cash & cash equivalents	3,450	1,907	4,138	3,360
Net cash & cash equivalents at end of year	1,907	4,138	3,360	4,550

Source: Historical Financial Information and Management Projections

Review FY2021

For the year ended 31 December 2021, the Guarantor generated increased operational cash flows of €2.8 million compared to €2.5 million in FY2020. The principal contributor to this improvement is a decrease in receivables (meaning an improvement in cash received) from existing leases. While net cash used in investing activities remained identical to the level recorded in the previous year, net cash used in financing activities increased materially as the company opted to accelerate bank loan repayments similar to an exercise undertaken in FY2019. Despite this cash outflow, the company once again ended the year with a healthy level of cash.

Forecasts FY2022

Net operating cash flows for FY2022 are expected to drop to €1.8 million compared to FY2021 principally due to timing factors relating to receivables as well as tax payments due.. On the other hand, cash movement in investing and financing activities is expected to drop once again such that the net cash movement for the year is expected to exceed €1.1 million. The Guarantor expects to end FY2022 in a net healthy positive cash position of €4.5 million despite the outflows highlighted above.

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 FY2019	*Audited* FY2020	*Audited* FY2021	*Forecast* FY2022
EBITDA Margin *(EBITDA / Revenue)*	88.8%	90.0%	90.9%	89.3%
Operating profit Margin (EBIT Margin) *(Operating Profit / Revenue)*	79.9%	81.8%	83.1%	81.7%
Net Profit Margin *(Net Profit / Revenue)*	42.3%	45.8%	47.8%	48.7%
Return on Average Equity *(Net Profit / Average Equity)*	4.3%	4.9%	5.1%	5.5%
Return on Average Assets *(Net Profit / Average Assets)*	2.4%	2.8%	3.1%	3.1%

The Guarantor's margins reflect the lean cost structure of its business model. Margins have generally been stable and strong and are expected to maintain stability and robustness in line with the business model as well as revenue and cost visibility.

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 FY2019	*Audited* FY2020	*Audited* FY2021	*Forecast* FY2022
Current Ratio *(Current Assets / Current Liabilities)*	1.03x	1.66x	1.10x	1.49x
Cash Ratio *(Cash & Cash Equivalents / Current Liabilities)*	0.67x	1.29x	0.90x	1.19x

After an improvement in cash levels for FY2020 following the launch (and first full year) of Phoenix Business Centre as well as the renegotiation of certain agreements to reflect market rates (also in FY2020), cash levels by the end of FY2021 reduced on account of accelerated bank borrowing repayments thereby causing a slight 'deterioration' in the current and cash ratio. Nevertheless, the ratios are expected to improve once again in FY2022.

Solvency Ratios

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

	Audited FY2019	*Audited* FY2020	*Audited* FY2021	*Forecast* FY2022
Interest Cover *(EBITDA / Net Finance Costs)*	3.85x	4.05x	4.31x	4.88x
Gearing Ratio (1) *(Net Borrowings / Equity)*	0.50x	0.42x	0.34x	0.29x
Gearing Ratio (2) *(Total Borrowings / [Total Borrowings + Equity])*	35.5%	34.3%	29.6%	28.1%
Gearing Ratio (3) *(Net Borrowings / [Net Borrowings + Equity])*	33.3%	29.6%	25.3%	22.3%
Net Debt to EBITDA *(Net Borrowings / EBITDA)*	5.68x	4.47x	3.60x	3.14x

The Guarantor has a very healthy interest cover reflective of the robust and stable EBITDA generation concurrent with a very prudent (and reducing) leverage position. The improving trend has not only been maintained, further improvements are expected in FY2022 as marginal EBITDA growth supports lower finance costs on the back of accelerated (bank) borrowing repayments. In fact, as the cash flow statement for FY2021 and resultant cash ratios highlighted in the previous page indicate, some excess cash was used to accelerate borrowing repayments bringing the overall position to an even healthier one than anticipated.

Based on the forecasts for FY2022 prepared by management, leverage (gearing) shows a further improvement (reduction). As equity gradually increases principally through improved profitability (retained earnings) and bank loans are reduced, the levels of gearing (as measured in three different manners) heads lower to levels which are considered even more prudent and sustainable.

The Net Debt to EBITDA ratio similarly shows a further strengthening (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 FY2022, the company is in a comfortable position to meet its commitments with bondholders.

8.5 VARIANCE ANALYSIS – INCOME STATEMENT

for the year ended 31 December	*Actual Audited* **2021** *€000's*	*Forecast per FAS* **2021** *€000's*	*Variance* **%**
Property Leasing	4,237	4,206	+1
Net property management income	102	95	+7
Net revenue from property leasing activities	**4,339**	**4,301**	**+1**
Other net income from leasing activities	19	20	-5
Selling, general and administrative costs	(414)	(433)	-4
EBITDA	**3,944**	**3,888**	**+1**
Depreciation	(339)	(332)	+2
EBIT	**3,605**	**3,556**	**+1**
Net finance expenses	(916)	(916)	-
Profit before tax	**2,689**	**2,639**	**+2**
Current taxation	(616)	(631)	-2
Profit for the year	**2,073**	**2,008**	**+3**

Source: 2021 Audited Financial Statements and FAS dated 21 June 2021

A variance analysis of the Guarantor's income statement for FY2021 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 realistic assumptions resulted in an overall actual position that was marginally better than that forecasted despite continuing challenges and headwinds spilling over from 2020 which was indeed a tough year.

Actual EBITDA as at year end reached €3.94 million compared to a forecasted €3.88 million. This was brought about by slightly lower expenses and revenue marginally higher than anticipated as a result of certain revisions to existing agreements. Depreciation levels were almost in line with those forecasted while net finance expenses reached identical levels to forecasts. As a result, profit before tax was 2% higher than previously anticipated while net profits for the year were 3% higher than forecasted.

Overall, the results once again indicate management's prudence in the preparation of the forecasts and this on the back of good control and visibility of the company's business.

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

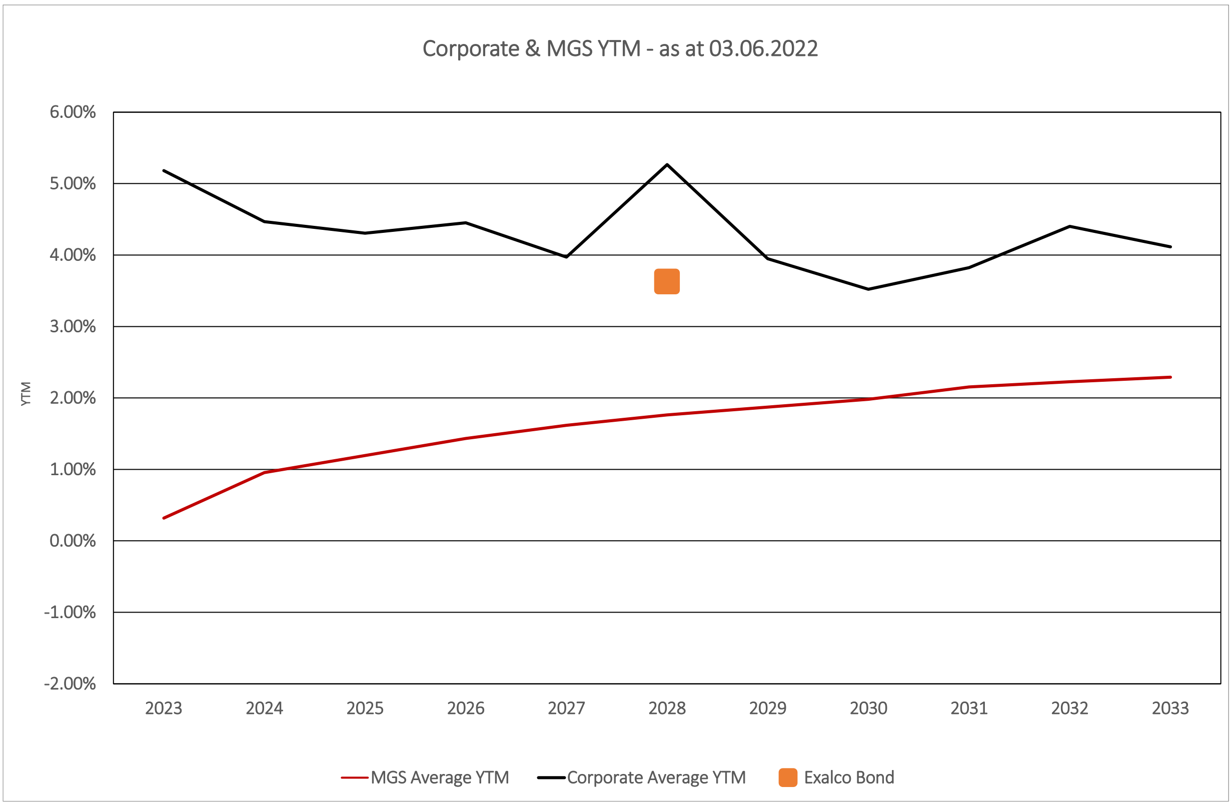
The table below compares the Issuer and its bond issue to other listed debt on the local market having broadly similar maturities. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations may vary significantly from those 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 03.06.2022)* *(%)*
4.50% Grand Harbour Marina plc 2027	15,000,000	85.1	7.33	1.95	4.71
4.00% Eden Finance plc 2027	40,000,000	27.8	5.72	3.63	3.64
3.75% Tumas Investments plc 2027	25,000,000	19.7	2.59	5.26	3.75
3.50% Simonds Farsons Cisk plc 2027	20,000,000	7.4	0.45	17.71	2.98
3.75% Virtu Finance plc 2027	25,000,000	41.2	31.78	0.72	3.37
4.00% Exalco Finance plc 2028 (Secured)	15,000,000	25.3	3.60	4.31	3.63
3.85% HILI Finance Company plc 2028	40,000,000	26.5	33.59	0.79	4.04
4.00% SP Finance plc 2029 (Secured)	12,000,000	48.5	36.78	0.48	3.67

Source: Yield to Maturity from rizzofarrugia.com based on bond prices as at 3 June 2022. 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 2021.

**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 3 June 2022.



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

As at 3 June 2022, the Exalco Finance plc bonds yielded 3.63% per annum to maturity (since the bonds were trading at a premium at the time). This is approximately 187 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2027, and circa 164 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.
Free Cash Flow (FCF)	FCF represents the amount of cash remaining from operations after deducting capital expenditure requirements.

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)	Return on assets (ROA) measures the rate of return on the assets of the company. This is computed by dividing profit after tax by average 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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