

The Board of Directors

Malta Properties Company p.l.c.

The Bastions,
Triq Emvin Cremona,
Floriana FRN1281

12 May 2023

Dear Sirs,

Malta Properties Company p.l.c. – Financial Analysis Summary Update 2023 (the “Update FAS”)

In accordance with your instructions and in line with the requirements of the Malta Financial Services 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 Update FAS is that of summarising key financial data appertaining to Malta Properties Company p.l.c. (a public limited liability company registered under the laws of Malta bearing company registration number C 51272) (the “**Company**” or “**Issuer**”). The data is derived from various sources or is based on our own computations and analysis of the following:

- (a) historic financial data for the three years ended 31 December 2020 to 2022 has been extracted from the Issuer’s audited statutory financial statements for the three years in question, as and when appropriate;
- (b) the projections for the financial year ending 31 December 2023 have been prepared and provided by management of the Issuer;
- (c) our commentary on the results of the Issuer and on the respective financial position is based on the explanations provided by the Issuer;
- (d) the ratios quoted in the Update FAS have been computed by us applying the definitions as set out and defined herein; and
- (e) relevant financial data in respect of competitors as analysed in Part D has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

The Update FAS is meant to assist potential investors by summarising the more important financial data of the Issuer. The Update FAS does not contain all data that is relevant to potential investors and is intended 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



Malta Properties

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

12 May 2023



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IMPORTANT INFORMATION

PURPOSE OF THE DOCUMENT

Malta Properties Company p.l.c. (the “Company”, “MPC” or the “Issuer”) issued a €25 million secured bond 2032 (the “Bond Issue”) as part of its bond issuance programme of up to €50 million. Both the Base Prospectus and the Final Terms were dated 1 June 2022. This Update FAS has been prepared in line with the requirements of the Listing Policies as last updated by the MFSA on 13 August 2021. The purpose of this report is to provide a summary of the financial performance and position of the Company and the group that it is the holding company of (the “MPC Group” or “Group”).

SOURCES OF INFORMATION

The information that is presented has been collated from a number of sources, including the Group’s audited financial statements for the years ended 31 December 2020, 2021 and 2022 as well as management forecasts for the Group covering the financial year ending 31 December 2023.

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

Wherever used, FYXXXX refers to financial year covering the period 1 January to 31 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 1 June 2022 (appended to the prospectus)

PART A BUSINESS AND MARKET OVERVIEW

1. INTRODUCTION

Malta Properties Company p.l.c. is a public limited liability company with company registration number C 51272, with its shares listed on the Malta Stock Exchange, following a spin-off from GO p.l.c. in 2015.

MPC and its subsidiaries (the “MPC Group” or “Group”) own a portfolio of 15 properties across Malta and Gozo (see section 4 below) and the main activities of the Group consist of the acquisition, development and leasing of immovable property.

2. CORPORATE GOVERNANCE AND MANAGEMENT

BOARD OF DIRECTORS OF THE ISSUER

The Issuer’s board of directors as at the date of this document comprises the following:

Sayed Mohamed Mohamed Noor Sharaf	Non-Executive Director and Chairman
Deepak Srinivas Padmanabhan	Non-Executive Director
Dr Cory Greenland	Non-Executive Director
Saqib Saeed	Non-Executive Director
Dr Brigitte Zammit	Non-Executive Director (<i>resigned on 22 August 2022</i>)
Huda Bhumaid	Non-Executive Director (<i>appointed on 22 August 2022</i>)

All Directors are considered independent. The Company deems that although Mr Sayed Mohamed Mohamed Noor Sharaf, Mr Saqib Saeed and Ms Huda Bhumaid have an employee and director relationship with the controlling shareholder, this relationship is not considered to create a conflict of interest such as to jeopardise exercise of their free judgement.

The Company Secretary is Dr Francis Galea Salomone.

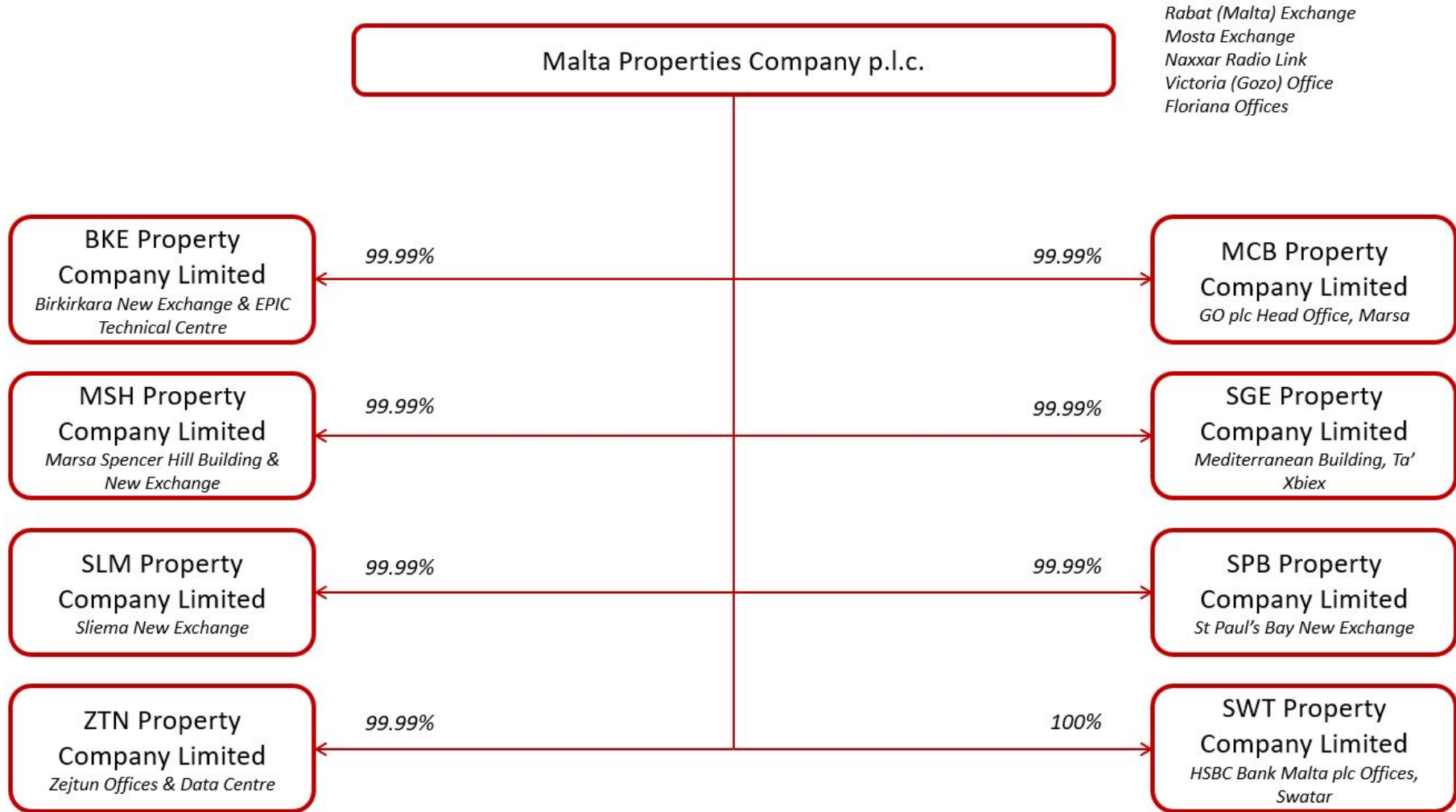
Group Senior Management

The following are the respective key members of the Group’s senior management team:

Mohsin Majid	Chief Executive Officer
Daniela Zammit	Chief Financial Officer

3. GROUP STRUCTURE

As at the date of this FAS, the Group is structured as follows:



4. MAJOR ASSETS

MPC's main objective is that of being a property company, acquiring, leasing and disposing, moveable and immoveable properties. The Group owns a portfolio of office buildings and industrial properties, which it leases to various tenants on medium to long term agreements. The current property portfolio is exclusively located across Malta and Gozo and has along the years represented over 80% of total assets, including both investment properties and that classified as property, plant and equipment (PPE), being the office space used by MPC as its own head office. The portfolio comprises the following properties:

	Current Tenant	Net Leaseable Area sqm	Carrying Value as at 31/12/2022 € '000	Current Lease Termination
<u>Held by MPC plc</u>				
Naxxar Radio Link	GO plc	488	2,445	31/12/2024
Rabat (Malta) Exchange	GO plc	714	1,250	31/12/2024
Mosta Exchange	GO plc	1,678	5,000	31/12/2024
Victoria (Gozo) Offices	Government of Malta	291	1,045	31/01/2028
	Planning Authority			19/08/2023
The Bastions, Floriana Offices**	MPC Head Office	1,628	6,555	n/a
	FINCO			18/03/2025
<u>Held by Subsidiaries</u>				
GO Head Office Marsa	GO plc	9,130	13,850	31/12/2024
Birkirkara New Exchange	GO plc	860	1,675	20/01/2029
Birkirkara Epic Technical Facility	Epic	994	2,940	31/12/2029
Marsa Spencer Hill Old Exchange	Vacant	3,960	6,053	n/a
Marsa New Exchange	GO plc	340	675	14/12/2027
Mediterranean Building*	Various	2,131	9,190	Various
Sliema New Exchange	GO plc	560	915	31/10/2025
St Paul's Bay New Exchange	GO plc	746	1,155	31/07/2026
HSBC Call Centre, Swatar	HSBC Global Services (UK)	6,555	10,612	30/04/2024
Zejtun Offices and Data Centre	GO plc	10,040	19,280	20/12/2032
TOTALS		40,115	82,640	

* purchased during FY2022

**including MPC's head office (classified as PPE)

5. RECENT AND UPCOMING DEVELOPMENTS

During the three-year historic period covered in this Analysis, the Group has executed a number of property transactions as listed below.

Transaction	Year	Property	Location	Consideration
Acquisition	2020	HSBC Contact Centre	Swatar	€7.83 million
Disposal	2021	St George's Exchange	St. Julian's	€14.00 million
Acquisition	2022	Mediterranean Building	Ta' Xbiex	€8.58 million
Disposal	2022	Birkirkara Old Exchange	Birkirkara	€8.00 million

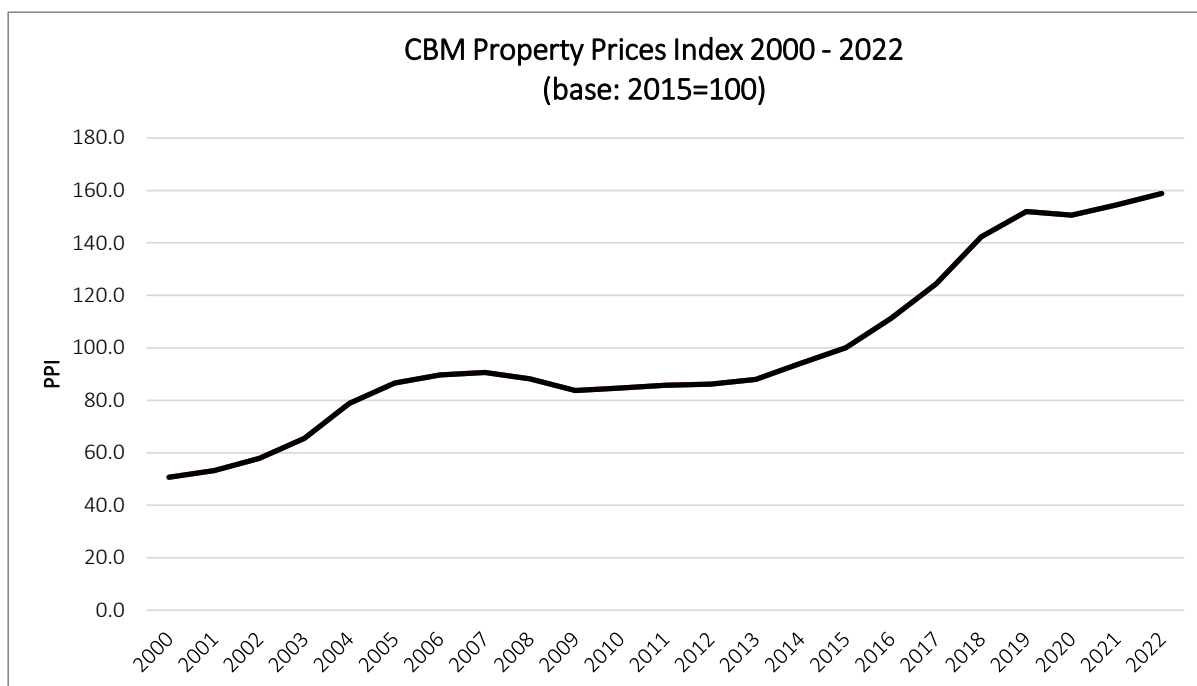
On the development front, the Group has been constructing a property in Zejtun. This property was completed and handed over to the tenant (GO p.l.c.) in late 2022.

In addition to the above, the Group is in its final stages of a major renovation of the Marsa Spencer Hill property. Similar renovations are key to the portfolio as the Group seeks to present an attractive proposition to its prospective tenants, but also to improve energy efficiency and manage its carbon footprint through more environmentally-friendly buildings.

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 Property Price Index published by the Central Bank of Malta, which is based on published prices, indicate a general upward trend in the index, with a small dip noticed during 2020, only to increase again in 2021 and 2022 as the economy started to recover from the disruptions of the COVID pandemic. Permits issued in 2022 were 25.7% higher than those issued in 2021, while the level of promise of sale agreements were 22.2% lower than those entered into during 2021.

A similar trend was also noted in Malta’s GDP growth rate. In 2021, the average GDP growth rate was 11.8%. Nonetheless, it is noteworthy to highlight that growth in Malta’s GDP at 17.3% in the second quarter of 2021 as the economy started the recovery from the COVID pandemic. The growth was slower in 2022, at 6.9%, and the Central Bank of Malta has projected an average annual growth rate for the years 2023 to 2025 of 3.6% as the COVID rebound fades.

The above gives an overview of the trends in the property market in Malta. Unfortunately, data is very limited particularly in relation to commercial real estate and as such no further detailed analysis could be carried out.

Sources:

Central Bank of Malta – Property Prices Index – January 2023

https://www.centralbankmalta.org/site/Subscriber%20Categories/Real%20Economy%20Indicators/house_prices.xls?rnd=20230421113912&revcount=2444

KPMG – Malta Economic Outlook – April 2023

<https://assets.kpmg.com/content/dam/kpmg/mt/pdf/2023/04/malta-economic-outlook-april-2023.pdf>

PART B FINANCIAL ANALYSIS

This section is split in three parts – section 7 focuses on the historic financial information of the Group for the financial years ended 31 December 2020, 2021 and 2022 and on the forecast financial information covering the year ending 31 December 2023. Section 8 includes variance analysis of the results obtained in the year ended 31 December 2022 and the respective forecast figures published in the FAS dated 1 June 2022, while section 9 includes a set of financial ratios based on the financial information presented in section 7.

FINANCIAL INFORMATION PRESENTED IN THE ANALYSIS

The historic financial information for the years ended 31 December 2020, 2021 and 2022 have been extracted from the Group's consolidated financial results for the said periods. The projections for FY2023 have been provided by management.

7 GROUP CONSOLIDATED HISTORIC FINANCIAL INFORMATION

7.1. THE INCOME STATEMENT

	FY2020 (A)	FY2021 (A)	FY2022 (A)	FY2023 (F)
	€000s	€000s	€000s	€000s
Rental income	3,406	3,576	4,153	4,956
Other income	33	67	67	63
Total Income	3,439	3,642	4,220	5,019
Direct costs	(60)	(126)	(135)	(221)
Gross profit	3,378	3,516	4,085	4,798
Net impairment losses on financial assets	-	(19)	(10)	-
Administrative expenses	(1,242)	(1,419)	(1,336)	(1,563)
Operating profit	2,137	2,078	2,739	3,235
Finance income	-	6	48	133
Finance costs	(550)	(692)	(1,039)	(1,337)
FV movement arising on property	2,744	2,219	(98)	765
Profit before tax	4,330	3,612	1,650	2,796
Tax expense	(1,350)	(967)	(1,513)	(1,510)
Profit for the year	2,980	2,645	138	1,286
Operating profit	2,137	2,078	2,739	3,235
<i>Adjustment for Depreciation & Amortisation</i>	<i>9</i>	<i>12</i>	<i>12</i>	<i>12</i>
EBITDA	2,146	2,090	2,751	3,247

Review of FY2022

Rental income for FY2022 improved by just over 16%, reflecting the new rental income achieved from the Mediterranean Building in Ta' Xbiex acquired in March 2022 as well as the handover to GO p.l.c. of the Zejtun complex and data centre towards the latter part of the year. These increases were only partially netted off by rental income lost from the Marsa Spencer Hill Old Exchange, where renovation began during the year following the exit of GO p.l.c. in 2021, and from the B'Kara Old Exchange which was vacated by GO p.l.c. in Q2 2022 and sold to third parties thereafter. The increase in rental income did not result in increases in administrative expenses, which actually declined during FY2022. As such, operating profit was 31.8% higher at €2.7 million (FY2021: €2.1 million). EBITDA for the year, which is operating profit adjusted for approximately €12,000 of depreciation, amounted to €2.8 million, representing a similar improvement over the previous year's figure.

Interest costs increased year-on-year to just over €1 million, reflecting the bond interest incurred as from the second half of the year (following the repayment of bank borrowings amounting to around €21 million) and the additional loan drawn on acquiring the Ta' Xbiex property. In FY2021 the Group recognised a fair value gain of €2.2 million, which was not the case for FY2022 (negative movement of €0.1 million). This came mainly as a result of a loss in fair value for the building at Marsa Spencer Hill which is undergoing a total renovation and therefore no rental income is expected to be received from this property in the near term.

After accounting for a tax charge of €1.5 million (comprising the recognition of deferred tax on the property acquired during the year and the change in fair value recognised for the year), the Group's profit for the year stood at €0.1 million (FY2021: €2.6 million).

Outlook for FY2023

The assumptions of the performance of the Group in FY2023 are based on: i) a full year effect of the rental income of the Zejtun Exchange building and forecast rental income from Spencer Hill in Marsa during the second half of the year; ii) the fact that following the sale of the Birkirkara Exchange, no rental income will be forthcoming therefrom; and iii) churn at the Mediterranean Building in Ta' Xbiex which is expected to lead to a few months of vacant space. As such, rental income for the year is expected to amount to just under €5 million, representing an increase of 19.3% over the rental income for FY2022. Both direct costs and administrative expenses are expected to increase to €0.2 million and €1.6 million, respectively (FY2022: €0.1 million and €1.3 million, respectively), reflecting additional professional services, physical AGM-related expenses, increased travel costs, increased maintenance costs and commissions payable in respect of the leasing of vacant areas.

The Group's finance costs are expected to increase once again representing a full year of the bond interest, partially netted by the interest received from the fixed deposit that the Group holds with a local credit institution. As a result of the bond, the Group will benefit from reduced interest and secured long term funding.

In FY2023, the Group is expecting a positive movement in the fair value of its investment property of €0.8 million, as a result of inflationary increases in rents for the various properties, assuming unchanged capitalisation rates. After accounting for all of the above as well as a tax expense of €1.5 million (FY2022: €1.5 million), MPC is expected to close FY2023 with a profit after tax of €1.3 million (FY2022: €0.1 million).

7.2. STATEMENT OF CASH FLOWS

	FY2020 (A) €000s	FY2021 (A) €000s	FY2022 (A) €000s	FY2023 (F) €000s
Net cash generated from / (used in) operating activities	1,094	(669)	1,626	4,105
Net cash generated (used in) / from investing activities	(9,906)	10,734	(7,526)	(8,395)
Free cash flows	(8,812)	10,065	(5,900)	(4,290)
Net cash generated from / (used in) financing activities	6,152	(2,262)	7,888	(7,186)
Net movement in cash & cash equivalents	(2,660)	7,803	1,988	(11,476)
Cash & cash equivalents at beginning of the year	6,725	4,065	11,868	13,856
Cash & cash equivalents at the end of the year	4,065	11,868	13,856	2,380
Deposits	609	271	4,163	6,028
Total cash & Equivalents	4,674	12,139	18,019	8,408

Review of FY2022

Cashflows from operations were at €1.6 million in FY2022, reflecting the improved level of rental income generated from operations during the year, adjusted for interest and tax. The cashflows making up investing activities included the net proceeds from the sale of the Birkirkara Exchange, the purchase of the Mediterranean Building in Ta' Xbiex and the development of Zejtun and Marsa Spencer Hill. The Group also transferred more than €4 million into a fixed deposit with a local credit institution for treasury management purposes. As a result, net cash outflow used by the Group for investment purposes in FY2022 amounted to €7.5 million.

In the second quarter of FY2022, the Group tapped the local bond market with the issuance of a bond programme for a maximum aggregate amount of €50 million. The first tranche of that programme was issued and listed in June of the same year for an amount of €25 million. The main use of the proceeds (*circa* €21 million) was for the purpose of the refinancing of bank loans. During the year, the Group made a drawdown of a further €6.6 million of bank loans. After accounting for a dividend payment of €1.2 million, cash inflows from financing activities amounted to €7.9 million.

When taking into account the deposit that the Group had on a fixed term with the banks of just over €4.1 million, the closing cash and cash equivalents position of MPC at the end of FY2022 was of €18 million.

Outlook for FY2023

The improved revenue expected to be generated in FY2023 is reflected in the forecast cash inflow from operations of €4.1 million, up from €1.6 million in the previous year. The forecasted improvement in operational cash flows are also due to the fact that no properties are expected to be disposed and therefore no sales tax is expected to be paid compared to FY2022. After accounting for net cash outflow of €8.4 million expected to be used for investing activities during FY2023, comprising capital expenditure of €6.5 million and additional fixed deposits of €1.9 million, the free cash flow of the Group is expected to be negative €4.3 million. During FY2023, the Group is expected to reduce its bank borrowings by approximately €5 million, in aggregate, comprising the majority of the cash outflow related to financing activities of €7.2 million. The closing cash position of the Group, taking into account also the bank deposits, which by the end of FY2023 are expected to amount around €6 million, is anticipated to be €8.4 million.

7.3. STATEMENT OF FINANCIAL POSITION

	FY2020 (A)	FY2021 (A)	FY2022 (A)	FY2023 (F)
	€000s	€000s	€000s	€000s
ASSETS				
Non-current Assets				
Intangible assets	-	-	2	8
Property, plant & equipment	902	895	887	939
Investment property	75,572	71,357	81,840	89,686
Trade & other receivables	175	201	14	14
Total Non-current Assets	76,649	72,453	82,744	90,647
Current Assets				
Trade & other receivables	181	1,250	1,193	172
Current tax assets	21	9	170	10
Deposits	609	271	4,163	6,028
Cash & equivalents	4,065	11,868	13,856	2,380
	4,875	13,398	19,381	8,590
Assets classified as HFS	12,575	6,962	-	-
Total Current Assets	17,450	20,360	19,381	8,590
Total Assets	94,099	92,812	102,125	99,237
EQUITY & LIABILITIES				
Capital & Reserves				
Share capital	32,419	32,419	32,419	32,419
Other reserves	250	251	252	252
Retained earnings	22,618	24,048	22,970	22,953
Total Equity	55,286	56,717	55,641	55,624
LIABILITIES				
Non-current Liabilities				
Bond Issue	-	-	24,479	24,534
Borrowings	10,215	21,277	10,599	5,730
Deferred tax liability	8,457	7,461	7,701	8,492
Trade & other payables	102	123	141	141
Total Non-current Liabilities	18,774	28,861	42,920	38,897
Current Liabilities				
Borrowings	17,577	5,469	799	799
Trade & other payables	2,282	1,639	2,499	3,443
Current tax liability	179	125	267	474
Total Current Liabilities	20,039	7,234	3,564	4,716
Total Liabilities	38,813	36,095	46,485	43,613
Total Equity & Liabilities	94,099	92,812	102,125	99,237

Review of FY2022

MPC's asset base continued to be primarily made up of investment properties, with a portion of the Bastions property situated in Floriana being classified under property, plant and equipment as it is used by the Group as its own head office.

Current assets of the Group were primarily cash and cash equivalents, which at €18 million included €4.2 million of deposits mainly for treasury management purposes. The remaining balance out of a total €19.4 million in current assets were €1.2 million in trade and receivables, half of which consisted of prepayments made by one of the Group's subsidiaries in respect of ongoing renovation works.

No assets were classified as held for sale as at the end of FY2022 (FY2021: €7 million, in relation to the Birkirkara Old Exchange property which was disposed of during FY2022). Total assets amounted to €102.1 million, a net increase of €10 million over the previous year in view of the new additions to the investment property portfolio, as detailed in earlier parts of this report.

The Group's asset base was financed through a mix of equity and liabilities. The equity base of the Group stood at €55.6 million, with share capital making up €32.4 million thereof, and retained earnings amounting to €23 million.

The Group's liabilities is largely composed of borrowings, which at the end of FY2022 consisted of a mix between bank financing and a listed bond, as detailed further hereunder:

<u>Borrowings Analysis</u>	FY2020 (A)	FY2021 (A)	FY2022 (A)
	<i>€000s</i>	<i>€000s</i>	<i>€000s</i>
Bank Borrowings			
<i>Current</i>	17,577	5,469	799
<i>Non-Current</i>	10,215	21,277	10,599
Bond Issue	-	-	24,479
Total Debt	27,792	26,746	35,877
Cash & Equivalents <i>(including deposits)</i>	4,674	12,139	18,019
Net Debt	23,118	14,607	17,858

The revaluation of the investment properties of the Group over the years resulted in a deferred tax liability of €7.7 million – such tax liability will be realised only once (if) the property in relation to which such revaluation refers to is sold.

Total trade and other payables represented a further €2.6 million, consisting of amounts payable in relation to the renovation works, other accruals and payables, deferred income and security deposits received from the Group's tenants.

Outlook for FY2023

The composition of the Group's asset base is not expected to be considerably different in FY2023, although it is expected to take cognisance of the works carried out at both the Marsa Spencer Hill property and the Zejtun property, and other properties of the Group, all of which are expected to improve the value of the investment property portfolio accordingly, which at the end of the current year, is forecast to be in the region of €89.7 million (from €81.8 million by the end of FY2022). The deposits are also expected to increase to €6 million by the end of FY2023, although the cash and cash equivalents balance is expected to decline to €2.4 million (from €13.9 million), which, as explained in

the cash flows statement review above, is reflective of the additional cash outflows needed to complete renovation works at certain properties of the Group and the repayment of circa half of the outstanding bank facilities, in the main. Equity is expected to remain stable at €55.6 million as the additional contribution to retained earnings from the profit for the year will be offset by the dividend payment with respect to FY2022.

8 VARIANCE ANALYSIS - FY2022

	FY2022 (A)	FY2022 (F)	
	€000s	€000s	
Rental income	4,153	4,529	-8%
Other income	67	54	25%
Total Income	4,220	4,583	-8%
Net impairment losses on financial assets	(10)	-	n/a
Administrative & direct expenses	(1,471)	(1,834)	-20%
Operating profit	2,739	2,748	0%
Finance income	48	-	n/a
Finance costs	(1,039)	(1,063)	-2%
Gain on disposal of property	-	973	n/a
FV movement arising on property	(98)	1,190	-108%
Profit before tax	1,650	3,848	-57%
Tax expense	(1,513)	(2,022)	-25%
Profit for the year	138	1,826	-92%
Operating profit	2,739	2,748	0%
<i>Adjustment for Depreciation & Amortisation</i>	<i>12</i>	<i>37</i>	<i>-67%</i>
EBITDA	2,751	2,785	-1%

The main variance between the FY2022 forecasts that were presented in the FAS that was appended to the Prospectus dated 1 June 2022 and the actual results published by the Group in its annual report was the delay in the handover of the Zejtun property, which was expected to happen at the end of the first half of FY2022 and which was handed over towards the latter part of the year. Administrative expenses were lower than anticipated due to cost savings mainly in relation to employee costs, travel costs, insurance costs and business development costs. As a result of these variances, the tax charge came in lower as did profit after tax.

9 RATIO ANALYSIS

	FY2020 (A)	FY2021 (A)	FY2022 (A)	FY2023 (F)
EBITDA margin <i>(EBITDA / Total Income)</i>	62.4%	57.4%	65.2%	64.7%
Gross Profit margin <i>(Gross Profit / Total Income)</i>	98.3%	96.5%	96.8%	95.6%
Operating Profit (EBIT) margin <i>(Operating Profit (EBIT) / Total Income)</i>	62.1%	57.1%	64.9%	64.5%
Net Profit margin <i>(Net Profit / Total Income)</i>	86.7%	72.6%	3.3%	25.6%
Return on Equity <i>(Net Profit / Average Equity)</i>	5.5%	4.7%	0.2%	2.3%
Return on Capital Employed <i>(EBIT / Average Capital Employed)</i>	6.2%	5.2%	3.1%	4.8%
Return on Assets <i>(Net Profit / Average Assets)</i>	3.3%	2.8%	0.1%	1.3%
Current Ratio <i>(Current Assets / Current Liabilities)</i>	0.9x	2.8x	5.4x	1.8x
Cash Ratio <i>(Cash & cash equivalents / Current Liabilities)</i>	0.2x	1.7x	5.1x	1.8x
Interest Coverage ratio <i>(EBITDA / Net finance costs)</i>	3.9x	3.0x	2.8x	2.7x
Gearing Ratio <i>(Net debt / [Net Debt + Total Equity])</i>	29.5%	20.5%	24.3%	28.9%
Gearing Ratio (2) <i>[Total debt / (Total Debt plus Total Equity)]</i>	0.3x	0.3x	0.4x	0.4x
Net Debt to EBITDA <i>(Net Debt / EBITDA)</i>	10.8x	7.0x	6.5x	7.0x

The combination of higher revenue generated and lower operating costs incurred in FY2022 (when compared to FY2021) led to an improved EBITDA and operating profit margins. Net profit was lower than in previous years as FY2022 did not include FV gains to the same extent as those registered in earlier years and the tax charge was also elevated for the reasons explained in section 7.1, which in turn affected the Group's return ratios that include net profit as one of their variables.

The cash balances that the Group held as at the end of FY2022 led to healthy solvency ratios, with both the current and the cash ratios at levels much better than those of FY2021, at 5.4x and 5.1x respectively (FY2021: 2.8x and 1.7x respectively).

The increase in borrowings during FY2022 led to higher gearing levels, albeit still remaining at acceptable levels of just over 24% (using net debt). Similarly, the increase in the level of finance costs relatively outpaced the EBITDA improvement, resulting in a slightly weaker interest cover, albeit still at a healthy level, of 2.8 times. Notwithstanding the higher debt levels, the Group's net debt to EBITDA ratio improved to 6.5 times (FY2021: 7.0 times) reflecting the improved EBITDA levels driven by the higher rental revenues.

For FY2023, the EBITDA margin is expected to decrease slightly compared with FY2022, as is the operating profits margin as the anticipated improvement in revenues is partly expected to be offset by an increase in costs. Nonetheless, in view of the forecasted improvement in profit after tax (reflecting improved operational profitability as well as higher fair value movements), the net profit margin is expected to improve to 25.6%. Similarly, the other profitability ratios including return on equity and return on assets are also expected to show a corresponding improvement.

In view of the anticipated reduction in the Group's cash balances, the Group's current and cash ratios as well as the gearing measures (namely when using net debt) are expected to marginally weaken albeit remaining at healthy and sustainable levels compared to the Group's business activities. Nonetheless, despite the increase in finance costs, interest cover is expected to remain relatively stable, reflecting the anticipated improvement in EBITDA.

Additional Ratios

The following additional ratios are being computed in relation to the listed shares of the Company:

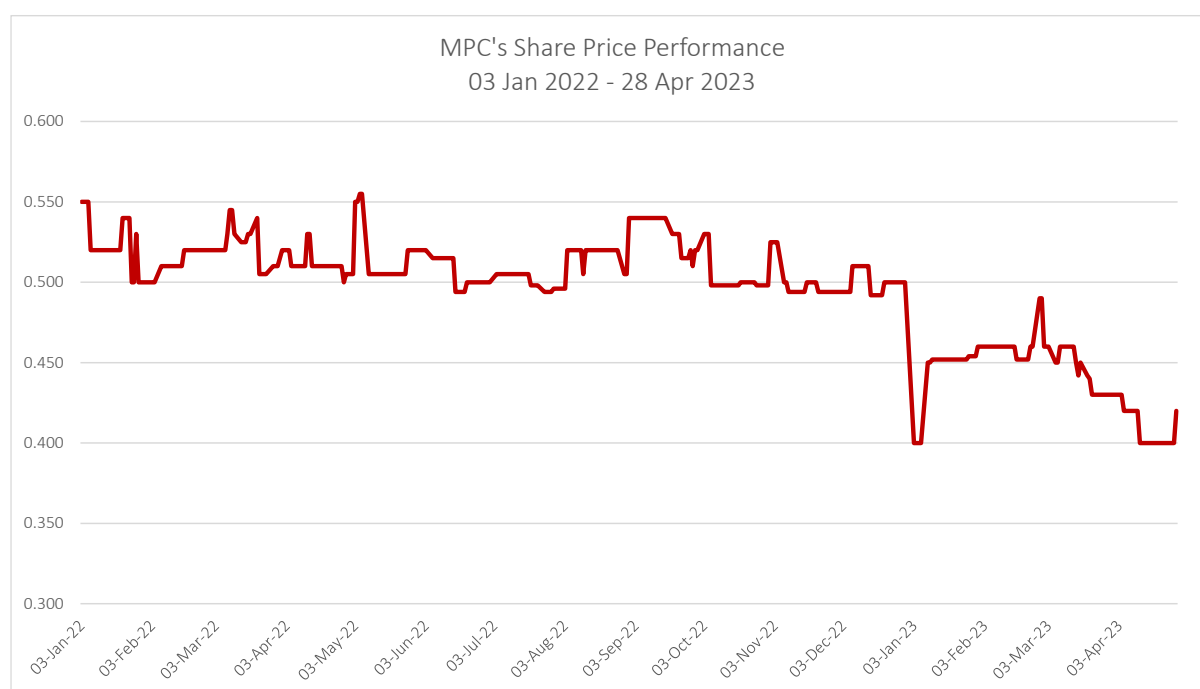
<u>Other Ratios</u>	FY2020 (A)	FY2021 (A)	FY2022 (A)	FY2023 (F)
Earnings per Share (EPS) <i>(Net profits / No of shares in issue)</i>	€0.0294	€0.0261	€0.0014	€0.0127
Dividend Cover <i>(EPS / Net dividend paid per share)</i>	2.45x	2.18x	0.11x	N/A

The Group's performance in FY2022 has resulted in a lower earnings per share when compared to earlier years. As a result, the Group's dividend cover has dipped accordingly, reflecting the lower net profit for the year. The earnings per share for FY2023 is expected to improve in line with the forecasted increase in profitability.

PART C OTHER LISTED SECURITIES

MPC's shares are listed on the Official List of the Malta Stock Exchange. Details of its listed securities are included hereunder:

Number of shares in issue:	101,310,488 shares
ISIN:	MT0000990102
Highest price in 2022:	€0.555
Lowest price in 2022:	€0.492
2022 Closing Price:	€0.500
Current price:	€0.420 (as at 28 April 2023)



Enterprise Value (EV) ¹ :	€60.41 million
Price to Earnings (P/E) Ratio ² :	308.6x

¹ Based on the market capitalisation as at 28 April 2023 and the figures extracted from the Statement of Financial Position as at 31 December 2022

² Based on the share price as at 28 April 2023 and the earnings per share for the financial year ended 31 December 2022.

PART D COMPARATIVES

The table below compares MPC’s financial metrics to those of other companies which have debt securities listed on the Malta Stock Exchange with a similar maturity as that of the Company.

It is to be noted, however, that there are significant differences in the business models of each of the listed companies being compared below and an exact match to the operations and business of the Issuer is not available. Thus, while the metrics below can be used as a gauge of MPC’s financial strength against other issuers listed locally, they do not capture the quantitative factors such as the differences in business models of each issuer, their competitive position in the market, KPIs, etc.

Bond Details	Outstanding Amount (€)	Gearing Ratio*	Net Debt to EBITDA (times)	Interest Cover** (times)	YTM [^]
4.55% St. Anthony Co. p.l.c. 2032 (Secured)	15,500,000	62.4%	63.6	0.4	4.28%
3.65% Int. Hotel Investments plc 2031	55,000,000	41.4%	11.2	1.9	4.00%
4.00% Central Business Centres plc 2027/2033 (Callable)	21,000,000	55.3%	18.6	1.3	4.36%
4.00% Malta Properties Company plc 2032 (Secured)	25,000,000	24.3%	6.5	2.8	4.13%

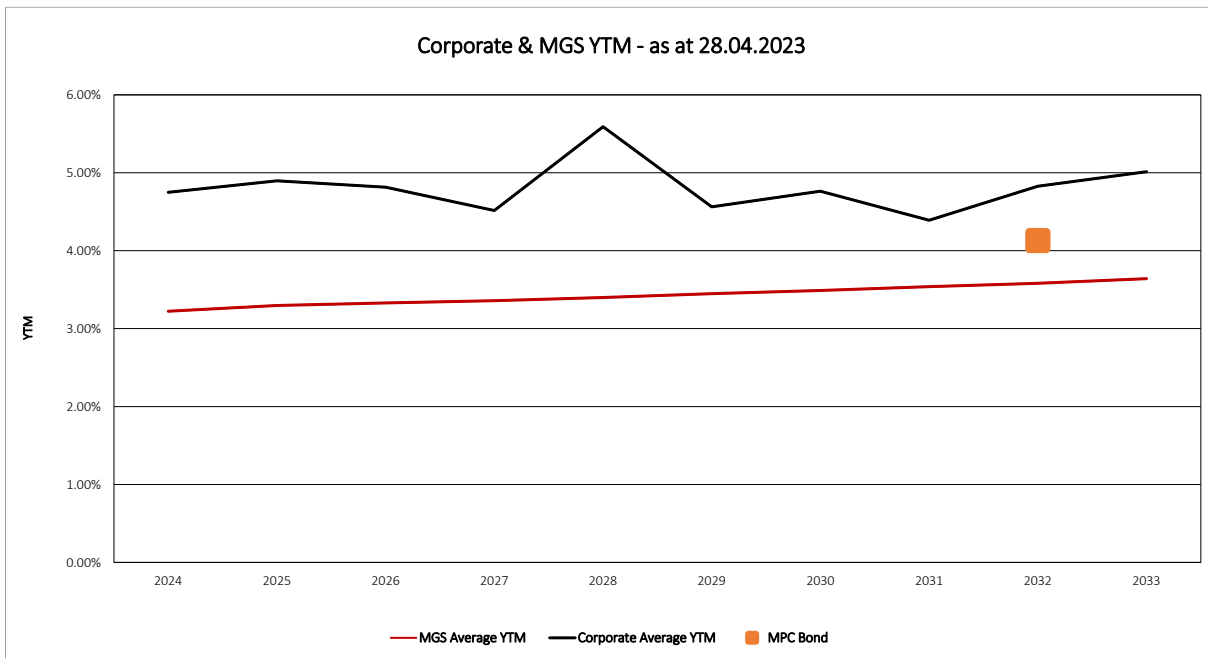
Source: Yield to Maturity from rizzofarrugia.com based on bond prices of 28 April 2023. Ratio workings and financial information quoted have been based on the respective issuers’ published financial data (or their guarantors, where and as applicable) available as at 28 April 2023. Where negative, the respective ratios are marked as ‘n/a’ due to their incomparability.

[^]Yield to Maturity (YTM) based on bond prices as at 28 April 2023.

*Gearing Ratio: $\text{Net Debt} / (\text{Net Debt} + \text{Equity})$

**Interest Cover: $\text{EBITDA} / \text{Net Finance Cost}$

The chart below shows the average yield to maturity of the MPC bond compared to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 28 April 2023.



The YTM for the bond as at 28 April 2023 was of 4.13%. As such, the Company's bonds are priced approximately 55 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2032 and at a discount of approximately 70 basis points over the average yield to maturity of corporate bonds maturing in 2032 (data correct as at 28 April 2023).

PART E GLOSSARY

INCOME STATEMENT EXPLANATORY DEFINITIONS

Revenue	Total revenue generated by the company from its business activity during the financial year.
EBITDA	Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations.
EBIT	Earnings before interest and tax.
Depreciation and Amortisation	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.
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit generated in one financial year.

CASH FLOW STATEMENT EXPLANATORY DEFINITIONS

Cash Flow from Operating Activities	The cash used or generated from the company's 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.
Free Cash Flow (FCF)	FCF represents the amount of cash remaining from operations after deducting capital expenditure requirements.
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 in Current and Non-Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.

Liabilities	What the company owes, which can be further classified in Current and Non-Current Liabilities.
Current Liabilities	Obligations which are due within one financial year.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.

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	Return on equity (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 Capital Employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing earnings before interest and tax by capital employed.
Return on Assets	Return on assets (ROA) measures the rate of return on the assets of the company. This is computed by dividing profit after tax by total assets.

LIQUIDITY RATIOS

Current Ratio	The current ratio is a financial ratio that measures whether a company has enough resources to pay its debts over the next 12 months. 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 used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.

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.

OTHER DEFINITIONS

Net leasable area (NLA) For single tenanted properties the NLA represents the Gross Internal Area while for multi-tenanted properties the NLA represents the Net Internal Area which excludes the landlord/common areas.

Earnings per Share (EPS) This is calculated by dividing the company's profit by the number of shares in issue.

Dividend Cover This is calculated by dividing the EPS by the dividend per share.

Enterprise Value (EV) EV measures the company's total value comprising its market capitalisation and net debt.

Price to Earnings (P/E) The P/E ratio is a valuation multiple used to compare the company's share price with its EPS.