FINANCIAL ANALYSIS

SUMMARY 2022

Mercury Projects Finance p.l.c.
21 June 2022

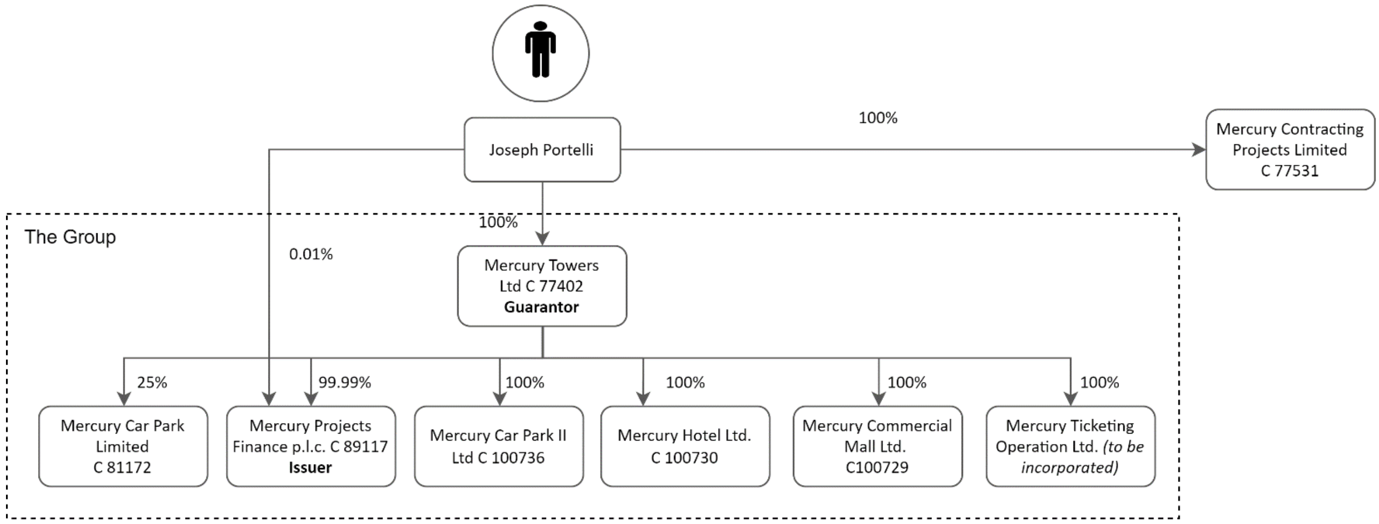
Prepared by Calamatta Cuschieri Investment Services Ltd

Table of Contents

Part 1 Information about the Group

1.1 The Group's Key Activities and Structure

The Group structure is as follows:



The "**Group**" of companies or the "**Mercury Group**" consists of the following companies: Mercury Projects Finance plc (the "**Issuer**"), Mercury Towers Ltd acting as the "**Guarantor**" of the Issuer, Mercury Car Park Limited, Mercury Car Park II Ltd, Mercury Hotel Ltd., and Mercury Commercial Mall Ltd.

The key activities of the Group comprise of the development of a mixed-use project (the "**Project**") that amongst others, involve the development of a 34-floor tower (including serviced apartments), a five-star luxury hotel spanning over the podium area, retail and commercial spaces spanning across the entire project, a commercial mall, a rooftop bar, as well as an underlying car park. Following the development, the Group will operate, amongst others, the aforementioned hotel, the car park, the commercial mall, and the Mercury Experience - an entertainment-themed simulator ride.

The Issuer, Mercury Projects Finance p.l.c. ("**MPF**"), with company registration number C 89117, is a limited liability company registered in Malta on 16 January 2019. The Issuer is, except for one share that is directly held by Mr Joseph Portelli, a wholly-owned subsidiary of the Guarantor, which is the parent company of the Group. The Issuer, which was set up and established to act as a finance vehicle, has as at the date hereof an authorised share capital of €500,000 divided into 500,000 ordinary shares of €1 each and has an issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up.

The Guarantor, Mercury Towers Ltd ("**MTL**"), is a private limited liability company incorporated and registered in Malta on 28 September 2016, with company registration number C 77402. The Guarantor, which is the parent company of the Group, owns land in the heart of St. Julian's for the purpose of completing the Project in question. The Guarantor, has as at the date hereof an authorised share capital of €20,500,000 divided into 20,500,000 ordinary shares of €1 each and has an issued share capital of €10,500,000 divided into 10,500,000 ordinary shares of €1 each, all fully paid up. The sole shareholder of the Guarantor is Mr Joseph Portelli.

Mercury Car Park Limited, in which the Group holds a 25% equity interest, owns 400 car spaces. The company shall also operate the car park going forward. Mercury Car Park II Ltd will own the remaining 283 car spaces built in shell form.

Mercury Hotel Ltd ("**MHL**"), a subsidiary of MTL owns and will operate the hotel, which is further explained in detailed in section 1.4 of this Analysis.

Mercury Commercial Mall Ltd, a subsidiary of MTL, will operate and own the commercial mall. It is assumed that the retail outlets will be rented to third parties in shell form internally. However, the common areas of these outlets and the exterior (where applicable) will be fully finished.

Finally, Mercury Contracting Projects Limited (MCPL), albeit not part of the Group, is fully owned by Mr Joseph Portelli and is trusted with carrying out the development and the finishing of the Project.

1.2 Directors and Key Employees

Board of Directors - Issuer
As of the date of this Analysis, the board of directors of the Issuer is constituted by the following persons:

Name	Office Designation
Mr Joseph Portelli	Chairman and Executive Director
Mr Stephen Muscat	Independent Non-executive Director
Mr Mario Vella	Independent Non-executive Director
Mr Peter Portelli	Independent Non-executive Director

The business address of all of the directors is the registered office of the Issuer. Dr Joseph Saliba is the company secretary of the Issuer.

Board of Directors - Guarantor
As of the date of this Analysis, the board of directors of the Guarantor is constituted by the following person:

Name	Office Designation
Mr Joseph Portelli	Executive Director

The business address of the director is the registered office of the Issuer. Dr Ian Stafrace is the company secretary of the Guarantor.

The sole executive director is responsible for the executive management of the Issuer and the Group, and together with other senior members of the executive team is responsible for the Issuer's and the other Group companies' day-to-day management. The executive director is responsible for the general executive management and sales and business development as well as for eventual hotel operations. Other members of the Group's management team are; Mr Silvan Mizzi, who acts as the Guarantor's Chief Financial Officer, and Ms Lorraine Ellul Bonavia, who is responsible for the general legal and administrative affairs of the Guarantor and the Group.

As of the date of this Analysis, the Issuer does not have any employees of its own, whereas the Guarantor has two full-time employees.

1.3 Major Assets owned by the Group

The Issuer does not have any substantial assets other than the loans receivable from the Guarantor, since it is essentially a special purpose vehicle set up to act as the financing company for the Project. The major assets of the Group are the underlying land and building on which the Project is being constructed.

The Guarantor owns land in the heart of St. Julian's measuring *circa* 9,648m^2, which it acquired on a freehold title over two phases. 7,701.8m^2 of said land was acquired in two stages, in December 2016 and June 2017, for a total price of *circa* €24.3m. A plot of land measuring 1,964m^2 was then acquired in August 2021 for €14m.

The land, the constructed portion of the Project, and the airspace have been classified as "*property, plant, and equipment*", "*investment property*" and "*inventory*" in the financial statements of the Group.

- *Property, plant, and equipment*: €13.7m, as at December 2021 (2020: €11.7m) consisting of airspaces which will be retained by the Group to be used in the supply of services (operated as a hotel). The property is still under construction.
- *Investment property*: €58.4m, as at December 2021 (2020: €40.9m) which comprises the retained property which will be leased out to third parties. As of 31 December 2021, this consisted of serviced apartments on Level 31 of Mercury Tower, the Twist, Mercury House, the Pavilion, the Commercial Mall, and the rooftop bar.
- *Inventory*: €24.0m as at December 2021 (2020: €8.9m) the Group's inventory consists of the various serviced apartments available for sale.

As at June 2022, the Project was still under construction and hence was not yet available for use.

For the purpose of this Analysis, the Project will be taken as one whole project, as opposed to one with two phases as in previous analyses.

1.4 Operational Developments

The Group was set up in view and for the purpose of, and will principally operate by reference to, the Project. The Group has a limited operating history and is of recent origin, with the longest existing member of the Group being the Guarantor, set up in 2016. The ultimate beneficial owner of the Group, Mr Joseph Portelli has a long trading history in the acquisition, development, management, and operation of real estate developments including hotels, residential, office, retail property, and entertainment projects.

The most recent developments of the Group are described hereunder:

Mercury Project

The development and finishing of the Project are carried out by MCPL, a related party that is wholly owned by Mr Joseph Portelli. This is governed through a contract of works agreement entered into between MCPL and MTL in 2016.

To date, the Mercury Tower, the Pavilion, the Commercial Mall, and the car park have been built in shell form. Mercury House has also been partially restored and is currently housing the Group's head office. The finishing of Mercury Tower and the commercial elements are expected to be handed over by Q1 2023.

Construction works on the hotel are currently in progress, with the commercial elements ready to be handed over by Q1 2023, and the hotel operational from Q3 2023. The Commercial Mall is to be opened and development is expected to be inaugurated in Q4 2023.

Management noted that the delay in the completion of the above-mentioned commercial elements is mainly as a result of a number of shipping delays concerning finishing works experienced by the Group throughout the development phase of the project. Management further noted that such delays have been predominantly accelerated through the current conflict in Ukraine. In this respect, management adopted a conservative approach and opted to move the opening dates to mitigate this risk.

Mercury Tower

The Tower is a 34-storey building above ground level, and 6 storeys underground, four of which are designated as parking spaces. The gross floor area of the units within the tower (excluding parking spaces) is 20,591m^2 (previously 19,754m^2). The tower will consist of 291 branded serviced apartments the majority of which are intended to be sold to third parties (279 apartments), with the remaining 12 apartments intended to be retained by the Guarantor. As at 31 December 2021, 243 apartments were sold and the deed of transfer signed, and 18 were on a Promise of Sale Agreement. Out of the remaining apartments, as previously mentioned, 12 serviced apartments will remain unsold. All the unsold apartments are classified as inventory.

As of the date of this Analysis, the Tower is complete in shell form and the installation of the glass fiber reinforced concrete façade, glass balustrades, and aluminum apertures are now in their advanced stages. Finishing works are expected to be complete by Q4 2022.

Apart from the serviced apartments, the Mercury Tower also includes:

- **A commercial area at level 11** (the Twist), which incorporates an outdoor pool, is a unique and versatile event space and will be rented out to third parties as an exclusive location to host a variety of events, ranging from weddings to conferences;
- **A rooftop bar at level 33** (entrance on level 32); a viewing gallery which will be accessible to guests and patrons alike;
- **Three levels of commercial space** (level B01 to level 1) will form part of the Commercial Mall and are connected to other commercial parts of the development;
- **All-day dining restaurant** situated on level 2 that will be operated by a third party; and
- Levels 10, 12, and (part of) level 32 of the Mercury Tower shall include **plant rooms and storage facilities**.

Peripheral Block

The Peripheral Block will be an adjacent 9-storey block and will house 170 luxury suites across 6/7 levels of the building, all of which are intended to be sold to third parties.

The peripheral residential block will include a total of 170 serviced apartments across seven levels (levels 2 to 8). The serviced apartments are planned to have an average net internal area of *circa* 60m^2. As of the date of this Analysis, 62 apartments have been sold and 52 were on Promise of Sale, while 56 remain available for sale.

Works on the peripheral residential block have commenced, are nearing compltion and are planned to be finished by December 2022.

Three levels of commercial space (levels B01 to level 1) of the peripheral residential block will form part of the Commercial Mall. The peripheral block also houses two outdoor pools for hotel residents and a herb garden.

Hotel

Another branch of the Project will be a 19-storey 5-star branded hotel, consisting of 130 rooms (the "**Hotel**"). Its accommodation capacity will extend by virtue of the serviced apartments whose owners sign up for a hotel accommodation pooling arrangement.

The Hotel will be owned and operated by MHL through a hotel management agreement with the internationally renowned hotel chain Meliá, in particular with Meliá Hotels International S.A. (as manager) and Prodigios Interactivos S.A. (as provider), in respect of the Hotel and its facilities, for the management and operation of the Hotel under the brand name of 'ME'. The operations are expected to commence by Q3 2023.

Commercial Outlets

The Project will also comprise a mix of retail and catering outlets, spanning on levels B01, ground floor, and level 1 of the tower, podium, and peripheral building. It is currently planned that the commercial outlets will consist of a number of shops with a total floor area exceeding 12,242m^2. The commercial shopping mall will mainly be located over three floors across Mercury House, Mercury Tower, the Hotel, and the Peripheral Block (underlying Mercury Suites). The entertainment areas will form also part of the commercial mall.

Ancillary components

The Mercury House, a restored 19th century building, part of the commercial mall, and an element of food and beverage activity. The Pavilion is located on the North corner of the site, adjacent to Mercury House. It will form part of the Commercial Mall offering, which at this stage is planned to accommodate a uniquely designed food and beverage space. The Mercury Experience is an entertainment-themed simulator ride, consisting of rigged seats and virtual reality or visual projections to create the illusion of flight. Additionally, the Project will house an indoor go-kart ring as well as an ice-skating rink.

Car park

The Project also comprises a sub-structure car park, underneath all the sites spanning from levels B06 to B03 on the Mercury Site and levels B07 to B03 on the Exchange Site. The car park includes a total of 683 car spaces and 45 lock-up garages.

Mercury Car Park Limited, in which the Group holds a 25% equity interest, owns the car park. The company shall also operate the car park going forward. On 30 November 2021, Mr Joseph Portelli (on behalf of MTL) entered into a Promise of Sale Agreement with Bersella Holdings Limited to acquire a further 68% shareholding (4,080 Class A shares) in Mercury Car Park Limited for €9m. Therefore, provided this acquisition goes through, MTL will hold a 93% shareholding in Mercury Car Park Limited. The acquisition of shares is expected to be completed by not later than 30 June 2022.

None of the 683 car spaces are intended to be sold, as it is planned that such spaces will be used as a public car park to complement the commercial offering.

Bond Issue

On 26 April 2022, Mercury Projects Finance p.l.c. issued €50m 4.3% Secured Bonds due in 2032, with a nominal value of €100 per Bond issued at par, and guaranteed by Mercury Towers Ltd. The proceeds of said bonds were split between €35m to fund the construction, development, and finishing of the Hotel, and the other €15m as general corporate funding for the Group.

1.5 COVID-19 impact on the Group's operational and financial performance

The pandemic has adversely impacted global and local commercial activities in several industries. However, to date, the Group has continued to operate without significant disruptions, even during the more challenging months of the pandemic. Construction has been limitedly impacted and at this point in time, given that the Government relaxed the strict COVID-19 related restrictions experienced during the first half of FY21, management is confident that the Group can continue to manage the situation without any significant impact.

The Group will continue to monitor the developments in relation to the COVID-19 pandemic and is coordinating its operation response based on its business continuity plan and on guidance from health organisations, Government, and general pandemic response best practices. Management is confident that the Group will be able to operate through the prevalent market conditions and does not believe that there is any significant financial impact on the Group that would otherwise require any further disclosures.

Notwithstanding the above, it is worth noting that currently certain works were negatively impacted by restrictions on the availability of imported skilled workforce for specialised work, which resulted in the Group experiencing a delay in terms of the Project's completion date.

1.6 Subsequent events after the reporting period: Conflict in Ukraine

Management confirmed that, following thorough assessment of the Group's operations, it was noted that there is minimal reliance on the Russian/Ukrainian region for supplies of construction materials, and the Group was not impacted by sanctions on Russian nationals. The only consequences relate to shipping delays referred to in the prior sub-sections above.

1.7 Listed Debt Securities of the Issuer

Mercury Projects Finance p.l.c. currently has the following outstanding debt securities:

	ISIN	€m
3.75% Mercury Projects Finance plc Secured € 2027	MT0002191204	11.5
4.25% Mercury Projects Finance plc Secured € 2031	MT0002191212	11.0
4.3% Mercury Project Finance plc Secured € 2032	MT0002191220	50.0

Part 2 Historical Performance and Forecasts

The Issuer's historical financial information for the three years ending 31 December 2019, 2020 and 2021, as set out in the audited financial statements of the Issuer may be found in section 2.1 to 2.3 of this Analysis. These sections also include the projected performance of the Issuer for the period ending 31 December 2022. Moreover, the Group's historical financial information for the three years ending 31 December 2019, 2020 and 2021, together with the Group's projected performance for the period ending 31 December 2022 are set out in section 2.4 to section 2.6.

The projected financial statements detailed below relate to events in the future and are based on assumptions which the Company believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

2.1 Issuer's Income Statement

Income Statement for the year ended 31 December	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Finance income	825	1,121	1,121	2,539
Finance costs	(690)	(899)	(899)	(2,254)
Net finance income	**135**	**222**	**222**	**285**
Administrative expenses	(57)	(80)	(79)	(118)
Profit / (loss) before taxation	**78**	**142**	**143**	**167**
Taxation	(44)	(74)	(74)	(96)
Profit / (loss) after taxation	**34**	**68**	**69**	**71**

Ratio Analysis[1]	2019A	2020A	2021A	2022F
Profitability				
Gross Profit Margin (Net finance income / Finance income)	16.4%	19.8%	19.8%	11.2%
Net Margin (Profit for the year / Finance Income)	4.1%	6.1%	6.2%	1.2%

The Issuer generates income from the differential in interest rates between the coupon on its listed bonds and the interest income collected from the Guarantor as a payment for the funds advanced from Issuer. Up until 2021, the interest rate differential was 1% in the case of both bonds in issue as shown in section 1.7 of this Analysis. Management explained that the interest differential for the 2022 bond will be 0.2%. When considering the amount of the bond, this increase was deemed sufficient to cover the increase in expenses.

Finance income and finance costs are both forecast to increase following the Bond Issue. Due to the decrease spread in 2022 as explained earlier, gross profit margin is projected to amount to 11.2%

Administrative expenses are also expected to increase due to the Bond Issue. Nevertheless, profit before taxation is projected to increase slightly in FY22, resulting in higher taxation and a profit after taxation more of approximately €71k.

[1] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

2.2 Issuer's Statement of Financial Position

Statement of Financial Position as at 31 December	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Loans and receivables	22,444	22,444	22,444	72,444
Total non-current assets	**22,444**	**22,444**	**22,444**	**72,444**
Current assets				
Other receivables	828	1,047	1,211	2,550
Cash and cash equivalents	257	142	33	71
Total current assets	**1,085**	**1,189**	**1,244**	**2,621**
Total assets	**23,529**	**23,633**	**23,688**	**75,065**
Equity and liabilities				
Capital and reserves				
Share capital	250	250	250	250
Retained earnings	34	101	170	201
Total equity	**284**	**351**	**420**	**451**
Non-current liabilities				
Interest bearing borrowings	22,500	22,500	22,500	72,500
Total non-current liabilities	**22,500**	**22,500**	**22,500**	**72,500**
Current liabilities				
Other payables	701	708	703	2,058
Current tax liability	44	74	65	56
Total current liabilities	**745**	**782**	**768**	**2,114**
Total liabilities	**23,245**	**23,282**	**23,268**	**74,614**
Total equity and liabilities	**23,529**	**23,633**	**23,688**	**75,065**

The Issuer's assets mostly comprise of the loans advanced to the Guarantor where, in FY21, this represented *circa* 95% of total assets. The remaining 5% represented accrued interest due on the aforementioned loans, as well as cash and cash equivalents. Following the Bond Issue, these are expected to increase to €72.4m for FY22 (2021: €22.4m). This increase in loans to the Guarantor will in turn increase the interest receivable, hence increasing the projected receivables for FY22 to €2.6m.

Total equity in FY21, as was projected, amounted to €420k. It consisted of the Issuer's share capital of €250k, coupled with the profit generated from the interest rate differential of the coupon payable to the bondholders, and the interest income received from the Guarantor for the advancement of the bond proceeds. Total equity is expected to increase to €451k in FY22 following a projected increase in retained earnings.

Total liabilities amounted to *circa* €23.3m with the majority of this being the two bonds in issue. Following the Bond Issue, total liabilities are expected to increase to €74.6m. Other payables are also projected to increase due to said Bond Issue and the accompanying interest commitment.

2.3 Issuer's Statement of Cash Flows

Cash Flow Statement for the year ended 31 December	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
Profit before taxation	78	142	143	167
Adjustments for:				
Movement in finance income	(825)	(75)	-	(1,418)
Movement in finance expense	693	-	-	1,355
Movement in other receivables	(3)	-	-	(1,339)
Movement in other payables	7	8	(5)	1,355
	(50)	**75**	**138**	**120**
Tax paid	-	(44)	(83)	(161)
Net cash flows generated from / (used in) operating activities	**(50)**	**31**	**55**	**(41)**
Cash flows from investing activities				
Loans advanced to related parties	(22,444)	-	-	(50,000)
Net cash flows generated from / (used in) investing activities	**(22,444)**	**-**	**-**	**(50,000)**
Cash flows from financing activities				
Issue of share capital	250	-	-	
Proceeds from bond issue	22,500	-	-	50,000
Movement on parent company account	1	(146)	(164)	79
Net cash flows generated from / (used in) financing activities	**22,751**	**(146)**	**(164)**	**50,079**
Movement in cash and cash equivalents	**257**	**(115)**	**(109)**	**38**
Cash and cash equivalents at start of year	-	257	142	33
Cash and cash equivalents at end of year	**257**	**142**	**33**	**71**

Given its treasury management function, the Issuer's main cash movements, other than that of raising and repaying debt instruments, is to advance loans to the Guarantor against an annual interest charge ranging between 4.5% and 5.25% *per annum*.

The Bond Issue is projected to result in substantial movements in working capital mainly concerning higher finance income and subsequent finance expenses as well a higher movement concerning both receivables and payables.

No major cash movements were recorded in the Issuer's investing and financing activities during FY21. The only cash movement projected to be reported in FY22 in this respect relates to the inclusion of the €50m bond proceeds. The Issuer is projecting an overall cash balance of €71k during FY22.

2.4 Group's Income Statement

Income Statement for the year ended 31 December	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Revenue	9,047	19,836	4,934	44,843
Cost of sales	(7,428)	(12,863)	(3,913)	(35,286)
Gross profit	**1,619**	**6,973**	**1,021**	**9,557**
Other income	5	185	-	-
Total operating costs	(1,101)	(1,073)	(707)	(1,763)
Impairment loss on financial assets	(127)	(16)	-	-
EBITDA	**396**	**6,069**	**314**	**7,794**
Depreciation and amortisation	-	-	-	(60)
EBIT	**396**	**6,069**	**314**	**7,734**
Net finance costs	(1,096)	(899)	(899)	(3,279)
Revaluation of investment property	-	24,561	(4,797)	-
Profit / (loss) before taxation	**(700)**	**29,731**	**(5,382)**	**4,455**
Taxation	(741)	(4,825)	(393)	(1,338)
Profit / (loss) after taxation	**(1,441)**	**24,906**	**(5,775)**	**3,117**

Ratio Analysis[2]	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Profitability				
Growth in Total Revenue (YoY Revenue Growth)	125.6%	119.3%	-75.1%	808.9%
Gross Profit Margin (Gross Profit / Revenue)	17.9%	35.2%	20.7%	21.3%
EBITDA Margin (EBITDA / Revenue)	4.4%	30.6%	6.4%	17.4%
Operating (EBIT) Margin (EBIT / Revenue)	4.4%	30.6%	6.4%	17.2%
Net Margin (Profit after taxation / Revenue)	-15.9%	125.6%	-117.0%	7.0%
Return on Common Equity (Profit after taxation / Average Equity)	237.0%	102.5%	-19.6%	7.1%
Return on Assets (Profit after taxation / Average Assets)	-2.3%	45.8%	-6.3%	2.1%

As at this date of this Analysis, the Group sold a total of 314 serviced units. Up until 30 May 2022, excluding the sale of airspace on the car park in 2017, total sales of €52.1m have been recognized.

During FY21, the Group generated €4.9m in revenues (FY20: €19.8m), reflecting a substantial drop in comparison to the projections set out in the previous analysis. Specifically, the reason for this is two-fold, with this decline being primarily attributable to the low stock of apartments available for sale during the year as the majority of the units made available for sale in a first instance were sold during FY20 whilst new units were only made available in September 2021. Meanwhile, management also noted that a number of contracts which were expected to be concluded during FY21 did not materialise and were pushed back to FY22.

Moving into 2022, the Group expects revenue to improve to €44.8m, with this improvement mainly reflecting the sale of the units which were brought to the market in late 2021. Projected revenue for FY22 also takes into account the conclusion of the aforementioned contracts which were not concluded in the prior year.

After accounting for cost of sales of €3.9m, the Group reported a gross profit of *circa* €1m during FY21, with gross profit margin tapering down to 20.7%. Following the expected improvement in revenue, gross porift margin is projected to improve to 21.3% during FY22. On a general note, gross profit margin fluctuates depending on the type of units sold given that different units are sold at different profit margin levels.

Operating expenses, which primarily consist of wages and salaries, professional fees, bank charges, insurance, audit fees, and other fees which cannot be capitalised as part of the Project, stood at *circa* €0.7m in FY21. As a result of this, the Group generated an EBITDA of €0.3m in FY21, translating into an EBITDA Margin of 6.4%.

Despite the fact that operating expenses are expected to increase to €1.8m during FY22, the Group's EBITDA is

[2] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

expected to improve to €7.8m, with this being in line with the additional number of untis expected to be sold during the year.

The Project is currently still in construction phase and, accordingly, no depreciation charges have been recognised to date. Depreciation will start to be accounted for once the Project is fully completed. Given no depreciation was recorded during FY21, the Group reported an EBIT of €0.3m and an operating margin of 6.4%.

The Group is projecting €60k in amortisation of bond costs during FY22, with EBIT expected to amount to €7.7m.

Financing costs amounted to €0.9m in FY21, same as was reported for FY20. These figures predominantly reflect the interest paid on the Issuer's bonds, more specifically the two issued tranches of €11.5m and €11m, incurring a coupon of 3.75% and 4.25%, respectively. Following the Bond Issue during FY22, finance costs are expected to increase to €3.3m. Management noted that other interest currently being incurred by the Group is at present being capitalised, given that the Project is still under construction.

During FY21, the Group reported a negative movement in revaluation of investment property of €4.8m. Said movement was a result of a transfer of an entire floor in the Mercury Tower from investment property to inventory. Specifically, a decision was taken during 2021 that the units in said floor would be made available for sale rather than being kept for rental purposes. This shift in strategy necessitated the movement from investment property to inventory due to applicable international accounting standards wherein investment property is valued at fair value whilst inventory is valued at the lower of costs and net realisable value.

Mainly as a result of the negative revaluation movement, the Group reported a loss after taxation of *circa* €5.8m. This is expected to improve to €3.1m during FY22, transalting into a net margin of 7%.

2.4.1 Group's Variance Analysis

Income Statement	Dec-2021F	Dec-2021A	Variance
	€000s	€000s	€000s
Revenue	7,542	4,934	(2,608)
Cost of sales	(6,268)	(3,913)	2,355
Gross Profit	**1,274**	**1,021**	**(253)**
Other income	-	-	-
Operating expenses	(792)	(732)	60
Impairment loss on financial assets	-	25	25
EBITDA	**482**	**314**	**(168)**
Depreciation and amortisation	-	-	-
EBIT	**482**	**314**	**(168)**
Finance costs	(832)	(899)	(67)
Revaluation of investment property	-	(4,797)	(4,797)
Profit / (loss) before taxation	**(350)**	**(5,382)**	**(5,032)**
Income tax credit/(expense)	(510)	(393)	117
Profit / (loss) after taxation	**(860)**	**(5,775)**	**(4,915)**

Actual revenue for FY21 was lower when compared to forecasts by €2.6m, with the reasons for such variance discussed in detail in section 2.4 above. Evidendtly, this drop in revenue resulted into a consequent decrease in gross profit with the Group recording a negative variance of €0.3m in this respect.

Operating expenses incurred during the year were slightly less than what was projected by €60k. Nevertheless, given that the decline in revenue surpassed the decline in operating expenditure, the Group also recorded a negative variance in EBTIDA amounting to €0.2m.

Notably, the Group incurred a loss of €4.9m during the year, with the main contributor to this being the negative investment property revaluation movement discussed above.

2.5 Group's Statement of Financial Position

Statement of Finance Position as at 31 December	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Intangible asset	-	-	-	5,058
Property, plant and equipment (PPE)	22,294	11,661	13,660	59,007
Investment property	401	40,886	58,415	72,040
Investment in subsidiaries	-	-	4	-
Investment in associate	1	2	2	-
Other receivables	689	-	-	665
Restricted cash	21	21	20	20
Deferred tax asset	143	-	-	-
Total non-current assets	**23,549**	**52,570**	**72,101**	**136,790**
Current assets				
Inventories	18,023	8,919	23,974	12,993
Trade and other receivables	20,380	7,337	16,155	24,440
Cash and cash equivalents	267	578	814	4,004
Total current assets	**38,670**	**16,834**	**40,943**	**41,437**
Total assets	**62,219**	**69,404**	**113,044**	**178,227**
Equity and liabilities				
Capital and reserves				
Share capital	500	500	10,500	10,500
Revaluation reserve	-	-	6,124	6,124
Investment property reserve	-	22,596	18,182	32,422
Retained earnings	(1,108)	1,201	(160)	3,850
Total equity	**(608)**	**24,297**	**34,646**	**52,896**
Non-current liabilities				
Borrowings	-	-	28,908	40,328
Bonds payable	22,500	22,500	22,500	72,500
Deferred tax liability	-	3,203	3,806	4,590
Total non-current liabilities	**22,500**	**25,703**	**55,214**	**117,418**
Current liabilities				
Borrowings	10,566	10,406	9,589	6,955
Trade and other payables	29,761	8,924	13,530	838
Taxation payable	-	74	65	120
Total current liabilities	**40,327**	**19,404**	**23,184**	**7,913**
Total liabilities	**62,827**	**45,107**	**78,398**	**125,331**
Total equity & liabilities	**62,219**	**69,404**	**113,044**	**178,227**

Ratio Analysis[3]	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Financial Strength				
Gearing 1 (Net Debt / Net Debt and Total Equity)	101.9%	57.1%	63.5%	68.6%
Gearing 2 (Total Liabilities / Total Assets)	101.0%	65.0%	69.4%	70.3%
Gearing 3 (Net Debt / Total Equity)	-5394.6%	133.1%	173.7%	218.9%
Net Debt / EBITDA	82.8x	5.3x	191.7x	14.9x
Current Ratio (Current Assets / Current Liabilities)	1.0x	0.9x	1.8x	5.2x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.5x	0.4x	0.7x	3.6x
Interest Coverage (EBITDA / Cash interest paid)	0.4x	6.8x	0.3x	2.4x

The Group's assets are principally comprised of property, plant and equipment, investment property, inventories, and trade and other receivables. As at 31 December 2021, the Group's total assets stood at €113m (FY20: €69.4m), with this being primarily in line with previous expectations.

Total assets are expected to reach €178.2m during FY22 mainly on account of a projected increase in property, plant and equipment and investment property, with this being driven specifically by the expected continued construction and development costs required to complete the Project.

As at December 2021, the Group's property, plant and equipment amounted to €13.6m with this consisting of the hotel. It is to note that this amount was significantly lower than what was projected in the previous analysis, mainly as part of the hotel building which will form part of the commercial mall was transferred to investment property. Following the development of the hotel throughout FY22, property, plant and equipment is expected to reach €59m by year end.

The Group's investment property was valued at *circa* €58.4m as at 31 December 2021. This was made up of the serviced apartments on level 31 of the Mercury Tower, the Commercial Mall, the Twist in the Mercury Tower, dining/office space, and Mercury House.

The intangible asset value as at end of FY21 was substantially higher than previously projected due to the fact that a) the construction programme varied from that projected and a larger area of investment property was built as opposed to units for sale classified as inventory, and b) as explained earlier in this section, the Commercial Mall is classified under investment property given that this will be retained by the Group and leased out to third parties as opposed to previous expectations.

Investment property is projected to increase to €72m by end of FY22 following near-completion of the Commercial Mall and subsequent revaluation.

As at end of FY22, the Group intangible assets to amount to €5m as a result of the purchase of the car park as explained in section 1.4 of this Analysis.

The Group reported €4k investment in subsidiaries by end of FY21, as subsidiaries were formed during the last two weeks of the year.

Inventories amounted to €24m as at 31 December 2021, with this expected to decrease to €13m by 2022 year-end, following the expected sale of the respective units.

Trade and other receivables amounted to €16.1m during FY21 with this expected to increase to €24.4m by end of FY22. The majority of the year-end balance in FY21 represents the advances by the Group to Mercury Contracting Projects Limited for contracting works. In FY22, receivables will also include proceeds of the 2022 Bond Issue yet to be released in relation to the development of the hotel due to the fact that the date of completion of the hotel was pushed back.

As at 31 December 2021, the Group's share capital amounted to €10.5m. The increase from the previous year is directly attributable to the capitalistion of a shareholder's loan. This was previously projected to increase further by the end of FY22. The projected capitalisation of part of the investment property reserve is currently on hold, pending certain relevant legal clarifications. Due to uncertainty on the timing of the capitalisation process, FY22 projections exclude this planned capitalisation.

As previously explained above, the hotel airspace was revalued. This resulted in the Group reporting a revaluation uplift of €6.1m by end of FY21. This is not projected to increase further during FY22.

[3] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

Investment property reserve at the end of FY21 stood at €18.2m and is expected to increase to €32.4 moving forward, in line with the projected revaluation in FY22.

The liabilities of the Group mainly consist of financial debt, trade and other payables, and deferred tax liability. Financial debt is made up of the Issuer's €22.5m bonds currently on the market, and bank borrowings amounting to €28.9m including bank loans and a temporary overdraft.

Long-term borrowings for FY21 were previously projected to be €40.3m. This variance relates to certain banking facilities not being completely drawn in line with the the delay in hotel construction which reduced the need to draw down the maximum amount. These are projected to increase as development of the hotel progresses.

The Group ended FY21 with €3.8m deferred tax liability, previously projected at €2.8m. This is projected to increase further by end of FY22 following the revaluation of the Commercial Mall as explained above.

Trade and other payables amounted to €13.5m as at 31 December 2021. Given that trade and other payables are primarily made up of deposits received by potential buyers of the units, these are projected to decrease to €0.8m by end of FY22 following the completion of the respective contracts.

In view of the Guarantor's existing bank loans and the increase in debt following the 2022 Bond Issue, the Guarantor's overall gearing is expected to be slightly higher by the end of FY22 as clearly shown through the Gearing 1 and Gearing 2 ratios. Nevertheless, the Guarantor's interest coverage ratio is expected to improve to 2.4x in FY22, with this being predominantly in line with the expected improvement in the overall financial performance.

2.6 Group's Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
Profit before taxation	(218)	6,085	289	7,754
Adjustments for:				
Movement in inventory	2,817	9,104	(15,056)	10,981
Movement in trade and other receivables	(19,517)	13,716	(8,794)	(8,950)
Movement in trade and other payables	(1,821)	(20,793)	4,506	(12,692)
Contract liability	136	-	101	-
Goodwill	-	-	-	5,058
Depreciation	-	-	-	60
	(18,603)	**8,112**	**(18,954)**	**2,211**
Tax paid	(741)	(1,450)	(331)	(1,580)
Net cash flows generated from / (used in) operating activities	**(19,344)**	**6,662**	**(19,285)**	**631**
Cash flows from investing activities				
Acquisition of investment property	-	-	-	(13,625)
Acquisition of property	(6,101)	(5,293)	(17,667)	(30,323)
Acquisition of subsidiary	-	-	(4)	-
Acquisition of car park (68% shareholding)	-	-	-	(9,000)
Net cash flows generated from / (used in) investing activities	**(6,101)**	**(5,293)**	**(17,671)**	**(52,948)**
Cash flows from financing activities				
Issue of share capital	-	-	10,000	-
Repayment of bank borrowings	-	(159)	(10,406)	(2,634)
Movements in borrowings	4,340	-	38,497	11,420
Movements from loans from related companies	(1,350)	-	-	-
Interest paid	-	(899)	(899)	(3,279)
Net proceeds of bond	22,500	-	-	50,000
Net cash generated from / (used in) financing activities	**25,490**	**(1,058)**	**37,192**	**55,507**
Movement in cash and cash equivalents	**45**	**311**	**236**	**3,190**
Opening cash and cash equivalents	222	267	578	814
Cash and cash equivalents at end of year	**267**	**578**	**814**	**4,004**

Ratio Analysis[4]	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Cash Flow				
Free Cash Flow (Net cash from operations + interest - Capex)	€(25,445)	€2,268	€(36,053)	€(40,038)

Following unfavourable movement in working capital, the Group reported a cash outflow from operating activities of €19.3m. As noted in section 2.5 above, this movement partly relates to cash advances to Mercury Contracting Projects Limited for financing of the construction costs.

A further main reason is the negative movement in inventory. This movement relates to the additional work on the serviced units which came available at the end of FY21, hence resulting in restricted sales of this units and a build up of inventory. The Group is expected to generate year-on-year net cash inflows from operations from FY22 onwards.

The Group recorded a cash outflow from investing activities of €17.7m during FY21. This stems from the development of the Project in relation to the peripheral block and hotel, the mechanical and electrical works, and finishings. This was higher than previously projected because, following the change in construction programme as previously explained,

[4] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

constructions works focused on investment property and not on inventory.

In FY22, the investing cash outflow in relation to the Project development is also expected to be substantial, at €52.9m. Management confirmed that this was previously projected at €76.5m because the hotel was initially planned to be completed by 2022. Eventually, the target completion date was pushed back to the Q3 of 2023 and, therefore, the investment is expected to be incurred over a longer period of time rather than immediately in 2022.

Inflows from financing activities amounted to €37.2m in FY21. The majority of this balance was made up of the capital injection as explained in section 2.5 above and net new bank borrowings.

In FY22, the 2022 Bond Issue generated a €50m financing cash inflow, and the Group is projecting to obtain a further €10m bank financing to acquire 68% shareholding in Mercury Car Park Limited. Therefore the financing cash inflow is expected to be substantially higher in FY22.

Part 3 Key Market and Competitor Data

3.1 General Market Conditions

The Issuer is subject to general market and economic risks that may have a significant impact on its current and future property developments and their timely completion within budget. These include factors such as the health of the local property market, inflation and fluctuations in interest rates, exchange rates, property prices, and rental rates. In the event that general economic conditions and property market conditions experience a downturn, which is not contemplated in the Issuer's planning during development, this shall have an adverse impact on the financial condition of the Issuer and may therefore affect the ability of the Issuer to meet its obligations under the Bonds.

Malta Economic Update[5]

In April, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased when compared with March. This decrease in uncertainty was largely driven by developments in industry and to a smaller degree, in the construction and retail sectors.

In March, industrial production contracted again in annual terms, though at a slower rate when compared with February. The volume of retail trade rose at a faster pace. The unemployment rate was marginally lower than that recorded in February and well below last year's rate.

Commercial and residential permits increased in March relative to their year-ago levels. However, in April, the number of final deeds of sale and promise-of-sale agreements fell on a year-on-year basis.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 5.4% in April, up from 4.5% in the previous month. Inflation based on the Retail Price Index (RPI) rose to 5.7% in April, from 4.4% a month earlier.

Maltese residents' deposits expanded at an annual rate of 10.1% in March following an increase of 8.4% in the previous month, while annual growth in credit to Maltese residents stood at 7.7%, below the rate of 8.2% recorded a month earlier.

The Consolidated Fund deficit in March 2022 widened compared with a year earlier as expenditure increased at a faster pace than revenue

[5] Central Bank of Malta – Economic Update 5/2022

Economic projections[6]

Moving into 2022, the international economic environment has deteriorated considerably. The Russian invasion of Ukraine represents a major headwind to economic growth and adds considerable upward inflationary pressures, although fiscal measures in Malta have cushioned to an extent these impacts. Moreover, China's zero-COVID policy has exacerbated supply-chain disruptions and shortages of key vital inputs.

In terms of forward looking expectations, Malta's gross domestic product (GDP) is projected to grow by 5.4% in 2022, 4.9% in 2023 and 3.8% in 2024. Compared to the Bank's previous projections, this represents a downward revision of 0.6 percentage point in 2022 and 0.4 percentage point in 2023. The downward revision reflects the deterioration in the international economic environment due to the Russian invasion of Ukraine and the lockdown measures in Asia. These headwinds have weakened global trade and have exacerbated supply chain disruptions and shortages of key vital inputs. Such disruptions have also increased imported price pressures.

Net exports are expected to be the main driver of growth in 2022, reflecting the correction in import-intensive investment outlays from the exceptional levels reached in 2021. The contribution of domestic demand is expected to be positive but significantly lower compared to that of the previous year. In the following years, domestic demand is expected to lead the expansion in economic activity, reflecting especially a foreseen strong contribution from private consumption. At the same time, the contribution of net exports is projected to remain positive, reflecting the gradual normalisation of tourism exports and growth in foreign demand more generally.

Employment growth in 2022 is expected to reach 2.9% from 1.6% in 2021. It is set to moderate to just below 2% by 2024. The unemployment rate is projected to decline to 3.3% this year, from 3.5% last year and it is expected to hover within this range over the outlook period. In view of the expected increase in inflation this year, wage growth is projected to be relatively strong as employees might demand some partial compensation for the increase in prices. Nevertheless, nominal wage growth is projected to remain below that of inflation due to some lag in the transmission from prices to

[6] Central bank of Malta – Outlook for the Maltese economy – 2022:1

wages. In the following years, wage pressures are expected to moderate as the labour market becomes less tight.

Annual inflation based on the Harmonised Index of Consumer Prices is projected to accelerate to 5.0% in 2022, from 0.7% in 2021. The sharp pick-up in inflation reflects a broad-based increase across all sub-components of HICP except for energy inflation. Import price pressures are expected to moderate somewhat by the beginning of next year, although these are envisaged to remain high by historical standards. HICP inflation is expected to moderate to 2.9% by 2023, driven by lower contributions from all subcomponents except for energy inflation. Inflation is set to ease further in 2024, to 1.8%.

In conclusion, it is important to note that risks to inflation are on the upside during the entire projection horizon. Indeed, the prolongation of the Ukraine conflict, as well as China's zero-COVID policy, could increase commodity prices further and exacerbate imported price pressures and costs. Finally, wage pressures could be stronger than expected if high inflation persists for a longer period. On the fiscal side, risks mainly relate to an expected larger deficit in 2022 and 2023.

Hospitality Sector

The tourism sector in Malta has been on a consistent upward trend since 2010, rising especially in the later years from 2017. The Maltese tourism industry has, in recent years, been renowned for its unabated growth, with each passing year yielding new record highs of inbound tourists visiting the island. Indeed, the tourism industry is considered to be a crucial pillar of the local economy as it is estimated to account for 15.8% of Malta's GDP and 52,800 jobs or 21.1% of total employment.[7]

Unfortunately, the tourism sector both locally and internationally has been severely impacted by the outbreak of the COVID-19 pandemic, bringing the previous positive trend to a halt. 2020 probably was the cycle bottom and some recovery in tourism figures was noticeable in 2021. On a global scale, tourism experienced a 4% upturn in 2021, (415 million versus 400 million a year earlier). However, international tourist arrivals (overnight visitors) were still 72% below the pre-pandemic year of 2019 in Q4 2021. The pace of recovery remains slow and uneven across world regions due to varying degrees of mobility restrictions, vaccination rates, and traveler confidence.[8]

On a European level, international tourist arrivals to Europe dropped 70% in 2020 over 2019, however, recovery has been the strongest among the regions along with America in 2021, mainly thanks to the easing of restrictions during warmer months as the pandemic subsided. At the end of 2021, travel restrictions have been tightened again due to the appearance of the COVID-19 Omicron variant. Lockdowns were re-introduced, albeit not as strict as in the earlier stages of the pandemic. International travel in Europe however still suffered at the end of last year.

Locally, as early as March 2020, Malta started to introduce several confinement measures, with the eventual suspension of all passenger flights. Malta international airport was then reopened in July 2020 and demand for travel started picking up. However, as the pandemic progressed and newer waves and variants appeared, restriction measures were temporarily reintroduced, having an inevitable negative impact on tourism in Malta.

The unprecedented impact of the pandemic on the local tourism industry is demonstrated by the data below. Where during 2020 local inbound tourists fell from 2,753k to 659k 2020, a 76.1% drop YoY. Similarly, the industry experienced a decrease in tourist guest nights from 19,339k in 2019 to only 5,227 in 2020, which is a 73% drop YoY. In a similar fashion, total tourist expenditure plummeted by 79.5% in 2020 when compared with 2019.

In 2021, tourism rebounded in Malta, in line with the improvement of the tourism situation in Europe however the figures still largely lag behind 2019 figures. Statistics are only available until November of last year however we can still see that the number of inbound tourists already increased by 35.5% vs. 2020. Similarly, tourist guest nights increased by 45.7% until November when compared to full-year 2020. Total expenditure increased by 79.3% on the same basis.

The above trends are also summarised in the following table, illustrating the number of tourist arrivals over the last four years:

Category[9]	2018	2019	2020	2021	2020 vs. 2021
Inbound tourists*	2,599	2,753	659	968	47.0%
Tourist guest nights*	18,570	19,339	5,227	8,390	60.5%
Avg. length /stay	7.1	7.0	7.9	8.7	10.1%
Tourist expenditure**	2,102	2,221	455	871	91.3%
Tourist exp. per capita (€)	809	807	691	899	30.1%

*in thousands
**in € millions

[7] WTTC 2020 Economic Impact report for Malta
[8] https://www.unwto.org/news/tourism-grows-4-in-2021-but-remains-far-below-pre-pandemic-levels
[9] National Statistics Office, Malta

As of early 2022, the pandemic is in its third year and is still ongoing. However, the World Health Organization is optimistic that the acute phase of the pandemic will come to an end this year, turning into an endemic disease with smaller outbreaks regularly returning but not in a hugely disruptive way. Countries worldwide expect a stronger tourist season this year when compared to 2021 but arrivals will still remain 30% below pre-pandemic levels and is expected to possibly be fully attained by 2023. Travelling will probably remain a very different experience in 2022[10]. In view of this, a HVS[11] report predicts that the European hotel sector is expected to re-establish its RevPAR 2019 performance by 2024.

3.2 Comparative Analysis

The purpose of the table below compares the debt issuance of the Group to other debt instruments. Additionally, we believe that there is no direct comparable company related to the Issuer and as such we included a variety of Issuers with different maturities.

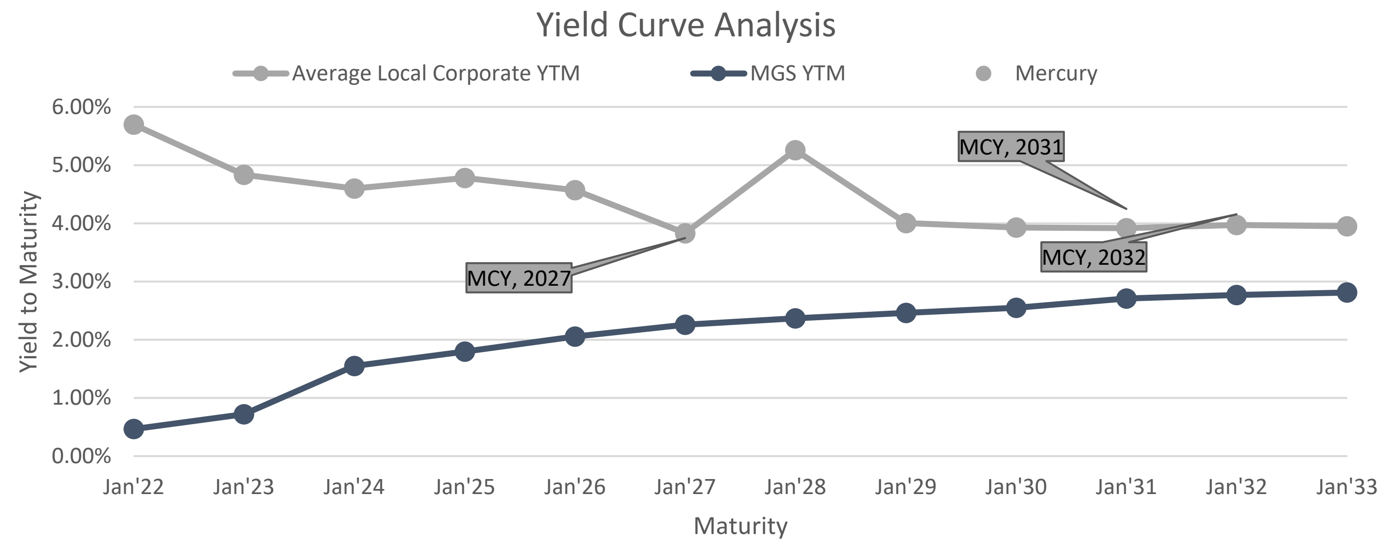
More importantly, we have included different issuers with similar maturity to the Issuer. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore different.

[10] Economist Intelligence Unit – Tourism in 2022 report

[11] HVS: The Impact of COVID-19 on the European Hotel Sector

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)
5.8% International Hotel Investments plc 2023	10,000	4.67%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%
6% AX Investments Plc € 2024	40,000	5.97%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%
4.4% Von der Heyden Group Finance plc Unsecured € 2024	25,000	3.55%	0.7x	133.5	40.9	69.4%	61.3%	59.9x	2.0x	-5.4%	-19.3%
6% International Hotel Investments plc € 2024	35,000	4.83%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%
5% Tumas Investments plc Unsecured € 2024	25,000	4.75%	4.9x	232.1	139.2	40.0%	19.7%	2.6x	4.4x	2.8%	11.6%
5.75% International Hotel Investments plc Unsecured € 2025	45,000	4.72%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%
4.5% Hili Properties plc Unsecured € 2025	37,000	4.01%	1.5x	208.7	110.9	46.9%	32.3%	10.6x	4.7x	3.7%	38.5%
4% MIDI plc Secured € 2026	50,000	3.94%	0.9x	225.7	102.4	54.6%	38.6%	30.5x	2.8x	0.5%	5.9%
4% International Hotel Investments plc Secured € 2026	55,000	3.84%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%
4% International Hotel Investments plc Unsecured € 2026	60,000	3.99%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.27%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%
3.75% Mercury Projects Finance plc Secured € 2027	11,500	3.75%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%
4.35% SD Finance plc Unsecured € 2027	65,000	4.23%	0.3x	328.5	131.5	60.0%	30.3%	43.7x	1.2x	-1.6%	-12.2%
4% Eden Finance plc Unsecured € 2027	40,000	3.64%	3.7x	193.5	109.3	43.5%	28.6%	5.9x	1.1x	0.9%	4.3%
3.75% Tumas Investments plc Unsecured € 2027	25,000	3.75%	4.9x	232.1	139.2	40.0%	19.7%	2.6x	4.4x	2.8%	11.6%
4% Stivala Group Finance plc Secured € 2027	45,000	3.58%	0.5x	363.0	235.4	35.1%	26.7%	33.8x	0.9x	5.3%	82.2%
3.85% Hili Finance Company plc Unsecured € 2028	40,000	4.04%	4.6x	727.7	154.6	78.7%	71.8%	4.7x	1.1x	25.9%	5.7%
3.65% Stivala Group Finance plc Secured € 2029	15,000	3.49%	0.5x	363.0	235.4	35.1%	26.7%	33.8x	0.9x	5.3%	82.2%
3.8% Hili Finance Company plc Unsecured € 2029	80,000	4.18%	4.6x	727.7	154.6	78.7%	71.8%	4.7x	1.1x	25.9%	5.7%
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.75%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	3.97%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%
4.3% Mercury Project Finance plc Secured € 2032	50,000	3.99%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%
4.25% Central Business Centres plc Unsecured € 2033	21,000	4.25%	1.9x	34.8	20.2	41.8%	36.3%	10.1x	0.2x	19.9%	292.6%
****Average**		4.12%									

Source: Latest available audited financial statements
**Average figures do not capture the financial analysis of the Issuer



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

The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph illustrates on a stand-alone basis, the Issuer's existing yields of its outstanding bonds.

As at 20 June 2022, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 5-6 (2027-2028) years was 150 basis points. The 3.75% MCY PLC Secured Bonds 2027 is currently trading at a YTM of 375 basis points, meaning a spread of 149 basis points over the equivalent MGS. This means that this bond is trading at a marginal discount of 1 basis points in comparison to the market.

As at 20 June 2022, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 9-10 years was 138 basis points. The 4.25% MCY PLC Secured Bonds 2031 is currently trading at a YTM of 425 basis points, meaning a spread of 154 basis points over the equivalent MGS. This means that this bond is trading at a premium of 16 basis points in comparison to the market.

Meanwhile, the new 4.3% Mercury bond is currently trading at a YTM of 415 basis points, meaning a spread of 139 basis points over the equivalent MGSs. This means that the bond is trading at a marginal premium of 1 basis points in comparison to the market.

Part 4 Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
EBIT (Operating Profit)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Profit After Taxation	The profit made by the Group/Company during the financial year net of any income taxes incurred.

Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).

Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

Balance Sheet	
Total Assets	What the Group/Company owns which can de further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.

Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can de further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Current Liabilities	Obligations which are due within one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.

Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.

Other Definitions	
Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.

Calamatta Cuschieri

Calamatta Cuschieri Investment Services Ltd

Ewropa Business Centre, Triq Dun Karm, Birkirkara, BKR9034, Malta
www.cc.com.mt.
Calamatta Cuschieri Investment Services Ltd. is a founding member of the Malta Stock Exchange
and is licenced to conduct investment services by the Malta Financial Services Authority