RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

Rizzo, Farrugia & Co (Stockbrokers) Ltd
Airways House, Fourth Floor, High Street, Sliema SLM1551, Malta
T. +356 22583000 E. info@rizzofarrugia.com W. www.rizzofarrugia.com

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

03 June 2024

Dear Sirs,

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

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

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

(a) The Company's audited financial information for the years ended 31 December 2021, 2022 and 2023;
(b) The Guarantor's historical financial information has been sourced from the consolidated audited financial statements of Exalco Properties Limited for the years ended 31 December 2021, 2022 and 2023;
(c) Projected financial information for the year ending 31 December 2024 as provided and approved by management of the Issuer and the Guarantor;
(d) Our commentary on the results and respective financial position of the Issuer and Guarantor is being based on explanations from management;
(e) The Ratios presented in the Update FAS have been computed by us applying the definitions as set out and defined within the Update FAS; and
(f) Relevant financial data in respect of the comparative set as analysed in part D has been extracted from public sources such as the web sites of the companies concerned, financial statements filed with the Malta Business Registry or other published documents such as Financial Analysis Summaries.

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

Yours sincerely,

Vincent E Rizzo
Director

FINANCIAL ANALYSIS SUMMARY

Update 2024

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

03 June 2024

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Important Information

Purpose of the Document

Exalco Finance plc (the "**Company**", "**Exalco Finance**" or the "**Issuer**") issued €15 million 4% Secured Bonds 2028 pursuant to a prospectus dated 31 July 2018 (the "**Bond Issue**"). The prospectus included a Financial Analysis Summary ("**FAS**") in line with the requirements of the Listing Policies as issued by the MFSA on 5 March 2013 and last updated on 13 August 2021. The purpose of this report is to provide an update to the FAS (the **"Update FAS**") on the performance and on the financial position of the Company and Exalco Properties Limited, as guarantor to the Bond Issue (the "**Guarantor**" or "**Exalco Properties**").

Sources of Information

The information that is presented has been collated from a number of sources, including the Company's website (www.exalcogroup.com), the Company's audited Financial Statements for the years ended 31 December 2021 to 2023, the Guarantor's audited Financial Statements for the years ended 31 December 2021 to 2023 and forecasts for financial year ending 31 December 2024 for both the Company and the Guarantor.

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

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

Previous FAS Issued

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

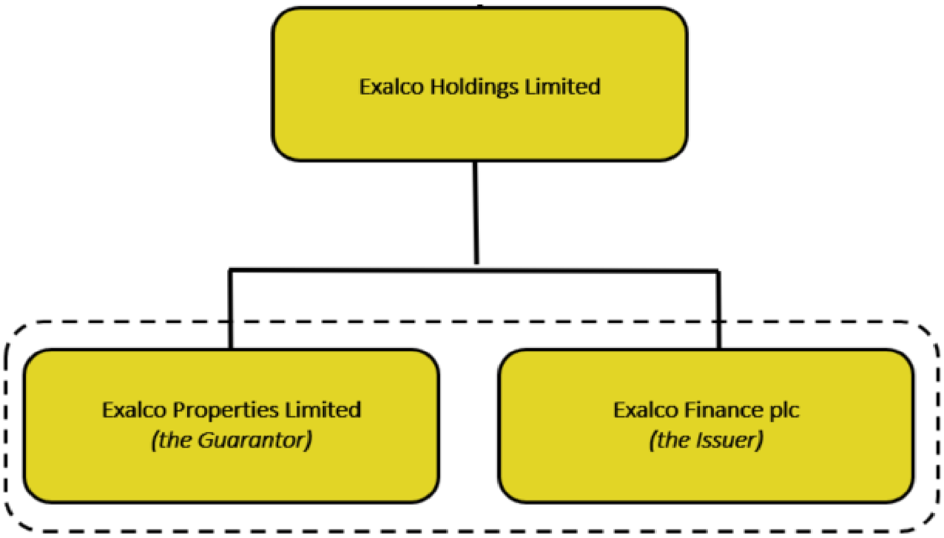
- FAS dated 31 July 2018 (appended to the prospectus)
- FAS dated 6 June 2019
- Addendum to FAS dated 19 August 2019
- FAS dated 31 July 2020
- FAS dated 21 June 2021
- FAS dated 10 June 2022
- FAS dated 02 June 2023

1 INTRODUCTION

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

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

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



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

2 Governance & Management

The Issuer's Directors and Senior Management

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

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

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

The Guarantor's Directors and Senior Management

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

3 UPDATE ON THE BUSINESS AND THE MARKET ENVIRONMENT OF THE ISSUER AND GUARANTOR

There have been no changes to the asset composition of the Guarantor during the financial year ending 31 December 2023. The Guarantor owns and manages six business centres apart from two smaller and unrelated properties, all of which were in operation for the entire year under review.

On 25 January 2023, the Company had announced that the Guarantor acquired the building known as the 'Savoy Hotel' or 'Savoy Guest House' situated in Rue D'Argens, Sliema for the price of €5.4 million. The Guarantor has since applied to the Planning Authority for a permit to convert, restore and redevelop the building into a prestigious business centre and re-establish it as a landmark building as it was in the past. All of FY2023 was consumed by the detailed application process for this landmark development. This process continued this year, with the Planning Authority approving the application on 23rd May. If all goes according to plan, preparatory works on this major project of the Guarantor's seventh business centre will commence in the final quarter of this year.

In the annual report for FY2023, the Directors of the Company indicate that for FY2024 they do not anticipate any significant changes in either the company's activities or in their ability to continue to meet all their obligations. Business has proceeded and is expected to continue to proceed as planned for FY2024 without any major surprises. This notwithstanding, the Directors continue to maintain a very cautious and prudent stance both in the preparation and assessment of their projections as well as in terms of outlook as business may be impacted should macro developments unexpectedly deteriorate during the course of the year. While this is not anticipated as at the date of this report, the Directors emphasise their commitment to act rapidly and to take all necessary steps in the event of unplanned negative developments.

4 MAJOR & OTHER ASSETS

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

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

	Location	Title / Tenure	Year of Acquisition/ Completion	No of Levels	NLA*: Offices	NLA*: Commercial	No. of Parking Spaces
Golden Mile Business Centre	St Julian's	Wholly owned	2017	7	2,880	-	25
Marina Business Centre	Ta' Xbiex	Wholly owned	2011	6	3,532	64	78
Mayfair Business Centre	St Julian's	Wholly owned	1999	7	836	1,620	12
Cornerstone Business Centre	Mosta	Wholly owned	2006	5	1,880	372	32
Parklane Business Centre	Hamrun	Wholly owned	1999	4	695	250	6
Phoenix Business Centre	St Venera	Wholly owned	2018	5	2,200	1,300	20
Savoy Property **	Sliema	Wholly owned	2023				
Other Assets							
Borton House	Mosta	Wholly owned	1990	3	200	-	2
Ibragg Maisonette	Ibragg	Wholly owned	2014	1	-	-	1

Source: Management information

**NLA: net lettable area*

*** New addition: Classified as Property, Plant and Equipment until such time as the planned complete regeneration commencing in Q4 2024 is complete.*

5 MATERIAL AGREEMENTS

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

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

Apart from what is mentioned in Section 3, since the publication of the Update FAS in June 2023, management advised that the Issuer and the Guarantor have not entered into any further material agreements that require disclosure.

6 MARKET OVERVIEW

THE PROPERTY MARKET

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 COMMERCIAL PROPERTY MARKET IN MALTA

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. Nevertheless, in a seminar held earlier this year, a panel of local experts in commercial property expressed concern on how the supply of office space in Malta seems to be outpacing demand. In addition to the supply side issue, there are other factors effecting the demand, according to the said panel, which include inflationary pressures, higher interest rates and changes in the way employees work, where the work from anywhere and hot-desking has not been completely reversed to pre-COVID state which in turn is affecting the demand for office space.

During the past few years, a number of sizeable developments have been undertaken, offering office and commercial spaces, particularly in the Central Business District area (such as the Quad Central which offers 38,000 sqm of office space; 14,600sqm of office space at Trident Park; and 10,000sqm at Avenue 77) and central Malta area (such as ST Business Centre in Gzira at c. 3,000sqm of office space; Pangea in St Julians offering approx. 1,700sqm of office space and c.500sqm of commercial space)[1] while a number of developments are currently underway, which will continue to increase the existing supply of office and commercial space availability.

Sources:

Central Bank of Malta – Property Prices Index – January 2024 [link]
PwC Malta – Real Estate Survey 2024 [link]
NSO – Residential Property Transactions: December 2023 [link]
Report on the Malta Business Network seminar on commercial property [link]

[1] *Information on the office space per development mentioned has been obtained from the respective websites, all of which were accessed on 30 April 2024: https://stprojectsmalta.com/commercial-projects/; https://www.pangeamalta.com/; https://www.thequad.com.mt/about/; https://avenue77.com.mt/; and https://tridentestatesplc.com/trident-park/.*

7. THE ISSUER

The Issuer does not undertake any trading activities itself apart from the raising of capital and the advancing thereof to the Guarantor and is therefore economically dependent on the financial and operational performance of the business of the Guarantor.

The financial statements presented for the Issuer in this section reflect audited financial statements for the full financial years ended 31 December 2021 to 2023. The forecasts for FY2024 produced in this section reflect management's expectations.

7.1 INCOME STATEMENT

	Actual FY2021 *€000's*	Actual FY2022 €000's	Actual FY2023 €000's	Forecast FY2024 *€000's*
Interest on loans to fellow companies	612	616	619	620
Facility fee	132	135	137	140
Finance Income	**744**	**751**	**756**	**760**
Finance cost	(630)	(630)	(630)	(630)
Net Finance Cost	**114**	**121**	**126**	**130**
Administrative Expenses	(59)	(59)	(68)	(65)
Profit before tax	**55**	**62**	**58**	**65**
Taxation	(19)	(22)	(20)	(23)
Profit for the Year	36	40	38	42

Source: Management information

REVIEW FY2023 AND FORECAST FY2024

In light of the fact that the Issuer is a financing vehicle, similar to previous years, the results for the Issuer for the year ended 31 December 2023 do not vary significantly from those of the previous years and indeed, will not vary much going forward in view of the objects of the Company. Being the financing vehicle of the Group, the significance of these numbers is restricted to the interest income on the bond issue proceeds loaned to the Guarantor and the facility fee chargeable to the Guarantor as the ultimate beneficiary of the funds raised by the Issuer which are used to pay off the bond finance costs. Indeed, the forecasts for FY2024, similar to those prepared for FY2023, show minimal changes given the nature of the Company's activities.

7.2 Statement of Financial Position

	Actual FY2021 €000's	Actual FY2022 €000's	Actual FY2023 €000's	Forecast FY2024 €000's
Assets				
Non-Current Assets				
Loans & receivables	15,022	15,172	15,252	15,252
Current Assets				
Trade & other receivables	250	253	254	255
Cash & cash equivalents	127	48	35	110
Total Assets	15,399	15,473	15,541	15,617
Equity & Liabilities				
Equity				
Share Capital	250	250	250	250
Retained Earnings	95	135	173	215
Total Equity	345	385	423	465
Non-Current Liabilities				
Amortised bond issue	14,802	14,833	14,863	14,893
Current Liabilities				
Trade and other payables	252	255	255	259
Current tax	-	-	-	-
Total Liabilities	15,054	15,088	15,118	15,152
Total Equity & Liabilities	15,399	15,473	15,541	15,617

Source: Management information

Review FY2023 and Forecast FY2024

The balance sheet of the Issuer is particularly straightforward and reflective of its objectives as a financing arm for the Guarantor. As at the end of FY2023, the Issuer's total assets amounted to €15.5 million and changes during the current financial year are once again expected to be marginal. In the main, these comprise an additional minor loan to the Guarantor from funds generated from operations. Liabilities include the amortised bond issue of €14.9 million as well as accrued interest. The Issuer does not expect any material changes in its balance sheet for FY2024 in line with its objectives and purpose.

7.3 Cash Flow Statement

	Actual FY2021 €000's	Actual FY2022 €000's	Actual FY2023 €000's	Forecast FY2024 €000's
Cash flows from operating activities	50	71	67	75
Cash flows used in investing activities	(50)	(150)	(80)-	-
Cash flow from financing activities	-	-	-	-
Net movements in cash & cash equivalents	**-**	**(79)**	**(13)**	**75**
Opening cash & cash equivalents	127	127	48	35
Closing cash & cash equivalents	**127**	**48**	**35**	**110**

Source: Management information

Review FY2023 and Forecast FY2024

The cash flows from operating activities of the Issuer comprise facility fees and net interest received from the Guarantor. Cash flows used in financing activities relate to a further small loan of €80,000 (FY2022: €150,000) advanced to the Guarantor. During FY2024, no further similar movements are anticipated.

8 THE GUARANTOR

The financial statements of the Guarantor are being presented hereunder. The historical financial figures for the years ended 31 December 2021, 2022 and 2023 have been sourced from the audited consolidated financial statements. Reference herein is made to "**Historical Financial Information**" in this regard.

Forecasts for the year ended 31 December 2024 (the "**Management Forecasts**") have been provided by management who maintain sole responsibility for them and for the assumptions upon which they are based.

Financial information presented hereunder may be subject to rounding differences.

8.1 INCOME STATEMENT

	Actual FY2021 *€000's*	*Actual* FY2022 *€000's*	*Actual* FY2023 *€000's*	Forecast FY2024 *€000's*
Property Leasing	4,237	4,398	4,546	4,542
Net property management income	102	99	104	102
Net revenue from property leasing activities	**4,339**	**4,497**	**4,650**	**4,644**
Other net (costs)/income - property leasing	19	21	21	21
Selling, general and administrative costs	(414)	(498)	(682)	(648)
EBITDA	**3,944**	**4,020**	**3,989**	**4,017**
Depreciation	(339)	(349)	(345)	(336)
EBIT	**3,605**	**3,671**	**3,644**	**3,681**
Net finance expenses	(916)	(830)	(822)	(760)
Profit before tax	**2,689**	**2,841**	**2,822**	**2,921**
Current taxation	(616)	(638)	(661)	(681)
Profit for the year	**2,073**	**2,203**	**2,161**	**2,240**

Source: Historical Financial Information and Management Projections

REVIEW FY2023

REVENUE ANALYSIS

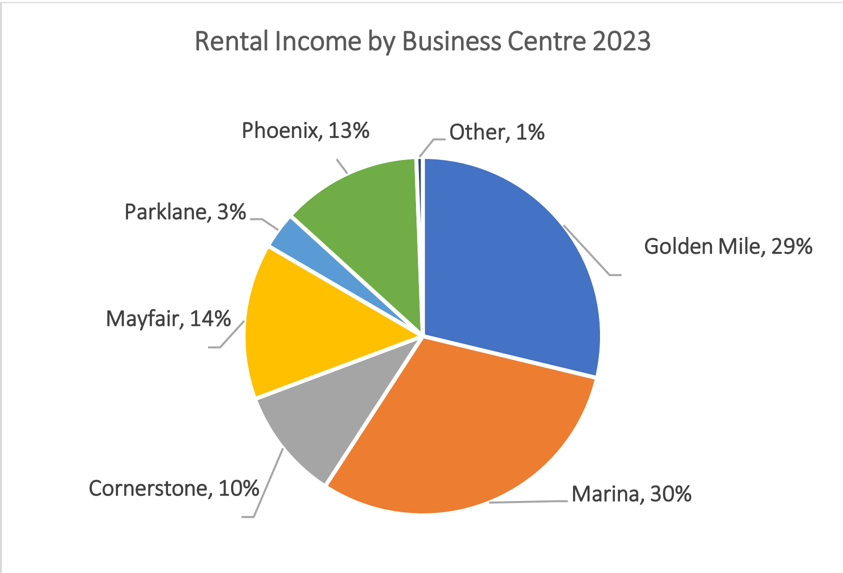
The Guarantor's revenue generating segments remain property leasing and property management. Net revenue reached €4.6 million in FY2023 compared to €4.5 million in FY2022. The marginal increase in revenue was anticipated and is mainly attributable certain revisions to contracted lease terms throughout the year under review. The Guarantor's business progressed as planned in FY2023 and much in line with the stable business environment.

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

Property Leasing

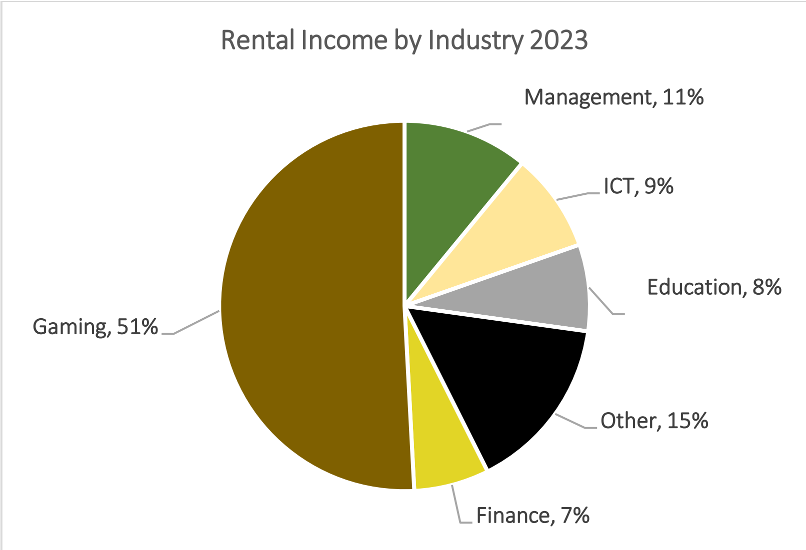
This segment is represented by the leasing of the six business centres in Malta entirely owned by the Guarantor.

The business centres provide a total net lettable area of *circa* 15,700 sqm, of which *circa* 3,600 sqm is commercial space (18%) with the remainder being office space (82%), unchanged from last year. The business centres are leased out to corporate clients on both short and long-term leases. The lease agreements in place between the Guarantor and its tenants provide an initial definite term of rent and are subject for annual increments ranging between 2% and 3% of the rent payable in the previous year. Certain lease agreements also cater for the automatic renewal of the lease for a period ranging from one to three years. Additionally, all the rental agreements provide the option for the termination of the lease agreement by the lessee by giving a written notice a few months before the expiration of the lease term (between 3 to 12 months), either during the original or the renewed term.



Source: Management information

The Marina Business Centre in Ta' Xbiex and the Golden Mile Business Centre in Saint Julian's remain, as expected, the largest revenue contributors by quite a margin over the other properties and together accounted for 59% of the revenue of FY2023 (FY2022: 61%). These two principal business centres account for circa 41% of the Guarantor's total lettable area. Phoenix Business Centre in Santa Venera and Mayfair in Saint Julian's contributed a further 13% and 14% respectively of rental income each. Based on current terms of lease agreements in force and a, contributions per business centre are generally expected to remain unchanged in 2024 and all other things being equal, management expects that business will remain largely unchanged as all centres remain fully tenanted.



Source: Management information

The chart above (updated from the FAS of 2023) highlights once again the noticeable concentration in rental income from the gaming sector. This contribution has remained range-bound in the 50%-53% bracket since FY2019 after having fallen from 63% in FY2018. All other sector contributions remained largely unchanged with the "Other" component which comprises a mix of other 'sectors' aside from finance, management or ICT, continuing to account for 15% of revenue.

Similar to last year, the Golden Mile Business Centre remains fully occupied by one large gaming company and given also that this business centre represents 29% of total revenue, such concentration remains material and important to highlight. On the other hand, the Marina (being the largest contributor) as well as the other centres all accommodate a mix of tenants. In terms of rental income by tenant, in FY2023 the top four tenants across all business centres accounted for 59% (FY2022: 59%) of total rental income.

Property Management

This segment complements the rental property segment, as the Guarantor maintains the business centres on behalf of its tenants. Services provided include common area management, general repairs and maintenance, and in-house maid services. The company generated net revenues of €104,000 from these services during FY2023 compared to €99,000 in FY2022. No material change to this relatively small income stream is expected going forward.

Other Components of the Income Statement

EBITDA (operating profit adjusted for depreciation, amortisation and before charging tax and interest expenses) was unchanged at €4 million in FY2023, largely as anticipated. The marginal increase in net revenue was all absorbed by higher-than-expected expenses principally resulting from slightly higher repairs and maintenance costs. Depreciation also remained unchanged at €0.3 million in FY2023, similar to operating profits. Net finance expenses, at €0.82 million, are also materially unchanged compared to those for FY2022.

Overall, the income statement for FY2023 is completely in line with expectations and section 8.5 of this report provides a variance analysis to explain this further.

FORECASTS - FY2024

According to management, the forecasts for FY2024 have once again been prepared on the basis of assumed normal levels of activity. As reported by the Directors in their Annual Report and Audited Financial Statements for FY2023, no significant changes in the Guarantor's activities or business are expected in the short term and the Guarantor is expected to continue to register a surplus based on its projections for the foreseeable future.

Indeed, it is currently forecasted that business in FY2024 will practically match levels reached in FY2023 across almost all pre-EBIT line items. Overall net revenues from property leasing activities should reach €4.6 million in FY2024 compared to an almost identical figure in FY2023. Management expects all centres to remain fully occupied and the tenant mix to remain broadly unchanged.

In view of the rapid increase in interest rates and resultant increase in variable finance costs (bank loan servicing), the Guarantor has accelerated repayments and actually extinguished all bank loans throughout FY2023. As a result, in FY2024 net finance costs should be decreasing from €0.82 million to €0.76 million as the Guarantor's borrowings are now represented in full by the bonds in issue carrying a fixed rate of interest through to 2028.

Overall profitability should be increasingly slightly in FY2024 leaving the company in a position of strength and providing it with the ability to structure its financing for its next major project in the most prudent and efficient way possible.

8.2 Statement of Financial Position

	Audited	Audited	Audited	Forecast
	FY2021	FY2022	FY2023	FY2024
	€000's	€000's	€000's	€000's
Assets				
Non-Current Assets				
Property, plant and equipment	443	442	6,187	6,511
Investment property	60,778	69,760	69,516	69,407
Investments	-	18	36	72
Loans and receivables	2,486	-	-	-
Total Non-Current Assets	**63,707**	**70,220**	**75,739**	**75,990**
Current Assets				
Trade and other receivables	788	6,640	959	749
Cash and cash equivalents	3,360	1,288	1,131	2,883
Total Current Assets	**4,148**	**7,928**	**2,090**	**3,632**
Total Assets	**67,855**	**78,148**	**77,829**	**79,622**
Equity & Liabilities				
Equity				
Share Capital	2,840	2,840	2,840	2,840
Revaluation & other Reserves	30,322	37,960	37,960	37,960
Retained Earnings	8,719	10,313	12,074	13,813
Total Equity	**41,881**	**51,113**	**52,874**	**54,613**
Non-Current Liabilities				
Deferred tax liabilities	4,685	5,970	5,970	5,970
Security Deposits	456	517	508	490
Borrowings for continuing operations	2,029	1,535	-	
Amounts due to fellow subsidiaries	15,050	15,200	15,280	15,280
Total Non-current liabilities	**22,220**	**23,222**	**21,758**	**21,740**
Current Liabilities				
Trade and other payables	2,097	2,166	2,515	2,588
Deposits received from clients	527	483	-	-
Borrowings	495	503	-	-
Current tax liabilities	635	660	682	681
Total Current Liabilities	**3,754**	**3,812**	**3,197**	**3,269**
Total Liabilities	**25,974**	**27,035**	**24,955**	**25,009**
Total Equity & Liabilities	**67,855**	**78,148**	**77,829**	**79,622**

Source: Historical Financial Information and Management Projections

Review FY2023

The book value of the Guarantor's asset base as of the end of FY2023 remained largely unchanged and equivalent to €77.8 million compared to €78.1 million in FY2022. Investment property now accounts for 95% (FY2022: 89%) of total assets, following the reclassification of the Savoy property from a receivable to a non-current asset (Property, Plant and Equipment) resulting from the transfer of the new property from a related party (ALMO) to the Guarantor early in the year under review subsequent to the granting of a loan in 2022 for the acquisition of this property. All other asset components remained largely unchanged with year-end cash and cash equivalents reflecting cash movements throughout the year. There was no change to book value of the existing operational properties in the year under review following a revaluation exercise approved by the Directors at the end of FY2022.

Analysis of borrowings

	Audited FY2021 *€000's*	*Audited* FY2022 *€000's*	*Audited* FY2023 *€000's*	*Forecast* FY2024 *€000's*
Borrowings (bank loan and bonds)	17,574	17,238	15,280	15,280
Less: Net Cash and cash equivalents	3,360	1,288	1,131	2,883
Total net borrowings	**14,214**	**15,950**	**14,149**	**12,397**

Source: Historical Financial Information and Management Projections

On the liabilities side, in terms of total liabilities, the major component (61%) remains the bond (€15 million) as accelerated repayments of bank borrowings (in order to reduce finance costs) led to the removal of this liability (both current and non-current). The table above provides a clear view of the movements in net borrowing at Guarantor level over the year. Net borrowings this year now reach €14.2 million and will be falling to a new low in FY2024 as year-end cash levels are expected to increase (see cash flow statement analysis in section 8.3) Deferred taxes, unchanged and amounting to just under €6 million, accounts for a further 27% of total liabilities. The year on year drop in total liabilities is principally the result of the full repayment of bank borrowings.

Equity increased by the amount of retained earnings for the year under review to reach €52.8 million compared to €51.1 million in FY2022.

FORECASTS FY2024

Since the Guarantor is not expected to witness any significant changes in its activities during FY2024, the balance sheet is expected to grow in line with profitability as retained earnings push up total equity to a new high of €54.6 million. The year-end cash position is forecast to increase by almost €1.8 million. Other movements in assets overall are expected to be marginal.

On the funding side, other liability components are not expected to experience any material changes during FY2024 now that bank loans have also been repaid in full. This paves the way for the reorganisation of necessary facilities over time that will enable the Guarantor to embark on its next ambitious project – the regeneration of Savoy. These developments are likely to show up in the Guarantor's financial statements from FY2025 onwards.

8.3 Statement of Cash Flows

	Audited	*Audited*	*Audited*	*Forecast*
	FY2021	FY2022	FY2023	FY2024
	€000's	*€000's*	*€000's*	*€000's*
Net cash flow from operating activities	2,830	1,641	7,666	2,339
Net cash flow used in investing activities	(276)	(425)	(5,865)	(587)
Free Cash Flow (FCF)	**2,554**	**1,216**	**1,801**	**1,752**
Net cash flow (used in) / from financing activities	(3,332)	(3,288)	(1,958)	-
Net movement in cash & cash equivalents	**(778)**	**(2,072)**	**(157)**	**1,752**
Opening cash & cash equivalents	4,138	3,360	1,288	1,131
Net cash & cash equivalents at end of year	**3,360**	**1,288**	**1,131**	**2,883**

Source: Historical Financial Information and Management Projections

Review FY2023

FY2023 can possibly be described as a slight outlier in terms of extent of cash movements relative to normal years. While free cash flow generated during FY2023 amounted to €1.8 million (FY2022: €1.2 million), the changing in net cash flows from operating and investing activities relate principally to the accounting entries resulting from the transfer of the Savoy property to the Guarantor in early 2023, as forecasted and documented in the FAS of last year. This caused a decrease of a previous receivable (increase in cash) which is set off against a cash outflow (investing activities) representing the payment by the Guarantor to ALMO (a related company) for the new property in question. In fact, the statement of financial position for FY2023 (refer to previous section) recognises the increase in Property, Plant and Equipment reflecting this new addition. In the ordinary course of business, cash flow movements throughout the year remained much in line with business needs with year-end cash balances ending only marginally lower notwithstanding the accelerated repayment of remaining bank loans.

Forecasts FY2024

Net operating cash flows for FY2024 are expected to be maintained at normal business levels for this type of activity with €1.75 million in free cash flow being generated (€FY2023: €1.8 million). Other than this, there are no plans for any major developments that will necessitate material cash movements. If all goes according to plan Q4 2024 will see the commencement of preparatory works on the new Savoy business centre as referred to earlier in this report. The Guarantor expects to end FY2024 with a positive net cash position of €2.9 million.

8.4 Guarantor Ratio Analysis

Profitability Ratios

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

	Audited FY2021	*Audited* FY2022	*Audited* FY2023	*Forecast* FY2024
EBITDA Margin *(EBITDA / Revenue)*	90.9%	89.4%	85.8%	86.5%
Operating profit Margin (EBIT Margin) *(Operating Profit / Revenue)*	83.1%	81.6%	78.4%	79.3%
Net Profit Margin *(Net Profit / Revenue)*	47.8%	49.0%	46.5%	48.2%
Return on Average Equity *(Net Profit / Average Equity)*	5.1%	4.7%	4.2%	4.2%
Return on Average Assets *(Net Profit / Average Assets)*	3.1%	2.8%	2.8%	2.8%

The Guarantor's margins continue to reflect the lean cost structure of its business model. Margins have generally been stable and strong although they are expected to ease marginally while remaining robust. Slight margin pressure as a result of inflationary effects is evident in FY2023 and can also be expected going forward although in FY2024 this is expected to contract once again. Nevertheless, these ratios remain attractive and relatively stable in line with the nature of the Guarantor's business.

Liquidity Ratios

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

	Audited FY2021	*Audited* FY2022	*Audited* FY2023	*Forecast* FY2024
Current Ratio *(Current Assets / Current Liabilities)*	1.10x	2.08x	0.65x	1.11x
Cash Ratio *(Cash & Cash Equivalents / Current Liabilities)*	0.90x	0.34x	0.35x	0.88x

As anticipated in the FAs last year and in view of the acquisition of the Savoy property in January 2023, current assets dropped materially, for the benefit of non-current assets (PPE), due to reclassification of this property on acquisition. The partial reversal of this drop expected for FY2024, should see the current ratio rise to above 1x once again, derives from an improvement in anticipated year end cash levels as evident in the cash flow statement in section 8.3. Likewise, the cash ratio movements are also the result of this development.

Solvency Ratios

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

	Audited	*Audited*	*Audited*	*Forecast*
	FY2021	**FY2022**	**FY2023**	**FY2024**
Interest Cover *(EBITDA / Net Finance Costs)*	4.31x	4.84x	4.85x	5.29x
Gearing Ratio (1) *(Net Borrowings / Equity)*	0.34x	0.31x	0.27x	0.23x
Gearing Ratio (2) *(Total Borrowings / [Total Borrowings + Equity])*	29.6%	25.2%	22.4%	21.9%
Gearing Ratio (3) *(Net Borrowings / [Net Borrowings + Equity])*	25.3%	23.8%	21.1%	18.5%
Net Debt to EBITDA *(Net Borrowings / EBITDA)*	3.60x	3.97x	3.55x	3.09x

The Guarantor's very healthy interest cover continues to strengthen reflective of the robust and stable EBITDA generation concurrent with a very prudent (and reducing) leverage position. Bank borrowings have now also been paid back in full. For the time being, the trend is being maintained in FY2024 as net borrowings are expected to fall further due to the expected increase in year-end cash balance. Total borrowings are now represented only by the bond is issue amounting to €15 million, which net of expected year end cash of €2.9 million, should translate into net borrowings of €12.4 million. Interest cover will therefore be improving as a result of lower net finance costs.

Based on the forecasts for FY2024 prepared by management, leverage (gearing) shows a further improvement (reduction). As equity continues to gradually increase principally through retained earnings and now that bank loans have also been repaid in full, the level of gearing (as measured in three different manners) heads lower. However, and also as highlighted in our report last year, this trend will very likely be reversed once financing for Savoy is sanctioned and utilised and therefore begins to be serviced. According to the latest forecasts this is not expected before FY2025 and therefore not reflected in these figures.

The Net Debt to EBITDA ratio similarly shows a further strengthening forecasted for FY2024 (a lower ratio is a better result) for the same reasons outlined above. The results indicate that, all things being equal and on the basis of the current assumptions and forecasts for FY2024, the Guarantor is in a comfortable position to meet its commitments including those with the Issuer which in turn will enable Exalco Finance plc to meet its commitments with bondholders.

8.5 Variance Analysis – Income Statement

for the year ended 31 December	Actual Audited 2023 €000's	Forecast per FAS 2023 €000's	Variance %
Property Leasing	4,546	4,380	+3.8
Net property management income	104	96	+8.3
Net revenue from property leasing activities	**4,650**	**4,476**	**+3.9**
Other net income from leasing activities	21	20	-
Selling, general and administrative costs	(682)	(617)	+10.5
EBITDA	**3,989**	**3,879**	**+2.8**
Depreciation	(345)	(337)	+2.3
EBIT	**3,644**	**3,542**	**+2.8**
Net finance expenses	(822)	(866)	-5.4
Profit before tax	**2,822**	**2,676**	**+5.2**
Current taxation	(661)	(660)	+0.2
Profit for the year	**2,161**	**2,016**	**+6.7**

Source: 2023 Audited Financial Statements and FAS dated 02 June 2023

A variance analysis of the Guarantor's income statement for FY2023 reveals changes that are largely of an immaterial nature and mostly as anticipated. The business model provides for comforting visibility of earnings, all things being equal, that allow management to provide relatively precise forecasts in view of this visibility and general stability of the business.

EBITDA as at year end reached €4 million, marginally better (+2.8%) than forecasted but much in line also with the result for FY2022. This was brought about by slightly higher revenues as a result of certain revisions to existing agreements in line with pre-defined increases and no change in tenant composition. However, one noted the increase in overall costs that were 10% higher than originally forecasted. This is principally the result of higher costs for regular maintenance of the properties. In fact, one notes the slight decrease in profitability margins for FY2023 compared to FY2022 (see previous section 8.4). Depreciation levels were almost in line with those forecasted while net finance expenses fell following the accelerated repayment in full of the remaining bank loans throughout the year. The above movements resulted in a 5% improvement in profit before tax and a 6.7% improvement in profit after tax.

For as long as the Guarantor continues to operate on same stable parameters and macro conditions do not affect tenants and rates, this stability is reflective of the nature of this type of business.

PART C LISTED SECURITIES

The Issuer's listed debt securities comprise:

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

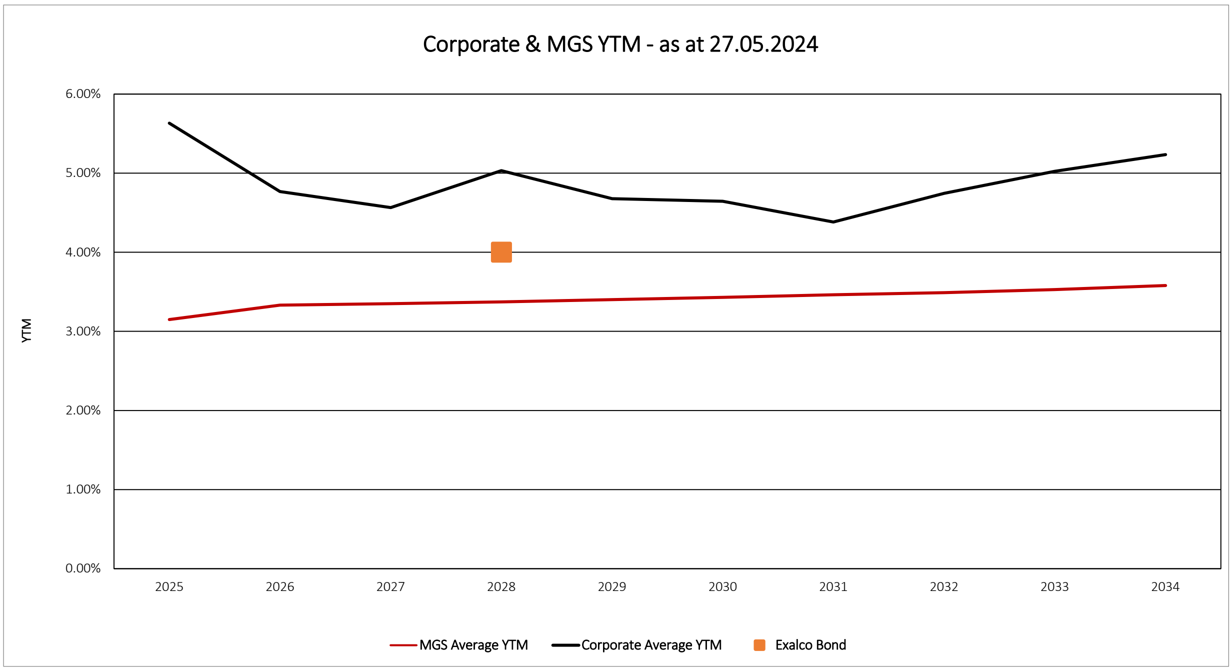
The table below compares the Issuer and its bond issue to other listed debt on the local market having broadly similar maturities. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations may vary significantly from those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

Bond Details	Outstanding Amount *(€)*	Gearing Ratio* *(%)*	Net Debt to EBITDA *(times)*	Interest Cover *(times)*	YTM *(as at 27.05.2024)* *(%)*
4.50% Grand Harbour Marina plc 2027	15,000,000	59.9	5.2	2.6	4.84
4.00% Eden Finance plc 2027	40,000,000	25.3	5.9	3.8	4.97
3.75% Tumas Investments plc 2027	25,000,000	17.3	1.4	9.2	3.92
3.75% Virtu Finance plc 2027	25,000,000	43.3	4.3	5.0	4.37
4.00% Exalco Finance plc 2028 (Secured)	15,000,000	21.1	3.5	4.9	4.00
3.85% HILI Finance Company plc 2028	40,000,000	62.8	3.2	6.2	4.32
4.00% SP Finance plc 2029 (Secured)	12,000,000	43.7	6.9	2.2	4.46

Source: Yield to Maturity from rizzofarrugia.com based on bond prices as at 27 May 2024. Ratio workings and financial information quoted have been based on the Issuer's and their guarantors where applicable, from published financial data for the year ended 2023.

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

The chart below compares the Exalco Finance plc bond to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 27 May 2024.



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

As at 27 May 2024, the Exalco Finance plc bonds yielded 4.00% per annum to maturity (since the bonds were trading at par at the time). This is approximately 63 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2028, and circa 103 basis points below the average YTM of corporate debt maturing in the same year.

STATEMENT OF COMPREHENSIVE INCOME EXPLANATORY DEFINITIONS

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

CASH FLOW STATEMENT EXPLANATORY DEFINITIONS

Cash Flow from Operating Activities	The cash used or generated from the company's principal operational business activities.
Cash Flow from Investing Activities	The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets.
Cash Flow from Financing Activities	The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments.
Free Cash Flow (FCF)	FCF represents the amount of cash remaining from operations after deducting capital expenditure requirements.

Statement of Financial Position Explanatory Definitions

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

Profitability Ratios

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

Liquidity Ratios

Current Ratio	The current ratio (or liquidity ratio) is a financial ratio that measures whether a company has enough resources to pay its debts over the next 12 months (current liabilities). It compares a company's current assets to its current liabilities.
Cash Ratio	Cash ratio is the ratio of cash and cash equivalents of a company to its current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents and nothing else.

Solvency Ratios

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

Other Definitions

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

Prepared by:
Rizzo, Farrugia & Co (Stockbrokers) Ltd
E: sponsors@rizzofarrugia.com
T: +356 2258 3000