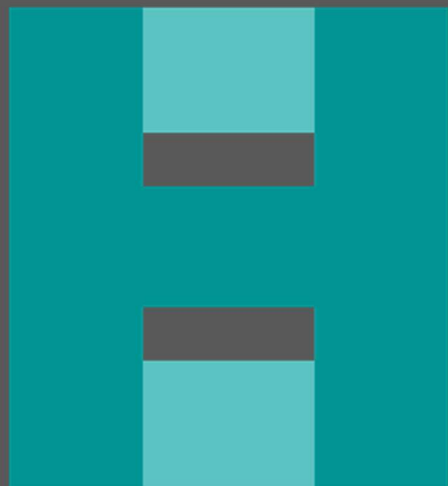


FINANCIAL ANALYSIS SUMMARY 2022



HILI
PROPERTIES

Hili Properties p.l.c.

28 June 2022

Prepared by Calamatta Cuschieri
Investment Services Ltd

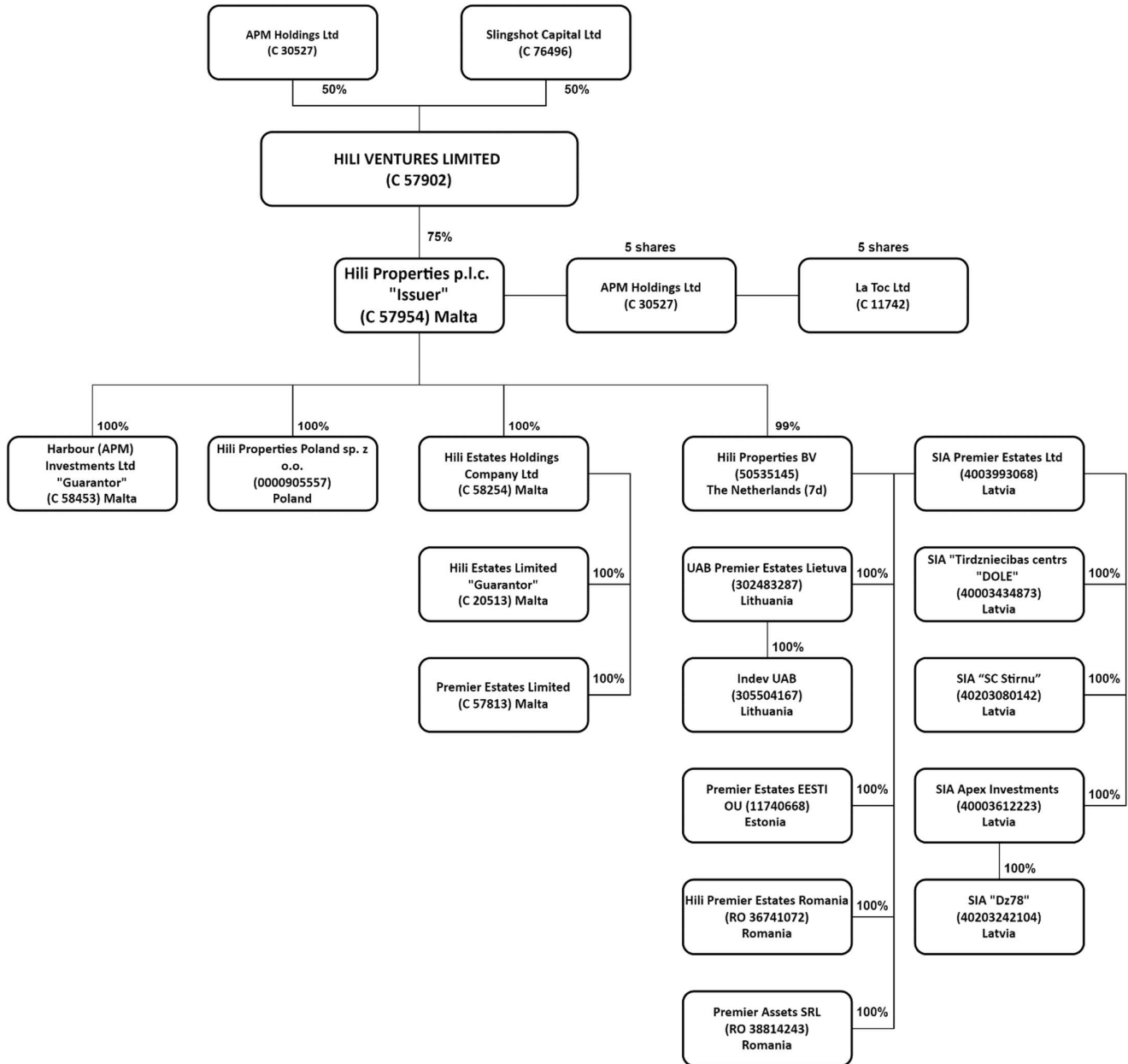
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Part 1 - Information about the Group

1.1 Issuer and Group's Key Activities and Structure

The Group structure is as follows:



Hili Properties p.l.c. (the "Issuer" or "Group") was incorporated on 23 October 2012 as a holding company and forms part of the Hili Ventures Group. The Issuer has an authorised share capital of €120,000,000 divided into 600,000,000 ordinary shares of €0.20 each. Following the newly issued shares floated on the Malta Stock Exchange ("MSE") during 2021, the issued share capital is of

€80,178,540 divided into 400,892,700 ordinary shares fully paid up. The Issuer is, except for 10 ordinary shares which are held equally by APM Holdings Ltd and La Toc Ltd, a subsidiary of Hili Ventures Limited, and is the parent company of the property division of the Hili Ventures Group. The principal objective of the Issuer is to purchase or otherwise acquire, under any title whatsoever, to hold and

manage, by any title, movable and immovable property or other assets, both locally and overseas.

Harbour (APM) Investments Limited (“HIL”) was incorporated on 4 December 2012 as a private limited liability company. The main objective of HIL is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, movable and immovable property or other assets, both locally and overseas. Moving into 2022, the Group announced that it had finalised the acquisition of the shares of HIL, thereby effectively adding to its property portfolio circa 92,000m² at Bengħajsa. In this respect, as noted in the Group structure chart above, HIL is now a wholly-owned subsidiary of the Issuer.

Hili Estates Limited (“HEL”) was incorporated on 30 August 1996 as a private limited liability company and forms part of the Hili Properties Group. HEL is principally involved in holding movable and immovable property and currently owns and manages one property; Nineteen twenty-three building situated in Marsa, Malta, comprising of 5,686m² of office space and warehousing facilities. As at May 2022, management confirmed that this property is currently fully leased to companies forming part of the Hili Ventures Group and other related parties.

HIL and HEL serve as “Guarantors” for the Issuer’s bond currently listed on the Official List of the Malta Stock Exchange, i.e. €37,000,000 4.5% Hili Properties plc 2025. This is explained further in section 1.7 of the Analysis.

The latest structure chart developments mainly relate to the inclusion of Poland sp. z o.o. and the inclusion of Indev UAB, a company registered in Lithuania owning an industrial factory in the Klaipeda Free Economic Zone. In addition, the Group recently acquired a shopping centre in Riga, Latvia. This acquisition has been structured as a share sale pursuant to which SIA “Premier Estates Ltd acquired 100% of the issued share capital of SIA “SC Stirnu”, incorporated in Latvia. Such developments are further explained below.

1.2 Directors and Key Employees

Board of Directors - Issuer

As at the date of this Analysis, the following persons constitute the board of directors of the Issuer:

Name	Designation
Mr Pier Luca Demajo	Chairman and Independent Non-Executive Director
Mr Georgios Kakouras	Executive Director
Mr Peter Hili	Non-Executive Director
Mr Eddy Vermeir	Non-Executive Director

Mr David Aquilina	Independent Non-Executive Director
Dr Laragh Cassar	Independent Non-Executive Director

The senior management team of the Group consists of:

Name	Designation
Mr Georgios Kakouras	Chief Executive Officer
Ms Daniela Pavia	Chief Financial Officer
Mr Aivars Barbals	Properties Project Manager

The business address of all the directors is the registered office of the Issuer. Dr Laragh Cassar is the company secretary of the Issuer.

The board is composed of Mr Pier Luca Demajo acting as chairman, Mr Georgios Kakouras acting as executive director, and four non-executive directors; Mr Peter Hili, Mr Eddy Vermeir, Mr David Aquilina and Dr Laragh Cassar. The board is responsible for the overall long-term direction of the Group, and is actively involved in overseeing the systems of control and financial reporting and that the Group communicates effectively with the market.

The board meets regularly, with a minimum of four times annually, and is currently composed of six members, three of which are independent of the Issuer. As at the date of this Analysis, Mr Pier Luca Demajo, Mr David Aquilina, and Dr Laragh Cassar are independent non-executive directors of the Issuer.

As at the date of this Analysis, the Issuer has a total of 3 employees and, in aggregate, the Group currently has approximately 13 employees

Board of Directors - Guarantors

As at the date of this Analysis, the following persons constitute the board of directors of the Guarantors:

Harbour (APM) Investments Limited

Name	Designation
Mr Carmelo sive Melo Hili	Director

Hili Estates Limited

Name	Designation
Dr Annabel Hili	Director
Mr Georgios Kakouras	Director

1.3 Major Assets owned by the Group

The Group’s major assets are comprised of the following:

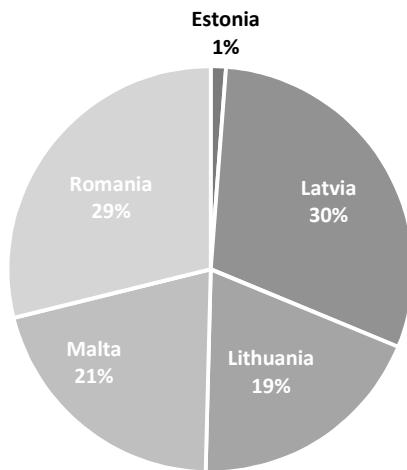
• **Real Estate Portfolio**

The Group owned 25 properties as at December 2021, with a total value of *circa* €136.5m. In view of the fact that these properties are held by the Group for long-term rental yields or for capital appreciation (or both), these are classified as investment property in the Group's statement of financial position. The Group's property portfolio comprises of an aggregate rental space of 94,813m², which generates an

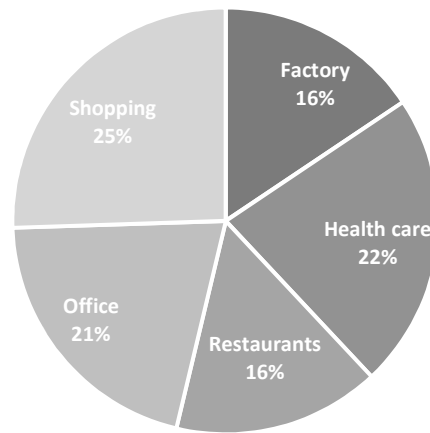
annualised rental income of *circa* €8m. The contracted gross rental yield is estimated at 7%.

The Group's occupancy level as at this date of this Analysis is 99% with a weighted average unexpired lease term (WALT) of 8.9 years. As noted through the graphical charts presented below, the Group's property portfolio is diversified across a number of asset types and geographical regions.

FY21 Investment Property Value by Region



FY21 Investment Property by Category of Asset



Name of Property	Location	Description	Main Tenant	Rentable Area (m ²)	Valuation as at 31.12.2021 (€'000)	Occupancy rate (%) as at 31.12.21	WALT (in years)	Ownership
Imanta Restaurant	Riga, Latvia	Restaurant (with drive thru)	Restaurant	2,709	2,160	100	9.8	Freehold
Vienibas Restaurant	Riga, Latvia	Restaurant (with drive thru)	Restaurant	3,497	2,100	100	10.3	Freehold
Ulmana Restaurant	Riga, Latvia	Restaurant (with drive thru)	Restaurant	2,000	1,740	100	13.4	Freehold
Dainava Restaurant	Kaunas, Lithuania	Restaurant (with drive thru)	Restaurant	3,021	2,200	100	9.1	Freehold
Svajone Restaurant	Vilnius, Lithuania	Restaurant (in a building complex)	Restaurant	580	2,520	100	9.4	Land is leased, building is freehold
Parnu Restaurant	Parnu, Estonia	Restaurant (with drive thru)	Restaurant	1,803	1,600	100	8.4	Freehold
Rehau Industrial	Pramones str.35A, Klaipeda	Retail	Rehau	18,980	20,730	100	20.0	Land is leased, building is freehold
Supermarket and Retail Centre	Nicgales Street 2, Riga, Latvia	Retail	Rimi Latvia	2,890	7,725	100	2.6	Freehold

Name of Property	Location	Description	Main Tenant	Rentable Area (m ²)	Valuation as at 31.12.2021 (€'000)	Occupancy rate (%) as at 31.12.21	WALT (in years)	Ownership
Supermarket and Retail Centre	Augusta Dombrovska Street 23, Riga, Latvia	Retail	Rimi Latvia	4,365	5,540	99	2.4	Freehold
Supermarket and Retail Centre	Vienibas Ave. 95, Riga, Latvia	Retail	Rimi Latvia	1,343	1,540	100	1.9	Freehold
Supermarket and Retail Centre	Kreimenu Street 4A, Riga, Latvia	Retail	Rimi Latvia	953	1,190	100	3.6	Land 700m ² is leased, building is freehold
Shopping Centre	Dzelzavas Street 78, Riga, Latvia	Retail	Rimi Latvia	3,447	6,730	93	7.1	Freehold
Vecmīlgrāvja 3. līnija	Riga, Latvia	Land	n/a	n/a	8	n/a	n/a	Freehold
Maskavas Street 357	Riga, Latvia	Retail	Rimi Latvia &ALB	9,386	10,890	96.0	3.3	Land - 734m ² is leased, other land and building is freehold
Maskavas Street 357	Riga, Latvia	Land	n/a	n/a	150	n/a	n/a	Freehold
Hili Building	Luqa, Malta	Office space/ Warehousing facilities	Hili Ventures	5,302	16,900	100	7.2	Freehold
Transport House	Floriana, Malta	Office space	Ministry of Energy	910	2,500	100.0	4.3	Freehold
Villa Marika	Madliena, Malta	Private residence	n/a	n/a	3,700	n/a	n/a	Freehold
Sliema Restaurant	Sliema, Malta	Restaurant and office space	Restaurant	1,055	8,200	100	8.2	Freehold
Selgros Restaurant	Bucharest, Romania	Restaurant (with drive thru)	Restaurant	1,499	2,141	100	16.8	Freehold
Bragadiru Restaurant	Bucharest, Romania	Restaurant (with drive thru)	Restaurant	2,700	1,889	100	16.9	Freehold
Alba Iulia	Bucharest, Romania	Restaurant (with drive thru)	Restaurant	1,184	1,300	100	17.8	Freehold
Santu Mare	Bucharest, Romania	Restaurant (with drive thru)	Restaurant	1,346	1,343	100	17.8	Freehold
Coresti Brasov Restaurant	Bucharest, Romania	Restaurant (with drive thru)	Restaurant	2,070	1,859	100	19.3	Freehold
Art Business Centre 7	Bucharest, Romania	Hospital and Office space	Delta Health Care and Delta Health Trade	23,773	29,800	100	12.7	Freehold
Total				94,813	136,455	99%	8.9	

**It is to note that the above table illustrates the Group's property portfolio as at 31st December 2021 and in this respect excludes properties which were bought following the reporting financial period (refer to sub-section 1.4.6). This table also takes into account two portions of land adjacent to the relative buildings owned by the Group.*

In addition to the above table, the below tables details the property disposals as well as the property acquisitions implemented during 2022:

Property acquisitions:

Name of Property	Location	Description	Main Tenant	Rentable Area (m ²)	Valuation as at 31.12.2021 (€'000)	Occupancy rate (%) as at 31.12.21	WALT (in years)	Ownership
SC Stirnu Shopping Centre	Riga, Latvia	Retail	Rimi Latvia	7,088	18,720	90%	13.4	Freehold

Property disposals in 2022*:

Name of Property	Location	Description	Main Tenant	Rentable Area (m ²)	Valuation as at 31.12.2021 (€'000)	Occupancy rate (%) as at 31.12.21	WALT (in years)	Ownership
Supermarket and Retail Centre	Augusta Dombrovska Street 23, Riga, Latvia	Retail	Rimi Latvia	4,365	5,540	99	2.4	Freehold
Supermarket and Retail Centre	Vienibas Ave. 95, Riga, Latvia	Retail	Rimi Latvia	1,343	1,540	100	1.9	Freehold
Supermarket and Retail Centre	Kreinienu Street 4A, Riga, Latvia	Retail	Rimi Latvia	953	1,190	100	3.6	Land 700m ² is leased, building is freehold

**The execution of the sale for the properties situated at Augusta Dombrovsaka Street 23 and Vienibas Ave. 95 is currently in progress, while the sale process for the property situated at Kreinienu Street 4A has been concluded.*

An overview of each property is set out below:

i. Imanta Restaurant, Riga, Latvia

The Imanta property consists of a plot of land and a building constructed thereon. The site is located in Kurzemes Prospekts 3, Imanta, a residential neighbourhood of Riga inhabited by approximately 44,000 residents.

ii. Vienibas Restaurant, Riga, Latvia

The Vienibas property consists of a plot of land and a building constructed thereon. The site is located at 115A Vienibas Avenue, which is situated outside the centre of Riga and on one of the busiest exit streets (A8/E77), and is around 7km away from the centre and old town of Riga.

iii. Ulmana Restaurant, Riga, Latvia

The Ulmana property consists of a plot of land and a building constructed thereon. The site is located at 88, Karla Ulmana Street, which is situated outside the centre of Riga and on one of the busiest exit streets (A10/E22), and is around 7km away from the centre and old town of Riga.

iv. Dainava Restaurant, Kaunas, Lithuania

The Dainava property consists of a plot of land, a building structure constructed thereon, and an ancillary building that operates as a car park. The site is located in Pramonės Ave. 8B, Kaunas, which is in the vicinity of three shopping centres, a petrol station, and a quick service restaurant.

v. Svajone Restaurant, Vilnius, Lithuania

The Svajone property consists of a property located within a larger building complex with the intended use of providing catering services. The building is constructed on a state-owned land plot and is located at 15, Gedimino Avenue, a favourable and prestigious location in the centre of Vilnius in V. Kurikų's square.

vi. Parnu Restaurant, Estonia

The Parnu property consists of a plot of land and a building constructed thereon. The property is located at 74, Tallinna Maantee, Parnu, an area outside the city centre next to a two-lane road at the entrance to Parnu from Tallinn.

vii. Rehau Industrial Building, Lithuania

The property is constructed on a 50,000m² plot. The property is located in an Economic Zone area in Klaipėda on a 50,000m² plot. While this property is currently used as a factory, this property was bought in 2021 with the purpose of expanding the portfolio of investment property held by the Group.

viii. Wholesale & retail trade building, Nicgales Street, Riga, Latvia

The property is constructed on a 16,785m² plot. The property is located in a zone of the largest district of the Riga called Purvciems, on the east bank of the Paugava River and by approximately 60,000 residents. The property is currently used as a retail and shopping centre.

ix. Supermarket and Retail Centre, Augusta Dombrovska Street, Riga, Latvia

The property is constructed on an 8,368m² plot. The property is located in a part of Riga known as Vecmīlgrāvis in the northern part of the city, near the mouth of the Daugava River. The property is currently used as a retail and shopping centre with 33 tenants and enjoys significant footfall.

As at the date of this Analysis, the execution of the sale of this property is in progress and is expected to be concluded during 2022.

x. Supermarket and Retail Centre, Vienības Street, Riga, Latvia

The property is constructed on a 6,670m² plot. The property is located in Atgāzene in the south of Riga, on the west bank of the Daugava River.

As at the date of this Analysis, the execution of the sale of this property is in progress and is expected to be concluded during 2022.

xi. Supermarket and Retail Centre, Kreimeņu Street, Riga, Latvia

The property is constructed on a 3,733m² plot and land plot leased 422m². The property is located in Vecmīlgrāvis, a town in the north of Riga near the mouth of the Daugava River.

As at the date of this Analysis, the execution of the sale of this property is in progress and is expected to be concluded during 2022.

xii. Shopping Centre, Dzelzavas Street, Riga, Latvia

The footprint of the property measures 8,062m² and is located in Purvciems, in the west of Riga on the east bank of the Daugava River. During FY2018, the property was demolished and re-development works commenced to construct a shopping centre at an estimated cost of *circa* €4.3m.

xiii. Dole, Retail Centre, Maskavas Street 357, Riga, Latvia

The property is a four-storey building having 8,000m² of gross intended leasable area and is occupied by more than 60 tenants. Dole is situated in the Kengarags neighbourhood, one of Riga's southern suburbs with an extensive catchment area and by approximately 50,000 residents.

xiv. Nineteen Twenty Three, Valletta Road, Luqa, Malta

The property, built on a plot area of 2,585m², is developed mainly as an office block with part of the premises at ground and intermediate levels used as a warehouse/storage area. The building is sited at the periphery of the industrial park in Luqa/Marsa. The property is 100% leased out, mainly to a number of subsidiary companies forming part of the Hili Ventures Group.

xv. Transport House, Triq San Frangisk, Floriana, Malta

The property is located in a central area in Floriana and comprises of a three-storey building, a recessed penthouse, and two interconnected apartments on the first and second floors, all for use as office space.

xvi. Villa Marika, High Ridge, Madliena

The property consists of a fully-detached bungalow located in a prime location in High Ridge, Madliena with a superficial area of *circa* 1,250m². The property has been earmarked as held for sale, at the end of December 2021, and is expected to be sold by the end of 2022.

xvii. Restaurant and overlying office, Sliema, Malta

The property in Sliema is leased as a restaurant at ground and mezzanine levels, and the first floor is completed as office space and rented out to a third party. The premises form part of a development block overlooking two streets, namely The Strand, Sliema at the waterfront and Sqaq il-Fawwara, Sliema at the back of the property.

xviii. Selgros Restaurant, Bucharest, Romania

The Berceni Selgros restaurant commenced operations on 21 November 2018. It is a drive-thru restaurant located in a busy area in the 4th district of Bucharest.

xix. Bragadiru, Bucharest, Romania

The Bragadiru restaurant is a drive-thru restaurant located on a busy road in a town called Bragadiru, which is 10km from Bucharest. The restaurant initiated operations on 31 December 2018.

xx. Alba Iulia Restaurant, Alba, Romania

The Alba Iulia restaurant commenced operations on 21 December 2019. It is a drive-thru restaurant located near the city center of Alba Iulia, in the premises of Kaufland parking area, in the central part of the country, in Alba County.

xxi. Satu Mare Restaurant, Satu Mare, Romania

The Satu Mare restaurant commenced operations on 30 December 2019. It is a drive-thru restaurant located near the city center of Satu Mare in the northern part of the country, in Satu Mare County.

xxii. ART Business Centre, Bucharest, Romania

The property is located in the affluent Nordului neighbourhood in northern Bucharest. The nine-storey property has a footprint of 3,400m² and comprises of *circa* 24,000m² of gross leasable area, *circa* 5,000m² of which is storage space. The three underground floors accommodate 407 parking spaces. The property is fully leased out and its anchor tenant is Ponderas Academic Hospital which was recently taken over by the Regina Maria Private Healthcare Network, Romania's largest private health care network.

- **Harbour (APM) Investments Limited**

As further explained in section 1.1 of this Analysis, in the first quarter of 2022, the Group announced that it had finalised the acquisition of the shares of HIL, thereby effectively adding to its portfolio *circa* 92,000m² at Benghajsa. This property comprises a number of sites at Benghajsa and is flanked by the Freeport and its service road to the Northeast, by Hal Far Road to the Northwest, by the new LPG depot & Fort Benghajsa to the South and by agricultural fields, Benghajsa Village and Hal Far Industrial Estate beyond to the South. The sites are reserved for industrial use. Further detail on the operational developments concerning this property may be found in section 1.4.2 of this Analysis.

- **SIA SC Stirnu**

During Q1 2022, the Group secured the acquisition of a shopping centre in Riga, Latvia for €20m. The property is situated in one of Riga's most densely populated residential areas. The shopping centre has been operational for fifteen years and has the benefit of an anchor tenant as well as other successful retail operators.

1.4 Operational Developments

1.4.1 Strategy

The principal objective of the Issuer is to act as the property holding vehicle of the Hili Ventures Group. In this respect, the Issuer's ultimate business goal is to continue managing the existing properties presented above, and to acquire and dispose of properties as necessary with the aim of meeting the needs of its business operations. The rents chargeable by the Issuer to the Hili Ventures Group companies are based on commercial rental rates and respective lease agreements and are entered into on an arms-length basis.

In terms of the Issuer's strategic expansion strategy, it aims to grow its property portfolio consisting primarily of attractively-located, high quality, income-producing investment properties to deliver income and capital growth through active asset management.

The Issuer believes that its Board of Directors, in addition to the support of external advisors, property experts and Hili Ventures group resources, has sufficient and appropriate knowledge and competence to capitalise on the opportunities presented by both the current and forward-looking market conditions.

Based on its long standing experience within the industry, the intention of the Issuer is to source its investment opportunities mainly through the Group's extensive network of relationships, which includes the corporate and private landlords, brokers, domestic banks and others. The Board of Directors expects to create both sustainable income and strong capital returns for the Group.

The investment decisions carried out by the Board of Directors in relation to investment property acquisitions, predominantly concerning retail properties, office properties and commercial real estate properties, are based on a number of property characteristics which are deemed to be aligned to the aforementioned strategic goals of the Group.

It is crucial to point out that, in carrying out investment decisions, the Board of Directors concentrate on assets priced at equal or at a discount to fair value or assets with active asset management opportunities, for example through repositioning, rental extension or rental optimisation, and keep monitoring the market with regards to development opportunities in the context of the whole portfolio as the Company's primary focus is on cash flow and active asset management.

Where appropriate, the intention of the Board of Directors is to implement improvements to the Group's property portfolio through proactive asset management techniques which include:

- Renegotiating or surrendering leases;
- Improving lease terms duration and tenant profile;
- Carrying out structural improvements to the building when and where considered appropriate;
- Improving layouts and space efficiency of specific assets;
- Ensuring an appropriate mix and well-structured tenant mix within certain properties;
- Maintaining dialogue with tenants to assess their requirements;
- Taking advantage of planning opportunities where appropriate; and
- Repositioning and upgrading assets.

Upon implementing the aforementioned business strategy, the Issuer might possibly utilise prudent levels of leverage in order to enhance equity returns over the long-term. Nevertheless, the Group may possibly modify the leverage policy from time to time in light of then current economic conditions, the relative costs of debt and equity capital, the fair value of the Group's assets, growth and acquisition opportunities or other factors it deems appropriate.

In view of the Group's current property portfolio available for rent which presently reflects an overall average occupancy rate of 99%, the Board of Directors aims to maintain the same high level of occupancy rates for future investment properties.

1.4.2 Listing and Initial Public Offering (IPO) Issue

On 21 December 2021, the Issuer successfully issued to the public in Malta 100,892,700 shares amounting to €27.2m and subsequently listed on the Official List of the Malta Stock Exchange 400,892,700 ordinary shares of a nominal value of €0.20 per share, pursuant to a prospectus dated 25 October 2021.

The proceeds animating from this issue were earmarked for a number of acquisitions, some of which are already executed as further noted in sub-section 1.4.6 of this Analysis.

1.4.3 Harbour (APM) Investments Limited

In addition to the overview of the Bengħajsa land described in section 1.1 above, management noted that two sites have been approved for the development of a 2.4 MWP solar farm

as per Planning Authority permit PA10665/17. The project was completed in December 2019 and has been operational since 7 April 2020. The solar farm covers a larger area of land partly owned by two other third parties. This land is being leased to a third party up until 31 March 2045 to develop and operate a solar farm.

• Planning Considerations and Site Potential

The sites at Bengħajsa are predominantly located within a 'Reserve Site' area in accordance to the respective Marsaxlokk Bay Local Plan. The strategy for this zone is outlined in the respective local plan issued in 1995, recreated below:

"The area between Hal Far and the Freeport was designated as a Primary Development Area in the sixties for possible eventual industrial use. The Structure Plan confirms the designation subject however to Policy IND1 which delays the use of this land until needs arise which cannot be accommodated elsewhere. On available evidence, it is unlikely that the area will be required for such purpose within the ten-year period of the Local Plan. It is therefore proposed that the current status of the area is retained and is also to be referred to as a Reserved Area."

Recent research stipulates that over the past 25 years, more specifically since the date of issuance of the aforementioned plan, the footprint of the Freeport has generally been developed to its full capacity with respect to its key activities that comprise the container terminal, the oil terminal and the ancillary warehousing facilities.

The location of the Bengħajsa sites that fall within this 'Reserve Site', particularly those contiguous to the Freeport, form a natural extension of the Freeport area as envisaged by both the Structure 'Local Plans'. It was also noted that apart from the more recent solar farm permit noted above, an LPG terminal has already been developed within the said 'Reserved Area' duly covered by Malta Environment & Planning Authority ("MEPA") permit PA 867/09.

In view of the above considerations, it is therefore apparent that, while currently schemed as a 'Reserve Site', the areas concerned offer significant medium to long-term commercial and investment opportunities for the Group.

1.4.4 Properties held for sale

As at 31 December 2021, property held for sale amounted to circa €11.9m and included the following properties: (i) Augusta Dombrovska Street 23, Riga, Latvia, (ii) Vienibas Ave. 95, Riga, Latvia (iii) Kremienu Street 4A, Riga, Latvia and (iv) Villa Marika, Malta.

The execution of the sale process for the properties situated at Augusta Dombrovsaka Street 23 and Vienibas Ave. 95 is currently in progress, while the sale process for the property situated at Kreimenu Street 4A has been concluded.

1.5 Macroeconomic environment

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

As the world is slowly emerging from the disruption caused by the COVID-19 pandemic, the directors continue to monitor the situation to safeguard the interests of the Group and its stakeholders. Notwithstanding the implications brought about by the pandemic, the Group's operations have not been materially impacted during the year, with the results being relatively in line with the projections set out in the 2021 Financial Analysis Summary.

The situation continues to change which may adversely affect the Group's current and future performance and future financial position. In this respect, the directors reiterated to continue monitor all pandemic-related developments taking place both locally and internationally in order to assess the impact that the pandemic might have on the profitability, liquidity and going concern of the Group.

In view of the Group's robust business model, the Group has not experienced any significant adverse impact on its income and specifically on the recoverability of its receivables from its customers. Tenants have successfully managed to honour their commitments during 2021, with management reporting that only non-material discounts were granted throughout the year. In view of this, the Group is cautiously optimistic about the current financial year.

Liquidity measures

Management explained that the Group's capital and liquidity position remained strong and sustainable as revenue during the year was collected in full (apart from the above-mentioned temporary non-material discounts). All legal obligations were honoured in full, including its yearly interest payments. Discounts provided for the financial year 2021, were adjusted accordingly as situation started improving in the Group's shopping malls and offices towards the end of the year, thereby reflecting an increase in revenues from rental income in 2021 over the preceding year.

Cost containment measures

As part of a strategy, management teams across the Group's operating regions continued to revise their respective

market operating cost where possible, with this ultimately resulting into additional operational efficiencies across the Group in general.

1.5.2 Subsequent events after the reporting period: Conflict in Ukraine

Towards the end of February 2022, the armed conflict between the Russian Federation and Ukraine set in motion a chain of diplomatic efforts and other major geopolitical events which led a number of western nations, including the EU institution and the United States government, to impose a number of sanctions on Russia and Belarus. These current sanctions in place include several restrictive measures of a direct financial nature that are having a significant direct impact on the broad economy of the invading nations, as well as resulting in a downgrading of their sovereign and private debt by international credit rating agencies.

Specifically, the increased geopolitical risks induced by this invasion, in addition to the aforementioned sanctions, have weighed adversely on global economic conditions throughout 2022, primarily in the form of higher commodity prices. From a macroeconomic perspective, this has intensified the threat of long-lasting high inflation which has notably increased the risks of stagflation and social unrest.

As things stand at the moment, the Group is not expected to be directly negatively impacted by the ongoing conflict in Ukraine, considering they hold a portfolio of prime real estate assets.

The fact that all assets reside in NATO countries provides extra safeguards, however, management together with the directors, continue to actively monitor all developments taking place internationally in order to take any action that might be necessary in the eventuality that developments in the conflict, start to impact the company's turnover and business activity.

1.5.3 Assumptions undertaken in the projections utilised for the purpose of this document

The 2022 projections were based on the contractual rental agreements that the Group currently has in place with its tenants, specifically in relation to the properties discussed throughout the Analysis. Management explained that these projections were based on the actual 2021 financial performance of the Group and on the Group's knowledge and understanding of the potential implications brought about by the pandemic and the aforementioned conflict which might possibly arise in the remaining months of the current financial year. In this respect, such projections also cater for the current and persistent inflationary pressures

which the Group is the facing, namely in terms higher utility expenses.

1.6 Related Party Securities

Hili Properties p.l.c. is a member of the Hili Ventures Group. Within the same group, 1923 Investments p.l.c., Premier Capital p.l.c., Hili Finance Company p.l.c. and Harvest Technology p.l.c. have the following listed securities. The below table also includes Hili Properties p.l.c.'s current outstanding securities.

Security	ISIN	Amount
4.5% Hili Properties plc Unsecured 2025	MT0000941204	€37,000,000
Hili Properties p.l.c. Ord €0.20	MT0000940107	400,892,700 Shares
5.1% 1923 Investments plc Unsecured € 2024	MT0000841206	€36,000,000
Harvest Technology p.l.c. Ord €0.50	MT0002370105	22,780,636 Shares
3.85% Hili Finance Company Unsecured plc 2028	MT0001891200	€40,000,000
3.8% Hili Finance Company Unsecured plc 2029	MT0001891218	€80,000,000
3.8% Hili Finance Company Unsecured plc 2029	MT0001891226	€50,000,000
3.75% Premier Capital plc Unsecured € 2026	MT0000511213	€65,000,000

1.7 Bond Guarantee

As per bond prospectus dated 18 September 2015, the Group's bond amounting to €37m is jointly and severally guaranteed by HIL and HEL. The Guarantors undertook that as long as the bond remains outstanding, the Guarantors shall collectively ensure that their aggregate net asset value will amount to not less that €37m at each financial reporting date. As at 31 December 2021, the aggregate net assets of both Guarantors together amounted to €39.4m (2020: €40.2m) and therefore covers the bonds in issue.

Part 2 - Historical Performance and Forecasts

The financial information below (section 2.1 to 2.3) is extracted from the audited consolidated financial statements of Hili Properties p.l.c. for the financial years ended 31 December 2019, 2020 and 2021. The projected financial information for the year ending 31 December 2022 has been provided by the Group's management.

The said projected financial information relates to events in the future and are based on assumptions which the Group 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

Hili Properties p.l.c. Statement of Comprehensive Income for the year ended 31 December	2019A	2020A	2021A	2022F
	€'000s	€'000s	€'000s	€'000s
Revenue	9,153	8,112	8,451	12,019
Net operating expenses	(2,954)	(2,973)	(3,546)	(4,289)
EBITDA	6,199	5,139	4,905	7,731
Depreciation and amortization	(150)	(158)	(47)	(55)
EBIT	6,049	4,981	4,858	7,676
Net investment income	3,942	3,575	2,124	703
Net finance costs	(3,758)	(3,344)	(3,223)	(4,204)
Profit before tax	6,233	5,212	3,759	4,175
Income tax	(779)	(1,116)	(590)	(1,588)
Profit after tax	5,454	4,096	3,169	2,587
Other comprehensive income				
Exchange differences - foreign operations	-	(5)	(26)	-
Total comprehensive income	5,454	4,091	3,143	2,587

EBITDA Derivation	2019A	2020A	2021A	2022F
	€'000s	€'000s	€'000s	€'000s
EBITDA has been calculated as follows:				
Operating profit (EBIT)	6,049	4,981	4,858	7,676
<i>Adjustments:</i>				
Depreciation and amortization	150	158	47	55
EBITDA	6,199	5,139	4,905	7,731

Ratio Analysis ¹	2019A	2020A	2021A	2022F
<i>Profitability</i>				
Growth in Revenue (YoY Revenue Growth)	19.2%	-11.4%	4.2%	42.2%
EBITDA Margin (EBITDA / Revenue)	67.7%	63.4%	58.0%	64.3%
Operating (EBIT) Margin (EBIT / Revenue)	66.1%	61.4%	57.5%	63.9%
Net Margin (Profit for the year / Revenue)	59.6%	50.5%	37.5%	21.5%
Return on Common Equity (Net Income / Average Equity)	9.9%	6.8%	3.7%	2.3%
Return on Assets (Net Income / Average Assets)	3.6%	2.7%	1.8%	1.2%

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

The Group registered an increase in revenue of 4.2% or €0.3m to €8.5m in fully year 2021, and notably exceeding expectations set out in the previous Analysis (FY20: €8.1m). As the properties earmarked for sale during FY21 were not sold during the year, management attribute this improvement primarily to the continued rental income concerning the said properties. In addition, management noted that a lower level of discounts was provided to tenants during the year, notably as the pandemic situation started improving.

In view of the Group's latest acquisitions, in addition to the further property acquisitions and disposals expected to take place during the year, the Group is anticipating total rental income to improve by 42.2% to *circa* €12m during FY22.

The Group's net operating expenditure during FY21 amounted to *circa* €3.5m. Moving forward, in view of the property acquisitions planned to occur by the end of FY22, operating expenditure is expected to amount higher to €4.3m.

The Group reported an EBITDA of €4.9m in FY21 (FY20: €5.1m), with this projected to improve to €7.7m during FY22. Management noted that this projected improvement in EBITDA is directly linked to the acquisitions assumed to be in place within the Group's portfolio during the year. Specifically, in view of the projected FY22 revenue

improvement, the Group's EBITDA and EBIT margins are expected to amount higher to 64.3% and 63.9% respectively.

Net investment income amounted to €2.1m during FY21 and mainly relates to net increases in fair value gains on the properties located in Malta, Romania and the Baltic Countries. This is expected to amount to around €0.7m during FY22 mainly as a result of a projected uplift in fair value of all properties by the end of the year.

The Group incurred a lower level of finance costs during FY21 amounting to €3.2m. These are expected to amount higher to €4.2m in FY22, mainly due to additional loans taken up during the year to finance the planned acquisitions.

Tax incurred by the Group during FY21 amounted to €0.6m. The Group is anticipating to incur €1.6m in taxation costs for FY22.

The Group reported a profit after tax of €3.2m during FY21 (FY20: €4.1m). Notwithstanding the aforementioned improvement in revenues, this has been projected at €2.6m during FY22. To note, this drop is mainly attributable to higher level of income tax expected to be incurred throughout the year, arising from the planned dividend distributions to be carried out. In this regard, the Group's Net Margin is expected to taper down to 21.5% during FY22, from 37.5% in the prior year.

2.1.1 Variance Analysis

Hili Properties p.l.c. Statement of Comprehensive Income for the year ended 31 December	Dec-21	Dec-21	Variance
	Forecast	Audited	
	€'000s	€'000s	€'000s
Revenue	8,051	8,451	400
Net operating expenses	(3,230)	(3,546)	(316)
EBITDA	4,821	4,905	84
Depreciation and amortisation	(60)	(47)	13
EBIT	4,761	4,858	97
Net investment income	1,005	2,124	1,119
Net finance costs	(3,502)	(3,223)	279
Profit before tax	2,264	3,759	1,495
Income tax	(779)	(590)	189
Profit after tax	1,485	3,169	1,684
Other comprehensive income		-	-
Exchange differences - foreign operations	(33)	(26)	7
Total comprehensive income	1,452	3,143	1,691

In view of the minor positive variances recorded by the Group in terms of revenue generation and net operating

expenditure during FY21, the Group registered an overall improvement in EBITDA of *circa* €0.1m over previous

projections. The net investment income reported in the Group's audited results amounted to €2.1m, whereas the comparable amount reported in the previous Analysis was €1m. Following an independent evaluation of the Group's property portfolio, the difference of €1.1m mainly relates to higher net fair value gains on properties located in Malta, Romania and the Baltic Countries, which values were re-

assessed after the previous projections were completed. Consequently, the Group's income tax varied proportionally.

In conclusion, actual total comprehensive income amounted to €3.1m, implying an overall improvement of €1.7m over previous expectations.

2.2 Issuer's Statement of Financial Position

Hili Properties p.l.c. Statement of Financial Position as at 31 December	2019A	2020A	2021A	2022F
	€'000s	€'000s	€'000s	€'000s
Assets				
Non-current assets				
Goodwill and other intangibles	16	16	16	41
Property, plant and equipment	194	80	75	111
Investment properties	109,904	105,199	124,626	221,915
Property held for sale	3,774	7,735	11,970	-
Other financial assets	24,500	24,500	24,500	-
Loans and receivables	1,232	5,231	1,225	2,474
Other non-current assets	1,635	2,151	2,341	975
Total non-current assets	141,255	144,912	164,753	225,516
Current assets				
Loans and other receivables	140	53	3,089	1,337
Other assets	1,942	1,616	3,661	224
Cash and cash equivalents	7,141	3,058	37,193	12,995
Total current assets	9,223	4,727	43,943	14,556
Total assets	150,478	149,639	208,696	240,072
Equity				
Called up share capital	40,400	41,592	80,179	80,179
Other reserves	638	633	7,090	6,810
Retained earnings	16,083	20,055	23,612	24,003
Non-controlling interests	514	395	-	-
Total equity	57,635	62,675	110,881	110,991
Liabilities				
Non-current liabilities				
Borrowings and bonds	78,423	72,188	84,413	115,228
Other financial liabilities	3,778	2,235	573	1,089
Deferred tax & other non-current liabilities	2,536	3,271	3,497	5,188
Total non-current liabilities	84,737	77,694	88,483	121,505
Current liabilities				
Bank loans	3,487	5,285	4,796	3,906
Other financial liabilities	552	11	722	397
Other current liabilities	4,067	3,974	3,814	3,273
Total current liabilities	8,106	9,270	9,332	7,576
Total liabilities	92,843	86,964	97,815	129,081
Total equity and liabilities	150,478	149,639	208,696	240,072

Ratio Analysis ²	2019A	2020A	2021A	2022F
<i>Financial Strength</i>				
Gearing 1 (Net Debt / Net Debt and Total Equity)	57.8%	55.0%	32.5%	49.2%
Gearing 2 (Total Liabilities / Total Assets)	61.7%	58.1%	46.9%	53.8%
Gearing 2 (Net Debt / Total Equity)	137.2%	122.3%	48.1%	97.0%
Net Debt / EBITDA	12.8x	14.9x	10.9x	13.9x
Current Ratio (Current Assets / Current Liabilities)	1.1x	0.5x	4.7x	1.9x
Interest Coverage level 1 (EBITDA / Cash interest paid)	1.8x	1.4x	1.5x	2.0x
Interest Coverage level 2 (EBITDA / Finance costs)	1.6x	1.5x	1.5x	1.8x

As per FY21 results, the Group's total assets amounted to €208.7m (FY20: 149.6m) and primarily consisted of investment properties, property held for sale and other financial assets, which on aggregate amounted to *circa* 77.2% of total assets. While investment property is expected to increase to €221.9m during FY22, mainly as a result the Group's recent acquisitions and the additional investment expected to be carried out on the Group's properties in general, all properties held for sale as at December 2021 are expected to be sold during FY22. It is to note that the projected uplift in investment property also takes into the account the recent transfer of the Benghajsja property under the Hili Properties pillar which took place in Q122.

The Group's total non-current assets are also composed of other receivables which as at FY21 amounted to €1.2m. The Group's non-current assets are expected to increase to €225.5m during FY22, mainly as a result of the aforementioned expected increase in investment property.

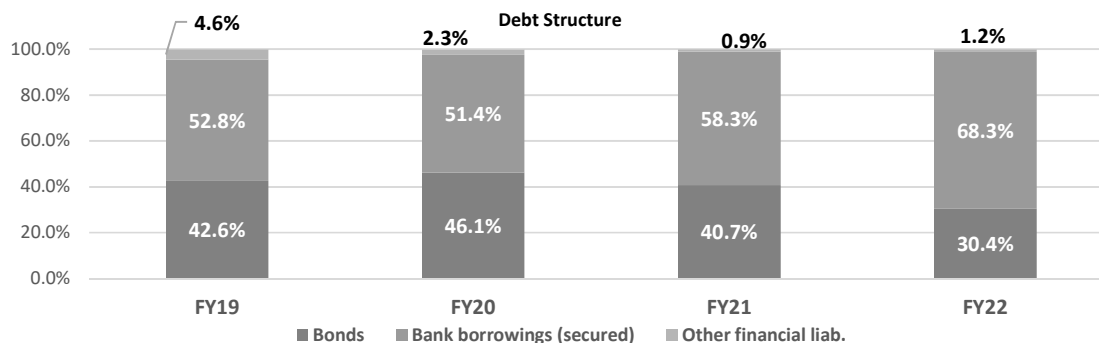
The Group's current assets, which are mainly composed of other assets and cash and cash equivalents, increased to €43.9m during FY21 (FY20: €4.7m). Notably, this increase takes into account the proceeds received from the Group's recent IPO issue referred to in sub-section 1.4.2 of this Analysis. Cash and cash equivalents are expected to amount to *circa* €13m, with this drop being mainly attributable to the investments expected to be carried out by the Group

throughout the year. Overall, the Group is anticipating total assets to amount to €240.1m during FY22.

Following the above-mentioned IPO, the Group's share capital amounted higher to €80.2m, with the Group's total equity increasing to €110.9m during the year. This is expected to remain unchanged during FY22.

Other than equity, the Group is financed through bank loans and bonds which, as at FY21, amounted to €89.2m (FY20: €77.4). The Group's bank borrowings are secured by general hypothecs, pledges and guarantees provided by Group companies. The bonds constitute unsecured obligations of the Company, and rank equally without priority or preference with all other present and future unsecured and unsubordinated obligations of the Issuer. Moving into FY22, the Group's total borrowings and bonds listed under non-current assets are expected to increase to *circa* €119.1m, mainly due to additional loans expected to be taken up during FY22 to finance new acquisitions. Total liabilities during FY22 are projected to increase to €129.1m.

Inevitably, the aforementioned increase in total borrowings, is also reflected through the financial strength ratios, with all gearing ratios are expected to amount higher during FY22. Notwithstanding the above, in view of the improved financial performance discussed above, both interest coverage ratios are expected to solidify.



² Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or rounding differences (refer to section 4 of this Analysis)

2.2.1 Variance Analysis

Hili Properties p.l.c. Statement of Financial Position as at 31 December	Dec-21	Dec-21	Variance
	Forecast	Audited	
	€'000s	€'000s	€'000s
Assets			
Non-current assets			
Goodwill and other intangibles	45	16	(29)
Property, plant and equipment	58	75	17
Investment properties	123,775	124,626	851
Property held for sale	-	11,970	11,970
Other financial assets	24,500	24,500	-
Loans and receivables	4,831	1,225	(3,606)
Other non-current assets	2,521	2,341	(180)
Total non-current assets	155,730	164,753	9,023
Current assets		-	-
Loans and other receivables	73	3,089	3,016
Other assets	1,270	3,661	2,391
Cash and cash equivalents	181	37,193	37,012
Total current assets	1,524	43,943	42,419
Total assets	157,254	208,696	51,442
Equity			
Called up share capital	41,592	80,179	38,587
Other reserves	440	7,090	6,650
Retained earnings	21,491	23,612	2,121
Non-controlling interests	444	-	(444)
Total equity	63,967	110,881	46,914
Liabilities			
Non-current liabilities			
Borrowings and bonds	81,970	84,413	2,443
Other financial liabilities	2,024	573	(1,451)
Deferred tax & other non-current liabilities	3,356	3,497	141
Total non-current liabilities	87,350	88,483	1,133
Current liabilities			
Bank loans	3,485	4,796	1,311
Other financial liabilities	65	722	657
Other current liabilities	2,387	3,814	1,427
Total current liabilities	5,937	9,332	3,395
Total liabilities	93,287	97,815	4,528
Total equity and liabilities	157,254	208,696	51,442

The main variances arising within the Group's non-current assets during FY21 relate to an actual amount circa €12m listed under property held for sale which was not previously projected. As noted in the prior sections of the Analysis, the properties earmarked for sale during 2021 were not sold during the financial year ending 31st December 2021. Other

variances include an actual decrease in loans and receivables of €1.2m, with this being attributable to reclassification of loans and receivables from non-current to current assets. Indeed, one may note the same movement under current assets.

The variances vis-à-vis the Group's cash and cash equivalents and total equity during FY21 relate to the fact that the cash injection arising from the Group's IPO during FY21 was not included in the previous projections last year. Moreover, the

increase in borrowings and bonds as well as bank loans listed under non-current and current liabilities is mainly a result of higher acquisitions made by the Group during the year when compared to previous expectations.

2.3 Issuer's Statement of Cash Flows

Hili Properties p.l.c. Cash Flows Statement for the year ended 31 December	2019A	2020A	2021A	2022F
	€'000s	€'000s	€'000s	€'000s
Cash flows from operating activities	4,724	4,529	5,457	8,088
Interest paid	(3,458)	(3,686)	(3,316)	(3,925)
Income tax paid	(1,061)	(520)	(965)	(1,445)
Net cash flows generated from/(used in) operating activities	205	323	1,176	2,718
Net cash flows generated from/(used in) investing activities	8,053	4,588	(20,080)	(50,766)
Net cash flows generated from/(used in) financing activities	(4,003)	(8,988)	53,064	24,447
Movement in cash and cash equivalents	4,255	(4,077)	34,160	(23,601)
Cash and cash equivalents at start of year	2,886	7,141	3,059	37,193
Foreign exchange adjustment	-	(5)	(26)	-
Cash and cash equivalents at end of year	7,141	3,059	37,193	13,592

Ratio Analysis ³	2019A	2020F	2021A	2022F
<i>Cash Flow</i>				
Free Cash Flow (Net cash from operations + Interest - Capex)	€3,661	€4,004	€3,689	€5,256

Following favourable movement in FY21 working capital activities, in addition to a number of positive adjustments occurring throughout the year, the Group reported an improved net cash generated from operating activities amounting to €1.2m (FY20: €0.3m). Following a projected improvement in the Group's overall financial performance, net cash generated from operating activities is projected to improve to €2.7m during FY22.

With respect to investing activities, net cash outflow in FY21 amounted to *circa* €20.1m and mainly relates to further additions of investment properties occurring throughout the year (€16.6m), as well as a purchase of an investment in a subsidiary amounting to €4m. Moving forward, net cash used in investing activities is expected to amount to *circa*

€50.8m, mainly on account of the planned acquisitions to be undertaken in FY22.

Net cash used in financing activities amounted to €53.1m during FY21 (FY20: negative €9m). As noted in prior sections of this Analysis, this increase is primarily attributable to the issuance of new shares floated on the Malta Stock Exchange during FY21. Cash flows generated from financing activities are expected to amount lower to €24.4m following property acquisitions expected to take place during FY22.

Moving to the free cash flow, apart from net cash from operations and interest payments presented above, this also takes into account the Group's ongoing property acquisitions, which form part of the Group's overall capital expenditure.

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

2.3.1 Variance Analysis

Hili Properties p.l.c. Statement of Cash Flows for the year ended 31 December	Dec-21	Dec-21	Variance €'000s
	Forecast €'000s	Audited €'000s	
Cash flows from operating activities	5,021	5,457	436
Interest paid	(3,390)	(3,316)	74
Income tax paid	(621)	(965)	(344)
Net cash flows generated from/(used in) operating activities	1,010	1,176	166
Net cash flows generated from/(used in) investing activities	(10,818)	(20,080)	(9,262)
Net cash flows generated from/(used in) financing activities	6,931	53,064	46,133
Movement in cash and cash equivalents	(2,877)	34,160	37,037
Cash and cash equivalents at start of year	3,058	3,059	1
Foreign exchange adjustment	-	(26)	(26)
Cash and cash equivalents at end of year	181	37,193	37,012

Actual net movement in cash and cash equivalents was remarkably €37m higher given that cash received from the IPO issue, was held towards the end of 2021. Net operating cash flow was higher by €0.2m, mainly as a result of higher cash received by the Group from the properties earmarked for sale, which in turn were retained by the Group during FY21, rather than being disposed of in 2021 as per original forecast.

The main variance concerning investing activities of €9.3m relates to higher acquisitions implemented by the Group

during the year as compared to the original plan. This variance also relates to the fact that the proceeds from the expected sale of a number properties held for sale during the year did not materialise.

In conclusion, given that the cash injection resulting from the IPO was not included in the previous projections, this resulted into a subsequent variance of €46.1m in the Group's financing activities.

2.4 Harbour (APM) Investments Ltd

The following financial information is extracted from the audited financial statements of HIL for the financial years ended 31 December 2019 to 2021. The projected financial information for the year ending 31 December 2022 has been provided by Group management.

The projected financial information detailed below relates to events in the future and are based on assumptions which the Group 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.

Income Statement	2019A	2020A	2021A	2022F
	€'000s	€'000s	€'000s	€'000s
Rental Income	-	-	25	35
Administrative expenses	(8)	(18)	(21)	(10)
Finance and other income	86	86	61	27
Net finance costs	(44)	(29)	(2)	-
Profit before tax	34	39	63	52
Taxation	(14)	(20)	(28)	(22)
Profit after tax	20	19	35	30

Statement of Financial Position	2019A	2020A	2021A	2022F
	€'000s	€'000s	€'000s	€'000s
Assets				
Non-current assets				
Investment property	25,507	25,507	25,757	25,757
Loans and other receivables	1,722	1,722	-	-
Total non-current assets	27,229	27,229	25,757	25,757
Current assets				
Loans and other receivables	405	491	1,274	1,283
Other receivables	-	6	4	3
Cash and cash equivalents	2	1	198	188
Total current assets	407	498	1,476	1,474
Total assets	27,636	27,727	27,233	27,232
Equity				
Equity and reserves	23,485	23,504	24,447	24,471
Total equity	23,485	23,504	24,447	24,471
Liabilities				
Non-current liabilities				
Bank borrowings and other financial liabilities	289	289	288	289
Deferred tax liabilities	2,040	2,040	2,060	2,060
Total non-current liabilities	2,329	2,329	2,348	2,349
Current liabilities				
Other payables	1,072	1,659	437	412
Bank loans	750	235	-	-
Total current liabilities	1,822	1,894	437	412
Total liabilities	4,151	4,223	2,785	2,761
Total equity and liabilities	27,636	27,727	27,232	27,232

Cash Flows Statement	2019A	2020A	2021A	2022F
	€'000s	€'000s	€'000s	€'000s
Net cash flows generated from/(used in) operating activities	(63)	(69)	55	9
Net cash flows generated from/(used in) investing activities	-	-	939	-
Net cash flows generated from/(used in) financing activities	64	68	(796)	-
Movement in cash and cash equivalents	1	(1)	198	9
Cash and cash equivalents at start of year	1	2	1	198
Cash and cash equivalents at end of year	2	1	199	207

Ratio Analysis ⁴	2019A	2020A	2021A	2022F
<i>Financial Strength</i>				
Gearing 1 (Net Debt / Net Debt and Total Equity)	4.2%	2.2%	0.4%	0.4%
Gearing 2 (Total Liabilities / Total Assets)	15.0%	15.2%	10.2%	10.1%

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

HIL owns land at Bengħajsa, Malta which, as at 31 December 2021, was valued at €25.8m. As noted in section 1 of the Analysis, moving into FY22, the Group finalised the acquisition of the shares of HIL, thereby effectively adding to its portfolio *circa* 92,000m² at Bengħajsa.

In line with previous projections, the FY21 results incorporate minimal rental income concerning a portion of the land which is currently being leased out to a third party. No other significant activities occurred during FY21 and no material movements are forecasted for FY22.

2.5 Hili Estates Limited

The following financial information is extracted from the audited financial statements of HEL for the financial years ended 31 December 2019 to 2021. The projected financial information for the year ending 31 December 2022 has been provided by Group management.

The projected financial information detailed below relates to events in the future and are based on assumptions which the Group 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.

Income Statement	2019A	2020A	2021A	2022F
	€'000s	€'000s	€'000s	€'000s
Revenue	994	1,001	1,031	1,045
Net operating expenses	(58)	(75)	(79)	(125)
EBITDA	936	926	952	920
Depreciation and amortisation	(95)	(95)	(1)	-
EBIT	841	831	951	920
Net investment income	(13)	1,066	-	103
Net finance costs	69	91	175	15
Profit before tax	897	1,988	1,126	1,038
Income tax	(290)	(413)	(355)	(379)
Profit after tax	607	1,575	771	659

Statement of Financial Position	2019A	2020A	2021A	2022F
	€'000s	€'000s	€'000s	€'000s
Assets				
Non-current assets				
Investment properties	15,731	16,900	16,900	17,069
Property, plant and equipment	95	-	-	-
Right of use of assets	30	1	-	-
Loans and other receivables	3,070	3,070	8,800	5,846
Total non-current assets	18,926	19,971	25,700	22,915
Current assets				
Loans and other receivables	3,713	4,245	5,215	5,575
Cash and cash equivalents	240	119	1,476	1,135
Total current assets	3,953	4,364	6,691	6,710
Total assets	22,879	24,335	32,391	29,625
Equity				
Equity and reserves	15,075	16,650	14,909	15,004
Total equity	15,075	16,650	14,909	15,004
Liabilities				
Non-current liabilities				
Bank Borrowings and loans	3,834	3,373	6,846	3,847
Deferred tax & other non-current liabilities	1,260	1,352	6,159	1,360
Total non-current liabilities	5,094	4,725	13,005	5,207

Current liabilities				
Bank overdraft and loans	452	462	247	-
Other financial liabilities	1,716	1,838	3,625	9,148
Other payables	542	660	605	265
Total current liabilities	2,710	2,960	4,477	9,413
Total liabilities	7,804	7,685	17,482	14,620
Total equity and liabilities	22,879	24,335	32,391	29,625

Cash Flows Statement	2019A	2020A	2021A⁵	2022F³
	€'000s	€'000s	€'000s	€'000s
Cash flows from operating activities	1,198	466	889	856
Interest paid	(164)	(167)	(230)	(292)
Income tax paid	(216)	(323)	(477)	(319)
Net cash flows generated from/(used in) operating activities	818	(24)	181	246
Net cash flows generated from/(used in) investing activities	(3,084)	520	(3,515)	(59)
Net cash flows generated from/(used in) financing activities	2,398	(617)	4,690	(527)
Movement in cash and cash equivalents	132	(121)	1,357	(340)
Cash and cash equivalents at start of year	108	240	119	1,476
Cash and cash equivalents at end of year	240	119	1,476	1,135

Ratio Analysis⁶	2019A	2020A	2021A	2022F
<i>Financial Strength</i>				
Gearing 1 (Net Debt / Net Debt and Total Equity)	21.2%	18.2%	27.4%	15.3%
Gearing 2 (Total Liabilities / Total Assets)	34.1%	31.6%	54.0%	49.4%

During the year under review, HEL was principally engaged in the management of the Nineteen-twenty three building in Marsa, Malta.

Rental income generated in FY21 amounted to €1m, an increase of 3% when compared to the prior year. Notwithstanding the fact that HEL incurred higher operating expenditure during FY21, the Company reported an improved EBTIDA of €952k (FY20: €926k). No fair value movements concerning investment property were recorded during the year under review. During FY22, the company has forecasted an increase of 1% in the fair value of its

investment property by *circa* €103k. HIL's net income is expected to amount to €0.7m.

In line with previous expectations, total bank borrowings and loans during FY21 amounted to *circa* €7m. Total borrowings are expected to taper down to €3.8m, predominantly due to bank loan repayments expected to take place during FY22. Meanwhile, other financial liabilities are expected to increase to *circa* €9m during FY22, predominantly as a result of the acquisitions planned to materialise by the end of 2022.

⁵ A reclassification was made from operating activities to finance activities in relation to inflows arising from related companies.

⁶ Ratio Analysis may not agree to prior FASs due to a change in the calculation methodology or due to rounding differences variance

Part 3 - Key Market and Competitor Data

3.1 European Economic Update⁷

Despite entering the year on a weak note, the outlook for the EU economy before the outbreak of the Ukraine war was for a prolonged and robust expansionary phase. The pandemic situation in Europe was improving, while most of the headwinds posed by logistic and supply bottlenecks and pressures on the price of energy and other commodities were expected to fade in the course of this year. Economic activity was expected to continue to be supported by an improving labour market, large accumulated savings, favourable financing conditions and the deployment of the Recovery and Resilience Facility (RRF).

However, the war has changed this picture, inevitably by accelerating renewed disruptions in global supply, fuelling further commodity price pressures and heightening uncertainty. The EU is first in line among advanced economies to take a hit, due to its geographical proximity to Russia and Ukraine, heavy reliance on imported fossil fuels, especially from Russia, and high integration in global value chains. In furtherance, large inflows of people fleeing the war posed a further organisational and coordination challenge for the EU.

Real GDP growth in both the EU is now expected at 2.7% in 2022 and 2.3% in 2023, down from 4.0% and 2.8%, respectively (as noted in previous projections prior the war). Output growth across 2022 has also been reduced from 2.1% to just 0.8%. These revised growth projections imply slower convergence to the output level that the economy would have attained in the absence of the pandemic shock, based on an extrapolation of the growth outlook from the last forecast preceding the pandemic.

In turn, the projection for inflation has been revised up significantly. In the EU, Harmonised Index of Consumer Prices (HICP) inflation is now expected to average an all-time high of 6.8% in 2022, before declining to 3.2% in 2023.

3.2 Malta Economic Outlook⁸

In May, the European Commission's Economic Uncertainty Indicator (EUI) increased when compared with April. Higher

uncertainty was largely driven by developments in services and industry, and to a smaller extent, among consumers.

In April, industrial production contracted in annual terms, following a small rise a month earlier. The volume of retail trade rose at a faster pace. The unemployment rate was marginally lower than that recorded in March and below last year's rate.

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

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 5.8% in May, up from 5.4% in the previous month. Inflation based on the Retail Price Index (RPI) edged up to 6.0% in May, from 5.7% a month earlier.

Maltese residents' deposits expanded at an annual rate of 8.8% in April following an increase of 10.1% in the previous month while annual growth in credit to Maltese residents stood at 7.8%, marginally above the rate of 7.7% recorded a month earlier.

The Consolidated Fund deficit in April 2022 narrowed compared with a year earlier as expenditure fell while revenue rose slightly.

Latvian Real Estate Retail Market⁹

The economy in Latvia is expected to continue recovering in 2022 as limiting growth factors continue to dissipate. GDP growth in 2021 reached 4.8% compared to a 3.6% decline in 2020. The cost of building materials and equipment have increased more than expected which dampened investment activity. The average inflation rate was 3.2% in 2021 with inflation reaching 7.9% in December 2021. Inflation is expected to be 6.1% in 2022 due to increasing energy prices, global supply chain issues and increased production and food prices.

During 2021 the total leasable area of shopping centres in Riga increased to 837,900 sqm (including only those with a total area more than 5,000 sqm and with at least ten tenants). One of the most significant events in the retail

⁷ European Economic Forecast – Spring 2022

⁸ Central Bank of Malta – Economic Update 6/2022

⁹ Real Estate Market Report 2022 (Ober-Haus, Sorainen)

property segments in Latvia for 2021 was the European grocery retailer LIDL entering the Latvian market with 17 stores totalling around 40,000 sqm.

Rimi, which is one of the largest grocery store chains in Latvia also expanded in 2021 by opening 3 new stores and increasing their presence to 134 stores in total. Another new grocery chain called Mere also entered the Latvian market in 2021 by opening two stores in Riga, one in Ogre, one in Tukums and one in Liepaja. Online shopping also continued to develop rapidly which is forcing more and more shopping centres to adapt to the reality presented by the pandemic.

The retail space rental market was more active in 2021 than it was in 2020 due to fewer pandemic containment measures being in place. The vacant space in shopping centres decreased to 7.0% in 2021 compared to 7.5% in 2020. Rental prices remained constant in 2021 with rents for small retail premises in Riga ranging from €10 to €30 per sqm per month and from €15 to €40 in higher traffic locations.

Romanian Real Estate Retail Market¹⁰

2021 was a positive year for the Romanian economy which continued to strengthen the arguments favouring a V-shaped recovery. 2020 was the first year since 2016 with negative GDP growth. In 2021 Romania managed to register GDP growth of around 6.6% which is 1.4 pps higher than the Eurozone area. 2022 and 2023 estimates for GDP growth also look healthy at 4.3% and 3.6% respectively.

The total investment volume in Romania for 2021 amounted to €920.1 million. This was 60% above 2020 levels and edges the country closer to the long-term annual average of €1.0 billion. Total investment activity in Romania picked up considerably in the second half of 2021, with this leading to a significant increase in trading activity. In total 43 real estate transactions were closed in 2021 with an average value of €21.4 million.

One of the most significant transactions during 2021 was signed during Q3 when the Hungarian investment fund “Adventum” entered the Romanian office market by acquiring Hermes BC in Bucharest for approximately €150 million. A second important transaction was between Austrian group “Supernova” which bought the real estate portfolio owned by the French-Belgian group Louis Delhaize at the end of 2021.

Most of the new investments were made in office and industrial properties. The investment volume by sector was split 45% office properties, 30% industrial properties, 19% retail sector and 6% was claimed by hotel, residential and other segments. The top three largest sources of capital were foreign investors coming from Austria, Czech Republic and Hungary which claimed almost three quarters of the annual volume.

At the end of 2021 Romania’s modern retail stock, comprising of shopping centres and retail parks reached circa 4 million sqm after an estimated 103,000 sqm were added throughout the year. The retail stock composition shifted slightly with more focus on retail parks rather than shopping centres. The new composition is now 37% retail parks and the remaining 63% attributed to shopping centres.

Maltese Real Estate Investment Market

2021 saw a rebound in the rental commercial market when compared to 2020 as many workers returned to their offices. Although the situation is expected to continue improving over time, the real long term effects of COVID-19 on the rental commercial market are still uncertain. The reason for this is two-fold. Employers want to take advantage of the lower costs associated with remote work in the form of either lower rent costs or reduced investments in office space whilst employees have found comfort in the flexibility associated with the working from home flexibility. The housing sector has also been affected by the pandemic. Property owners are now more comfortable accepting longer term rental agreements even if it means accepting lower overall income when compared to more frequent but shorter term rentals.

On the retail side, despite a year of economic uncertainty, retail appears to be on an upward trajectory in the early months of 2022, with innovation in digital technology and sustainability as the main exciting prospects in the face of the disruption brought about by the pandemic. Unfortunately, churn is expected to remain in the short to medium term, so anticipating consumer needs has never been more imperative and critical in the retail industry. Those retailers who have lately adjusted their business model and are able to address consumers’ needs at any time irrespective of their geographical location, are the ones that continue to win additional market share within the industry. Indeed, close monitoring in terms of how retailers adjust their business model is vital, as this will ultimately have a

¹⁰ Romania Real Estate Market Outlook 2022 (CBRE Research)

direct impact on the country's real estate investment market.

3.3 Comparative Analysis

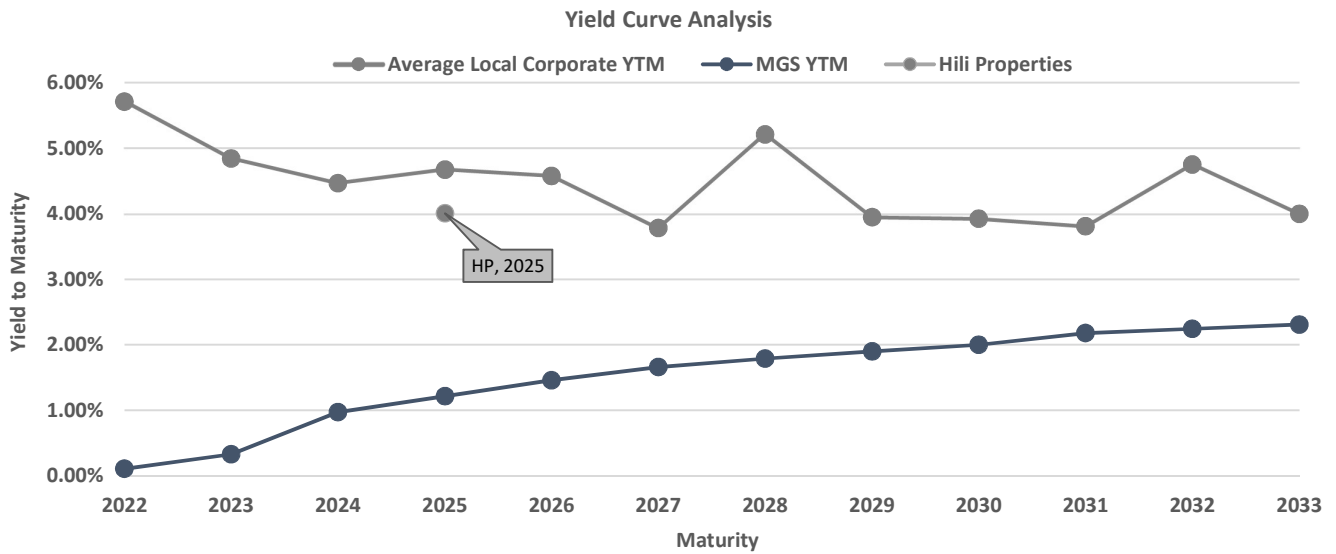
The purpose of the table below compares the debt issuance of the Issuer to other debt instruments. Additionally, we believe there is no direct comparable company related to the Issuer and, as such, we included a variety of securities with different maturities. More importantly, we have included different securities with similar maturity as the debt securities of the Issuer. One must note that, given the material differences in profiles and industries, the risks associated with the Issuer's business and that of other issuers is therefore different.

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	Revenue Growth (YoY)
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)
6% Pendergardens Developments plc Secured € 2022 Series II	19,757	5.71%	(2.3)x	59.5	30.7	48.4%	35.5%	4.6x	0.7x	3.91%	10.19%	-9.54%
4.25% GAP Group plc Secured € 2023	8,350	4.23%	7.8x	112.2	21.6	80.8%	66.3%	3.5x	6.2x	48.3%	17.7%	110.7%
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%	40.6%
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%	23.3%
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%	40.6%
5.3% Mariner Finance plc Unsecured € 2024	35,000	0.66%	3.3x	102.3	52.9	48.3%	46.6%	6.4x	0.5x	-0.5%	-1.8%	-7.0%
5% Hal Mann Vella Group plc Secured € 2024	30,000	3.67%	3.1x	123.8	48.5	60.8%	53.1%	9.0x	1.4x	2.5%	4.7%	7.7%
5.1% 1923 Investments plc Unsecured € 2024	36,000	4.01%	5.3x	149.7	52.8	64.7%	47.1%	2.9x	1.0x	11.9%	3.4%	15.0%
4.25% Best Deal Properties Holding plc Secured € 2024	9,183	4.20%	25.4x	24.6	6.9	71.9%	68.4%	3.9x	6.6x	50.2%	13.8%	83.2%
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%	40.6%
4.5% Hili Properties plc Unsecured € 2025	37,000	4.01%	1.5x	208.7	110.9	46.9%	32.3%	10.9x	4.7x	3.7%	37.5%	4.2%
4.35% Hudson Malta plc Unsecured € 2026	12,000	3.78%	10.9x	59.0	12.6	78.7%	68.5%	4.2x	1.5x	11.5%	3.4%	0.0%
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%	40.6%
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%	40.6%
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%	23.3%
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%	-70.9%
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%	86.6%
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%	28.2%
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%	22.0%
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%	28.2%
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%	22.0%
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%	23.3%
**Average		4.07%										

Source: Latest available audited financial statements

* Last closing price as at 09/06/2022

**Average figures do not capture the financial analysis of the Issuer



The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Yaxis) 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 also illustrates on a stand-alone basis, the yield of Hili Properties plc bond.

As at 9 June 2022, the average spread over the Malta Government Stock (MGS) for corporates with maturity range of 2 to 5 years (2024-2027) was 269 basis points. The current Hili Properties bond is trading at a YTM of 4.01%, translating into a spread of 279 basis points over the corresponding MGS. This means that this bond is trading at a marginal premium of 10 basis points in comparison to the market.

Part 4 - Glossary and Definitions

<i>Income Statement</i>	
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.
<i>Profitability Ratios</i>	
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).
<i>Cash Flow Statement</i>	
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.
<i>Balance Sheet</i>	
Total Assets	What the Group/Company owns which can be 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 be 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 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.



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