FINANCIAL ANALYSIS SUMMARY 2023

HILI PROPERTIES

Hili Properties p.l.c.

23 June 2023

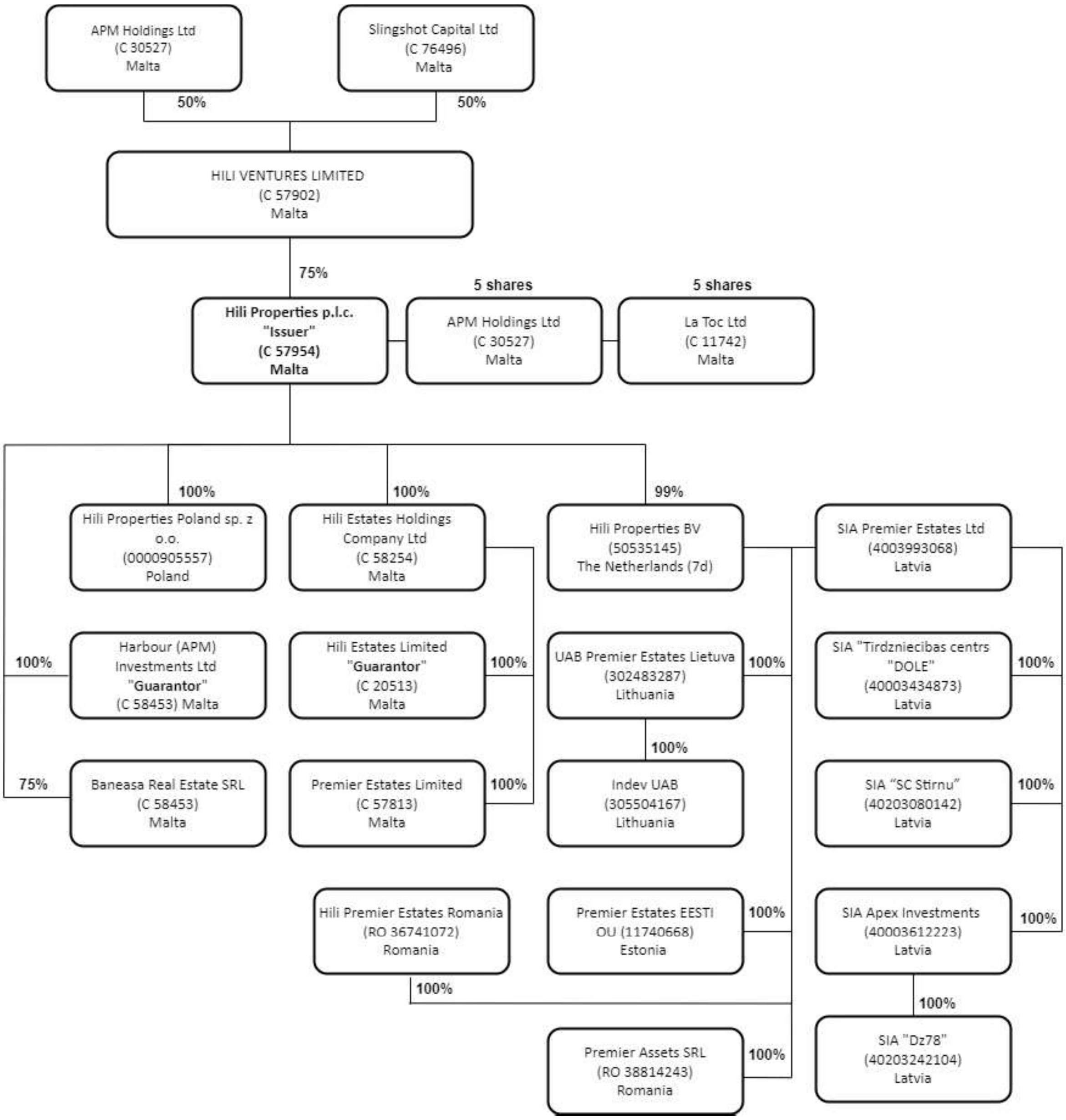
Prepared by Calamatta Cuschieri Investment Services Limited

Table of Contents

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. On 6 April 2022, the Issuer announced the acquisition of HIL from APM Holdings Ltd, thereby effectively adding to its property portfolio *circa* 92,000m^2 of land at Bengħajsa. In this respect, 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. The property measures around 5,686m^2 of office space and warehousing facilities. Management confirmed that, as at May 2023, 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 a 75% ownership of Baneasa Real Estate SRL, which was acquired by the Issuer on 4 August 2022. Furthermore, on 23 December 2022, the Group entered into another share purchase agreement for the acquisition of the remaining 25% shares in Baneasa Real Estate SRL, which is expected to be finalised in August 2024. The principal activity of Baneasa Real Estate SRL is to hold and rent immovable property.

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	Managing Director
Ms. Daniela Pavia	Chief Financial Officer

The business address of all the directors is the registered office of the Issuer. Mr. Adrian Mercieca is the company secretary of the Issuer, taking over from Dr. Laragh Cassar on 25 July 2022.

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 whom 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 4 employees and, in aggregate, the Group currently has 11 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. Georgios Kakouras	Director
Mr. Julian Caruana	Director

On 29 April 2022, Mr. Carmelo Hili resigned from the board of HIL and was replaced by Mr. Georgios Kakouras. Mr. Julian Caruana was also appointed onto the board of HIL on 4 November 2022.

Hili Estates Limited

Name	Designation
Mr. Georgios Kakouras	Director
Mr. Julian Caruana	Director

On 4 November 2022, Dr. Annabel Hili resigned from the board of HEL and was replaced by Mr. Julian Caruana.

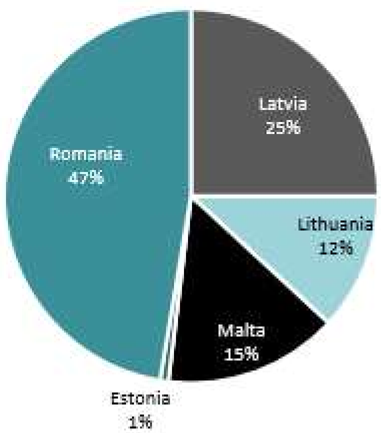
1.3 Major Assets owned by the Group

The Group's major assets comprise the following:

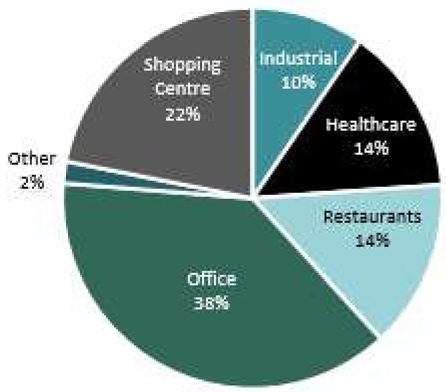
- **Real Estate Portfolio**

The Group owned 23 income-generating properties as of December 2022, with a total value of *circa* €210.3m. Since 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 an aggregate rentable space of 118,298m^2, which generates an annualised rental income of *circa* €12.2m. The group also owns a parcel of land under Harbour APM of around €25.7M, bringing the total value of investment property held by the group to €232.3m. The contracted gross rental yield is estimated at 5.6%. The Group's occupancy level, as at this date of this Analysis, is 99% with a weighted average unexpired lease term (WALT) of 9.6 years as at 31 December 2022. As noted through the graphical charts presented below, the Group's property portfolio is diversified across a number of asset types and geographical regions. As at the date of this Analysis, there have not been any acquisitions or disposals of property in 2023.

FY 22 Investment Property Value by Region



FY22 Investment Property by Category of Asset



Name of Property	Location	Description	Main Tenant	Rentable Area (m^2)	Valuation as at 31.12.2022 (€'000)	Occupancy rate (%) as at 31.12.22	WALT (in years)	Ownership
Imanta Restaurant	Riga, Latvia	Restaurant (with drive thru)	Quick Service Restaurant	2,709	2,300	100	8.8	Freehold
Vienibas Restaurant	Riga, Latvia	Restaurant (with drive thru)	Quick Service Restaurant	3,497	2,215	100	9.3	Freehold
Ulmana Restaurant	Riga, Latvia	Restaurant (with drive thru)	Quick Service Restaurant	2,000	1,875	100	12.4	Freehold
Dainava Restaurant	Kaunas, Lithuania	Restaurant (with drive thru)	Quick Service Restaurant	3,021	2,280	100	8.1	Freehold
Svajone Restaurant	Vilnius, Lithuania	Restaurant (in a building complex)	Quick Service Restaurant	580	2,610	100	8.4	Land is leased, building is freehold
Parnu Restaurant	Parnu, Estonia	Restaurant (with drive thru)	Quick Service Restaurant	1,803	1,510	100	7.4	Freehold
Rehau Industrial Building	Pramones str.35A, Klaipeda	Retail	Rehau	18,980	20,100	100	19.0	Land is leased, building is freehold
Supermarket and Retail Centre	Nicgales Street 2, Riga, Latvia	Retail	Rimi Latvia	2,863	7,780	99	1.6	Freehold

Shopping Centre	Dzelzavas Street 78, Riga, Latvia	Retail	Rimi Latvia	3,447	6,825	100	6.6	Freehold
Shopping Centre	Stirnu Street 26, Riga, Latvia	Retail	Rimi Latvia	7,068	20,140	90	9.7	Freehold
Maskavas Street 357	Riga, Latvia	Retail	Rimi Latvia &ALB	8,246	11,280	97.0	3.2	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
Nineteen Twenty Three building	Luqa, Malta	Office space/ Warehousing facilities	Hili Ventures Group	5,302	17,100	100	6.2	Freehold
Transport House	Floriana, Malta	Office space	Ministry of Energy	910	2,525	100.0	3.3	Freehold
Villa Marika	Madliena, Malta	Private residence	n/a	n/a	3,740	n/a	n/a	Freehold
Restaurant and overlying office, Sliema, Malta	Sliema, Malta	Restaurant and office space	Quick Service Restaurant	1,055	8,300	100	7.2	Freehold
Selgros Restaurant	Bucharest, Romania	Restaurant (with drive thru)	Quick Service Restaurant	1,499	2,441	100	15.8	Freehold
Bragadiru Restaurant	Bucharest, Romania	Restaurant (with drive thru)	Quick Service Restaurant	2,700	2,198	100	15.9	Freehold
Alba Iulia	Bucharest, Romania	Restaurant (with drive thru)	Quick Service Restaurant	1,184	1,201	100	16.8	Freehold
Santu Mare	Bucharest, Romania	Restaurant (with drive thru)	Quick Service Restaurant	1,346	1,239	100	16.8	Freehold
Coresi Brasov Restaurant	Bucharest, Romania	Restaurant (with drive thru)	Quick Service Restaurant	2,070	1,979	100	18.3	Freehold
Art Business Centre 7	Bucharest, Romania	Hospital and Office space	Delta Health Care and Delta Health Trade	23,773	30,100	100	11.7	Freehold
Miro offices	Bucharest, Romania	Office space	KPMG Romania	24,245	60,400	100	6.7	Freehold
Total				**118,298**	**210,288**	**99%**	**9.6**	

**This table also takes into account two portions of land adjacent to the relative buildings owned by the Group.*

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.

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.

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.

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 in Pramones Ave. 8B, Kaunas.

v. Svajone Restaurant, Vilnius, Latvia

The Svajone property is constructed on a stateowned land plot and is located at 15, Gedimino Avenue, a favourable and prestigious location in the centre of Vilnius in V. Kurika'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 Maante, Parnu.

vii. Rehau Industrial Building, Lithuania

The property is constructed on a 50,000m^2 plot and is located in a Free Economic Zone area in Klaipėda.

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

The property is constructed on a 16,785m^2 plot. The property is currently used as a retail and shopping centre.

ix. Shopping Centre, Dzelzavas Street, Riga, Latvia

The footprint of the property measures 8,062m^2 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-developed to a modern shopping centre.

x. 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. More information on this property can be found in section 1.4.4.1.

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

The property is a four-storey building having 8,000m^2 of gross intended leasable area and is occupied by more than 60 tenants.

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

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

xiii. 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 receded penthouse, and two interconnected apartments on the first and second floors, all for use as office space.

xiv. 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* 1,250m^2.

The property has been earmarked as held for sale at the end of December 2022, and is expected to be sold by the end of 2023.

xv. 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.

xvi. 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.

xvii. 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.

xviii. Alba lulia Restaurant, Alba, Romania

The Alba lulia restaurant is a drive-thru restaurant located near the city centre of Alba lulia, in the premises of Kaufland parking area, in the central part of the country, in Alba County.

xix. Satu Mare Restaurant, Satu Mare, Romania

The Satu Mare restaurant is a drive-thru restaurant located near the city centre of Satu Mare in the northern part of the country, in Satu Mare County.

xx. Coresi Brasov Restaurant

The Coresi Brasov Restaurant is a drive-thru restaurant located in the north-eastern part of Brasov, in the Tractorul neighbourhood.

xxi. 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 3,400m^2 and comprises *circa* 24,000m^2 of gross leasable area, of which *circa* 5,000m^2 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 taken over by the Regina Maria Private Healthcare Network, Romania's largest private health care network.

xxii. MIRO offices

In August 2022, the Group acquired a newly built Class A mixed-use property developed in the Baneasa area, with approx. 23,000m^2 of leasable area spread out over 5 levels and with a 1,700m^2 outdoor plaza. More information on this property is found in section 1.4.4.3 of this Analysis.

- **Harbour (APM) Investments Limited**

Apart from the above mentioned properties and as further explained in section 1.1 of this Analysis, the Group also owns *circa* 92,000m^2 of land in Bengħajsa, Malta. This property comprises a number of sites at Bengħajsa and is flanked by the Freeport and its service road to the Northeast, by Ħal Far Road to the Northwest, by the new LPG depot & Fort Bengħajsa to the South and by agricultural fields, Bengħajsa Village and Ħal Far Industrial Estate beyond to the South. The sites are reserved for industrial use.

Within the land, two sites have been developed into a 2.4 MwP solar farm as per Planning Authority permit PA10665/17 and have 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.

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. 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 Planning Authority permit PA 867/09.

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 strategic objective is the acquisition, management, and disposal of diversified low-risk real-estate assets, to provide stable returns to shareholders through long-term contracted cash flows and asset appreciation.

The issuer's properties are based in key cities in Europe. Focus is to provide exceptional property management and customer service, to its tenants operating from its properties. This way the issuer builds and enhances its reputation as a trustworthy and reliable commercial real estate owner in the industry.

Aiming to contribute to a more sustainable future the Issuer is enhancing its ESG efforts, implementing new green technologies and initiatives in its properties such as electric vehicle charging stations, recycling stations, solar panel installations and granting facilities to non-profit organisation for supporting good causes.

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 and divestment 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 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. Strategies in use include asset repositioning, rental extension or rental optimisation.

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 buildings 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 the portfolio through sales of assets.

Upon implementing the aforementioned business strategies, the Issuer utilises 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% of property for rent, the Board of Directors aims to maintain the same high level of occupancy rates for future investment properties. The average occupancy rate excludes the property under Harbour APM Investments and Villa Marika.

1.4.2 Properties sold

As also reported in last year's Analysis, three properties were sold by the Group. These properties consisted of three supermarket and retail sectors in Riga, namely the one in Vienibas Street, the one in Augusta Dombrovska Street and the one in Kreimenu Street.

1.4.3 Properties held for sale

As at 31 December 2022, property held for sale amounted to *circa* €3.7m and included Villa Marika, Malta.

1.4.4 Acquisitions

1.4.4.1 SIA SC Stirnu

This relates to a 7,863m^2 shopping centre in Riga, Latvia, built on 21,580m^2 of land. The property is situated in one of Riga's most densely populated residential areas. A top-brand RIMI hypermarket as well as other successful retail operators operate from the shopping centre.

1.4.4.2 Bengħajsa Land

In April, the Issuer acquired 100% of the 92,000m^2 parcel of land comprising a number of sites at Benghajsa next to the Malta Freeport. More information on this property can be found in section 1.3 under "Harbour (APM) Investments Limited".

1.4.4.3 MIRO offices

In August, the Issuer purchased 75% of their biggest asset to date situated in Bucharest, Romania. The property is located at 89A, Bucuresti-Ploiesti Road, in northern Baneasa area, on the exit road towards Henri Coanda International Airport. MIRO hosts extensive list of reputable companies, such as KPMG Romania, Rovere, COS, Cegeka, Eaton, Neoclinique, Speedwell, Stradale/Mitzu, Jura and Hisky.

1.5 Macroeconomic environment

1.5.1 War in Ukraine

The invasion of Ukraine by the Russian Federation just over a year ago has undermined the stability of Europe whilst adversely impacting food and energy security throughout the world. These stresses come just as economies are navigating their way out of the fiscal and demographic issues endemic to the COVID-19 pandemic. Although based on available insights to date, the Company and the Group are not expected to be directly negatively impacted by the ongoing invasion, the global inflation and interest rate risks associated with the conflict are liable to negatively impact the Company and the Group's profitability and ability to finance.

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.

1.5.2 Macroeconomic changes

Commercial real estate currently faces challenges with rising interest rates that result in increased financing costs and affect value of the investment properties held by the group.

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

The 2023 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 2022 financial performance of the Group and on the Group's knowledge and understanding of the potential implications brought about by 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 of higher utility expenses and higher interest rates

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 listed securities.

Security	ISIN	Amount
4.5% Hili Properties plc 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
3.75% Premier Capital plc Unsecured € 2026	MT0000511213	€65,000,000
3.85% Hili Finance Company plc 2028	MT0001891200	€40,000,000
3.8% Hili Finance Company plc 2029	MT0001891218	€80,000,000
3.8% Hili Finance Company plc 2029	MT0001891226	€50,000,000
Harvest Technology p.l.c. Ord €0.50	MT0002370105	22,780,636 Shares

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 2022, the aggregate net assets of both Guarantors together amounted to €40.1m (2021: €39.4m) 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 2020, 2021 and 2022. The projected financial information for the year ending 31 December 2023 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

Issuer's Statement of Comprehensive Income for the year ended 31 December	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
Revenue	8,112	8,451	12,526	14,507
Net operating expenses	(2,973)	(3,546)	(4,079)	(3,826)
EBITDA	**5,139**	**4,905**	**8,447**	**10,681**
Depreciation and amortisation	(158)	(47)	(48)	(74)
EBIT	**4,981**	**4,858**	**8,399**	**10,607**
Net investment income	3,575	2,124	3,042	755
Net finance costs	(3,344)	(3,223)	(4,643)	(5,333)
Profit before tax	**5,212**	**3,759**	**6,798**	**6,028**
Income tax	(1,116)	(590)	(826)	(1,014)
Profit after tax	**4,096**	**3,169**	**5,972**	**5,104**
Other comprehensive income				
Exchange differences - foreign operations	(5)	(26)	16	-
Total comprehensive income	**4,091**	**3,143**	**5,988**	**5,104**

EBITDA Derivation	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
EBITDA has been calculated as follows:				
Operating profit (EBIT)	4,981	4,858	8,399	10,607
Adjustments:				
Depreciation and amortisation	158	47	48	74
EBITDA	**5,139**	**4,905**	**8,447**	**10,681**

Ratio Analysis	2020A	2021A	2022A	2023F
Profitability				
Growth in Revenue (YoY Revenue Growth)	-11.4%	4.2%	48.2%	15.8%
EBITDA Margin (EBITDA / Revenue)	63.4%	58.0%	67.4%	73.6%
Operating (EBIT) Margin (EBIT / Revenue)	61.4%	57.5%	67.1%	73.1%
Net Margin (Profit for the year / Revenue)	50.5%	37.5%	47.7%	34.6%
Return on Common Equity (Net Income / Average Equity)	6.8%	3.7%	5.1%	4.0%
Return on Assets (Net Income / Average Assets)	2.7%	1.8%	2.6%	2.1%

Hili Properties achieved a record performance in FY22 which was the first full year following the Initial Public Offering

("IPO") in November 2021. The Group focused on the acquisition of new assets which led to an increase in revenue of 48.2% or €4.0m over the revenues of the previous year.

Management is forecasting FY23 revenues to be in the region of €14.5m due to the full year operations of the acquisitions made in the previous year, which will result in an increase of around 15.8% over FY22 actual results.

The Group's net operating expenditure during FY22 amounted to *circa* €4.1m, which is in line with the higher revenue generated over the year. Moving forward, management is forecasting net operating expenses to stabilise at around €3.8m. Acquisitions made in FY22 consist mainly of triple net assets, thereby passing on most of the expenses incurred to the tenants.

The Group reported an EBIDTA of €8.5m in FY22 (FY21: €4.9m), with this projected to improve to around €10.7m during FY23. Management noted that this projected improvement in EBITDA is mainly due to the full year operation of the Strinu asset, which was acquired in March 2022, and the Miro asset which was acquired in August 2022. Specifically, in view of the projected FY23 revenue improvement, the Group's EBITDA and EBIT margins are expected to amount higher to 73.6% and 73.1% respectively.

Net investment income amounted to €3.0m during FY22 and mainly relates to net increases in fair value gains on the properties located in Malta, Romania and the Baltic Countries. Investment income is expected to be around €0.8m during FY23 mainly because of further uplifts in fair value of properties held by the group.

The Group incurred a higher level of finance costs during FY22, amounting to €4.6m. These are expected to amount higher at €5.3m in FY23, mainly due to additional loans taken up during the previous year for acquisitions made, together with the higher interest rate environment.

Tax incurred by the Group during FY22 amounted to €0.8m. The Group is anticipating to incur €1.0m in taxation costs for FY23, which is in line with the higher profitability planned during the year.

The Group reported a profit after tax of around €6.0m during FY22 (FY21: €3.2m). In 2022, the Group benefited from a slight movement in exchange differences from foreign operations of €16k as a result of a stronger Romanian currency (RON) against the Euro which closed at RON 4.9474 at 31 December 2022 (2021: RON 4.9481). The US Dollar also benefited against the Euro and reached USD 1.0702 on 31 December 2022 (2021: USD 1.1323).

Notwithstanding the aforementioned improvement in EBITDA, profit after tax has been projected at €5.1m during FY23. This drop is mainly attributable to lower net investment income expected in FY23, since in the current global economic environment, rising interest rates, result in increased financing costs and affect the uplift of the value of the properties. In this regard, the Group's Net Margin is expected to taper down to 34.6% during FY23, from 47.7% in the prior year.

2.1.1 Variance Analysis

Issuer's Statement of Comprehensive Income for the year ended 31 December	Dec-22 Forecast	Dec-22 Audited	Variance
	€'000s	€'000s	€'000s
Revenue	12,019	12,526	507
Net operating expenses	(4,289)	(4,079)	210
EBITDA	**7,731**	**8,447**	**716**
Depreciation and amortisation	(55)	(48)	7
EBIT	**7,676**	**8,399**	**723**
Net investment income	703	3,042	2,339
Net finance costs	(4,204)	(4,643)	(439)
Profit before tax	**4,175**	**6,798**	**2,623**
Income tax	(1,588)	(826)	762
Profit after tax	**2,587**	**5,972**	**3,385**
Other comprehensive income			
Exchange differences - foreign operations	-	16	16
Total comprehensive income	**2,587**	**5,988**	**3,401**

In view of the positive variances recorded by the Group in terms of revenue generation and net operating expenditure during FY22, the Group registered an overall improvement in EBITDA of *circa* €0.7m over previous expectations. The net investment income reported in the Group's audited results amounted to €3.0m, whereas the comparable amount reported in the previous Analysis was €0.7m. Following an independent evaluation of the Group's property portfolio, the difference of €2.3m mainly relates to higher net fair value gains on properties located in Malta, Romania and the Baltic Countries, which values were reassessed after the previous projections were completed. The Group recorded a lower tax expense due to an expected sale on property that did not materialise and so was deferred to FY23.

In conclusion, actual total comprehensive income amounted to €6.0m, implying an overall improvement of €3.4m over previous expectations.

2.2 Issuer's Statement of Financial Position

Issuer's Statement of Financial Position as at 31 December	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
Assets				
Non-current assets				
Goodwill and other intangibles	16	16	16	16
Property, plant and equipment	80	75	110	190
Investment properties	105,199	124,626	232,298	205,890
Property held for sale	7,735	11,970	3,700	-
Other financial assets	24,500	24,500	-	-
Loans and receivables	5,231	1,225	547	547
Other non-current assets	2,151	2,341	5,712	1,261
Total non-current assets	**144,912**	**164,753**	**242,383**	**207,904**
Current assets				
Loans and other receivables	53	3,089	28	175
Other assets	1,616	3,661	2,976	5,246
Cash and cash equivalents	3,058	37,193	10,983	14,307
Total current assets	**4,727**	**43,943**	**13,987**	**19,728**
Total assets	**149,639**	**208,696**	**256,370**	**227,632**
Equity				
Called up share capital	41,592	80,179	80,179	80,179
Other reserves	633	7,090	7,125	7,125
Retained earnings	20,055	23,612	28,935	29,020
Non-controlling interests	395	-	8,691	9,294
Total equity	**62,675**	**110,881**	**124,930**	**125,618**
Liabilities				
Non-current liabilities				
Borrowings and bonds	72,188	84,413	103,634	90,405
Other financial liabilities	2,235	573	2,227	2,028
Deferred tax & other non-current liabilities	3,271	3,497	5,904	5,052
Total non-current liabilities	**77,694**	**88,483**	**111,765**	**97,485**
Current liabilities				
Bank loans	5,285	4,796	14,834	1,920
Other financial liabilities	11	722	37	50
Other current liabilities	3,974	3,814	4,804	2,559
Total current liabilities	**9,270**	**9,332**	**19,675**	**4,529**
Total liabilities	**86,964**	**97,815**	**131,440**	**102,014**
Total equity and liabilities	**149,639**	**208,696**	**256,370**	**227,632**

Ratio Analysis	2020A	2021A	2022A	2023F
Financial Strength				
Gearing 1 (Net Debt / Net Debt and Total Equity)	55.0%	32.5%	46.8%	38.9%
Gearing 2 (Total Liabilities / Total Assets)	58.1%	46.9%	51.3%	44.8%
Gearing 2 (Net Debt / Total Equity)	122.3%	48.1%	87.8%	63.8%
Net Debt / EBITDA	14.9x	10.9x	13.0x	7.5x
Current Ratio (Current Assets / Current Liabilities)	0.5x	4.7x	0.7x	4.4x
Interest Coverage level 1 (EBITDA / Cash interest paid)	1.4x	1.5x	2.0x	2.1x
Interest Coverage level 2 (EBITDA / Finance costs)	1.5x	1.5x	1.8x	2.0x

As per FY22 results, the Group's total assets amounted to €256.4m (FY21: 208.7m) and primarily consisted of investment properties, which on aggregate amounted to *circa* 90.6% of total assets. This sharp increase in investment property is mainly arising from the acquisitions made in FY22. The Group is planning the disposal of an investment property in FY23 amounting to around €30.0m and so, this is expected to decrease to €205.9m in FY23. This disposal is in line with the Groups business development strategy as also outlined in the prospectus to the share issue.

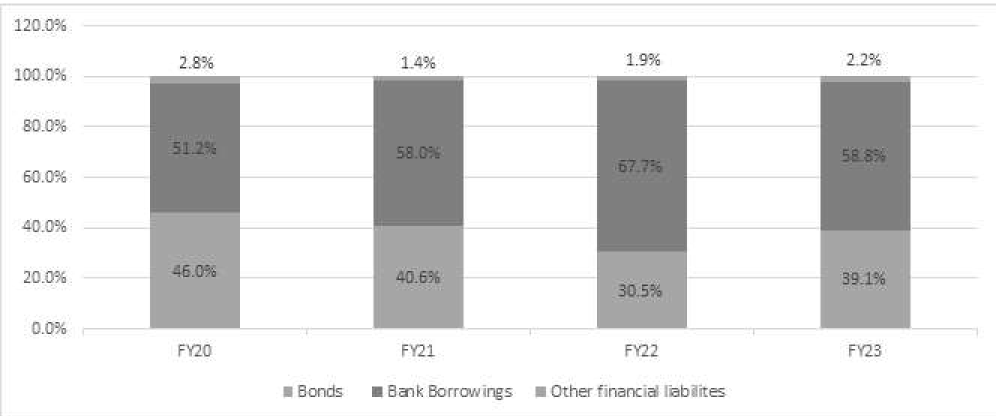
The Group's total non-current assets are also composed of property held for sale, which as at FY22 amounted to €3.7m and relate to the Villa Marika property. The group also has €5.7m worth of other non-current assets, which relate to deferred tax assets, trade and other receivables, right of use assets and restricted cash. The Group's non-current assets are expected to decrease to €207.9m during FY23, mainly because of the aforementioned decrease in investment property.

The Group's current assets, which are mainly composed of other assets and cash and cash equivalents, decreased to €14.0m during FY22 (FY21: €43.9m). Notably, this decrease is due to the investments carried out by the Group throughout the year resulting in a lower cash position. Overall, the Group is anticipating total assets to amount to €227.6m during FY23.

The Group's total equity increased to €124.9m during the year mainly due to the higher retained earnings and €8.7m worth of non-controlling assets related to the acquisition of MIRO. This is expected to remain stable during FY23.

Other than equity, the Group is financed through bank loans and bonds, which, as at FY22, amounted to €118.4m (FY21: €89.2). 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 FY23, the Group's total borrowings and bonds listed under noncurrent assets are expected to decrease to *circa* €90.4m. Total liabilities during FY23 are projected to decrease to €102.2m.

The aforementioned decrease in total borrowings is also reflected in the financial strength ratios, with all gearing ratios expected to amount lower during FY23. In view of the improved financial performance discussed above, both interest coverage ratios are expected to solidify further.



2.2.1 Variance Analysis

Issuer's Statement of Financial Position as at 31 December	Dec-22 Forecast	Dec-22 Audited	Variance
	€'000s	€'000s	€'000s
Assets			
Non-current assets			
Goodwill and other intangibles	41	16	(25)
Property, plant and equipment	111	110	(1)
Investment properties	221,915	232,298	10,383
Property held for sale	-	3,700	3,700
Loans and receivables	2,474	547	(1,927)
Other non-current assets	975	5,712	4,737
Total non-current assets	**225,516**	**242,383**	**16,867**
Current assets			-
Loans and other receivables	1,337	28	(1,309)
Other assets	224	2,976	2,752
Cash and cash equivalents	12,995	10,983	(2,012)
Total current assets	**14,556**	**13,987**	**(569)**
			-
Total assets	**240,072**	**256,370**	**16,298**
Equity			
Called up share capital	80,179	80,179	-
Other reserves	6,810	7,125	315
Retained earnings	24,003	28,935	4,932
Non-controlling interests	-	8,691	8,691
Total equity	**110,991**	**124,930**	**13,939**
Liabilities			
Non-current liabilities			
Borrowings and bonds	115,262	103,634	(11,628)
Other financial liabilities	1,089	2,227	1,138
Deferred tax & other non-current liabilities	5,188	5,904	716
Total non-current liabilities	**121,539**	**111,765**	**(9,774)**
Current liabilities			
Bank loans	3,872	14,834	10,962
Other financial liabilities	397	37	(360)
Other current liabilities	3,273	4,804	1,531
Total current liabilities	**7,541**	**19,675**	**12,134**
Total liabilities	**129,081**	**131,440**	**2,359**
Total equity and liabilities	**240,072**	**256,370**	**16,298**

The main variances arising within the Group's non-current assets during FY22 relate to higher acquisitions made which led to a positive variance of €10.4m in investment property. The Villa Marika property, which was earmarked for sale in FY22, was not sold and so led to a positive variance of €3.7m on the Issuers books. A portion of non-current loans and receivables were also reclassed as current assets whilst the acquisitions of properties led to higher than expected prepayments and accrued income as evidenced by the positive variance in other current assets. The variance in the Groups total equity during FY22 relates to higher profits registered in FY22, along with the addition of the minority interest following the acquisition of the MIRO property. When it comes to borrowings and bonds the Group reclassed around €11.0m worth of bank loans from the non-current section of the balance sheets to the current section, which was not forecasted. These mentioned loans are in the process of being refinanced and will be classified back to long-term liabilities by the end of FY23.

2.3 Issuer's Statement of Cash Flows

Issuer's Cash Flows Statement for the year ended 31 December	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
Cash flows from operating activities	4,529	5,457	13,147	10,588
Interest paid	(3,686)	(3,316)	(4,300)	(5,021)
Income tax paid	(520)	(965)	(404)	(551)
Net cash flows generated from / (used in) operating activities	**323**	**1,176**	**8,443**	**5,016**
Net cash flows generated from / (used in) investing activities	**4,588**	**(20,080)**	**(27,003)**	**13,575**
Net cash flows generated from / (used in) financing activities	**(8,988)**	**53,064**	**(7,666)**	**(15,283)**
Movement in cash and cash equivalents	**(4,077)**	**34,160**	**(26,226)**	**3,308**
Cash and cash equivalents at start of year	**7,141**	**3,059**	**37,193**	**10,983**
Foreign exchange adjustment	(5)	(26)	16	16
Cash and cash equivalents at end of year	**3,059**	**37,193**	**10,983**	**14,307**

Ratio Analysis	2020A	2021A	2022A	2023F
Cash Flow				
Free Cash Flow (Net cash from operations + Interest - Capex)	€4,004	€3,689	€12,243	€9,499

Following the positive performance registered in FY22 along with the favourable movements working capital activities, the Group reported an improved net cash generated from operating activities of €8.4m (FY21: €1.2m). Net cash generated from operating activities is projected to decrease slightly to around €5m during FY23.

With respect to investing activities, net cash outflow in FY22 amounted to *circa* €27.0m and mainly relates to an investment in subsidiaries amounting to €35.3m. The Group also generated €8.8m from the sale of investment property in FY22. Moving forward, net cash from investing activities is expected to turn positive and amount to *circa* €13.6m, as a result of investment property being disposed of around €30m over the year.

Net cash used in financing activities amounted to around €7.7m during FY22 (FY21: inflow of €53.1m). This is mainly attributable to the repayment of bank loans, which amounted to €8.0m. It is pertinent to note that the large inflow in FY21 was due to the IPO. Cash flows used in financing activities are expected to amount to €15.3m following increased bank loan repayments.

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

2.3.1 Variance Analysis

Hili Properties p.l.c. Statement of Cash Flows for the year ended 31 December	Dec-22 Forecast	Dec-22 Audited	Variance
	€'000s	€'000s	€'000s
Cash flows from operating activities	8,088	13,147	5,059
Interest paid	(3,925)	(4,300)	(375)
Income tax paid	(1,445)	(404)	1,041
Net cash flows generated from / (used in) operating activities	**2,718**	**8,443**	**5,725**
Net cash flows generated from / (used in) investing activities	**(50,766)**	**(27,003)**	**23,763**
Net cash flows generated from / (used in) financing activities	**24,447**	**(7,666)**	**(32,113)**
Movement in cash and cash equivalents	**(23,601)**	**(26,226)**	**(2,625)**
Cash and cash equivalents at start of year	**37,193**	**37,193**	**-**
Foreign exchange adjustment	-	16	16
Cash and cash equivalents at end of year	**13,592**	**10,983**	**(2,609)**

Net cash flows from operating activities was higher by €5.7m, mainly as a result of the acquisitions made throughout the year along with deferred taxation which was pushed to FY23 due to the Villa Marika property which was forecasted to be sold in FY22 but did not actually go through by the end of the year.

The main variance concerning investing and financing activities are due to a reclassification of €29.0m from investing activities to financing activities related to a share deal, which was previously classified as an asset deal. The remaining variances are attributable to the larger acquisitions made in FY22 together with the corresponding financing needed.

2.4 Harbour (APM) Investments Ltd

The following financial information is extracted from the audited financial statements of Harbour (APM) Investments Ltd ("**HIL**") for the financial years ended 31 December 2020 to 2022. The projected financial information for the year ending 31 December 2023 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.

HIL Statement of Comprehensive Income for the year ended 31 December	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
Rental Income	-	25	35	35
Administrative expenses	(18)	(21)	(67)	(23)
Finance and other income	86	61	36	-
Finance costs	(29)	(2)	-	-
Investment income / (loss)	-	-	(7)	-
Profit before tax	**39**	**63**	**(3)**	**12**
Taxation	(20)	(28)	(22)	(10)
Profit after tax	**19**	**35**	**(25)**	**2**

HIL Statement of Financial Position as at 31 December	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
Assets				
Non-current assets				
Investment property	25,507	25,757	25,750	25,750
Loans and other receivables	1,722	-	1,283	
Total non-current assets	**27,229**	**25,757**	**27,033**	**25,750**
Current assets				
Loans and other receivables	491	1,274	26	99
Other receivables	6	4	1	0
Cash and cash equivalents	1	198	204	65
Total current assets	**498**	**1,476**	**231**	**164**
Total assets	**27,727**	**27,233**	**27,264**	**25,914**
Equity				
Equity and reserves	23,504	24,447	24,422	23,778
Total equity	**23,504**	**24,447**	**24,422**	**23,778**
Liabilities				
Non-current liabilities				
Bank borrowings and other financial liabilities	289	288	690	-
Deferred tax liabilities	2,040	2,060	2,060	2,060
Total non-current liabilities	**2,329**	**2,348**	**2,750**	**2,060**
Current liabilities				
Other payables	1,659	437	93	76
Bank loans	235	-	-	-
Total current liabilities	**1,894**	**437**	**93**	**76**
Total liabilities	**4,223**	**2,785**	**2,843**	**2,136**
Total equity and liabilities	**27,727**	**27,232**	**27,265**	**25,914**

HIL Cash Flows Statement for the year ended 31 December	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
Net cash flows generated from / (used in) operating activities	**(69)**	**55**	**5**	**(10)**
Net cash flows generated from / (used in) investing activities	**-**	**939**	**-**	(130)
Net cash flows generated from / (used in) financing activities	**68**	**(796)**	**1**	**1**
Movement in cash and cash equivalents	(1)	198	6	(139)
Cash and cash equivalents at start of year	2	1	198	204
Cash and cash equivalents at end of year	**1**	**199**	**204**	**65**

Ratio Analysis	2020A	2021A	2022A	2022F
Financial Strength				
Gearing 1 (Net Debt / Net Debt and Total Equity)	2.2%	0.4%	2.0%	-0.3%
Gearing 2 (Total Liabilities / Total Assets)	15.2%	10.2%	10.4%	8.2%

HIL owns land at Bengħajsa, Malta which, as at 31 December 2022, was valued at €25.8m. As noted in section 1 of the Analysis, in 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 FY22 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 FY22 and no material movements are forecasted for FY23.

2.5 Hili Estates Limited

The following financial information is extracted from the audited financial statements of Hili Estates Limited ("**HEL**") for the financial years ended 31 December 2020 to 2022. The projected financial information for the year ending 31 December 2023 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.

HEL Statement of Comprehensive Income for the year ended 31 December	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
Revenue	1,001	1,031	1,151	1,114
Net operating expenses	(75)	(79)	(130)	(91)
EBITDA	**926**	**952**	**1,021**	**1,023**
Depreciation and amortisation	(95)	(1)	-	
EBIT	**831**	**951**	**1,021**	**1,023**
Net investment income	1,066	-	115	-
Net finance costs	91	175	20	(83)
Profit before tax	**1,988**	**1,126**	**1,156**	**940**
Income tax	(413)	(355)	(382)	(311)
Profit after tax	**1,575**	**771**	**774**	**629**

HEL Statement of Financial Position as at 31 December	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
Assets				
Non-current assets				
Investment properties	16,900	16,900	17,100	17,271
Property, plant and equipment	-	-	-	
Right of use of assets	1	-	-	
Loans and other receivables	3,070	8,800	10,052	10,052
Total non-current assets	**19,971**	**25,700**	**27,152**	**27,323**
Current assets				
Loans and other receivables	4,245	5,215	5,845	5,845
Cash and cash equivalents	119	1,476	204	461
Total current assets	**4,364**	**6,691**	**6,049**	**6,306**
Total assets	**24,335**	**32,391**	**33,201**	**33,629**
Equity				
Equity and reserves	16,650	14,909	15,683	15,488
Total equity	**16,650**	**14,909**	**15,683**	**15,488**
Liabilities				
Non-current liabilities				
Bank Borrowings and loans	3,373	6,846	6,067	2,042
Deferred tax & other non-current liabilities	1,352	6,159	10,003	15,814
Total non-current liabilities	**4,725**	**13,005**	**16,070**	**17,856**
Current liabilities				
Bank overdraft and loans	462	247	307	177
Other financial liabilities	1,838	3,625	-	
Other payables	660	605	1,141	108
Total current liabilities	**2,960**	**4,477**	**1,448**	**285**
Total liabilities	**7,685**	**17,482**	**17,518**	**18,141**
Total equity and liabilities	**24,335**	**32,391**	**33,201**	**33,629**

HEL Cash Flows Statement for the year ended 31 December	2020A	2021A	2022A	2023F
	€'000s	**€'000s**	**€'000s**	**€'000s**
Cash flows from operating activities	466	889	1,303	1,089
Interest paid	(167)	(230)	(293)	(318)
Income tax paid	(323)	(477)	(236)	(544)
Net cash flows generated from / (used) operating activities	**(24)**	**181**	**774**	**227**
Net cash flows generated from / (used in) investing activities	**520**	**(3,515)**	**303**	**87**
Net cash flows generated from / (used in) financing activities	**(617)**	**4,690**	**(2,349)**	**(57)**
Movement in cash and cash equivalents	(121)	1,357	(1,272)	257
Cash and cash equivalents at start of year	240	119	1,476	204
Cash and cash equivalents at end of year	**119**	**1,476**	**204**	**461**

Ratio Analysis	2020A	2021A	2022A	2023F
Financial Strength				
Gearing 1 (Net Debt / Net Debt and Total Equity)	18.2%	27.4%	28.2%	10.2%
Gearing 2 (Total Liabilities / Total Assets)	31.6%	54.0%	52.8%	53.9%

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 FY22 amounted to €1.2m, an increase of 11.6% when compared to the prior year. Notwithstanding the fact that HEL incurred higher operating expenditure during FY22, the Company reported an improved EBTIDA of €1.0m (FY21: €0.9m). HIL's profit after tax is expected to amount to €0.7m in FY23. During FY22, the company's investment property increased by €0.2m to €17.1m and is forecasted an increase by another €0.2m in FY23. Total bank borrowings and loans during FY22 amounted to circa €6.4m. Total borrowings are expected to taper down to €2.2m, predominantly due to bank loan repayments expected to take place during FY23. Meanwhile, other financial liabilities, which amounted to €3.6m in FY22, are expected to be negligible in FY23.

Part 3 - Key Market and Competitor Data

3.1 European Economic Forecast [1]

The better-than-expected start to the year lifts the growth outlook for the EU economy to 1.0% in 2023 and 1.7% in 2024. Upward revisions for the euro area are of a similar magnitude, with GDP growth now expected at 1.1% and 1.6% in 2023 and 2024 respectively. On the back of persisting core price pressures, inflation has also been revised upwards, to 5.8% in 2023 and 2.8% in 2024 in the euro area.

As inflation remains high, financing conditions are set to tighten further. Though the ECB and other EU central banks are expected to be nearing the end of the interest rate hiking cycle, the recent turbulence in the financial sector is likely to add pressure to the cost and ease of accessing credit, slowing down investment growth and hitting in particular residential investment.

After peaking in 2022, headline inflation continued to decline in the first quarter of 2023 amid a sharp deceleration of energy prices. Core inflation is, however, proving more persistent. In March it reached a historic high of 7.6%, whilst in April, the flash harmonised index of consumer prices estimate for the euro area, showed a marginal decline in the rate of core inflation. On an annual basis, core inflation in the euro area in 2023 is set to average 6.1%, before falling to 3.2% in 2024, remaining above headline inflation in both forecast years.

The EU labour market is expected to react only mildly to the slower pace of economic expansion. Employment growth is forecast at 0.5% this year, before edging down to 0.4% in 2024. The unemployment rate is projected to remain just above 6%. Wage growth has picked up since early 2022 but has so far remained well below inflation. More sustained wage increases are expected on the back of persistent tightness of labour markets, strong increases in minimum wages in several countries and, more generally, pressure from workers to recoup lost purchasing power.

Despite the introduction of support measures to mitigate the impact of high energy prices, strong nominal growth and the unwinding of residual pandemic-related measures led the EU aggregate government deficit in 2022 to fall further to 3.4% of GDP. In 2023 and more markedly in 2024, falling energy prices should allow governments to phase out energy support measures, driving further deficit reductions, to 3.1% and 2.4% of GDP respectively. The EU aggregate debt-to-GDP ratio is projected to decline steadily to below 83% in 2024 (90% in the euro area), which is still above the pre-pandemic levels.

3.2 Malta Economic Outlook[2]

According to the Bank's latest forecasts, Malta's gross domestic product (GDP) growth is projected to moderate significantly from 6.8% in 2022 to 3.7% in 2023, and to ease slightly further to 3.6% and 3.5% in 2024 and 2025, respectively. When compared to the previous projections, the Bank's latest forecast for headline GDP is broadly unchanged, as upward revisions in private investment and exports were offset by an upward revision in imports.

In 2023, domestic demand is expected to be the main driver of growth as investment begins to recover after last year's contraction, while consumption is expected to remain relatively robust. The net export contribution is expected to be marginal in 2023, as exports should grow at a significantly slower rate following the strong rebound seen in 2022. Although the contribution of net exports is set to edge up slightly in 2024 and 2025, domestic demand is then expected to remain the main driver of growth in those years.

Employment growth is set to moderate too, from 5.4% in 2022 to 3.3% in 2023, which partly reflects the envisaged slowdown in economic activity towards its potential. Over the rest of the projection horizon, employment growth is set to stand at 2.0%. The unemployment rate is expected to stand at 3.0% in 2023, and to remain at a relatively low level of 3.2% in 2024 and 2025.

In view of the increase in inflation in 2023, together with tight labour market conditions, wage growth is projected to be relatively strong. Nevertheless, nominal wage growth is forecast to remain below consumer price inflation in 2023 due to lags in the transmission from prices to wages. In later years wage growth is expected to remain robust and outpace consumer price inflation.

Annual inflation based on the Harmonised Index of Consumer Prices is projected to remain high in 2023, but significantly lower than in 2022. Indeed, it is envisaged to stand at 4.5% in 2023, down from 6.1% in 2022. The fall in

[1] European Economic Forecast – Spring 2023

[2] Central Bank of Malta – Central Bank's Forecast 2022-2025

inflation reflects a broad-based decrease across all sub-components of HICP, except for energy inflation. Services is envisaged to be the main contributor to HICP inflation, but non-energy industrial goods (NEIG) and processed food are also projected to contribute strongly to annual HICP inflation in 2023. Inflation is set to ease further in 2024 and 2025 to 2.3% and 2.1%, respectively.

The general government deficit-to-GDP ratio is estimated to have declined to 5.2% of GDP in 2022, from 7.5% in 2021. It is then projected to narrow further to 4.9% of GDP in 2023, and to continue declining over the rest of the forecast horizon, reaching 2.9% of GDP by 2025. This improvement is driven by a declining share of expenditure in GDP, especially following the unwinding of COVID-19 support measures in 2022 and the declining profile of inflation-mitigation measures. The general government debt ratio is estimated to have decreased in 2022 and then increase progressively over the rest of the forecast horizon, stabilising at around 58.0% by 2025.

On balance, risks to economic activity are slightly tilted to the downside in 2023 and more balanced thereafter. The main downside risks relate to the possibility of stronger than envisaged weakness in the international economic environment, which could lead to lower exports. Foreign demand may also be weaker than expected, especially if monetary policy in advanced economies tightens more forcibly than assumed in this projection round. Some of these risks could be mitigated by stronger than expected wage growth, which could offer additional support to household consumption.

Risks to inflation are considered as balanced for the entire projection horizon. Indeed, while the effect of upward price pressures to salaries in Malta and an incomplete lagged pass-through of past increases in energy costs in the euro area could increase commodity prices further, the re-opening of China could be seen as a partial reversal of the previous supply shocks. Also, a stronger pass-through of the recent appreciation of the euro, monetary tightening as well as lower international energy and transport costs should result in downward pressures on inflation.

On the fiscal side, risks are on the downside (deficit-increasing) from 2023 onwards. These mainly reflect the likelihood of State Aid to the national airline, though possible weaker economic growth would also have an impact. These risks may be partly offset by the profile of outlays on price mitigation measures, which could be less than projected if oil and gas prices stabilise at lower levels.

3.3 Baltic Real Estate Retail Market[3]

Despite war outbreak in February 2022 in Ukraine along with investors' initial cautiousness and a number of projects being put on hold due to uncertainty and construction cost increase, the total volume of commercial real estate investment in the Baltics exceeded the EUR 1 billion mark in 2022 and reached €1.27b).

The investment market recorded several large and medium-size single and portfolio deals, while the retail segment continued to be investors' top choice. Attention to such emerging asset classes such as the residential rental segment and senior housing continued to gain momentum. Although Baltic investors continued to dominate the market, 2022 saw increased activity from Nordic investors. During 2022 uncertainty remained strong around the cost of debt. Higher interest rates started to exert upward pressure on yields and suppress investment activity by year-end.

Despite all recent challenges, the office market has continued to demonstrate consistent activity, resulting in strong development activity. The largest contribution in office take-up in the region came from ITC and professional services companies. There were also some alarming events such as some tenants postponing their expansion in the region and a leap in energy prices in early autumn forcing developers to review their energy sustainability and ways of fixing this type of expenditure in leasing contracts. The market has rather shifted to tenant oriented as competition for both existing and potential tenants has picked up pace.

Following consequences caused by the pandemic and restrictions during 2020-2021, inflation, declining purchasing power and rising energy costs remained as the (new) key concerns for retail tenants throughout 2022. As expected, 2022 was a quiet year in terms of new professional retail object development, although active development continued in the grocery segment and several shopping centres started and/or continued partial redevelopment / refurbishment. In 2022, discount retailers remained the most notable demand generators in the segment.

[3]https://www.colliers.com/en-lv/research/colliers-2023-baltic-real-estate-market-overview

Although high uncertainty among tenants and developers initiated temporary delays in development and leasing processes, the industrial segment remained also overall active throughout the year.

3.4 Romanian Real Estate Retail Market[4]

2022 marks the second consecutive year of positive growth for Romania's economy following the global reset experienced in 2020. The much-needed jumpstart recorded during the previous year, resulting in a V-shaped trend line for Romania's YoY evolution, created the momentum for a second year of economic growth. With an estimated 4.3% annual increase overall in 2022, the country's GDP managed to keep an upward trend despite arising challenges. Projections indicate a steady course of evolution with yearly growths of 2.0% in 2023 and 3.0% in 2024.

2022 will be remembered as an exceptional year for the Romanian investment market, as the total investment volume exceeded the historical milestone of €1.0b by more than 25% (€1.25b). This amount is 36% higher than the volume registered in 2021 and 25% higher than the last pre-pandemic year. Bucharest proved again to be the most liquid real estate market for Romania generating 69% of last years' total investment volume. Throughout the year, twenty-one deals were closed for properties located in the capital, having an average ticket size of €41.1m, a value which surpasses last year's average by 8%. Regional, secondary and tertiary cities such as Cluj-Napoca, Oradea, Arad, Pitesti and Ploiesti contributed at the investment volume with fifteen transactions with and average deal size of €25.7.

Modern retail stock in Romania at the end of 2022 reached circa 4.1m sqm, as eleven new retail parks were inaugurated throughout the year. Throughout 2023 another 265,000 sqm are expected to be added to the country's modern stock when taking into account the under -construction and planned projects with an estimated delivery date by the end of the year. More than three quarters of the future new supply is developed as a retail park format, out of which the overwhelming majority of 93% will be welcomed in secondary and tertiary cities.

The continuous addition of modern products to the country's retail stock and the well-known Romanian spending habit encouraged new companies from various industries to expand or enter the local market. Seventeen newcomers opened stores in 2022, and most of them chose Bucharest as the first location in the country.

3.5 Malta Real Estate Retail Market

The strong economic growth sustained by the Maltese economy in recent years has contributed to a rise in the employment rate and the influx of foreign workers within the Maltese workforce. This has contributed to an increase in the demand for rental of office and commercial space in Malta. To address such growing demand, the supply of office and commercial space in Malta has considerably increased over the last couple of years. Of note, there are several traditional business areas in Malta. For instance, Sliema attracts many international brands and companies. Likewise, Valletta, being Malta's capital city, is considered as the hub for law firms and many long-established family businesses.

Other traditional commercial areas include the likes of St. Julian's, which is popular for its sea-view offices, and Floriana, which attracts businesses that want to be located in the vicinity of Valletta. In furtherance, there are also top-quality commercial developments within in the proximity of the airport and in other residential areas such as Naxxar, Mosta, Mellieha and in parts of the south of Malta. The variety of commercial and office space in Malta cater for every type of business, from start-ups to established global organisations. In this regard, numerous business centres have recently been developed, with new centres in the pipeline.

Data specifically related to commercial property in Malta is limited, thus making it more challenging to identify the exact state of this sector. Nevertheless, it is evident that Malta has, over recent years, completely evolved and has attracted a numerous amount of foreign companies related to sectors within the financial services, gaming and IT. It is therefore apparent that the demand for good commercial property has drastically increased, whereby Malta's property sector has been dominated by a situation of demand seemingly excessing supply. The latter has resulted into the majority of high-quality commercial developments being fully let.

[4] https://www.cbre.ro/en/research-and-reports/Romania-Real-Estate-Market-Outlook-2023

In line with latest statistical data issued by Eurostat[5], the index reflecting office building permits within the European Union, indicated business levels similar to 2021 throughout 2022, which were still well above the depressed levels experienced in 2020. In Q1 2022 the index increased slightly to 135.7 from 134.9 in the previous quarter. The index then increased further to 138.8 in Q2 before dropping to 126.4 and 124.9 levels in Q3 and Q4 respectively.

3.6 Comparative Analysis

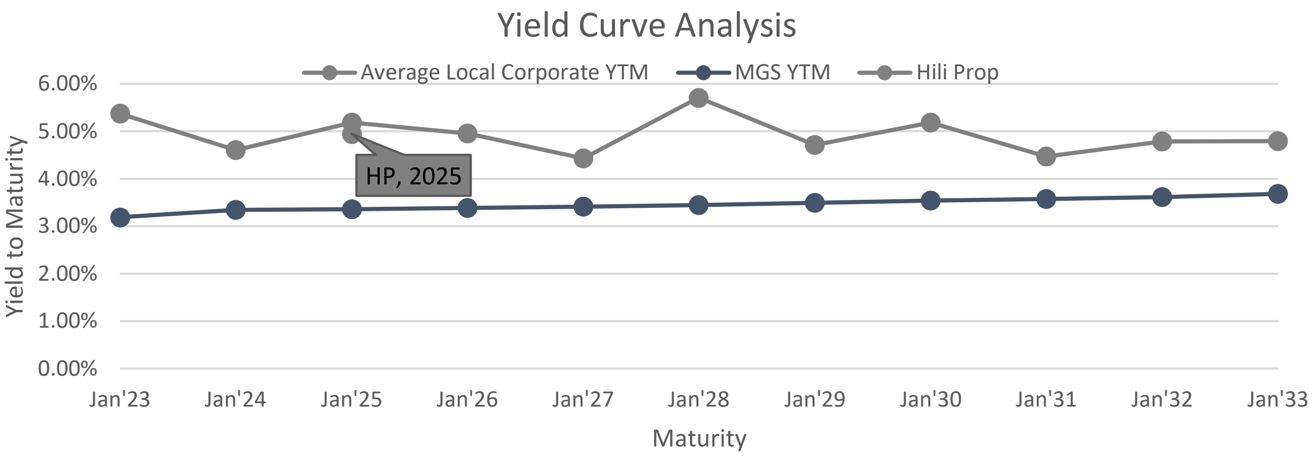
The purpose of the table below compares the debt issuance of the Issuer to other debt instruments. Additionally, we believe there is no direct comparable company related to the Issuer and, as such, we included a variety of securities with different maturities. More importantly, we have included different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

[5] https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

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)	(%)	(%)	(%)
4.25% GAP Group plc Secured € 2023	8,350	4.13%	14.6x	110.0	26.3	76.1%	61.4%	3.4x	2.4x	21.2%	17.2%	-41.1%
5.3% United Finance Plc Unsecured € 2023	8,500	9.35%	0.3x	18.4	7.9	56.9%	-8.7%	(4.7)x	1.1x	1.7%	15.4%	2.6%
5.8% International Hotel Investments plc 2023	10,000	2.58%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
6% AX Investments Plc € 2024	40,000	5.91%	2.6x	422.8	248.2	41.3%	30.0%	12.0x	1.1x	-0.1%	-0.7%	8.1%
6% International Hotel Investments plc € 2024	35,000	4.02%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
5% Hal Mann Vella Group plc Secured € 2024	30,000	4.98%	2.9x	124.6	50.3	59.6%	51.8%	9.5x	1.2x	3.4%	7.0%	-5.6%
4.25% Best Deal Properties Holding plc Secured € 2024	6,465	2.55%	12.3x	34.5	9.2	73.4%	69.7%	6.2x	9.8x	31.6%	18.1%	-29.9%
5.75% International Hotel Investments plc Unsecured € 2025	45,000	5.46%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
4.5% Hili Properties plc Unsecured € 2025	37,000	4.95%	2.0x	256.4	124.9	51.3%	46.3%	12.5x	0.7x	5.1%	48.8%	48.6%
5.25% Central Business Centres plc Unsecured € 2025 S2T1	2,985	5.25%	1.3x	58.2	23.8	59.1%	55.3%	18.6x	0.7x	0.8%	10.0%	19.9%
4.25% CPHCL Finance plc Unsecured € 2026	40,000	4.63%	1.6x	1,807.8	875.4	51.6%	41.2%	13.8x	0.8x	-0.4%	-1.3%	85.6%
4% MIDI plc Secured € 2026	50,000	4.34%	(.4)x	231.9	101.3	56.3%	41.9%	(67.7)x	3.0x	-2.2%	-66.6%	-63.7%
4% International Hotel Investments plc Secured € 2026	55,000	4.34%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
3.9% Plaza Centres plc Unsecured € 2026	5,680	4.06%	6.1x	36.8	26.6	27.7%	13.3%	2.1x	1.8x	2.7%	25.1%	12.4%
4% International Hotel Investments plc Unsecured € 2026	60,000	4.15%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.55%	2.6x	422.8	248.2	41.3%	30.0%	12.0x	1.1x	-0.1%	-0.7%	8.1%
3.75% Mercury Projects Finance plc Secured € 2027	11,500	5.22%	2.6x	179.4	37.2	79.3%	37.5%	3.5x	3.0x	24.1%	22.9%	666.2%
4% Eden Finance plc Unsecured € 2027	40,000	4.42%	4.8x	217.9	135.4	37.9%	25.3%	4.8x	0.8x	1.0%	3.5%	47.3%
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1	6,000	4.95%	1.3x	58.2	23.8	59.1%	55.3%	18.6x	0.7x	0.8%	10.0%	19.9%
4% Stivala Group Finance plc Secured € 2027	45,000	4.00%	7.7x	396.6	249.3	37.1%	29.0%	5.6x	0.7x	10.8%	93.7%	91.5%
	*Average	4.63%										

Source: Latest available audited financial statements

Last closing price as at 21/06/2023
*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 21 June 2023, the average spread over the Malta Government Stock (MGS) for corporates with maturity range of 1 to 4 years (2023-2027) was 72 basis points. The current Hili Properties bond is trading at a YTM of 5.19%, translating into a spread of 168 basis points over the corresponding MGS. This means that this bond is trading at a premium of 95 basis points in comparison to the market.

Part 4 - Glossary and Definitions

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

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

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

Balance Sheet	
Total Assets	What the Group/Company owns which can de further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.

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

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

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

Calamatta Cuschieri

Calamatta Cuschieri Investment Services Limited

Ewropa Business Centre, Triq Dun Karm, Birkirkara, BKR 9034, Malta
www.cc.com.mt