RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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The Board of Directors

Mediterranean Investments Holding plc
22, Europa Centre,
John Lopez Street,
Floriana FRN 1400

25 June 2021

Dear Sirs,

Mediterranean Investments Holding plc – Financial Analysis Summary (the **"FAS")**

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

The purpose of the Analysis is that of summarising key financial data relating to Mediterranean Investments Holding plc (the "**Company**"). The data is derived from various sources of information available or is based on our own computations as follows:

(a) Historical financial data for the three years ended 31 December 2020 has been extracted from the audited financial statements of the Company;

(b) The forecasts for the financial year ending 31 December 2021 have been provided by management and approved by the Directors of the Company;

(c) Our commentary on the results and financial position is based on explanations provided by the management of the Company;

(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions as set out and defined within the report; and

(e) Relevant financial data in respect of the comparative set as analysed in Part D of this report has been extracted from public sources such as the web sites of the companies concerned, or financial statements filed at the Registry of Companies.

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

Yours sincerely,

Vincent E. Rizzo

Director

Mediterranean Investments Holding P.L.C.

FINANCIAL ANALYSIS SUMMARY

25 JUNE 2021

NB: Information about the Guarantor of the Bonds is available in the Financial Analysis Summary dated 31 August 2020 (https://www.corinthiagroup.com/investors/analysis-reports/) and which is expected to be updated by not later than 30 June 2021.

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

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List of Abbreviations

AHC	Alinmaa Holding Company
AUCC	Arab Union Contracting Company (Libya)
BOT	Build, Operate and Transfer agreement
CF	Corinthia Finance plc
CPHCL	Corinthia Palace Hotel Company Limited
EBITDA	Earnings before interest, tax, depreciation and amortisation
F&B	Food and beverage
GDP	Gross Domestic Product
IHI	International Hotel Investments plc
LPTACC	Libya Projects and General Trading and Contracting Co.
MFSA	Malta Financial Services Authority
MGS	Malta Government Stocks
MIH	Mediterranean Investments Holding plc
MSS Agreement	Management and Support Services Agreement
MTJSC	Medina Tower Joint Stock Company
NGO	Non-Government Organisation
NREC	National Real Estate Company
PCL	Palm City Limited
PPE	Property, plant and equipment
PWL	Palm Waterfront Limited
RevPAU	Revenue per available unit
UN	United Nations
UNSMIL	United Nations Support Mission in Libya
YTM	Yield to maturity

Important Information

Purpose of the Document

Mediterranean Investments Holding p.l.c. (the "**Company**" or "**MIH**") has the following listed bonds:

- €40 million 5% Unsecured Bonds 2022 pursuant to a prospectus dated 29 May 2017; and
- €20 million 5.5% Unsecured Bonds 2023 pursuant to a prospectus dated 1 July 2020,

(hereinafter, collectively referred to as the "**Bond Issues**").

Each prospectus of the Bond Issues included a Financial Analysis Summary ("**FAS**") drawn in line with the Listing Policies dated 5 March 2013 of the Listing Authority of Malta. The purpose of this report is to provide an update to the FAS (the "**Update FAS**") on the performance and on the financial position of the Company.

Sources of Information

The information that is presented on MIH has been collated from several sources, including the Company's website (www.mihplc.com), discussions with MIH's management, the Company's audited Financial Statements for the years ended 31 December 2018, 2019 and 2020 and management forecasts for the financial year ending 31 December 2021.

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

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

Previous FAS Issued

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

FAS dated 2 June 2014 (appended to the prospectus)

FAS dated 1 July 2015 (appended to the prospectus)

FAS dated 31 May 2016

FAS dated 29 May 2017 (appended to the prospectus)

FAS dated 22 June 2018

FAS dated 25 June 2019

FAS dated 1 July 2020 (appended to the prospectus)

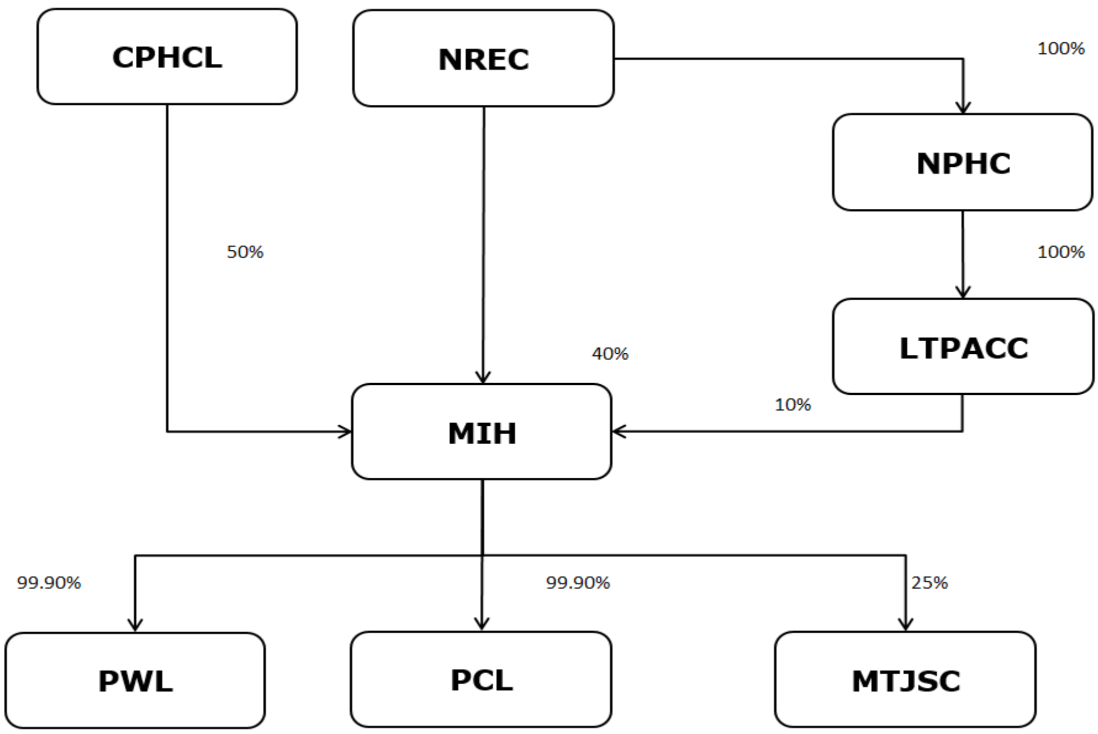
1. INTRODUCTION

MIH was incorporated in December 2005 and converted into a public limited company in 2007. It is owned, directly or indirectly, equally by National Real Estate Company ("**NREC**") and CPHCL, as illustrated below.

The principal activities of MIH relate to the acquisition, development and operation of real estate projects outside Malta, particularly in North Africa. The types of properties of interest to the Company include, without limitation, residential gated villages, build-operate-transfer projects, office and commercial buildings, retail outlets, shopping malls, housing, conference centres and other governmental projects.

Currently, MIH, through its wholly owned subsidiary Palm City Limited ("**PCL**"), operates the Palm City Residences in Janzour, Libya through a build-operate-transfer agreement entered into between PCL and Corinthia Palace Hotel Company Limited ("**CPHCL**"). It also owns 25% of the share capital of Medina Tower Joint Stock Company ("**MTJSC**"), a company incorporated with the objective to construct the Medina Tower, a proposed 199,000 square metre mixed-used development in the heart of Tripoli. Palm Waterfront Limited ("**PWL**") is a wholly owned subsidiary of MIH (99.9%) and is responsible for the future development of the Palm Waterfront project. The Palm Waterfront project is located adjacent to Palm City Residences. The Palm Waterfront project will become a natural extension to the Residences and will create synergies between the two developments by providing added facilities such as a hotel, yacht marina, restaurants and leisure outlets that will greatly enhance the lifestyle experience at both Palm City Residences and Palm Waterfront. The Medina Tower and the Palm Waterfront projects are also both situated in Libya and their execution is currently on hold.

ORGANISATION AND SHAREHOLDING CHART OF MIH



Source: Management Information

The Parent Companies

NREC

NREC holds a 40% direct shareholding in MIH and another 10% is held indirectly through its wholly-owned subsidiary – Libya Projects and General Trading and Contracting Co. ("**LPTACC**"). NREC is a Kuwaiti-listed company with an international focus on real estate. It has to date developed a strong portfolio of retail, commercial and residential real estate mainly in new and established markets across the Middle East and North Africa (MENA) region.

CPHCL

CPHCL is an investment company registered in Malta which owns 50% of MIH and acts as the guarantor in terms of the €40 million 5.0% Bonds 2022 (which were issued in May 2017) and the €20 million 5.5% Bonds 2023 (issued in July 2020). Apart from its investment in MIH, CPHCL has over the years expanded into an international group in the hospitality and leisure industry, principally through IHI plc, a publicly listed company in which CPHCL holds 57.8% of its equity. It is the parent company of the Corinthia Group and is principally engaged in the ownership, development and operation of hotels and other activities related to the hospitality industry in various countries either directly or through subsidiaries.

The Subsidiaries

PCL

Palm City Limited is a private limited liability company incorporated and registered in Malta on 10 June 2004. It has an authorised share capital of €250,000,000 and an issued share capital of €140,500,000 divided into 140,500,000 ordinary shares of €1 each, fully paid up. PCL is a wholly owned subsidiary of the Company.

PWL

Palm Waterfront Limited is a private limited liability company incorporated and registered in Malta on 3 August 2012. It has an authorised share capital of €100,000,000 and an issued share capital of €2,000 divided into 2,000 ordinary shares of €1 each, fully paid up. PWL is a wholly owned subsidiary of the Company.

MTJSC

The Company holds a 25% equity participation in Medina Tower Joint Stock Company for Real Estate Investment and Development ("**MTJSC**"), a joint stock company incorporated and registered in Libya on 20 May 2010. The remaining 75% is held equally by IHI and two Libyan investment companies – Arab Union Contracting Company ("**AUCC**") and Alinmaa Holding Company ("**AHC**").

Further information on operations and updates on each of PCL, PWL and MTJSC is found in section 5 of this report.

2. Governance and Management

The current Board of MIH consists of seven directors who are entrusted with the overall direction and management of the Company. The Board's mandate is to identify and execute new investment opportunities and obtain related funding. The Board is composed as follows:

Alfred Pisani	Executive Chairman
Joseph Fenech	Executive Director
Joseph M. Pisani	Non-Executive Director
Faisal J. S. Alessa	Non-Executive Director
Ahmed Wahedi	Non-Executive Director
Ahmed Yousri Helmy	Non-Executive Director
Mario P. Galea	Non-Executive Director

The company secretary is Stephen Bajada.

The Company does not have any employees of its own. MIH is reliant on resources made available by CPHCL pursuant to a management and support services agreement ("**MSS Agreement**"). Through the MSS Agreement, Reuben Xuereb provides his services as the CEO of the Company, Rachel Stilon as the CFO and Stephen Bajada as the Company Secretary. Other than these executives, there are several executives in the accounting, auditing, legal, secretarial, insurance and other departments who provide services to MIH on an ad-hoc basis.

The average number of employees engaged by the MIH group within the various subsidiaries during FY2020 was 82, of which 15 are administrative employees and the remaining are employed in operations.

3. Material Updates

Despite the persisting socio-political turmoil in Libya, the financial and operational performance of the Company over the past three years remained resilient. The average occupancy level at Palm City Residences, as the only operating asset of the Company, rose to 55.2% in FY2019 from 39.2% in the previous year, whilst in FY2020, although the average occupancy eased to 51.7% (reflecting the impact of COVID-19), the Palm City Residences closed the year with an occupancy of 55.7%.

In addition to the encouraging signs in occupancy levels, the average monthly rent per unit reached €8,993 in FY2020 compared to €8,857 during FY2019 and €8,531 in FY2018.

Notwithstanding the difficult operating environment, during the past three years, Palm City Residences was operational at all times and maintained adequate human resources to keep up with the increase in demand and retain the Residences in a pristine condition. Moreover, PCL continued to invest in additional and enhanced security features to better secure the gated village. During FY2019, the Company incurred capital expenditure amounting to €0.6 million which related to the perimeter wall surrounding the Residences and constructed a security gate room for additional security. This was important as several tenants, particularly those who are heavily invested in Libya, kept their leases running with a view to physically return to the country at the first possible opportunity.

During FY2020, the Company continued to strengthen its maintenance and support capabilities at Palm City Residences. This enabled it to capture revenue from many short-term lease opportunities that continued to present themselves, while preparing for and servicing longer term requirements, both in the residential areas and also in back-end system operations. During the year, management carefully implemented further measures to improve the product and spent money in areas that needed to be refurbished to ensure that all new business could be serviced to client expectations. Providing secure accommodation with a 24 x 7 service continues to be a key criterion for the Company.

4. Issuer's Material Contracts

4.1 MSS Agreement

MIH is party to an MSS Agreement with CPHCL entered into in January 2020. Under this agreement, MIH is provided with management support services at the strategic level of its business that benefits MIH from the experience and expertise of CPHCL in the conduct of its business and the implementation of a highly efficient and cost-effective business model. The MSS Agreement also makes available to MIH top executive and central administrative level staff and support personnel from the Corinthia Group. MIH is provided the below services at an annual fee of €404,400 (which is adjusted annually by a 5% inflation):

- the commitment of an executive team with over 43 years' experience of successfully operating in Libya;
- an experienced, motivated, proven and loyal local and foreign senior management team of international calibre with an average of over 25 years' service;
- a team of well-qualified and dynamic young professionals, increasing the potential for future growth;
- an effective monitoring system assuring controls on standards and performance;
- a long experience in developing, managing and maintaining properties planned and built to high quality standards with equally high standards demanded on maintenance, resulting in high quality, well-maintained assets; and
- corporate strength through a long-term policy of diversification into construction, project management and other service ventures.

4.2 Build-Operate-Transfer Agreement

Through its subsidiaries – PCL and PWL – MIH has in place two build-operate-transfer ("**BOT**") agreements with CPHCL as detailed further in section 5 below.

5. MAJOR ASSETS OF THE ISSUER

The values attributable to the major asset of each of the underlying investments are summarised below:

	Valuation Basis	FY2018	FY2019	FY2020
		€'000	*€'000*	*€'000*
Palm City Residences *(65-year BOT agreement expiring 2071)*	Discounted Cash Flows	271,977	272,542	272,568
Palm Waterfront *(80-year BOT agreement expiring in 2093)*	Cost + Capitalised expenses	8,682	8,784	8,898
Medina Tower * *(25% shareholding in MTJSC)*	Equity contribution	12,761	12,790	12,186

Source: MIH plc financial statements for the years 2018, 2019 and 2020.

** The equity contribution that MIH has in Medina Tower is denominated in Libyan Dinars (LYD). MIH's investment in Medina Tower did not change between FY2018 and FY2020, and the differences in the value of such investment as reported above relate to foreign exchange differences (unrealised) relating to the EUR/LYD rates prevailing as at the year-end date.*

5.1 PALM CITY RESIDENCES

The following is an overview of the only operating asset of the Company – Palm City Residences. PCL is a wholly owned subsidiary of MIH (99.9%), set up to develop and operate the Palm City Residences in Janzour, Libya. The site hosting the development of a 413-unit village has a footprint of 171,000 square metres and a shorefront of approximately 1.7 kilometres.

CPHCL holds title to the land where Palm City Residences is built, pursuant to a 99-year lease agreement dated 5 July 2006. PCL entered into a BOT agreement for 65 years with CPHCL (effective 6 July 2006) whereby PCL was engaged to undertake the construction and operations of the complex. Under the BOT agreement, PCL will operate the residences at its own risk and for its own benefit. Upon expiry of this agreement, PCL will be required to transfer the operations back to CPHCL for the remaining useful life of the lease until 2105[1].

[1] *The Group is in the process of registering a joint stock company in Libya, to be owned as to 90% of its share capital by PCL (CPHCL and NREC to hold the remaining 10% in equal proportions between them). Subject to approval by the competent authority in Libya, the Libyan Investment Board, title to the land underlying the Palm City Residences will be transferred by CPHCL to such company. Upon such title transfer taking effect, the BOT agreement between PCL and CPHCL will be terminated, resulting in PCL no longer being bound to return the operation of the Palm City Residences to CPHCL upon the lapse of the said 65-year term.*

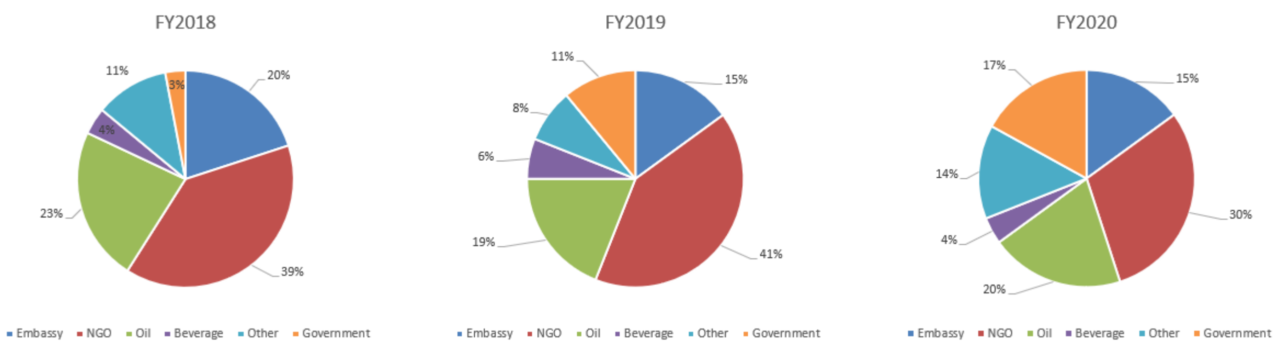
Performance of Palm City Residences

In each of the past three financial years (FY2018 to FY2020), PCL generated 100% of the Group's annual revenues as per below table:

for the year ended 31 December	Actual 2018 *€'000*	Actual 2019 *€'000*	Actual 2020 *€'000*
Residential leases	15,905	24,173	22,988
Commercial leases	1,118	1,210	871
F&B	1,024	814	914
Other income	813	1,064	822
Total PCL revenue	**18,860**	**27,261**	**25,595**
MIH plc - Group Revenue	**18,860**	**27,261**	**25,595**
PCL revenue contribution	**100%**	**100%**	**100%**
Average Occupancy	**39.2%**	**55.2%**	**51.7%**
RevPAU (revenue in € per unit per month)	**3,209**	**4,877**	**4,638**

Source: Management Information

PCL was the only revenue-generating asset of MIH in FY2020, as the other two projects remain on hold in view of the continued level of instability in Libya. Nevertheless, with Palm City Residences being the only gated residential complex of international repute, it is sought after by a number of blue-chip companies, organisations and embassies. Other than the improved occupancy levels noted over the years, the revenue that was being generated per available unit has increased notably – from €3,209 in FY2018 to €4,877 in FY2019 before easing to €4,638 in FY2020 reflecting the impact of COVID-19 on short-term leases.



The occupancy mix has historically been predominantly composed of leases concluded with Embassies, NGOs and Oil & Gas companies, which took up an average of 74% of the leased units between FY2018 to FY2020. In FY2020, there was a notable shift in units occupied by other entities and businesses which increased to 14% (8% in FY2019 and 11% in FY2018). Similarly, the portion of units leased to government bodies increased to 17% compared to 11% in FY2019 and 3% in FY2018. On the other hand, lease of units to NGOs dropped from an average of 40% in FY2018 and FY2019 to 30%.

Lease Contract Term

	FY2018	FY2019	FY2020
Short Term (< 1 year)	16%	20%	23%
Medium Term (1 year)	51%	42%	44%
Long Term (2 to 5 years)	33%	38%	33%

Over the past three years, the contracted leases for units at the Palm City Residences for the long term remained well above 30% of total leases, although a reduction to 33% was reported in FY2020 from 38% in FY2019. The high level of long-term leases reflects PCL's tenants' commitment to move back to Libya and remain there for the long-term in line with the improving socio-political situation. In contrast, the proportion of short term and medium-term leases increased in FY2020 to 23% and 44% respectively from 20% and 42% in FY2019.

The competitive edge that Palm City Residences has over other similar residential compounds has always been its location, high operating standards and security features, given its proximity to Tripoli but secluded in terms of security features. In 2020 the conflict in and around Tripoli, which had started the year before, become even more intense in Q2. A few months before the hostilities in Tripoli moved well away from the capital, the Covid pandemic gained traction with new cases being registered all over Libya, similar to what happened in other countries. This latter development resulted in the Libyan authorities deciding to close the country's borders, a move which impinged on the short-term business that Palm City Residences was enjoying at the time. Despite these operational challenges, and coupled with the resiliency of the company's well-tested business model, occupancy rose sharply from a low of 48% in Q2 to almost 56% in Q4. Despite some indirect competition from smaller scale entrepreneurs, including security companies who might choose to offer in-house accommodation to their clients as part of a security service package, it is well-clear that to date, no other compound offers the same level of lifestyle, top-quality service, security and the extent of facilities, both leisure and commercial, to its residents, as those enjoyed at Palm City Residences. The return of high-profile clients presently signing up leases or showing serious interest in their forward planning is evidence of this.

Management believes that the Group enjoys a dominant market position and although Palm City Residences suffered from a significant decline in occupancy levels in previous years in consequence of events prevailing on the ground, it remained operational at all times, maintained in pristine condition and is closely monitored by management.

Outlook for PCL

Despite the COVID-19 pandemic, Palm City Residences managed to achieve a higher average occupancy rate in FY2020 compared to the Company's previous forecast of 46.1%. For FY2021, although travel restrictions are still in place, the socio-political situation in Libya is expected to continue improving ahead of the presidential and parliamentary elections which are scheduled to be held on 24 December 2021. Clearly, advances in the country's COVID vaccination programme and subsequent easing of restrictions will be expected to contribute towards facilitating more new business. Nonetheless, management is prudently expecting occupancy levels to remain in line with that of FY2020 and is estimating an overall average of 53% for FY2021.

Expenditure of Capital Nature at Palm City Residences

Palm City Residences is treated as an investment property, which is held to earn rentals and for capital appreciation. It is accounted for using the fair value model and is based on the discounted values of management's estimates of expected future cash flows. Therefore, any change in the value of such investment property is affected, in the main, by occupancy levels and unit rates or material events that affect the prospects of the Residences. Investment property is not subject to depreciation, but a revaluation assessment is done every year.

Any expenditure of a capital nature at Palm City Residence is classified into two categories: i) capex of a replacement and/or maintenance nature; and ii) capex of an improvement/addition nature. The former is expensed in the income statement, while only the latter is capitalised. Nonetheless, the latter is subject to the fair value assessment as mentioned above.

For FY2021, MIH has scheduled replacements and maintenance of a capex nature for a value of €1.3 million (included in the Operating Expenses in the Income Statement) and a further €1.3 million addition to PPE and Investment Property, included as Investment Activities in the cash flow statement.

5.2 OTHER NON-OPERATIONAL ASSETS

MIH has two other projects that are on hold in view of the prevailing instability in Libya. These are the Palm Waterfront development (through the 99.9%-owned PWL) and the Medina Towers (through its 25% investment in MTJSC). There has been no development to any of these assets during FY2020.

6. Market Overview

Industry Overview: Travel

As vaccine roll outs gather momentum, various efforts are underway to ensure the resumption of safe travel by harmonizing travel and health protocols. In this regard, the European Commission proposed a "Digital Green Certificate" which allows travellers to facilitate travel by incorporating a vaccination certificate, a test certificate, and a certificate of recovery in one electronic document.[2] This should give a further boost to travel within the European member states, which already increased (as a share of total travel within European destinations) from 55% in 2019 to 69% in 2020. On the other hand, recent forecasts indicate that international arrivals to Europe will remain 46% lower than 2019 in 2021 and reaching 2019 levels by 2024.[3]

Meanwhile, the outlook for the global economy has improved from last year, which saw the world output decline by 3.3%. The International Monetary Fund ('IMF') is projecting global growth of 6% in 2021, and 4.4% in 2022.[4] Given that the pandemic restrictions resulted in various months of low economic activity, generally there was an increase in accumulated additional savings, thus enhancing purchasing power, which in turn can result in a strong rebound once international travel would be allowed to operate with less or no restrictions.

Country Overview - Libya

Libya is the seventh largest OPEC-member country which has the most proven crude oil reserves estimated at around 48,400 million barrels.[5] Moreover, Libya also ranks as the ninth largest OPEC-member country in terms of proven natural gas reserves estimated at around 1,500 billion cubic metres[6].

Notwithstanding, following the revolution in early 2011, Libya has yet to create a political infrastructure that is required for the country to become truly democratic and instil functional power transition mechanisms. In fact, the socio-political unrest in the country in recent years continued to leave a significant dent on the performance of the economy which is virtually wholly dependent on the production and exportation of crude oil and natural gas. In this respect, data provided by the Organization of Petroleum Exporting Countries (OPEC) (reproduced in the table below) clearly show the extent at which Libya is reliant on exports, the vast majority of which are related to petroleum exports.

LIBYA	2015	2016	2017	2018	2019
GDP at Current Market Prices ($'000)	17,194	18,539	30,557	40,951	33,018
Value of Exports ($'000)	11,392	9,446	18,865	29,830	25,732
Value of Petroleum Exports ($'000)	*10,973*	*9,313*	*15,014*	*25,386*	*24,188*
Value of Exports as % of GDP	*66%*	*51%*	*62%*	*73%*	*78%*
Value of Petroleum Exports as % of Total Exports	*96%*	*99%*	*80%*	*85%*	*94%*

Since 2015, crude oil production in Libya increased substantially from around 0.4 million barrels per day to over 1 million barrels per day by 2019 as the country remained internally divided between two main rival political factions. In contrast,

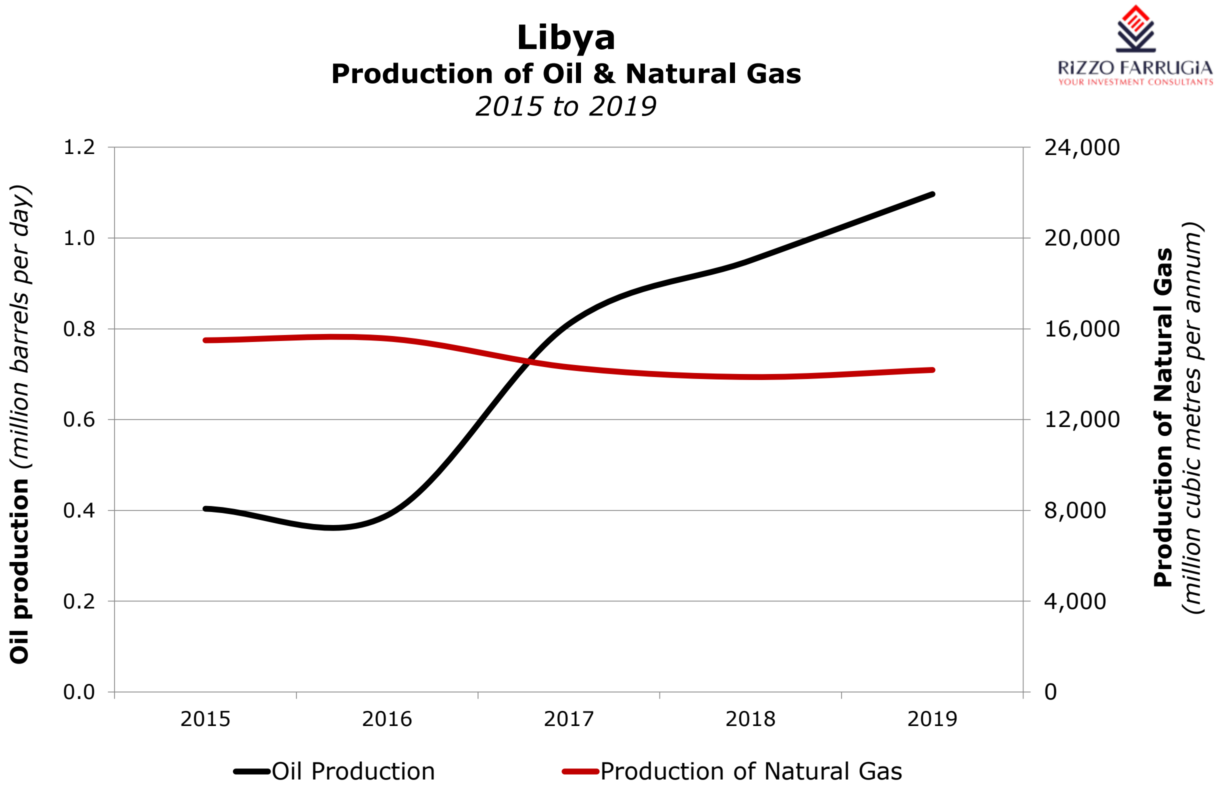
[2] *https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_1187*

[3] *https://etc-corporate.org/news/mixed-prospects-for-summer-2021-as-europe-works-to-overcome-vaccine-hurdles/*

[4] *https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021*

[5] *2020 OPEC Annual Report Statistical Bulletin – https://www.opec.org/opec_web/en/publications/202.htm*

production of natural gas remained somewhat stable during the same period averaging around 14,700 million cubic metres per annum between 2015 and 2019[6].



Source: 2020 OPEC Annual Statistical Bulletin.

In consequence, the Libyan economy remains extremely vulnerable to oil production shocks and oil price fluctuations. Rapid diversification from hydrocarbon resources is essential for a stronger, resilient, and more inclusive economic growth. This is in fact an important consideration for the upcoming elections which are expected to take place in December 2021 after they were postponed in December 2018. As such, there seems to be political willingness even from an international perspective for Libya to achieve stability following years of deep conflicts and unrest.

## PART B		FINANCIAL REVIEW

7. MIH'S HISTORIC & FORECASTED FINANCIAL INFORMATION

Following discussions with management, it transpired that although the hostilities moved well away from Tripoli in the latter part of 2020, the closure of the country's borders due to the outbreak of COVID-19 affected the short-term business that Palm City Residences was attracting at the time. Despite these operational challenges and coupled with the resiliency of the Company's well-tested business model, average occupancy levels remained encouraging in the period FY2018 to FY2020 as they increased from 39.2% in FY2018 to above 50% in FY2019 and FY2020.

Management also confirmed that currently there is no other complex that can readily accommodate tenants in a secure environment that mirrors the facilities available at Palm City Residences. Moreover, Libya will need to undergo a massive infrastructural development, which will involve some level of input from foreign investors and these would seek to contract accommodation in Libya in the short to medium term.

Average occupancy at Palm City Residences for FY2021 is forecasted to remain in line with that of FY2020 at 53% as notwithstanding the improving socio-political situation in Libya, it is expected that the impact of the pandemic will continue to have an effect on demand for new leases.

7.1 INCOME STATEMENT

	Actual FY2018 *€'000*	*Actual* FY2019 *€'000*	*Actual* FY2020 *€'000*	*Forecast* FY2021 *€'000*
Revenue	18,860	27,261	25,595	23,937
Operating expenses	(4,808)	(5,257)	(4,913)	(4,731)
Gross Profit	**14,052**	**22,004**	**20,683**	**19,206**
Administrative & Marketing expenses	(2,395)	(2,502)	(2,747)	(2,561)
EBITDA	**11,657**	**19,502**	**17,936**	**16,645**
Other income	-	472	579	309
Depreciation	(65)	(177)	(181)	(83)
Results from operating activities	**11,592**	**19,797**	**18,334**	**16,871**
Increase in FV of investment property	21,594	-	-	-
Share of profit / (loss) from equity accounted investments	(180)	(149)	3	-
Net finance costs	(3,729)	(4,833)	(4,524)	(7,402)
Net fair value gain on interest rate swaps	30	-	-	-
Profit before tax	**29,307**	**14,815**	**13,814**	**9,469**
Tax expense	(23)	(283)	(657)	(2,888)
Deferred tax (expense) / income	(7,558)	-	11,848	-
Net Profit for the year	**21,726**	**14,532**	**25,005**	**6,581**

FY2018 – FY2020 REVIEW

Over the past three years, MIH recorded an improvement in business whilst its operational performance proved resilient to the political unrest in Libya and the fluctuations in the price of oil which were also partly due to the impact of the COVID-19 pandemic. Nevertheless, the current trend seems to be a positive one as occupancy levels within Palm City remained at over 50% as several foreign companies continued to gradually return to Libya and increase their presence and operations albeit with caution and at different levels.

On the back of an increase in occupancy of the units within Palm City Residences, revenue increased from €18.9 million in FY2018 to €27.3 million for FY2019 whilst in FY2020 a reduction of 6.1% was recorded reflecting the impact of the pandemic. PCL's average rate commanded for its leased units increased over the years, from €8,500 in FY2018 to €8,993 in FY2020. *More detail on the revenue generation of Palm City Residences is included in section 5 of this report.*

The 9.3% increase in operating expenses in FY2019 to €5.3 million was considerably lower than the growth of 44.5% in revenue, reflecting management's ability at keeping costs under strict control. In FY2020, operating expenses dropped by 6.5% to €4.9 million in line with the reduction in revenue.

Administrative expenses and marketing costs were generally contained and stable during the period under review as they increased from €2.4 million in FY2018 to €2.5 million in FY2019 whilst in FY2020 reached €2.7 million.

As a result of the improved occupancy levels and the generally contained expenses, EBITDA margin improved from 61.8% in FY2018 to 71.5% in FY2019, whilst in FY2020 slipped to 70.1% as the 1.3% drop in operating expenses and administrative and marketing costs was offset by the 6.1% decline in revenue due to the marginal contraction in the occupancy level. After accounting for depreciation charges and other income, the Company recorded an operating profit of €18.3 million for FY2020 which, in turn, translated into an operating profit margin of 71.6% compared to 72.6% in FY2019 and 61.5% in FY2018.

The improved level of occupancy in FY2018 led to a fair value adjustment to MIH's investment property (Palm City Residences) which amounted to €21.6 million (before accounting for deferred tax), following a very significant impairment of €61.2 million back in FY2014. No fair value adjustments were made in either of FY2019 and FY2020.

Net finance costs include the interest costs payable by MIH on the outstanding bonds (including amortisation costs), bank borrowings, shareholders' loans and other borrowings, netted against income generated from interest on deposits and exchange differences. In FY2020, net finance costs dropped by 6.4% to €4.5 million compared to €4.8 million in FY2019 reflecting the further decrease in bank loans due to capital repayments as well as the lower interest cost on shareholders' loans.

MIH recorded a pre-tax profit in the last three years – in FY2020 this was of €13.8 million, while in FY2019 this was of €14.8 million.

Forecast FY2021

As explained above, for FY2021, management expects average occupancy level to be in line with that of FY2020, at 53% (FY2020: 52%) in view of the impact of COVID-19 which offsets the improving socio-political situation in Libya, particularly on short-term leases which are more susceptible to travel restrictions and limitations related to essential services.

Despite the expected marginal improvement in occupancy level, the Company is anticipating that its financial performance in FY2021 to be negatively impacted by the devaluation of the Libyan Dinar at the start of 2021[6] as well as a higher effective tax charge (in FY2021, Palm City Limited will have utilised all its tax losses brought forward from previous years and therefore will need to account for the full effect of tax on the Libyan profits in 2021 and going forward). In fact, as a result of the devaluation of the Libyan Dinar, revenues are expected to drop by 6.5% to €23.9 million whilst the

[6] On 16 December 2020, the Central Bank of Libya issued a statement regarding an exchange rate modification to come into effect as from 3 January 2021. The Libyan Dinar was modified to equate to 4.48 Dinars to the US Dollar. On that day, LYD5.4416 was equal to €1. (31/12/2020 rate was LYD1.6428 to the €1).

Company is also estimating a marked increase in net finance costs due to the substantial one-time loss on exchange arising in converting monetary assets and liabilities denominated in Libya Dinars to Euros.

As a result, the Company is expected to record a drop in profit before tax for the year to €9.5 million (FY2020: €13.8 million).

VARIANCE ANALYSIS – FY2020

	Forecast FY2020 €'000	*Actual* FY2020 *€'000*	*VARIANCE* *€ '000*	*%*
Revenue	21,836	25,595	*3,759*	*17%*
Operating expenses	(4,558)	(4,913)	*(355)*	*8%*
Gross Profit	**17,278**	**20,683**	***3,405***	***20%***
Administrative & Marketing expenses	(2,128)	(2,747)	*(619)*	*29%*
EBITDA	**15,150**	**17,936**	***2,786***	***18%***
Other income	309	579	*270*	*88%*
Depreciation	(190)	(181)	*9*	*-5%*
Results from operating activities	**15,269**	**18,334**	***3,065***	***20%***
Share of profit / (loss) from equity accounted investments	-	3	*3*	*n/a*
Net finance costs	(5,135)	(4,524)	*611*	*-12%*
Gain/(Loss) in Foreign Exchange	127	-	*(127)*	*n/a*
Profit / (Loss) before tax	**10,261**	**13,814**	***3,553***	***35%***
Tax (expense) income	(308)	(657)	*(349)*	*113%*
Deferred tax	-	11,848	*11,848*	n/a
Net Profit / (Loss) for the year	**9,953**	**25,005**	***15,052***	***151%***

Despite the challenges brought about by the COVID-19 pandemic, and regardless of the continued unpredictable socio-political situation in Libya, in FY2020, the Company achieved growth, relative to its forecast, in its revenue streams reflecting a further improvement in the average monthly rent rate per unit as well as better than expected occupancy levels.

In view of the higher level of business than previously forecasted, operating expenses and administrative and marketing costs were also higher. Nonetheless, the Company still recorded a higher level of EBITDA as this exceeded forecasts by 18.4%. Consequently, operating profit was also higher than previously forecasted. Furthermore, during FY2020, the Company recorded lower net finance costs than previously estimated largely reflecting the positive impact of difference on exchange which, in FY2020, amounted to €1.4 million.

Overall, the Company posted a profit before tax of €13.8 million in FY2020 compared to the forecast of €10.3 million, a positive variance of €3.5 million or 34%. In addition, the financial performance of the Company was boosted by the reversal of a one-time overprovision of deferred tax related to previous years of €11.8 million.

7.2 STATEMENT OF FINANCIAL POSITION

	Actual FY2018 €'000	Actual FY2019 €'000	Actual FY2020 €'000	Forecast FY2021 €'000
Non-current assets				
Intangible assets	2	2	2	2
Investment property	271,977	272,542	272,568	273,654
Property, plant and equipment	8,864	9,511	9,528	9,655
Investments accounted for using the equity method	12,761	12,790	12,186	12,186
Lease prepayment	392	-	-	-
Total non-current assets	**293,996**	**294,845**	**294,283**	**295,497**
Current assets				
Inventories	948	1,005	1,112	1,035
Trade and other receivables	4,107	5,874	4,781	4,995
Cash and cash equivalents	9,879	13,158	25,700	9,248
Taxation recoverable	-	309	774	774
Total current assets	**14,934**	**20,347**	**32,367**	**16,052**
Total assets	**308,930**	**315,192**	**326,650**	**311,549**
Equity				
Share capital	48,002	48,002	48,002	48,002
Retained earnings	104,708	119,479	133,664	140,245
Total equity	**152,710**	**167,481**	**181,666**	**188,247**
Non-current liabilities				
Bank & other borrowings	9,242	5,000	5,000	-
Bonds	82,540	51,663	70,383	30,671
Shareholders' loan	9,203	5,203	5,203	5,203
Other non-current liabilities	2,693	2,715	3,373	5,090
Deferred tax liability	36,358	36,177	24,823	24,823
Total non-current liabilities	**140,037**	**100,759**	**108,783**	**65,787**
Current liabilities				
Bank borrowings	3,624	3,511	68	5,000
Bonds	-	29,408	11,950	40,000
Trade and other payables	11,556	13,399	24,026	12,515
Lease liability	-	117	-	-
Current taxation	1,003	517	157	-
Total current liabilities	**16,183**	**46,951**	**36,201**	**57,515**
Total liabilities	**156,220**	**147,710**	**144,984**	**123,302**
Total equity and liabilities	**308,930**	**315,192**	**326,650**	**311,549**

FY2018 - FY2020 REVIEW

The Company's asset base improved by 2% between FY2018 and FY2019, reflecting mainly the growth in cash balances (+33% to €13.2 million), the higher balances of trade and other receivables (+43% to €5.9 million), as well as the slight increase in the value of the Palm City Residences to €272.5 million. In FY2020, the Company's asset base increased by a further 3.6% to €326.7 million mostly due to the significant growth in cash balances to €25.7 million reflective of the improved occupancy levels and lease rates.

Equity continued to improve in all three years under review, reflecting the improved profitability retained by the MIH group, with the increase in FY2018 also including the effect of the revaluation of the Palm City Residences.

On the liabilities side, the main components are two – trade and other payables and debt instruments. Trade and other payables consist of accrued interest and expenses, dues to related parties, deferred income related to lease renewals and security deposits owed to tenants. Most of these components are directly related to revenue generation, and as such, the increase in occupancy over the years is evident also in the increase in trade and other payables.

On the debt side, MIH's obligations can be split as follows:

	Actual	*Actual*	*Actual*
	FY2018	**FY2019**	**FY2020**
	€'000	*€'000*	*€'000*
Bank & Other Borrowings	12,865	8,511	5,068
Bonds	82,540	81,071	82,333
Shareholders' Loans	9,203	5,203	5,203
	104,609	**94,786**	**92,604**
Cash & cash equivalents	(9,879)	(13,158)	(25,700)
Net Debt	**94,730**	**81,627**	**66,904**

Source: MIH's Statement of Financial Position

As indicated earlier, the Company reduced its level of borrowings over the years and reliance on shareholder support, in line with the Company's ability to service its debt obligations from cash generated from operations. Furthermore, MIH has been accumulating a significant amount of cash balances over this three-year period, in consequence of which the net debt as at the end of 2020 amounted to €66.9 million (as opposed to €94.7 million two years earlier).

FORECASTS FY2021

MIH's statement of financial position leading to 31 December 2021 is expected to be marginally different to that of FY2020. The notable changes are in the cash and equivalents, as well as in total indebtedness. Cash balances are anticipated to drop to €9.2 million from €25.7 million as at the end of 2020 largely reflecting the repayment in full of the €12 million 6% unsecured 2021 Bonds on its maturity (22 June 2021), the payment of a €10 million dividend to the shareholders of the Company as well as the negative impact of the devaluation of the Libyan Dinar. As a result of the repayment of the 6% unsecured 2021 Bonds, the Company is estimating to end FY2021 with a total debt position of €80.9 million (comprising €5 million in other borrowings; €70.7 million in outstanding bonds; and €5.2 million in shareholders' loans) compared to €92.6 million as at 31 December 2020.

In addition to the above, trade and other payables are also anticipated to drop significantly to €12.5 million from €24 million as at the end of 2020 reflecting the payment of the aforementioned €10 million dividend to the shareholders of the Company, which is partly mitigated with the positive impact of the devaluation of the Libyan Dinar on trade creditors and accruals.

Overall, total assets as at the end of FY2021 are expected to amount to €311.5 million (FY2020: €326.7 million). Similarly, total liabilities are estimated to decline to €123.3 million compared to €145.0 million as at 31 December 2020. Equity is expected to increase to €188.2 million (FY2020: €181.7 million), reflecting the profits made and retained for FY2021.

7.3 Cash Flow Statement

	Actual FY2018 *€'000*	*Actual* FY2019 *€'000*	*Actual* FY2020 *€'000*	*Forecast* FY2021 *€'000*
Net cash from operating activities	14,019	18,776	19,524	11,817
Net cash used in investing activities	(253)	(753)	(200)	(1,296)
Net cash used in financing activities	(9,217)	(15,450)	(6,845)	(26,905)
Net increase (decrease) in cash and cash equivalents	**4,549**	**2,574**	**12,480**	**(16,384)**
Cash and cash equivalents b/fwd	4,902	9,854	13,077	25,632
Cash and cash equivalents c/fwd before the effect of foreign exchange rate changes	**9,451**	**12,427**	**25,557**	**9,248**
Effect of foreign exchange rate changes	403	650	75	-
Cash and cash equivalents c/fwd	**9,854**	**13,077**	**25,632**	**9,248**

FY2018- FY2020 Review

MIH's cash position continued to improve over the years under review, in line with the increase in business activity and profitability that PCL has been experiencing over the years. By the end of FY2020, MIH had €25.6 million in cash and cash equivalents. This improvement in cash flows from operations came as a result of the combined effect of increases in average rates being charged by PCL for each unit leased out and an increased level of occupancy which is also evident in the Company's stronger EBITDA figure.

Cash used by the Company in its investing activities was rather minimal, as PCL sought to maintain the upkeep of the gated residences up to standard. No other investments took place by the MIH group other than at PCL.

Apart from servicing its bank loan interest and bond interest costs (which were €5.5 million in FY2018, €5.3 million in FY2019 and €5 million in FY2020), MIH repaid circa €15.6 million of its debt during the three years under review, through a mix of bank loan repayments, partial repayment of shareholders' loans and bonds buy-back on the Malta Stock Exchange.

Forecast FY2021

As indicated earlier, the Company's operations in FY2021 are expected to be reflective of the pandemic effect and the impact of the devaluation of the Libyan Dinar at the start of the year. Cash flows from operations are forecasted to be lower than FY2020, at €11.8 million. This is net of the impact of the revaluation of the Libyan Dinar bank balances. In terms of expenditure of a capital nature, management have budgeted €1.3 million included in the investment cash flows. An additional €1.3 million expensed in operational cash flows is also earmarked for repairs and maintenance of a capital nature (see section 5.1 for more detail on capital expenditure for the Palm City Residences). Furthermore, in terms of financing activities, MIH remains committed to servicing its finance costs and reduce its borrowings and the forecasts include the €12 million redemption of the 6% bond, the payment of a €10 million dividend and the settlement of all interest due, as discussed earlier in section 7.2 of this FAS Update. In consequence of the above movements, the cash position of MIH at the end of FY2021 is expected to drop to €9.2 million.

7.4 Financial Ratios and Key Metrics

The below are a set of key financial ratios and metrics applicable to the Company.

Profitability Ratios

NB: where the returns are negative, the ratio cannot be commented upon and as such is marked as 'n/a'.

Key profitability ratios of MIH remained strong between FY2018 and FY2020. The improved level of average occupancy achieved during the years contributed healthy margins even when FY2018 profitability figures are adjusted by excluding the revaluation of the Palm City Residences. The interest cover for the three years under review continue to indicate the Company's ability to generate enough EBITDA to well cover its debt service obligations, as the key metric rose to around 4 times in FY2019 and FY2020 from 3.13 times in FY2018. While profitability metrics are expected to be relatively subdued in view of the expected impact of COVID as well as the devaluation of the Libyan Dinar at the start of FY2021, the debt servicing coverage remains healthy and thereby MIH is not expected to have to rely on shareholders' support over the coming period.

for the year ended 31 December	*Actual* **2018**	*Actual* **2019**	*Actual* **2020**	*Forecast* **2021**
Gross Profit margin *(Gross Profit / Revenue)*	74.51%	80.72%	80.81%	80.24%
EBITDA margin *(EBITDA / Revenue)*	61.81%	71.54%	70.07%	69.54%
Operating Profit margin *(Operating Profit / Revenue)*	61.46%	72.62%	71.63%	70.48%
Net Profit margin *(Net Profit for the period / Revenue)*	115.20%*	53.30%	97.69%	27.49%
Return on Equity *(Net Profit / Average Equity of the Company)*	15.43%*	9.08%	14.32%	3.56%
Return on Capital Employed *(Net Profit / Average Capital Employed)*	8.76%*	5.59%	9.32%	2.42%
Return on Assets *(Net Profit / Average Assets)*	7.37%*	4.66%	7.79%	2.06%
Interest Coverage Ratio *(EBIDTA / Net Finance Costs*	3.13x	4.04x	3.96x	2.25x

Adjusted Figures

**The FY2018 ratios marked with an asterix were computed using figures as published in the Company's annual statements, which also include a property uplift. The workings below aim to re-compute ROA, ROE and NPM using normalised profits, by eliminating the effect of the revaluation of the property and the related deferred tax element.*

Changes to Income Statement (Net Profit)	
	FY2018
Profit / (Loss) after tax (as per Income Statement)	21,726
Revaluation of IP	(21,594)
Deferred Tax re revaluation of IP	7,558
Net Profit / (Loss) for the year	**7,690**

Changes to Balance Sheet (vis-à-vis normalised profit)	
	FY2018
Total Equity as per FS	152,710
Net Profit as per FS	(21,726)
Adjusted Net Profit	7,690
Adjusted Total Equity	**138,674**
Total Assets as per FS	308,930
Equity as per FS	(152,710)
Adjusted Equity	138,674
Adjusted Total Assets	**294,894**

Using the above figures, the adjusted ROA, ROE and NPM would be: 2.67%, 5.7% and 40.8%, respectively.

Liquidity Ratios

	Actual	*Actual*	*Actual*	*Forecast*
for the year ended 31 December	**2018**	**2019**	**2020**	**2021**
Current Ratio	0.92x	0.43x	0.89x	0.28x
(Current Assets / Current Liabilities)				
Cash Ratio	0.61x	0.28x	0.71x	0.16x
(Cash & cash equivalents / Current Liabilities)				

The Group's current ratio, representing the amount of current assets available to settle short-term liabilities, has been below one for the past three years. In FY2019 it was further burdened by the reclassification to current liabilities of two bonds which were up for maturity during FY2020 – for a total of €29.4 million. In FY2020, the current ratio improved to 0.89 times from 0.43 times in FY2019 as the Company successfully re-financed the €20 million bond that was due for redemption in July 2020 and the privately placed €11 million bond, even though a €12 million bond maturing in 2021 was classified as a current liability. In FY2021, the Company's current ratio is expected to deteriorate again to 0.28 times principally in consequence of the reclassification to current liabilities from long-term liabilities of the €40 million 5%

Unsecured 2022 bonds and the reclassification of a €5 million loan maturing also in FY2022. Also included in current liabilities is the dividend payable, which although is classified as current, the repayment is subject to free cashflow availability. Moreover, as the maturing bond in FY2021 of €12 million will be repaid, this will be reflected in the anticipated drop in current assets to €16.1 million (31 December 2020: €32.4 million) due to the reduction in cash balances.

Solvency Ratios

The Company's net debt continued to improve further. Such decline was supported by the fact that the Company generated additional cash that allowed it to build a significant buffer, part of which was used for the partial repayment of bank and shareholders' loans in FY2019. By the date of this Update FAS, the Company also redeemed in full the €12 million 6% unsecured 2021 Bonds on 22 June 2021.

Furthermore, the mix of funding sources has enabled MIH to keep its level of gearing at very acceptable levels. This is also expected to be the case for FY2021.

for the year ended 31 December	*Actual* **2018**	*Actual* **2019**	*Actual* **2020**	*Forecast* **2021**
Gearing Ratio (1) *(Net debt / Total Equity)*	0.62x	0.49x	0.37x	0.38x
Gearing Ratio (2) *[Total debt / (Total Debt plus Total Equity)]*	40.65%	36.14%	33.76%	30.05%
Net Debt to EBIDTA *(Net Debt / EBIDTA)*	8.13x	4.19x	3.73x	4.30x

PART C LISTED SECURITIES

MIH is 50% owned by CPHCL which in turn is also the parent company of IHI plc and Corinthia Finance plc. Below is a list of all outstanding bond issues of each of MIH, IHI and Corinthia Finance:

<u>Mediterranean Investments Holding plc</u>

The issued bonds of MIH as at the date of this Update FAS are listed hereunder.

ISIN	Bond Amount	Coupon	Prospectus Date	Maturity Date
MT0000371287	€40 million	5.00%	29 May 2017	6 July 2022
MT0000371295	€20 million	5.50%	1 July 2020	31 July 2023
Unlisted Bond	€11 million	6.00%	18 September 2020	3 October 2023-2025

Other Related Party Bond Issues

<u>Corinthia Finance plc</u>

MT0000101262	€40,000,000	4.25% Corinthia Finance plc 2026

<u>International Hotel Investments plc</u>

MT0000111279	€20,000,000	5.80% International Hotel Investments plc 2021
MT0000111287	€10,000,000	5.80% International Hotel Investments plc 2023
MT0000481227	€35,000,000	6.00% International Hotel Investments plc 2024
MT0000111295	€45,000,000	5.75% International Hotel Investments plc 2025
MT0000111303	€55,000,000	4.00% International Hotel Investments plc 2026 (Secured)
MT0000111311	€60,000,000	4.00% International Hotel Investments plc 2026
	€225,000,000	

Total outstanding debt listed on the local capital market of MIH, IHI and Corinthia Finance amounts to €317.4 million (but excluding the €11 million unlisted bonds), net of sinking fund provisions of €7.6 million.

IHI plc has its 615,684,920 ordinary shares with a nominal value of €1 each listed on the Malta Stock Exchange.

PART D COMPARATIVES

The table below compares the Company's bonds with other local corporate bonds having broadly similar maturities. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations vary significantly from those of the Company and are therefore not directly comparable. Nevertheless, the table below provides a sample of some comparatives:

Bond Details	Outstanding Amount (€)	Total Assets (€'000)	Total Equity (€'000)	Gearing Ratio* (%)	Net Debt to EBIDTA (times)	Interest Cover** (times)	YTM (as at 11/06/2021) %
5.00% MED. INV. HOLDING PLC 2022	**40,000,000**	**326,650**	**181,666**	**33.8%**	**3.7x**	**4.0x**	**6.00%**
6.00% Pendergardens Developments plc 2022	21,845,300	60,578	29,491	42.4%	3.3x	1.8x	3.47%
5.50% MED. INV. HOLDING PLC 2023	20,000,000	**326,650**	**181,666**	**33.8%**	**3.7x**	**4.0x**	**4.99%**
6.00% Medserv plc 2020-2023	20,000,000	121,769	5,344	94.8%	12.7x	1.4x	5.99%
4.25% GAP Group plc 2023	19,247,300	103,895	15,134	83.9%	6.5x	2.6x	2.64%
5.80% IHI plc 2023	10,000,000	1,544,099	603,236	44.0%	7.6x	4.3x	5.11%

Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 11 June 2021. Ratio workings and financial information quoted have been based on the respective issuers' published financial data (or their guarantors, where and as applicable).

**Gearing Ratio: Total Debt / (Total Debt + Equity)*

***Interest Cover: EBITDA / Net Finance Costs*

The chart below shows the average yield to maturity of the MIH bonds compared to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve. All the yields presented hereunder are as at 11 June 2021.

The following is a summary of the YTMs of each of the outstanding MIH bonds and how they compared to the average YTMs of corporate bond and MGS with a similar maturity (all data as at 11 June 2021):

	YTM	Premium (Discount) over Corporate Bond Average	Premium over Average MGS
MIH 5% 2022	6.00%	205bps	642bps
MIH 5.5% 2023	4.99%	32bps	536bps

Part E Glossary

Income Statement Explanatory Definitions

Revenue	Total revenue generated by the company from its business activity during the financial year.
EBITDA	Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations.
Normalisation	Normalisation is the process of removing non-recurring expenses or revenue from a financial metric like EBITDA, EBIT or earnings. Once earnings have been normalised, the resulting number represents the future earnings capacity that a buyer would expect from the business.
EBIT	Earnings before interest and tax.
Depreciation and Amortization	An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated.
Finance Income	Interest earned on cash bank balances and from the intra-group companies on loans advanced.
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit generated in one financial year.

Cash Flow Statement Explanatory Definitions

Cash Flow from Operating Activities	The cash used or generated from the company's business activities.
Cash Flow from Investing Activities	The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets.
Cash Flow from Financing Activities	The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments.

Statement of Financial Position Explanatory Definitions

Assets	What the company owns which can be further classified in Current and Non-Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year

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

Profitability Ratios

EBITDA Margin	EBITDA as a percentage of total revenue.
Operating Profit Margin	Operating profit margin is operating profit achieved during the financial year expressed as a percentage of total revenue.
Net Profit Margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Return on Equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on Capital Employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	This is computed by dividing profit after tax by total assets.

Liquidity Ratios

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

Solvency Ratios

Interest Coverage Ratio	This is calculated by dividing a company's EBITDA of one period by the company's net finance costs of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's debt by debt plus shareholders' equity.
Net Debt to EBITDA	This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA.

Other Definitions

Yield to Maturity	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.