RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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

6 June 2019

Dear Sirs,

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

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

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

(a) The Company's audited financial information for the year ended 31 December 2018;
(b) The Guarantor's historical financial information has been sourced from the consolidated audited financial statements of Exalco Properties Limited for the years ended 31 December 2016 (as restated), 2017 and 2018;
(c) Updates to the projected data for financial year ending 31 December 2019 as provided and approved by management of the Issuer and the Guarantor;
(d) Our commentary on the results and respective financial position of the Issuer and Guarantor is being based on explanations from management;
(e) The Ratios presented in the Update FAS have been computed by us applying the definitions as set out and defined within the Update FAS; and
(f) Relevant financial data in respect of the comparative set as analysed in part D has been extracted from public sources such as the web sites of the companies concerned, financial statements filed with the Registry of Companies or other published documents such as Financial Analysis Summaries.

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

Yours sincerely,

Vincent E Rizzo
Director

FINANCIAL ANALYSIS SUMMARY

Update 2019

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

6 June 2019

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IMPORTANT INFORMATION

PURPOSE OF THE DOCUMENT

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

SOURCES OF INFORMATION

The information that is presented has been collated from a number of sources, including the Company's website (www.exalcogroup.com), the Company's audited Financial Statements for the year ended 31 December 2018 , the Guarantor's audited Financial Statements for the years ended 31 December 2016, 2017 and 2018 and forecasts for financial year ending 31 December 2019 for both the Company and the Guarantor.

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

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

PREVIOUS FAS ISSUED

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

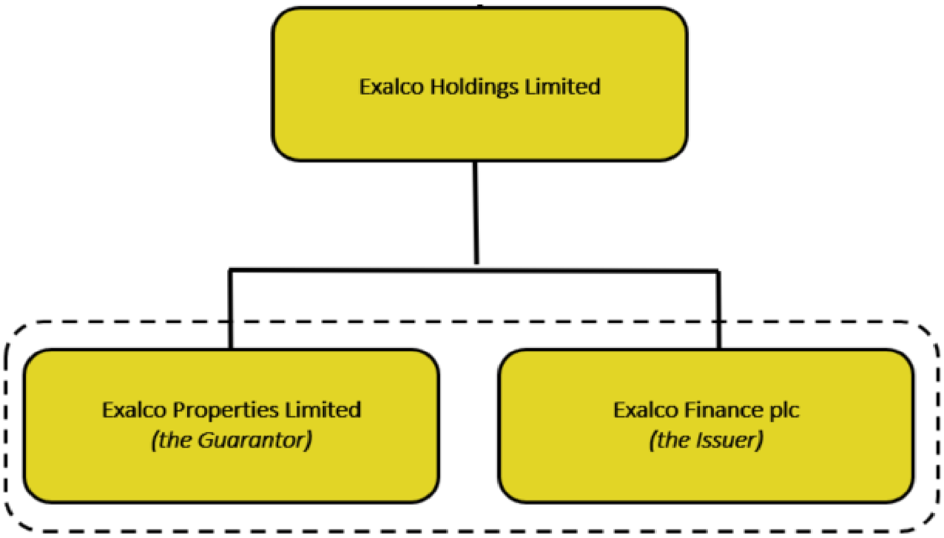
FAS dated 31 July 2018 (appended to the prospectus)

1 INTRODUCTION

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

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

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



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

2 GOVERNANCE & MANAGEMENT

THE ISSUER'S DIRECTORS AND SENIOR MANAGEMENT

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

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

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

The Guarantor's Directors and Senior Management

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

3 Update on the Business and the Market Environment of the Issuer and Guarantor

As disclosed in the FAS of 2018 and the Prospectus pertaining to the bond issue of Exalco Finance plc, part of the proceeds from the bond issue were on-lent to the Guarantor to be used to acquire a new property. Details of this new property can be found in the following section. As a result of this acquisition, the Guarantor now owns and manages six business centres apart from two smaller and unrelated properties.

Occupancy wise, the Guarantor reports a continued strong position whereby all business centres, with the exception of the newly acquired Phoenix (as the unoccupied levels are currently not on the market yet), are fully occupied. This is an encouraging position and one which is likely to be maintained given the interesting and attractive mix provided in terms of location, size, offering/layout and rates. This mix enables the Guarantor to cater for all types of requirements and therefore appeals to a very wide cross section of the market.

The Maltese property market continues to do exceptionally well and in the past few years there has been a significant upward trend in prices as well as rental rates. Concurrently however, as expected, supply has been increasing significantly and the number of new projects in the pipeline aiming to offer commercial space for lease is at an all-time high. The main driver of the significant increase in demand over the past few years is the services sector principally involving financial services and gaming. Nevertheless, other service sectors such as consultancy, IT and R&D have grown and are contributing to additional demand for quality locations and offerings. As a result, employment levels have maintained a steady upward trend, with non-Maltese workers clearly growing as supply of Maltese workers in the key growth sectors referred to earlier evidently stagnating. The country's business-friendly incentives and favourable tax system remain the principal attraction that continues to bring foreign direct investment and non-Maltese employees to Malta.

The need for increased office space and flexibility in terms of layout, design and amenities is therefore still strong as existing businesses expand and/or new sectors emerge, while the favourable tax regime continues to attract foreign companies to relocate their operations to the island.

The country's ability to continue to attract service-oriented business to Malta remains paramount. While domestic demand is strong, it is increasingly clear that non-domestic demand is indispensable to absorb the increased supply coming to market as mentioned above. Given recent trends and growth drivers, the country is increasingly reliant on the growth and sustainability of foreign investment, particularly in the service sectors, that has altered the dynamics of the commercial real estate sector over the past few years.

4 MAJOR & OTHER ASSETS

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

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

Business Centre	Location	Title / Tenure	Year of Acquisition/ Completion	No of Levels	NLA*: Offices	NLA: Commercial	No. of Parking Spaces
Golden Mile Business Centre	St Julian's	Wholly owned	2017	7	2,880	-	25
Marina Business Centre	Ta' Xbiex	Wholly owned	2011	6	3,532	64	78
Mayfair Business Centre	St Julian's	Wholly owned	1999	7	836	1,620	12
Cornerstone Business Centre	Mosta	Wholly owned	2006	5	1,880	372	32
Parklane Business Centre	Hamrun	Wholly owned	1999	4	695	250	6
The Phoenix Business Centre	St Venera	Wholly owned	2018	5	2,200	1,300	20
Other Assets							
Borton House	Mosta	Wholly owned	1990	3	200	-	2
Ibragg Maisonette	Ibragg	Wholly owned	2013	1	-	-	1

Source: Management information

**NLA: net lettable area*

5 Recent Developments

As indicated above, during the course of the past twelve months, specifically on 26 September 2018, the Guarantor concluded the purchase of a sixth business centre located in St. Venera. The 'Phoenix Building' as it is currently known, will be renamed the 'Phoenix Business Centre' upon completion of extensive renovation works that are set to be concluded towards the end of July 2019. The building is spread over five levels, the first two of which had been leased prior to acquisition to retail and commercial tenants. As such, income from this acquisition commenced with effect from 1 October 2018. The Guarantor is anticipating that the centre will achieve full occupancy by the end of this current year.

In a development of a far less material and significant nature, it is to be noted that earlier this year the Tilbury garage in Balzan was sold and it therefore does not feature in the list of major and other assets in section 4 above.

6 Material Agreements

There are no changes to report since the publication of the FAS in July 2018 in this regard.

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

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

7. THE ISSUER

The Issuer was registered on 17 July 2018, and as such, the first set of historic audited financial information relate to the period between the date of incorporation and 31 December 2018. The Issuer does not undertake any trading activities itself apart from the raising of capital and the advancing thereof to the Guarantor and is therefore economically dependent on the financial and operational performance of the business of the Guarantor.

The financial statements presented for the Issuer in this section reflect audited financial statements for the period between 17 July 2018 and 31 December 2018. The projections produced in this section reflect management’s expectations.

7.1 INCOME STATEMENT

	Actual	*Forecast per FAS*	*Variance*	*Projection per FAS*	*Updated Forecast*
	FY2018	**FY2018**		**FY2019**	**FY2019**
	€000's	*€000's*	*€000's*	*€000's*	*€000's*
Interest on loans to fellow companies	238	251	(13)	602	603
Facility fee	93	63	30	127	127
Finance Income	**331**	**314**	**17**	**729**	**730**
Finance cost	(220)	(250)	30	(600)	(600)
Net Finance Cost	**110**	**64**	**47**	**129**	**130**
Loss allowance on financial assets	(29)	-	29	-	-
Amortisation of bond issuance costs	(13)	(15)	(2)	(30)	(30)
Directors' fees	(15)	(23)	(8)	(46)	(30)
Listing and related fees	(34)	(17)	17	(34)	(30)
Other	(3)	(5)	(2)	(10)	(10)
Profit before tax	**18**	**4**	**14**	**9**	**30**
Taxation	(16)	(1)	15	(3)	(11)
Profit for the Year	2	3	(1)	6	19

Source: Management information

REVIEW FY2018 AND FORECAST FY2019

The results for the Issuer for the year ended 2018 are not materially different to those forecasted such that a detailed justification is warranted. There were a few variables that affected the actual results principal of which are minor timing differences in connection with the actual listing on bonds in late August 2018 as opposed to initial indications that anticipated the accrual of certain items of income and expenditure from slightly earlier. The effect of the application of IFRS 9 - *Financial Instruments* is also seen in the actual results for FY2018 which reporting requirement was not projected for in the forecasts presented in July.

The updated forecasts for FY2019 do not differ materially from those published in the FAS dated July 2018. The main difference relates to forecasted lower Directors' and listing fees that should result in a profit before tax at Issuer level for FY2019 of €30,000 as opposed to €9,000 as projected last year. The main income stream at Issuer level remained unchanged and is represented by interest income and the facility fee chargeable to the Guarantor as the ultimate beneficiary of the funds raised by the Issuer.

7.2 Statement of Financial Position

	Actual FY2018 *€000's*	*Forecast per FAS* FY2018 *€000's*	*Variance* *€000's*	*Projection per FAS* FY2019 *€000's*	*Updated Forecast* FY2019 *€000's*
Assets					
Non-Current Assets					
Loans & receivables	14,672	14,700	(28)	14,700	14,672
Current Assets					
Trade & other receivables	288	-	288	-	240
Cash & cash equivalents	250	519	(269)	557	342
Total Assets	**15,210**	**15,219**	**(9)**	**15,257**	**15,254**
Equity & Liabilities					
Equity					
Share Capital	250	250	-	250	250
Retained Earnings	2	3	(1)	9	21
Total Equity	**252**	**253**	**(1)**	**259**	**271**
Non-Current Liabilities					
Amortised bond issue	14,713	14,715	(2)	14,745	14,743
Current Liabilities					
Trade and other payables	229	250	(21)	250	230
Current tax	16	1	15	3	10
Total Liabilities	**14,958**	**14,966**	**(8)**	**14,998**	**14,983**
Total Equity & Liabilities	**15,210**	**15,219**	**(9)**	**15,257**	**15,254**

Source: Management information

Review FY2018 and Forecast FY2019

The balance sheet of the Issuer is very straightforward and reflective of its objectives as a financing arm for the Guarantor. By the end of FY2018, the Issuer's total assets reached €15.2 million, in line with forecasts. In the main, these comprise of the loan to the Guarantor. Liabilities include the amortised bond issue of €14.7 million as well as accrued interest for the period from commencement of bond interest to 31 December 2018. The Issuer does not expect any material changes in the balance sheet for FY2019.

7.3 CASH FLOW STATEMENT

	Actual FY2018 *€000's*	*Forecast per FAS* FY2018 *€000's*	*Variance* *€000's*	*Projection per FAS* FY2019 *€000's*	*Updated Forecast* FY2019 *€000's*
Cash flows from operating activities	337	269,000	(268,663)	38,000	92,073
Cash flows used in investing activities	(14,700,000)	(14,700,000)	-	-	-
Cash flow from financing activities	14,950,000	14,950,000	-	-	-
Net movements in cash & cash equivalents	**250,337**	**519,000**	**(268,663)**	**38,000**	**92,073**
Opening cash & cash equivalents	-	-	-	519,000	250,337
Closing cash & cash equivalents	250,337	519,000	(268,663)	557,000	342,410

Source: Management information

REVIEW FY2018 AND FORECASTS FY2019

The cash flow from operating activities of the Issuer comprise facility fees and interest received from the Guarantor. Cash flows used in investing activities reflect the loan advanced to the Guarantor, while the cash flow from financing activities represent the share capital upon incorporation and the bond issue proceeds, net of bond issue costs.

The increase in cash flows from operating activities in FY2019 as reflected in the updated forecast column presented above is due principally to a downward revision in certain fees (expenses) which will result in higher profits as seen in the income statement in section 7.1 above. Furthermore, there are timing differences in the movement of receivables (balances owed by the Guarantor) which is affecting cash movements at the cut-off points. There will be a decrease in receivables (in FY201 compared to FY2018) which in turn increases cash from operations.

8 THE GUARANTOR

The financial statements of the Guarantor are being presented hereunder. The historical financial figures for the years ended 31 December 2016, 2017 and 2018 have been sourced from the audited consolidated financial statements as highlighted in the FAS dated July 2018. Reference herein is made to "**Historical Financial Information**" in this regard.

Projections for the years ended 31 December 2019 (the "**Management Projections**") have been provided by management and updated accordingly reflecting the developments referred to earlier on in this report.

Financial information presented hereunder may be subject to rounding differences.

8.1 INCOME STATEMENT

for the year ended 31 December	*Audited (restated)* **2016** *€000's*	*Audited* **2017** *€000's*	*Audited* **2018** *€000's*	*Forecast* **2019** *€000's*
Property Leasing	1,769	2,174	3,215	3,634
Net property management income	94	149	172	200
Net revenue from property leasing activities	**1,863**	**2,323**	**3,387**	**3,834**
Other net (costs)/income from property leasing activities	(27)	18	19	16
Selling, general and administrative costs	(210)	(292)	(470)	(414)
Normalised EBITDA	**1,626**	**2,049**	**2,936**	**3,436**
Depreciation	(83)	(204)	(338)	(333)
Normalised EBIT	**1,543**	**1,845**	**2,598**	**3,103**
Net finance expenses	(509)	(538)	(733)	(810)
Normalised profit before tax	**1,034**	**1,307**	**1,865**	**2,293**
Extraordinary expenses	(131)	(102)	-	-
Profits attributable to legacy metals business	24	-	-	-
Profits attributable to ECTS operations	33	-	-	-
Income attributable to property held by ECTS	42	46	-	-
Profit before tax	**1,002**	**1,251**	**1,865**	**2,293**
Current taxation	(295)	(333)	(485)	(545)
Profit for the year	**707**	**918**	**1,380**	**1,748**

Source: Historical Financial Information and Management Projections

The results for the period between FY2016 and FY2017 were adjusted to single-out the results relating to discontinued operations in connection with the legacy metals business, ECTS Limited (as this was transferred from the Guarantor in 2017) and income from property owned by ECTS.

Review FY2018

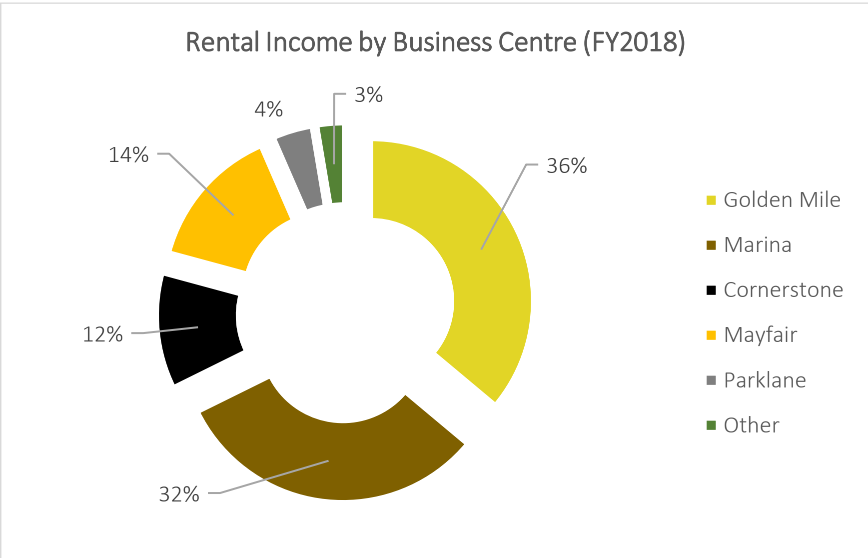
Revenue Analysis

The Group's revenue generating segments are property leasing and property management. Group total revenue reached €3.4 million in FY2018, up from €2.3 million in FY2017. The principal contributor to this increase is a first full year of leasehold income from the latest addition to the property portfolio at the time, the Golden Mile Business Centre subsequently rebranded "@GiG Beach". In FY2017, only four months of income was accounted for by this new business centre. Renewals of some other leases at slightly higher rates also contributed (albeit less significantly) to top line income growth. As expected, the property leasing segment remains the largest contributor to the Group's revenue at over 90%.

Property Leasing

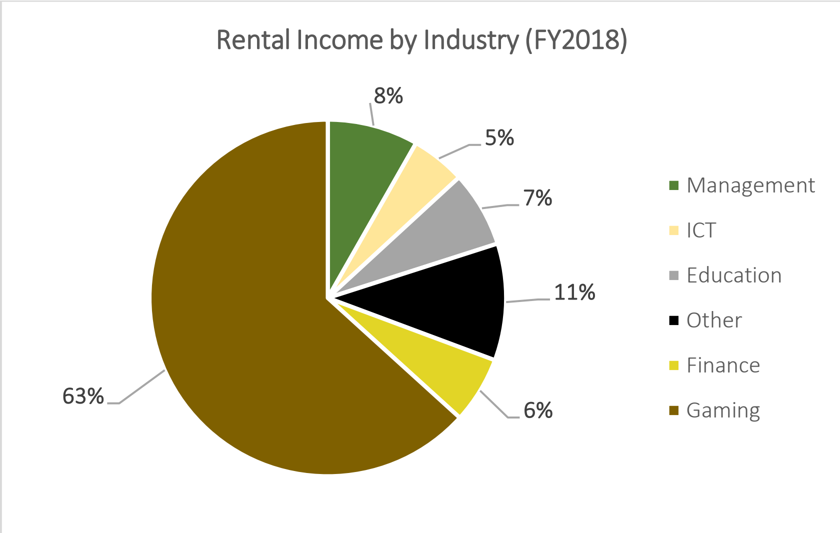
This segment is represented by the leasing of the six business centres in Malta entirely owned by the Group.

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



Source: Management information

As expected, the Golden Mile Business Centre was the single largest revenue contributor in FY2018 and this is expected to remain so for the foreseeable future. The Marina Business Centre follows at 32% in FY2018.



Source: Management information

The Guarantor's tenants are various, however, there is a noticeable concentration on the gaming industry. As at the end of FY2018, this industry accounted for 63% of total revenue. Furthermore, as the Golden Mile Business Centre is currently fully occupied by one large gaming company and given also that this business centre represented 36% of total revenue in 2018, such concentration is all the more evident. In terms of rental income by tenant, it is worthy to note that in 2018, the top four tenants across all business centres accounted for 66% of total rental income.

Property Management

This segment complements the rental property segment, as it maintains the business centres on behalf of its tenants. Services provided by Exalco include common area management, general repairs and maintenance, and in-house maid services. The company generated revenue of €172,000 from these services in 2018 and this stream is likely to remain valid but relatively immaterial going forward.

Other Components of the Income Statement

EBITDA, being the operating profit adjusted for depreciation, amortisation and before charging tax and interest expenses, amounted to €2.9 million in FY2018, an increase of 43% over the previous year. As highlighted above, the contribution of the Golden Mile Business Centre for a first full year in 2018 as opposed to just 3 months in 2017 is the main factor behind this increase. EBITDA margin remains very high at 87% in FY2018 (FY2017: 88%).

Depreciation increased from €0.2 million in FY2017 to €0.3 million in FY2018 principally as a result of a new level of depreciation initiated in the period under review for all buildings. However, the acquisition of a sixth centre as highlighted earlier in this report during 2018 has also contributed to this increase. Operating profit amounted to €2.6 million in FY2018 (FY2017: €1.85 million).

Net finance expenses increased in FY2018 due principally to timing differences in planned and actual drawdowns on facilities.

Forecasts - FY2019

We have been advised that the assumptions on which the forecasts for FY2019 are based as updated and included in this report have not changed and reflect normal activity and planned expansion principally following the acquisition last year and completion this year of the newest addition to the portfolio – the Phoenix Building.

As such, overall revenues are expected to increase to €3.8 million in FY2019, compared to €3.3 million in FY2018 as revenue streams from the additional lettable area within the new property begin to accrue principally in the final few months of the year. Management expect average occupancy to remain at optimum levels (i.e. full) in all centres except for the Phoenix Building as the refurbished and currently vacant areas are assumed to be gradually leased throughout the final quarter of FY2019.

Consequently, EBITDA is also expected to increase from €2.9 million in 2018 to €3.4 million in FY2019. This is equivalent to a very healthy EBITDA margin of just under 90%, reflecting the lean cost-base of the Group.

Net finance costs are expected to increase to €0.8 million in FY2019 from €0.7 million in FY2018, reflecting principally the full year interest on the bond issued last year. After deducting tax, profit for the year is expected to be higher at €1.75 million.

8.2 STATEMENT OF FINANCIAL POSITION

as at 31 December	*Audited (restated)* 2016 *€000's*	*Audited* 2017 *€000's*	*Audited* 2018 *€000's*	*Forecast* 2019 *€000's*
Assets				
Non-Current Assets				
Property, plant and equipment	128	456	451	449
Investment property	32,834	53,716	60,404	61,274
investment property (ECTS)	1,978	-	-	-
Loans and receivables	-	-	2,033	2,093
Total Non-Current Assets	**34,940**	**54,172**	**62,888**	**63,816**
Current Assets				
Inventories (Exalco Metals)	-	-		
Trade and other receivables	315	1,000	665	450
Cash and cash equivalents (continuing operations)	682	213	3,450	4,318
Cash and cash equivalents (ECTS)	15	-	-	-
Total Current Assets	**1,012**	**1,213**	**4,115**	**4,768**
Total Assets	**35,952**	**55,385**	**67,003**	**68,584**
Equity & Liabilities				
Equity				
Share Capital	2,840	2,840	2,840	2,840
Revaluation & other Reserves	15,352	30,270	30,328	30,328
Retained Earnings	3,778	2,358	3,397	5,146
Total Equity	**21,970**	**35,468**	**36,565**	**38,314**
Non-Current Liabilities				
Deferred tax liabilities	1,534	4,651	4,686	4,686
Non-current trade and other payables	14	-	-	-
Shareholders' loan	168	583	-	-
Security Deposits	-	552	678	658
Borrowings for continuing operations	8,415	10,026	7,167	6,608
Amounts due to fellow subsidiaries	-	-	14,700	14,700
Borrowings for discontinued operations	295	-	-	-
Total Non-current liabilities	**10,426**	**15,812**	**27,231**	**26,652**
Current Liabilities				
Trade and other payables	1,395	2,032	1,862	1,900
Deposits received from clients	420	114	164	142
Borrowings	1,457	1,398	733	1,030
Bank overdraft (Exalco Metals)	34	263	-	-
Current tax liabilities	250	298	448	545
Total Current Liabilities	**3,556**	**4,105**	**3,207**	**3,617**
Total Liabilities	**13,982**	**19,917**	**30,438**	**30,269**
Total Equity & Liabilities	**35,952**	**55,385**	**67,003**	**68,584**

Source: Historical Financial Information and Management Projections

Review FY2018

The Guarantor's asset base as of the end of FY2018 was mostly composed of *Investment property*, which accounts to just over 90% of total assets. A breakdown of the portfolio of investment property is presented in a previous section of this FAS. On the liabilities side, the major components are bank and bond borrowings and deferred taxes which account for 74% and 15% of total liabilities respectively.

The Statement of Financial Position as at 31 December 2018 compared to the figures as at 31 December 2017, reveals that total assets increased by 21% to €67 million. This is largely the result of the acquisition of additional investment property throughout the year under review. Cash and cash equivalents also show a healthy increase as at the end of the year under review, rising from €0.2 million to just under €3.5 million.

Meanwhile, total liabilities increased by 53% to €30.4 million (FY2017: €19.9 million). The notable increase between FY2018 and FY2017 (+€11.4 million) reflects a change in composition of long-term liabilities principally as a result of the issue of bonds during the year under review.

Equity increased marginally on account of an increase in retained earnings reflecting the Guarantor's improved profitability for the period.

Forecasts FY2019

For FY2019, the Guarantor's balance sheet is expected to continue to expand albeit not to the same extent as the growth registered in FY2018. The growth in investment property is reflective of the additional works done on the Phoenix Building, while on the funding side, the principal contributor to expansion is retained earnings as the financial position is expected to reflect increased earnings from higher leases as a result of increased supply of space available once the Phoenix Building is leased. Management is not expecting the acquisition of further properties during 2019 and as a result, liabilities are expected to remain broadly unchanged.

Analysis of borrowings

	Audited (restated)	*Audited*	*Audited*	*Forecast*
as at 31 December	**2016**	**2017**	**2018**	**2019**
	€000's	*€000's*	*€000's*	*€000's*
Borrowings for continuing operations	9,872	11,424	22,600	22,338
Less: Net Cash and cash equivalents	682	213	3,450	4,318
Net Funding - Continuing operations	**9,190**	**11,211**	**19,150**	**18,020**
Borrowings for discontinued operations	329	263	-	-
Less: Cash and cash equivalents (ECTS)	15	-	-	-
Net Funding - Discontinued operations	**314**	**263**	**-**	**-**
Total net borrowings	**9,504**	**11,474**	**19,150**	**18,020**

Source: Historical Financial Information and Management Projections

8.3 STATEMENT OF CASH FLOWS

as at 31 December	*Audited (restated)* **2016** *€000's*	*Audited* **2017** *€000's*	*Audited* **2018** *€000's*	*Forecast* **2019** *€000's*
Net cash flow from operating activities	1,622	1,322	2,209	2,389
Net cash flow used in investing activities	(614)	(3,407)	(6,929)	(1,200)
Net cash flow (used in) / from financing activities	(1,216)	1,601	7,957	(321)
Net movement in cash & cash equivalents	**(208)**	**(484)**	**3,237**	**868**
Opening cash & cash equivalents	905	697	213	3,450
Closing cash & cash equivalents	**697**	**213**	**3,450**	**4,318**
Bank overdraft balance	(618)	(734)	-	-
Net cash & cash equivalents at end of year	**79**	**(521)**	**3,450**	**4,318**

Source: Historical Financial Information and Management Projections

REVIEW FY2018

For the period ended 31 December 2018, the Guarantor generated operational cash flows of €2.2 million and closed the year with a cash balance of €3.4 million after the repayment of bank overdraft facilities. Cash utilisation throughout the year was relatively material compared to previous years and principally comprised cash utilisation for the latest property acquisition.

FORECASTS FY2019

Net operating cash flows in FY2019 are expected to be broadly in line with those generated in FY2018 at just under €2.4 million, principally resulting for specific yearly rental rate increments. Moreover, cash used in investing activities in FY2019 is expected to be €1.2 million, reflecting the additional works carried out for the Phoenix Building. The Guarantor expects to end FY2019 with a cash balance of just over €4.3 million.

8.4 GUARANTOR RATIO ANALYSIS

PROFITABILITY RATIOS

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

	Audited (restated) FY2016	*Audited* FY2017	*Audited* FY2018	*Forecast* FY2019
EBITDA Margin *(EBITDA / Revenue)*	87.3%	88.2%	86.7%	89.6%
Operating profit Margin (EBIT Margin) *(Operating Profit / Revenue)*	82.8%	79.4%	76.7%	80.9%
Net Profit Margin *(Net Profit / Revenue)*	37.9%	39.5%	40.7%	45.6%
Return on Average Equity *(Net Profit / Average Equity)*	3.3%	3.2%	3.8%	4.7%
Return on Average Assets *(Net Profit / Average Assets)*	2.0%	1.7%	2.1%	2.5%

The Guarantor's margins reflect the lean cost structure of its business model. Margins have generally improved over the years between FY2016 to FY2018 and are expected to continue to improve further through improved efficiencies and the full-year recognition of income from the Golden Mile and the available rentable area within the Phoenix Building in FY2018 and FY2019 respectively.

LIQUIDITY RATIOS

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

	Audited (restated) FY2016	*Audited* FY2017	*Audited* FY2018	*Forecast* FY2019
Current Ratio *(Current Assets / Current Liabilities)*	0.80x	0.30x	1.28x	1.32x
Cash Ratio *(Cash & Equivalents* / Current Liabilities)*	0.22x	0.05x	1.07x	1.19x

** For comparative reasons, the cash and equivalents taken for this ratio exclude the cash attributable to the discontinued operations of ECTS.*

The Guarantor's liquidity ratios are reflective of the fact that the Guarantor receives rental income in advance from its tenants. Hence, relatively material current liabilities. Furthermore, with bank loans now materially lower and replaced by bond financing, together with income from the Golden Mile Business Centre and the Phoenix Building accruing, the Guarantor's cash position is expected to improve. The extent of the Guarantor's debt servicing commitments will also help in improving the cash ratio, as the company need to service capital repayments as opposed to finance costs has reduced significantly.

Solvency Ratios

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

	Audited (restated) FY2016	*Audited* FY2017	*Audited* FY2018	*Forecast* FY2019
Interest Coverage Ratio	3.19x	3.81x	4.00x	4.24x
(EBITDA / Net Finance Costs)				
Gearing Ratio (1)	0.43x	0.34x	0.52x	0.47x
(Net Borrowings / Equity)				
Gearing Ratio (2)	31.7%	25.7%	38.2%	36.8%
(Total Borrowings / [Total Borrowings + Equity])				
Gearing Ratio (3)	30.2%	25.4%	34.4%	32.0%
(Net Borrowings / [Net Borrowings + Equity])				

The Guarantor had a healthy interest cover over the years, reflective of the strong EBITDA generation concurrent with a prudent borrowings position as discussed earlier on in this FAS. Going forward, this is expected to remain stable as net finance costs are expected to increase in line with EBITDA in percentage terms, however, in nominal terms, the increase in EBITDA is greater than the increase in net finance costs.

Leverage is below 50% at Guarantor level. Gearing is expected to remain reasonable and most importantly, sustainable.

8.5 Variance Analysis – Income Statement

for the year ended 31 December	*Audited* 2018 *€000's*	*Forecast per FAS* 2018 *€000's*	*Variance* %	*Projection per FAS* 2019 *€000's*	*Updated Forecast* 2019 *€000's*	*Variance* %
Property Leasing	3,215	3,070	5%	3,542	3,634	3%
Net property management income	172	177	-3%	198	200	-
Net revenue from property leasing activities	**3,387**	**3,247**	**4%**	**3,740**	**3,834**	**3%**
Other net income from leasing activities	19	12	57%	12	16	29%
Selling, general and administrative costs	(470)	(307)	53%	(304)	(414)	36%
EBITDA	**2,936**	**2,952**	**-1%**	**3,448**	**3,436**	**-**
Depreciation	(338)	(190)	78%	(235)	(333)	42%
EBIT	**2,598**	**2,762**	**-6%**	**3,213**	**3,103**	**-3%**
Net finance expenses	(733)	(646)	13%	(960)	(810)	-16%
Profit before tax	**1,865**	**2,116**	**-12%**	**2,253**	**2,293**	**2%**
Current taxation	(485)	(471)	3%	(542)	(545)	1%
Profit for the year	**1,380**	**1,645**	**-16%**	**1,711**	**1,748**	**2%**

Source: Management information

A variance analysis of the Guarantor's income statement for FY2018 as well as an updated forecast for FY2019 following a publication of the projections for FY2019 in the FAS dated July 2018 is depicted above. There are no changes of a material nature in absolute terms that warrant specific mention, however, in so far as selling, general and administrative costs are concerned, there were higher professional fees incurred than originally anticipated including in connection with the latest property acquisition as well as an increase in agency fees and bank charges that were not previously projected.

For FY2018, whereas EBITDA came in at an almost identical level to that forecasted, a change in policy on depreciation (including a depreciation charge on the latest acquisition that was not previously catered for) caused EBIT to fall slightly below forecasts presented last year. Timing differences in so far as borrowings drawdowns are concerned led to a variation in net finance expenses and a corresponding impact on profits for the year.

The FY2019 projection published last year has now been revised, albeit marginally, reflective of developments so far this year that gives the company sufficient visibility on forward numbers.

Part C Listed Securities

The Issuer's listed debt securities comprise:

Bond: €15 million 4% Secured Bonds 2028

ISIN: MT0001911206

Prospectus Date: 31 July 2018

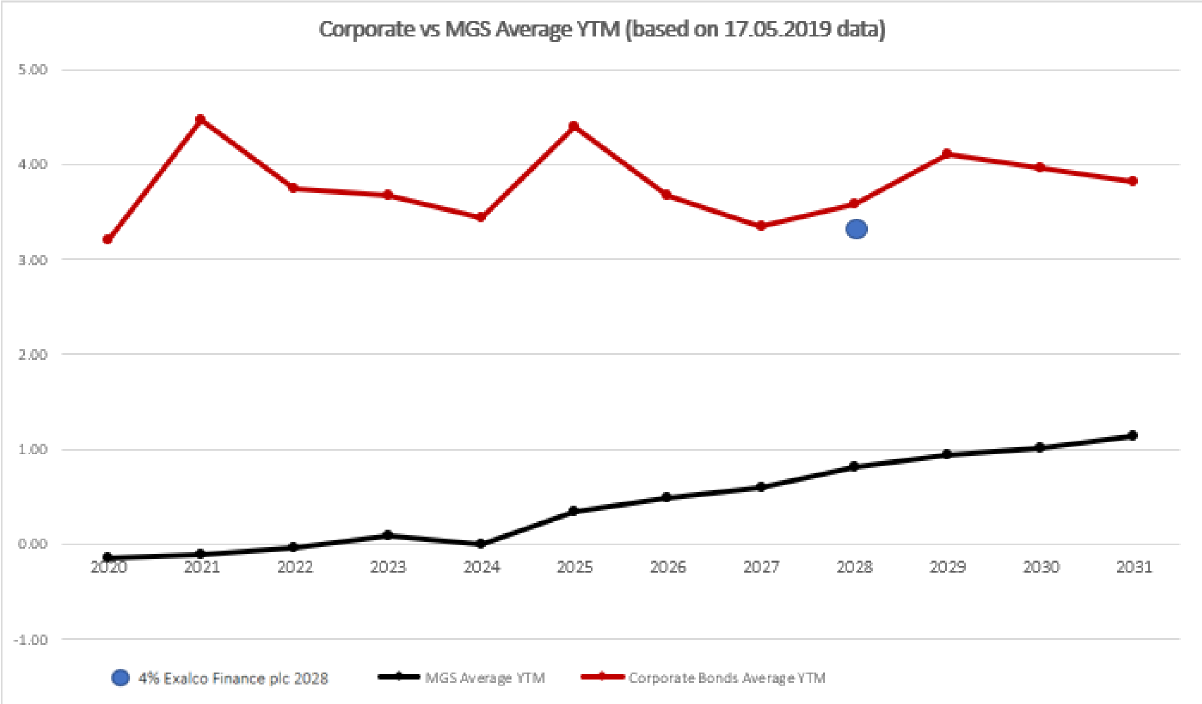
Redemption Date: 20 August 2028

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

Bond Details	Outstanding Amount *(€)*	Total Assets *(€'000)*	Total Equity *(€'000)*	Gearing Ratio *(%)*	Net Debt to EBITDA *(times)*	Interest Cover *(times)*	YTM *(%)*
4.50% GHM plc 2027	15,000,000	22,252	3,290	80.57	3.37	2.34	3.93
4.35% SD Finance plc 2027	65,000,000	229,882	63,770	53.73	3.11	5.93	3.54
4.00% Eden Finance plc 2027	40,000,000	185,717	103,511	34.22	4.00	5.70	3.13
3.75% Tumas Investments plc 2027	25,000,000	266,910	154,483	26.57	0.47	33.79	3.05
3.50% Simonds Farsons Cisk plc 2027	20,000,000	170,996	108,273	27.32	1.43	18.72	2.62
3.75% Virtu Finance plc 2027	25,000,000	153,636	90,374	24.11	1.95	25.40	3.17
4.00% Exalco Finance plc 2028 (Secured)	15,000,000	67,003	36,566	38.20	6.52	4.00	3.21
4.85% Melite Finance plc 2028 (Secured)	9,250,000	15,775	5,976	59.95	25.41	4.38	4.09
4.50% Endo Finance plc 2029	13,500,000	25,357	8,443	64.30	5.39	4.41	4.37
4.00% SP Finance plc 2029 (Secured)	12,000,000	22,236	16,360	17.19	3.31	6.02	3.86

Source: Yield to Maturity from rizzofarrugia.com based on bond prices as at 17 May 2019. Ratio workings and financial information quoted have been based on the issuer's and their guarantors where applicable, from published financial data for the year ended 2018.

The chart below compares the Exalco Finance plc bond to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 17 May 2019.



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

At a coupon of 4.00% per annum, the Exalco Finance plc bonds yield 3.21% per annum to maturity. This is approximately 240 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2028, and circa 40 basis points below the average YTM of corporate debt maturing in 2028.

STATEMENT OF COMPREHENSIVE INCOME 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 total debt by total 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.

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