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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

31 July 2020

Dear Sirs,

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

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

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

(a) The Company's audited financial information for the years ended 31 December 2018 and 2019;
(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 2017, 2018 and 2019;
(c) Projected financial information for the year ending 31 December 2020 as provided and approved by management of the Issuer and the Guarantor;
(d) Our commentary on the results and respective financial position of the Issuer and Guarantor is being based on explanations from management;
(e) The Ratios presented in the Update FAS have been computed by us applying the definitions as set out and defined within the Update FAS; and
(f) Relevant financial data in respect of the comparative set as analysed in part D has been extracted from public sources such as the web sites of the companies concerned, financial statements filed with the Malta Business Registry or other published documents such as Financial Analysis Summaries.

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

Yours sincerely,

Vincent E Rizzo
Director

FINANCIAL ANALYSIS SUMMARY

Update 2020

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

31 July 2020

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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 years ended 31 December 2018 and 2019, the Guarantor's audited Financial Statements for the years ended 31 December 2017, 2018 and 2019 and forecasts for financial year ending 31 December 2020 for both the Company and the Guarantor.

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

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

Previous FAS Issued

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

FAS dated 31 July 2018 (appended to the prospectus)

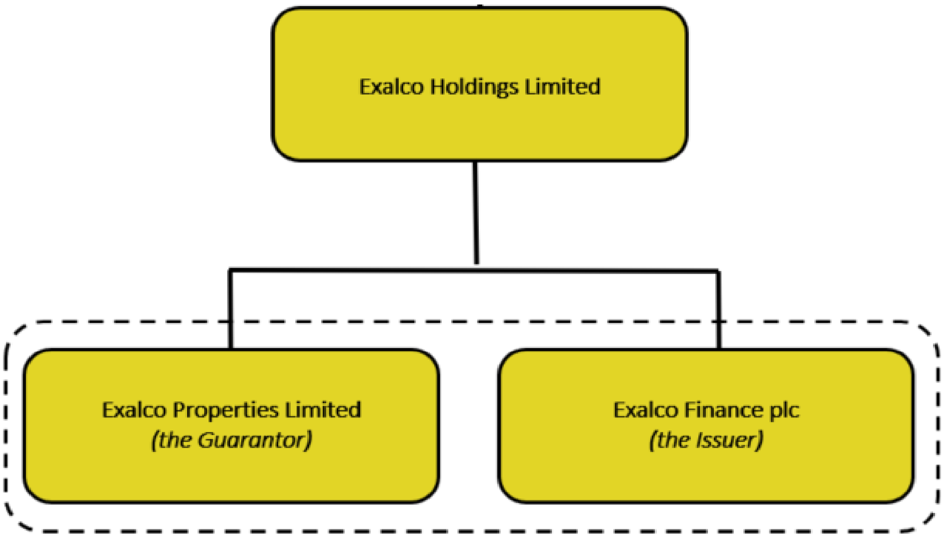
FAS dated 6 June 2019

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

The Guarantor 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, except for the latest acquisition Phoenix (acquired in September 2018), were fully occupied throughout the course of 2019. In so far as Phoenix is concerned, a full twelve months of rental income was received on three-fifths of the property as the remaining two levels were completed in June 2019 and rental income on just one of these finished levels during the last quarter of the financial year.

The Maltese property market continued to do exceptionally well in 2019, much in line with the trend experienced in the recent past that has seen a steady demand for commercial property that has kept rental rates particularly buoyant. However, supply has also been increasing significantly and the market witnessed the launch of new commercial space driving competition up further.

However, the first quarter of 2020 witnessed a global material event that has, unsurprisingly, altered the business and market environment of almost all sectors globally. The Guarantor’s business is also susceptible to the risks that this event has created.

While Malta and the commercial property sector had ended the year and entered the COVID-19 pandemic from a position of strength, there is no doubt that the impact will be felt in the country. In its annual report for 2019, the Company notes that it is expected to be able to honour its obligations with particular reference to interest payable on its listed bonds. Similarly, the Guarantor’s management has carried out a detailed scenario-driven assessment on its operations and financial performance in view of the immediate impact of COVID-19. While this assessment is expected to be ongoing at least for the time being, the Guarantor’s management reported that under all scenarios assessed, including a worst-case scenario, all financial obligations can be met when they fall due.

As a result of COVID-19, although management indicated that it is still too early to reliably estimate the impact on the value of the Guarantor’s assets (principally its six business centres), it should be noted that the health of the property rental market may deteriorate quickly and for prolonged periods of time as a consequence of the pandemic. As such, property values may also be impacted although management notes that it remains fully committed to mitigate the potential negative impact in all ways possible.

In addition, management is mindful of the impact to the economy that may be caused by current challenges to Malta's reputation. This could result in negative impact on the attractiveness of the jurisdiction as a base for foreign investment and management is closely monitoring developments in this respect.

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
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	2014	1	-	-	1

Source: Management information

**NLA: net lettable area*

5 MATERIAL AGREEMENTS

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

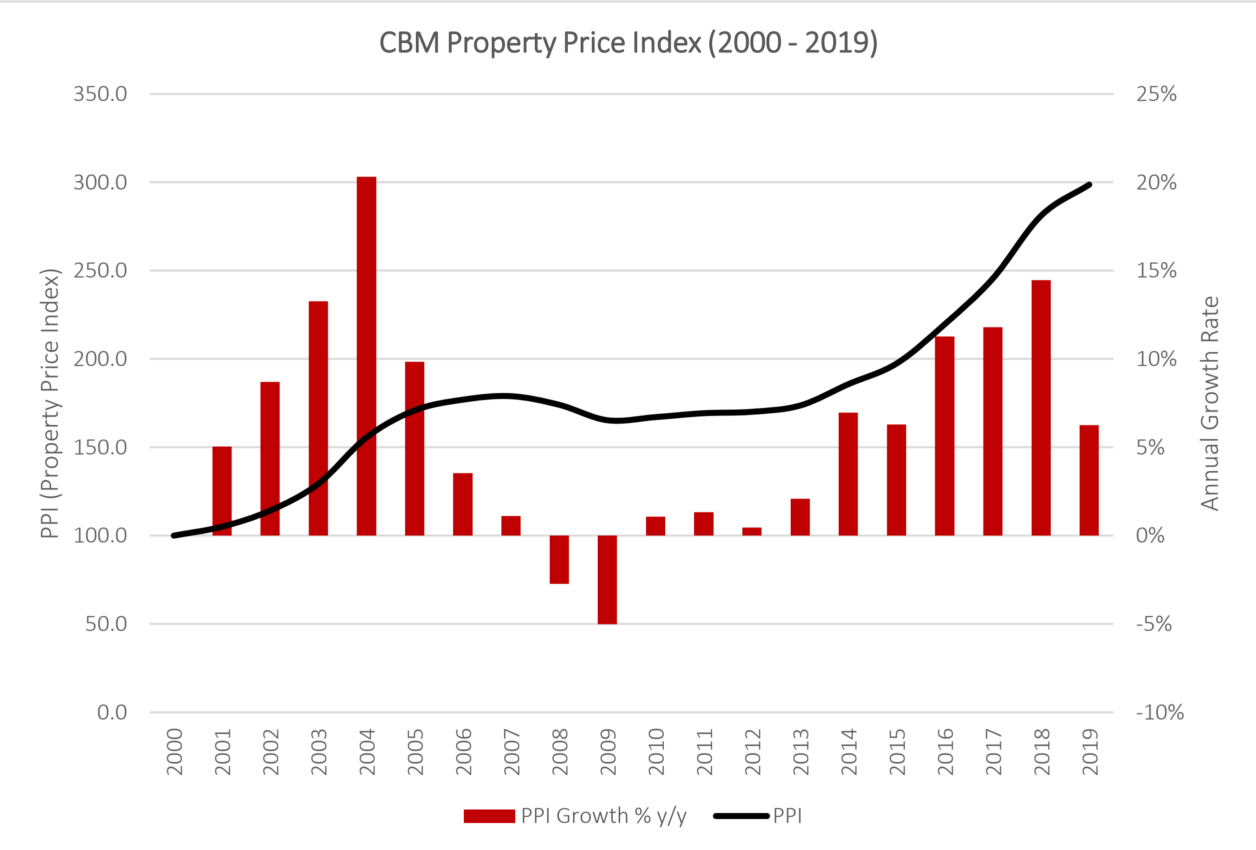
The Guarantor is party to a number of contracts which are considered to be material in the context of its operations, particularly those with tenants of the business centres. Furthermore, the Guarantor has provided guarantees to the Security Trustee, for the benefit of the Bondholders, with respect to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

Since the publication of the FAS in June 2019, management advised that the Issuer and the Guarantor entered into a facility agreement in November 2019 that provides for the periodic short term lending to the Guarantor of any idle cash balances held by the Issuer in order to maximise the effectiveness of idle cash by using it as necessary rather than potentially resorting to other less efficient means.

6 MARKET OVERVIEW

The construction and real estate industry has traditionally been a key driver of growth for the local economy. Moreover, the positive correlation between the performances of the local economy and the construction and real estate industry has been particularly evident in recent years. These have been mainly fuelled by favourable local and external macroeconomic dynamics as well as various initiatives (including fiscal incentives) by the Government of Malta aimed at boosting the overall level of public and private investment, regenerate business/retail and consumer confidence, and increase the participation and relocation of numerous foreigners and foreign companies opting to reside and do business in Malta.

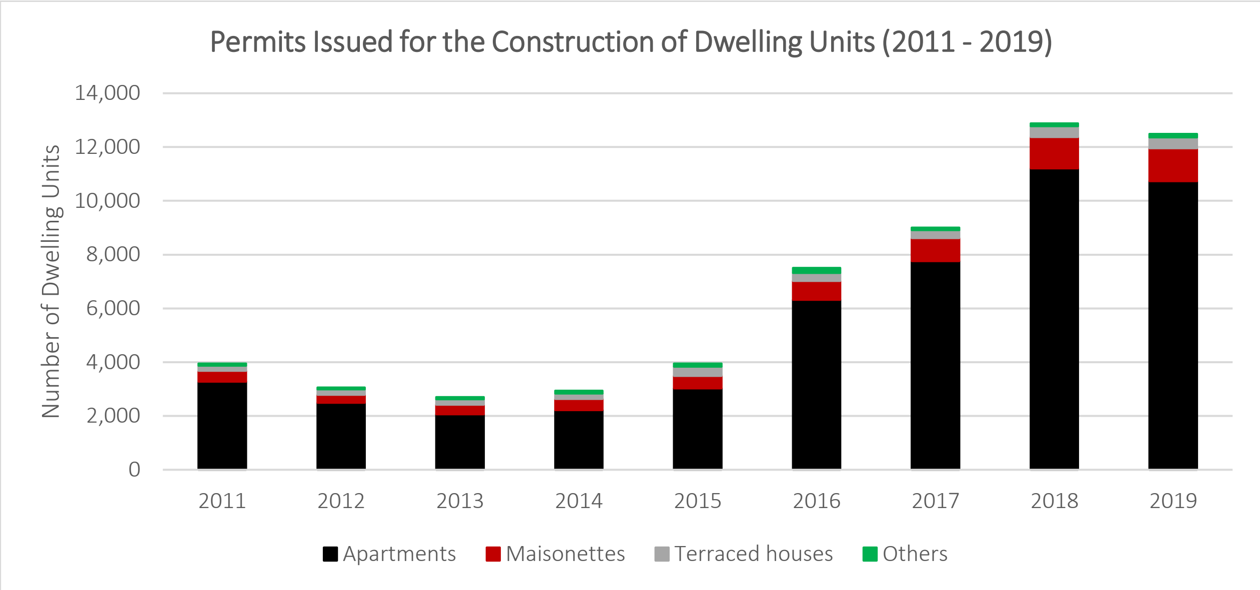
The most recent data issued by the Central Bank of Malta shows that property prices in Malta increased by 6% in 2019 over the previous year. This led the CBM Property Price Index, which tracks movements in the advertised prices of the major types of residential property, to reach a new all-time high of 298.7 points as at the end of 2019 compared to 281.1 points as at the end of 2018.



Source: Central Bank of Malta

The CBM Property Price Index also shows that property prices in Malta have increased by a compound average growth rate ("**CAGR**") of 5.6% per annum (in nominal terms) since 2000.

The most recent upturn in property prices in Malta was mainly demand-driven. In fact, although statistics show that the number of permits for residential units issued by the Planning Authority eased slightly for the first time in five years, this was still the second highest amount of planning permits for new dwellings ever issued. During 2019, the Planning Authority sanctioned the development of 12,485 units, slightly lower than the 12,885 permits issued in 2018 but significantly higher than the 9,006 permits issued in 2017. The slight decline in 2019 was due to a decline in permits for apartments (the largest category of residential units), whilst maisonettes and terraced houses both experienced increases.



Source: Planning Authority

Commercial Property

Although commercial property is a very important niche of the local property market, available statistics are indeed limited. Nonetheless, empirical evidence suggests healthy and buoyant demand, particularly for high-quality office space in line with the increase in the number of foreign companies operating in Malta. Indeed, with the constant influx of foreigners seeking to set up, transfer or expand their business locally, the demand for office space has increased considerably in recent years, mainly driven by Government's efforts at promoting Malta as a prime international business destination particularly for entities operating in financial services, i-gaming, information technology, aircraft maintenance and maritime. Other factors that contributed towards this success are an advanced telecommunications network, highly skilled professionals at competitive labour costs, Malta's strategic location and the implementation of laws in line with EU laws and directives.

Economic Results

Property remains an important contributor to the country's GDP. The improved activity and sentiment across the local property market also reflected in the contribution of this sector to Malta's GDP. In fact, gross value added of the construction sector increased by over 14% to €447 million in 2019 compared to €393 million in the previous year. Over the same period, the percentage share of the construction sector to Malta's GDP grew as the construction sector grew at a faster pace than other sectors within the local economy. Similarly, during 2019 strong growth was also registered within the real estate activities segment which grew at a rate of 7% to €552 million from €514 million in 2018.

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. FY2019 was the first full year of operations for the Issuer since its incorporation. 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 and a full financial year ended 31 December 2019. The projections produced in this section reflect management's expectations.

7.1 INCOME STATEMENT

	Actual FY2018 *€000's*	*Actual* FY2019 *€000's*	Forecast FY2020 *€000's*
Interest on loans to fellow companies	238	604	612
Facility fee	93	127	130
Finance Income	**331**	**731**	**742**
Finance cost	(220)	(600)	(600)
Net Finance Cost	**110**	**131**	**142**
Loss allowance on financial assets	(29)	-	-
Amortisation of bond issuance costs	(13)	(30)	(30)
Directors' fees	(15)	(30)	(30)
Listing and related fees	(34)	(26)	(25)
Other	(3)	(9)	(10)
Profit before tax	**18**	**36**	**47**
Taxation	(16)	(13)	(16)
Profit for the Year	2	23	31

Source: Management information

REVIEW FY2019 AND FORECAST FY2020

The results for the Issuer for the year ended 31 December 2019 cover a twelve-month period and therefore cannot be compared directly to those presented alongside for FY2018 that cover the first five months since inception and just before the admissibility to listing of the Company's bonds in August 2018. Being the finance vehicle of the Group, the significance of these numbers is restricted to appreciating the fact that the principal inflows and outflows are interest income on the bond issue proceeds loaned to the Guarantor and the facility fee chargeable to the Guarantor as the ultimate beneficiary of the funds raised by the Issuer. As expected, the forecasts for FY2020 show relatively immaterial movements given the nature of the Company's activities.

7.2 Statement of Financial Position

	Actual FY2018 *€000's*	*Actual* FY2019 *€000's*	Forecast FY2020 *€000's*
Assets			
Non-Current Assets			
Loans & receivables	14,672	14,972	14,972
Current Assets			
Trade & other receivables	288	247	250
Cash & cash equivalents	250	44	103
Total Assets	15,210	15,263	15,325
Equity & Liabilities			
Equity			
Share Capital	250	250	250
Retained Earnings	2	25	56
Total Equity	252	275	306
Non-Current Liabilities			
Amortised bond issue	14,713	14,743	14,773
Current Liabilities			
Trade and other payables	229	232	230
Current tax	16	13	16
Total Liabilities	14,958	14,988	15,019
Total Equity & Liabilities	15,210	15,263	15,325

Source: Management information

Review FY2019 and Forecast FY2020

The balance sheet of the Issuer is very straightforward and reflective of its objectives as a financing arm for the Guarantor. As at the end of FY2019, the Issuer's total assets were €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. The Issuer does not expect any material changes in its balance sheet for FY2020 in line with its objectives and purpose.

7.3 Cash Flow Statement

	Actual FY2018 *€000's*	*Actual* FY2019 *€000's*	Forecast FY2020 *€000's*
Cash flows from operating activities	-	94	59
Cash flows used in investing activities	(14,700)	(300)	-
Cash flow from financing activities	14,950	-	-
Net movements in cash & cash equivalents	**250**	**(206)**	**59**
Opening cash & cash equivalents	-	250	44
Closing cash & cash equivalents	**250**	**44**	**103**

Source: Management information

Review FY2019 and Forecast FY2020

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 2019 is due principally to a downward revision in certain fees (expenses) which resulted in higher profits as well as certain timing differences in the movement of receivables (balances owed by the Guarantor) which affected cash movements at the cut-off points. The cash movements in FY2020 are expected to be very marginal and restricted owing to the nature of the company's operations.

8 The Guarantor

The financial statements of the Guarantor are being presented hereunder. The historical financial figures for the years ended 31 December 2017, 2018 and 2019 have been sourced from the audited consolidated financial statements. Reference herein is made to "**Historical Financial Information**" in this regard.

Forecasts for the year ended 31 December 2020 (the "**Management Forecasts**") have been provided by management who maintain sole responsibility for them and for the assumptions on which they are based.

Financial information presented hereunder may be subject to rounding differences.

8.1 Income Statement

	Actual FY2017 *€000's*	*Actual* FY2018 *€000's*	*Actual* FY2019 *€000's*	Forecast FY2020 *€000's*
Property Leasing	2,174	3,215	3,634	3,805
Net property management income	149	172	132	148
Net revenue from property leasing activities	**2,323**	**3,387**	**3,766**	**3,953**
Other net (costs)/income from property leasing	18	19	15	17
Selling, general and administrative costs	(292)	(470)	(435)	(470)
Normalised EBITDA	**2,049**	**2,936**	**3,346**	**3,500**
Depreciation	(204)	(338)	(338)	(340)
Normalised EBIT	**1,845**	**2,598**	**3,008**	**3,160**
Net finance expenses	(538)	(733)	(870)	(921)
Normalised profit before tax	**1,307**	**1,865**	**2,138**	**2,239**
Extraordinary expenses	(102)	-	-	-
Income attributable to property held by ECTS	46	-	-	-
Profit before tax	**1,251**	**1,865**	**2,138**	**2,293**
Current taxation	(333)	(485)	(546)	(570)
Profit for the year	**918**	**1,380**	**1,592**	**1,669**

Source: Historical Financial Information and Management Projections

The results for 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 FY2019

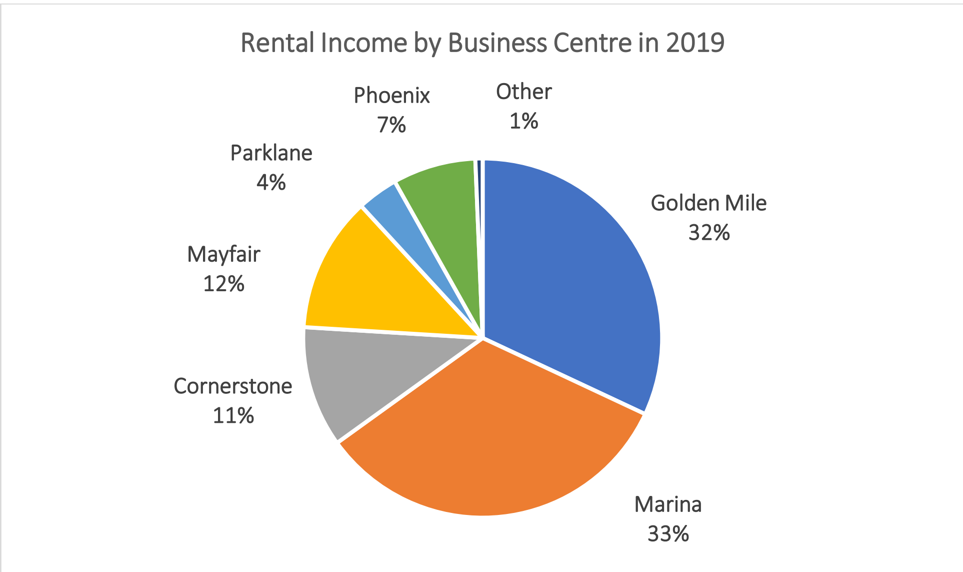
Revenue Analysis

The Guarantor's revenue generating segments are property leasing and property management. Total revenue reached €3.8 million in FY2019 up from €3.4 million in FY2018. The principal contributor to this increase is the commencement of contributions from the Phoenix Business Centre which was acquired towards the end of 2018. Renewals of some other leases at slightly higher rates also contributed (albeit less significantly) to top line income growth. The property leasing segment remains the largest contributor to the Guarantor's revenue at well over 90%.

Property Leasing

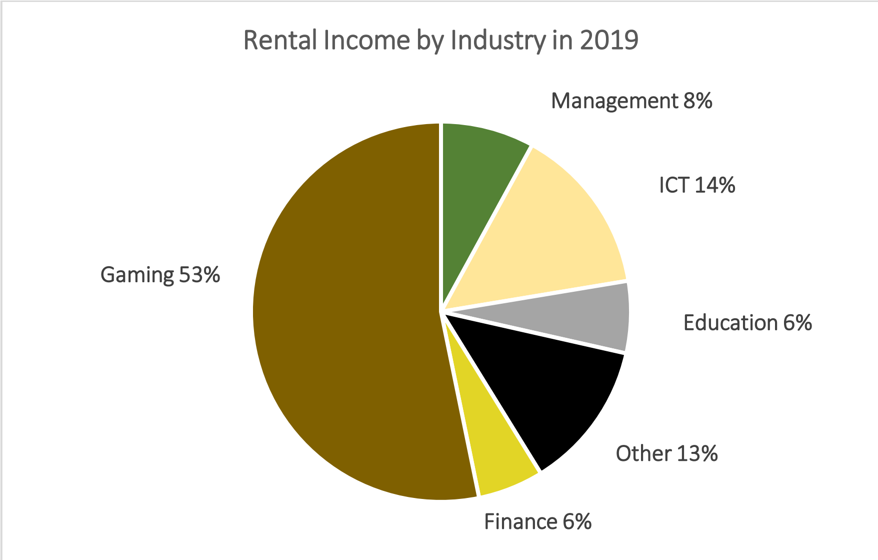
This segment is represented by the leasing of the six business centres in Malta entirely owned by the Guarantor.

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



Source: Management information

The Golden Mile Business Centre in Saint Julian's and the Marina Business Centre in Ta' Xbiex remained the largest revenue contributors by quite a margin over the other properties and together accounted for 65% of the revenue of FY2019. This is expected to remain so for the foreseeable future.



Source: Management information

While the Guarantor has various tenants operating in different sectors, there remains a noticeable concentration on the gaming industry. However, while at the end of FY2018, this industry accounted for 63% of total revenue, by the end of FY2019 this fell to 53%. Management advised that the principal contributor to this drop is a change in tenant mix as is evident from the pie chart above when compared to that for 2018 as reported in the FAS of June 2019. At the time, the ICT sector accounted for just 5% of rental income.

Furthermore, as the Golden Mile Business Centre is currently fully occupied by one large gaming company and given also that this business centre represented 32% of total revenue in FY2019, such concentration remains material although on a decreasing trend. In fact, in terms of rental income by tenant, in FY2019 the top four tenants across all business centres accounted for 56% of total rental income (FY2018: 66%).

Property Management

This segment complements the rental property segment, as it maintains the business centres on behalf of its tenants. Services provided by the Group include common area management, general repairs and maintenance, and in-house maid services. The company generated revenue of €132,000 from these services during FY2019 compared to €172,000 in FY2018 due to some un-forecasted repair works required in two of the centres. This stream is likely to remain valid but relatively immaterial.

Other Components of the Income Statement

EBITDA, being the operating profit adjusted for depreciation, amortisation and before charging tax and interest expenses, was €3.3 million in FY2019 (FY2018: €2.9 million). As highlighted above, the contribution of the Phoenix Business Centre in FY2019 following its acquisition towards the end of 2018 is the main factor behind this increase. EBITDA margin remained very high at 89% (FY2018: 87%).

Depreciation remained unchanged at €0.3 million in FY2019 while operating profits increased to €3 million (FY2018: €2.6 million). Net finance expenses increased in FY2019 as costs related to the drawdowns in relation to the latest acquisition have a full year effect.

Forecasts - FY2020

We have been advised that the assumptions on which the forecasts for FY2020 are based reflect normal activity, however, they take into account the impact of COVID-19 on assistance to tenants, expectations and market conditions as referred to further in section 3 in this report. Notwithstanding the difficult period and the challenges that the pandemic has created and will continue to create at least in the short term, management appears confident that in FY2020 the business will not be impacted. Indeed, it is currently forecasted that business in FY2020 will improve over that for FY2019 for three reasons – the commencement of rental income from the remaining available space at the Phoenix building effective January 2020, the renewal of some agreements at higher rates particularly in specific buildings also effective from the beginning of 2020 as well as annual rent increments as stipulated in existing lease agreements which the Guarantor has in place with existing tenants.

In fact, overall revenues are expected to increase to €3.95 million in FY2020, compared to €3.7 million in FY2019. Management expect average occupancy to remain very high in all centres and the tenant mix to remain broadly unchanged.

Consequently, EBITDA is also expected to increase from €3.3 million in FY2019 to €3.5 million in FY2020. 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 just under €1 million in FY2020 from €0.9 million for FY2019, reflecting the additional facilities drawn in relation to the finishing works of the Phoenix Business Centre during the latter part of FY2019. After deducting tax, profit for the year is expected to be higher at €1.7 million.

8.2 STATEMENT OF FINANCIAL POSITION

	Audited	*Audited*	*Audited*	*Forecast*
	FY2017	FY2018	FY2019	FY2020
	€000's	*€000's*	*€000's*	*€000's*
Assets				
Non-Current Assets				
Property, plant and equipment	456	451	449	445
Investment property	53,716	60,404	60,900	60,871
Loans and receivables	-	2,033	2,482	2,482
Total Non-Current Assets	**54,172**	**62,888**	**63,831**	**63,798**
Current Assets				
Trade and other receivables	1,000	665	1,008	993
Cash and cash equivalents	213	3,450	1,907	3,664
Total Current Assets	**1,213**	**4,115**	**2,915**	**4,657**
Total Assets	**55,385**	**67,003**	**66,746**	**68,455**
Equity & Liabilities				
Equity				
Share Capital	2,840	2,840	2,840	2,840
Revaluation & other Reserves	30,270	30,328	30,322	30,322
Retained Earnings	2,358	3,397	4,890	6,558
Total Equity	**35,468**	**36,565**	**38,052**	**39,720**
Non-Current Liabilities				
Deferred tax liabilities	4,651	4,686	4,685	4,685
Shareholders' loan	583	-	-	-
Security Deposits	552	678	645	690
Borrowings for continuing operations	10,026	7,167	5,838	5,512
Amounts due to fellow subsidiaries	-	14,700	14,700	15,000
Total Non-current liabilities	**15,812**	**27,231**	**25,868**	**25,887**
Current Liabilities				
Trade and other payables	2,032	1,862	1,706	1,657
Deposits received from clients	114	164	194	230
Borrowings	1,398	733	379	390
Bank overdraft (Exalco Metals)	263	-	-	-
Current tax liabilities	298	448	547	571
Total Current Liabilities	**4,105**	**3,207**	**2,826**	**2,848**
Total Liabilities	**19,917**	**30,438**	**28,694**	**28,735**
Total Equity & Liabilities	**55,385**	**67,003**	**66,746**	**68,455**

Source: Historical Financial Information and Management Projections

Review FY2019

The Guarantor's asset base as of the end of FY2019 remained principally 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 71% and 16% of total liabilities, respectively.

The Statement of Financial Position as at 31 December 2019 compared to the figures as at 31 December 2018, reveals that total assets decreased marginally to €66.7 million. This is largely the result of a decrease in cash balances (current assets) following the utilisation of cash for the full repayment of a small bank loan.

Meanwhile, total liabilities decreased to €28.7 million compared to €30.4 million at the end of FY2018. The decrease principally reflects a reduction in borrowings following the full repayment of a small bank loan as just described above. Total liabilities remain to a large extent composed of the borrowings via the bonds in issue.

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

Forecasts FY2020

For FY2020, the Guarantor's balance sheet is expected to grow principally on account of the expected increase in current assets and specifically through a marked increase in cash and cash equivalents compared to the lower levels as at the end of FY2019. This relates principally to the timing differences in respect of receipts referred to above. On the funding side, the principal contributor to expansion is in retained earnings as the financial position is expected to reflect improved earnings as reflected in the forecast income statement for FY2020. Management does not currently forecast any changes in the quantity or composition of investment properties during 2020 despite the effects of the pandemic and based on the information available to management as at the date of this report. In fact, management currently believes that COVID 19 will not have an impact on property values based on the terms of all the lease agreements currently in force and the fact that the buildings are 100% occupied. Liabilities are expected to remain broadly unchanged.

Analysis of borrowings

	Audited	Audited	Audited	Forecast
	FY2017	FY2018	FY2019	FY2020
	€000's	€000's	€000's	€000's
Borrowings for continuing operations	11,424	22,600	20,917	20,902
Less: Net Cash and cash equivalents	213	3,450	1,907	3,664
Net Funding - Continuing operations	**11,211**	**19,150**	**19,010**	**17,238**
Borrowings for discontinued operations	263	-	-	-
Net Funding - Discontinued operations	**263**	**-**	**-**	**-**
Total net borrowings	**11,474**	**19,150**	**19,010**	**17,238**

Source: Historical Financial Information and Management Projections

8.3 Statement of Cash Flows

	Audited	Audited	Audited	Forecast
	FY2017	FY2018	FY2019	FY2020
	€000's	€000's	€000's	€000's
Net cash flow from operating activities	1,322	2,209	1,420	2,079
Net cash flow used in investing activities	(3,407)	(6,929)	(831)	(308)
Net cash flow (used in) / from financing activities	1,601	7,957	(2,132)	(14)
Net movement in cash & cash equivalents	**(484)**	**3,237**	**(1,543)**	**1,757**
Opening cash & cash equivalents	697	213	3,450	1,907
Closing cash & cash equivalents	**213**	**3,450**	**1,907**	**3,664**
Bank overdraft balance	(734)	-	-	-
Net cash & cash equivalents at end of year	**(521)**	**3,450**	**1,907**	**3,664**

Source: Historical Financial Information and Management Projections

Review FY2019

For the period ended 31 December 2019, the Guarantor generated operational cash flows of €1.4 million compared to €2.2 million in 2018. The main contributor to the decrease in net cash generation is timing differences in respect of certain renegotiated lease agreements that altered the level of trade receivables. Other factors that impacted net cash inflows include a higher incidence of interest and tax and the settlement of payables due to capital creditors in connection with the refurbishment of the parts of the Phoenix Business Centre that were all settled in 2019. The change in cash utilisation throughout the year is reflective of a repayment of borrowings (a general-purpose short-term loan) as indicated in the statement of financial position. The company ended the year with a lower albeit still healthy level of cash.

Forecasts FY2020

Net operating cash flows for FY2020 are expected to increase again and to revert to levels similar to FY2018 following the renegotiation of certain lease agreements. Movement in investing and financing activities is expected to be negligible as no material changes are envisaged in the property portfolio. The Guarantor expects to end FY2020 in a net positive cash position of just under €3.7 million after the payment of all obligations due for the year under review.

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 FY2017	*Audited* FY2018	*Audited* FY2019	*Forecast* FY2020
EBITDA Margin *(EBITDA / Revenue)*	88.2%	86.7%	88.8%	88.5%
Operating profit Margin (EBIT Margin) *(Operating Profit / Revenue)*	79.4%	76.7%	79.9%	79.9%
Net Profit Margin *(Net Profit / Revenue)*	39.5%	40.7%	42.3%	42.2%
Return on Average Equity *(Net Profit / Average Equity)*	3.2%	3.8%	4.3%	4.4%
Return on Average Assets *(Net Profit / Average Assets)*	1.7%	2.1%	2.4%	2.4%

The Guarantor's margins reflect the lean cost structure of its business model. Margins have generally been stable and strong over the years under review and are not expected to change in FY2020 compared to FY2019 on the basis of management's forecasts for this year despite the pandemic earlier this year.

Liquidity Ratios

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

	Audited FY2017	*Audited* FY2018	*Audited* FY2019	*Forecast* FY2020
Current Ratio *(Current Assets / Current Liabilities)*	0.30x	1.28x	1.03x	1.64x
Cash Ratio *(Cash & Equivalents / Current Liabilities)*	0.05x	1.08x	0.67x	1.29x

The Guarantor's liquidity ratios are reflective of the fact that the Guarantor receives rental income in advance from its tenants. Hence, this results in relatively material level of current liabilities in the form of prepayments. 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 in the more recent years, 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's 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 the company's ability to meet its debt obligations.

	Audited	*Audited*	*Audited*	*Forecast*
	FY2017	FY2018	FY2019	FY2020
Interest Cover Ratio *(EBITDA / Net Finance Costs)*	3.81x	4.00x	3.85x	3.80x
Gearing Ratio (1) *(Net Borrowings / Equity)*	0.34x	0.52x	0.50x	0.43x
Gearing Ratio (2) *(Total Borrowings / [Total Borrowings + Equity])*	25.7%	38.2%	35.5%	34.5%
Gearing Ratio (3) *(Net Borrowings / [Net Borrowings + Equity])*	25.4%	34.4%	33.3%	30.3%
Net Debt to EBITDA	5.88x	6.52x	5.68x	4.93x

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 relatively stable although net finance costs are expected to increase by slightly more than EBITDA in percentage terms (+5.8% vs +4.6%), however, in nominal terms, the increase in EBITDA is greater than the increase in net finance costs.

On the basis of the forecasts for FY2020 prepared by management, leverage is below 50% at Guarantor level. Gearing is expected to remain reasonable and sustainable under normal business conditions.

8.5 VARIANCE ANALYSIS – INCOME STATEMENT

for the year ended 31 December	*Audited* 2019 *€000's*	*Forecast per FAS* 2019 *€000's*	*Variance* %
Property Leasing	3,634	3,634	-
Net property management income	132	200	-34%
Net revenue from property leasing activities	**3,766**	**3,834**	**-2%**
Other net income from leasing activities	15	16	-6%
Selling, general and administrative costs	(435)	(414)	+5%
EBITDA	**3,346**	**3,436**	**-3%**
Depreciation	(338)	(333)	2%
EBIT	**3,008**	**3,103**	**-3%**
Net finance expenses	(870)	(810)	7%
Profit before tax	**2,138**	**2,293**	**-7%**
Current taxation	(546)	(545)	-
Profit for the year	**1,592**	**1,748**	**-9%**

Source: Management information

A variance analysis of the Guarantor's income statement for FY2019 reveals changes that are largely of an immaterial nature. Apart from a lower level of net property management income compared to that originally anticipated as a result of repair works in two buildings that was not previously forecasted, EBITDA was practically in line with expectations. Profits before tax were 7% lower on account of a €60,000 difference (higher) in net finance costs on account of projected facility fee income due to the Guarantor on security property that was planned to be made available but in fact did not materialise.

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

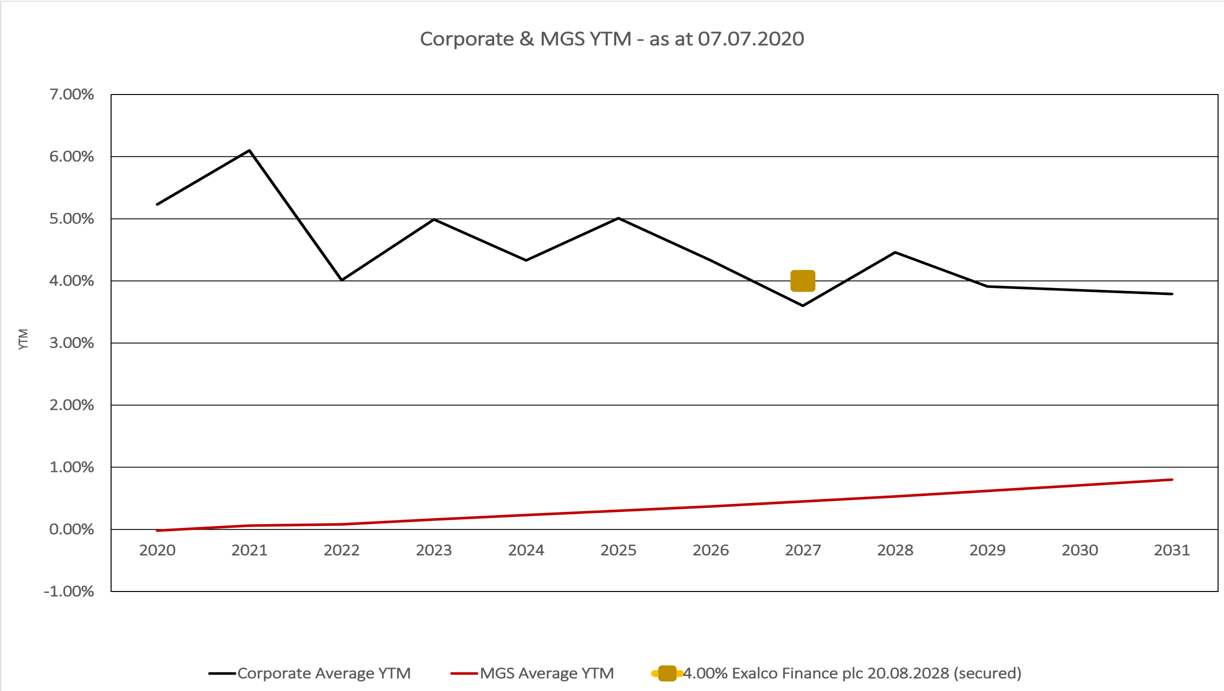
The table below compares the Issuer and its proposed bond issue to other listed debt on the local market having broadly similar maturities. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations may vary significantly 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 (€)	Gearing Ratio* (%)	Net Debt to EBITDA (times)	Interest Cover (times)	YTM (%)
4.50% GHM plc 2027	15,000,000	75.05	6.30	1.88	4.42
4.00% Eden Finance plc 2027	40,000,000	28.16	2.01	10.45	3.70
3.75% Tumas Investments plc 2027	25,000,000	16.52	1.05	12.79	3.12
3.50% Simonds Farsons Cisk plc 2027	20,000,000	22.70	1.45	16.60	2.42
3.75% Virtu Finance plc 2027	25,000,000	38.79	2.39	7.93	3.42
4.00% Exalco Finance plc 2028 (Secured)	15,000,000	33.30	5.68	3.85	4.00
4.00% SP Finance plc 2029 (Secured)	12,000,000	40.59	15.57	1.35	3.80

Source: Yield to Maturity from rizzofarrugia.com based on bond prices as at 7 July 2020. 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 2019.

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

The chart below compares the Exalco Finance plc bond to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 7 July 2020.



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

As at 7 July 2020 data, the Exalco Finance plc bonds yielded 4% per annum to maturity (since they were trading at par). This is approximately 355 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2027, and circa 40 basis points above the average YTM of corporate debt maturing in the same year.

STATEMENT OF COMPREHENSIVE INCOME EXPLANATORY DEFINITIONS

Revenue	Total revenue generated by the company from its business activity during the financial year.
EBITDA	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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