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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

02 June 2023

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 2020, 2021 and 2022;
(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 2020, 2021 and 2022;
(c) Projected financial information for the year ending 31 December 2023 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 2023

Prepared by Rizzo, Farrugia & Co (Stockbrokers) Ltd in compliance with the Listing Policies issued by the Malta Financial Services Authority dated 5 March 2013 and revised on 13 August 2021.

02 June 2023

Table of Contents

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 by the MFSA on 5 March 2013 and last updated on 13 August 2021. 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 2020 to 2022, the Guarantor's audited Financial Statements for the years ended 31 December 2020 to 2022 and forecasts for financial year ending 31 December 2023 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:

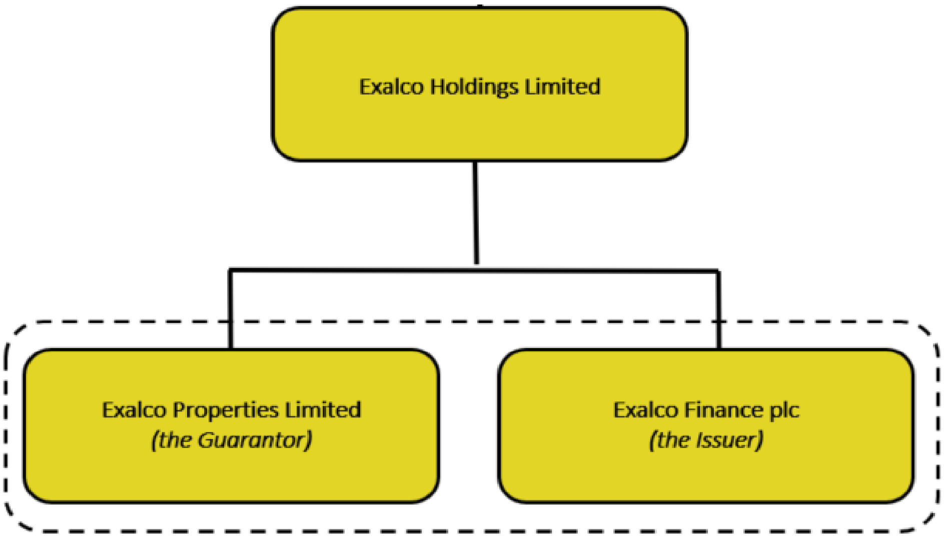
- FAS dated 31 July 2018 (appended to the prospectus)
- FAS dated 6 June 2019
- Addendum to FAS dated 19 August 2019
- FAS dated 31 July 2020
- FAS dated 21 June 2021
- FAS dated 10 June 2022

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 the 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 P Galea	Non-Executive Director
Mr Lawrence Zammit	Non-Executive Director
Dr Kevin F Dingli	Non-Executive Director (effective 02 August 2022)
Mr Kevin Valenzia	Non-Executive Director (until 14 July 2022)

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

There have been no changes to the asset composition of the Guarantor during the financial year ending 31 December 2022. The Guarantor owns and manages six business centres apart from two smaller and unrelated properties, all of which were in operation for the entire year under review.

However, it is also pertinent to highlight that on 25 January 2023, the Company announced that the Guarantor acquired the building known as the 'Savoy Hotel' or 'Savoy Guest House' situated in Rue D'Argens, Sliema for the price of €5.4 million. The Guarantor has since applied to the Planning Authority for a permit to convert, restore and redevelop the building into a prestigious business centre and re-establish it as a landmark building as it was in the past.

In last year's report, we highlighted that FY2021 was a good year and was expected to pave the way for a build-up in momentum in FY2022 as normality returned following the impact of the pandemic in FY2020 and parts of FY2021. FY2022 in fact turned out to be a very good year and much in line with expectations highlighting principally the stability in the group's operations.

In the annual report for FY2022, the Directors of the Company indicate that for FY2023 they do not anticipate any significant changes in either the company's activities or in their ability to continue to meet all their obligations. This notwithstanding, the Directors once again cautioned principally based on the fluidity of macro circumstances that continue to circle and that may cause a degree of instability relatively quickly and possibly in an unforeseen manner. The company emphasises that it is aware of these conditions and prepared to take any steps necessary to mitigate to the extent possible as and when required.

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 several 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 and owing under the Bonds.

Apart from what is mentioned in Section 3, since the publication of the Update FAS in June 2022, management advised that the Issuer and the Guarantor have not entered into any further material agreements that require disclosure.

6 Market Overview

The Property Market

The construction and real estate industries have 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 outbreak of COVID-19 disrupted the momentum that was building in the local economy as all sectors were adversely affected. The construction and real estate industry was no exception although the data indicated that the industry has been relatively resilient. In fact, whilst prices dipped in 2020, they rebounded in 2021.

Moreover, the most recent data issued by the Central Bank of Malta[1] shows that residential property prices in Malta (based on advertised prices) maintained an upward trend in 2022 to close the year at record highs.

Commercial Property

Although commercial property is a very important sector of the local property market, available statistics are indeed limited. Nonetheless, the most recent data published by the Central Bank of Malta[2] indicates a continued recovery in the commercial property space following the dip experienced in 2020 with the onset of the COVID-19 pandemic which derailed the sector's momentum built in the previous three years. In fact, the number of commercial development permits (comprising permits related to agriculture, manufacturing, warehousing, retail, offices, tourism as well as restaurant and bars) increased to 1,920 permits in 2022 (compared to 1,705 in 2021 and 1,557 in 2020) thereby moving closer to the record levels of more than 2,000 commercial development permits granted in each of 2017, 2018 and 2019.

Economic Results

Property remains an important contributor to the country's GDP with economic activity in this sector continuing to grow. In fact, Gross Value Added ("GVA") of the construction sector increased by 5.1% to €670.3 million in 2022 compared to €638.0 million in the previous year. Similarly, the GVA related to real-estate activities expanded by 9.7% to €904.7 million. Over the same period, the percentage share of the

[1] *Central Bank of Malta, 2023, Property Prices Index based on Advertised Prices, available from* https://www.centralbankmalta.org/site/Subscriber%20Categories/Real%20Economy%20Indicators/house_prices.xls?rnd=20230505104133&revcount=2130 *[Accessed 5 May 2023]*

[2] *Central Bank of Malta, 2023, Development Permits for Commercial, Social and Other Purposes, available from* https://www.centralbankmalta.org/site/Subscriber%20Categories/Real%20Economy%20Indicators/dev_permits.xls?rnd=20230505104133&revcount=5246 *[Accessed 5 May 2023]*

construction sector and real estate activities to Malta's GVA remained relatively stable at 10.1% in 2022, compared to 10.7% in 2021[3].

[3] *National Statistics Office, 2023, Gross Domestic Product: 2022, available from: https://nso.gov.mt/gross-domestic-product-2022/ [Accessed 5 May 2023]*

7. THE ISSUER

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 full financial years ended 31 December 2020 to 2022. The forecasts for FY2023 produced in this section reflect management's expectations.

7.1 INCOME STATEMENT

	Actual FY2020 *€000's*	Actual FY2021 *€000's*	Actual FY2022 €000's	Forecast FY2023 *€000's*
Interest on loans to fellow companies	612	612	616	619
Facility fee	130	132	135	137
Finance Income	**742**	**744**	**751**	**756**
Finance cost	(600)	(630)	(630)	(630)
Net Finance Cost	**142**	**114**	**121**	**126**
Administrative Expenses	(60)	(59)	(59)	(60)
Profit before tax	**52**	**55**	**62**	**66**
Taxation	(18)	(19)	(22)	(23)
Profit for the Year	34	36	40	43

Source: Management information

REVIEW FY2022 AND FORECAST FY2023

In light of the fact that the Issuer is a financing vehicle, the results for the Issuer for the year ended 31 December 2022 do not vary significantly from those of the previous years and indeed, will not vary much going forward in view of the objects of the Company. Being the financing vehicle of the Group, the significance of these numbers is restricted to the 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 which are used to pay off the bond finance costs. Indeed, the forecasts for FY2023 show minimal changes given the nature of the Company's activities.

7.2 STATEMENT OF FINANCIAL POSITION

	Actual FY2020 €000's	Actual FY2021 €000's	Actual FY2022 €000's	Forecast FY2023 €000's
Assets				
Non-Current Assets				
Loans & receivables	14,972	15,022	15,172	15,252
Current Assets				
Trade & other receivables	250	250	253	254
Cash & cash equivalents	127	127	48	39
Total Assets	15,349	15,399	15,473	15,545
Equity & Liabilities				
Equity				
Share Capital	250	250	250	250
Retained Earnings	59	95	135	178
Total Equity	309	345	385	428
Non-Current Liabilities				
Amortised bond issue	14,773	14,802	14,833	14,863
Current Liabilities				
Trade and other payables	267	252	255	254
Current tax	-	-	-	-
Total Liabilities	15,040	15,054	15,088	15,117
Total Equity & Liabilities	15,349	15,399	15,473	15,545

Source: Management information

REVIEW FY2022 AND FORECAST FY2023

The balance sheet of the Issuer is particularly straightforward and reflective of its objectives as a financing arm for the Guarantor. As at the end of FY2022, the Issuer's total assets amounted to €15.4 million and changes during the current financial year are expected to be marginal. In the main, these comprise an additional loan to the Guarantor from funds generated from operations. Liabilities include the amortised bond issue of €14.8 million as well as accrued interest. The Issuer does not expect any material changes in its balance sheet for FY2023 in line with its objectives and purpose.

7.3 Cash Flow Statement

	Actual FY2020 €000's	Actual FY2021 €000's	Actual FY2022 €000's	Forecast FY2023 €000's
Cash flows from operating activities	83	50	71	71
Cash flows used in investing activities	-	-	-	-
Cash flow from financing activities	-	(50)	(150)	(80)
Net movements in cash & cash equivalents	**83**	**-**	**(79)**	**(9)**
Opening cash & cash equivalents	44	127	127	48
Closing cash & cash equivalents	**127**	**127**	**48**	**39**

Source: Management information

Review FY2022 and Forecast FY2023

The cash flows from operating activities of the Issuer comprise facility fees and net interest received from the Guarantor. Cash flows used in financing activities relate to a loan of €150,000 advanced to the Guarantor (and anticipated last year). During FY2023, the Issuer is expecting to loan out a further €80,000 to the Guarantor.

8 THE GUARANTOR

The financial statements of the Guarantor are being presented hereunder. The historical financial figures for the years ended 31 December 2020, 2021 and 2022 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 2023 (the "**Management Forecasts**") have been provided by management who maintain sole responsibility for them and for the assumptions upon which they are based.

Financial information presented hereunder may be subject to rounding differences.

8.1 INCOME STATEMENT

	Actual FY2020 *€000's*	*Actual* FY2021 *€000's*	*Actual* FY2022 *€000's*	Forecast FY2023 *€000's*
Property Leasing	4,028	4,237	4,398	4,380
Net property management income	137	102	99	96
Net revenue from property leasing activities	**4,165**	**4,339**	**4,497**	**4,476**
Other net (costs)/income from property leasing	17	19	21	20
Selling, general and administrative costs	(433)	(414)	(498)	(617)
EBITDA	**3,749**	**3,944**	**4,020**	**3,879**
Depreciation	(340)	(339)	(349)	(337)
EBIT	**3,409**	**3,605**	**3,671**	**3,542**
Net finance expenses	(926)	(916)	(830)	(866)
Profit before tax	**2,483**	**2,689**	**2,841**	**2,676**
Current taxation	(576)	(616)	(638)	(660)
Profit for the year	**1,907**	**2,073**	**2,203**	**2,016**

Source: Historical Financial Information and Management Projections

REVIEW FY2022

REVENUE ANALYSIS

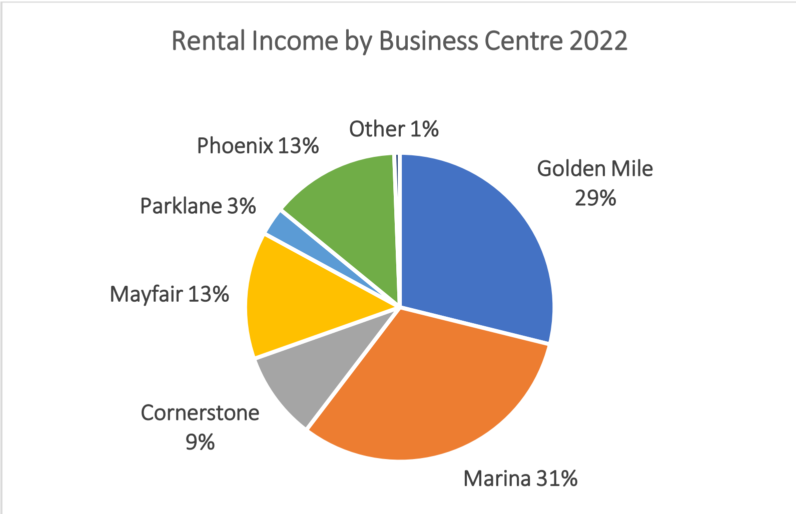
The Guarantor's revenue generating segments are property leasing and property management. Net revenue reached €4.5 million in FY2022 compared to €4.3 million in FY2021. The marginal increase in revenue was anticipated and is mainly attributable to a full-year effect of rental rate revisions as pre-defined in existing rental agreements.

An analysis of revenue generation by asset and tenant mix is provided overleaf.

Property Leasing

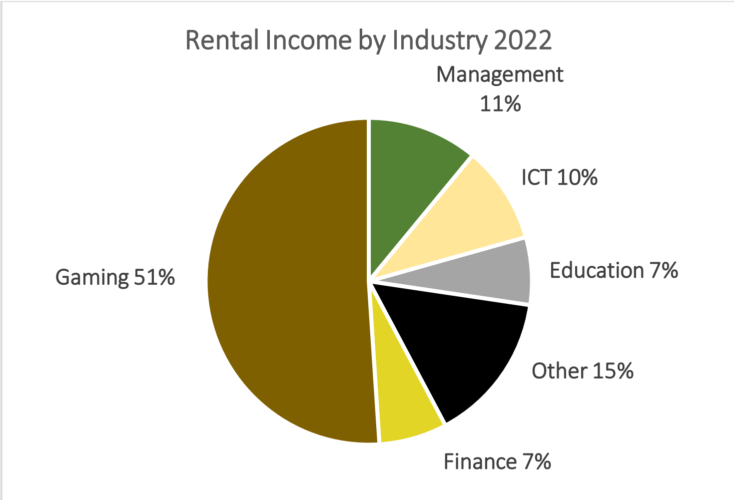
This segment is represented by the leasing of the six business centres in Malta entirely owned by the Guarantor.

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 Marina Business Centre in Ta' Xbiex and the Golden Mile Business Centre in Saint Julian's remained the largest revenue contributors by quite a margin over the other properties and together accounted for 61% of the revenue of FY2022 (FY2021: 61%). These two principal business centres account for circa 41% of the Guarantor's total lettable area. Phoenix Business Centre in Santa Venera and Mayfair in Saint Julian's contributed a further 13% of rental income each. Based on current terms of lease agreements in force, contributions per business centre are generally expected to remain unchanged in 2023, however, it is anticipated that some new leases may be contracted at a gradually declining rate compared to current rates in a few of the cases.



Source: Management information

The chart above (updated from the FAS of 2022) highlights once again the noticeable concentration in rental income from the gaming sector. This contribution has remained range-bound in the 50%-53% bracket since FY2019 after having fallen from 63% in FY2018. All other sector contributions remained largely unchanged with the "Other" component which comprises a mix of other 'sectors' aside from finance, management or ICT, continuing to account for 15% of revenue.

Similar to last year, the Golden Mile Business Centre remains fully occupied by one large gaming company and given also that this business centre represents 29% of total revenue, such concentration remains material and important to highlight. On the other hand, the Marina (being the largest contributor) as well as the other centres all accommodate a mix of tenants. In terms of rental income by tenant, in FY2022 the top four tenants across all business centres accounted for 58% (FY2021: 59%) of total rental income.

Property Management

This segment complements the rental property segment, as the Guarantor maintains the business centres on behalf of its tenants. Services provided include common area management, general repairs and maintenance, and in-house maid services. The company generated net revenues of €99,000 from these services during FY2022 compared to €102,000 in FY2021. No material change to this relatively small income stream is expected going forward.

Other Components of the Income Statement

EBITDA (operating profit adjusted for depreciation, amortisation and before charging tax and interest expenses) reached €4 million in FY2022 (FY2021: €3.9 million). The change is largely the result of pre-contracted annual increments in lease agreements currently in force. EBITDA margin remained unchanged over the previous year. Depreciation also remained unchanged at €0.3 million in FY2022 while operating profits increased marginally. Net finance expenses, at €0.83 million, are marginally lower than those for FY2021.

Overall, the income statement for FY2022 is completely in line with expectations and section 8.5 of this report provides a variance analysis to support this.

Forecasts - FY2023

According to management, the forecasts for FY2023 have been prepared on the basis of assumed normal and generally unchanged levels of activity. As reported by the Directors in their Annual Report and Audited Financial Statements for FY2022, no significant changes in the Guarantor's activities or business are expected in the short term and the Guarantor is expected to continue to register a surplus based on its projections for the foreseeable future.

Indeed, it is currently forecasted that business in FY2023 will practically match levels reached in FY2022 although a compensating effect is expected to materialise whereby statutory annual rental increments on existing leases are expected to be eroded by a decrease in rental rates on new leases when compared to the current rates. Overall net revenues from property leasing activities should reach €4.5 million in FY2023 compared to an almost identical figure in FY2022. Management expects all centres to remain fully occupied and the tenant mix to remain broadly unchanged.

EBITDA is however expected to decrease marginally from €4 million in FY2022 to €3.9 million in FY2023 on account of a forecasted increase in expenses, albeit marginal in absolute terms, at approximately €120,000. EBITDA margin is forecasted to therefore drop to 86% from the stable 90% level experienced in recent years.

In view of the rapid increase in interest rates in the past 10 months, net finance costs should be increasing, albeit marginally, as well over 90% of the Guarantor's borrowings are represented by the bonds in issue carrying a fixed rate of interest through to 2028. The impact of the steep increase in interest rates is therefore expected to be very marginally felt by the Guarantor, at least during FY2023 and in view of the reduction in bank borrowings expected to counter this increase in rates and minimise the impact on finance costs to the extent possible.

Overall profitability is expected to remain generally stable although lower than last year with profit after tax forecasted to reach €2 million compared to €2.2 million in FY2022.

8.2 Statement of Financial Position

	Audited	Audited	Audited	Forecast
	FY2020	FY2021	FY2022	FY2023
	€000's	€000's	€000's	€000's
Assets				
Non-Current Assets				
Property, plant and equipment	445	443	442	441
Investment property	60,840	60,778	69,760	75,498
Investments	-	-	18	28
Loans and receivables	2,486	2,486	-	-
Total Non-Current Assets	**63,771**	**63,707**	**70,220**	**75,967**
Current Assets				
Trade and other receivables	1,177	788	6,640	1,221
Cash and cash equivalents	4,138	3,360	1,288	2,169
Total Current Assets	**5,315**	**4,148**	**7,928**	**3,390**
Total Assets	**69,086**	**67,855**	**78,148**	**79,357**
Equity & Liabilities				
Equity				
Share Capital	2,840	2,840	2,840	2,840
Revaluation & other Reserves	30,322	30,322	37,960	37,960
Retained Earnings	6,797	8,719	10,313	11,930
Total Equity	**39,959**	**41,881**	**51,113**	**52,730**
Non-Current Liabilities				
Deferred tax liabilities	4,685	4,685	5,970	5,970
Security Deposits	716	456	517	510
Borrowings for continuing operations	5,518	2,029	1,535	1,102
Amounts due to fellow subsidiaries	15,000	15,050	15,200	15,280
Total Non-current liabilities	**25,919**	**22,220**	**23,222**	**22,862**
Current Liabilities				
Trade and other payables	1,973	2,097	2,166	2,094
Deposits received from clients	240	527	483	531
Borrowings	388	495	503	480
Current tax liabilities	607	635	660	660
Total Current Liabilities	**3,208**	**3,754**	**3,812**	**3,765**
Total Liabilities	**29,127**	**25,974**	**27,035**	**26,627**
Total Equity & Liabilities	**69,086**	**67,855**	**78,148**	**79,357**

Source: Historical Financial Information and Management Projections

REVIEW FY2022

The Guarantor's asset base as of the end of FY2022 increased from €67.8 million to €78.1 million. Investment property continues to account for 89% of total assets, unchanged on last year and increased by €9 million during the year on value uplifts across the portfolio of existing properties following a revaluation exercise approved by the Directors at the end of the year. Another notable change on the assets side of the balance sheet relates to trade receivables. Prior to 2022, the Guarantor had granted a €2.5 million loan to a related party which in turn used the funds to partially acquire the 'Savoy Hotel'. During 2022, the Guarantor advanced a further €2.9 million loan to the same related party to enable it to conclude the acquisition of the remaining portion of the aforementioned property in Sliema. Moreover, as at year end, the whole amount receivable of €5.4 million was transferred to current assets as the Guarantor was expected to acquire the same property from the relevant related party in less than 12 months' time. In fact, as explained earlier in this report, post year end and to be precise on 25 January 2023, the Company announced that the Guarantor acquired the building known as the 'Savoy Hotel' or 'Savoy Guest House' situated in Rue D'Argens, Sliema for the price of €5.4 million from a related party which was offset against an equal amount due to the Guarantor by the same related party.

On the liabilities side, the major components remain bond and bank borrowings as well as deferred taxes, the latter increasing by €1.3 million between FY2021 and FY2022 in view of the uplift in property value accounted for as described above. The Guarantor reduced bank borrowings by €0.5 million during the year to bring the balance down to €1.5 million in a bid to part counter the increase in finance costs in view of the increase in interest rates. The absolute bulk of borrowings remain represented by the bonds in issue amounting to €15 million. Total liabilities registered an increase of just over €1 million solely in view of the increase in deferred tax described above.

ANALYSIS OF BORROWINGS

	Audited	*Audited*	*Audited*	*Forecast*
	FY2020	**FY2021**	**FY2022**	**FY2023**
	€000's	*€000's*	*€000's*	*€000's*
Borrowings (bank loan and bonds)	20,906	17,574	17,238	16,862
Less: Net Cash and cash equivalents	4,138	3,360	1,288	2,169
Total net borrowings	**16,768**	**14,214**	**15,950**	**14,693**

Source: Historical Financial Information and Management Projections

Equity increased by €9.2 million from €41.9 million in FY2021 to €51.1 million in FY2022. €7.6 million out of this €9.2 million reflects the valuation uplift across the portfolio as described above, while the balance reflects the increase in retained earnings which in turn relates to the Guarantor's profitability for the period.

Forecasts FY2023

For FY2023, the Guarantor's balance sheet is expected to grow further as a result of the acquisition of the Savoy property that will be added to the company's inventory. In fact, investment property on the assets side is expected to increase by €5.7 million, offset by the decrease in receivables from €6.6 million to €1.2 million as the property acquisition was settled through the offsetting of an equivalent amount of trade receivables. The year-end cash position is forecast to increase by almost €1 million. Other movements in assets overall are expected to be marginal.

On the funding side, similar to previous years, the principal contributor to expansion is in retained earnings as the financial position is expected to reflect the earnings for the year as reflected in the forecast income statement for FY2023. All other liability components are not expected to experience any material changes during FY2023.

8.3 Statement of Cash Flows

	Audited	Audited	Audited	Forecast
	FY2020	FY2021	FY2022	FY2023
	€000's	*€000's*	*€000's*	*€000's*
Net cash flow from operating activities	2,519	2,830	1,641	7,341
Net cash flow used in investing activities	(277)	(276)	(425)	(6,084)
Free Cash Flow (FCF)	2,242	2,554	1,216	1,257
Net cash flow (used in) / from financing activities	(11)	(3,332)	(3,288)	(376)
Net movement in cash & cash equivalents	2,231	(778)	(2,072)	881
Opening cash & cash equivalents	1,907	4,138	3,360	1,288
Net cash & cash equivalents at end of year	4,138	3,360	1,288	2,169

Source: Historical Financial Information and Management Projections

Review FY2022

For the year ended 31 December 2022, the Guarantor generated lower net operational cash flows of €1.6 million compared to €2.8 million in FY2021. This was forecasted in our review last year and is the result of tax payments and timing factors related to receivables. Net cash used in investing activities increased on account of some alteration and refurbishment works carried out in certain office space that was up for lease renewal. Net cash used in financing activities remained almost equal to the level of FY2021 as the company once again opted to reduce bank loans further. Despite this cash outflow and a negative net movement in cash over the year, the company nevertheless retained a positive cash balance.

Forecasts FY2023

Net operating cash flows for FY2023 are expected to increase materially reflecting mainly the Savoy property deal early in this financial year. A set-off of receivables against amounts due to finalise the purchase of the new property are reflected in operating and investing net cashflows. On the other hand, cash movement in financing activities is expected to drop sharply. The Guarantor expects to recover part of the cash drops reported in FY2022 to end FY2023 with a positive net cash position of €2.1 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 FY2020	*Audited* FY2021	*Audited* FY2022	*Forecast* FY2023
EBITDA Margin *(EBITDA / Revenue)*	90.0%	90.9%	89.4%	86.7%
Operating profit Margin (EBIT Margin) *(Operating Profit / Revenue)*	81.8%	83.1%	81.6%	79.1%
Net Profit Margin *(Net Profit / Revenue)*	45.8%	47.8%	48.9%	45.0%
Return on Average Equity *(Net Profit / Average Equity)*	4.9%	5.1%	4.7%	3.9%
Return on Average Assets *(Net Profit / Average Assets)*	2.8%	3.1%	2.8%	2.5%

The Guarantor's margins continue to reflect the lean cost structure of its business model. Margins have generally been stable and strong although they are expected to ease while remaining robust. A decrease in rental rates and an increase in costs will concurrently marginally impact profitability ratios as highlighted above.

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 FY2020	*Audited* FY2021	*Audited* FY2022	*Forecast* FY2023
Current Ratio *(Current Assets / Current Liabilities)*	1.66x	1.10x	2.08x	0.90x
Cash Ratio *(Cash & Cash Equivalents / Current Liabilities)*	1.29x	0.90x	0.34x	0.58x

The expected improvement in the current ratio in FY2022 as forecasted last year materialized due to the aforementioned changes in trade receivables as described in section 8.2 above. This is however expected to be impacted once again in FY2023. The reason for this change is the fact that current assets will be materially impacted by the drop in receivables on account of the acquisition of the Savoy property as the receivable (current asset in FY2022) will be converted into a fixed asset in FY2023. With current liabilities expected to remain unchanged but cash levels moving upwards once again, cash ratio in FY2023 is expected to improve.

Solvency Ratios

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

	Audited FY2020	*Audited* FY2021	*Audited* FY2022	*Forecast* FY2023
Interest Cover *(EBITDA / Net Finance Costs)*	4.05x	4.31x	4.84x	4.48x
Gearing Ratio (1) *(Net Borrowings / Equity)*	0.42x	0.34x	0.31x	0.28x
Gearing Ratio (2) *(Total Borrowings / [Total Borrowings + Equity])*	34.3%	29.6%	25.2%	24.2%
Gearing Ratio (3) *(Net Borrowings / [Net Borrowings + Equity])*	29.6%	25.3%	23.8%	21.8%
Net Debt to EBITDA *(Net Borrowings / EBITDA)*	4.47x	3.60x	3.97x	3.79x

The Guarantor continues to maintain a very healthy interest cover reflective of the robust and stable EBITDA generation concurrent with a very prudent (and reducing) leverage position. For the time being, the trend is being maintained in FY2023 as net borrowings drop to €14.7 million in FY2023 compared to €15.9 million in FY2022.

Based on the forecasts for FY2023 prepared by management, leverage (gearing) shows a further improvement (reduction). As equity gradually increases principally through further retained earnings and reduction in bank loans, the levels of gearing (as measured in three different manners) heads lower to levels which are considered even more prudent and sustainable. However, one should reasonably expect these ratios to change in due course on account of the addition of a new and as yet undeveloped asset to the portfolio. Once permits are in hand and full renovation and refurbishment works commence (probably not before FY2024), it should be reasonable to expect the Guarantor's gearing ratios to reflect the debt financing required for this new investment.

The Net Debt to EBITDA ratio similarly shows a further strengthening forecasted for FY2023 (a lower ratio is a better result) for the same reasons outlined above. The results indicate that, all things being equal and on the basis of the current assumptions and forecasts for FY2023, the Guarantor is in a comfortable position to meet its commitments including those with the Issuer which in turn will enable Exalco Finance plc to meet its commitments with bondholders.

8.5 VARIANCE ANALYSIS – INCOME STATEMENT

for the year ended 31 December	*Actual Audited* 2022 *€000's*	*Forecast per FAS* 2022 *€000's*	*Variance* %
Property Leasing	4,398	4,380	+0.4
Net property management income	99	93	+6.4
Net revenue from property leasing activities	**4,497**	**4,473**	**+0.5**
Other net income from leasing activities	21	20	-
Selling, general and administrative costs	(498)	(499)	-
EBITDA	**4,020**	**3,993**	**+0.6**
Depreciation	(349)	(340)	+2.6
EBIT	**3,671**	**3,653**	**+0.5**
Net finance expenses	(830)	(818)	+1.5
Profit before tax	**2,841**	**2,835**	**+0.2**
Current taxation	(638)	(657)	-3.0
Profit for the year	**2,203**	**2,178**	**+1.1**

Source: 2022 Audited Financial Statements and FAS dated 21 June 2022

A variance analysis of the Guarantor's income statement for FY2022 reveals changes that are largely of an immaterial nature. The visibility of earnings and relatively fixed and controlled nature of costs together with management's realistic assumptions resulted in an overall actual position that was marginally better than that forecasted.

Actual EBITDA as at year end reached €4 million, practically in line with that forecasted. This was brought about by slightly higher revenues as a result of certain revisions to existing agreements in line with pre-defined increases. Depreciation levels were almost in line with those forecasted while net finance expenses were marginally higher on account of the rise in interest rates impacting the cost of financing on bank loans. Profit before tax matched expectations.

Overall, the results once again indicate management's prudence in the preparation of the forecasts and this on the back of good control and visibility of the Guarantor's business.

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

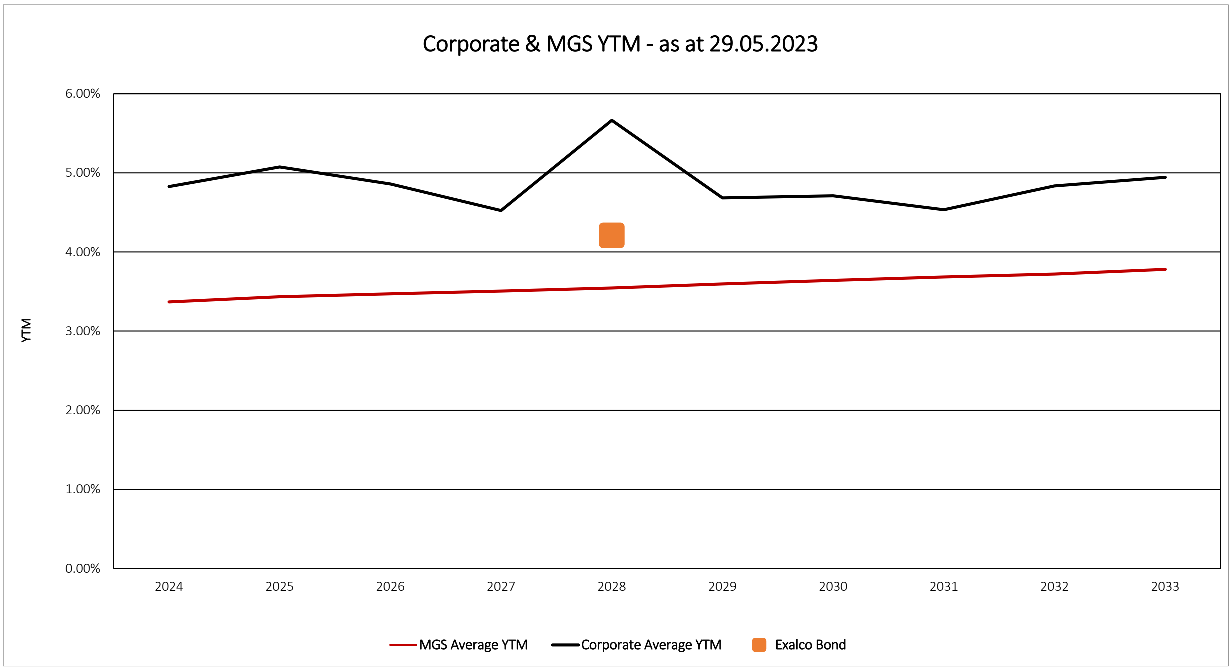
The table below compares the Issuer and its bond issue to other listed debt on the local market having broadly similar maturities. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations may vary significantly from those 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 *(as at 29.05.2023)* *(%)*
4.50% Grand Harbour Marina plc 2027	15,000,000	70.8	6.73	2.28	4.37
4.00% Eden Finance plc 2027	40,000,000	24.7	5.19	4.24	4.42
3.75% Tumas Investments plc 2027	25,000,000	19.7	1.99	6.35	4.23
3.50% Simonds Farsons Cisk plc 2027	20,000,000	9.6	0.56	19.34	3.62
3.75% Virtu Finance plc 2027	25,000,000	49.3	10.29	2.94	4.50
4.00% Exalco Finance plc 2028 (Secured)	15,000,000	23.8	3.97	4.84	4.21
3.85% HILI Finance Company plc 2028	40,000,000	63.2	3.57	4.65	4.40
4.00% SP Finance plc 2029 (Secured)	12,000,000	51.8	11.97	1.40	4.19

Source: Yield to Maturity from rizzofarrugia.com based on bond prices as at 29 May 2023. 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 2022.

**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 29 May 2023.



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

As at 29 May 2023, the Exalco Finance plc bonds yielded 4.21% per annum to maturity (since the bonds were trading at a discount at the time). This is approximately 67 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2028, and circa 146 basis points below 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	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortization. It reflects the company's earnings purely from operations and is commonly used to analyse and compare profitability across companies as it eliminates effects of financing and accounting decisions which vary between companies in its computation.
EBIT	EBIT is an abbreviation for earnings before interest and tax. Similar to the above but factors in also depreciation and amortisation.
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 (if any).
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit after tax generated in one financial year from all operational as well as non-operational activities.

CASH FLOW STATEMENT EXPLANATORY DEFINITIONS

Cash Flow from Operating Activities	The cash used or generated from the company's principal operational 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.
Free Cash Flow (FCF)	FCF represents the amount of cash remaining from operations after deducting capital expenditure requirements.

Statement of Financial Position Explanatory Definitions

Assets	What the company owns which can be further classified into Current and Non-Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within one year from the statement of financial position date. These usually comprise longer term investments such as property, plant, equipment and investment properties. They are capitalised rather than expensed meaning that the company allocates the cost of the asset over the number of years for which the asset will be in use.
Current Assets	Assets which are realisable within one year from the statement of financial position date. These usually comprise receivables, inventory (stock) as well as cash and cash equivalents.
Liabilities	What the company owes, which can be further classified in Current and Non-Current Liabilities.
Current Liabilities	All obligations which are due within one financial year. These usually comprise payables and short-term debt which may include bank borrowing and/or bonds.
Non-Current Liabilities	All obligations which are due after more than one financial year. Would typically include bank borrowing and bonds.
Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves and/or other equity components.

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 (ROE)	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 Assets (ROA)	Return on assets (ROA) measures the rate of return on the assets of the company. This is computed by dividing profit after tax by average total assets.

Liquidity Ratios

Current Ratio	The current ratio (or liquidity ratio) is a financial ratio that measures whether a company has enough resources to pay its debts over the next 12 months (current liabilities). 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 (borrowings) used to finance a company's assets and is calculated by dividing a company's total debt by total debt plus shareholders' equity. The gearing ratio may also be calculated using net as opposed to total debt and can be calculated both as a ratio as well as a percentage.
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. The ratio provides an indication of how many years it would take for a company to pay back its debt in full assuming constant EBITDA and debt levels of the remaining years.

Other Definitions

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

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