MERCURY FINANCE

MERCURY PROJECTS FINANCE p.l.c.

1400, Block 14, Portomaso, St. Julian's, Malta
Co. Reg. No. C89117

COMPANY ANNOUNCEMENT

Publication of Financial Analysis Summary

It is being announced that the updated report containing the Financial Analysis Summary of the Company dated 27th June 2023, has been approved for publication and is attached herewith. It is also available for viewing on the Company's website: www.mercuryfinance.com.mt

By order of the Board

Joseph Saliba

Company Secretary

27th June 2023

Directors

Joseph Portelli Mario Vella Peter Portelli Stephen Muscat

Calamatta Cuschieri

The Directors
Mercury Projects Finance p.l.c.
1400, Block 14,
Portomaso,
St. Julian's, Malta

Re: Financial Analysis Summary – 2023 27 June 2023

Dear Board Members,

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Mercury Projects Finance p.l.c. (the "**Issuer**") and Mercury Towers Ltd (the "**Guarantor**"), where the latter is the parent company of the "**Group**". The data is derived from various sources, including the prospectus dated 22 March 2022 published by the Issuer (the "**Prospectus**") for the bonds issued on 26 April 2022 (the "**Bond Issue**"), or is based on our own computations as follows:

a) Historical financial data for the three years ended 31 December 2020, 2021 and 2022 has been extracted from the audited financial statements of the Issuer and Guarantor for the three years in question.

b) The forecast data for the current financial year 2023 has been provided by management.

c) Our commentary on the Issuer and Guarantor's results and financial position is based on the explanations provided by management.

d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.

e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of comparatives has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of the Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Issuer's securities.

Yours sincerely,

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Patrick Mangion
Head of Capital Markets

FINANCIAL ANALYSIS

SUMMARY 2023

Mercury Projects Finance p.l.c.
27 June 2023

Prepared by Calamatta Cuschieri
Investment Services Limited

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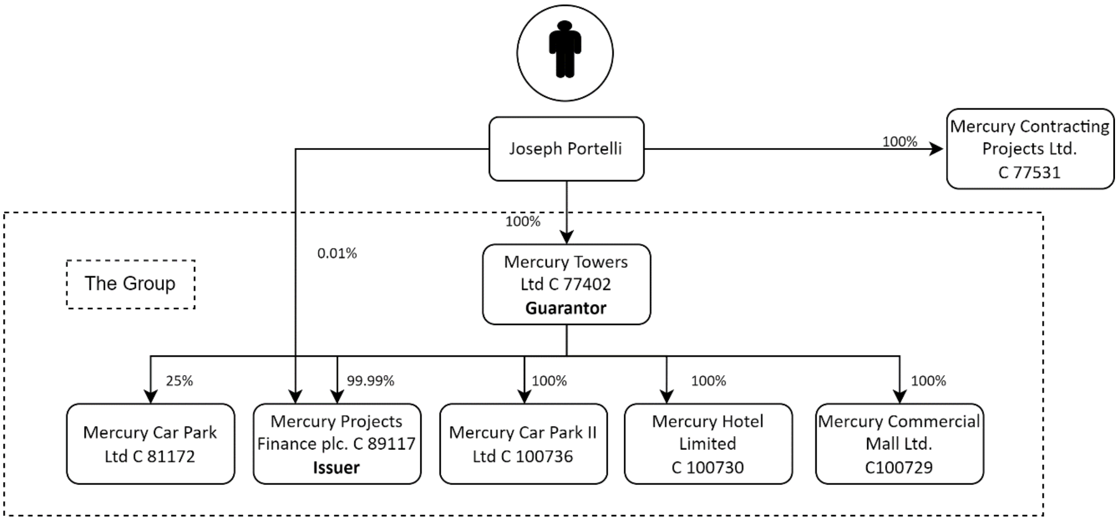
Part 1 Information about the Group

1.1 The Group's Key Activities and Structure

The Group structure is as follows:



The "**Group**" of companies (or the "**Mercury Group**") comprises Mercury Projects Finance p.l.c. (the "**Issuer**"), Mercury Towers Ltd, acting as the "**Guarantor**" of the outstanding bonds of the Issuer, Mercury Car Park Limited, Mercury Car Park II Ltd, Mercury Hotel Ltd., and Mercury Commercial Mall Ltd.

The key activities of the Group consist of the development of a mixed-use project (the "**Project**") that *inter alia* involves the development of a 34-floor tower (including serviced apartments), a 5-star luxury hotel spanning over the podium area, retail and commercial spaces spanning across the entire project, a commercial mall, a rooftop bar, as well as an underlying car park. Once the project is completed, the Group will operate, amongst others, the aforementioned hotel, car park, commercial mall, commercial outlets (including food and beverage areas not within the commercial mall), and the Mercury Experience - an entertainment-themed simulator ride.

The Issuer, Mercury Projects Finance p.l.c. ("**MPF**"), with company registration number C 89117, is a public limited liability company registered in Malta on 16 January 2019. The Issuer is, except for one share that is directly held by Mr Joseph Portelli, a wholly-owned subsidiary of the Guarantor, which is the parent company of the Group. The Issuer, which was set up and established to act as a finance vehicle, has as at the date hereof an authorised share capital of €500,000 divided into 500,000 ordinary shares of €1 each and has an issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up.

The Guarantor, Mercury Towers Ltd ("**MTL**"), is a private limited liability company incorporated and registered in Malta on 28 September 2016, with company registration number C 77402. The Guarantor owns land in St. Julian's for the purpose of completing the Project in question. The Guarantor, has as at the date hereof an authorised share capital of €20,500,000 divided into 20,500,000 ordinary shares of €1 each and an issued share capital of €10,500,000 divided into 10,500,000 ordinary shares of €1 each, all fully paid up. Mr Joseph Portelli is the sole shareholder of the Guarantor.

Mercury Car Park Ltd is currently dormant as the car park has been transferred to Mercury Car Park II Ltd.

Mercury Car Park II Ltd owns the car park underlying the entire development as further detailed in section 1.4 below.

Mercury Hotel Ltd. ("**MHL**"), a wholly owned subsidiary of MTL, owns and will operate the hotel, as explained in more detail in section 1.4 of this Analysis.

Mercury Commercial Mall Ltd., also a subsidiary of MTL, will be the proprietor and operator of the commercial mall. The retail outlets will be rented to third parties in shell form internally whilst the common areas of the mall and the outlets' exterior (where applicable) will be fully finished.

Finally, Mercury Contracting Projects Limited ("**MCPL**"), albeit not part of the Group, is fully owned by Mr Joseph Portelli and is trusted with carrying out the development and the finishing of the Project.

1.2 Directors and Key Employees

Board of Directors - Issuer

As of the date of this Analysis, the board of directors of the Issuer is composed as follows:

Name	Office Designation
Mr Joseph Portelli	Chairman and Executive Director
Mr Stephen Muscat	Independent Non-executive Director
Mr Mario Vella	Independent Non-executive Director
Mr Peter Portelli	Independent Non-executive Director

The business address of all of the directors is the registered office of the Issuer. Dr Joseph Saliba is the company secretary of the Issuer.

Board of Directors - Guarantor

As of the date of this Analysis, the board of directors of the Guarantor is composed as follows:

Name	Office Designation
Mr Joseph Portelli	Executive Director

The business address of the director is the registered office of the Issuer. Dr Ian Stafrace is the company secretary of the Guarantor.

In 2023, a new executive team was appointed consisting of a CEO, COO and CFO, as detailed herender. The board of directors of the Guarantor will be supported by the new management team to oversee the Group companies' day-to-day management and will be responsible for the general executive management, sales and business development, as well as for eventual hotel operations.

Management team members are:

Name	Office Designation
Mr Marcel Bonnici	Chief Executive Officer
Mr Neal Debono	Chief Operating Officer
Mr Keith Fabri	Chief Financial Officer

As of the date of this Analysis, the Issuer does not have any employees of its own, whereas the Guarantor has 11 full-time employees (2021: 2).

1.3 Major Assets owned by the Group

As a special purpose vehicle set up to act as the financing company for the Project, the Issuer does not have any substantial assets other than the loans receivable from the Guarantor. The major assets of the Group are the underlying land and building on which the Project is being constructed.

The Guarantor owns land in St. Julian's measuring *circa* 9,648m^2, which it acquired on a freehold title over two phases. 7,701.8m^2 of said land was acquired in two stages, in December 2016 and June 2017, for a total price of *circa* €24.3m. A plot of land measuring 1,964m^2 was then acquired in August 2021 for €14m.

The land, the constructed portion of the Project, and the airspace have been classified as "*property, plant, and equipment*", "*investment property*" and "*inventory*" in the financial statements of the Group.

- *Property, plant, and equipment*: €27.6m, as at December 2022 (2021: €13.7m) consisting of property which will be retained by the Group to be used in the supply of services (operated as a hotel and car park). The property is still being finished.
- *Investment property*: €68.1m, as at December 2022 (2021: €58.4m) which comprises the retained property which will be leased out to third parties. As of 31 December 2022, this consisted of serviced apartments on Level 31 of Mercury Tower, the Twist, Mercury House, the Pavilion, the Commercial Mall, and the rooftop bar on Level 33.
- *Inventory*: €15.2m as at December 2022 (2021: €24m) includes the Group's inventory which consists of the various serviced apartments available for sale.

As at June 2023, the Project was still being finished and hence was not yet available for use.

1.4 Operational Developments

The Group was set up in view and for the purpose of, and will principally operate by reference to, the Project. The ultimate beneficial owner of the Group, Mr Joseph Portelli, has a long trading history in the acquisition, development, management, and operation of real estate developments, including hotels, residential, office, retail property, and entertainment projects.

The most recent developments of the Group are described hereunder:

Mercury Project

The development and finishing of the Project are carried out by MCPL, a related party that is wholly owned by Mr Joseph Portelli. This is governed through a contract of works agreement entered into between MCPL and MTL in 2016.

To date, the Mercury Tower, the Pavilion, the Commercial Mall, and the car park are in the finishings stage. Installation of the glass fibre reinforced concrete façade, glass balustrades, and aluminium apertures are now in their advanced stages. Mercury House, a listed building, is being fully restored and is currently serving as the Group's head office. Mercury Tower and the commercial elements were scheduled to be handed over by Q1 2023. Management confirmed that the handing over started in Q1 2023 and is progressing steadily. The tenants are in the process of finishing their respective units.

Construction works on the hotel are currently in progress. Management confirmed that construction works were completed and finishing works are in progress. The handing over of commercial elements commenced in Q1 2023. All commercial spaces within the commercial mall were handed over to their respective tenants who are in the process of finishing the interiors. Management confirmed that the Commercial Mall will open its doors to the public in Q4 2023, as scheduled, with the hotel opening slightly delayed to Q1 2024, when the entire project is expected to be inaugurated.

Mercury Tower

The Mercury Tower (the "**Tower**") is a 34-storey building above ground level, and also includes 6 storeys underground, four of which are designated as parking spaces. The gross floor area of the units within the tower (excluding parking spaces) is 20,591m^2. The Tower consists of 291 branded serviced apartments the majority of which are intended to be sold to third parties (279 apartments), with the remaining 12 apartments intended to be retained by the Guarantor. As at the date of this Analysis, 270 apartments are sold and the deed of transfer signed, 7 are on a promise of sale agreement, and 2 are unsold. The unsold apartments are classified as inventory.

Apart from the serviced apartments, the Mercury Tower also includes:

- **A commercial area at level 11** (the Twist), which incorporates an outdoor pool, is a unique and versatile event space and will be rented out to third parties as an exclusive location to host a variety of events, ranging from weddings to conferences;
- **A rooftop bar at level 33** (entrance on level 32); a viewing gallery which will be accessible to guests and patrons alike;
- **Three levels of commercial space** (level B01 to level 1) will form part of the Commercial Mall and are connected to other commercial parts of the development;
- **A restaurant** situated on level 2 that will be operated by a third party; and
- Levels 10, 12, and (part of) level 32 of the Mercury Tower shall include **plant rooms and storage facilities**.

Peripheral Block

The peripheral block will be an adjacent 9-storey block and will house 170 luxury suites across 5/6 levels of the building, all of which are intended to be sold to third parties.

The peripheral residential block will include a total of 170 serviced apartments across seven levels (levels 2 to 8). The serviced apartments are planned to have an average net internal area of *circa* 60m^2. As of the date of this Analysis, 133 apartments have been sold and 30 were on promise of sale agreement, while 7 remain available for sale.

Management confirmed that finishing works on the Peripheral Block are now progressing steadily following delays in installation of the façade and other works. The delays were caused by workers being sent back to Turkey to assist their families after the devastating earthquake that hit the region.

Three levels of commercial space (levels B01 to level 1) of the peripheral residential block will form part of the Commercial Mall. The peripheral block also houses 2 outdoor pools for hotel guests and residents.

Hotel

Another branch of the Project comprises a 20-storey 5-star branded hotel, consisting of 140 rooms (the "**Hotel**"). Its accommodation capacity will extend by virtue of the serviced apartments whose owners sign up for a hotel accommodation pooling arrangement.

The Hotel will be owned and operated by MHL through a hotel management agreement with the internationally renowned hotel chain Meliá, in particular with Meliá Hotels International S.A. (as manager) and Prodigios Interactivos S.A. (as provider). Following advice from the operator, the operations are expected to commence by Q1 2024.

Commercial Outlets

The Project will also comprise a mix of retail and catering outlets, distributed on levels B01, ground floor, and level 1 of the tower, podium, and in the peripheral building. It is currently planned that the commercial outlets will consist of a number of shops with a total floor area exceeding 12,348m^2. The commercial shopping mall will mainly be located over three floors across Mercury House, Mercury Tower, the Hotel, and the Peripheral Block (underlying Mercury Suites). The entertainment areas will form also part of the commercial mall.

Ancillary components

The Project also includes a number of ancillary components.

- The Mercury House, a restored 19th century building intended to comprise an element of food and beverage activity. It will also comprise part of the planned Mercury Experience (described hereunder)
- The Mercury Experience, an attraction with audio-visual presentations of various historical eras and/or points of interest in Malta, and ending in the admission to the flying theatre, which will be a type of entertainment-themed simulator ride, consisting of rigged-seats and virtual reality/projection to create the illusion of flight.
- The Pavilion, a stand-alone building situated next to Mercury House intended to be operated by an anchor tenant as a flagship store.
- The rooftop bar and viewing gallery located in the uppermost two floors of the Tower, offering a 360º view from what is so far the highest building in Malta, accessible to guests and patrons alike.

Car park

The Project also comprises a sub-structure car park, underneath all the sites spanning from levels B06 to B03 on the Mercury Site and levels B07 to B03 on the Exchange Site. The car park includes a total of 683 car spaces and 45 lock-up garages. None of the 683 car spaces will be sold and will be used as a public car park to complement the commercial offering.

Management noted that, out of the aforementioned 683 car spaces, 28 are owned by a third-party.

Details on the transactions relating to the transfer of ownership of the car park have been provided by the Issuer by means of a company announcement dated 30 March 2023.

1.5 Subsequent events after the reporting period: Conflict in Ukraine

Management confirmed that, following thorough assessment of the Group’s operations, it was noted that there is minimal reliance on the Russian/Ukrainian region for supplies of construction materials, and the Group was not impacted by sanctions on Russian nationals. The only consequences relate to shipping delays referred to in the prior sub-sections above.

1.6 Listed Debt Securities of the Issuer

Mercury Projects Finance p.l.c. currently has the following outstanding debt securities:

	ISIN	€m
3.75% Mercury Projects Finance plc Secured € 2027	MT0002191204	11.5
4.25% Mercury Projects Finance plc Secured € 2031	MT0002191212	11.0
4.3% Mercury Project Finance plc Secured € 2032	MT0002191220	50.0

Part 2 Historical Performance and Forecasts

The Issuer's historical financial information for the three years ending 31 December 2020, 2021 and 2022, as set out in the audited financial statements of the Issuer may be found in section 2.1 to 2.3 of this Analysis. These sections also include the projected performance of the Issuer for the period ending 31 December 2023. Moreover, the Group's historical financial information for the three years ending 31 December 2020, 2021 and 2022, together with the Group's projected performance for the period ending 31 December 2023 are set out in section 2.4 to section 2.6.

The projected financial statements detailed below relate to events in the future and are based on assumptions which the Company believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

2.1 Issuer's Income Statement

Income Statement for the year ended 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Finance income	1,121	1,121	2,730	3,371
Finance costs	(899)	(899)	(2,377)	(3,049)
Net finance income	**222**	**222**	**353**	**322**
Administrative expenses	(80)	(79)	(160)	(148)
Profit before taxation	**142**	**143**	**193**	**174**
Taxation	(74)	(74)	(120)	(109)
Profit after taxation	**68**	**69**	**73**	**65**

Given its role as the finance vehicle of the Group (via the Guarantor), the Issuer generates income from the differential in interest rates between the coupon on its listed bonds and the interest income charged to the Guarantor on the funds advanced to it.

Finance income and finance costs both increased following the bonds issued during 2022. These are expected to increase further in FY23 given that it would be the first full interest period (both incoming and outgoing).

Administrative expenses have also increased due to the bond issue and are expected to decrease slightly in FY23.

Profit for the year was and is expected to remain stable.

2.2 Issuer's Statement of Financial Position

Statement of Financial Position as at 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Loans and receivables	22,444	22,444	72,444	72,444
Total non-current assets	**22,444**	**22,444**	**72,444**	**72,444**
Current assets				
Other receivables	1,047	1,211	2,522	2,522
Cash and cash equivalents	142	33	366	353
Total current assets	**1,189**	**1,244**	**2,888**	**2,875**
Total assets	**23,633**	**23,688**	**75,332**	**75,319**
Equity and liabilities				
Capital and reserves				
Share capital	250	250	250	250
Retained earnings	101	170	243	307
Total equity	**351**	**420**	**493**	**557**
Non-current liabilities				
Interest bearing borrowings	22,500	22,500	72,500	72,500
Total non-current liabilities	**22,500**	**22,500**	**72,500**	**72,500**
Current liabilities				
Other payables	708	703	2,294	2,223
Current tax liability	74	65	45	39
Total current liabilities	**782**	**768**	**2,339**	**2,262**
Total liabilities	**23,282**	**23,268**	**74,839**	**74,762**
Total equity and liabilities	**23,633**	**23,688**	**75,332**	**75,319**

The Issuer's assets are mostly made up of the loans advanced to the Guarantor where, in FY22, this represented *circa* 96% of total assets. The remaining 4% represented accrued interest on the aforementioned loans, as well as cash and cash equivalents. Non-current assets have increased substantially due to the bond issue during FY22, proceeds of which were all loaned out to the Guarantor in line with the role of the Issuer. Current assets have increased for the same reason and are expected to remain stable.

Total equity in FY22 amounted to *circa* €0.49m. It consisted of the Issuer's share capital of €0.25m and retained earnings of *circa* €0.25m. Total equity is expected to increase to €0.56m in FY23 following a slight projected increase in retained earnings.

Non-current liabilities, as was expected, amounted to *circa* €72.5, being the two bonds in issue. These have increased since FY21 following the bond issue in FY22, and are expected to remain stable in FY23. Other liabilities of the Issuer are outstanding interest commitments and small amounts of tax liabilities, both of which were pretty much in line with those projected and are not expected to fluctuate during FY23.

2.3 Issuer's Statement of Cash Flows

Statement of Cash Flows for the years ended 31 December	2020A	2021A	2022A	2023F
	€000s	**€000s**	**€000s**	**€000s**
Cash flows from operating activities				
Profit before tax	**142**	**143**	**192**	**174**
Movement in finance income	(75)	-	(1,608)	-
Movement in finance expense	-	-	1,478	-
Movement in other receivables	-	-	(10)	-
Movement in other payables	8	(5)	14	-
Taxes paid	(44)	(83)	(139)	(116)
Net cash generated from / (used in) operating activities	**31**	**55**	**(73)**	**58**
Cash flows from investing activities				
Loans advanced to related parties	-	-	(50,000)	-
Net cash generated (used in) investing activities	**-**	**-**	**(50,000)**	**-**
Cash flows from financing activities				
Proceeds from bond issue	-	-	50,000	-
Movement on parent company account	(146)	(164)	406	(71)
Net cash generated from / (used in) financing activities	**(146)**	**(164)**	**50,406**	**(71)**
Net movements in cash and cash equivalents	**(115)**	**(109)**	**333**	**(13)**
Opening cash and cash equivalents	257	142	33	366
Closing cash and cash equivalents	**142**	**33**	**366**	**353**

The Issuer's main cash movements, other than that of raising and repaying debt instruments, is to advance loans to the Guarantor against an annual interest charge ranging between 4.75% and 5.25% *per annum*.

The major cash movements in investing activities and financing activities were related to the bond issue of FY22, as explained in previous sections of this Analysis. The Issuer also received an amount of €0.4m from the Guarantor which was not previously forecast.

No major cash movements are expected during FY23.

The Issuer ended the year with a cash balance of *circa* €0.4m and is projecting to close FY23 with approximately the same amount following a small outflow during that year.

2.4 Group's Income Statement

Income Statement for the year ended 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Revenue	19,836	4,934	37,804	35,860
Cost of sales	(12,863)	(3,913)	(29,041)	(23,734)
Gross profit	**6,973**	**1,021**	**8,763**	**12,126**
Other income	185	-	27	-
Total operating costs	(1,073)	(707)	(2,506)	(3,438)
Impairment loss on financial assets	(16)	-	-	-
EBITDA	**6,069**	**314**	**6,284**	**8,688**
Depreciation and amortisation	-	-	(10)	(62)
EBIT	**6,069**	**314**	**6,274**	**8,626**
Net finance costs	(899)	(899)	(2,386)	(3,892)
Gain on transfer of asset under construction	-	-	6,657	-
Revaluation of investment property	24,561	(4,797)	-	-
Profit / (loss) before taxation	**29,731**	**(5,382)**	**10,545**	**4,734**
Taxation	(4,825)	(393)	(1,871)	(3,314)
Profit / (loss) after taxation	**24,906**	**(5,775)**	**8,674**	**1,420**

Ratio Analysis[1]	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Profitability				
Growth in Total Revenue (YoY Revenue Growth)	119.3%	-75.1%	666.2%	-5.1%
Gross Profit Margin (Gross Profit / Revenue)	35.2%	20.7%	23.2%	33.8%
EBITDA Margin (EBITDA / Revenue)	30.6%	6.4%	16.6%	24.2%
Operating (EBIT) Margin (EBIT / Revenue)	30.6%	6.4%	16.6%	24.1%
Net Margin (Profit after taxation / Revenue)	125.6%	-117.0%	22.9%	4.0%
Return on Common Equity (Profit after taxation / Average Equity)	102.5%	-19.6%	24.1%	3.7%
Return on Assets (Profit after taxation / Average Assets)	45.8%	-6.3%	5.9%	0.8%

As at this date of this Analysis, the Group sold a total of 402 serviced units.

During FY22, the Group generated €37.8m in revenue (FY21: €4.9m). The reason behind this growth in revenue (666.2%) was two-fold. Firstly, a number of contracts previously planned to materialise during FY21 were pushed to FY22, and secondly, certain units in the Mercury Tower were brought to market in September 2021, so the resulting revenue was recognised during FY22.

Moving into FY23, the Group expects revenue to be only slightly lower than that of FY22. The Group is expecting a number of promises of sales, which were signed during FY22, to materialise in FY23. The Group is forecasting a small portion of the FY23 revenue to be derived from the operations of the Commercial Mall following it's planned opening in Q4 2023. Management explained that the projected FY23 cost of sales is relatively low compared to revenue due to the fact that cost of sales on rental income is very low, thus pulling the average cost down.

After accounting for cost of sales of €29.0m, the Group reported a gross profit of *circa* €8.8m during FY21, with gross profit margin increasing from 20.7% to 23.2%. Gross profit margin is expected to increase substantially in FY23.

Operating costs, which primarily consist of wages and salaries, professional fees, bank charges, insurance, audit fees, and other fees which cannot be capitalised as part of the Project, stood at *circa* €2.5m in FY22. Management attributed this increase to increased payroll cost for the operation of the establishment, which will increase further in FY23.

The Group's EBITDA has improved from FY21, given the increased revenue. This is expected to increase further in FY23. The EBITDA Margin of the Group improved by 10.2%, to 16.6%, and is expected to increase to 24.2% in FY23. The

[1] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

Operating (EBIT) Margin has also increased and is expected to increase further in FY23.

Financing costs amounted to €2.4m in FY22, a substantial increase from the €0.9m incurred in FY21. These figures reflect the interest paid on the Issuer's bonds, more specifically the two issued tranches of €11.5m and €11m, incurring a coupon of 3.75% and 4.25%, respectively, and the bonds issued in FY22 of €50m, incurring a coupon of 4.3%. In FY23, finance costs are expected to increase to €3.9m, given that it would be the first full year of interest on the aforementioned bonds issued in FY22. Management noted that other interest currently being incurred by the Group is at present being capitalised, given that the Project is still under construction.

During FY22, the Group transferred the airspace of the Hotel from Mercury Towers Ltd to Mercury Hotel Ltd. Prior to this transfer, the property was revalued in Mercury Towers Ltd, resulting in the creation of a Revaluation Reserve amounting to €6.7m. Upon transfer to Mercury Hotel Ltd, this revaluation was crystallised in Retained Earnings.

Mainly as a result of the above mentioned gain on transfer of asset under construction, the Group reported a profit after tax of €8.7m, translating into a Net Margin of 22.9% (FY21: -117%).

2.4.1 Group's Variance Analysis

Income Statement	2022F	2022A	Variance
	€000s	€000s	€000s
Revenue	44,843	37,804	(7,039)
Cost of sales	(35,286)	(29,041)	6,245
Gross profit	**9,557**	**8,763**	**(794)**
Other income	-	27	27
Total operating costs	(1,763)	(2,506)	(743)
EBITDA	**7,794**	**6,284**	**(1,510)**
Depreciation and amortisation	(60)	(10)	50
EBIT	**7,734**	**6,274**	**(1,460)**
Net finance costs	(3,279)	(2,386)	893
Gain on transfer of asset under construction	-	6,657	6,657
Profit / (loss) before taxation	**4,455**	**10,545**	**6,090**
Taxation	(1,338)	(1,871)	(533)
Profit / (loss) after taxation	**3,117**	**8,674**	**5,557**

Actual revenue for FY22 was lower when compared to forecasts, by *circa* €7m. Management explained that, same as what happened in FY21, fewer number of deeds than expected were signed, albeit no promises of sale fell through. Naturally, this resulted in the cost of sales being less than that forecast, with the resultant gross profit being only €0.8m less than expected.

Operating expenses incurred during the year were higher than those projected, by €0.7m. Management confirmed that the Group required more manpower for the operation of the project, thus resulting in a higher than forecasted wage bill. This increase in salaries led to the Group reporting a lower EBITDA than previously forecast.

With regard to finance costs, management pointed out that the bond issue of FY22 was expected to happen earlier, resulting in the Group forecasting higher finance costs than actual.

As explained in section 2.4 above, the gain on transfer of asset under construction resulted in an income of €6.7m which was previously forecast to form part of the revaluation reserve (see section 2.5 below).

As a result of the above-mentioned gain, slightly offset by less-than-expected gross profit, the Group reported a profit after tax of €5.6m more than was projected.

2.5 Group's Statement of Financial Position

Statement of Finance Position as at 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Property, plant and equipment	11,661	13,660	27,567	82,580
Investment property	40,886	58,415	68,066	78,610
Investment in subsidiaries	-	4	-	-
Investment in associate	2	2	2	2
Other receivables	-	-	-	5,538
Restricted cash	21	20	20	20
Total non-current assets	**52,570**	**72,101**	**95,655**	**166,750**
Current assets				
Inventories	8,919	23,974	15,157	-
Trade and other receivables	7,337	16,155	47,624	19,345
Cash and cash equivalents	578	814	21,001	10,160
Total current assets	**16,834**	**40,943**	**83,782**	**29,505**
Total assets	**69,404**	**113,044**	**179,437**	**196,255**
Equity and liabilities				
Capital and reserves				
Share capital	500	10,500	10,500	15,000
Revaluation reserve	-	6,124	-	-
Investment property reserve	22,596	18,182	16,985	16,985
Retained earnings	1,201	(160)	9,711	6,632
Total equity	**24,297**	**34,646**	**37,196**	**38,617**
Non-current liabilities				
Borrowings	-	28,908	38,889	68,176
Bonds payable	22,500	22,500	72,500	72,500
Deferred tax liability	3,203	3,806	2,638	2,638
Total non-current liabilities	**25,703**	**55,214**	**114,027**	**143,314**
Current liabilities				
Borrowings	10,406	9,589	4,394	5,000
Trade and other payables	8,924	13,530	23,775	9,279
Taxation payable	74	65	45	45
Total current liabilities	**19,404**	**23,184**	**28,214**	**14,324**
Total liabilities	**45,107**	**78,398**	**142,241**	**157,638**
Total equity & liabilities	**69,404**	**113,044**	**179,437**	**196,255**

Ratio Analysis[2]	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Financial Strength				
Gearing 1 (Net Debt / Net Debt and Total Equity)	57.1%	63.5%	71.8%	77.8%
Gearing 2 (Total Liabilities / Total Assets)	65.0%	69.4%	79.3%	80.3%
Gearing 3 (Net Debt / Total Equity)	133.1%	173.7%	254.8%	350.9%
Net Debt / EBITDA	5.3x	191.7x	15.1x	15.6x
Current Ratio (Current Assets / Current Liabilities)	0.9x	1.8x	3.0x	2.1x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.4x	0.7x	2.4x	2.1x
Interest Coverage (EBITDA / Cash interest paid)	6.8x	0.3x	2.6x	2.2x

The Group's assets are principally composed of property, plant and equipment ("**PPE**"), investment property, inventories, trade and other receivables and cash and cash equivalents. As at 31 December 2022, the Group's total assets stood at €179.4m (FY21: €113m).

Total assets are expected to reach €196.3m by end of FY23, primarily due to a projected increase in PPE and investment property, with this being driven specifically by the expected continued construction and development of the Project.

As at December 2022, the Group's PPE amounted to €27.6m. PPE of the Group represents the value of the Hotel (as explained in section 1.4 of this Analysis) and Car Park. Due to the ongoing developments of the Hotel, this value increased from FY21, albeit considerably less than projected due to slower-than-expected rate of finishing works. Management expects the Hotel development to be completed during 2023, therefore the projected value of said hotel is expected to increase by the end of FY23. PPE in FY23 will also be affected by the increased share of ownership in the car park, as explained in section 1.4.

The Group's investment property was valued at *circa* €68.1m as at end of 2022. This was made up of the serviced apartments on level 31 of the Mercury Tower, the Commercial Mall, the Twist in the Mercury Tower, dining/office space, and Mercury House. Same as the Hotel, finishing works were being completed at a slower rate than that anticipated, resulting in a value slightly less than that forecast. The Group expects this to be finalised by end of 2023, with a projected value of €78.6m.

The Group had forecast an amount of €0.7m of other receivables by the end of FY22. These receivables, being guarantees of rental agreements, were not in hand by the end of the year as was previously expected, and a higher amount is now projected for FY23 following an expected increase in said guarantees during the year.

Inventories amounted to €15.2m as at end of FY22, with this expected to be nil by the end of FY23. As explained in section 2.4.1, some deeds did not materialise during FY22 (as was expected) and are hence planned to be sold by the end of FY23.

Trade and other receivables amounted to €47.6m during FY22 with these expected to decrease to €19.3m by end of FY23. The majority of the year-end balance in FY22 represents the advances by the Group to Mercury Contracting Projects Limited for contracting works and proceeds of the bonds issued during 2022, which were not released in relation to the development of the hotel due to the fact that the date of completion of the hotel was pushed back. To note that trade and other receivables reported are higher than those projected for the year. The reason for this is that in last year's analysis, management had netted off all amounts which group companies had due to and from Mercury Contracting Projects Limited. Subsequently, it was decided not to net these off in order to respect the fact that the amounts due to and from Mercury Contracting Projects Limited are with the different companies within the Group.

As at 31 December 2022, the Group's share capital amounted to €10.5m. The projected capitalisation of part of the investment property reserve was on hold, pending certain relevant accounting clarifications. Part of this capitalisation is now planned for FY23 from retained earnings.

The Group had projected a revaluation reserve of €6.1m by end of FY22, following a revaluation of the Hotel airspace in FY21. The transfer of the Hotel to a subsidiary crystallised this reserve to retained earnings, which were projected to be €5.9m lower.

Investment property reserve at the end of FY22 stood at €17.0m (FY21: €18.2m). This was expected to increase to €32.4 by the end of the year under review, following a revaluation of the commercial mall upon completion. The

[2] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

revaluation will be accounted for upon completion of the Project.

The liabilities of the Group mainly consist of financial debt and trade and other payables. Financial debt is made up of the Issuer's €72.5m bonds currently on the market, and bank borrowings amounting to €43.3m, made up of bank loans and a temporary overdraft. The aforementioned bank borrowings were less than previously expected, with management attributing this to an accelerated rate of repayments and slower draw downs.

Looking towards FY23, the Group expects its long term borrowings to increase to €68.2m. Management explained that the Group obtained additional bank financing. Reason being that the food and beverage areas within the commercial mall previously planned to be rented in shell form and then finished by the third party renter will now be developed by the Group. The Group will now make an additional investment and has therefore taken out a new bank loan which will also cover inflationary pressures on cost. It is envisagesd that this investment will further enhance the value of the property.

The Group ended FY22 with €2.6m deferred tax liability, previously projected at €4.6m. The decrease in the Group's revaluation reserve (as explained in this section 2.5) resulted in this being less than projected. The Group does not envisage any changes by the end of FY23.

Trade and other payables amounted to €23.8m as at end of FY22. As explained previously in this section, these increased substantially when compared to previous forecasts as the Group decided not to set off dues to and from Mercury Contracting Projects Limited. Moving to FY23, these are expected to decrease to *circa* €9.3m, following a number of expected repayments.

In view of the Guarantor's existing bank loans and the increase in debt following the bond issue in 2022, the Guarantor's overall gearing was, as expected slightly higher by the end of FY22. This is expected to increase in FY23 following an increase in long-term borrowings as explained in this section as expected when a project is in its development stage. Following the completion of the Project during FY23, the Group expects its gearing to start decreasing as it does not envisage the need for further debt.

2.6 Group's Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
Profit before taxation	6,085	289	6,285	8,688
Adjustments for:				
Movement in inventory	9,104	(15,056)	8,818	15,157
Movement in trade and other receivables	13,716	(8,794)	(31,465)	22,741
Movement in trade and other payables	(20,793)	4,506	9,311	(13,326)
Contract liability	-	101	932	(1,170)
Depreciation	-	-	-	(62)
	8,112	**(18,954)**	**(6,119)**	**32,028**
Tax paid	(1,450)	(331)	(2,525)	(3,314)
Net cash flows generated from / (used in) operating activities	**6,662**	**(19,285)**	**(8,644)**	**28,714**
Cash flows from investing activities				
Acquisition of investment property	-	-	-	(10,544)
Acquisition/development of property	(5,293)	(17,667)	(23,569)	(55,013)
Acquisition of subsidiary	-	(4)	-	-
Net cash flows generated from / (used in) investing activities	**(6,101)**	**(5,293)**	**(17,671)**	**(65,557)**
Cash flows from financing activities				
Issue of share capital	-	10,000	-	-
Repayment of bank borrowings	(159)	(10,406)	(5,195)	(5,769)
Movements in borrowings	-	38,497	9,980	35,662
Interest paid	(899)	(899)	(2,377)	(3,892)
Bank interest paid	-	-	(8)	-
Net proceeds of bond	-	-	50,000	-
Net cash generated from / (used in) financing activities	**(1,058)**	**37,192**	**52,400**	**26,001**
Movement in cash and cash equivalents	**311**	**236**	**20,187**	**(10,842)**
Opening cash and cash equivalents	267	578	814	21,001
Cash and cash equivalents at end of year	**578**	**814**	**21,001**	**10,159**

Ratio Analysis[3]	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Cash Flow				
Free Cash Flow (Net cash from operations + interest - Capex)	2,268	(36,053)	(29,836)	(32,951)

The Group reported *circa* €6.3m profit before tax for FY22. After adjusting for working capital movmements, non-cash items and the payment of tax, the Group reported an outflow from operating activities of *circa* €8.6m. This outflow was mainly a result of a sharp increase in receivables. Management explained that these receivables relate to the advances by the Group to Mercury Contracting Projects Limited for contracting works and proceeds of the bonds issued during 2022. As explained in section 2.5 above, the Group previously forecasted setting off receivables and payables to the same party. This did not happen as was forecast, so the resulting amount of payables and receivables was higher than previously forecasted. The Group is expecting a substantial number of receivables and payables to be settled during FY23.

The Group's inventory is its stock of finished units in the Mercury Tower. The positive movement in inventory indicates the selling of these units. It was previously expected that the Group will have more movement in inventory, but sold slightly less than expected during the year.

[3] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

In the previous FAS, the Group had forecasted an amount of goodwill for FY22, as it was originally expected that the car park transaction would take place during the year. This transaction, as explained in section 1.4, actually took place in FY23 and, given that the Group acquired the property instead of the shares, no goodwill will be reported in the transaction.

Investing activities resulted in an outflow of *circa* €23.6m. The outflow was exclusively related to the acquisition of property, specifically the finishes on the project and the acquisition of the car park. The Group previously forecasted higher outflows relating to investing activities, which were lower due to a slower rate of finishes on the project and the fact that the car park transaction was done during FY23 and not FY22.

The Group reported an inflow from financing activities of *circa* €52.4m in FY22. This high inflow was mostly fuelled by the FY22 bond issue.

Management explained that financing activities were only slightly lower than previously forecast, with the main deviations being lesser movements in borrowings for the funding of the car park acquisition, and more repayments of existing loans.

The net movement in cash and cash equivalents was over €20m for FY22, with the bond issue being the prevalent reason for this spike. Management is forecasting an outflow of *circa* €10.9m in FY23, mainly as a consequence of the finishes on the rest of the project.

Part 3 Key Market and Competitor Data

3.1 General Market Conditions

The Issuer is subject to general market and economic risks that may have a significant impact on its current and future property developments and their timely completion within budget. These include factors such as the health of the local property market, inflation and fluctuations in interest rates, exchange rates, property prices, and rental rates. In the event that general economic conditions and property market conditions experience a downturn, which is not contemplated in the Issuer's planning during development, this shall have an adverse impact on the financial condition of the Issuer and may therefore affect the ability of the Issuer to meet its obligations under the Bonds.

Malta Economic Update[4]

The Bank's Business Conditions Index (BCI) indicates that in April, annual growth in business activity increased, rising further above its long-term average, estimated since January 2000. The European Commission confidence surveys show that sentiment in Malta increased compared to March, and stood above its long-term average, estimated since November 2002. In month-on-month terms, sentiment increased across all sectors, bar the services sector, with the strongest increase recorded in the construction sector.

Additional survey information shows that price expectations stood firmly above their year-ago level in the construction sector, and to a lesser extent, among services firms. By contrast, price expectations in industry, the retail sector and among consumers, stood considerably lower. The European Commission's Economic Uncertainty Indicator (EUI) for Malta increased when compared with March, though it was still lower than last year's April level. Uncertainty increased mostly in industry. In March, industrial production and retail trade grew at a slower rate compared to February. The unemployment rate stood at 2.9% in March, marginally lower than the rate of 3.0% registered in the previous month, and that registered in March 2022.

Commercial building and residential permits decreased in March relative to their year-ago level. In month-on-month terms, commercial permits increased while residential permits declined. In April, the number of promise-of-sale agreements rose on a year-on-year basis, while the number of final deeds of sales fell. Meanwhile, both the number of promise-of-sale agreements and the number of final deeds of sale fell on a month-on-month terms. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 6.4% in April, down from 7.1% in the previous month. Inflation based on the Retail Price Index (RPI) decreased to 5.8% from 7.0% in March.

Maltese residents' deposits expanded at an annual rate of 1.6% in March, following an increase of 3.6% in the previous month, while annual growth in credit to Maltese residents moderated to 5.4%, from 6.4% a month earlier. In March, the Consolidated Fund recorded a lower deficit compared to a year earlier, as higher government revenue outweighed a smaller rise in government expenditure.

Economic projections[5]

According to the Bank's latest forecasts, Malta's gross domestic product (GDP) growth is projected to slow down from around 7.0% in 2022, to 4.0% in 2023, and to ease slightly further to 3.8%, and 3.7%, in 2024 and 2025, respectively. When compared to the previous projections, the Bank's latest forecast for headline GDP is revised upwards throughout the projection horizon. Indeed, GDP growth was revised up by 0.3 percentage points in 2023, and by 0.2 percentage points in 2024 and 2025.

In 2023, net exports are expected to be the main contributor to GDP growth. This reflects the expected sharp slowdown in imports (goods imports specifically are set to contract after being boosted by strong investment in the aviation sector in 2022), as well as robust growth in exports. Meanwhile, domestic demand is expected to lower growth, as the base effect from the extraordinary investment in 2022 should offset positive contributions from government and private consumption. From 2024, domestic demand is expected to be the main driver of growth, as private consumption growth is expected to remain relatively robust despite relatively high inflation. Net exports are also projected to contribute positively in 2024 and 2025, due to robust services exports.

Employment growth is set to moderate to 3.6% in 2023 from 6.0% in 2022, which partly reflects the envisaged normalisation in economic activity towards potential growth. In the following two years, employment is set to expand by 2.7% and 2.4%, respectively.

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[4] Central Bank of Malta – Economic Update 5/2023

[5] Central bank of Malta – Outlook for the Maltese economy – 2023 - 2035

In view of relatively high inflation, as well as tight labour market conditions, nominal wage growth is projected to be relatively strong from a historical perspective. Compensation per employee is thus set to grow by 5.5% in 2023, 4.9% in 2024 and 3.9% in 2025, outpacing consumer price inflation during the later period of the projection horizon.

Annual inflation based on the Harmonised Index of Consumer Prices (HICP) is projected to moderate to 5.3% in 2023, as international supply bottlenecks are expected to ease further. However, lingering indirect effects from recent increases in input costs are set to keep inflation high from a historical perspective. The fall in inflation in 2023 reflects a broad-based decrease across all sub-components of HICP, except for energy inflation, as energy prices are expected to remain unchanged in view of government support measures. Services is envisaged to be the main contributor to HICP inflation, but food and non-energy industrial goods (NEIG) are also projected to contribute to annual HICP inflation in 2023.

The general government deficit is set to decline to 4.9% of GDP in 2023, from 5.8% in 2022. It is then set to continue declining over the rest of the forecast horizon, reaching 3.4% of GDP by 2025. This improvement is driven by a declining share of expenditure in GDP, mainly due to the profile of inflation-mitigation measures. The general government debt ratio is set to increase throughout the forecast horizon, and to reach 55.3% by 2025. This is driven by the expected level of primary deficits, which partly offset the debt-decreasing impact of the interest-growth differential.

On balance, risks to economic activity are tilted to the downside for 2023 and 2024 and are more balanced thereafter. The main downside risks relate to the possibility of stronger than envisaged weakness in the international economic environment, which could lead to lower exports. Foreign demand may also be weaker than expected if monetary policy in advanced economies tightens more forcibly than assumed in this projection round. GDP data for the first quarter of the year also implies some downside risks to domestic demand. On the other hand, private consumption could surprise on the upside if wage growth is higher than expected, particularly in the outer years of the projection horizon.

Risks to inflation are to the upside for the entire projection horizon. Indeed, inflation could be more persistent than assumed in the baseline projections and could continue to be affected by indirect effects from past increases in commodity prices. Moreover, second round effects from higher wages and profit margins could also prolong high inflation. Conversely, further monetary tightening and lower foreign demand could ease inflationary pressures in the medium-term.

On the fiscal side, risks are on the downside (deficit-increasing) particularly in 2023. These mainly reflect the likelihood of additional support measures towards Air Malta. Deficit-decreasing risks in the outer years of the forecast horizon mainly relate to fiscal consolidation pressures as the general escape clause in the Stability and Growth Pact is deactivated at the end of 2023.

Hospitality Sector

The tourism sector in Malta has been on a consistent upward trend since 2010, rising especially in the later years from 2017. The Maltese tourism industry has, in recent years, been renowned for its unabated growth, with each passing year yielding new record highs of inbound tourists visiting the island. Indeed, the tourism industry is considered to be a crucial pillar of the local economy as it is estimated to account for 30% of Malta's GDP[6].

Unfortunately, the tourism sector both locally and internationally has been severely impacted by the outbreak of the COVID-19 pandemic, bringing the previous positive trend to a halt. 2020 probably was the cycle bottom and some recovery in tourism figures was noticeable in 2021. On a global scale, tourism experienced a 4% upturn in 2021, (415 million versus 400 million a year earlier). However, international tourist arrivals (overnight visitors) were still 72% below the pre-pandemic year of 2019 in Q4 2021[7].

Locally, as early as March 2020, Malta started to introduce several confinement measures, with the eventual suspension of all passenger flights. Malta international airport was then reopened in July 2020 and demand for travel started picking up. However, as the pandemic progressed and newer waves and variants appeared, restriction measures were temporarily reintroduced, having an inevitable negative impact on tourism in Malta.

6 https://www.mta.com.mt/en/news-details/384

7 https://www.unwto.org/news/tourism-grows-4-in-2021-but-remains-far-below-pre-pandemic-levels

The unprecedented impact of the pandemic on the local tourism industry and the subsequent rebound is demonstrated through the data presented below. During 2021 local inbound tourists increased from 659k to 968k, representing a 46.9% increase YoY. Similarly, the industry experienced an increase in tourist guest nights from 5,227k in 2020 to 8,390k in 2021, which is a 60.5% increase YoY. In a similar fashion, total tourist expenditure increased by 91.4% in 2021 when compared with 2020.

In 2022, tourism continued its revival in Malta, in line with the improvement of the tourism situation in Europe however the figures still lag 2019 figures. Statistics clearly illustrate that the number of inbound tourists already increased by 136.3% vs. 2021. Similarly, tourist guest nights increased by 97.9% until December 2022 when compared to full-year 2021. Total expenditure increased by 131.1% on the same basis. The above trends are also summarised in the following table, illustrating the number of tourist arrivals over the last four years:

Category[8]	2019	2020	2021	2022	2021 vs. 2022
Inbound tourists*	2,753	659	968	2,287	136.3%
Tourist guest nights*	19,339	5,227	8,390	16,600	97.9%
Avg. length /stay	7.0	7.9	8.7	7.3	-16.1%
Tourist expenditure**	2,221	455	871	2,013	131.1%
Tourist exp. per capita (€)	807	691	899	880	-2.1%

*in thousands
**in € millions

Tourist arrivals for 2022 albeit strong were still only 83% of the pre-pandemic year while the average length of stay during 2022 was marginally higher than that registered in 2019. Average daily spend by tourists reached €120.54, which above the level of spend registered in 2019, the same year that Malta registered a record in inbound tourism.

3.2 Comparative Analysis

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

More importantly, we have included different issuers with similar maturity to the Issuer. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore different.

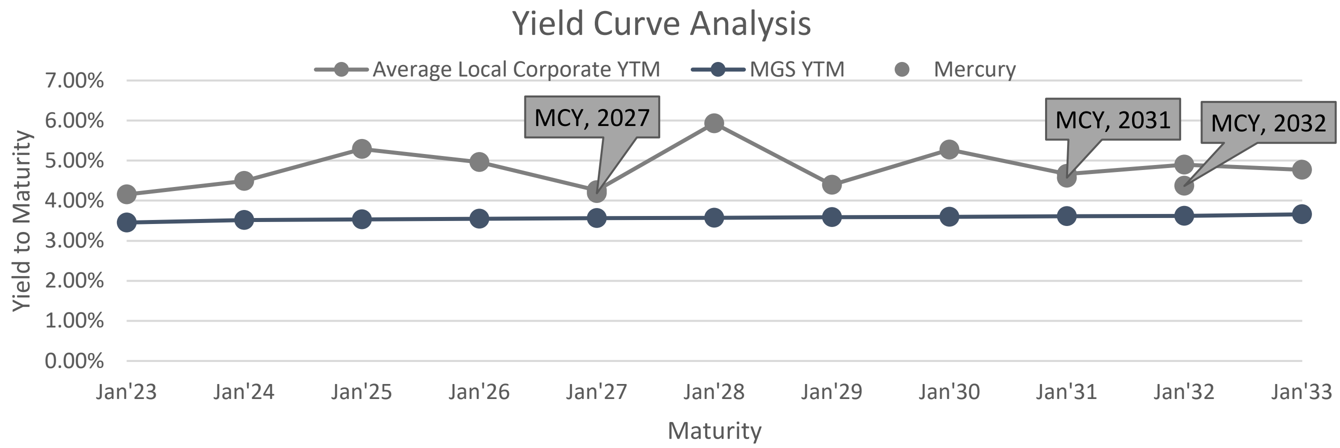
8 National Statistics Office, Malta

Security	Nom Value €000's	Yield to Maturity (%)	Interest coverage (EBITDA) (times)	Total Assets (€'millions)	Total Equity (€'millions)	Total Liabilities / Total Assets (%)	Net Debt / Net Debt and Total Equity (%)	Net Debt / EBITDA (times)	Current Ratio (times)	Return on Common Equity (%)	Net Margin (%)	Revenue Growth (YoY) (%)
4.25% CPHCL Finance plc Unsecured € 2026	40,000	3.96%	1.6x	1,807.8	875.4	51.6%	41.2%	13.8x	0.8x	-0.4%	-1.3%	85.6%
4% MIDI plc Secured € 2026	50,000	4.07%	(.4)x	231.9	101.3	56.3%	41.9%	(67.7)x	3.0x	-2.2%	-66.6%	-63.7%
4% International Hotel Investments plc Secured € 2026	55,000	4.35%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
3.9% Plaza Centres plc Unsecured € 2026	5,680	4.57%	6.1x	36.8	26.6	27.7%	13.3%	2.1x	1.8x	2.7%	25.1%	12.4%
4% International Hotel Investments plc Unsecured € 2026	60,000	4.15%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.56%	2.6x	422.8	248.2	41.3%	30.0%	12.0x	1.1x	-0.1%	-0.7%	8.1%
3.75% Mercury Projects Finance plc Secured € 2027	11,500	4.19%	2.6x	179.4	37.2	79.3%	37.5%	3.5x	3.0x	24.1%	22.9%	666.2%
4% Eden Finance plc Unsecured € 2027	40,000	4.58%	4.8x	217.9	135.4	37.9%	25.3%	4.8x	0.8x	1.0%	3.5%	47.3%
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1 (xd)	6,000	4.96%	1.3x	58.2	23.8	59.1%	55.3%	18.6x	0.7x	0.8%	10.0%	19.9%
4% Stivala Group Finance plc Secured € 2027	45,000	3.93%	7.7x	396.6	249.3	37.1%	29.0%	5.6x	0.7x	10.8%	93.7%	91.5%
3.75% Bortex Group Finance plc Unsecured € 2027	12,750	4.02%	4.2x	67.8	34.5	49.1%	40.6%	4.9x	3.5x	5.7%	8.0%	21.3%
4% Exalco Finance plc Secured € 2028	15,000	4.22%	5.8x	80.6	53.9	33.1%	22.4%	3.9x	2.1x	20.8%	200.2%	3.1%
4.85% Melite Finance plc Secured € 2028	9,250	8.67%	1.6x	20.4	(1.1)	105.2%	105.4%	10.9x	0.5x	78.5%	-33.8%	N/A
4% Cablenet Communication Systems plc Unsecured € 2030	40,000	4.77%	6.8x	110.4	3.1	66.0%	95.1%	3.5x	2.5x	-90.8%	-8.2%	19.4%
6.25% GPH Malta Finance plc Unsecured € 2030	18,144	5.78%	0.2x	811.9	50.4	93.8%	90.8%	71.2x	1.2x	-88.4%	-110.5%	N/A
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.58%	2.6x	179.4	37.2	79.3%	37.5%	3.5x	3.0x	24.1%	22.9%	666.2%
3.9% Browns Pharma Holdings plc Unsec Call € 2027-2031 (xd)	13,000	4.50%	5.2x	73.0	26.9	62.0%	43.0%	3.6x	1.1x	109.3%	6.4%	126.7%
3.65% Mizzi Organisation Finance plc Unsecured € 2028-2031	45,000	4.68%	3.6x	288.7	90.2	68.8%	54.3%	8.6x	0.8x	5.8%	4.4%	0.0%
3.65% IHI plc Unsecured € 2031	80,000	5.28%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
3.5% AX Real Estate plc Unsecured € 2032	40,000	4.20%	2.6x	422.8	248.2	41.3%	30.0%	12.0x	1.1x	-0.1%	-0.7%	8.1%
4.5% Shoreline Mall plc Secured € 2032	26,000	5.65%	(.2)x	58.3	17.4	70.2%	68.5%	(96.4)x	17.2x	-2.3%	#DIV/0!	0.0%
4.85% JD Capital plc Secured € 2032 S1 T1	14,000	5.27%	1.7x	57.5	16.8	70.8%	57.5%	18.5x	1.7x	1.3%	1.8%	N/A
5% Mariner Finance plc Unsecured € 2032	36,930	4.73%	4.8x	128.3	62.3	51.4%	49.9%	5.9x	2.6x	9.9%	29.3%	32.3%
5% Von der Heyden Group Finance plc Unsecured € 2032	35,000	5.13%	0.6x	142.0	41.1	71.1%	65.4%	38.4x	2.1x	-2.7%	-7.2%	32.3%
4.3% Mercury Project Finance plc Secured € 2032	50,000	4.37%	2.6x	179.4	37.2	79.3%	37.5%	3.5x	3.0x	24.1%	22.9%	666.2%
	*Average	4.77%										

Source: Latest available audited financial statements

Last closing price as at 23/06/2023

*Average figures do not capture the financial analysis of the Issuer



Source: Malta Stock Exchange, Central Bank of Malta and Calamatta Cuschieri Estimates

The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph illustrates on a stand-alone basis, the Issuer's existing yields of its outstanding bonds.

As at 23 June 2023, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 3-5 (2026-2028) years was 103 basis points. The 3.75% MCY PLC Secured Bonds 2027 is currently trading at a YTM of 419 basis points, meaning a spread of 62 basis points over the equivalent MGS. This means that this bond is trading at a discount of 41 basis points in comparison to the market.

As at 23 June 2023, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 7-9 years was 139 basis points. The 4.25% MCY PLC Secured Bonds 2031 is currently trading at a YTM of 458 basis points, meaning a spread of 96 basis points over the equivalent MGS. This means that this bond is trading at a discount of 42 basis points in comparison to the market.

Meanwhile, as at 23 June, the 4.3% MCY PLC Secured Bonds 2032 is currently trading at a YTM of 437 basis points, meaning a spread of 74 basis points over the equivalent MGSs. This means that the bond is trading at a discount of 63 basis points in comparison to the market.

Part 4 Glossary and Definitions

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

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

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

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

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

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

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

Calamatta Cuschieri

Calamatta Cuschieri Investment Services Limited

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