Financial Analysis Summary

1 June 2023

Issuer

Gap Group p.l.c.

(C 75875)

Prepared by:

MZ INVESTMENTS

MZ INVESTMENT SERVICES

The Directors
Gap Group p.l.c.
Gap Group Head Office
Ċensu Scerri Street
Tigné, Sliema, SLM 3060
Malta

1 June 2023

Dear Board Members,

Financial Analysis Summary

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 in the following pages and which is being forwarded to you together with this letter.

The purpose of this Analysis is that of summarising key financial data appertaining to Gap Group p.l.c. (the "**Issuer**", "**Gap Group**", or "**the Group**"). The data is derived from various sources, including our own computations, as follows:

(a) Historical financial data has been extracted from the audited consolidated annual financial statements of Gap Group for the financial years ended 31 December 2020, 31 December 2021, and 31 December 2022.

(b) The forecast data for the current financial year ending 31 December 2023 has been provided by the Issuer.

(c) Our commentary on the financial performance, cash flows, and financial position of Gap Group is based on the explanations provided to us by the Issuer.

(d) The ratios quoted in this Analysis have been computed by us applying the definitions set out in Part 4 – 'Explanatory Definitions' of this report.

MZ INVESTMENT SERVICES

(e) Relevant financial data in respect of the companies included in Part 3 – 'Comparative Analysis' of this report has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies, as well as other sources providing financial data.

This Analysis is meant to assist investors in the Issuer's securities, as well as potential investors, by summarising the more important financial data of the Group. This Analysis does not contain all data that is relevant to investors or potential investors. This 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 will not accept liability for any loss or damage arising out of the use of this Analysis. As with all investments, potential investors are encouraged to seek independent professional financial advice before investing in the Issuer's securities.

Yours faithfully,

Evan Mohnani
Head Corporate Finance Services

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DEFINITIONS

2016 Bond(s)	The €40,000,000 4.25% secured bonds 2023 (ISIN: MT0001231209) issued by Gap Group pursuant to a prospectus dated 16 September 2016. The outstanding nominal value of these bonds as at the date of this report amounts to €8,349,900.
2020 Bond(s)	The €21,000,000 3.70% secured bonds 2023/2025 (ISIN: MT0001231225) issued by Gap Group pursuant to a prospectus dated 20 November 2020. The outstanding nominal value of these bonds as at the date of this report amounts to €16,617,900.
2021 Bond(s)	The €21,000,000 3.90% secured bonds 2024/2026 (ISIN: MT0001231233) issued by Gap Group pursuant to a prospectus dated 6 December 2021. The outstanding nominal value of these bonds as at the date of this report amounts to €21,000,000.
2022 Bond(s)	The €23,000,000 4.75% secured bonds 2025/2027 (ISIN: MT0001231241) issued by Gap Group pursuant to a prospectus dated 5 December 2022. The outstanding nominal value of these bonds as at the date of this report amounts to €23,000,000.
2020 Bond Guarantor	Gap QM Limited ("**GQM**"), being the guarantor of the 2020 Bonds.
2021 Bond Guarantors	GQM and Gap Qawra Limited ("**GQL**"), being the guarantors of the 2021 Bonds.
2022 Bond Guarantor	Gap Żonqor Limited ("**GZL**"), being the guarantor of the 2022 Bonds.
Birkirkara Development	The construction, development, and finishing of a total of 14 residential units and 9 lock-up garages over a site in Birkirkara measuring 450 sqm.
Gap Group or **Group**	The Issuer, which is the holding company of a number of subsidiaries as illustrated in Section 3 – 'Organisational Structure' of this Analysis.
Għargħur Development	The 34 luxury residential units (6 of which are at penthouse level), comprising a mix of one, two, and three bedroomed units in a finished state, as well as 41 garages/car parking spaces, spread over 4 blocks forming part of the development on the site in Triq Caravaggio, Għargħur, Malta measuring approximately 2,585 sqm.
Hypothecated Property	The immovable property described hereunder, namely: (i) A cash balance amounting to the outstanding balance of the 2016 Bonds is held by the Security Trustee for the benefit of the holders of the 2016 Bonds. (ii) The Qawra Site II and Mosta Site and all construction developed thereon (namely, the Qawra II Development and the Mosta Development) are secured in favour of the Security Trustee for the benefit of the holders of the 2020 Bonds. (iii) The Qawra Site III, the Qawra Site II, and the Mosta Site, and all construction developed thereon (namely, the Qawra III Development, the Qawra II Development, and the Mosta Development) are secured in favour of the Security Trustee for the benefit of the holders of the 2021 Bonds. (iv) The Żonqor Site and all construction to be developed thereon (namely, the Żonqor Development) are secured in favour of the Security Trustee for the benefit of the holders of the 2022 Bonds.
Luqa Development	The construction, development, and finishing of a total of 268 residential units, comprising a mix of one, two, and three units, as well as 301 garages spread over 5

	zones over the site having a developable area of approximately 8,500 sqm known as Ta' Blejkiet in Luqa.
Marsascala Development	The construction, development and finishing of a total of 63 residential units and 93 lock-up garages over a site in Marsascala measuring 2,402 sqm.
Mellieħa Development	The 159 residential units, comprising a mix of one, two, and three bedroomed units in a finished state, as well as 174 lock-up garages spread over 10 blocks over the site known as Ta' Masrija in Mellieħa measuring approximately 5,100 sqm.
Mosta Development	The construction, development, and finishing of a total of 115 residential units, comprising a mix of two and three units, as well as 150 car parking spaces spread over 12 blocks with a variety of over the Mosta Site.
Mosta Site	The site having a façade directly on Triq id-Difiża Ċivili and on Triq tal- Qares, in Mosta, measuring approximately 5,895 sqm.
Qawra I Development	The 151 residential units, comprising a mix of one, two, and three bedroomed units in a finished state, as well as 181 garages/car parking spaces spread over 7 blocks, identified as Blocks A to G (both included), forming part of the development of the site in Triq il-Porzjunkola, Qawra, Malta measuring approximately 3,508 sqm.
Qawra II Development	The construction, development, and finishing of a total of 93 residential units, comprising a mix of one and two bedroomed units, as well as 151 garages spread over 2 blocks over the Qawra II site.
Qawra III Development	The construction, development, and finishing of a total of 113 residential units, comprising a mix of two and three bedroomed units, 3 commercial outlets, as well as 176 lock-up garages spread over the Qawra Site III.
Qawra IV Development	The construction, development, and finishing of a total of 59 residential units, comprising a mix of one, two and three bedroomed units, as well as 58 lock-up garages spread over the Qawra Site IV.
Qawra Site II	The site located in Triq in-Nakkri, Qawra, measuring approximately 1,924 sqm.
Qawra Site III	The site located in Triq it-Tamar, Qawra, measuring approximately 2,375 sqm.
Qawra Site IV	The site situated on three streets, namely Triq il-Pruwa, Triq Garcia de Toledo, and Triq San Timotju, Qawra, and measuring approximately 957 sqm.
San Pawl Tat-Tarġa Development	The construction, development, and finishing of a total of 9 residential units and 8 lock-up garages over a site in San Pawl Tat-Tarġa measuring 330 sqm.
Security Trustee	Equinox International Limited, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 29674 and having its registered office at Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta, which is duly authorised to act as trustee or co-trustee in terms of article 43(3) of the Trusts and Trustees Act (Chapter 331 of the laws of Malta).
Żonqor Development	The 118 residential units, comprising a mix of one, two, and three bedroomed units spread over 10 blocks, 182 lock-up garages, as well as 2 Class 4B shops, all in a finished state, over the Żonqor Site.
Żonqor Site	The site having a façade directly on Triq l-Għawwiema, Triq l-Għaguża and Triq il-Bajja in Żonqor, Marsascala, Malta, measuring approximately 3,817 sqm.

PART 1 – INFORMATION ABOUT GAP GROUP

1. KEY ACTIVITIES

Gap Group plc was incorporated in June 2016 as a public limited liability company under the Companies Act (Chapter 386 of the laws of Malta) with an authorised, issued, and full paid-up share capital of €2.5 million.

The Issuer is the holding company of a number of subsidiaries which are engaged in the acquisition, development, and sale of real estate. As a result, Gap Group is mainly dependent on the prospects of its operating subsidiaries.

Since incorporation, the Group completed various property development projects in different localities across Malta. The most recently completed projects include the Birkirkara Development, the Għargħur Development, the Luqa Development, the Marsascala Development, the Mellieħa Development, the Qawra I Development, and the San Pawl tat-Tarġa Development. All residential units (*circa* 700) and garages/car parking spaces (*circa* 800) appertaining to these projects have either been sold or are subject to a promise of sale ("**POS**") agreement.

On the other hand, the Group is currently pursuing the Mosta Development ('The Pantheon'), the Qawra II Development ('Mulberry Park'), the Qawra III Development ('Seaberry Park'), and the Qawra IV Development ('Sunflower'). Furthermore, through GZL, the Group acquired the Żonqor Site in early January 2023 which is currently being excavated as construction work is expected to commence in the coming months in relation to the Żonqor Development.

Each project pursued by the Group is undertaken through a special purpose vehicle ("**SPV**") established for that particular project and each SPV is managed through its Board of Directors which would have common members with the Directors of the Issuer. Furthermore, the Issuer engages the services of one of its subsidiaries – Gap Group Contracting Limited ("**GGCL**") – as the contractor responsible for all development works. Other than the foregoing, the Issuer is not dependent on other entities within or outside the Group with respect to the management of its projects.

Several projects that have been, or are being, undertaken by the Group were, are fully and, or partly funded through the issuance of secured bonds on the Regulated Market of the Malta Stock Exchange. The outstanding debt securities of the Group are:

(i) The **2016 Bonds** which were issued in September 2016 to finance the Għargħur Development, the Mellieħa Development, and the Qawra I Development.

(ii) The **2020 Bonds** which were issued in November 2020 to finance the Mosta Development and the Qawra II Development.

(iii) The **2021 Bonds** which were issued in December 2021 to finance the continuation of the Mosta Development and the Qawra II Development, as well as for the acquisition of the Qawra Site III and for part financing the Qawra III Development.

(iv) The **2022 Bonds** which were issued in December 2022 to finance the acquisition of the Żonqor site and partly fund the development costs of the Żonqor Development.

In April 2022, the Group fully redeemed the outstanding amount of €29.1 million in the 3.65% Secured Bonds 2022 which were issued in March 2019 and originally amounted to €40 million.

The outstanding amount of €8.35 million of the 2016 Bonds is due for repayment on 3 October 2023 unless otherwise repurchased and cancelled earlier. Moreover, Gap Group intends to exercise its option of redeeming the 2020 Bonds on the first early redemption date possible – i.e., on 18 December 2023.

2. DIRECTORS AND SENIOR MANAGEMENT

2.1 DIRECTORS OF THE ISSUER

Gap Group is managed by a Board of Directors comprising of the following six individuals who are entrusted with the overall direction and management of the Group:

George Muscat	Chairman and Executive Director
Paul Attard	Executive Director and Company Secretary
Adrian Muscat	Executive Director
Francis X. Gouder	Independent Non-Executive Director
Mark Castillo	Independent Non-Executive Director
Chris Cilia	Independent Non-Executive Director

2.2 DIRECTORS OF THE 2020, 2021, AND 2022 BOND GUARANTORS

The following are the directors of each of GQM, GQL and GZL:

George Muscat	Executive Director
Paul Attard	Executive Director
Adrian Muscat	Executive Director

2.3 SENIOR MANAGEMENT

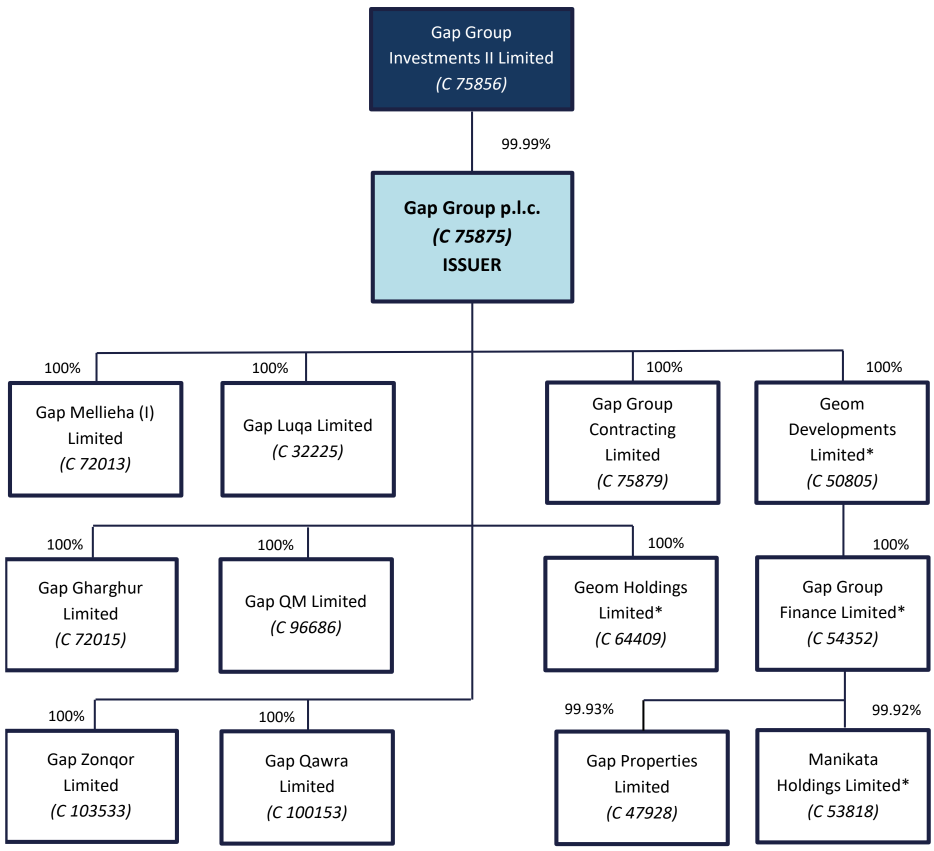
The Issuer itself has no employees and is managed directly by its Board of Directors. However, each subsidiary SPV would have its own personnel responsible for managing its projects. As such, Gap Group adopts a centralised management structure whereby it deploys senior management personnel to perform duties in different parts of the Group depending on the requirements of each of the Group's subsidiaries. These services are then re-charged to the Group company where they are from time to time deployed.

The senior management team of the Group is engaged by GGCL which, in turn, is managed by the following individuals:

George Muscat	Chairman
Paul Attard	Director of Sales and Marketing
Adrian Muscat	Director of Sites
Keith Fenech	Chief Financial Officer
Raymond Grixti	Project Manager
Chris Gauci	Sales Manager
Elton Deguara	Sales Manager

3. ORGANISATIONAL STRUCTURE

The chart below illustrates the organisational structure of the Group. Gap Group is ultimately equally owned by George Muscat, Paul Attard, and Adrian Muscat, through Gap Group Investments II Limited. All the Group's subsidiaries, except for GGCL and Gap Group Finance Limited, are SPVs entrusted with the construction, development, and sale of real-estate projects which have either been completed or are currently ongoing.



** Currently dormant*

3.1 2022 BOND GUARANTOR

3.1.1 GAP ŻONQOR LIMITED

GZL is a private limited liability company, registered and operating in Malta in terms of the Companies Act with company registration number C 103533, having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. It has an authorised share capital of €1,200 (one thousand two hundred Euro) and an issued share capital of €1,200 (one thousand two hundred Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GZL was set up on 18 October 2022 to acquire the Żonqor Site and pursue the Żonqor Development.

3.2 2021 BOND GUARANTORS

3.2.1 GAP QAWRA LIMITED

GQL is a private limited liability company, registered and operating in Malta in terms of the Companies Act with company registration number C 100153, having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. It has an authorised share capital of €5,000 (five thousand Euro) and an issued share capital of €5,000 (five thousand Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GQL was set up on 20 October 2021 to acquire the Qawra Site III and develop the Qawra III Development.

3.2.2 GAP QM LIMITED

GQM is a private limited liability company, registered and operating in Malta in terms of the Companies Act with company registration number C 96686, having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. It has an authorised share capital of €5,000 (five thousand Euro) and an issued share capital of €5,000 (five thousand Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GQM was set up on 23 September 2020 to acquire the Mosta Site and the Qawra Site II and pursue the Mosta Development and the Qawra II Development.

3.3 2020 BOND GUARANTOR

3.3.1 GAP QM LIMITED

See section 3.2.2 above.

4. CURRENT DEVELOPMENT PROJECTS

4.1 MOSTA DEVELOPMENT – 'THE PANTHEON'

In Q4 2020, GQM acquired a site with a superficial area of *circa* 5,895 sqm located in Triq id-Difiża Ċivili and in Triq tal-Qares, Mosta, for a consideration of €10.1 million. Thereafter, the Group initiated the Mosta Development which, upon completion in Q1 2024, will comprise 115 residential units and 150 car parking spaces spread over 12 blocks. The overall cost of development is expected to be in the region of €9.1 million.

The combined gross floor space of the residential units and car parking spaces will consist of an area of 20,208 sqm. The residential units are being sold in a finished state, including all common areas. Each block will have separate entrances served with passenger lifts accessing both the residential units and the underlying car parking levels. Furthermore, the topmost floors of each block will consist of penthouses having full ownership of the respective roof and airspace.

The village of Mosta is located in the northern region of Malta and is sought after by locals for the purposes of their primary residence. Mosta is a relatively large town which boasts of historical sites, shopping centres, and other amenities. The Mosta Development is located on the outskirts of Mosta in a quieter area of the village. It targets two different segments of prospective buyers. The majority of the development (68%) is targeted at the medium segment of the market. This component of the development will consist of two to three bedroomed residential units which will have an approximate square meterage of between 120 sqm and 165 sqm per unit. The remaining part of the development (32%) is targeted at the medium-to-high end segment of the market as these units will be larger properties having a square meterage of around 200 sqm per unit whilst each residential unit will enjoy unobstructed valley and distant views.

Out of the 45 residential units and 90 car parking spaces that the Group placed on the market by the end of 2022, 40 units and 35 car parking spaces were either sold or subject to a POS agreement. Projected revenues to be generated from the Mosta Development are expected to amount to well over €40 million (net of sales commissions).

4.2 QAWRA II DEVELOPMENT – 'MULBERRY PARK'

In Q4 2020, GQM acquired a site with a superficial area of approximately 1,924 sqm located in Triq in-Nakkri, Qawra (limits of St Paul's Bay), for a consideration of €4.6 million. Thereafter, the Group constructed two blocks consisting, in aggregate, of 93 residential units and 151 lock-up garages. The overall cost of development stood at around €8 million. Construction works commenced in Q1 2021 and were completed in Q1 2022, whilst finishing works were mostly concluded by the end of 2022.

The combined gross floor space of the residential units and garages consist of an area of 16,810 sqm. The residential units are being sold in a finished state and mainly comprise a mix of one and two bedroomed units measuring approximately 90 sqm to 120 sqm mainly targeted towards first-time buyers and buy-to-let investors. Each block has separate entrances served with passenger lifts accessing both the residential units and the underlying garage levels. Furthermore, the topmost floor of each block consists of penthouses having full ownership of the respective roof and airspace.

The village of Qawra is located in the northern part of Malta. Being a coastal village, Qawra is a popular tourist destination but is also attractive to locals seeking to purchase a summer home or a reasonably priced residency. As at the end of 2022, 74 residential units (out of a total of 93) and 41 garages (out of a total of 151) were either sold or subject to a POS agreement. As a result, 19 residential units and 110 garages were available for sale as at the end of 2022. Projected revenues to be generated from the Qawra II Development is expected to amount to well over €20 million (net of sales commissions).

4.3 QAWRA III DEVELOPMENT – 'SEABERRY PARK'

On 25 January 2022, the Group acquired the temporary utile dominium of the Qawra Site III for the remaining period of 107 years (out of the original grant of 150 years granted on 6 July 1978) for a consideration of €7.5 million. The Qawra Site III has a superficial area of approximately 2,375 sqm.

Following a review of the original plans, the project will comprise 113 residential units (11 maisonettes, 90 apartments, and 12 penthouses), 3 commercial outlets, as well as 176 lock-up garages. As at the end of 2022, construction was 50% complete whilst the project is expected to be finished in Q1 2024.

Each residential block will have separate entrances served with passenger lifts accessing both the residential units and the underlying garage levels. Furthermore, the topmost floor of each block will consist of penthouses having full ownership of the respective roof and airspace. The residential units will be sold in a finished state, including all common areas, and will comprise a mix of two and three bedroomed units, measuring between 180 sqm and 210 sqm, and will be priced to mainly target first-time buyers and buy-to-let investors. The commercial units will be sold in shell form internally.

The project is expected to be placed on the market during the month of June 2023.The project is expected to cost €9.1 million to develop whilst overall sales are estimated at over €30 million (net of commissions).

4.4 QAWRA IV DEVELOPMENT – 'SUNFLOWER'

On 4 April 2023, Gap Mellieħa (I) Limited concluded the acquisition of the Sunflower Site for a consideration of €4.1 million. The Sunflower Site is situated on three streets, namely Triq il-Pruwa, Triq Garcia de Toledo, and Triq San Timotju, Qawra. Once completed, the project will comprise 59 residential units and 58 lock-up garages to be sold in a finished state (excluding internal doors), including all common areas. The residential units will comprise a mix of one, two, and three bedroomed units, each measuring approximately between 85 sqm to 200 sqm, and will be priced to target primarily first-time buyers and second-time buyers. The combined gross floor area of the residential units and garages constitutes an area of 7,800 sqm.

Each block will have separate entrances served with passenger lifts accessing both the residential units and the underlying garage levels. Furthermore, the topmost floor of each block will consist of penthouses having full ownership of the respective roof and airspace.

The project is expected to cost around €5.5 million to develop whilst total revenues are estimated at over €15 million (net of sales commissions). Construction and finishing works are envisaged to be completed by Q4 2024.

4.5 ŻONQOR DEVELOPMENT

On 9 January 2023, GZL concluded the acquisition of the Żonqor Site for a consideration of just under €14.9 million.

The village of Marsascala is located on the southeast coast of Malta. Originally a small fishing village, Marsascala evolved into a tourist destination and a permanent hometown or summer residence for locals as well as foreigners seeking a retirement home in Malta. Marsascala is a seaside village which boasts of a picturesque bay, a promenade continuing to St Thomas Bay and has a range of restaurants and bars.

The Żonqor Site is situated on four streets in the Żonqor area of Marsascala, with its main façade being south facing. The development is fully residential, apart from two small shops. Once completed, the project will consist of 118 residential units and 182 lock-up garages to be sold in a finished state (excluding internal doors), including all common areas. The residential units will comprise a mix of one, two and three bedroomed units, each measuring approximately 55 sqm to 210 sqm, and will be priced to target primarily first-time buyers and second-time buyers as well as foreign investors seeking a summer residence in Malta. The combined gross floor area of the residential units and garages constitutes an area of 31,560 sqm. Each block will have separate entrances served with passenger lifts accessing both the residential units and the underlying garage levels. Furthermore, the topmost floor of each block will consist of penthouses having full ownership of the respective roof and airspace.

The project is expected to cost around €18 million to develop whilst total revenues are estimated at over €50 million (net of sales commissions). Construction and finishing works are envisaged to be completed by Q1 2025.

5. THE RESERVE ACCOUNT

All sales of property forming part of the Hypothecated Property is made on condition that the properties are released of all hypothecary rights and privileges encumbering them. For this purpose, the Security Trustee is empowered to release individual units of the Hypothecated Property from the security interest encumbering such property upon receipt from the Issuer or from a prospective purchaser a fixed amount of the purchase price attributed to each property forming part of the Hypothecated Property.

All amounts received by the Trustee from the sales proceeds of property forming part of the Hypothecated Property is credited to the Reserve Account and will be retained for the purpose of buying back and cancelling and, or redeeming the 2016 Bonds, 2020 Bonds, 2021 Bonds and, or the 2022 Bonds (as the case may be) upon maturity. In the absence of unforeseen circumstances and subject to there being no material adverse changes in circumstances, the Directors of the Issuer are of the view that the percentages available for cash flows that will be credited to the Reserve Account will be sufficient to cover the redemption of the outstanding Bonds on maturity.

6. ECONOMIC AND SECTOR ANALYSIS

6.1 ECONOMIC UPDATE[1]

The Maltese economy grew strongly by 6.9% in 2022, driven by domestic demand and export of services, benefiting from the further recovery in tourism. Growth is forecast to moderate to 3.9% in 2023, as high inflation affects household disposable incomes and consumption. GDP growth is then set to reach 4.1% in 2024, supported by continuing net migration flows. Sizeable government measures helped to keep energy prices unchanged in Malta. They are expected to remain in place also in 2023 and 2024. As a result, the general government deficit stood at 5.8% in 2022, among the highest in the EU. It is expected to gradually decrease in 2023 and 2024. In consequence of robust GDP growth, public debt is forecast to remain below 60% of GDP.

Supported by strong growth in private consumption and investment, real GDP growth reached 6.9% in 2022. Growth also benefited from the strong performance of the services sectors in general. Tourism in 2022 rebounded quickly and above earlier expectations, both in terms of total number of visitors and tourism expenditures. The growth impact of a marked jump in gross fixed capital formation, related to a large one-off equipment purchase operation, was compensated by a strong increase in imports, resulting in a negative contribution of net exports.

In 2023, real GDP is forecast to grow at a slower pace, by 3.9%, as high inflation limits private consumption and the positive impulse from tourism, following the post-pandemic re-opening, moderates. In 2024, real GDP growth is expected to pick up to 4.1%.

Malta maintains a high pace of employment growth. Employment increased by an impressive 6.0% in 2022. Demand for labour increased across various sectors of the economy, both public and private, and was especially strong in tourism and administrative services. The labour force is set to continue growing at a robust pace in 2023 and 2024 in line with population growth as the country continued to attract foreign workers. Labour and skills shortages are expected to remain the main limiting factors for the Maltese economy over the forecast horizon. Malta's unemployment rate fell to 2.9% in 2022 and is expected to remain around this level in 2023 and 2024.

Harmonised Index of Consumer Prices (HICP) inflation in 2022 reached 6.1%, even though the energy prices were fixed at 2020 levels by government intervention. The Maltese authorities further confirmed their commitment to limiting energy inflation in 2023 and 2024. Nonetheless, inflation in 2023 is expected to stay high at 5.4%, pushed by increasing prices for imported goods (especially food), tourism services and housing maintenance services. In 2024, inflation is projected to slow to 2.8% as price growth in Malta's main trade partners moderates.

[1] Economic Forecast – Spring 2023 (European Commission Institutional Paper 200 May '23).

6.2 PROPERTY MARKET

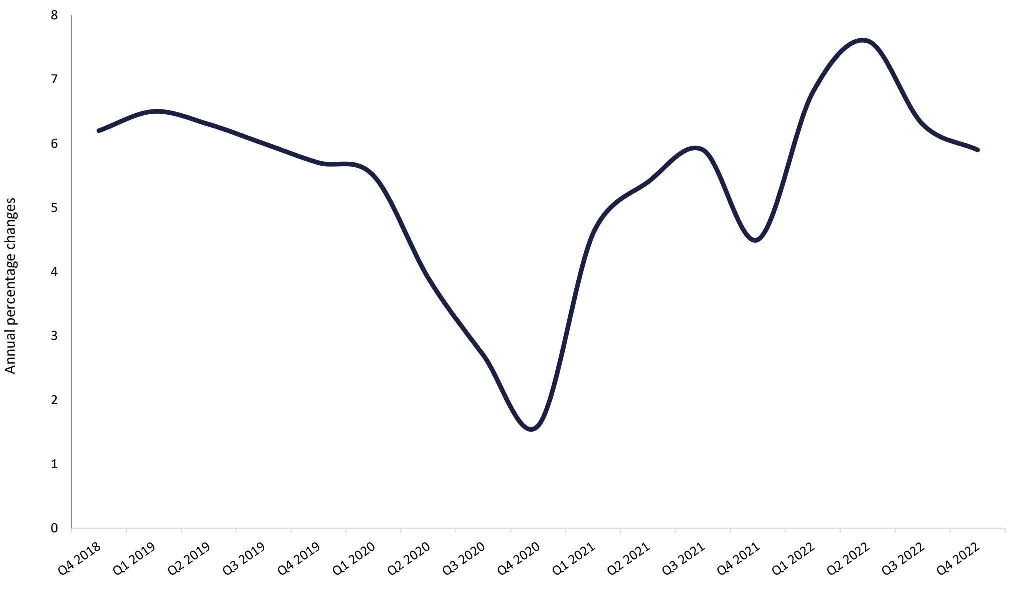
The NSO's Property Price Index – which is based on actual transactions involving apartments, maisonettes, and terraced houses – continued to increase in annual terms, albeit at a slower pace. The annual rate of change stood at 5.9% in the fourth quarter of 2022, from 6.3% in the third quarter of 2022 (see chart below). House price inflation in Malta was higher when compared to the euro area, where prices increased at a rate of 3.0% quarter-on-quarter.

Residential property prices continue to be supported by numerous factors, including the Government schemes supporting demand for property, such as the first-time and second-time buyers' schemes, the purchase of properties located in Urban Conservation Areas, purchases of property in Gozo, as well as refund schemes for restoration expenses. The recovery of tourism and normalisation of migrant workers flows from pandemic lows may have also shored up demand for property and contributed to the recent increase in property prices.[2]

In 2021, the number of final deeds of sale relating to residential property amounted to 14,368 compared to 11,057 deeds in 2020 (+30%). The value of deeds completed in 2021 amounted to €3,161.9 million, an increase of 49% when compared to the prior year (2020: €2,126.6 million).

During 2022, 14,305 final deeds of sale were concluded, a decrease of 63 deeds from a year earlier (2021: 14,368 deeds). The value of the afore-mentioned deeds amounted to €3,248.8 million compared to €3,161.9 million in 2021 (+€86.9 million or +2.7%).[3]

Movements in Residential Property Prices



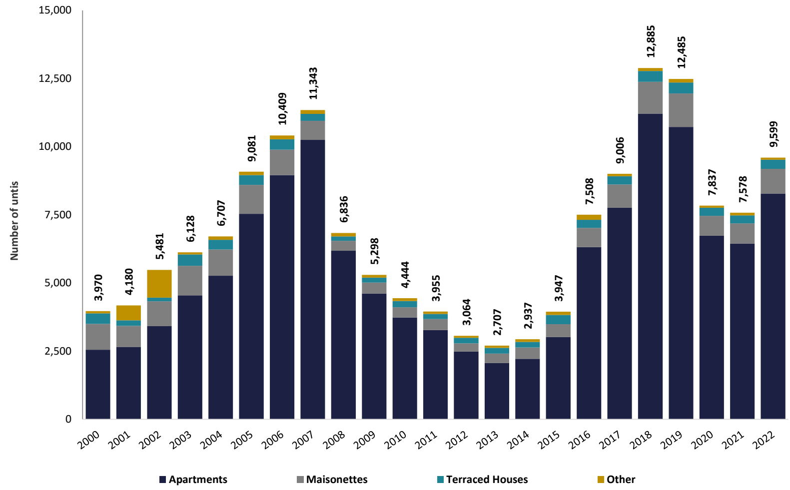
Source: Eurostat

[2] Central Bank of Malta Quarterly Review *(2023 Vol. 56 No. 1; page 43)*.
[3] National Statistics Office Malta – News Release 006/2023.

In the first quarter of 2023, 3,088 final deeds were registered, an annual decrease of 9.4%. The value of the deeds registered during this period went up by 3.2% over the same quarter of the previous year and amounted to €789.9 million.[4]

The number of residential building permits issued in 2022 amounted to 1,271 permits (2021: 1,633 permits) for the development of 9,599 residential units (2021: 7,578 residential units). As shown in the below chart, the number of units in 2022 (9,599) reflects a decrease of 26% from the all-time high of 12,885 units in 2018.[5] During the first quarter of 2023, 496 building permits for a total of 2,540 new dwellings were approved. When compared to the same quarter of in the prior year, the number of building permits decreased by 18.6% while the number of approved new dwellings dropped by 20.7%.[6]

Development Permits for Dwellings (number of units)



Source: Central Bank of Malta

PART 2 – GAP GROUP PERFORMANCE REVIEW

7. FINANCIAL INFORMATION

The following information is extracted from the audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2020, 31 December 2021, and 31 December 2022. The projected consolidated financial information for the current financial year ending 31 December 2023 has been provided by the Issuer.

The projected financial information relates to events in the future and is based on assumptions which the Issuer 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.

[4] National Statistics Office Malta – News Release 059/2023.
[5] https://www.centralbankmalta.org/real-economy-indicators *(Development Permits for Dwellings, by Type)*.
[6] National Statistics Office Malta – News Release 084/2023.

GAP Group p.l.c. Consolidated Statement of Comprehensive Income for the financial year 31 December	2020 Actual €'000	2021 Actual €'000	2022 Actual €'000	2023 Forecast €'000
Revenue	23,786	50,116	29,496	38,500
Cost of sales	(15,816)	(35,317)	(20,706)	(27,500)
Administrative expenses	(1,158)	(2,536)	(1,836)	(1,982)
EBITDA	**6,812**	**12,263**	**6,955**	**9,018**
Depreciation	(9)	(14)	(18)	(18)
Operating profit	**6,803**	**12,249**	**6,937**	**9,000**
Investment income	592	717	628	240
Finance costs	(1,811)	(1,574)	(837)	(450)
Profit before tax	**5,584**	**11,392**	**6,728**	**8,790**
Taxation	(1,482)	(2,527)	(1,658)	(2,695)
Net profit	**4,102**	**8,865**	**5,070**	**6,095**
Other comprehensive income				
Movement in fair value of financial assets	(123)	76	(359)	(50)
Total comprehensive income for the year	**3,979**	**8,941**	**4,711**	**6,045**

Key Financial Ratios	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast
EBITDA margin *(%)* *(EBITDA / revenue)*	28.64	24.47	23.58	23.42
Operating profit margin *(%)* *(Operating profit / revenue)*	28.60	24.44	23.52	23.38
Net profit margin *(%)* *(Profit after tax / revenue)*	17.25	17.69	17.19	15.83
Return on equity *(%)* *(Profit after tax / average equity)*	31.21	48.30	21.19	20.61
Return on assets *(%)* *(Profit after tax / average assets)*	4.28	8.21	4.56	6.21
Return on invested capital *(%)* *(Operating profit / average equity and net debt)*	11.53	20.13	12.13	13.58
Interest cover *(times)* *(EBITDA / net finance costs)*	5.59	14.31	33.21	42.94

In **FY2020**, the Group generated €23.8 million in revenues compared to €28.3 million in FY2019. Around 55% of revenue was derived from the sales of units forming part of the Mellieħa Development whilst *circa* 39% from the Luqa Development. Operating profit for the year amounted to €6.81 million, an increase of €0.67 million from the prior year, whilst total comprehensive income stood at €3.98 million (FY2019: €1.29 million).

EBITDA margin improved to 28.64% from 21.73% in FY2019. Similarly, the net profit margin increased from 3.99% in FY2019 to 17.25%. Due to higher operating profits, the interest cover increased from 2.22 times in FY2019 to 5.59 times in FY2020. The efficiency ratios, being a measure of a company's ability to use its resources to generate income, also increased in FY2020. In fact, the return on equity improved from 10.73% in FY2019 to 31.21% in FY2020 and the return on assets increased from 1.58% in FY2019 to 4.28%.

In **FY2021**, the Group's revenues more than doubled to €50.1 million. Approximately 85% of the income was generated from the Luqa Development and the Mellieħa Development, while most of the remaining revenues derived from the Marsascala Development. As a result, operating profit increased by €5.45 million to €12.2 million (FY2020: €6.8 million), though the operating margin eased from 28.6% in FY2020 to 24.44% in FY2021. Due to the improvement in profitability, the return on equity increased substantially by 17 percentage points to 48.3% while the return on assets nearly doubled to 8.21%.

Finance costs decreased from €1.81 million in FY2020 to €1.57 million in FY2021, though this amount includes a portion of the finance costs which were not attributable to the development phases of the Group's projects.

Profit for the year increased substantially to €8.87 million (FY2020: €4.1 million) while the net profit margin remained virtually unchanged at over 17%.

In **FY2022**, revenue contracted sharply to €29.5 million amid a lower level of stock of property available for sale. Most of the income emanated from the Luqa Development and the Marsascala Development whilst other projects (namely the Birkirkara Development, the Mellieħa Development, the Qawra II Development, and the San Pawl tat-Tarġa Development) also contributed to the Group's revenues albeit on a lower level.

EBITDA and operating profit dropped to €6.96 million and €6.94 million respectively. Gap Group also recorded marginally lower EBITDA and operating profit margins, but these stayed above the 23.5% level.

After taking into account net finance costs of €0.21 million and a tax charge of €1.66 million, the Group reported a net profit of €5.07 million which translated into a return on equity of 21.19% and a return on assets of 4.56%. Despite the contraction in EBITDA, the interest cover improved markedly to 33.21 times reflecting the lower incidence of net finance costs.

For **FY2023**, the Group is now projecting revenues of €38.5 million. This is lower than the amount of €46.4 million envisaged at the time of the issuance of the 2022 Bonds reflecting expected delays in the conclusion of the deeds of sale for the properties at the Mosta Development which will be executed in FY2024. As a result, Gap Group is estimating an operating profit of €9 million which would translate into an operating profit margin of 23.38% and a return on invested capital of 13.58% (FY2022: 12.13%).

After accounting for projected net finance costs of €0.21 million (which includes the capitalisation of interest appertaining to ongoing development projects) and a tax charge of €2.7 million, Gap Group is forecasting a net profit of €6.1 million for the 2023 financial year compared to the earlier projection of €7.53 million. In view of the estimated upsurge in EBITDA to €9.02 million and the reduction in net finance costs compared to FY2022, the interest cover is expected to improve materially to 42.94 times.

GAP Group p.l.c. Consolidated Statement of Financial Position as at 31 December	**2020 Actual €'000**	**2021 Actual €'000**	**2022 Actual €'000**	**2023 Forecast €'000**
ASSETS				
Non-current assets				
Property, plant and equipment	23	19	43	35
Loans and other receivables	10,382	10,676	10,983	11,050
Sinking fund	12,577	9,670	8,064	3,750
	22,982	20,365	19,090	14,835
Current assets				
Inventory - development project	62,649	45,820	49,147	57,897
Trade and other receivables	4,303	9,481	7,243	7,500
Sinking fund	7,528	35,247	1,404	-
Cash and cash equivalents	2,060	1,260	5,717	2,750
Amounts held by the trustee	4,373	-	27,393	3,253
	80,913	91,808	90,904	71,400
Total assets	**103,895**	**112,173**	**109,994**	**86,235**
EQUITY				
Capital and reserves				
Called up share capital	2,500	2,500	2,500	2,500
Other capital	2,934	3,011	2,651	2,701
Retained earnings	9,700	16,064	21,135	27,650
	15,134	**21,575**	**26,286**	**32,851**
LIABILITIES				
Non-current liabilities				
Borrowings and other financial liabilities	7,737	6,892	1,965	3,700
Debt securities	69,864	28,986	43,387	22,846
	77,601	35,878	45,352	26,546
Current liabilities				
Bank overdrafts	500	-	-	-
Borrowings and other financial liabilities	657	3,061	1,750	1,950
Debt securities	-	40,016	29,199	20,913
Other current liabilities	10,003	11,643	7,407	3,975
	11,160	54,720	38,356	26,838
	88,761	**90,598**	**83,708**	**53,384**
Total equity and liabilities	**103,895**	**112,173**	**109,994**	**86,235**
Total debt	*78,758*	*78,955*	*76,301*	*49,409*
Net debt	*52,220*	*32,778*	*33,723*	*39,656*
Invested capital (total equity plus net debt)	*67,354*	*54,353*	*60,009*	*72,507*

Key Accounting Ratios	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast
Net debt-to-EBITDA *(times)* *(Net debt / EBITDA)*	7.67	2.67	4.85	4.40
Net debt-to-equity *(times)* *(Net debt / total equity)*	3.45	1.52	1.28	1.21
Net gearing *(%)* *(Net debt / net debt and total equity)*	77.53	60.31	56.20	54.69
Debt-to-asset *(times)* *(Total debt / total assets)*	0.76	0.70	0.69	0.57
Leverage (times) *(Total assets / total equity)*	6.87	5.20	4.18	2.63
Current ratio *(times)* *(Current assets / current liabilities)*	7.25	1.68	2.37	2.66

In **FY2020**, the Group raised €21 million through the issue of the 2020 Bonds, of which, €15 million were used to acquire the Mosta Site and Qawra II Site. The remaining balance was utilised to settle capital creditor balances and to part fund ongoing development costs in relation to the Mosta Development and the Qawra II Development. Inventory increased from €49.0 million in FY2019 to €62.6 million, while cash balances (including current amounts held in the sinking fund) decreased from €20.2 million in FY2019 to €14.0 million.

Total assets as at 31 December **2021** amounted to €112.2 million compared to €103.9 million as at the end of 2020. The principal item was inventory of sites and progress development works which stood at €45.8 million. Due to the substantial turnover generated during the year, cash balances increased by €22.5 million to €36.5 million when including the current amounts held in the sinking fund.

The Group's equity increased by 42.56% from €15.1 million as at the end of 2020 to €21.6 million reflecting the net profit reported during the year after the deduction of an interim dividend of €2.5 million.

Total liabilities mainly comprised debt securities which remained relatively unchanged at almost €70 million. The net gearing ratio decreased from 77.53% as at the end of 2020 to 60.31% as at 31 December 2021, primarily on account of the above-mentioned increase in cash balances and retained earnings. The net debt-to-EBITDA multiple improved considerably to 2.67 times compared to 7.67 years in FY2020. Likewise, the net debt-to-equity ratio, the debt-to-asset ratio, and the leverage ratio all trended lower during the year to 1.52 times (FY2020: 3.45 times), 0.7 times (FY2020: 0.76 times), and 5.2 times (FY2020: 6.87 times) respectively.

In the initial 4 months of **FY2022**, the Group issued €21 million 3.9% secured bonds 2024/2026 and repaid in full €29.1 million 3.65% secured bonds 2022. Furthermore, in the latter part of the year, Gap Group successfully raised €23 million in 4.75% secured bonds 2025/2027 for the purpose of acquiring the Żonqor site and partly fund the development costs of the Żonqor Development. Total debt stood at €76.3 million as at the end of 2022 (31 December 2021: €79 million) whilst cash balances amounted to €34.5 million when including current amounts held in the sinking fund. All debt ratios of the Group continued to improve with the debt-to-equity ratio easing to 1.28 times and the net gearing ratio dropping to 56.2%. Similarly, the Group's current ratio strengthened to 2.37 times compared to 1.68 times as at the end of 2021.

For **FY2023**, the Group is now forecasting a material contraction in the size of its balance sheet with total assets expected to decrease by 22.5% to €86.2 million (31 December 2020: €110 million) compared to the previous estimate of €111.3 million at the time of the issuance of the 2022 Bonds. The principal movement is related to the Group's intention of exercising its option of redeeming the 2020 Bonds on the first early redemption date possible. As a result, total debt is expected to drop by 35.2% to €49.4 million compared to the previous estimate of €65.7 million. Coupled with the further increase in the Group's equity base to €32.9 million, Gap Group is expected to end the 2023 financial year with a net debt-to-equity ratio of 1.21 times and a net gearing ratio of 54.69%. Likewise, the debt-to-asset ratio and the leverage ratio are projected to strengthen to 0.57 times (31 December 2022: 0.69 times) and 2.63 times (31 December 2022: 4.18 times) respectively.

GAP Group p.l.c. **Consolidated Cash Flow Statement** **for the financial year 31 December**	**2020** **Actual** **€'000**	**2021** **Actual** **€'000**	**2022** **Actual** **€'000**	**2023** **Forecast** **€'000**
Net cash from / (used in) operating activities	(10,862)	24,475	(1,426)	(6,913)
Net cash from / (used in) investing activities	507	(2,866)	2,192	5,294
Net cash from / (used in) financing activities	3,620	1,437	(2,759)	(26,892)
Net movement in cash and cash equivalents	**(6,735)**	**23,046**	**(1,993)**	**(28,511)**
Cash and cash equivalents at beginning of year	20,196	13,461	36,507	34,514
Cash and cash equivalents at end of year	**13,461**	**36,507**	**34,514**	**6,003**

Net cash outflow from operating activities in **FY2020** amounted to €10.9 million compared to cash outflows of €20.3 million in FY2019. The cash outflow in FY2020 was mainly due to the year-on-year increase of €13.7 million in property inventory. Net cash from investing activities amounted to €0.51 million (FY2019: cash used in investing activities of €1.2 million) and primarily represented investment income.

Net cash from financing activities in FY2020 amounted to €3.62 million which was principally raised from the issuance of new bonds and drawdown of bank facilities. In FY2020, net movement in cash and cash equivalents amounted to a negative €6.74 million (net cash outflow) compared to a positive movement of €5.9 million in FY2019 (net cash inflow).

Net movement in cash and cash equivalents in **FY2021** amounted to €23.0 million. Net cash from operating activities amounted to €24.5 million, primarily on account of cash inflows from final sales contracts and a positive movement in working capital changes (mainly inventory).

Net cash used in investing activities amounted to €2.87 million, on account of €3.57 million utilised for investment purposes while inflows of €0.72 million reflected investment income. Meanwhile, net cash from financing activities amounted to €1.44 million and represented net inflows from borrowings of €3.94 million and the payment (outflow) of €2.5 million in dividends.

In **FY2022**, the Group used €1.43 million in net cash for its operations largely reflecting negative movements in inventories (development projects – €3.33 million) and trade and other payables (€2.05 million), as well as income tax paid €1.74 million). Likewise, the Issuer used €2.76 million for its financing activities representing cash outflows of €1.77 million to related parties as well as net reduction in borrowings of almost €1 million. On the other hand, Gap Group generated €2.19 million in net cash from investing activities mostly representing the proceeds received from the sale of investments amounting to €1.61 million.

Overall, the Group recorded a negative movement of €1.99 million in net cash and cash equivalents. As a result, it ended the 2022 financial with a cash balance of €34.5 million compared to €36.5 million as at 31 December 2021.

In **FY2023**, net cash used in operating activities is projected to amount to €6.91 million, principally on account of adverse movements in working capital. During the year, the Group is expected to dispose of €5.1 million worth of investments for the purpose of part funding the redemption of bonds. As such, net cash from investing activities is projected at €5.29 million, which includes investment income of €0.2 million. With regards to financing activities, the Group is anticipating the utilisation of €25 million to redeem in full the 2016 Bonds and 2020 Bonds. Furthermore, net repayment of borrowings is expected to amount to €1.8 million.

Reserve Account

In terms of the respective prospectus, the Issuer is required to build a sinking fund the value of which will, by the redemption dates of the respective bonds, be equivalent to 100% of the outstanding value of the bonds. Below is a table outlining the actual and expected balance to be held in the reserve account as at the end of the financial years indicated hereunder.

Contributions to Reserve Account as at 31 December	2020 Actual €'000	2021 Actual €'000	2022 Actual €'000	2023 Forecast €'000
4.25% Secured Bonds 2023	18,405	19,091	8,815	-
3.65% Secured Bonds 2022	1,700	25,826	-	-
3.70% Secured Bonds 2023 / 2025	-	-	653	-
3.90% Secured Bonds 2024 / 2026	-	-	-	3,750
4.75% Secured Bonds 2025 / 2027	-	-	-	-
	20,105	**44,917**	**9,468**	**3,750**

The 3.65% secured bonds were fully redeemed in April 2022 and accordingly, all funds held in the reserve account were utilised for such purpose. The Security Trustee holds a balance of €8.82 million for the purpose of redeeming the 4.25% secured bonds in 2023.

8. VARIANCE ANALYSIS

The following information relates to the variance analysis between the forecasts for the financial year ended 31 December 2022 included in the Analysis dated 5 December 2022 (the "**2022 FAS**"), and the audited consolidated annual financial statements for the financial year ended 31 December 2022.

GAP Group p.l.c. **Consolidated Statement of Comprehensive Income** **for the year ended 31 December**	**2022** **Actual** **€'000**	**2022** **Forecast** **€'000**	**Variance** **€'000**
Revenue	29,496	30,481	(985)
Cost of sales	(20,706)	(22,097)	1,391
Administrative expenses	(1,836)	(1,637)	(199)
EBITDA	**6,955**	**6,747**	**208**
Depreciation	(18)	(18)	-
Operating profit	**6,937**	**6,729**	**208**
Investment income	628	501	127
Finance costs	(838)	(1,035)	197
Profit before tax	**6,727**	**6,195**	**532**
Taxation	(1,658)	(1,822)	164
Profit for the year	**5,070**	**4,373**	**697**
Other comprehensive income			
Movement in fair value of financial assets	(359)	12	(371)
Total comprehensive income for the year	**4,711**	**4,385**	**326**

The profitability recorded by the Group in FY2022 was better-than-expected as despite the marginal underperformance in revenues, the Issuer incurred lower amounts of cost of sales, net finance costs, and tax charges. Overall, Gap Group reported a net profit for the year of €5.07 million compared to the estimated figure of €4.37 million.

GAP Group p.l.c. Consolidated Cash Flow Statement for the year ended 31 December	2022 Actual €'000	2022 Forecast €'000	Variance €'000
Net cash from / (used in) operating activities	(1,426)	(11,233)	9,807
Net cash from / (used in) investing activities	2,192	(783)	2,975
Net cash from / (used in) financing activities	(2,759)	(6,149)	3,390
Net movement in cash and cash equivalents	**(1,993)**	**(18,165)**	**16,172**
Cash and cash equivalents at beginning of year	36,507	36,507	-
Cash and cash equivalents at end of year	**34,514**	**18,342**	**16,172**

In the 2022 FAS, the Group had projected €11.2 million of net cash outflow from operating activities mainly on account of an increase in inventory as the acquisition of the Żonqor Site was expected to be concluded in the same year. In fact, the purchase of the property was executed in January 2023. Accordingly, actual net cash used in operating activities amounted to €1.43 million compared to the forecast of €11.2 million.

In investing activities, the Group generated €2.19 million from disposal of financial assets and investment income compared to a forecasted outflow of €0.78 million, thus resulting in a positive variance of €2.98 million. The variance in financing activities was positive and amounted to €3.39 million. During the year, the Group repaid a lower amount of outstanding borrowings and debt securities than had been projected.

Meanwhile, the material variances between the actual and forecast Statement of Financial Position are as follows:

(1) *Non-current loans and other receivables*: Amounts due from related entities were lower than expected by €4.46 million.

(2) *Sinking fund and amounts held by the trustee*: There was a net positive variance of €16.1 million mainly on account of net bond proceeds held by the securities trustee for the purpose of acquiring the Żonqor Site which was meant to be concluded during FY2022.

(3) *Inventory – development projects*: The variance of €24.2 million is mostly related to the delay in the conclusion of the final deed for the acquisition of the Żonqor Site which took place on 9 January 2023 instead of Q4 2022.

(4) *Trade and other receivables*: The positive variance of €6.75 million reflects higher than expected amounts due from related parties.

(5) *Other current liabilities*: Mainly comprise trade creditors and advance deposits received on POS agreements. The Group had projected such balance to amount to €16.7 million but in fact amounted to €7.41 million.

GAP Group p.l.c. Consolidated Statement of Financial Position as at 31 December	2022 Actual €'000	2022 Forecast €'000	Variance €'000	
ASSETS				
Non-current assets				
Property, plant and equipment	43	26	17	
Loans and other receivables	10,983	15,445	(4,462)	**(1)**
Sinking fund	8,064	2,362	5,702	**(2)**
	19,090	17,833	1,257	
Current assets				
Inventory - development project	49,147	73,358	(24,211)	**(3)**
Trade and other receivables	7,243	496	6,747	**(4)**
Sinking fund	1,113	8,619	(7,506)	**(2)**
Cash and cash equivalents	6,008	8,860	(2,852)	
Amounts held by the trustee	27,393	9,482	17,911	**(2)**
	90,904	100,815	(9,911)	
Total assets	**109,994**	**118,648**	**(8,654)**	
EQUITY				
Capital and reserves				
Called up share capital	2,500	2,500	-	
Other capital	2,651	2,941	(290)	
Retained earnings	21,135	20,520	615	
	26,286	**25,961**	**325**	
LIABILITIES				
Non-current liabilities				
Borrowings and other financial liabilities	1,965	3,513	(1,548)	
Debt securities	43,387	72,440	(29,053)	
	45,352	75,953	(30,601)	
Current liabilities				
Bank overdrafts	-	-	-	
Borrowings and other financial liabilities	1,750	-	1,750	
Debt securities	29,199	-		
Other current liabilities	7,407	16,734	(9,327)	**(5)**
	38,356	16,734	21,622	
	83,708	**92,687**	**(8,979)**	
Total equity and liabilities	**109,994**	**118,648**	**(8,654)**	
Total debt	*76,301*	*75,953*	*348*	
Net debt	*33,723*	*46,630*	*(12,907)*	
Invested capital (total equity plus net debt)	*60,009*	*72,591*	*(12,582)*	

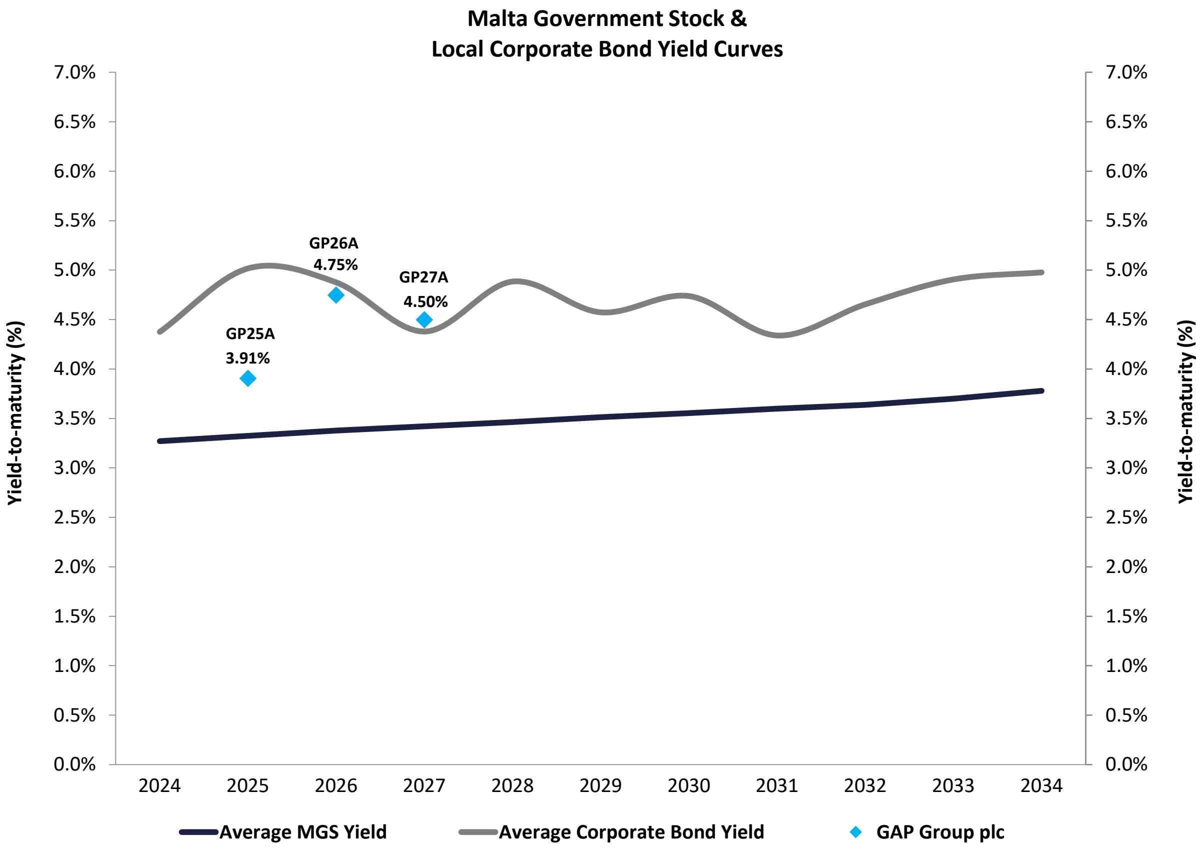
PART 3 – COMPARATIVE ANALYSIS

The table below provides a comparison between the Group and its bonds with other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Group and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis serves as an indication of the financial performance and strength of Gap Group.

Comparative Analysis*	Amount Issued *(€'000)*	Yield-to-Maturity *(%)*	Interest Cover *(times)*	Net Debt-to-EBITDA *(times)*	Net Gearing *(%)*	Debt-to-Assets *(times)*
6.00% AX Investments plc Unsecured & Guaranteed 2024	40,000	4.62	1.75	14.74	30.01	0.28
6.00% International Hotel Investments plc Unsecured 2024	35,000	4.92	1.87	11.42	41.92	0.40
5.30% Mariner Finance plc Unsecured 2024	17,684	5.01	4.68	5.94	49.88	0.49
5.00% Hal Mann Vella Group plc Secured 2024	30,000	4.98	2.42	9.45	51.80	0.44
5.10% 1923 Investments plc Unsecured 2024	36,000	4.39	4.81	2.94	47.79	0.40
4.25% Best Deal Properties Holding plc Secured & Guaranteed 2024	6,465	2.58	13.29	4.71	63.61	0.65
5.75% International Hotel Investments plc Unsecured 2025	45,000	5.47	1.87	11.42	41.92	0.40
5.10% 6PM Holdings plc Unsecured 2025	13,000	5.09	10.95	0.38	11.16	0.17
4.50% Hili Properties plc Unsecured & Guaranteed 2025	37,000	5.38	1.80	12.53	45.87	0.46
3.70% Gap Group plc Secured & Guaranteed 2023/2025	16,618	3.91	33.21	4.85	56.20	0.69
4.35% Hudson Malta plc Unsecured & Guaranteed 2026	12,000	4.35	6.11	4.89	71.67	0.57
4.25% CPHCL Finance plc Unsecured & Guaranteed 2026	40,000	4.62	1.66	12.42	42.46	0.40
4.00% International Hotel Investments plc Secured 2026	55,000	3.74	1.87	11.42	41.92	0.40
5.00% Dizz Finance plc Unsecured & Guaranteed 2026	8,000	5.32	0.56	36.59	79.93	0.59
3.75% Premier Capital plc Unsecured 2026	65,000	4.37	11.25	2.09	61.67	0.56
4.00% International Hotel Investments plc Unsecured 2026	60,000	4.33	1.87	11.42	41.92	0.40
3.25% AX Group plc Unsecured 2026	15,000	3.55	1.75	14.74	30.01	0.28
3.90% Gap Group plc Secured & Guaranteed 2024/2026	21,000	4.75	33.21	4.85	56.20	0.69
4.00% Hili Finance Company plc Unsecured & Guaranteed 2027	50,000	4.21	4.64	4.84	69.79	0.63
4.35% SD Finance plc Unsecured & Guaranteed 2027	65,000	4.63	4.60	2.66	27.22	0.27
4.00% Eden Finance plc Unsecured & Guaranteed 2027	40,000	4.28	4.24	5.37	25.33	0.23
5.25% Mediterranean Investments Holding plc Unsecured & Guaranteed 2027	30,000	4.97	3.79	3.30	22.75	0.21
4.00% Stivala Group Finance plc Secured & Guaranteed 2027	45,000	4.00	4.84	5.58	28.97	0.26
4.75% Best Deal Properties Holding Plc Secured & Guaranteed 2025/2027	15,000	4.74	13.29	4.71	63.61	0.65
4.75% Gap Group plc Secured & Guaranteed 2025/2027	23,000	4.50	33.21	4.85	56.20	0.69
3.85% Hili Finance Company plc Unsecured & Guaranteed 2028	40,000	5.32	4.64	4.84	69.79	0.63
3.65% Stivala Group Finance plc Secured & Guaranteed 2029	15,000	4.50	4.84	5.58	28.97	0.26
3.80% Hili Finance Company plc Unsecured & Guaranteed 2029	80,000	4.93	4.64	4.84	69.79	0.63
3.75% AX Group plc Unsecured 2029	10,000	4.11	1.75	14.74	30.01	0.28
6.25% GPH Malta Finance plc Unsecured & Guaranteed 2030	18,144	5.79	1.56	11.27	94.67	0.83
3.65% International Hotel Investments plc Unsecured 2031	80,000	4.36	1.87	11.42	41.92	0.40
3.50% AX Real Estate plc Unsecured 2032	40,000	4.56	2.31	13.83	42.36	0.41
5.00% Mariner Finance plc Unsecured 2032	36,930	4.73	4.68	5.94	49.88	0.49
4.50% The Ona plc Secured & Guaranteed 2028/2034	16,000	4.98	32.26	9.77	64.11	0.59

As at 19 May 2023

Sources: Malta Stock Exchange
M.Z. Investment Services Limited
Most recent audited annual financial statements except for GPH Malta Finance plc (FY2022/2023 - forecast)



To date, there are no corporate bonds which have a redemption date beyond 2034. The Malta Government Stock yield curve has been included as it is widely considered as the benchmark 'risk-free' rate for Malta.

The 3.70% secured bonds 2023/2025 are currently trading at a yield-to-maturity ("YTM") of 3.91% which is 111 basis points lower than the average YTM of other local corporate bonds maturing in the same year. The premium over the corresponding Malta Government Stock yield of equivalent maturity is 58 basis points.

The 3.90% secured bonds 2024/2026 are currently trading at a YTM of 4.75% which is 13 basis points lower than the average YTM of other local corporate bonds maturing in the same year. The premium over the corresponding Malta Government Stock yield of equivalent maturity is 137 basis points.

The 4.75% secured bonds 2025/2027 are currently trading at a YTM of 4.50% which is 12 basis points above the average YTM of other local corporate bonds maturing in the same year. The premium over the corresponding Malta Government Stock yield of equivalent maturity is 108 basis points.

PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total income generated from business activities.
EBITDA	Earnings before interest, taxes, depreciation, and amortisation. It is a metric used for gauging a company's operating performance, excluding the impact of its capital structure, and is usually interpreted as a loose proxy for operating cash flow generation.
Operating profit	Profit from operating activities including movements in the fair value of investment property but excluding the share of results of associated undertakings, net finance costs, and taxation.
Profit after tax	Net profit generated from all business activities.

Profitability Ratios	
EBITDA margin	EBITDA as a percentage of revenue.
Operating profit margin	Adjusted operating profit as a percentage of total revenue.
Net profit margin	Profit after tax as a percentage of total revenue.
Return on equity	Measures the rate of return on the company's net assets and is computed by dividing the net profit by average equity.
Return on assets	Measures the rate of return on the company's assets and is computed by dividing the net profit by average assets.
Return on invested capital	Measures the rate of return from core operations and is computed by dividing operating profit by the average amount of equity and net debt.

Cash Flow Statement	
Net cash flow from / (used in) operating activities	The amount of cash generated (or consumed) from the normal conduct of business.
Cash flow from / (used in) investing activities	The amount of cash generated (or consumed) from activities related to the acquisition, disposal, and/or development of long-term assets and other investments.
Cash flow from / (used in) financing activities	The amount of cash generated (or consumed) that have an impact on the company's capital structure and thus result in changes to share capital and borrowings.

Statement of Financial Position	
Non-current assets	These represent long-term investments which full value will not be realised within the next twelve months. Such assets, which typically include property, plant, equipment, and investment property, are capitalised rather than expensed, meaning that a company amortises the cost of the asset over the number of years for which the asset will be in use instead of allocating the entire cost to the accounting year in which the asset was acquired.
Current assets	All assets which could be realisable within a twelve-month period from the balance sheet date. Such amounts may include development stock, accounts receivable, cash and bank balances.
Non-current liabilities	These represent long-term financial obligations which are not due within the next twelve months, and typically include long-term borrowings and debt securities.
Current liabilities	Liabilities which fall due within the next twelve months from the balance sheet date, and typically include accounts payable and short-term debt.
Total equity	Represents the residual value of the business (assets minus liabilities) and typically includes the share capital, reserves, as well as retained earnings.

Financial Strength/Credit Ratios	
Interest cover	Measures the extent of how many times a company can pay its net finance costs from EBITDA.
Net debt-to-EBITDA	Measures how many years it will take a company to pay off its net interest-bearing liabilities (including lease liabilities) from its EBITDA generation capabilities, assuming that net debt and EBITDA are held constant.
Net debt-to-equity	Shows the proportion of net debt (including lease liabilities) to the amount of equity.
Net gearing	Shows the proportion of equity and net debt used to finance a company's business and is calculated by dividing a company's net debt by net debt plus equity.
Debt-to-asset	Shows the degree to which a company's assets are funded by debt and is calculated by dividing all interest-bearing liabilities by total assets.
Leverage	Shows how much equity a company is using to finance its assets.
Current ratio	Measures whether or not a company has enough resources to pay its short-term liabilities from its short-term assets.