COMPANY ANNOUNCEMENT

# GRAND HARBOUR MARINA P.L.C.
(THE "**COMPANY**")

## Publication of Financial Analysis Summary 2020

| | |
|---|---|
| **Date of Announcement** | **17 August 2020** |
| **Reference** | **174/2020** |
| **Listing Rule** | **5.16** |

This is an announcement being made by the Company in compliance with Chapter 5 of the Listing Rules:

**QUOTE**

The Financial Analysis Summary for 2020 is available and can be accessed on the Company's website https://en.cnmarinas.com/grand-harbour-marina/notification%20&%20publication.

A copy of such Financial Analysis Summary is also attached herewith.

**UNQUOTE**

Signed:

Louis de Gabriele
Company Secretary

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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The Board of Directors
**Grand Harbour Marina plc**
Vittoriosa Wharf,
Vittoriosa, BRG 1721,
Malta

14 August 2020

Dear Sirs,

**Grand Harbour Marina plc – Financial Analysis Summary** (the **"Update FAS"**)

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

The purpose of the Update FAS is that of summarising key financial data appertaining to Grand Harbour Marina p.l.c. (the "**Company**" or "**GHM**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the three years ended 31 December 2017 to 2019 has been extracted from the Company's audited statutory financial statements for the three years in question, as and when appropriate;

(b) The forecast data for the financial year ending 31 December 2020 has been provided by management of the Company;

(c) Our commentary on the results of the Company and on the respective financial position is based on the explanations provided by the Company;

(d) The ratios quoted in this report have been computed by us applying the definitions as set out and defined within the Update FAS; and

(e) Relevant financial data in respect of competitors as analysed in Part D has been extracted from public sources such as the web sites of the companies concerned and the respective financial statements filed with the Registry of Companies.

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

Yours sincerely,

**Vincent E Rizzo**
Director

GRAND HARBOUR MARINA
VITTORIOSA MALTA

# FINANCIAL ANALYSIS SUMMARY

## Update 2020

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

**14 August 2020**

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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## List of Abbreviations

| | |
|---|---|
| BOT | Build, Operate and Transfer agreement entered between IC Cesme Marina Yatirim, Turizm vs Isletmeleri Anonim Sirketi ("**IC Cesme**") and the Turkish Ministry of Transportation, which agreement expires in 2067; |
| CAGR | Compound annual growth rate; |
| CNMIL | Camper & Nicholsons Marina Investments Ltd; |
| CNML | Camper & Nicholsons Marinas Limited; |
| MGS | Malta Government Stock; |
| PA | Planning Authority; and |
| PPE | Property, Plant and Equipment. |

## Important Information

### Purpose of the Document

Grand Harbour Marina plc (the "**Company**", "**GHM**" or the "**Issuer**") issued €15 million 4.5% Unsecured Bonds 2027 pursuant to a prospectus dated 26 June 2017 (the "**Bond Issue**"). The prospectus included a Financial Analysis Summary ("**FAS**") in line with the requirements of the Listing Policies as issued and last updated by the MFSA on 5 March 2013. The purpose of this report is to provide an update to the FAS (the **"Update FAS**") on the performance and on the financial position of the Company.

### Sources of Information

The information that is presented has been collated from a number of sources, including the Company's website (https://en.cnmarinas.com/grand-harbour-marina/), feedback from management as well as the Company's audited Financial Statements for the years ended 31 December 2017, 2018 and 2019 and forecasts for financial year ending 31 December 2020.

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

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

### Previous FAS Issued

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

FAS dated 26 June 2017 (appended to the prospectus)

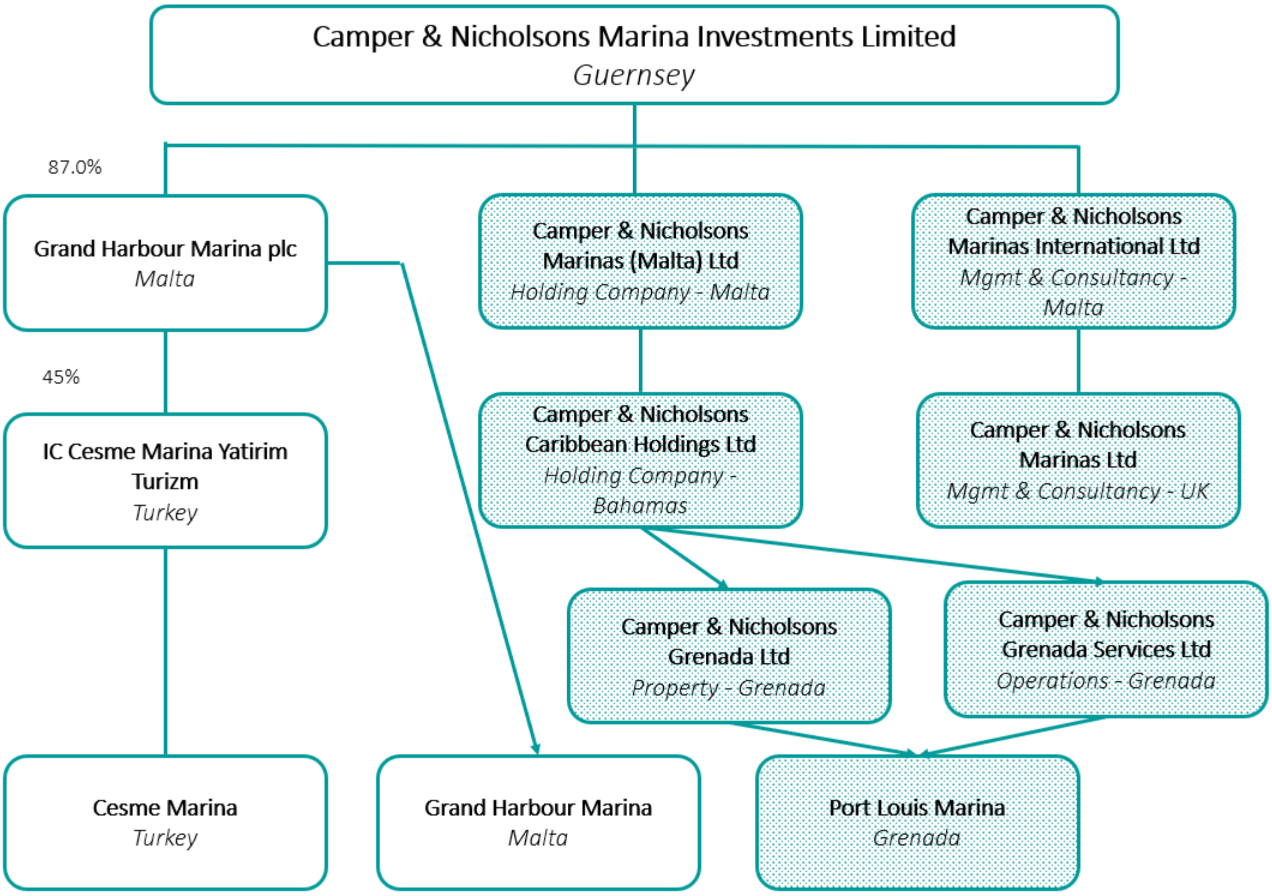
FAS dated 22 June 2018

FAS dated 27 May 2019

## 1. INTRODUCTION

GHM was established on 31 August 2000, as a private company under the Companies Act (Cap. 386 of the laws of Malta). In preparation of the initial public offering of the Company in 2007, the Company was converted into a public limited company and is currently duly registered and existing as a public company pursuant to the Companies Act (Cap. 386 of the laws of Malta).

The Company is a subsidiary of Camper & Nicholsons Marina Investments Limited ("**CNMIL**") which is registered in Guernsey. As at the date of this report, CNMIL holds 17,393,590 shares, equivalent to 86.97% of the Company's total issued share capital.




The principal activities of Grand Harbour Marina p.l.c. (C 26891) relate to the operation of the Grand Harbour Marina (the **"Marina"**), through which it provides berthing facilities and other quayside and marina related services to yachts, including super-yachts. The principal activity of the Company is therefore, to seek prospective customers to berth their vessels within the facilities at the Marina and to service its existing customers by providing the high-quality ancillary services required by the yacht owners and their crews.

The Company currently owns the emphyteusis to the Grand Harbour Marina in Vittoriosa, Malta and a 45% equity interest in IC Cesme Marina Yatirim, Turizm ve Isletmeleri Sirketi (**''IC Cesme''**), a company which owns and operates a marina in Turkey. The marinas are operated and managed in association with Camper &

Nicholsons Marinas Limited (**"CNML"**), a company that is involved in the management and operation of marinas worldwide.

GHM's principal markets comprise local and foreign yacht owners seeking either long-term purchase of a home-port berth or annual, seasonal or short-term stays in Malta and can be divided into three segments as set out below:

1. Annual and seasonal berth licences of foreign and Maltese owned sail and power yachts of less than 28 metres.
2. Visiting sail and power yachts over 28 metres which are principally foreign-owned.
3. Long-term licence-holding sail and power yachts over 28 metres which are also principally foreign-owned.

## The Grand Harbour Marina

Presently the Company owns (under a 99-year sub-emphyteusis) and operates the Marina. Located in the waters of the Dockyard Creek in the Grand Harbour, the Marina is bordered by the three historical and recently restored fortified cities of Vittoriosa, Senglea and Cospicua and is within a short drive of Malta's international airport. Furthermore, the Marina forms part of the Vittoriosa waterfront and is bordered by a variety of restaurants and bars.

The Marina comprises of *circa* 1,200 square metres of land area and *circa* 47,440 square metres of water area with a total capacity of 255 berths, of which 28 are superyacht berths. The pontoon berths are concrete-based, offering wide fairways and are equipped with water and electricity connections, which are directly linked to the marina management software system.

The Company strives to provide a safe environment for its customers and the Marina is, therefore, manned by berthing masters 24x7, aided by a network of CCTV cameras. GHM also provides its customers with various berthing utilities and related services, including, but not limited to, the provision of water, electricity, fuel, internet access, parking facilities, storage, concierge services, as well as the repair, refit and servicing of vessels and related equipment.

## IC Cesme in Turkey

In 2011, the Company acquired a 45% stake of IC Cesme, with the remaining 55% shareholding held by a Turkish group named Ibrahim Cecen Investment Holding AS. The marina operated by IC Cesme is located one hour's drive from Turkey's third largest city Izmir and its international airport. The marina is held by IC Cesme under a build, operate and transfer (BOT) agreement with the Turkish Ministry of Transportation, which contract now expires in 2067 after an extension was signed towards the end of 2018 (previously, the BOT agreement was until 2034). The marina comprises 394 berths with a total lettable area of *circa* 32,000 square metres along with an up-market marina village that contains 52 commercial units, which are let to individual tenants, typically on five-year leases. The landside units include food and beverage, retail outlets offering designer fashion boutiques, books and electronics stores, as well as a supermarket and office space. The marina was officially opened in 2010 and is fully operational.

Given the mismatch between the reporting currency of IC Cesme (Turkish Lira) with that of GHM (Euro), wide fluctuations in the conversion rate between the Turkish Lira and the Euro have notable consequences in the financial results of GHM. In October 2018, the Turkish government issued guidelines whereby companies such as IC Cesme had to start billing in Turkish Lira, which is expected to continue to have a negative effect on the conversion of these revenues in GHM's consolidated accounts, should the Turkish Lira weaken further.

Following more than a 30% depreciation of the Turkish Lira relative to the Euro in 2018, during 2019 the Turkish Lira lost a further 10% of its value against the Euro amid the continued political concerns in Turkey and the surrounding region as well as uncertainties related to the implementation of proper monetary policy by the Central Bank of Turkey. The decrease in the average value of the Turkish Lira has continued in 2020, with the currency shedding in excess of 15% against the Euro.

## Relationship between the Company and CNML

CNML provides a number of consultancy services to GHM and its affiliated company, IC Cesme, in relation to recruitment, operation, projects, sales and marketing and branding amongst others. CNML's connection with the yachting industry dates back as far as 1782, while its association with marinas is traceable to the early 1960's. It presently operates in the Caribbean, Turkey, Malta and the United Kingdom, with the consultancy business being based in the United Kingdom.

GHM benefits from a services agreement with CNML which has its operational headquarters in London from where it carries out staff cover operations, human resources, business development, technical services, financial and sales and marketing functions. The benefits from the services agreement are principally the use of the Camper & Nicholsons brand and access to Camper & Nicholsons' resources. The relationship with CNML also allows GHM to benefit from its global network of contacts, its high-profile advertising programmes and its presence in the major international exhibitions.

CNML also has an active role in the implementation of GHM's policies and strategies, including its management. The Board of Directors of GHM includes two individuals who are also directors of CNMIL as the parent company of GHM.

## 2. GOVERNANCE & SENIOR MANAGEMENT

### THE BOARD OF DIRECTORS

The current Board of GHM consists of six directors who are entrusted with the overall direction and management of the Company. The Board's mandate is to identify and execute new investment opportunities and obtain related funding. The Board is currently composed of the following Directors:

| *Members of the Board* | |
|---|---|
| Mr Lawrence Zammit | Chairman *(interim CEO until 31 January 2019)* |
| Mr Clive Peter Whiley | Non-Executive Director |
| Mr Franco Azzopardi | Independent Non-Executive Director, Chairman of Audit Committee |
| Mr David Martin Bralsford | Independent Non-Executive Director |
| Mr Victor Lap-Lik Chu | Non-Executive Director |
| Ms Elizabeth Ka-Yee Kan | Chief Executive Officer and Executive Director *(appointed as CEO on 1 February 2019)* |

The Board of Directors was re-appointed at the Company's Annual General Meeting which was last held on 17 June 2019, in accordance with the Articles of Association of the Company. All members of the board will hold office up until the next Annual General Meeting.

### EXECUTIVE MANAGEMENT OF THE COMPANY

The senior management team is composed of the following individuals:

| *Senior Management* | |
|---|---|
| Mr Jean Paul Saliba | Chief Financial Officer |
| Mr Andrew Farrugia | Chief Operating Officer |
| Mr Gordon Vassallo | General Manager |

## 3. Material Developments During FY2019

### GHM

There has been no material development during FY2019 at the Grand Harbour Marina. Operations of the marina in Malta remained in line with previous years. Furthermore, the Company did not record any sale of superyacht berths during the year.

### IC Cesme

During FY2018, the BOT agreement under which IC Cesme operates the Turkish marina has been renegotiated with the Turkish government and extended by 33 years, with the contract now ending in early 2067. The cost for this extension is a total of TRL 12.58 million (GHM's 45% equivalent of TRL 5.66 million) with a first instalment of TRL 3.14 million (€0.52 million) being paid in December 2018, and four further equal annual payments of TRL 2.36 million (€0.36 million) commencing in December 2019. The annual rent paid by IC Cesme, currently at TRL 4.02 million (€0.62 million) and adjusted for yearly changes to consumer price index, is expected to be subject to a revision in 2034.

There has been no material development during FY2019 at IC Cesme.

## 4. Value of GHM's Major Assets

The assets of the Company are predominantly made up of

- Property, Plant and Equipment (**"PPE"**) relating to the berths and pontoons at the marina in Malta as well as improvements to leased property and owned motor vehicles, office equipment and assets in the course of construction;
- the Right of Use ("**RoU**") assets relating to the lease of water spaces, offices and warehouses[1],
- the 45% equity interest in the Turkish IC Cesme;
- financial instruments; and
- loans receivable from the parent company (CNMIL).

[1] *The recognition of leases started from FY2019 as a result of the adoption of IFRS16 – Leases.*

## PPE & RoU Assets

The table below summarises the value of total assets, the PPE and the RoU assets for each of FY2017, FY2018 and FY2019.

| *Year* | *Total Assets* €'000 | *PPE* €'000 | *RoU* €'000 |
|---|---|---|---|
| *2017* | *21,050* | *5,310* | *0* |
| *2018* | *22,252* | *5,215* | *0* |
| *2019* | *28,480* | *5,059* | *5,150* |

## Equity Interest in IC Cesme

The table below summarises the value of total assets and the 45% equity interest in IC Cesme as a percentage of total assets for each of FY2017, FY2018 and FY2019.

| *Year* | *Total Assets* €'000 | 45% Equity interest in IC Cesme €'000 | IC Cesme *as a % of Total Assets* |
|---|---|---|---|
| *2017* | *21,050* | *2,561* | *12.17%* |
| *2018* | *22,252* | *2,580* | *11.59%* |
| *2019* | *28,480* | *2,661* | *9.34%* |

## Independent Valuations

CBRE, the company that is tasked with valuing the marina investments of GHM, has valued the Company at €23.45 million as at 31 December 2019 (2018: €23.43 million) and the Turkish operation at €20.7 million (which maintains the €17.6 million as at 31 December 2018). The latter reflected the positive impact of the extension of the BOT agreement being offset by the negative impact of the weak local currency on the GHM financials when reported in Euros.

## Loans Receivable from CNMIL

The table below summarises the value of total assets and the loans receivable from CNMIL for FY2017, FY2018 and FY2019.

| *Year* | *Total Assets* €'000 | *Loans Receivable from CNMIL* €'000 | *Loans Receivable from CNMIL as a % of Total Assets* |
|---|---|---|---|
| *2017* | *21,050* | *3,950* | *18.76%* |
| *2018* | *22,252* | *3,950* | *17.75%* |
| *2019* | *28,480* | *3,922* | *13.77%* |

### Other Assets

As at the end of FY2019, the Company had a cash balance of €4.1 million (FY2018: €8.3 million). Furthermore, GHM had €5.7 million of investments (which in the main consisted of listed debt securities on the local stock exchange, FY2018: €0.5 million).

## 5. The Maritime Sector in Malta

Malta is today a well-established maritime centre and its strategic position in the Mediterranean has historically been considered as unique. Malta has been of vital importance in the maritime world, offering a complete range of international maritime services and other ancillary facilities. Over the past decades, building on its long and varied maritime tradition, Malta has also developed a very strong legal and regulatory platform that has enabled the Malta Flag to become a reputable international shipping register. In fact, the register has over 8,000 vessels with total gross tonnage close to 80 million. This makes the Malta flag register the largest European flag and the 6$^{th}$ largest in the world, and as such enjoys a certain level of power in international fora. The reputable flag ensures compliance with international and European standards and accompanied with the right balance of maritime services know-how, an efficient registration system and the fiscal advantages have contributed to the success of the local maritime industry.

As a maritime nation, across the years Malta has also been successful in turning itself into a highly sought-after yachting location and has been hailed as a superb berthing place especially for the winter months due to the country's mild climate all year round. Malta's competitive cost structure has helped the island to compete with other marinas in the Mediterranean which, in turn, although maybe more fashionable are also often crowded and relatively expensive. Several marinas around Malta are situated within the island's natural inlets (further information on each of the main marinas in Malta in the table below) which are sheltered in neat creeks that offer protection from harsh weather conditions. Moreover, several local marinas provide various ancillary services including water and electricity supplies, fuel bunkering, wireless broadband, car parking facilities, shipyard services, towage, pilots, and other related services.

| Marina | Location | Marina Operator | No. of Pontoon Berths | No. of Superyacht Berths | Max Length (m) |
|---|---|---|---|---|---|
| *Grand Harbour Marina* | *Vittoriosa Wharf* | *Grand Harbour Marina Plc* | *233* | *28* | *100* |
| Kalkara Marina | Kalkara Wharf | Kalkara Marina Company Ltd | 120 | - | 25 |
| Laguna Marina | Valletta Waterfront | Mersenne Marinas Ltd | 46 | - | 15 |
| Manoel Island Yacht Marina | Manoel Island | Midi plc | 200 | *Data not available* | 120 |
| Mgarr Harbour Marina | Mgarr, Gozo | Harbour Management Ltd | 300 | 8 | 80 |
| Msida & Ta' Xbiex Marinas | Ta' Xbiex | Creek Developments Plc | 767 | - | 22 |
| Gzira Gardens Marina | Gzira | Gzira Gardens Marina Consortium | 57 | - | 40 |
| Roland Marina | Ta' Xbiex | S&D Yachts | 150 | 2 | 30 |
| Portomaso Marina | St. Julian's | Boatcare Trading Ltd | 120 | - | 24 |
| Marina di Valletta | Haywharf, Pieta' | Consortium between Marina di Varazze S.r.l, Arrigo Group, Joinwell furniture and Tal-Maghtab Construction | 255 | - | 30 |

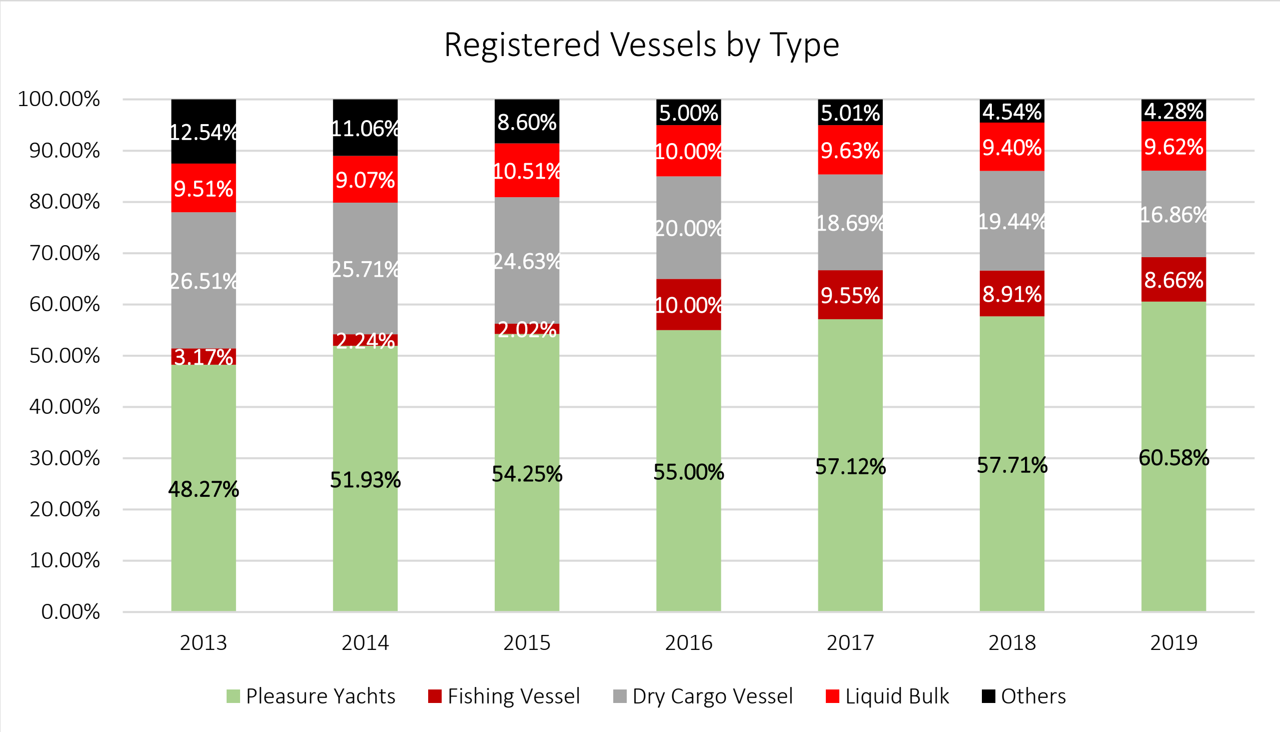
*Source: Yachting in Malta, 12th Edition 2017-2018, Management Information; https://theworldnews.net/mt-news/gzira-gardens-redesign-includes-bike-friendly-promenade-office*

## The Yacht and Superyacht Sector

In recent years, Malta has put in place specific legislation that takes into consideration the distinctive requirements of the local yacht and superyacht industry, and that also tries to make the process of registering private and commercial yachts under the Malta Flag an attractive and competitive proposition. Furthermore, the yacht and superyacht industry in Malta offers a complete range of services and facilities which include, deep natural harbours, state of the art marinas, extensive refit and repair facilities, a multitude of support shore services and infrastructure, a cluster of local and international operators and service providers together with bunkering operations and supplies. This is complemented by several attractive solutions including temporary importation procedure, VAT-efficient finance leasing structures and certification of commercial yachts.

By the end of 2019, the number of superyachts flying the Malta flag reached 775 in the registration of yachts over 24 metres in length. Furthermore, total yachts registered as a percentage of total registered vessels have continued to increase, extending the positive trend registered in recent years.

Over the years, yacht ownership as a percentage of the total number of vessels registered in Malta, has increased, adding over twelve percentage points between 2013 and 2019.




*Source: Transport Malta – Annual Reports*

## Impact of COVID-19 on Local Ports

*Following the outbreak of the coronavirus pandemic, GHM has since been carefully monitoring global and local developments. GHM has reportedly taken due note of the measures introduced by the Government of Malta to safeguard public health, including travel restrictions which may have a significant effect on the accessibility of foreign nationals into its ports. Boat owners, captains and crew are informed of any national measures being taken by the local authorities. On 1 June 2020, the Government announced the re-opening of the ports as from 1 July 2020. Nevertheless, the Company remains committed to take all necessary actions to reduce as much as possible, COVID-19's impact on the business and will continue being proactive in taking the necessary measures to safeguard the health and safety of its employees and customers, in order to maintain accessibility into its ports in compliance with the advice and any directives issued by the health authorities.*

## 6. PREAMBLE

### MARINA RECONFIGURATION EXERCISE

Approximately €3.5 million (equivalent to almost 24%) of the net proceeds from the 4.5% bond issued during 2017 were earmarked for reconfiguration of the marina at GHM. This was envisaged to take place in two phases. Approximately €0.8 million was planned to be invested in phase one, whilst the Company anticipated that the balance of €2.7 million would be invested in phase two. However, prior to investing in phase two the Board reserved the right to assess other possible investment opportunities.

Management has advised that while the process of obtaining the necessary permits for the phase one investment is taking longer than expected due to matters outside its control, it is still ongoing. To this effect, no incremental revenue from phase one of the reconfiguration has been forecasted for 2020.

### NOTES TO THE FORECASTS

The forecasts for FY2020 have been based on a number of assumptions as listed below.

i) there will be no change to the existing activities provided through the Grand Harbour Marina and IC Cesme Marina;

ii) the Group will continue to enjoy the confidence of its customers, suppliers and its bankers throughout the period under consideration;

iii) the Group will enjoy good relations with its employees and their representatives throughout the period under consideration;

iv) IC Cesme Marina will continue being impacted by the volatility of the Turkish Lira. Given the uncertainty of this effect, management have prudently not taken any profits from this investment;

v) the bases and rates of taxation, both direct and indirect, will not change materially during the period under consideration;

vi) the rate of inflation throughout the period under consideration will not exceed that experienced in the last few years;

vii) in line with the International Monetary Fund's (IMF) projections in June 2020, the COVID pandemic will slowly fade in the second half of 2020;

viii) in the light of the fact that the travel ban imposed by the Government of Malta earlier on in March 2020 was substantially lifted by 15$^{th}$ July 2020 as per legal notice 290 of 2020, Superyacht and Pontoon visitors will amount to 20% of originally budgeted figures during July 2020 and 50% for the period August – October 2020;

ix) there will be an increased number of Summer Superyacht seasonal visitors due to the renewal of yachts which were already within the marina since the winter months of 2020; and

x) the Government of Malta's incentive of €800 per employee per month for full timers will be received from 1 April to 30 September 2020.

## MATERIAL ACCOUNTING STANDARDS IN FY2019

FY2019 was the first year during which the Company was required to account for its leases in terms of IFRS 16 – Leases. Under this accounting standard, the Company is now required to recognise its leases on the balance sheet. Under the previous accounting standard (IAS 17), the Company was required to split the leases into operating or finance lease based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. In substance, under a finance lease, the lessee is in control of the asset and therefore finance leases are recognised as assets and liabilities in the lessee's statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The value of such asset and liability would then be reduced through elements of interest payments and depreciation, thus impacting both operating income and finance costs. On the other hand, lease payments under an operating lease were recognised as an expense in the income statement on a straight-line basis over the lease term under IAS 17. Until FY2018, the Company's lease of the Marina had been classified as an operating lease under IAS 17 which was being recognised in profit or loss as an operating expense on a straight-line basis over the term of the lease. As a result of IFRS 16, the Company recognised a Right of Use Asset on its balance sheet and a lease liability pertaining to the rights it has over the use of water space and buildings within the Marina.

## 7. Financial Statement Analysis – Historic and Forecasts

### 7.1 GHM - Revenue Analysis

The table below provides a breakdown of revenue for the periods under review:

| | *Actual* | *Actual* | *Actual* | *Forecast* |
|---|---|---|---|---|
| *for the year ended 31 December* | **2017** | **2018** | **2019** | **2020** |
| | *€'000* | *€'000* | *€'000* | *€'000* |
| Berthing income | 3,072 | 3,369 | 3,145 | 2,824 |
| Ancillary Revenue | 1,058 | 1,356 | 971 | 979 |
| **Total GHM revenue** | **4,130** | **4,725** | **4,116** | **3,803** |

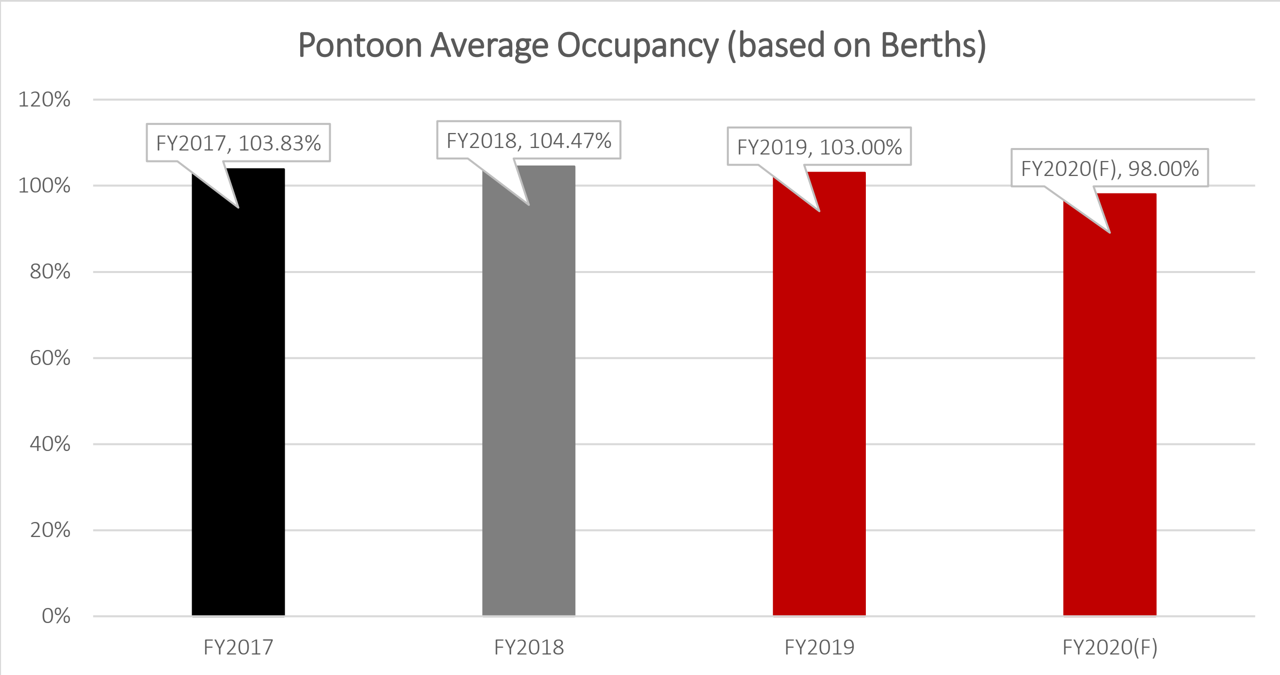
As illustrated in the table above, berthing income comprises the most significant revenue stream, representing 76.4% of total revenue in FY2019 (FY2018 71.3%; FY2017: 74.4%). The other significant revenue stream relates to the provision of ancillary services such as water and electricity.

Going forward, given the measures introduced by the Government of Malta and the travel restrictions currently in place, it is expected that the Pontoon and Superyacht visitors' segment will be impacted negatively. Port accessibility has been lifted (starting 1 July 2020), whilst travel bans have been substantially lifted during the course of July.

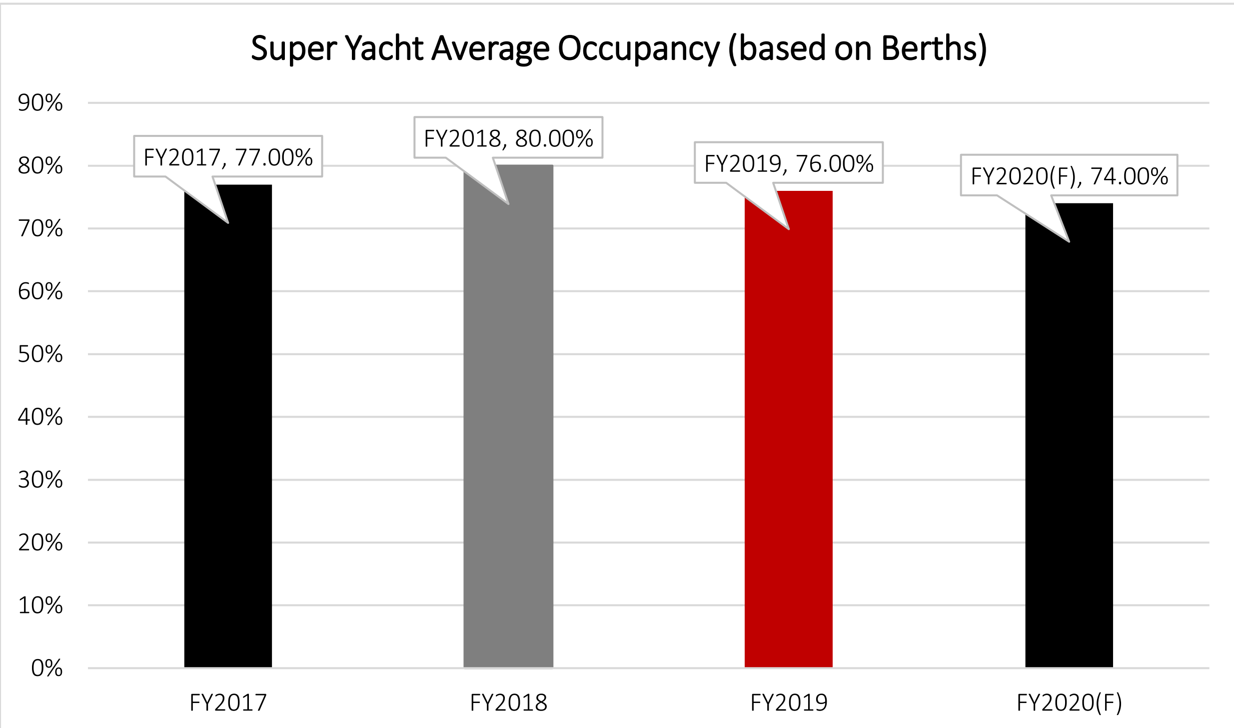
### A. Berthing Income (Pontoons and Superyachts)

Berthing income fell by 6.6% during FY2019 to €3.1million from a record high of €3.4 million in FY2018, back to the levels experienced in FY2017. The decrease was mainly attributable to a one-off superyacht that had been moored at GHM in view of ongoing legal proceedings throughout 2018 which left in January 2019.

Average occupancy achieved during FY2019 has remained relatively stable for both superyachts and pontoons, as can be seen from the charts below:




Pontoon berths stood at 233 berths during FY2019. Occupancy levels (based on berth nights) was in excess of 100% in each of the years between FY2017 and FY2019, representing berthing income generated by the Company during periods during which annual berth holders have vacated their berth.



The Company also derives berthing income from the lease of 28 superyacht berths, 14 of which had been previously transferred to third parties on long-term arrangements, typically between 25 years and 45 years. During periods where such third parties are not utilising the said berths, GHM reserves the right to operate the berth spaces, subject to a revenue-sharing arrangement wherein typically 60% of berthing income is payable to the third-party owner. GHM also charges the said third party berth space owners an additional annual service charge to cover general administration and common area expenses incurred throughout the course of the year.

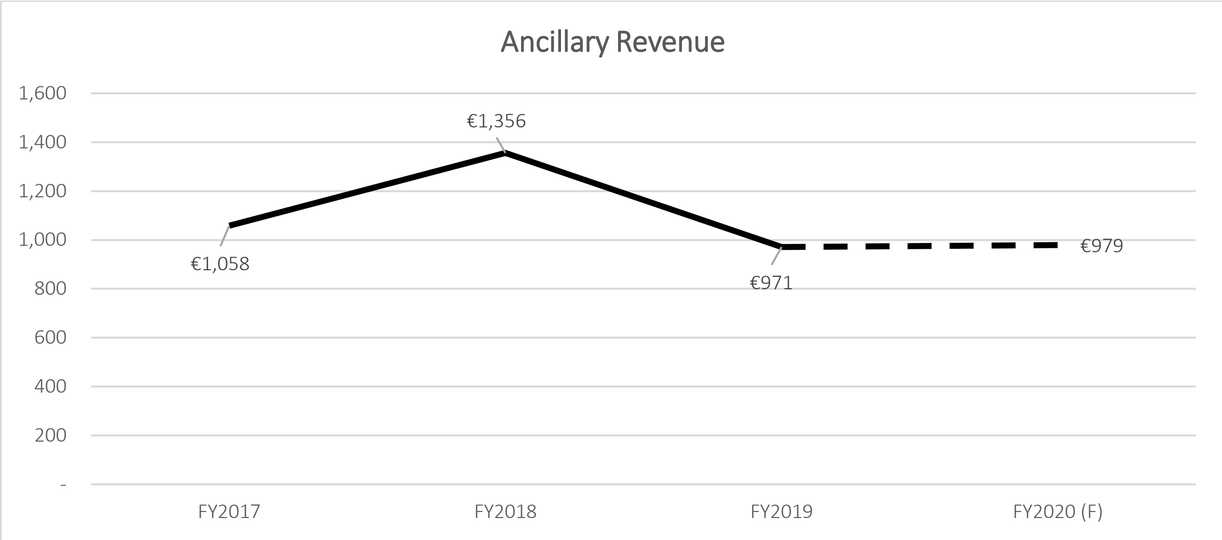
Berthing income is underpinned by a number of factors, ranging from subscription type (annual, seasonal, visitors), berth type (pontoon, superyacht) and vessel size. The sales mix over the historical period under review has shown that the majority of revenue by berth type has always come from pontoons. In fact, pontoons comprised 56% of total berthing income during FY2019 (FY2018: 50.8%, FY2017: 56%).

Meanwhile, the distribution of income by subscription type is skewed towards the annual berthing, which represented 52.7% of the Company's berthing income in FY2019 (FY2018: 48.1%, FY2017: 53.3%). During FY2019, pontoon and superyacht annual contracts generated an all-time high of €1.66 million in revenue (FY2018: €1.62 million, FY2017: €1.64 million). On the other hand, the berthing of superyachts is predominantly short-term in nature (visitor basis) and commands higher prices. Overall revenue from visitor contracts with customers during FY2019 amounted to €0.76 million, resulting in a 30% decrease when compared to FY2018, primarily due to the decreases in both superyacht and pontoon visitors (FY2018: €1.09 million, FY2017: €0.74 million).

In FY2020, management is forecasting a reduction in the average berth night occupancy rates to 98% and 74% for pontoons and superyachts respectively, which is primarily due to the disruptions to business brought about by the COVID-19 pandemic.

### B. Revenue from Ancillary Services

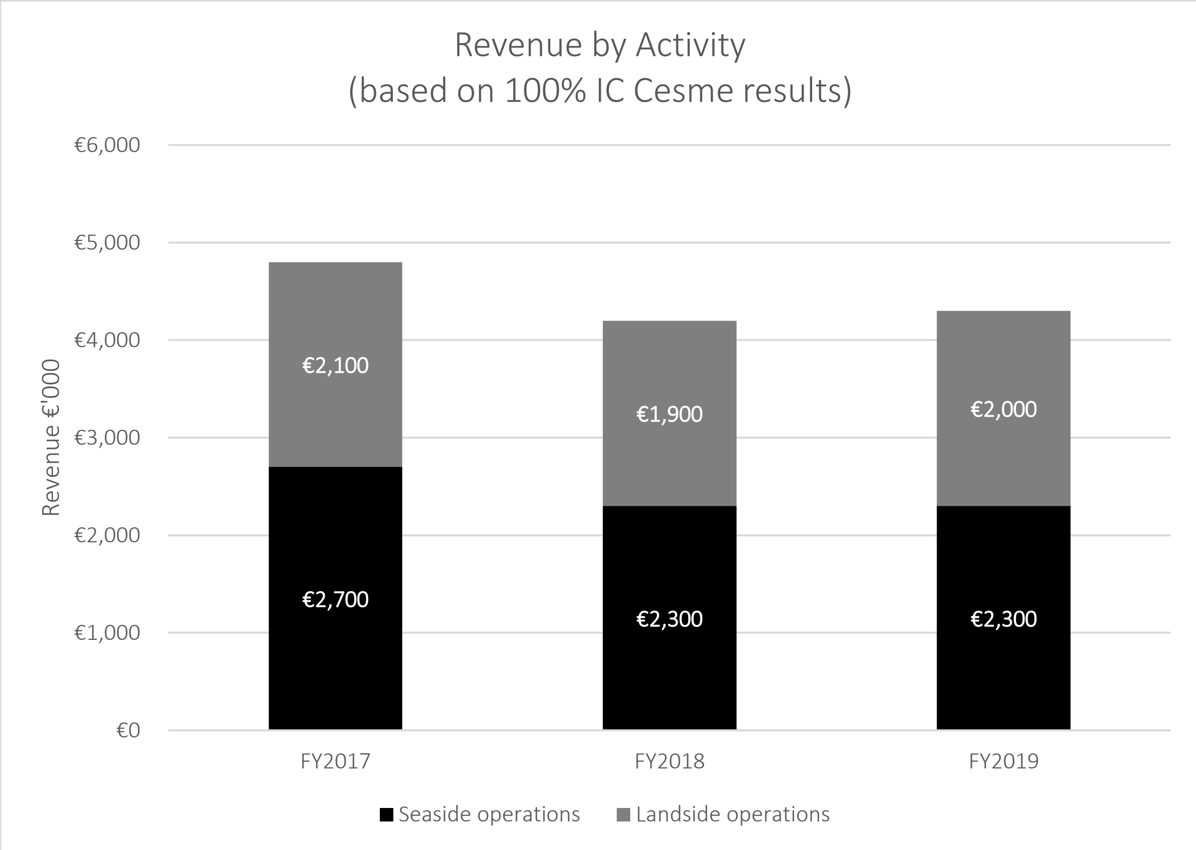
Due to the decrease in berthing activity at the Marina during FY2019, GHM generated just €0.97 million from ancillary revenues, a five-year low and 28.4% less than the all-time high achieved in the prior year. This was the result of lower superyacht occupancy in FY2019 when compared to the one-off record of FY2018, although it compares only marginally lower to FY2017 which was more of a normalised year. Despite the adverse effects to business which was brought about by the COVID-19 pandemic, in FY2020, revenue generated from ancillary services is expected to improve marginally to €0.98 million due to the extended berthing of long-term licence-holding superyachts.




*Values in €'000*

## 7.2 IC Cesme Operations

IC Cesme, the Turkish marina operations in which GHM holds a 45% stake, recorded an increase in revenue during FY2019 to €1.95 million from €1.87 million in FY2018, but failed to recover to levels seen in FY2017 (€2.2 million) and prior years. During this period, management has continued its efforts to work with local boat owners to retain as many berth holders as possible. However, political and economic uncertainties within the region persisted throughout the year with these factors contributing to a further 11.7% reduction in the average value of the Turkish Lira against the Euro which changed from 5.68 in 2018 to 6.35 in 2019. In October 2018, the Turkish government had issued guidelines that required companies to start billing in Turkish Lira which means that berthing rates can no longer be based on Euros. During FY2019, revenues in Turkish Lira increased by nearly 21.9% on landside and 11.8% on seaside due to an improvement of the economic situation in Turkey following the newly introduced effective laws and regulations and less Euro currency increase than expected for 2019.




IC Cesme generates its revenue from the provision of seaside operations (including berthing, the provision of utilities and related services such as technical assistance and boatyard facilities), and from landside operations (which include the rental of commercial units) which during FY2019 comprised 53.5% and 46.5% of total revenue, respectively. Year-on-year revenue in IC Cesme increased by €0.1 million to €4.3 million. During the same period, operating expenses at the Turkish operation were lower as the rent expense for the marina was classifiable as a finance cost in terms of IFRS 16 and as such became deductible from EBITDA rather added on to the operating expenses, thereby resulting in an improved EBITDA for the year.

Overall, whilst the reported revenues in Euro showed an increase in revenue of just under 4%, the revenues reported in Turkish Lira during FY2019 imply an increase of nearly 17%. Therefore, such increase was nearly completely eliminated when converted in Euro due to the weak Turkish Lira.

Given the Turkish political environment and the lack of European and international yacht traffic to the Turkish coast, IC Cesme management has been focused on both retaining existing Turkish clients as well as attracting new ones. In fact, a high turnover of clients at IC Cesme has persisted over recent years. In terms of occupancy, the Company reported that during 2019, 96 boats left the Turkish marina (primarily due to changing location or sale of the boat) while attracting 122 new boats, with over 40% being returning customers or customers converting from seasonal contracts.

As at the end of FY2019, IC Cesme had 351 boats on annual contracts (2018: 321 boats), with a further 42 boats contracted on a seasonal basis (2018: 38). Meanwhile, the retail properties remained fully occupied during the year with Management actively managing the tenants to ensure maximum revenues are generated from the retail offering of the IC Cesme marina.

### FORECASTS FY2020

Management is expected to continue to face increased challenges given the uncertain international environment caused by a number of factors and more recently the COVID-19 pandemic, which has brought several restrictions to normal business operations. Nevertheless, the Board of Directors indicated their willingness to continue to explore opportunities for growth and the continued backing of its major shareholder, Camper & Nicholsons Marina Investments Ltd, and the joint venture partners in Turkey, Ibrahim Cecen Investment Holding AS, will allow the Group to strengthen its operating base and add shareholder value. Meanwhile, from a results perspective, IC Cesme Marina's performance is expected to be materially and adversely affected following the travel bans put in place which will consequently see a significant drop in visitor numbers for the year. Furthermore, as a result of the pandemic, most of its retail properties have had to close down since mid-March 2020. The IC Cesme board has decided to discount rental fees from mid-March until the end of June by an average of 42% with plans to reassess the situation once more in August.

## 7.3 CONSOLIDATED INCOME STATEMENT

| *for the year ended 31 December* | *Actual* **2017** | *Actual* **2018** | *Actual* **2019** | *Forecast* **2020** |
|---|---|---|---|---|
| | *€'000* | *€'000* | *€'000* | *€'000* |
| Revenue | 4,130 | 4,725 | 4,116 | 3,803 |
| Operating Costs | (2,612) | (3,147) | (2,429) | (2,188) |
| **EBITDA** | **1,518** | **1,578** | **1,687** | **1,615** |
| Depreciation and amortisation | (320) | (211) | (396) | (389) |
| **Results from operating activities** | **1,198** | **1,367** | **1,291** | **1,226** |
| Finance income | 67 | 71 | 200 | 253 |
| Finance costs | (905) | (709) | (1,096) | (1,093) |
| Net finance costs | (838) | (638) | (896) | (840) |
| Share of Profit of equity-accounted investees, net of tax | 48 | 20 | 71 | - |
| **Profit before tax** | **408** | **749** | **466** | **386** |
| Tax expense | (357) | (330) | (243) | (238) |
| **Profit after tax** | **51** | **419** | **223** | **148** |

## FY2019 Review

Revenues in FY2019 decreased by 12.9% to the €4.1 million from an all-time high of €4.7 million generated in FY2018. Although, revenues were in line with the levels achieved in FY2017, the decrease from FY2018 levels was attributable to the fact that one superyacht that had been moored at Grand Harbour Marina throughout FY2018 in view of ongoing legal procedures, left in January 2019. During FY2019, the Group registered increased EBITDA of €1.7 million, a 6.9% gain over the €1.6 million generated in FY2018, although, this increase was a result of the changes brought about by the implementation of IFRS16 (which shifted the €0.3 million lease expense from operating costs towards finance costs, therefore below the EBITDA line). Furthermore, the recognition of the RoU asset on the Company's balance sheet (also due to IFRS16) resulted in an increase in depreciation when compared to previous financial years. Profit before tax slipped to €0.5 million from €0.7 million in FY2018 but which compares well with the more-normalised year of FY2017, despite the additional impact (negative) of IFRS16 on the FY2019 performance of approximately €144K.

The Company's share of profit from its 45% equity investment in IC Cesme was higher in FY2019 when compared to FY2018 and FY2017. The Turkish operation has continued to focus on maintaining its existing client base and trying to attract new customers, amid the challenging political and economic situation in Turkey. In October 2018, the Turkish government issued a set of guidelines which meant that IC Cesme had to start billing exclusively in Turkish Lira, including its seaside invoicing, which until then had been billed in Euro. This change has mainly affected the results of GHM negatively due to the weakening of the Turkish Lira to the Euro reporting currency. However, this negative effect is partially offset by costs which are paid in the Turkish Lira.

Taxation for FY2019 was once again characterised by non-deductible finance costs as delays in the Company's investment plans meant that interest costs charged to funds which were earmarked for such investment were not deducted for the tax base calculation.

Net profit for FY2019 amounted to €0.2 million, compared to the €0.4 million reported in FY2018. The weaker bottom line was the result of a combination of weaker revenue generation by the Maltese marina operations as well as the negative impact of the exchange rate between the EUR and the Turkish Lira which affected the results of IC Cesme.

## Forecasts FY2020

The forecasts of FY2020 have been based on a level of operations at GHM which reflects the expected significant disruption to business which is being brought about by the preventive measures put in place by governments (including travel restrictions), in order to halt the spreading of the Coronavirus pandemic. Management has based its forecast on the fact that travel bans were substantially lifted on 15 July 2020, and that in line with the IMF's projections the pandemic will slowly fade in the second half of 2020. Revenue in FY2020 is expected to fall by 7.6% to €3.8 million, a 5-year low, whilst operating costs are expected to fall by a further 9.9% to €2.2 million, primarily due to a decrease in variable costs which is a result of the loss in business, as well as management's continued efforts to operate in a more cost-efficient manner. Similarly, EBITDA is projected to fall by 4.3% to €1.6 million, whilst depreciation & amortisation and net finance costs are expected to remain relatively in line with FY2019 figures at €0.4 million and €0.8 million, respectively. Meanwhile, as was the case last year, the contribution of IC Cesme has not been taken into consideration for the FY2020 projections, in view of the volatility of the Turkish Lira which effect on the Company's income statement is unpredictable.

Overall, during FY2020, GHM is projecting a decline in profit after tax to €148k, principally due to the disruption in regular operations caused by COVID-19 during the course of the year.

### Earnings per Share

The Company's earnings per share ratios based on the three historical financial years and the expected results for FY2020 and shares in issue amounting to 20 million, work out as follows:

| | FY2017 (A) | FY2018 (A) | FY2019 (A) | FY2020 (F) |
|---|---|---|---|---|
| EPS<br>*(Net profit / Number of Shares in issue)* | €0.003 | €0.021 | €0.011 | €0.007 |

## 7.4 CASH FLOW STATEMENT

| *for the year ended 31 December* | *Actual* 2017 *€'000* | *Actual* 2018 *€'000* | *Actual* 2019 *€'000* | *Forecast* 2020 *€'000* |
|---|---|---|---|---|
| Net cash from / (used for) operating activities | 896 | 1,356 | 1,266 | 934 |
| Net cash from / (used for) investing activities | 2,057 | (700) | (5,210) | (474) |
| Net cash from / (used for) financing activities | 3,629 | - | (327) | (324) |
| **Net movements in cash and cash equivalents** | **6,582** | **656** | **(4,271)** | **136** |
| | | | | |
| Cash and cash equivalents at beginning of the year | 1,086 | 7,668 | 8,324 | 4,053 |
| **Cash and cash equivalents at end of year** | **7,668** | **8,324** | **4,053** | **4,189** |

### FY2019 REVIEW

By the end of FY2019, GHM's cash reserve fell by more than half to €4.1 million (FY2018: €8.3 million). The decline in cash balances was mainly due to the acquisition of local corporate debt securities with a net worth of €5.2 million within GHM's investing activities. Such investments have stated interest rates ranging from 3.75% to 6% and mature between 2023 and 2029. Elsewhere, cash from operations decreased in FY2019, as a result of the lower profit for the year, as adjusted for non-cash payments and after reflecting the payments made to creditors during the year which were offset by an improvement in debtors and contract liabilities. Meanwhile, the Company invested a further €0.2 million for the acquisition of PPE which mainly comprised of improvement works on pontoon moorings and hammerheads in view of storm damages during FY2019. Furthermore, during the financial year under review, the Company also used €0.3 million for financing activities which comprised of the payment of lease liabilities.

### FORECASTS FY2020

Cash inflows from operations are expected to decline by €0.3 million to €0.9 million in FY2020 on the back of the disruptions to regular business operations due to COVID-19 and the resulting lower revenues. Meanwhile, cash used for investing and financing activities is projected to amount to €0.5 million and €0.3 million respectively. Nonetheless, the total cash balance of the Company is expected to marginally increase in FY2020 to €4.2 million.

## 7.5 Statement of Financial Position

| as at 31 December | *Actual* 2017 *€'000* | *Actual* 2018 *€'000* | *Actual* 2019 *€'000* | *Forecast* 2020 *€'000* |
|---|---|---|---|---|
| ASSETS | | | | |
| Right of Use asset | - | - | 5,150 | 5,041 |
| Net Investment IFRS 16 | - | - | 410 | 388 |
| Property, plant and equipment | 5,310 | 5,215 | 5,059 | 5,214 |
| Loan to Parent Company | 3,951 | 2,950 | 3,922 | 3,922 |
| Deferred costs | 491 | 491 | 482 | 482 |
| Other Investments | - | 494 | 5,651 | 5,651 |
| Investment in joint venture | 2,561 | 2,580 | 2,661 | 2,661 |
| **Total non-current assets** | **12,313** | **11,730** | **23,335** | **23,359** |
| Trade and other receivables | 1,060 | 1,197 | 1,091 | 1,351 |
| Loan to Parent Company | - | 1,000 | - | - |
| Cash at bank and in hand | 7,677 | 8,325 | 4,054 | 4,190 |
| **Total current assets** | **8,737** | **10,522** | **5,145** | **5,541** |
| **Total assets** | **21,050** | **22,252** | **28,480** | **28,900** |
| LIABILITIES | | | | |
| Borrowings | 14,610 | 14,643 | 14,677 | 14,713 |
| Lease Liability | - | - | 6,090 | 6,105 |
| Deferred tax liabilities | 839 | 1,169 | 1,149 | 1,068 |
| **Total non-current liabilities** | **15,449** | **15,812** | **21,916** | **21,886** |
| Borrowings | 2 | 1 | 1 | 1 |
| Lease Liability | - | - | 65 | 65 |
| Taxation Payable | - | - | 263 | 306 |
| Contract Liabilities | - | 956 | 1,177 | 872 |
| Trade and other payables | 2,723 | 3,149 | 1,527 | 2,090 |
| **Total current liabilities** | **2,725** | **3,150** | **3,033** | **3,334** |
| **Total liabilities** | **18,174** | **18,962** | **24,949** | **25,220** |
| EQUITY | | | | |
| Share capital | 2,400 | 2,400 | 2,400 | 2,400 |
| Reserves | (150) | (222) | (93) | (93) |
| Retained earnings | 626 | 1,112 | 1,224 | 1,373 |
| **Total equity** | **2,876** | **3,290** | **3,531** | **3,680** |
| **Total equity and liabilities** | **21,050** | **22,252** | **28,480** | **28,900** |

## FY2019 Review

The Company's total asset base stood at €28.5 million by the end of FY2019, which in the main is reflective of the recognition of right-of-use assets worth €5.2 million, investments of €5.5 million worth of local corporate debt on the Malta Stock Exchange (increase of circa €5 million from previous financial year) and a decline in cash (in view of its use in the acquisition of investments) by approximately €4.3 million. Following the implementation of IFRS16, the Company also recognised €6.1 million in lease liabilities pertaining to upcoming lease payments on the RoU asset. Meanwhile, the structure of the Company's funding remained largely unchanged, consisting of €14.7 million of amortised bonds, which net of cash balances at the end of the year, resulted in net debt of €10.6 million (FY2018: €6.3 million).

| | *Actual* | *Actual* | *Actual* | *Forecast* |
|---|---|---|---|---|
| *for the year ended 31 December* | **2017** | **2018** | **2019** | **2020** |
| | *€'000* | *€'000* | *€'000* | *€'000* |
| Borrowings (non-current) | 14,610 | 14,643 | 14,677 | 14,713 |
| Borrowings (current) | 2 | 1 | 1 | 1 |
| **Total Borrowings** | **14,612** | **14,644** | **14,678** | **14,714** |
| Cash at bank and in hand | 7,677 | 8,325 | 4,054 | 4,190 |
| **Net Debt** | **6,935** | **6,319** | **10,624** | **10,524** |

Meanwhile, total equity increased marginally, in line with the profits generated by the Company as retained earnings rose from €1.1 million in FY2018 to €1.2 million by the end of FY2019.

## Forecasts FY2020

Currently, the Company does not envisage any material changes to its statement of financial position as at the end of FY2020. However, due to the coronavirus pandemic, customers and companies alike could begin to defer on some of their payment obligations in order to maintain an adequate level of liquidity. In this respect, it is forecasted that GHM's trade and other receivables will increase from €1.1 million in FY2019 to €1.4 million in FY2020 as the Company accommodates longer payment terms to its clients. On the other hand, the payment of funds owed to trade and other payables is expected to increase to approximately €2.1 million.

## 8. Ratios

### Profitability Ratios

The below is a set of ratios prepared to assist in measuring a company's ability to generate profitable sales from its assets.

| | *Actual* FY2017 | *Actual* FY2018 | *Actual* FY2019 | *Forecast* FY2020 |
|---|---|---|---|---|
| EBITDA margin<br>*(EBITDA / Revenue)* | 36.8% | 33.4% | 41.0% | 42.5% |
| Operating Profit margin<br>*(Operating Profit / Revenue)* | 29.0% | 28.9% | 31.4% | 32.2% |
| Net Profit margin<br>*(Profit for the period / Revenue)* | 1.2% | 8.9% | 5.4% | 3.9% |
| Return on Equity<br>*(Profit / Average Equity)* | 1.8% | 13.6% | 6.5% | 4.1% |
| Return on Capital Employed<br>*(Profit for the period / Average Capital Employed)* | 0.3% | 2.4% | 1.2% | 0.8% |
| Return on Assets<br>*(Profit for the period / Average Assets)* | 0.3% | 1.9% | 0.9% | 0.5% |

GHM's EBITDA margin for FY2019 improved considerably when compared to the previous year as a result of the implementation of IFRS16 (as costs related to the lease liabilities were now realised as part of finance costs, therefore below EBITDA level). The operating profit margin climbed to 31.4% on account of improved efficiency by the Company, and despite the increase in depreciation related to the RoU asset. Meanwhile, net profit margin eased to 5.4% from last year's all-time high of 8.9% as the net effect of the impact of IFRS 16 on the leases accrued in the income statement were higher in FY2019.

Going forward, the EBITDA margin is expected to improve on the gains achieved in FY2019, albeit to a lesser extent. Similarly, the operating profit margin is projected to continue to improve, however, the net profit margin is expected to tighten in light of the loss of business being brought about by the coronavirus pandemic. Consequently, the return ratios applied to average equity, assets and capital employed are also expected to decline considerably, albeit still compare favourably to the ratios of FY2017.

## Liquidity Ratios

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

| | *Actual* FY2017 | *Actual* FY2018 | *Actual* FY2019 | *Forecast* FY2020 |
|---|---|---|---|---|
| Current Ratio *(Current Assets / Current Liabilities)* | 3.2x | 3.3x | 1.7x | 1.7x |
| Cash Ratio *(Cash & cash equivalents / Current Liabilities)* | 2.8x | 2.6x | 1.3x | 1.3x |

In FY2019, the Company's current ratio, representing the amount of current assets available to settle short-term liabilities, declined to 1.7 times, after GHM's cash balance depleted from €8.3 million to €4.1 million as a result of the acquisition of local corporate debt securities which in total, at the end of the financial period, were worth €5.5 million. In fact, the Company's cash ratio also declined in FY2019 to 1.3 times as a result of this investment. In FY2020 both ratios are expected to remain largely in line with the results achieved in FY2019.

## Solvency Ratios

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

| | *Actual* FY2017 | *Actual* FY2018 | *Actual* FY2019 | *Forecast* FY2020 |
|---|---|---|---|---|
| Interest Coverage ratio *(EBITDA / Net finance costs)* | 1.8x | 2.5x | 1.9x | 1.9x |
| Gearing Ratio (1) *(Net debt / Total Equity)* | 2.4x | 1.9x | 3.0x | 2.9x |
| Gearing Ratio (2) *[Net debt / (Net debt plus Equity)]* | 70.7% | 65.8% | 75.1% | 74.1% |
| Net Debt to EBITDA *(Net Debt / EBITDA)* | 4.6x | 4.0x | 6.3x | 6.5x |

During FY2019, the Company's gearing ratio (1) weakened to 75.1% due to the decrease in cash balances which resulted from the aforementioned acquisition of circa €5 million worth of local corporate debt securities. Similarly, and for the same reason as the decrease in cash balances, the Company's net debt to EBITDA weakened to 6.3 times despite EBITDA rising 6.9% in FY2019. This signifies that, based on the EBITDA of FY2019, the Group will require 6.3 years of EBITDA to pay back its net debt. Furthermore, despite the growth in EBITDA, GHM's interest coverage ratio fell to 1.9 times in FY2019, as the financial year's interest charge now includes the IFRS 16 lease payment adjustment, with net finance costs rising to just under €0.9 million.

In FY2020, the interest coverage ratio is forecasted to remain the same at 1.9 times, despite the expected weakened financial performance in FY2020 due to the COVID-19 outbreak. Meanwhile, the Company's gearing ratio is not expected to change materially either, as it is forecasted to improve to 74.1%, whilst net debt to EBITDA is projected to marginally weaken to 6.5 times.

## 9. VARIANCE ANALYSIS

| *for the year ended 31 December* | *Actual* 2019 *€'000* | *Forecast* 2019 *€'000* | *Variance* *%* |
|---|---|---|---|
| Revenue | 4,116 | 4,484 | -8.2% |
| Operating costs | (2,429) | (2,674) | -9.2% |
| **EBITDA** | **1,687** | **1,810** | -6.8% |
| Depreciation and amortization | (396) | (280) | 43.9% |
| **Results from operating activities** | **1,291** | **1,530** | -15.6% |
| Finance income | 200 | 37 | 440.5% |
| Finance costs | (1,096) | (709) | 54.6% |
| IFRS 16 Adjustments | n/a | (502) | n/a |
| Net finance costs | (896) | (1,174) | 23.7% |
| Share of Profit of equity-accounted investees, net of tax | 71 | - | n/a |
| **Profit before tax** | **466** | **356** | 30.9% |
| Tax expense | (243) | 36 | -775% |
| **Profit after tax** | **223** | **392** | -43.1% |

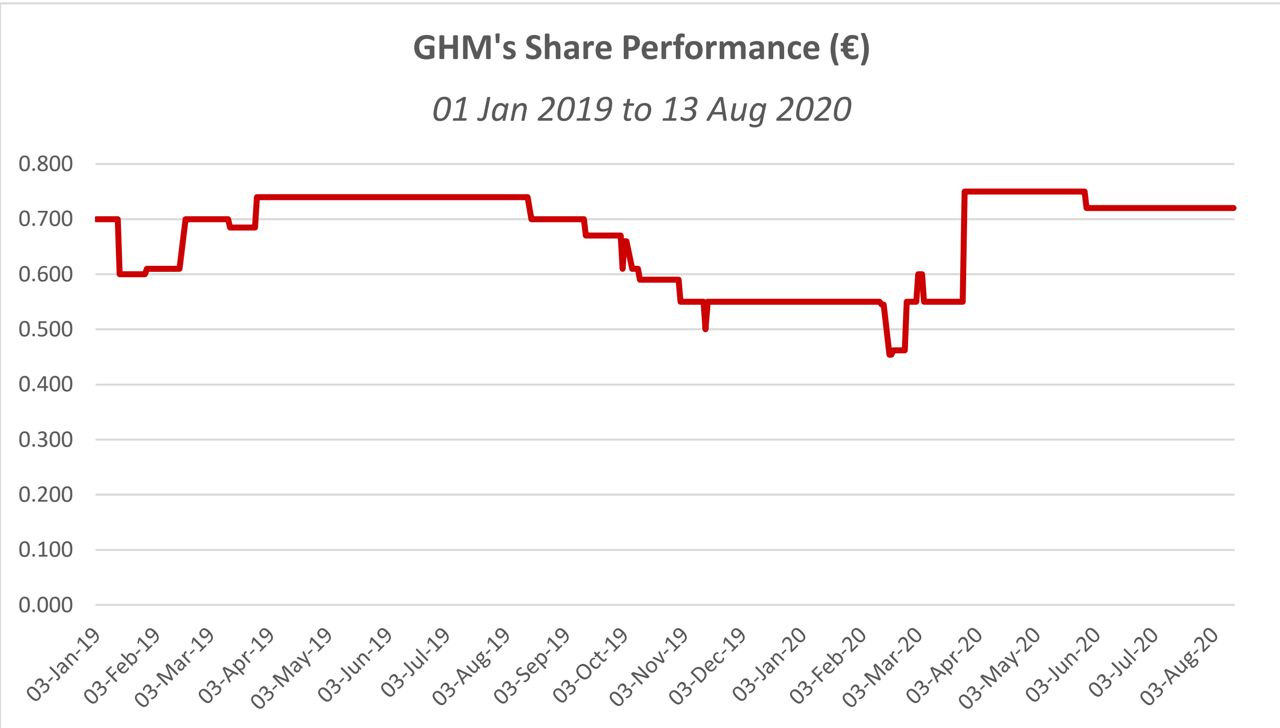
The revenue generated by Grand Harbour Marina plc during FY2019 was 8.2% less than the forecasts set out in the 2019 FAS dated 27 May 2019. Consequently, despite the 9.2% lower cost of sales than projected during FY2019, the Group's EBITDA performance missed its forecasts by €0.12 million or 6.8%. The variances related to net finance costs and depreciation noted in the actual income statement figures of FY2019 were primarily netted off against the IFRS 16 adjustment forecasted (as an aggregate figure) for FY2019 last year. The results from IC Cesme came in at €71k - in the FAS produced last year, the Company was not in a position to assess the results in Euro for the investment in the Turkish operations because of the volatility of the exchange rate of the Turkish Lira. As a result, profit before tax was €0.47 million as opposed to the €0.36 million forecasted, however, after accounting for a tax charge of €0.24 million (the Company had forecasted to be in a tax credit situation), profit after tax for FY2019 was €0.22 million which was 43.1% lower than the projected €0.39 million.

## Shares

GHM's shares have been listed on the Official List of the Malta Stock Exchange since the IPO in February 2007.

| | |
|---|---|
| Issued Share Capital: | 20,000,000 ordinary shares with a nominal value of €0.12 per share |
| ISIN: | MT0000320102 |
| Highest Price in 2019: | €0.745 |
| Lowest Price in 2019: | €0.500 |
| Current Price*: | €0.72 |

*(*as at 13 August 2020)*




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

## Debt Securities

GHM's listed debt securities comprise:

| | |
|---|---|
| Bond: | €15 million 4.50% Unsecured Bonds 2027 |
| ISIN: | MT0000321225 |
| Redemption Date: | 23 August 2027 at par |
| Prospectus Dated: | 26 June 2017 |

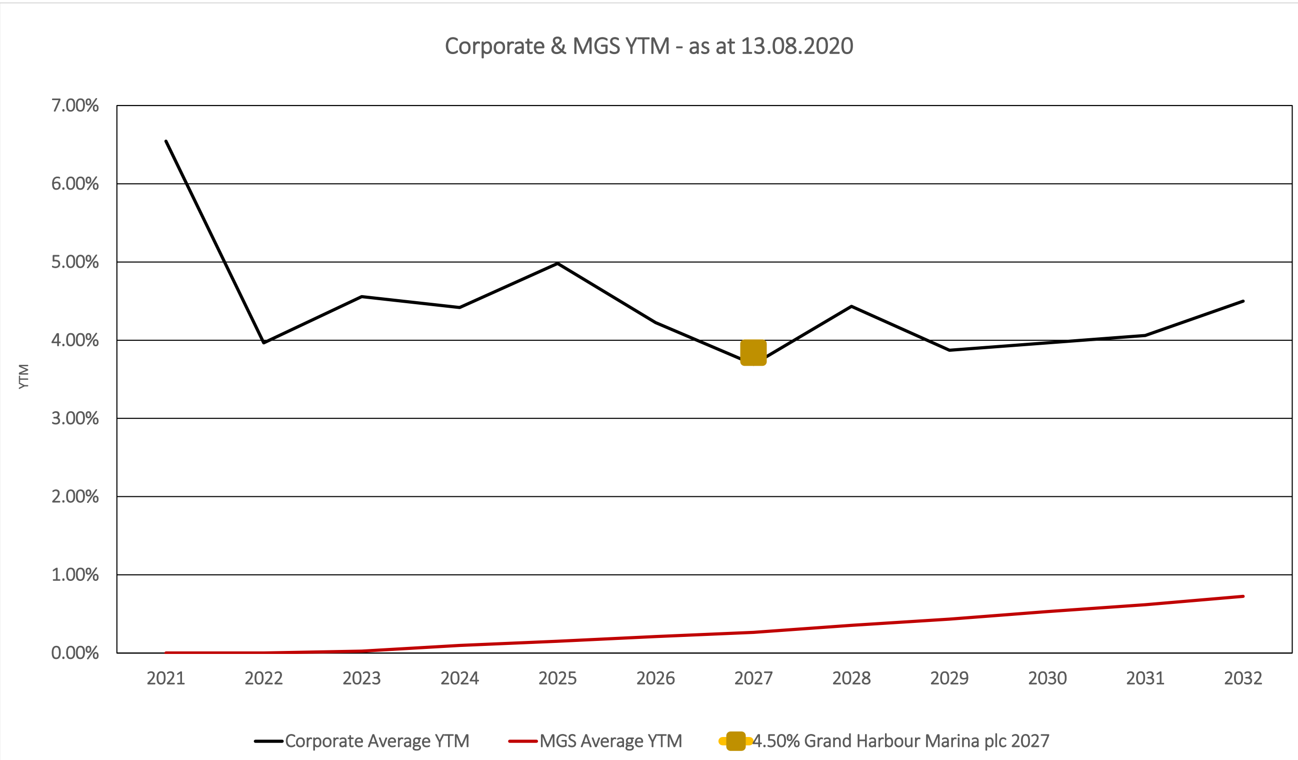
The table below compares the Company and its bond issue to other listed debt on the local market having similar maturities. The comparative set includes local groups whose assets, strategy and level of operations vary significantly from those of the Company and are therefore not directly comparable.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

| Bond Details | Outstanding Amount | Gearing Ratio* | Net Debt to EBITDA | Interest Cover | YTM (as at 13.08.2020) |
|---|---|---|---|---|---|
| | *(€)* | | *(times)* | *(times)* | |
| 4.00% Eden Finance plc 2027 | 40,000,000 | *28.2%* | 2.0 | 10.5 | *4.00* |
| 3.75% Tumas Investments plc 2027 | 25,000,000 | *16.5%* | 1.1 | 12.8 | *3.67* |
| 3.5% Simonds Farsons Cisk plc 2027 | 20,000,000 | *22.7%* | 1.5 | 16.6 | *2.41* |
| 3.75% Virtu Finance plc 2027 | 25,000,000 | *38.8%* | 2.4 | 7.9 | *3.28* |
| **4.50% GHM plc 2027** | **15,000,000** | ***75.1%*** | **6.3** | **1.9** | *3.84* |

*Source: Malta Stock Exchange, audited accounts of listed companies and/or guarantors (as applicable), Rizzo, Farrugia & Co (Stockbrokers) Ltd*

**Gearing Ratio is calculated as: net debt / (net debt + equity)*

The chart below shows the average yield to maturity of the GHM Bond 2027 compared to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 13 August 2020.



At a coupon of 4.50% per annum, the GHM Bond 2027 currently yields 3.84%, which is approximately 358 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2027 and at a premium of approximately 15 basis points over the average yield to maturity of corporate bonds maturing in 2027 (data correct as at 13 August 2020).

## INCOME STATEMENT EXPLANATORY DEFINITIONS

| | |
|---|---|
| Revenue | Total revenue generated by the company from its business activity during the financial year. |
| EBITDA | Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations. |
| Normalisation | Normalisation is the process of removing non-recurring expenses or revenue from a financial metric like EBITDA, EBIT or earnings. Once earnings have been normalised, the resulting number represents the future earnings capacity that a buyer would expect from the business. |
| EBIT | Earnings before interest and tax. |
| Depreciation and Amortization | An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated. |
| Finance Income | Interest earned on cash bank balances and from the intra-group companies on loans advanced. |
| Finance Costs | Interest accrued on debt obligations. |
| Net Profit | The profit generated in one financial year. |

## CASH FLOW STATEMENT EXPLANATORY DEFINITIONS

| | |
|---|---|
| Cash Flow from Operating Activities | The cash used or generated from the company's business activities. |
| Cash Flow from Investing Activities | The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets. |
| Cash Flow from Financing Activities | The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments. |

## STATEMENT OF FINANCIAL POSITION EXPLANATORY DEFINITIONS

| | |
|---|---|
| Assets | What the company owns which can be further classified in Current and Non-Current Assets. |

| | |
|---|---|
| Non-Current Assets | Assets, full value of which will not be realised within the forthcoming accounting year |
| Current Assets | Assets which are realisable within one year from the statement of financial position date. |
| Liabilities | What the company owes, which can be further classified in Current and Non-Current Liabilities. |
| Current Liabilities | Obligations which are due within one financial year. |
| Non-Current Liabilities | Obligations which are due after more than one financial year. |
| Equity | Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves. |

## PROFITABILITY RATIOS

| | |
|---|---|
| EBITDA Margin | EBITDA as a percentage of total revenue. |
| Operating Profit Margin | Operating profit margin is operating profit achieved during the financial year expressed as a percentage of total revenue. |
| Net Profit Margin | Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue. |
| Return on Equity | Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity. |
| Return on Capital Employed | Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed. |
| Return on Assets | This is computed by dividing profit after tax by total assets. |

## LIQUIDITY RATIOS

| | |
|---|---|
| Current Ratio | The current ratio is a financial ratio that measures whether a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities. |
| Cash Ratio | Cash ratio is the ratio of cash and cash equivalents of a company to its current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents and nothing else. |

## Solvency Ratios

| | |
|---|---|
| Interest Coverage Ratio | This is calculated by dividing a company's EBITDA of one period by the company's net finance costs of the same period. |
| Gearing Ratio | The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets and is calculated by dividing a company's net debt by net debt plus shareholders' equity. |
| Net Debt to EBITDA | This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA. |

## Other Definitions

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

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