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

22 June 2018

Dear Sirs,

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

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

The purpose of the Analysis is that of summarising key financial data appertaining to Grand Harbour Marina p.l.c. (C 26891) (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 2015 to 2017 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 2018 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 the Financial Analysis Summary have been computed by us applying the definitions as set out and defined within the Analysis.

(e) Relevant financial data in respect of competitors as analysed in Part 5 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 Analysis is meant to assist potential investors by summarising the more important financial data of the Company. The Analysis 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 Analysis 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 Analysis 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 P.L.C.

FINANCIAL ANALYSIS SUMMARY

Update 2018

22 June 2018

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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 on the 22 April 2034;
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

The purpose of this document is to present a financial analysis summary of Grand Harbour Marina plc (hereinafter, **"GHM"** or the **"Company"**) in line with the requirements of the Malta Financial Services Authority (MFSA) Listing Policies dated 5th March 2013 (the **"Financial Analysis Summary"**).

Sources of Information

The information that is presented has been collated from a number of sources, including the company's website (*en.cnmarinas.com/grand-harbour-marina/*) as well as financial and management reports of the Company, including annual reports and financial statements.

Historical financial information is being presented in thousands of Euro, unless otherwise stated, and has been rounded to the nearest thousand. The rounding could potentially alter the figures quoted to those presented in full in the annual reports and financial statements of the Company.

Forecasts

Forecasts that are quoted in this document have been approved by the directors of the Company, who assume full responsibility for the assumptions on which they are based.

PART 1 THE COMPANY AND ITS MARKET

1. KEY ACTIVITIES AND PRINCIPAL MARKETS

The principal activities of Grand Harbour Marina p.l.c. (C 26891) (hereinafter, **"GHM"** or the **"Company"**) 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. The parent company of GHM is Camper & Nicholsons Marina Investments Ltd (**''CNMIL''**), as set out in the group structure presented in section 3.

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 25 metres.
2. Visiting sail and power yachts over 25 metres which are principally foreign-owned.
3. Long-term licence holding sail and power yachts over 25 metres which are also principally foreign-owned.

THE GRAND HARBOUR MARINA

Presently the Company owns (under a 99-year sub-emphyteusis) and operates the Grand Harbour Marina (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 was valued, as at 31 December 2017 (the **"Valuation Date"**), at *circa* €23.4 million. In terms of configuration as at the Valuation Date, the Marina comprised of *circa* 1,200 square metres of land area and *circa* 47,440 square metres of water area with a total capacity of 257 berths, of which 39 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 security guards outside marina office hours, 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 expires on the 22 April 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 55 commercial units, which are let to individual tenants, typically on five-year leases. The landside units include food and beverage, retails 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. Indeed, a weaker Turkish Lira leaves a negative effect on all revenues generated by IC Cesme in the local currency when converted into Euro, which is the reporting currency of GHM. On the other hand, however, goods and services sold by IC Cesme in Turkish Lira become cheaper when converted into Euro, thus increasing the competitiveness of IC Cesme when compared to similar marinas in other jurisdictions.

In 2017, the Turkish Lira lost over 18% of its value against the Euro amid 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 drop in the value of the Turkish Lira extended further this year, with the currency hitting new all-time lows against both the Euro and the US Dollar. Since the start of 2018, the Turkish Lira shed a further 21% against the Euro and 25% against the US Dollar.

Relationship of the Company with CNML

CNML is the marina consultant and marina manager for GHM and its affiliated company, IC Cesme. 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 operates in more than 25 countries and presently operates in the Caribbean, Italy, Greece, Turkey, Cyprus and the United Kingdom amongst others.

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 said role is temporarily being performed by the Chairman of GHM – Lawrence Zammit – who also took over the duties of Chief Executive Officer *ad interim* in view of the leave of absence taken with effect from 23 April 2018 by Clive Whiley who will continue to serve as a non-executive director of GHM. The Board of Directors of GHM also comprises a number of other individuals who are also directors of CNMIL as the parent company of GHM and/or other companies related to the parent company of the Camper & Nicholsons group of companies.

2. Company's Governance and Senior Management

2.1 The Board of Directors of the Company

The Board of GHM consists of seven 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 and acting Chief Executive Officer*
Mr Clive Peter Whiley	Non-Executive Director*
Mr Franco Azzopardi	Independent Non-Executive Director
Mr David Martin Bralsford	Non-Executive Director
Sir Christopher Lewinton	Non-Executive Director *(until 15 June 2018)*
Mr Roger St John Hulton Lewis	Non-Executive Director
Mr Victor Lap-Lik Chu	Non-Executive Director *(appointed 20 November 2017)*
Ms Elizabeth Ka-Yee Kan	Non-Executive Director *(appointed 20 November 2017)*

** During 2017, Mr Zammit held the post of chairman of the Company, while Mr Whiley occupied the position of Chief Executive Officer. On 23 April 2018, the Company issued an announcement in which it explained that Mr Whiley had taken an executive position at another public company which did not allow him sufficient time to dedicate to his executive role within the Company. As such, Mr Zammit has been entrusted with the role of Chief Executive Officer on a temporary basis, along with being the Chairman of the Board.*

2.2 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

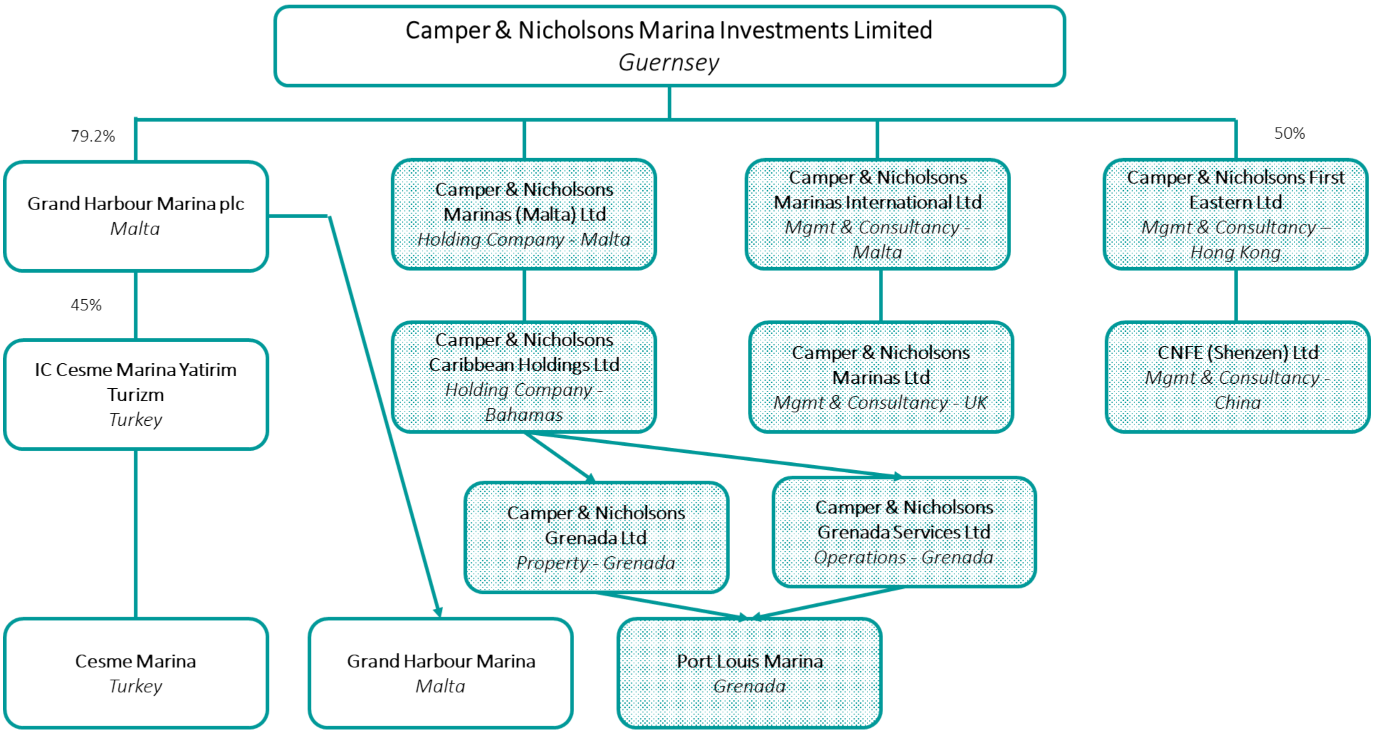
3. Organisational Structure and Operational Development

3.1 Organisational Structure

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 forms part of a group of companies, under the parent company CNMIL, which until 10 January 2018, was listed on the UK AIM Market. The company specialises in the operation and management of marinas and the development of waterfront resorts worldwide.

The chart below describes the position of the Company within the said group of companies:



GHM and its Ultimate Shareholders

GHM's majority shareholder, CNMIL, holds 79.2% of the issued share capital. The remaining shareholding amounting to 20.8% is held by other shareholders. The equity is listed on the Official List of the Malta Stock Exchange.

CNMIL

CNMIL is a limited liability company that is registered and domiciled in Guernsey and which had been listed on the Alternative Investment Market (AIM) of the London Stock Exchange until January 2018. It is principally involved in the management and operation of an international portfolio of marinas, including related real estate in the Mediterranean and the United States/Caribbean.

GHM and its Associate Company (the "Group")

In March 2011, GHM entered into an agreement with its majority shareholder, CNMIL, to acquire a 45% shareholding in IC Cesme in Turkey for a total consideration of €4.4 million. The remaining 55% shareholding is held by a Turkish group named Ibrahim Cecen Investment Holding AS.

IC Cesme marina offers all the usual marina facilities, including a "*Capitanerie*", yacht club, chandlery, a boat yard with an 80-tonne travel lift, fuel station and shower block, and also comprises three car parks and a small six key boutique hotel with a swimming pool located adjacent to the "*Capitanerie*".

3.2 Key Historical Events of the Group

2000	Company is incorporated.
2003	GHM commenced the development of the Marina and related facilities for the provision of berthing and other quayside facilities.
2005	The Marina is completed and inaugurated by Queen Elizabeth II.
2007	In preparation of an initial public offering for the sale of 30% of its total issued share capital, GHM was converted into a public limited company.
2007	Shares of GHM admitted to the Official List of the MSE.
2007	CNMIL acquired a 79.2% equity interest in GHM, as a result of which it became the majority shareholder.
2007	GHM finalised development of the "*Capitanerie*", providing it with a location to administer and operate the Marina.
2010	GHM issued €10 million bond with an over-allotment option of €2 million to settle its bank facilities with HSBC Bank Malta plc and for co-investment with Camper & Nicholsons.

2011	Acquisition of 45% equity interest in IC Cesme which was officially opened in 2010.
2017	GHM issued a €15 million bond to finance the early redemption of the €10.97 million 7% bonds as well as raise additional funds for investment purposes.
2017	GHM moved its offices from the previous "*Capitanerie*" to the new *"Capitanerie" at the Captain of the Galleys Palace* situated within the Marina.

3.3 Material Developments in the Past 3 Years

GHM

Management advised that in recent years, GHM has successfully shifted its business model from one which was dependant on long-term berth sales to an operation that may be sustained through the operation of the short-term berths (annual, seasonal and/or visitor). This is evidenced by the fact that whilst GHM has not entered into any long-term berth sale agreements over the past four years, it has managed to operate profitably through its normal business operation.

This shift in business model was also partly driven by the changing circumstances and exigencies of the yachting industry. Over the three-year historical period from FY2015 to FY2017, GHM has thus been principally focused on catering for the first two market segments set out in section 1 of the FAS and has principally been in competition with other local marinas.

IC Cesme

In recent years, IC Cesme reorganised its marina by way of realigning the pontoon berths in order to optimise the seaside space. In fact, IC Cesme added 21 berths in 2015, while in 2016 a further 9 berths were created, thus bringing the total number of berths currently available to 394. This number remained the same in 2017. Furthermore, the marina village has in recent years also attracted increasing footfall to the marina as it has emerged as an entertainment destination offering a wide range of cafeterias, eateries, retail outlets and designer stores. To this effect, a majority of the tenants in the commercial units, which are fully occupied, are governed by lease agreements that contain turnover rent provisions which typically ranges from 5% to 10% of turnover, subject to a minimum base rent depending on the type of operator. Since its inauguration in 2010, the Cesme Marina has been awarded a number of prestigious awards, such as the "Best Architectural Project" at the Arkitera Architectural Awards in 2010, the "Best Marina" title at the Golden Anchor Awards in Istanbul in 2011, the "Best Tourism Investment" at the 4th Izmir Tourism Awards in April 2012, the PIANC Marina Excellence Design Award in 2014, and more recently in 2017, the Green Apple Award for Environmental Best Practice. Furthermore, last year IC Cesme supported the Arkas Aegean Link Regatta which attracted a record

45 boats to the race. This was in addition to the Izmir Autumn and Winter Trophy races as well as other events including the World's first Grand Master's chess contest on the sea and a backgammon tournament.

Listed Bond Issues

The Company issued its first bond in 2010 - €10 million bonds with an over-allotment option of €2 million, at an annual coupon rate of 7% and redeemable on 25 February 2020, subject to an early redemption option that could be exercised between 25 February 2017 and 25 February 2020. The issue proceeds were principally utilised to settle its bank facilities with HSBC Bank Malta plc and for co-investment with Camper & Nicholsons in IC Cesme.

In 2017, the directors of the Company resolved to tap the bond market for the second time with a €15 million unsecured bond issue at an annual coupon rate of 4.50% maturing in 2027. Almost €11 million of the bonds issued in 2017 were used to finance the early redemption of the 7% bonds. The remaining proceeds from the new bonds amounting to approximately €3.6 million were retained by the Company for further waterside investments within the Marina, other possible alternative investments, as well as for general corporate and operational purposes.

4. Material Contracts

4.1 Deed of Emphyteusis and Sub-Emphyteusis

On 2 June 1999, the Government of Malta entered into a deed of emphyteusis with Port Cottonera Ltd, Cottonera Waterfront Group plc, Malta Maritime Authority and the National Tourism Organisation of Malta. By virtue of the said deed, the Government of Malta granted various portions of immovable property situated in Vittoriosa. Pursuant to the same agreement, the Malta Maritime Authority also granted to Cottonera Waterfront Group plc, the exclusive right to construct and install, own, operate, develop, control and promote a yacht marina in the sea area in the Dockyard Creek, limits of Senglea, Cospicua and Vittoriosa, including amongst others, the right to grant mooring and berthing rights to third parties under such terms and conditions as it deems fit. The said exclusive right was granted subject to certain terms and conditions, namely, 150 spaces, or such larger amount as agreed between the parties, must be made available to '*frejgatini*'.

On 4 September 2001, a deed of sub-emphyteusis was entered into between the Company and Cottonera Waterfront Group plc whereby all marina related rights granted to the Cottonera Waterfront Group plc in the previously mentioned deed, were transferred to the Company, subject to the terms and conditions contained therein. The term of sub-emphyteusis is for a period of 99 years commencing on 2 June 1999.

4.2 Marina Services Management Agreement[1]

On 1 July 2007, the Company entered into an exclusive marina services management agreement with CNML where the latter agreed to provide recruitment services, project services, commissioning, operational services, sales and marketing, berth sales, branding and auditing, subject to the terms and conditions contained therein. CNML also granted the Company the licence to use the Camper & Nicholsons brand name and the right to associate CNML in the Company's advertising material (through a trademark licence agreement entered into between Camper & Nicholsons Marinas International Limited and GHM dated 19 December 2008).

4.3 Marina Development and Operations Agreement

On 30 June 2000, Cottonera Waterfront Group plc and CNML, entered into a development and operations agreement whereby CNML was appointed to develop, construct and install, own, operate, manage, control and promote the yacht marina and ancillary facilities. Cottonera Waterfront Group plc undertook to transfer the required property by way of sub-emphyteusis (which deed was subsequently published and the sub-emphyteutical granted to the Company on the 4 September 2001). CNML subsequently passed on its rights under this agreement to the Company upon establishment of the said sub-emphytheusis in 2001.

5. GHM's Major Assets

The assets of the Company are predominantly made up of Property, Plant and Equipment (**"PPE"**) of the Grand Harbour Marina, a 45% equity interest in IC Cesme, and loans receivable from the parent company (CNMIL).

5.1 PPE

The table below summarises the value of total assets and the PPE percentage of total assets for FY2015, FY2016 and FY2017.

Year	Total Assets *€'000*	PPE *€'000*	PPE % of Total Assets
2015	16,210	5,680	35.04%
2016	16,782	5,435	32.39%
2017	21,050	5,310	25.23%

[1] *Through this agreement, CNML holds a key role in the management and operation of IC Cesme.*

5.2 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 FY2015, FY2016 and FY2017.

Year	Total Assets *€'000*	45% Equity interest in IC Cesme *€'000*	IC Cesme as a % of Total Assets
2015	16,210	2,257	13.92%
2016	16,782	2,518	15.00%
2017	21,050	2,561	12.17%

5.3 Loans Receivable from CNMIL

The assets of the Company are also made up of the loans receivable from its parent company. The table below summarises the value of total assets and the loans receivable from CNMIL for FY2015, FY2016 and FY2017.

Year	Total Assets *€'000*	Loans Receivable from CNMIL *€'000*	Loans Receivable from CNMIL as a % of Total Assets
2015	16,210	3,837	23.67%
2016	16,782	4,237	25.25%
2017	21,050	3,951	18.77%

6. Market Overview

6.1 The Maritime Sector in Malta

Malta is today a well-established maritime centre. The country's strategic position in the Mediterranean has historically been considered as unique, and since the very beginning of seafaring, 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 which is now established as one of the largest maritime flag in Europe and in the world in terms of gross tonnage. In fact, by the end of 2016, the number of ships registered under the Merchant Shipping Act reached 7,716 for a total gross tonnage of 69.6 million which represents a healthy growth rate of 5.7% over the previous year. 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 may be 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*	*218*	*39*	*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

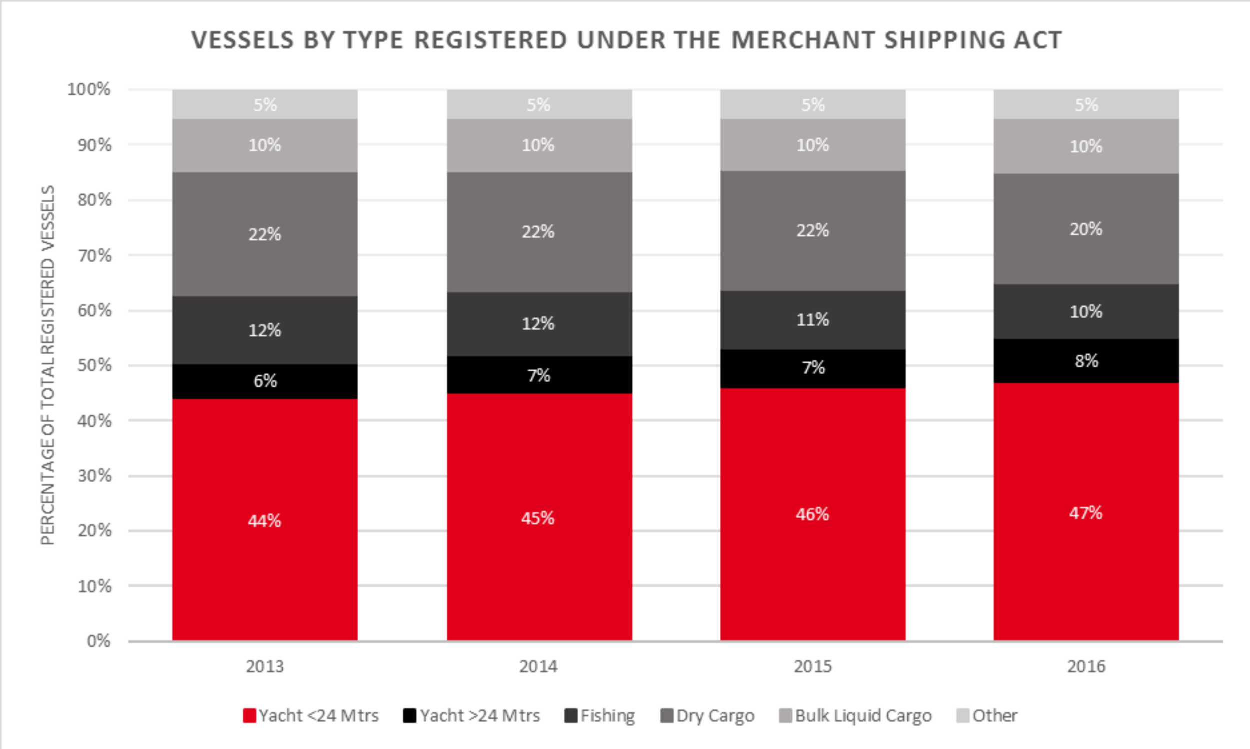
Marina	Location	Marina Operator	No. of Pontoon Berths	No. of Superyacht Berths	Max Length (m)
Msida & Ta' Xbiex Marinas	Ta' Xbiex	Creek Developments Plc	767	-	22
Gzira Gardens Marina	Gzira	subject to tender	57	-	40
Roland Marina	Ta' Xbiex	S&D Yachts	150	2	30
Portomaso Marina	St. Julian's	Boatcare Trading 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

6.2 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, to address the demands of the industry for specialised boat repair and maintenance services, a number of local operators working in the field joined forces and formed a trade organisation known as the "Superyacht Industry Network Malta" ("SINM"). The SINM is now in its tenth year since its inception, providing the highest standards of expertise and service. 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.

In 2016, the number of superyachts flying the Malta flag reached over 575, an increase of nearly 15% over the previous year. Furthermore, total yachts registered as a percentage of total registered vessels have continued to increase, extending the positive trend registered in recent years. In fact, the number of Malta-registered yachts as a percentage of total vessels amounted to 55% in 2016 compared to 53.2%, 51.8% and 50.4% in 2015, 2014 and 2013 respectively. Moreover, the number of visiting foreign yachts at marinas amounted to 1,899, representing an increase of 8% over the previous year.



Source: Transport Malta – Annual Reports

As yacht ownership and activity increased considerably over the years, demand for berthing facilities outstripped supply and capacity. Accordingly, there have been efforts by the Government of Malta in recent years to mitigate the demand and supply imbalance. This led to the development of a new marina in Sa Maison, Pieta' (Marina di Valletta) which, in turn, has the capacity to accommodate over 250 yachts. Earlier this year, a new tender has been opened for the development and management of the Gzira Gardens Marina.

PART 2 COMPANY'S FINANCIAL INFORMATION

COMPANY'S FINANCIAL ANALYSIS

NB: The MFSA Listing Policies require a 3-year historical analysis of financial information of the Company. The commentary that follows the table below focuses on the financial years from FY2015 to FY2017, both years included. Furthermore, the Company is also required to prepare forecasts for the current financial year ending 31 December 2018.

All figures referred to in this section of the report have been extracted from the audited financial statements of the Company for the respective years and supported by management information as necessary. The forecast information has been supplied by management. The ratios have been calculated by Rizzo, Farrugia & Co (Stockbrokers) Limited.

All amounts in the tables below are in thousands (€'000), unless otherwise specified, and have been subject to rounding.

FORECASTS

The forecasts for FY2018 have been based on a number of assumptions as listed below.

i) There will be a continuation of 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) There will be no material external adverse events at the Marina in Malta which will have an impact on the activities of the Group, either directly or indirectly;
vi) The bases and rates of taxation, both direct and indirect, will not change materially during the period under consideration; and
vii) The rate of inflation throughout the period under consideration will not exceed that experienced in the last few years.

Marina Reconfiguration Exercise

Approximately €3.5 million (equivalent to almost 24%) of the net proceeds from the new 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 were 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 reserves the right to assess other possible investment opportunities.

Management has advised that while the Company looks forward to implementing the first phase of the reconfiguration, it also notes that the market environment has changed and continues to change significantly with additional berths being placed on the market. As such, the Company continues to assess what constitutes the optimal configuration of the Marina to ensure the highest possible return. To this effect, no incremental revenue from phase one of the reconfiguration has been forecasted for 2018.

Management also commented that the reconfiguration exercise of the Marina is not expected to cause major disruption to the existing berths during the construction and development phase.

7. Financial Statement Analysis – Historic and Forecasts

7.1 Revenue Analysis

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

	Actual	Actual	Actual	Forecasts
for the year ended 31 December	**2015**	**2016**	**2017**	**2018**
	€'000	*€'000*	*€'000*	*€'000*
Berthing income	2,643	3,059	3,072	3,062
Ancillary Revenue	1,035	1,128	1,058	1,076
Other income	49	44	-	-
Total GHM revenue	**3,727**	**4,231**	**4,130**	**4,138**

Source: Management information

As illustrated in the table above, berthing income comprises the most significant revenue stream, representing 74.4% of total revenue in FY2017 (FY2016: 72.3%; FY2015: 70.9%). The other significant revenue stream relates to the provision of ancillary services such as water and electricity. This represented 25.6% of total revenue in FY2017 (FY2016: 26.7%; FY2015: 27.8%).

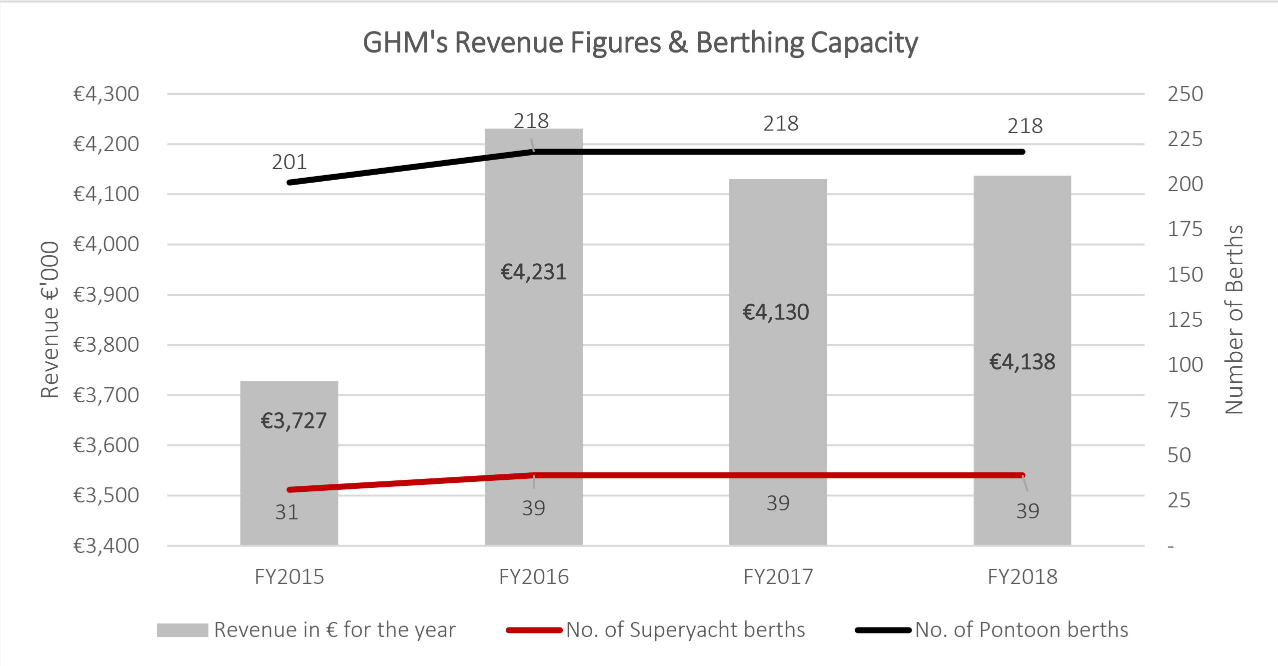
Barring any unforeseen circumstances and opportunities, revenue for FY2018 is expected to be in line with FY2017.

A. Berthing Income (Pontoons and Superyachts)

Throughout the years, the Company improved the utilisation of the water area within the Marina, thereby increasing the number of available berth nights for both pontoon and superyachts. Indeed, berthing income reached a new record high of €3.07 million in FY2017 which was slightly better than that of the previous year (€3.06 million). On the other hand, the berthing income that was generated in 2017 was much higher than the corresponding figure of €2.64 million for FY2015, which growth largely reflects the impact of the increasing capacity of available pontoons and superyacht berths, as well as an increase in the achieved occupancy levels.

Pontoon berths have increased from 201 berths at the start of FY2015 to 218 berths during FY2017. As a result, the available pontoon berth nights increased from *circa* 70k in FY2015 to *circa* 79k in FY2017, with occupancy levels (based on berth nights) in excess of 100% in each of the said years. This additional occupancy represents berthing income generated by the Company during periods where annual berth subscribers have vacated the said berth.

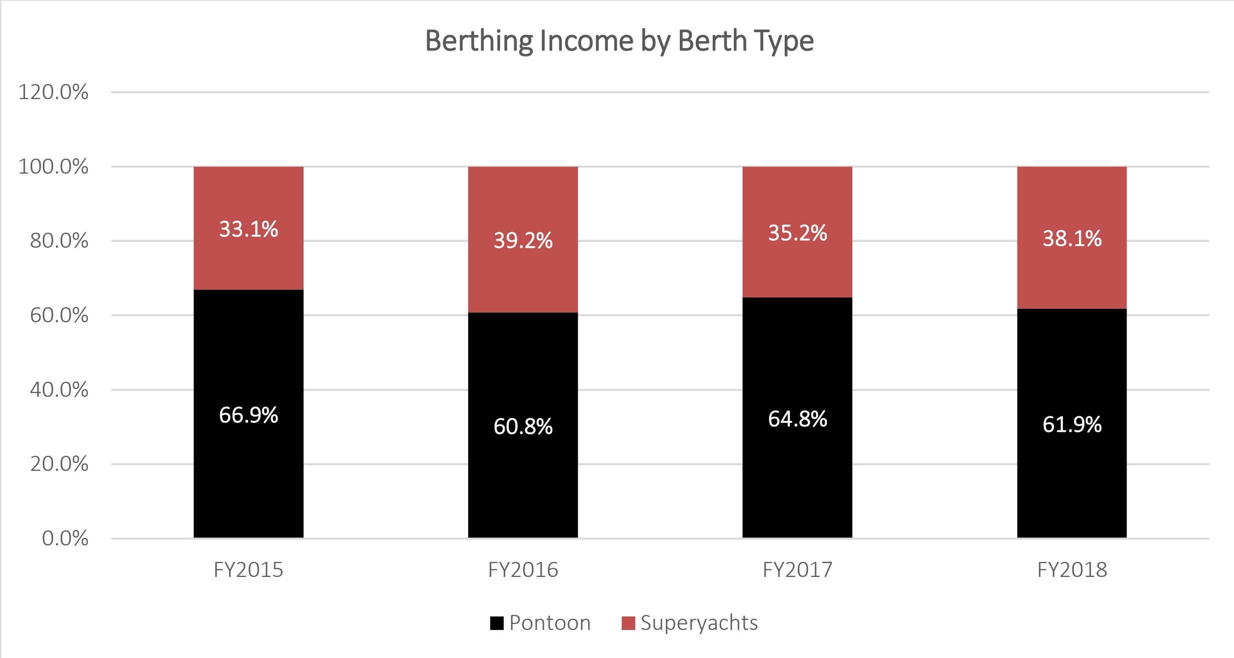
During the past three financial years, the Company also invested in 8 new superyacht berths resulting in an increase in the superyacht capacity from 31 berths at the start of FY2015 to 39 berths by FY2017. Consequently, the available superyacht berth nights have increased from *circa* 10k in FY2015 to *circa* 14k in FY2017, with occupancy levels (based on berth nights) also increasing from 58% in FY 2015 to 68% in FY2016 and FY2017 respectively. The growth in occupancy levels was driven by a significant increase in the number of annual berths.



Source: Management information

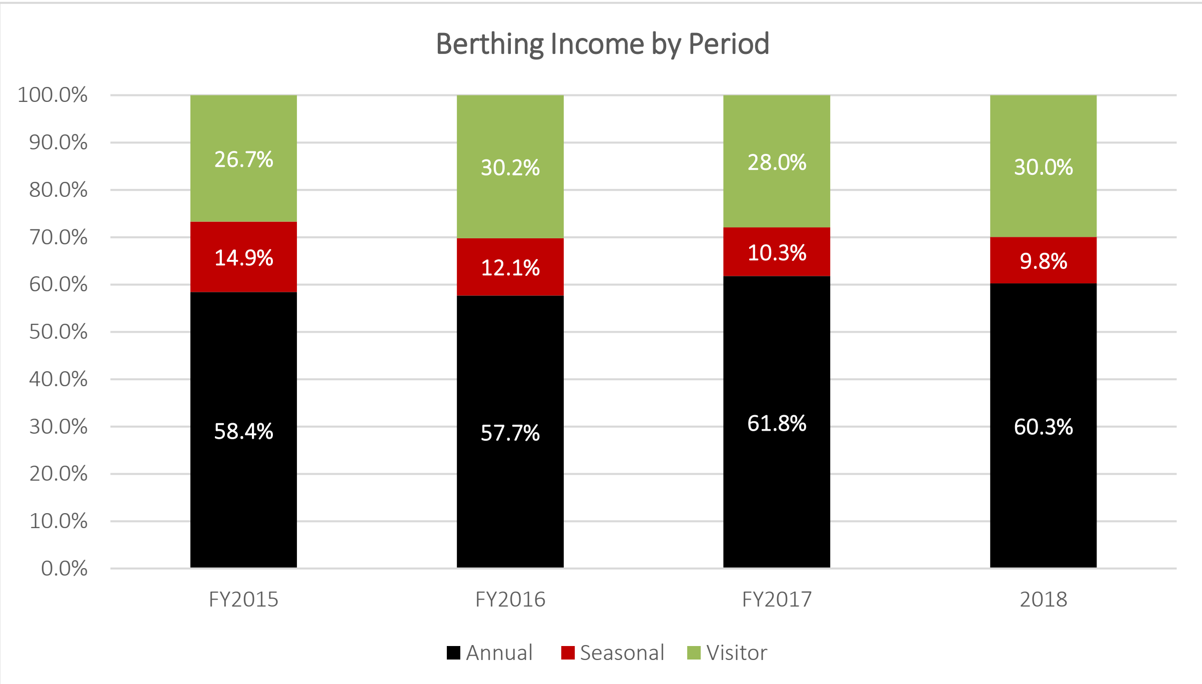
Berthing income is also underpinned by a number of factors, ranging from subscription type (annual, seasonal, visitors), berth type (pontoon, superyacht) and vessel size. The most notable shift in sales mix over the historical period occurred in the category of berth types, wherein superyachts comprised 35% of total revenue in FY2017 (FY2016: 39.2%; FY2015:33.1%). This is expected to go up to 38% in FY2018.

The Company also derives berthing income from the lease of superyacht berths that 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.



Source: Management information

As the berthing of superyachts is predominantly short-term in nature (visitor basis), which also commands higher prices, the increase in superyacht berths during FY2016 led to higher income being generated from this segment. Berthing income is also affected by the length of stay, whereby visitor berthing typically attracts a higher rate per day than seasonal or annual berths. The distribution of income by period is skewed towards the annual berthing, which represents over 50% of the Company's berthing income.

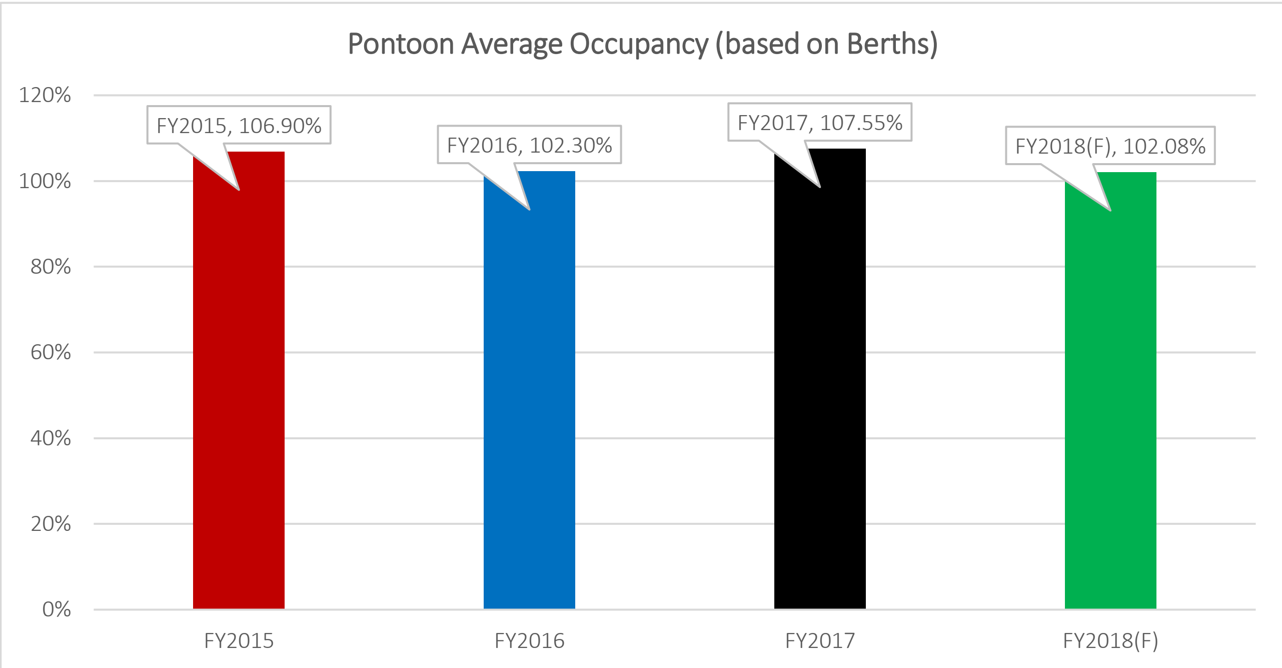


Source: Management information

In view of the delay in the reconfiguration of the Marina, the number of superyacht and pontoons for FY2017 remained the same (40 and 249, respectively) and are expected to remain unchanged. Further information on the Marina reconfiguration can be found above.

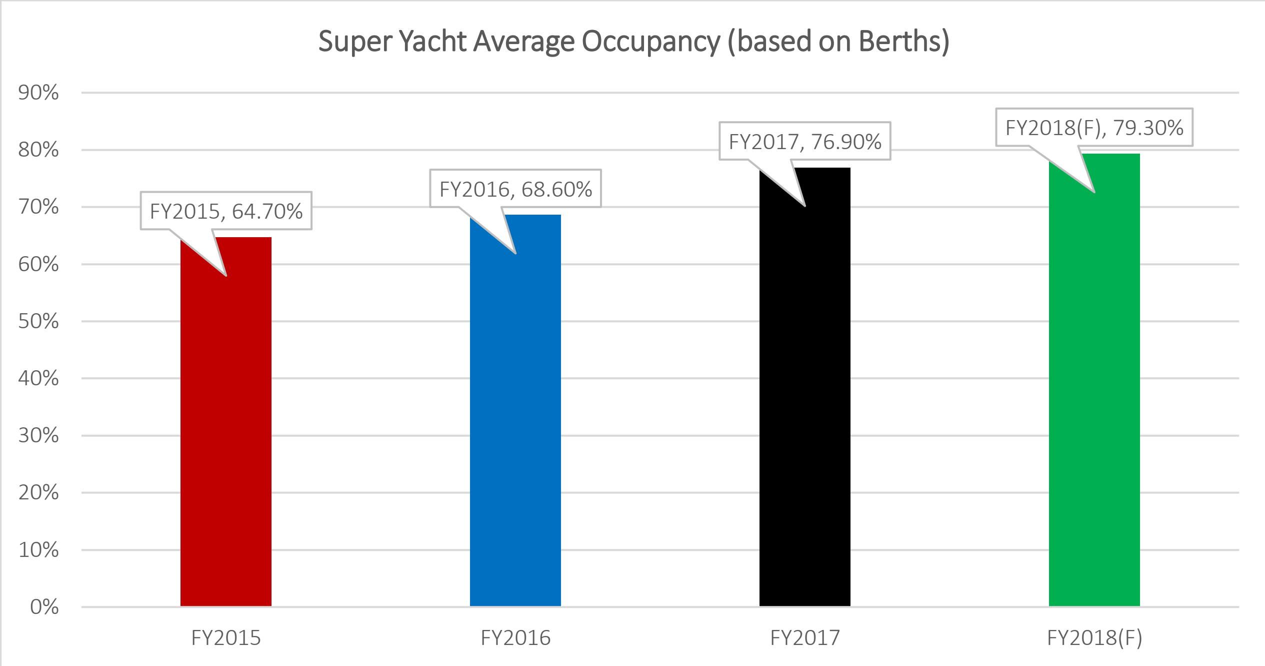
Occupancy by Berthing Type

With reference to pontoon average occupancy, as can be seen in the graph below, GHM has historically enjoyed occupancy levels in excess of 100.0% as it has the right to rent out berths during periods where annual berth subscribers have vacated their berth. Furthermore, Management explained that it has a waiting list of customers ready to subscribe to annual pontoon berths as soon as a vacancy arises.



Source: Management information

Meanwhile, during FY 2017, the demand for superyacht berths remained robust, and although not as high as the record year of 2016, the management is confident that the positive trend will continue going forward. In FY2017, occupancy levels stood at 77%, which is higher when compared to that achieved in FY2016. The forecasts for FY2018 project occupancy levels at 79%.



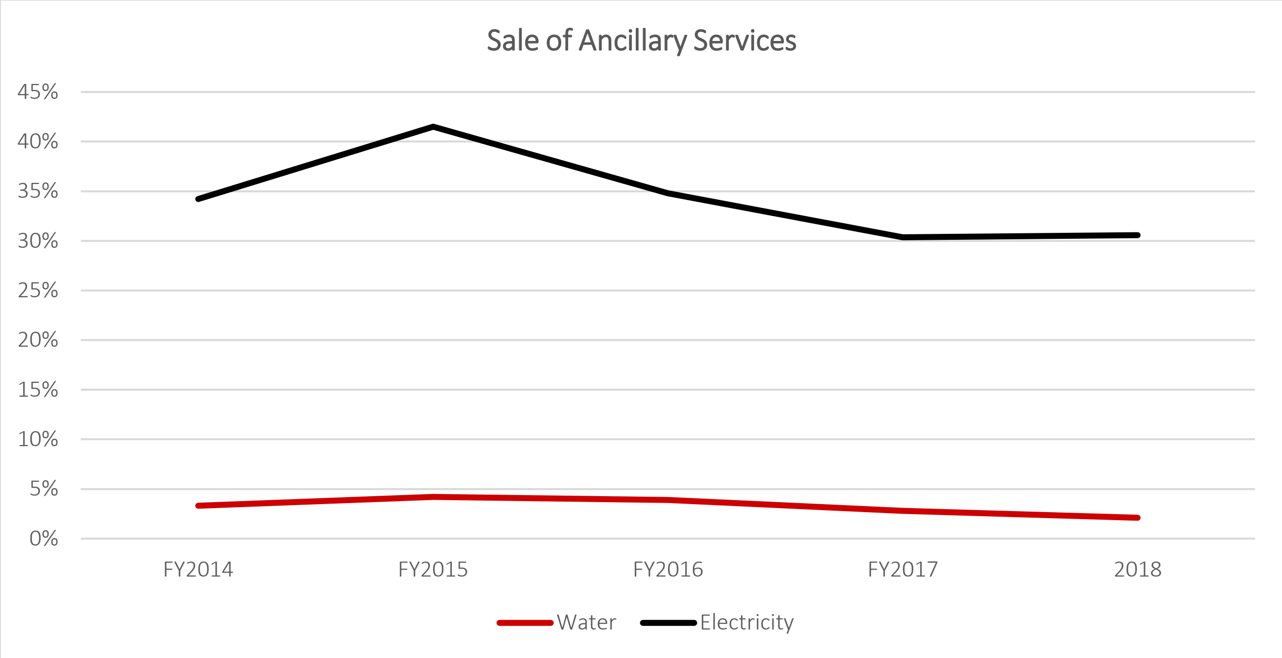
Source: Management information

B. Revenue from Ancillary Services

The increase in berthing activity at the Marina over the period under review has generated increased consumption of the ancillary services, primarily water and electricity.

Revenue from ancillary services largely comprises electricity consumption, which accounted for 88.23% of ancillary revenue in FY2017 (FY2016: 81.4%; FY2015: 89.9%). The shift in sales mix in FY2016 reflects the recognition of €0.1 million in novation fees, which relates to fees receivable by GHM upon the transfer of ownership of the berth spaces that are held by third-party owners. This had a direct impact on the bottom line and accounted for other revenue of 9% in FY2016.

Income from the sale of utilities (particularly water and electricity) has been projected to increase in line with total berthing income for FY2018. In this respect, Management has considered the water and electricity income as a percentage of total berthing income for each year of the projected period, as depicted below.



Source: Management information

C. Berthing Income – Long-Term Berth Sales

While GHM has to date entered into long-term berth sale agreements with respect to 14 superyachts, the Company has not recorded a long-term berth sale over the past five years. As explained by Management, this reflects the continuation of trends prevalent in the global yachting industry. In this respect, Management has taken a conservative approach and assumed that there will be no long-term berth sales in FY2018.

7.2 INCOME STATEMENT

for the year ended 31 December	*Actual* 2015	*Actual* 2016	*Actual* 2017	*Forecasts* 2018
	€'000	*€'000*	*€'000*	*€'000*
Revenue	3,727	4,231	4,130	4,138
Operating Costs	(2,373)	(2,685)	(2,612)	(2,624)
EBITDA	**1,354**	**1,546**	**1,518**	**1,514**
Depreciation and amortisation	(309)	(309)	(320)	(328)
Results from operating activities	**1,045**	**1,237**	**1,198**	**1,186**
Finance income	50	45	67	68
Finance costs	(903)	(819)	(905)	(708)
Net finance costs	(853)	(774)	(838)	(640)
Share of Profit of equity-accounted investees, net of tax	271	290	48	-
Profit before tax	**463**	**753**	**408**	**546**
Tax expense	(262)	(378)	(357)	(357)
Profit after tax	**201**	**375**	**51**	**189**

FY2017 REVIEW

In FY2016, GHM generated record revenues from the aggregate sale of short-term berth licences and ancillary services, largely reflecting a higher level of superyacht visitors as well as a one-time fee of €0.1 million related to the resale of a 75-metre berth which was not repeated in 2017. In FY2017, revenues eased by 2.4% to €4.13 million, as the growth achieved on the back of yet another record number of superyacht visitor arrival (including 45 superyachts of over 50 metres in length) was dragged by lower revenues generated from ancillary services. Meanwhile, although berthing revenues remained the same as in FY2016, revenues from annual contracts increased by 8% as Management successfully converted seasonal and visitor revenues to annuals. Similarly, revenues from utilities were also in line with the prior year.

Operating costs declined slightly (-2.7%) to €2.61 million. In percentage terms, this drop was in line with the decrease in revenues. Nonetheless, EBITDA still eased to €1.52 million in FY2017 compared to €1.55 in FY2016.

Depreciation charges increased by 3.6% to €0.32 million when compared to €0.31 million in the previous two years. On the other hand, after decreasing by 9.3% to €0.77 million in FY2016, net finance costs rose to €0.84 million in FY2017, largely driven by the higher level of borrowings which, in turn, was partly compensated by the favourable bond coupon rate differential between the 7% bonds which were replaced by the new bonds at a coupon of 4.5%. Given that the refinancing of the 7% bonds happened half way in FY2017, the full effect of the lower coupon on the new bonds will be seen in FY2018.

The financial performance of GHM in 2017 was mainly impacted by the lower share of profits from IC Cesme marina in Turkey. The 45% share of profits of IC Cesme dropped to just under €0.05 million in 2017 from €0.29 million and €0.27 million in 2016 and 2015 respectively. A more in-depth analysis of the financial performance of IC Cesme in 2017 is found under section 7.3.

After accounting for a tax charge of €0.36 million (FY2016: €0.38 million; FY2015: €0.26 million) the net profit of GHM for the financial year ended 31 December 2017 amounted to €0.05 million. This represents a significant decline from the net profits of €0.2 million and €0.38 million registered in FY2015 and FY2016 respectively, largely reflecting the much lower contribution from the 45% equity interest held in IC Cesme and the effect of the high tax charge which in FY2017 reflected the delay in the utilisation of the bond proceeds for the reconfiguration of the Marina. Such delays meant that the bond interest expense could not be deducted for the tax base calculation, leading to a higher level of tax having to be paid on the Company's profits.

FY2018 Review

During FY2018, the financial performance of GHM is expected to remain largely unchanged from that of the previous year. Indeed, revenues are forecasted at €4.14 million (2017: €4.13 million) whilst EBITDA is anticipated to drop slightly to €1.51 million from €1.52 million in 2017.

Depreciation charges are also expected to remain relatively flat. On the other hand, however, net finance costs are projected to drop by almost 24% to €0.64 million, reflecting the savings emanating from the lower coupon on the new bonds as well as the expected less reliance on the Company's overdraft facility in view of its high cash balances.

In view of the uncertainty pertaining to the volatility of the Turkish Lira against the Euro, management are prudently not recognising any share of profit from its equity investment in IC Cesme.

The forecasted high EBITDA for FY2018, together with the savings emanating from the lower coupon rate on the new bond, is expected to result in a Group profit before tax of €0.55 million for FY2018 (which is 33.8% higher than the profit before tax for FY2017). The tax charge for FY2018 is reflective of the assumed delays in the utilisation of the bond proceeds for the reconfiguration of the Marina and has been assumed to be in line with that of FY2017.

7.3 Performance of IC Cesme Marina

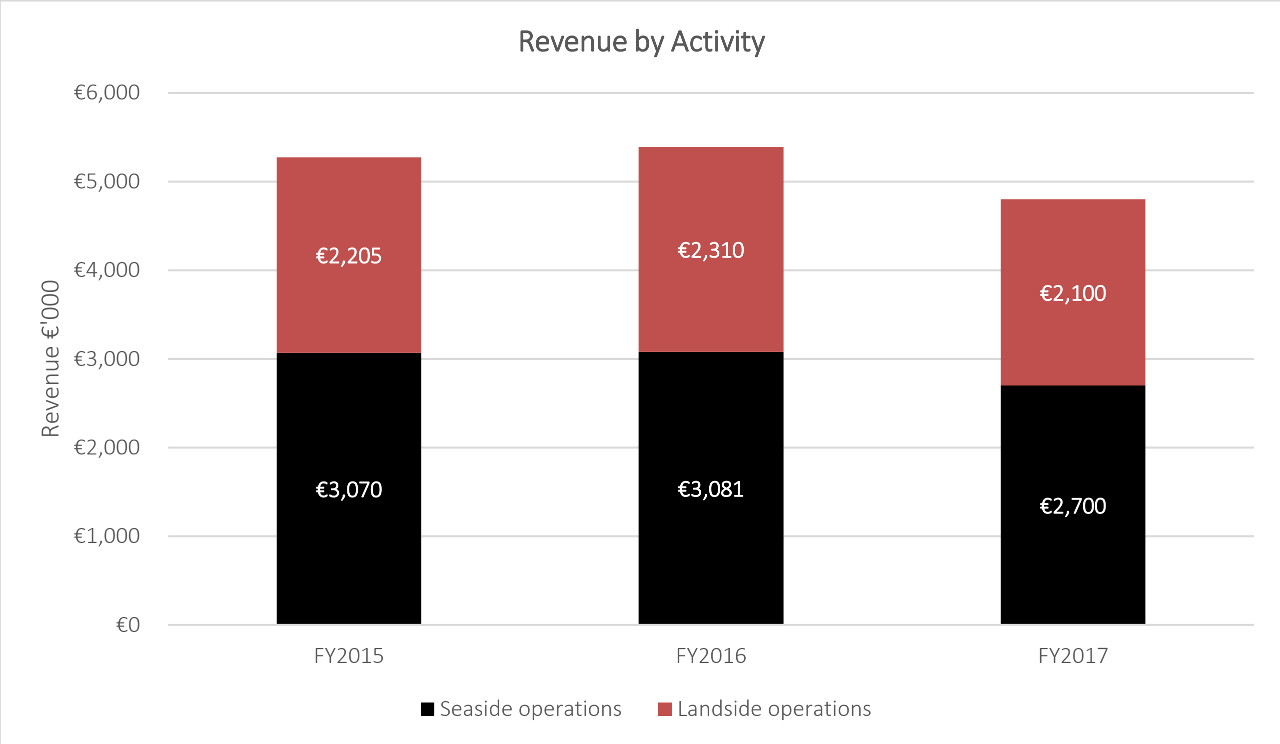
The consolidated financial statements of GHM for the years under review include the 45% beneficial interest in IC Cesme. The Group's share of revenues at IC Cesme marina amounted to €2.17 million in FY2017 compared to €2.43 million in FY2016 and €2.37 in FY2015. The Group's share of EBITDA at IC Cesme marina was €0.35 million, €0.97 million and €0.93 million in FY2015, FY2016 and FY2017 respectively. The notable reduction in EBITDA in FY2017 was largely the result of the unfavourable foreign exchange movements. In fact, the revenues generated by IC Cesme in Turkish Lira in 2017 were approximately 11% higher than the previous comparable period. The share of net profit of IC Cesme in the books of GHM amounted to €0.27 million, €0.29 million and €0.05 million in FY2015, FY2016 and FY2017 respectively. While the shares of revenues at the Turkish marina remained largely in line with previous years, in FY2017 the share of profit after tax from IC Cesme was negatively impacted by unfavourable foreign exchange effects between the Euro and the Turkish Lira upon conversion of the income from this investment to the Company's reporting currency (Euro).

45% Share of IC Cesme *All figures are in € millions* *for the year ended 31 December*	*Actual* **2015**	*Actual* **2016**	*Actual* **2017**	*Forecasts* **2018**
Revenues	2.37	2.43	2.17	2.17
EBITDA	0.93	0.97	0.36	0.36
Profit / (Loss) before tax	0.34	0.46	(0.14)	0.00
Profit after tax	0.27	0.29	0.05	0.00

IC Cesme generates its revenue from the provision of seaside operations (e.g. berthing and related services including technical services and boatyard facilities), as well as from landside operations (e.g. rental of commercial units), which during FY2017 comprised 56.3% and 43.8% of total revenue respectively. During the period under review, both revenue streams have experienced declines. Nonetheless, the overall sales mix of IC Cesme remained largely the same as that of the previous year.

The relative underperformance of IC Cesme in 2017 was mainly driven by geo-political uncertainties in the region which, in turn, impinged negatively on the level of international yacht traffic to Turkey in general. In this respect, the management of IC Cesme increased its focus on retaining existing Turkish clients (who represent the largest percentage of the client base of the marina) whose earnings are usually in Turkish Lira as well as attracting new ones. Indeed, although IC Cesme experienced a high turnover of customers in 2017, with nearly 100 boats leaving mainly due to changing location or sale of the boat, the marina attracted 124 new boats. Of these, over 25% were returning customers. Moreover, as IC Cesme managed to increase the berthing area that is leased out, it also improved its berthing occupancy by square metre whilst maintaining 100% occupancy by berth.

As at the end of 2017, IC Cesme had 362 boats on annual contracts (2016: 357 boats), with a further 44 boats contracted on a seasonal basis (2016: 37). As such, IC Cesme continues to promote its marina as a safe and secure location for yacht keeping. 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.



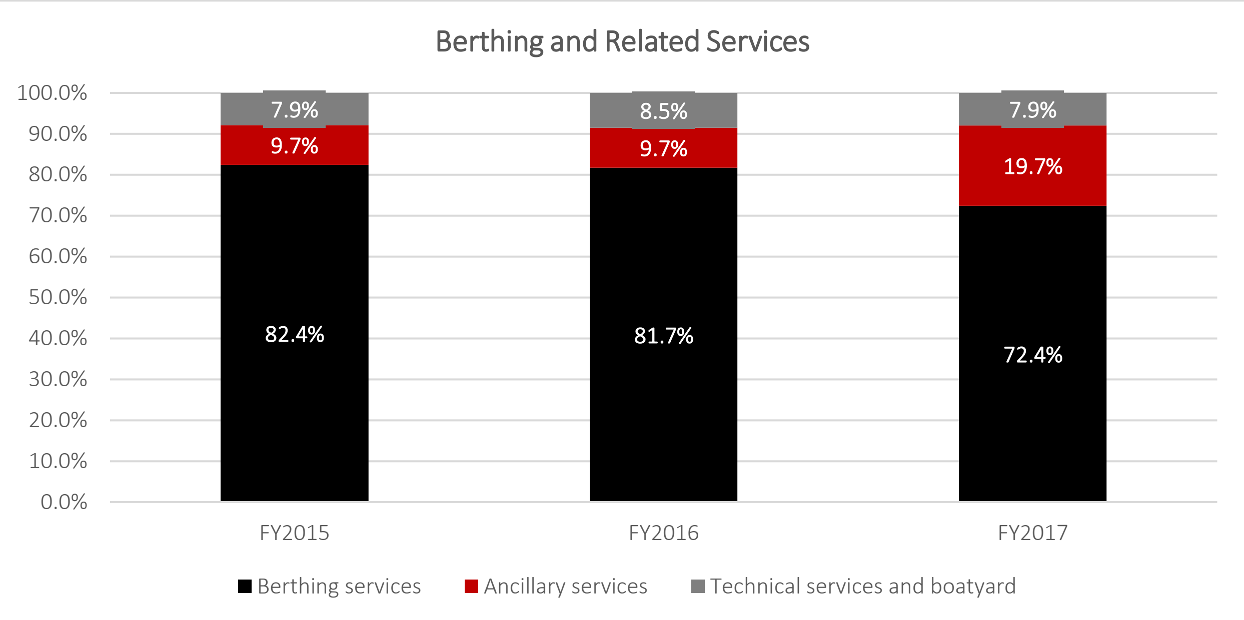
Source: Management information

Revenues generated by IC Cesme in 2017 when translated in euro were 9% to 11% lower compared to the previous two years. However, this reduction was primarily driven by the weakening of the Turkish Lira. In fact, in the local currency, revenues increased by approximately 11% in 2017 both in seaside and landside operations.

Excluding the effect of foreign exchange movements, the overall growth in revenues over the past three years was the result of better utilisation of water area at the marina as well as increased business in landside operations as the retail properties remained fully occupied and the marina benefitted from an increase in rents which came into effect during FY2015. The marina operated at full occupancy during FY2017, notwithstanding the increase in berthing capacity to 394 berths. Management confirmed that IC Cesme does not currently have any capital commitments nor any significant upcoming capital needs.

REVENUE FROM SEASIDE OPERATIONS

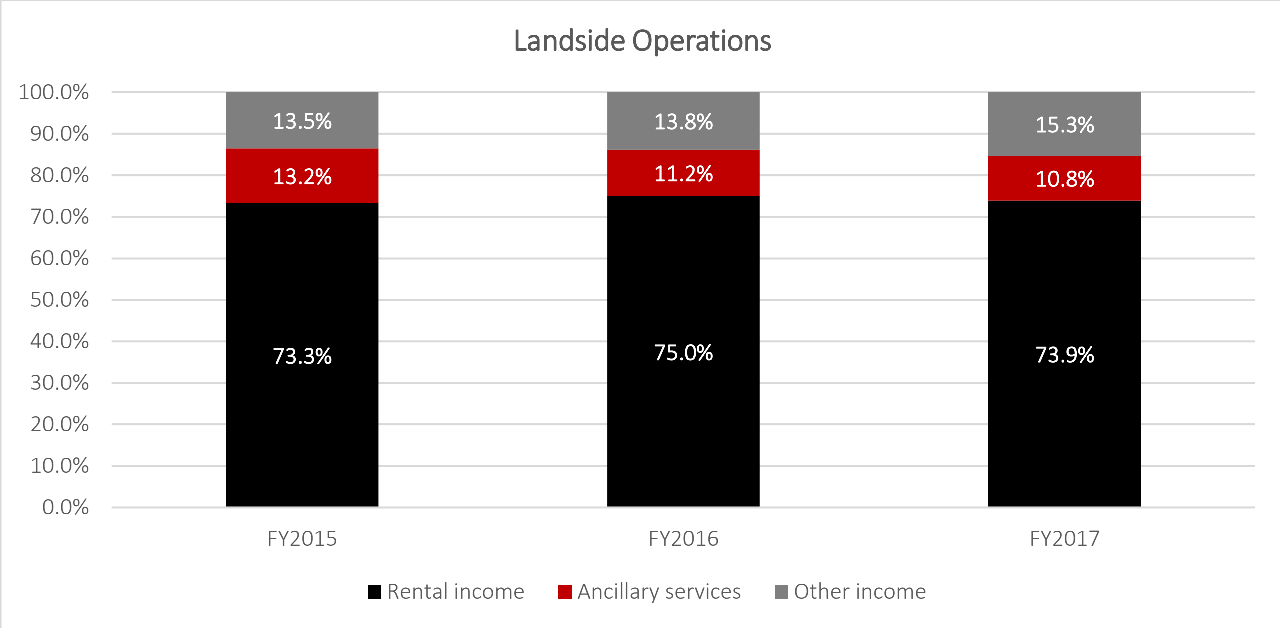
Berthing income remained the most significant component of the revenue generated from seaside operations, representing 72.40% of total berthing related services in FY2017. Annual berths have represented the most significant type of berth at the marina, with 362 boats on annual arrangements at the end of FY2017 (2016: 357) and a further 44 boats on seasonal arrangements (2016: 37). Despite the increase in capacity, the marina has remained at full occupancy over the historical period, consistently managing to attract visitor berths during periods wherein annual berth holders are not occupying the said berths.



Source: Management information

REVENUE FROM LANDSIDE OPERATIONS

Revenue from landside activity principally comprises the rental income generated from the 55 commercial units situated within the marina. The other components of landside activity include ancillary services provided to tenants (e.g. water and electricity recharges) and other activities that largely comprises of revenue generated from the car park. During FY2017 the revenue generated from landside activities was €2.1 million (FY2016: €2.3 million) reflecting the negative effect of the conversion of cash inflows from Turkish Lira to Euro.



Source: Management information

FY2018

The forecasts for FY2018 reflect the assumption that IC Cesme will generate revenue and EBITDA in line with FY2017. However, in view of the continued political uncertainties in Turkey and the surrounding region, the share of GHM's return from this investment is expected to be nil, reflecting the impact of unfavourable foreign exchange movements which are expected to persist and which will therefore effect the conversion of the Turkish Lira earnings into Euro for the Company.

Management has advised that in order to try to minimise the foreign exchange effect, any surplus cash inflows in Turkish Lira are being converted to Euro immediately, thereby crystallising the foreign exchange rate of the day.

7.4 Cash Flow Statement

	Actual	Actual	Actual	Forecasts
for the year ended 31 December	**2015**	**2016**	**2017**	**2018**
	€'000	*€'000*	*€'000*	*€'000*
Net cash from operating activities	1,213	1,673	1,700	1,654
Net cash (used for) / from investing activities	(68)	(1,273)	2,018	24
Net cash (used for)/from financing activities	(1,551)	(1,250)	2,871	(675)
Net movements in cash and cash equivalents	**(406)**	**(850)**	**6,589**	**1,003**
Cash and cash equivalents at beginning of the year	2,342	1,936	1,086	7,675
Cash and cash equivalents at end of year	**1,936**	**1,086**	**7,675***	**8,678**

**Reflective of a balancing figure of €7k (in investing activities), tallying to the closing cash balances in the Statement of Financial Position as at 31 December 2017.*

FY2017 Review

During FY2017, the total amount of net cash generated from operating activities increased marginally to €1.7 million compared to €1.67 million in FY2016. However, when compared to FY2015, the net cash from operating activities generated in FY2017 represent an increase of just over 40%, largely reflecting the improvements in the Company's business activity which in turn resulted in a higher level of revenue.

The net cash inflow of €2.02 million in FY2017 in relation to cash from investing activities represents the release of the funds which were previously held in trust for the redemption of the 7% bonds. In addition, during 2017 the Company raised a further €2.87 million in net cash from financing activities, reflecting the higher amount of outstanding bonds following the issuance of the new bonds.

FY2018 Review

At €1.65 million, the net cash generated from operating activities is projected to be relatively in line with the €1.7 million in FY2017 and €1.67 million in FY2016.

Cash flows from investing activities are projected at €24K for FY2018, reflecting the net effect of investment in PPE (€0.38 million) against the repayment of €0.4 million of the loan from the parent. Moreover, in FY2018 the Company is expecting to make use of €0.68 million in net cash for financing activities relating to the payment of the coupon on the 4.50% bonds.

Overall, given the expected positive net cash movements of €1million, GHM is forecasting to end FY2018 with a cash balance of €8.68 million.

7.5 Statement of Financial Position

	Actual	*Actual*	*Actual*	*Forecasts*
as at 31 December	2015	2016	2017	2018
	€'000	*€'000*	*€'000*	*€'000*
ASSETS				
Property, plant and equipment	5,680	5,435	5,310	5,388
Parent company loan	3,837	4,237	3,951	3,551
Deferred costs	491	491	491	491
Investment in joint venture	2,257	2,518	2,561	2,561
Assets held in trust	1,118	1,926	-	-
Total non-current assets	13,383	14,607	12,313	11,990
Trade and other receivables	889	1,088	1,060	1,015
Cash at bank and in hand	1,938	1,087	7,677	8,679
Total current assets	2,827	2,175	8,737	9,694
Total assets	16,210	16,782	21,050	21,684
LIABILITIES				
Borrowings	10,762	10,810	14,610	14,643
Deferred tax liabilities	104	482	839	1,196
Total non-current liabilities	10,866	11,292	15,449	15,839
Borrowings	2	1	2	1
Trade and other payables	2,378	2,659	2,723	2,780
Total current liabilities	2,380	2,660	2,725	2,781
Total liabilities	13,246	13,952	18,174	18,619
EQUITY				
Share capital	2,400	2,400	2,400	2,400
Reserves	(42)	(104)	(150)	(150)
Retained earnings	606	534	626	815
Total equity	2,964	2,830	2,876	3,065
Total equity and liabilities	16,210	16,782	21,050	21,684

*Number of Shares in Issue**	*20,000,000*	*20,000,000*	*20,000,000*	*20,000,000*
Net Asset Value per Share *(Total Equity / No. of shares)*	*€0.15*	*€0.14*	*€0.14*	*€0.15*
Earnings per Share (EPS) *(Profit after tax / No. of shares)*	*€0.01005*	*€0.01875*	*€0.00255*	*€0.00944*

**Number of shares as at end of financial year.*

FY2017 REVIEW

The total asset base of the Company amounted to €16.2 million in FY2015, €16.8 million in FY2016 and €21.1 million in FY2017. PPE, the loan to parent company and the 45% equity interest in IC Cesme represented GHM's most significant non-current assets as at 31 December 2017 (43.1%, 32.1% and 20.8% of total non-current assets respectively). However, the increase in total assets was mostly driven by the substantial increase in cash balances which amounted to €7.68 million as at 31 December 2017 compared to €1.94 and €1.09 million in FY2015 and FY2016 respectively. In turn, this reflects the release of the funds previously held in the sinking fund earmarked for the redemption of the 7% bonds as well as the additional funds raised through the issuance of new bonds which were still not utilised as at 31 December 2017.

PPE amounted to €5.31 million as at 31 December 2017, largely represented by superyacht berths (62.5%) and pontoon berths (29%). Capital expenditure for FY2017 stood at €0.2 million and mainly consisted of setting up the new '*Capitanerie*' and improvements in the internet connectivity and CCTV coverage at the Marina. GHM also holds, through title of temporary sub-emphyteusis, the marina rights for the operation of the Grand Harbour Marina. This is considered as an operating lease and has been accounted for using the recognition and measurement principles of IAS 17, as a result of which the asset is not recognised on the statement of financial position[2].

The amount of trade and other receivables is in the main made up of trade receivables, which as at the end of 2017 made up almost 65% of total receivables. Year-on-year, trade receivables dropped by almost 7%, or €0.05 million.

Total liabilities amounted to €18.2 million as at 31 December 2017, representing an increase of just over 30% on prior year levels (FY2016: €14 million). Total liabilities are principally made up of the amount of the new bonds (€14.6 million, which is equivalent to 80.4% of total liabilities) as well as trade and other payable (€2.72 million, representing 15% of total liabilities). The growth in total liabilities principally relates to an increase of €3.8 million in the total amount of outstanding bonds following the issuance of the new bonds that, in their main, were utilised for the early redemption of the 7% bonds.

In FY2017, GHM's total equity amounted to €2.88 million, largely comprised of share capital equivalent to €2.4 million and retained earnings of €0.63 million. In 2016, total equity declined by 4.5%, reflecting the payment of a dividend amounting to €0.48 million.

GHM's funding base has inherently been composed of capital markets borrowings and a bank overdraft facility. GHM's borrowings amounted to €14.6 million in FY2017, principally emanating from the unsecured 4.5% Bond. The Company also has in place a general banking overdraft facility of up to €1.75 million in connection

[2] *Accounting standards relating to leases will change and the Company indicated in its annual report that it will adopt these new standards as from FY2019.*

with the operation of the Marina and the issuance of special guarantees. The bank overdraft facility is primarily used for cash management purposes.

Borrowings	*Actual*	*Actual*	*Actual*	*Forecasts*
for the year ended 31 December	**2015**	**2016**	**2017**	**2018**
	€'000	*€'000*	*€'000*	*€'000*
Borrowings (non-current)	10,762	10,810	14,610	14,643
Borrowings (current)	2	1	2	1
Total Borrowings	**10,764**	**10,811**	**14,612**	**14,644**
Cash at bank and in hand	1,938	1,087	7,677	8,679
Net Debt	**8,826**	**9,724**	**6,935**	**5,965**

FY2018 Review

The total asset base of GHM is projected to increase slightly to €21.7 million in FY2018 (FY2017: €21.1 million). Meanwhile, the value of PPE is expected to remain relatively flat as the Company is not expecting embark with the first phase of the reconfiguration project this year as previously noted in the section entitled '*Marina Reconfiguration Exercise*'.

On the liabilities side, trade and other payables are forecasted to remain relatively the same. On the other hand, shareholders' funds are anticipated to increase in line with the increase in retained earnings.

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 FY2015	*Actual* FY2016	*Actual* FY2017	*Forecasts* FY2018
EBITDA margin *(EBITDA / Revenue)*	36.33%	36.54%	36.76%	36.59%
Operating Profit margin *(Operating Profit / Revenue)*	28.04%	29.24%	29.01%	28.66%
Net Profit margin *(Profit for the period / Revenue)*	5.39%	8.86%	1.23%	4.56%
Return on Equity *(Profit attributable to owners of the Company / Average Equity attributable to owners of the Company)*	7.00%	12.94%	1.79%	6.36%
Return on Capital Employed *(Profit for the period / Average Capital Employed)*	1.44%	2.74%	0.33%	1.07%
Return on Assets *(Profit for the period / Average Assets)*	1.23%	2.27%	0.27%	0.88%

GHM's EBITDA margin for FY2017 was slightly better when compared to the previous two years as the increase in business registered in 2016 and maintained in 2017 was also supported by tight cost control. The operating profit margins have remained at stable levels over the historical period, ranging between 28% and 29%. On the other hand, all profitability ratios for FY2017 dropped significantly, due to the much lower contribution from IC Cesme when compared to the previous years.

The profitability ratios of GHM are expected to remain comfortable in FY2018. The EBITDA and operating profit margins are expected to remain at the same levels of FY2017. In contrast, however, the net profit margin and the return on equity, assets and capital employed are expected to improve significantly reflecting lower forecasted net finance costs.

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 FY2015	*Actual* FY2016	*Actual* FY2017	*Forecasts* FY2018
Current Ratio *(Current Assets / Current Liabilities)*	1.19x	0.82x	3.21x	3.49x
Cash Ratio *(Cash & cash equivalents / Current Liabilities)*	0.81x	0.41x	2.82x	3.12x

In FY2017, the Group's current ratio, representing the amount of current assets available to settle short-term liabilities, jumped to 3.21 times when compared to the previous two years. This is attributable to the significant increase in cash balances following the release of the balances previously held for the redemption of the 7% bonds, as well as the additional amount of bonds issued in 2017.

The Company's cash position is expected to remain high in FY2018, emanating from the material net cash generated from operating activities as well as the non-utilisation of the bond proceeds earmarked for the first phase of the reconfiguration project. This is expected to result in a cash balance of €8.7 million by the end of FY2018.

SOLVENCY RATIOS

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

	Actual FY2015	*Actual* FY2016	*Actual* FY2017	*Forecasts* FY2018
Interest Coverage ratio *(EBITDA / Net finance costs)*	1.59x	2.00x	1.81x	2.36x
Gearing Ratio (1) *(Net debt / Total Equity)*	2.98x	3.44x	2.41x	1.95x
Gearing Ratio (2) *[Total debt / (Total Debt plus Total Equity)]*	78.41%	79.25%	83.55%	82.69%
Net Debt to EBITDA *(Net Debt / EBITDA)*	6.52x	6.29x	4.57x	3.94x

In view of the additional amount of outstanding bonds, the gearing ratio increased to 83.55% in FY2017 from 78.41% and 79.25% in FY2015 and FY2016 respectively. On the other hand, from a net debt perspective, the net debt to equity and the net debt to EBITDA multiples improved in 2017, reflecting the considerable amount of cash balance of the Company as at the end of 2017. The net debt to equity multiple dropped to 2.41 times from 2.98 times and 3.44 times in FY2015 and FY2016 respectively. Similarly, the net debt to EBITDA multiple slipped to 4.57 times from over 6 times in the previous two financial years. This signifies that, based on the EBITDA of FY2017, the Group will require 4.57 years of EBITDA to pay back its net debt. Meanwhile, in view of the slight drop in EBITDA, coupled with the increase in net finance costs, the interest cover deteriorated to 1.81 times in 2017 from 2 times in 2016. Nonetheless, this is higher than the interest coverage ratio for FY2015 which stood at 1.59 times.

The expected reduction in net finance costs and net debt levels are anticipated to lead to stronger solvency ratios. The interest coverage ratio is forecasted to climb to 2.36 times in 2018 from 1.81 times in 2017. Likewise, the net debt to EBITDA multiple is expected to ease below the 4 times level to 3.94 times, whilst the net debt to equity multiple to improve to 1.74 times. Moreover, GHM's gearing level is forecasted to ease to 82.70% in FY2018 reflecting an anticipated higher level of equity.

9. VARIANCE ANALYSIS

for the year ended 31 December	*Actual* 2017 *€'000*	*Forecasted* 2017 *€'000*	*Variance* *€ '000*	*%*
Revenue	4,130	4,144	*(14)*	*-0.3%*
Operating Costs	(2,612)	(2,750)	*138*	*-5.0%*
EBITDA	**1,518**	**1,394**	*124*	*8.9%*
Depreciation and amortisation	(320)	(324)	*4*	*-1.2%*
Results from operating activities	**1,198**	**1,070**	*128*	*12.0%*
Finance income	67	67	*-*	*0.0%*
Finance costs	(905)	(896)	*(9)*	*1.0%*
Net finance costs	(838)	(829)	*(9)*	*1.1%*
Share of Profit of equity-accounted investees, net of tax	48	290	*(242)*	*-83.4%*
Profit before tax	**408**	**531**	*(123)*	*-23.2%*
Tax expense	(357)	(264)	*(93)*	*35.2%*
Profit after tax	**51**	**267**	*(216)*	*-80.9%*

The operating results of the Company in 2017 exceeded expectations. Although revenues were slightly lower than previously forecasted (0.3%), operating costs were 5% less than estimated, largely reflecting lower cost of sales and rental costs in line with lower level of sales, as well as subdued legal costs incurred.

Meanwhile, whilst depreciation charges and net finance costs were in line with forecasts, the contribution from the 45% shareholding interest in IC Cesme and the tax charge for the year varied considerably. The latter is due to the fact that GHM did not utilise the bond proceeds earmarked for the first phase of the reconfiguration process in 2017. As a result, the Company could not claim the interest paid on these proceeds as a tax-deductible expense. As a result, although EBITDA and operating profit were higher than previously forecasted, the net profit for the year was materially lower.

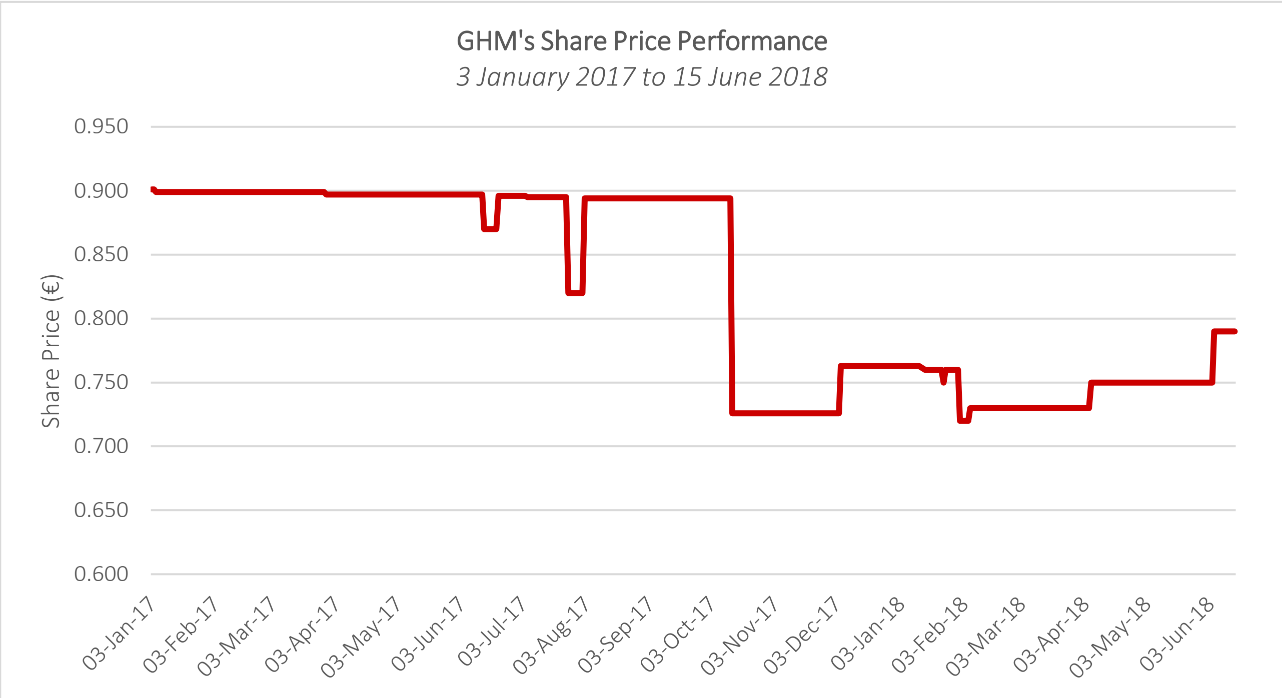
PART 3 GHM's Listed Securities

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 2017:	€0.901
Lowest Price in 2017:	€0.726
Current Price:	€0.79

(as at 15 June 2018)



Source: Rizzo, Farrugia & Co (Stockbrokers) Ltd

Debt Securities

GHM's listed debt securities comprise:

Bond:	€15 million 4.50% Unsecured Bonds 2027
ISIN:	MT0000321225

PART 4 - COMPARISON TO OTHER ISSUERS

The table below compares the Company and its proposed bond issue to other listed debt on the local market having broadly similar maturities. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations 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 (€)	Total Assets (€'000)	Total Equity (€'000)	Gearing Ratio*	Net Debt to EBITDA** (times)	Interest Cover*** (times)	YTM (as at 15.06.2018)^
4.50% GHM plc 2027	**15,000,000**	**21,050**	**2,876**	**70.69%**	**4.57**	**1.81**	**3.80%**
4.35% SD Finance plc 2027	65,000,000	217,599	65,698	47.74%	3.21	5.46	3.74%
4.0% Eden Finance plc 2027	40,000,000	169,936	90,161	36.52%	4.97	4.46	3.45%
4.4% Central Business Centres plc 2027	6,000,000	28,567	15,926	40.16%	72.96	0.87	3.92%
3.75% Tumas Investments plc 2027	25,000,000	198,819	89,238	34.10%	2.10	9.86	3.21%
3.5% Simonds Farsons Cisk plc 2027	20,000,000	163,528	96,632	28.81%	1.81	17.86	2.87%
4.0% Stivala Group Finance plc (secured) 2027	45,000,000	179,732	145,122	6.81%	1.57	9.51	3.43%
3.75% Virtu Finance plc 2027	25,000,000	161,959	79,465	40.66%	3.82	11.30	3.28%
3.75% Bortex Group Finance plc 2027	12,750,000	41,988	29,113	19.48%	12.08	2.82	3.31%

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Rizzo, Farrugia & Co (Stockbrokers) Ltd

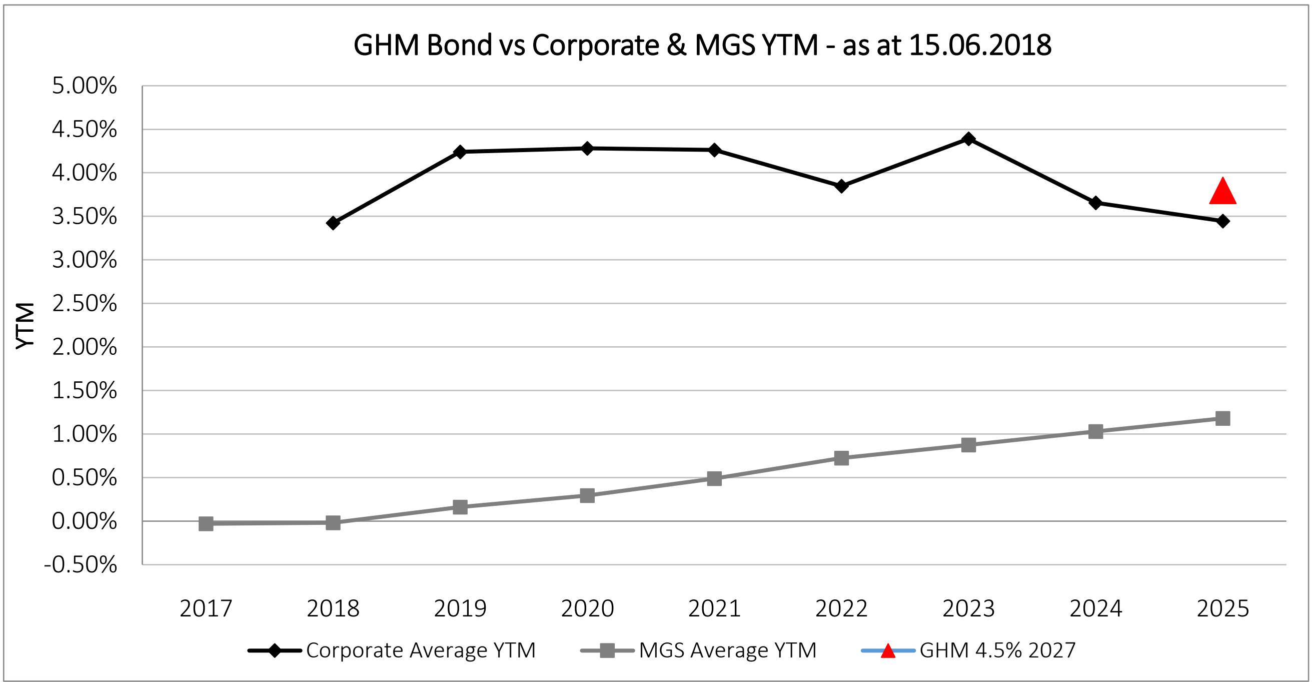
**Gearing: This refers to the fundamental analysis ratio of a company's level of long-term debt compared to its equity capital. In the above table this is computed as follows: Net Debt / [Net Debt + Equity).*

***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.*

****Interest Cover: The interest coverage ratio is calculated by dividing a company's EBITDA of one period by the company's net finance costs of the same period.*

^Yield to Maturity (YTM) from rizzofarrugia.com, based on bond prices of 15 June 2018. 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.

The chart below shows the average yield to maturity of the new 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 15 June 2018.



At a coupon of 4.50% per annum, the GHM Bond 2027 currently yields 3.80%, which is approximately 262 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2027 and at a premium of approximately 35 basis points over the average yield to maturity of corporate bonds maturing in 2027 (data correct as at 15 June 2018).

GLOSSARY

STATEMENT OF COMPREHENSIVE INCOME EXPLANATORY DEFINITIONS

Revenue	Total revenue generated by the company from its business activity during the financial year.
Cost of Sales	The costs incurred in direct relation to the operations of the Company
Gross Profit	The difference between Revenue and Cost of Sales.
EBITDA	Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations.
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.