G3 FINANCE PLC

The following is a Company Announcement issued by G3 FINANCE P.L.C., a company registered under the laws of Malta with company registration number C 94829 (hereinafter the "Company"), pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority in accordance with the provisions of the Financial Markets Act (Chapter 345 of the laws of Malta), as amended from time to time.

Quote

Publication of Financial Analysis Summary

The Company hereby announces that the updated Financial Analysis Summary dated 27th June 2023 is available for viewing below as an attachment to this announcement and at the Company's registered office, and is also available for download from the following link on the G3 Group's website: https://www.g3.com.mt/investors/financial-statements/.

Unquote

By order of the Board

Dr Luca Vella
Company Secretary

27th June 2023

Company Announcement: G314

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

Rizzo, Farrugia & Co (Stockbrokers) Ltd
Airways House, Fourth Floor, High Street, Sliema SLM1551, Malta
T. +356 22583000 E. info@rizzofarrugia.com W. www.rizzofarrugia.com

The Board of Directors
G3 Finance p.l.c.
'The Pergola',
Adenau Street,
Mellieha MLH 2014,

27 June 2023

Dear Sirs,

G3 Finance p.l.c. – Financial Analysis Summary (the "**Update FAS**")

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

The purpose of the Analysis is that of summarising key information pertaining to G3 Finance p.l.c. (the "**Company**" or "**Issuer**") and G3 Holdings Limited (the "**Guarantor**"). The data is derived from various sources or is based on our own computations and analysis of the following:

(a) Historic financial data for the three years ended 31 December 2020 to 2022 has been extracted from the Issuer's and Guarantor's audited statutory financial statements;
(b) The forecast data for the financial year ending 31 December 2023 has been provided by management and approved by the Directors of the Company and Guarantor;
(c) Our commentary on the results of the Issuer and Guarantor and on the respective financial position is based on the explanations provided by management;
(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions as set out and defined within the Update FAS; and
(e) Relevant financial data in respect of the comparative set as analysed in Part D has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Malta Business Registry or other published documents such as Financial Analysis Summaries.

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

Yours sincerely,

Vincent E Rizzo
Director

FINANCIAL ANALYSIS SUMMARY

G3 FINANCE PLC

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

27 June 2023

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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IMPORTANT INFORMATION

Purpose of the Document

G3 Finance p.l.c. (the "**Company**", "**G3 Finance**" or the "**Issuer**") issued €12.5 million 4.5% Secured and Guaranteed Bonds 2032 pursuant to a prospectus dated 21 March 2022 (the "**Bond Issue**"). This Update FAS has been prepared in line with the requirements of the Listing Policies as last updated by the MFSA on 13 August 2021. The purpose of this report is to provide a summary on the financial performance and position of the Company and G3 Holdings Limited, as guarantor to the Bond Issue (the "**Guarantor**").

Sources of Information

The information that is presented has been collated from a number of sources, including the audited financial statements for the years ended 31 December 2020, 2021, and 2022, forecasts for the financial year ending 31 December 2023 for both the Company and the Guarantor.

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

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

PART A BUSINESS AND MARKET OVERVIEW

1. INTRODUCTION

G3 Finance p.l.c. (the **"Company"**, "**G3 Finance**" or the "**Issuer**") is a public limited liability company incorporated in Malta on 11 February 2020, bearing company registration number C 94829, to act as the financing vehicle of G3 Holdings Limited (the "**Guarantor**"), bearing company registration number C 94828 and its subsidiary, namely the Issuer's sister company, G3 Hospitality Limited (C 26935), collectively hereinafter, the "**G3 Group**" or the "**Group**".

The Guarantor was set up as the holding company of the G3 Group on 11 February 2020 and is ultimately owned by Mr John Grima as well as other members of his immediate family.

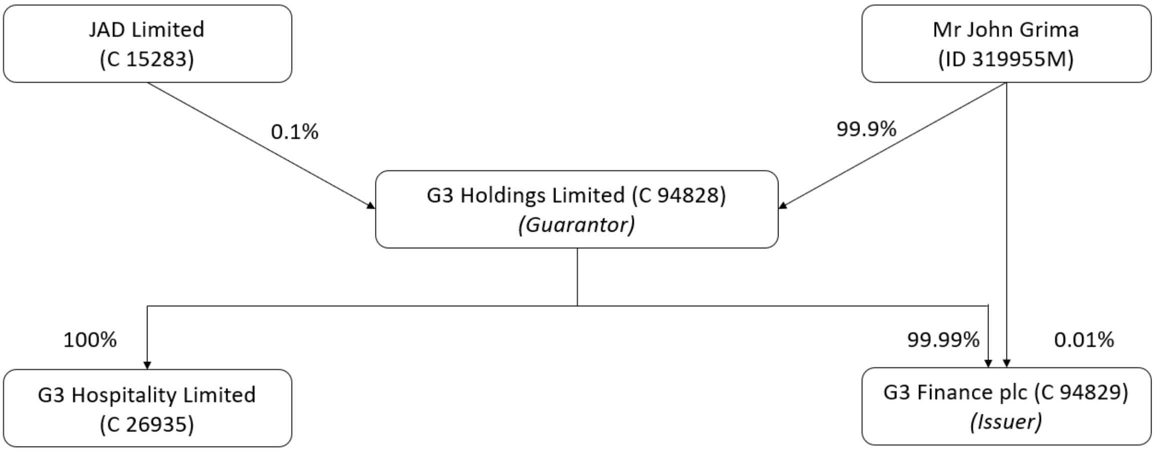
BUSINESS ACTIVITIES OF THE G3 GROUP

The G3 Group operates exclusively in the hospitality industry. It owns and operates two 4-star hotels in Mellieha – the Solana Hotel & Spa (the "**Solana**") and the Pergola Hotel & Spa (the "**Pergola**") as well as ancillary facilities such as bars, restaurants and wellness centres in the North of Malta.

The site which was later developed into the Pergola was acquired in the 1970s. Along the years, the G3 Group continued to invest in the expansion and improvement of the overall hotel service offering, through acquisitions of additional tracts of land adjacent to the Pergola and subsequently, the acquisition and development of the Solana. Operations have been ongoing for more than forty years and along the years, the G3 Group extended its service offering as it acquired further tracts of land and buildings adjacent to the Pergola and the Solana. The Pergola hotel currently comprises of 105 rooms, including a number of self-catering apartments whilst the Solana hotel has a total room stock of 183 rooms.

2. Group Structure

In 2022, the G3 Group underwent a corporate restructuring, which involved merging G3 Properties Ltd (C 9518) into G3 Hospitality Ltd. The resulting structure of the G3 Group is depicted in the below chart.



G3 Finance p.l.c.

The Issuer acts as a financing vehicle, raising finance for the use and benefit of the other G3 Group companies. During 2022, the Company issued a €12.5 million 4.5% secured and guaranteed bond with a 10-year term (the "**Bond Issue**").

G3 Holdings Limited

The Guarantor was incorporated on 11 February 2020 as the parent holding company of the G3 Group as well as acting as Guarantor for the Bond Issue. The Guarantor principally acts as the parent holding company of the Group. In June 2023, it entered into a promise of sale agreement with Eight Eleven Limited (C 67274) to purchase the Palm Beach Resort lido, formerly known as Armier Lido, at Armier Bay in the limits of Mellieha. The agreement, which is subject to a due diligence exercise into the affairs of the said counterparty and to the satisfaction of other conditions, remains valid till 12 December 2025.

G3 Hospitality Limited ('G3 Hospitality')

G3 Hospitality is a wholly owned subsidiary of the Guarantor and was formerly known as Sunsites Limited. G3 Hospitality is the principal operating company of the G3 Group and is responsible for the operations of both the Solana and the Pergola hotels. As from June 2023, G3 Hospitality also obtained the exclusive right to manage, operate and use the Palm Beach Resort lido for the duration of the aforementioned promise of sale agreement entered into between G3 Holdings Limited and Eight Eleven Limited. Furthermore, G3 Hospitality was appointed the manager and operator of the DOMS situated in the main square of Mellieha. This comprises an 8-room Boutique Hotel (known as DOMS) and a restaurant, in the Parish Square of Mellieha. Management further noted that operations are expected to commence in mid-July of this year.

In line with previous intentions of the G3 Group, G3 Properties Ltd was merged into G3 Hospitality during the year under review, such that the Solana (including the land component and improvements thereof), the Pergola and the G3 Group's entire operations are now held within the same company, G3 Hospitality.

JAD Limited ('JAD')

JAD is ultimately owned by the Grima family, i.e. Mr John Grima, his spouse and their children, Jonathan, Daniel and Alexander Grima (who are also directors of the Issuer – see section 3 below). JAD serves as the holding company for various investments held by the Grima family.

3. Corporate Governance and Management

Board of Directors of the Issuer

The Issuer's board of directors as at the date of this document comprises the following:

John Grima	Executive Director and Chairman
Daniel Grima	Executive Director
Jonathan Grima	Executive Director
Alexander Grima	Non-executive Director
Albert Grech	Non-executive Director
Juanita Bencini	Independent and non-executive Director
Michael Lewis Macelli	Independent and non-executive Director

The Company Secretary of the Issuer is Dr Luca Vella.

Board of Directors of the Guarantor

The Guarantor's board of directors as at the date of this document comprises the following:

John Grima	Executive Director and Chairman
Daniel Grima	Executive Director
Jonathan Grima	Executive Director
Alexander Grima	Non-executive Director

Group Senior Management

The following are the respective key members of the Group's senior management team:

Ann Abela	Finance Manager
Malcolm Grima	Sales and Marketing Manager
Pierre Agius	Rooms Division Manager
Jean Paul Cauchi	Head Chef
Bruno Cassar	Human Resource Manager
Egon Johannes M. Basharat	Front Office Manager

4. Major Assets

The Group's major assets comprise its two hotels.

Solana Hotel & Spa

The Solana Hotel & Spa is located in Mellieha's main thoroughfare leading to Ghadira Bay comprising 183 hotel rooms, spanning over a total footprint of 1,747 sqm. As part of its facilities, the Solana has its own spa and wellness centre (*Nataraya Day Spa*), outdoor pool and sundeck on the hotel's terrace, heated indoor pool and fitness centre. Additionally, the hotel has four food and beverage ("**F&B**") outlets including, *The Prickly Pear, Tosca Restaurant* and *Bellini Restaurant*. Furthermore, during the summer months, Solana's rooftop bar, *TopDeck*, is also opened to serve poolside guests.

The Solana Hotel & Spa was revalued by an independent architect in February 2022 for a value of €18.25 million.

Pergola Hotel & Spa

The Pergola Hotel & Spa is a corner site having a total land area of 3,197 sqm, located in Mellieha and in close proximity to the Solana. The hotel consists of 105 guest rooms / apartments and is equipped with its own spa and wellness centre (*Da Vinci Spa*), two outdoor pools, as well as a heated indoor pool and fitness centre. The hotel has four F&B outlets comprising: *Cave Bar* (also serving as the hotel's pool bar), *Da Ciccio Cucina*, *Bonaventura Restaurant* and *Haus of P*.

The Pergola Hotel & Spa was revalued by an independent architect in February 2022 for a value of €13.7 million.

5. Recent and Upcoming Developments

Promise of Sale for Land Adjacent to the Solana Hotel & Spa

On 12 May 2022, the Group, through G3 Hospitality Limited, acquired a site (*circa* 550sqm) in close proximity to the Solana for a total consideration of €2 million. This site will serve as the basis for a further extension of the Solana.

The development works are currently underway and progressing well. Following completion of the said works in 2024, in the Solana hotel will have an additional 55 rooms, a further pool which will be connected to the present pool deck, an extension to the present Bellini Restaurant and crucially, an extension to the hotel's parking which will now be able to take a further 35 vehicles. The expansion will also allow the Group to achieve further economies of scale in its operations.

Acquisition of site adjacent to the Pergola Hotel & Spa

On 3 May 2022, G3 Hospitality Limited acquired a site (*circa* 262 sqm) adjacent to the Pergola Hotel & Spa. The total consideration for the site was €1.5 million. The ultimate aim is to eventually develop the site as an extension to the Pergola Hotel.

Square Gastro Bar

During 2021, the G3 Group entered into an agreement to rent a bar in the centre of Mellieha (within proximity of the two hotels) known as the Square Gastro Bar, along with ancillary properties forming part of the same block where the bar is situated. The agreement also allows the Group the option to acquire the bar by the end of 2024. The agreement is subject to annual rental amounts payable which would be reduced from the value of the acquisition should the Group decide to exercise its option to acquire the properties.

Palm Beach Resort Lido

During 2023, the G3 Group entered into a conditional agreement to acquire the Palm Beach Resort Lido, formerly known as Armier Lido located at Armier Bay in Mellieha. This agreement secured the right to purchase the said property and all movables currently situated therein, including applicable permits and licences attaching to the property, as well as the exclusive right for G3 Hospitality Limited to manage, operate and use the Palm Beach Resort lido with immediate effect and throughout the term of the preliminary agreement in subject. In virtue of the said promise of sale agreement, although independently from the sale of the afore-mentioned property and the movables included therein, the parties thereto also agreed upon the sale and transfer of all shares issued in the capital of Eight Eleven Ltd from the existing shareholders of said company to G3 Holdings Limited. Management confirmed that the resort is already operational.

The total consideration for this acquisition is expected to be in the region of €2 million, with the Group expected to finance such project through a bank loan. The afore-mentioned agreement remains valid till 12 December 2025.

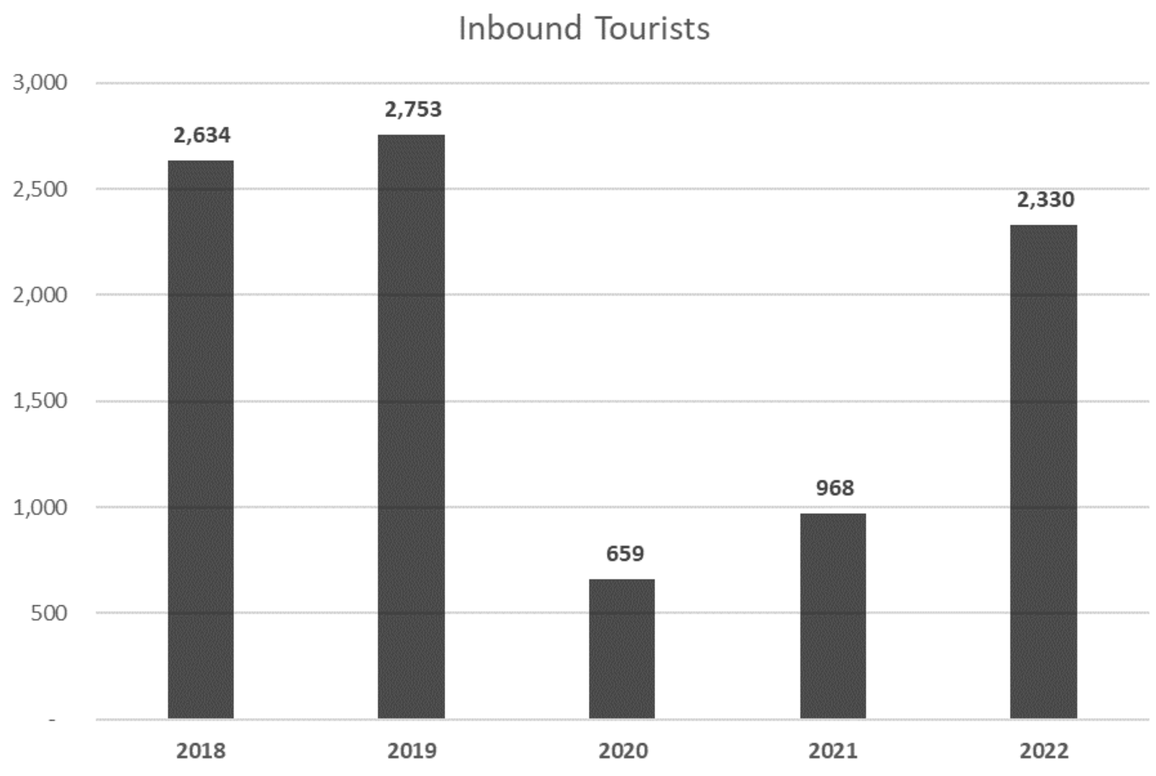
DOMS Boutique Hotel

More recently, the G3 Group also entered into an agreement to manage and operate a property comprising an 8-room Boutique Hotel (known as DOMS) and a restaurant, in the Parish Square of Mellieha. Management further noted that operations are expected to commence in mid-July of this year. Capital expenditure to conclude such project, which predominantly involves converting the property to a finished state, is expected to amount to approximately €0.8 million, with management further adding that the Group intends to finance such project predominantly through bank loan financing the majority of which will be done beyond 2023.

6. TOURISM INDUSTRY

Tourism is one of the major pillars of the Maltese economy and its importance in recent years has increased as tourism numbers significantly grew year after year, until the outbreak of the COVID-19 pandemic. The pandemic had a marked negative impact on the tourism sector, which also directly impacted the Maltese economy due to its material direct and indirect contributions to the country's gross domestic product.

The number of inbound tourists[1] started to recover in 2021 and amounted to 968,136 tourists, and increased to 2.3 million by the end of 2022, albeit still lower than the record of 2.8 million inbound tourists recorded in 2019. Such trend[2] extended into the first few months of 2023, where during the first quarter, 443,062 tourists are estimated to have travelled to Malta, nearly double the 235,295 inbound tourists recorded for the first quarter of 2022.



Source: National Statistics Office, Malta

The statistics for April 2023 illustrate a further improvement in the total number of inbound tourists at 266,798 tourists, demonstrating an overall increase of *circa* 71,253 inbound tourists versus the corresponding month of 2022.

Looking ahead, the outlook for the rest of the year for the local tourism industry remains positive. In fact, there is a strong expectation that the accommodation and leisure industry will continue its recovery path all throughout 2023.

[1] National Statistics Office, 2022, Tourism – December 2022, https://nso.gov.mt/inbound-tourism-december-2022/ [Accessed 6 June 2023]

[2] National Statistics Office, 2023, Tourism, https://nso.gov.mt/tourism/ [Accessed 6 June 2023]

Part B Financial Analysis

Financial Information Presented in the Analysis

The Issuer was incorporated in February 2020 and converted to a public limited liability company on 11 March 2022. Prior to the Bond Issue, the Issuer did not engage in any trading activity and as such does not have any historical financial track record of its own.

The Guarantor, acting as the holding company of the subsidiaries forming part of the G3 Group, including the Issuer, was also formed in February 2020. As such, the Guarantor, in its own rights, did not undertake any trading activity, however, the other subsidiary forming part of the G3 Group, namely G3 Hospitality Limited (previously Sunsites Limited), has a trading history of its own spanning a long number of years. To note, the historic financial information also includes the financial performance of G3 Properties Ltd, which as explained in section 2 of this analysis, was merged into G3 Hospitality Ltd during 2022.

The financial information that is presented in this section, as such, includes the following:

- G3 Group combined financial statements for the financial years ending 31 December 2020;
- G3 Group consolidated financial statements for the financial years ending 31 December 2021 (as restated) and 2022;
- historical financial information for the Issuer for the financial year ending 31 December 2022;
- projected financial information for the Issuer for the financial year ending 31 December 2023; and
- projected financial information for the Guarantor for the financial year ending 31 December 2023.

The Guarantor, prior to the bond issue, applied the General Accounting Principles for Smaller Entities (GAPSME) accounting framework in its financial statements. These were replaced with International Financial Reporting Standards with effect from the financial year ended 31 December 2022. Therefore, the figures for the financial year ended 31 December 2021 were restated in accordance to IFRS for comparability reasons. As such, certain figures for prior years, namely for the financial year ended 31 December 2020, may not be directly comparable as they were prepared under the GAPSME accounting framework.

7 Guarantor Consolidated Historic and Projected Financial Information

7.1. The Income Statement

for the year ended 31 December	2020 (A)*	2021 (A) *	2022 (A)	2023 (F)
Revenue	**3,952**	**6,868**	**10,783**	**12,270**
Direct operational costs	(3,026)	(3,526)	(5,616)	(6,964)
Gross profit	**926**	**3,342**	**5,167**	**5,306**
Selling, general and administrative expenses	(1,518)	(938)	(1,622)	(2,106)
EBITDA	**(592)**	**2,404**	**3,545**	**3,199**
Financial income / (expenses)	(352)	(328)	(591)	(750)
Other income / (expenses)	1,344	179	(43)	22
Depreciation	(1,076)	(1,078)	(1,108)	(1,230)
Profit before Taxation	**(676)**	**1,177**	**1,803**	**1,241**
Taxation	-	(304)	(186)	(435)
Profit after tax	**(676)**	**873**	**1,617**	**807**

Source: Combined and Consolidated Historic Financial Information and Management Information

**Note: 2021 figures were restated following the adoption of International Financial Reporting Standards (IFRS) replacing the General Accounting Principles for Smaller Entities (GAPSME). As such, 2020 figures may not be directly comparable.*

G3 Group Revenue Analysis

The Group's main revenue contributors are:

- the Solana Hotel & Spa (the "**Solana**");
- the Pergola Hotel & Spa (the "**Pergola**"); and
- F&B outlets.

Revenue Analysis	2020 (A)	2021 (A)	2022 (A)	2023 (F)
Accommodation Income	2,309	4,006	6,515	6,632
F&B Income	1,489	2,560	3,688	5,053
Other Income	154	301	580	585
Total Revenue	**3,952**	**6,867**	**10,783**	**12,270**

Solana Hotel & Spa

The below table depicts key figures related to the historical performance of the Solana during the three-year period ending 31 December 2022. This table also includes financial projections for the year ending 31 December 2023.

	SOLANA			
	2020 (A)	2021 (A)	2022 (A)	2023 (F)
Accommodation Revenue	1,721	1,951	4,286	4,106
Accommodation Contribution	995	1,371	2,905	3,080
Average Occupancy	55.90%	70.20%	94.81%	85.63%
RevPAR	28.47	29.21	64.25	81.56
Accommodation Contribution Margin	52.20%	61.70%	67.77%	75.01%

Source: Management Information

Following significant disruptions brought about by the COVID-19 pandemic during 2020 and 2021, which led to prolonged closures of hotels as mandated by health authorities, 2022 witnessed a gradual return to normality as consumer confidence across the local tourism industry began to gradually recover.

In this respect, the Solana registered a much-improved financial performance during 2022, with overall revenue increasing to €4.3 million from just *circa* €2.0 million in the prior year. Consequently, total accommodation contribution (revenue less direct expenses related to the hotel operations) from the Solana also amounted significantly higher to approximately €2.9 million during 2022.

In addition to experiencing a surge in demand throughout the year under review, as reflected through higher occupancy rates recorded throughout the year, the improved financial performance of the Solana is also attributable to the hotel being able to achieve higher rates. This has led to higher revenue per available room (RevPAR) and an overall improvement in the hotel's contribution margin.

In view of the extension works currently underway, management notes that this hotel will be temporarily closed from November 2023 till approximately the end of March 2024. In this respect, revenue generated by the Solana is expected to amount to €4.1 million during the current financial year, with overall occupancy also expected to drop to *circa* 85.6%. Despite this, management noted that both RevPAR and accommodation contribution margin are nonetheless expected to improve during 2023. These improvements are expected to be achieved through higher room rates.

Pergola Hotel & Spa

The below table depicts key figures related to the historical performance of the Pergola during the three-year period ending 31 December 2022. These figures also include financial projections for the year ending 31 December 2023.

	PERGOLA			
	FY2020	FY2021	FY2022	2023 (F)
Accommodation Revenue	584	1,582	2,181	2,396
Accommodation Contribution	308	763	1,437	1,433
Average Occupancy	25.90%	45.20%	77.00%	92.63%
RevPAR	17.62	27.54	60.52	79.67
Accommodation Contribution Margin	51.10%	65.70%	65.88%	59.80%

Source: Management Information

The Pergola also experienced an enhanced financial performance in 2022, with accommodation revenue reaching €2.2 million and the respective contribution amounting to €1.4 million. These figures indicate a notable improvement compared to the previous year, which was still adversely impacted by the pandemic. In addition, the year under review was also characterised by higher occupancy rates, improved RevPAR and also a slight improvement in its respective accommodation contribution margin.

Looking ahead, management notes that as long as the outlook for the local tourism industry remains positive for the rest of 2023, revenue from this hotel is expected to further improve and reach €2.4 million, illustrating an overall increase of approximately 10% on a comparable basis. However, overall accommodation contribution is expected to remain relatively unchanged during 2023 and amount to €1.4 million as this hotel is expected to incur higher levels of operating expenditure. The main contributing factor to this expected uplift in expenditure relates to higher payroll costs as these are expected to rise in line with the obligatory cost of living adjustment and the absence of the Covid Wage Supplements from the Government.

F&B Outlets

Revenue from F&B operations grew significantly on a historical basis, primarily due to the opening of new outlets, improvements made to existing outlets and the increase in the number of rooms within the Solana and the Pergola hotels which thereby increased footfall at the hotels' food and beverage outlets. Following the disruptions brought about by the pandemic, F&B revenue improved to €3.7 million during 2022 as tourist numbers rebounded towards pre-pandemic levels which in turn led to an increased footfall throughout the year.

Looking ahead, F&B revenue is expected to increase further during 2023, mainly due to additional revenue expected to be generated at the newly acquired properties namely, the Palm Beach Resort Lido and the DOMS Boutique Hotel. This expected uplift is also attributable to the continued expected recovery of the local tourism industry in general during 2023.

G3 Group Consolidated Performance

On a consolidated basis, the Guarantor's total revenue rose to €10.8 million in 2022 from €6.9 million in 2021. Based on the assumptions and expectations discussed above, consolidated Guarantor revenue is anticipated to improve to €12.3 million in 2023, representing an overall projected uplift of 13.8% over 2022. In this respect, it is noteworthy to highlight that, an immaterial portion of the projected revenue, specifically amounting to approximately €0.13 million, relates to the initial revenue from accommodation expected to be derived from the DOMS Boutique Hotel project comprising just 8 rooms.

Total operating expenditure, which includes direct costs and selling, general and administrative expenses, amounted higher to €7.2 million during 2022, with such increase being predominantly attributable to the growth in business activity recorded by the G3 Group during the year. Management also noted that during the period under review, the G3 Group also continued to benefit from the Wage Supplement Scheme offered by local authorities. As a result, earnings before interest, tax, depreciation and amortization (EBITDA) improved from €2.4 million in 2021 to €3.5 million in 2022, representing an overall healthy increase of 47.5%.

On the other hand, EBITDA is expected to drop by 9.8% to €3.2 million in 2023 as the anticipated growth in revenue is expected to be offset by the projected 25.3% increase in operating expenditure to circa €9 million. The increase in the Group's cost base reflects a number of factors including: (i) the Group is not expected to benefit from any wage supplement schemes; (ii) further growth in business activity; (iii) notwithstanding the temporary closure of the Solana, the Group intends to retain all staff members until development works are complete; and (iv) during the temporary closure of the Solana the G3 Group has to absorb certain fixed costs.

Depreciation remained relatively unchanged during 2022 and amounted to *circa* €1.1 million. In terms of forward-looking expectations, depreciation is expected to increase to €1.2 million in 2023, reflecting in the main the additional capital expenditure relating to the expansion of the Solana and other development works occurring at the Palm Beach Resort Lido as well as the DOMS Boutique Hotel.

Meanwhile, interest expense, which comprises interest on existing debt financing and the finance cost element on the Group's leased assets, jumped higher from €0.3 million in 2021 to €0.6 million in 2022. The rise in interest expense during 2022 primarily reflects the interest cost related to the Bond Issue. Interest expense is expected to increase further to €0.8 million during 2023, mainly reflecting a full year of interest on the Group's Bond Issue as well as the inclusion of the interest cost related to the recent bank financing drawn down by the G3 Group to finance its latest projects.

Overall, profit before tax rose significantly from €1.2 million in 2021 to €1.8 million in 2022. After considering €0.2 million in taxes in 2022, profit after tax came in at €1.6 million. Given the projected uplift in total operating expenditure, depreciation, interest expenses and tax, profit after tax is expected to amount to €0.8 million for 2023.

7.2. VARIANCE ANALYSIS

G3 Group - Income Statement for the year ended 31 December	**2022 (F)**	**2022 (A)**	**Variance**
Revenue	**7,391**	**10,783**	**46%**
Direct operational costs	(3,972)	(5,616)	41%
Gross profit	**3,419**	**5,167**	**51%**
Selling, general and administrative expenses	(1,357)	(1,622)	20%
EBITDA	**2,061**	**3,545**	**72%**
Financial income / (expenses)	(602)	(591)	-2%
Other income / (expenses)	48	(43)	-190%
Depreciation	(1,082)	(1,108)	2%
Profit before Taxation	**424**	**1,803**	**325%**
Taxation	(123)	(186)	51%
Net Profit after tax	**301**	**1,617**	**437%**

Actual revenue for 2022 was higher than anticipated by €3.4 million or 46% as the G3 Group was able to achieve a better than expected occupancy and RevPAR rates concerning both hotels. Indeed, both F&B revenue and other income also amounted higher when compared to expectations mainly as a result of the above-mentioned increase in accommodation income.

In view of this, actual total operating expenditure, including both direct operational costs and selling, general and administrative expenses, also amounted higher than projected. Nonetheless, the Group still recorded a positive variance in EBITDA of €1.5 million or 72%.

The variances below the EBITDA line were immaterial.

As a result, the Group reported an actual profit figure (both before and after tax) which is substantially higher than that forecasted in the FAS dated 25 March 2022 (appended to the Bond Issue Prospectus dated 25 March 2022).

7.3. Statement of Financial Position

Statement of Financial Position as at 31 December	2020 (A)*	2021 (A)*	2022 (A)	2023 (F)
Non-current Assets				
Property, Plant & Equipment	32,382	31,828	36,699	38,565
Investment in Associate	1	-	-	-
Right of Use Assets	283	248	213	-
Trade & Other Receivables	841	207	1,186	1,720
Total Non-Current Assets	**33,507**	**32,283**	**38,098**	**40,285**
Current Assets				
Inventories	113	154	156	191
Trade & Other Receivables	651	1,898	850	1,456
Cash at Bank & in Hand	70	265	3,008	1,458
Total Current Assets	**834**	**2,317**	**4,013**	**3,105**
Total Assets	**34,341**	**34,600**	**42,111**	**43,390**
Equity				
Share Capital	1	1	799	799
Revaluation & Fair Value Reserves	12,074	12,074	12,074	12,074
Retained Earnings	4,747	5,621	7,238	8,045
Total Equity	**16,822**	**17,696**	**20,111**	**20,918**
Non-Current Liabilities				
Bank Borrowings	5,165	6,074	1,151	1,061
Lease liabilities	109	35	-	-
Bond Issue	-	-	12,225	12,254
Trade & Other Payables	1,823	843	1,786	1,421
Deferred ERDF Grant	116	90	64	38
Deferred Taxation	3,256	3,552	3,544	3,544
Total Non-Current Liabilities	**10,469**	**10,594**	**18,770**	**18,317**
Current Liabilities				
Bank Overdraft	1,548	1,036	435	435
Lease liabilities	89	74	29	29
Trade & Other Payables	4,788	4,749	2,548	3,127
Capital creditors	-	-	-	99
Deferred ERDF Grant	26	26	26	26
Current Taxation	598	425	191	440
Total Current Liabilities	**7,049**	**6,310**	**3,230**	**4,156**
Total Equity & Liabilities	**34,340**	**34,600**	**42,110**	**43,391**

Source: Combined & Consolidated Historic Financial Information and Management Information

**Note: 2021 figures were restated following the adoption of International Financial Reporting Standards (IFRS) replacing the General Accounting Principles for Smaller Entities (GAPSME). As such, 2020 figures may not be directly comparable.*

The Guarantor's asset base has historically been mainly composed of property, plant and equipment (PPE) which accounts to approximately 90% of total assets. Likewise, PPE is expected to remain the largest component of total assets during 2023. A breakdown of the group's major assets is presented in section 4 of this FAS.

In terms of liabilities, the major components have historically been borrowings and trade & other payables, which amounted to between 77% and 83% of total liabilities. The most recent movement in terms of borrowings relate to the inclusion of the Bond Issue in 2022, which in turn led to a drop in bank borrowings, since part of the bond proceeds were utilised to pay a large portion of such bank loans. Total bank borrowings, amounting to around €1.5 million, are expected to remain relatively unchanged during 2023. Management further noted that during the year under review the Group expects to undertake additional bank financing amounting to €0.3 million to part finance the DOMS Boutique Hotel project which is expected be offset by a bank loan repayment amounting to *circa* €0.4 million.

The Group's equity base consisted primarily of revaluation and fair value reserves accumulated over the years on the two hotel properties, retained earnings and share capital. Following the positive financial performance recorded by the G3 Group during 2022, retained earnings increased to €7.2 million during the year, leading to an increase in total equity. Similarly, retained earnings are expected to increase further in 2023 to €8 million reflecting the net profit forecasted for the current financial year, and in turn also result in another increase in equity to €20.9 million.

7.4. Statement of Cash Flows

Cash Flows Statement for the year ended 31 December	2020 (A)*	2021 (A)*	2022 (A)	2023 (F)
Cash flows from operating activities	1,729	380	2,071	700
Cash flows from/ (used in) investing activities	(2,655)	(494)	(5,949)	(2,314)
Cash flows from / (used in) financing activities	990	309	6,621	64
	64	**195**	**2,743**	**(1,550)**
Opening cash & cash equivalents	(605)	70	265	3,008
Closing cash & cash equivalents	**(541)**	**(346)**	**3,008**	**1,458**

Source: Combined Historic Financial Information and Management Information

**Note: 2021 figures were restated following the adoption of International Financial Reporting Standards (IFRS) replacing the General Accounting Principles for Smaller Entities (GAPSME). As such, 2020 figures may not be directly comparable.*

Cash flows generated from operating activities during 2022 amounted higher to €2 million, with such improvement being specifically attributed to the positive financial performance recorded throughout the year. Operating cash flows are expected to drop to €0.7 million during 2023 mainly on account of additional working capital requirements and an increase in corporate tax.

The Group's statement of cash flow during 2022 has also been characterised by the ongoing construction works at the Solana, resulting into a net cash outflow in investing activities of circa €5.9 million. As further development works are earmarked to occur during the current financial year on the Group's current developments as highlighted above in this report, cash used for investing activities is expected to amount to €2.3 million during 2023.

Meanwhile, cash flows from financing activities during the year under review amounted to €6.6 million, principally reflecting the receipt of the Bond Issue proceeds and the simultaneous repayment of a number of the Group's existing bank loans. Minimal financing activities are being projected for 2023.

8 The Issuer

Prior to the Bond Issue, the Issuer did not engage in any trading activity and as such does not have any historical financial track record. As such, this section covers the historic financial information for the financial year ending 31 December 2022 as well as the projected financial information for the Issuer for the financial year ending 31 December 2023 reflecting management's expectations.

Income Statement

Income Statement *for the year ended 31 December*	***2022 (A)***	***2023 (P)***
Interest on loans to fellow subsidiaries	582	787
Interest on credit balances	-	-
Total Income	**582**	**787**
Finance Expenses	(413)	(563)
Directors' Fees	(41)	(46)
Listing and Related Fees	(28)	(37)
Other Costs	(11)	(14)
Management Fee	-	
Profit Before Tax	**89**	**126**
Taxation	-	(44)
Profit After Tax	**89**	**82**

Source: Historic Financial Information and Management Information

Income streams primarily consist of interest income generated in connection with the advancement of the net proceeds of the Bond Issue to G3 Hospitality Limited. The Bond Issue proceeds are subject to a margin over the coupon of the Bond Issue. The margin is intended to cover the Issuer's expenses, which include directors' fees, amortisation of bond listing fees and other administrative expenses.

It is noteworthy to highlight that while income and expenses for 2022 reflect approximately a nine-month period (April to December 2022), the figures for the current financial year reflect a full twelve-month period. By the end of 2023, the Issuer is expected to register a profit for the year of approximately €82,000.

Statement of Financial Position

Statement of Financial Position as at 31 December	*2022 (A)*	*2023 (P)*
Non-current Assets		
Loans & Receivables	12,124	12,124
Receivables from Related Parties	-	-
Total Non-Current Assets	**12,124**	**12,124**
Current Assets		
Receivables from Related Parties	836	1,069
Cash at Bank & in Hand	2	2
Total Current Assets	**838**	**1,071**
Total Assets	**12,962**	**13,196**
Equity		
Share Capital	252	252
Retained Earnings	(4)	78
Total Equity	**248**	**330**
Non-Current Liabilities		
Amortised Bond Issue	12,225	12,254
Total Non-Current Liabilities	**12,225**	**12,254**
Current Liabilities		
Trade and other payables (including bond interest accrued)	489	567
Current Tax	-	44
Total Current Liabilities	**489**	**612**
Total Equity & Liabilities	**12,962**	**13,196**

Source: Historic Financial Information and Management Information

The structure of the Statement of Financial Position of the Issuer is reflective of its objectives as a financing arm for the Group. By the end of 2022, the Issuer's total assets amounted to €13 million, largely comprising the loan to G3 Hospitality of €12.1 million and a receivable from G3 Hospitality of €0.8 million. Total assets are expected to remain in the region of €13 million during 2023.

Liabilities during 2022 include the amortised Bond Issue amounting to €12.2 million and accrued interest on the bond of €0.5 million. Meanwhile, equity during the year under review consisted of €0.3 million in share capital and retained earnings for the year. Total equity and liabilities are also expected to remain relatively unchanged during 2023.

Cash Flow Statement

Cash Flows Statement for the year ended 31 December	*2022 (A)*	*2023 (P)*
Cash flows from/(used in) operating activities	(98)	-
Cash flows from investing activities	(12,124)	(29)
Cash flows from / (used in) financing activities	12,225	29
	2	**-**
Opening cash & cash equivalents	-	2
Closing cash & cash equivalents	**2**	**2**

As explained above, the Issuer solely acts as the financing arm for the G3 Group. As such, for 2022, the major cash flows related to the receipt of the Bond Issue proceeds (financing activities) which were subsequently on-lent to G3 Hospitality (investing activities).

Since G3 Finance plc acts as the financing arm of the Group and all operational payments for G3 Finance plc are done through G3 Hospitality Ltd, no major cash movements are being projected for the current financial year.

9 RATIO ANALYSIS

Where the returns are negative, these have been listed as 'n/a'.

Profitability Ratios

The below is a set of ratios prepared to assist in measuring the G3 Group's earnings potential from its operations.

	2020 (A)	2021 (A)	2022 (A)	2023 (F)
Net Profit Margin *(Net Profit / Revenue)*	n/a	12.7%	15.0%	6.6%
EBITDA Margin *(EBITDA / Revenue)*	n/a	35.0%	32.9%	26.1%
Return on Assets *(Profit before Tax / Average Assets)*	n/a	2.5%	4.2%	1.9%
Return on Equity *(Profit for the Period / Average Equity)*	n/a	5.1%	8.6%	3.9%
Return on Capital Employed *(Profit for the Period / Average Capital Employed)*	n/a	3.5%	4.8%	2.3%

Source: Calculations based on Historical Financial Information and Management Projections

Profitability ratios during 2020 and 2021 were hampered by the effect of the pandemic. However, returns improved during 2022 as the local tourism industry gradually recovered which in turn lifted the G3 Group's hotel performances. During 2023, the G3 Group is expected to continue building on the recovery achieved in 2022. Nonetheless, as explained in prior sections of this FAS, the G3 Group's profitability during 2023 is expected to be relatively subdued on account of the temporary closure of the Solana. This ultimately is also expected to adversely impact the Group's profitability ratios for 2023.

Liquidity Ratios

The below is a set of ratios prepared to assist in measuring the G3 Group's ability to meet its short-term obligations.

	2020 (A)	2021 (A)	2022 (A)	2023 (F)
Net Debt / EBITDA	n/a	2.85x	3.05x	3.84x
Gearing Ratio *(Total Borrowings / Equity + Borrowings)*	27.3%	29.2%	42.2%	40.1%
Gearing Ratio (2) *(Net Borrowings / Equity + Net Borrowings)*	0.28x	0.28x	0.35x	0.37x
Interest Cover Ratio *(EBITDA / Net Finance Cost)*	n/a	7.33x	6.00x	4.27x

Source: Calculations based on Historic and Management Financial Information

During the years under review, the Group's liquidity ratios were at an acceptable level, particularly since the Group financed most of its capital expenditure through a mix of working capital and inflows from operations. Despite the additional borrowings in 2022 through the Bond Issue, the Group's gearing remained at an acceptable level of 42.2%. In 2023, the G3 Group is likewise expected to maintain an acceptable level of leverage. Nonetheless, given the projected contraction in EBITDA, the G3 Group's net debt to EBITDA ratio is expected to increase to 3.8 times whilst the interest cover is expected to drop to 4.27 times reflecting also the anticipated higher interest costs.

Solvency Ratios

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

	2020 (A)	2021 (A)	2022 (A)	2023 (F)
Current Ratio *(Current Assets / Current Liabilities)*	0.12x	0.37x	1.24x	0.75x
Cash Ratio *(Cash & Equivalents / Current Liabilities)*	0.01x	0.04x	0.93x	0.35x

Source: Calculations based on Historic and Management Financial Information

The Group improved its solvency position during 2022 predominantly through the application of the Bond Issue proceeds. This is expected to weaken marginally during 2023 as the Group is expected to continue investing in new projects.

PART C LISTED SECURITIES

The Issuer or its related parties, including the Guarantor, do not have any other securities which have been subject to an application for admissibility to listing on the Official List of the Malta Stock Exchange.

PART D COMPARATIVES

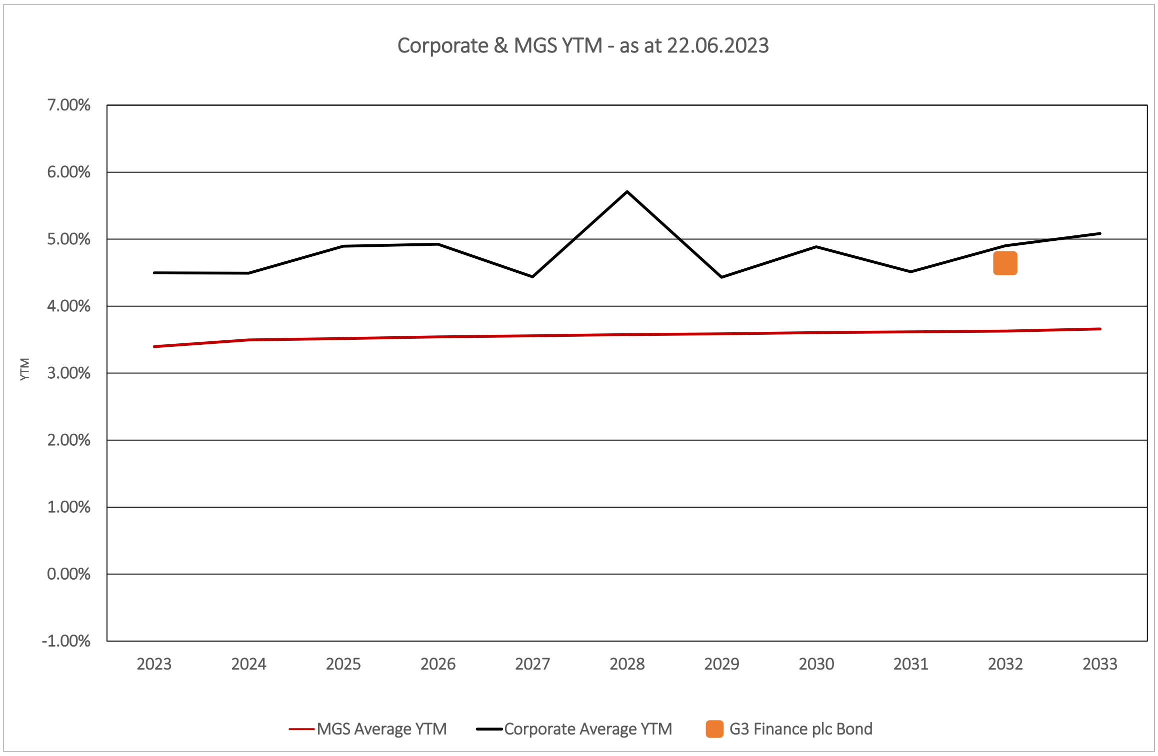
The table below compares the Issuer and its bond issue to other listed debt on the local market having broadly similar maturities. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations may vary significantly from those of the Issuer and are therefore not directly comparable.

Bond Details	Outstanding Amount	Gearing Ratio*	Net Debt to EBITDA	Interest Cover	YTM
	(€)	*(%)*	*(times)*	*(times)*	*(%)*
3.50% GO p.l.c. 25.06.2031	60,000,000	52.5%	1.3x	12.9x	4.41%
3.65% International Hotel Investments p.l.c. 2031	80,000,000	41.4%	11.2x	1.9x	4.56%
4.55% St. Anthony Co. p.l.c. 2032 (Secured)	15,500,000	62.4%	67.5x	0.4x	4.33%
4.50% G3 Finance plc 2032 (Secured)	**12,500,000**	**34.9%**	**3.1x**	**6.0x**	**4.64%**
4.00% Central Business Centres p.l.c. 2027/2033	21,000,000	55.3%	18.6x	1.3x	4.49%

Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 22 June 2022. Ratio workings and financial information quoted have been based on the respective issuers' unadjusted published financial data (or their guarantors, where and as applicable)

**Gearing - (Net Debt/ Net Debt + Total Equity)*

The chart below compares the G3 Finance plc bond to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 22 June 2023.



At a coupon of 4.5%, the Company's bonds yield 4.64% per annum to maturity, which is approximately 26 basis points below the equivalent average yield to maturity of corporate bonds maturing in 2032 and approximately 101 basis points above the average yield to maturity pf Malta Government Stocks (MGS) maturing in 2032.

PART E GLOSSARY

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	Return on assets (ROA) measures the rate of return on the assets of the company. 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.