MerkantiHolding
p.l.c.

Merkanti Holding p.l.c.
Level 13, Q2, Quad Central
Triq l-Esportaturi
Central Business District
Birkirkara, CBD 1040
Malta

COMPANY ANNOUNCEMENT

Reference: (07/2025)

This is a company announcement issued by Merkanti Holding p.l.c. (C 70823) (the "**Company**") pursuant to the Capital Markets Rules of the Malta Financial Services Authority.

Financial Analysis Summary of Merkanti Holding p.l.c.

The Board of Directors of Merkanti Holding p.l.c. announces the publication of the Financial Analysis Summary for the financial year 2025 (the "FAS") as prepared by Curmi & Partners Limited. The FAS is being attached to this announcement and is also available on the Company's website via the following link: https://merkantiholding.com/wp-content/uploads/2025/06/Merkanti-Holding-plc_FAS-Update-2025.pdf

By order of the Board.

____
Name: Stephanie Sciberras
For and on behalf of
Ganado Services Limited
Company Secretary
30 June 2025

CURMI & PARTNERS

FINANCIAL ANALYSIS SUMMARY

30 June 2025

CURMI & PARTNERS

CURMI &
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30 June 2025

The Directors
Merkanti Holding p.l.c.
Level 13, Q2
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Birkirkara
Malta CBD 1040

Dear Sirs,

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary Update 2025 ("the FAS Update 2025") set out in the following sections.

The purpose of the FAS Update 2025 is that of summarising key financial data appertaining to Merkanti Holding p.l.c.. ("the Issuer" or "Merkanti"), in addition to Merkanti Bank Limited ("Merkanti Bank" or "the Bank"), Merkanti (A) International Limited ("Merkanti (A)"), Merkanti (D) International Limited ("Merkanti (D)"), Merkanti Diesel Limited ("Merkanti Diesel") and Altmark Industrie Management GmbH ("A.I.M."), collectively referred to as "the Subsidiaries". The Issuer and the Subsidiaries are collectively referred to as "the Group".
The data is derived from various sources as disclosed, or derived from our computations on the basis of the following:

1. Historical financial data for the three years ended 31 December 2022, 31 December 2023, 31 December 2024, have been extracted from the Group's audited financial statements;
2. Forecast data for the financial year ending 31 December 2025 have been extracted from the Issuer's financial projections, as prepared and provided by management;
3. Historical financial data for Merkanti Bank was extracted from the audited financial statements of Merkanti Bank;
4. Historical financial data for Merkanti (A) and Merkanti (D) was extracted from the financial statements of Merkanti (A) and Merkanti (D), or provided by management of the Issuer;
5. Our commentary on the financial results and position, of the Issuer and of the Group, is based on the explanations as set out by management of the Issuer;
6. The ratios quoted in the following sections have been computed by us applying the definitions set out and defined in Section 7 of the analysis;
7. The comparable companies listed in Section 6 have been identified by us. The relevant financial data in respect of such companies has been sourced from publicly available

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information, mainly audited financial statements and published financial analysis summaries.

The FAS Update 2025 is meant to assist potential investors by summarising the more important financial data of the Group. The FAS Update 2025 does not contain all data that is relevant to potential investors, and is meant to complement, not replace, the information made available in the public domain by the Group. The FAS Update 2025 does not constitute an endorsement by our firm of the financial instruments issued by the Group and should not be interpreted as a recommendation to invest in any of the Issuer's or the Group's financial instruments. We shall not accept any liability for any loss or damage arising out of the use of the FAS Update 2025.

As with all investments, potential investors are encouraged to seek professional advice before investing in the securities of the Issuer or the Group.

Yours sincerely,

Karl Falzon
Head of Capital Markets
For and on behalf of
Curmi & Partners Ltd

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1 OVERVIEW OF THE ISSUER

1.1 History and Development of the Issuer

Merkanti Holding plc ("Merkanti Holding" or "the Issuer" or "the Company") is a diversified holding company based in Malta controlled by Scully Royalty Ltd ("Scully Royalty" or "the Ultimate Parent"). Merkanti Holding was converted into a public liability company on 30th May 2019. The Issuer issued a bond on the Malta Stock Exchange ("MSE") amounting to €25 million originally bearing interest at a rate of 4% per annum and due in 2026 ("the Bond" or "the Bond Issue").

Merkanti Holding is the parent company of: Merkanti (A) International Limited ("Merkanti (A)"), Merkanti (D) International Limited ("Merkanti (D)"), Merkanti Bank Ltd ("Merkanti Bank" or "the Bank"), Merkanti Diesel Limited ("Merkanti Diesel") and Altmark Industrie Management GmbH ("A.I.M."), collectively referred to as "the Group". Merkanti (A) and Merkanti (D), companies which hold real estate in Germany, and A.I.M. which operates as the management company for these entities, are collectively referred to as "the Property Companies". The Property Companies, Merkanti Bank and Merkanti Diesel will be collectively referred to as "the Subsidiaries".

The Issuer's main activities relate to the raising of financing, the lending and advancing of funds to Group companies, and the collection of interest income on advances to, and management fees, from the Subsidiaries, and the acquisition and holding of shares and other assets. Accordingly, the Issuer is dependent on the Group.

1.2 Shareholding of the Issuer

Currently, the Issuer's authorised share capital is €200,000,004, divided into 33,333,334 Ordinary A Shares of €0.10 each and 33,333,334 Ordinary B Shares of €0.10 each. The Company's issued share capital is €50,020,002, divided into 16,673,333 Ordinary A Shares of €0.10 each and 1 Ordinary B Share of €0.10. The shares are paid up and held as follows:

- 16,673,333 Ordinary A Shares held by Scully Royalty

- 1 Ordinary B Share held by Samuel Morrow

Prior to the above current shareholding structure being in place, on the 24th of June 2022 the Issuer announced that in an extraordinary general meeting held on the same date, certain resolutions were approved relating to changes to the Company's Memorandum and Articles of Association, including inter alia a change in the nominal value of the shares which decreased from €3 to €0.10 per share. It was expected that these proposed changes would not take effect until 3 months from the date of the publication by the Registrar of Companies.

Furthermore, on the 25th of July 2022 the Company announced that it was granted approval by the Malta Financial Services Authority for admissibility to listing on the Official List of the Malta Stock Exchange of 16,673,333 Ordinary A shares in the Company of a nominal value of

€3.00 per share, and that concurrently with the listing a distribution by the Issuer's parent company of 49.9% of its shares to its shareholders was expected to take place. However, on the 20th of September 2022 the Company announced that the distribution was postponed due to volatility in global capital markets.

In January 2025, the Company announced that an Extraordinary General Meeting ("EGM") was held, in which certain extraordinary resolutions were approved. Notably the following resolutions were approved:

- to authorise the acquisition by the Company of an amount of Ordinary A shares not exceeding 20,000 for a purchase price of €3, with such authorisation valid for a period of 18 months
- to, subject to MFSA approval, amend and substitute in their entirety the Company's Memorandum and Articles of Association with the objective of the Memorandum and Articles of Association being updated to reflect the above change, any changes relative to the composition of the Board, any other amendments required to reflect changes to the Company's share capital

The Issuer's majority shareholder is Scully Royalty, which holds almost all the Ordinary "A" Shares of the Issuer. Scully Royalty is a public company listed on the New York Stock Exchange with ticker symbol SRL. It is a holding company with several investments across a wide range of industries and provides financial services and proprietary capital to enterprises, seeking businesses and assets which offer the potential to increase or unlock value.

As of 31st December 2024, Scully Royalty's shareholders' equity amounted to CAD $302,277,000 consisting of 14,822,251 common shares. The main shareholders owning more than 5% of Scully Royalty are outlined below:

Scully Royalty Ltd Shareholding as at 24th April 2025	**Number of shares**	**Percentage Shareholding**
Peter Kellogg, group	5,293,276	35.7%
Lloyd I. Miller III, trusts	2,008,407	13.6%
Total shares	**14,822,251**	

Source: U.S. Securities and Exchange Commission, Form 20-F, Scully Royalty Limited

1.3 Directors and Management

The Board of Directors consists of six directors who are entrusted with setting the overall direction and strategy of the Company.

As at the date of this financial analysis summary report ("FAS 2025"), the Board of Directors of the Issuer is constituted as follows:

Samuel Morrow	Executive Director
Martin Ware	Non-Executive Director*
Silke Stenger	Independent Non-Executive Director
Rene Randall	Independent Non-Executive Director

**Previous financial analysis summary reports erroneously make reference to Martin Ware as an Executive Director. By way of clarification, and as indicated in the prospectus published by the Issuer with respect to the proposed listing on the Official List of the Malta Stock Exchange of the ordinary shares in 2022, Martin Ware has not been an executive director of the Issuer since being appointed Chief Executive Officer of Merkanti Bank plc in June 2021.*

2 OVERVIEW OF THE GROUP

2.1 History and Development of the Group

The Issuer was incorporated as a private limited liability company and was converted to a public limited liability company on 30th May 2019. The Issuer was originally incorporated in 2015 as a holding company for the purpose of the acquisition of Merkanti Bank Ltd ("Merkanti Bank") (formerly known as MFC Merchant Bank and BAWAG Malta Bank Ltd ("BAWAG")).

BAWAG had been fully licensed in Malta since 2003. The acquisition reflected Scully Royalty's strategy to leverage its merchant banking and trade finance platform by offering additional complimentary trade and structured finance products, and other complimentary services. As part of Scully Royalty, the Bank was not expected to engage in retail banking, commercial banking or universal banking, but to focus on specialty banking services.

In late 2018, the Issuer commenced a restructuring process in preparation for the Bond. This restructuring process involved the acquisition of 85% of the two property companies, Merkanti (A) and Merkanti (D). The Property Companies were purchased from an indirect subsidiary of Scully Royalty for a purchase price of €29.5 million and were re-domiciled to Malta in 2019.

In 2019, Merkanti Holding increased its shareholding of the Property Companies by a further 9.9% to 94.9%. In 2020, Merkanti Holding acquired A.I.M. for a net book value of €161,940. A.I.M. provides management services to the two Property Companies.

2.2 Strategic Developments

As could be expected, the effects of a global economic downturn could have an adverse impact on the Group's profitability, liquidity and capital resources. This is particularly due to the potential impact on demand for merchant banking services, with for example disruptions to international trade being considered. However, management also notes that on the basis of the Group's approach with respect to seeking assets which offer the potential to increase or unlock value, periods characterised by global macroeconomic challenges could result in opportunities for Merkanti Holding.

Historically, whilst Covid-19 slowed down the development of certain business areas (particularly within banking) compared to previous expectations and resulted in the Group holding substantial amounts of liquidity, it is also noted that the impact from the pandemic, and more recently, elevated inflation and geopolitical tensions, on the Property Companies was minimal

In March 2022, the Issuer had announced that it entered into a Share Purchase Agreement ("the SPA") to acquire Sparkasse (Holdings) Malta Ltd, the parent company of Sparkasse Bank Malta plc., subject to regulatory approval. However, in July 2023 it was further announced that the proposed transaction would not close, and that it was mutually agreed to terminate the SPA.

It is noted that the decision to not proceed with the acquisition was not related to the regulatory approval process, but was driven by timing considerations, in particular due to the impact of substantial shifts in the interest rate environment during that period. Additionally, the termination of the SPA did not materially impact the financial results of the Company, beyond the impairment of minor capitalized costs associated with the transaction in the first half of 2023.

In July 2024, the Company announced that during a bondholders' meeting held for this purpose, certain changes to the terms and conditions ("Changes to T&Cs") of the Bond were approved by bondholders.

A nominal value amount of 21,703,000 in the Bond was represented at the bondholder meeting, representing 86.8% of the aggregate nominal value of all outstanding Bonds, which constituted a quorum for the transaction of business. The Company announced that an overwhelming 20,452,700 outstanding bonds voted in favour of the Changes to T&Cs.

Below are the key aspects relating to the Changes to T&Cs:

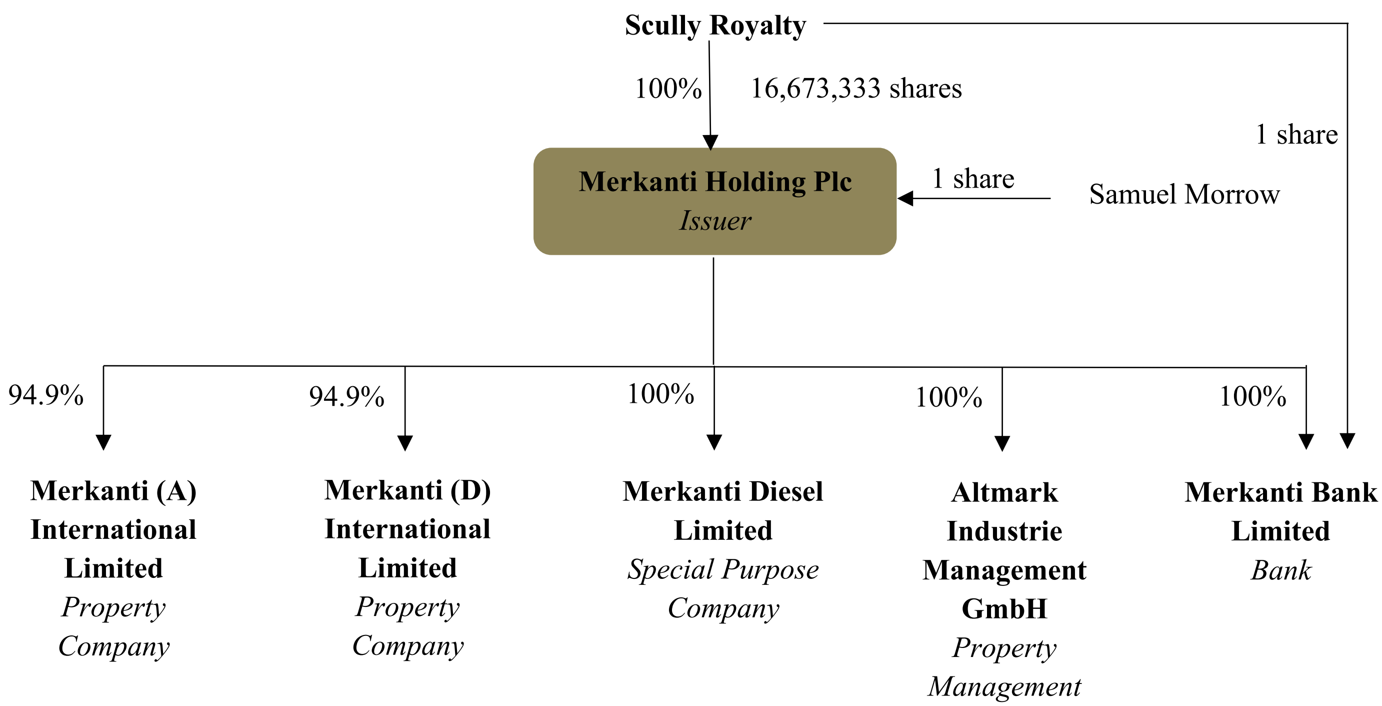
- An increase in the interest rate payable on the Bond from 4.00% to 5.70% per annum
- A 7-year extension of the term (maturity date) from August 12, 2026 to August 12, 2033
- Any bonds purchased by the Issuer may be re-sold by the Issuer within a period of 60 days and, if they are not re-sold within such period, they will be cancelled. Currently, any bonds purchased must be cancelled and may not be re-issued or re-sold

Those bondholders who voted against the Changes to T&Cs had the option of selling their bonds on the market or to avail themselves of a dissenting bondholder offer implemented by the Issuer. On the other hand, bondholders on the register after the dissenting bondholder offer were entitled to a one-time bonus interest payment of 0.8% of the nominal value of their holdings, which was paid in August 2024 along with the accrued interest due for the immediately preceding interest period.

Management notes that the purpose of the Changes to T&Cs was to give bondholders the opportunity to retain their long-term participation in the Company at an interest rate that is more in line with then current market conditions, whilst allowing the Group to re-diversify its balance sheet with long-term debt in a more cost and time efficient manner compared to a refinancing on the basis of a new issuance of bonds. In turn, this is related to the particularly high costs and complicated process that the re-registration of new security in Germany would entail. In this respect, management also highlights that the Bond shall remain fully secured throughout the extended term, with the Changes to T&Cs having no effect on the security package underlying the Bond, namely the first ranking uncertificated land charge granted under German law on the underlying industrial property assets owned by the Property Companies.

2.3 Organisational Structure

The current corporate structure of the Group is as follows:



3 MAJOR ASSETS OF THE GROUP

3.1 Merkanti Bank Limited

Merkanti Bank's operations began in February 2016 after the ECB and MFSA approved the acquisition of Merkanti Bank. Before the acquisition, BAWAG primarily focused on corporate banking to generate interest income. After the acquisition, Otto Karasek, the Chief Executive Officer at the time, continued in his role and concentrated on revamping the Bank's business model. This involved changing internal processes, systems, corporate governance structures, and shifting operations towards providing traditional merchant banking services.

Regarding merchant banking, the Bank has been offering advisory and fee-based services, often to related parties. Merchant banking continues to be an important income stream for the Bank.

This typically involves banking advisory services relating to working capital optimisation and cashflow management. This business line also compliments the Bank's specialised credit business involving bridge finance loans relating to corporate restructurings, selective banking book acquisitions and other specialised lending.

Before issuing the Bond, Merkanti Bank decided to enter the trade finance market in addition to generating income from fees and interest through its merchant banking activities. The Bank earns this income by providing credit and risk management, customized financial tools, structured financial solutions, corporate finance services, and occasionally realizing gains from its proprietary investments.

The Bank continued to invest in the core activities overseen and led by Martin Ware who was appointed as the Bank's CEO in June 2021. Investments include additional personnel experienced in trade finance and merchant banking, in addition to new procedures and structures. Additionally, the Bank has upgraded many of its core systems.

3.1.1 Statement of Comprehensive Income

Merkanti Bank Ltd Financial Statements *Extracts from Income statement (€000) - 31 December*	**2022** *Actual*	**2023** *Actual*	**2024** *Actual*
Net interest income	1,697	2,826	2,454
Net fee and commission income	2,297	1,490	1,519
Net trading income	965	546	(175)
Other operating income	35	486	-
Operating income	**4,994**	**5,348**	**3,798**
Administrative expenses	(3,010)	(2,859)	(3,273)
Changes in expected credit losses	(36)	(102)	(109)
Profit before tax	**1,948**	**2,387**	**416**
Other comprehensive income - net of tax	(637)	273	224
Total comprehensive income for the year	**1,312**	**2,660**	**640**
Total Capital Ratio	82.11%	85.60%	77.81%
CET1 Capital Ratio	67.75%	85.60%	77.81%

Source: Audited financial statements

Interest income decreased during 2024 (-10%) to €3.0 million, reflecting the prevailing interest rate scenario trends. This movement was mostly evident with respect to loans to customers, compared to the advances to banks and other financial institutions. With interest expenses almost unchanged at €0.5 million, net interest income decreased by €0.4 million to €2.5 million. On the other hand, there was a slight improvement in the fee income activities, with net fee and commission expense at €1.5 million.

Management notes that planned expansion of the corporate banking business sourced from third parties was slower than expected. Meanwhile, also due to certain global uncertainties, a prudent approach was maintained during 2024 with respect to expansion of merchant banking activities and its credit loan portfolio development. Results from trading activities were negative during 2024, with a trading loss amounting to €0.2 million driven by foreign exchange losses.

The Bank's overall operating income amounted to €3.8 million in 2024, representing a decrease of €1.6 million. In addition to the above-mentioned movements in net interest income, fee income and trading, it is noted that operating performance compared to the previous year was adversely impacted also by the lack of other operating income streams. In 2023, the Bank's other income had amounted to €0.5 million, driven by due amounts received from the litigation business, with such income considered to be of a non-recurring nature.

In line with trends over recent years, administrative expenses at the Bank increased further to €3.3 million, an increase of €0.4 million (+14%). Management notes that that the increased costs mainly originated from new staff recruits, increases in external advisory fees due to new compliance related engagements (e.g. risk co-sourcing, ESG, DORA) and an increase in bank charges/SWIFT costs. Other comprehensive income mainly relates to net fair value movements in financial assets which resulted in a basically unchanged gain of €0.2 million, driven by the impact on fixed income holdings of lower interest rate expectations.

3.1.2 Statement of Financial Position

Merkanti Bank Ltd Financial Statements *Statement of financial position (€000) - 31 December*	**2022** *Actual*	**2023** *Actual*	**2024** *Actual*
ASSETS			
Balances with Central Bank of Malta and cash	14,573	27,980	20,315
Loans and advances to banks and other financial institutio	6,970	6,549	6,901
Loans and advances to customers	13,958	13,375	13,019
Financial assets mandatorily measured at fair value throug	793	793	793
Financial assets measured at fair value through other com	18,153	6,947	5,146
Property, Plant and Equipment	200	107	29
Intangible assets	943	922	881
Accrued income and other assets	1,110	1,880	559
Total assets	**56,700**	**58,551**	**47,641**
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	10,000	10,000	10,000
Capital contribution	-	-	28
Fair value Reserve	- 588	- 315	- 90
Retained earnings	6,884	9,271	9,686
Total equity	**16,296**	**18,956**	**19,625**
LIABILITIES			
Amounts owed to banks	4,966	4,966	4,965
Amounts owed to customers	30,458	34,336	22,920
Subordinated liabilities	4,500	-	-
Other liabilities	480	293	131
Total liabilities	**40,404**	**39,594**	**28,016**
Total equity and liabilities	**56,700**	**58,551**	**47,641**

Source: Audited financial statements

The Bank's balance sheet decreased by more than €10 million to €47.6 million during 2024, mainly driven by the withdrawal of liquidity balances held by related parties. During recent years, the Bank's asset composition had shifted towards more liquid assets, supported by increased funding, which in turn was originally intended to partly finance the previously proposed acquisition of Sparkasse (Holdings) Malta Ltd.

Balances held with the Central Bank of Malta amounted to €20.3 million (-27%). There was also a shift in the composition of such assets. As at 31 December 2024, deposits amounting to €6.9 million, compared to €17.6 million the previous year, were withdrawable on demand and subject to an interest rate of 3% per annum. The remaining deposits of €13.3 million (2023: €10.1 million) consisted of money market placements in USD with a contractual maturity of six months and interest rate of up to 4.2%, and in CAD with a maturity of seven days and interest rates of up to 2.3% per annum.

In line with deposit assets, financial assets measured at face value through other comprehensive income decreased to €5.1 million (2023: €6.9 million), with the Bank disposing of a portion of its Malta Government Stocks portfolio.

On the funding side, total liabilities amounted to €28.0 million (2023: €39.6 million) and primarily reflect a decline in deposit funding in line with above mentioned trends. Amounts owed to customers of €22.9 million, including both those repayable at call and short notice (€16.0 million) and term deposits subject to fixed interest rates (€6.9 million), substantially consist of balances held by related parties.

3.2 The Property Companies

Merkanti Holding acquired an 85% shareholding in each of Merkanti (A) and Merkanti (D) in advance of the Bond Issue on 27th December 2018. The Property Companies were thereafter re-domiciled to Malta on 8th July 2019. Prior to the end of 2019, Merkanti Holding increased its interest by a further 9.9% of the issued share capital of Merkanti (A) and Merkanti (D). Accordingly, the Issuer currently holds 94.9% of the ordinary shares of each of the Property Companies.

The Property Companies operate in the industrial real estate leasing sector in Germany and hold investment property assets of a combined value of €31.9 million, yielding a combined rental income of approximately €1.7 million per annum with an annual gross rate of return of 5.1%.

The Property Companies own the real estate situated in Germany described below, which is currently leased out to several tenants on definite or indefinite term contracts.

For the year ending 31 December 2024, 93% of Merkanti (A)'s rental income and 97% of Merkanti (D)'s rental income was generated from areas leased out to third party tenants, with the remaining 7% and 3% respectively generated from leases to companies within the Group.

The properties are situated in the region of Saxony-Anhalt, in the central-eastern part of Germany, and borders the states of Brandenburg, Saxony, Thuringia and Lower Saxony. The region is an attractive location for businesses. The industry sector is very diverse and includes automotive supply production and mechanical engineering, information technology, biotechnology, and medical technology. Important corporations are located in the region including Bayer, Total and Dow Chemical.

Altmark Industrie Management Gmbh ("A.I.M.") is the management company for the two property companies and was acquired in 2020 from a related party. The offices are based at the premises of Merkanti (A) and it provides administration, accounting, tax, maintenance and other services to both Merkanti (A) and Merkanti (D), amongst other companies.

3.2.1 Merkanti (A) International Limited

Merkanti (A) owns the largest (1,553,113 m²) industrial and commercial park in the German State of Saxony-Anhalt, known as the Industrial and Commercial Park Altmark, located in Arneburg, Germany. There are currently 32 buildings in Industrial and Commercial Park Altmark. This park is traditionally a centre for the pulp and paper industry but that has recently made developments towards sustainable energy, with a large solar park built there in 2014. The Industrial and Commercial Park Altmark is well connected via a railway system, a connection to its own harbour on the river Elbe, and a connection to modern roads for transportation by truck.

The investment property is measured at fair value which was estimated by an external valuation expert. The fair value reflects actual market state, conditions and circumstances as at year end.

Industrial and Commercial Park Altmark presently yields a rental income of approximately €1.2 million per annum with a combined value in investment property of €23.3 million, thereby achieving a gross rate of return of 5.0%. Around 35% of the rental income generated by Merkanti (A) as at the end of 2024 was generated by tenants within the construction and building materials industry, whilst the pulp sector accounted for another sizeable portion of rental income (approximately 30%). The balance was generated from various tenants mainly operating in agriculture, transport and logistics, and administration and property management (primarily intra-group from A.I.M.).

Merkanti (A)'s two largest tenants by rental income accounted for 33% and 29% each of Merkanti (A)'s total rental income as at the end of 2024, largely representing the construction and building materials and pulp industries.

Tenant 1 held several rental agreements with Merkanti (A) as at the end of last year, with the largest agreement (accounting for 67% of this tenant's rent) maturing in 2027 and subject to automatic extension for a further 5 years.

Tenant 2 also holds several rental agreements with Merkanti (A), substantially most of which are definite, with the largest agreement (accounting for more than 40% of this tenant's rent) maturing in 2028 and subject to automatic extension for a further 5 years.

3.2.1.1 Income Statement

Merkanti (A) Ltd Statements of comprehensive income (*€000) - 31 December*	2022 Actual	2023 Actual	2024 Actual
Rental Income	**1,072**	**1,087**	**1,176**
Change in the fair value of investment property	34	379	1,218
Realised gains on disposal of investment properties	97	(43)	32
Administrative and other expenses	(1,021)	(1,379)	(1,332)
Other income (including net trading gains/(losses)	219	460	339
EBITDA	**400**	**503**	**1,433**
Fair value gains in relation to participation rights	428	36	
Finance costs	(439)	(439)	(439)
Finance income	419	442	536
Profit/ (Loss) before tax	**808**	**543**	**1,530**
Tax	(130)	(215)	(27)
Profit for the year	**678**	**327**	**1,504**

Source: Management information, financial statements

Total rental income from the lease of the property remained basically unchanged at €1.2 million, in line with previous years. In 2024, Merkanti (A) generated €1.4 million in estimated EBITDA, with the sizeable increase of circa €0.9 million, primarily driven by the valuation gain in investment property and with administrative expenses marginally lower at €1.3 million.

In fact, the fair valuation gain during 2024 amounted to €1.2 million, with such movement reflecting increases in occupancy rates and certain enhancements to the properties.

Management notes that all the halls at Merkanti (A) are currently let, with some office space still available. Furthermore, there is considerable interest in the site with a couple of potential large sales in the pipeline, as the site is considered attractive because of a number of its features including close proximity to a substation connection to the grid.

In 2024, net interest income amounted to €0.1 million, with such flows driven by advances from, and to, related parties. Interest income is derived from amounts held at the Bank and advances to Scully Royalty. Finance costs of €439k reflect the interest payable on the loan of €6.8 million at an interest rate of 6.5% advanced from Merkanti Holding following the Bond Issue. Profit for the year amounted to €1.5 million.

3.2.1.2 Statement of Financial Position

Merkanti (A) Ltd Statements of financial position (*€000) - 31 December*	2022 Actual	2023 Actual	2024 Actual
Assets			
Non-current assets			
Investment Property	22,029	21,564	23,275
Trade and other receivables	-	1,686	-
Total Non-current assets	**22,029**	**23,250**	**23,275**
Current assets			
Financial assets measured at fair value through profit or loss	1,650	-	-
Trade and other receivables	5,578	4,770	7,641
Loans and advances to banks	4,000	4,000	6,516
Cash and Cash equivalents	1,786	2,312	-
Total current assets	**13,013**	**11,082**	**14,157**
Total assets	**35,042**	**34,332**	**37,432**
Equity and Liabilities			
Capital and reserves			
Share Capital	1	1	1
Capital contribution reserve	24,173	24,173	24,173
Retained earnings	2,124	1,501	2,805
Total equity	**26,298**	**25,675**	**26,979**
Liabilities			
Non-current liabilities			
Borrowings	6,750	6,750	6,750
Deferred tax liabilities	1,103	1,095	1,322
Current liabilities			
Current tax liabilities	160	211	9
Trade and other payables	732	601	2,373
Total liabilities	**8,744**	**8,657**	**10,453**
Total equity and liabilities	**35,042**	**34,332**	**37,432**

Source: Management information, financial statements

Merkanti (A)'s total assets amounted to €37.4 million in 2024, up €3.1 million compared to the previous year on the back of the increase in valuation of the property as above mentioned, in addition to increased advances to related companies.

Trade and other receivables primarily consist of balances due from Scully Royalty of €6.1 million (2023: €4.8 million), on which the Company currently earns 7.375%. Meanwhile loans and advances to banks comprise fixed-term deposits held with Merkanti Bank amounting to €6.5 million (2023: €4 million) subject to a fixed interest of 2.75% per annum, which was recently extended. In terms of funding, part of the proceeds of the Bond were granted as a loan to Merkanti (A), with borrowings amounting to €6.8 million. Accrued expenses and other liabilities, amounted to €2.4 million. Total equity as at 31 December 2024 was €27.0 million (+5%).

3.2.2 Merkanti (D) International Limited

Merkanti (D) owns the Dessau-Mitte Industrial Park, located in Dessau, Germany. Management indicates that this 109,804m^2 industrial park offers 16 buildings comprising of office and administrative buildings, production halls and warehouses. The Dessau-Mitte Industrial Park is ideally situated for hosting production, engineering and servicing companies, currently housing traditional equipment for cement plants, mills, cooling apparatus, drums and rotary furnaces, as well as broad-based engineering services in the field of cement plants and medical technology. The industrial park benefits from connections to the autobahn, the national railway and the Elbe River.

Dessau-Mitte Industrial Park is valued at €8.7 million and presently yields a rental income of approximately €0.5 million, thereby producing an annual gross rate of return of 5.20%.

The sectoral breakdown of tenants of Merkanti (D) is more diverse compared to Merkanti (A). As at the end of 2024, just over half of the rental income of this property is earned from the following sectors: construction and building materials, administration and technical services, and medical technology. The other 50% is accounted for a a wide range of sectors and type of smaller scale outlets.

Similarly, in terms of exposures to singular tenants, the rental income of Merkanti (D) is less concentrated than that of Merkanti (A). The income earned from the largest tenant (construction and building materials) accounts for 14% of total income, followed by 2 tenants (administration and medical technology) each accounting for 11%.

3.2.2.1 Income Statement

Merkanti (D) Ltd Statements of comprehensive income (*€000) - 31 December*	2022 Actual	2023 Actual	2024 Actual
Rental Income	727	560	454
Changes in fair value of investment property	(5)	(419)	135
Administrative and other expenses	(755)	(920)	(823)
Other income (including net trading gains/(losses)	331	356	286
EBITDA	**299**	**(423)**	**52**
Finance income	38	53	92
Finance Costs	(179)	(179)	(179)
Profit/ (Loss) before tax	**158**	**(549)**	**(35)**
Tax	(107)	30	74
Profit for the year	**51**	**(519)**	**39**

Source: Management information, financial statements

Revenue from rental and lease of properties owned by Merkanti (D) declined in 2024 by 19% to €0.5 million. It was previously indicated that the non-renewal of a contract by a major tenant following expiration had an adverse impact on the recurring rental income. Management had noted that this development was considered as a temporary situation, also highlighting measures being implemented to enhance occupancy and rates, including advertising and investments in environmental improvements. In fact, during 2024 the company began a marketing campaign at Merkanti (D). In this respect, management believes that the results are now being seen in 2025 with the four largest halls, outside storage areas, and the rail system all let, whilst the occupancy at the office units has also improved.

Positively, in a reversal of the previous year's trend there was a decline in administrative expenses during 2024, which amounted to €0.8 million (-10%). Merkanti (D) also benefited from a fair value gain of €135k in 2024. However, interest income was negative at €87k, and a negligible loss was registered for the year.

3.2.2.2 Statement of Financial Position

Merkanti (D) Ltd Statements of financial position (*€000) - 31 December*	2022 Actual	2023 Actual	2024 Actual
ASSETS			
Non-current Assets			
Investment Property	8,936	8,517	8,652
Trade and other receivables	-	1,124	-
Total non-current assets	**8,936**	**9,641**	**8,652**
Current Assets			
Financial assets measured at fair value through profit and loss	1,100	-	-
Trade and other receivables	152	99	766
Current tax assets	-	19	47
Loans and advances to banks	2,000	2,000	2,171
Cash and cash equivalents	690	338	-
Total current assets	**3,941**	**2,456**	**2,984**
Total assets	**12,877**	**12,097**	**11,636**
EQUITY AND LIABILITIES			
Capital and reserves			
Share Capital	1	1	1
Capital contribution reserve	6,741	6,741	6,741
Retained earnings	1,562	694	633
Total equity	**8,304**	**7,435**	**7,375**
LIABILITIES			
Non-current liabilities			
Borrowings	2,750	2,750	2,750
Deferred tax liabilities	1,123	1,059	1,065
Total non-current liabilities	**3,873**	**3,809**	**3,815**
Current liabilities			
Trade and other payables	595	766	444
Current tax liabilities	105	86	3
Total current liabilities	**700**	**853**	**447**
Total liabilities	**4,573**	**4,661**	**4,261**
Total equity and liabilities	**12,877**	**12,097**	**11,636**

Source: Management information, financial statements

Total assets as of 31st December 2024 amounted to €11.6 million, declining from the prior year. In addition to the investment property (€8.7 million), other major assets consist of loans and advances to banks comprising of deposits held with Merkanti Bank amounting to €2.2 million. Funding substantially consists of the €2.8 million loaned to Merkanti (D) by the Issuer.

3.3 Other Assets

The Company established Merkanti Diesel in December 2019, with the objective of providing dispute resolution finance, with a focus in Germany. This activity typically relates to the provision of funding to individuals and their legal counsels who are making legal claims against large corporations. Merkanti Diesel, fully financed by Merkanti Bank and via agreements with a German dispute resolution funder and three law firms, provided financing to individual legal claims relating to the "Dieselgate" scandal. This company is currently in "run-off" and is not expected to generate material proceeds for the group in the future.

4 INDUSTRY OVERVIEW

4.1 German Industrial Real Estate

The Property Companies own real estate exclusively in the Saxony-Anhalt region of Germany. In this region, logistics plays a central role in the state's business growth strategy, facilitated by an outstanding transportation network. Situated at the heart of Europe, the area offers a highly active business environment with an advantageous location and an intricate interconnection of traffic routes capable of handling substantial loads. In fact, Saxony-Anhalt boasts extensive links to pan-European transportation routes, serves as an international hub for air cargo through the Leipzig/Halle Airport, possesses one of Europe's most extensive railway networks (spanning approximately 3,100km of tracks and 76 freight transport stations), and features a modern waterway system encompassing the Elbe, Mittelland Canal, Elbe-Havel Canal, and waterway crossings.

In terms of industrial environment, it is noted that Saxony-Anhalt features a wide range of industries and company sizes. The state is at the core of what is known as the Central German Chemical Triangle, which is considered one of the most attractive locations for the chemical industry, and is also considered ideal for battery cell manufacturing, development and testing[1]. Saxony-Anhalt has also developed into a centre of excellence in areas such as medical technology, pharmaceuticals, the food industry and bioeconomy, automotive and mechanical engineering. In addition to location and infrastructural advantages noted above, companies benefit from their proximity to science and research centres. Investment momentum is currently positive, with investment flows attracted to plans for 700 hectares of space at the High-Tech Park on the outskirts Magdeburg, and the commercial and industrial sites, each offering at least ten hectares of contiguous space[2].

[1] Top Investments of the Year 2024 in Saxony-Anhalt; Germany Trade and Invest, March 2025
[2] Saxony-Anhalt Presents Current and Future Investment Opportunities at Expo Real, October 2024

The German warehouse and logistics market is recognised as one of the leading markets globally, with warehouses that are ahead of most European countries in size and quality[3]. However, there was a contraction as of the end of 2024[4]. According to BNP Paribas[5], total warehouse take-up in 2024 reached 5.3 million square meters, down 16% year-on-year and 24% below the 10-year average, with such decline reflecting broader economic uncertainties, inflationary pressures, and investors' cautious approach.

In terms of relative trends, a shift toward smaller-scale and more flexible operations is noted. Last year showed an uptick in demand for units below 3,000 sqm. According to BNP Paribas, manufacturing companies led demand with 36% of take-up, followed by logistics firms (29.6%) and retail/wholesale (25.8%). More recent data shows positive indications so far this year, with the nationwide logistics occupier market achieving a take-up of around 1.2 million sqm in the first quarter (+16%), even though the economic environment is uncertain[6].

As could be expected, developers and operators are increasingly prioritizing energy-efficient, green-certified logistics facilities. According to reports, green-certified warehouses now command premium rents in many markets, with both investors and tenants prioritizing properties that integrate renewable energy, rainwater harvesting, solar panels, and low-carbon materials. It is generally expected that future demand will concentrate around such properties, especially as ESG regulations tighten. Furthermore, digitisation is becoming more important in warehousing. The use of systems such as AI-based warehouse management systems (WMS) is increasingly widespread. Smart warehouses are enabling predictive maintenance, real-time inventory tracking, and faster throughput, allowing operators to offset rising labour costs and shortages.

4.2 Trade Finance

Within the backdrop of rising global economic uncertainties, last year was marked by volatility and shifts in global trade finance. According to the World Trade Organisation (WTO), in 2024 world trade in goods and commercial services, on a balance of payments basis, expanded by 4% to US$ 31.5 trillion, following a 2% decline in 2023. Geopolitical tensions increased concerns in particular relating to shipping routes and costs. There were instances were economic policies caused uncertainty[7]. For example, EU tariffs on Chinese electric vehicles affected this growing market and induced shifts in manufacturing strategies.

As could be expected, the trade war that gathered pace in 2025 is likely to remain a major theme in the trade finance sector throughout this year. The World Trade Organization (WTO) has re-assessed its outlook on the trade landscape, resulting in a downgrade for merchandise trade, and

[3] Logistics in Germany – all you need to know; E Commerce Germany News
[4] Warehouse Market in Germany 2025; Warehouse Magazine, May 2025
[5] Logistics Market Germany Q4 2024; BNP Paribas Real Estate GmbH
[6] Logistics Market Germany Q1 2025; BNP Paribas Real Estate GmbH
[7] Global Trade Finance 2024: Year-End Review and Strategic Insights; Incomlend, December 2024

a smaller reduction in the outlook for services trade[8]. WTO economists are forecasting a -0.2% contraction in merchandise trade in 2025, down from +2.9% in 2024 – followed by a 2.5% increase in 2026. Growth in commercial services trade is expected to slow to 4.0% this year from 6.8% in 2024, climbing to 4.1% next year.

Societe Generale notes that more than tariffs themselves, it is the instability that is the primary concern[9]. The expectation is that certain underlying trends will be accelerated, with an increase in prominence of strategic sectors such as IT data storage centres, battery production, defence and space sectors. Furthermore, due to the higher levels of uncertainty in relation to trade prospects, companies will prioritise liquidity. Concerns will likely impact working capital needs in order to finance inventories, the purchasing of key components at higher prices due to rising tariffs, and more geographically diversified raw material supplies. Whilst typical trade finance instruments such as short-term loans, letters of credit, and import/export guarantees, will certainly remain relevant, the current situation is also expected to increase the pace of digitisation in the financing of trade.

[8] Global Trade Outlook and Statistics; WTO, April 2025

[9] Trade Tensions: What Are the Consequences for Trade Finance?; Societe Generale, May 2025

5 PERFORMANCE AND FINANCIAL POSITION OF THE ISSUER

The Issuer operates as a holding company which is mainly involved in the holding of subsidiaries that generate diversified sources of income. Merkanti Holding's main activities relate to the acquisition, the holding and sale of property, shares, and other assets, the raising of financing, raising of capital, the lending and advancing of funds to Group companies, and the collection of interest income on advances to and management fees from the Subsidiaries. It is therefore relevant to note that the Issuer's operations are not restricted to that of a finance company.

The Issuer's standalone audited financial statements for the financial years ended 31st December 2022, 2023, and 2024 have been audited by PwC. This section also includes references to forecasted financial statements provided by management for 2025, which are based on certain assumptions. Events and circumstances my differ from expectations, therefore, actual results may vary considerably from projections.

5.1 Income Statement

Merkanti Holding Plc (Standalone) *Statement of comprehensive income (€000) - 31 December*	**2022** Actual	**2023** Actual	**2024** Forecast	**2024** Actual	Variance	**2025** Forecast
Interest and similar income	1,332	1,258	1,300	1,118	-14.0%	1,129
Interest and similar expense	(1,163)	(1,116)	(1,150)	(1,663)	0	(1,477)
Net interest income	**170**	**143**	**150**	**(545)**	**(5)**	**(348)**
Net fee and commission income	**537**	**138**	**150**	**93**	**(0)**	**80**
Rental income	79	102	100	107	6.5%	82
Gains/(losses) on disposal of investments in subsidiaries	(51)	-	-	-	-	-
Realised (losses)/gains on disposal of investment property plant an	-	(1)	-	-	-	(1)
Net trading gains	(615)	(537)	-	17	-	(27)
Dividend Income	1,806	1,234	525	285	-46%	807
Other operating income	665	919	750	1,216	62%	980
Operating income	**2,642**	**1,997**	**1,675**	**1,172**	-30.0%	**1,572**
Changes in expected credit losses	15	39	-	-	-	-
Administrative expenses	(1,135)	(1,553)	(1,251)	(1,311)	4.8%	(1,193)
Profit/(loss) before tax	**1,471**	**483**	**424**	**(139)**	-132.8%	**379**
Tax expense/ income	(661)	(11)	-	138	-	-
Profit/(loss) for year	**809**	**472**	**424**	**(1)**	**(1)**	**379**

Source: Management information, Audited financial statements

The Issuer's business model is based on the earning of interest income on amounts due from the parent, interest income on loans to subsidiaries, fees charged to subsidiaries and other related parties, rental income through lease agreements with subsidiaries, in addition to dividend income from subsidiaries.

The Company's net interest income position deteriorated during 2024, with interest expenses exceeding interest income by €0.5 million. This was driven mainly by the substantial rise in interest costs to €1.7 million. Additionally, as expected debt servicing costs payable on the outstanding debt increased, reflecting the impact of an increased interest rate from 4.00% to 5.70%.

Interest income was generated on receivables from Scully Royalty (€0.5million) relating to a revolving credit facility amount of €5.9 million being charged an interest rate of 8.25%, and on the receivables from the Subsidiaries (€0.6 million).

The income on the receivables from the Subsidiaries consists of interest receivable on loans to the Property Companies bearing an interest rate of 6.5%, following the extinguishment of the subordinated Tier 2 loan to Merkanti Bank the prior year.

Net fee and commission income amounted to €92.9k, with such fees at the Company level typically being limited to management, administration, account maintenance and payment services.

Other operating income increased to €1.2 million (+32%), consisting of recharges to the Ultimate Parent for expenses paid for professional service on behalf of Scully Royalty, and recharges to third parties for expenses paid in relation to ancillary costs incurred by the Group's property companies.

The Company benefited from a 16% decline in administrative expenses to €1.3 million. This was driven mostly by a normalisation in the level of professional fees.

On the other hand, the Company's profitability at the standalone level was adversely affected by the decline in dividend income that management opted to pay out from the subsidiaries, notably from the Property Companies. Whilst profitability at Merkanti (A) improved, with profitability relatively still challenging at Merkanti (D), the Group opted for a more limited upstream of dividend income during 2024.

Going forward, management expects net interest costs to moderate to €0.3 million during 2024, with projected net fee income relatively unchanged. Management is expecting a substantial recovery in the contribution from dividend income, which is expected to amount to €0.8 million, whilst the projected dividend income is expected to decrease for each of the forecast period years, with other operating income also remaining at high levels of around €1 million.

5.2 Statement of Cash flows

Merkanti Holding Plc (Standalone) *Statement of cash flows (€000) - 31 December*	**2022** Actual	**2023** Actual	**2024** Forecast	**2024** Actual	Variance	**2025** Forecast
Net cash generated from operating activities	648	1,867	(1,824)	(4,037)	121%	(28)
Net cash used in investing activities	(5)	1,048	29	-	-100%	(127)
Net cash used in financing activities	(3,732)	(171)	(30)	(171)	471%	-
Net movement in cash and cash equivalents	**(3,089)**	**2,744**	**(1,825)**	**(4,209)**	131%	**(154)**
Cash and cash equivalents at beginning of year	5870	2781	7325	5525	-25%	1317
Cash and cash equivalents at end of year	**2,781**	**5,525**	**5,500**	**1,317**	-76%	**1,162**

Source: Management information, Audited financial statements

Net cash used in operating activities during 2024 totalled €4.0 million, which compares to €1.9 million generated in the previous year. This outflow primarily reflects the utilisation of €3.6 million in excess liquidity at the Company level (following the repayment of balances from subsidiaries) towards the extension of further advances to Scully Royalty. Furthermore, the increase in these balances more than compensated more for the reduction in term loans and advances held at the Bank (€0.9 million).

No other major cash flow movements were noted during 2024, in terms of either investing or financing activities, also as a result of dividend income earned by the Company in 2023 being partly settled in 2024 via the assignment of receivables from the Ultimate Parent. Management notes that this form of dividend distribution allows for the consolidation of balances and reduces cash movements when investments at subsidiaries might have required liquidity. For the current year, an overall net outflow in cash and cash equivalents of approximately €0.2 million is expected, on the back of no major movement

5.3 Statement of Financial Position

Merkanti Holding Plc *Standalone Statement of financial position (€000) - 31 December*	2022 Actual	2023 Actual	2024 Forecast	2024 Actual	Variance	2025 Forecast
ASSETS						
Loans and advances to banks and other financial institutions	2,781	7,325	5,500	2,217	-60%	1,162
Financial assets measured at fair value through P&L	802	267	-	-	-	-
Investments in subsidiaries	50,531	50,531	50,531	50,559	0%	50,559
Property, plant & equipment	52	29	-	4	-	98
Right-of-use assets	284	139	-	-	-	672
Other receivables	22,440	19,170	21,639	23,306	8%	24,789
Current tax assets	-	-	-	178	-	138
Accrued income and other assets	2,743	2,634	2,650	3,513	33%	3,450
Total assets	**79,633**	**80,095**	**80,320**	**79,777**	-1%	**80,870**
EQUITY AND LIABILITIES						
Capital and reserves attributable to owners of the parent						
Share capital	1,667	1,667	1,667	1,667	0%	1,647
Contribution reserve	50,893	50,893	50,893	50,893	0%	50,893
Retained earnings	1,606	2,078	2,502	2,077	-17%	2,456
Total Equity	**54,166**	**54,638**	**55,062**	**54,637**	-1%	**54,996**
Liabilities						
Borrowings	24,580	24,687	24,475	24,481	0%	24,533
Lease liabilities	331	169	-	-	-	672
Current tax liabilities	2	11	-	-	-	-
Other liabilities	555	591	783	659	-16%	668
Total liabilities	**25,467**	**25,457**	**25,258**	**25,140**	0%	**25,874**
Total equity and liabilities	**79,633**	**80,095**	**80,320**	**79,777**	-1%	**80,870**

Source: Management information, Audited financial statements

The Company’s balance sheet at the standalone level was almost unchanged during 2024, amounting to €79.8 million (2023: €80.1 million). Reflecting the Company’s business model as a holding company, the investments in subsidiaries remained the major asset, amounting to an unchanged €50.6 million.

On the other hand, there were notable shifts in the composition of other elements in the asset base. Loans and advances to banks and other financial institutions decreased substantially to €2.2 million (2023: €7.3 million), as the Company drew down its balances held at the bank. Amounts repayable on call and at short notice declined 76% to €1.3 million, whilst term loans were halved to €0.9 million. Meanwhile, generally in line with previous management forecasts, the increase in available liquidity was directed towards an increase in advances to Scully Royalty, which amounted to €13.3 million at 31 December 2024.

In particular, the revolving credit facility reached €10.9 million (2023: €5.9 million). Whilst the original balance is earning a fixed interest rate of 8.25%, the additional balance of €5 million extended during 2024 is non-interest bearing.

Management projections for the forecast period indicate that an additional utilisation of liquidity balances available towards advances to related parties, with other receivables increasing to €24.8 million (+€1.5 million) and loans and advances to banks and other financial institutions declining to €1.1 million (-€1.1 million).

During 2024, there were no major movements with regards to overall funding balances. Total equity remained stable at €54.6 million as at 31 December 2024. As expected the Bond accounted for basically all the Company's financial debt obligations. Whilst this obligation amounted to a basically unchanged €24.5 million, the Changes to T&Cs allowed the Company to extend the Group's debt maturity profile.

With respect to the wider group of Scully Royalty, it should be noted that in 2019, Scully Royalty Limited, the Issuer's ultimate parent company and some of its subsidiaries, including the Issuer, were named as defendants in a legal action in a foreign jurisdiction related to an alleged guarantee of the former parent of the SRL group. Management highlights that the SRL group believes that such claim is without merit and intends to defend this claim. Furthermore, the Company has initiated litigation locally in Malta seeking a declaratory judgment against the plaintiff regarding this claim. In addition, the Company has obtained additional risk mitigation securities for this litigation to mitigate the possibility for any potential loss. Based on the information available, management does not believe that there will be a material adverse effect on the group's financial condition or results of operations as a result of this action. However, due to the inherent uncertainty of litigation, management are not able to provide certainty as to the outcome of these claims.

5.4 Evaluation of Performance and Financial Position

Merkanti Holding Plc *Key Ratios*	**2022** Actual	**2023** Actual	**2024** Actual	**2025** Forecast
Operating Income Margin *(Operating Income / Revenue)*	141%	143%	97%	130%
Profit Margin *(Pre tax profit / Revenue)*	79%	35%	-11%	31%
Interest Cover *(Operating Profit before interest expense / Interest expense)*	2.3x	1.4x	0.9x	1.3x
Return on Assets *(Pre tax profit / Average Total Assets)*	1.8%	0.6%	-0.2%	0.5%
Return on Capital Employed *(Pre tax profit / Average Capital Employed)*	1.8%	0.6%	-0.2%	0.5%
Return on Equity *(Profit for the year / Average Total Equity)*	1.5%	0.9%	0.0%	0.7%
Gearing ratio *(Borrowings / {Total Equity + Borrowings})*	31.5%	31.4%	31.4%	30.8%

Source: Management information, Audited financial statements, Curmi & Partners Ltd.

The Issuer is a diversified holding company with subsidiaries operating in the banking and industrial real estate sectors and benefiting from a diversified income stream. At the standalone level, dividends received from subsidiaries have been the main source of income over recent periods, whilst the Company also generates income on loans advanced to the Ultimate Parent and to subsidiaries.

There was a decline in profitability at the Company level during 2024. Whilst in previous years the Company benefited from strength in certain sources of income compensating for a decline from other sources, bottom line profitability was negatively by the fact that whilst interest earning activities were negative and fee income generation relatively weak, dividend income decreased substantially. These movements were not fully compensated for by the improved efficiency from the robust decline in administrative expenses.

Such trends are reflected in the Company's profitability ratios, with notably the interest cover at the standalone level dropping below 1.0x during 2024, as this metric is particularly impacted by the negative performance in terms of interest income generation. Operating margins and returns also declined.

As referred to in previous sections, whilst the performance of the Property Companies deteriorated last year, on the basis of more recent trends, management remains confident that these subsidiaries will remain an important contributor of dividend income for the Company, with a recovery in the contribution from dividends expected as from next year. In this respect, management notes the positive signals from the specific efforts recently implemented in terms of marketing. Management also highlights the fact that fees and commissions receivable are impacted by the relatively irregular nature of the certain activities the Company engages in. From a balance sheet perspective, the Company's gearing is expected to remain basically unchanged.

At the wider Group level, management notes that the Group's strategy is to seek opportunities, both organic and inorganic, whilst remaining prudent and adhering to its risk management principles. This is reflected in the maintenance of elevated levels of liquidity, in certain instances combined with the extension of balances to related parties.

With respect to the banking business, the intention of the Group remains to grow the balance sheet with a targeted approach. The Bank continues to focus on general corporate financing typically involving special situations and customised transaction solutions for institutional and corporate clients. Preferred industry sectors include regulated industries, primary industries, manufacturing and transport.

Meanwhile, management also aims to further optimize the utilization of its industrial real estate assets in Germany.

6 COMPARABLES

The table below provides an indication of the relative financial performance and debt servicing capability of the Issuer. The credit metrics of the Issuer are hereby compared to those of a selection of finance companies, that in this respect could be considered to have a similar relatively stable earnings profile. The ratios indicated below are calculated using the audited financial statements for FY2023 of each respective company. To estimate the ability of servicing borrowings, interest coverage is estimated as the ratio of financial income (after adjusting for administrative expenses) to interest payable.

Issuer	Interest Cover	Gearing
Merkanti Holding plc	0.9x	31.4%
AX Real Estate plc	2.8x	52.7%
Malta Properties Company plc	3.0x	34.5%
SD Finance p.l.c.	5.9x	43.5%
Stivala Group Finance p.l.c.	4.4x	22.2%
Exalco Finance plc	6.5x	20.3%
MIDI plc	-1.0x	45.0%

Source: Audited financial statements; Curmi & Partners Ltd

7 GLOSSARY

Income Statement	
Operating Income	Gross operating profit refers to the total revenue less expenses incurred earning that revenue.
EBITDA	Earnings before interest, tax, depreciation, and amortisation (EBITDA) is a measure of operating profitability. It excludes depreciation and amortisation and is viewed as measure of a company's core profitability and cash generating ability.
Balance Sheet	
Non-current assets	Non-current assets are long-term investments, the full value of which will not be realised within the accounting year.
Current assets	Current assets are all assets that are realisable within one year from the statement of financial position date. Such amounts include trade receivables, inventory, cash, and bank balances.
Current liabilities	Current liabilities are liabilities payable within a period of one year from the statement of financial position date and include trade payables and short-term borrowings.
Non-current liabilities	Long-term financial obligations or borrowings that are not due within the present accounting year. Non-current liabilities include long-term borrowings, bonds, and long-term lease obligations.
Total Equity	Total equity includes share capital, reserves, retained earnings and minority interests. It relates to the capital and reserves that are attributable to owners of the company.
Cash Flow Statement	
Cash flow from	Cash flow from operating activities illustrates the cash-generating

operating activities	abilities of a company's core activities and includes cash inflows and outflows that are related to operating activities.
Cash flow from investing activities	Cash flows from investing activities reflect the change in cash position resulting from investments and divestments.
Cash flow from financing activities	Cash flows from financing activities shows the cash inflows and outflows related to financing transactions with providers of funding, owners, and the creditors.
Operating & Financial Ratios	
Gearing or leverage ratio	The gearing or leverage ratio indicates the relative proportion of borrowings and equity used to finance a company's assets. It is estimated by dividing total borrowings by total borrowings plus total equity, or as the ratio of total borrowings to total equity.
Interest Coverage ratio	Interest coverage ratio is generally calculated by dividing a company's EBITDA, or EBIT (operating profit) of one period by the company's interest expense of the same period. It measures the ability of the borrower to service the finance costs related to borrowings.
Net Debt to EBITDA	This ratio compares financial borrowings and EBITDA as a metric for estimating debt sustainability, financial health and liquidity position of an entity. It compares the financial obligations to the actual cash profits.
Operating Income Margin	Operating income margin is the ratio of operating income to revenue. It measures how much profit is made on revenue after paying for costs incurred to earn revenue.
EBITDA Margin	Similar to operating income margin, EBITDA margin is a measure of profitability that measures the proportion of revenue that is left over after paying for all costs of production incurred in ordinary operations.
Profit Margin	Net profit margin is the ratio of profit for the period to revenues and is a measure of how much of revenues is converted into bottom line profits.

Return on Assets (ROA)	Return on assets is the ratio of profit for the period or operating profit to average total assets for the period. It measures efficiency in using its assets to generate income.
Return on Capital Employed (ROCE)	This ratio measures efficiency in generating income but takes into consideration the sources of financing. Profit for the period or operating profit is divided by the capital employed (fixed assets plus working capital or total assets less current liabilities).
Return on Equity (ROE)	Measures the profitability in terms of how much profit is generated in relation to owners' investment.