

MMH FINANCE plc

FINANCIAL ANALYSIS SUMMARY
Mediterranean Maritime Hub Finance p.l.c.
25th June 2020



The Directors
Mediterranean Maritime Hub Finance plc,
Head Office Building,
Xatt il-Mollijiet, Mdina Road,
Marsa, MRS 1152, Malta

25th June 2020

Dear Sir/Madam,

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Mediterranean Maritime Hub Finance p.l.c. (the “**Issuer**”) and MMH Holdings Limited (the “**Guarantor**”), where the latter is the parent company of the “**Group**”. The data is derived from various sources or is based on our own computations as follows:

- a) Historical financial data for the three years ended 2017, 2018 and 2019 have been extracted from the Issuer’s audited statutory financial statements for the three years in question.
- b) The forecast data for the financial year ending 31st December 2020 has been provided by management.
- c) Our commentary on the Issuer and Guarantor’s results and financial position is based on the explanations set out by the Issuer in the Prospectus and Listing Authority Policies.
- d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.
- e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

The Analysis is meant to assist investors in the Issuer’s securities and potential investors by summarising the more important financial data of the Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer’s securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Issuer’s securities.

Yours sincerely,



Nick Calamatta
Director

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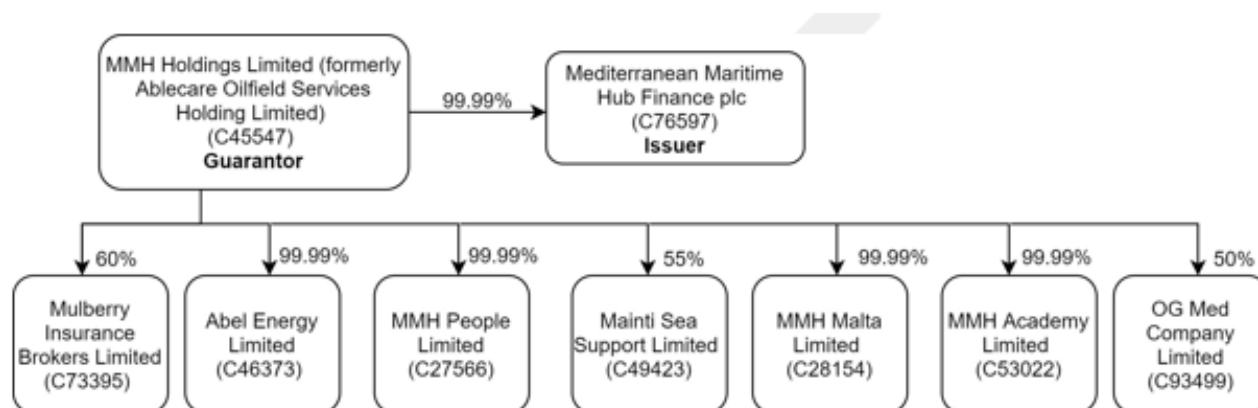
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Part 1 - Information about the Issuer

1.1 Group's key activities and Group Structure

Mediterranean Maritime Hub Finance p.l.c. (“the **Issuer**”) was incorporated on 26th July 2016 and is a fully owned subsidiary company of MMH Holdings Limited (“the **Guarantor**”). MMH Holdings Limited (formerly Ablecare Oilfield Services Holdings Limited) was incorporated in Malta in 2008 and as the holding company, holds shares in a number of subsidiary companies primarily operating in the marine and oil and gas services sector (“the **Group**”).

The Group's complete organisation chart is set out below:



MMH Malta Limited

MMH Malta Limited focuses on the supply of tailor-made services supporting the oil and gas industry, as well as marine services through its operation of the Mediterranean Maritime Hub. Its services are mainly of an operational, logistical and maintenance nature, as may be required by oil drilling companies and their support service providers referred to as the International Oil Companies (IOCs).

From January 2017, MMH Malta Limited took over the services previously offered by MMH People Limited, which is now non-trading. Accordingly, MMH Malta Limited now also provides services of recruitment, contracting and secondment of specialised maintenance personnel and related manning logistical services for the oil and gas industry, together with the career planning and follow-up of the same personnel.

MMH People Limited

MMH People Limited transferred its business to MMH Malta Limited in the beginning of 2017 and is currently non-trading.

MMH Academy Limited

MMH Academy Limited's objective is to provide education, training, conferences and related services in the field of oil exploration and engineering.

Abel Energy Limited

Abel Energy Limited was set up to operate a vehicle fuel service station and related services including a car wash, convenience store and cafeteria. In fact, during 2018, the Group obtained approval from the Planning Authority for a development permit to build a fuel station in Maghtab, Naxxar. Abel Energy Limited applied for an executable permit in order to start the construction works, which was granted by the Planning Authority in January 2019, further to which an appeal by third party objectors was filed. The Court of Appeal delivered its final decision in June 2019 and remanded the planning application to be decided upon by the Board of the Planning Authority once all documents are duly notified to all relevant parties in accordance to law. In essence, Abel Energy's appeal against the refusal of its fuel station remains pending. Meanwhile, however, Abel Energy Limited has been granted a permit to reinstate and thereafter to build two farmhouses on the site, notwithstanding that the permit for the petrol station remains under appeal.

Mulberry Insurance Brokers Limited

Mulberry Insurance Brokers Limited (Mulberry) is a limited liability company registered on 4th December 2015. It is 60% owned by MMH Holdings Limited, with the remaining 40% owned by Primus V.M. Limited, representing the shareholding interest of that company's employees. The company obtained an insurance brokerage licence on 24th June 2016 and commenced operations immediately after.

Mainti Sea Support Limited

Mainti Sea Support Limited was incorporated in Malta in 2010 and specialises on maintenance and float repairs. It is 55% owned by MMH Holdings Limited, with the remaining 45% owned by Janice Baldacchino. As at April 2019, management confirmed that no investment has yet been implemented in the company. At the end of 2019, a decision was taken to buy back the shareholding originally purchased by Ms Baldacchino, which process is expected to take place later in 2020.

OG Med Company Limited

OGMED is a Joint Venture company between MMH Malta Ltd, operator of the Mediterranean Maritime Hub and PB Group of Companies, who wished to join forces to focus on further development of the oil & gas service industry in Malta, North Africa and the Mediterranean region, with a long-term objective of consolidating these services within the Mediterranean Maritime Hub.

Such a joint venture enjoys a physical presence and direct operational and business development setup in Malta, Libya, Algeria, Egypt, Uganda, Congo and Ghana. This JV provides a comprehensive supply, logistics and technical service capabilities, which will further strengthen and enhance the Hub's attractiveness to key players in the oil and gas industry.

▪ Shareholders

MMH Holdings Limited has the majority shareholding of its subsidiaries.

The shareholders of MMH Holdings Limited are Paul Abela, Elesolar Company Limited and Elesolar Holdings Company Limited, with Paul Abela directly owning 0.004% and also being the ultimate beneficiary owner through the following companies:

- Elesolar Company Limited (50% shareholding in MMH Holdings Limited) is a limited liability company set up on the 25th of May 1981, under registration ref number C5511. The shareholders of this entity are Paul Abela (99.8%) and Elesolar Holdings Company Limited (0.2%).
- Elesolar Holdings Company Limited (49.996% shareholding in MMH Holdings Limited) is a limited liability company set up on 29 December 1994, under registration number C17386. The shareholders of this entity are Paul Abela (99.9%) and Elesolar Company Limited (0.1%).

The Guarantor's authorised and issued share capital

The authorised, issued and fully paid up share capital of MMH Holdings Limited, as at 31 December 2018, is 1,000,000 Ordinary shares, made up of equal proportions of A and B Shares of €1 each.

▪ Review of the Business

The main business focus of the Group is that of providing a range of services to the marine and oil and gas service sector through both the provision of manpower and technical personnel to offshore and onshore oil well operators, as well as logistical support, yard operations, procurement and engineering services to oil rigs service companies. As a key element of its services portfolio, the Group operates the Mediterranean Maritime Hub in the innermost part of Valletta's Grand Harbour, the inauguration of which has allowed the Group to widen its range of marine-based services and products. The Group's portfolio of services is targeted at oil rigs and related operators in the Mediterranean region and West Africa, as well as the supply of personnel to operators in the North Sea. The principal business operations of the Group are provided by MMH Malta Limited.

MMH Malta Limited specialises in the specific requirements of the oil and gas and marine sectors, providing a wide range of services including rig agency and rig stop services, planning, project recruitment, the contracting of pre-screened and pre-qualified personnel, training, logistics, facilities provision, supply chain services and project management.

MMH Malta Limited's key focus is on servicing the needs of oil drilling companies in the EMEA region (Europe, Middle East and Africa region), and service providers thereto. The strength of MMH Malta Limited's provision of services is primarily owed to ongoing relationships, backed by vendor agreements and Master Service Agreements (MSAs) with some of the world's largest drilling companies.

The Group's track record is marked by the management team's ability to forge ongoing business relationships with key players in the oil and gas sector. Over time the Group has grown by increasingly catering for a wider range of services to its clients. The management team has embarked on the next phase of the business's development and has demonstrated the intention of expanding the physical facilities within the Hub, enabling the Group to provide a wider range of services and reduce dependence on bought-out subcontracted services.

During the first quarter of 2018, the Group set up a business development team to explore diversification opportunities that would complement existing services being provided by the Hub. The yachting industry has been identified in such respect whereby through MMH Malta Limited, the Group is currently also offering maintenance and upkeep services to yachts within the Hub. As a result, during 2018 the Group invested in two travel lifts with a capacity of 300 tons and 700 tons respectively, which both commenced operations in 2019.

This investment required upgrading works on quayside infrastructure and purchase of specialised lifting equipment. Indeed, two 45m long piers were specifically constructed to cater for two basins of 9m and 14m width, capable of accommodating wider commercial vessels such as tugs, supply vessels and super yachts.

In fact, these new lines of revenue that the Group embarked on, mainly referring to the vessel-hoisting facilities and maintenance on vessels, have exceeded expected income and have shown persistent growth throughout. Management explained that 'Vessel Care' activity performance for the year under review was better than previous budget expectations. Moreover, management also discussed that such positive performance within this segment could have continued throughout 2020 was it not for the COVID-19 outbreak.

Furthermore, as per discussion with management, the Group received circa €2.7m in compensation relating to the road works and consequent disruption of the original business plan. Further detail on this point is discussed in section 1.4 of Analysis.

During 2018, the Group also completed the development of additional offices over an area of 600 square meters, the roofing of one of the larger sheds and the setting up of four dedicated workshops to provide the industry with inspection, maintenance and repair (IMR) services. As at April 2020, management confirmed that the workshops were fully occupied, whereas the occupancy level relating to the offices remained unchanged at 80%. Management also confirmed that additional workshops and offices will be constructed going forward, in line with the respective demand for such facilities. In fact, management explained that the construction of additional offices taking place during 2019 has now been postponed due to the COVID-19 outbreak.

The facilities and support functions typically required to service rig stops comprise:

- Quay - This is to facilitate berthing and mooring;
- Yard area - This is to load, unload and store equipment and acts as an extension of the rig deck;
- Engineering workshop - To facilitate on-shore maintenance of equipment, prior to placing this back onto the rig;
- Procurement services/ ship chandler services - This comprises the procurement of all the goods that may be required by the rig, which could range from the replacement of the items required, such as machine parts, to motors and food supplies;
- Logistical support - This includes all types of logistics required by the rig, which could range from Freeport services, customs declarations, permits, physical logistics including the sending and receiving of rig equipment from hubs etc.; and
- Provision of additional manpower - This involves the provision of personnel, often working under the supervision of the Original Equipment Manufacturers. This service was formerly provided by MMH People Limited, and was transferred to MMH Malta Limited in January 2017.

It may be noted that prior to the acquisition of the Hub for the purpose of servicing Malta based rig stops, the Group made use of sub-contracted facilities from other local operators. For the purpose of servicing non-Malta based rig stops, the Group will continue to make use of sub-contracted foreign facilities as the need arises.

1.2 Directors and key employees

▪ Board of Directors

During 2014, the Group employed an average number of 54 employees, increasing to 93 as at April 2020. New appointees were mainly recruited in operations and logistics, site management and site surveillance, and engineering. As at April 2020, Engineering was the largest department carrying 17 employees, followed by Operations and Logistics (13 employees), and by Vessel Care (12 employees) and Site Management and Maintenance (9 employees).

As the business continues to transform into a model where most services will increasingly be provided in-house, the Group is streamlining its workforce in order to be better-equipped to provide one-stop-shop services to its clients.

The Board of Directors of the Issuer is composed of the following persons:

| Name | Designation |
|--------------------------|-------------------------|
| Mr Paul Abela | Chairman |
| Mr Raymond Ciantar | Deputy Chairperson |
| Ms Angelique Maggi | Executive Director |
| Dr Michael Borg Costanzi | Non-Executive Director |
| Mr Lino Casapinta | Non-Executive Director |
| Mr Joshua Zammit | Non- Executive Director |

Mr. Victor Denaro did not seek re-election at the Annual General Meeting (AGM) held on 25th May 2020 and was replaced by Mr. Joshua Zammit.

The board of Directors of the Guarantor consists of the following persons:

| Name | Designation |
|---------------------|-------------------------------|
| Mr. Paul Abela | Chairman |
| Ms. Angelique Maggi | Deputy Chairperson |
| Mr. Joseph Maggi | Director – Quality & Planning |
| Mr. Raymond Ciantar | Director & CFO |
| Mr. Duncan Brincat | Director – Administration |

The business address of all the Directors is the registered office of the Issuer. With effect from 1st May, 2018, Mr. Joseph Maggi was appointed as Group CEO.

1.3 Major assets owned by the Group

In January 2015, the Group was selected as the preferred bidder for the concession that was awarded by the Government of Malta to rehabilitate the ex-Malta Shipbuilding site – now known as the Mediterranean Maritime Hub (or the “Hub” or the “Site”).

The Group intends to invest a total of approximately €55 million, in several phases, to rehabilitate the Site and fully exploit it to its maximum potential as a maritime hub, with all the facilities that typically come with this, including a dedicated rig servicing centre, facilities for support engineering services and also a training centre.

The concession is for a period of 65 years under a title of temporary emphyteusis and consists of approximately 169,000 square metres of land, mainly comprising:

- Quays 2 and 3, including lay down area, storage yards, main entrance to Site and a warehouse
- Quay 4 and 5, including yard space
- Dock
- Stand-alone external yards for open storage
- Four hangars / shed space for engineering works and internal storage
- Three main buildings which comprise warehouse space and space that could be converted into office space, engineering workshops and additional storage space
- Connecting road infrastructure

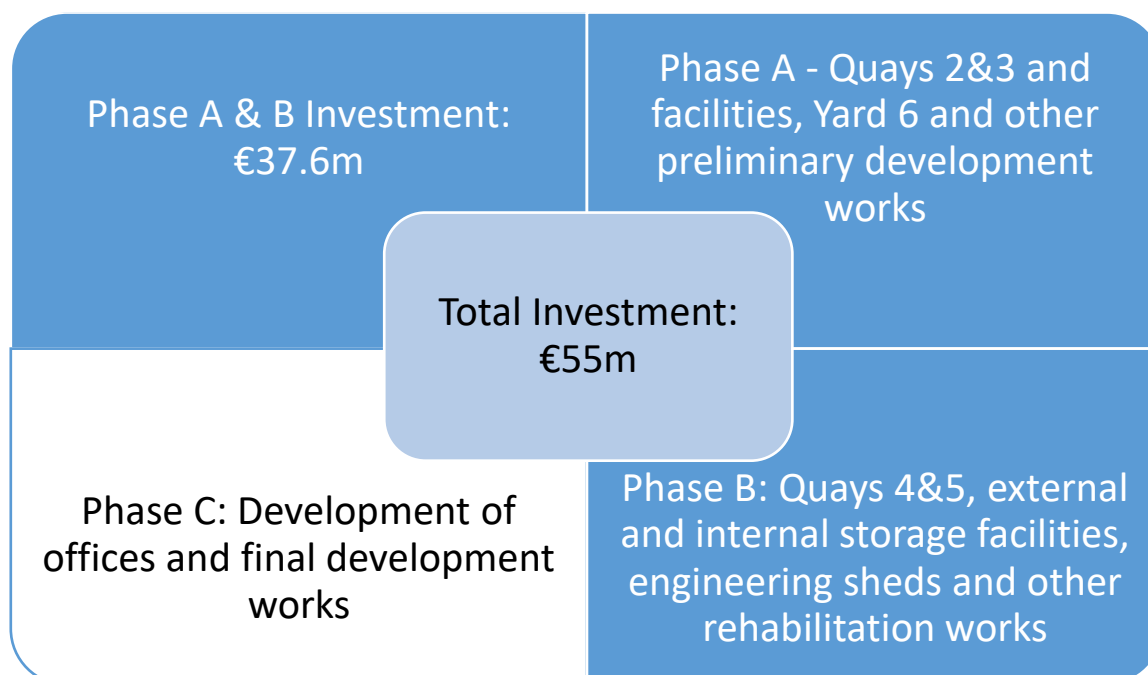
Management explained that no major assets were bought during the year under review.

In line with the Issuer’s prospectus and as further described below in section 1.4 of this Analysis, the Group is currently in the process of rehabilitating the Hub.

1.4 Operational Developments

▪ The Hub update

The Group is currently in the last phase of A and B of the investment plan, which in total amounts to an investment of €37.6million.



The importance of the Mediterranean Maritime Hub to the Group necessitated that the Group focused primarily on the development of the Hub. This was in fact the main business activity of the Group in 2017, 2018, 2019 and is still ongoing.

The commencement of the development of the Hub was delayed due to issues that were encountered in the course of its transfer by the Government of Malta to the Guarantor. The Group has been pursuing efforts to market the Hub internationally, recognising the current limitations of the oil and gas industry which are still facing a challenging period.

During 2018, the Group completed the development of additional offices covering an overall area of 600 square meters, the roofing of one of the larger sheds and the setting up of four dedicated workshops to provide the industry with inspection, maintenance and repair (IMR) services. Furthermore, two 45-meter piers to accommodate vessel travel-hoists were also constructed, equipping the Group with the capability of lifting commercial and pleasure vessels of up to 700 tonnes from sea to dry ground for IMR services and return to sea. Moreover, management confirmed that two travel lifts with a capacity of 300 tons and 700 tons respectively started operating in the year under review. The amount invested in the Hub during the 2019 totalled €4.6m, with this investment consisting mostly of infrastructure improvement to quays, yard and buildings as well as the purchase of specialised equipment. As a result up until the end of 2019, a total of €32m¹ were invested in the Hub.

While enabling the Group to cater for a wider range of vessels, these developments has broadened the Group's services portfolio and its customer base.

Following the acquisition of the property title in August 2016, the Group was requested by Transport Malta to allow a temporary relief road to pass through this property in view of the major road works in Marsa. Additionally, as per discussion with management, the Group received circa €2.7m in compensation relating to the road works and consequent disruption of the original business plan. Management discussed that an agreement has been reached between MMH and the relevant Government authorities, whereby it was envisaged that this agreement will expire prior to December 2020.

▪ **Fuel station update**

During 2018, the Group obtained approval from the Planning Authority for a development permit to build a fuel station in Maghtab, Naxxar. Abel Energy Limited applied for an executable permit in order to start the construction works, which was granted by the Planning Authority in January 2019, further to which an appeal by third party objectors was filed. The Court of Appeal delivered its final decision in June 2019 and remanded the planning application to be decided upon by the Board of the Planning Authority once all documents are duly notified to all relevant parties in accordance to law. In July 2019 the Planning Authority board decided against the building of the petrol station.

¹ As at 31st December 2018, total investment in the Hub stood at €27m and not at €25m as communicated in the previous Financial Analysis Summary

Abel Energy's appeal against the refusal of its fuel station remains pending. However, Abel Energy Limited has meanwhile been granted a permit to reinstate and thereafter to build two farmhouses while the permit for the petrol station remains under appeal.

▪ **COVID-19 Update**

The outlook of the Group for 2020 is, unfortunately, highly impacted by the COVID-19 pandemic. The Group's operations are all open for business and could be pursued to a certain extent during the pandemic so far. However, the global impact of the pandemic has and will surely have a negative impact on the Group's outlook for the next twelve months. This is due to the far-reaching implications of the pandemic, amongst which are the consequences of the fall of crude oil prices, which are reaching unprecedented lows that no one would have ever conceived, although at the moment they are averaging around US\$40 per barrel. Like most industries across the world, the Group has found itself in a situation where it has had to adapt quickly and is so doing in order to move forward recognising that the effects of the pandemic are constantly changing.

Assessment of COVID-19 situation, potential impact on the Group, reasonable assumptions to financial forecasts, necessary disclosures and outlook

The Group has carried out an assessment of COVID-19 and its implications, and it has established that the impact of the pandemic is only that which effects the operations of the Group.

Group Operations

The Group's assessment considered its current revenue streams that can be segmented as follows:

- Activities related to the Hub, including engineering works;
- Provision of offshore personnel and related logistics; and
- Vessel Care activities.

The first two categories are interlinked as they are mainly targeted towards the oil and gas industry, and maritime activity for vessels over 700 tons; while Vessel Care activities consist mainly of maintenance work on yachts and other marine vessels of less than 700 tons, and are independent from the first two categories.

The Group commenced 2020 on a positive note. Management accounts for February 2020 indicate a cumulative profit of €616k before tax and hence the Group commenced the year with a healthy cash flow. Management confirmed that revenue up until May 2020 totaled €5.5m.

Management discussed that the main assumptions concerning financial projections utilised for the purpose of this document is such that the COVID-19 period is envisaged to last six months from April to September and business will pick up slowly thereafter.

Oil & Gas Operations

As stated above, the price of crude oil has nosedived and crashed to unprecedented levels, causing the market to become totally volatile. The direct consequence of this is that most offshore oil exploration and drilling activities are now deemed unsustainable and have been shut down. In fact,

international oil companies have carried out extensive cuts in their exploration budgets. The Group has seen all its clients in this industry substantially reducing personnel on drilling platforms and controlling personnel movements across their facilities. These measures have drastically reduced the revenue generated by the personnel recruitment and logistics functions within the Group.

Following the COVID-19 outbreak, management discussed that several of the Group's clients began an immediate response in controlling the movement of personnel to and from oil and gas drilling platforms and have restricted personnel movements on the said platforms. This has consequently resulted into a drastic decline in revenue generated by the Personnel recruitment and logistics functions. As such, management explained that no income from these functions was included from April to September 2020 within the financial projections utilised for the purpose of this document.

Commercial Marine Activities

Berthing facilities at the Hub are currently on high demand since most commercial marine vessels operating in the Oil & Gas sector around Malta have been put off hire. In this regard, it is envisaged that berthing and berthing support services will not be affected but will remain in high demand until the pandemic eases off. Nevertheless, with the restrictions currently in place, technical personnel are not allowed to board these vessels and this heavily impacts the Group's capability to deliver its services, thus effecting budgeted revenues.

In furtherance, management explained that there is still a lack of certainty as to when such vessels will be called back into action. As a result, no revenue from such activities has been considered from April up to September 2020 in the financial projections utilised for this purpose of this document. After September, it is assumed that a spike in activity will result from start-up preparations of such vessels.

Vessel Care Activities

Vessel Care activities are currently operating at the budgeted levels. However, a slowdown in bookings has been observed, highlighting that the peak season for such an activity may be shortened by around three weeks. As per Group assumptions, it is assumed that the Group will be retaining the revenue generated from this activity during 2019.

Cash flow projections, liquidity management and cost mitigation measures

The Group has prepared cash flow forecasts to measure the impact of the reduction in the Group's revenue and of the several cost-cutting measures that are being taken to minimise the effect of the crisis.

Cash flow forecasts were prepared for the 12-month period ending March 2021 on the basis of a number of assumptions, which was deemed by management to be as realistic as possible with the information and data in hand at the time. These assumptions are reflective of a number of cost-cutting measures which the Group has exercised following the COVID-19 outbreak as explained in detail below:

- The Group reduced their overall wages on a monthly basis
- The Group's direct costs also experienced a reduction. This is deemed to be in line with the overall reduction in revenue, thus impacting variable costs. (The Group's indirect costs also experienced a reduction due to a cost cutting exercise)



- In terms of the Group's interest payments and loan repayments, MMH has been granted a moratorium from a local bank to postpone such payments for the next 6 months. As a result, the Group's cash flow projections incorporate such moratorium
- In addition to management mitigating operational costs, management confirmed that the Group received a COVID-19 related wage supplement relating to their employees

The cash flow forecast presented by the Group indicates that sufficient cash will be generated throughout the next twelve months to enable the Group to meet its financial commitments.

Concluding remarks and further disclosures

Based on the aforementioned assumptions and the financial projections included within this Analysis, management confirmed that although the COVID-19 pandemic will affect the income of the Group, the Group will have sufficient resources to be able to meet its major commitment, namely the repayment of bond interest in October 2020.

Part 2 - Historical Performance and Forecasts

All financial information presented in this section was derived from the audited accounts of the Issuer and the Guarantor and from data provided by the Group. Forecasts are based on Management's projections for the coming year.

The Issuer was registered and incorporated on 26 July 2016 to issue the Bonds and loan the proceeds to the Group. The Issuer's function is solely to act as the financing vehicle for the Group, and as such does not reflect the performance or financial position of the Group.

The Issuer's and Group's historical financial information for the three financial years ending 31st December 2017, 2018 and 2019, as audited by PricewaterhouseCoopers, is set out below. Forecasts are based on management's projections.

2.1 Issuer's Income Statement

| Income Statement | Dec-2017A | Dec-2018A | Dec-2019A | Dec-2020F |
|----------------------------|----------------|----------------|----------------|----------------|
| | € | € | € | |
| Finance income | 877,625 | 877,625 | 877,625 | 877,625 |
| Finance costs | (746,934) | (749,771) | (751,292) | (736,647) |
| Net interest income | 130,691 | 127,854 | 126,333 | 140,978 |
| Administrative expenses | (67,810) | (77,917) | (77,284) | (90,541) |
| Profit before tax | 62,881 | 49,937 | 49,049 | 50,437 |
| Taxation | (22,008) | (17,478) | - | - |
| Profit after tax | 40,873 | 32,459 | 49,049 | 50,437 |

| Ratio Analysis | 2017A | 2018A | 2019A | 2020F |
|--|-------|-------|-------|-------|
| Gross Profit Margin (Net finance costs / Finance income) | 14.9% | 14.6% | 14.4% | 16.1% |
| Net Margin (Profit for the year / Finance Income) | 4.7% | 3.7% | 5.6% | 5.7% |

Given that 2017 was the Issuer's first full year of operations, net interest income increased to €0.88m and remained unchanged during both 2018 and 2019. Finance income is expected to remain at this level in 2020.

As expected, finance costs incurred by the Issuer during 2019 amounted to €0.75m. In line with previous years, these are expected to amount to circa €0.74m during 2020.

Administrative expenses incurred during 2019 were very close to previous expectations and marginally declined by 0.8%. However, these are expected to increase to €90.5k during 2020 primarily due to the reclassification of bond issue amortisation costs of circa €31k to administrative expense.

Moreover, during 2019 the Issuer benefited from a Group tax relief, resulting in the Issuer not incurring any tax during the year under review. As in the case of 2019, the Issuer does not expect to incur any tax during 2020.

As a result of the above, the Issuer posted a higher than expected profit after tax of €49k in 2019. For 2020 management expect a net interest income of €0.14m and net profit of €50k.

2.2 Issuer's Financial Position

| Statement of Financial Position | Dec-2017A | Dec-2018A | Dec-2019A | Dec-2020F |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | € | € | € | € |
| Assets | | | | |
| Non-current assets | | | | |
| Loans and receivables | 14,750,000 | 14,750,000 | 14,750,000 | 14,750,000 |
| Current assets | | | | |
| Trade and other receivables | 371,808 | 470,259 | 410,398 | 404,848 |
| Cash and cash equivalents | 41,815 | 1,662 | 123,870 | 210,593 |
| Total current assets | 413,623 | 471,921 | 534,268 | 615,441 |
| Total assets | 15,163,623 | 15,221,921 | 15,284,268 | 15,365,441 |
| Equity and liabilities | | | | |
| Capital and reserves | | | | |
| Share capital | 250,000 | 250,000 | 250,000 | 250,000 |
| Retained earnings | 47,335 | 79,794 | 128,843 | 179,280 |
| Total equity | 297,335 | 329,794 | 378,843 | 429,280 |
| Non-current liabilities | | | | |
| Borrowings | 14,680,125 | 14,709,896 | 14,741,187 | 14,772,478 |
| Current liabilities | | | | |
| Trade and other payables | 186,163 | 182,231 | 164,238 | 163,683 |
| Total liabilities | 14,866,288 | 14,892,127 | 14,905,425 | 14,936,161 |
| Total equity and liabilities | 15,163,623 | 15,221,921 | 15,284,268 | 15,365,441 |

As at 31 December 2019, the Issuer had €15.4m in total assets of which €14.8m consisted of loans to MMH Malta Limited and MMH Holdings Limited, which are projected to continue to be carried until eventual redemption in 2026. The issuer had a cash balance of circa €124k. This upsurge in cash balance when compared to projections and 2018, is attributable to better cash management implemented across the Group.

Total equity exceed projections and stood at €0.4m in 2019. This is attributable to the exceeded performance in profit generation by the Issuer. Projected total equity and liabilities of €15.4m in 2020, primarily comprise €14.8m Bond issue and equity of €0.4m.

2.3 Issuer's Cash Flow Statement

| Cash Flows Statement | Dec-2017A | Dec-2018A | Dec-2019A | Dec-2020F |
|--|------------------|------------------|------------------|------------------|
| | € | € | € | € |
| Cash flows from operating activities | | | | |
| Cash used in operations | (77,571) | (40,153) | 122,208 | 86,723 |
| Net cash flows used in operating activities | (77,571) | (40,153) | 122,208 | 86,723 |
| Cash flows from investing activities | - | - | - | - |
| Cash flows from financing activities | - | - | - | - |
| Movement in cash and cash equivalents | (77,571) | (40,153) | 122,208 | 86,723 |
| Cash and cash equivalents at start of year | 119,386 | 41,815 | 1,662 | 123,870 |
| Cash and cash equivalents at end of year | 41,815 | 1,662 | 123,870 | 210,593 |

During 2019, the Issuer registered a net cash inflow generated from operating activities of €122k. This is deemed to be higher than previously anticipated. As a result, the net cash balance at end of year increased to circa €124k.

In line with the projected movement in the income statement together with the Bond issue amortisation costs, management expect a net cash inflow generated from operating activities of approximately €87k and a net cash balance as at end of year of €210k in 2020.

2.4 Guarantor's Income Statement

| Income Statement | Dec-2017A | Dec-2018A | Dec-2019A | Dec-2020F |
|---|------------------|--------------------|------------------|--------------------|
| | € | € | € | € |
| Revenue | 15,733,451 | 14,469,908 | 17,347,067 | 9,858,638 |
| Cost of sales (operating costs) | (12,544,049) | (11,571,427) | (14,647,582) | (8,134,361) |
| Gross profit | 3,189,402 | 2,898,481 | 2,699,485 | 1,724,277 |
| Distribution Costs | (246,281) | (255,983) | (318,204) | (264,016) |
| Administrative expenses (excl. Depreciation and amortisation) | (1,457,364) | (1,906,995) | (1,579,670) | (1,231,782) |
| Other operating expenses/(income) | 82,332 | 42,845 | 1,769,038 | 848,384 |
| EBITDA | 1,568,089 | 778,348 | 2,570,649 | 1,076,863 |
| Depreciation | (727,536) | (803,682) | (969,445) | (1,135,431) |
| EBIT | 840,553 | (25,334) | 1,601,204 | (58,568) |
| Finance income | 19,411 | 18,872 | 18,820 | 17,285 |
| Finance costs | (755,373) | (929,235) | (1,052,366) | (1,046,247) |
| Profit before tax | 104,591 | (935,697) | 567,658 | (1,087,530) |
| Income tax | 230,880 | (76,532) | 844 | - |
| Profit after tax | 335,471 | (1,012,229) | 568,502 | (1,087,530) |

| Ratio Analysis | 2017A | 2018A | 2019A | 2020F |
|---|-------|--------|-------|--------|
| Profitability | | | | |
| Growth in Revenue (YoY Revenue Growth) | 24.6% | -8.0% | 19.9% | -43.2% |
| Gross Profit Margin (Gross Profit / Revenue) | 20.3% | 20.0% | 15.6% | 17.5% |
| EBITDA Margin (EBITDA / Revenue) | 10.0% | 5.4% | 14.8% | 10.9% |
| Operating (EBIT) Margin (EBIT / Revenue) | 5.3% | -0.2% | 9.2% | -0.6% |
| Net Margin (Profit for the year / Revenue) | 2.1% | -7.0% | 3.3% | -11.0% |
| Return on Common Equity (Net Income / Total Equity) | 7.3% | -23.7% | 14.0% | -28.4% |
| Return on Assets (Net Income / Total Assets) ² | 1.3% | -3.2% | 1.6% | -3.1% |

The Group registered an improved financial performance during 2019 when compared to the previous corresponding period. This improvement is attributable to higher levels of revenue and lower operating expenses generated and incurred by the Group during 2019. However, the results were also impacted by increases in depreciation and finance costs charged during the year under review.

Revenue generated during 2019 significantly increased by 19.9% to €17.4m (2019: €14.5m), in line with the Group's efforts to identify new markets and clients in the range of services it provides. As a result, the new revenue streams that the Group embarked on in the year under review, especially the vessel-hoisting facilities and maintenance on vessels, have exceeded expected income and have shown persistent growth throughout.

² Return on assets was previously worked out on the total assets as at year-end, however this was amended to reflect the average of total assets over two years financial performance.

Moreover, this upsurge in revenue has been primarily initiated through higher activity within the provision of technical personnel services and also within the storage, logistic and shore support segment.

In line with previous projections, the segment of provision of technical personnel has contributed to 39% of the Group's total revenue for 2019, representing an improvement of circa 24.8% over 2018 as a number of rigs were engaged during the period. Although this segment has surpassed expectations in terms of revenue generation during 2019, this division is expected to decline during 2020 in line with the recent COVID-19-related restrictions which have been put in place. More specifically, technical personnel are not allowed to board vessels, thus heavily impacting the Group's capability to deliver its services.

The storage, logistics and shore support segment has marginally increased in comparison to the previous financial year. This line of revenue represents rental income in which the Group recently started to receive from the provision of technical workshops and supporting administrative offices respectively in use by various clients and maritime and oil and gas industry stakeholders supported by MMH's full logistics, personnel and maritime service offering. Management expects revenue under this segment to decline during 2020 due to the fact that most offshore oil exploration and drilling activities are now deemed unsustainable and have been shut down.

The fabrication and inspection facilities segment has underperformed in comparison to previous projections. This decline relates to the expiration of one of the Group's projects which was concluded during Q1 2019. Management expects the Group to generate lower levels of revenue from this segment during 2020, primarily due to the negative implications brought about by the COVID-19 pandemic as discussed in further detail in section 1.4 of this Analysis.

As of 2018, the Group also started to pursue new lines of business pertaining the servicing of yachts in order to compensate for the aforementioned decline in revenue. This had a positive impact on the Group's performance, resulting into higher levels of revenue generated from the berthing and docking division and the vessel care segment respectively. In terms of the Group's berthing and docking division, it is envisaged that this line of revenue will not be adversely affected but will remain in high demand until the pandemic eases off.

Vessel Care activities are currently operating at budgeted levels. Management however discussed that a slowdown in bookings is currently being experienced, thus highlighting that the peak season may be shortened by circa three weeks. As a result, management further expects these segments to register an improved performance during 2020.

Revenue during 2020 is expected to decline by €7.5m or 43.2% to €9.9m. This overall expected decline in revenue is a result of negative consequences brought about by the COVID-19 pandemic as per above detailed discussion throughout section 1.4 of the Analysis. In addition to the aforementioned explanation, below is a summary of the main assumptions used in determining the forecasted revenue for FY20:

- Oil & Gas Operations:

Following the COVID-19 outbreak, management discussed that several of the Group's clients began an immediate response in controlling the movement of personnel to and from oil and

gas drilling platforms and have restricted personnel movements on the said platforms. This has consequently resulted into a drastic decline in revenue generated by the Personnel recruitment and logistics functions. As such, management explained that no income from these functions was included from April to September 2020 within the financial projections utilised for the purpose of this document.

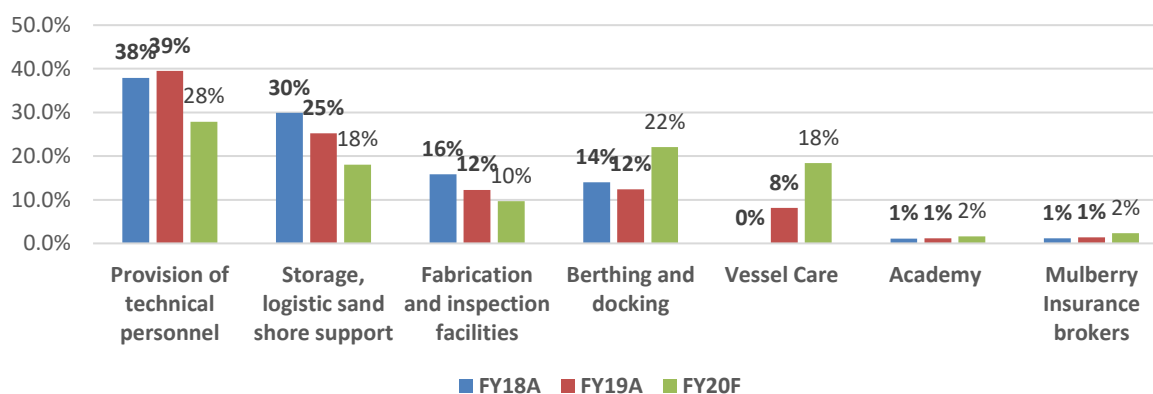
- Commercial Marine Activities:

Management explained that there is still a lack of certainty as to when such vessels will be called back into action. As a result, no revenue from such activities has been considered from April up to September 2020 in the financial projections utilised for this purpose of this document. After September, it is assumed that a spike in activity will result from start-up preparations of such vessels.

- Vessel Care Activities:

Vessel Care activities are currently operating at the budgeted levels. However, a slowdown in bookings has been observed, highlighting that the peak season for such an activity may be shortened by around three weeks. As per Group assumptions, it is assumed that the Group will be retaining the revenue generated from this activity during 2019.

Revenue by Segment



Source: Management information

In line with the aforementioned increase in revenue, cost of sales incurred by the Group during 2019 increased to €14.6m (2018: €11.6m). As a result of this increase in cost of sales, gross profit margin during 2019 declined to 15.6% (2018: 20%).

Moving forward, given that management expects the financial results to deteriorate during 2020, gross profit is anticipated to reach €1.7m. However, gross profit margin is expected to increase to 17.5% during 2020, in line with the expected decline in cost of sales.

During 2019, administrative expenses excluding depreciation declined to €1.6m (2018: €1.9 m). This decline is mainly attributable to a cost reduction exercise embarked on by the Group during 2019. This administrative expenses figure include a ground rent payment of €1.3m relating to the Hub (2018:

€713k, 2017: €672k). The ground rent payment in the year under review increased as the utilisation percentage of the site increased to 75% during the year under review.

In addition, the Group incurred a lower level of employee benefit expense during 2019 amounting to €2.8m (2018: €3m). This decline is attributable to the aforementioned cost cutting exercise.

Administrative expenses expected to be incurred during 2020 are projected to further decrease to €1.2m. This is deemed to be in line with the expected overall decline in operations in which the Group is anticipated to undertake during 2020.

Additionally, as per discussion with management, the Group during 2019 received circa €2.7m in compensation relating to the road works and consequent disruption of the original business plan. Upon receiving such funds, the Group incurred circa €1m in other expenses which relate to an occupational fee for use of the property. As a result, these two figures are netted off through the other operating income figure of approximately €1.8m.

Depreciation in the year under review increased to circa €1m (2018: €0.8m) as a result of further investments in property plant and equipment (“PP&E”) undertaken by the Group during 2019. After taking the above factors into consideration, the Group’s EBIT margin during 2019 increased to 9.2% (2018: -0.2%). Upon taking into effect the implications brought about by COVID-19 on the Group’s operational and financial performance, management expect an operating loss of €60k for 2020, resulting in an EBIT margin of negative 0.6%.

Finance costs increased to €1.1 million (2017: €0.9 million) as a result of the Bond issue and the bank interest incurred on the Group’s existing bank overdraft and bank loan facility, which were withdrawn in 2019.

Due to deferred tax movement mainly on property, plant and equipment, the Group reported an income tax refund of €0.8m for 2019. Furthermore, the Group reported a net profit figure of €0.6m for the year under review. In line with the COVID-19 implications on the Group’s financial performance, management is forecasting a loss after tax of €1.1 million for 2020.

2.4.1 Guarantor's Variance Analysis

| Income Statement | Dec-2019F | Dec-2019A | Variance |
|---|------------------|------------------|--------------------|
| | € | € | € |
| Revenue | 18,772,434 | 17,347,067 | (1,425,367) |
| Cost of sales (operating costs) | (13,499,734) | (14,647,582) | (1,147,848) |
| Gross profit | 5,272,700 | 2,699,485 | (2,573,215) |
| Distribution Costs | (343,245) | (318,204) | 25,041 |
| Administrative expenses (excl. Depreciation and amortisation) | (2,046,757) | (1,579,670) | 467,087 |
| Other operating expenses/(income) | 42,000 | 1,769,038 | 1,727,038 |
| EBITDA | 2,924,698 | 2,570,649 | (354,049) |
| Depreciation | (886,549) | (969,445) | (82,896) |
| EBIT | 2,038,149 | 1,601,204 | (436,945) |
| Finance income | 1,297 | 18,820 | 17,523 |
| Finance costs | (1,032,519) | (1,052,366) | (19,847) |
| Profit before tax | 1,006,927 | 567,658 | (439,269) |
| Income tax | (30,658) | 844 | 31,502 |
| Profit after tax | 976,269 | 568,502 | (407,767) |

As per discussions with management, actual revenue in 2019 was €1.4m lower than expected mainly due to the overall conditions within the oil and gas market sector. As discussed above, the decline in revenue is specifically attributable to lower activity within the fabrication and inspection facilities segment. Moving forward the Group is tapping different sources of revenue streams to compensate for such decline.

Given that operating costs are interlinked with revenue, operating expenses were €1.1 million higher than previously anticipated.

Administrative expenses excluding depreciation incurred in 2019 were circa €0.5 million lower than previously anticipated. This decline in administrative expenses is mainly attributable to a cost reduction exercise embarked on by the Group during 2019 as previously discussed.

As also explained above, the upsurge in other operating income is related to the compensation received on the road works and consequent disruption of the original business plan. The net effect amounted to circa €1.8m.

In addition, depreciation increased as the value of the assets purchased was greater than that budgeted for the year under review.

As a result of the above the Group generated a consolidated profit of €0.6m as opposed to an expected profit of circa €1m.

2.5 Guarantor's Financial Position

| Statement of Financial Position | Dec-2017A | Dec-2018A | Dec-2019A | Dec-2020F |
|---|-------------------|-------------------|-------------------|-------------------|
| | € | € | € | € |
| Assets | | | | |
| Non-current assets | | | | |
| Intangible assets | 806,173 | 796,043 | 774,620 | 745,385 |
| Property plant and equipment | 18,662,479 | 24,488,925 | 27,947,154 | 27,082,309 |
| Investment in associate | - | - | 10,000 | 10,000 |
| Trade and other receivables | 853,711 | 860,461 | 902,933 | 500,000 |
| Deferred tax assets | 407,002 | 338,313 | 336,531 | 330,310 |
| Total non-current assets | 20,729,365 | 26,483,742 | 29,971,238 | 28,668,004 |
| Current assets | | | | |
| Inventories | 446,634 | 453,046 | 205,645 | 130,100 |
| Trade and other receivables | 6,756,096 | 6,012,198 | 5,600,367 | 4,599,700 |
| Cash and cash equivalents | 1,343,882 | 1,235,645 | 1,030,097 | 893,836 |
| | 8,546,612 | 7,700,889 | 6,836,109 | 5,623,636 |
| Total assets | 29,275,977 | 34,184,631 | 36,807,347 | 34,291,640 |
| Equity and liabilities | | | | |
| Capital and reserves | | | | |
| Share capital | 500,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Reporting currency conversion reserve | (86,596) | (91,993) | (58,279) | (58,279) |
| Other reserves | 18,305 | 18,305 | 18,305 | 18,305 |
| Retained earnings | 4,305,357 | 2,786,270 | 3,383,097 | 2,295,903 |
| Non - controlling interest | 46,923 | 54,321 | 25,996 | 25,660 |
| Total equity | 4,783,989 | 3,766,903 | 4,369,119 | 3,281,589 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Borrowings | 14,680,125 | 17,622,242 | 19,649,124 | 19,409,124 |
| Trade and other payables | 425,000 | 425,000 | 425,000 | 425,000 |
| Grants designated for specific purposes | - | - | 2,047,944 | 1,965,267 |
| Deferred tax liability | 1,664,860 | 1,704,891 | - | - |
| Total non-current liabilities | 16,769,985 | 19,752,133 | 22,122,068 | 21,799,391 |
| Current liabilities | | | | |
| Borrowings | 200,058 | 2,110,794 | 2,396,326 | 2,396,326 |
| Trade and other payables | 7,161,699 | 8,195,236 | 7,653,694 | 6,668,194 |
| Current tax liabilities | 319,067 | 316,585 | 223,160 | 103,160 |
| Other current liabilities | 41,179 | 42,980 | 42,980 | 42,980 |
| Total current liabilities | 7,722,003 | 10,665,595 | 10,316,160 | 9,210,660 |
| Total liabilities | 24,491,988 | 30,417,728 | 32,438,228 | 31,010,051 |
| Total equity and liabilities | 29,275,977 | 34,184,631 | 36,807,347 | 34,291,640 |

| Ratio Analysis | 2017A | 2018A | 2019A | 2020F |
|--|--------|--------|--------|--------|
| Financial Strength | | | | |
| Gearing 1 (Net Debt / Total Equity) | 283.0% | 491.1% | 481.0% | 637.2% |
| Gearing 2 (Total Liabilities / Total Assets) | 83.7% | 89.0% | 88.1% | 90.4% |
| Net Debt / EBITDA | 8.6x | 23.8x | 8.2x | 19.4x |
| Current Ratio (Current Assets / Current Liabilities) | 1.1x | 0.7x | 0.7x | 0.6x |
| Quick Ratio (Current Assets - Inventory / Current Liabilities) | 1.0x | 0.7x | 0.6x | 0.6x |
| Interest Coverage (EBITDA / Cash interest paid) | 2.2x | 0.9x | 2.5x | 1.1x |

During 2019, the Guarantor's asset base grew by €2.6m to €36.8m as a result of the deployment of the funds generated from the Bond issue and subsequently invested in the Hub. This increase was mostly reflected in PP&E, which increased from €24.5m in 2018 to €27.9m in 2019.

Cash and cash equivalents during 2019 decreased to €1m. The difference from previous projections is mainly attributable to the fact that the Group reported a lower revenue figure than previously anticipated. Further investments in property, plant and equipment during the period also contributed towards a lower cash level during the period. Furthermore, the assets of the Guarantor are expected to marginally increase to €34.3m in 2020.

Following the positive performance for 2019, the equity base of the Guarantor increased as a result of transposing the 2019 profit into retained earnings, thereby increasing the amount of retained earnings from €2.8m in 2018 to €3.4m in 2019. The retained earnings balance as at 31st December 2019 has declined in comparison to previous projections, and the main difference relates to the fact that the Group's net profit during 2019 was lower than previously anticipated. The Group's share capital remained at €1m and is expected to be at this level during 2020. In line with the expected loss for 2020, management expect the equity base to decline to €3.3m.

Subsequent to the utilisation of additional bank loans and the withdrawal of a bank overdraft in order to finance the development of the Hub, the Guarantor's leverage increased during the year under review, with total liabilities increasing from €30.4m in 2018 to €32.4m in 2019. Upon comparing the 2019 end of year trade and other payables balance with previous projections, management confirmed that the difference/increase relates to the fact that the Group managed to obtain better credit terms with the respective suppliers. This is reflected through the increase in the gearing ratios from 2017 to 2019 respectively, as illustrated in the table above. Total liabilities are expected to marginally decrease in 2020.

2.6 Guarantor's Cash Flow Statement

| Cash Flow Statement | Dec-2017A | Dec-2018A | Dec-2019A | Dec-2020F |
|---|--------------------|--------------------|--------------------|--------------------|
| | € | € | € | € |
| Cash flows from operating activities | | | | |
| Cash generated from operations/ (used in) | 1,912,860 | 2,512,739 | 2,799,899 | 1,489,596 |
| Finance income | 19,411 | 18,872 | 18,820 | 17,284 |
| Finance costs | (728,439) | (899,464) | (1,021,075) | (1,014,955) |
| Tax paid | (206,461) | (10,325) | (90,799) | (120,000) |
| Net cash flows generated from operating activities | 997,371 | 1,621,822 | 1,706,845 | 371,925 |
| Cash used in investing activities | | | | |
| Purchase of intangible assets | (17,311) | (11,293) | - | - |
| Purchase of property, plant and equipment | (9,514,802) | (6,630,128) | (4,568,016) | (268,186) |
| Additions to investment in associate | - | - | (10,000) | - |
| Net cash flows used in investing activities | (9,532,113) | (6,641,421) | (4,578,016) | (268,186) |
| Cash flows from financing activities | | | | |
| Net Repayment/ bank borrowings | - | 3,334,319 | 1,932,701 | (240,000) |
| Proceeds from bond issue | - | - | - | - |
| Bond issue costs | - | - | - | - |
| Issue of shares in non-controlling interest | - | 540 | - | - |
| Proceeds from grants | 1,745,322 | 87,740 | 384,500 | - |
| Net cash flows generated from / (used in) financing activities | 1,745,322 | 3,422,599 | 2,317,201 | (240,000) |
| Movement in cash and cash equivalents | (6,789,420) | (1,597,000) | (553,970) | (136,261) |
| Cash and cash equivalents at start of year | 7,933,244 | 1,143,824 | (453,176) | (1,007,146) |
| Cash and cash equivalents at end of year | 1,143,824 | (453,176) | (1,007,146) | (1,143,407) |

| Ratio Analysis | 2017A | 2018A | 2019A | 2020F |
|---|-------------|-------------|-------------|---------|
| | € | € | € | € |
| Cash Flow | | | | |
| Free Cash Flow (Net cash from operations - Capex) | (8,517,431) | (5,008,306) | (2,861,171) | 103,739 |

Movement in working capital during to 2019 led to an overall increase in net cash generated from operating activities, signifying an improvement over previous projections. Moreover, in 2019 the Group reported a net cash inflow from operating activities of €1.7m compared to an inflow of circa €1m in 2017. Despite this improvement in net cash flows generated from operating activities, finance costs relating to the Bond continued to increase in 2019.

Cash used in investing activities during 2019 decreased to €4.6m. These relate to further improvements which were needed to be carried out on the Hub during 2019 and mainly refer to additional improvements on several buildings, docks, quays, yards and on sheds. Out of this figure, approximately €1.3m were also invested on plant and machinery tools.

It is important to note that financing and investing activities were higher than previously anticipated due to the fact that additional works needed to be carried out on site to keep upgrading the Site to

the required standards and specifications.

In line with previous projections, cash from financing activities during 2019 mainly relates to the complete withdrawal of the Group's bank overdrafts/loans which were not utilised in prior years. The undertaking of such financing is related to the abovementioned investments implemented on the Hub.

As a result of the above the Group's cash and cash equivalent balance at the end of 2019 decreased to negative €1m from negative €0.5m at the end of 2018.

Given that a lower level of net cash flow from operating activities is anticipated for 2020, management are forecasting a negative cash balance at end of year of €1.1m.

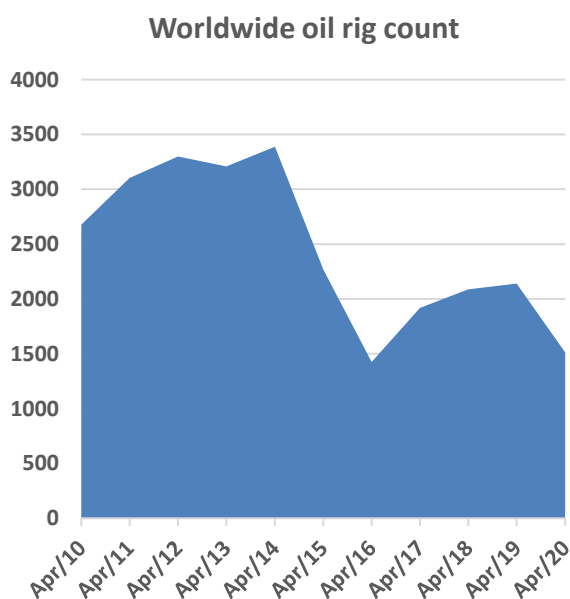
Part 3 - Key market and competitor data

The main activity of the Group is to provide specialised services to the marine, oil and gas industries. As of 2018, the Group also started to pursue new lines of business pertaining to the servicing of yachts. This part of this Analysis provides an update relating to the oil and gas and yachting industries.

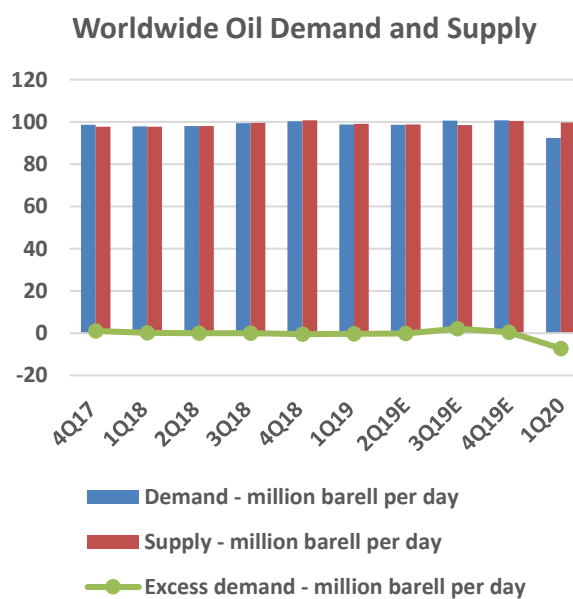
Oil and Gas Industry

The main industry driver, directly impacting the operations of the Group is the price of oil. This has a direct bearing on the extent of drilling operations carried out by International Oil Companies (IOCs) and the number of rigs in operation, which in turn determines the demand for services provided by the Group.

More specifically, when the oil price is high, IOCs may explore deposits that were previously deemed too costly. However, when the price is low, investment in drilling and exploration could fall, which results in the loss of competition between suppliers and the decline of the number of oil rigs in operation.



Source: Baker Hughes



Source: International Energy Agency

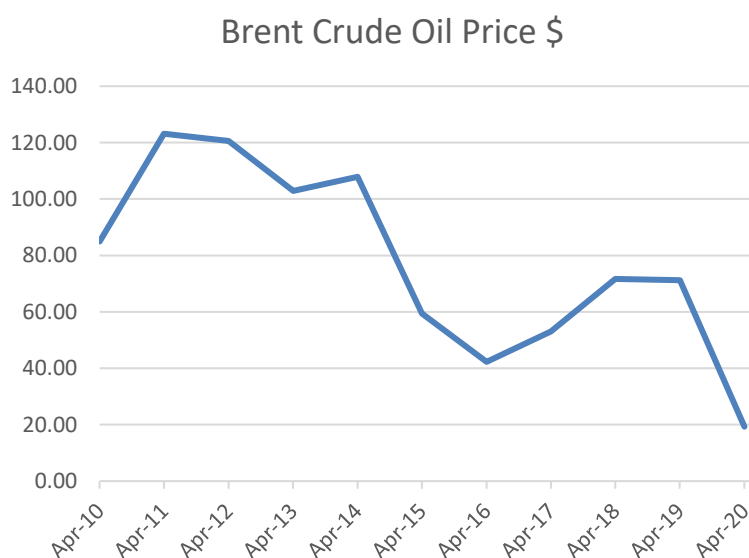
Prior to the COVID-19 outbreak, the offshore oil and gas industry had already endured a challenging period over the past few years, forcing the industry as a whole to adapt and transform itself in line with the rapidly-changing energy requirements within the industry. In an attempt to address this ever growing concern and fully emerge from this challenging period; operators, service companies and major equipment manufacturers, started to establish Master Service Agreements (MSAs) with potential suppliers. These agreements have nowadays increased in popularity as they allocate risk and provide indemnification amongst both parties. Given that these companies operate in a highly volatile environment, such agreements provide the required support to rationalise their operations into better strategically located and efficient regional hubs.

Essentially, the continued spread of the coronavirus has impacted the global economy significantly. More specifically, this pandemic has resulted in the suspension of several industries some of which are heavy oil consumers, such as the manufacturing, sea and air transport industries. Consequently, the demand for oil plunged downwards, with the International Energy Agency warning that the market will face the lowest oil demand in 25 years.

Recent geopolitical tensions between oil producers occurring throughout this pandemic, namely between Russia and Saudi Arabia, resulted in oil production cuts failing to offset the deepest fall ever in demand. In the face of all this turmoil, Brent Crude oil during 2020 has been trading in the range of \$58.2-\$42.1³ per barrel. Of note, crude oil prices recorded a sharp monthly drop in April to a low point of \$19.3² per barrel, amid an increasing oil surplus in the spot market.

In reality, the COVID-19 outbreak has added a major layer of uncertainty to the oil market outlook at the start of the current year. The situation remains relatively fluid given the uncertainty surrounding the duration of this crisis, making it extremely difficult to assess the full impact of the virus.

Being an important indicator of demand for oil products, the global overall rig count data started to decline during 2020 following the COVID-19 outbreak and the consequent recent plunge in oil prices. This pandemic has negatively impacted almost all industries across the globe and as such it was deemed appropriate to illustrate worldwide oil rig count data rather than data related to one specific continent.



Source: FRED Economic Data

▪ **Yachting Industry**

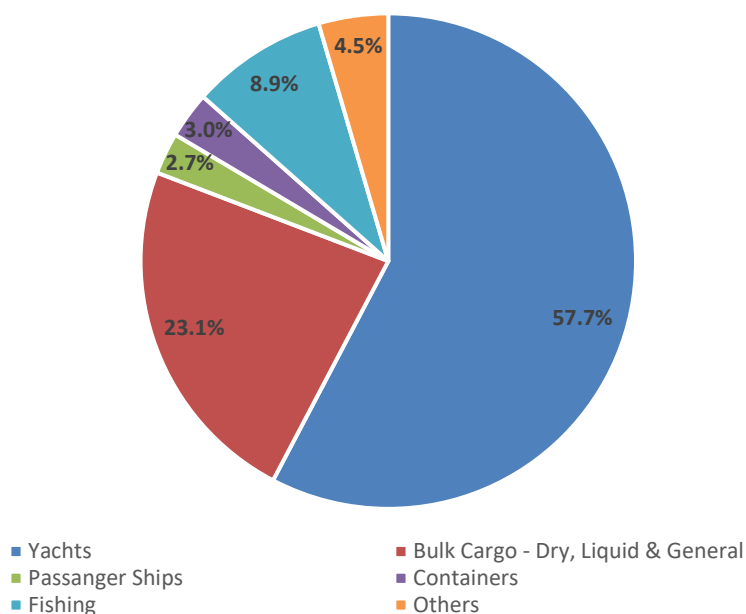
Due to the overall conditions within the oil and gas market sector, the Group's financial performance in 2018 was lower than previously anticipated. Going forward the Group had identified the yachting industry as an additional revenue stream to compensate for such decline. In this respect, during 2018, the Group constructed two 45-meter piers to accommodate vessel travel-hoists, equipping the Group

³Source: Bloomberg

with the capability of lifting commercial and pleasure vessels of up to 700 tonnes from sea to dry ground for IMR services and return to sea.

Malta has developed a strong legal and regulatory platform that enabled Malta to become an established reputable international ship register which is now one of the largest in the world. More specifically, Malta is regarded as being the largest ship register in the European Union and the sixth largest in the world. This is deemed to be reflective of Malta’s strategic location in the heart of Europe, Northern Africa and the Middle East. In fact, the latest data specifically related to the type of vessels registered in Malta indicate that approximately 58% out of all registered vessels, are yachts.

Registered Vessels in Malta by type



Source: Transport Malta Annual Report

Over the last decade efforts of Maltese Authorities have shifted towards the creation of a framework aimed at enhancing the super-yacht industry and ultimately to replicate the positive results obtained within the merchant fleet. This was done by taking full advantage of Malta’s high reputation as an International Centre of Excellence and its wide range of international maritime services and facilities. Malta has developed its natural harbours, investing heavily in state-of-the-art superyacht marinas and encouraging the creation of a number of onshore service-providers such as refitting yacht yards and yacht-management companies of the highest standard. Moreover, the maritime services sector in Malta has been established greatly before the emergence of Malta’s financial services, gaming and insurance industries. As such, this long maritime tradition has originated from the islands’ history, modern facilities and reputable shipping-related service providers.

However, the global outbreak of the COVID-19 has had a profound effect on the travel industry and superyacht industry, in particular the yacht charter market which has been brought to a halt by the spread of COVID-19. In fact, the Government of Malta has also introduced several travel restrictions, which have also impacted the yachting industry. Amongst others, one of the recently implemented

restrictions included that all yachts had to be banned from entering Malta. In reality, this pandemic has created vast uncertainty within the industry and has left all parties involved in a state of panic during such unprecedented circumstances.

Notably, considering the nature of the industry, there is optimism that once the coronavirus situation improves, the yachting industry will be quick to bounce back. In fact, further to the ease of precautionary measures and restrictions as announced by the Government and Health Authorities, the maritime and yachting industry appears to be heading towards signs of normality (with the necessary restrictions and precautions in place). However, the longevity of this pandemic is impossible to anticipate and as such there is still a degree of uncertainty in terms of industry outlook.

3.1 The Group's Competitive Environment

The Group's competitive environment has comprised local and foreign market players, including local and foreign shipyards, local and foreign terminals, ship chandlers, ship agents, and neighbouring countries with oil and gas pro-legislature, engineering facilities, and personnel recruitment agencies. In terms of the Group's new line of business, the Group's competitive environment in such respect comprises local and foreign entities offering yacht maintenance and yacht upkeep related services. As it transforms its business, the Group's competitive strength will increasingly lie in the range of services it provides, resulting in a one-stop shop for rigs within a cost effective, multi-faceted Hub in the centre of the Mediterranean.

The location, size and facilities of the Mediterranean Maritime Hub offers clients with the unique regional operational flexibility. This applies to the oil and gas industry as well as to companies within diverse maritime industries.

The Group is subject to regulation by the local transport regulator –Transport Malta. It is also regulated by the SEC under the Foreign Corrupt Practices Act of 1977, a United States federal law known primarily for two of its main provisions, one that addresses accounting transparency requirements under the Securities Exchange Act of 1934 and another concerning bribery of foreign officials; as well as the UK Bribery Act of 2010.

It is also an accredited member of the International Association of Drilling Contractors and is ISO9001:2015 RINA certified, OHSAS 18001:2007 DNV GL certified and ISO 14001:2015 compliant. These certifications demonstrate that the Group aims to ensure client satisfaction, that work is performed in a safe environment, and with the least environmental impact possible.

3.2 Comparative Analysis

The purpose of the table below compares the Bond issued by the Issuer to other debt instruments. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore also different.

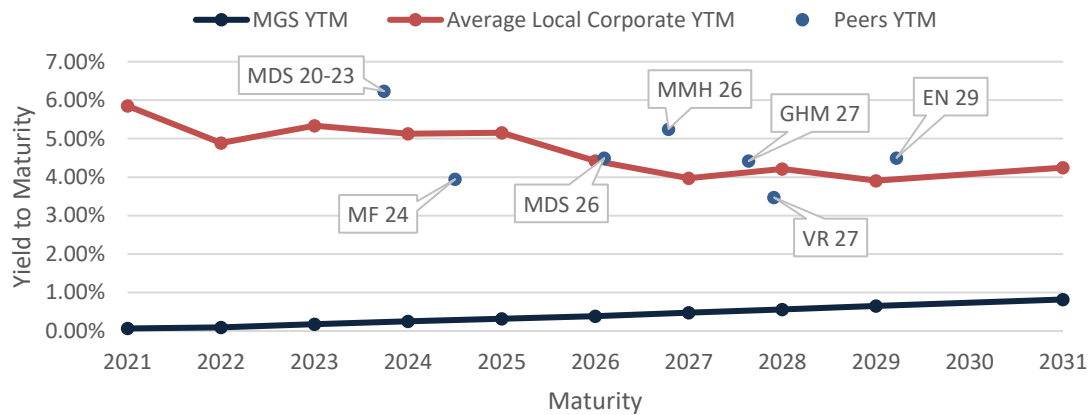
| Security | Nom Value | Yield to Maturity | Interest coverage (EBITDA) | Total Assets | Total Equity | Total Liabilities / Total Assets | Net Debt / Total Equity | Net Debt / EBITDA | Current Ratio | Return on Common Equity | Net Margin | Revenue Growth (YoY) | Last Closing Price * |
|--|-----------|-------------------|----------------------------|--------------|--------------|----------------------------------|-------------------------|-------------------|---------------|-------------------------|------------|----------------------|----------------------|
| | €000's | (%) | (times) | (€'millions) | (€'millions) | (%) | (%) | (times) | (times) | (%) | (%) | (%) | |
| 6% Medserv plc Sec. & Grntd € Notes 2020-2023 S1 T1 | 20,000 | 6.233% | 3.6x | 154.7 | 14.1 | 90.9% | 602.3% | 6.8x | 1.5x | -20.3% | -4.8% | 109.4% | 99.30 |
| 5.3% Mariner Finance plc Unsecured € 2024 | 35,000 | 3.946% | 4.0x | 95.3 | 47.1 | 50.6% | 95.5% | 5.2x | 0.5x | 10.7% | 29.5% | 0.8% | 105.00 |
| 4.5% Medserv plc Unsecured € 2026 | 21,982 | 4.496% | 3.6x | 154.7 | 14.1 | 90.9% | 602.3% | 6.8x | 1.5x | -20.3% | -4.8% | 109.4% | 100.00 |
| 4.8% Mediterranean Maritime Hub Finance plc Unsecured € 2026 | 15,000 | 5.249% | 2.5x | 36.8 | 4.4 | 88.1% | 481.0% | 8.2x | 0.7x | 14.0% | 3.3% | 19.9% | 97.60 |
| 4.5% Grand Harbour Marina plc Unsecured € 2027 | 15,000 | 4.417% | 2.5x | 28.5 | 3.5 | 87.6% | 475.2% | 9.8x | 1.7x | 6.5% | 5.4% | -12.9% | 100.50 |
| 3.75% Virtu Finance plc Unsecured € 2027 | 25,000 | 3.470% | 6.0x | 202.1 | 82.1 | 59.4% | 102.9% | 3.9x | 1.0x | 14.9% | 29.6% | 31.0% | 101.80 |
| 4.5% Endo Finance plc € Unsecured Bonds 2029 | 13,500 | 4.498% | 3.4x | 31.5 | 10.5 | 66.8% | 137.8% | 6.4x | 0.9x | 21.6% | 40.6% | n/a | 100.00 |
| Average** | 21,747 | 4.5% | 3.9x | 111.1 | 28.6 | 74.4% | 336.0% | 6.5x | 1.2x | 2.2% | 15.9% | 47.6% | |

Source: Latest Available Audited Financial Statements

Last price as at 23/06/2020

** Average figures do not capture the financial analysis of the Group

Yield Curve Analysis



Source: Central Bank of Malta and Malta Stock Exchange (MSE)

The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted.

The graph plots the entire MGS yield curve, thus taking into consideration the yield of comparable issuers. The graph illustrates on a stand-alone basis, the yield of comparable issuers having a maturity between 6-10 years respectively (Peers YTM).

As can be witnessed in the comparative analysis, the Group's leverage is above the average of its comparable issuers on the Malta Stock Exchange at 88.1% gearing (Total Liabilities/ Total Assets), compared to an average of 74.4% or at a gearing (Net Debt / Total Equity) of 481% compared to an average of 336% for the industry.

As at 24th June 2020, the average spread over the Malta Government Stock (MGS) for comparable issuers with maturity range of 6-10 years was 375 basis points. The 4.8% Mediterranean Maritime Hub Finance plc 2026 is currently trading at 486 basis point spreads, amounting to 112 basis points above the average of the market.

Part 4 - Glossary and Definitions

| Income Statement | |
|---|--|
| Revenue | Total revenue generated by the Group/Company from its principal business activities during the financial year. |
| Costs | Costs are expenses incurred by the Group/Company in the production of its revenue. |
| EBITDA | EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations. |
| Operating Profit (EBIT) | EBIT is an abbreviation for earnings before interest and tax. |
| Depreciation and Amortisation | An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated. |
| Net Finance Costs | The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances. |
| Net Income | The profit made by the Group/Company during the financial year net of any income taxes incurred. |
| Profitability Ratios | |
| Growth in Revenue (YoY) | This represents the growth in revenue when compared with previous financial year. |
| Gross Profit Margin | Gross profit as a percentage of total revenue. |
| EBITDA Margin | EBITDA as a percentage of total revenue. |
| Operating (EBIT) Margin | Operating margin is the EBIT as a percentage of total revenue. |
| Net Margin | Net income expressed as a percentage of total revenue. |
| Return on Common Equity | Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance). |
| Return on Assets | Return on assets (ROA) is computed by dividing net income by the average total assets (average assets of two years financial performance). |
| Cash Flow Statement | |
| Cash Flow from Operating Activities (CFO) | Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt. |
| Cash Flow from Investing Activities | Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company. |
| Cash Flow from Financing Activities | Cash generated from the activities that result in change in share capital and borrowings of the Group/Company. |
| Capex | Represents the capital expenditure incurred by the Group/Company in a financial year. |
| Free Cash Flows (FCF) | The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year. |
| Balance Sheet | |
| Total Assets | What the Group/Company owns which can be further classified into Non-Current Assets and 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. |
| Inventory | Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale. |
| Cash and Cash Equivalents | Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately. |

| | |
|----------------------------------|---|
| Total Equity | Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves. |
| Total Liabilities | What the Group/Company owes which can be further classified into Non-Current Liabilities and Current Liabilities. |
| Non-Current Liabilities | Obligations which are due after more than one financial year. |
| Total Debt | All debt obligations inclusive of long and short-term debt. |
| Net Debt | Total debt of a Group/Company less any cash and cash equivalents. |
| Current Liabilities | Obligations which are due within one financial year. |
| Financial Strength Ratios | |
| Current Ratio | The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities. |
| Quick Ratio (Acid Test Ratio) | The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities. |
| Interest Coverage Ratio | The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period. |
| Gearing Ratio | The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets. |
| Gearing Ratio Level 1 | Is calculated by dividing Net Debt by Total Equity. |
| Gearing Ratio Level 2 | Is calculated by dividing Total Liabilities by Total Assets. |
| Net Debt / EBITDA | The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA. |
| Other Definitions | |
| Yield to Maturity (YTM) | 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. |
| Occupancy Level | The occupancy level is expressed as a percentage and indicates the number of rooms occupied to the total number of available rooms in a given time period. |