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Directors' Report

This half-yearly report is being published in terms of Chapter 5 of the Listing Rules of the Listing Authority – Malta Financial Services Authority and the Prevention of Financial Market Abuse Act, 2005.

The condensed consolidated financial statements included in this report have been extracted from Merkanti Holding p.l.c. and its subsidiaries' (collectively, the "Group") unaudited financial information for the six months ended 30 June 2020, prepared in accordance with International Financial Reporting Standards as adopted for use in the EU for interim financial statements (International Accounting Standard 34, 'Interim Financial Reporting'). This half-yearly report gives a true and fair view of the assets, liabilities, equity and loss and other comprehensive income of the Group and the undertakings included in the consolidation taken as a whole. This report has not been audited or reviewed by the company's independent auditors.

The Company

Merkanti Holding p.l.c. is a holding and finance company that does not carry on any trading activities apart from raising capital and advancing same to the Group. Accordingly, the company is economically dependent on the Group. The principal activities of the Group are comprised of the activities of the Bank and the Property Companies, explained further in the 'Group Performance section below.

Subsidiaries

The Merkanti Holding plc., group is made up of the Merkanti Bank Limited (100%, the "Bank") Merkanti (A) International Limited (94.9%), Merkanti (D) International Limited (94.9%, with Merkanti (A) International Ltd., the "Property Companies"), Altmark Immobilien Management GmbH (100%) and Merkanti Diesel Limited (100%).

Group Performance

The Group's loss after tax attributable to the owners of the parent for the six-month period ended June 30, 2020 was EUR 160,308 compared to income after tax of EUR 1,666,746 in the six months ended 2019. The main reason for this decline was due to the non-recurrence of fair value gains stemming from an appraisal of the Property Companies in June 2019.

Total assets of the Group stood at EUR 88,200,793 as at 30 June, 2020 compared to EUR 90,964,466 as at December 31, 2019

The Bank is a credit institution licensed by the MFSA under the Banking Act (Chapter 371 of the laws of Malta) that provides merchant banking and trade financing services. The Bank's operations began in February 2016 after the ECB and MFSA approval of the acquisition.

The Property Companies are property holding companies that operate in the industrial real estate leasing sector in Germany. The real estate owned by the Property Companies is currently leased out to a number of tenants, none of whom have delayed payment on their obligations to date.

The COVID-19 pandemic in 2020 has created a new era of uncertainties. The pandemic is dynamic and expanding and its ultimate scope, duration and effects are currently uncertain. The impact of the pandemic and the global response thereto has, among other things, significantly disrupted global economic activity, negatively impacted gross domestic product and caused significant volatility in financial markets. While various countries have implemented stimulus packages and other fiscal measures to attempt to reduce the impact of the pandemic on their economies, the impact of the pandemic on global economic activity and markets both in the short and longer term is uncertain at this time. The magnitude and duration of the disruption and resulting decline in business activity resulting from the COVID-19 pandemic is currently uncertain. The Group continues to monitor this situation, though currently expects, at a minimum, to reach its budgeted annual profit for 2020.

Directors' statement pursuant to Listing Rule 5.75.3

We hereby confirm that to the best of our knowledge:

1. The condensed half-yearly report gives a true and fair view of the consolidated financial position of the group as at 30 June 2020 and of its financial performance, cash flows and changes in equity for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).
2. The interim Director's report includes a fair review of the information required in terms of Listing Rule 5.81.



Mario P. Galea
Director



Samuel S. Morrow
Director and Chief Executive Officer

Registered office:
Merkanti Holding p.l.c
Aragon House Business Centre
Dragonara Road
St. Julians
STJ 3140
Malta

Condensed consolidated statements of financial position (unaudited)

	Unaudited	Audited
	As at 30	As at 31
	June	December
	2020	2019
	€	€
ASSETS		
Cash and cash equivalents	23,827,840	27,293,647
Loans & advances	16,572,010	14,605,929
Investments	12,800,468	11,220,095
Investment properties	32,111,820	35,140,000
Property, plant & equipment	955,516	935,220
Other receivables	1,933,139	1,769,575
Total assets	<u>88,200,793</u>	<u>90,964,466</u>
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the parent	51,023,727	51,166,683
Non-controlling interest	1,885,993	1,878,245
Total equity	<u>52,909,720</u>	<u>53,044,928</u>
Borrowings	24,335,159	24,287,159
Deferred tax liabilities	2,016,712	1,995,557
Other payables	8,939,202	11,636,822
Total Liabilities	<u>35,291,073</u>	<u>37,919,538</u>
Total equity and liabilities	<u>88,200,793</u>	<u>90,964,466</u>

The notes on page 8 are an integral part of this interim condensed consolidated financial information.
Cash and cash equivalents include loans and advances to banks

The condensed consolidated interim financial information on pages 4 to 8 were authorised for issue by the board of directors on 28 August 2020 and were signed on its behalf by:



Mario P. Galea
Director



Samuel S. Morrow
Director and Chief Executive Officer

**Condensed consolidated statements of profit and loss and
other comprehensive (loss) income (unaudited)**

	Six months ended 30 June	
	2020	2019
	€	€
Interest and similar income	517,533	156,605
Interest and similar expense	(672,762)	(12,045)
Net interest expense	(155,229)	144,560
Fee and commission income	583,364	1,015,153
Net fee income	583,364	1,015,153
Rental income from investment property	882,099	1,026,524
Change in the fair value of investment property	0	1,960,000
Other operating income	820,009	197,420
Operating income	2,130,243	4,343,657
Administrative expenses	(2,236,486)	(2,333,477)
(Loss)/profit before tax	(106,243)	2,010,180
Income tax expense	(54,065)	(343,434)
(Loss)/profit for the period	(160,308)	1,666,746
Loss / (profit) attributable to non-controlling interests	(7,747)	(288,282)
(Loss) / profit attributable to owners of the parent company	(168,055)	1,378,464
Other comprehensive (loss) income:		
(Loss)/profit for the period	(160,308)	1,666,746
Net change in fair valuation of financial assets measured at fair value through other comprehensive income, net of income taxes	25,100	117,405
Total comprehensive (loss)/ income for the period	(135,208)	1,784,151

The notes on page 8 are an integral part of this interim condensed consolidated financial information

Condensed consolidated statements of changes in equity (unaudited)

	Share Capital €	Contributed reserve €	Fair Value reserve €	Retained earnings €	Total €	Non- controlling interest €	Total equity €
Balance at 1 January 2019	50,000,000	2,540,000	102,680	(4,019,025)	48,623,655	5,202,619	53,826,274
Profit for the period	0	0	0	1,378,464	1,378,464	288,282	1,666,746
Net changes in fair value	0	0	117,405	0	117,405	0	117,405
Balance at 30 June 2019	50,000,000	2,540,000	220,085	(2,640,561)	50,119,524	5,490,901	55,610,425
Balance at 1 January 2020	50,000,000	2,540,000	50,335	(1,423,653)	51,166,682	1,878,246	53,044,928
(Loss) for the period	0	0	0	(168,055)	(168,055)	7,747	(160,308)
Net changes in fair value	0	0	25,100	0	25,100	0	25,100
Balance at 30 June 2020	50,000,000	2,540,000	75,435	(1,591,708)	51,023,727	1,885,993	52,909,720

The notes on page 8 are an integral part of this interim condensed consolidated financial information.

Condensed consolidated statements of cash flows (unaudited)

	Six months ended 30 June	
	2020	2019
	€	€
Cash flows from operating activities		
Net cash flows used in operating activities	(6,682,851)	(134,542)
Net cash flows provided by investing activities	2,251,059	(14,897)
Net cash flows provided by financing activities	960,449	(175,185)
Exchange rate effect on cash and cash equivalents	5,536	(8,988)
Net movement in cash and cash equivalents	<u>(3,465,807)</u>	<u>(333,612)</u>
Cash and cash equivalents at the beginning of period	<u>27,293,647</u>	<u>10,344,401</u>
Cash and cash equivalents at end of period	<u>23,827,840</u>	<u>10,010,789</u>

The notes on page 8 are an integral part of this interim condensed consolidated financial information.
Cash and cash equivalents include loans and advances to banks.

Notes to the half-yearly report

1. Basis of preparation

This interim condensed consolidated financial information for the six-month period ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting' and in terms of the Malta Financial Services Authority Listing Rules 5.81 to 5.84.

The financial information has been extracted from the group's unaudited interim financial statements for the six-month period ended 30 June 2020. The comparative amounts reflect the unaudited position of the group as at 30 June 2019.

The preparation of these interim consolidated financial statements is consistent with the accounting policies used in the preparation of the 31 December 2019 audited financial statements.

2. Share capital

	30 June 2020	30 June 2019
	€	€
Authorised, issued and fully paid up		
50,000,000 ordinary shares of €1 each	<u>50,000,000</u>	<u>50,000,000</u>