The following is a Company Announcement issued by HUDSON MALTA P.L.C., a company registered under the laws of Malta with company registration number C 83425 (hereinafter the "Company"), pursuant to the Listing Rules issued by the Listing Authority.

Quote

Publication of Financial Analysis Summary

The Company hereby announces that the updated Financial Analysis Summary dated today, 28th August 2020 has been approved for publication and is available for viewing below as an attachment to this announcement and at the Company's registered office, and is also available for download from the following link on the Hudson Group's website: https://hudson.com.mt/investor-relations/.

Unquote

Dr Luca Vella
Company Secretary
28th August 2020

Financial Analysis Summary

28 August 2020

Issuer

Hudson Malta p.l.c.

(C 83425)

Guarantors

Time International (Sport) Limited (C 32438)

Hudson International Company Limited (C 48705)

MZ INVESTMENT SERVICES

MZ INVESTMENT SERVICES

Hudson Malta p.l.c.
Hudson House
Burmarrad Road, Burmarrad
St Paul's Bay SPB 9060
Malta

28 August 2020

Dear Sirs

Hudson Malta p.l.c. Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary ("**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 Hudson Holdings Limited (the "**Hudson Group**" or "**HHL**"), Hudson Malta p.l.c. (the "**Company**", "**Issuer**" or "**Malta Group**"), and Time International (Sport) Limited and Hudson International Company Limited (the "**Guarantors**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the years ended 31 December 2017 to 31 December 2019 has been extracted from the audited consolidated financial statements of HHL; the pro forma financial statements of the Issuer for the year ended 31 December 2017; and the audited consolidated financial statements of the Issuer for the years ended 31 December 2018 and 31 December 2019.

(b) The forecast data of the Malta Group for the year ending 31 December 2020 has been provided by management of the Company.

(c) Our commentary on the results of the Hudson Group, Malta Group and on their respective financial position is based on the explanations provided by the Company.

(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.

MZ INVESTMENT SERVICES

(e) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Company's securities and potential investors by summarising the more important financial data of the Hudson Group and Malta 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 Company and should not be interpreted as a recommendation to invest in any of the Company'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 Company's securities.

Yours faithfully,

Evan Mohnani
Senior Financial Advisor

MZ Investment Services Ltd
63, St Rita Street,
Rabat RBT 1523,
Malta
Tel: 2145 3739

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PART 1 – INFORMATION ABOUT THE HUDSON GROUP AND THE MALTA GROUP

1. THE HUDSON GROUP

1.1 AN OVERVIEW

The Hudson Group is involved in the retail and distribution of branded fashion and sportswear in Southern Europe (incl. Malta) and Africa. Central operations are based in Malta which includes the logistics and supply chain, human resources, financial reporting, business support, strategy and the Group's leadership team.

Some of the key brands presently managed by the Hudson Group are NIKE, Intersport, Kiabi, New Look, Tommy Hilfiger, Ted Baker, Alcott and River Island, most of which are subject to franchise or distribution agreements which have been in effect for a significant number of years and which, to date, have been renewed by the respective franchisors – the indication is that such pattern will carry on in the foreseeable future.

In terms of an agreement dated 5 March 2018 between Hudson Holdings Limited ("**HHL**") and the Issuer, all business activity carried out in Malta relating to sports and fashion business where HHL acts as franchisee, shall be performed exclusively through the Issuer or any of the Guarantors.

1.1.1 Local Operations

Malta Group is a leading retailer and distributor of sportswear products in Malta, and represents numerous sport brands such as NIKE, Converse, Timberland, Crocs, Eastpak, and Intersport. Malta Group also owns its own franchise concept - Urban Jungle - which is also present in other European and cities in Africa. In fashion retail, Malta Group operates New Look, River Island, Ted Baker, Alcott, and Kiabi.

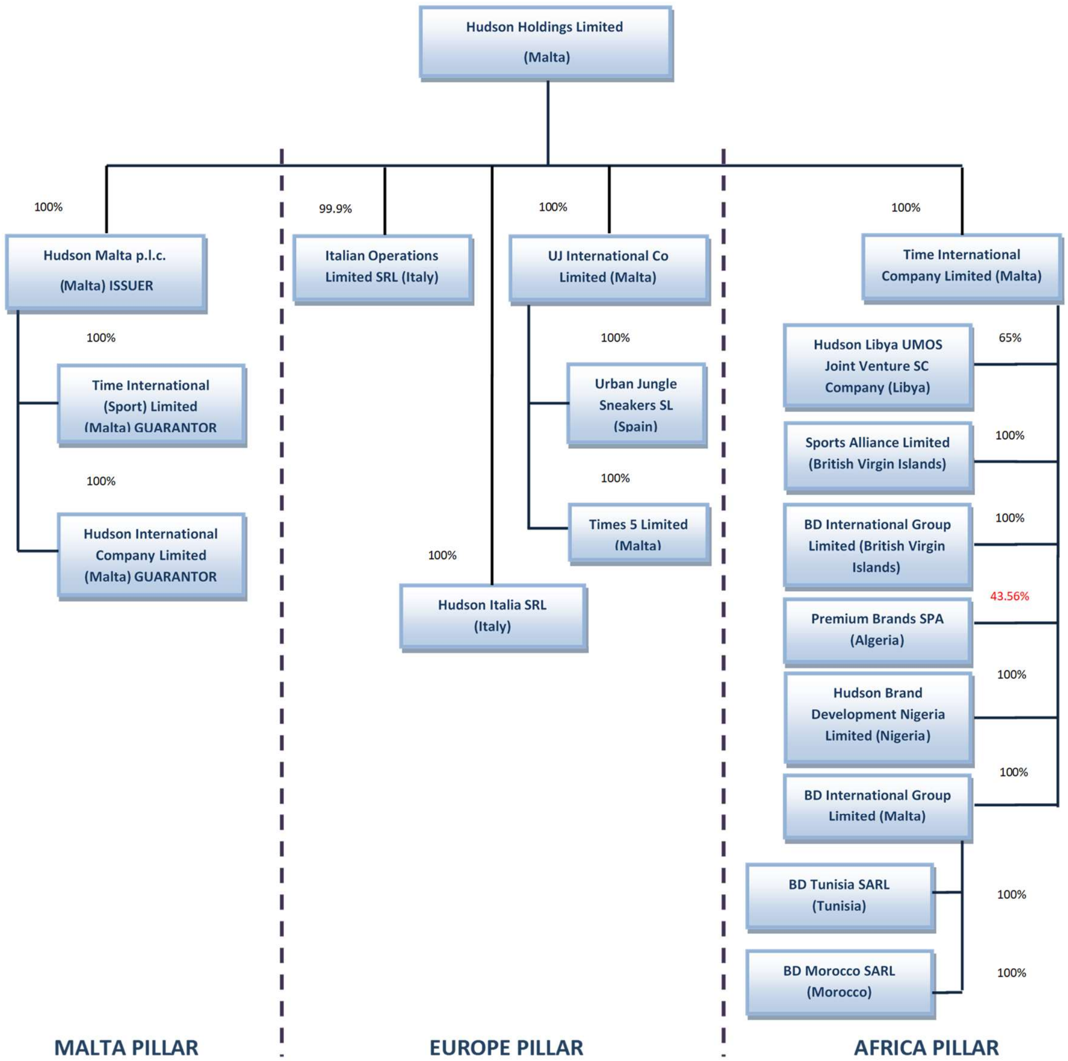
Intersport was introduced to Malta in 2020 with the opening of the brand's first store in Tower Road, Sliema. Since then, the Group has transformed several of the Group's other sport stores operating under the Go Sport and House of Sport banners to Intersport.

1.1.2 International Operations

Hudson Group has a direct retail presence in Southern European and African countries as well as a distribution contract covering over 30 territories. Urban Jungle is present online (www.urbanjunglestore.com) and in top cities including Rome, Naples, Madrid and Casablanca, amongst others. In Africa, Hudson Group has retail operations in Algeria and Morocco, and distributes NIKE products in 20 countries in Africa with the right to distribute to another 10 countries. These are served from Hudson Group's logistic hub in Malta and through in country offices. Hudson Group also undertakes the distribution of other brands, mainly in the sportswear sector (such as Converse) for parts of Africa, with a current focus on the North African countries.

1.2 ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the organisational structure of the Hudson Group.



On 20 December 2017, the Issuer acquired from HHL the entire issued share capital of each of the Guarantors, in exchange for an issue of new ordinary shares by the Issuer to HHL, to form the Malta pillar of the Hudson Group (also referred to as the Malta Group).

The Issuer is a wholly owned subsidiary of HHL, which in turn is owned by Alfred Borg with 50.2%; George Amato, Christopher Muscat and Kevin Grech holding 37.2% between them apportioned equally; 8.8% shareholding is held by Etienne Camenzuli, and Felice Ilacqua and Gianluca Salute hold 1.9% each.

On 7 March 2019, BD International Group Limited (C 61540) (a wholly owned subsidiary of HHL) signed a 65-year emphyteutical concession with Malta Industrial Parks Limited, pursuant to which BD International Group Limited has been granted by title of temporary emphyteusis a portion of land situated in the Hal Far Industrial Estate measuring approximately 5,000m^2, together with all buildings being erected thereon. In accordance with a prospectus dated 23 March 2018, an amount of €2,500,000 out of the net proceeds of the bond issue are being utilised to develop the said distribution centre. Construction and fit-out works are expected to be concluded in 2020.

Hudson Holdings Limited is in advanced negotiations in connection with the acquisition of Trilogy Limited (C 42528), a premium fashion retail company operating in Malta with brands such as Calvin Klein, Armani Exchange, Mango, Tommy Hilfiger and Tommy Jeans, through a share-for-share exchange process. The proposed acquisition is subject to the conclusion of a conditional agreement setting out the terms upon which said acquisition is to take effect and, in turn, to the satisfaction of certain conditions precedent, including the obtaining of regulatory approval as necessary. Pursuant to the conclusion of the proposed transaction, Trilogy Limited will become a subsidiary of the Issuer.

1.3 EXECUTIVE MANAGEMENT TEAM

Hudson Group has formally appointed and empowered an executive committee (EXCO) to manage the Hudson Group's operations. The EXCO is a decision-making entity set up to implement the Board's strategic business plans and policies consistent with the organisation's vision, values and behaviours in order to meet the Hudson Group's business objectives and targets. The EXCO advises the Board on decision and business matters such as strategy, policy and investment risk and is composed of the following individuals: Alfred Borg, Christopher Muscat, George Amato, Jonathan Briffa and Martin Gregory. The EXCO also includes a Non-Executive member and to this date this role is being filled by Kevin Valenzia. Other members of the Senior Management (listed in section 1.4 below) are invited to contribute as required.

1.4 SENIOR MANAGEMENT

In the day-to-day operations of the Hudson Group, the EXCO is supported by the senior management team composed of the following individuals:

Alfred Borg	Chairman
Christopher Muscat	Chief Executive Officer
Jonathan Briffa	Finance Director
George Amato	Supply Chain
Peter Gauci	IT
Martin Gregory	Human Resources
Ritianne Grech	Territories – Malta Retail; Brands - Fashion
Felice Ilaqua	Territories – Malta Wholesale; Brands – Sporting Goods
Luca Moscati	Territories – Italy & Spain
Nicolas Vidal	Territories - Africa
Indrek Heinmets	Brands – Nike
Gianluca Salute	Brands – UJ & Blackbox

2. THE MALTA GROUP

2.1 KEY ACTIVITIES OF THE ISSUER

The Issuer was established on 10 November 2017 and is a wholly-owned subsidiary of HHL (the ultimate parent of the Hudson Group), and is the parent company of the Malta operations of the Hudson Group. The principal object of the Issuer is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, movable and immovable property or other assets, including but not limited to securities and other financial interests. The issue of bonds falls within the objects of the Issuer.

The Issuer’s intended purpose is to further expand the Malta Group's retail and wholesale distribution operations in Malta of branded fashion and sportswear. Business operations are performed by the Issuer’s Subsidiaries (also referred to as the Guarantors), and therefore the Issuer is mainly dependent on the business prospects of the Guarantors.

2.2 KEY ACTIVITIES OF THE GUARANTORS

2.2.1 Time International (Sport) Limited

Time International (Sport) Limited (“**TISL**”) was established in 2003 and is principally engaged in the distribution and retailing of sportswear. The company currently operates **13 retail stores** operating under various names in Malta and Gozo and franchises an additional 3 stores locally. The flagship brand operated by the company is NIKE, the largest brand of athletic footwear and apparel globally.

TISL also operates and franchises two multi-brand franchise concepts, namely Intersport and Urban Jungle. TISL also sells NIKE product to the Urban Jungle stores operating in Europe. TISL is empowered in terms of its Memorandum of Association to secure and guarantee any debt, liability or obligation of any third party.

2.2.2 Hudson International Company Limited

Hudson International Company Limited ("**HICL**") was established in 2010 and is primarily involved in the importation and retailing of branded fashion wear in Malta. The company currently operates **13 stores** in Malta and Gozo and sub-franchises 2 stores in Tunisia. The most significant brands operated by HICL are Kiabi, New Look, Ted Baker and River Island. Hudson International Company Limited is empowered in terms of its Memorandum of Association to secure and guarantee any debt, liability or obligation of any third party.

2.3 DIRECTORS

2.3.1 Directors of the Issuer

The Issuer is managed by a Board consisting of six directors entrusted with the overall direction and management of the Company.

George Amato	Executive Director
Alfred Borg	Executive Director
Christopher Muscat	Executive Director
Victor Spiteri	Independent Non-Executive Director
Kevin Valenzia	Independent Non-Executive Director
Brian Zarb Adami	Independent Non-Executive Director

2.3.2 Directors of the Guarantors

Each Guarantor is managed by a Board of Directors entrusted with its overall direction and management, and is composed as follows:

Time International (Sport) Limited

Alfred Borg	Executive Director
Felice Ilacqua	Executive Director
Christopher Muscat	Executive Director

Hudson International Company Limited

Alfred Borg	Executive Director
Ritianne Grech	Executive Director
Christopher Muscat	Executive Director

2.4 OVERVIEW OF LEASED STORES AND THIRD PARTY OPERATED STORES

The Malta Group presently operates 26 retail stores and held franchise agreements (operated under third party management) with an additional 5 stores. A description of stores in operation as at the date of this report is provided in the following table:

	Company	Name of Store	Location	Status/Comments
1	HICL	3INA	PAMA, Mosta	Open
2	HICL	Alcott	Qormi	Open
3	HICL	Benetton	PAMA, Mosta	Open
4	HICL	KIABI	Qormi	Open
5	HICL	KIABI	Burmarrad	Open
6	HICL	KIABI	The Point, Sliema	Replaced New Look
7	HICL	New Look	Gozo	Open
8	HICL	New Look	Fgura	Open
9	HICL	New Look	Valletta	Open
10	HICL	River Island	The Point, Sliema	Open
11	HICL	River Island	Bay Street Complex	Open
12	HICL	River Island	Qormi	Replaced MaryPaz
13	HICL	Ted Baker	The Point, Sliema	Open
14	TISL	Intersport	Qormi	Previously GO Sport
15	TISL	Intersport	Burmarrad	Previously GO Sport
16	TISL	Intersport	Fgura	Previously House of Sport
17	TISL	Intersport	Sliema	Previously House of Sport
18	TISL	Intersport	Pjazzetta, Sliema	New store
19	TISL	Intersport	Paceville	Previously House of Sport
20	TISL	NIKE	The Point, Sliema	Open
21	TISL	Brand Bargains	Attard	New store
22	TISL	Shoeshack	Sliema	Open
23	TISL	Urban Jungle	Valletta	Open
24	TISL	Urban Jungle	The Point, Sliema	Open
25	TISL	Urban Jungle	PAMA, Mosta	Open
26	TISL	Urban Jungle	Paceville	Open
FRANCHISED STORES				
1	TISL	Intersport	Valletta	Previously House of Sport
2	TISL	Intersport	Gozo	Previously House of Sport
3	TISL	Timberland	Sliema	Open
4	HICL	New Look	Tunisia	Open
5	HICL	New Look	Tunisia	Open

TISL - Time International (Sport) Limited; HICL - Hudson International Company Limited

3. THE MALTA GROUP

3.1 ECONOMIC UPDATE[1]

After annual real GDP growth of 7.3% in 2018 and 4.4% in 2019, Malta's economy had already started to show signs of cooling before the COVID-19 outbreak. Domestic demand has been the main growth driver, underpinned by robust private consumption and investment. Economic sentiment had eased in recent months, but remained strong with steady confidence in industry and construction. Although exports have been losing steam, tourism still contributed significantly to GDP growth.

Malta's economy will be severely affected by the COVID-19 pandemic this year. GDP is expected to contract by around 5.75% but is expected to rebound in 2021, if the pandemic is resolved. The lockdown and closure of non-essential businesses from 26 March 2020 for a period of around two months weighed heavily on private consumption and service exports, with limited room for expenditure on recreation or food services. However, the initial tightness in the labour market and households' high saving rate may cushion the crisis' impact on consumption. Some large-scale investment projects in health and infrastructure are continuing, while other plans have been postponed.

The external sector is set to contribute negatively this year, reflecting a weaker external environment, elevated global uncertainty and a substantial decline in tourism revenues. A fall in domestic demand is expected to drag imports down at a slower pace than exports in 2020, before imports growth outpaces exports' in 2021. The current account surplus, which peaked in 2017, is projected to gradually narrow over the forecast horizon, but to remain high. An easing in general restrictions is expected to re-stimulate domestic demand in 2021, though it is set to remain below its 2019 level.

As a small open economy, Malta's economic outlook is highly sensitive to global uncertainties and the growth performance of its trading partners. Their economic development in the wake of the COVID-19 pandemic may weigh on Malta's exports and pace of recovery more strongly than assumed in this forecast.

The fast pace of economic growth in Malta led to a record-low unemployment rate of 3.5% in 2019, but in the wake of the COVID-19 crisis, the temporary closure of tourism-related activities is set to have a harsh impact on employment. Despite the financial aid made available to employees and the government's measures to cushion the impact on corporates, the unemployment rate is projected to increase to around 6% in 2020 before decreasing again in 2021 to 4.5%.

In 2019, the government surplus declined to 0.5% of GDP from 1.9% a year earlier. The outcome fell short of the government's plans to assure a balanced budget when discounting for the proceeds of the Individual Investor Programme (citizenship scheme), mainly due to lower-than-budgeted VAT receipts. The favourable economic environment translated into strong growth in income taxes and social

[1] European Economic Forecast – Spring 2020 (European Commission Institutional Paper 125 May'20).

contributions. Nevertheless, outlays on intermediate consumption, wages and capital outpaced positive revenue developments.

In 2020, the general government balance is projected to swing into a large deficit of around 6.75% of GDP. Revenue from indirect taxes is set to decline as household consumption falls. Direct tax revenues are projected to record a slight positive growth given the assumed wage growth and profits recorded by companies in the previous year. The main drag on the fiscal balance will come from the financial packages adopted to combat the economic impact of COVID-19. Wage supplements, additional spending on healthcare and social benefits, and interest rate subsidies are expected to cost around 4% of GDP. Moreover, the social measures announced in the 2020 budget, which was prepared under a more favourable economic scenario, are expected to be implemented.

Assuming no changes in policies, which implies that the pandemic-related measures would be discontinued after a few months and healthcare spending would decline to pre-2020 levels, the general government balance should improve strongly, but remain in a deficit of around 2.5% of GDP.

After declining steadily since 2011, the government debt-to-GDP ratio is forecast to surge to about 51% in 2020 and remain around this level in 2021, driven by adverse developments in the deficit.

3.2 FASHION RETAIL SECTOR

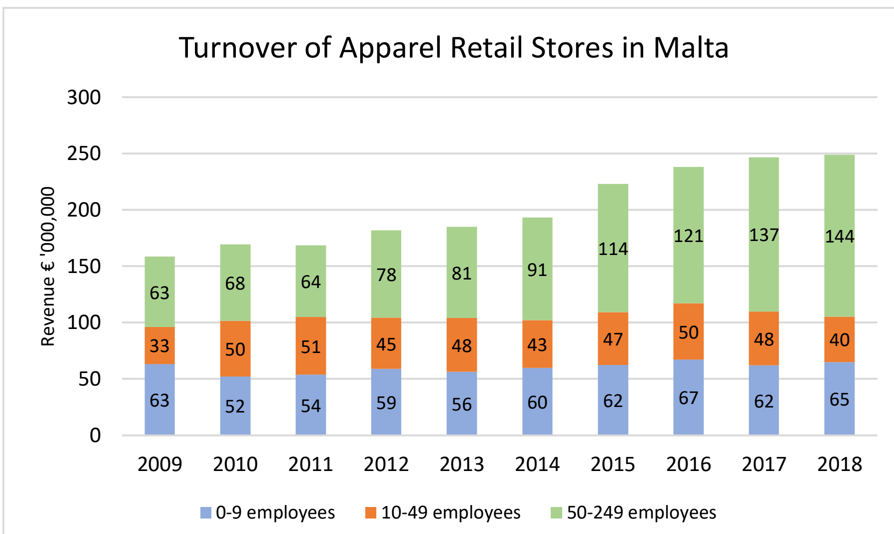
Data in relation to the size of the apparel market in Malta is not published. Notwithstanding, an estimate of the retail store market has been derived from data obtained from the National Statistics Office of Malta (the latest available information relates to calendar year 2018). Data with respect to online sales generated in Malta is not available and therefore is excluded from the analysis below.

The table below sets out statistics in relation to sales of apparel (excluding textiles, footwear and leather goods) by retail outlets in Malta. The information has been analysed by size of outlet on the basis of the number of staff employed by a retail store.

Turnover of Apparel Retail Stores in Malta

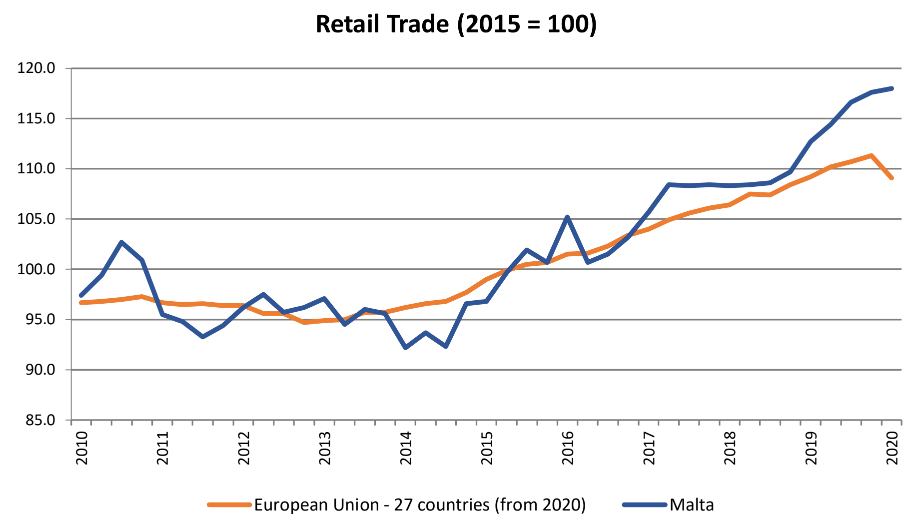
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-18
0-9 employees											
Total turnover (€'million)	63	52	54	59	56	60	62	67	62	65	**0.3%**
No. of outlets (units)	705	666	674	674	655	666	616	659	652	651	
Average turnover (€'million)	0.09	0.08	0.08	0.09	0.09	0.09	0.10	0.10	0.09	0.10	
Year-on-year growth		-13%	2%	10%	-2%	4%	13%	1%	-7%	5%	
10-49 employees											
Total turnover (€'million)	33	50	51	45	48	43	47	50	48	40	**2.4%**
No. of outlets (units)	17	28	29	29	28	26	33	35	33	32	
Average turnover (€'million)	1.92	1.77	1.76	1.56	1.71	1.64	1.43	1.42	1.46	1.26	
Year-on-year growth		-8%	-1%	-11%	9%	-4%	-13%	0%	2%	-14%	
50-249 employees											
Total turnover (€'million)	63	68	64	78	81	91	114	121	137	144	**9.7%**
No. of outlets (units)	11	12	13	14	14	14	15	15	16	17	
Average turnover (€'million)	5.69	5.64	4.92	5.55	5.78	6.50	7.57	8.07	8.55	8.46	
Year-on-year growth		-1%	-13%	13%	4%	13%	16%	7%	6%	-1%	
Total Turnover (€'million)	159	169	169	182	185	193	223	238	247	249	**5.1%**
Year-on-year growth		7%	0%	8%	2%	4%	15%	7%	4%	1%	

Source: National Statistics Office Malta (NACE 47.71 data)



During the 10-year period under review, the average total number of outlets amounted to *circa* 705 units. In the last 3 years (2016 to 2018), the total number of outlets was broadly unchanged at 700 units. Further analysis shows that in the small stores category (0-9 employees), number of stores decreased by 8% from 705 units in 2009 to 651 units in 2018. In contrast, the medium (10-49 employees) and large (50-249 employees) stores categories reported an increase (in aggregate) over the period from 28 units in 2009 to 49 units in 2018 (+75%).

Furthermore, consumer spending has also changed and shows a preference towards the larger stores. In fact, in the period 2009 to 2018, smaller outlets registered a compounded annual increase in turnover of only 0.3%, while the mid and larger outlets recorded a compounded annual growth rate in turnover of 2.4% and 9.7% respectively. Overall, consumer spending in apparel retail in Malta increased at a compounded annual growth rate of 5.1% over the 10-year period from €159 million in 2009 to €249 million in 2018.



Source: Eurostat NACE Rev.2 (retail trade except motor vehicles and motor cycles quarterly data)

The above chart provides an indication of the trend in performance of the overall retail sector in Malta as compared to the European Union (2015 being the base year = 100). According to the EU trend line above, retail trade was marginally in decline between 2010 and 2013 but increased at a constant rate of growth thereafter. In Q1 2020, retail trade registered a 2% decrease from the prior quarter.

During the period under review (Q1 2010 to Q1 2020), retail activity in Malta increased by *circa* 21 percentage points and since Q4 2016 has performed better than the EU average. A number of factors have contributed to this strong performance, including:

- The robust overall growth of the Maltese economy and a strong labour market which has outpaced the EU average; and
- The increase in population of the expat community in Malta.

For the year 2020, the pandemic is undoubtedly having a negative impact on the fashion retail sector in Malta. Due to the imposition of a lockdown by Government, all non-essential retail outlets were closed during March 2020 till end of April 2020 and re-opened for business on 4 May 2020. Notwithstanding the re-opening, it is likely that turnover generated by the fashion retail sector in Malta will be considerably lower at least for the rest of this calendar year on a comparable basis. The situation is still very fluid and the full impact on the subject industry is yet to be determined and assessed.

4. THE IMPACT OF COVID-19

Due to the interdependencies between the Malta Group and Hudson Group, management is addressing the impact of COVID-19 at HHL level. As such, the impact of COVID-19 being addressed herein is from the Hudson Group perspective.

The global community has been facing an extraordinary and impactful crisis since the beginning of 2020 with the emergence of the COVID-19 pandemic. A consequence of this pandemic and the various measures implemented by governments to halt the spread of the disease, Hudson Group's business operations have been adversely affected. The pandemic has impacted the Group's revenue streams, the international supply chain and the way the Hudson Group does business in general.

Hudson Group created a COVID-19 Task Force with key people from the organisation, with different skill sets in order to be able to effectively lead and direct the Group through this pandemic. The main aim was to immediately assess and address the challenges the pandemic represented to business continuity, workforce, customers, technology, supply chain and business partners. Priority was given to the short-term cash management challenges, the immediate reduction of expenditure, including planned capital expenditure.

Furthermore, the leadership team evaluated the impact COVID-19 is expected to have on Hudson Group projected results and cashflows for 2020 and such evaluations are being revised on a regular basis to consider developments as they arise.

The revised cashflow projections for 2020, considering measures being taken and assuming different scenarios, shows that the Hudson Group has sufficient liquidity to meet its financial obligations as and when they fall due. It is the Directors' intention that HHL and its subsidiaries will provide liquidity support to fellow subsidiaries and sister companies within the Hudson Group as and when necessary.

The Hudson Group leadership has identified key areas where the Group will be most impacted. The below is a high-level analysis on the impact and the safety measures taken to protect the solvency position of the Group until the crisis is over.

4.1 RETAIL & E-COMMERCE

Hudson Group operates more than 50 retail stores in Malta, Italy, Spain, Morocco, and Algeria which had all shut their doors by the third week of March in line with respective territory government instructions.

Operations in Malta and Italy resumed in May 2020, whereas Spain, Morocco and Algeria resumed in June 2020. However, the retail trade is not expected to reach pre COVID-19 levels in 2020.

Hudson Group already operated eCommerce prior to COVID-19 through two websites which continued operating with limited restrictions during the period when retail stores were closed. Following the closure of the Malta based stores, the Group managed to introduce eCommerce in Malta to be able to support customers with their retail needs. In Africa, Hudson Group managed to make products available on third party marketplace websites.

4.2 WHOLESALE

Hudson Group is also involved in the wholesale of branded sportswear goods in Malta, Italy, and a number of countries in Africa, primarily of NIKE for which the Group has the exclusive distributorship for a large number of countries in Africa. Similarly to the retail business, the wholesale business was also largely impacted both locally and internationally due to the closure of stores of the Group's clients. In addition to the disruption in demand, the Group has been experiencing significant interruption in the supply chain.

4.3 COSTS

Initiatives to reduce costs were taken across the Hudson Group, in particular:

- Reducing direct and indirect costs;
- Payroll costs have been reduced through government support, less overtime and reduced working hours;
- Negotiating downward the cost of leases in relation to retail estates (retail stores, offices, warehouses).

4.4 CASH FLOW

The Hudson Group has taken measures to safeguard its cashflow position and ensure it can meet its obligations despite the downturn in revenues. The current and projected liquidity of the Group has been analysed in detail and an assessment has been made to cater for any changes in working capital especially given the high dependency on cash for inventory, property rentals and payroll.

The following initiatives have been taken to protect the short-term cash flow and the knock-on effect on the longer term cash position of the Group.

- Retail investments projected for 2020 were postponed and any pending orders in relation to these investments have been cancelled. The Group continued solely with two major infrastructure projects that it believes are vital for its continued growth post COVID-19 and for which finance was already in place;
- Obtained extended payment terms from key suppliers;
- Cancelled stock orders (where possible) for retail and for wholesale business;
- Availed itself of any government support in the different countries, which includes deferral of tax payments, wage supplements and support relating to teleworking;
- Obtained moratoria on repayment of loan facilities with its bankers and temporary increased its overdraft facilities to ensure it has adequate working capital headroom. The Group has also obtained approval for additional financing to further strengthen its long-term liquidity position.

5. TREND ANALYSIS AND BUSINESS STRATEGY

The retail market in Malta is subject to stiff competition, both from local retailers as well as from online sales (through the internet). In addition, retailers face competition for consumers' disposable income from gastronomy outlets, the property market and consumers' propensity to save. Furthermore, the retail industry continues to evolve due to shifts in consumer preferences, product trends and shopping habits. Pre COVID-19, Malta's economy was performing well, resulting in an expansion of the labour market and higher income levels, to the benefit of retailers.

In FY2020, the Malta Group's earnings will be adversely impacted by COVID-19. During this uncertain period, the Directors will continue to maintain vigilance and adjust operational activities as necessary to protect the Group's financial position. Nonetheless, the Malta Group remains focused on adapting to the afore-mentioned trends and the Directors feel that the business strategy of the Malta Group is aligned to capitalise on these opportunities in the future.

The Malta Group's strong focus is to provide a high level of customer service and use information systems to maintain tight controls over inventory and operating costs. The Directors believe that having strong logistics support is a critical element of the Malta Group's growth strategy and is central to the business to maintain a low-cost operating structure and optimal inventory levels.

A key objective of the Malta Group is to continue to strengthen recognition of each of its brands within their respective target markets through advertising campaigns, sponsorships, and customer loyalty schemes. At the same time, the Directors will continue to explore opportunities to invest in other retail concepts that offer features that are attractive to the Malta Group in terms of benefits from possible synergies and revenue expansion.

In this regard, the Hudson Group is in advanced negotiations in connection with the acquisition of Trilogy Limited (C 42528), a premium fashion retail company operating in Malta with brands such as Calvin Klein, Armani Exchange, Mango, Tommy Hilfiger and Tommy Jeans, through a share-for-share exchange process. Pursuant to the conclusion of the proposed transaction, Trilogy Limited will form part of the Malta Group.

The Malta Group has launched an e-commerce platform, thus enabling the Malta Group to engage with customers specifically in the digital commerce channel. Although revenue generation through retail stores will continue to be a cornerstone of the Malta Group's strategy, the e-commerce initiative should provide a platform to ensure an outstanding customer experience regardless of channel.

PART 2 – PERFORMANCE REVIEW

6. FINANCIAL INFORMATION – HUDSON GROUP

On 13 March 2018, the Issuer entered into a loan agreement with HHL, where the Issuer advanced to HHL the amount of €4,500,000 from the net proceeds of the bond issue. In terms of this loan agreement, interest shall be payable annually in arrears on 6 March of each year at the rate of 5.5% per annum. In addition, HHL has bound itself to repay the loan in accordance with a pre-agreed repayment schedule, which includes a 3-year moratorium period, and shall affect the final repayment by not later than 6 March 2026.

As an entity external to the Issuer and the Malta Group, HHL is not bound by the continuing obligations of the Listing Rules. However, the board of directors of HHL has resolved to publish on an annual basis HHL's audited consolidated financial statements, by not later than two months after the publication of the Issuer's audited financial statements, through a company announcement.

Furthermore, condensed financial information relating to HHL and the Hudson Group shall be provided in the annual publication of the Issuer's financial analysis summary. This commitment is being made to provide Bondholders and prospective investors with full access to financial information on the Hudson Group.

The following financial information is extracted from the consolidated audited financial statements of Hudson Holdings Limited ("**Hudson Group**" or "**HHL**") for the three years ended 31 December 2017 to 31 December 2019.

Hudson Holdings Limited **Consolidated Statement of Comprehensive Income** **for the year ended 31 December**	**2017** **€'000** **Actual**	**2018** **€'000** **Actual**	**2019** **€'000** **Actual**
Revenue	86,513	105,029	113,216
Retail	*29,833*	*40,687*	*44,246*
Wholesale	*56,680*	*64,342*	*68,970*
Cost of sales	(65,724)	(78,932)	(82,178)
Gross profit	**20,789**	**26,097**	**31,038**
Net operating costs	(16,517)	(21,293)	(19,356)
EBITDA[1]	**4,272**	**4,804**	**11,682**
Depreciation & amortisation	(1,156)	(1,446)	(6,414)
Operating profit	**3,116**	**3,358**	**5,268**
Share of profit/(loss) in associate	-	(41)	472
Net finance costs	(756)	(956)	(2,063)
Profit before tax	**2,360**	**2,361**	**3,677**
Taxation	(809)	(1,381)	(1,980)
Profit for the year	**1,551**	**980**	**1,697**
Other comprehensive income			
Currency translation differences	(749)	375	442
Fair value movements equity investments, net of deferred tax	401	(244)	(976)
	(348)	**131**	**(534)**
Total comprehensive income	**1,203**	**1,111**	**1,163**

[1] *EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*

Hudson Holdings Limited **Key Accounting Ratios**	**FY2017** **Actual**	**FY2018** **Actual**	**FY2019** **Actual**
Gross profit margin *(Gross profit/revenue)*	24%	25%	27%
Operating profit margin *(EBITDA/revenue)*	5%	5%	10%
Interest cover (times) *(EBITDA/net finance cost)*	5.65	5.03	5.66
Net profit margin *(Profit after tax/revenue)*	2%	1%	1%
Earnings per share (€) *(Profit after tax/number of shares)*	42.45	26.82	46.45
Return on equity *(Profit after tax/shareholders' equity)*	15%	10%	17%
Return on capital employed *(EBITDA/total assets less current liabilities)*	31%	21%	25%
Return on assets *(Profit after tax/total assets)*	3%	2%	2%

Source: MZ Investment Services Ltd

During **FY2018**, the Hudson Group operated 53 stores in 5 countries (FY2017: 37 stores) and employed 544 staff members (FY2017: 502 staff members). The 16 new store openings in FY2018 are located overseas, mainly Morocco. In addition, the Hudson Group acquired the remaining 50% shareholding in BD International Group Limited to hold all voting and ownership rights. This company is the contract party to the NIKE Africa business having distribution rights to 30 countries in Africa.

Revenue increased by 21% from €86.5 million in FY2017 to €105.0 million in FY2018 driven by new store openings and further expansion of the Nike Africa business (notwithstanding the loss of a significant client in 2017). The growth in turnover resulted in an increase in EBITDA of €0.5 million, from €4.3 million in FY2017 to €4.8 million in FY2018. The EBITDA margin remained constant at 5% in FY2018 (FY2017: 5%), but return on capital employed decreased from 31% in FY2017 to 21%.

Depreciation & amortisation was higher when compared to the prior year by €0.3 million. Net finance costs were also higher y-o-y by €0.2 million to €956,000, which lowered interest cover from 5.65 times in FY2017 to 5.03 times. Profit before tax was unchanged at €2.4 million (FY2017: €2.4 million). Overall, HHL reported total comprehensive income of €1.1 million in FY2018 compared to €1.2 million in the prior year.

In **FY2019**, the Hudson Group opened 7 new stores, of which 4 are located in Malta and 3 in Morocco. As at year end, the Hudson Group operated 43 stores in 4 countries (FY2018: 53 stores) and employed 590 staff members (FY2018: 544 staff members).

Revenue generated by the Hudson Group in FY2019 amounted to €113.2 million, an increase of €8.2 million (+8%) over the prior year. Further analysis shows that revenue from retail increased by €3.6 million or 9% (y-o-y) to €44.2 million (FY2018: €40.7 million), while wholesale revenue increased by €4.6 million or 7% (y-o-y) to €69.0 million.

Gross profit increased by 19% to €31.0 million (FY2018: €26.1 million) due to higher business activity as well as a two-percentage point improvement in gross profit margin to 27%. The Hudson Group reported a substantial increase in EBITDA of €6.9 million, from €4.8 million in FY2018 to €11.7 million, mainly on account of the adoption of IFRS 16 in replacement of IAS 17 (leases).

The Hudson Group adopted IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach with transition date taken as the lease commencement date. Under this approach, the right-of-use asset equals the lease liability on transition date, and no equity adjustment is recognised on initial application of IFRS 16. Comparative information is not restated. Accordingly, as of FY2019, the Hudson Group is recognising a right-of-use asset and a lease liability in the statement of financial position for the lease of premises currently treated as operating leases. With regard to the impact in the consolidated income statement, the nature of the relevant expense has changed from being an operating lease expense to depreciation and interest expense.

The income statement reflects the following amounts relating to leases:

	€
Depreciation charge of right-of-use assets	4,316,624
Interest expense (including in finance costs)	1,032,808
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	382,049

	5,731,481
	========

The impact on profit before tax for FY2019 had IFRS 16 not been adopted, would have resulted in a favourable movement of €788,756.

Total comprehensive income reported by Hudson Group in FY2019 was broadly unchanged when compared to the previous year and amounted to €1.16 million (FY2018: €1.11 million).

Hudson Holdings Limited **Consolidated Cash Flow Statement** **for the year ended 31 December**	**2017** **€'000** **Actual**	**2018** **€'000** **Actual**	**2019** **€'000** **Actual**
Net cash from operating activities	(4,310)	(606)	15,942
Net cash from investing activities	(1,247)	(3,802)	(6,584)
Net cash from financing activities	6,547	8,950	(6,199)
Net movement in cash and cash equivalents	**990**	**4,542**	**3,159**
Cash and cash equivalents at beginning of year	3,076	4,066	8,608
Cash and cash equivalents at end of year	**4,066**	**8,608**	**11,767**

In FY2019, net cash from operating activities increased from a deficiency of €606,000 in FY2018 to a surplus of €15.9 million, mainly due to higher operating profit, the reclassification of lease payments from operating activities to financing activities in terms of IFRS 16, and favourable movements in working capital.

Net cash flows from investing activities principally reflect purchases of property, plant & equipment. In FY2019, an amount of €2.0 million was utilised for the construction and development of the distribution centre, while €4.6 million was allocated towards improvements to premises, refitting and other capital expenditure in relation to the Group's stores (FY2018: €3.8 million).

Net cash outflows from financing activities in FY2019 amounted to €6.2 million and comprised lease payments of €4.1 million, net repayment of borrowings of €1.3 million and dividends paid amounting to €0.8 million. In FY2018, the Hudson Group raised €12 million through a bond issue (less charges of €0.2 million) and repaid €2.4 million of borrowings. In addition, dividends paid amounted to €0.4 million. In aggregate, net cash inflows in FY2018 amounted to €9.0 million.

Hudson Holdings Limited **Consolidated Statement of Financial Position** **as at 31 December**	**2017** **€'000** **Actual**	**2018** **€'000** **Actual**	**2019** **€'000** **Actual**
ASSETS			
Non-current assets			
Intangible assets	1,258	1,263	1,263
Property, plant & equipment	4,658	6,500	10,840
Right-of-use assets	-	-	26,751
Investment in associates	-	285	763
Equity investments	-	1,500	321
Available for sale investments	1,800	-	-
Receivables	1,081	499	166
Deferred tax assets	449	394	844
	9,246	10,441	40,948
Current assets			
Inventories	19,043	19,387	15,039
Trade and other receivables	12,579	17,888	17,689
Other current assets	216	19	33
Cash and cash equivalents	6,166	8,907	12,192
	38,004	46,201	44,953
Total assets	**47,250**	**56,642**	**85,901**
EQUITY			
Capital and reserves			
Share capital	85	85	85
Reserves	3,658	3,031	2,498
Retained earnings	6,275	6,477	7,372
Non-controlling interest	388	(167)	(167)
	10,406	**9,426**	**9,788**
LIABILITIES			
Non-current liabilities			
Borrowings	2,009	12,166	12,263
Lease liabilities	-	-	23,715
Other non-current liabilities	1,353	1,238	55
	3,362	13,404	36,033
Current liabilities			
Bank overdrafts	2,100	299	425
Borrowings	9,001	8,194	6,752
Lease liabilities	-	-	2,982
Trade and other payables	21,923	24,482	27,386
Other current liabilities	458	837	2,535
	33,482	33,812	40,080
	36,844	**47,216**	**76,113**
Total equity and liabilities	**47,250**	**56,642**	**85,901**

Hudson Holdings Limited **Key Accounting Ratios**	**FY2017** **Actual**	**FY2018** **Actual**	**FY2019** **Actual**
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	40%	55%	78%
Net debt to EBITDA (years) *(Net debt/EBITDA)*	1.63	2.45	2.91
Net assets per share (€) *(Net asset value/number of shares)*	284.81	257.99	267.90
Liquidity ratio (times) *(Current assets/current liabilities)*	1.14	1.37	1.12
Quick ratio (times) *(Current assets less inventories/current liabilities)*	0.57	0.79	0.75

Source: MZ Investment Services Ltd

The Group's total assets as at 31 December 2019 amounted to €85.9 million, an increase of €29.3 million on a comparable basis (FY2018: €56.6 million). The principal movement relates to the inclusion of right-of-use assets amounting to €26.8 million in FY2019 following the adoption of IFRS 16. Other movements include the following:

(i) property, plant & equipment increased by €4.3 million on account of capital expenditure on the Group's properties;
(ii) cash and cash equivalents increased by €3.3 million to €12.2 million;
(iii) equity investments consists of equity instruments in an unlisted foreign private company (GRP 3ina SL), whereby its fair value decreased from €1.5 million in FY2018 to €0.3 million in FY2019;
(iv) inventories decreased by €4.3 million to €15.0 million.

Total liabilities in FY2019 amounted to €76.1 million compared to €47.2 million in FY2018 (+€28.9 million), mainly on account of the reflection of lease liabilities amounting to €26.7 million in terms of IFRS 16. Borrowings decreased by €1.2 million from the prior year, while trade & other payables increased by €2.9 million to €27.4 million.

The gearing ratio of the Hudson Group increased from 55% in FY2018 to 78% in FY2019, primarily due to the inclusion of lease liabilities in FY2019 (pursuant to IFRS 16). Net debt to EBITDA (being an alternative measure for leverage) weakened to some extent (from 2.45 years in FY2018 to 2.91 years) as the higher leverage (due to lease liabilities) is supported by an increase in EBITDA.

The liquidity ratio declined to 1.12 times in FY2019 (from 1.37 times in FY2018) due to higher trade & other liabilities, a decline in inventories and the inclusion of lease liabilities as from FY2019, which was partly compensated for by higher cash balances. The quick ratio deteriorated marginally from 0.79 times in FY2018 to 0.75 times.

7. FINANCIAL INFORMATION – MALTA GROUP

The Malta Group in its current state has been in existence since 10 November 2017 and therefore, the financial information for FY2017 represents pro forma consolidated financial statements. This pro forma information presents what the Issuer's consolidated financial statements would have looked like had the Malta Group existed in its current form, comprising all its current constituent components, for the financial year 1 January 2017 to 31 December 2017. No adjustments to the results, financial position and cash flow statements of the constituent sub-groups were necessary for the purposes of arriving at the pro forma consolidated financial statements except solely to reflect the entries necessary in any process of accounting consolidation.

The financial information for the period 10 November 2017 to 31 December 2018 and for the year ended 31 December 2019 is extracted from the respective audited consolidated financial statements of Hudson Malta p.l.c. The financial information for the forecast year ending 31 December 2020 has been provided by management. ***The projections do not take into consideration the proposed acquisition of Trilogy Limited referred to in section 1.2 of this report, where negotiations are presently at an advanced stage.***

The projected financial statements relate to events in the future and are based on assumptions which the Malta Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

Hudson Malta p.l.c. **Statement of Comprehensive Income** **for the year ended 31 December**	**2017** **Pro forma** **€'000**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Forecast** **€'000**
Revenue	35,549	42,414	42,815	30,392
Retail	*24,843*	*29,682*	*30,469*	*21,685*
Wholesale and other income	*10,706*	*12,732*	*12,346*	*8,707*
Cost of sales	(23,340)	(29,303)	(29,549)	(21,519)
Gross profit	**12,209**	**13,111**	**13,266**	**8,873**
Net operating costs	(9,823)	(10,280)	(8,766)	(6,319)
EBITDA	**2,386**	**2,831**	**4,500**	**2,554**
Depreciation & amortisation	(922)	(755)	(2,984)	(3,251)
Operating profit (loss)	**1,464**	**2,076**	**1,516**	**(697)**
Net finance costs	(61)	(206)	(696)	(803)
Profit (loss) before tax	**1,403**	**1,870**	**820**	**(1,500)**
Taxation	(491)	(702)	(301)	-
Profit (loss) for the year	**912**	**1,168**	**519**	**(1,500)**
Total comprehensive income (expense)	**912**	**1,168**	**519**	**(1,500)**

Hudson Malta p.l.c. **Key Accounting Ratios**	**FY2017** **Pro forma**	**FP2018** **Actual**	**FY2019** **Forecast**	**FY2019** **Forecast**
Gross profit margin *(Gross profit/revenue)*	34%	31%	31%	29%
Operating profit margin *(EBITDA/revenue)*	7%	7%	11%	8%
Interest cover (times) *(EBITDA/net finance cost)*	39.11	13.74	6.47	3.18
Net profit margin *(Profit after tax/revenue)*	3%	3%	1%	n/a
Earnings per share (€) *(Profit after tax/number of shares)*	0.06	0.07	0.03	n/a
Return on equity *(Profit after tax/shareholders' equity)*	16%	19%	8%	n/a
Return on capital employed *(EBITDA/total assets less current liabilities)*	40%	16%	13%	8%
Return on assets *(Profit after tax/total assets)*	5%	4%	1%	n/a

Source: MZ Investment Services Ltd

The principal business activities of the Guarantors include the operation of retail stores in Malta, and distribution of NIKE products to Urban Jungle Italy and a number of third-party stores in Malta.

On a pro forma basis, revenue generated in **FY2017** amounted to €35.5 million, split as to 70% from retail stores and the remaining balance from wholesale revenue (primarily relating to the sale of sports retail products to third party retailers in Malta and Urban Jungle franchisees in Italy). When compared to the prior year, retail revenue increased by €2.9 million (+13%), principally due to the impact of a full year's operating performance of 8 stores which commenced operations during 2016 and the opening of 4 new stores (two of which are franchised stores) in 2017, whilst wholesale revenue decreased from €12.3 million in 2016 to €10.7 million, entirely due to a decline in sales to Urban Jungle Italy.

EBITDA in FY2017 amounted to €2.4 million, marginally higher when compared to the prior year. After taking into account depreciation & amortisation of €0.9 million, which increased by 47% (year-on-year) due to an increase in store openings, operating profit amounted to €1.5 million (FY2016: €1.7 million). Profit for the year remained broadly unchanged at €0.9 million (FY2016: €0.9 million).

In **FP2018**, revenue generated from retail operations increased by €4.8 million (+19%) from €24.8 million in pro forma FY2017 to €29.7 million in FP2018, primarily on account of new store openings, whilst wholesale income amounted to €12.7 million, an increase of €2.0 million (+19%) when compared to pro forma FY2017. In aggregate, revenue in FP2018 was higher than in pro forma FY2017 by €6.7 million (+19%) and amounted to €42.4 million.

EBITDA improved by 19% or €0.4 million to €2.8 million in FP2018 (FY2017: €2.4 million). Profit after tax was higher in FP2018 by €0.3 million, when compared to the prior year, to €1.2 million.

Revenue in **FY2019** increased marginally by €0.4 million (+0.9%) and amounted to €42.8 million (FP2018: €42.4 million). Further analysis shows that retail sales increased by €0.8 million (+3%, y-o-y) to €30.5 million, while wholesale & other income declined by €0.4 million (-3%, y-o-y) to €12.3 million. Gross profit in FY2019 amounted to €13.3 million compared to €13.1 million in the prior year, while gross profit margin was unchanged at 31%.

EBITDA increased from €2.8 million in FP2018 to €4.5 million (+59%, €1.7 million), primarily due to the impact of IFRS 16. As such, operating profit margin improved in FY2019 from 7% in the prior year to 11%. On the other hand, the adoption of IFRS 16 has increased net finance costs with the consequence of a decline in interest cover ratio to 6.47 times in FY2019 from 13.74 times in FP2018.

The Malta Group adopted IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach with transition date taken as the lease commencement date. Under this approach, the right-of-use asset equals the lease liability on transition date, and no equity adjustment will be recognised on initial application of IFRS 16. Comparative information is not restated. Accordingly, as of FY2019, the Malta Group has recognised a right-of-use asset and a lease liability in the statement of financial position for the lease of premises currently treated as operating leases. With regard to the impact in the consolidated income statement, the nature of the relevant expense has changed from being an operating lease expense to depreciation and interest expense.

The income statement reflects the following amounts relating to leases:

	€
Depreciation charge of right-of-use assets	2,124,864
Interest expense (including in finance costs)	657,075
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	195,195

	2,977,134
	========

The impact on profit before tax for FY2019 had IFRS 16 not been adopted, would have resulted in a favourable movement of €0.5 million. Accordingly, the Malta Group reported a decrease of €0.6 million in total comprehensive income, from €1.2 million in FP2018 to €0.5 million in FY2019.

During the initial two months of **FY2020**, the Malta Group's operational performance was in line with Board expectations. Thereafter, revenues were impacted following the Authorities' decision to close *inter alia* non-essential retail outlets until the end of April 2020.

The projections for FY2020 take into account the actual trading results of the Malta Group for the six-month period from 1 January 2020 to 30 June 2020 and forecast for the remaining 6 months to 31 December 2020. In compiling the projected income statement, it was assumed that the Malta Group's retail establishments will remain operational for the rest of the financial year.

Revenue in FY2020 is projected to decrease by €12.4 million (-29% y-o-y) to €30.3 million on account of the complete shutdown of the retail sector during April 2020 and the expected curtailment of operations in fashion retail between June and December 2020.

Cost of sales and net operating costs are expected to decline by 27% (in aggregate) compared to the previous year, thereby resulting is a decrease of €2.0 million (-43% y-o-y) in EBITDA, from €4.5 million in FY2019 to €2.5 million.

After accounting for depreciation & amortisation and net finance costs of €3.3 million and €0.8 million respectively, the Malta Group is projecting a loss before tax of €1.5 million compared to a profit before tax of €0.8 million in FY2019. Overall, total comprehensive expense is expected to amount to €1.5 million (FY2019: income of €0.5 million).

Hudson Malta p.l.c. **Statement of Financial Position** **as at 31 December**	**2017** **Pro forma** **€'000**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Forecast** **€'000**
ASSETS				
Non-current assets				
Intangible assets	-	1,207	1,204	1,203
Property, plant & equipment	2,306	2,470	3,810	3,701
Right-of-use assets	-	-	18,591	20,422
Other non-current assets	2,296	547	750	420
Loan to related undertakings	-	6,914	6,914	6,914
	4,602	11,138	31,269	32,660
Current assets				
Inventories	4,415	4,126	3,900	4,178
Trade and other receivables	3,845	10,560	9,855	7,688
Amounts due from related undertakings	3,012	58	-	-
Other current assets	87	-	-	-
Cash and cash equivalents	1,127	2,284	2,995	-
	12,486	17,028	16,750	11,866
Total assets	**17,088**	**28,166**	**48,019**	**44,526**
EQUITY				
Capital and reserves				
Share capital and reserves	4,148	16,450	16,450	16,450
Other reserves	-	(15,995)	(15,995)	(15,995)
Retained earnings	1,686	5,680	5,950	4,450
	5,834	**6,135**	**6,405**	**4,905**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	188	11,793	11,821	11,836
Lease liabilities	-	-	16,988	14,816
	188	11,793	28,809	26,652
Current liabilities				
Bank overdrafts	1,687	130	276	500
Borrowings	1,828	-	-	2,700
Lease liabilities	-	-	1,352	1,187
Trade and other payables	7,177	9,958	11,081	8,582
Other current liabilities	374	150	96	-
	11,066	10,238	12,805	12,969
	11,254	**22,031**	**41,614**	**39,621**
Total equity and liabilities	**17,088**	**28,166**	**48,019**	**44,526**

Hudson Malta p.l.c. **Key Accounting Ratios**	**FY2017** **Pro forma**	**FP2018** **Actual**	**FY2019** **Forecast**	**FY2019** **Forecast**
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	31%	61%	81%	86%
Net debt to EBITDA (years) *(Net debt/EBITDA)*	1.08	3.40	6.10	12.15
Net assets per share (€) *(Net asset value/number of shares)*	0.35	0.37	0.39	0.30
Liquidity ratio (times) *(Current assets/current liabilities)*	1.13	1.66	1.31	0.91
Quick ratio (times) *(Current assets less inventories/current liabilities)*	0.73	1.26	1.00	0.59

Source: MZ Investment Services Ltd

The Malta Group's statement of financial position for FY2019 was materially impacted by the adoption of IFRS 16. On 1 January 2019, the Group recognised right-of-use assets and lease liabilities as follows:

	€
Right-of-use assets increased by	17,023,191
Lease liabilities increased by	16,831,903
Prepayments decreased by	191,288

As at 31 December 2019, the Malta Group's total assets amounted to €48.0 million, the main items being right-of-use assets of €18.6 million, trade & other receivables of €9.9 million, loan to related undertakings of €6.9 million and inventories amounting to €3.9 million. Cash and cash equivalents in FY2019 amounted to €3.0 million compared to €2.3 million in the prior year.

Total liabilities amounted to €41.6 million and mainly included lease liabilities of €18.3 million, borrowings and bonds amounting to €12.1 million and trade & other payables of €11.1 million. The Malta Group's gearing ratio was higher in FY2019 to 81% (FP2018: 61%) on account of the inclusion of lease liabilities in FY2019. For same reason, net debt to EBITDA weakened from 3.4 years in FP2018 to 6.1 years notwithstanding the higher EBITDA, which was sufficient to mitigate the addition of lease liabilities.

The liquidity ratio declined to 1.31 times in FY2019 (from 1.66 times in FP2018) due to higher trade & other liabilities, a decline in inventories and the inclusion of lease liabilities as from FY2019, which was partly compensated for by higher cash balances. The quick ratio deteriorated from 1.26 times in FP2018 to 1.00 times.

Total assets in FY2020 are projected to amount to €44.5 million, a decrease of €3.5 million from a year earlier. Due to the disruptions caused by the COVID-19 pandemic, trade & other receivables and cash balances are expected to decline by €2.2 million and €3.0 million respectively. In contrast, right-of-use assets should increase by €1.8 million pursuant to new store openings.

A decrease of €2.0 million is being forecast for total liabilities, whereby trade & other payables and lease liabilities are expected to decline by €2.5 million and €2.3 million respectively. On the other hand, bank borrowings are projected to increase by €2.9 million.

Due to an increase in borrowings, the gearing ratio of the Malta Group is expected to increase from 81% in FY2019 to 86%. Furthermore, in view of a projected reduction in EBITDA, net debt to EBITDA is set to increase from 6.10 years to 12.15 years.

The above-mentioned adverse cash position will also impact the liquidity and quick ratios, both of which will breach the recommended level of at least 1 (FY2020: 0.91 times and 0.59 times respectively).

Hudson Malta p.l.c. **Cash Flow Statement** **for the year ended 31 December**	**2017** **Pro forma** **€'000**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Forecast** **€'000**
Net cash from operating activities	195	(451)	5,277	(3,997)
Net cash from investing activities	(258)	(5,463)	(2,277)	414
Net cash from financing activities	(1,149)	8,068	(2,435)	364
Net movement in cash and cash equivalents	**(1,212)**	**2,154**	**565**	**(3,219)**
Cash and cash equivalents at beginning of year	652	-	2,154	2,719
Cash and cash equivalents at end of year	**(560)**	**2,154**	**2,719**	**(500)**

Net movement in cash and cash equivalents amounted to an inflow of €2.2 million in **FP2018** (FY2017: -€1.2 million), principally due to the net proceeds from the bonds of €11.8 million, partly offset by repayments made to banks and related parties of €3.7 million. Net capital used in investing activities amounted to €5.5 million, mainly on account of loans and receivables granted to related undertakings of €7.0 million, which balance was offset against cash amounts of TISL and HICL following the business combination to form the Malta Group.

In **FY2019**, net cash from operating activities increased from a deficiency of €451,000 in FP2018 to a surplus of €5.3 million, mainly due to the reclassification of lease payments from operating activities to financing activities in terms of IFRS 16, and favourable movements in working capital.

Net cash flows used in investing activities in FY2019 amounted to €2.3 million, which was utilised for the purposes of refitting the Malta Group's outlets.

Net cash outflows from financing activities in FY2019 amounted to €2.4 million and comprised lease payments of €2.2 million and dividends paid amounting to €250,000.

In **FY2020**, the Malta Group is projecting a negative net movement in cash balances of €0.5 million, mainly on account of a cash outflow from operating activities of €4.0 million. In terms of investing activities, the Malta Group expects to generate €0.4 million, being cash inflows of €1.0 million from disposal of property, plant & equipment (principally store furniture) less capital expenditure of €0.6 million comprising refitting of stores. Net cash from financing activities is expected to amount to €0.4 million. This amount includes a new bank loan facility of €2.7 million and cash outflows represent payments of lease obligations.

8. VARIANCE ANALYSIS – MALTA GROUP

The following financial information relates to the variance analysis between the forecasted financial information of the Malta Group for the year ended 31 December 2019 included in the prior year's Financial Analysis Summary dated 28 June 2019 and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Hudson Malta p.l.c. **Statement of Comprehensive Income** **for the year ended 31 December 2019**	**Actual** **€'000**	**Forecast** **€'000**	**Variance** **€'000**
Revenue	42,815	42,438	377
Cost of sales	(29,549)	(27,937)	(1,612)
Gross profit	**13,266**	**14,501**	**(1,235)**
Net operating costs	(8,766)	(9,745)	979
EBITDA[1]	**4,500**	**4,756**	**(256)**
Depreciation & amortisation	(2,984)	(3,271)	287
Operating profit	**1,516**	**1,485**	**31**
Net finance costs	(696)	(1,118)	422
Profit before tax	**820**	**367**	**453**
Taxation	(301)	(128)	(173)
Profit for the year	**519**	**239**	**280**
Total comprehensive income	**519**	**239**	**280**

[1] *EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*

As presented in the above table, revenue generated by the Group in FY2019 was marginally higher than expected by €377,000, due to better than expected performance in wholesale & other income of €1.2 million which was partly offset by lower than forecast retail revenue of €0.8 million.

The Malta Group reported a slightly lower EBITDA when compared to projections of €256,000, which was compensated for by lower than expected depreciation & amortisation (€3.0 million actual vs €3.3 million forecast).

Net finance costs were lower than projected by €0.4 million, whilst taxation was higher than expected by €0.2 million. Overall, the Malta Group's profit for the year was higher than forecast by €280,000.

Hudson Malta p.l.c. Cash Flow Statement for the year ended 31 December 2019	**Actual €'000**	**Forecast €'000**	**Variance €'000**
Net cash from operating activities	5,277	197	5,080
Net cash from investing activities	(2,277)	(425)	(1,852)
Net cash from financing activities	(2,435)	-	(2,435)
Net movement in cash and cash equivalents	**565**	**(228)**	**793**
Cash and cash equivalents at beginning of year	2,154	2,154	-
Cash and cash equivalents at end of year	**2,719**	**1,926**	**793**

Actual net movement in cash and cash equivalents was higher than projected by €793,000. Net operating cashflow was higher than expected by €5.1 million, mainly on account of rental payments being recorded in financing activities and favourable working capital movements.

The variance in net cash from investing activities was negative by €1.9 million due to higher than expected expenditure on shop refitting. As to financing activities, the variance in net cash amounted to €2.4 million which principally comprised rental payments accounted for as operating activities in the forecast cash flow statement.

Hudson Malta p.l.c. Statement of Financial Position as at 31 December 2019	Actual €'000	Forecast €'000	Variance €'000
ASSETS			
Non-current assets			
Intangible assets	1,204	1,207	(3)
Property, plant & equipment and right-of-use assets	22,401	21,429	972
Other non-current assets	750	547	203
Loan to related undertakings	6,914	6,914	-
	31,269	30,097	1,172
Current assets			
Inventories	3,900	5,169	(1,269)
Trade and other receivables	9,855	10,331	(476)
Cash and cash equivalents	2,995	2,057	938
	16,750	17,557	(807)
Total assets	**48,019**	**47,654**	**365**
EQUITY			
Capital and reserves			
Share capital and reserves	16,450	16,450	-
Other reserves	(15,995)	(15,995)	-
Retained earnings	5,950	5,919	31
	6,405	**6,374**	**31**
LIABILITIES			
Non-current liabilities			
Borrowings and bonds	11,821	11,793	28
Lease liabilities	16,988	18,751	(1,763)
	28,809	30,544	(1,735)
Current liabilities			
Bank overdrafts	276	130	146
Lease liabilities	1,352	-	1,352
Trade and other payables	11,081	10,456	625
Other current liabilities	96	150	(54)
	12,805	10,736	2,069
	41,614	**41,280**	**334**
Total equity and liabilities	**48,019**	**47,654**	**365**

The variance in total assets was positive by €365,000, mainly on account of lower than forecast inventories amounting to €1.3 million and a higher cash balance of €0.9 million.

Actual total liabilities were higher than forecast by €334,000 and amounted to €41.6 million (forecast amount €41.3 million). In particular, the balance of trade & other payables was higher than expected by €0.6 million, which difference was partly offset by lower lease liabilities (actual balance being €18.3 million compared to projection of €18.8 million).

PART 3 - COMPARABLES

The table below compares the Malta Group and the Issuer's bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Malta Group and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Malta Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Malta Group.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.80% International Hotel Investments plc 2021	20,000,000	5.39	3.01	1,687,198	897,147	37.31
3.65% GAP Group plc Secured € 2022	36,736,700	3.52	2.22	87,886	11,155	77.98
6.00% Pendergardens Developments plc Secured € 2022 Series	26,781,200	3.36	3.75	81,524	28,343	37.45
4.25% GAP Group plc Secured € 2023	19,394,000	3.87	2.22	87,886	11,155	77.98
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.29	0.76	27,159	6,916	62.72
5.80% International Hotel Investments plc 2023	10,000,000	5.11	3.01	1,687,198	897,147	37.31
6.00% AX Investments Plc € 2024	40,000,000	4.45	5.55	342,395	226,115	19.63
6.00% International Hotel Investments plc € 2024	35,000,000	5.36	3.01	1,687,198	897,147	37.31
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.89	4.81	95,310	47,100	48.85
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.46	2.67	117,625	45,146	53.77
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	5.11	3.30	137,275	45,063	30.57
4.25% Best Deal Properties Holding plc Secured € 2024	16,000,000	3.49	-	27,455	3,366	85.88
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	5.50	3.01	1,687,198	897,147	37.31
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	5.10	4.03	4,066	- 18,883	-
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.28	1.65	150,478	57,635	56.47
4.35% Hudson Malta plc Unsecured € 2026	**12,000,000**	**4.35**	**6.47**	**48,019**	**6,405**	**81.08**
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	4.43	2.74	1,784,681	908,883	40.11
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.88	3.01	1,687,198	897,147	37.31
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.47	8.99	273,233	57,082	60.43
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.73	3.01	1,687,198	897,147	37.31
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	3.25	5.55	341,785	227,069	19.11
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.35	8.48	316,563	132,582	31.98
4.00% Eden Finance plc Unsecured € 2027	40,000,000	4.00	6.42	199,265	113,124	28.12
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.76	4.92	225,284	123,107	38.32
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	4.15	3.87	628,916	110,128	77.11
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.45	4.92	225,284	123,107	38.32
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	4.07	3.87	628,916	110,128	77.11
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.68	5.55	341,785	227,069	19.11

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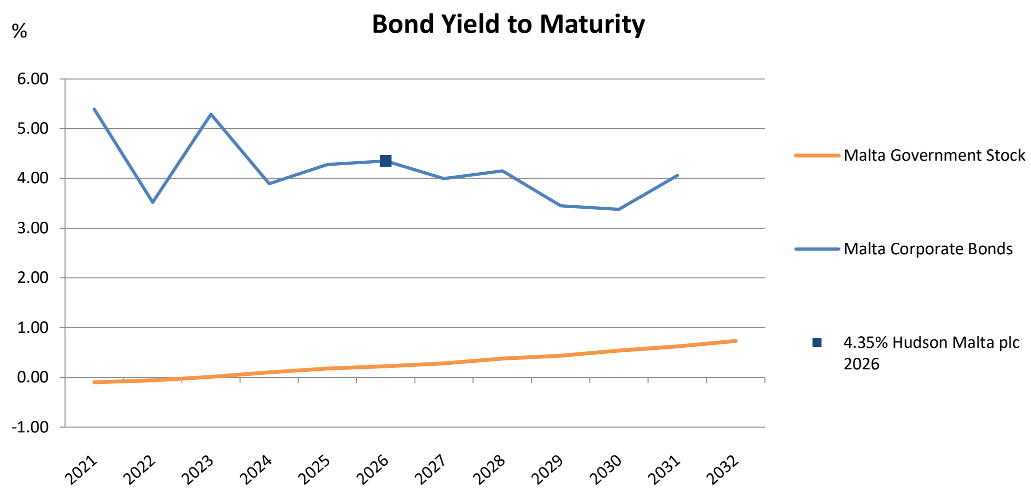

Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd 3 August 2020

To date, there are no corporate bonds which have a redemption date beyond 2031.

The bonds are trading at a yield of 4.35%, which is in line with other corporate bonds maturing in the same year. The premium over FY2026 Malta Government Stock is 413 basis points.

Due to the global economic fallout from the coronavirus outbreak, the difference between corporate bond yields and benchmark Malta Government Stock yields has widened across the entire yield curve. This unprecedented event has brought about an economic slowdown, which will likely adversely affect operational results of a number of companies.

PART 4 - EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including retail and distribution of branded fashion and sportswear.
Cost of sales	Cost of sales includes inventory, labour expenses and all other direct expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
EBIT	EBIT is an abbreviation for earnings before interest and tax. EBIT is a measure of a firm's profit that includes all expenses except interest and income tax expenses. It is the difference between operating revenues and operating expenses.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.

Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include intangible assets; property, plant & equipment; and loans receivable.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory, and cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings, bonds and deferred taxation.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.

Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current 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 a company's current assets to its current liabilities.
Quick ratio	The quick ratio is an indicator of a company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets.
Net debt to EBITDA	The net debt to EBITDA is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
Interest cover	The interest coverage ratio is calculated by dividing a company's EBITDA of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.