COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Tumas Investments plc ("the Company") pursuant to the Malta Financial Services Authority Listing Rules.

30th June 2021

Quote

The Company announces that the updated Financial Analysis Summary dated 30th June 2021 is available for viewing on the Tumas Investments plc website – https://tumas.com/wp-content/uploads/2021/06/FAS-2021-Final-dd-30.06.2021-1.pdf and at the Company's registered office (Level 3, Portomaso Business Tower, Portomaso, St Julians) as from today.

Unquote

Ray Sladden
Company Secretary

Tumas Group Corporate Office, Level 3, Portomaso Business Tower, Portomaso, St Julians, STJ 4011 Malta.
Tel: (356) 2137 2347 Fax: (356) 2137 2358
e-mail: tgcorporate@tumas.com Website: www.tumas.com
Company Reg. No: C27296

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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

The Board of Directors
Tumas Investments plc
Level 3,
Portomaso Business Tower,
Portomaso
St. Julian's STJ4011

30 June 2021

Dear Sirs,

Tumas Investments plc – Financial Analysis Summary Update 2021 (the **"Update FAS"**)

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

The purpose of the Update FAS is that of summarising key financial data appertaining to Tumas Investments plc (the "**Company**" or "**TI**") and Spinola Development Company Limited (the "**Guarantor**", or "**SDC**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historic financial data for the three years ended 31 December 2018 to 2020 extracted from both the Company's and the Guarantor's audited statutory financial statements for the three years in question;
(b) The forecast data for the financial year ending 31 December 2021 has been extracted from the forecast financial information provided by the management of the Company and the Guarantor;
(c) Our commentary on the results of the Company and Guarantor and on the respective financial positions has been based on the explanations provided by the Company and Guarantor;
(d) The ratios quoted in the Update FAS have been computed by us, applying the definitions as set out and defined within the Update FAS; and
(e) Relevant financial data in respect of competitors as analysed in Part D has been extracted from public sources such as the web sites of the companies concerned, or financial statements filed with the Registry of Companies.

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

Yours sincerely,

Vincent E Rizzo
Director

TUMAS INVESTMENTS plc

FINANCIAL ANALYSIS SUMMARY

Update 2021

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

30 June 2021

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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Important Information

Purpose of the Document

Tumas Investments plc (the "**Company**", "**TI**" or the "**Tumas Investments plc**") issued the following bonds:

- €25 million 5% Bonds 2024 pursuant to a prospectus dated 7 July 2014; and
- €25 million 3.75% Unsecured Bonds 2027 pursuant to a prospectus dated 10 July 2017

(hereinafter, collectively referred to as the "**Bond Issues**").

Each prospectus included a Financial Analysis Summary ("**FAS**") in line with the requirements of the Listing Policies as issued and last updated by the MFSA on 5 March 2013. The purpose of this report is to provide an update to the FAS (the "**Update FAS**") on the performance and on the financial position of the Company and Spinola Development Company Limited (the "**Guarantor**" or "**SDC**").

Sources of Information

The information that is presented has been collated from a number of sources, including the Company's website (www.tumas.com), the audited Financial Statements for the years ended 31 December 2018, 2019 and 2020 and forecasts for financial year ending 31 December 2021 for both the Company and the Guarantor.

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

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

Previous FAS Issued

The Company has published the following FAS which are available on its website:

FAS dated 7 July 2014 (appended to the prospectus)
FAS dated 30 June 2015
FAS dated 28 June 2016
FAS dated 29 May 2017 (appended to the prospectus)
FAS dated 26 June 2018
FAS dated 28 June 2019
FAS dated 19 August 2020

List of Abbreviations and Definitions

F&B	Food and beverages
Halland Developments Company Limited or HDCL	A subsidiary of Spinola Development Company Limited which owns the freehold title of the Halland site and adjoining land.
Halland site	The site in Ibragg (formerly Halland Aparthotel) earmarked for development.
Laguna Project	An extension to the Portomaso Complex on its east side which will include the building of 44 residential units.
PA	The Planning Authority (previously known as MEPA).
Portomaso Complex or Portomaso or Complex	The Complex located in St Julian's set on a site owned by SDC comprising the Hilton Malta and its convention centre, the Portomaso Business Tower, residential apartments, a car park, a marina and commercial outlets.
Portomaso Leasing Company Limited or PLCL	A subsidiary of Spinola Development Company Limited which manages the leasing of the long-term commercial and office components the Portomaso Complex.
Premium Real Estate Investments Limited or PREIL	A subsidiary of Spinola Development Company Limited entrusted with acquiring property for investment purposes.
Tumas Group Company Limited or Tumas Group	A group of companies involved in various sectors including hospitality, leisure, tourism, property, automotive and port operations.

1. INTRODUCTION

TUMAS INVESTMENTS PLC – THE ISSUER

Tumas Investments plc is a public limited liability company incorporated in Malta on 17 November 2000 to act as the financing arm of SDC. Given the Company's nature of activities, i.e. raising finance for on-lending to SDC, there is an inherent dependence on SDC's cash flows and operations.

Since 2000, the Issuer has tapped the local bond market six times. The first four bonds, issued in 2000, 2002, 2009 and 2010 respectively, have to date been redeemed. Meanwhile, the Issuer today has, two outstanding bonds, namely the €25 million 5% bonds maturing in 2024 and the €25 million 3.75% bonds maturing in 2027.

SPINOLA DEVELOPMENT COMPANY LTD – THE GUARANTOR

SDC was set up as a limited liability company in Malta on 10 May 1966 and was acquired by the Tumas Group in 1986 through Spinola Investments Limited. The business of SDC has, to date, comprised primarily of the development, management and operation of the Portomaso Complex situated in St Julian's. SDC owns three subsidiaries, namely PLCL, HDCL and PREIL, all of which are incorporated in Malta.

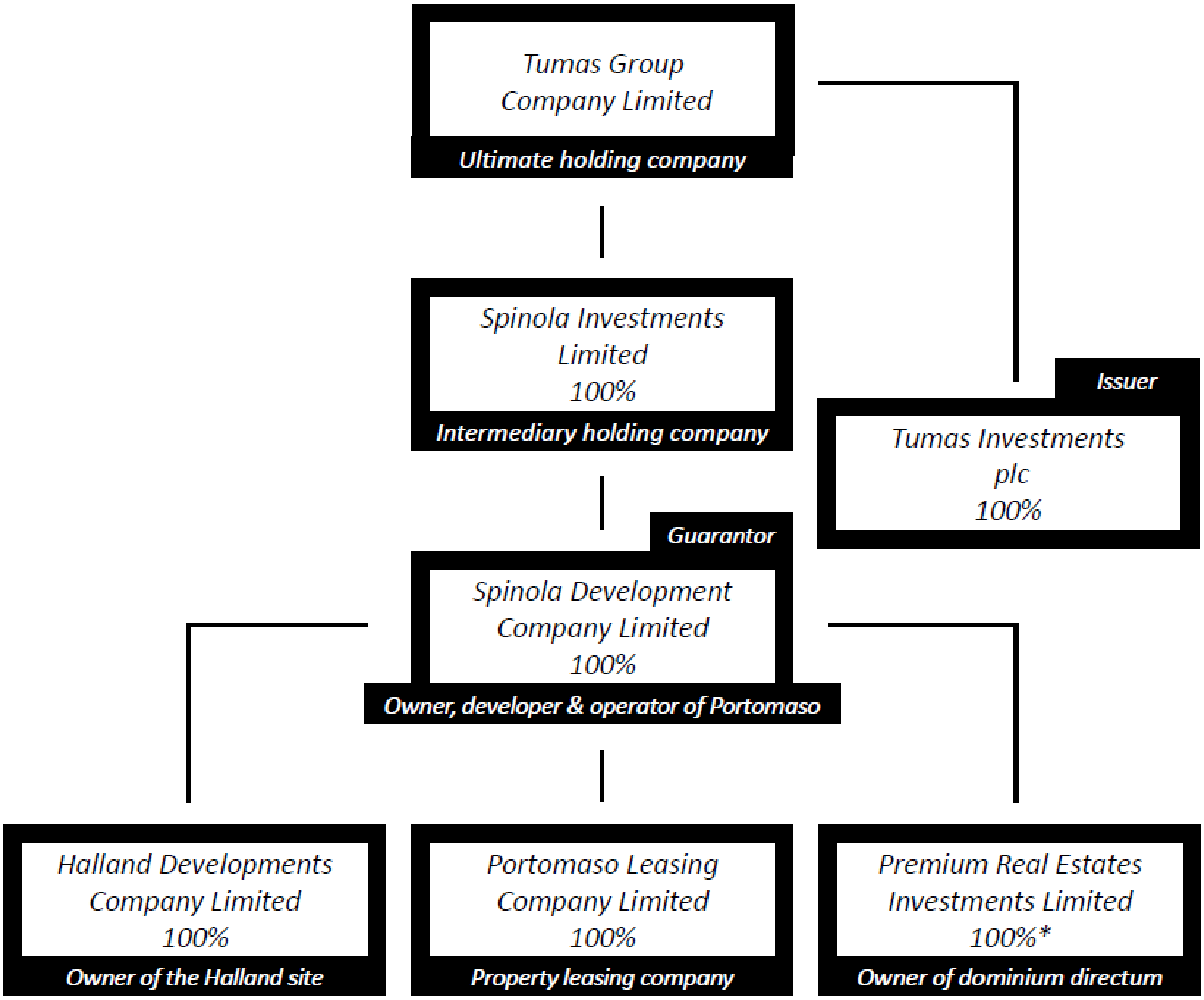
In 1994, the then Malta Hilton Hotel was completely demolished, making way for the development of the Portomaso Complex. The land title was acquired by SDC from the Government of Malta and today the Guarantor benefits from freehold title of the site. For the purpose of management and administration of Portomaso, in 2004 SDC set up PLCL to focus primarily on the leasing of long-term commercial and office components of the Complex.

In 2009, HDCL was set up with the main objective being that of acquiring the freehold title of the Halland site and the adjoining land from St Andrews Hotels Limited – a sister company within the Tumas Group. This company is now in the process of developing the site.

PREIL was incorporated in 2011 with the principal objective of acquiring property for investment purposes. The only major transaction that this company has entered into since its formation was that related to the acquisition of the *dominium directum* on a portion of Portomaso properties from SDC in 2012. PREIL is 99% owned by SDC, with the remaining 1% held by Spinola Investments Limited.

2. GROUP STRUCTURE

Both TI and SDC are wholly-owned subsidiaries of Tumas Group Company Limited – one of the largest and most diversified private business groups in Malta. The Group, which is ultimately owned by members of the Fenech family, is primarily active in property development and leasing, hospitality, leisure and gaming and energy. The position of the Issuer and the Guarantor within the Group is as per below:



***Refers to the effective control that SDC has on Premium Real Estates Investments Limited.**

SDC and its subsidiaries, as included above, are referred to as the "**SDC Group**" or "**Group**" hereinafter.

3. Directors and Senior Management

Directors of the Issuer

The directors of the Company who held office during the financial year ended 31 December 2020 and still hold office as at the date of this Update FAS are:

Mr. Raymond Fenech	Chairman & Chief Executive Officer
Mr. Raymond Sladden	Executive Director & Company Secretary
Dr. Michael Grech	Non-Executive Director
Mr. Kevin Catania	Independent, Non-Executive Director
Mr. John Zarb	Independent, Non-Executive Director

Directors of the Guarantor

The directors of SDC who held office during the financial year ended 31 December 2020 and still hold office as at the date of this Update FAS are:

Mr. Raymond Fenech	Chairman & Chief Executive Officer
Mr. Emmanuel Fenech	Executive Director
Mr. Raymond Sladden	Executive Director

Senior Management of the Issuer

No employees are directly engaged by the Issuer as it entirely relies on the employees of the Guarantor and of the Tumas Group for its management and administration.

Senior Management of the Guarantor

The senior management of the Guarantor are the following:

Mr. Raymond Sladden	Tumas Group Finance Director
Mr. Maurice Tabone	Sales and Marketing Director of SDC
Mr. Richard Cuello	Cluster General Manager - Hilton Malta & Hilton Evian les Bains
Mr. Gerald Debono	Tumas Group Architect
Mr. Kevin Spiteri	Tumas Group Engineer
Mr. Anton Cini	Financial Controller
Mr. Mark Caruana	Property Administrator

4. Update on Operations and Major Assets

4.1 The Issuer

As the financing arm of SDC, the Issuer's operations are inherently limited to that of raising finance for capital projects and advancing such funds to SDC. The borrowings of the Issuer are on-lent to SDC and are regulated through loan agreements that mirror the characteristics of the borrowings taken by TI plus an additional interest margin intended to cover the costs of the Company.

Major Assets - Issuer

The assets of the Issuer are predominantly made up of the loans receivable from SDC, which altogether amount to over 90% of the Issuer's asset base. The table below summarises the value of total assets and loans receivable from SDC for the financial years ended 31 December 2017, 2018 and 2019.

Year	Total Assets *€'000*	Loans Receivable from SDC *€'000*	Loans Receivable from SDC as a % of Total Assets
2018	51,514	50,000	97.1%
2019	51,544	50,000	97.0%
2020	51,545	50,000	97.0%

Material Contracts - Issuer

There have been no changes to the material contracts reported in the FAS dated 19 August 2020.

Date of Agreement / Addendum Agreement	Amount	Maturity	Purpose	Interest Rate % p.a.	Financed by TI through
31 July 2014	€24,718,514	31 July 2024	Refinancing of existing borrowings	5.1	Bond Proceeds
6 September 2017	€281,486	31 July 2024	Refinancing of existing borrowings	5.1	Bond Proceeds
10 July 2017	€24,765,154	10 July 2027	Refinancing of existing borrowings	3.85	Bond Proceeds
6 September 2017	€234,846	10 July 2027	Refinancing of existing borrowings	3.85	Bond Proceeds

4.2 THE GUARANTOR

The principal activities of the Guarantor have to date been the development and operation of the Portomaso Complex and adjacent areas situated in St. Julian's. The Complex includes the Hilton Malta hotel and its conference centre, the Portomaso Business Tower, other office units, residential apartments, a marina, a car park and a number of commercial and catering outlets.

The Complex, which was launched by SDC in 1996, remains to-date one of the largest, single private real estate developments undertaken in the Maltese Islands. The Complex also enjoys a Special Designated Area (SDA) status which allows both EU and non-EU nationals to purchase property within such area on the same acquisition rights as Maltese citizens without having to obtain an Acquisition of Immovable Property (AIP) permit which typically applies to other non-SDA areas.

The operations of SDC are divided into four segments:

A. The hotel and its ancillary operations;

B. Property development;

C. Rental operations; and

D. Complex management operations.

MAJOR ASSETS AND RECENT DEVELOPMENTS

A. THE HOTEL AND ITS ANCILLARY OPERATIONS

This segment comprises the Hilton Malta, the conference centre and ancillary operations including the underground car park, the marina and the Twenty Two Club (a wine lounge on the twenty-second floor of the Portomaso Business Tower). As at the end of FY2020, the Guarantor's property, plant and equipment (PPE) had a carrying value of €158.9 million (FY2019: €162.2 million). The last independent revaluation exercise relating to the Group's PPE was carried out in FY2018, with PPE valued at €165.6 million at the end of the said financial year (net of depreciation charges). Meanwhile, the Directors have reassessed the property valuation in view of the effects of CoVID-19 pandemic and the resulting restrictions imposed by the Health Authorities as these affected the hospitality industry and closure of ports, which have significantly impacted the operations of the Guarantor. The Directors determined that the carrying value of the PPE in the books of SDC as at 31 December 2020 does not differ materially from the FY2018 valuation reassessment that the Directors undertook of the PPE based on revised projected income streams that take into consideration a lower, but gradually improving, business activity for the next few years.

This segment has gone through a significant negative impact caused by CoVID-19 pandemic, which resulted in subdued level of operations during FY2020 and the beginning of FY2021 as tourism to the Maltese islands was practically inexistent. The economic effects of the pandemic on this segment will be discussed in later parts of this report. Malta's airport was closed during the period 20 March to 1 July of 2020. Although in the later months the airport was open, most flights were cancelled and airlines reduced their routes and capacity reflecting the reality of *quasi* non-existent tourism. New and reinstated routes to and from Malta have started being added as from the beginning of June 2021 and while there has been significant interest, the effects of such opening will still need to be assessed as the situation is still very fluid.

I) Hilton Malta

The Hilton Malta is a five-star 413-room hotel, with modern conference facilities, a health centre, themed restaurants, a large indoor pool and a number of outside pools and beach clubs. SDC has an operating agreement with Hilton International for the operation of the hotel under the Hilton brand, whereby Hilton International markets and manages the hotel and its adjacent conference centre as an integral part of its world-wide chain. This agreement, which had an initial term of 15 years was renewed for a further 20 years in 2013, effective from 1 January 2012.

The hotel underwent an extensive refurbishment, which commenced in 2014 and reached its peak in early 2016 when the hotel was closed for a consecutive period of 10 weeks between February and April 2016. The final phases of the refurbishment which include an upgrade of the 2008 extension hotel rooms, the presidential suite, the Business Centre and spa and wellness areas operated by Livingwell, all of which were, in the main, concluded in 2019.

II) Portomaso Car Park

SDC operates underground public car parking facilities of *circa* 1,225 car spaces (excluded those sold for private use) with residents and tenants of the Business Tower having reserved areas for their exclusive use. This structure is ancillary to the hotel and contributes to this segment's returns albeit to a much smaller scale.

III) Portomaso Marina

The Portomaso marina has been in operation since 1999 and has a total capacity of approximately 130 berths. It offers a number of ancillary services to its tenants including mooring assistance which is constantly provided on the quayside; security around the whole perimeter; water and electricity facilities and pump out facilities for waste-water and used oil.

IV) Twenty Two Club

Twenty Two Club is a lounge located on the twenty-second floor of the Portomaso Business Tower. It opened its doors during the summer of 2006, providing evening entertainment attracting an exclusive customer base.

This club was closed during most of FY2020 in terms of the restrictions imposed on bars and clubs by the Health Authorities with respect to the CoVID-19 pandemic and has recently been re-opened.

B. Property Development

SDC has to date completed the development of *circa* 490 apartments within the Portomaso Complex including the Laguna units.

In the past few years, the Guarantor undertook the following property development projects:

- The Guarantor undertook the construction of 44 premium residential units referred to as the Laguna apartments. During FY2020, two of the remaining three apartments were sold, with only one remaining in stock at the end of the year.
- Construction of the Crystal Ship– the building adjacent to the Portomaso Business Tower – this tower was structurally finished in FY2018, and its delivery was spread over FY2018, FY2019 and FY2020, as the Guarantor completed the finishing works in line with its obligations as per agreement with the purchaser.

New Property Development Projects

Construction on the ex-Halland Aparthotel site should be able to commence once the SDC Group finalises a newly amended application with the Planning Authority and completes excavation works. The current general economic situation will also determine the pace of completion of this project.

The Guarantor has two sites that will complement the Portomaso Complex consisting of a block of 13 residential units and underlying commercial outlets (referred to as Block 32) and a sizeable property annexed to the Portomaso Complex which it plans to develop in later periods. The 13 residential units are expected to be sold during FY2021 (11 of the 13 units are already subject to promise of sale agreements).

C. Rental Operations

SDC, through its subsidiary PLCL, leases out areas within the Business Tower (*circa* 3,313 square metres) and other commercial and office areas within the Complex (*circa* 11,300 square metres). At present, practically the entire leasable area within the Portomaso Complex is rented out, except for *circa* 240 sqm which became available in the second half of FY2020. Furthermore, an area of *circa* 1,000 sqm is currently being refurbished, previously housing commercial outlets. Following the outbreak of the CoVID-19 pandemic in the first quarter of 2020, and the difficulties that some tenants faced to meet their rent obligations while their premises could not open for business (particularly in the food and beverage sector), was conducive to SDC granting concessions to such tenants.

D. Complex Management Operations

SDC has retained responsibility for the management and administration of the Portomaso Complex, including, the maintenance, cleaning, security and utilities within the common areas of the project and within each block of apartments, and across the exterior landscaping that characterises the whole of the Complex. SDC apportions the expenses incurred in the management of the Complex and recharges the relative costs to the residential owners / tenants, Portomaso-related operating units and the offices and commercial areas. Moreover, SDC receives a management fee as remuneration for its services towards this activity from the various occupants within the Portomaso Complex. The Guarantor has selectively and unilaterally taken upon itself the onus to participate in the cost of upgrading certain Complex infrastructure by injecting the necessary capital funding to meet particularly targeted initiatives. There were no changes to these arrangements in FY2020.

Update to the Material Contracts of the Guarantor

The following are considered to be material contracts that the Guarantor has in place:

I. Hotel Management Agreement with Hilton International

The management agreement that SDC has in place with Hilton International until 2031 did not change since the last update FAS.

II. Lease Agreements

Most of SDC's lease agreements with office and commercial tenants have a term of between 1 and 5 years. The lease agreements provide for renewal terms and periodic inflationary increments. As lease contracts approach the end of their *di fermo* period, the value of the minimum lease payments starts decreasing:

	Actual FY2018 *€'000*	Actual FY2019 *€'000*	Actual FY2020 *€'000*
Not later than 1 year	3,064	2,562	2,017
Between 1 and 5 years	7,464	5,022	1,112
More than 5 years	2,325	1,055	299
Total	**12,853**	**8,639**	**3,428**

III. Capital Commitments & Contingencies

The Guarantor is party to commitments of a capital nature in relation to contracted or upcoming works. As at 31 December 2020, the value of these commitments was €3.0 million. These commitments relate to the property development projects both at Portomaso and the Halland which the SDC Group would undertake depending on the economic general conditions.

As at the end of FY2020, the company had guarantees of €73.7 million issued on behalf of other fellow subsidiaries' bank facilities. The guarantees are supported by general and special hypothecs over the company's assets.

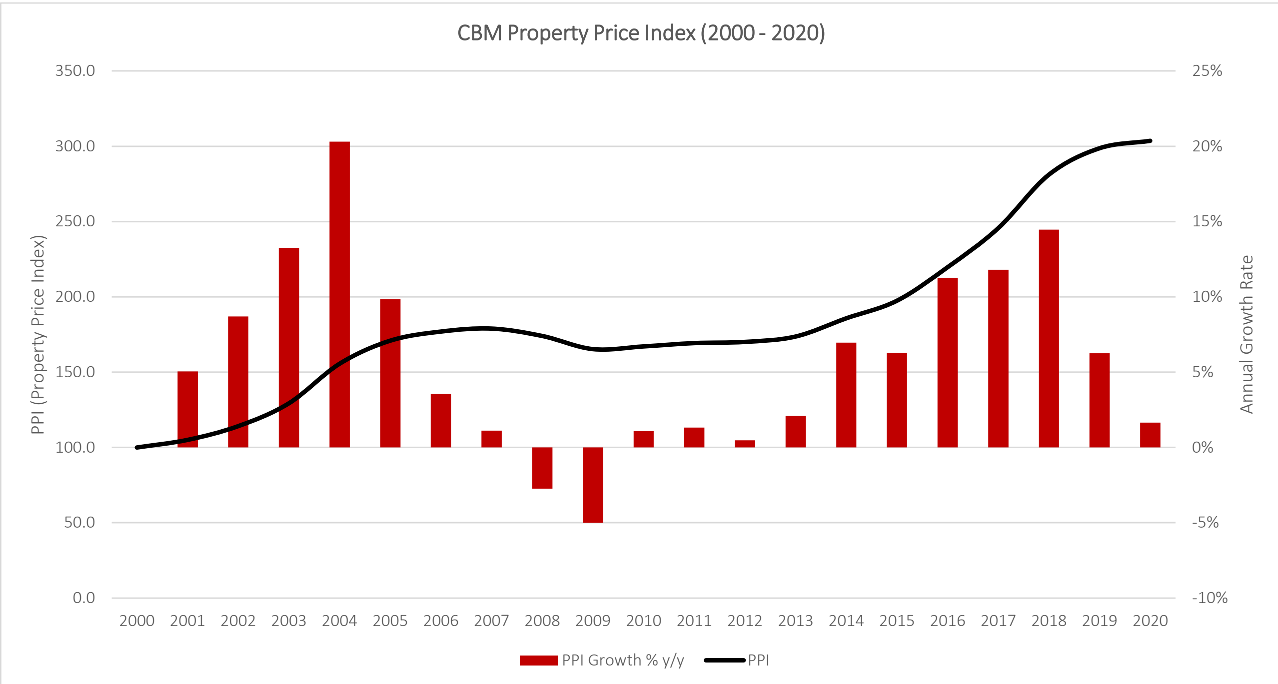
5. MARKET OVERVIEW

THE PROPERTY MARKET

The construction and real estate industry has traditionally been a key driver of growth for the local economy. Moreover, the positive correlation between the performances of the local economy and the construction and real estate industry has been particularly evident in recent years. These have been mainly fuelled by favourable local and external macroeconomic dynamics as well as various initiatives (including fiscal incentives) by the Government of Malta aimed at boosting the overall level of public and private investment, regenerate business/retail and consumer confidence, and increase the participation and relocation of numerous foreigners and foreign companies opting to reside and do business in Malta.

The outbreak of CoVID-19 disrupted the momentum that was building in the local economy as all sectors were adversely affected. The construction and real estate industry was no exception although the data indicated that the industry has been relatively resilient.

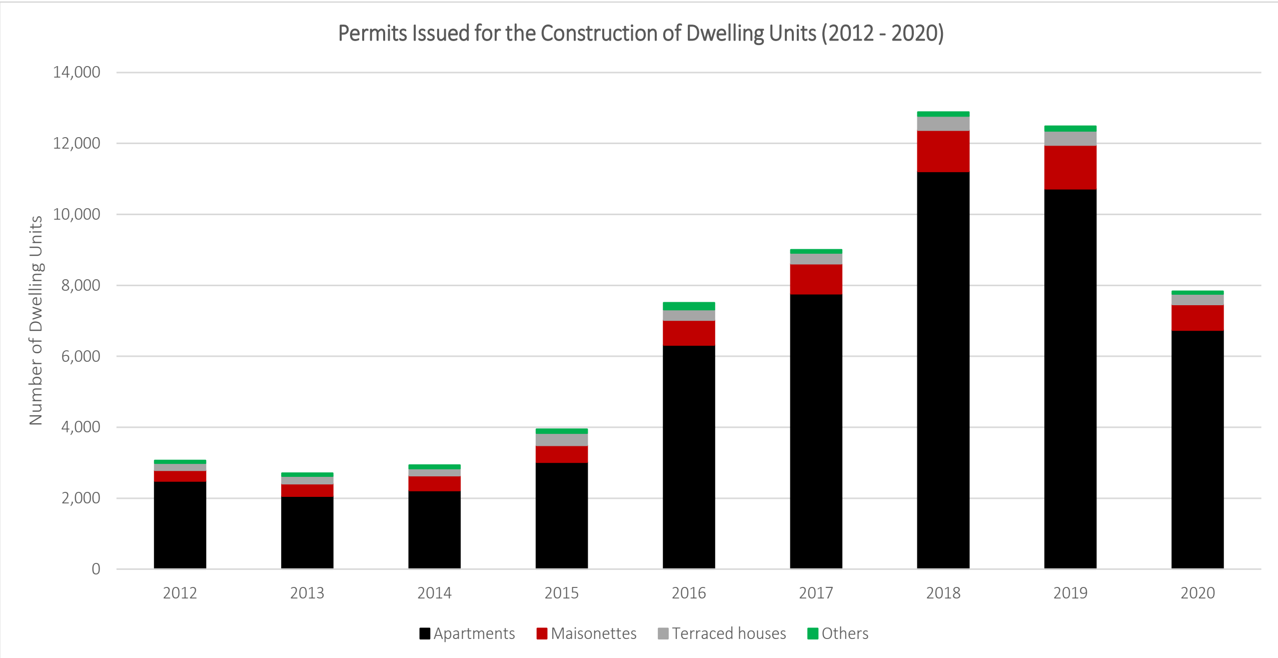
The most recent data issued by the Central Bank of Malta shows that residential property prices in Malta (based on advertised prices) increased by 1.7% in 2020 over the previous year. This led the CBM Property Price Index, which tracks movements in the advertised prices of the major types of residential property, to reach a new all-time high of 303.6 points as at the end of 2020 compared to 298.7 points as at the end of 2019.



Source: Central Bank of Malta

The CBM Property Price Index also shows that property prices in Malta have increased by a compound average growth rate ("**CAGR**") of 5.4% per annum (in nominal terms) since 2000.

Despite the adverse effects of CoVID-19 on local real-estate market, property prices continued to increase albeit at a much slower pace. The Central Bank of Malta, in its 2020 Annual Report[1], notes that local property prices have been supported by the prevailing low interest rate environment as well as by the various support schemes related to property that were launched by the Government of Malta in response to the CoVID-19 pandemic. Nonetheless, the Central Bank also noted that the decline in the rate of property price increases could also be reflective of "…*a degree of stabilisation in the housing market, following a period of above average growth*." Moreover, apart from the adverse impact of the pandemic, the Central Bank also attributes this stabilisation to the fact that "…*the large number of permits issued in recent years likely has increased the availability of housing*…"[2]. In fact, as demand for residential property moderated because of CoVID-19 (reflecting lower household income and lower demand for private rental accommodation as expatriates returned to their respective home country), the number of permits for residential units issued by the Planning Authority sharply contracted to the lowest levels in the last four years. During 2020, the Planning Authority sanctioned the development of 7,831 units contrasting the 12,485 permits issued in 2019. The decline in permit issuance during 2020 was evident across types of residential dwellings[3].



Source: Planning Authority

[1] *Central Bank of Malta, 2021, Annual Report 2020, available from* https://www.centralbankmalta.org/site/Publications/AR-2020.pdf?revcount=9620, *[Accessed 21 May 2021]*

[2] *Central Bank of Malta, 2021, Quarterly Review, Vol. 54 No. 2, available from* https://www.centralbankmalta.org/site/Publications/QR-2021-2.pdf?revcount=6882 *[Accessed 21 May 2021]*

[3] *Planning Authority, 2021, Dwelling Unit Approvals for 2000 – 2020, available from* https://www.pa.org.mt/file.aspx?f=34865, *[Accessed 21 May 2021]*

Commercial Property

Although commercial property is a very important segment of the local property market, available statistics are indeed limited. Nonetheless, the Central Bank of Malta notes that non-residential investment increased at a slower rate than in the previous year with permits issued for the construction of such properties declining significantly from the high levels recorded in 2018 and 2019 but still remained slightly above the historic average.[4]

Economic Results

Despite all the disruptions, primarily brought about by CoVID-19, property remains an important contributor to the country's GDP. In fact, gross value added of the construction sector increased by 2.9% to €494.4 million in 2020 compared to €480.6 million in the previous year. Over the same period, the percentage share of the construction sector to Malta's GDP marginally increased to 4.7% (2019: 4.3%). Meanwhile, during 2020 the real estate activities segment contracted by 0.9% to €748.4 million from €755.2 million in 2019.[5]

CoVID-19 Impact on the Property Sector

The CoVID-19 pandemic has impacted the residential rental market in Malta in a number of ways. Firstly, the demand side from incoming tourism has ceased following the temporary closure of Malta International Airport and the lasting effect on tourism worldwide. Secondly, a substantial number of third-country nationals have become surplus to the industry's requirement and have since been repatriated to their home countries and in doing so increasing the number of vacant residential properties. Finally, the strong supply of new properties on the market has also put downward pressure on rental prices. It has been observed that the weakened demand across the local property market has also pushed some property owners to sell their properties at discounted rates in order to meet debt obligations with credit institutions.

In cognisance of the importance of the property sector to the Maltese economy, the Government of Malta has so far introduced a number of fiscal measures within this segment including reducing the stamp duty for buyers and withholding tax for sellers which applies to anyone still under a promise of sale agreement and will cover the first €400,000 for deeds published until July 2021. For buyers, the stamp duty was dropped from 5% to 1.5%, while the withholding tax for sellers was dropped from 10% / 8%, as applicable, to 5%. Moreover, going forward owners of small property portions and garages will be eligible as first-time buyers.

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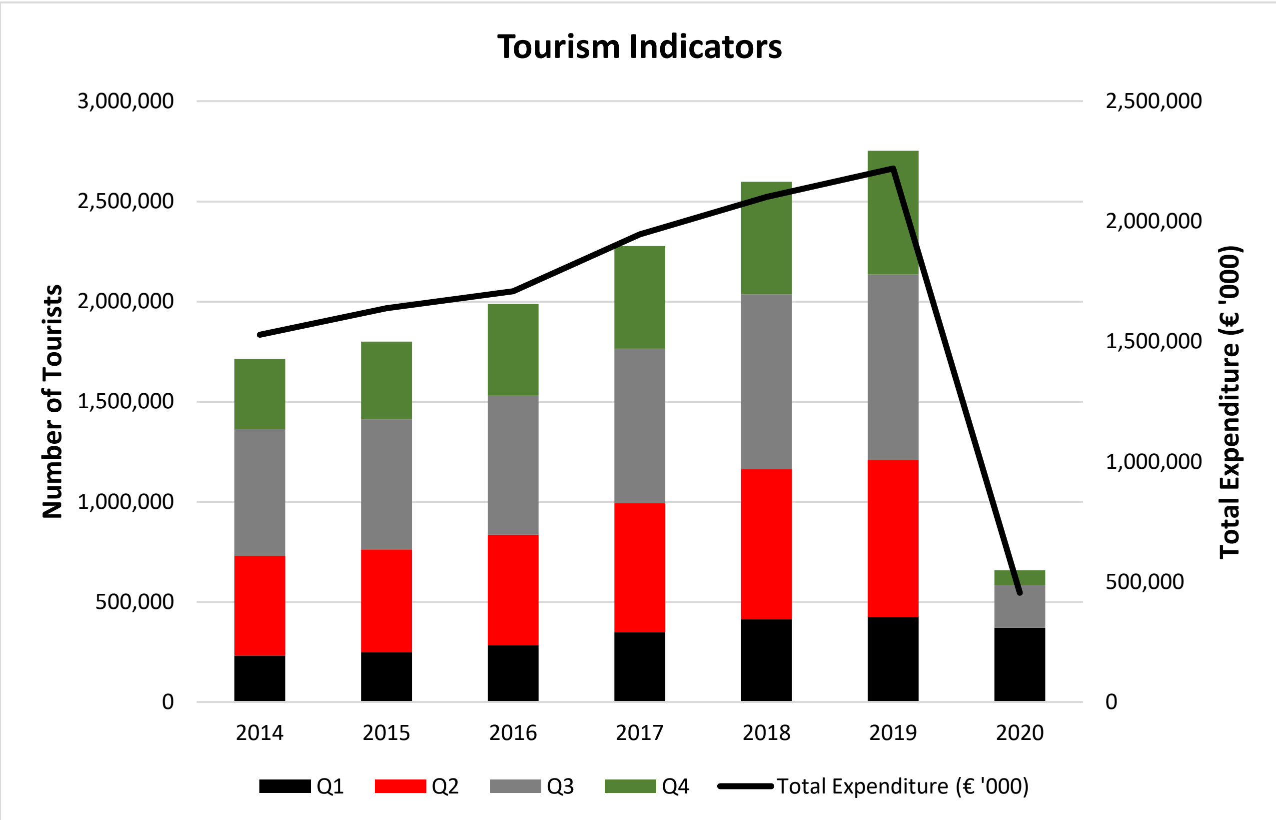
[4] *Central Bank of Malta, 2021, Annual Report 2020, available from https://www.centralbankmalta.org/site/Publications/AR-2020.pdf?revcount=9620, [Accessed 21 May 2021]*

[5] *National Statistics Office, Gross Domestic Product:2020, available from https://nso.gov.mt/en/News_Releases/Documents/2021/03/News2021_040.pdf, [Accessed 21 May 2021]*

The Tourism Industry

Tourism has traditionally been one of the major pillars of the Maltese economy. Moreover, 2020 was bound to be another strong year for tourism as evidenced by the superior performance registered during the first two months of the year. However, the outbreak of CoVID-19 in March 2020 materially disrupted this economic sector in view of the various travel restrictions imposed by various governments and/or health authorities around the world.

In fact, the Malta National Statistics Office ("**NSO**") tourism indicators confirm the significant adverse impact the outbreak of CoVID-19 had on the local tourism industry which slumped to levels last seen before the turn of the 21st century. In contrast to the growth that has being consecutively achieved in prior years, during 2020 Malta welcomed just 0.66 million tourists representing a 76.1% drop from the previous year's figure of 2.75 million tourists. Likewise, expenditure also sharply contracted to a fresh multi-year low of €0.46 billion compared to the more than €2.2 billion registered in FY2019.



Source: NSO

The outlook for the tourism industry largely depends on the success or otherwise of the roll-out of the various CoVID-19 vaccines which is key in controlling the spread of the virus and thus one of the determining factors when authorities consider lifting travel restrictions. Unfortunately, some countries in Europe, the main source market for Malta, have lagged behind other regions in its inoculation drive and therefore travelling within the continent is likely to remain subdued. In fact, in its most recent forecasts, Airports Council International –

Europe noted that although tourism numbers are expected to improve in 2021, they are anticipated to remain well below the pre-CoVID levels and will not reach pre-pandemic levels before 2025[6].

In fact, whilst acknowledging that the prevailing conditions are still evolving, management noted that there seems to be *"a healthy level of appetite for people to travel"* including *"an encouraging degree of interest in tourism to the island."* As a result, management are anticipating an improved performance in its hospitality division. Nonetheless, this is quite volatile and the performance will still be weaker than that achieved pre-CoVID-19.

[6] *Airports Council International – Europe, 2021, CoVID-19 & Airports; Traffic Forecast & Financial Impact; Revised 2021 & Medium-Term Forecast, Airports Council International – Europe, viewed 17 May 2021, <https://www.aci-europe.org/downloads/resources/210421%20COVID-19%20Airports_2021%20Traffic%20Forecast%20%20Financial%20Impact%20FINAL.pdf>*

6. COMPANY'S FINANCIAL REVIEW & FORECASTS

All figures referred to in this section of the report have been extracted from the audited financial statements of the Issuer for the respective years and supported by management information as necessary, with the exception of ratios which have been calculated by Rizzo, Farrugia & Co (Stockbrokers) Limited. FYXXXX refers to the financial year ended 31 December XXXX.

6.1 INCOME STATEMENT

	Actual FY2018 *€'000*	Actual FY2019 *€'000*	Actual FY2020 *€'000*	Forecast FY2021 *€'000*
Finance Income	2,367	2,371	2,370	2,374
Finance Costs	(2,229)	(2,232)	(2,233)	(2,235)
Net Interest Income	**137**	**139**	**137**	**139**
Administrative expenses	(124)	(126)	(125)	(127)
Profit before tax	**13**	**13**	**12**	**12**
Tax expense	(5)	(5)	(4)	(4)
Profit for the financial year	**8**	**8**	**8**	**7**

The limited scope of the Company, acting as the financing vehicle of the Guarantor, is reflected in the composition of its income statement. Over the years, the Issuer on-lent funds that it borrowed from the capital markets to the Guarantor, making a margin on the rate to cover its administrative expenses. Finance income and finance costs for FY2020 were in line with that of FY2019.

Administrative expenses incurred by the Issuer in FY2020 amounted to €125K and related to listing and compliance costs as well as directors' remuneration.

The FY2021 forecasts of the Company, as prepared by management, indicate that TI's profitability figure for the year is expected to remain largely unchanged.

Variance to Previous Forecasts

In the financial analysis summary (FAS) published by the Company in 2020, the Company presented forecasts to FY2020 in line with the Listing Policies.

	Actual	*2020 FAS Forecasts*	
	FY2020	FY2020	*Variance*
	€'000	*€'000*	
Finance Income	2,370	2,374	*0%*
Finance Costs	(2,233)	(2,233)	*0%*
Net Interest Income	**137**	**141**	*-3%*
Administrative expenses	(125)	(128)	*-3%*
Profit before tax	**12**	**13**	*-5%*
Tax expense	(4)	(5)	*-12%*
Profit for the financial year	**8**	**8**	*0%*

The variances in the Issuer's income statement are immaterial, particularly if one had to analyse the absolute figures of the forecasts presented in the 2020 FAS and the actual performance achieved for FY2020.

6.2 Statement of Cash Flows

	Actual	Actual	Actual	Forecast
	FY2018	FY2019	FY2020	FY2021
	€'000	*€'000*	*€'000*	*€'000*
Net cash generated from operating activities	(133)	(76)	209	51
Net cash generated from / (used in) investing activities	-	-	-	-
Net cash generated from / (used in) financing activities	-	-	-	-
Net movement in cash and cash equivalents	**(133)**	**(76)**	**209**	**51**
Cash and cash equivalents at beginning of year	396	263	187	396
Cash and cash equivalents at end of year	**263**	**187**	**396**	**447**

The Company's operations are limited to the raising and extending of funds for the use at SDC level. It charges a fee to cover its administrative expenses.

In FY2021, the Company is not expected to undertake additional borrowings or investments and as such, the cash flow statement is expected to reflect the cash generated from the Company's limited operations.

6.3 Statement of Financial Position

	Actual FY2018 €'000	Actual FY2019 €'000	Actual FY2020 €'000	Forecast FY2021 €'000
Assets				
Non-Current Assets				
Loans and Receivables	50,000	50,000	50,000	50,000
Total Non-Current Assets	**50,000**	**50,000**	**50,000**	**50,000**
Current Assets				
Trade and Other Receivables	1,251	1,367	1,149	1,153
Cash and Cash Equivalents	263	187	396	447
Total Current Assets	**1,514**	**1,554**	**1,545**	**1,600**
Total Assets	**51,514**	**51,554**	**51,545**	**51,600**
Equity and Liabilities				
Capital and Reserves				
Share Capital	250	250	250	250
Retained Earnings	380	388	396	404
Total Equity	**630**	**638**	**646**	**654**
Non-Current Liabilities				
Borrowings	49,645	49,689	49,735	49,782
Total Non-Current Liabilities	**49,645**	**49,689**	**49,735**	**49,782**
Current Liabilities				
Trade and Other Payables	1,239	1,227	1,164	1,164
Total Current Liabilities	**1,239**	**1,227**	**1,164**	**1,164**
Total Liabilities	**50,884**	**50,916**	**50,899**	**50,946**
Total Equity and Liabilities	**51,514**	**51,554**	**51,545**	**51,600**

The Issuer's asset base is reflective of the outstanding borrowings from the capital market at year end, which are on-lent to the Guarantor, with no changes in these amounts registered during the year when compared to the previous period.

6.4 KEY RATIOS - ISSUER

Given the nature of the Company, the use of ratios to analyse the Company's performance is restricted to the below two ratio indicators. FY2020 saw marginal move in net income margins, rising to 5.78% (FY2019: 5.86%), while interest cover remained unchanged at 1.06 times. In FY2021, the net income margin ratio is expected to continue to rise to 5.84%, while interest cover is expected to remain flat at 1.06 times.

	FY2018 (A)	*FY2019 (A)*	*FY2020 (A)*	*FY2021 (F)*
Net Income Margin *(Net interest income / finance income)*	5.80%	5.86%	5.78%	5.84%
Interest Coverage Ratio *(Finance income / finance costs)*	1.06x	1.06x	1.06x	1.06x

7. Guarantor's Financial Review & Forecasts

Effect of CoVID-19 on the Guarantor's Operations

The Guarantor's first two months of FY2020 outperformed the comparable months of previous years. However, this was short-lived as following the outbreak of the CoVID-19 pandemic and health authorities' directions, operations at the hotel and its amenities were lowered to minimal levels as from the third week of March 2020. Contrary to other hotel operators in the 5-star segment, most of which stopped operating completely, Hilton Malta remained open during the whole year, as management redeployed staff to meet the resultant lower demand. Operations, however, were retained at the bare minimum in anticipation of the much-awaited comeback in the tourism sector.

During FY2020, management applied cost efficiencies where possible and this continued also in FY2021. Tourism only started picking up slowly in June 2021, although the situation remains very fluid. In FY2020, the SDC group also applied for government wage supplement assistance scheme (available for industries worst hit by the pandemic, particularly the tourism operators) as well as a moratorium on loan repayments (made possible through a Central Bank of Malta directive) that assisted the Group with cash flow management.

The FY2020 summer months saw a second wave of increased CoVID-19 cases, and this impacted the occupancy levels that averaged 36% compared to a typical summer average occupancy of 94%.

Restrictions started being lifted again as from the beginning of June 2021 and Malta has already started seeing an influx of tourists. The Group remains cautious and keeps this segment, in particular, under the appropriate cost controls without hampering the operations and the level of service to its customers.

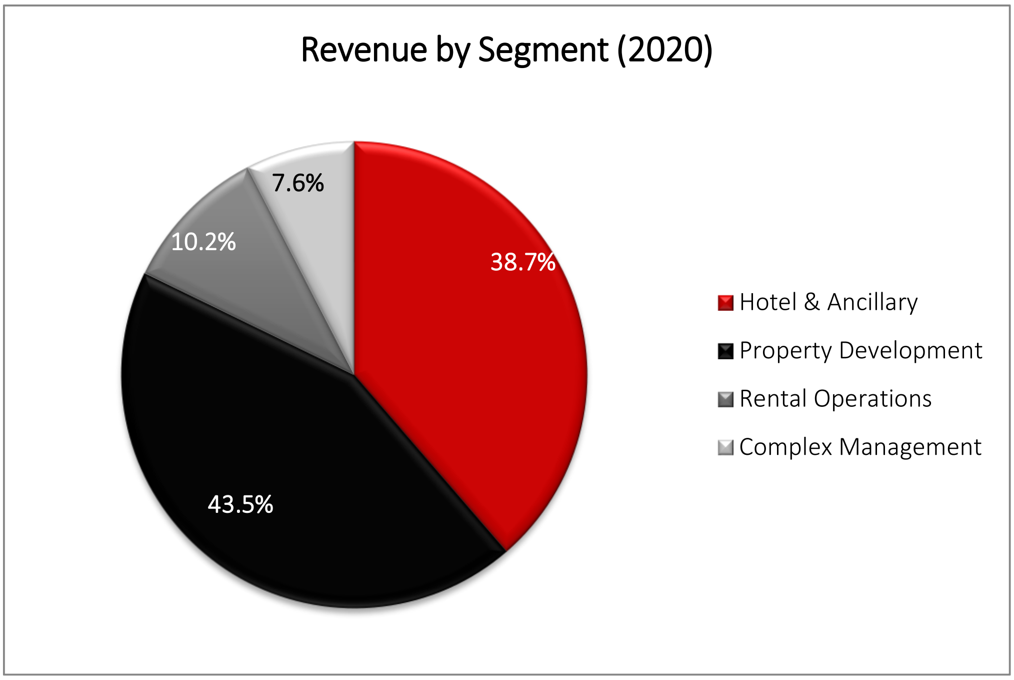
An in-depth update on the Hospitality and Ancillary Operations (HAO) segment, which was the one most impacted by the pandemic, is found in section 7.1 below.

FY2021

The forecasts for FY2021 assume a level of operations that the SDC Group has visibility of at the time of writing this report. The situation in the tourism sector is still very volatile and the resultant effects are yet to be determined. Furthermore, management's forecasts related to capital expenditure and property development projects have been based on an economic situation which is similar to the current situation (one which is showing signs of gradual recovery) but such expenditure may need to be curbed in the event that the economic situation worsens due to CoVID-19 or other matters outside the control of the SDC Group. Commitments towards capital expenditure in this respect are totally within SDC's control.

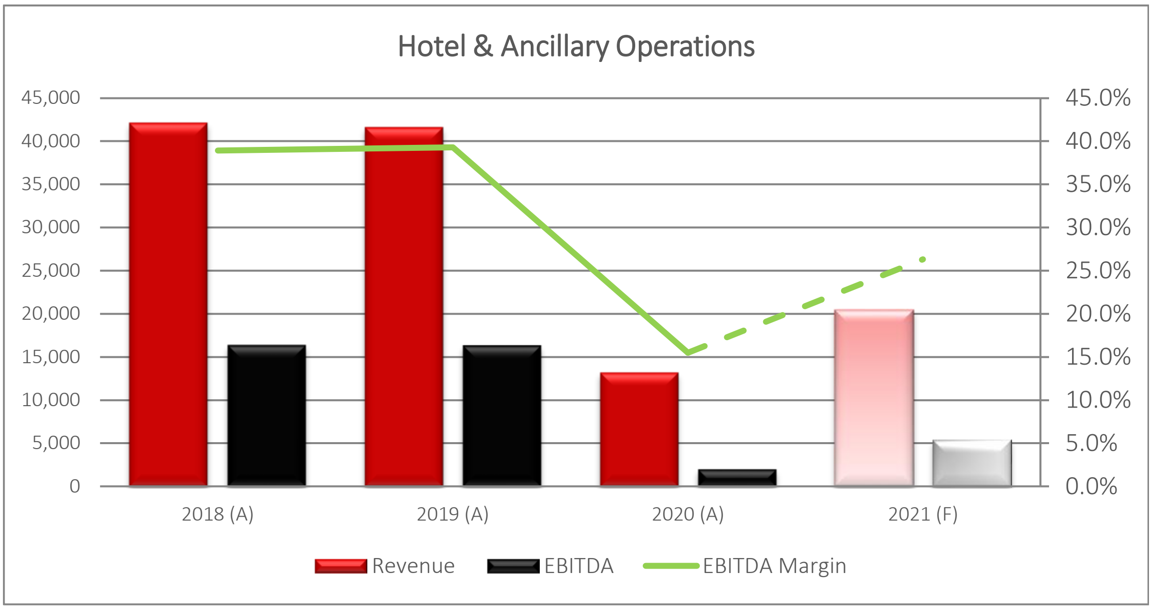
7.1 Segmental Analysis

As described in further detail in section 4.2 of this report, the operations of SDC are split into four main segments: hotel and ancillary operations, rental operations, property development and complex management.



A. Hotel and Ancillary Operations (HAO)

The HAO segment remained a significant contributor towards the Guarantor's revenue streams, despite being impacted heavily by the effects of CoVID-19. During FY2020, this segment generated revenues of €13.3 million, which is a significant drop when compared to the FY2019 revenue of €41.6 million. Average annual occupancy at the hotel in FY2020 was 28% compared to a 'normal' year's average occupancy of over 80%. Moreover, with the restrictions and various limitations due to lockdowns, the Guarantor did not generate income from conferences and other events.



The Hilton Malta remained operational during the CoVID-19 pandemic, albeit at minimal levels. This allowed the Guarantor to be able to resume operations as soon as tourism is back in business.

Meanwhile, the Twenty Two Club was closed during most of FY2020 and the first half of FY2021. The marina fared according to budgets, while the carpark faced a reduced level of revenue, although still returned a contribution.

As expected, EBITDA margin for this segment was much lower than that in the previous two years at just 15.5%.

Variances and Forecasts

Hotel and Ancillary Operations	2020 (A) €000	2020 (F) €000	Variances (% / p.p.)	2021 (F) €000	Comparison to 2020 (A) (% / p.p.)
Revenue	13,264	13,224	0.3%	20,486	54.5%
EBITDA	2,056	65	3062.9%	5,391	162.2%
EBIDTA Margin	15.5%	0.5%	15 p.p.	26.3%	10.8 p.p.

Revenue generated from the HAO segment in FY2020 was in line with last year's forecasts for the said period. Nonetheless, the margins attained were higher as the EBITDA generated was better than that expected to be attained due to cost efficiencies and the effect of the pandemic-related wage supplements that this segment was able to benefit from. This however, was not enough as the segment's bottom-line ended the year in negative territory, the first time in many years.

Revenue expected to be generated from this segment in FY2021 is higher than that achieved in FY2020, as Malta started seeing tourists arriving from green / amber countries as from mid-June[7]. Revenue for FY2021 is

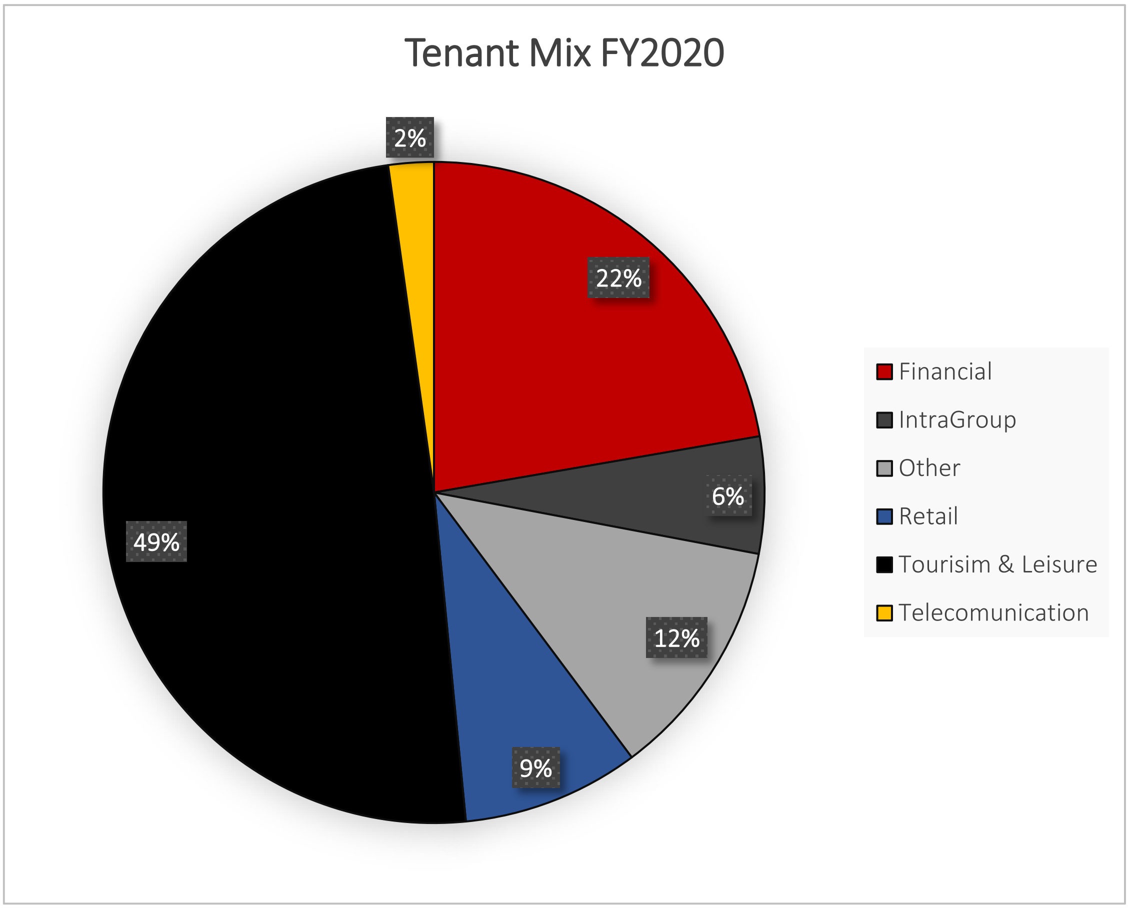
[7] https://www.visitmalta.com/en/info/new-covid-19-updates/

based on lower occupancy level than that of pre-CoVID-19 years as well as lower average room rates but is also driven by the incremental forward-bookings that management are noting week-on-week.

B. Rental Operations

Rental operations consist of areas within the Business Tower and other office spaces within Portomaso, the marina and other commercial outlets, including a supermarket adjacent to the underground carpark. This segment operates on a very lean cost structure. In fact, EBITDA is typically over 90% of total segmental revenues.

Revenue from this segment retracted marginally to €3.5 million in FY2020 (FY2019: €3.9 million), with the decline being related to the pandemic as the Guarantor extended some rent concessions to its tenants as assistance to those occupying premises that operated within the hosiptality, food and beverage industry. The leasable area remianed practically fully-occupied and the tenant mix in this segment was varied, with the tourism & leisure contributing 49% of the income from this segment in FY2020, followed by financial (at 22%).



Variances and Forecasts

The Guarantor achieved better revenue and EBITDA margins in this segment than originally forecast last year for FY2020. At the time the forecasts were produced, the Guarantor was not in a position to accurately assess what the impact was going to be for this segment and had prudently forecast a drop in revenue and returns from its rental operations.

Rental Operations	2020 (A) €000	2020 (F) €000	Variances (% / p.p.)	2021 (F) €000	Comparison to 2020 (A) (% / p.p.)
Revenue	3,512	2,787	26.0%	3,635	3.5%
EBITDA	3,335	2,533	31.7%	3,376	1.2%
EBIDTA Margin	95%	90.9%	4.1 p.p.	92.9%	-2.1 p.p.

For FY2021, rental income is expected to improve to €3.6 million when compared to that achieved in FY2020. However, this is not in line with the revenue generated in earlier years as some of the aforementioned concessions to the tenants were extended into the first months of FY2021.

C. Complex Management

This segment encompasses the management of the Portomaso Complex, including the landscaping, repairs and maintenance, cleaning and security of the common areas and the agency agreement relating to utilities. SDC receives a management fee in return for the performance of its functions. All expenses incurred by this segment were recharged to residential apartment owners, Portomaso's own operating units and commercial and office space owners. Some of the costs, however, are exceptionally shared by SDC with the tenants, relating to certain upgrades necessary. Also within this segment is an administrative fee that is charged by head office with respect to corporate services provided to SDC.

Variances and Forecasts

This segment continued to be a negative contributor to EBITDA. Going forward, forecasts for FY2021 are expected to be similar, although SDC management expects revenue to increase to €4.1 million as a result of increased maintenance, common area and ancillary costs which however, the company shares in with its tenants and thus leads to a lower EBITDA expected for the year.

Complex Management	2020 (A) €000	2020 (F) €000	Variances (% / p.p.)	2021 (F) €000	Comparison to 2020 (A) (% / p.p.)
Revenue	2,604	2,529	3.0%	4,108	57.8%
EBITDA	- 152	-754	-80.2%	-314	157.1%
EBIDTA Margin	-5.8%	-29.8%	24 p.p.	-7.6%	-1.8 p.p.

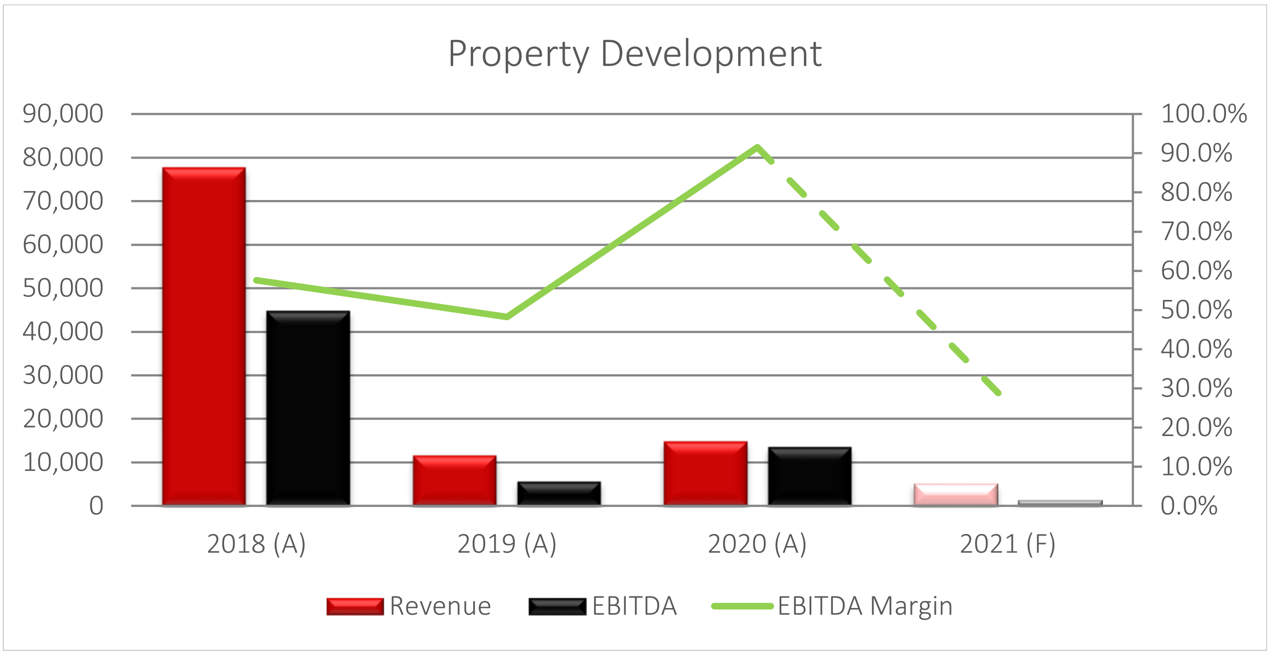
D. Property Development

Over the years, the property development segment generated revenues from the sale of residential units as well as the delivery of the tower known as the Crystal Ship (the building adjacent to the Portomaso Business Tower) to the designated owners. The financial performance of this segment is volatile given its dependency on the actual number of units available for sale, the timing of new developments and when the final contracts with buyers are executed. EBITDA for this segment deducts the construction, development and finishing costs in line with the contracts with the end buyers as well as the costs related to the sale of the properties.

The building known as the Crystal Ship (adjacent to the Portomaso Business Tower) – In FY2020, the Crystal Ship was awarded the MASP Commercial and Public Buildings Award organised by the Planning Authority[8].
Credits: Stahlbau Pichler
(https://pichler.pro/en/references?project=233&kompetenz=Steel%2BGlass%20constructions)

[8] https://www.maspawards.com/winners-of-2020-awards/commercial-and-public-buildings-award/

During FY2020, the Guarantor delivered what remained of the office block next to the Portomaso Business Tower. The final delivery released the Guarantor from further obligations in relation to the said property, and as such, certain costs that were provided for in the FAS forecasts for FY2020 were not incurred. As a result, the EBITDA registered for this segment in FY2020 included this one-off favourable cost adjustment that led to a higher EBITDA than originally anticipated. Furthermore, in FY2020, the company sold two of the three remaining Laguna apartments in stock.



For the purposes of FY2021, revenue reflects the sale of the 13 residential units within the Portomaso Complex refered to as Block 32.

VARIANCES AND FORECASTS

Property Development	2020 (A) *€000*	2020 (F) *€000*	Variances *(% / p.p.)*	2021 (F) *€000*	Comparison to 2020 (A) *(% / p.p.)*
Revenue	14,931	14,727	1.5%	5,200	-65.2%
EBITDA	13,663	8,155	67.5%	1,369	-88.1%
EBIDTA Margin	91.5%	55.4%	36 p.p.	26.3%	-65.1 p.p.

As explained above, EBITDA for FY2020 for this segment came in higher than forecast. In FY2021, the revenues reflect the delivery of 13 apartments of Block 32 at Portomaso.

7.2 INCOME STATEMENT - CONSOLIDATED ANALYSIS

for the year ended 31 December	*FY2018 (A)*	*FY2019 (A)*	*FY2020 (A)*	*FY2021 (F)*
	€'000	*€'000*	*€'000*	*€'000*
Revenue	125,846	59,713	34,310	33,429
HAC	*42,115*	*41,594*	*13,264*	*20,486*
Property Development	*77,800*	*11,731*	*14,931*	*5,200*
Rental	*3,780*	*3,883*	*3,512*	*3,635*
Complex Mgmt	*2,191*	*2,504*	*2,604*	*4,108*
Direct Costs and Administrative Expenses	(62,054)	(34,820)	(15,408)	(23,607)
EBITDA	**63,792**	**24,893**	**18,902**	**9,821**
Depreciation	(5,591)	(6,650)	(6,169)	(6,378)
EBIT (Operating Profit)	**58,201**	**18,243**	**12,734**	**3,444**
Finance Income	881	795	327	345
Finance Costs	(2,769)	(2,742)	(2,629)	(2,681)
Profit before Tax	**56,313**	**16,296**	**10,431**	**1,108**
Tax Expense	(10,909)	(4,017)	759	(407)
Profit for the Year	**45,404**	**12,279**	**11,190**	**701**

Revenue generated in FY2020 totalled €34.3 million, which is a 42.5% drop when compared to the revenue of FY2019. As explained in earlier parts of this section, the hospitality sector was adversely affected by the effects of the pandemic which led to this sharp decline in the revenue generation capabilities of the SDC group during the said year. The government launched an initiative to support the operators in the segment through a wage supplement which started on 10 March 2020. In addition to the wage supplement, the Guarantor also implemented various cost containment measures in line with the subdued business activity. As a result, EBITDA declined by 24.1% to €18.9 million (compared to €24.9 million in FY2019).

After deducting €6.2 million of depreciation, operating profit came in at €12.7 million, a drop of 30.2% from the €18.2 million in FY2019. Finance costs were in line with those of the previous year as the level of borrowings did not change materially.

Profit before tax was €10.4 million in FY2019, and after adding a tax credit of €0.8 million, profit after tax amounted to €11.2 million.

FORECAST - FY2021

As explained in the segment analysis earlier in this report, the impact of CoVID-19 extended to most of the first half of FY2021 particularly in the HAO segment, which is expected to attest itself in the level of revenue expected to be generated during FY2021. The contribution to SDC's revenue by the Property Development segment is expected to reflect the sale (and delivery) of 13 apartments at the new Block 32 within Portomaso.

The revenue from Complex Management is expected to be higher at €4.1 million reflecting Increased maintenance, common area and ancillary costs which however, the company shares in with its tenants, while revenue from the rental operations are expected to be in line with those achieved in FY2020 as rent concessions extended to the first half of FY2021.

EBITDA is expected to be in the region of €9.8 million. Depreciation charges and net finance costs are expected to be largely in line with those of FY2020. Profit before tax is expected to be €1.1 million, and after deducting a tax charge of €0.4 million, profit after tax is expected to be €0.7 million for the year ended 31 December 2021.

VARIANCES FY2020

As already intimated in earlier parts of this section in the variances of the respective segments, the more significant variance to revenue was that in the rental segment. The forecasts included in last year's FAS for this segment took into account a more aggressive level of concessions which, however, did not materialise to the same extent as expected.

for the year ended 31 December	*FY2020 (F)* *€'000*	*FY2020 (A)* *€'000*	*Variance*
Revenue	33,267	34,310	*3.1%*
HAC	*13,224*	*13,264*	*0.3%*
Property Development	*14,727*	*14,931*	*1.4%*
Rental	*2,787*	*3,512*	*26.0%*
Complex Mgmt	*2,529*	*2,604*	*3.0%*
Direct Costs and Administrative Expenses	(23,269)	(15,408)	*-33.8%*
EBITDA	**9,998**	**18,902**	*89.1%*
Depreciation	(6,437)	(6,169)	*-4.2%*
EBIT (Operating Profit)	**3,561**	**12,734**	*257.6%*
Finance Income	352	327	*-7.1%*
Finance Costs	(2,650)	(2,629)	*-0.8%*
Profit before Tax	**1,263**	**10,4231**	*725.9%*
Tax Expense	1,780	7659	*-57.4%*
Profit for the Year	**3,043**	**11,190**	*267.7%*

The lower direct costs and administrative expenses also had a significant variance, which in the main related to the improved cost efficiencies achieved in the HAO segment as well as the cost adjustment related to the property development segment.

The aggregate effect of improved revenue, but more significantly, the lower than expected operational costs (excluding depreciation) for the year was reflected at all the remaining sub-totals, since the other forecast income statement elements in last year's FAS came in largely as projected.

7.3 STATEMENT OF FINANCIAL POSITION

for the year ended 31 December	*FY2018 (A)*	*FY2019 (A)*	*FY2020 (A)*	*FY2021 (F)*
	€'000	*€'000*	*€'000*	*€'000*
Assets				
Non-Current Assets				
Property, Plant & Equipment	165,562	162,152	158,939	158,338
Investment Property	13,805	13,378	12,885	13,283
Trade & Other Receivables	854	1,365	1,004	1,004
Total Non-Current Assets	180,221	176,895	172,827	172,625
Current Assets				
Inventories	17,393	19,961	22,476	35,672
Trade & Other Receivables	41,458	17,288	8,827	7,857
Current Tax Assets	2,239	1,874	495	495
Cash & Cash Equivalents	25,599	28,614	24,976	15,381
Total Current Assets	86,689	67,737	56,773	59,404
Total Assets	266,910	244,632	229,600	232,029
Equity & Liabilities				
Capital & Reserves				
Share Capital	13,653	13,653	13,653	13,653
Revaluation Reserve	90,362	89,536	88,711	88,711
Retained Earnings	50,469	28,359	35,160	33,651
Total Equity	154,483	131,548	137,524	136,015
Non-Current Liabilities				
Borrowings	54,620	53,364	53,110	52,959
Trade & Other Payables	86	43	-	-
Deferred Tax Liabilities	30,283	29,038	26,368	25,509
Total Non-Current Liabilities	84,989	82,445	79,478	78,468
Current Liabilities				
Borrowings	1,286	1,286	1,286	5,186
Trade & Other Payables	24,764	28,887	10,868	11,842
Current Taxation	1,388	466	445	518
Total Current Liabilities	27,437	30,639	12,598	7,546
Total Liabilities	112,426	113,084	92,076	86,014
Total Equity & Liabilities	266,910	244,632	229,600	232,029

FY2020 REVIEW

The total asset base of the Guarantor was €229.6 million as at the end of FY2020, a decrease of 6.1% over the closing position of financial year 2019. The lower level of revenue resulted in a lower level of trade debtors when compared to previous periods. Meanwhile, as excavation works carried out at the Halland site, as well as the works in relation to Block 32 progressed, inventories increased accordingly, reflecting the value of the works carried out at both sites. Changes to the composition of the company's fixed assets were less substantial. The decline in the Guarantor's largest asset – the Hilton Hotel and ancillary assets which are occupied by SDC, classified under property, plant and equipment (PPE) – was characterised by a depreciation charge for the year which netted off the effect of additions and disposals made during the year. The value of PPE as at the end of FY2020 was €158.9 million. Similarly, the decline in the value of investment property was a result of depreciation. The value of these assets stood at €12.9 million.

The financing structure of the SDC Group did not change materially from FY2019. Borrowings remained largely in line with those reported in FY2019, decreasing marginally to €54.4 million (FY2019: €54.7 million) and in the main consist of the borrowings from Tumas Investments plc (€50 million). Trade and other payables were also affected by the subdued operations at the hotel, as the balances declined to €10.9 million by the end of FY2020.

SDC's Funding Analysis

During FY2020, SDC's total borrowing was marginally lower than that of FY2019 as repayments of bank borrowings were impacted by the loan moratorium that the Central Bank announced during the year, which provided a release from additional pressures on the Group's cash reserves. Receivables from fellow companies within the Tumas Group amounted to just €2.4 million by the end of FY2020 (FY2019: €1.6 million).

Reported equity improved by 4.5% to €137.5 million by the end of FY2020, reflecting the profit generated in the year net of a dividend of €5.2 million paid out of retained earnings.

for the year ended 31 December	*Actual* **2018** *€'000*	*Actual* **2019** *€'000*	*Actual* **2020** *€'000*
Total Borrowings	**55,906**	**54,650**	**54,396**
Less Cash & Cash Equivalents	(25,599)	(28,614)	(24,976)
Less Group Treasury Funds	(11,756)	(1,610)	(2,441)
Net Borrowings (A)	**18,551**	**24,426**	**26,980**
Reported Equity (B)	154,483	131,548	137,524
Gearing Ratio (A / A+B)	**10.7%**	**15.7%**	**16.4%**

Although as a result of these movements, the Guarantor's net gearing ratio, calculated as the level of net borrowings in relation to the Group's reported equity plus net borrowings, increased from 15.7% in FY2019 to 16.4% by the end of FY2020, this is still regarded as a low gearing ratio, reflecting the Guarantor's healthy cash position as at the end of FY2020.

While SDC recognises the value of investment property at cost in its balance sheet, in the notes to the financial statements it discloses the market value (based on the directors' annual revision of active market prices).

Calculating the gearing ratio on the basis of market value of investment property would result in an improved gearing ratio.

FORECAST - FY2021

The increase in value of total assets expected by the end of FY2021 is reflective of the additional works that will be carried out at the Halland site, as works are expected to pick up, which will lead to an increase in the value of inventories from €22.5 million in FY2020 to €35.7 million for FY2021. During FY2021, the Guarantor's cash balances are expected to be lower than those held in earlier years, at €15.4 million, as the SDC group utilises a mix of its internal cash assets and a new bank facility in the tune of €4 million to support property development at the ex-Halland Aparthotel site. The extent of the actual use of own cash balances for this development, will however, reflect the pace at which this development is undertaken which is dependent on a number of factors amongst which the economic general conditions prevailing during the rest of the year.

Meanwhile, the company applied for the Malta Development Bank (MDB) backed loan in late FY2020, which was approved in early FY2021 for the purposes of the Hilton Malta. The facility is for €4 million and as such, the company's borrowings for the year may increase accordingly if the facility is resorted to.

The dividends expected to be paid in FY2021 (albeit being lower than those declared in earlier years) will result in a lower total equity of €136 million (FY2020: €137.5 million). Notwithstanding, the equity level of the Group is expected to remain robust in support of the Guarantor's operations.

7.4 STATEMENT OF CASH FLOWS

for the year ended 31 December	*FY2018 (A)* *€'000*	*FY2019 (A)* *€'000*	*FY2020 (A)* *€'000*	*FY2021 (F)* *€'000*
Net cash generated from / (used in) operating activities	43,149	42,410	4,271	(4,954)
Net cash used in investing activities	(4,967)	(2,852)	(2,366)	(6,174)
Net cash (used in) / generated from financing activities	(25,072)	(36,543)	(5,543)	1,534
Net movements in cash and cash equivalents	**13,110**	**3,015**	**(3,639)**	**(9,594)**
Cash and cash equivalents at beginning of year	12,489	25,599	28,614	24,975
Cash and cash equivalents at end of year	**25,599**	**28,614**	**24,975**	**15,381**

FY2020 REVIEW

The subdued level of operations during FY2020 manifested itself in the lower level of cash generated from operations for the year, which dropped to €4.3 million (FY2019: €42.4 million). Part of this cash was used towards the Group's investing activities, which in the main related to purchases of additional PPE. On the financing side, as explained earlier, the company benefitted from a moratorium on the principal payments related to the bank loans, and as such, the repayments made during the year related principally to interest incurred. Dividends paid totalled €5.2 million, bringing the cash used in financing activities to €5.5 million in FY2020.

By the end of the year under review, SDC's cash balances stood at just under €25 million.

FORECAST - FY2021

For FY2021, the company expects to use cash for the purposes of its operating activities amounting to approximately €5 million. This is characterised by the payments made to the Guarantor's trade and other payable balances, which as shown in the forecast balance sheet, are expected to decline to €1.8 million in FY2021 net of cash inflows from the sale of the 13 Block 32 residential units, and anticipated deposits from the promise of sale agreements expected to be signed in respect of the initial sales of the Halland residential units. Investing activities are expected to require a further €6.2 million during FY2021, which funds will be applied towards a mix of property development activity and other capital expenditure at the Portomaso Complex. As explained earlier, due to the CoVID-19 situation, SDC would undertake certain capital expenditure only in so far as this does not hamper its core operations and depending on the general economic conditions at the time particularly in the pick-up of business following last year's CoVID-19-dominated performance.

Meanwhile, cash from financing activities are expected to be €1.5 million, which is the result of the additional loan taken for the purposes of the Halland development, net of other bank loan repayments and dividends expected to be paid during the year.

Despite the weaker cash flows expected in FY2021, the Group is forecasting a net cash position of €15.4 million by the end of FY2021.

7.5 Related Party Transactions

All companies forming part of the Tumas Group are considered related parties in view of the common controlling party. Related party transactions are carried out at arm's length between TI and SDC, as well as transactions between SDC and other companies within the group.

Until FY2018, SDC used to play a key role in the management of the treasury function for the wider Tumas Group, as it aimed to maximise the use of available funds within the group and minimise (external) financing costs. It had arrangements with a number of fellow subsidiaries within the group whereby any excess funds available at SDC were onward lent to subsidiaries of the group. These balances with SDC have since been wound down.

During FY2020, the inter-Group balances were at €2.4 million (FY2019: €1.6 million outstanding).

Furthermore, the Guarantor regularly enters into trading transactions with fellow subsidiaries and associates within the Tumas Group in its normal course of business. Such transactions being conducted include rental charges, management fees, recharging of expenses and financing charges.

7.6 Ratio Analysis

The below are key ratios applicable to the SDC Group:

	Actual FY2018	*Actual* FY2019	*Actual* FY2020	*Forecast* FY2021
Net Profit Margin *(Net Profit / Revenue)*	36.1%	20.6%	32.6%	2.1%
EBITDA Margin *(EBITDA / Revenue)*	50.7%	41.7%	55.1%	29.4%
Return on Assets *(Profit before Tax / Average Assets)*	24.2%	6.4%	4.4%	0.5%
Return on Equity *(Profit for the Period / Average Equity)*	37.3%	8.6%	8.3%	0.5%
Return on Capital Employed *(Profit for the Period / Average Capital Employed)*	25.3%	6.2%	5.9%	0.4%
Net Debt* / EBITDA	0.5x	1.0x	1.6x	4.4x
Gearing Ratio (1) *(Total Debt / Average Equity + Total Debt)*	31.4%	27.6%	28.8%	29.8%
Gearing Ratio (2) *(Net Debt* / Average Equity + Net Debt)*	0.20x	0.15x	0.18x	0.24x
Current Ratio *(Current Assets / Current Liabilities)*	3.2x	2.2x	4.5x	7.9x
Cash Ratio *(Cash & Equivalents / Current Liabilities)*	0.9x	0.9x	2.0x	2.0x
Interest Cover Ratio *(EBITDA / Net Finance Cost)*	33.8x	12.8x	8.2x	4.2x

**Net Debt excludes the effect of funds extended by SDC to other Tumas Group companies, which until FY2018 had a significant effect on the SDC ratios. Applying these to the Net Debt working, ratios will be as follows:*

Net Debt / EBITDA	*0.3x*	*1.0x*	*1.4x*	*4.1x*
Gearing Ratio (2)	*0.1x*	*0.1x*	*0.2x*	*0.2x*

In FY2021, it is assumed that the level of funds extended to group companies will be identical to that of FY2020, as SDC no longer serves as the Tumas Group's treasury management function.

SDC's FY2020 subdued level of operations in view of the pandemic were netted off by the cost adjustments made for the year, which yielded improved margin ratios for the SDC group. Returns on assets and equity were marginally lower, while gearing ratios, despite the slight increase, were still satisfactory.

Similarly, from a solvency perspective, the metrics were strong, as the Group had substantial cash reserves to meet its short-term obligations which were also lower in view of the effects of the pandemic on the trade and other balances that the company had or owed.

The ratios of FY2021 will be characterised by the assumed level of operations which factors in the fact that during the first half of FY2021, Malta's tourism was practically inexistent.

PART C LISTED SECURITIES

TI's listed debt securities comprise:

Bond:	€25 million 5% Bonds 2024
ISIN:	MT0000231242
Redemption Date:	31 July 2024 at par
Prospectus Date:	7 July 2014

Bond:	€25 million 3.75% Unsecured Bonds 2027
ISIN:	MT0000231259
Redemption Date:	10 July 2027 at par
Prospectus Date:	29 May 2017

PART D COMPARATIVES

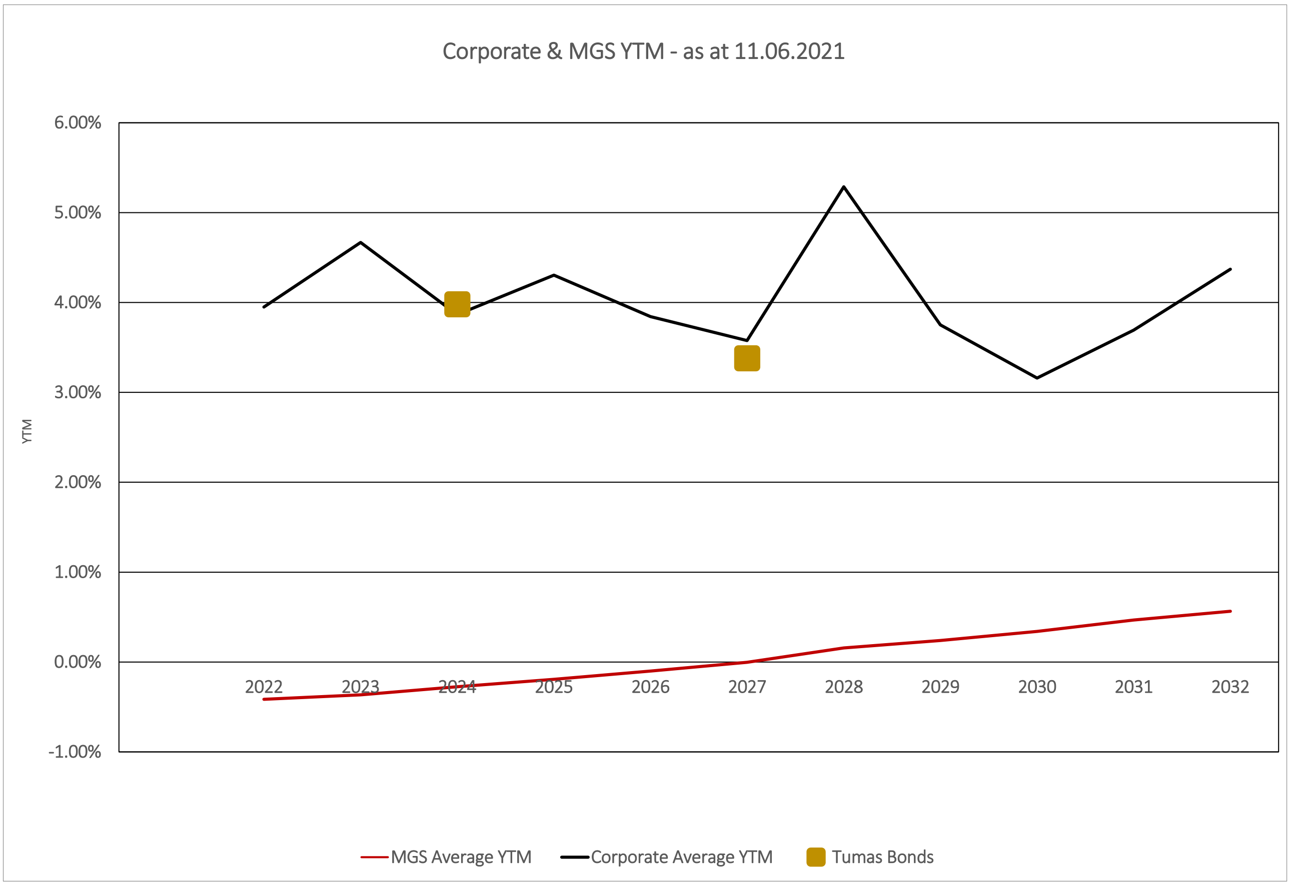
The table below compares SDC's financial metrics (as the guarantor to the TI bonds) to those of a few other companies which have debt securities listed on the Malta Stock Exchange and maturing in the same years as the TI securities (or their respective guarantors). It is to be noted, however, that there are significant differences in the business models of each of the listed companies being compared below and an exact match to the operations and business of the Issuer and Guarantor is not available. Thus, while the metrics below can be used as a gauge of SDC's financial standing when compared to other issuers listed locally, they do not capture the quantitative factors such as the different business models of each issuer, their competitive position in the market, KPIs, etc. The list below compares the two outstanding bonds of TI to a few other issuers which have comparable maturities. Such list is not exhaustive.

	Outstanding Amounts *(€)*	Gearing Ratio *(%)^*	Net Debt to EBIDTA *(times)*	Interest Cover *(times)*	YTM (as at 11.06.2021) *%*
5.00% Tumas Investments plc 2024	**25,000,000**	**17.6%**	**1.6**	**8.2**	**3.98**
6.00% AX Investments plc 2024	40,000,000	25.57%	28.5	0.8	4.35
6.00% International Hotel Investments plc 2024	35,000,000	41.32%	n/a	n/a	4.13
3.75% Tumas Investments plc 2027	**25,000,000**	**17.6%**	**1.6**	**8.2**	**3.38**
3.50% Simonds Farsons Cisk plc 2027	20,000,000	13.45%	1.2	12.0	2.53
4.00% Eden Finance plc 2027	40,000,000	30.49%	n/a	n/a	3.24
3.75% Virtu Finance plc 2027	25,000,000	35.07%	3.5	4.5	3.05

Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 11 June 2021. Ratio workings and financial information quoted have been based on the issuer's and their guarantors where applicable, from published financial data for the financial year 2019/20.

^Gearing: Net Debt / (Net Debt + Total Equity)

The chart below shows the average yield to maturity of the TI bonds compared to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 11 June 2021.



The following is a summary of the YTMs of each of the outstanding TI's bonds and how they compared to the average YTMs of corporate bond and MGS with a similar maturity:

Bond Issue	YTM	Yield Premium / (Discount) over Corporate Bond Average	Yield Premium over Average MGS
5.00% TI plc 2024	3.98%	12 bps	426 bps
3.75% TI plc 2027	3.38%	(20 bps)	338 bps

Income Statement Explanatory Definitions

Revenue	Total revenue generated by the company from its business activity during the financial year.
EBITDA	Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations.
Normalisation	Normalisation is the process of removing non-recurring expenses or revenue from a financial metric like EBITDA, EBIT or earnings. Once earnings have been normalised, the resulting number represents the future earnings capacity that a buyer would expect from the business.
EBIT	Earnings before interest and tax.
Depreciation and Amortization	An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated.
Finance Income	Interest earned on cash bank balances and from the intra-group companies on loans advanced.
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit generated in one financial year.

Cash Flow Statement Explanatory Definitions

Cash Flow from Operating Activities	The cash used or generated from the company's business activities.
Cash Flow from Investing Activities	The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets.
Cash Flow from Financing Activities	The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments.

Statement of Financial Position Explanatory Definitions

Assets	What the company owns which can be further classified in Current and Non-Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Liabilities	What the company owes, which can be further classified in Current and Non-Current Liabilities.
Current Liabilities	Obligations which are due within one financial year.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.

Profitability Ratios

EBITDA Margin	EBITDA as a percentage of total revenue.
Operating Profit Margin	Operating profit margin is operating profit achieved during the financial year expressed as a percentage of total revenue.
Net Profit Margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Return on Equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on Capital Employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	This is computed by dividing profit after tax by total assets.

Liquidity Ratios

Current Ratio	The current ratio is a financial ratio that measures whether a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Cash Ratio	Cash ratio is the ratio of cash and cash equivalents of a company to its current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents and nothing else.

Solvency Ratios

Interest Coverage Ratio	This is calculated by dividing a company's EBITDA of one period by the company's net finance costs of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.
Net Debt to EBITDA	This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA.

Other Definitions

Yield to Maturity	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.

Prepared by:
Rizzo, Farrugia & Co (Stockbrokers) Ltd
E: sponsors@rizzofarrugia.com
T: +356 2258 3000