DIZZ

FINANCE PLC

Publication of Financial Analysis Summary

Date of Announcement	28th June 2022

The following is a company announcement issued by Dizz Finance p.l.c. (C 71189), hereinafter the "Company", pursuant to the Capital Market Rules issued by the Malta Financial Services Authority:

QUOTE

The Board of Directors of the Company hereby announces that the Financial Analysis Summary dated 28th June 2022 that has been compiled by MZ Investment Services Ltd., has been approved for publication.

A copy of the signed Financial Analysis Summary is being hereby attached and is also available for viewing on the Company's website www.dizz.com.mt.

UNQUOTE

Mr. Kenneth Abela
Company Secretary
DZF75

Financial Analysis Summary

28 June 2022

Issuer

Dizz Finance p.l.c.

(C 71189)

Guarantor

Dizz Group of Companies Limited (C 64435)

MZ INVESTMENT SERVICES

MZ INVESTMENT SERVICES

The Board of Directors
Dizz Finance p.l.c.
Dizz Buildings
Triq il-Harruba
Santa Venera
Malta

28 June 2022

Dear Board Members,

Dizz Finance p.l.c. Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the MFSA Listing Policies, we have compiled the Financial Analysis Summary ("**Analysis**") set out in 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 Dizz Finance p.l.c. (the "**Issuer**" or "**Company**") and Dizz Group of Companies Limited (the "**Guarantor**" or "**Dizz Group**" or "**Group**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the year ended 31 December 2019 to 31 December 2021 has been extracted from the audited financial statements of the Issuer and the audited consolidated financial statements of the Guarantor for the three years in question.

(b) The forecast data of the Issuer and Guarantor for the year ending 31 December 2022 has been provided by management of the Company.

(c) Our commentary on the results of the Issuer and Guarantor 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.

(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.

MZ INVESTMENT SERVICES

The Analysis is meant to assist investors in the Company's securities and potential investors by summarising the more important financial data of the Dizz 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 or not 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 ISSUER AND GUARANTOR

1. KEY ACTIVITIES

1.1 THE ISSUER

Dizz Finance p.l.c. (the "**Issuer**" or "**Company**") was established on 24 June 2015 and is a wholly owned subsidiary of Dizz Group of Companies Limited (the "**Guarantor**", "**Group**" or "**Dizz Group**").

The Issuer acts as a finance company and is principally involved in raising funds and lending same to Dizz Group companies. Furthermore, the Issuer owns and manages a portfolio of properties in Malta either for use by the Dizz Group or for rental to third parties. The Issuer's property portfolio includes both residential properties mainly situated in upmarket localities and retail properties.

1.2 THE GUARANTOR

The Guarantor was incorporated as a private limited liability company on 28 March 2014 and is the holding company of the Group. The Dizz Group is principally involved in the sale of fashion-related items and food & beverages in Malta and operates the following key brands: Max & Co, Elisabetta Franchi, Liu Jo, Boggi, Guess, Paul & Shark, Harmont & Blaine, Terranova, Calliope, Philipp Plein, Michael Kors, Versace, Chiara Ferragni, DSquared, Moschino, Pinko, Aqua Azurra, Caffe' Pascucci, Nespresso, Pastrocchio and Salad Box.

The Group is in the process of acquiring Dizz Franchises Limited (C 72974) from its ultimate beneficial owners with effect on 1 July 2022. Pursuant to the said transaction, the Guarantor will operate the KIKO brand through 3 stores and 2 stands in Malta.

The weekly average number of employees directly engaged with the companies forming part of the Dizz Group during FY2021 amounted to 208 persons (FY2020: 196).

The Group is also involved in acquiring and/or leasing property and sub-leasing such property to companies within the Group or to third parties.

Dizz Group has three subsidiaries, the Issuer, D Shopping Malls Finance p.l.c. and D Foods Finance p.l.c., whose primary objective is to raise finance for the Group. The Issuer issued €8 million 5% Unsecured Bonds on 28 September 2018, repayable at par on 7 October 2026, whilst D Shopping Malls Finance p.l.c. issued €7.5 million 5.35% Unsecured Bonds on 1 October 2018 on Prospects MTF, repayable at par on 28 October 2028. D Foods Finance p.l.c. issued €3 million 3% Secured Convertible Notes 2030 on 3 August 2020. The secured notes form part of a €10 million notes programme in terms of a base prospectus dated 21 July 2020 and are listed on the Institutional Financial Securities Market (IFSM).

2. DIRECTORS AND KEY EMPLOYEES

2.1 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.

Diane Izzo	Chairperson and Executive Director
Karl Izzo	Executive Director
Edwin Pisani	Executive Director
Nigel Scerri	Independent Non-Executive Director
Kevin Deguara	Independent Non-Executive Director
Joseph C. Schembri	Independent Non-Executive Director

The Executive Directors of the Issuer are entrusted with the company's day-to-day management and are also directors of other companies within the Group. The Executive Directors are supported in this role by several consultants and benefit from the know-how gained by members and officers of the Dizz Group.

2.2 DIRECTORS OF THE GUARANTOR

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

Diane Izzo	Group Chairperson and CEO
Karl Izzo	Executive Director

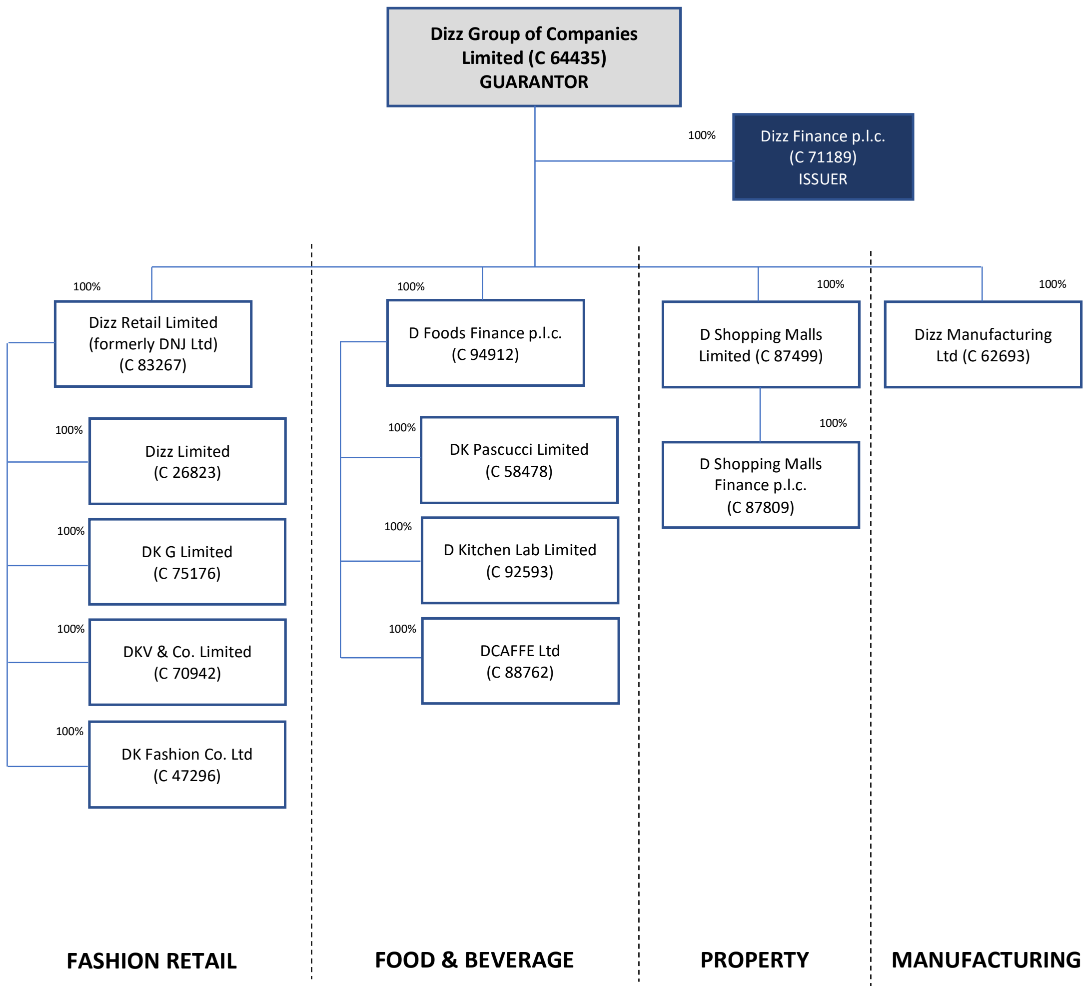
2.3 SENIOR MANAGEMENT

In the day-to-day operations of the Group, the Executive Directors are supported by the senior management team composed of the following individuals:

Kenneth Abela	Group Chief Financial Controller
Denise Bonello	Chief Operations Manager
Edwin Pisani	General Manager
Philip George Galea	Marketing and Development Manager

3. ORGANISATIONAL STRUCTURE

The issued share capital of Dizz Group amounts to €7,719,192 and is composed of 7,719,192 ordinary shares of a nominal value of €1 per share, fully paid up (FY2020: €7,719,192). The shares are owned equally by Diane Izzo and Karl Izzo. The diagram hereunder illustrates the latest organisational structure of the Group:



The Group is in the process of acquiring Dizz Franchises Limited (C 72974) from its ultimate beneficial owners with effect on 1 July 2022. The said company is the franchise license holder of the KIKO Brand and presently operates 3 stores and 2 stands in Malta (Valletta, D Mall Sliema, PAMA Mosta [stand], Centerparc Qormi [stand] and Bay Street Complex St Julians). The consideration for the said acquisition amounts to €3.0 million and shall be settled by way of an issue of shares by the Guarantor to the ultimate beneficial owners as to €1.25 million and the balance of €1.75 million shall be offset against trade receivables.

4. MAJOR ASSETS OWNED BY THE GROUP

The Dizz Group is the owner of a number of properties which are included in the consolidated statement of financial position under the headings: 'property, plant & equipment' and 'investment property'. The following is a list of major assets owned by the Dizz Group.

Dizz Group of Companies Limited Group Assets	Ownership	Lessee	FY2019	FY2020	FY2021	Revaluation Reserve at 31 Dec'21
			€'000	€'000	€'000	€'000
Store in Carob Street, St Venera	Issuer	Dizz Group companies	254	254	254	172
Terranova Outlet, Kap. Mifsud Str., St Venera	Issuer	Dizz Group companies	567	650	650	405
Head Office in Carob Street, St Venera	Issuer	Dizz Group companies	190	275	275	88
Apt 912, Tas-Sellum, Mellieha	Issuer	Third parties	216			
Apartment Compass Rose, Pieta	Issuer	Third parties		231	231	
Apt 2, Church Street, St Julians	Issuer	Third parties	263	450	450	
Apt in Savoy Gardens, Gzira	Issuer	Third parties	260	260	260	
Apt in Corner View, Swieqi	Issuer	Third parties	368	400		
Aquarius', maisonette & garage in Swieqi	Issuer	Third parties	275	375	375	
Caffe Pascucci, Gzira Road, Gzira	Issuer	Dizz Group companies	525	890	890	365
Apartment Portomaso, St Julians	Issuer	Third parties			396	
Apt 13, Waterside Apts, Ix-Xatt ta' Qui Si Sana	D Shopping Malls Ltd	Third parties	966	1,304	1304	
Laguna Apartment, Portomaso, St Julians	D Shopping Malls Ltd	Third parties	1,900	2,200	2200	
Apt 6, Byron Court, Ix-Xatt ta' Qui Si Sana	D Shopping Malls Ltd	Third parties	734	946	946	
The Hub-Land, Mriehel (under development)	Dizz Manufacturing Ltd	n/a	4,288	5,586	6272	3,585
			10,806	13,821	14,503	4,615
Revaluation reserve, net of deferred tax (note 24 of the consolidated audited financial statements)						4,204

Source: Consolidated audited financial statements of Dizz Group of Companies Limited.

In FY2021, the Issuer disposed of an apartment situated in Swieqi for the amount of €400,000 and acquired an apartment in Portomaso, St Julians for the consideration of €396,000.

5. OVERVIEW OF FASHION RETAIL STORES AND FOOD & BEVERAGE OUTLETS

The Group presently operates, through a number of franchises, the following fashion retail stores and food & beverage outlets.

FASHION RETAIL STORES

	Company	Brand	Location	Owned/Leased	Status - FY2020	Status - FY2021
1	DK Fashion Co. Limited	Liu Jo	Valletta	Leased	Open	Open
2	DK Fashion Co. Limited	Liu Jo	Tigne Point, Sliema	Leased	Open	Open
3	DK Fashion Co. Limited	Liu Jo	Centerparc, Qormi	Leased	Previously Golden Point	Open (end of 2021)
4	DK Fashion Co. Limited	Boggi	D Mall, Sliema	Leased	Open	Open
5	DK Fashion Co. Limited	Max & Co	D Mall, Sliema	Leased	Open	Open
6	DK Fashion Co. Limited	Designer Brands	St Julians	Leased	Open	Open
7	Dizz Limited	Terranova	Bay Street Complex	Leased	Open	Open
8	Dizz Limited	Terranova	Tigne Point, Sliema	Leased	Open	Open
9	Dizz Limited	Terranova	Iklin	Leased	Open	Open
10	Dizz Limited	Terranova	Centerparc, Qormi	Leased	Open	Open
11	Dizz Limited	Terranova	Fgura	Leased	Open	Open
12	Dizz Limited	Calliope	D Mall, Sliema	Leased		Open (end of 2021)
13	Dizz Limited	Calliope	Bay Street Complex	Leased	Open	Open
14	DK G Limited	Guess	Tigne Point, Sliema	Leased	Open	Open
15	DK G Limited	Guess	Bay Street Complex	Leased	Open	Open
16	DK G Limited	Guess	Centerparc, Qormi	Leased	Open	Open
17	DK G Limited	Guess Kids	Tigne Point, Sliema	Leased	Open	Open
18	DK G Limited	Guess	Valletta	Leased	Open	Open
19	DK G Limited	D Outlet	St Venera	Owned by Issuer	Open	Closed
20	DKV & Co. Limited	Paul & Shark	D Mall, Sliema	Leased	Open	Open
21	DKV & Co. Limited	Paul & Shark	Valletta	Leased	Closed	Operated by a related party as KIKO
22	DKV & Co. Limited	Harmont & Blaine	Bay Street Complex	Leased		Open (July 2021)
23	DKV & Co. Limited	Harmont & Blaine	Tigne Point, Sliema	Leased	Open	Open
24	DKV & Co. Limited	Elisabetta Franchi	Sliema	Leased	Open	Open
25	DKV & Co. Limited	Warehouse	Birkirkara	Leased		Open (Oct'21 to Apr'22)

FOOD & BEVERAGE OUTLETS

	Company	Brand	Location	Owned/Leased	Status - FY2020	Status - FY2021
1	DK Pascucci Limited	Caffé Pascucci	St Venera	Leased	Open	Open
2	DK Pascucci Limited	Caffé Pascucci	Paceville	Leased	Open	Open
3	DK Pascucci Limited	Caffé Pascucci	Bay Street Complex	Leased	Open	Relocated to outside area (opened June'21)
4	DK Pascucci Limited	Caffé Pascucci	Centerparc, Qormi	Leased	Open	Open
5	DK Pascucci Limited	Caffé Pascucci	D Mall, Sliema	Leased	Open	Open
6	DK Pascucci Limited	Caffé Pascucci	Gzira	Owned by Issuer	Open	Open
7	DK Pascucci Limited	Salad Box	D Mall, Sliema	Leased	Open	Open
8	DCAFFE Ltd	Pastrocchio	Mriehel	Leased	Open	Open
9	DCAFFE Ltd	Nespresso	D Mall, Sliema	Leased	Open	Open
10	DCAFFE Ltd	Nespresso	Mriehel	Leased	Open	Open
11	DCAFFE Ltd	Nespresso	PAMA, Mosta	Leased	Open	Open
12	DCAFFE Ltd	Nespresso	Centerparc, Qormi	Leased	Open	Open

Following the proposed acquisition of Dizz Franchises Limited (C 72974) from its ultimate beneficial owners with effect on 1 July 2022, the Group shall operate the KIKO brand and add 5 stores/stands to its portfolio of outlets. The said stores/stands are located in Valletta, D Mall Sliema, PAMA Mosta [stand], Centerparc Qormi [stand] and Bay Street Complex St Julians.

6. KEY FINANCIAL INFORMATION – THE GROUP

The Group is principally involved in fashion retail, food and beverage and property. A divisional analysis of the Group's business is provided below:

Dizz Group Divisional Analysis	**FY2019 Actual**	**FY2020 Actual**	**FY2021 Actual**	**FY2022 Projection**
Turnover (€'000)	**14,406**	**13,534**	**18,894**	**22,961**
Fashion retail	12,590	9,989	14,114	17,115
Food & beverage	1,437	2,924	4,063	5,050
Rental income	379	621	717	796
Fashion retail	*87.4%*	*73.8%*	*74.7%*	*90.6%*
Food & beverage	*10.0%*	*21.6%*	*21.5%*	*26.7%*
Rental income	*2.6%*	*4.6%*	*3.8%*	*4.2%*
Gross Operating Profit (€'000)	**6,057**	**4,673**	**8,406**	**11,477**
Gross Operating Profit Margin (%)	**42%**	**35%**	**44%**	**50%**

Source: Management information.

The financial performance of 2021 was again impacted by COVID-19, but the situation improved in the second half of the year as the rapid vaccination programme in May 2021 led to the gradual easing of a number of restrictions impacting the Group's retail and food & beverage outlets. The re-opening of the travel and tourism market during the summer months also had a positive impact on the Group's operational performance.

In consequence, revenue generated by the Group in FY2021 amounted to €18.9 million, an increase of €5.4 million (+40%) compared to the prior year (FY2020: €13.5 million). The Group also improved revenue results over FY2019 by 31% or €4.5 million.

As can be observed in the above table, a significant decline in fashion retail revenue was reported in FY2020 (-21% y-o-y) on account of the complete shutdown in April 2020 due to the pandemic, and the curtailment of fashion retail operations during the following 8 months to December 2020. In FY2021, despite the continued adverse effects of the pandemic, the Group registered an increase in revenue of €4.1 million (+41%) from the prior year to €14.1 million (FY2020: €10.0 million).

Revenue generated from the food & beverage division increased over the 3-year historical period from €1.4 million in FY2019 to €2.9 million (+103% y-o-y) and €4.1 million (+39% y-o-y) in FY2020 and FY2021 respectively. The increase in FY2020 is reflective of the inclusion of Nespresso, Pastrocchio and Salad Box to the Group's offerings and further investment in new store openings. In FY2021, revenue increased by 39% in consequence of the gradual economic recovery from the previous year.

Rental income in FY2020 amounted to €0.6 million, an increase of €0.2 million from the prior year. The higher rent was generated from leases to third parties of retail space at Center Parc and to a lesser extent at D Mall. A further increase in rental income of 15% (+€1.0 million) was reported in FY2021, from €0.6 million in FY2020 to €0.7 million. In the last financial year, *circa* 78% of rental income was derived from leases of retail space at Center Parc and D Mall.

Gross operating profit generated by the Group in FY2021 amounted to €8.4 million, an increase of €3.7 million from the previous financial year. The increase in operating profit is reflective of the recovery in business activities from FY2020, which was severely impacted by the pandemic. In addition, the Group's strategy since FY2020 has been to close non-performing outlets to ensure that operating profits are not diluted by losses incurred by such outlets. As a result, the Group's gross operating profit margin has also improved from 35% in FY2020 to 44% in FY2021.

Revenue in the projected year **FY2022** is expected to amount to €22.96 million, an increase of €4.07 million (+22%) from FY2021. The fashion retail segment of the Group is expected to deliver €3.0 million (or 74%) of said increase, while €0.99 million (or 24%) is expected from the food & beverage segment. Rental income is projected to increase by €79,000 from €717,000 in FY2021 to €796,000.

The above-mentioned growth in revenue is based on the assumption that the economy will continue to recover in the current financial year and that no restrictions would be required due to any COVID-19 variants that would otherwise interrupt the Group's business operations. Furthermore, part of the said y-o-y increase reflects forecast revenue from outlets opened at the end of 2021, primarily Calliope at D Mall Sliema, and revenue expected to be generated by the five KIKO stores/stands of Dizz Franchises Limited for the six-month period 1 July 2022 to 31 December 2022.

In the forecast year, the Group expects to increase its gross operating profit margin by 6 percentage points to 50% (FY2021: 44%). As such, the gross operating profit for the projected year is estimated at €11.5 million compared to €8.4 million in the previous year (+€3.1 million or +37% y-o-y).

7. THE HUB

The Group is presently developing a site having a footprint of *circa* 1,245m^2 with frontage on Triq L-Industrija, Mriehel (referred to as the "Hub" or the "Hub Project"), which is earmarked as a storage and logistics centre for the Group's retail operations and the Group's head office. Furthermore, *circa* 3,000m^2 of office space within the Hub will be available for rent to third parties.

The site was acquired by Dizz Manufacturing Limited from the Government Property Department on a temporary emphyteusis of 65 years as from 26 May 2016. The annual ground rent is €18,000 and is revisable every five years.

The Hub Project shall consist of seven floors of which two levels will be located below road level. The ground level will incorporate a reception area leading to the upper floors; the entrance to the underground parking area and an area of *circa* 900m^2 is to serve as a large warehouse for the storage of the Group's retail operations. The two basement levels shall consist of underground parking serving the Hub which shall be linked to the stores and offices by means of two separate cores consisting of a stairwell and lifts: one of the cores shall be used for the transport of goods and the other shall be utilised by the users of the offices.

The ground floor will house the logistics of the Group primarily to co-ordinate the distribution of retail goods to the Group's outlets. At same level, the Group will operate a coffee shop under the Caffe Pascucci brand.

Each of level 1 to level 3 shall comprise an area of 1,100m^2 to be utilised as office space, while the penthouse (level 4) will consist of an internal area of 800m^2 and a terrace measuring 300m^2.

The Hub project is expected to be completed by Q4 2022.

8. D MALL

D Shopping Malls Limited has leased from Sliema Wanderers Football Club an area measuring 2,861m^2 situated in the Sliema Wanderers Sports Complex, Tigne Complex, Sliema for the purposes of developing and subleasing D Malls, a commercial centre. In FY2021, the company entered into an addendum with its lessor, whereby higher prepayments shall become payable between FY2021 and FY2024 in exchange for a 50% reduction in annual rent as from FY2025. In addition, the lease term has been extended for a further period of 15 years.

The property is being leased for a 15-year period as from date of official opening, of which the first 7 years are *di fermo*, whilst the remaining 8 years are *di rispetto* at the option of the lessee. The lease period can be extended further for three consecutive 15-year periods at the exclusive discretion of the lessee. The project was inaugurated on 21 November 2020 and is currently fully leased, except for space on level -1.

9. CENTER PARC

On 1 September 2017, Dizz Limited and Center Parc Holdings Limited, entered into an agreement to lease *circa* 2,581m^2 of commercial space situated at third level (ground floor) of Center Parc Retail Hub, Triq it-Tigrija, Qormi, Malta. The property is leased for a period of 15 years of which the first 4 years are *di fermo*, whilst the remaining 11 years are *di rispetto* at the option of the lessee, subject to a six-month notification period. If the lessee fails to inform the lessor twelve months prior to the expiration of the *di fermo* period, the lease is automatically extended for the next 11 years. Dizz Limited assigned the lease agreement to D Shopping Malls Limited.

The property was leased in shell form, with all other works and improvements carried out by the lessee and completed in October 2019. D Shopping Malls Limited has sub-leased 1,286m^2 (equivalent to 50% of the total retail space within Center Parc) to Dizz Limited to operate a Terranova outlet situated opposite the main entrance of the shopping mall. In addition, four outlets have been sub-leased to related parties, while three other outlets have been sub-leased to third parties (8 outlets in aggregate).

10. MARKET OVERVIEW

10.1 ECONOMIC UPDATE[1]

The economy of Malta is set to continue expanding, by 4.2% in 2022 and by 4.0% in 2023 while withstanding the impact of the increase in by commodity prices and Russian invasion of Ukraine. The main factors supporting growth are the robust domestic demand and growth in exports of services, contributed by strong recovery in tourism. The general government balance is projected to remain in deficit, however decreasing in 2022 and 2023, following winding-down of pandemic related policy support on the background of economic growth.

The pressure from the COVID-19 pandemic related restrictions subsided in 2021, creating conditions for a very strong economic recovery of 9.4%, thanks to improved business and consumer sentiment, faster than expected rebound of international tourism and a strong growth in investment and services exports.

In 2022, affected by disruptions related to the Russian invasion of Ukraine, real GDP[2] growth is forecast to reach 4.2%, which is substantially less than expected in winter, although Malta has very low direct exposure to trade with Russia and Ukraine. Growth in 2022 is set to be driven by domestic consumption, investment, and a small positive contribution from net exports. Export of tourism services is expected to continue gaining ground on the back of easing pandemic-restrictions. Robust government expenditure, in particular via public investment, will continue to support the economy. In 2023, growth is forecast to decrease to a still strong 4.0%, reflecting a general slowdown in performance among trading partners.

With both exports and imports growing, the current account balance is expected to remain positive. The limited downside risks deriving from the June 2021 decision of the Financial Action Task Force (the international standard-setting body on anti-money laundering/countering the financing of terrorism) to include Malta in the list of jurisdictions under increased monitoring have further receded following the FATF initial determination, in February 2022, that Malta has substantially completed its action plan. On 15 June 2022, Malta was voted off the Financial Action Task Force grey list.

Malta was able to cushion the impact of the pandemic on the labour market thanks to fiscal support. Employment is estimated to have grown by 1.6% in 2021, while the wage support measures remained in place. Employment is expected to continue to increase over the forecast horizon. This positive development in the labour market is congruent with labour shortages being reported by firms. Malta's unemployment rate, at 3.5% in 2021, is set to remain broadly stable in 2022 and 2023.

[1] Economic Forecast – Spring 2022 (European Commission Institutional Paper 173 May '22).

[2] Gross Domestic Product (GDP) is an estimate of the value of goods and services produced in the economy over a period of time.

HICP[3] inflation remained low in 2021 at 0.7%, thanks to energy prices being kept low by government intervention and hedging contracts for gas. Going forward, while Malta's economy is highly energy-intensive, the share of household expenditures on energy is low compared to other Member States and the authorities have expressed a commitment to continue to limit energy prices growth. The higher inflation in the first quarter of 2022 shows that the pressure from increasing international energy and commodity prices is starting to affect Malta via transport costs and imported goods. As a result, inflation is set to rise to 4.5% in 2022. As these factors are expected to persist into 2023, inflation is expected to remain elevated at 2.6%.

The government deficit is estimated to have decreased to 8.0% of GDP in 2021. This still high deficit level is mainly explained by public expenditure related to pandemic-related measures which were maintained in 2021, including the wage support scheme, the utility and rent subsidies for businesses, and healthcare-related expenditures. Pandemic-related economic support measures are expected to be phased out in 2022 and 2023, while several measures in response to the high energy prices were recently introduced.

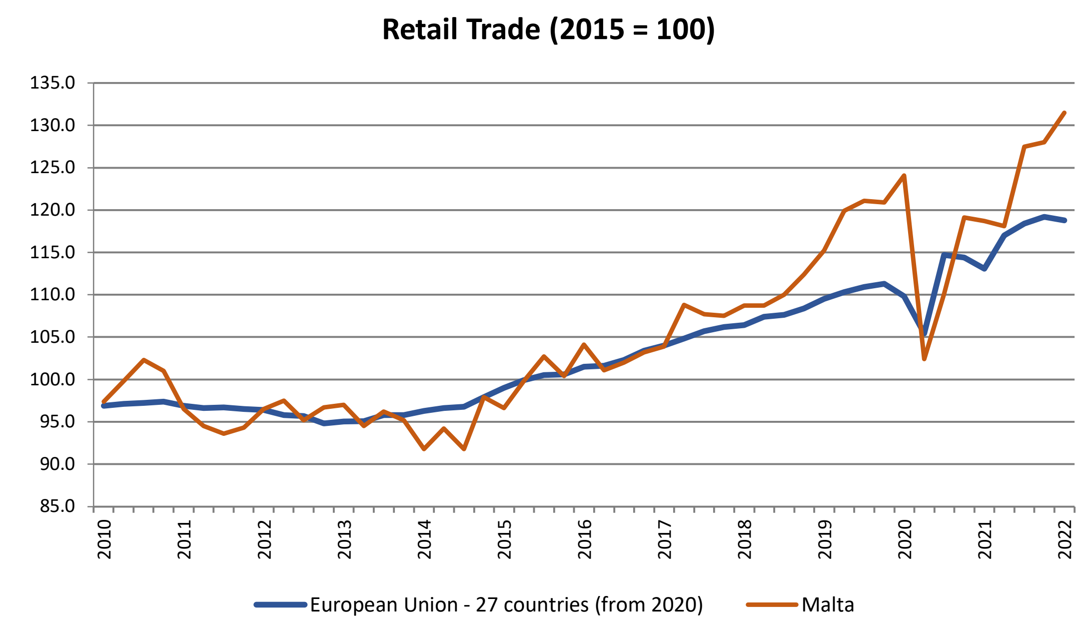
The tax revenues resumed growth in 2021 and are expected to continue to increase in 2022 and 2023, following the positive economic growth dynamics. The revenues from social contributions also increased in 2021 and are expected to continue increasing over the forecast horizon, supported by the good performance of the labour market.

The deficit is projected to decrease to 5.6% of GDP in 2022 and further to 4.6% in 2023. The government debt-to-GDP ratio is projected to increase marginally to 58.5% in 2022 and reach 59.5% in 2023 as the negative primary balance is only partially compensated by the nominal GDP growth.

[3] The Harmonised Indices of Consumer Prices (HICP) measure the changes over time in the prices of consumer goods and services acquired by households.

10.2 RETAIL TRADE SECTOR

The chart below 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).



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

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, up to Q2 2020. Pursuant to the COVID-19 outbreak in March 2020, retail activity declined 5.9 percentage points in Q2 2020 compared to Q4 2019 but fully recovered by Q4 2020.

Retail activity in Malta has broadly tracked the EU average, except for the outperformance registered in 2018 and 2019. Various factors have contributed to this strong performance, including: (i) the robust overall growth of the Maltese economy and a strong labour market which has outpaced the EU average; and (ii) the increase in population of the expat community in Malta.

In Q2 2020, the fashion retail sector in Malta decreased by 18.5 percentage points from Q4 2019 as a result of the pandemic. 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. The fashion retail sector in Malta recovered to some extent in Q3 2020 and Q4 2020, but short of the level achieved in Q4 2019.

As observed in the above chart, between Q1 2021 and Q1 2022, the fashion retail sector in Malta grew by 12.8 percentage points, being significantly better than the EU average growth of 5.7 percentage points for the same period.

PART 2 – GROUP PERFORMANCE REVIEW

11. FINANCIAL INFORMATION – THE ISSUER

The following financial information is extracted from the audited financial statements of Dizz Finance p.l.c. (the "**Issuer**") for the three years ended 31 December 2019 to 31 December 2021. The financial information for the year ending 31 December 2022 has been provided by Group management.

The projected financial statements detailed below relate to events in the future and are based on assumptions which the 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.

Dizz Finance p.l.c. Income Statement for the year ended 31 December	2019 Actual €'000	2020 Actual €'000	2021 Actual €'000	2022 Projection €'000
Rental income	289	171	207	210
Finance income	664	664	659	659
Finance costs	(425)	(430)	(433)	(433)
Gross profit	**528**	**405**	**433**	**436**
Profit on disposal of investment property	-	93	32	-
Other income	5	-	20	-
Adminstrative expenses	(120)	(137)	(121)	(139)
Fair value movement on property	-	853	(32)	-
Depreciation	(46)	(48)	(10)	(49)
Profit before tax	**367**	**1,166**	**322**	**248**
Taxation	-	145	(212)	(87)
Profit for the year	**367**	**1,311**	**110**	**161**

The Issuer is a fully owned subsidiary of the Guarantor and is principally engaged to act as a finance and property holding company. Most of the Issuer's revenue is generated from interest receivable on funds on-lent to Group companies. Accordingly, the Issuer's operating performance and future prospects are dependent on the Guarantor and other Group entities.

During FY2021, rental income generated by the Issuer amounted to €207,000 compared to €171,000 in FY2020 (+21%). The lower amount in the prior year was due to some tenants not renewing their respective lease agreement in view of the pandemic. The properties owned by the Issuer, of which the majority are leased to Group companies and third parties, are listed in section 4 of this report. Rental income for FY2022 is projected to increase marginally from €207,000 in FY2021 to €210,000.

Net interest income reflects the net difference between interest receivable from advances to Group companies and interest payable on bonds in issue. In FY2021, net interest income amounted to €226,000 compared to €234,000 in the previous year. In FY2022, net interest receivable is expected to remain unchanged at €226,000.

During FY2021, the Issuer disposed of a property in Swieqi and registered a gain on disposal of €32,000. In consequence, previous value uplift on this property amounting to €32,000 was reversed.

Net profit in FY2021 amounted to €110,000 compared to €1.3 million a year earlier. In FY2020, net profit was favourably impacted by the recognition of gains amounting to €853,000 on the fair value of properties owned by the Issuer. In FY2022, net profit is projected to amount to €161,000 compared to €110,000 in the prior year.

Dizz Finance p.l.c. Statement of Financial Position as at 31 December	**2019 Actual €'000**	**2020 Actual €'000**	**2021 Actual €'000**	**2022 Projection €'000**
ASSETS				
Non-current assets				
Property, plant & equipment	267	243	66	40
Investment property	2,918	3,786	3,983	4,333
Loans owed by related companies	6,163	6,163	6,159	6,159
Loans owed by third parties	89	81	69	69
Deposits on property	97	70	-	-
Deferred tax asset	-	243	64	64
	9,534	**10,586**	**10,341**	**10,665**
Current assets				
Trade and other receivables	5,135	5,872	5,595	5,523
Cash and cash equivalents	-	-	-	-
	5,135	**5,872**	**5,595**	**5,523**
Total assets	**14,669**	**16,458**	**15,936**	**16,188**
EQUITY				
Share capital	1,910	1,910	1,910	1,910
Retained earnings	1,839	3,151	3,261	3,422
	3,749	**5,061**	**5,171**	**5,332**
LIABILITIES				
Non-current liabilities				
Debt securities - 5% Bonds 2026	7,836	7,860	7,887	7,911
Deferred tax liabilities	195	271	286	286
	8,031	**8,131**	**8,173**	**8,197**
Current liabilities				
Bank balance overdrawn	26	5	35	188
Amounts due to related party	725	725	-	-
Trade & other payables	1,956	2,340	2,384	2,384
Current tax liabilities	182	196	173	87
	2,889	**3,266**	**2,592**	**2,659**
Total liabilities	**10,920**	**11,397**	**10,765**	**10,856**
Total equity and liabilities	**14,669**	**16,458**	**15,936**	**16,188**

The assets of the Issuer principally include investment property (listed in section 4 of this report) having a carrying value as at 31 December 2021 of €3.98 million (FY2020: €3.79 million), loans owed by related companies amounting to €6.2 million (FY2020: €6.2 million), and trade and other receivables of €5.6 million (FY2020: €5.9 million) which mainly comprise amounts due from Group companies.

In 2021, the Issuer sold an apartment in Swieqi for €400,000 and acquired an apartment in Portomaso for the consideration of €396,000. In the initial part of FY2022, the Issuer acquired an apartment in Gzira for €350,000 and accordingly, the aggregate value of investment property as at year end is estimated to amount to €4.33 million (FY2021: €3.98 million).

The liabilities of the Issuer mainly include debt securities listed on the Official List of the Malta Stock Exchange of €8.0 million net of issue costs of €0.1 million (FY2020: €7.9 million) and amounts due to Group companies amounting to €2.2 million which are included in "trade and other payables" (FY2020: €2.8 million, included in "*trade & other payables*" and "*amounts due to related party*"). No material movements in liabilities have been projected for FY2022 compared to FY2021.

Dizz Finance p.l.c. Cash Flow Statement for the year ended 31 December	**2019 Actual €'000**	**2020 Actual €'000**	**2021 Actual €'000**	**2022 Projection €'000**
Net cash from operating activities	633	333	226	597
Net cash from investing activities	(2)	101	8	(350)
Net cash from financing activities	(621)	(413)	(264)	(400)
Net movement in cash and cash equivalents	**10**	**21**	**(30)**	**(153)**
Cash and cash equivalents at beginning of year	(36)	(26)	(5)	(35)
Cash and cash equivalents at end of year	**(26)**	**(5)**	**(35)**	**(188)**

Net cash from operating activities amounted to €226,000 in FY2021 compared to €333,000 in the prior year. It is estimated that net operating cash inflows in FY2022 will increase by €371,000 to €597,000.

During FY2021, the Issuer disposed of an apartment in Swieqi for €400,000 and acquired an apartment in Portomaso for €396,000. In addition, a promise of sale agreement that was entered into in FY2020 for the purchase of a property lapsed and therefore the deposit of €70,000 was refunded in FY2021. On the expenditure side, the Issuer utilised €34,000 on furniture & fittings and paid a deposit of €27,550 on signing of a promise of sale agreement for the acquisition of an apartment in Gzira to be acquired for €350,000. Overall, net cash generated from investing activities amounted to €8,000 (FY2020: net cash inflows of €101,000). In FY2022, the Issuer completed the purchase of the Gzira apartment and accordingly settled the consideration of €350,000.

Cash flows from financing activities primarily include movements in amounts due/from related parties and bond interest payable. In the last financial year, net cash outflows amounted to €0.3 million compared to €0.4 million in FY2020. It is assumed that financing activities in FY2022 will represent bond interest payable amounting to €0.4 million.

12. FINANCIAL INFORMATION – THE GROUP

The historical financial information included hereinafter is extracted from the audited consolidated financial statements of the Guarantor for the three financial years ended 31 December 2019 to 31 December 2021. The financial information for the year ending 31 December 2022 has been provided by management.

The projected financial statements detailed below relate to events in the future and are based on assumptions which the 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.

Dizz Group of Companies Limited - Consolidated Income Statement				
for the year ended 31 December	**2019**	**2020**	**2021**	**2022**
	Actual	**Actual**	**Actual**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**
Revenue	14,406	13,534	18,894	22,961
Cost of sales	(8,349)	(8,861)	(10,488)	(11,484)
Gross operating profit	**6,057**	**4,673**	**8,406**	**11,477**
Administration expenses	(4,065)	(8,035)	(6,561)	(7,208)
Marketing expenses	(466)	(385)	(781)	(264)
EBITDA	**1,526**	**(3,747)**	**1,064**	**4,005**
Depreciation and amortisation	(3,355)	(4,222)	(3,819)	(3,895)
Management fees and other income/(costs)	1,261	3,278	3,188	-
Gain/(loss) on disposal of property, plant & equipment	-	94	32	-
Changes in fair value of investment property	-	1,169	(32)	-
Net finance costs	(1,720)	(1,868)	(2,364)	(2,683)
Profit/(loss) before tax	**(2,288)**	**(5,296)**	**(1,931)**	**(2,573)**
Taxation	625	995	(75)	830
Profit/(loss) after tax	**(1,663)**	**(4,301)**	**(2,006)**	**(1,743)**
Other comprehensive income				
Gains on property revaluation	3,083	1,034	-	6,151
Taxation	(260)	(60)	-	(492)
	2,823	**974**	**-**	**5,659**
Total comprehensive income/(loss)	**1,160**	**(3,327)**	**(2,006)**	**3,916**

Dizz Group of Companies Limited - Earnings before interest, tax, depreciation and amortisation ("EBITDA")				
for the year ended 31 December	**2019**	**2020**	**2021**	**2022**
	Actual	**Actual**	**Actual**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**
EBITDA has been calculated as follows:				
Gross profit	**5,679**	**2,552**	**7,689**	**10,681**
Adjustments:				
Administration expenses	(4,065)	(6,535)	(6,561)	(7,208)
Marketing expenses	(466)	(385)	(781)	(264)
Rental income	378	621	717	796
EBITDA	**1,526**	**(3,747)**	**1,064**	**4,005**

Key Accounting Ratios	**FY2019**	**FY2020**	**FY2021**	**FY2022**
	Actual	**Actual**	**Actual**	**Projection**
Gross operating profit margin *(Gross operating profit/revenue)*	42%	35%	44%	50%
EBITDA margin *(EBITDA/revenue)*	11%	-28%	6%	17%
Interest cover (times) *(EBITDA/net finance cost)*	0.89	(2.01)	0.45	1.49
Net profit margin *(Profit after tax/revenue)*	-12%	-32%	-11%	-8%
Earnings per share (€) *(Profit after tax/number of shares)*	(0.51)	(0.56)	(0.26)	(0.19)
Return on equity *(Profit after tax/shareholders' equity)*	-27%	-64%	-42%	-17%
Return on capital employed *(EBITDA/total assets less current liabilities)*	4%	-8%	2%	7%
Return on assets *(Profit after tax/total assets)*	-3%	-7%	-3%	-2%

Source: MZ Investment Services Ltd

In **FY2019**, revenue generated by the Group amounted to €14.4 million, a decrease of €352,000 (-2%) from the prior year. Further analysis shows that fashion retail revenue decreased y-o-y by €0.8 million (-6%) to €12.6 million (FY2018: €13.4 million), which was partly offset by food & beverage revenue which increased from €1.2 million in FY2018 to €1.4 million (+23%), and an increase of €214,000 in rental income to €379,000 (FY2018: €165,000). The decrease in fashion retail revenue was mainly due to the closure of Max & Co in Valletta. As for rental income, the y-o-y increase was attributable to the sub-lease of retail outlets at Center Parc, Qormi to third parties.

The 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 Group was required to recognise 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 will change from being an operating lease expense to depreciation and interest expense.

In terms of the above, the FY2019 consolidated income statement of the Group reflected an increase in right-of-use amortisation (accounted for in depreciation & amortisation) of €2.2 million and a decrease in rent (in administrative expenses) of approximately the same amount, and an increase in lease liability interest (in net finance costs) of €1.0 million.

Accordingly, EBITDA in FY2019 increased by €0.7 million from €0.8 million in FY2018 to €1.5 million. This increase was more than offset by y-o-y increases in depreciation & amortisation and net finance costs of €2.4 million and €1.1 million respectively. Management fees receivable and other income amounted to €1.3 million in FY2019 compared to €0.7 million in FY2018. Overall, the Group registered a loss after tax of €1.7 million (FY2018: net profit after tax amounting to €0.3 million).

In FY2019, the Group revalued the Hub by €2.8 million (net of deferred taxation), which was reflected in other comprehensive income. As such, total comprehensive income for FY2019 amounted to €1.2 million (FY2018: €345,000).

During the initial two months of **FY2020**, the Group's operational performance was in line with Board expectations. Thereafter, revenues were impacted following the Authorities' decision to close non-essential retail outlets, restaurants and cafeterias, and to halt all inbound commercial flights. Retail fashion operations were completely shut down during April 2020, while food & beverage operations were restricted to take-away and delivery services in April and May 2020. Despite re-opening in May 2020 with a reduced number of fashion retail outlets, operating activities were subdued for the remaining part of the financial year.

The y-o-y decrease of 21% in retail fashion revenue was partially offset by additional food & beverage revenue generated following the acquisition of the Pastrocchio, Salad Box and Nespresso brands and the opening of new Caffe Pascucci outlets during the year and an increase in rental income receivable from third parties. As such, the decrease in FY2020 revenue was of €0.9 million (-6%) on a comparable basis and amounted to €13.5 million. Notwithstanding the limited decline in revenue, gross operating profit decreased substantially from €6.1 million in FY2019 to €4.7 million (-23%).

Administration expenses increased by €4.0 million to €8.0 million in FY2020 on account of an impairment of aged inventory and inclusion of expenses related to the food companies. As a result, EBITDA decreased from €1.5 million in FY2019 to a negative balance of €3.7 million in FY2020.

On account of the inclusion of the food & beverage operations, depreciation and amortisation increased y-o-y by €867,000 while net finance costs increased y-o-y by €148,000.

Management fees and other income amounted to €3.3 million in FY2020 (FY2019: €1.3 million) and comprised amounts receivable of €2.2 million relating to Covid-19 rent discounts and wage supplements (FY2019: €0.4 million) and premium received from new third party tenants of outlets at D Mall and Center Parc of €0.3 million (FY2019: nil). The balance of €0.8 million mainly represented management fees receivable (FY2019: €0.8 million).

During FY2020, the Group increased the fair value of properties by €2.2 million (FY2019: €3.1 million) which were accounted for as to €1.2 million before profit after tax and €1.0 million in comprehensive income.

Overall, the Group registered total comprehensive loss of €3.3 million compared to a comprehensive income of €1.2 million in FY2019.

In **FY2021**, the Group reported an increase in revenue amounting to €5.4 million (+40%) from €13.5 million in FY2020 to €18.9 million on account of a limited recovery in the retail and food & beverage segments which took place mainly in the second half of said financial year. The increase in operational activities is also partly due to the full-year contribution of the Pastrocchio, Salad Box and Nespresso brands, the full-year contribution of the outlets operated by the Group in D Mall and the re-opening of the refurbished outlets in BayStreet. The Group achieved a gross operating profit margin of 44% in FY2021, which is 9 percentage points higher than a year earlier.

Administrative and marketing expenses were lower on a comparable basis by €1.1 million and amounted to €7.3 million. The y-o-y decrease was mainly due to a cost savings exercise undertaken by the Group. EBITDA in FY2021 amounted to €1.1 million compared to a negative EBITDA of €3.7 million in FY2020. As a result, the Group achieved an EBITDA margin of 6% in the last financial year compared to -28% in FY2020.

Management fees and other income amounted to €3.2 million in FY2021 (FY2020: €3.3 million) which included COVID-19 related supplements of €1.0 million.

Depreciation and amortisation decreased y-o-y by €0.4 million, while net finance costs increased y-o-y by €0.5 million. Both movements are primarily in consequence of the revised lease agreement relating to commercial space at D Mall. The lease term has been extended by a further 15 years and as such, the increase in the number of years to expiration has resulted in a lower annual amortisation charge on the right-of-use asset. As part of the same deal, the parties have agreed to increase the lease obligations yearly until FY2024 for a 50% reduction in rent thereafter. This increase between FY2021 and FY2024 is reflected in an increase in finance costs charged to the income statement.

Interest cover for the reviewed year was 0.45 times, indicating that EBITDA generated in FY2021 was not sufficient to at least cover net finance costs which now includes the increased charge resulting from the revised lease agreement (FY2020: -2.01 times).

Overall, the Group reported total comprehensive loss of €2.0 million in FY2021 compared to €3.3 million (expense) in FY2020. In view of the loss incurred by the Group, the results of accounting ratios such as net profit margin, return on equity and return on assets are negative.

Revenue in the projected year **FY2022** is expected to amount to €22.96 million, an increase of €4.07 million (+22%) from FY2021. As explained in section 6 of this report, the fashion retail and food & beverage segments of the Group are expected to perform better compared to the prior year as the economy continues to recover from the pandemic. In addition, the outlets opened at the end of 2021, such as Calliope at D Mall, will operate for the first full year and the inclusion of 5 KIKO stores/stands as of 1 July 2022 will also contribute to the growth in revenue.

In consequence of the expected increase in revenue, the Group's gross operating profit is projected to increase by €3.1 million from €8.4 million in FY2021 to €11.5 million. As such, the gross operating profit margin is estimated to improve by 6 percentage points to 50%. After accounting for administration and marketing expenses, the Group's EBITDA is projected to amount to €4.0 million compared to €1.1 million in the prior year. The interest cover is expected to improve from 0.45 times in FY2021 to 1.49 times in FY2022.

Depreciation & amortisation and net finance costs are not expected to vary materially on a comparable basis.

Despite the positive estimate at EBITDA level, the Group is projected to incur a loss before tax of €2.6 million compared to a loss of €1.9 million reported in the previous year. In FY2021, the Group benefited from management fees receivable and other income amounting to €3.2 million, part of which comprised COVID-19 wage supplements and other related refunds.

It is expected that by Q4 2022, development of The Hub will be fully complete. Accordingly, the Group expects to recognise a net uplift in the carrying value of the said property of €5.7 million.

Following the above, the Group is projected to report a total comprehensive income of €3.9 million compared to a total comprehensive loss of €2.0 million in the prior year.

Dizz Group of Companies Limited - Statement of Financial Position				
As at 31 December	**2019**	**2020**	**2021**	**2022**
	Actual	**Actual**	**Actual**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**
ASSETS				
Non-current assets				
Property, plant & equipment	13,863	17,080	17,808	25,920
Investment property	5,507	6,166	6,162	4,312
Right of use assets	23,732	19,301	27,142	24,846
Intangible assets	888	5,227	5,155	7,997
Deferred tax assets & other non-current assets	1,010	2,305	2,187	3,123
	45,000	**50,079**	**58,454**	**66,198**
Current assets				
Inventories	5,376	3,887	4,023	4,694
Trade & other receivables	3,979	6,429	9,426	9,099
Cash and cash equivalents	448	902	209	230
	9,803	**11,218**	**13,658**	**14,023**
Total assets	**54,803**	**61,297**	**72,112**	**80,221**
EQUITY				
Share capital	3,291	7,719	7,719	8,969
Other reserves	3,230	4,204	4,204	9,862
Retained earnings	(459)	(5,154)	(7,160)	(8,903)
	6,062	**6,769**	**4,763**	**9,928**
LIABILITIES				
Non-current liabilities				
5% unsecured bonds 2026 (listed on the Regulated Market)	7,836	7,860	7,887	7,887
5.35% unsecured bonds 2028 (listed on Prospects MTF)	7,427	7,435	7,444	7,444
Secured convertible notes (listed on IFSM)	-	2,950	2,948	2,948
Bank borrowings	-	2,225	1,808	1,209
Lease liabilities	19,223	16,529	23,965	21,782
Trade & other payables	-	4,179	3,758	4,538
Deferred tax liabilities	664	821	842	1,158
	35,150	**41,999**	**48,652**	**46,966**
Current liabilities				
Bank overdraft	2,220	1,683	3,183	3,778
Bank borrowings	-	194	439	599
Lease liabilities	1,998	1,352	2,342	3,086
Trade & other payables	8,777	8,585	12,146	15,277
Current tax liabilities	596	715	587	587
	13,591	**12,529**	**18,697**	**23,327**
Total liabilities	**48,741**	**54,528**	**67,349**	**70,293**
Total equity and liabilities	**54,803**	**61,297**	**72,112**	**80,221**

Key Accounting Ratios	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Projection
Gearing ratio *(Net debt/net debt and shareholders' equity)*	86%	85%	91%	83%
Gearing ratio 2 (times) *(Net debt/shareholders' equity)*	6.31	5.81	10.46	4.89
Net debt to EBITDA (years) *(Net debt/EBITDA)*	25.07	(9.85)	44.70	11.66
Net assets per share (€) *(Net asset value/number of shares)*	1.84	0.88	0.62	1.07
Liquidity ratio (times) *(Current assets/current liabilities)*	0.72	0.90	0.73	0.60
Quick ratio (times) *(Current assets less inventories/current liabilities)*	0.33	0.59	0.52	0.40

Source: MZ Investment Services Ltd

The Group's total assets as at 31 December **2021** amounted to €72.1 million, a y-o-y increase of €10.8 million (FY2020: €61.3 million). On a comparable basis, right-of-use assets increased by €7.8 million, primarily reflecting the extension of the lease agreement relating to D Malls for an additional 15 years, as further described in section 8 of this report. In addition, trade & other receivables increased by €3.0 million following an increase in amounts due from related parties and other receivables.

Total liabilities increased by €12.8 million on account of (i) an increase in lease liabilities of €8.4 million in relation to the D Malls lease agreement referred to above; (ii) an increase in bank and other borrowings of €1.4 million; and (iii) an increase in trade & other payables of €3.0 million, the majority of which is due to privileged creditors.

Due to the net loss registered for the year, equity decreased by €2.0 million from €6.8 million in FY2020 to €4.8 million in FY2021.

As a result of the increase in borrowings and lease obligations and a decline in equity, the gearing ratio of the Group increased by 6 percentage points to 91% (FY2020: 85%). The current situation of accumulated losses, together with reduced cash balances and increasing debt levels appears unsustainable, and as such, the Group requires a significant improvement in profitability or a fresh injection of cash as equity or both. The Group is actively considering ways of how to increase its capital base to address the situation.

The above view is confirmed when looking at the liquidity ratio which deteriorated from 0.90 times in FY2020 to 0.73 times in FY2021. The lack of short-term liquidity is further highlighted with the quick ratio, which shows that the Group's near cash assets in FY2020 covered current liabilities by only 0.59 times and 0.52 times in FY2021 (generally, a company should have a quick ratio higher than 1).

As at 31 December 2022, the Group's total assets are expected to amount to €80.6 million compared to €72.1 million in FY2021 (+€8.5 million). The principal y-o-y changes are described below:

- Following the proposed acquisition of Dizz Franchises Limited, assets amounting to €2.5 million will be consolidated to form part of the Group. In addition, goodwill on said acquisition is expected to amount to €2.9 million.
- Property, plant & equipment is expected to increase by €8.1 million and shall mainly comprise capital expenditure relating to The Hub and refitting of stores estimated at *circa* €3.0 million, net uplift in carrying value of The Hub amounting to €6.2 million less annual depreciation.
- Investment property is projected to decrease y-o-y by €1.85 million on account of the expected sale of the Laguna apartment for €2.2 million and the purchase of the Gzira apartment for €350,000.

In consideration for the acquisition of Dizz Franchises Limited, the Group will issue €1.25 million of new shares in favour of the ultimate beneficial owners and €1.75 million will be offset against trade & other receivables. As such, the share capital of the Group will increase from €7.72 million in FY2021 to €8.97 million.

Total liabilities are projected to amount to €70.3 million, an increase of €2.9 million from the prior year (FY2021: €67.3 million). During the year, the Group is expected to consolidate €2.4 million of current liabilities relating to Dizz Franchises Limited. As such, the Group's current liabilities are projected to increase by €4.6 million to €23.3 million and will therefore have a direct impact on the liquidity ratio which will weaken to 0.60 times from 0.73 times in the previous year.

On account of the increase in equity, the gearing ratio of the Group is projected to improve from 91% in FY2021 to 83% in FY2022, though will still remain elevated.

Dizz Group of Companies Limited - Cash Flow Statement for the year ended 31 December	**2019 Actual €'000**	**2020 Actual €'000**	**2021 Actual €'000**	**2022 Projection €'000**
Net cash from operating activities	4,883	1,070	5,374	5,349
Net cash from investing activities	(2,469)	(2,415)	(2,211)	(1,366)
Net cash from financing activities	(5,868)	2,325	(5,356)	(4,578)
Net movement in cash and cash equivalents	**(3,454)**	**980**	**(2,193)**	**(595)**
Cash and cash equivalents at beginning of year	1,658	(1,772)	(781)	(2,974)
Adj. for cash balances of subsidiaries acquired by the Group	24	11	-	21
Cash and cash equivalents at end of year	**(1,772)**	**(781)**	**(2,974)**	**(3,548)**

Net cash flows from operating activities principally reflect movements of cash flows from the Group's operations. In FY2021, net cash from operating activities amounted to €5.4 million compared to €1.1 million in FY2020. The positive movement is mainly on account of an improvement in operating results and to a lesser extent, favourable working capital changes. In FY2022, net cash inflows from operating activities are expected to remain unchanged at €5.3 million.

Net cash used in investing activities reflects the acquisition and disposal of investment property and property, plant & equipment, and capital expenditure on the Group's outlets and property development works. During FY2021, the Group utilised €2.2 million for the refurbishment of outlets, the completion of Calliope at D Mall and development works in relation to The Hub (FY2020: €2.4 million).

In FY2022, the Group is projected to utilise a net balance of €1.4 million for investing activities. Cash outflows include the completion of The Hub, refitting of stores and acquisition of the Gzira apartment totalling €3.4 million. In terms of cash inflows, the Group expects to generate €2.2 million from the sale of the Laguna apartment.

Net cash used in financing activities in FY2021 amounted to €5.4 million and comprised advances to related parties (€1.9 million), bond interest (€0.9 million), payment of finance leases (€2.4 million) and repayment of bank loans of €0.2 million.

In FY2022, lease obligations are projected to amount to €3.3 million and interest payments are expected to amount to €0.8 million. Net repayment of bank borrowings is estimated to amount to €0.5 million. Overall, net cash outflow relating to financing activities is expected to amount to €4.6 million.

13. VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the forecasted financial information of the Group for the year ended 31 December 2021 included in the prior year's Financial Analysis Summary dated 28 June 2021 and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

Dizz Group of Companies Limited - Consolidated Income Statement for the year ended 31 December 2021	**Actual €'000**	**Projection €'000**	**Variance €'000**
Revenue	18,894	19,177	(283)
Cost of sales	(10,488)	(9,345)	(1,143)
Gross operating profit	**8,406**	**9,832**	**(1,426)**
Administration expenses	(6,561)	(5,692)	(869)
Marketing expenses	(781)	(179)	(602)
EBITDA	**1,064**	**3,961**	**(2,897)**
Depreciation and amortisation	(3,819)	(4,193)	374
Management fees and other income/(costs)	3,188	1,311	1,877
Gain on disposal of property, plant & equipment	32	-	32
Changes in fair value of investment property	(32)	-	(32)
Net finance costs	(2,364)	(1,750)	(614)
Loss before tax	**(1,931)**	**(671)**	**(1,260)**
Taxation	(75)	(130)	55
Loss after tax	**(2,006)**	**(801)**	**(1,205)**
Total comprehensive loss	**(2,006)**	**(801)**	**(1,205)**

Revenue generated by the Group in FY2021 was almost in line with projections (€18.9 million compared to €19.2 million forecast). In contrast, cost of sales and other operating expenses were considerably higher by €2.6 million and this adverse variance was also reflected at EBITDA level. In an effort to at least achieve projected revenue, the Group held various promotions throughout the year, including (i) higher discounts such as mid-season sales; (ii) accepting Government vouchers and matching the amount spent as an additional discount; (iii) opened a designer outlet in Birkirkara which offered older stock at deep discounts. As a result, the Group achieved an EBITDA margin of 6% compared to a projected margin of 21%.

Management fees and other income were higher than expected by €1.9 million, partly due to COVID-19 supplements received which were not factored into the projections. The variances in depreciation & amortisation and net finance costs are mainly due to the revision of the D Mall lease agreement explained elsewhere in this report.

Overall, the Group registered total comprehensive loss of €2.0 million, reflecting an adverse variance of €1.2 million when compared to the forecast loss of €0.8 million.

Dizz Group of Companies Limited - Cash Flow Statement for the year ended 31 December 2021	**Actual**	**Projection**	**Variance**
	€'000	**€'000**	**€'000**
Net cash from operating activities	5,374	7,434	(2,060)
Net cash from investing activities	(2,211)	(1,929)	(282)
Net cash from financing activities	(5,356)	(3,319)	(2,037)
Net movement in cash and cash equivalents	**(2,193)**	**2,186**	**(4,379)**
Cash and cash equivalents at beginning of year	(781)	(781)	-
Cash and cash equivalents at end of year	**(2,974)**	**1,405**	**(4,379)**

Actual net movement in cash and cash equivalents was lower than projected by €4.4 million.

Net operating cashflow was lower by €2.1 million mainly due to actual EBITDA being lower than projected. As explained above, although the Group managed to broadly match budgeted revenue, this was achieved through offering discounted prices and other promotional activities which led to a lower realised EBITDA for the year.

Net cash used in investing activities was higher than expected by €0.3 million. This difference arose pursuant to the purchase of an apartment in Portomaso which was not anticipated when the projections were prepared.

An adverse variance of €2.0 million was recorded in financing activities, principally on account of higher lease obligations following the revision of the D Mall lease agreement and higher than projected advances to related parties.

Dizz Group of Companies Limited - Statement of Financial Position **As at 31 December 2021**	**Actual** **€'000**	**Projection** **€'000**	**Variance** **€'000**	
ASSETS				
Non-current assets				
Property, plant & equipment	17,808	17,812	(4)	
Investment property	6,162	5,766	396	(5)
Right of use assets	27,142	16,862	10,280	(1)
Intangible assets	5,155	5,140	15	
Deferred tax assets & other non-current assets	2,187	2,105	82	
	58,454	**47,685**	**10,769**	
Current assets				
Inventories	4,023	2,105	1,918	(6)
Trade & other receivables	9,426	6,340	3,086	(2)
Cash and cash equivalents	209	2,905	(2,696)	(3)
	13,658	**11,350**	**2,308**	
Total assets	**72,112**	**59,035**	**13,077**	
EQUITY				
Share capital	7,719	7,719	-	
Other reserves	4,204	4,204	-	
Retained earnings	(7,160)	(5,955)	(1,205)	
	4,763	**5,968**	**(1,205)**	
LIABILITIES				
Non-current liabilities				
5% unsecured bonds 2026 (listed on the Regulated Market)	7,887	7,860	27	
5.35% unsecured bonds 2028 (listed on Prospects MTF)	7,444	7,435	9	
Secured convertible notes (listed on IFSM)	2,948	2,950	(2)	
Bank borrowings	1,808	2,031	(223)	
Lease liabilities	23,965	15,084	8,881	(1)
Trade & other payables	3,758	6,579	(2,821)	(4)
Deferred tax liabilities	842	821	21	
	48,652	**42,760**	**5,892**	
Current liabilities				
Bank overdraft	3,183	1,500	1,683	(3)
Bank borrowings	439	194	245	
Lease liabilities	2,342	1,398	944	(1)
Trade & other payables	12,146	6,500	5,646	(4)
Current tax liabilities	587	715	(128)	
	18,697	**10,307**	**8,390**	
Total liabilities	**67,349**	**53,067**	**14,282**	
Total equity and liabilities	**72,112**	**59,035**	**13,077**	

The material variances between the actual and forecast statement of financial position are as follows:

(1) The movements in right-or-use assets and lease liabilities are related to the addendum signed in relation to the D Mall lease agreement. The extension of the lease terms by a further 15 years has resulted in an increase in value of the right-of-use asset and a corresponding increase in lease obligations. This transaction was not anticipated at the time of preparation of the projections.

(2) Trade & other receivables were higher than projected on account of an increase in amounts due from related parties and other receivables.

(3) Short-term cash position deteriorated more than expected by €4.4 million (actual net overdraft of €3.0 million compared to projected cash balance of €1.4 million).

(4) Trade & other payables increased more than expected by €2.8 million mainly due to higher than projected privileged creditors.

(5) The difference of €396,000 relates to the purchase by the Group of an apartment in Portomaso.

(6) The amount of inventory as at 31 December 2021 was higher than that originally projected by €1.9 million.

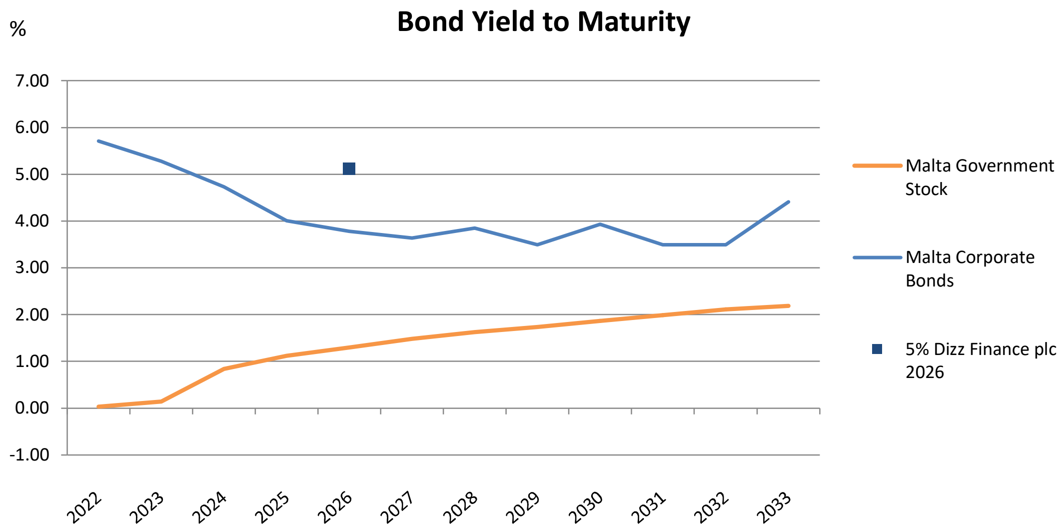
PART 3 - COMPARABLES

The table below compares the Group and the Issuer's 2016 bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes issuers (excluding financial institutions) that have listed bonds. Although there are significant variances between the activities of the Group and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Group.

Comparative Analysis	**Nominal Value** (€)	**Yield to Maturity** **(%)**	**Interest Cover** **(times)**	**Total Assets** (€'000)	**Net Asset Value** (€'000)	**Gearing Ratio** (%)
6.00% Pendergardens Developments plc Secured € 2022 Series	19,756,700	5.71	1.79	60,578	29,491	36.39
4.25% GAP Group plc Secured € 2023	8,349,900	5.28	14.81	112,173	21,575	60.31
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.28	0.67	37,298	6,677	75.91
5.80% International Hotel Investments plc 2023	10,000,000	4.68	1.06	1,695,229	838,216	40.59
5.5% Mediterranean Investments Holding plc € 2023	20,000,000	5.48	2.01	310,941	188,651	27.06
6.00% AX Investments Plc € 2024	40,000,000	4.18	1.69	374,099	237,143	25.10
6.00% International Hotel Investments plc € 2024	35,000,000	4.84	1.06	1,695,229	838,216	40.59
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	4.73	3.30	102,348	52,929	46.65
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.68	2.60	123,752	48,512	53.05
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.23	4.58	149,687	52,831	49.89
4.25% Best Deal Properties Holding plc Secured € 2024	9,183,200	4.20	-	24,561	6,893	62.61
3.70% GAP Group plc Secured € 2023-2025 Series 1	21,000,000	3.54	14.81	112,173	21,575	60.31
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	5.15	1.06	1,695,229	838,216	40.59
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	5.09	52.47	162,889	74,159	14.82
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.01	1.41	208,696	110,881	32.31
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	3.78	4.51	58,951	12,557	68.49
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	4.25	- 0.51	1,717,057	828,470	42.64
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.86	1.06	1,695,229	838,216	40.59
5.00% Dizz Finance plc Unsecured € 2026	**8,000,000**	**5.12**	**0.45**	**72,112**	**4,763**	**91.27**
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.38	11.70	317,675	60,118	74.24
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.99	1.06	1,695,229	838,216	40.59
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	3.01	1.69	374,099	237,143	25.10
3.90% GAP Group plc Secured € 2024-2026	21,000,000	3.54	14.81	112,173	21,575	60.31
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.23	0.88	328,464	131,504	30.32
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.64	3.63	193,529	109,284	28.55
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.79	3.25	362,955	235,392	26.66
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	3.85	3.44	624,222	106,811	78.42
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.49	3.25	362,955	235,392	26.66
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	3.89	3.44	624,222	106,811	78.42
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.52	1.69	374,099	237,143	25.10
3.65% International Hotel Investments plc Unsecured € 2031	80,000,000	3.72	1.06	1,695,229	838,216	40.59
3.50% AX Real Estate plc Unsec Bds 2032	40,000,000	3.50	-	238,228	78,698	63.41

31-May-22

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd



Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd 31 May 2022

To date, there are no corporate bonds which have a redemption date beyond 2033. The Malta Government Stock yield curve has been included as it is the benchmark risk-free rate for Malta.

The Bonds are trading at a yield of 5.12%, which is 134 basis points higher when compared to other corporate bonds maturing in the same year. The premium over FY2026 Malta Government Stock is 382 basis points.

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, food and beverage sales and income generated from the rental of various properties.
Cost of sales	Cost of sales includes inventory, food, beverage, 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	
Gross operating profit margin	Gross operating profit margin is gross operating profit as a percentage of total revenue.
EBITDA margin	EBITDA 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; investment property, right-of-use assets 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.
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.
Net assets per share	Is calculated by dividing the total net asset value of the company by the number of shares outstanding.
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.
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. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity.