COMPANY ANNOUNCEMENT

The following is a company announcement issued by Tumas Investments Plc (the "Company") pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority.

Approval and Publication of Financial Analysis Summary

Quote

The Board of Directors of the Company hereby announces that the Financial Analysis Summary dated 30 June 2022, compiled by Rizzo, Farrugia & Co (Stockbrokers) Ltd, has been approved for publication and is attached to this announcement and may be accessed and downloaded from the Company's website: **https://tumas.com/investor-area/**.

UNQUOTE

BY ORDER OF THE BOARD

Dr Katia Cachia
Company Secretary

30 June 2022

Directors: Raymond Fenech, Ray Sladden, Michael Grech, Kevin Catania, John Zarb

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YOUR INVESTMENT CONSULTANTS

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

30 June 2022

Dear Sirs,

Tumas Investments plc – Financial Analysis Summary Update 2022 (the **"Update FAS"**)

In accordance with your instructions and in line with the requirements of the Malta Financial Services Authority Listing 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 2019 to 2021 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 2022 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 Registrar 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

FINANCIAL ANALYSIS SUMMARY

Update 2022

Prepared by Rizzo, Farrugia & Co (Stockbrokers) Ltd, in compliance with the Listing Policies issued by the Malta Financial Services Authority, dated 5 March 2013, as revised on 13 August 2021.

30 June 2022

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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 5.00% Unsecured 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 dated 5 March 2013 and last revised on 13 August 2021. 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 2019, 2020 and 2021 and forecasts for financial year ending 31 December 2022 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
FAS dated 30 June 2021

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.
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 and now the development of the ex-Halland site referred to below. SDC owns three subsidiaries, namely PLCL, HDCL and PREIL, all of which are incorporated in Malta.

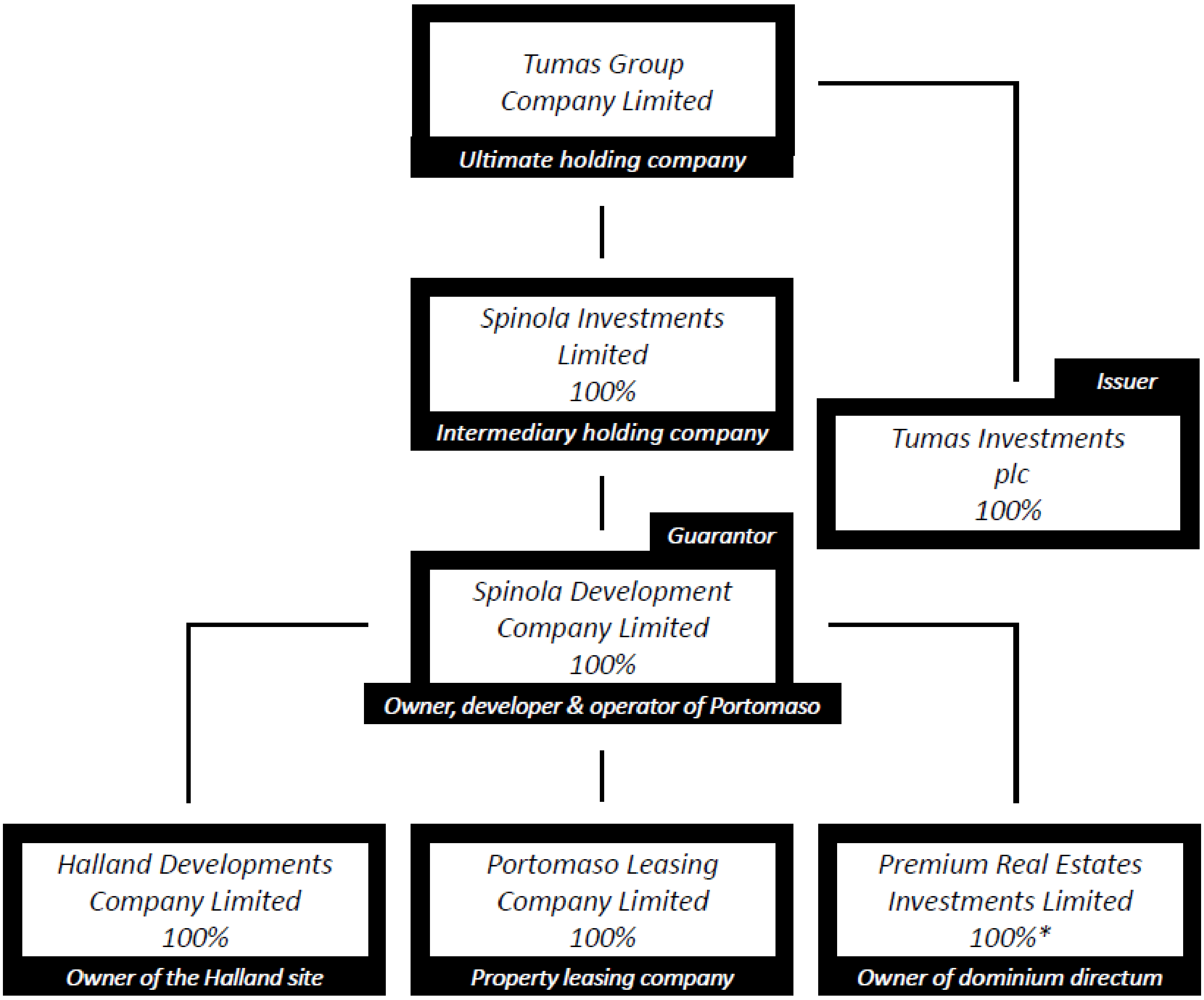
In 1994, the then Malta Hilton Hotel was completely demolished, making way for the development of the Portomaso Complex. The land title was acquired by SDC from the Government of Malta and today the Guarantor benefits from freehold title of the site. For the purpose of management and administration of 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. Excavation works on this site have been recently completed and it is the company's intention to proceed with the development of a high-end residential complex in the months to come. Progress on this development will continue to be dictated by the economic conditions in Malta.

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 sizeable 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 2021 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
Dr. Michael Grech	Non-Executive Director
Mr. Kevin Catania	Independent, Non-Executive Director
Mr. John Zarb	Independent, Non-Executive Director

The Company Secretary is Dr. Katia Cachia.

Directors of the Guarantor

The directors of SDC who held office during the financial year ended 31 December 2021 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	General Manager - Hilton Malta
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 95% 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 2019, 2020 and 2021.

Year	Total Assets *€'000*	Loans Receivable from SDC *€'000*	Loans Receivable from SDC as a % of Total Assets
2019	51,544	50,000	97%
2020	51,545	50,000	97%
2021	51,594	50,000	97%

Material Contracts - Issuer

There have been no changes to the material contracts reported in the FAS dated 30 June 2021.

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 which includes a marina, residential properties, a branded five star hotel and commercial units in one complex. 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.

During 2021, SDC embarked on development works at the ex-Halland site. Construction works have just commenced and are expected to extend to the opening months of FY2024. The project envisages a development of circa 68 residential units, which subject to the economic conditions prevailing at the time, are expected to be launched during 2024.

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 FY2021, the Guarantor's property, plant and equipment (PPE) had a carrying value of €153.2 million (FY2020: €158.9 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 2021 (net of the depreciation charges accounted for since FY2018) does not differ materially from the FY2018 valuation reassessment that the Directors undertook of the PPE, taking into consideration a long-term macroeconomic view.

This segment has gone through a significant negative impact caused by the CoVID-19 pandemic, which extended through most months of FY2020 and FY2021. Tourism started becoming more accessible to vaccinated visitors, while those not vaccinated were still required to undertake CoVID-19 tests to prove they were not positive before entering certain countries including Malta. The latter had a negative impact on the tourism, as the repercussions (mandatory quarantine and expenses) of a positive test result were deemed too onerous. Once the various restrictions started to be phased out, tourism flows improved which had a positive effect on the operations of this segment.

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 and some months in FY2021 in terms of the restrictions imposed on bars and clubs by the Health Authorities with respect to the CoVID-19 pandemic.

B. Property Development

SDC has to date completed the development of *circa* 500 apartments within the Portomaso Complex including the Laguna units and newly finished Block 32.

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

- the construction of 44 premium residential units referred to as the Laguna apartments, the great majority of these apartments were delivered in 2018.
- 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.

As mentioned below and elsewhere in this Update FAS, SDC, through one of its subsidiaries, commenced development works on the ex-Halland site, which will be developed into a complex of circa 68 residential units.

New Property Development Projects

The excavation works at the ex-Halland site have been completed and the Group commenced the development phase during the course of this year.

The Guarantor acquired two sites complementing the Portomaso Complex which was developed in 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. All of the 13 residential units in Block 32 have been sold - 11 during FY2021 and the remaining two are being delivered during FY2022.

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* 11,800 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 and a further 203 sqm which became vacant as from the second half of FY2021. 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 FY2021.

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. Nevertheless, management confirmed that during FY2021 a number of new lease agreements have been entered into, which increased the *di fermo* period and as such, the minimum lease payments increased accordingly as per below:

	Actual FY2019 *€'000*	Actual FY2020 *€'000*	Actual FY2021 *€'000*
Not later than 1 year	2,562	2,017	1,887
Between 1 and 5 years	5,022	1,112	4,101
More than 5 years	1,055	299	4,252
Total	**8,639**	**3,428**	**10,239**

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 2021, the value of these commitments was €8.3 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 FY2021, the company had guarantees of €45 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 industries have 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 data published by the Planning Authority[1] indicated that the industry has been relatively resilient.

The most recent data issued by the Central Bank of Malta[2] shows that residential property prices in Malta (based on advertised prices) increased by 1.7% in 2020, and an additional 2.6% in 2021. The CBM Property Price Index also shows that property prices in Malta have increased by a compound average growth rate ("**CAGR**") of 5.56% per annum (in nominal terms) since 2000.

Commercial Property

Although commercial property is a very important sector of the local property market, available statistics are indeed limited. Nonetheless, the most recent data published by the Central Bank of Malta[3] indicates a rebound in the commercial property space following the dip experienced in 2020 with the onset of the CoVID-19 pandemic which derailed the sector's momentum in the previous three years. In fact, the number of commercial development permits (comprising permits related to agriculture, manufacturing, warehousing, retail, offices, tourism as well as restaurant and bars) increased to 1,705 permits in 2021 (compared to 1,557 in 2020) although this is still below the record levels of more than 2,000 commercial development permits granted in each of 2017, 2018 and 2019.

Furthermore, the outbreak of the pandemic is also leading to accelerated changes in the way companies operate. In fact, whilst employment figures have remained resilient throughout the pandemic and the government maintains its efforts to both support existing business and attract other companies to the island,

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[1] *Planning Authority – Dwelling Unit Approvals for 2000 – 2021 – www.pa.org.mt*

[2] *Central Bank of Malta, 2022, Property Prices Index based on Advertised Prices, available from https://www.centralbankmalta.org/site/Subscriber%20Categories/Real%20Economy%20Indicators/house_prices.xls?rnd=20220509150955&revcount=2421 [Accessed 9 May 2022]*

[3] *Central Bank of Malta, 2022, Development Permits for Commercial, Social and Other Purposes, available from https://www.centralbankmalta.org/site/Subscriber%20Categories/Real%20Economy%20Indicators/dev_permits.xls?rnd=20220509150955&revcount=6095 [Accessed 9 May 2022]*

new and innovative ways of working, such as hybrid styles of working, are gaining popularity. Such trends may adversely impact demand for certain types of office space when compared to premium quality outfits

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 ("GVA") of the construction sector increased by 5.8% to €528.1 million in 2021 compared to €499.2 million in the previous year. Similarly, the GVA related to real-estate activities expanded by 8.3% to €673.1 million. Over the same period, the percentage share of the construction sector and real estate activities to Malta's GVA remained relatively stable at 10.3% in 2021, compared to 10.4% in 2020[4].

The Tourism Industry

Tourism has inherently been one of the major pillars of the Maltese economy and its importance over recent years has intensified as tourism numbers grew significantly year after year, until the outbreak of the CoVID-19 pandemic.

Over the years, various tourist operators (including those in the areas of accommodation, dining, transportation, and entertainment) expanded their business to cater for the growing influx of tourists that Malta was experiencing until 2019. As at December 2021, Malta had 213 active collective accommodation establishments with a net capacity of 17,468 bedrooms and 40,111 bed-places.[5]

The CoVID-19 pandemic, however, had a significant negative impact on the tourism sector, which also directly impacted the Maltese economy due to its significant direct and indirect contributions to the country's gross domestic product. The tourism industry was predominantly hit as a result of travel restrictions (primarily in 2020 but also during 2021) as well as reduction in the demand for travelling.

The number of inbound tourist trips started to recover in 2021 and amounted to 968,136[6], an increase of 47% over the 658,567 tourists in 2020, albeit still substantially lower than the record of 2.8 million inbound tourist trips recorded in 2019.

The recovery of the sector continued during the first quarter of 2022, in which 235,295[7] inbound tourists visited the Maltese Islands. This is markedly higher than the 33,249 inbound tourists of the first quarter of 2021, but still significantly below the 370,216 visitors of the first quarter of 2020.

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[4] *National Statistics Office, 2022, Gross Domestic Product: 2021, available from:* https://nso.gov.mt/en/News_Releases/Documents/2022/03/News2022_037.pdf *[Accessed 9 May 2022]*

[5] *National Statistics Office, 2022, Collective Accommodation Establishments: Q4/2021, available from:* https://nso.gov.mt/en/News_Releases/Documents/2022/02/News2022_033.pdf *[Accessed 10 May 2022]*

[6] *National Statistics Office, 2022, Inbound Tourism: December 2021, available from:* https://nso.gov.mt/en/News_Releases/Documents/2022/02/News2022_019.pdf *[Accessed 10 May 2022]*

[7] *National Statistics Office, 2022, Inbound Tourism: March 2022, available from:* https://nso.gov.mt/en/News_Releases/Documents/2022/05/News2022_080.pdf *[Accessed 10 May 2022]*

The outlook for the rest of the year is still uncertain and largely depends on how matters regarding the CoVID-19 pandemic develops and the unfolding turbulence with respect to the war in Ukraine.

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 FY2019 *€'000*	Actual FY2020 *€'000*	Actual FY2021 *€'000*	Forecast FY2022 *€'000*
Finance Income	2,371	2,370	2,375	2,392
Finance Costs	(2,232)	(2,233)	(2,235)	(2,238)
Net Interest Income	**139**	**137**	**140**	**154**
Administrative expenses	(126)	(125)	(128)	(144)
Profit before tax	**13**	**12**	**11**	**10**
Tax expense	(5)	(4)	(4)	(4)
Profit for the financial year	**8**	**8**	**7**	**6**

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 FY2021 remained in line with those reported in FY2020.

Administrative expenses incurred by the Issuer in FY2021 amounted to €128K and related to listing, compliance costs and directors' remuneration.

The FY2022 forecasts of the Company, as prepared by management, indicate that TI's profitability figure for the year is expected to remain largely unchanged, although the Company is expected to have an increase cost due to revised directors' remuneration together with company secretarial fees and other administrative fees. These costs, however, are being recouped through the facility fee charged to SDC.

Variance to Previous Forecasts

In the financial analysis summary (FAS) published by the Company in 2021, the Company presented forecasts to FY2021 in line with the MFSA Listing Policies.

	Actual FY2021 €'000	Forecast FY2021 €'000	*Variance (absolute)* *€'000*
Finance Income	2,375	2,374	*0.987*
Finance Costs	(2,235)	(2,235)	*(0.050)*
Net Interest Income	**140**	**139**	***0.937***
Administrative expenses	(128)	(127)	*(1.075)*
Profit before tax	**11**	**12**	***(0.138)***
Tax expense	(4)	(4)	*0.388*
Profit for the financial year	**7**	**8**	***0.250***

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 2021 FAS and the actual performance achieved for FY2021.

6.2 Statement of Cash Flows

	Actual FY2019 €'000	Actual FY2020 €'000	Actual FY2021 €'000	Forecast FY2022 €'000
Net cash generated from operating activities	(76)	209	42	50
Net cash generated from / (used in) investing activities	-	-	-	-
Net cash generated from / (used in) financing activities	-	-	-	-
Net movement in cash and cash equivalents	**(76)**	**209**	**42**	**50**
Cash and cash equivalents at beginning of year	263	187	396	438
Cash and cash equivalents at end of year	**187**	**396**	**438**	**488**

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 FY2022, 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 FY2019 €'000	Actual FY2020 €'000	Actual FY2021 €'000	Forecast FY2022 €'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	1,367	1,149	1,156	1,166
Current Tax Assets	-	-	1	-
Cash and Cash Equivalents	187	396	438	484
Total Current Assets	**1,554**	**1,545**	**1,594**	**1,650**
Total Assets	**51,554**	**51,545**	**51,594**	**51,650**
Equity and Liabilities				
Capital and Reserves				
Share Capital	250	250	250	250
Retained Earnings	388	396	404	410
Total Equity	**638**	**646**	**654**	**660**
Non-Current Liabilities				
Borrowings	49,689	49,735	49,783	49,833
Total Non-Current Liabilities	**49,689**	**49,735**	**49,783**	**49,833**
Current Liabilities				
Trade and Other Payables	1,227	1,164	1,158	1,157
Total Current Liabilities	**1,227**	**1,164**	**1,158**	**1,157**
Total Liabilities	**50,916**	**50,899**	**50,940**	**50,990**
Total Equity and Liabilities	**51,554**	**51,545**	**51,594**	**51,650**

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 ratios. These ratios were practically unchanged in FY2021, with net income margin rising to 5.88% (FY2020: 5.78%), while interest cover remained unchanged at 1.06 times. In FY2022, the net income margin ratio is set to rise to 6.44%, reflecting the additional facility fees charged to SDC in order for the Company to cover the costs related to revised directors' remuneration together with company secretarial fees and other administrative fees, while interest cover is expected to improve marginally to 1.07 times.

	FY2019 (A)	*FY2020 (A)*	*FY2021 (A)*	*FY2022 (F)*
Net Income Margin *(Net interest income / finance income)*	5.86%	5.78%	5.88%	6.44%
Interest Coverage Ratio *(Finance income / finance costs)*	1.06x	1.06x	1.06x	1.07x

7. Guarantor's Financial Review & Forecasts

Effect of CoVID-19 on the Guarantor's Operations

The first half of FY2021 was characterised by low airport traffic, which effected the Guarantor's occupancy levels at the Hilton Malta. Restrictions related to the CoVID-19 pandemic were in place during a number of months of FY2021, which had an impact on the revenue capabilities of the Group.

Tourism started picking up in the summer months, although this was short-lived as new variants of the CoVID-19 virus emerged and affected sentiment towards travel and resulted in restrictive measures applied by various countries for incoming visitors, although the vaccination programme did alleviate the effect of some of these measures, as fully-vaccinated visitors were subject to lower restrictions. Nevertheless, restrictive measures applied to hospitality as well as food and beverage outlets, particularly those of social distancing, limited the revenue generation capabilities of the Group's services in these sectors when compared to pre-pandemic levels.

FY2022

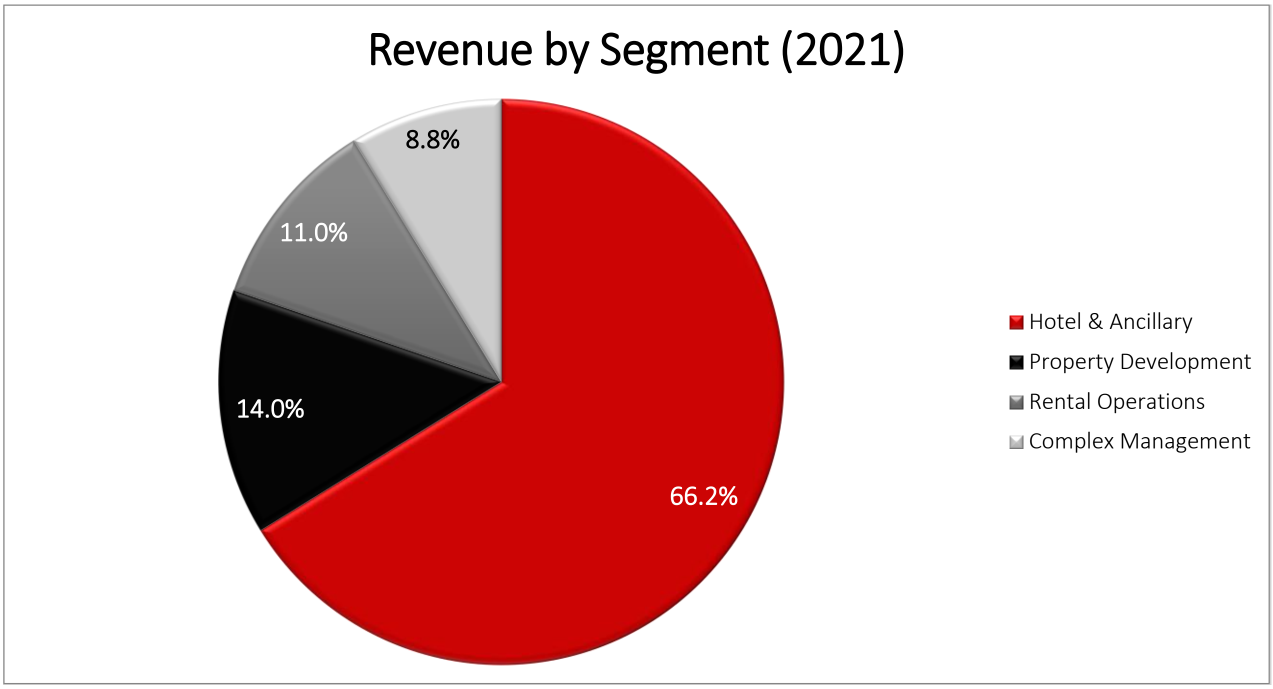
FY2022 is being considered by most as the start of the 'post-pandemic era', although this term is still cautiously applied. Tourism has started picking up, with the Malta International Airport announcing a number of new / re-introduced routes for the year 2022. The trend in the hospitality industry, albeit improving in occupancy levels and room rates are approaching pre-pandemic levels, is being characterised by a higher element of late bookings.

Moreover, a number of new challenges will also characterise FY2022. The war in Ukraine has aggravated supply-chain pressures, due to restrictions on the availability of raw materials, while inflationary pressures are weakening the purchasing power of the end-consumers. These matters are still developing and as yet it is still uncertain how these will unfold and what bearing, if any, they will have on the performance of the Group.

The performance of the hotel during the first quarter of FY2022 was a better one than the comparative of a year earlier in terms of occupancy levels, albeit at a lower room rate. Both variables, however, remain lower than those achieved pre-pandemic in FY2019. The forecasts are cognisant of the lower demand for group and business meetings, particularly in view of the uncertainty created by the war in Ukraine.

7.1 Segmental Analysis

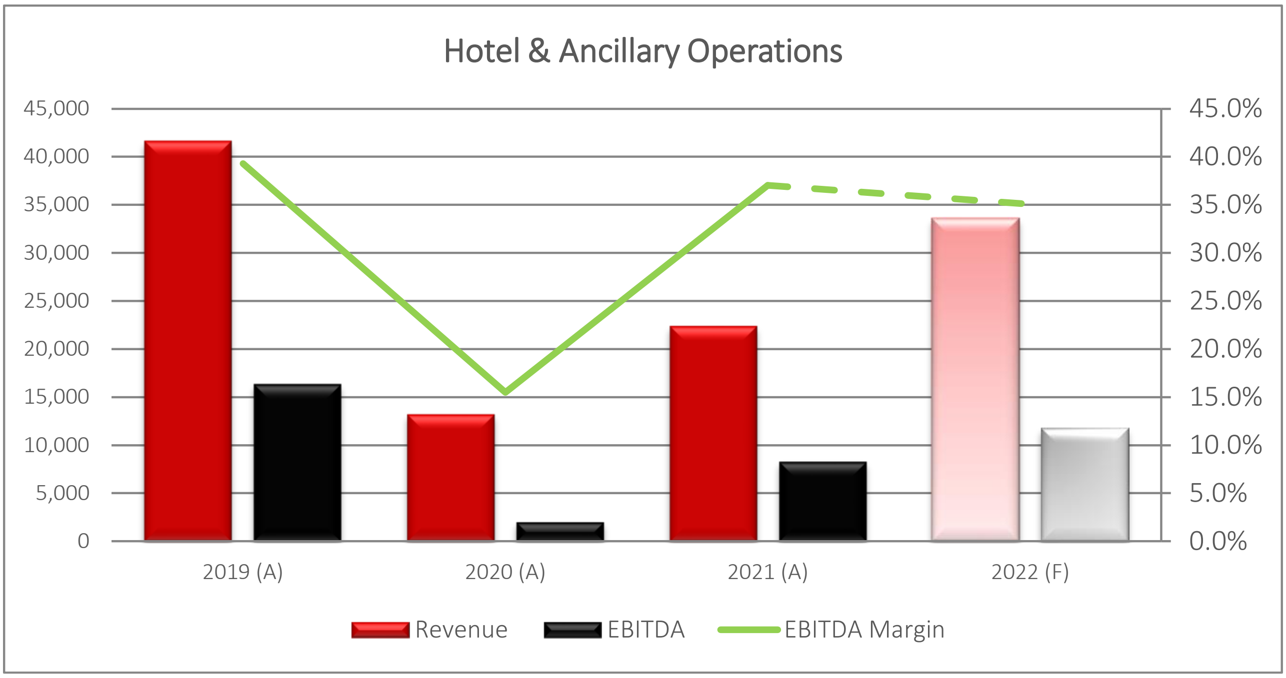
As described in further detail in section 4.2 of this report, the operations of SDC are split into four main segments: hotel and ancillary operations, rental operations, property development and complex management.



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 FY2021, this segment generated revenues of €22.4 million, which is a significant increase when compared to the FY2020 revenue of €13.3 million (increase of 68.8%), but still far away from the levels achieved in FY2019 of €41.6 million (46.2% less).

Average annual occupancy at the hotel in FY2021 which reached practically half of the pre-pandemic level when compared to a 'normal' year's average occupancy of around the 80% level. Moreover, in view of the continued restrictions and various limitations due to CoVID-19, income from conferences and other events was substantially lower than that generated pre-pandemic.



As tourism rebounded during FY2021 in line with the diminishing adverse effects of the CoVID-19 pandemic on the travel industry, the Hilton Malta managed to register improved occupancy levels and room rates when compared to those for FY2020.

Meanwhile, the Twenty Two Club was closed during the first half of FY2021, while its performance for the rest of the year was at a lower level than pre-pandemic times. The marina fared in line with previous years, while the carpark saw an improvement as footfall at both the hotel and the Portomaso tower increased.

As expected, EBITDA margin for this segment improved when compared to that of FY2020, at 37.0%, approaching that achieved in FY2019 (39.3%).

Variances and Forecasts

Hotel and Ancillary Operations	2021 (A) €000	2021 (F) €000	Variances (% / p.p.)	2022 (F) €000	Comparison to 2021 (A) (% / p.p.)
Revenue	22,395	20,486	9.3%	33,604	50.1%
EBITDA	8,297	5,391	53.9%	11,781	42.0%
EBIDTA Margin	37.0%	26.3%	10.7 p.p.	35.1%	-1.9 p.p.

Revenue generated from the HAO segment in FY2021 was better than the forecasts presented in last year's FAS update. EBITDA margins improved as well, from the forecasted 26.3% to the achieved 37.0%.

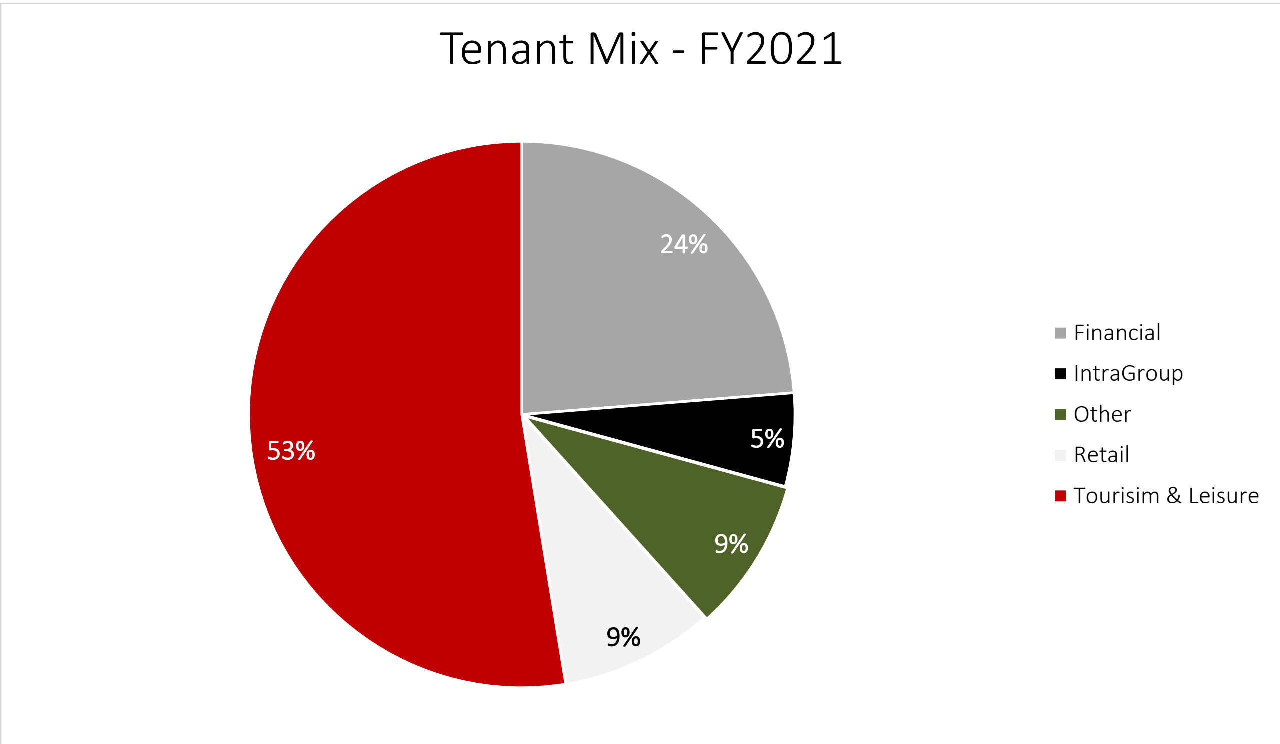
In this context the overall performance of the Hilton was satisfactory as the Group saw an improvement in occupancy which reached half of the pre-pandemic level. With respect to room rate there was also an improvement on the previous year, yet the average room rate reached was slightly below that of FY2019. Once again, it is worth underlining that no efforts were spared in safeguarding staff from redundancies as various protocols were put in place during this sensitive period. The wage supplement support scheme introduced by the Government in the previous year continued throughout FY2021 and was vital to retain operations going in these difficult times and to enable the Group to retain staff who on their part played a significant role despite the pressures on all fronts.

Revenue for FY2022 is expected to be ameliorated when compared to FY2021, although still somewhat lower than the levels of FY2019 as the uncertainties resulting from the hostilities in Eastern Europe continue to dampen travellers' sentiment, particularly in the MICE segment.

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 tenant mix revenues.

Following a retraction 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 Group registered a recovery on the revenues for this sector, which increased again to €3.7 million in FY2021, reflecting occupancy in the region of 90%. The leasable area tenant mix in this segment was varied, with the tourism & leisure sector contributing 53% of the income from this segment in FY2021, followed by the financial sector at 24%.



Variances and Forecasts

The Guarantor achieved better revenue and EBITDA margins in this segment than originally forecast last year for FY2021. The performance of this segment was characterised by some discounts extended to F&B outlets (not to the same extent as FY2020) but also by vacant spaces as a few tower suites on short lets where not extended, whilst two commerical areas within the complex were withdrawn from the market as refurbishment works commenced before these units are placed back on the market.

Notwithstanding the above, due to the efforts by management to control costs and achieve better rates, this segment was able to surpass forecasts.

Rental Operations	2021 (A) €000	2021 (F) €000	Variances (% / p.p.)	2022 (F) €000	Comparison to 2021 (A) (% / p.p.)
Revenue	3,721	3,635	2.4%	3,847	3.4%
EBITDA	3,535	3,376	4.7%	3,485	-1.4%
EBIDTA Margin	95.0%	92.9%	2.1 p.p.	90.6%	-4.4 p.p.

For FY2022, rental income is expected to improve to €3.8 million when compared to that achieved in FY2021 (an increase of 3.4%), on the back of increases in rents.

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

Complex Management	2021 (A) €000	2021 (F) €000	Variances (% / p.p.)	2022 (F) €000	Comparison to 2021 (A) (% / p.p.)
Revenue	2,960	4,108	-27.9%	3,818	29.0%
EBITDA	- 323	-314	2.9%	-160	-50.5%
EBIDTA Margin	-10.9%	-7.6%	-3.3	-4.2%	6.7 p.p.

This segment continued to be a negative contributor to EBITDA. The revenue generated for this segment in FY2021 was substantially lower than that envisaged in last year's FAS, at €3.0 million (forecasted at €4.1 million) as maintenance fees recharged had decreased during the year. For FY2022, revenues from the segment are expected to reach €3.8 million, as a result of increased maintenance common area and ancillary recharge costs thus leading to a lower EBITDA expected for the year.

D. Property Development

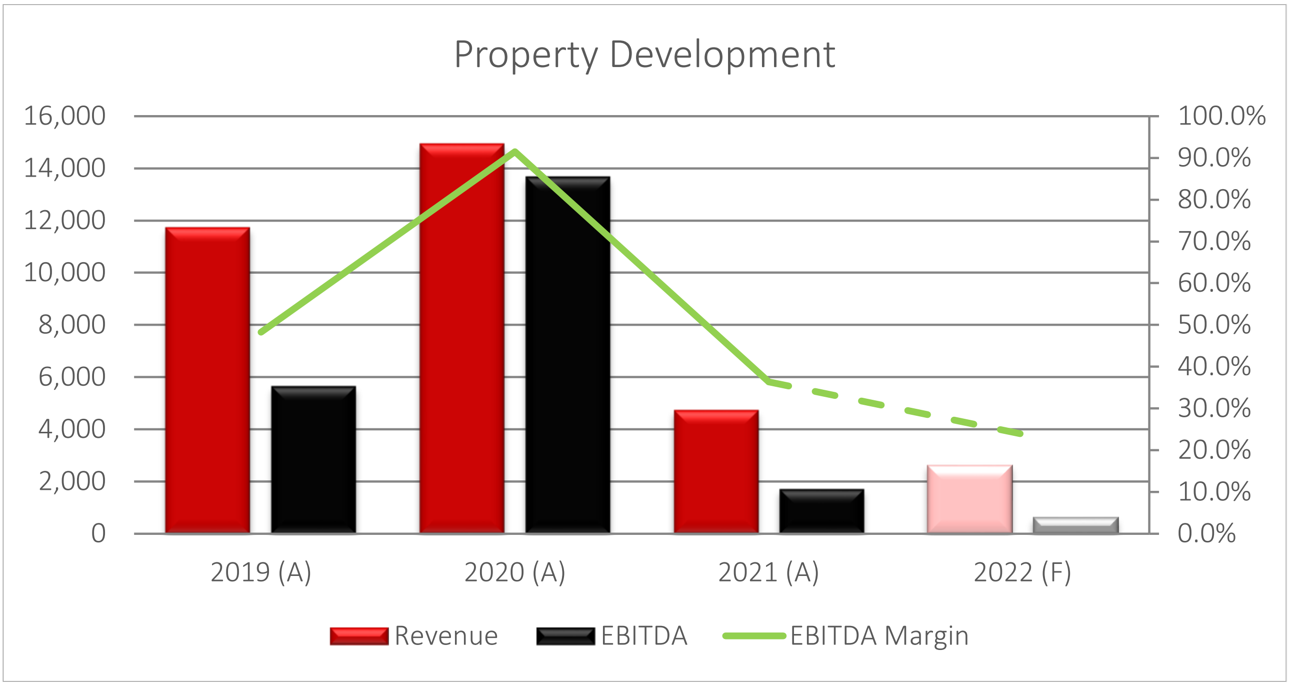
Over the years, the property development segment generated revenues from the sale of residential units as well as the delivery of the tower known as the Crystal Ship (the building adjacent to the Portomaso Business Tower) to the designated owners. The financial performance of this segment is volatile given the 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].

In 2022, the architect for SDC's Portomaso Laguna won a prestigious award in relation to this development – the Residential Architecture Award during the MASP Awards 2022 – in recognition of the high quality design of the project, applying energy efficient measures.

The stock of property sold during FY2021 amounted to 11 apartments, bringing down revenue generated from the segment to €4.7 million (compared to €14.9 million registered in FY2020, which was mainly related to the delivery of the final phase of the Crystal Ship office block).

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



The revenue projected last year for FY2021 assumed the sale of 13 residential units at Block 32, however, the company sold 11 of the 13 apartments. Nevertheless, management explained that the 11 apartments were sold at superior rates than those assumed last year, as can be evidenced by the EBITDA and EBITDA margin recorded for the year.

Variances and Forecasts

Property Development	2021 (A) €000	2021 (F) €000	Variances (% / p.p.)	2022 (F) €000	Comparison to 2021 (A) (% / p.p.)
Revenue	4,747	5,200	-8.7%	2,644	-44.3%
EBITDA	1,727	1,369	26.2%	630	-63.5%
EBIDTA Margin	36.4%	26.3%	11.1 p.p.	23.8%	-12.6 p.p.

Management has confirmed that the two remaining apartments from Block 32 are being delivered during FY2022 together with another property to the tune of €1.5 million.

7.2 INCOME STATEMENT - CONSOLIDATED ANALYSIS

for the year ended 31 December	*FY2019 (A)*	*FY2020 (A)*	*FY2021 (A)*	*FY2022 (F)*
	€'000	*€'000*	*€'000*	*€'000*
Revenue	59,713	34,310	33,823	43,913
HAC	*41,594*	*13,264*	*22,395*	*33,604*
Property Development	*11,731*	*14,931*	*4,747*	*2,644*
Rental	*3,883*	*3,512*	*3,721*	*3,847*
Complex Mgmt	*2,504*	*2,604*	*2,960*	*3,818*
Direct Costs and Administrative Expenses	(34,820)	(15,408)	(20,589)	(28,176)
EBITDA	**24,893**	**18,902**	**13,234**	**15,737**
Depreciation	(6,650)	(6,169)	(5,790)	(5,515)
EBIT (Operating Profit)	**18,243**	**12,734**	**7,443**	**10,222**
Finance Income	795	327	211	95
Finance Costs	(2,742)	(2,629)	(2,727)	(2,522)
Profit before Tax	**16,296**	**10,431**	**4,927**	**7,795**
Tax Expense	(4,017)	759	(1,015)	(2,503)
Profit for the Year	**12,279**	**11,190**	**3,913**	**5,292**

As borders started re-opening, particularly for vaccinated travellers in FY2021, hotel operations of the Group improved over FY2020. This increase, was however, offset by the decline in revenue from the property development segment, which, as explained earlier, was hampered by the lack of stock available for sale. It is worth also noting that in FY2020, this segment benefitted from the one-off delivery of the final part of the office block next to the Portomaso Business Tower. The differences in the other segments were minimal when compared to the two main operating segments of the Group.

As a result, revenue levels for FY2021 came in very close to those of FY2020. Higher operating costs, particularly those directly related to the hotel operations. This is due to higher turnover and as a direct consequence following on from the CoVID-19 related restrictive measures imposed because of the pandemic, combined with the lower level of property sales which historically tend to be more profitable, resulted in a lower EBITDA for FY2021 at €13.2 million, compared to the €18.9 million registered in FY2020.

Net of depreciation and finance costs, partially offset by finance income, profit before tax for the year came in at €4.9 million (FY2020: €10.4 million). After a tax charge of €1.0 million, net profit came in at €3.9 million. The profit generated in FY2021 was more dependent on the hotel and ancillary as opposed to FY2020 which was mainly dominated by the property development segment that traditionally returns a higher profit margin.

FORECAST - FY2022

As the tourism segment recovers following the lifting of the various restrictions related to CoVID-19, management expects the hotel performance to register an improved level of occupancy and room rates compared to FY2021, albeit still below the levels recorded in FY2019. The other segments are also expected to register improvement, with the exception of the Property Development segment since the Group only has a very limited stock of properties available for sale. While total revenue is expected to increase by nearly 30% over that of FY2021, costs are forecasted to rise by circa 37% as a direct consequence to the increase in revenues and the recovery from the pandemic, resulting in an EBITDA of €15.7 million (which is circa 19% higher than that of FY2021.

The other components of the income statement are expected to be largely in line with those of last year, with the exception of the tax charge which is reflective of the improved profitability of the Group for the year, at €2.5 million (FY2021: €1.0 million). Profit after tax is expected to come in at €5.3 million (FY2021: €3.9 million).

VARIANCES FY2021

A variance analysis of the respective segments has been included in the section above. The forecasted revenues are very close to the actual figures reported for the year. Meanwhile, the costs attributed for the year were lower than those forecasted last year, in view of the tight cost controls applied throughout the year, as well as the availability of the government wage supplement that the Group benefitted of with regards to the hospitality segment.

for the year ended 31 December	***FY2021 (F)***	***FY2021 (A)***	Variance
	€'000	*€'000*	
Revenue	33,429	33,823	*1.2%*
HAC	*20,486*	22,395	*9.3%*
Property Development	*5,200*	4,747	*-8.7%*
Rental	*3,635*	3,721	*2.4%*
Complex Mgmt	*4,108*	2,960	*-27.9%*
Direct Costs and Administrative Expenses	(23,607)	(20,589)	*-12.8%*
EBITDA	**9,821**	**13,234**	***34.7%***
Depreciation	(6,378)	(5,790)	*-9.2%*
EBIT (Operating Profit)	**3,444**	**7,443**	***116.2%***
Finance Income	345	211	*-38.8%*
Finance Costs	(2,681)	(2,727)	*1.7%*
Profit before Tax	**1,108**	**4,927**	***344.9%***
Tax Expense	(407)	(1,015)	*149.3%*
Profit for the Year	**701**	**3,913**	***458.5%***

This variance trickled down to the rest of the income statement for FY2021, as the other elements came quite close to the forecasted figures.

7.3 STATEMENT OF FINANCIAL POSITION

for the year ended 31 December	*FY2019 (A)*	*FY2020 (A)*	*FY2021 (A)*	*FY2022 (F)*
	€'000	*€'000*	*€'000*	*€'000*
Assets				
Non-Current Assets				
Property, Plant & Equipment	162,152	158,939	153,195	154,258
Investment Property	13,378	12,885	14,426	14,989
Trade & Other Receivables	1,365	1,004	952	-
Total Non-Current Assets	176,895	172,827	168,572	169,247
Current Assets				
Inventories	19,961	22,476	22,299	30,601
Trade & Other Receivables	17,288	8,827	21,789	7,586
Current Tax Assets	1,874	495	549	549
Cash & Cash Equivalents	28,614	24,976	18,900	28,130
Total Current Assets	67,737	56,773	63,537	66,866
Total Assets	244,632	229,600	232,109	236,113
Equity & Liabilities				
Capital & Reserves				
Share Capital	13,653	13,653	13,653	13,653
Revaluation Reserve	89,536	88,711	87,885	87,885
Retained Earnings	28,359	35,160	37,684	37,760
Total Equity	131,548	137,524	139,222	139,298
Non-Current Liabilities				
Borrowings	53,364	53,110	51,857	55,434
Trade & Other Payables	43	-	-	-
Deferred Tax Liabilities	29,038	26,368	26,441	26,103
Total Non-Current Liabilities	82,445	79,478	78,298	81,537
Current Liabilities				
Borrowings	1,286	1,286	1,286	1,286
Trade & Other Payables	28,887	10,868	12,740	11,589
Current Taxation	466	445	563	2,403
Total Current Liabilities	30,639	12,598	14,589	15,278
Total Liabilities	113,084	92,076	92,887	96,815
Total Equity & Liabilities	244,632	229,600	232,109	236,113

FY2021 Review

SDC's asset base stood at €232.1 million at the end of FY2021, an uplift of 1.1% from that of FY2020. The composition of non-current assets remained largely unchanged when compared to those of FY2020, however, there was a significant shift of cash balances towards trade and other receivables, as the Group shifted funds from SDC to the wider group of companies as part of their respective treasury requirements, while also reducing financial charges from banks in view of high-balance fees.

On the equity and liabilities side, the balances were not materially different from those reported a year earlier. The increase in equity represents the profit for the year, net of tax and dividends paid of €2.2 million.

SDC's Funding Analysis

During FY2021, SDC's total borrowing of €53.1 million was marginally lower than that of FY2020 as repayments of bank borrowings recommenced following the CoVID-19 related loan moratorium that the Central Bank announced for FY2020. No new bank facilities were entered into and by the end of FY2021 the Guarantor had an unutilised Malta Development Bank backed facility which was approved in December 2020 for the purposes of any necessary liquidity back-up requirements as a consequence of the pandemic as this is related to the Group's hospitality segment.

Liquidity management is key for the Tumas Group and SDC's receivables from fellow companies within the said group amounted to €22.1 million by the end of FY2021 (FY2020: €2.4 million) as the Group sought to manage its liquidity requirements across the various group companies.

Reported equity improved marginally to €139.5 million by the end of FY2021, reflecting the profit generated in the year net of a dividend of €2.2 million paid out of retained earnings.

as at year ended 31st December	Actual 2019 €'000	Actual 2020 €'000		Actual 2021 €'000
Total Borrowings	54,650	54,396		53,143
Less Cash & Cash Equivalents	(28,614)	(24,976)		(18,900)
Less Group Treasury Funds	(1,610)	(2,441)		(22,102)
Net Borrowings (A)	24,426	26,980		12,141
Reported Equity (B)	131,548	137,524		139,222
Gearing Ratio (A / A+B)	**15.7%**	**16.4%**		**8.0%**
FV Adjusted Equity (C)	156,045	160,500	*	160,596
Adjusted Gearing Ratio (A / A+C)	**13.5%**	**14.4%**		**7.0%**

**In the FAS of 2021, the FV adjusted equity for FY2020 was reported as €183.7 million. This was restated in the FY2021 financial statements to €160.5 million.*

As a result of the Group's improvement in its already strong cash position which also enabled SDC to provide financing to other companies within the wider Tumas Group, SDC's net gearing ratio (calculated as the level of net borrowings in relation to the Group's reported equity plus net borrowings) stood at just 8% (half that reported 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 even-lower net gearing ratio of 7% for FY2021.

Forecast - FY2022

SDC's asset base in FY2022 is expected to possibly realise a shift in receivables (from related parties) to be partly applied towards the development costs of the ex-Halland site which in turn should be reflected in a higher value of inventories for the year together with cash and cash equivalents or related parties receivables. Total assets are expected to improve by approximately €4 million on the back of improved performance of the various segments.

Borrowings are expected to increase to €55.4 million, as the SDC Group takes on additional debt for part-financing the development of the ex-Halland site. The other components of Equity and Liabilities are not expected to be materially different than those as at the end of FY2021, as the additional profitability expected for the year will be netted off by a dividend payment.

7.4 Statement of Cash Flows

	FY2019 (A)	*FY2020 (A)*	*FY2021 (A)*	*FY2022 (F)*
	€'000	*€'000*	*€'000*	*€'000*
Net cash generated from / (used in) operating activities	42,410	4,271	(1,348)	17,946
Net cash generated used in investing activities	(2,852)	(2,366)	(1,228)	(7,216)
Free Cash Flow to the Firm	**39,558**	**1,905**	**(2,576)**	**10,730**
Net cash generated used in financing activities	(36,543)	(5,543)	(3,500)	(1,500)
Net movements in cash and cash equivalents	**3,015**	**(3,639)**	**(6,076)**	**9,230**
Cash and cash equivalents at beginning of year	25,599	28,614	24,975	18,899
Cash and cash equivalents at end of year	**28,614**	**24,975**	**18,899**	**28,129**

FY2021 Review

The decline in operating profits for FY2021 resulted in a negative cash generated from operations of €1.3 million (FY2020: €4.3 million) – as previously noted, this was due to the different revenue contribution mix to operating profit for the year.

Cash used in investing activities was lower in FY2021, at €1.2 million (FY2020: €2.4 million) as the Group invested less in capital expenditures in view of the realities evolving from the second year of the pandemic. In fact, during FY2021, the Group developed additional commercial properties worth €1.3 million which are situated within Block 32 and the Marina.

The moratorium on bank loan repayments in FY2020 was lifted during FY2021 and SDC paid €1.3 million of loans in FY2021. In addition, the Group paid its shareholders a dividend of €2.2 million, resulting in cash used in financing activities of €3.5 million for the year.

Forecast - FY2022

The current forecasts for FY2022 are based on the Hilton returning a positive gross operating profit and EBITDA, higher than that achieved in FY2021, building on its leading market position. The ancillary operations forming part of hospitality, namely the marina, car park and the Twenty Two Club, which have all been negatively impacted by the effects of the pandemic, are showing an improvement as revenue generated within the Portomaso complex improves. Twenty Two Club, which was closed for a long period in FY2021 in line with the CoVID-19 directives issued by the Health Authorities, is yet to build up the necessary momentum and therefore reaching its forecasts may be a struggle. Having said that, this is only a minor operating unit within the HAO segment. The marina and the car park are expected to register an improved level of revenues over that achieved in FY2021.

In terms of property development, SDC is expecting to deliver the two remaining apartments within the recently built Block 32 during FY2022.

Performance for the rental segment is envisaged to be on the same lines as FY2021. No pandemic related discounts are being assumed, however, management has prudently forecasted a slower take up of vacant areas. While the reason for this is partly due to pandemic-related reasons, due consideration is being given to the fact that SDC is undertaking structural alterations to some of the commercial areas. Performance from complex management should also be similar to that of FY2021.

This overall performance should therefore yield a superior result when compared to FY2021 in general, except for property development which is cyclical in nature and dependent on availability of property in stock available for sale.

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.

During FY2021, SDC played 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.

As at the end of FY2021, the inter-Group balances were at €22.1 million (FY2020: €2.4 million).

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:

	FY2019 (A)	FY2020 (A)	FY2021 (A)	FY2022 (F)
Net Profit Margin (Net Profit / Revenue)	20.6%	32.6%	11.6%	12.1%
EBITDA Margin (EBITDA / Revenue)	41.7%	55.1%	39.1%	35.8%
Gearing Ratio (Total Borrowings / Equity + Borrowings)	27.6%	28.8%	27.7%	28.9%
Return on Assets (Profit before Tax / Average Assets)	6.4%	4.4%	2.1%	3.3%
Return on Equity (Profit for the Period / Average Equity)	8.6%	8.3%	2.8%	3.8%
Return on Capital Employed (Profit for the Period / Average Capital Employed)	6.2%	5.9%	2.0%	2.7%
Net Debt / EBITDA	1.0x	1.6x	2.6x	1.8x
Gearing Ratio (2) *(Net Borrowings / Equity + Net Borrowings)*	0.15x	0.179x	0.198x	0.170x
Gearing Ratio (3) * *(Net Borrowings / Average FV adjusted Equity + Net Borrowings) [net of Treasury Funds]*	14.3%	15.5%	17.6%	15.1%
Current Ratio *(Current Assets / Current Liabilities)*	2.2x	4.5x	4.4x	4.4x
Cash Ratio *(Cash & Equivalents / Current Liabilities)*	0.9x	2.0x	1.3x	1.8x
Interest Cover Ratio (EBITDA / Net Finance Cost)	12.8x	8.2x	5.3x	6.5x

**This ratio takes into account net borrowings (which is calculated net of treasury funds) and FV adjusted equity.*

Performance in FY2021 was not as good as that of FY2020 – in FY2020, SDC Group recognised the final portion of revenue from the tower adjacent to Portomaso Business Tower. This had superior margins than the margins from HAC revenues recognised in FY2021. As such, performance ratios were less attractive for FY2021 than those of FY2020.

In FY2021, SDC did not increase its borrowings. Nonetheless, with lower cash balances (in cash and cash equivalents) gearing ratios came in higher, albeit still at a satisfactory level. When applying the treasury funds that had been on lent to other Tumas Group related parties and the fair value adjustment to equity, gearing falls below 10%.

Similarly, from a solvency perspective, the metrics were strong, as the Group had substantial cash reserves to meet its short-term obligations.

The ratios of FY2022 are expected to be characterised by an assumed improved level of operations, which however, requires increased expenditure. While some of the liquidity generated through external financing and operations is expected to be shifted into inventories, solvency ratios are expected to remain strong. This is also the case for gearing, where cash flows from operations will be utilised to finance investment activities, resulting in marginal increases in borrowings required.

PART C LISTED SECURITIES

TI's listed debt securities comprise:

Bond:	€25 million 5% Unsecured 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 17.06.2022) *%*
5.00% Tumas Investments plc 2024	**25,000,000**	**19.8**	**2.59**	**5.26**	**4.00**
6.00% AX Investments plc 2024	40,000,000	25.6	7.02	2.97	4.44
6.00% International Hotel Investments plc 2024	35,000,000	40.1	38.14	0.58	4.87
3.75% Tumas Investments plc 2027	**25,000,000**	**19.8**	**2.59**	**5.26**	**3.75**
3.50% Simonds Farsons Cisk plc 2027	20,000,000	7.4	0.45	17.71	3.08
4.00% Eden Finance plc 2027	40,000,000	27.8	5.72	3.63	3.88
3.75% Virtu Finance plc 2027	25,000,000	55.9	57.54	0.72	3.72

Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 17 June 2022. 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 2021.

^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 17 June 2022.

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	4.00%	(39) bps	242 bps
3.75% TI plc 2027	3.75%	(26) bps	149 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.
Free Cash Flow (FCF)	FCF represents the amount of cash remaining from operations after deducting capital expenditure requirements.
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.
Free Cash Flow (FCF)	FCF represent the amount of cash remaining from operations after deducting capital expenditure requirements.

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	Return on assets (ROA) measures the rate of return on the assets of the company. 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.

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