Financial Analysis Summary

10 July 2020

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

10 July 2020

Dear Board Members,

Dizz Finance p.l.c. Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary ("**Analysis**") set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to 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 2017 to 31 December 2019 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 2020 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 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

TABLE OF CONTENTS

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 originally registered as Dizz Rentals Ltd, a limited liability company under the laws of Malta, on 24 June 2015. This company was converted into a public limited company and re-named on 15 January 2016. The Issuer is a wholly-owned subsidiary of the Guarantor.

The principal object of the Issuer is to act as the financing arm of the Dizz Group, by raising funds and lending same to 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

Dizz Group of Companies Limited (the "**Guarantor**", "**Group**" or "**Dizz Group**") 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: Terranova, Terranova Kids, Calliope, Liu Jo and Liu Jo Uomo Elisabetta Franchi, Max & Co., Guess, Brooks Brothers, Trussardi, Paul & Shark, Harmont & Blaine, Billionaire, Alberta Ferretti, Michael Kors, Moschino, Caffé Pascucci and Yogorino. In FY2020, Dizz Group acquired DCAFFE Holding Ltd and thereby becoming the local franchisor of Nespresso, Pastocchio and Salad Box.

The weekly average number of employees directly engaged with the companies forming part of the Dizz Group during FY2019 amounted to 118 persons (FY2018: 151).

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 two subsidiaries, the Issuer and D Shopping Malls 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.

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
Francis Cassar	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	Chief Executive and Executive Director
Karl Izzo	Executive Director

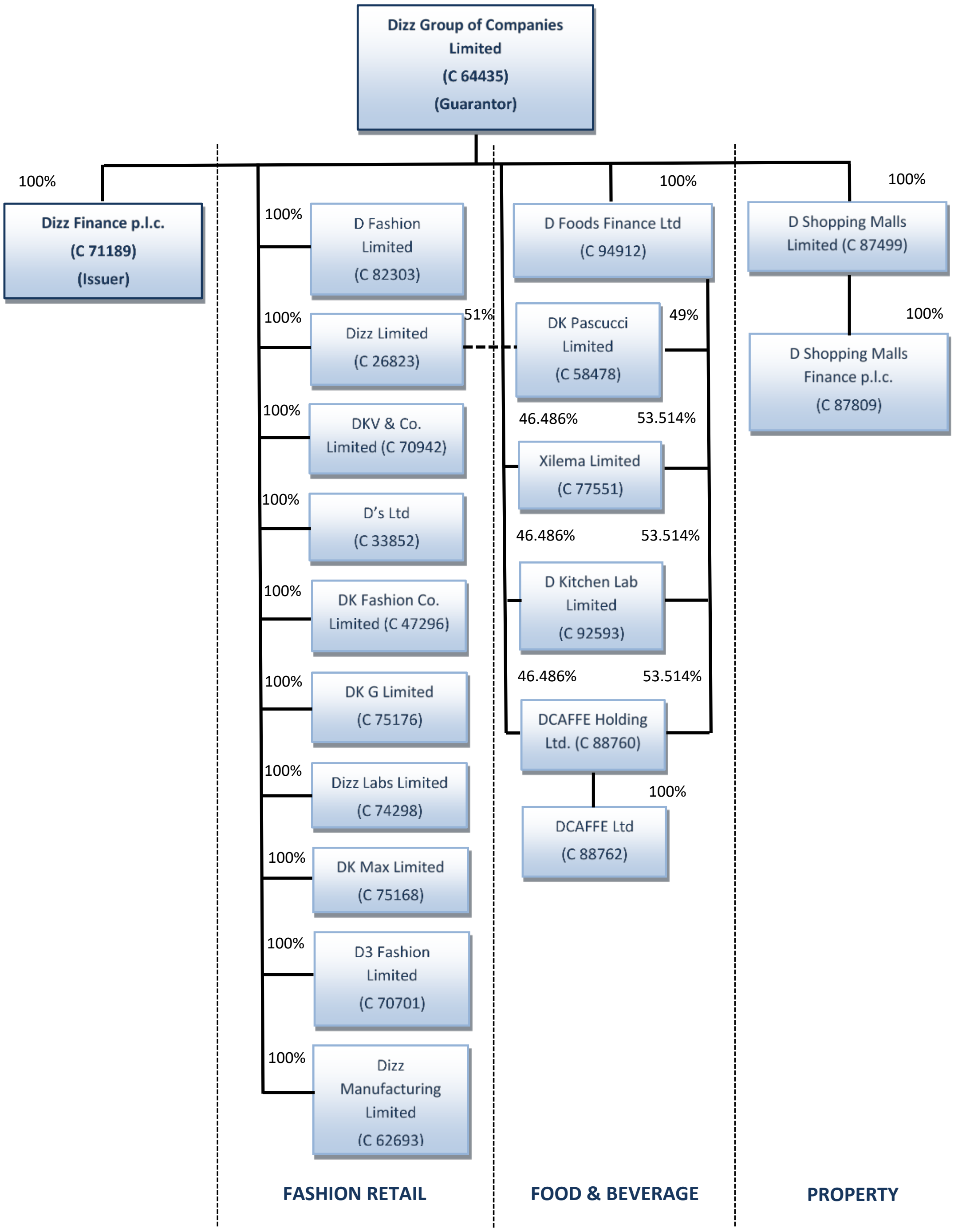
2.3 SENIOR MANAGEMENT

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

Jean Paul Muscat	Financial Controller
Denise Bonello	Chief Operations Manager
Edwin Pisani	General Manager
Philip George Galea	Marketing and Development Manager

3. ORGANISATIONAL STRUCTURE

The authorised share capital of Dizz Group as at the date of this report is 10 million ordinary shares of a nominal value of €1 per share. The issued share capital 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 (FY2019: €3,291,200). The shares are owned equally by Diane Izzo and Karl Izzo. The diagram hereunder illustrates the organisational structure of the Group as at the date of this report:



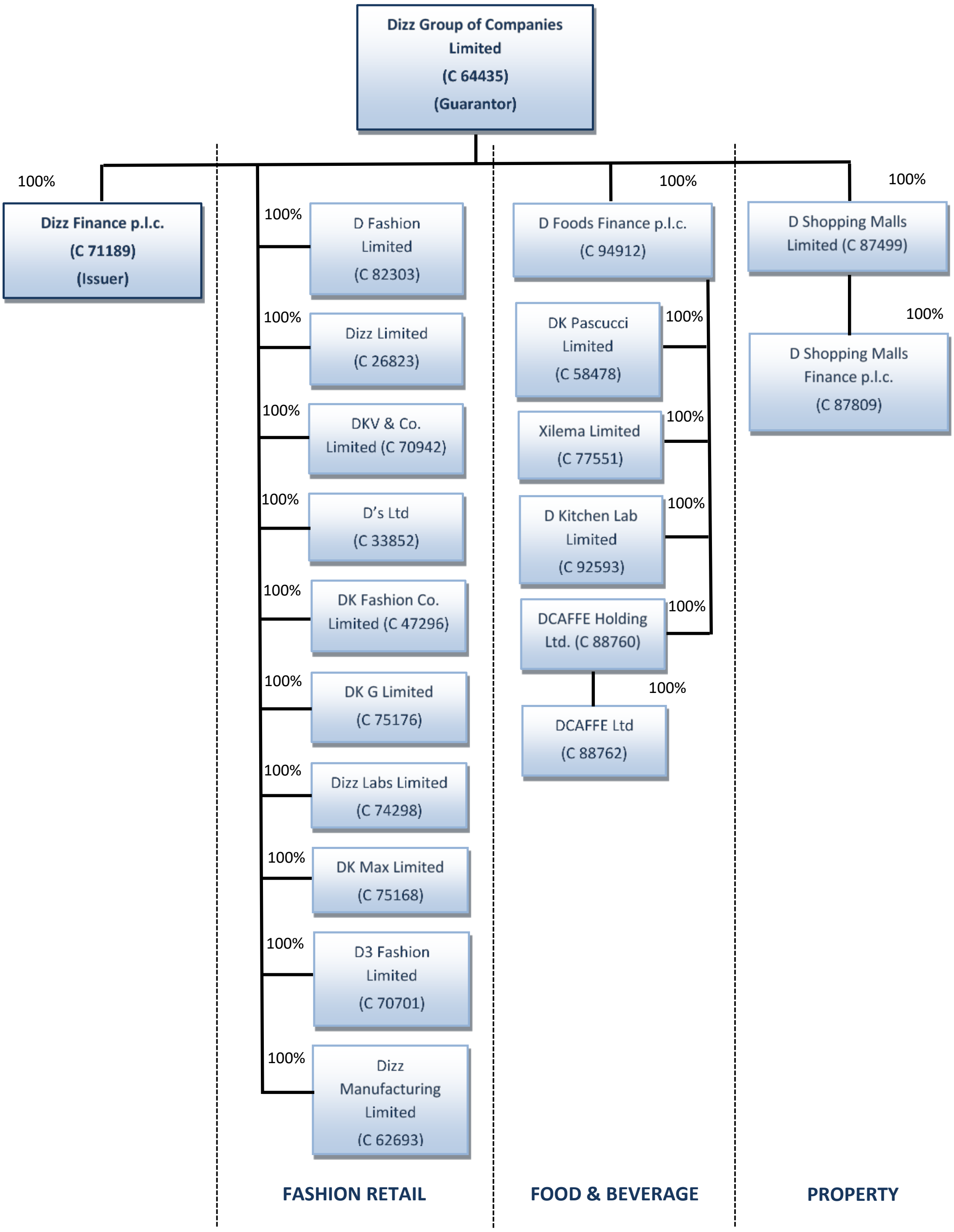
During the current financial year, the Group continued to expand its operations in the food & beverage sector through the establishment of a holding company - D Foods Finance Ltd. On 21 May 2020, Xilema Limited was transferred from the Guarantor to D Foods Finance Ltd.

On 13 June 2020, the Guarantor acquired from the ultimate beneficial owners the 100% shareholding in each of D Kitchen Lab Limited and DCAFFE Holding Ltd. for the consideration of the issue and allotment of an additional 4,427,992 ordinary shares of a nominal value of €1 each, fully paid up. On same date, D Foods Finance Ltd acquired from the Guarantor 49% of DK Pascucci Limited and 53.514% of each of Xilema Limited, D Kitchen Lab Limited and DCAFFE Holding Ltd. for the consideration of the issue and allotment of an additional 3,378,086 ordinary shares of a nominal value of €1 each, fully paid up.

The principal objective of D Kitchen Lab Limited is to operate a kitchen which will prepare food items to be sold and distributed to the Group's food & beverage outlets and other outlets operated by third parties. DCAFFE Holding Ltd., through its wholly owned subsidiary DCAFFE Ltd, is the holder of the franchise license for the Pastrocchio, Salad Box and Nespresso brands.

D Foods Finance Ltd has submitted an application to the Listing Authority for admissibility to listing on the Wholesale Securities Markets (WSM) of a €10 million programme of secured convertible notes. The company is also in the process of being converted to a public limited liability company. Subject to obtaining approval, the company will use the first tranche of €3 million of this notes programme to acquire the remaining shares of DK Pascucci Limited, Xilema Limited, D Kitchen Lab Limited and DCAFFE Holding Ltd.

Following execution of the transactions described in the preceding page, the organigram of the Group will be as follows:



In addition to the above companies, the Guarantor has a 100% shareholding in DNJ Limited, which is a non-trading entity.

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**	**FY2017**	**FY2018**	**FY2019**	**Revaluation Res. as at 31 Dec'19**
			€'000	**€'000**	**€'000**	**€'000**
Store in Carob Street, St Venera ***(note 1)***	Issuer	Dizz Group companies	254	254	254	3
Terranova Outlet, Kap. Mifsud Str., St Venera ***(note 1)***	Issuer	Dizz Group companies	567	567	567	263
Head Office in Carob Street, St Venera ***(note 1)***	Issuer	Dizz Group companies	190	190	190	140
Apt 912, Tas-Sellum, Mellieha	Issuer	Third parties	216	216	216	-
Apt 2, Church Street, St Julians	Issuer	Third parties	263	263	263	-
Apt in Savoy Gardens, Gzira	Issuer	Third parties	260	260	260	-
Apt in Corner View, Swieqi	Issuer	Third parties	368	368	368	-
Aquarius', maisonette & garage in Swieqi	Issuer	Third parties	275	275	275	-
Caffe Pascucci, Gzira Road, Gzira	Issuer	Dizz Group companies		525	525	-
Apt 13, Waterside Apts, Ix-Xatt ta' Qui Si Sana ***(note 2)***	D Shopping Malls Ltd	Third parties	950	966	966	-
Laguna Apartment, Portomaso, St Julians	D Shopping Malls Ltd	Third parties		1,900	1,900	-
Apt 6, Byron Court, Ix-Xatt ta' Qui Si Sana ***(note 2)***	D Shopping Malls Ltd	Third parties	734	734	734	-
The Hub-Land, Mriehel (under development) ***(note 1)***	Dizz Manufacturing Ltd	n/a	810	871	4,288	2,824
			4,887	**7,389**	**10,806**	**3,230**

Note 1: *The properties have been pledged to secure the bank overdraft of the Group.*
Note 2: *Until FY2017, the properties were owned by the Issuer. They were subsequently sold to D Shopping Malls Limited in FY2018.*

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

As at 31 December 2019, the Issuer had outstanding a promise of sale agreement to acquire an apartment in Pieta for the consideration amounting to €225,000 less deposit paid of €97,250 (net amount due being €127,750). The purchase contract was concluded in the initial half of 2020. Moreover, during the same period, the Issuer sold Apt 912, Tas-Sellum, Mellieha for the amount of €288,000 and thereby realised a gain on disposal of €71,500.

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

The Group presently operates, through a number of franchises, 30 fashion retail stores and 20 food & beverage outlets as provided hereunder.

FASHION RETAIL STORES

	Company	Brand	Location	Owned/Leased	Status
1	Dizz Limited	Terranova	Tigne Point, Sliema	Leased	Open
2	Dizz Limited	Terranova	Centerparc, Qormi	Leased	Open
3	Dizz Limited	Terranova	Bay Street Complex	Leased	Closed for refurbishment
4	Dizz Limited	Terranova	Fgura	Leased	Open
5	Dizz Limited	Terranova	Iklin	Leased	Open
6	Dizz Limited	Terranova	St Venera	Owned by Issuer	Open
7	Dizz Limited	Calliope	Bay Street Complex	Leased	Closed for refurbishment
8	DK Fashion Co. Limited	Liu Jo	Bay Street Complex	Leased	Closed in May 2020
9	DK Fashion Co. Limited	Liu Jo	Tigne Point, Sliema	Leased	Open
10	DK Fashion Co. Limited	Liu Jo	Valletta	Leased	Open
11	DK Fashion Co. Limited	Brooks Brothers	Valletta	Leased	Closed in March 2020
12	DKV & Co. Limited	Harmont & Blaine	Tigne Point, Sliema	Leased	Open
13	DKV & Co. Limited	Paul & Shark	Tigne Point, Sliema	Leased	Open
14	DKV & Co. Limited	Paul & Shark	Valletta	Leased	Open
15	DKV & Co. Limited	Designer Outlet	St Venera	Owned by Issuer	Open
16	DK Fashion Co. Limited	Boggi	Tigne Point, Sliema	Leased	To open in September 2020
17	D3 Fashion Limited	Elisabetta Franchi	Valletta	Leased	To close in September 2020
18	D3 Fashion Limited	Elisabetta Franchi	Sliema	Leased	Open
19	D3 Fashion Limited	Designer Outlet	Bay Street Complex	Leased	Open
20	DK G Limited	Guess	Bay Street Complex	Leased	Open
21	DK G Limited	Guess	Tigne Point, Sliema	Leased	Open
22	DK G Limited	Guess Kids	Tigne Point, Sliema	Leased	Open
23	DK G Limited	Guess	Sliema	Leased	Open
24	DK G Limited	Guess	Centerparc, Qormi	Leased	Open
25	DK G Limited	Designer Outlet	St Venera	Owned by Issuer	Open
26	D's Ltd	Goldenpoint	Bay Street Complex	Leased	Closed in January 2020
27	D's Ltd	Goldenpoint	Centerparc, Qormi	Leased	To open in September 2020
28	DK Max Limited	Max & Co	Valletta	Leased	Relocated to Tigne Point, Sliema in FY2020
29	D Fashion Limited	Designer Brands	Sliema	Leased	Open
30	D Fashion Limited	Designer Brands	St Julians	Leased	Open

FOOD & BEVERAGE OUTLETS

	Company	Brand	Location	Owned/Leased	Status
1	DK Pascucci Limited	Caffé Pascucci	St Venera	Leased	Open
2	DK Pascucci Limited	Caffé Pascucci	Bay Street Complex	Leased	Open
3	DK Pascucci Limited	Caffé Pascucci	Paceville	Leased	Open
4	DK Pascucci Limited	Caffé Pascucci	Gzira	Owned by Issuer	Open
5	DK Pascucci Limited	Caffé Pascucci	Centerparc, Qormi	Leased	Open
6	DK Pascucci Limited	Caffé Pascucci	Sliema	Leased	Closed in March 2020
7	DK Pascucci Limited	Caffé Pascucci	D Mall, The Point	Leased	To open in September 2020
8	DK Pascucci Limited	Caffé Pascucci	Birkirkara	Leased	Open
9	Xilema Limited	Caffé Pascucci	Valletta	Leased	Open
10	Xilema Limited	Yogorino	Valletta	Leased	Open
11	Xilema Limited	Caffé Pascucci	Sliema	Leased	Open
12	Xilema Limited	Salad Box	Sliema	Leased	Open
13	DCAFFE Ltd	Pastrocchio	Mriehel	Leased	Open
14	DCAFFE Ltd	Pastrocchio	Sliema	Leased	Opened in May 2020
15	DCAFFE Ltd	Salad Box	Sliema	Leased	Opened in June 2020
16	DCAFFE Ltd	Salad Box	Sliema	Leased	To open in September 2020
17	DCAFFE Ltd	Nespresso	Tigne Point, Sliema	Leased	Open
18	DCAFFE Ltd	Nespresso	Mriehel	Leased	Open
19	DCAFFE Ltd	Nespresso	Mosta	Leased	Open
20	DCAFFE Ltd	Nespresso	Centerparc, Qormi	Leased	Open

6. KEY FINANCIAL INFORMATION – THE GROUP

Dizz Group Divisional Analysis	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Projection
Turnover (€'000)	**16,390**	**14,758**	**14,406**	**13,032**
Fashion retail	14,972	13,425	12,590	9,363
Food & beverage	1,289	1,168	1,437	2,529
Rental income	129	165	379	1,140
Fashion retail	*91.3%*	*91.0%*	*87.4%*	*71.8%*
Food & beverage	*7.9%*	*7.9%*	*10.0%*	*19.4%*
Rental income	*0.8%*	*1.1%*	*2.6%*	*8.7%*
Gross Operating Profit (€'000)	**7,870**	**6,620**	**6,057**	**7,353**
Fashion retail	7,075	5,703	4,706	4,763
Food & beverage	666	752	972	1,450
Rental income	129	165	379	1,140
Fashion retail	*89.9%*	*86.1%*	*77.7%*	*64.8%*
Food & beverage	*8.5%*	*11.4%*	*16.0%*	*19.7%*
Rental income	*1.6%*	*2.5%*	*6.3%*	*15.5%*
Gross Operating Profit Margin (%)	**48%**	**45%**	**42%**	**56%**
Fashion retail	47%	42%	37%	51%
Food & beverage	52%	64%	68%	57%
Rental income	100%	100%	100%	100%

Source: Management information.

The **fashion retail division** comprises the management and operation of the Group's fashion retail stores and is the principal business activity of the Group. The last updated list of stores is provided in section 5 above.

In FY2018, revenue generated from this segment amounted to €13.4 million, a decrease of €1.5 million (-10%) from a year earlier (FY2017: €15.0 million). The principal reason for the decline was due to the closure of Terranova outlets in Valletta and Paola; Calliope store at The Point, Sliema; Pinko store in Sliema and Trussardi outlet at The Point, Sliema.

In FY2019, the Group registered a further decrease in revenue from fashion retail of €0.8 million (-6%, y-o-y) to €12.6 million, mainly due to the closure of Max & Co. in Valletta. The Group reported a gross operating profit margin of 37% in fashion retail operations, being 5 percentage points lower when compared to the previous year and 10 percentage points from FY2017. Competition is this sector is constantly on the rise, both from other retail stores as well as online sales, which is pushing retailers to offer apparel at more competitive prices (with the consequence of lower operating profit margins for the retailers).

Revenue in FY2020 is projected to decrease by 26%, from €12.6 million in FY2019 to €9.4 million, on account of the complete shutdown during April 2020 due to the pandemic, and the curtailment of fashion retail operations during the following 8 months to December 2020. Notwithstanding the projected lower revenue, the Group expects to maintain same level of gross operating profit as FY2019, as a result of substantial discounts being negotiated with various franchisors of the Group and the closure of non-performing outlets. As such, gross operating profit margin is projected to improve from 37% in FY2019 to 51%.

Revenue generated from the **food & beverage division** over the 3-year historical period (FY2017 to FY2019) was broadly stable and reached €1.4 million in FY2019 from €1.3 million in FY2017 (+11%). On the other hand, in view of improved operating efficiencies, gross operating profit substantially increased during the same period by 46%, from €0.7 million in FY2017 to €1.0 million in FY2019. Following the acquisition in FY2020 of D Kitchen Lab Limited and DCAFFE Holding Ltd., and further investment in new store openings, the Group is projecting revenue to increase by 76% to €2.5 million (FY2019: €1.4 million). Consequently, gross operating profit is expected to increase substantially from €1.0 million in FY2019 to €1.5 million in FY2020 (+49%).

During the financial years FY2017 to FY2019, **rental income** was not a material component of total revenue and income generated from rentals in FY2019 amounted to €379,000 compared to €165,000 in FY2018. For the projected year (FY2020), the Group is expecting rental income to increase considerably to €1.1 million. The additional income is anticipated to be generated from leases to third parties of retail space at Center Parc and to a lesser extent at D Mall (see sections 8 and 9 below).

7. THE HUB

The Group is currently in the process of 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, a manufacturing facility and the Group's head office. The site has been granted to Dizz Manufacturing Limited by 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 large 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 Terranova products. 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 to be utilised by the users of the offices.

The ground floor is intended to be set on double height to increase the storage capacity for the brands and loading and unloading bays will serve the storage located both on the ground floor and on other levels, the latter by means of goods lifts. Entrances to the underground carpark, by means of a ramp, and the entrance to the reception area servicing the offices situated on the upper levels shall also be located on the ground floor. This shall be complemented by a lounge area with a bar/ cafeteria which is expected to cover 7% of the Hub. The floor internally numbered as 'Level 1' shall consist of an intermediate level consisting of stores and a separate intermediate level overlooking the reception.

Around two thirds of the area of the first floor shall consist of a double height with level 0. Level 2 will include six storage areas of *circa* 150m^2 per brand. The third floor will consist of: office space for the management and administration arm of the Group and a canteen therefor; an area dedicated to printing of promotional materials; area dedicated to finishing of Terranova garments; and a professional kitchen which will serve the canteen and also be used to produce food products which will be distributed to the Pascucci cafeterias. The fourth floor (recessed level) will consist solely of office space.

The development of the Hub has been delayed and is now expected to be completed by June 2021. As at 31 December 2019, construction works in relation to the Hub amounted to €1.2 million, which expenditure was financed from net proceeds of the 2016 Bond Issue. Remaining construction works are estimated to amount to *circa* €1.4 million and shall be payable in terms of an agreement with the building contractor as to €0.8 million in FY2020 and €0.6 million in FY2021. Capital expenditure relating to finishings is projected to amount to *circa* €1.0 million. The carrying value of the Hub as at 31 December 2019 amounted to €4.35 million.

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. 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 two consecutive 15-year periods, and an additional 3-year period, at the exclusive discretion of the lessee.

The property has been leased to D Shopping Malls Limited in shell form. Construction works and finishings are still ongoing and are expected to be completed by September 2020. As at 31 December 2019, costs of development amounted to €1.8 million, of which €1.6 million was funded from net proceeds of the 2018 bond issue. Remaining development works to complete the project are expected to amount to *circa* €300,000. It is the intention of D Shopping Malls Limited to partition Level 0 into nine retail outlets ranging from 80m^2 to 120m^2 per outlet, and three kiosks, and use Level -1 as office space. As at the date of this report, 6 out of 9 outlets/kiosks are leased to related parties (5 units) and a third party (1 unit).

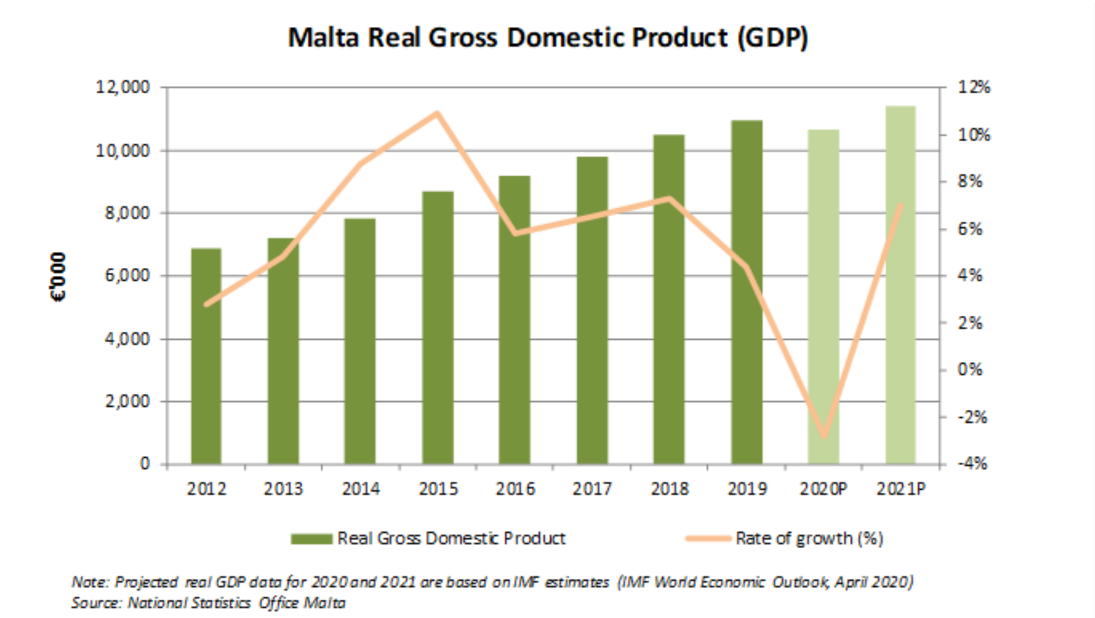
9. CENTER PARC

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 has 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 domestic economy continued to register a healthy rate of economic expansion in 2019, notwithstanding the more challenging environment globally and in the euro area. Although GDP[2] growth moderated to 4.4% from 7.3% in 2018, it remained above its long-term average of around 4.0%. The expansion was driven by domestic demand, particularly government consumption and gross

[1] Fifty-second Annual Report and Statement of Accounts 2019 – Central Bank of Malta, 2020 (pages 13, 14 and 50).

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

fixed capital formation. Private consumption had a positive impact, although it increased at a slower pace following the very strong outturn in 2018. Meanwhile, the contribution of net exports turned negative, as imports outpaced exports. Nominal gross value added (GVA)[3] data show that the expansion continued to be largely supported by services, although the manufacturing and construction sectors also expanded.

In the near term, GDP will be affected significantly, mainly on account of the negative effects of COVID-19 on confidence, disruptions in global supply chains and lower demand in a number of services sectors, most notably those related to tourism. However, growth should recover from 2021. At this juncture, projections of economic activity, both for Malta and globally, critically hinge on the duration of the pandemic, as well as the size of the local and global fiscal response.

The International Monetary Fund (IMF) has in their latest projections[4] estimated that the global economy will contract sharply by -3% in 2020, much worse than during the 2008-09 financial crisis. In its baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8% in 2021 as economic activity normalises, helped by policy support. On the same basis, Malta's real GDP is projected to decline by 2.8% in 2020, but is expected to rebound by 7% in 2021. Such outcome may vary significantly as economic performance is dependent on factors that interact in ways that are hard to predict, including *inter alia* the pathway of the pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, shifts in spending patterns, behavioural changes (such as people avoiding shopping malls and public transportation) and confidence effects.

10.2 FASHION RETAIL SECTOR

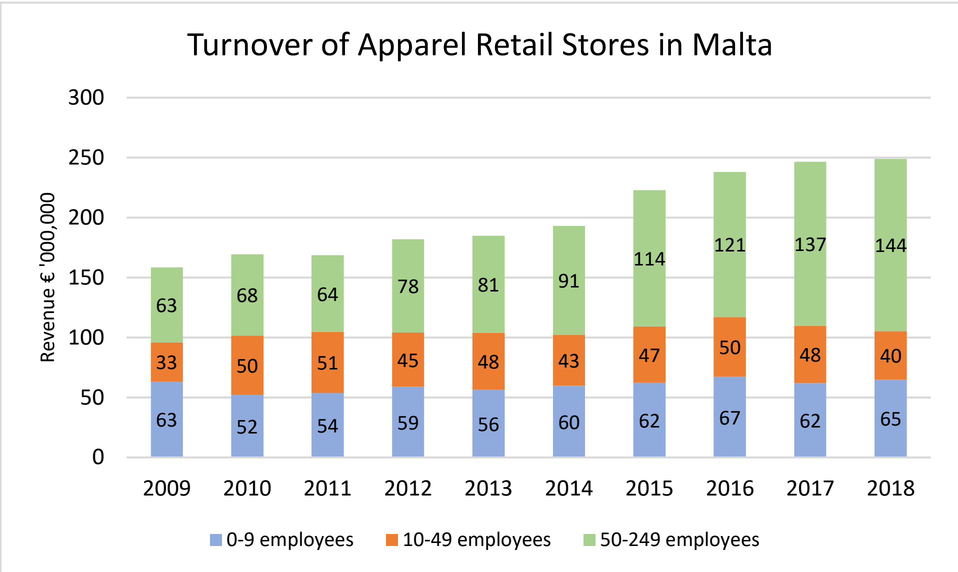
Data in relation to the size of the apparel market in Malta is not published. Notwithstanding, an estimate of the retail store market has been derived from data obtained from the National Statistics Office of Malta (the latest available information relates to calendar year 2018). Data with respect to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

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

[3] Gross Value Added (GVA) is the value of output less the value of intermediate consumption; it is a measure of the contribution to GDP made by an individual producer, industry or sector.
[4] World Economic Outlook, Chapter 1 The Great Lockdown – International Monetary Fund, May 2020.

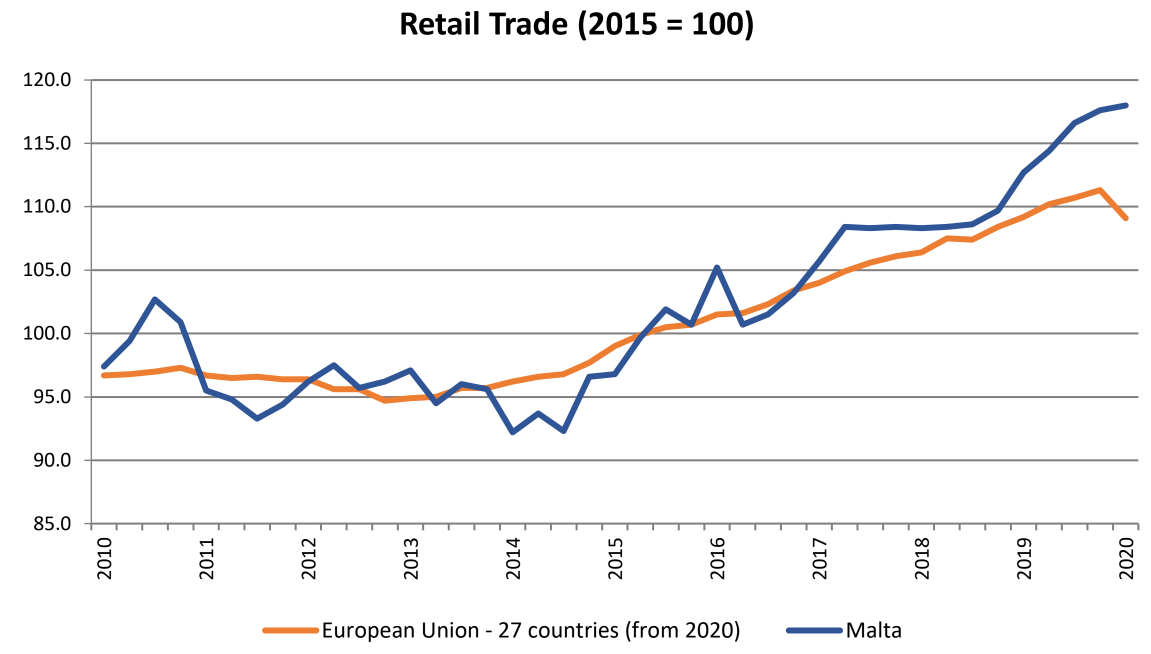
Turnover of Apparel Retail Stores in Malta	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-18
0-9 employees											
Total turnover (€'million)	63	52	54	59	56	60	62	67	62	65	**0.3%**
No. of outlets (units)	705	666	674	674	655	666	616	659	652	651	
Average turnover (€'million)	0.09	0.08	0.08	0.09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

Source: National Statistics Office Malta (NACE 47.71 data)



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

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



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

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

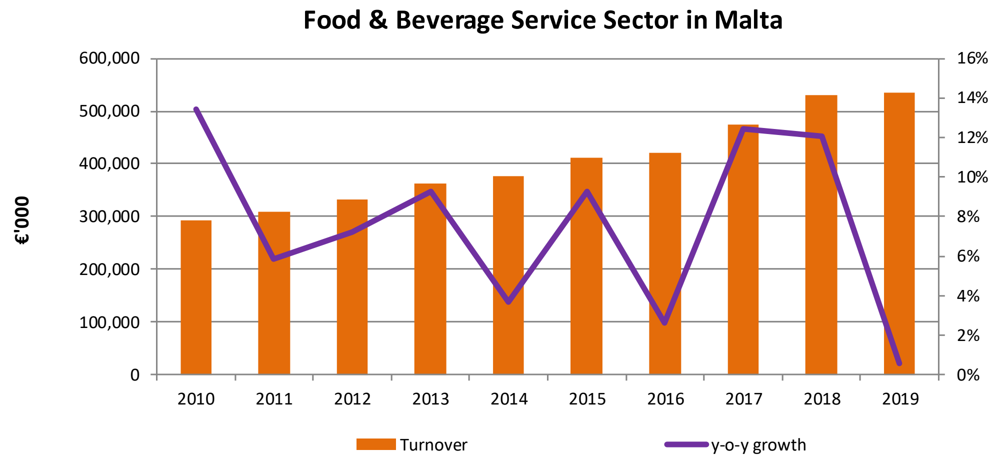
During the period under review (Q1 2010 to Q1 2020), retail activity in Malta increased by *circa* 21 percentage points and since Q4 2016 has performed better than the EU average. A number of factors have contributed to this strong performance, including:

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

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

10.3 FOOD & BEVERAGE SERVICE SECTOR

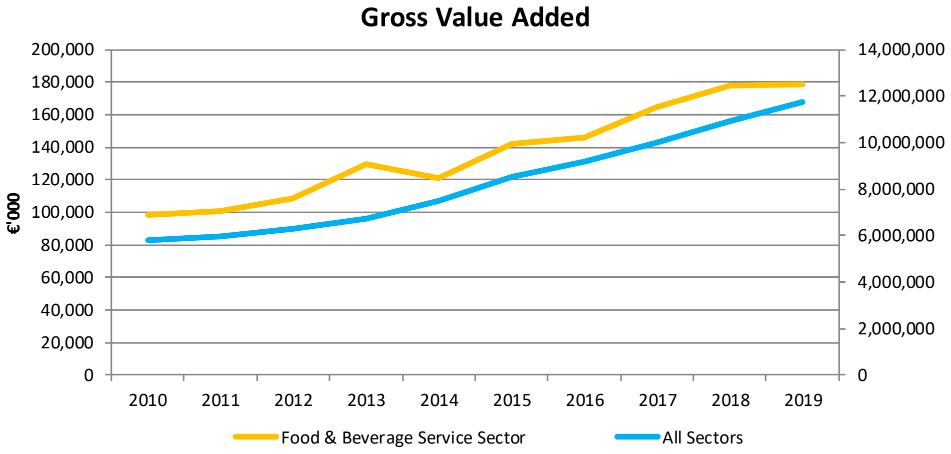
The food & beverage service sector comprises restaurants & mobile food service activities and beverage serving activities. In 2019, total income from this sector in Malta amounted to €534.4 million, an increase of 0.6% over the previous year (2018: €531.2 million).



Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

As shown in the above chart, over a 10-year period (2010 – 2019), market output has progressively increased year-on-year. During the last 3 years, the sector registered year-on-year increases of 12.4% and 12.1% in 2017 and 2018 respectively, but slowed to 0.6% in 2019 when compared to the prior year. Since 2010, the food & beverage service sector grew at a compound annual growth rate of 6.9%.

The chart hereunder shows that the gross value added generated by the food & beverage service sector in Malta has grown on a year-to-year basis from €98.2 million in 2010 to €178.5 million in 2019. The chart also highlights the sector's correlation to Malta's economic performance. Over the reported period, the food & beverage service sector represented 1.7% of gross value added generated by the whole economy.



Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

The COVID-19 pandemic has directed the Maltese authorities to impose various measures, including the temporary suspension of international travel and closure of hotels, restaurants, bars and other outlets, which is having a material impact on the food & beverage service sector. Although the travel ban has been lifted as from 1 July 2020, significant headwinds are likely to persist for a period of time. Accordingly, it is still not possible to assess with a certain degree of accuracy the full extent of the adverse impact on this sector.

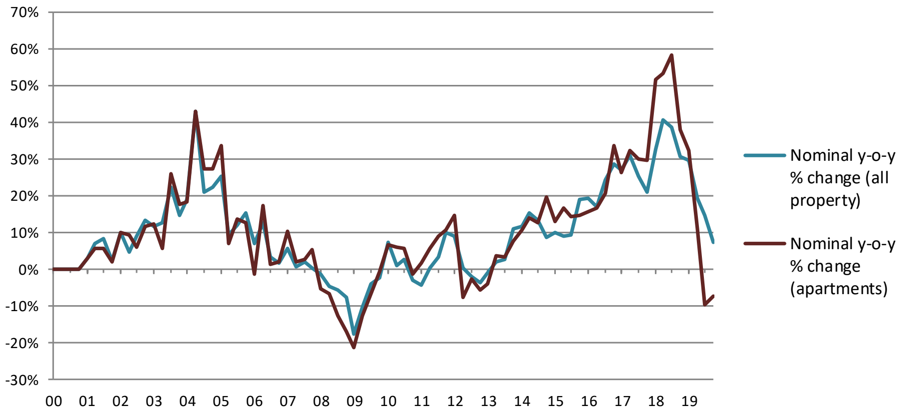
10.4 PROPERTY SECTOR

During the last five years (Q4 2014 to Q4 2019), property prices increased by 56%, primarily on account of a strong economy and a robust labour market. Further analysis of the chart[5] below shows that the 12-month upward trend in prices (in percentage terms) increased at an accelerating rate from Q2 2013 up to Q2 2018, after having gone through a volatile period between FY2008 to FY2012 as a result of the global financial crisis and its aftermath. In the subsequent 6 quarters - Q3 2018 to Q4 2019 - property prices continued to increase albeit at a slower pace.

The nominal year-on-year change in apartment prices broadly tracked the aggregate property price movements over the periods under review, except for the periods Q1 2018 to Q4 2019, wherein the yearly increase in prices of apartments between Q1 2018 and Q3 2018 was higher when compared to the broader property market, but declined comparably faster in the subsequent periods (Q4 2018 to Q4 2019). Moreover, in Q3 2019, apartment prices registered a decrease of 10% when compared to Q3 2018 and declined by a further 7% in the subsequent quarter on a comparable basis.

[5] https://www.centralbankmalta.org/real-economy-indicators (property prices index based on advertised prices (base 2000 = 100)).

CHART I: Change in Property Prices

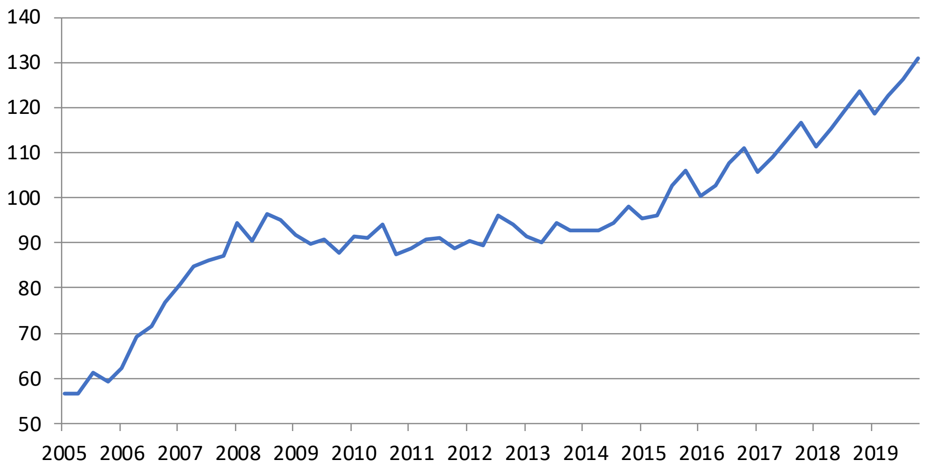


Source: Central Bank of Malta

The above data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place.

Eurostat's House Price Index for Malta[6] – which captures price changes of all residential properties purchased by households (including flats, detached houses, terraced houses, etc) - also indicates that residential property prices increased. The latest data available refers to Q4 2019 and shows that said prices increased by 5.6% compared with the same quarter of 2019, and over a 5-year period (Q4 2014 to Q4 2019), prices increased by 34% (vide Chart II below).

CHART II: Malta House Price Index



Source: Eurostat

6 https://ec.europa.eu/eurostat/tgm/download.do?tab=table&plugin=1&language=en&pcode=tipsho40 (the data is expressed as quarterly index (2015 = 100)).

Prior to the pandemic crisis, residential property prices were supported by numerous factors, including the low-interest rate environment that makes property more attractive as an investment, as well as the Government's schemes for first-time and second-time buyers. Demand for residential property was also driven by favourable labour market conditions, strong growth in tourism (particularly in private accommodation), disposable income and an increase in foreign workers. The Individual Investor Programme also contributed, although property acquisitions under this Programme account for a limited proportion of all property transactions.[7]

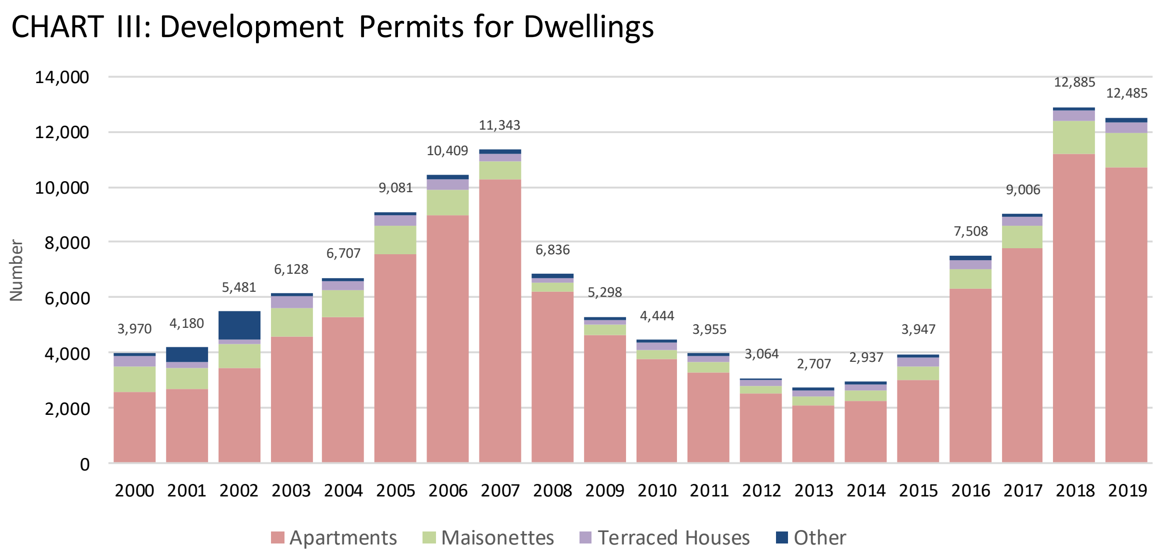
On 8 June 2020, the Government announced a plan to regenerate the economy following the impact of COVID-19 on the country. Measures relating to immovable property include a reduction in taxation from 8% to 5% on sales of property, whilst stamp duty levied on the acquisition of property will be charged at 1.5%. These reductions will apply to properties with values below €400,000 and the contracts of sale must be concluded by March 2021.

In 2019, the number of permits issued for the construction of residential dwellings declined following five consecutive years of substantial growth. Permits issued in 2019 remained high from a historical perspective, standing at 12,485 compared to 12,885 in 2018 (see Chart III below). This was entirely due to a lower number of permits issued for the construction of apartments, which were down by 4.3%. Notwithstanding recent developments, apartments still accounted for 85.9% of total residential permits issued in 2019. On the other hand, permits issued for maisonettes and terraced houses rose during the year under review and accounted for 9.8% and 3.2%, respectively of all residential permits issued during the year. Permits issued for other dwellings also increased over the year, reaching a three-year high. However, these continued to account for a very small proportion of all residential permits issued.

Construction investment increased by 12.6% in nominal terms, following an increase of 3.9% in 2018. This acceleration was driven by non-dwelling investment, which rose by 21.6%, after declining by 10.2% in 2018. By contrast, annual growth in residential investment moderated to 4.6%, from 20.8% previously. GVA in the construction sector increased at a faster pace during 2019. It rose by 13.9% following an increase of 7.9% in the preceding year.[8]

[7] Central Bank of Malta Quarterly Review 2020:1 (page 43).

[8] Fifty-second Annual Report and Statement of Accounts 2019 – Central Bank of Malta, 2020 (pages 50 and 55).



Although the construction and property sectors were not part of the containment measures taken by Government to stem the spread of COVID-19, such sectors will undoubtedly be impacted negatively due to the high level of uncertainty concerning the duration of this pandemic and the resulting adverse effect on the Maltese economy and market sentiment.

It is too early to reliably determine the impact that the pandemic may have on the property market generally, including the commercial property sector. Landowners will likely proceed with the completion of projects currently under development, but new projects will be put on hold or commence once the situation stabilises. Lease rates for commercial property may have to be reduced until there is a return to normality or once the apparent over-supply is to a large extent absorbed.

The short-let rental market for residential property has witnessed a significant decline in tourist demand following the temporary closure of the Airport, while the long-let rentals have been affected by the return of foreign workers to their home countries. This situation is presently exerting downward pressure on rental rates generally, which in turn may impact the demand for residential property and asset prices thereof.

11. TREND ANALYSIS AND BUSINESS STRATEGY

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

The Group will continue to monitor developments in sales, customer preferences and the market in general, introducing new product offerings with the aim of returning the Group to sustainable profitability. For this purpose, the Group is growing its food & beverage division and also undergoing a restructuring exercise to segregate the fashion, food & beverage and property sections within the Group, so as to consolidate the Group's business lines and to adapt to new legislative environment and conditions that COVID-19 is having on the Group's operations and the economy.

PART 2 – GROUP PERFORMANCE REVIEW

12. 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 2017 to 31 December 2019. The financial information for the year ending 31 December 2020 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**	**2017** **Actual** **€'000**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Projection** **€'000**
Rental income	225	227	289	278
Finance income	504	662	664	662
Finance costs	(427)	(429)	(425)	(401)
Gross profit	**302**	**460**	**528**	**539**
Profit on disposal of investment property	-	16	-	72
Other income	-	8	5	-
Adminstrative expenses	(102)	(97)	(120)	(118)
Fair value movement on property	-	-	-	822
Depreciation	(44)	(46)	(46)	(56)
Profit before tax	**156**	**341**	**367**	**1,259**
Taxation	(178)	(125)	-	(153)
Profit (loss) for the year	**(22)**	**216**	**367**	**1,106**

Dizz Finance p.l.c. Statement of Financial Position as at 31 December	2017 Actual €'000	2018 Actual €'000	2019 Actual €'000	2020 Projection €'000
ASSETS				
Non-current assets				
Property, plant & equipment	346	311	267	311
Investment property	4,077	2,918	2,918	3,820
Loans owed by related companies	6,163	6,163	6,163	6,163
Loans owed by third parties	97	88	89	89
Deposits on property	1,318	97	97	-
	12,001	**9,577**	**9,534**	**10,383**
Current assets				
Trade and other receivables	837	6,467	5,135	5,135
Cash and cash equivalents	-	-	-	297
	837	**6,467**	**5,135**	**5,432**
Total assets	**12,838**	**16,044**	**14,669**	**15,815**
EQUITY				
Share capital	1,910	1,910	1,910	1,910
Retained earnings	1,256	1,472	1,839	2,945
	3,166	**3,382**	**3,749**	**4,855**
LIABILITIES				
Non-current liabilities				
Debt securities - 5% Bonds 2026	7,787	7,812	7,836	7,860
Deferred tax liabilities	254	195	195	267
	8,041	**8,007**	**8,031**	**8,127**
Current liabilities				
Bank balance overdrawn	52	36	26	-
Amounts due to related party	574	572	725	725
Trade & other payables	835	3,682	1,956	1,955
Current tax liabilities	170	365	182	153
	1,631	**4,655**	**2,889**	**2,833**
Total liabilities	**9,672**	**12,662**	**10,920**	**10,960**
Total equity and liabilities	**12,838**	**16,044**	**14,669**	**15,815**

Dizz Finance p.l.c. Cash Flow Statement **for the year ended 31 December**	**2017** **Actual** **€'000**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Projection** **€'000**
Net cash from operating activities	712	835	633	663
Net cash from investing activities	(634)	1,667	(2)	60
Net cash from financing activities	(350)	(2,486)	(621)	(400)
Net movement in cash and cash equivalents	**(272)**	**16**	**10**	**323**
Cash and cash equivalents at beginning of year	220	(52)	(36)	(26)
Cash and cash equivalents at end of year	**(52)**	**(36)**	**(26)**	**297**

Income Statement

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 FY2019, rental income generated by the Issuer amounted to €289,000 compared to €227,000 in FY2018 (+27%). The properties owned by the Issuer and which are leased in Group companies and third parties are listed in section 4 of this report. Rental income for FY2020 is projected to decline marginally to €278,000.

Net interest income reflects the net difference between interest receivable from advances to Group companies and interest payable on bonds in issue. In FY2019, net interest income amounted to *circa* €239,000 compared to €233,000 in the prior year. In FY2020, net interest receivable is expected to increase by €22,000 to €261,000.

In FY2019, profit for the year increased by €151,000 (y-o-y) to €367,000 primarily since no tax was chargeable in FY2019 compared to €125,000 tax charge in FY2018.

Net profit in FY2020 is projected to amount to €1.1 million (FY2019: €367,000). The variance from the previous year mainly emanates from the recognition of gains amounting to €822,000 on the fair value of 6 of the Issuer's properties. Furthermore, following the sale of the Tas-Sellum apartment in the initial part of 2020, a profit on disposal amounting to €71,500 will be reported in the FY2020 income statement.

Statement of Financial Position

The assets of the Issuer principally include investment property (listed in section 4 of this report) valued at €2.9 million as at 31 December 2019 (FY2018: €2.9 million), loans owed by related companies amounting to €6.2 million (FY2018: €6.2 million), and trade and other receivables of €5.1 million (FY2018: €6.5 million) which mainly comprises amounts due from Group companies. Other than the revaluation of investment property mentioned above, no material movements are being projected in total assets as at 31 December 2020.

The liabilities of the Issuer mainly comprise debt securities listed on the Official List of the Malta Stock Exchange of €7.8 million (FY2018: €7.8 million) and amounts due to Group companies amounting to €2.7 million (FY2018: €2.7 million) (being the aggregation of line items "*amounts due to related party*" and "*trade & other payables*"). Save for the y-o-y increase in retained earnings of €1.1 million, no other material movements in liabilities have been projected for FY2020 compared to FY2019.

Cash Flow Statement

Operating net cash inflows during the 3 historical financial years averaged *circa* €726,000. It is estimated that net operating cash inflows in FY2020 will be broadly unchanged and should amount to €663,000.

Cash flows from investing activities mainly include purchases and disposals of property, plant & equipment and investment property. No movement in investing activities was registered in FY2019 compared to an inflow of €1.7 million in FY2018 following the sale of 2 investment properties to D Shopping Malls Ltd. In FY2020, a net positive difference (between amounts receivable on disposals and purchases of property) is being projected at €60,250. During the forecast year, the Issuer is expected to dispose of Apt 912, Tas-Sellum, Mellieha and acquire an apartment in Pieta (mentioned in section 4 of this report.

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 €0.6 million compared to €2.5 million in FY2018. It is assumed that financing activities in FY2020 will represent bond interest payable amounting to €0.4 million.

13. 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 2017 to 31 December 2019. The financial information for the year ending 31 December 2020 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.

The COVID-19 outbreak has negatively impacted various industries across the business spectrum, causing a cutback in business operations across many sectors. In March 2020, the Authorities took preventative and protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their activities outside of their homes. Despite the gradual re-opening of the economy in June 2020, there remains significant uncertainty in the market and predictions, financial or otherwise, remain highly subjective.

The immediate impact of the pandemic on the Group resulted in the temporary closure of the fashion retail stores and food & beverage outlets. During this time period, retail operations were conducted solely through online sales while food & beverages outlets operated take-out and delivery services.

In light of the above, the Group's management has implemented various measures to curtail costs, monitor inventory levels, change work patterns, reduce working times and reduce tempo of certain capital expenditure projects (including the development of the Hub and completion of D Mall). Such measures are intended to preserve the financial position of the Group and to protect its employees and stakeholders.

In the 2019 Financial Analysis Summary dated 26 June 2019, rental income was reported in the income statement below EBITDA. As of this year, rental income has been reclassified and is being reported as part of revenue. As such, the presentation of financial information for FY2017 and FY2018 has been amended accordingly.

Dizz Group of Companies Limited - Consolidated Income Statement for the year ended 31 December	**2017 Actual €'000**	**2018 Actual €'000**	**2019 Actual €'000**	**2020 Projection €'000**
Revenue	16,390	14,758	14,406	13,032
Cost of sales	(8,520)	(8,138)	(8,349)	(5,679)
Gross operating profit	**7,870**	**6,620**	**6,057**	**7,353**
Administration expenses	(5,958)	(5,704)	(4,065)	(5,695)
Marketing expenses	(101)	(88)	(466)	(274)
EBITDA	**1,811**	**828**	**1,526**	**1,384**
Depreciation and amortisation	(924)	(914)	(3,355)	(3,901)
Management fees and other income/(costs)	(13)	688	1,261	2,097
Gain/(loss) on disposal of property, plant & equipment	(28)	16	-	-
Changes in fair value of investment property	-	645	-	-
Net finance costs	(454)	(582)	(1,720)	(1,834)
Profit/(loss) before tax	**392**	**681**	**(2,288)**	**(2,254)**
Taxation	(297)	(336)	625	1,523
Profit/(loss) after tax	**95**	**345**	**(1,663)**	**(731)**
Other comprehensive income				
Gains/(impairments) on property revaluation	(65)	-	3,083	574
Taxation	(42)	-	(260)	(46)
	(107)	**-**	**2,823**	**528**
Total comprehensive income/(expense)	**(12)**	**345**	**1,160**	**(203)**

Dizz Group of Companies Limited - Earnings before interest, tax, depreciation and amortisation ("EBITDA")				
for the year ended 31 December	**2017**	**2018**	**2019**	**2020**
	Actual	**Actual**	**Actual**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**
EBITDA has been calculated as follows:				
Gross profit	**7,741**	**6,456**	**5,679**	**6,213**
Adjustments:				
Administration expenses	(5,958)	(5,704)	(4,065)	(5,695)
Marketing expenses	(101)	(88)	(466)	(274)
Rental income	129	164	378	1,140
EBITDA	**1,811**	**828**	**1,526**	**1,384**

Key Accounting Ratios	**FY2017**	**FY2018**	**FY2019**	**FY2020**
	Actual	**Actual**	**Actual**	**Projection**
Gross operating profit margin *(Gross operating profit/revenue)*	48%	45%	42%	56%
EBITDA margin *(EBITDA/revenue)*	11%	6%	11%	11%
Interest cover (times) *(EBITDA/net finance cost)*	3.99	1.42	0.89	0.75
Net profit margin *(Profit after tax/revenue)*	1%	2%	n/a	n/a
Earnings per share (€) *(Profit after tax/number of shares)*	0.03	0.10	n/a	n/a
Return on equity *(Profit after tax/shareholders' equity)*	2%	7%	n/a	n/a
Return on capital employed *(EBITDA/total assets less current liabilities)*	14%	4%	4%	3%
Return on assets *(Profit after tax/total assets)*	0%	1%	n/a	n/a

Source: MZ Investment Services Ltd

In **FY2017**, revenue of the Group increased by €6.1 million (+58%) from €10.3 million in FY2016 to €16.4 million. The afore-mentioned increase in revenue was mainly generated from the retail sector as to €15.0 million and the food and beverage outlets generated €1.3 million. Revenue from rental income remained stable at €0.1 million.

EBITDA increased by €0.5 million (+39%) from €1.3 million in FY2016 to €1.8 million. After accounting for depreciation and amortisation of €0.9 million (FY2016: €0.8 million), net finance costs of €0.5 million (FY2016: €0.4 million) and other losses amounting to *circa* €40,000 (FY2016: net gains of €0.6 million), the Group registered a profit before tax of €0.4 million (FY2016: €0.8 million).

Profit after tax amounted to €0.1 million in FY2017 compared to €0.6 million in FY2016. Overall, the Group reported total comprehensive expense of €12,000 in FY2017 after reflecting other comprehensive losses of €107,000.

In **FY2018**, revenue of the Group decreased by €1.6 million (-10%) from €16.4 million in FY2017 to €14.8 million, primarily due to the closure of the Terranova outlets in Valletta and Paola, Calliope outlet at Tigne Point, Pinko Store in Sliema and Trussardi store at Tigne Point. Revenue generated from the food & beverage sector amounted to €1.2 million compared to €1.3 million in the prior year, and rental income was relatively stable (y-o-y) and amounted to €165,000.

The decline in revenue impacted gross operating profit by €1.3 million (-16%) to €6.6 million (FY2017: €7.9 million) and EBITDA decreased from €1.8 million in FY2017 to €0.8 million in FY2018 (-54%). In FY2018, the Group reflected an uplift in fair value of investment property and other income amounting to €1.3 million (FY2017: other costs of €13,000), which more than compensated for the y-o-y decrease in EBITDA. As such, the Group reported an increase in profit after tax of €250,000 in FY2018, from €95,000 in FY2017 to €345,000.

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 has 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 is 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 reflects 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 right-of-use 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).

Key accounting ratios – A comparability analysis of the last three financial years shows that gross operating profit margin is trending downwards, from 48% in FY2017 to 42% in FY2019, particularly in view of stiff competition prevalent in the fashion retail sector. EBITDA margin has improved from 6% in FY2018 to 11% in FY2019, but this is mainly due to the adoption of IFRS 16 in FY2019 as explained elsewhere in this report. Similarly, the interest cover has deteriorated from 1.42 times in FY2018 to 0.89 times in FY2019 pursuant to the adoption of IFRS 16.

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.

The projections for FY2020 take into account the actual trading results of the Group for the six-month period from 1 January 2020 to 30 June 2020 and forecast for the remaining 6 months to 31 December 2020. The key assumptions adopted by the Group to compile the projected income statement are as follows:

- Most of the Group's retail establishments re-opened in May 2020 and will remain operational for the rest of the financial year. A number of outlets will remain closed in 2020 for refurbishment purposes, while Brooks Brothers and Elisabetta Franchi outlet in Valletta will not re-open;
- The Group's food & beverage outlets re-opened in June 2020 and shall continue in operations throughout 2020;
- Development works on the Hub will proceed according to plan;
- Works on retail outlets at D Mall will be completed by September 2020.

Revenue in FY2020 is projected to decrease by €1.4 million y-o-y to €13.0 million on account of the complete shutdown or reduced operations of the retail and food & beverage segments during April and May 2020, and the expected curtailment of operations in fashion retail between June and December 2020. The decrease in operational activities was partially offset by the acquisition of the Pastrocchio, Salad Box and Nespresso brands and the opening of new Caffe Pascucci outlets, and an increase in rental income receivable from third parties.

Administration expenses are expected to increase by €1.6 million to €5.7 million in FY2020 on account of an impairment of aged inventory. As a result, EBITDA is expected to decrease from €1.5 million in FY2019 to €1.4 million in FY2020. Management fees and other income is projected to increase by 66% to €2.1 million and comprise uplifts in carrying values of property, plant & equipment and premium receivable from new third party tenants of outlets at D Mall and Center Parc.

Depreciation and amortisation is projected to increase by €546,000 while net finance costs are expected to increase by €114,000. Overall, the Group is projected to register a loss for the year amounting to €731,000 compared to a loss of €1.7 million in FY2019. Total comprehensive expense is expected to amount to €203,000 (FY2019: income of €1.2 million) after accounting for gains in fair value of investment property (net of deferred tax) amounting to €528,000 (FY2019: €2.8 million).

Dizz Group of Companies Limited - Cash Flow Statement for the year ended 31 December	**2017 Actual €'000**	**2018 Actual €'000**	**2019 Actual €'000**	**2020 Projection €'000**
Net cash from operating activities	2,025	(2,721)	4,883	2,772
Net cash from investing activities	(2,633)	(1,262)	(2,469)	(1,794)
Net cash from financing activities	(400)	7,122	(5,868)	(985)
Net movement in cash and cash equivalents	**(1,008)**	**3,139**	**(3,454)**	**(7)**
Cash and cash equivalents at beginning of year	(473)	(1,481)	1,658	(1,772)
Adj. for cash balances of subsidiaries acquired by the Group	-	-	24	(71)
Cash and cash equivalents at end of year	**(1,481)**	**1,658**	**(1,772)**	**(1,850)**

Net cash flows from operating activities principally relate to the operations of the Group. In FY2019, net cash from operating activities increased from a deficiency of €2.7 million in FY2018 to a surplus of €4.9 million, mainly due to the reclassification of lease payments from operating activities to financing activities in terms of IFRS 16. In FY2020, net cash inflows from operating activities is expected to amount to €2.8 million.

Net cash flows from investing activities mainly reflect the acquisition and disposal of investment property and property, plant & equipment, and capital expenditure on the Group's outlets and property development works. In this regard, during the 3 historical years under review (FY2017 – FY2019) the Group utilised a net amount of €6.4 million on investing activities. During the initial part of FY2020, the Group acquired the property in Pieta and sold off the "Tas-Sellum" apartment in Mellieha. A further €1.7 million is projected to be incurred in capital expenditure, including the completion of outlets currently being refurbished, the completion of D Mall by September 2020 and development works in relation to the Hub.

In FY2017, cash flows used in financing activities related to interest paid on Bonds. In the subsequent year (FY2018), net cash generated from financing activities amounted to €7.1 million, which represented net proceeds from bond issue of €7.6 million and cash outflows of €0.5 million relating to bond interest payment and amounts paid to related parties. Net cash used in financing activities in FY2019 amounted to €5.9 million and comprised advances to related parties (€1.8 million), bond interest (€0.8 million) and payment of finance leases (€3.3 million). In FY2020, it is assumed that net cash outflow from financing activities will amount to €985,000 and shall comprise the inflow of €3 million from the issue of secured convertible notes, offset by payments of finance leases and interest coupon payments.

Dizz Group of Companies Limited - Statement of Financial Position				
As at 31 December	**2017**	**2018**	**2019**	**2020**
	Actual	**Actual**	**Actual**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**
ASSETS				
Non-current assets				
Property, plant & equipment	8,708	8,241	13,863	15,786
Investment property	3,066	5,507	5,507	5,795
Right of use assets	-	-	23,732	21,499
Intangible assets	985	2,000	888	5,706
Deferred tax assets & other non-current assets	1,492	373	1,010	2,436
Trade and other receivables	-	1,453	-	-
	14,251	**17,574**	**45,000**	**51,222**
Current assets				
Inventories	2,792	4,309	5,376	5,947
Trade & other receivables	1,986	4,743	3,979	3,468
Cash and cash equivalents	233	3,412	448	375
	5,011	**12,464**	**9,803**	**9,790**
Total assets	**19,262**	**30,038**	**54,803**	**61,012**
EQUITY				
Share capital	3,290	3,290	3,291	7,719
Other reserves	406	406	3,230	3,758
Retained earnings	1,058	1,403	(459)	(1,190)
	4,754	**5,099**	**6,062**	**10,287**
LIABILITIES				
Non-current liabilities				
5% unsecured bonds 2026 (listed on the Regulated Market)	7,787	7,811	7,836	7,860
5.35% unsecured bonds 2028 (listed on Prospects MTF)	-	7,419	7,427	7,435
Secured convertible notes (listed on Wholesale Securities Market)	-	-	-	3,000
Bank borrowings	-	-	-	496
Lease liabilities	-	-	19,223	17,170
Deferred tax liabilities	253	404	664	1,286
	8,040	**15,634**	**35,150**	**37,247**
Current liabilities				
Bank overdraft	1,714	1,754	2,220	2,225
Lease liabilities	-	-	1,998	1,998
Trade & other payables	4,283	6,778	8,777	9,255
Current tax liabilities	471	773	596	-
	6,468	**9,305**	**13,591**	**13,478**
Total liabilities	**14,508**	**24,939**	**48,741**	**50,725**
Total equity and liabilities	**19,262**	**30,038**	**54,803**	**61,012**

Key Accounting Ratios	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Projection
Gearing ratio *(Net debt/net debt and shareholders' equity)*	66%	73%	86%	79%
Net debt to EBITDA (years) *(Net debt/EBITDA)*	5.12	16.39	25.07	28.76
Net assets per share (€) *(Net asset value/number of shares)*	1.44	1.55	1.84	3.13
Liquidity ratio (times) *(Current assets/current liabilities)*	0.77	1.34	0.72	0.73
Quick ratio (times) *(Current assets less inventories/current liabilities)*	0.34	0.88	0.33	0.29

Source: MZ Investment Services Ltd

The Group's total assets as at 31 December 2019 amounted to €54.8 million, an increase of €24.8 million on a comparable basis (FY2018: €30.0 million). The principal movement relates to the inclusion of right-of-use assets amounting to €23.7 million in FY2019 following the adoption of IFRS 16. Other movements include the following:

(i) property, plant & equipment increased by €5.6 million on account of capital expenditure on the Group's properties and an uplift in fair value of the Hub of €3.1 million;
(ii) intangible assets mainly represent rights over brand or outlets and in FY2019, the addition in FY2018 of €1.1 million was reclassified to right-of-use assets;
(iii) inventories increased by €1.1 million; and
(iv) cash and cash equivalents decreased by €3.0 million to €448,000.

Total liabilities in FY2019 amounted to €48.7 million compared to €24.9 million in FY2018 (+€23.8 million), mainly on account of the reflection of lease liabilities amounting to €21.2 million in terms of IFRS 16. The balance of bank overdraft increased y-o-y by €466,000, while trade & other payables increased by €2.0 million to €8.8 million (FY2018: €6.8 million). Trade & other payables include privileged creditors amounting to €4.3 million (FY2018: €2.7 million).

Property, plant & equipment is expected to increase to €15.8 million in FY2020 following the acquisition of DCAFFE Ltd and D Kitchen Lab Limited, as well as the investment in D Mall, the Hub and new outlets opening during the year. A gain in fair value of properties used by the Group will also be recognised in FY2020. Furthermore, Caffe Pascucci in Gzira will be reclassified from investment property to property, plant & equipment.

In FY2020, investment property is expected to increase to €5.8 million from €5.5 million in FY2019 pursuant to the sale of the Tas-Sellum apartment, the acquisition of an apartment in Pieta, uplifts in fair value of assets as well as the derecognition of Pascucci Caffe in Gzira.

Further to the acquisition of DCaffe Holdings Ltd. and D Kitchen Lab Limited by the Guarantor in exchange for an issue of ordinary shares to the ultimate beneficial owners of the Group, the Guarantor's issued share capital increased by €4.4 million to €7.7 million. On consolidation, the Group is expected to recognise €4.9 million in goodwill (intangible assets) which includes provisional pre-acquisition losses of the subject companies of €0.5 million.

The inventory value of the Group as at 31 December 2020 is projected to increase from €5.4 million in FY2019 to €5.9 million, mainly on account of Nespresso inventory items following the acquisition of DCAFFE Holding Ltd. by the Guarantor.

Trade and other receivables are expected to decrease €511,000 as amounts due from DCAFFE Holding Ltd. are eliminated on consolidation. In contrast, trade and other payables are projected to increase in FY2020 by €478,000 to €9.3 million.

The gearing ratio of the Group increased from 73% in FY2018 to 86% in FY2019, primarily due to the inclusion of lease liabilities in FY2019 (pursuant to IFRS 16). In consequence of the proposed issue of secured convertible notes in FY2020 and an increase in shareholders' funds (from €6.1 million in FY2019 to €10.3 million in FY2020), the Group's leverage is expected to decrease to 79%. Albeit, the current situation of accumulated losses, together with minimal cash balances and increasing debt levels is unsustainable, and as such, the Group requires a drastic improvement in profitability or a fresh injection of cash as equity or both.

The above view is confirmed when looking at the liquidity ratio which deteriorated from 1.34 times in FY2018 to 0.72 times in FY2019, principally due to a decline in cash balances from €3.4 million to €0.4 million, and an increase in trade & other payables and inclusion of lease liabilities of €4.0 million (in aggregate). The lack of short term liquidity is further highlighted with the quick ratio, which shows that the Group's near cash assets in FY2019 covered current liabilities by only 0.33 times and is projected to worsen in FY2020 to 0.28 times (generally, a company should have a quick ratio higher than 1).

14. 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 2019 included in the prior year's Financial Analysis Summary dated 26 June 2019 and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Dizz Group of Companies Limited - Consolidated Income Statement for the year ended 31 December 2019	**Actual**	**Forecast**	**Variance**
	€'000	**€'000**	**€'000**
Revenue	14,406	17,986	(3,580)
Cost of sales	(8,349)	(9,270)	921
Gross operating profit	**6,057**	**8,716**	**(2,659)**
Administration expenses	(4,065)	(2,816)	(1,249)
Marketing expenses	(466)	(162)	(304)
EBITDA	**1,526**	**5,738**	**(4,212)**
Depreciation and amortisation	(3,355)	(3,765)	410
Management fees and other income/(costs)	1,261	-	1,261
Net finance costs	(1,720)	(2,808)	1,088
Profit/(loss) before tax	**(2,288)**	**(835)**	(1,453)
Taxation	625	(275)	900
Profit/(loss) after tax	**(1,663)**	**(1,110)**	**(553)**
Other comprehensive income			
Gains/(impairments) on property revaluation	3,083	-	3,083
Taxation	(260)	-	(260)
	2,823	**-**	**2,823**
Total comprehensive income/(expense)	**1,160**	**(1,110)**	**2,270**

As presented in the above table, revenue generated by the Group in FY2019 was lower than expected by €3.6 million as follows: actual fashion retail revenue was lower by €1.4 million (-10%) to €14.0 million; actual food & beverage revenue amounted to €1.4 million compared to a projected figure of €1.8 million; rental income was projected at €2.2 million while actual income amounted to €0.4 million. With respect to rental income, the Group had expected FY2019 to be the first full year of operation of Center Parc and D Mall, but both openings were delayed to FY2020 and FY2021 respectively.

EBITDA was lower than forecast by €4.2 million due to lower than expected revenue as explained above (partly mitigated by lower cost of sales of €0.9 million) and higher administrative and marketing expenses of €1.5 million which was not anticipated by management.

The adverse variance in EBITDA was reduced by lower than expected depreciation & amortisation and net finance costs amounting to €1.5 million, while management fees and other income of €1.3 million was not included in the projected income statement. Furthermore, a positive variance of 0.9 million was registered in taxation. As such, the loss for the year amounted to €1.7 million compared to a forecast loss of €1.1 million (an adverse variance of €0.6 million).

In other comprehensive income, an uplift in fair value of property amounting to €2.8 million was not reflected in the forecasted figures. Accordingly, actual comprehensive income for the year was higher than projected by €2.3 million and amounted to €1.2 million (forecast: - €1.1 million).

Dizz Group of Companies Limited - Cash Flow Statement for the year ended 31 December 2019	**Actual €'000**	**Forecast €'000**	**Variance €'000**
Net cash from operating activities	4,883	1,953	2,930
Net cash from investing activities	(2,469)	(1,767)	(702)
Net cash from financing activities	(5,868)	(801)	(5,067)
Net movement in cash and cash equivalents	**(3,454)**	**(615)**	**(2,839)**
Cash and cash equivalents at beginning of year	1,658	1,658	-
Adj. for cash balances of subsidiaries acquired by the Group	24	352	(328)
Cash and cash equivalents at end of year	**(1,772)**	**1,395**	**(3,167)**

Actual net movement in cash and cash equivalents was higher than projected by €3.1 million. Net operating cashflow was higher than expected by €2.9 million, mainly on account of actual rental payments of €3.3 million being recorded in financing activities.

The variance in net cash from investing activities was negative by €0.7 million due to higher than expected expenditure on capital projects. As to financing activities, the variance in net cash amounted to €5.1 million which comprised advances to related parties of €1.8 million and rental payments of €3.3 million.

Dizz Group of Companies Limited - Statement of Financial Position
As at 31 December 2019

	Actual	Forecast	Variance
	€'000	**€'000**	**€'000**
ASSETS			
Non-current assets			
Property, plant & equipment	13,863	9,698	4,165
Investment property	5,507	5,732	(225)
Right of use assets	23,732	36,774	(13,042)
Intangible assets	888	1,976	(1,088)
Deferred tax assets & other non-current assets	1,010	606	404
	45,000	**54,786**	**(9,786)**
Current assets			
Inventories	5,376	3,795	1,581
Trade & other receivables	3,979	1,127	2,852
Cash and cash equivalents	448	2,513	(2,065)
	9,803	**7,435**	**2,368**
Total assets	**54,803**	**62,221**	**(7,418)**
EQUITY			
Share capital	3,291	3,291	-
Other reserves	3,230	406	2,824
Retained earnings	(459)	279	(738)
	6,062	**3,976**	**2,086**
LIABILITIES			
Non-current liabilities			
5% unsecured bonds 2026 (listed on the Regulated Market)	7,836	7,836	-
5.35% unsecured bonds 2028 (listed on Prospects MTF)	7,427	7,427	-
Lease liabilities	19,223	33,663	(14,440)
Deferred tax liabilities	664	489	175
	35,150	**49,415**	**(14,265)**
Current liabilities			
Bank overdraft	2,220	1,117	1,103
Lease liabilities	1,998	2,913	(915)
Trade & other payables	8,777	4,362	4,415
Current tax liabilities	596	438	158
	13,591	**8,830**	**4,761**
Total liabilities	**48,741**	**58,245**	**(9,504)**
Total equity and liabilities	**54,803**	**62,221**	**(7,418)**

Property, plant and equipment was higher than forecast by €4.2 million, mainly on account of the uplift in fair value of the Hub reflected in the audited accounts. This increase was offset by a misstatement in the right-of-use assets in the forecasted figures due to a different interpretation of IFRS 16. This is reflected also in finance lease liabilities in the liabilities section.

Current assets were higher than forecast by €2.3 million, primarily due to higher inventory levels and trade & other receivables. This was offset by an increase of €4.8 million in current liabilities (primarily trade & other payables).

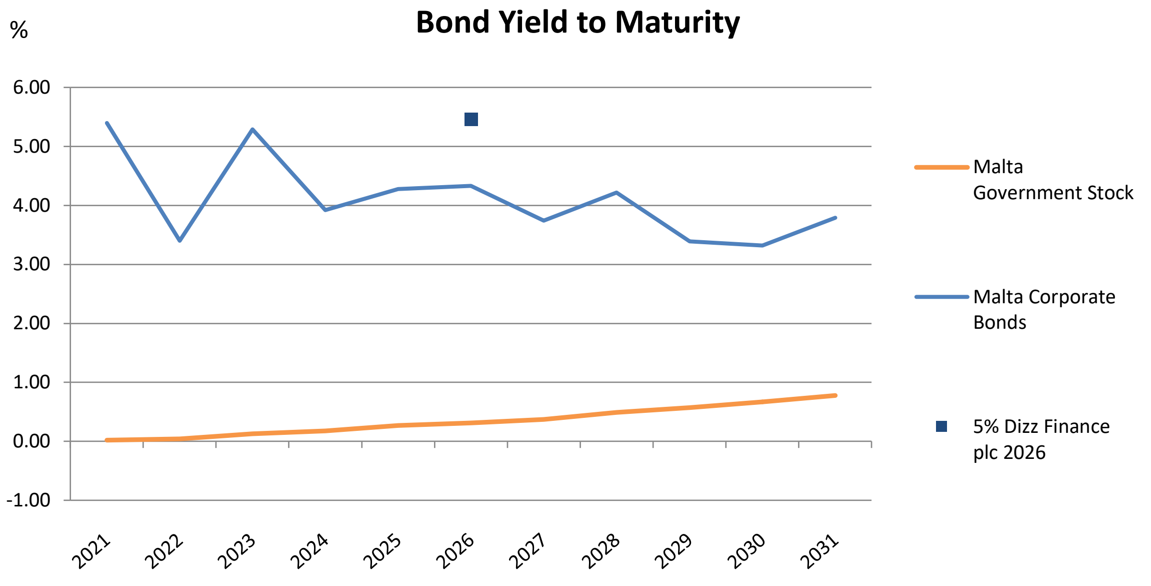
PART 3 - COMPARABLES

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 (%)
5.80% International Hotel Investments plc 2021	20,000,000	5.40	3.01	1,687,198	897,147	37.31
3.65% GAP Group plc Secured € 2022	36,736,700	3.40	2.22	87,886	11,155	77.98
6.00% Pendergardens Developments plc Secured € 2022 Series	26,921,200	3.44	3.75	81,524	28,343	37.45
4.25% GAP Group plc Secured € 2023	19,433,200	3.88	2.22	87,886	11,155	77.98
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.29	0.76	27,159	6,916	62.72
5.80% International Hotel Investments plc 2023	10,000,000	5.79	3.01	1,687,198	897,147	37.31
6.00% AX Investments Plc € 2024	40,000,000	4.82	5.55	342,395	226,115	19.63
6.00% International Hotel Investments plc € 2024	35,000,000	5.38	3.01	1,687,198	897,147	37.31
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.92	4.81	95,310	47,100	48.85
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	4.22	2.67	117,625	45,146	53.77
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	5.10	3.30	137,275	45,063	30.57
4.25% Best Deal Properties Holding plc Secured € 2024	16,000,000	3.50	-	27,455	3,366	85.88
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	5.26	3.01	1,687,198	897,147	37.31
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	5.19	4.03	4,066	- 18,883	-
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.28	1.65	150,478	57,635	57.73
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	4.33	3.41	48,019	6,405	81.08
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	4.45	2.74	1,784,681	908,883	40.11
4.00% International Hotel Investments plc Secured € 2026	55,000,000	4.00	3.01	1,687,198	897,147	37.31
5.00% Dizz Finance plc Unsecured € 2026	**8,000,000**	**5.46**	**0.89**	**54,803**	**6,062**	**86.32**
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.57	8.99	273,233	57,082	60.43
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.73	3.01	1,687,198	897,147	37.31
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	3.25	5.55	341,785	227,069	19.11
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.35	8.48	316,563	132,582	31.98
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.74	6.42	199,265	113,124	26.87
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.45	4.92	225,284	123,107	38.32
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	4.22	3.87	628,916	110,128	77.11
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.39	4.92	225,284	123,107	38.32
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	4.20	3.87	628,916	110,128	77.11
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.68	5.55	341,785	227,069	19.11

08-Jul-20

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 8 July 2020

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

The Bonds are trading at a yield of 5.46%, which is 113 basis points higher when compared to other corporate bonds maturing in the same year. The premium over FY2026 Malta Government Stock is 515 basis points.

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

PART 4 - EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including retail and distribution of branded fashion and sportswear.
Cost of sales	Cost of sales includes inventory, labour expenses and all other direct expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
EBIT	EBIT is an abbreviation for earnings before interest and tax. EBIT is a measure of a firm's profit that includes all expenses except interest and income tax expenses. It is the difference between operating revenues and operating expenses.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
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 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.