RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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

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

19 August 2020

Dear Sirs,

Tumas Investments plc – Financial Analysis Summary Update 2020 (the **"Update FAS"**)

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

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

(a) Historic financial data for the three years ended 31 December 2017 to 2019 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 2020 has been extracted from the forecast financial information provided by the management of the Company and the Guarantor;
(c) Our commentary on the results of the Company and Guarantor and on the respective financial positions has been based on the explanations provided by the Company and Guarantor;
(d) The ratios quoted in the Update FAS have been computed by us, applying the definitions as set out and defined within the Update FAS; and
(e) Relevant financial data in respect of competitors as analysed in Part D has been extracted from public sources such as the web sites of the companies concerned, or financial statements filed with the Registry of Companies.

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

Yours sincerely,

Vincent E Rizzo
Director

TUMAS INVESTMENTS plc

FINANCIAL ANALYSIS SUMMARY

Update 2019

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

19 August 2020

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YOUR INVESTMENT CONSULTANTS

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IMPORTANT INFORMATION

PURPOSE OF THE DOCUMENT

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

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

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

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

SOURCES OF INFORMATION

The information that is presented has been collated from a number of sources, including the Company's website (www.tumas.com), the audited Financial Statements for the years ended 31 December 2016, 2017 and 2018 and forecasts for financial year ending 31 December 2019 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

List of Abbreviations and Definitions

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

1. INTRODUCTION

TUMAS INVESTMENTS PLC – THE ISSUER

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

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

SPINOLA DEVELOPMENT COMPANY LTD – THE GUARANTOR

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

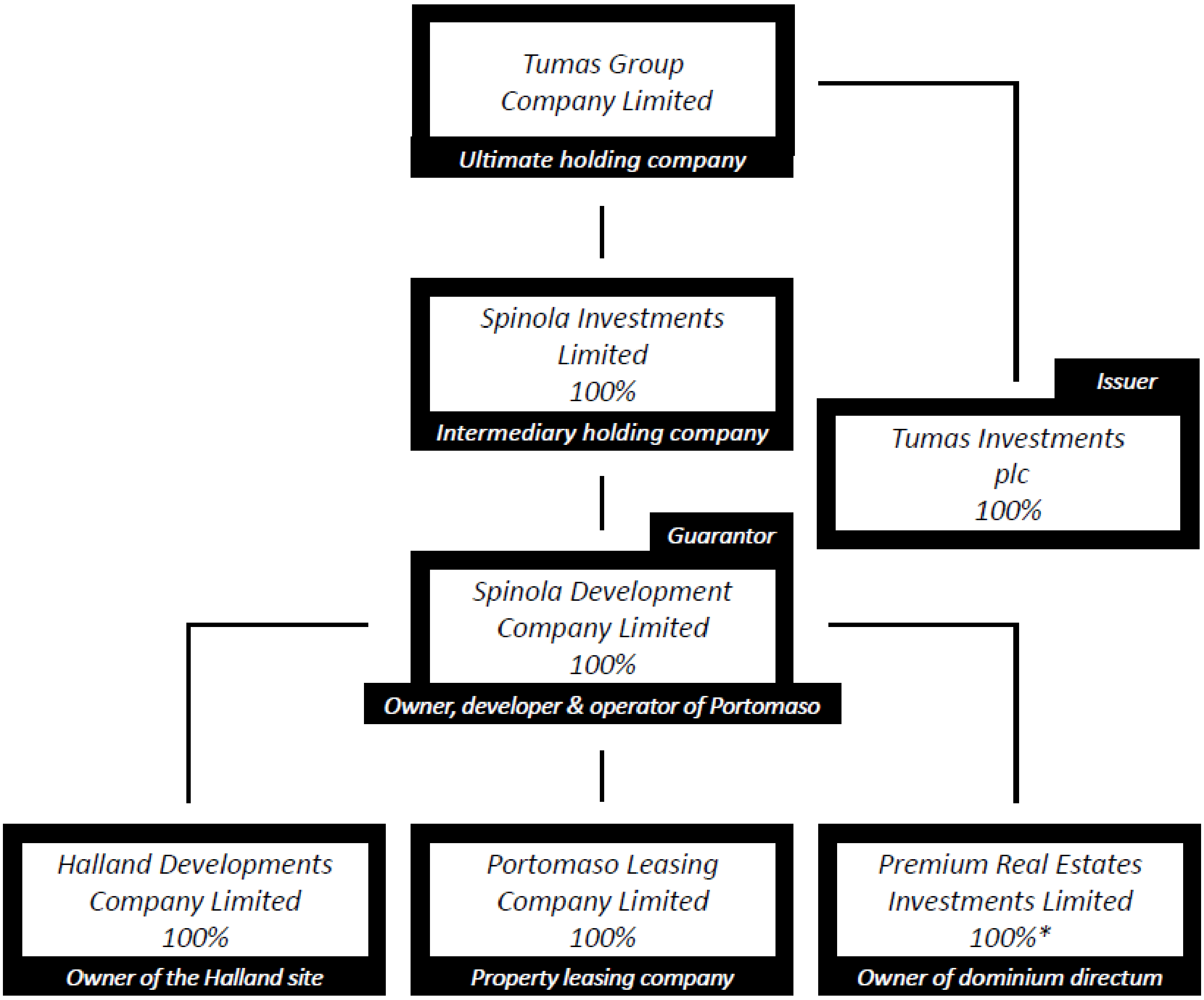
In 1994, the then Malta Hilton Hotel was completely demolished, making way for the development of the Portomaso Complex. The land title was acquired by SDC from the Government of Malta and today the Guarantor benefits from freehold title of the site. For the purpose of management and administration of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

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

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

2. Group Structure

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



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

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

3. Directors and Senior Management

Directors of the Issuer

The directors of the Company who held office during the financial year ended 31 December 2019 and still hold office as at the date of this Update FAS are:

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

During FY2019, Mr Yorgen Fenech resigned from director of the Issuer (effective 12 November 2019)

Directors of the Guarantor

The directors of SDC who held office during the financial year ended 31 December 2019 and still hold office as at the date of this Update FAS are:

Mr. Raymond Fenech	Chief Executive Officer & Chairman
Mr. Emmanuel Fenech	Executive Director
Mr. Raymond Sladden	Executive Director *(appointed 12 November 2019)*

During FY2019, Mr Yorgen Fenech resigned from director of the Issuer (effective 12 November 2019)

Senior Management of the Issuer

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

Senior Management of the Guarantor

The senior management of the Guarantor are the following:

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

4. Update on Operations and Major Assets

4.1 The Issuer

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

Major Assets - Issuer

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

Year	Total Assets *€'000*	Loans Receivable from SDC *€'000*	Loans Receivable from SDC as a % of Total Assets
2017	51,511	50,000	97.1%
2018	51,514	50,000	97.1%
2019	51.544	50,000	97.0%

Material Contracts - Issuer

The agreements summarized below are currently in force between TI and SDC and are in relation to the two outstanding bonds of the Issuer.

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

The operations of SDC are divided into four segments:

A. The hotel and its ancillary operations;

B. Property development;

C. Rental operations; and

D. Complex management operations.

MAJOR ASSETS - GUARANTOR

The below are considered to be the major assets of the Guarantor.

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 Twenty-Two Club Bar (a wine lounge on the twenty-second floor of the Portomaso Business Tower). As at the end of FY2019, the Guarantor's property, plant and equipment (PPE) had a carrying value of €162.2 million. The last 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).

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 concluded in 2019.

II) Portomaso Car Park

SDC operates underground public car parking facilities of *circa* 1,175 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 Bar

Twenty-Two Club Bar 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 is currently closed 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* 490 apartments within the Portomaso Complex including the Laguna units.

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

- The Guarantor undertook the construction of 44 premium residential units referred to as the Laguna apartments. During FY2018, the Guarantor delivered 40 of the Laguna apartments to their new owners and as at the end of FY2019 had three apartments left unsold.
- Construction of the Crystal Ship– the building adjacent to the Portomaso Business Tower – finished in FY2018, and the delivery of the said tower was spread over FY2018, FY2019 and FY2020, as the

Guarantor completed the finishing works in line with its obligations as per agreement with the purchaser.

New Developments

During FY2018, the Guarantor obtained Planning Authority permit to develop the parcel of land previously occupied by the aparthotel known as the Halland. SDC commenced excavation works during the last quarter of FY2019, while construction is expected to commence in 2021.

The Guarantor has two sites that will complement the Portomaso Complex. A block consisting of 13 residential units and underlying commercial outlets (referred to as Block 32) is expected to be completed during FY2020 and will be placed on the market towards the end of this year for conclusion during FY2021. The Guarantor has also a property annexed to the Portomaso Complex which it plans to develop in later periods.

C. Rental Operations

SDC, through its subsidiary PLCL, leases out areas within the Business Tower (*circa* 3,313 square metres) and other commercial and office areas within the Complex (*circa* 11,300 square metres). At present, practically the entire area within the Portomaso Complex is leased out.

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 unilaterally taken up on itself the responsibility to participate in the cost of upgrading certain Complex infrastructure by injecting the necessary capital funding to meet particular targeted initiatives.

Material Contracts – The Guarantor

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

I. *Hotel Management Agreement with Hilton International*

As mentioned earlier, SDC has a management agreement with Hilton International, the latter being responsible for the marketing and management of the hotel, as well as the adjacent conference centre, under the world-renowned Hilton brand. The operating agreement is based on standard industry norms and provides for a remuneration package that is based on performance. This agreement, which had an initial term of 15 years was renewed for a further 20 years in 2013, effective from 1 January 2012.

II. *Lease Agreements*

In the main, 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 closer to the end of their *di fermo* period, the value of the minimum lease payments starts decreasing:

	Actual FY2017 *€'000*	Actual FY2018 *€'000*	Actual FY2019 *€'000*
Not later than 1 year	2,877	3,064	2,562
Between 1 and 5 years	7,351	7,464	5,022
More than 5 years	2,557	2,325	1,055
Total	**12,785**	**12,853**	**8,639**

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 2019, the value of these commitments was €4.7 million. These commitments relate to the finishing works in respect of the building adjacent to the Portomaso Tower (known as the Crystal Ship), works at a Laguna apartment and other projects.

In addition to the guarantees given to TI, SDC has also guarantees issued on behalf of other fellow companies within the Tumas Group which at the end of FY2019 amounted to €67.1 million.

IV. *Other Agreements with the Tumas Group*

Until FY2018, SDC served as the treasury function of the Tumas Group, however, since the inter-company balances have been wound down, this role has now been shifted to other fellow companies within the Tumas

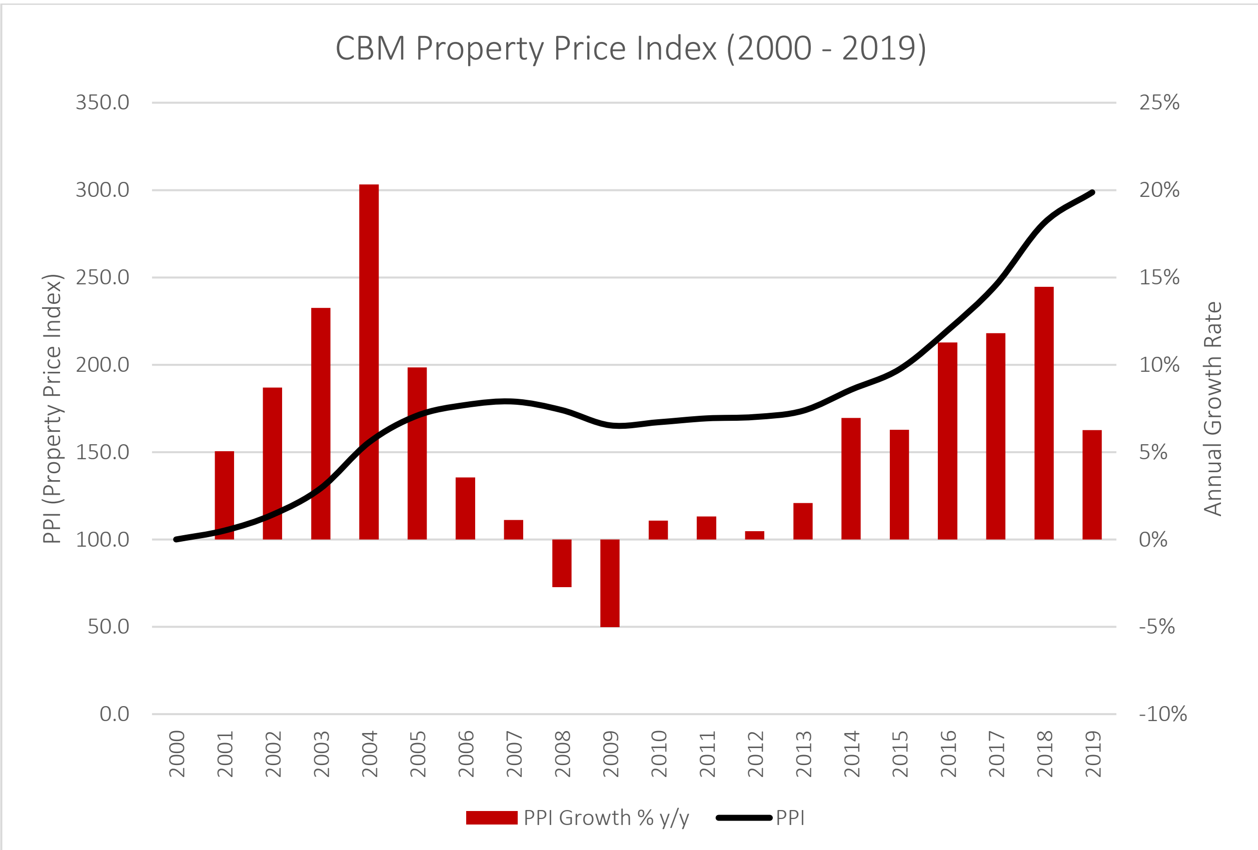
Group. Nevertheless, SDC continues to provide corporate guarantees (including hypothecs over its assets) in favour of fellow Group companies and / or subsidiaries (as mentioned above). These guarantees fall within the parameters established and as permitted in the prospectuses governing the bonds in issue.

5. Market Overview

The Property Market

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

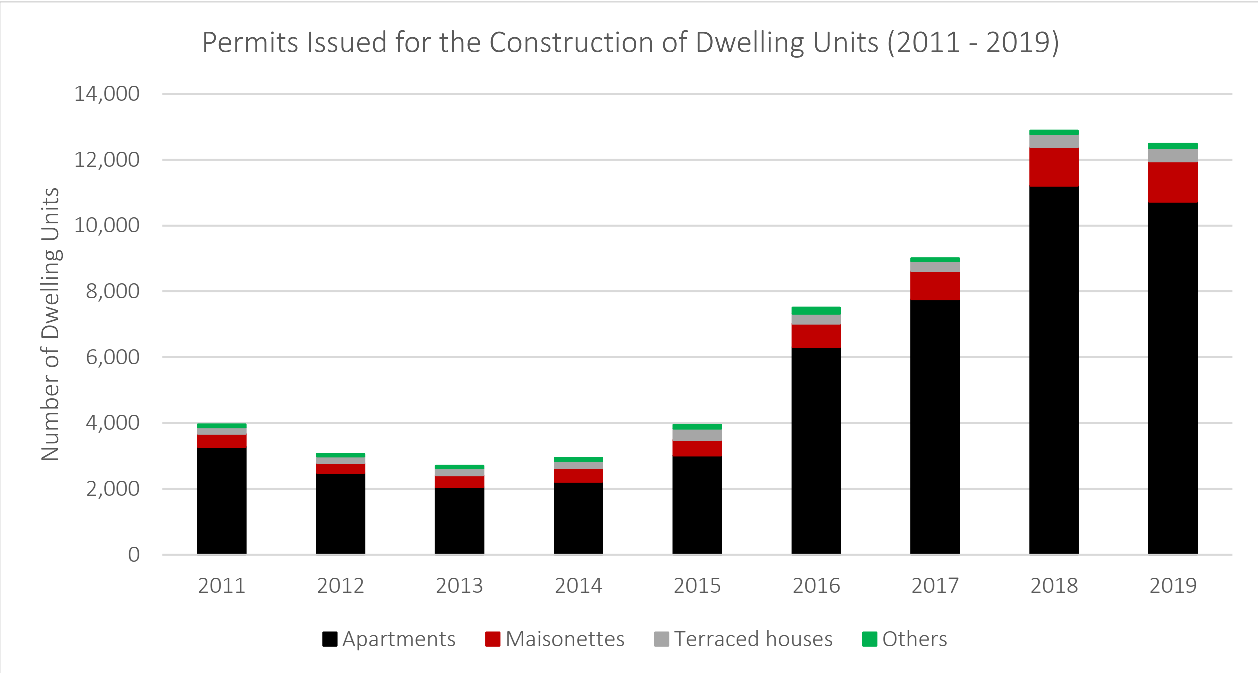
The most recent data issued by the Central Bank of Malta shows that property prices in Malta increased by 6% in 2019 over the previous year. This led the CBM Property Price Index, which tracks movements in the advertised prices of the major types of residential property, to reach a new all-time high of 298.7 points as at the end of 2019 compared to 281.1 points as at the end of 2018.



Source: Central Bank of Malta

The CBM Property Price Index also shows that property prices in Malta have increased by a compound average growth rate ("CAGR") of 5.6% per annum (in nominal terms) since 2000.

The most recent upturn in property prices in Malta was mainly demand-driven. In fact, although statistics show that the number of permits for residential units issued by the Planning Authority eased slightly for the first time in five years, this was still the second highest amount of planning permits for new dwellings ever issued. During 2019, the Planning Authority sanctioned the development of 12,485 units, slightly lower than the 12,885 permits issued in 2018 but significantly higher than the 9,006 permits issued in 2017. The slight decline in 2019 was due to a decline in permits for apartments (the largest category of residential units), whilst maisonettes and terraced houses both experienced increases.



Source: Planning Authority

Commercial Property

Although commercial property is a very important niche of the local property market, available statistics are indeed limited. Nonetheless, empirical evidence suggests healthy and buoyant demand, particularly for high-quality office space in line with the increase in the number of foreign companies operating in Malta. Indeed, with the constant influx of foreigners seeking to set up, transfer or expand their business locally, the demand for office space has increased considerably in recent years, mainly driven by Government's efforts at promoting Malta as a prime international business destination particularly for entities operating in financial services, i-gaming, information technology, aircraft maintenance and maritime. Other factors that contributed towards this success are an advanced telecommunications network, highly skilled professionals at competitive labour costs, Malta's strategic location and the implementation of laws in line with EU laws and directives.

Economic Results

Property remains an important contributor to the country's GDP. The improved activity and sentiment across the local property market also reflected in the contribution of this sector to Malta's GDP. In fact, gross value added of the construction sector increased by over 14% to €447 million in 2019 compared to €393 million in the previous year. Over the same period, the percentage share of the construction sector to Malta's GDP grew as the construction sector grew at a faster pace than other sectors within the local economy. Similarly, during 2019 strong growth was also registered within the real estate activities segment which grew at a rate of 7% to €552 million from €514 million in 2018.

CoVID-19 Impact on the Property Sector

The CoVID-19 pandemic has impacted the residential rental market in Malta in a number of ways. Firstly, the demand side from incoming tourism has ceased following the temporary closure of Malta International Airport and the lasting effect on tourism worldwide. Secondly, a substantial number of third-country nationals have been made redundant and have since been repatriated to their home countries and in doing so increasing the number of vacant residential properties. Finally, the strong supply of new properties on the market has also put downward pressure on rental prices. Altogether, this has encouraged short-let property owners to consider renting their properties on a long-let basis at considerably discounted rates when compared to pre-CoVID-19 times, although to date, it is not evident that properties within the Portomaso Complex were impacted to that same extent as properties located elsewhere. The weakened demand has also forced some property owners to sell their properties at discounted rates in order to meet debt obligations with credit institutions.

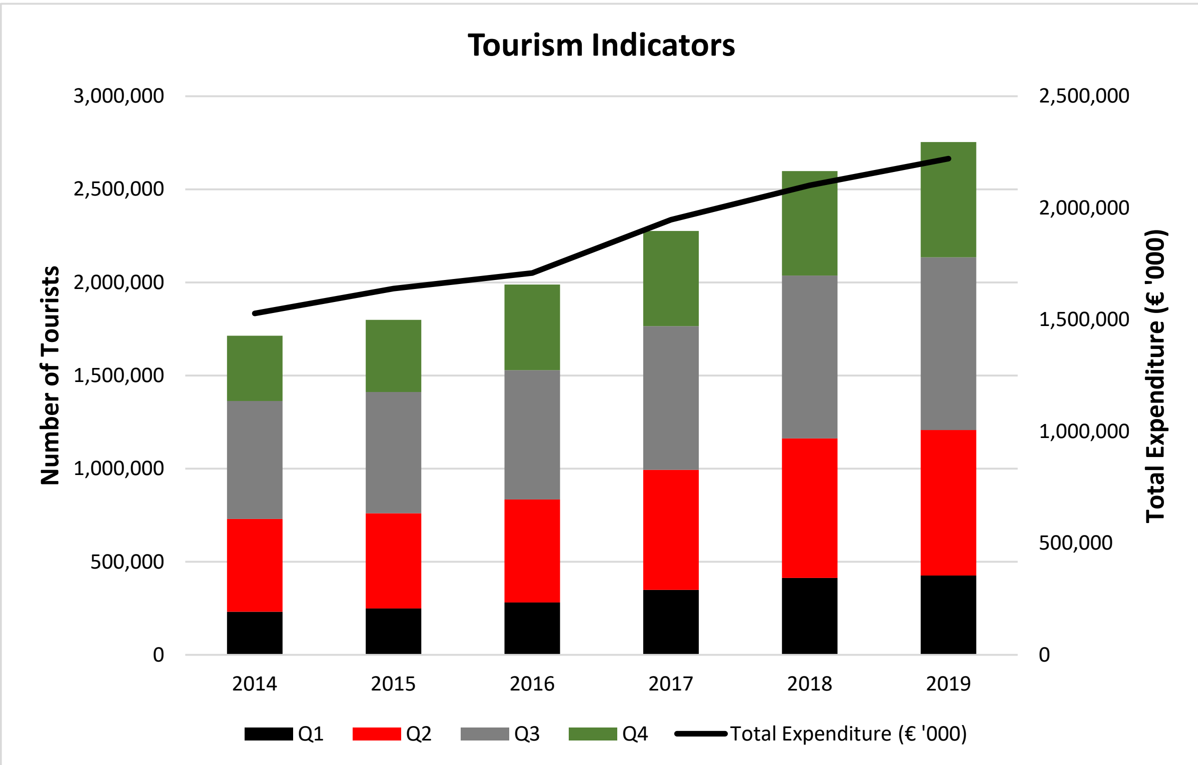
In cognisance of the importance of the property sector to the Maltese economy, the Government of Malta has so far introduced a number of fiscal measures within this segment including reducing the stamp duty for buyers and withholding tax for sellers which applies to anyone still under a promise of sale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

Furthermore, the Government of Malta has directed credit and financial institutions to offer a six-month moratorium on repayment of capital and interest aimed to support economically vulnerable persons who have been materially affected by the COVID-19 outbreak. Another incentive recently issued by the government to support the property market was the launch of a loan scheme for property buyers between the ages of 21 to 39 who do not have enough liquidity available to fund the 10% deposit.

The Tourism Industry

Tourism has traditionally been one of the major pillars of the Maltese economy. Moreover, the importance of the tourism industry to the local economy became more apparent in recent years as tourism numbers grew significantly whilst various tourist operators (including those in the areas of accommodation, dining, transportation and entertainment) expanded their business to cater for the increased numbers and/or target the higher end of the tourism spectrum.

Statistics published by the Malta Tourism Authority (based on figures compiled by the Malta National Statistics Office[1]) show that during 2019, total inbound visitors amounted to 2.77 million (excluding overnight cruise passengers), representing an increase of 5.2% over 2018. Furthermore, the total number of guest nights increased by 4.1% to 19.3 million whilst tourist expenditure grew by 5.7% to €2.2 billion. Moreover, the majority of total inbound tourists came from the UK (24%), followed by Italy (14%), France (9%), and Germany (8%). Expenditure has also increased and interestingly, the chart below indicates that the growth pattern has been extending over all quarters throughout the year increasingly making the country a year-round destination.



Source: NSO

The increase in tourism numbers in 2019 was mainly driven by the increase in the number of leisure tourists which accounted for 81.3% of total tourist arrivals in 2019. On the other hand, the number of business,

[1] https://www.mta.com.mt/en/file.aspx?f=34248

professional and other travellers (including educational, religious and health) was marginally lower when compared to 2018 figures.

With respect to the type of preferred accommodation, the NSO statistics indicate that the total number of nights stayed in private rented accommodation (self-catering apartments, farmhouses, and private residence) recorded the strongest increase with a jump of just over 9%. On the other hand, nights spent in collective accommodation (mainly hotels, guest hotels and hostels) fell by 4%. Overall, the share of collective accommodation as a percentage of total guest nights continued to ease to 52.1% in 2019 from 54.3% in the previous year. In contrast, the share of private accommodation surged to 48% from 45.7% in 2018.

The determining factors that contributed mostly to the overall growth in tourism numbers over the past years have been Malta's accession to the European Union in 2004 and the ensuing adoption of the euro as Malta's currency in 2008, as well as the introduction of low-cost airlines in 2006. Another factor that contributed notably towards the development of the Maltese tourism industry in recent years has been the increased focus to market Malta as a destination that is also ideal for business and conferences. Over the past few years, the country has increased its efforts to mitigate seasonality and boost the overall significance of the tourism shoulder months (traditionally November to March). In fact, although tourism to Malta remains concentrated during the peak months, the shoulder months have, until 2019, represented an increasingly important contributor to the performance of the tourism sector in general.

Impact of CoVID-19 on the Tourism Sector

When in March 2020 Malta's ports (both air and sea ports) were put under heavy restrictive measures because of CoVID-19, tourism came to a halt. Malta was only allowing essential travel in and out of the country and as such, leisure and business tourists could no longer travel to and from Malta. Business was being conducted over digital means and conferences were cancelled as mass gatherings were not allowed. Furthermore, restaurants and bars were not allowed to operate for a period of three months. This resulted in a sharp drop in the demand for accommodation, F&B and conferencing facilities across all the operators in the said segments. In late June 2020, most of the restrictions were lifted and demand, particularly for hotel accommodation and F&B somewhat rebounded as locals were not too keen on travelling overseas, and further supported by a government scheme whereby every Maltese resident received €100 worth of vouchers which could be spent at outlets that were mostly impacted by CoVID-19. Furthermore, as ports started re-opening, particularly the airport with flights to selected destinations, Malta has had an encouraging level of incoming tourists visiting the islands, which however declined late in August 2020 following new restrictive measures introduced by countries such as the UK and Italy on returning / incoming passengers. As such, the level of tourist arrivals is nowhere comparable to that experienced in earlier years.

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 FY2017 *€'000*	Actual FY2018 *€'000*	Actual FY2019 *€'000*	Forecast FY2020 *€'000*
Finance Income	2,725	2367	2371	2374
Finance Costs	(2,581)	(2,229)	(2,232)	(2,233)
Net Interest Income	**144**	**137**	**139**	**141**
Administrative expenses	(132)	(124)	(126)	(128)
Profit before tax	**12**	**13**	**13**	**13**
Tax expense	(4)	(5)	(5)	(5)
Profit for the financial year	**8**	**8**	**8**	**8**

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 for FY2019 was in line with that of FY2018 (these figures are not comparable to the FY2017 finance income since the latter included the interest effect of a bond issue which was priced at 6.2% and which was refinanced in mid-2017 at 3.75%).

Administrative expenses incurred by the Issuer in FY2019 amounted to €126K and related to listing and compliance costs, and directors' remuneration.

The FY2020 forecasts of the Company, as prepared by management, indicate that TI's profitability figure for the year is expected to remain largely unchanged.

Variance to Previous Forecasts

In the financial analysis summary (FAS) published by the Company in 2019, the Company presented forecasts to FY2019 in line with the Listing Policies.

	Actual FY2019 *€'000*	*FAS 2019 Forecasts* FY2019 *€'000*	*Variance*
Finance Income	2371	2371	*0%*
Finance Costs	(2,232)	(2,231)	*-0.04%*
Net Interest Income	**139**	**140**	*-0.71%*
Administrative expenses	(126)	(128)	*-1.56%*
Profit before tax	**13**	**12**	*8.33%*
Tax expense	(5)	(4)	*25.00%*
Profit for the financial year	**8**	**8**	*0%*

The variances in the Issuer's income statement are immaterial, particularly if one had to analyse the absolute figures of the forecasts presented in the 2019 FAS and the actual performance achieved for FY2019.

6.2 Statement of Financial Position

	Actual FY2017 €'000	Actual FY2018 €'000	Actual FY2019 €'000	Forecast FY2020 €'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	1,122	1,251	1,367	1,337
Cash and Cash Equivalents	393	263	187	178
Total Current Assets	**1,515**	**1,514**	**1,554**	**1,515**
Total Assets	**51,515**	**51,514**	**51,554**	**51,515**
Equity and Liabilities				
Capital and Reserves				
Share Capital	250	250	250	250
Retained Earnings	371	380	388	396
Total Equity	**621**	**630**	**638**	**646**
Non-Current Liabilities				
Borrowings	49,608	49,645	49,689	49,732
Total Non-Current Liabilities	**49,608**	**49,645**	**49,689**	**49,732**
Current Liabilities				
Borrowings	-	-	-	-
Trade and Other Payables	1,286	1,239	1,227	1,137
Total Current Liabilities	**1,286**	**1,239**	**1,227**	**1,137**
Total Liabilities	**50,894**	**50,884**	**50,916**	**50,869**
Total Equity and Liabilities	**51,515**	**51,514**	**51,554**	**51,515**

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.

6.3 Statement of Cash Flows

	Actual FY2017 €'000	Actual FY2018 €'000	Actual FY2019 €'000	Forecast FY2020 €'000
Net cash generated from operating activities	151	(133)	(76)	(9)
Net cash generated from / (used in) investing activities	(620)	-	-	-
Net cash generated from / (used in) financing activities	833	-	-	-
Net movement in cash and cash equivalents	**364**	**(133)**	**(76)**	**(9)**
Cash and cash equivalents at beginning of year	32	396	263	187
Cash and cash equivalents at end of year	**396**	**263**	**187**	**178**
Cash in Bond Redemption Fund	-	-	-	-
Total Cash Position	**396**	**263**	**187**	**178**

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 FY2020, the Company is not expected to undertake additional borrowings or investments and as such, the cash flow statement is expected to reflect the cash utilised in the Company's limited operations.

Key Ratios - Issuer

Given the nature of the Company, the use of ratios to analyse the Company's performance is restricted to the below two ratio indicators. FY2019 saw marginal move in net income margins, rising to 5.86% (FY2018: 5.80%), while interest cover remained unchanged at 1.06 times. In FY2020, the net income margin ratio is expected to continue to rise to 5.94%, while interest cover is expected to remain flat at 1.06 times for the fourth year running.

	FY2017 (A)	*FY2018 (A)*	*FY2019 (A)*	*FY2020 (F)*
Net Income Margin *(Net interest income / finance income)*	5.28%	5.80%	5.86%	5.94%
Interest Coverage Ratio *(Finance income / finance costs)*	1.06x	1.06x	1.06x	1.06x

7. Guarantor's Financial Review & Forecasts

Effect of CoVID-19 on the Guarantor's Performance in FY2020

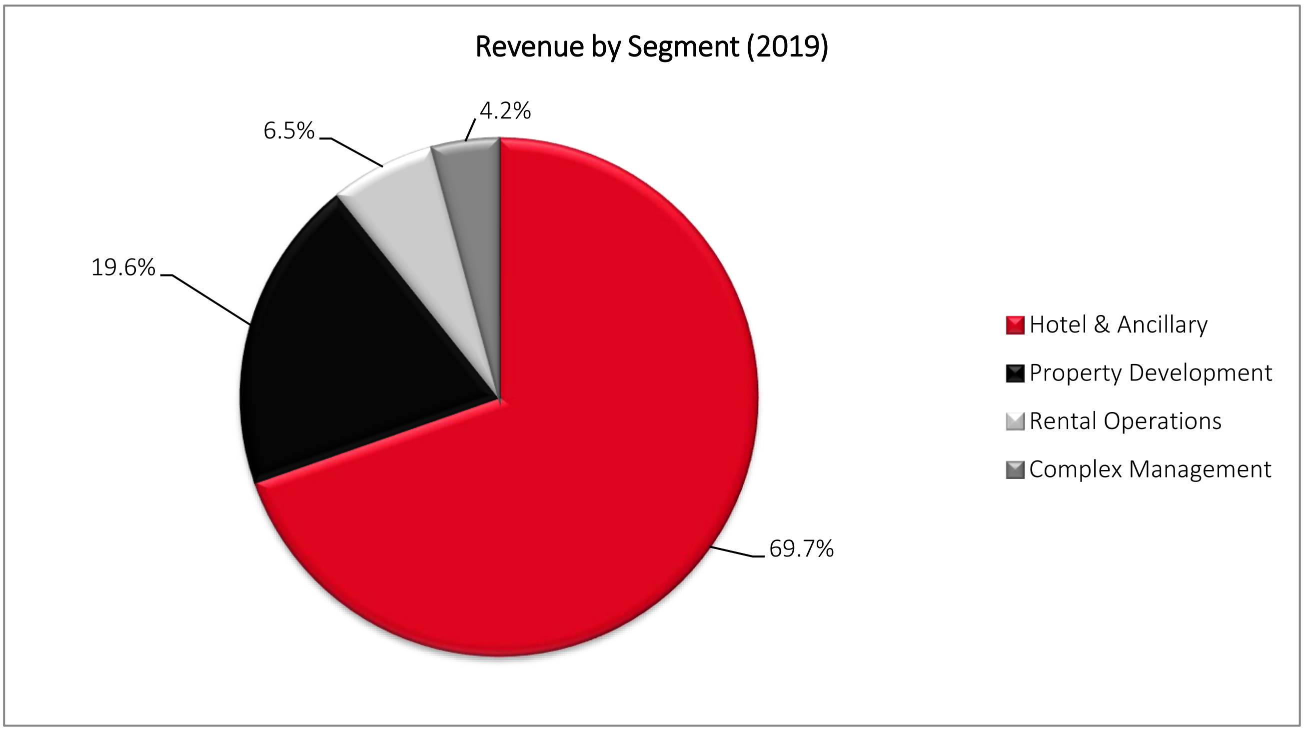
Following the outbreak of the COVID-19 pandemic and health authorities directions, operations at the hotel and its amenities were lowered to minimal levels as from third week of March 2020. Restrictions started being lifted as from mid-June 2020. In the meantime, the Guarantor's management have embarked on an exercise in order to reduce costs and thus the financial impact of the pandemic on the group. Management has been reassessing its fixed costs, while committing only to essential capital expenditure during the course of FY2020. The group applied also for government wage supplement assistance for industries hit most by the pandemic, particularly the tourism operators as well as moratorium on loan repayments that would assist the group with cash flows management.

Going forward, the HAO segment looks to be the segment that will be mostly impacted by the effects of CoVID-19, particularly on the tourism sector. While the marina operations are not expected to be significantly impacted by the pandemic, management envisages that the operations of the hotel and use of the carparking facilities will be impacted during FY2020, both because of the restrictions that were already in place between March and July, as well as the fact that consumer sentiment is still very fluid and while occupancy has started to trickle in following the lifting of restrictions, particularly those related to travel, visibility of occupancy in the later months of the year is still not possible at time that this report is being drafted.

On a positive note, the SDC Group entered the CoVID-19 pandemic with two strong points to its benefit - a strong cash buffer and with a diversified portfolio of operations. As such, the FY2020 forecasts, while they will not be anywhere near the typical figures that have been reported and forecast in earlier FAS reports, they are still expected to return a positive result, while the SDC Group continues with its various operations within the different segments.

7.1 Segmental Analysis

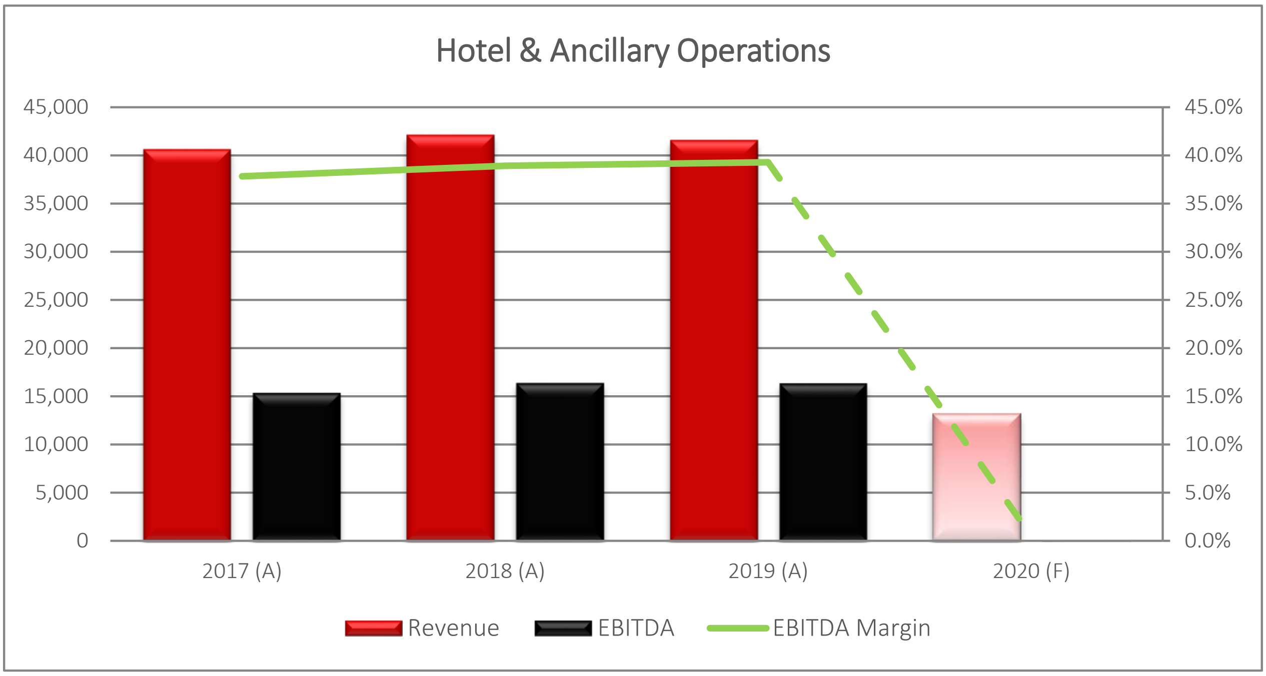
As described in further detail in section 4.2 of this report, the operations of SDC are split into four main segments: hotel and ancillary operations, rental operations, property development and complex management.



A. Hotel and Ancillary Operations (HAO)

HAO, which encompasses the Hilton Malta hotel, the car park, the marina and the bar at level 22 of the Portomaso Tower, remained a significant contributor towards the Guarantor's revenue streams. During FY2019, this segment generated revenues of €41.6 million, 1.2% short of the €42.1 million generated in previous year. The slight decline was attributable to the lower occupancy in FY2019 (slightly lower than 80%) but which was largely compensated by a higher room rate. Furthermore, during FY2019, there were not the same level of large-scale conferences that there were in FY2018.

The EBITDA margin extended its upward trend also in FY2019, breaking last year's record high as it reached 39.3% during FY2019 (FY2018: 38.9%).



The Hilton Malta retained and strengthened its dominant superiority in the 5-star segment, leading over its peers' average indices mainly as a result of the refurbishment, commanding superior rates to the rest of the 5-star hotels.

	FY2017	FY2018	FY2019
Market Penetration Index (MPI)	1.07	1.10	1.13
Average Rate Index (ARI)	1.22	1.27	1.24
Revenue Generation Index (RGI)	1.35	1.37	1.38

Source: Competitor Set Analysis: The MHRA Hotel Survey by Deloitte – Jan – Dec 2019. Information as provided by management.

Variances and Forecasts

Hotel and Ancillary Operations	2019 (A) €000	2019 (F) €000	Variances (% / p.p.)	2020 (F) €000	Comparison to 2019 (A) (% / p.p.)
Revenue	41,594	43,153	-3.6%	13,224	-68.2%
EBITDA	16,355	16,592	-1.4%	65	-99.6%
EBIDTA Margin	39.3%	38.4%	0.9 p.p.	0.5%	-38.8 p.p.

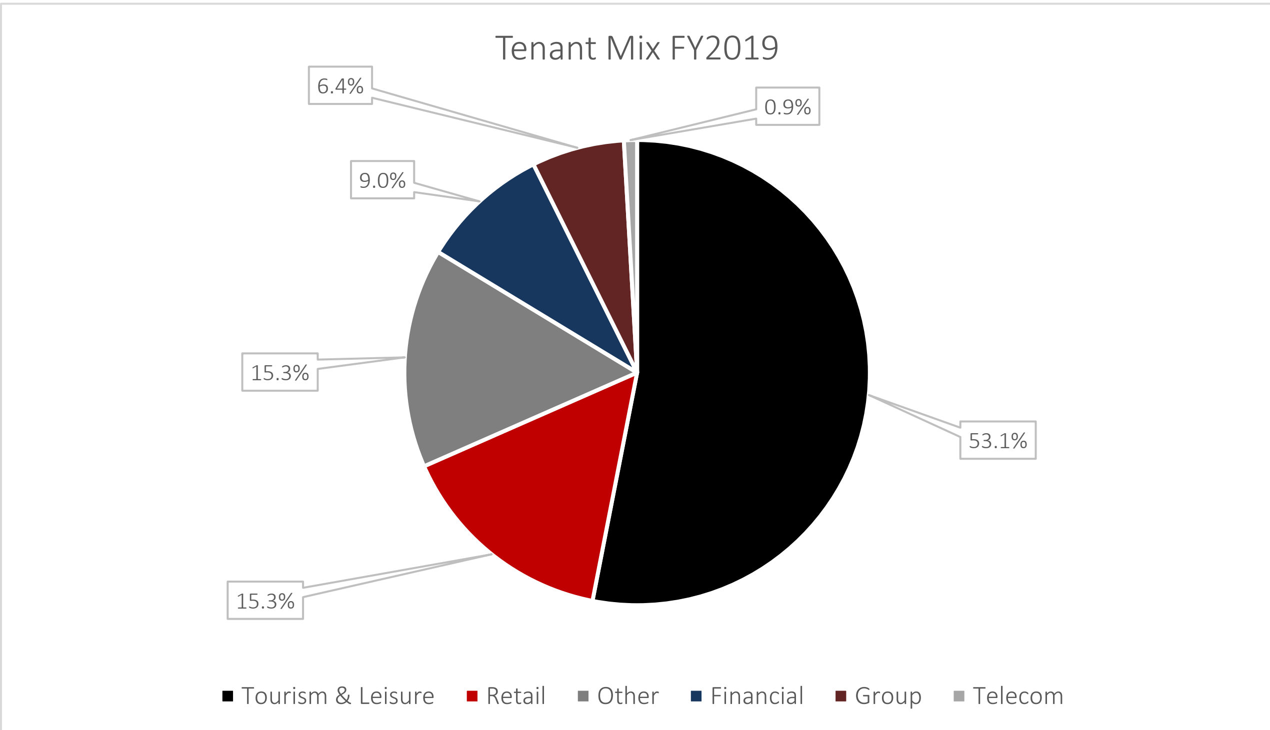
Revenue generated from the HAO segment in FY2019 was 3.6% lower than that anticipated in last year's forecasts for the said period. Nonetheless, the margins attained were higher as the EBITDA generated was only 1.4% lower, indicating better cost efficiencies despite the lower revenue.

While this segment started FY2020 on a good note, exceeding budgeted figures, with occupancy as high as 70%, this was brought down to negligible amount of suites being occupied in the months of April to June in view of the impact of CoVID-19 restrictions. As explained in section 5 of this report, the impact of this pandemic is mainly being felt amongst the operators within the tourism sector as ports and airports were closed for a period of three months, and despite opening in the early weeks of the summer season, the tourist arrivals were nowhere near those experienced in earlier years during the summer months. Management expects this situation to extend to the later months of the year, supported, however, by the locals. As such, revenue from this segment which used to be the highest contributor for the group, is expected to be subdued at €13.2 million for FY2020. Since some costs may need to be incurred irrespective of the level of occupancy, EBITDA margin for this segment is expected to be less than 1%.

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 stands at over 92% of total segmental revenues.

Revenue from this segment grew by 3.8% in FY2019 to €3.9 million (FY2018: €3.7 million) in FY2018, largely reflecting the contracted inflationary increases in the avereage rental rate per square metre. The rentable area is practically fully-occupied and the tenant mix in this segment was varied, with the tourism & leisure contributing 53.1% of the income from this segment in FY2019, followed by retail and others at 15.3% each.



Variances and Forecasts

Forecast revenue and EBITDA for this segment for FY2019 was quite in line with what had been achieved. Most of the rental income is contracted and as such the Guarantor has visibility of rental income and the related margins.

Rental Operations	2019 (A) *€000*	2019 (F) *€000*	Variances *(% / p.p.)*	2020 (F) *€000*	Comparison to 2019 (A) *(% / p.p.)*
Revenue	3,883	3,987	-2.6%	2,787	-28.2%
EBITDA	3,578	3,687	-3.0%	2,533	-29.2%
EBIDTA Margin	92.1%	92.5%	-0.4 p.p.	90.9%	-1.2 p.p.

For FY2020, rental income is expected to contract to €2.8 million as SDC management took appropriate provisions for income expected from this segment in FY2020 in view of the CoVID-19 pandemic.

C. Complex Management

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

Variances and Forecasts

This segment continued to be a negative contributor to EBITDA. Going forward, forecasts for FY2020 are expecting more of the same.

Complex Management	2019 (A) *€000*	2019 (F) *€000*	Variances *(% / p.p.)*	2020 (F) *€000*	Comparison to 2019 (A) *(% / p.p.)*
Revenue	2,504	2,235	12.0%	2,529	1.0%
EBITDA	- 702	-867	-19.0%	-754	7.4%
EBIDTA Margin	-28.0%	-38.8%	10 p.p.	-29.8%	-1.8 p.p.

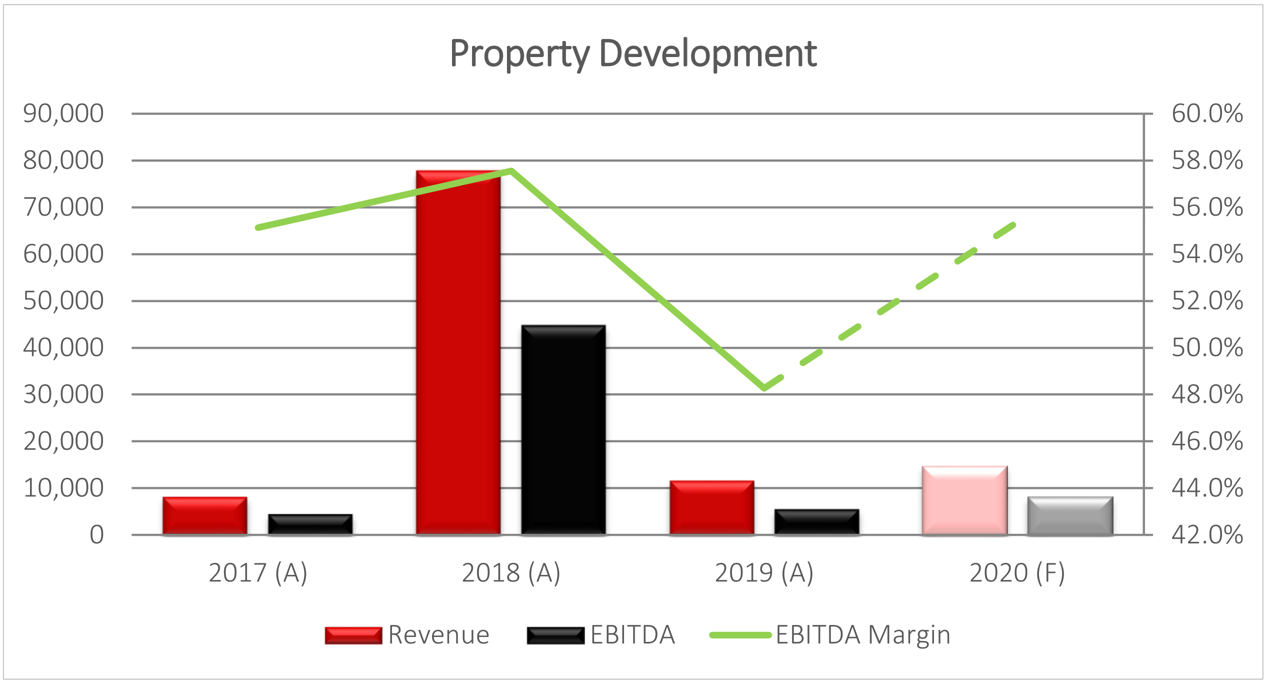
D. Property Development

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

The building known as the Crystal Ship (adjacent to the Portomaso Business Tower)
Credits: Stahlbau Pichler
(https://pichler.pro/en/references?project=233&kompetenz=Steel%2BGlass%20constructions)

Revenue for FY2018 was characterised by the delivery of the Laguna apartments, thereby resulting in a spike in revenue when compared to other years. It was also the year during which the majority of the revenue related to the building adjacent to the Portomaso Business Tower, known as the Crystal Ship, was recognised

– the revenue related to the finishing works is spread over FY2019 and FY2020. The inventory of residential units available for sale in FY2019 was lower (three units at Portomaso Complex) and as such, the majority of the revenue during the said period consisted in the main of the Crystal Ship finishing works concluded during FY2019.



For the purposes of FY2020, revenue will consist of the remaining finishing works of the Crystal Ship building, while none of the three remaining apartments are expected to be sold during the year. Management explained that the next other development which is currently under construction is Block 32, an extention to Portomaso which will however be put on the market during 2021.

Variances and Forecasts

Property Development	2019 (A) €000	2019 (F) €000	Variances (% / p.p.)	2020 (F) €000	Comparison to 2019 (A) (% / p.p.)
Revenue	11,731	23,123	-49.3%	14,727	25.5%
EBITDA	5,662	12,647	-55.2%	8,155	44.0%
EBIDTA Margin	48.3%	54.7%	-6.4 p.p.	55.4%	7.1 p.p.

Revenue and EBITDA for FY2019 came in lower than forecasts as the finalisation of the Cyrstal Ship Tower was split between FY2019 and FY2020. As such, the forecasts for the property development segment for FY2020 are expected to consititute the remaining value of finishings of this tower before it is completely passed on to the rightful owner in full.

7.2 INCOME STATEMENT - CONSOLIDATED ANALYSIS

	Actual FY2017 €'000	Actual FY2018 €'000	Actual FY2019 €'000	Forecast FY2020 €'000
Revenue	55,053	125,846	59,713	33,267
HAO	*40,616*	*42,115*	*41,594*	*13,224*
Property Development	*8,312*	*77,800*	*11,731*	*14,727*
Rental	*3,524*	*3,780*	*3,883*	*2,787*
Complex Mgmt	*2,601*	*2,191*	*2,504*	*2,529*
Direct Costs and Administrative Expenses	(32,227)	(62,054)	(34,820)	(23,269)
EBITDA	**22,825**	**63,792**	**24,893**	**9,998**
Depreciation	(5,855)	(5,591)	(6,650)	(6,437)
EBIT (Operating Profit)	**16,970**	**58,201**	**18,243**	**3,561**
Finance Income	801	881	795	352
Finance Costs	(3,054)	(2,769)	(2,742)	(2,650)
Profit before Tax	**14,717**	**56,313**	**16,296**	**1,263**
Tax Expense	(3,652)	(10,909)	(4,017)	1,780
Profit for the Year	**11,066**	**45,404**	**12,279**	**3,043**

Revenue generated in FY2019 totalled €59.7 million, which, when compared to FY2018 is significantly less. However, the revenue of FY2018 was significantly impacted (positively) by two main one-off factors – i) the delivery of 40 Laguna apartments; and ii) part-recognition of the transfer of title of the Crystal Ship building (the adjacent building to the Portomaso Business Tower); both recognised in the Property Development segment. While in FY2019, the SDC Group delivered another significant portion of the Crystal Ship, there were no deliveries pertaining to apartments and as such, the extent of revenue generated from this segment attests to that.

Revenue from the other segments were generally in line with the previous year, as explained earlier in this Part of the report.

After deducting direct and administrative costs of €34.8 million (FY2018: €62.1 million), EBITDA for the year was €24.9 million while operating profit for the year stood at €18.2 million following a depreciation charge of €6.7 million. Meanwhile, net finance costs were maintained under the €2 million mark, in line with those of the previous year as the level of borrowings did not change materially.

Profit before tax was €16.3 million in FY2019, and after deducting a tax charge of €4 million, profit after tax came at €12.3 million.

Forecast - FY2020

As explained in the segment analysis earlier in this report, the impact of CoVID-19 is expected to attest itself in the level of revenue expected to be generated during FY2020, which at €33.3 million is 44% lower than the revenue for FY2019. The main decline is in the HAO segment, which includes the hotel operations.

The group has embarked on a cost assessment exercise, reassessing and reducing costs where and as necessary, while at the same time servicing its client base and the demand at the hospitality outlets. EBITDA for the year is expected to be just below €10 million, a decline of nearly 60% from previous year. This level of EBITDA is however, expected to suffice to service the group's finance costs of €2.7 million and the non-financial depreciation charge of €6.4 million. Profit before tax is expected to come in at €1.3 million and after accounting for a tax income of €1.8 million (related to deferred tax movements), the group is expected to close FY2020 with a profit after tax of €3 million.

Variances FY2019

During FY2019, revenue came in 17.6% lower than what had been forecast in last year's report. As explained in the segment variance analysis, the main driver to this variance is the property development segment where the finishing works of the Crystal Ship, which were planned to be completed during FY2019 were split between FY2019 and FY2020. This variance had an effect on most of the other elements of the group's income statement for the year.

Meanwhile, depreciation was 23.9% lower as the calculations made in preparation of the forecasts for FY2019 last year apportioned depreciation between land and buildings in a different manner to what actually happened during the course of the year and thus reported in the audited financial statements of the Guarantor. The tax expense for the year was €4 million - 29.7% higher than anticipated, on revenues generated from other segments other than property development.

for the year ended 31 December	*Actual* **2019** *€'000*	*As forecast* **2019** *€'000*	*Variance*
Revenue	59,713	72,498	*-17.6%*
HAO	*41,594*	*43,153*	*-3.6%*
Property Development	*11,731*	*23,123*	*-49.3%*
Rental	*3,883*	*3,987*	*-2.6%*
Complex Mgmt	*2,504*	*2,235*	*12.1%*
Direct Costs and Administrative Expenses	(34,820)	(40,440)	*-13.9%*
EBITDA	**24,893**	**32,058**	*-22.4%*
Depreciation	(6,650)	(8,740)	*-23.9%*
EBIT (Operating Profit)	**18,243**	**23,318**	*-21.8%*
Finance Income	795	256	*210.5%*
Finance Costs	(2,742)	(2,752)	*-0.4%*
Profit before Tax	**16,296**	**20,822**	*-21.7%*
Tax Expense	(4,017)	(3,097)	*29.7%*
Profit for the Year	**12,279**	**17,725**	*-30.7%*

7.3 STATEMENT OF FINANCIAL POSITION

	Actual FY2017 €'000	Actual FY2018 €'000	Actual FY2019 €'000	Forecast FY2020 €'000
Assets				
Non-Current Assets				
Property, Plant & Equipment	103,872	165,562	162,152	162,024
Investment Property	19,123	13,805	13,378	14,135
Trade & Other Receivables	845	854	1,365	1,365
Total Non-Current Assets	123,840	180,221	176,896	177,524
Current Assets				
Inventories	23,807	17,393	19,961	26,391
Trade & Other Receivables	38,033	41,458	17,287	14,433
Current Tax Assets	650	2,239	1,874	1,874
Cash & Cash Equivalents	12,489	25,599	28,614	15,408
Total Current Assets	74,979	86,689	67,736	58,106
Total Assets	198,819	266,910	244,632	235,630
Equity & Liabilities				
Capital & Reserves				
Share Capital	13,653	13,653	13,653	13,653
Revaluation Reserve	51,158	90,362	89,536	89,536
Retained Earnings	24,427	50,469	28,359	26,189
Total Equity	89,238	154,483	131,548	129,378
Non-Current Liabilities				
Borrowings	56,010	54,620	53,364	57,112
Trade & Other Payables	163	86	43	43
Deferred Tax Liabilities	7,191	30,283	29,038	26,372
Total Non-Current Liabilities	63,365	84,989	82,445	83,527
Current Liabilities				
Borrowings	2,661	1,286	1,286	1,286
Trade & Other Payables	42,326	24,764	28,887	20,973
Current Taxation	1,229	1,388	466	466
Total Current Liabilities	46,216	27,437	30,639	22,725
Total Liabilities	109,581	112,426	113,085	106,252
Total Equity & Liabilities	198,819	266,910	244,632	235,630

FY2019 Review

The total asset base of the Guarantor was €244.6 million as at the end of FY2019, an 8.3% decrease over the closing position of financial year 2018 – on the assets' side, the decline was in the trade and other receivables as significant balances owed by the Tumas Group companies were repaid, while the balancing figure was in the equity side, where a significant one-time dividend was paid (€35.2 million), resulting in a decrease of the retained earnings balance from €50.5 million in FY2018 to €28.4 million (netted off by the effect of the profit for the year) by the end of FY2019.

Changes in the company's other components of its balance sheet was minimal. The largest asset remained the property, plant and equipment (PPE) which essentially comprises the Hilton Hotel and ancillary assets which are occupied and operated by SDC. In FY2018, the directors of the Guarantor appointed an independent valuation firm to value the hotel and ancillaries on the basis of discounted cash flows and approved an upward revaluation of the property of €63 million. The value of PPE at the end of FY2019 was €162.2 million, after accounting for depreciation.

Investment Property, recorded in the books of SDC at historic cost less accumulated depreciation, comprises leased out parts of the Business Tower and other retail and commercial outlets which are not occupied by SDC. The office block adjacent to the Portomaso Business Tower was recognised on the books of SDC under Investment Property as at the end of FY2017 because this development was being earmarked to be held for future rental income. However, during FY2018, SDC entered into promise of sale for the sale of the office block and as a result, this was reclassified from Investment Property to Inventory at a value of €5.9 million. by the end of FY2019, investment property value was €13.4 million, while inventory stood at €20 million. Going forward, inventory will be including the effect of the Halland development that is expected to start to take shape (and thus increase in value) in the current year onwards.

As inferred to earlier, total trade and other receivables declined substantially during FY2019, and at the end of the said period stood at €18.7 million. These declined by the end of FY2019 by approximately €23 million.

On the liabilities side, SDC's borrowings, were largely in line with those reported in FY2018, decreasing marginally to €54.7 million (FY2018: €55.9 million) and in the main consist of the borrowings from Tumas Investments plc (€50 million). Trade and other payables stood at €28.9 million an increase of approximately €4 million as in the FY2019 balance there is a payable to the parent of €5.7 million.

SDC's Funding Analysis

During FY2019, SDC's total borrowings fell marginally (2.2% lower) to €54.7 million (FY2018: €55.9 million) while net borrowings were up by over 30% despite the increase in cash and equivalents. Receivables from fellow companies within the Tumas Group amounted to just €1.6 million by the end of FY2019 (FY2018: €11.8 million – as stated earlier, SDC no longer provides the treasury functions for the Tumas Group).

Reported equity declined by 14.8% from €154.5 million at the end of FY2018 to €131.5 million by the end of FY2019, reflecting a dividend of €35.2 million paid out of retained earnings, net of the profit for the year.

Although as a result of these movements, the Guarantor's net gearing ratio, calculated as the level of net borrowings in relation to the company's reported equity plus net borrowings, increased from 10.7% in FY2018 to 15.7% by the end of FY2019, this is still regarded as a strong gearing ratio, reflecting the Guarantor's healthy cash position as at the end of FY2019.

for the year ended 31 December	*Actual* 2017 *€'000*	*Actual* 2018 *€'000*	*Actual* 2019 *€'000*
Total Borrowings	**58,671**	**55,906**	**54,650**
Less Cash & Cash Equivalents	(12,489)	(25,599)	(28,614)
Less Group Treasury Funds	(16,531)	(11,756)	(1,610)
Net Borrowings (A)	**29,652**	**18,551**	**24,426**
Reported Equity (B)	89,238	154,483	131,548
Gearing Ratio (A / A+B)	**24.9%**	**10.7%**	**15.7%**
FV Adjusted Equity (C)	106,554	177,976	156,045
Adjusted Gearing Ratio (A / A+C)	**21.8%**	**9.4%**	**13.5%**

While SDC recognises the value of investment property at cost in its balance sheet, in the notes to the financial statements it discloses the market value (based on the directors' annual revision of active market prices). Calculating the gearing ratio on the basis of market value of investment property would result in an improved gearing ratio as highlighted in the table above (refer to '*Adjusted Gearing Ratio*').

Forecast - FY2020

SDC's financial position as at the end of financial year 2020 is expected to reflect movements in assets in relation to the finalisation of the building adjacent to the Portomaso Tower known as the Crystal Ship and the capitalised works pertaining to the Halland development.

On the capital side, the company's equity is expected to account for additional dividends declared during the year, albeit at a lower level than those of FY2019, and as such, despite the profit expected to be registered during FY2020, retained earnings will decline accordingly. Notwithstanding, the equity level of the Group is expected to remain robust.

7.4 Statement of Cash Flows

for the year ended 31 December	*Actual* 2017 *€'000*	*Actual* 2018 *€'000*	*Actual* 2019 *€'000*	*Forecast* 2020 *€'000*
Net cash generated from / (used in) operating activities	7,940	43,149	42,901	(4,673)
Net cash used in investing activities	(4,352)	(4,967)	(3,343)	(7,066)
Net cash used in financing activities	(2,448)	(25,072)	(36,543)	(1,467)
Net movements in cash and cash equivalents	**1,139**	**13,110**	**3,015**	**(13,206)**
Cash and cash equivalents at beginning of year	11,349	12,489	25,599	28,614
Cash and cash equivalents at end of year	**12,489**	**25,599**	**28,614**	**15,408**

FY2019 Review

In FY2019, SDC generated €42.4 million net cash from its operations, which is largely in line with that of the preceding financial year.

This cash was applied towards the purchase of PPE (€3.3 million, which in the main included hotel plant), payment of non-current receivables (€0.5 million), repayment of bank borrowings (€1.3 million) and one-time dividend of €35.2 million. By the end of FY2019, SDC's cash balances stood at €28.6 million.

Forecast - FY2020

Cash flows envisaged for FY2020 are reflective of the impact of CoVID-19 on the operations of the Group, whereby the Guarantor is expected to be in a net cash outflow position in its operations. While capital expenditure is expected to be kept under control, SDC will be applying most of the €7.1 million towards the works related to the Halland development. During FY2020, the group is expected to utilise additional financing (in the region of €4 million mainly for works related to the property development segment). As explained earlier, SDC is expected to pay dividends during FY2020, although these are not envisaged to be at the same levels of those paid in FY2019 – FY2020: in the region of €5 million. Despite the weaker cash flows expected from operations in FY2020, the Group is forecasting a net cash position of €15.4 million by the end of FY2020.

7.5 RELATED PARTY TRANSACTIONS

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

Until FY2018, SDC used to play a key role in the management of the treasury function for the wider Tumas Group, as it aimed to maximise the use of available funds within the group and minimise (external) financing costs. It had arrangements with a number of fellow subsidiaries within the group whereby any excess funds available at SDC were transferred to subsidiaries of the group. During FY2019, the inter-Group balances were brought to a minimum (only €1.6 million outstanding) as the role was shifted to other Tumas Group companies.

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

7.6 Ratio Analysis

The below are key ratios applicable to the SDC Group:

	Actual FY2017	*Actual* FY2018	*Actual* FY2019	*Forecast* FY2020
Net Profit Margin *(Net Profit / Revenue)*	20.1%	36.1%	20.6%	9.1%
EBITDA Margin *(EBITDA / Revenue)*	41.5%	50.7%	41.7%	30.1%
Return on Assets *(Profit before Tax / Average Assets)*	7.7%	24.2%	6.4%	0.5%
Return on Equity *(Profit for the Period / Average Equity)*	13.0%	37.3%	8.6%	2.3%
Return on Capital Employed *(Profit for the Period / Average Capital Employed)*	7.7%	25.3%	6.2%	1.6%
Net Debt* / EBITDA	2.0x	0.5x	1.0x	4.3x
Gearing Ratio (1) *(Total Debt / Average Equity + Total Debt)*	40.7%	31.4%	27.6%	30.9%
Gearing Ratio (2) *(Net Debt* / Average Equity + Net Debt)*	0.4x	0.2x	0.2x	0.3x
Gearing Ratio (3) *(Net Debt* / Average FV adjusted Equity + Net Debt)*	30.2%	14.6%	14.3%	21.8%
Current Ratio *(Current Assets / Current Liabilities)*	1.6x	3.2x	2.2x	2.6x
Cash Ratio *(Cash & Equivalents / Current Liabilities)*	0.3x	0.9x	0.9x	0.7x
Interest Cover Ratio *(EBITDA / Net Finance Cost)*	10.1x	33.8x	12.8x	4.4x

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

Net Debt / EBITDA	*1.3x*	*0.3x*	*1.0x*	*4.1x*
Gearing Ratio (2)	*0.3x*	*0.1x*	*0.1x*	*0.2x*
Gearing Ratio (3)	*21.8%*	*9.4%*	*13.5%*	*21.2%*

In FY2020, it is assumed that the level of funds extended to group companies will be identical to that of FY2019, as SDC no longer serves as the Tumas Group's treasury management function.

SDC's FY2019 performance is comparable to that of FY2017 (the ratios for FY2018 include the results of the sale of the Laguna apartments and as such cannot be compared to those of FY2019). The Group's return ratios were strong, while gearing ratios remained at a healthy level, despite the substantial dividend paid out during the year which lowered retained earnings reserve. Similarly, from a solvency perspective, the metrics were strong, as the Group had substantial cash reserves. This has also been important in FY2020, as the pandemic put in financial distress groups and companies which did not have sufficient cash reserves to see them through the tough times when the economic activities of a number of companies, particularly those in the hospitality sector, were put under significant pressure to sustain the semi-lockdown situation. While the ratios of FY2020 are not comparable with those of FY2019 and earlier years, the group is expecting to continue to be strong in the gearing and solvency metrics, although returns will be impacted in view of the low levels of revenue expected to be generated from the HAO segment, in particular.

PART C LISTED SECURITIES

TI's listed debt securities comprise:

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

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

PART D COMPARATIVES

The table below compares TI'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 strength against 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.

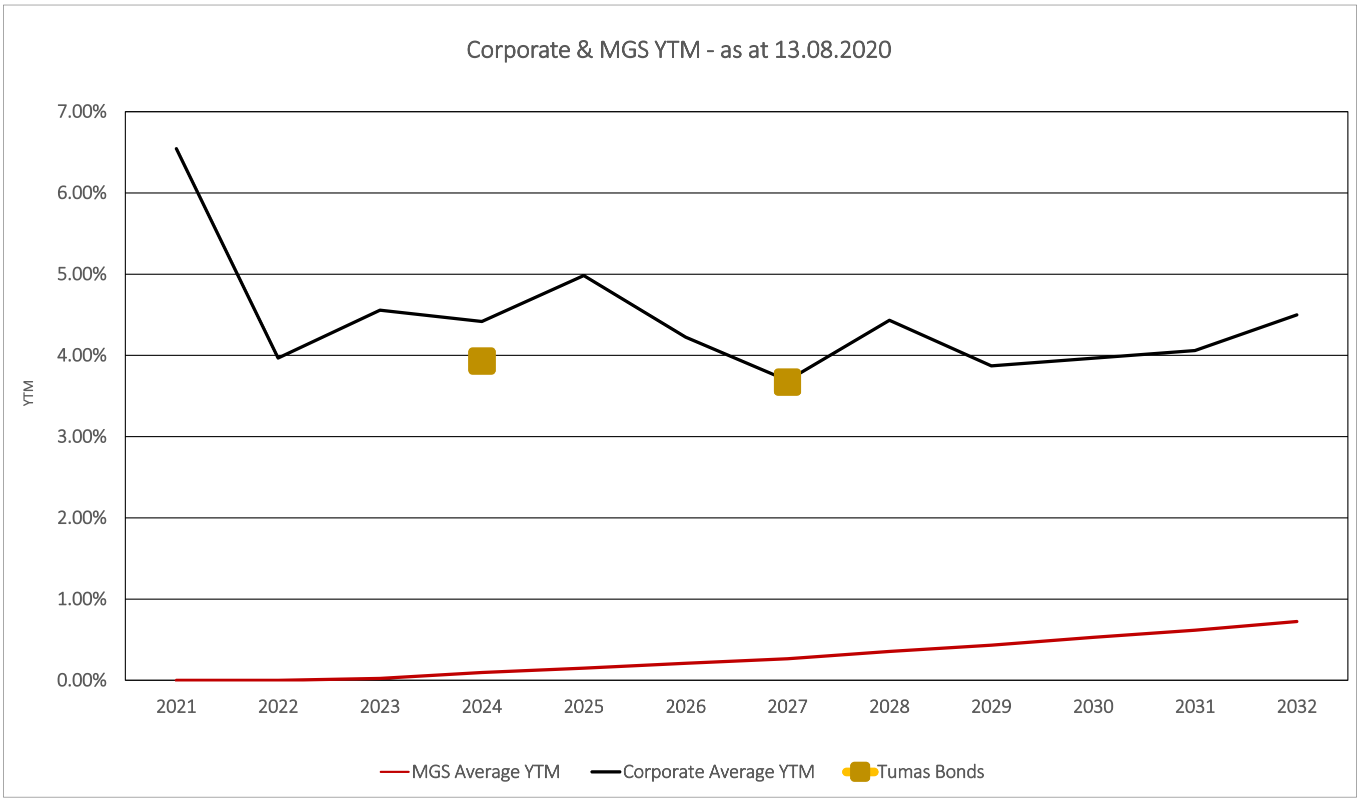
	Outstanding Amounts *(€)*	Gearing Ratio *(%)^*	Net Debt to EBIDTA *(times)*	Interest Cover *(times)*	YTM (as at 13.08.2020) %
5.00% Tumas Investments plc 2024**	**25,000,000**	**16.5%**	**1.1**	**12.8**	**3.93**
6.00% AX Investments plc 2024	40,000,000	19.1%	3.2	5.6	3.70
6.00% International Hotel Investments plc 2024	35,000,000	36.5%	7.5	3.1	5.11
3.75% Tumas Investments plc 2027**	**25,000,000**	**16.5%**	**1.1**	**12.8**	**3.67**
3.50% Simonds Farsons Cisk plc 2027	20,000,000	22.7%	1.5	16.6	2.41
4.00% Eden Finance plc 2027	40,000,000	28.2%	2.0	10.5	4.00
3.75% Virtu Finance plc 2027	25,000,000	38.8%	2.4	7.9	3.28

Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 13 August 2020. Ratio workings and financial information quoted have been based on the issuer's and their guarantors where applicable, from published financial data for the financial year 2019/20.

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

***The Guarantor's ratios exclude the effect of the fair value adjustment to equity which would have improved gearing ratios further as explained in sections 7.3 and 7.6 of this report.*

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 13 August 2020.



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	Discount over Corporate Bond Average	Premium over Average MGS
5.00% TI plc 2024	3.93%	(49 bps)	383 bps
3.75% TI plc 2027	3.67%	(2 bps)	341 bps

Income Statement Explanatory Definitions

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

Cash Flow Statement Explanatory Definitions

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

Statement of Financial Position Explanatory Definitions

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

Profitability Ratios

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

Liquidity Ratios

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

Solvency Ratios

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

Other Definitions

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