The Directors
SP Finance p.l.c,
89, The Strand,
Sliema, Malta

Re: Financial Analysis Summary – 2022

28 June 2022

Dear Sirs,

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

(a) Historical financial data for the three years ending 31 December 2019, 2020 and 2021 have been extracted from the audited financial statements of the Issuer and the Guarantor.

(b) The forecast data for the financial year ending 31 December2022 has been provided by management.

(c) Our commentary on the Issuer and Guarantor's results and financial position is based on the explanations provided by management.

(d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.

(e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of the 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 Issuer and should not be interpreted as a recommendation to invest in any of the Issuer'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 Issuer's securities.

Yours sincerely,

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Nick Calamatta
Director

Calamatta Cuschieri Investment Services Ltd. is a founding member of the Malta Stock Exchange and is licenced to conduct investment services by the Malta Financial Services Authority.

FINANCIAL ANALYSIS SUMMARY 2022

SP Finance p.l.c.

28 June 2022

Prepared by Calamatta Cuschieri Investment Services Ltd

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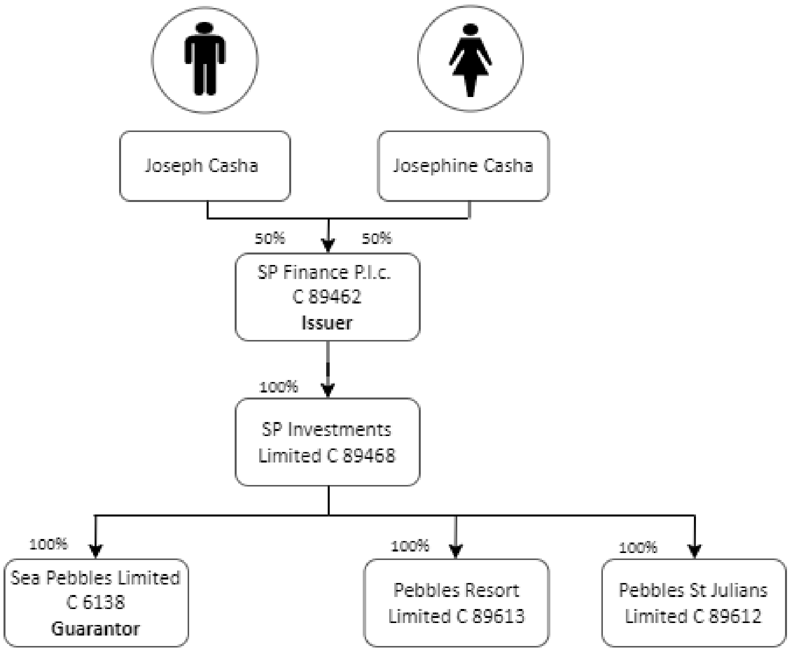
Part 1 Information about the Group

1.1 Group's Subsidiaries Key Activities and Structure

The Group structure is as follows:



The "**Group**" of companies consists of; the Issuer, SP Investments Limited acting as the holding company, and its subsidiaries; the Guarantor, Pebbles Resort Limited, and Pebbles St. Julians Limited. The objective of the Group is principally the operation of hotels.

Following the bond issue in 2019, the Issuer transferred the bond proceeds to the Group subsidiaries through an equity injection. €12m were invested into SP Investments Limited through the allotment of 12,000,000 redeemable preference shares of €1 each. In turn, SP Investments Limited invested €3.75m, €3m and €0.6m in Sea Pebbles Limited, Pebbles Resort Limited and Pebbles St Julians Limited respectively through the allotment of 3,750,000, 3,000,000 and 600,000 ordinary shares of €1 each.

The Issuer, SP Finance p.l.c., was incorporated on 19 November 2018 as a private limited liability company, registered in terms of the Companies Act with company registration number C 89462, and subsequently changed its status to a public company with effect from 23 January 2019. The Issuer, which was set up and established to act as the parent company of the Group and as a finance vehicle, has an authorised and issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up. The ultimate beneficial owners are Mr Joseph Casha and Ms Josephine Casha, who both hold 125,000 ordinary shares each.

SP Investments Limited, a fully owned subsidiary of the Issuer, is a private limited liability company incorporated and registered in Malta on 19 November 2018, with company registration number C 89468. SP Investments Limited has an authorised and issued share capital of €12,010,000 divided into 10,000 ordinary shares of €1 each, and 12,000,000 redeemable preference shares of €1 each, all fully paid up. SP Investments Limited carries out the activity of a holding company within the Group.

The Guarantor, Sea Pebbles Limited, was incorporated on 15 November 1982 as a private limited liability company, registered in terms of the Companies Act with company registration number C 6138. Pursuant to a reorganisation concluded on 10 December 2018, the Guarantor, through the Holding company, is a wholly owned subsidiary of the Issuer. The authorised and issued share capital of the Guarantor, is €4,215,875 divided into 4,215,875 ordinary shares of €1 each, all fully paid up. The principal objective of the Guarantor is to carry out all or any of the business of hotel-keepers, hotel managers or operators, and to manage and operate one or more hotels and guest houses.

Pebbles Resort Limited (C 89613) and Pebbles St Julians Limited (C 89612) were both incorporated on 28 November 2018 and are wholly owned by the Issuer through the Holding company. Pebbles Resort Limited was set up to operate a hotel, Pebbles Resort ("formerly San Pawl Hotel") situated in St. Paul's Bay, which is held under a 5-year lease, commencing in May 2019 and extendable by a further two 5-year terms.

Pebbles St Julians Limited was incorporated to construct and manage a hotel overlying Ryan's Pub ("Pebbles St Julians Hotel"), which was held under a 20-year lease. However, as the permits for Pebbles St Julian's Hotel was granted for a 10-room, instead of an 18-room hotel, management decided not to proceed with this investment. Accordingly, Pebbles St Julians Limited has not carried out any operations and is currently considered as dormant. Further detail concerning such development may be found in section 1.3 and section 1.4 of the Analysis.

1.2 Directors and Key Employees

Board of Directors – Issuer

As at the date of this Analysis, the board of the Issuer is constituted by the following persons:

Name	Designation
Mr Joseph Casha	Executive Director
Mrs Josephine Casha	Executive Director
Dr Alex Perici-Calascione	Independent non-executive Director
Mr Mark Grech	Independent non-executive Director
Dr Reuben Debono	Independent non-executive Director

The business address of all of the directors is the registered office of the Issuer. The company secretary of the Issuer is Dr Andrea Micallef.

Board of Directors – Guarantor

As at the date of this analysis, the board of the Guarantor is constituted by the following persons:

Name	Designation
Mr Joseph Casha	Executive Director
Mrs Josephine Casha	Executive Director and Company Secretary

The business address of all of the directors is the registered office of the Issuer. The company secretary of the Guarantor is Ms Josephine Casha.

A board of five directors are responsible for the overall direction and management of the Issuer. The board currently consists of two executive directors, who are entrusted with the Issuer's day-to-day management, and three non-executive directors, all of whom are independent of the Issuer. The main functions of the non-executive directors are to monitor the operations of the executive directors and their performance, as well as to review any proposals tabled by the executive directors. This practice goes in accordance with the generally accepted principles of sound corporate governance, where at least one of the directors shall be a person independent of a group of companies.

The Issuer does not have any employees of its own, and thus is dependent on the resources within the Group entities. Meanwhile, the Guarantor currently has 14 employees whilst Pebbles Resort Limited currently has 28 employees.

1.3 Major Assets owned by the Group

The Issuer's assets consist of the investments in its subsidiaries together with the loans granted to the said subsidiaries, given that it is essentially a special purpose vehicle set up to act as a holding and financing company. All major assets owned by the Group's subsidiary companies are set out below.

1.3.1 Guarantor

The Group, through the Guarantor, owns and operates Pebbles Boutique Aparthotel situated at No. 88/89, The Strand, Sliema, and the neighbouring corner building situated at No. 90, The Strand, Sliema, and having another entrance from Saint Agatha Street, Sliema, both properties being freehold and consisting of two 9-storey blocks. The said properties overlay the commercial outlets TexMex Bar & Grill, which is leased out to a third party, and the popular restaurant Medasia Fusion Lounge, which is leased out to a related operating company.

From these two properties, the Guarantor operates a 52-room aparthotel along the Gzira/Sliema promenade. These two buildings include apartments and garages, all of which are operated by the Guarantor.

The Guarantor also owns two apartments and the relative airspace overlaying the block at No. 90, The Strand Sliema, and an adjoining guesthouse in Sliema. Management confirmed that the total value of the aforementioned two apartments and airspace as well as the adjoining guesthouse in Sliema, is of €4.4m.

As part of its growth strategy, and also following the conclusion of the revised permits, the Guarantor intends to construct and extend the Pebbles Boutique Aparthotel bring the total number of standard rooms to 303, whilst also comprising 4 two-bedroom apartments and a four-bedroom penthouse.

However, due to the significant uncertainties regarding the speed of recovery of the local tourism industry, definite timelines concerning this development will be drawn up once there are clearer indications that the tourism industry has started to recover from the effects of the pandemic. Management is constantly monitoring this situation. As things stand, the intention of the Group is to carry out the project starting from late 2023 and early 2024. This timeframe may change depending on the fluidity of the pandemic situation in general. The expected cost of this development lies within the region of €10m.

1.3.2 Pebbles Resort Limited

Pebbles Resort Limited operates Pebbles Resort, which is held under a 5-year lease, commencing in May 2019 and extendable by a further two 5-year terms.

As part of its lease commitments, the Group had to carry out a comprehensive upgrade of the said resort. As further explained in the prior reports, refurbishment works are now complete with management explaining that moving into 2021, the Group only made minor investments of €0.1m into this property, with this being in line with the expected recurrent capital expenditure for a hotel of this size.

1.3.3 Pebbles St Julians Limited

The original intention of Pebbles St Julians Limited was to construct the Pebbles St Julians Hotel and subsequently operate it.

As stated above, since the commercial feasibility of operating the Pebbles St Julian's hotel with 10 rooms was considered to be compromised, the board of directors decided not to proceed with this particular investment. In view of the promising and positive development at Pebbles Resort, the board decided to redirect the relative funds towards the completion of the Pebbles Resort development works. In view of this, there are no assets within this subsidiary and it is currently considered dormant.

1.4 Operational Developments

1.4.1 Operational Developments on the Assets owned by the Guarantor

The Guarantor owns a 52-room hotel situated on the Sliema/Gzira seafront, in addition to the adjacent building and the two underlying commercial properties, which are currently leased out accordingly as explained in the above section.

Although the Pebbles Boutique Aparthotel remained open throughout 2021, the COVID-19 travel restrictions imposed by global health authorities resulted in the number of guests occupying the hotel being relatively low in the first half of 2021. In the second half of 2021 and also in the first two quarters of 2022, management reported that the Guarantor is observing a strong revival in terms of occupancy level which are approaching pre-COVID-19 levels.

To note that, apartment 7 and penthouse 8 form part of the hotel operation whilst the guesthouse was intended to be rented out to third parties until the hotel expansion project is undertaken. While the guesthouse was actually rented out to third parties in early 2020, following the COVID-19 outbreak in Malta, the tenant dropped out of the lease contract and no rental income was earned during the year. To date, the guesthouse is still vacant and management indicated that it is not likely that this will be leased out until tourism picks up again. Further detail regarding the historical and projected financial performance of Pebbles Boutique Aparthotel may be found in sub-section 1.4.3 below. Rent from its two commercial outlets (TexMex Bar & Grill, and Medasia Fusion Lounge), was negatively affected during

2021 due to rent concessions that were given to one of the tenants during the year.

1.4.2 Operational Developments on the Assets owned by Pebbles Resort Limited

San Pawl Hotel, which previously was a 3-star 234-room hotel situated in St. Paul's Bay, was rebranded as Pebbles Resort.

Following the aforesaid redevelopment and upgrade, the Pebbles Resort is now operating as a 3-star hotel located in the heart of St. Paul's Bay, offering elegant, modern and luxurious accommodation. All of the said hotel's rooms are fitted with flat screen TV's, showing satellite channels, tea and coffee facilities, private bathrooms with hairdryer, air conditioning, electronic door lock, daily cleaning service, and either a balcony or a terrace overlooking the outside pool, or with a city view. Pebbles Resort Limited rents out the restaurant outlets within the hotel to a related company outside the Group.

Pebbles Resort also offers its patrons four restaurants, all serving different specialities from around the world, besides the two bars situated on the premises. Guests also have access to a seasonal outdoor pool, as well as an indoor pool with a hot bath, garden, fitness centre, and hair and nail salon. Management confirmed that the Group also constructed an additional floor which provides facilities for all-inclusive tourists and for conferences. During the year under review, additional investments were carried out to the premises at a total cost of approximately €0.1m.

Interestingly, Pebbles Resort Limited has struck a long-term franchise agreement with the internationally renowned Bora Bora Ibiza to operate under this prestigious brand. Through this agreement it was announced that as from April 2022, the Pebbles Resort will be operated as Bora Bora Ibiza-Malta Resort for the summer period up until October 2022. After this period it will continue operating as Pebbles Resort during the winter season from November 2022 until March 2023.

In addition to what has been communicated in the previous Analysis, the process to upgrade the hotel rating to 4-star has started with the Malta Tourism Authority (MTA). All the documents needed for the upgrade have been submitted but management reiterated that they are still waiting for the MTA to process the application.

1.4.3 Pebbles Boutique Aparthotel

Operational Performance

The following table sets out the highlights of Pebbles Boutique Aparthotel's operating performance for the years indicated therein:

Pebbles Boutique Hotel	2019A	2020A	2021A	2022F
	€000s	**€000s**	**€000s**	**€000s**
Revenue	1,453	344	722	1,281
Gross operating profit	805	-12	242	538
Gross operating profit margin	**55.4%**	**-3.5%**	**33.5%**	**42.0%**
Occupancy level	86.5%	35.8%	65.74%	82.5%
Average daily rate	**88.5**	**50.6**	**55.7**	**78.8**
Yearly Revenue per available room (Rev/PAR) (€000s)	27.9	6.6	13.4	23.7
Yearly gross operating profit per available room (GOP/PAR) (€000s)	**15.5**	**0.2**	**4.5**	**10.0**

The Pebbles Boutique Apart hotel's 2021 financial performance showed a strong recovery from its 2020 levels. Revenue generated by the hotel more than doubled during 2021, from the levels registered during the prior year, resulting into an improved gross profit margin of 33.5%. While occupancy edged closer to pre-Covid-19 levels, on a positive note, this hotel managed to exceed prior expectations set out in the previous Financial Analysis Summary.

Management noted that the hotel achieved better occupancy during 2021 when compared to previous projections (65.74% vs 42.0%), resulting in an improved average revenue per available room throughout the year (13.4 vs 6.2). Additionally, as per direction provided by management, the hotel operated at increased efficiency during the year, with this resulting into lower costs incurred per room night in comparison with previous expectations.

Moving into 2022, management expects revenue to continue pushing higher and reach €1.3m with a gross operating profit of €0.5m. Management also noted that hotel occupancy between January and March 2022 averaged 63.08%.

Moving forward, based on the continued relaxation of domestic and international measures, occupancy and daily rates are expected to improve with effect from April 2022. Bookings for Q2 are expected to reach 91.63% occupancy level, which would be around the levels we are used to seeing pre-Covid-19. Average daily rates for Q2 FY22 are currently €76.15.

1.4.4 Pebbles Resort

Operational Performance

The following table sets out the highlights of the hotel's operating performance since its commencement of operations in 2019:

Pebbles Resort	2019A	2020A	2021A	2022F
	€000s	**€000s**	**€000s**	**€000s**
Revenue	1,395	836	1,303	3,032
Gross operating profit	221	7	182	1,423
Gross operating profit margin	**15.8%**	**0.8%**	**14%**	**46.9%**
Occupancy level	N/A	17.4%	25.8%	52.0%
Average daily rate	N/A	**57.2**	**62.3**	**72.0**
Yearly revenue per available room (Rev/PAR) (€000s)	N/A	3.6	5.9	13.7
Yearly gross operating profit per available room (GOP/PAR) (€000s)	N/A	**0.0**	**0.8**	**6.4**

Revenue generated by this hotel in 2021 far exceeded both 2020 levels and also the 2021 projections set out by management in the previous year. More specifically, the hotels revenue increased by 55.9% to €1.3m (FY20: €0.8m), with this translating into a gross operating profit of €0.2m.

Occupancy levels in FY21 improved slightly to around 25.9%, while average daily rates continued increasing to €62.3 in FY21 (FY20: €57.2).

Moving into FY22 the hotel is expected to exponentially exceed FY21 levels across the board. Revenue is expected to increase by 132.7% to €3.0m with gross operating profit increasing to €1.4m meaning a gross operating margin of 46.9%. Average occupancy levels are expected to double throughout FY22 and reach 52.0%.

Average daily rates are also expected to continue increasing in FY22 and reach €72.0 whilst revenue per available room and gross operating profit per available room are expected to reach €13.7 and €6.4 respectively.

1.5 COVID-19 Update

As a Group, revenue is almost exclusively generated through its two hotel operations. In view of this, its financial performance was inevitably impacted by the COVID-19 pandemic and will continue to be impacted until the pandemic subsides, and the travel industry returns to its pre pandemic levels. The latest MIA statistics show that in May 2022 arrivals increased almost 6-fold to reach 282k when compared to May 2021. Arrivals in the record year of 2019 for the month of May stood at 341k.

In 2021 the Group managed to improve its overall financial performance, with this being predominantly in line with a gradual recovery from the pandemic. Looking ahead, full recovery clearly depends on how the COVID-19 pandemic evolves and how the authorities and the Group respond through the relaxation of travel and assembly restrictions.

The financial projections adopted for the purpose of this document reflect a scenario that it considered to be realistic and yet prudent and one which did not include the closure of the hotels for any period of time as a result of the pandemic. On the basis of these financial projections, the financial results for the year 2022 are expected to improve significantly compared to those achieved in 2021 with gross revenue expected to double over this period and with significant progress being made in liquidity ratios.

Management also maintained that the Group has adequate resources to continue its operational existence for the foreseeable future and that the Issuer has the sufficient resources at its disposal to honour its existing bond interest payment obligations. The Group also enjoys an excellent relationship with its bankers, which suggests that additional finance, if needed, is likely to be forthcoming.

Part 2 Historical Performance and Forecast

The financial information in sections 2.1 to 2.3 is extracted from the audited financial statements of the Guarantor for the financial years ended 31 December 2019, 2020 and 2021. The financial information in section 2.4 to 2.7 is extracted from the audited financial statements of Group for the financial years ended 31 December 2019, 2020 and 2021.

The projected financial information for the year ending 31 December 2022 has been provided by the Group's management. This financial information relates to events in the future and is 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.

2.1 Guarantor's Income Statement

Income Statement for the year ended 31 December	2019A	2020A	2021A	2022F
	€000s	**€000s**	**€000s**	**€000s**
Revenue	1,453	345	722	1,281
Cost of sales	(648)	(357)	(480)	(743)
Gross profit	**805**	**(12)**	**242**	538
Administrative expenses (excl. depreciation)	(255)	(85)	(98)	(77)
Other operating income	69	48	33	58
EBITDA	**619**	**(49)**	**177**	**519**
Depreciation	(181)	(180)	(177)	(164)
EBIT	**438**	**(229)**	**-**	**355**
Profit on sale of property	(14)	-	-	-
Finance costs	(119)	(129)	(321)	(321)
Profit/(loss) before tax	**305**	**(358)**	**(321)**	**34**
Tax credit/(expense)	(142)	81	104	(12)
Profit/(loss) after tax	**163**	**(277)**	**(217)**	**22**

Ratio Analysis[1]	2019A	2020A	2021A	2022F
Profitability				
Growth in Revenue (YoY Revenue Growth)	-6.1%	-76.3%	109.3%	77.4%
Gross Profit Margin (Gross Profit / Revenue)	55.4%	-3.5%	33.5%	42.0%
EBITDA Margin (EBITDA / Revenue)	42.6%	-14.2%	24.5%	40.5%
Net Margin (Profit for the year / Revenue)	11.2%	-80.3%	-30.1%	1.7%

The Guarantor generates revenue from room rentals generated from the Pebbles Boutique Aparthotel in Sliema. As per latest FY21 results, the Guarantor generated *circa* €0.7m in revenue, representing an increase of 109.3% when compared to FY20.

The significant increase in revenue is attributable to the relaxation of travel restrictions imposed by the global health authorities due to the COVID-19 pandemic which meant an increase in the number of tourists visiting Malta during the year. The Guarantor is projecting a strong increase in revenue of 77.4% in FY22 with revenue expected to amount to €1.3m during the year.

Cost of sales mainly represent booking fees paid to the third party online booking portals like "booking.com", and the

[1] Ratio Analysis may not agree to prior FASs due to a change in the calculation methodology or due to rounding differences variance

day-to-day operating costs such as salaries and wages, water and electricity expenses, and repairs and maintenance expenses. The FY21 results illustrate an increase in cost of sales of 34% which is mainly attributable to the aforementioned increase in revenue. Cost of sales during FY22 are expected to increase to €0.7m.

Administrative expenses increased by 15.3% during FY21 and amounted to €98k which was above what was forecasted in the previous year. These relate to fixed costs that are not affected by changes in revenue, such as management fees from the parent company, professional, audit and accounting fees, insurance and licences and permits fees. In view of the Group's overall vision to keep operating expenditure at a minimum, the Guarantor's administrative expenses are expected to decrease to €77k during FY22.

Other income represents rental income generated by the Guarantor from its properties at ground floor level that are rented out to two restaurants namely, TexMex and MedAsia which amounted to €33k in FY21. The Guarantor's gross profit margin and EBITDA margin increased to 33.5% and to 24.5% respectively during FY21. These results were better than what was forecasted for the year mainly due to the better than expected business conditions in 2021 which were not as badly affected by the COVID-19 pandemic as previously projected.

The Guarantor's depreciation charge for FY22 is anticipated to remain at the same level of the previous year (€0.2m). Likewise, the Guarantor's finance costs are expected to remain unchanged at *circa* €0.3m for FY22. Given that the Guarantor generated a loss before tax of *circa* €0.3m in FY21, the Guarantor generated *circa* €0.1m in tax income. The Guarantor expects to generate a profit before tax of €34k in FY22 with a corresponding income tax payment of €12k.

2.2 Guarantor's Statement of Financial Position

Statement of Financial Position as at 31 December	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Property, plant and equipment	22,035	22,150	22,147	22,035
Investment property	5,974	6,004	6,004	6,004
Right-of-use-assets	24	20	17	14
Investment in associate	-	632	-	-
Total non-current assets	**28,033**	**28,806**	**28,168**	**28,053**
Current assets				
Trade and other receivables	1,189	88	199	302
Other financial assets at amortised cost	-	265	645	35
Cash and cash equivalents	527	69	15	56
Total current-assets	**1,716**	**422**	**859**	**393**
Total assets	**29,749**	**29,228**	**29,027**	**28,446**
Equity and liabilities				
Capital and reserves				
Share capital	4,216	4,216	4,216	4,216
Revaluation reserve	14,800	14,800	14,800	14,800
Other reserves	3,992	3,888	2,837	2,837
Retained earnings	787	206	(11)	11
Total equity	**23,795**	**23,110**	**21,842**	**21,864**
Non-current liabilities				
Long-term borrowings	2,535	2,824	3,959	3,690
Deferred taxation	2,494	2,413	2,309	2,321
Lease liabilities	21	17	14	10
Total non-current liabilities	**5,050**	**5,254**	**6,282**	**6,021**
Current liabilities				
Short-term borrowings	337	509	508	304
Trade and other payables	341	179	231	156
Current tax payable	226	173	160	97
Lease liabilities	-	3	4	4
Total current-liabilities	**904**	**864**	**903**	**561**
Total liabilities	**5,954**	**6,118**	**7,185**	**6,582**
Total equity and liabilities	**29,749**	**29,228**	**29,027**	**28,446**

Non-current assets, which mainly comprise property, plant and equipment and investment property, account for 97.04% of the Guarantor's total assets during FY21. Of note, the majority of the Guarantor's property, plant and equipment is composed of land and buildings. The Guarantor's non-current assets are anticipated to remain relatively unchanged and are expected to amount to €28m during FY22.

Current assets only consisted of 2.96% of the Guarantor's total assets. Apart from cash and cash equivalents, current assets are also composed of trade and other receivables and other financial assets. Trade and other receivables mainly relate to trade receivables and unamortised bond issue costs which during FY21 increased to *circa* €0.2m. Moreover, other financial assets reflect amounts due by a commonly controlled entity outside the Group and amounted to €0.6m in FY21. Forecasts for FY22 show that these are expected to reach €0.3m and €35k respectively.

Total equity tapered down to €21.8m during FY21 compared to the €22.8 forecasted last year. This difference came mainly from other reserves being €1.0m less than forecasted. When comparing to FY20 equity was lower mainly as a result of a modification of a loan agreement which saw the previously unsecured, interest-free and repayable upon demand loan from the parent become subject to interest at 8% per annum. This meant that the capital contribution representing the below-market element of the loan was transferred from other reserves to long-term borrowings. The loss experienced during the year, which ultimately impacted the Guarantor's retained earnings also meant a lower total equity for the year. Total equity is projected to amount to €21.9m during FY22.

Non-current liabilities, which is comprised of long-term borrowings, deferred taxation and lease liabilities, account for 87.4% of the Guarantor's total liabilities as at FY21. Following the aforementioned reclassification, long term borrowings increased to *circa* €4m during FY21 which is the main reason for the higher non-current liabilities when compared both to FY20 and the FY21 projections which were made last year. Non-current liabilities during FY22 are expected to decrease by 4.2% to €6.0m.

In addition, current liabilities as per FY21 results, represented 12.6% of the Guarantor's total liabilities. Current liabilities are composed of trade and other payables, current tax liabilities, short-term borrowings and lease liabilities. Total liabilities are expected to drop to €6.6m in FY22 (FY21: €7.2m).

2.3 Guarantor's Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
EBITDA	619	(49)	177	519
Recharge of surrendered losses from group companies	(89)	-	-	-
Interest and Tax paid	(289)	(182)	(334)	(374)
Change in trade and other receivables	(70)	308	141	425
Change in trade and other payables	76	(151)	(226)	(69)
Net cash flows generated from/(used in) operating activities	**247**	**(74)**	**(242)**	**502**
Cash flows from investing activities				
Capex	(5,188)	(321)	(171)	(50)
Proceeds from the sale of property, plant and equipment	700	-	-	-
Net cash flows generated from/(used in) investing activities	**(4,488)**	**(321)**	**(171)**	**(50)**
Cash flows from financing activities				
Movement in related party loan	3,690	-	-	-
Movement in bank loan	(2,162)	287	302	(285)
Movement in other borrowings	(3)	(3)	(4)	(4)
Issue of share capital	3,650	-	-	-
Dividend paid	(334)	(408)	-	-
Net cash flows generated from/(used in) financing activities	**4,841**	**(124)**	**298**	**(289)**
Movement in cash and cash equivalents	**600**	**(519)**	**(115)**	**163**
Cash and cash equivalents at start of year	(73)	527	8	(107)
Cash and cash equivalents at end of year	**527**	**8**	**(107)**	**56**

Although the pandemic-related challenges continued during 2021, as noted above, the Guarantor registered an improvement in EBITDA during the year. The Guarantor reported a net cash outflow from operating activities of *circa* €0.2m. The Guarantor is anticipating a net cash generated from operating activities of €0.5m during FY22. As previously anticipated, the Guarantor had minimal investing activities during FY21 with total net cash flows used in investing activities amounting to €0.2m. In view of the Group's decision to maintain only essential and necessary capex until the pandemic situation edges closer to normality, minimal investing activities are projected for FY22. Following movement in the Guarantor's bank borrowings, the Guarantor reported a net cash flow generated from financing activities of €0.3m in FY21. This is expected to decrease significantly in FY22 with net cash flows used in financing activities to amount to €0.3m. These results are relatively similar to the projections made last year for FY21.

2.4 Group's Income Statement

Income Statement for the year ended 31 December	2019A	2020A	2021A	2022F
	€000s	**€000s**	**€000s**	**€000s**
Revenue	2,849	1,181	2,025	4,313
Cost of sales	(1,918)	(1,195)	(1,629)	(2,386)
Gross profit	**931**	**(14)**	**396**	**1,927**
Administrative expenses (excl. depreciation)	(202)	(164)	(162)	(149)
Other operating income	106	283	176	198
EBITDA	**835**	**105**	**410**	**1,976**
Depreciation	(789)	(1,538)	(1,466)	(1,453)
EBIT	**46**	**(1,433)**	**(1,056)**	**523**
(Loss)/ Profit on sale of property, plant and equipment	(14)	-	-	-
Finance costs	(607)	(853)	(857)	(850)
Modification gain on financial liabilities	-	178	11	-
Profit/(loss) before tax	**(575)**	**(2,108)**	**(1,902)**	**(327)**
Tax credit/(expense)	188	650	631	84
Profit/(loss) after tax	**(387)**	**(1,458)**	**(1,271)**	**(243)**

Ratio Analysis[2]	2019A	2020A	2021A	2022F
Profitability				
Growth in Revenue (YoY Revenue Growth)	84.0%	-58.5%	71.5%	113.0%
EBITDA Margin (EBITDA / Revenue)	29.3%	8.9%	20.2%	45.8%
Operating (EBIT) Margin (EBIT / Revenue)	1.6%	-121.3%	-52.1%	12.1%
Net Margin (Profit for the year / Revenue)	-13.6%	-123.5%	-62.8%	-5.6%
Return on Common Equity (Net Income / Average Equity)	-2.0%	-8.1%	-7.6%	-1.5%
Return on Assets (Net Income / Average Assets)	-1.2%	-3.6%	-3.2%	-0.6%

Revenue is predominantly generated through its two hotel operations, namely Pebbles Boutique Aparthotel and Pebbles Resort. Specifically, during FY21, the Group reported €2.0m in revenues, illustrating a significant increase of 71.5% over the prior year. However, notwithstanding this improvement, consolidated revenues have not yet reached pre pandemic levels.

Additionally, in view of a continued gradual recovery from the pandemic, the Group is anticipating to generate *circa* €4.3m in revenues during FY22, illustrating an overall improvement of 113% over 2021. Importantly, this revenue projection is based on the assumption that there will be no further disruption brought about by the pandemic during the remaining months of 2022, and in this respect, occupancy levels concerning both hotels, remain at respectable levels,

[2] Ratio Analysis may not agree to prior FASs due to a change in the calculation methodology or due to rounding differences variance

in line with the continued recovery of the local tourism industry.

Cost of sales and administrative expenses collectively amounted to €1.8m during FY21 (FY20: €1.4m) and primarily include direct costs, wages and salaries, directors' remuneration, utility expenses and repairs and maintenance costs. As in the case of the Guarantor, the increase in cost of goods sold and administrative expenses experienced by the Group during FY21 is predominantly related to above-mentioned increase in revenue.

The Group's operating expenditure is expected to increase to €2.5m during FY22. This is deemed to be in line with the higher level of revenue anticipated to be generated by the Group during the year.

Other operating income generated during FY21 amounted to *circa* €176k (FY20: €283k). This decline in other operating income mainly relates to lower rental concessions for FY21 which decreased to €56k from €133k in FY20. Service charges and rental income also decreased slightly from FY20 levels. The Group is expecting other income to increase slightly to €198k in FY22.

Upon taking the above factors into consideration, the Group reported an EBITDA figure of €0.4m for FY21. In view of the anticipated improvement in revenue, the Group is projecting EBITDA to improve to €2.0m during FY22.

Depreciation was slightly lower in FY21 due to a lower depreciation charge on right–of-use assets relating to land and buildings.

Finance costs remained relatively unchanged in FY21 and amounted to *circa* €0.9m. These are expected to remain relatively unchanged in FY22.

In view of the implications brought about by the pandemic, the Group reported a loss before tax of €1.9m. This resulted in the Group benefiting from a tax credit amounting to *circa* €0.6m during the year. Loss after tax is projected to amount lower at €0.2m during FY22.

2.4.1 Group's Variance Analysis

Income statement for the year ended 31 December	2021F	2021A	Variance
	€'000s	€'000s	€'000s
Revenue	1,286	2,025	739
Cost of sales	(1,283)	(1,629)	(346)
Gross profit	**3**	**396**	**393**
Administrative expenses (excl. Depreciation)	(127)	(162)	(35)
Other operating income	321	176	(145)
EBITDA	**197**	**410**	**213**
Depreciation	(1,454)	(1,466)	(12)
EBIT	**(1,257)**	**(1,056)**	**201**
Finance costs	(851)	(857)	(6)
Modification gain on financial liabilities	89	11	(78)
Profit/(loss) before tax	**(2,019)**	**(1,902)**	**117**
Tax credit/(expense)	698	631	(67)
Profit/(loss) after tax	**(1,321)**	**(1,271)**	**50**

In view of the improved financial performance, revenue and cost of sales for FY21 were much higher than what was previously projected due to much stronger demand in the summer months than what was previously anticipated. In this respect, the Group reported an improved gross profit when compared to expectations. Meanwhile, the marginal negative variance in administrative expenses is attributable to higher legal and professional fees than what was expected.

Other operating income was lower than expected predominantly due to lower income from the rental of the catering establishments due to discounts given during the year, as well as lower rent concession received from the proprietor of the St Paul's Bay Hotel. Moreover, the finance costs variance relates to a reclassification of bond issue expenses from administrative expenses to finance costs. The modification gain on financial liabilities relates to a waiver of third party loan repayment. The amount waived was lower than forecasted as can be seen in the variance analysis.

2.5 Group's Statement of Financial Position

Statement of Financial Position as at 31 December	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Property, plant and equipment	28,092	28,016	27,372	26,577
Right-of-use assets	5,162	4,650	4,091	3,533
Investment property	5,974	6,004	6,004	6,004
Other financial assets at amortised cost	1,082	632	-	-
Deferred tax asset	-	457	1,088	1,173
Total non-current assets	**40,310**	**39,759**	**38,555**	**37,287**
Current assets				
Trade and other receivables	398	460	979	431
Current income tax asset	112	201	89	-
Cash and cash equivalents	624	116	334	66
Total current assets	**1,134**	**777**	**1,402**	**497**
Total assets	**41,444**	**40,536**	**39,957**	**37,287**
Equity and liabilities				
Capital and reserves				
Share capital	250	250	250	250
Share premium	17,750	17,750	17,750	17,750
Revaluation reserve	14,800	14,800	14,800	14,800
Fair value gain reserve	2,938	2,938	2,938	2,938
Other reserve	(17,532)	(17,532)	(17,532)	(17,532)
Retained earnings	503	(956)	(2,227)	(2,470)
Total equity	**18,709**	**17,250**	**15,979**	**15,736**
Non-current liabilities				
Borrowings	13,005	14,012	13,834	12,732
Lease liability long term	5,072	4,948	4,691	4,420
Deferred tax liability	2,365	2,262	2,262	2,262
Total non-current liabilities	**20,442**	**21,222**	**20,787**	**19,414**
Current liabilities				
Trade and other payables	1,448	856	1,202	901
Current income tax liability	226	173	160	97
Borrowings	400	793	1,572	1,365
Lease liability	219	242	257	271
Total current liabilities	**2,293**	**2,064**	**3,191**	**2,634**
Total liabilities	**22,735**	**23,286**	**23,978**	**22,048**
Total equity and liabilities	**41,444**	**40,536**	**39,957**	**37,784**

Ratio Analysis[3]	2019A	2020A	2021A	2022F
Financial Strength				
Gearing 1 (Net Debt / Net Debt and Total Equity)	49.1%	53.5%	55.6%	54.3%
Gearing 2 (Total Liabilities / Total Assets)	54.9%	57.4%	60.0%	58.4%
Gearing 3 (Net Debt / Total Equity)	96.6%	115.2%	125.3%	119.0%
Net Debt / EBITDA	21.6x	189.3x	48.8x	9.5x
Current Ratio (Current Assets / Current Liabilities)	0.5x	0.4x	0.4x	0.2x
Net Debt / Net cash from operations	17.9x	(18.0)x	232.8x	13.1x
Interest Coverage level 1 (EBITDA / Cash interest paid)	3.1x	0.1x	0.5x	2.4x
Interest Coverage level 2 (EBITDA / finance costs)	1.4x	0.1x	0.5x	2.3x

Non-current assets, which mostly comprise of property, plant and equipment, investment property and right-of-use-assets, account for 96.5% of the Group total assets for FY21. Non-current assets are also composed of other financial assets amortised at cost and deferred tax assets amongst others. The decline in other financial assets during the year, is attributable to a reclassification adjustment to current assets, mainly as this payment was settled during FY21. The Group's non-current assets are anticipated to amount to €37.3m during FY22.

In addition, the Group's current assets only consisted of 3.5% of total assets during FY21. Apart from cash and cash equivalents, current assets also includes trade and other receivables and current income tax assets. The primary reason as to why the FY21 trade and other receivables is higher when compared to previous expectations is mainly as a result of the aforementioned reclassification. Trade receivables also increased to €1.0m (FY20: €0.5m). Current assets are projected to amount to €0.5m during FY22 due to lower trade receivables, lower current income tax assets and lower cash and cash equivalents all round.

Non-current liabilities, which are mainly composed of long-term borrowings, long-term lease liabilities and deferred tax liabilities, account for 86.7% of the Group's total liabilities. The decrease in longer term borrowings during FY21 is mainly attributable to lower third-party borrowings. Non-current liabilities during FY22 are expected to amount to €19.4m.

Current liabilities comprise of trade and other payables, current income tax liability, short-term borrowings and short-term lease liabilities. Shorter term borrowings with respect to bank overdrafts, bank borrowings and third party borrowings increased across the board for the group. The Group's current liabilities are expected to amount slightly lower at €2.6m during FY22, as a result of lower trade and other payables, current income tax liabilities and borrowings all round.

Most components included under equity remained stable in FY21. Retained earnings however dropped to -€2.2m (FY20: -€1m) which resulted in total equity being lower than the FY20 reported figure. Total equity is expected to decline further to €15.7m in FY22 again due to a drop in retained earnings stemming from the loss the Group is expected to incur during FY22. These results are fairly similar to the results projected by the group for FY21 in last year's FAS.

[3] Ratio Analysis may not agree to prior FASs due to a change in the calculation methodology or due to rounding differences variance

2.6 Group's Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
EBITDA	835	105	410	1,976
Interest paid	(266)	(822)	(826)	(818)
Tax paid/refunded	(173)	(53)	99	26
Provision for doubtful debts	7	7	(11)	-
Rental concession	-	(133)	(56)	-
Change in trade and other receivables	(436)	382	127	502
Change in trade and other payables	1,040	(593)	343	(255)
Net cash flows generated from/(used in) from operating activities	**1,007**	**(1,107)**	**86**	**1,431**
Cash flows from investing activities				
Investment Capex	(11,579)	(852)	(262)	(100)
Proceeds from sale of property, plant and equipment	700	-	-	-
Net cash flows generated from/(used in) investing activities	**(10,879)**	**(852)**	**(262)**	**(100)**
Cash flows from financing activities				
Movement in bank loans	(2,162)	1,579	584	(596)
Third party borrowings	1,700	(233)	(278)	(400)
Bond proceeds	12,000	-	-	-
Bond issue costs	(316)	-	-	-
Lease liability payments	(146)	(95)	(187)	(257)
Movement in directors' balances	(510)	-	-	-
Net cash flows generated from/(used in) financing activities	**10,566**	**1,251**	**119**	**(1,253)**
Movement in cash and cash equivalents	**694**	**(708)**	**(57)**	**78**
Cash and cash equivalents at start of year	(71)	623	(85)	(142)
Cash and cash equivalents at end of year	**623**	**(85)**	**(142)**	**64**

Ratio Analysis	2019A	2020A	2021A	2022F
Cash Flow	€000s	€000s	€000s	€000s
Free Cash Flow (Net cash from operations + interest - Capex)	(10,306)	(1,137)	650	2,149

The Group reported a higher EBITDA during the year, which ultimately resulted in a net cash flow generated from operating activities of *circa* €0.1m, and notably exceeding expectations set out in the previous Analysis. This improvement in operating cash flows is also attributable to favourable movements in working capital. In line with the anticipated EBITDA improvement during FY22, the Group is projecting net cash flows generated from operating activities to amount to €1.4m.

As in the case of the Guarantor, minimal investing activities were recorded during FY21. Nevertheless, these amounted higher when compared to previous expectations, mainly due to the continued refurbishment of Pebbles Resort Hotel. Net cash flows used in investing activities are expected to amount to €0.1m during FY22.

The Group reported a net cash flow generated from financing activities of €0.1m during FY21, reflecting a substantial decrease when compared with that reported in FY20. This decrease is principally related to movement in bank loans, which from €1.6m in FY20 amounted to €0.6m in FY21. The Group is expecting movement in bank loans to amount to negative €0.6m in FY22 due to a loan repayment expected to take place in the current financial year. Net cash flows used in financing activities are expected to amount to €1.3m in FY22.

Part 3 Key Market and Competitor Data

3.1 General Market Conditions

The Issuer is subject to general market and economic risks that may have a significant impact on its current and future property developments and their timely completion within budget. These include factors such as the health of the local property market, inflation and fluctuations in interest rates, exchange rates, property prices and rental rates. In the event that general economic conditions and property market conditions experience a downturn, which is not contemplated in the Issuer's planning during development, this shall have an adverse impact on the financial condition of the Issuer and may therefore affect the ability of the Issuer to meet its obligations under the Bonds.

3.2 Economic Update[4]

The Central Bank of Malta's Business Conditions Index (BCI) indicates that annual growth in business activity has returned to its long-term average.

The European Commission survey shows that in May, economic sentiment in Malta remained above its long-term average but was unchanged from a month earlier. When compared with April, sentiment strongly ameliorated in the services sector and among retailers. It also improved slightly in construction. These developments were partly offset by weaker sentiment in industry and among consumers.

Additional survey information shows that price expectations increased in the retail and services sectors. On the contrary, price expectations in other sectors declined, with the largest decrease recorded in industry.

In May, the European Commission's Economic Uncertainty Indicator (EUI) increased when compared with April. Higher uncertainty was largely driven by developments in services and industry, and to a smaller extent, among consumers.

In April, industrial production contracted in annual terms, following a small rise a month earlier. The volume of retail trade rose at a faster pace. The unemployment rate was marginally lower than that recorded in March and below last year's rate.

Commercial and residential permits increased in April relative to their year-ago levels. In May, the number of promise-of-sale agreements fell on a year-on-year basis while final deeds of sale rose slightly.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 5.8% in May, up from 5.4% in the previous month. Inflation based on the Retail Price Index (RPI) edged up to 6.0% in May, from 5.7% a month earlier.

Maltese residents' deposits expanded at an annual rate of 8.8% in April following an increase of 10.1% in the previous month while annual growth in credit to Maltese residents stood at 7.8%, marginally above the rate of 7.7% recorded a month earlier.

The Consolidated Fund deficit in April 2022 narrowed compared with a year earlier as expenditure fell while revenue rose slightly

3.3 Economic Predictions[5]

The Central Bank of Malta expects Malta's gross domestic product (GDP) to grow by 5.4% in 2022, 4.9% in 2023 and 3.8% in 2024. Compared to the Bank's previous projections, this represents a downward revision of 0.6 percentage point in 2022 and 0.4 percentage point in 2023. The downward revision reflects the deterioration in the international economic environment due to the Russian invasion of Ukraine and the lockdown measures in Asia. These headwinds have weakened global trade and have exacerbated supply chain disruptions and shortages of key vital inputs. Such disruptions have also increased imported price pressures.

Net exports are expected to be the main driver of growth in 2022, reflecting the correction in import-intensive investment outlays from the exceptional levels reached in 2021. The contribution of domestic demand is expected to be positive but significantly lower compared to that of the previous year. In the following years, domestic demand is expected to lead the expansion in economic activity, reflecting especially a foreseen strong contribution from private consumption. At the same time, the contribution of net exports is projected to remain positive, reflecting the gradual normalisation of tourism exports and growth in foreign demand more generally.

Employment growth in 2022 is expected to reach 2.9% from 1.6% in 2021. It is set to moderate to just below 2% by 2024. The unemployment rate is projected to decline to 3.3% this

[4] Central Bank of Malta – Economic Update 6/2022

[5] Central Bank of Malta – Economic Projections 2021 – 2024 (06/2022)

year, from 3.5% last year and it is expected to hover within this range over the outlook period.

In view of the expected increase in inflation this year, wage growth is projected to be relatively strong as employees might demand some partial compensation for the increase in prices. Nevertheless, nominal wage growth is projected to remain below that of inflation due to some lag in the transmission from prices to wages. In the following years, wage pressures are expected to moderate as the labour market becomes less tight.

Annual inflation based on the Harmonised Index of Consumer Prices is projected to accelerate to 5.0% in 2022, from 0.7% in 2021. The sharp pick-up in inflation reflects a broad-based increase across all sub-components of HICP except for energy inflation. Import price pressures are expected to moderate somewhat by the beginning of next year, although these are envisaged to remain high by historical standards. HICP inflation is expected to moderate to 2.9% by 2023, driven by lower contributions from all subcomponents except for energy inflation. Inflation is set to ease further in 2024, to 1.8%.

The general government deficit-to-GDP ratio is projected to recede to 5.6% of GDP in 2022, from 8.0% in 2021. It is expected to narrow further to 4.0% of GDP in 2023, and to 3.2% of GDP in 2024. This profile is driven by the unwinding of COVID-19 support measures in 2022, which should offset outlays on price mitigation measures. The general government debt-to-GDP ratio is projected to stand at 58.7% of GDP in 2024.

On balance, risks to economic activity are to the downside for 2022 and 2023, and on the upside for 2024. These risks stem from a possible prolongation of the Russia-Ukraine war. More persistent supply bottlenecks as well as higher input and transport costs, could adversely affect manufacturing output, private consumption, and investment. Foreign demand could also be weaker than expected if monetary policy in advanced economies responds more forcibly to inflation than assumed in this baseline. These downside risks could be mitigated somewhat by possibly more expansionary domestic fiscal policy, an earlier resolution of the war, as well as the possibility of a faster drawdown of domestic private savings.

Risks to inflation are on the upside during the entire projection horizon. Indeed, the prolongation of the war, as well as China's zero-COVID policy, could increase commodity prices further and exacerbate imported price pressures and costs. Finally, wage pressures could be stronger than expected if high inflation persists for a longer period.

On the fiscal side, risks mainly relate to a larger deficit in 2022 and 2023. These mostly reflect the likelihood of additional Government support to mitigate rising commodity prices and State aid to Air Malta.

3.4 Tourism

The tourism sector in Malta has been on a consistent upward trend since 2010, rising especially in the later years from 2017. The Maltese tourism industry has, in recent years, been renowned for its unabated growth, with each passing year yielding new record highs of inbound tourists visiting the island. Indeed, the tourism industry is considered to be a crucial pillar of the local economy as it is estimated to account for 15.8% of Malta’s GDP and 52,800 jobs or 21.1% of total employment as at 2020.6

Unfortunately, the tourism sector both locally and internationally has been severely impacted by the outbreak of the COVID-19 pandemic, bringing the previous positive trend to a halt. 2020 probably was the cycle bottom and some recovery in tourism figures was noticeable in 2021. On a global scale, tourism experienced a 4% upturn in 2021, (415 million versus 400 million a year earlier). However, international tourist arrivals (overnight visitors) were still 72% below the pre-pandemic year of 2019 in Q4 2021. The pace of recovery remains slow and uneven across world regions due to varying degrees of mobility restrictions, vaccination rates, and traveller confidence.[7]

On a European level, international tourist arrivals to Europe dropped 70% in 2020 over 2019, however, recovery has been the strongest among the regions along with America in 2021, mainly thanks to the easing of restrictions during warmer months as the pandemic subsided. At the end of 2021, travel restrictions have been tightened again due to the appearance of the COVID-19 Omicron variant. Lockdowns were re-introduced, albeit not as strict as in the earlier stages of the pandemic. International travel in Europe however still suffered at the end of last year.

[6] WTTC 2020 Economic Impact report for Malta

[7] https://www.unwto.org/news/tourism-grows-4-in-2021-but-remains-far-below-pre-pandemic-levels

Locally, as early as March 2020, Malta started to introduce several confinement measures, with the eventual suspension of all passenger flights. Malta international airport was then reopened in July 2020 and demand for travel started picking up. However, as the pandemic progressed and newer waves and variants appeared, restriction measures were temporarily reintroduced, having an inevitable negative impact on tourism in Malta.

The unprecedented impact of the pandemic on the local tourism industry is demonstrated by the data below, where during 2020 local inbound tourists fell from 2,753k to 659k, a 76.1% drop YoY. Similarly, the industry experienced a decrease in tourist guest nights from 19,339k in 2019 to only 5,227 in 2020, which is a 73% drop YoY. In a similar fashion, total tourist expenditure plummeted by 79.5% in 2020 when compared with 2019.

In 2021, tourism rebounded in Malta, in line with the improvement of the tourism situation in Europe however the figures still largely lag behind 2019 figures. Statistics clearly illustrate that the number of inbound tourists already increased by 47% vs. 2020. Similarly, tourist guest nights increased by 60.5% until December 2021 when compared to full-year 2020. Total expenditure increased by 91.3% on the same basis. The above trends are also summarised in the following table, illustrating the number of tourist arrivals over the last four years:

Category[8]	2018	2019	2020	2021	2020 vs. 2021
Inbound tourists*	2,599	2,753	659	968	47.0%
Tourist guest nights*	18,570	19,339	5,227	8,390	60.5%
Avg. length /stay	7.1	7.0	7.9	8.7	10.1%
Tourist expenditure**	2,102	2,221	455	871	91.3%
Tourist exp. per capita (€)	809	807	691	899	30.1%

*in thousands
**in € millions

As of early 2022, the pandemic is in its third year and is still ongoing. However, the World Health Organization is optimistic that the acute phase of the pandemic will come to an end this year, turning into an endemic disease with smaller outbreaks regularly returning but not in a hugely disruptive way. Countries worldwide expect a stronger tourist season this year when compared to 2021 but arrivals will still remain 30% below pre-pandemic levels and is expected to possibly be fully reached by 2023. Travelling will probably remain a very different experience in 2022. Covid-19 testing and some form of quarantine will be necessary and mask-wearing is forecasted to continue to be commonplace during this year.[9] In view of this, a HVS[10] report predicts that the European hotel sector is expected to re-establish its RevPAR 2019 performance by 2024.

8 National Statistics Office, Malta

9 Economist Intelligence Unit – Tourism in 2022 report

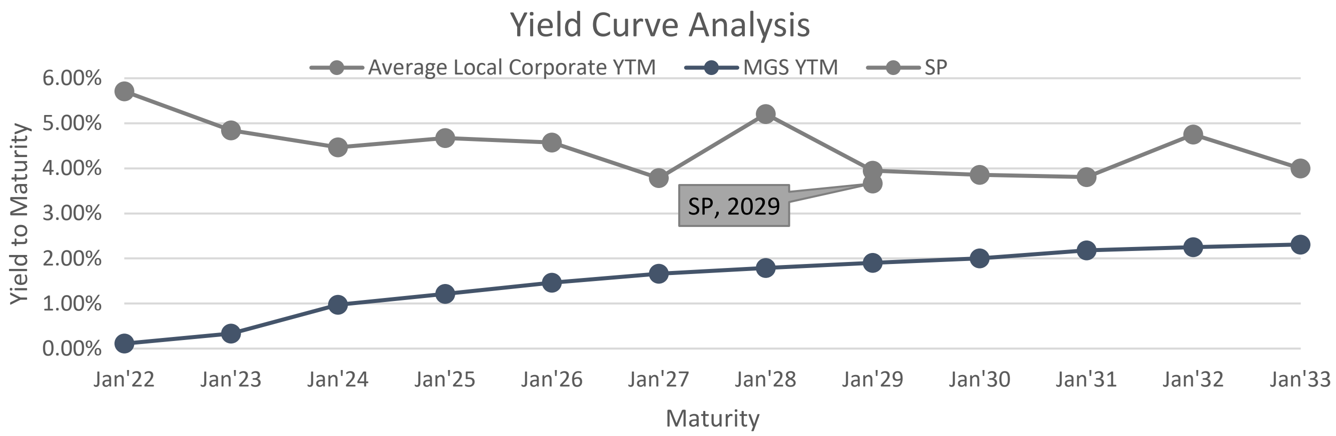
10 HVS: The Impact of COVID-19 on the European Hotel Sector

The purpose of the table below compares the proposed debt issuance of the Group to other debt instruments with similar duration. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore different.

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)	Last Closing Price *
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)	
5.8% International Hotel Investments plc 2023	10,000	4.67%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%	101.50
6% AX Investments Plc € 2024	40,000	5.97%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%	100.01
6% International Hotel Investments plc € 2024	35,000	4.83%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%	102.10
4.5% Hili Properties plc Unsecured € 2025	37,000	4.01%	1.5x	208.7	110.9	46.9%	32.3%	10.6x	4.7x	3.7%	38.5%	6.5%	101.50
4% International Hotel Investments plc Secured € 2026	55,000	3.84%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%	100.60
4% International Hotel Investments plc Unsecured € 2026	60,000	3.99%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%	100.01
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.27%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%	99.90
3.75% Mercury Projects Finance plc Secured € 2027	11,500	3.75%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%	100.00
4.35% SD Finance plc Unsecured € 2027	65,000	4.23%	0.3x	328.5	131.5	60.0%	30.3%	43.7x	1.2x	-1.6%	-12.2%	-70.9%	100.50
3.75% Tumas Investments plc Unsecured € 2027	25,000	3.75%	4.9x	232.1	139.2	40.0%	19.7%	2.6x	4.4x	2.8%	11.6%	-1.4%	100.00
4% Stivala Group Finance plc Secured € 2027	45,000	3.58%	0.5x	363.0	235.4	35.1%	26.7%	33.8x	0.9x	5.3%	82.2%	28.2%	102.00
3.85% Hili Finance Company plc Unsecured € 2028	40,000	4.04%	4.6x	727.7	154.6	78.7%	48.1%	1.7x	1.1x	25.9%	5.7%	22.0%	99.00
4% SP Finance plc € Secured 2029	12,000	3.67%	6.4x	20.9	16.0	23.6%	15.0%	2.7x	0.5x	2.5%	28.0%	6.9%	102.00
3.65% Stivala Group Finance plc Secured € 2029	15,000	3.49%	0.5x	363.0	235.4	35.1%	26.7%	33.8x	0.9x	5.3%	82.2%	28.2%	101.00
3.8% Hili Finance Company plc Unsecured € 2029	80,000	4.18%	4.6x	727.7	154.6	78.7%	48.1%	1.7x	1.1x	25.9%	5.7%	22.0%	97.67
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.75%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%	100.01
4.25% Mercury Projects Finance plc Secured € 2031	11,000	3.97%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%	102.00
	****Average**	**4.08%**											

** Last price as at 06/06/2022*

*** Average figures do not capture the financial analysis of the Group*



Source: Malta Stock Exchange, Central Bank of Malta and Calamatta Cuschieri Estimates

The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted.

The graph plots the entire MGS yield curve, thus taking into consideration the yield of comparable issuers. The graph illustrates on a stand-alone basis, the yield of comparable issuers having a maturity between 1-9 years respectively (Peers YTM).

As at 6 June 2022, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 1-9 years was 204 basis points. The 4% SP Finance plc 2029 is currently trading at a YTM of 3.67%, meaning a spread of 176 basis points over the equivalent MGS. This means that this bond is trading at a discount of 28 basis points in comparison to the market.

Part 4 Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
EBIT (Operating Profit)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Profit After Taxation	The profit made by the Group/Company during the financial year net of any income taxes incurred.

Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).

Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

Balance Sheet	
Total Assets	What the Group/Company owns which can de further classified into Non-Current Assets and 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.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.

Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can de further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Current Liabilities	Obligations which are due within one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.

Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity 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 current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.

Other Definitions	
Yield to Maturity (YTM)	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.

Calamatta Cuschieri

Calamatta Cuschieri Investment Services Ltd

Ewropa Business Centre, Triq Dun Karm, Birkirkara, BKR9034, Malta
www.cc.com.mt.
Calamatta Cuschieri Investment Services Ltd. is a founding member of the Malta Stock Exchange
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