COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Tumas Investments plc ("the Company") pursuant to the Malta Financial Services Authority Listing Rules.

28th June 2019

Quote

The Company announces that the updated Financial Analysis Summary dated 28th June 2019 is available for viewing on the Tumas Investments plc website - https://tumas.com/wp-content/uploads/2019/06/FAS-2019-Final-dd-28.06.2019.pdf and at the Company's registered office (Level 3, Portomaso Business Tower, Portomaso, St Julians) as from today.

Unquote

Ray Sladden
Company Secretary

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Company Reg. No: C27296

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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

28 June 2019

Dear Sirs,

Tumas Investments plc – Financial Analysis Summary Update 2018 (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) Historical financial data for the three years ended 31 December 2016 to 2018 extracted from both the Company 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 2019 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.

28 June 2019

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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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

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.
Prospectus	The Prospectus issued by Tumas Investments plc dated 29 May 2017.
Tumas Group Company Limited or Tumas Group or Group	A group of companies involved in various sectors including hospitality, leisure, tourism, property, automotive and port operations.

PART A BUSINESS & MARKET OVERVIEW UPDATE

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 €25.0 million 5% bonds maturing in 2024 and the €25.0 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.

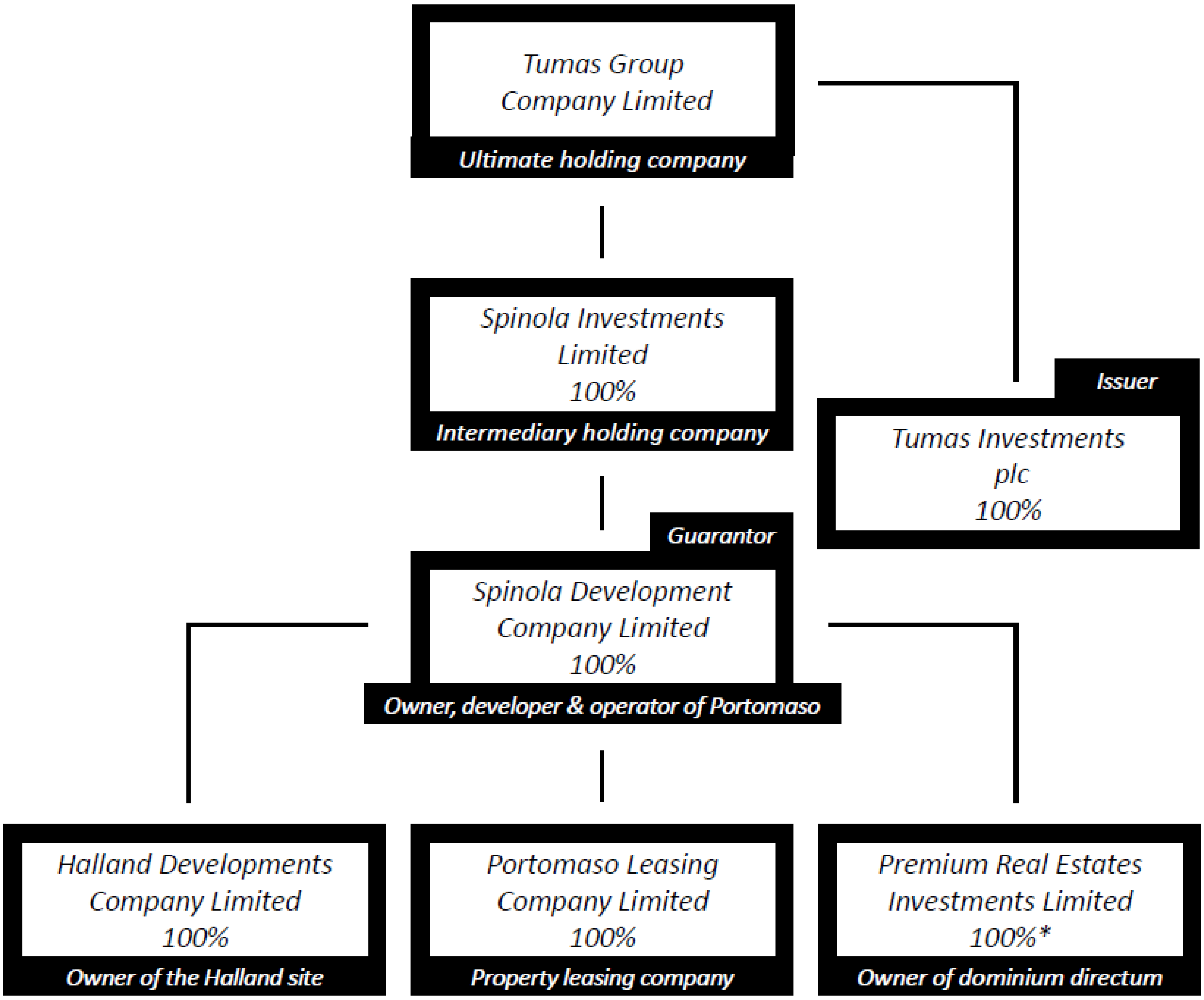
In 1994, the then Malta Hilton Hotel was completely demolished, making way for the development of the Portomaso Complex. The land title was acquired by SDC from the Government of Malta and today the Guarantor benefits from freehold title of the site. For the purpose of management and administration of 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.

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 Issuer and the Guarantor's positions within the Group are as depicted below:



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

3. DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS OF THE ISSUER

The directors of the Company who held office during the financial year ended 31 December 2018 and still hold office as at the date of this Update FAS are:

Mr. Raymond Fenech	Executive Director & Chairman
Mr. Yorgen Fenech	Executive Director
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

DIRECTORS OF THE GUARANTOR

The directors of SDC who held office during the financial year ended 31 December 2018 and still hold office as at the date of this Update FAS are:

Mr. Raymond Fenech	Executive Director & Chairman
Mr. Emmanuel Fenech	Executive Director
Mr. Yorgen Fenech	Executive Director

SENIOR MANAGEMENT OF THE ISSUER

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

SENIOR MANAGEMENT OF THE GUARANTOR

The senior management of the Guarantor are the following:

Mr. Raymond Sladden	Tumas Group Finance Director
Mr. Maurice Tabone	Sales and Marketing Director of SDC
Mr. Matthew Mullan	General Manager of Hilton Malta
Mr. Gerald Debono	Tumas Group Architect
Mr. Kevin Spiteri	Tumas Group Engineer

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 2016, 2017 and 2018.

Year	Total Assets *€'000*	Loans Receivable from SDC *€'000*	Loans Receivable from SDC as a % of Total Assets
2016	52,725	49,380	93.7%
2017	51,511	50,000	97.1%
2018	51,514	50,000	97.1%

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 Guarantor is also involved in property development and more recently, it completed the development of a site adjacent to the Portomaso residential apartments namely, the Laguna project. FY2018 saw the delivery of the majority of the Laguna apartments as well as the transfer of title of the new office block next to the Portomaso Business Tower. Planning permits for the development of Halland Residences are now in hand and excavation works and the laying of foundations are forecast to be carried out during the course of 2019, with construction works to follow in 2020. In FY2018, the Guarantor purchased a site annexed to the Complex which it aims to develop in the near future.

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 Level Twenty-Two (a wine lounge on the twenty-second floor of the Portomaso Tower). As at the end of FY2018, the Guarantor's PPE had a carrying value of €165.6 million, following a revaluation of the property as shall be discussed in later parts of this report.

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 using 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, areas operated by Livingwell and the Quarterdeck bar, are expected to be finished off by the end of 2019 following a capital expenditure of €3.5 million

II) PORTOMASO CAR PARK

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

Twenty-Two 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.

B. PROPERTY DEVELOPMENT

SDC has to date completed the development of circa. 490 apartments within the Portomaso Complex including the Laguna units.

The latest extension to the Complex entailed the development of a parcel of land spread over an area of approximately 7,550 square metres on the east shore of the site on which the Complex stands referred to as the Laguna Project which involved the construction of 44 premium residential units. During FY2018, the

Guarantor delivered 40 Laguna apartments to their new owners and as at the end of FY2018 had three apartments left unsold, while a penthouse was delivered in FY2017.

The delivery of the tower adjacent to the Portomaso Business Tower has been executed in FY2018, and in FY2019, the Guarantor is expected to complete the last finishing works to honour its performance 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 Group's aparthotel - the Halland. SDC plans to commence the excavation and the preparatory works during the last quarter of FY2019, while construction will commence in 2020.

The Guarantor has two sites that will complement the Portomaso Complex. The block of 12 apartments and underlying commercial outlets noted in last year's FAS will by the end of FY2019 be completed by way of structure and will possibly be placed on the market towards the end of this year. Additionally, the Guarantor has also purchased a property annexed to the Portomaso Complex for a total cash outlay of €2.2 million - development plans for the latter property are in early stages.

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* 11,167 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. This is partly reflected in a negative return within this segment of operations.

Material Contracts - 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. The table below shows the value of the minimum lease payments of the past three years.

	Actual FY2016 *€'000*	Actual FY2017 *€'000*	Actual FY2018 *€'000*
Not later than 1 year	2,103	2,877	3,064
Between 1 and 5 years	3,289	7,351	7,464
More than 5 years	540	2,557	2,325
Total	**5,931**	**12,785**	**12,853**

III. Capital and Financial Commitments

The Guarantor is party to commitments of a capital nature in relation to contracted or upcoming works. As at 31 December 2018, the value of these commitments was €10.7 million. The majority of this amount was in relation to the development of the Laguna apartments and the extension of the office block.

The Guarantor has also financial commitments which at the end of FY2018 amounted to €55.6 million consisting of borrowings from banks and from the Issuer (the latter being in relation to the bonds raised by TI and onlent to SDC).

IV. Other Agreements with the Tumas Group

Apart from other rental, management fee and finance agreements with Tumas Group companies, SDC has a number of loan agreements to provide short term funding to other subsidiaries within the Group which are repayable on call. These form part of the Group's treasury operations. These Group companies have stand-by funding facilities which can be drawn upon any time should SDC request the repayment of the outstanding amounts. Furthermore, SDC also provides corporate guarantees (including hypothecs over its assets) in favour of fellow Group companies and / or subsidiaries. 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. The Maltese property market continues to do exceptionally well and in the past few years there has been a significant upward trend in property prices as well as rental rates. The country's ability to continue to attract service-oriented businesses to Malta (through business-friendly incentives and a favourable tax system) remains paramount in the sustainability of the high-end residential and rental sector. While domestic demand is strong, it is increasingly clear that non-domestic demand is indispensable to absorb the increased supply coming to market. Given recent trends and growth drivers, the country is increasingly reliant on the growth and sustainability of foreign investment, particularly in the financial services sector and the gaming industry, that have altered the dynamics of the rental and commercial real estate sector over the past few years.

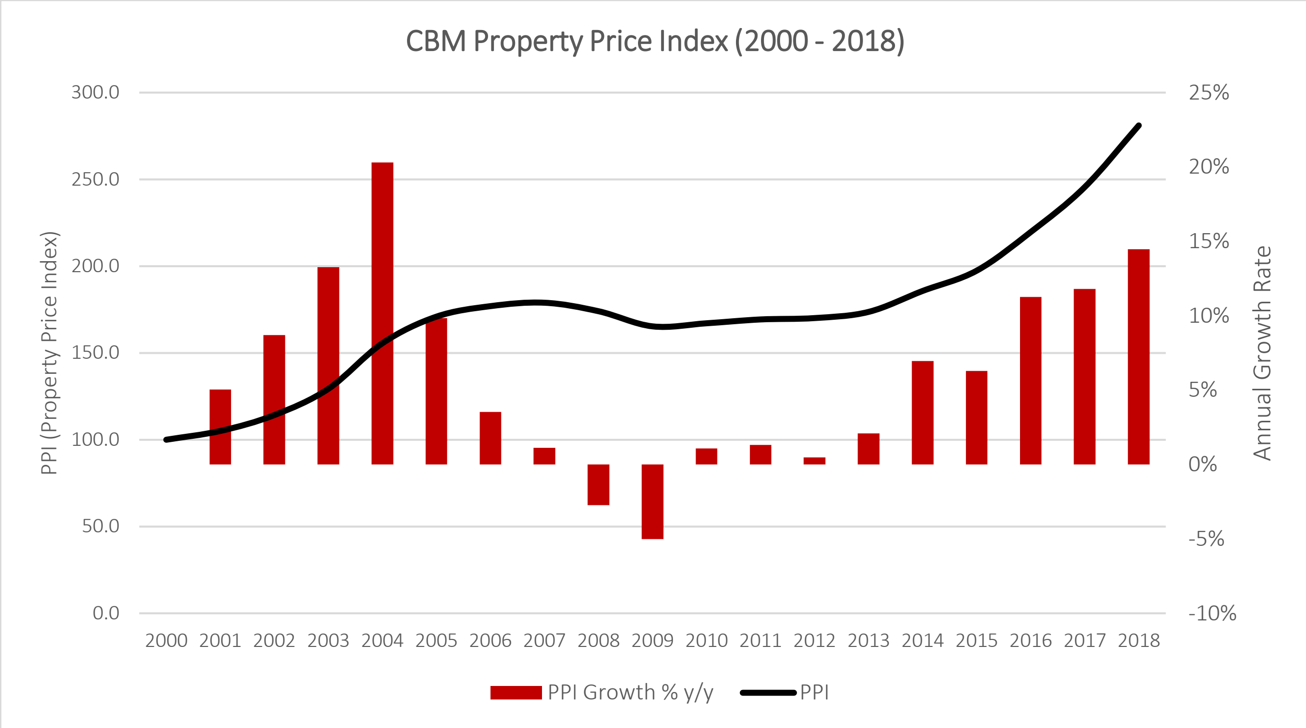
As a result of foreign direct investment and the relocation of certain gaming companies to Malta, employment levels have maintained a steady upward trend, with non-Maltese workers clearly growing as supply of Maltese workers in the key growth sectors referred to earlier has been evidently lacking (as implied also by various respondents to the annual Ernst and Young Attractiveness Survey published in October 2018[1]).

In view of the concentration of these sectors around the Gzira, Sliema and St Julian's areas, the attractiveness of properties in this Northern Harbour District remains superior to that in other areas, given the extent of connectivity and activity that this area offers particularly to non-Maltese residents. As such, the demand for properties in these areas as a rental investment has increased.

The most recent data issued by the Central Bank of Malta shows that property prices in Malta increased by 14% in 2018 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 fresh all-time high of 281 points as at the end of 2018 compared to 245.6 points as at the end of 2017.

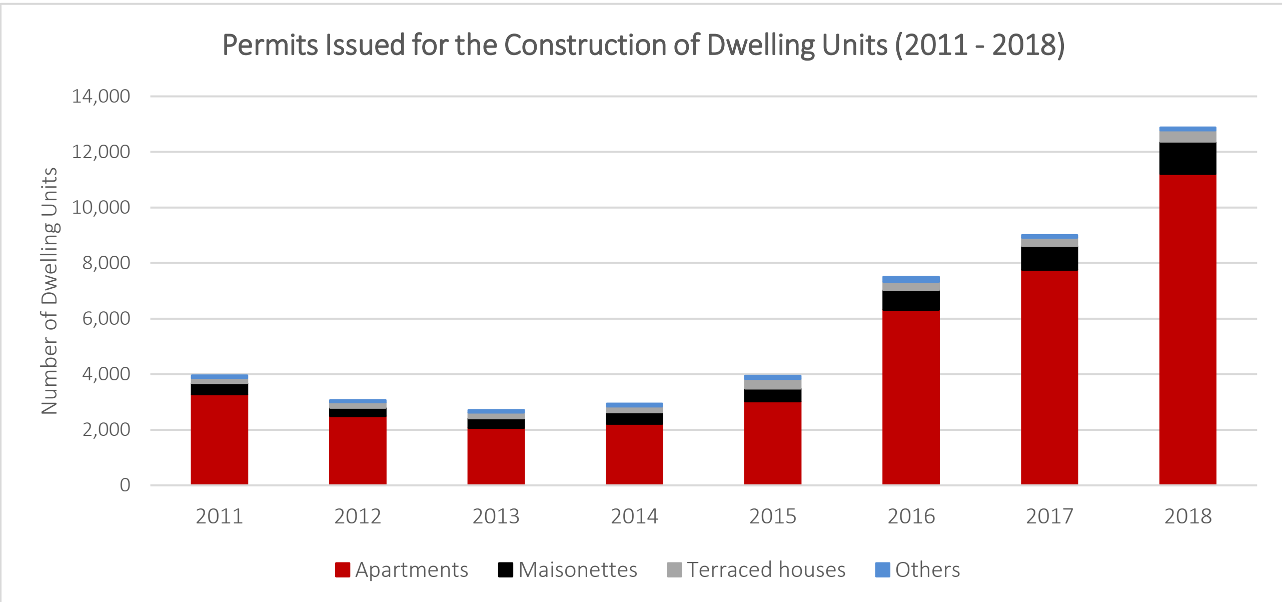
The CBM Property Price Index shows that property prices in Malta increased by a compound average growth rate ("**CAGR**") of 5.9% per annum (in nominal terms) since 2000. Property prices increased rapidly from 2000 to 2005. Thereafter, the local property market went through a period of subdued growth between 2006 and 2013, also registering some element of contraction in 2008 and 2009. Following that, property prices started to rise again in a significant manner from 2014 with the positive trend continuing till present date.

[1] *https://www.ey.com/Publication/vwLUAssets/ey-attractiveness-survey-malta-2018/$FILE/ey-attractiveness-survey-malta-2018.pdf*



Source: Central Bank of Malta

The most recent upturn in property prices in Malta was mainly demand-driven. Statistics show that the number of permits for residential units issued by the Planning Authority increased significantly over the past few years. In 2018, the Planning Authority sanctioned the development of 12,885 units, which compared to the 9,006 units sanctioned in 2007, represents a 43% increase in permits issued. As has been observed in previous years, the increase was mostly in apartments (which is also the largest category of residential units), followed by maisonettes and terraced houses.



Source: Planning Authority

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.

A recent report issued by the World Travel & Tourism Council ("**WTTC**") estimates that the total (direct and indirect) contribution of the travel and tourism sectors represented just over 27% of Malta's GDP in 2017. This is much higher than the contribution of the travel and tourism sectors across the European Union (10.3%). Furthermore, travel and tourism accounted for 28% of total employment in Malta and between 11% and 12% of total exports and investments.[2]

Other statistics published by the Malta Tourism Authority (based on figures compiled by the Malta National Statistics Office[3]) show that during 2018, total inbound visitors amounted to 2.59 million (excluding overnight cruise passengers), representing an increase of 14.3% over 2017. Furthermore, the total number of guest nights increased by 12.5% to 18.6 million whilst tourist expenditure grew by 8% to €2.1 billion (2017: €1.95 billion). Moreover, the majority of total inbound tourists came from the UK (25%), followed by Italy (15%), Germany (9%), and France (8%).

The increase in tourism numbers in 2018 was mainly driven by the increase in the number of leisure tourists which accounted for 88.2% of total tourist arrivals in 2018. On the other hand, the number of business, professional and other travellers (including educational, religious and health) fell by 8.4%.

With respect to the type of preferred accommodation, the NSO statistics indicate that the total number of nights stayed in private accommodation (self-catering apartments, farmhouses, and private residence) recorded the strongest increase with a jump of just under 20%. On the other hand, nights spent in collective accommodation (mainly hotels, guest hotels and hostels) rose by 7.1%. Overall, the share of collective accommodation as a percentage of total guest nights continued to ease to 54.3% in 2018 from 57% in the previous year. In contrast, the share of private accommodation surged to 45.7% from 43% in 2017.

Just under two-thirds of total inbound tourism takes place between April and September. The chart below shows the average proportion of inbound tourists each month over the past five years. Over the years, Government and various local tourism stakeholders and operators increased their efforts to mitigate seasonality and boost the overall significance of the tourism shoulder months (November to March). In fact, the total number of inbound tourists surged by nearly 40% over the past five years. As a result, although tourism to Malta remains concentrated during the peak months, the shoulder months now represent a very important season to the performance of the tourism sector in general, and is also regarded as the period that offers scope for further growth in the years ahead.

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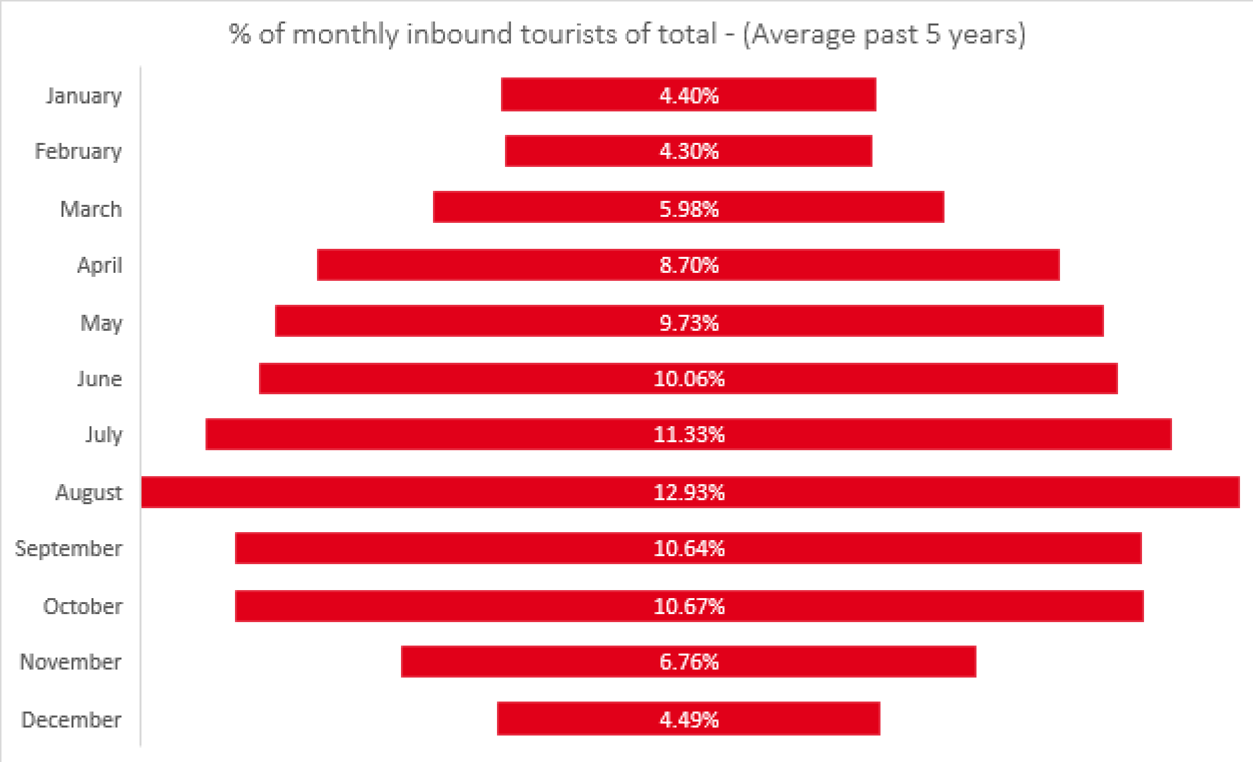
[2] *https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/malta2018.pdf*

[3] *http://www.mta.com.mt/page.aspx?id=386*



Source: NSO

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

Going forward, the prospects of the local tourism industry are positive. In fact, the WTTC[4] estimates that the local travel and tourism sector will expand by 4.2% per annum to reach nearly 33% of Malta's GDP by 2028.

Similarly, employment in the tourism and travel sector is being anticipated to climb to over 35% of total workforce by 2028 (equivalent to a growth of 2.3% per annum), whilst the amounts of tourist expenditure and investment by local operators are also projected to increase significantly. Meanwhile, however, all stakeholders in the local tourism industry need to ensure that Malta remains competitive, especially from a quality product offering perspective, and also aim at further reducing seasonality which, in turn, offers the biggest opportunity of growth for the years to come.

[4] *https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/malta2018.pdf*

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.

6.1 INCOME STATEMENT

for the year ended 31 December	*Actual* 2016 *€'000*	*Actual* 2017 *€'000*	*Actual* 2018 *€'000*	*Forecasts* 2019 *€'000*
Finance Income	3,010	2,724	2,367	2,371
Finance Costs	(2,893)	(2,580)	(2,229)	(2,231)
Net Interest Income	**117**	**144**	**137**	**140**
Administrative expenses	(112)	(132)	(124)	(128)
Profit before tax	**5**	**12**	**13**	**12**
Tax expense	(2)	(4)	(5)	(4)
Profit for the financial year	**3**	**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 costs was lower in FY2018, reflecting a full year effect of a lower coupon on the refinanced bond in FY2017 - TI refinanced its €25 million 6.2% bonds that were issued in 2010 by an equivalent bond issue at a coupon of 3.75%, a savings of 245 basis points on €25 million per annum.

Administrative expenses incurred by the Issuer in FY2018 amounted to €124K and related to listing and compliance costs and directors' remuneration.

The FY2019 forecasts of the Company, as prepared by management, indicate that TI's profitability figure for the year is expected to remain unchanged.

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. FY2018 saw new income margins rise to 5.80% (FY2017 5.29%), while interest cover remained unchanged at 1.06 times. In FY2019, the net income margin ratio is expected to continue to rise to 5.90%, while interest cover is expected to remain flat at 1.06 times for the third year running.

	FY2016 (A)	*FY2017 (A)*	*FY2018 (A)*	*FY2019 (F)*
Net Income Margin *(Net interest income / finance income)*	3.89%	5.28%	5.80%	5.90%
Interest Coverage Ratio *(Finance income / finance costs)*	1.04x	1.06x	1.06x	1.06x

Variance to Previous Forecasts

In the financial analysis summary (FAS) published by the Company on 22 June 2018, the Company presented forecasts to FY2018 in line with the Listing Policies.

for the year ended 31 December	*Actual* **2018** *€'000*	*FAS 2018 Forecasts* **2018** *€'000*	*Variance*
Finance Income	2,367	2,435	*-2.8%*
Finance Costs	(2,229)	(2,235)	*-0.2%*
Net Interest Income	**138**	**200**	*-31.3%*
Administrative expenses	(124)	(141)	*-11.8%*
Profit before tax	**13**	**59**	*-78.1%*
Tax expense	(5)	(21)	*-78.4%*
Profit for the financial year	**8**	**38**	*-77.9%*

In view that fees charged by the Issuer to the Guarantor were lower than anticipated (recognised as finance income in the Issuer's income statement), there was a variance in the projections published in the FAS of 2018 which translated to a lower net profit figure than originally anticipated.

6.2 STATEMENT OF FINANCIAL POSITION

for the year ended 31 December	*Actual* 2016 *€'000*	*Actual* 2017 *€'000*	*Actual* 2018 *€'000*	*Forecast* 2019 *€'000*
Assets				
Non-Current Assets				
Loans and Receivables	49,380	50,000	50,000	50,000
Total Non-Current Assets	**49,380**	**50,000**	**50,000**	**50,000**
Current Assets				
Trade and Other Receivables	1,314	1,122	1,251	1,251
Cash and Cash Equivalents	2,031	393	263	268
Total Current Assets	**3,345**	**1,515**	**1,514**	**1,519**
Total Assets	**52,725**	**51,515**	**51,514**	**51,519**
Equity and Liabilities				
Capital and Reserves				
Share Capital	233	250	250	250
Retained Earnings	363	371	380	388
Total Equity	**596**	**621**	**630**	**638**
Non-Current Liabilities				
Borrowings	49,764	49,608	49,645	49,645
Trade and Other Payables	949	-	-	-
Total Non-Current Liabilities	**50,713**	**49,608**	**49,645**	**49,645**
Current Liabilities				
Trade and Other Payables	1,416	1,286	1,239	1,236
Total Current Liabilities	**1,416**	**1,286**	**1,239**	**1,236**
Total Liabilities	**52,129**	**50,894**	**50,884**	**50,881**
Total Equity and Liabilities	**52,725**	**51,515**	**51,514**	**51,519**

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.

The marginal increase in total equity is reflective of the profit made during the year, which is added to retained earnings. The Company's financial position is not expected to be materially different at the end of FY2019.

6.3 STATEMENT OF CASH FLOWS

as at 31 December	*Actual* **2016** *€'000*	*Actual* **2017** *€'000*	*Actual* **2018** *€'000*	*Forecast* **2019** *€'000*
Net cash generated from / (used in) operating activities	108	151	(132)	6
Net cash generated used in investing activities	(500)	(620)	-	-
Net cash generated from financing activities	400	833	-	-
Net movement in cash and cash equivalents	**8**	**364**	**(132)**	**6**
Cash and cash equivalents at beginning of year	24	32	395	262
Cash and cash equivalents at end of year	**32**	**395**	**263**	**268**
Cash in Bond Redemption Fund	2,000	-	-	-
Total Cash Position	**2,032**	**395**	**263**	**268**

The lower administrative fee that Tumas Investments charged in FY2018 to the Guarantor resulted in a negative cash flow from operating activities for the FY2018 of €0.13 million There were no cash flows used or generated from investing and financing activities in FY2018. As at the end of financial year 2018, the Company's cash balances stood at €0.26 million.

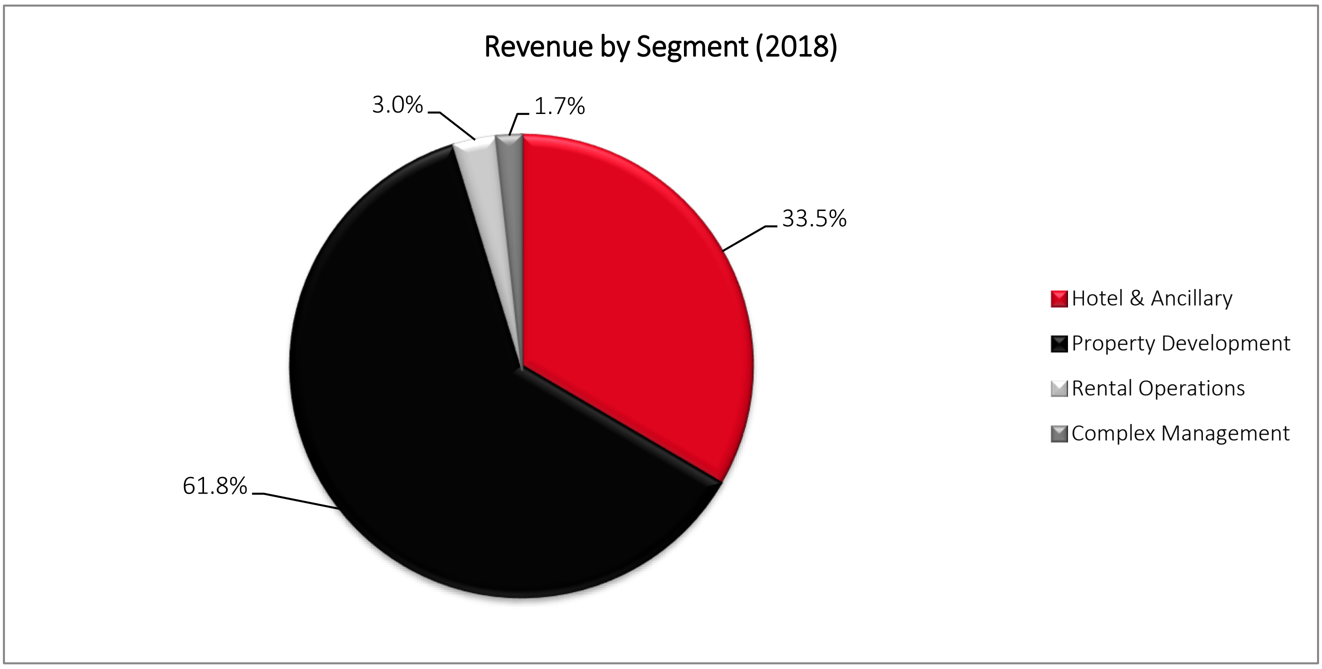
In FY2019, the Company is not expected to undertake additional borrowings or investments and as such, the cash flow statement is expected to reflect the cash generated from operations.

7. Guarantor's Financial Review & Forecasts

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.

During FY2018 SDC signed the final deed for the delivery of 40 Laguna apartments and further recognised in part revenue and associated costs in relation to the transfer of title of the adjacent tower in line with accounting principles, particularly that of IFRS 15 - *Contracts*. This led to a shift in revenue contribution within the various segments. Revenue generated from the hotel and ancillary operations stood at 33.5% of total revenue in FY2018 from 73.8% in FY2017, whilst the property development segment rose from 15.1% to 61.8%. The remaining two segments (rental operations and complex management) generated approximately 3% and 1% of total revenue respectively.

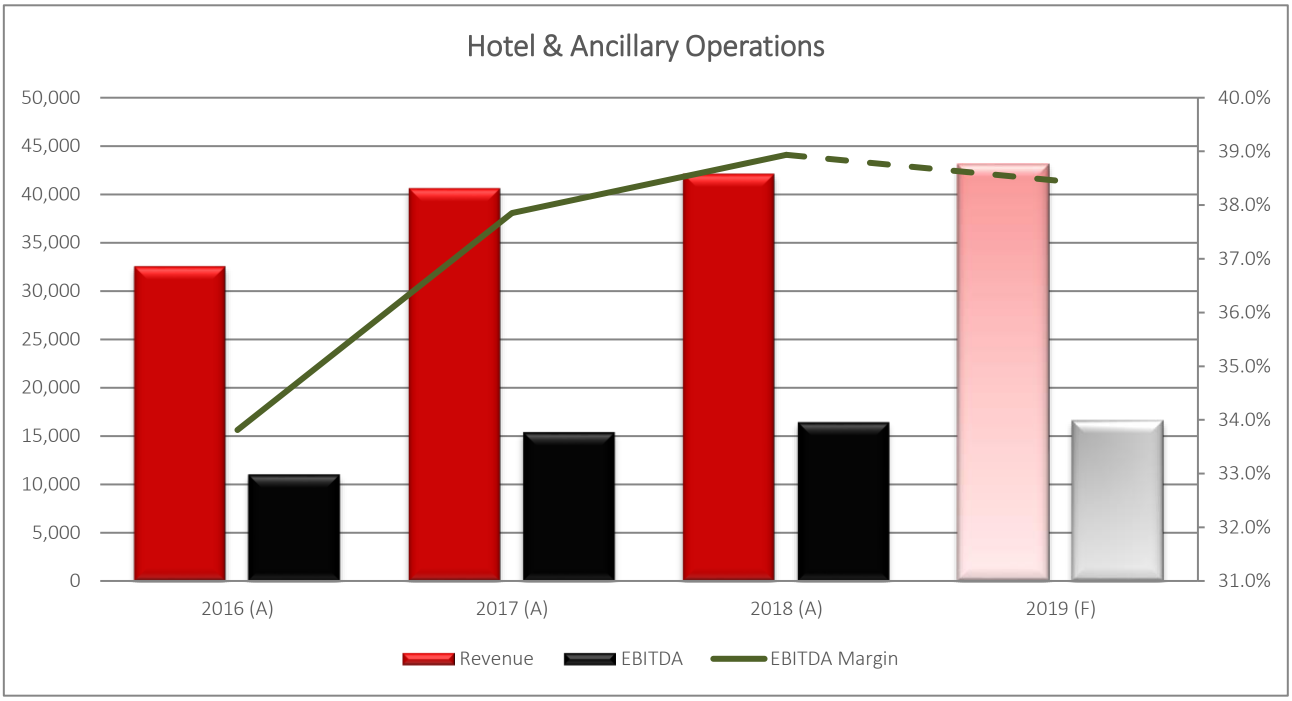


A. Hotel and Ancillary Operations (HAO)

HAO, which encompasses the Hilton Malta hotel, the car park, the marina and TwentyTwo Lounge remains to be a significant contributor towards the Guarantor's revenue streams. During FY2018, this segment generated revenues of €42.1 million, an increase of 3.7% over the revenues generated in the 2017 financial year (€40.6 million).

The revenue increase experienced in FY2017 and FY2018 can be attributable to an uplift in room rates which were commanded by the recently-refurbished 5-star hotel, improved occupancy rates (over 80% on average) and other one-off income generated from particularly large-scale conferences which were held during the year at the Hilton Malta. Together, all of these factors have contributed positively to the additional revenue for the year under review which even surpassed forecasts.

The EBITDA margin extended its upward trend to break record highs as it reached 38.9% during FY2018 (FY2017: 37.8%).



Further refurbishing works were commissioned during the course of FY2018 with a capital expenditure of €3.7 million. Management explained that the last part of the refurbishment of areas within the Hilton Malta will be undertaken this year. These will include the refurbishment of the 2008 extension rooms, the presidential suite, the wellness area and the Quarterdeck Bar within the hotel premises. The value of these works is expected to be in the region of €3.5 million.

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 and reflective of improved occupancy levels.

	FY2016	*Normalised FY2016**	FY2017	FY2018
Market Penetration Index (MPI)	0.88	*1.09*	1.07	1.10
Average Rate Index (ARI)	1.32	*1.32*	1.22	1.27
Revenue Generation Index (RGI)	1.22	*1.52*	1.35	1.37

Source: Competitor Set Analysis: The MHRA Hotel Survey by Deloitte – Jan – Dec 2018. Information as provided by management.

** Normalised 2016 refers to the adjusted indices for 2016 for the 10-week period when the hotel was closed for refurbishment.*

Variances and Forecasts

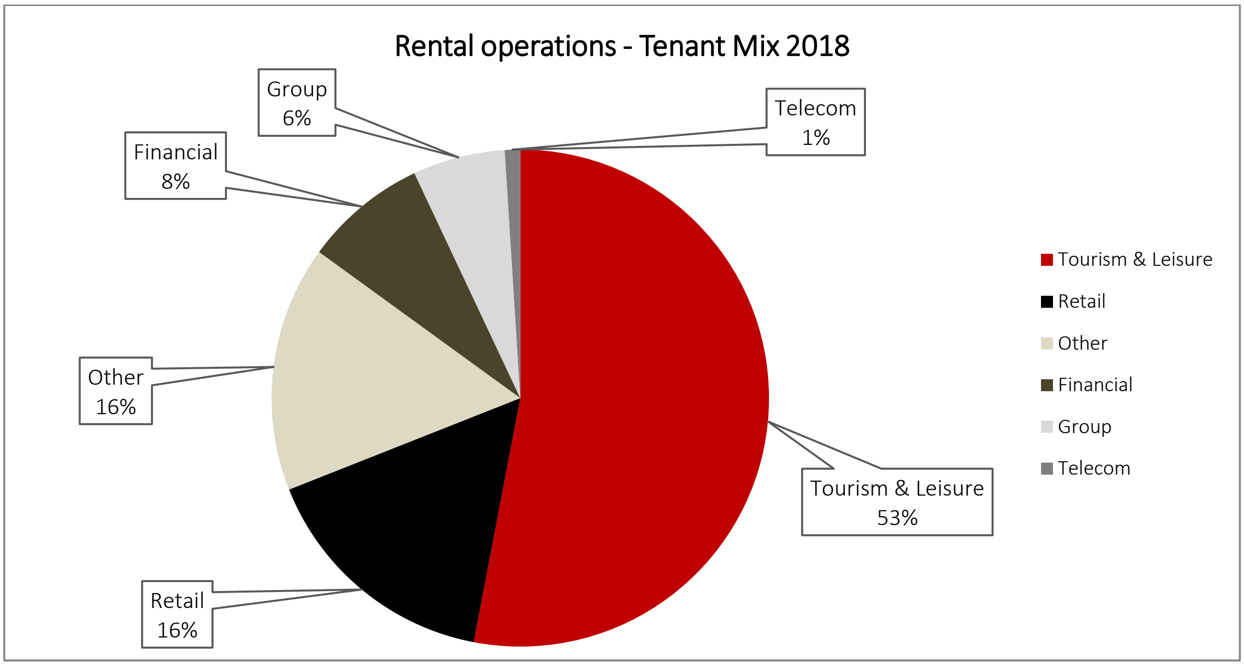
Hotel and Ancillary Operations	2018 (A)	2018 (F)	Variances (% / p.p.)	2019 (F)	Comparison to 2018 (A) (% / p.p.)
Revenue	42,115	40,653	3.6%	43,153	2.5%
EBITDA	16,398	14,990	9.4%	16,592	1.2%
EBIDTA Margin	38.9%	36.9%	2.0 p.p.	38.4%	-0.5 p.p.

During FY2018, the HAO segment fared better than anticipated, both in terms of revenue and EBITDA which resulted in an EBITDA margin of 38.9% (forecast FY2018: 36.9%). The projections for FY2019 anticipate revenue to improve by 2.5% to €43.2 million, largely on improved room rates as average occupancy is expected to be in line with previous years (i.e. circa 80%).

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 7.3% to €3.7 million (FY2017: €3.5 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 occupiying 53% of the rentable space in FY2018, followed by retail with 16% occupancy.



Variances and Forecasts

Forecast revenue and EBITDA for this segment for FY2018 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. However, higher costs than expected did lead to EBITDA coming in 3.6 percentage points short of what was forecast for FY2018.

Rental Operations	2018 (A)	2018 (F)	Variances *(% / p.p.)*	2019 (F)	Comparison to 2018 (A) *(% / p.p.)*
Revenue	3,740	3,735	0.1%	3,987	6.6%
EBITDA	3,467	3,595	-3.6%	3,687	6.3%
EBIDTA Margin	92.7%	96.3%	3.6 p.p.	92.5%	-0.2 p.p.

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. However, for FY2017 and FY2018, SDC exceptionally shared certain costs related to any upgrades necessary with apartment owners, thereby resulting in a negative EBITDA.

Variances and Forecasts

This segment continued to be a negative contributor to EBITDA (as explained above). Going forward, forecasts for FY2019 are expecting more of the same, despite a marginal increase in revenue.

Complex Management	2018 (A)	2018 (F)	Variances *(% / p.p.)*	2019 (F)	Comparison to 2018 (A) *(% / p.p.)*
Revenue	2,190	1,929	13.5%	2,235	2.1%
EBITDA	-856	-881	-2.8%	-867	1.3%
EBIDTA Margin	-39.1%	-45.7%	-6.6 p.p.	-38.8%	0.3 p.p.

D. Property Development

The property development segment generates revenues from apartment sales and its costs relate to the construction and development of new units earmarked for sale as well as costs related to the sale of the apartments. As such, the financial performance of this segment is volatile given its dependency on the actual number of apartments coming available for sale and the timing of new developments and that of final contracts with buyers.

The significant upmarket addition of the Laguna units consists of 44 top-end, low-rise units spread across 8,500 square metres. The project commenced during FY2014 and apart from the three units which were maintained as stock, FY2018 saw the Guarantor signing the final deed on 40 of the Laguna apartments, thereby recognising the respective revenue and related costs. There are no apartments expected to be delivered during FY2019 from this development.

Additional to the Laguna apartments, in FY2018 SDC transferred the ownership title of the tower adjacent to the Portomaso Business Tower, thereby partially recognising the revenue (and costs) attributable to that development. The remaining revenue anticipated to be recognised during FY2019 from this development include the finishing works which have been contracted with the purchaser.

The final deed signing in relation to the Laguna apartments and adjacent tower resulted in a surge in revenues which put the property development segment as the top contibutor to the group's overall revenues in FY2018.

VARIANCES AND FORECASTS

Revenue and EBITDA for FY2018 surpassed forecasts in view of the advanced delivery of the majority of the Laguna apartments and the adjacent tower. EBITDA margin came in 4.3 percentage points higher at 57.6%. In terms of forecasts for the property development segment, revenues are now expected to be much lower in FY2019 reflecting the recognition of revenue from the final finishing works of the adjacent tower, while no Laguna apartments or other property is assumed to be sold (delivered) during FY2019.

Property Development	2018 (A)	2018 (F)	Variances *(% / p.p.)*	2019 (F)	Comparison to 2018 (A) *(% / p.p.)*
Revenue	77,800	57,054	36.4%	23,123	-70.3%
EBITDA	44,784	30,409	47.3%	12,647	-71.8%
EBIDTA Margin	57.6%	53.3%	4.3 p.p.	54.7%	-2.9 p.p.

7.2 INCOME STATEMENT - CONSOLIDATED ANALYSIS

for the year ended 31 December	Actual 2016 €'000	Actual 2017 €'000	Actual 2018 €'000	Forecast 2019 €'000
Revenue	41,899	55,053	125,846	72,498
HAC	*32,554*	*40,616*	*42,115*	*43,153*
Property Development	*2,525*	*8,312*	*77,800*	*23,123*
Rental	*3,317*	*3,524*	*3,780*	*3,987*
Complex Management	*3,503*	*2,601*	*2,191*	*2,235*
Direct Costs and Administrative Expenses	(26,671)	(32,227)	(62,054)	(40,440)
EBITDA	**15,227**	**22,825**	**63,792**	**32,058**
Depreciation	(5,825)	(5,855)	(5,591)	(8,740)
EBIT (Operating Profit)	**9,403**	**16,970**	**56,313**	**23,318**
Finance Income	255	801	881	256
Finance Costs	(3,568)	(3,054)	(2,769)	(2,752)
Profit before Tax	**6,091**	**14,717**	**56,313**	**20,822**
Tax Expense	(908)	(3,652)	(10,909)	(3,097)
Profit for the Year	**5,183**	**11,066**	**45,404**	**17,725**

Revenue generated from the four segments analysed above totalled €125.8 million in FY2018, an increase of no less than 128.6% over revenues of FY2017. As explained in earlier parts of this report, the main contributor to this significant increase in revenues was the delivery of the Laguna apartments and the partial recognition of revenue from the transfer of title of the adjacent tower to the Portomaso Business Tower. The HAO segment also performed positively, as it continued to grow its revenues on the back of the major refurbishment of Hilton Malta.

After deducting direct and administrative costs of €62.1 million (FY2016: €32.2 million), EBITDA for the year was €63.8 million, an uplift of 180% compared to FY2017. After accounting for depreciation, operating profit for the year stood at €56.3 million.

Net finance costs maintained the downward trend commenced a few years back, primarily backed by lower borrowing costs and improved cash management, as the company reduced its borrowings during the year.

Profit before tax was €56.3 million in FY2018, representing nearly a fourfold increase over that for FY2017, and after deducting a tax charge of €10.9 million, profit after tax came at €45.4 million.

FORECAST - FY2019

Revenue from the HAO segment is expected to account for nearly 60% of SDC's total revenue in FY2019. This is expected to be followed by the 31.9% contribution to revenue from the property development segment, at €23.1 million, reflecting mainly the revenue from the finishings contract to the tower adjacent to the Portomaso Business Tower.

Following the deduction of directly-associated costs and administrative expenses to the tune of €40.4 million, the Guarantor's EBITDA is expected to be €32.1 million, or a margin of 44.2%, in FY2019. The depreciation charge for the year of €8.7 million (FY2018: €5.6 million) will include a full-year effect of the revaluation of the PPE. Finance costs are expected to be in line with those of FY2018 as the level of borrowings in FY2019 is not expected to be largely different from that of FY2018, and the additional borrowings are expected to be timed only towards the latter part of the year. After a tax charge of €3.1 million, overall net profit for FY2019 is expected to be €17.7 million.

VARIANCES FY2018

While all segments registered revenues at higher levels than those which were forecast in the FAS published last year, as explained in the segmental analysis, the main variances of the Guarantor's performance were in relation to the property segment, where there was a hike in revenues as the Guarantor advanced significantly on the signing of the final deeds in relation to 40 Laguna apartments and the transfer of title of the adjacent tower.

for the year ended 31 December	*Actual* **2018** *€'000*	*As forecast* **2018** *€'000*	*Variance*
Revenue	125,846	103,371*	*21.7%*
HAC	*42,115*	*40,653*	*3.6%*
Property Development	*77,800*	*57,054**	*36.4%*
Rental	*3,780*	*3,735*	*1.2%*
Complex Management	*2,191*	*1,929*	*13.6%*
Direct Costs and Administrative Expenses	(62,054)	(54,932)*	*13.0%*
EBITDA	**63,792**	**48,439**	*31.7%*
Depreciation	(5,591)	(6,026)	*-7.2%*
EBIT (Operating Profit)	**56,313**	**42,413**	*32.8%*
Finance Income	881	290	*203.8%*
Finance Costs	(2,769)	(2,886)	*-4.1%*
Profit before Tax	**56,313**	**39,817**	*41.4%*
Tax Expense	(10,909)	(9,184)	*18.8%*
Profit for the Year	**45,404**	**30,633**	*48.2%*

**In the FAS published in 2018, the forecasts presented therein for FY2018 presented the transfer of the adjacent tower as 'Sale of Investment Property' as part of operating profit but not within the Property Development segment, which in fact it relates to. For comparative purposes, the forecasts that were presented were adjusted to include the sale of the property within the appropriate segment (revenue and costs).*

Costs came in higher by 13% as did the tax charge (+18.8%), both significantly effected by the delivery of the properties, as described in earlier parts of this report. The effect of the increased revenues recognised in the property segment affected the remaining total lines of the Guarantor's income statement and the company closed FY2018 at a profit after tax 48.2% above that forecast last year.

7.3 STATEMENT OF FINANCIAL POSITION

for the year ended 31 December	*Actual* *2016* *€'000*	*Actual* *2017* *€'000*	*Actual* *2018* *€'000*	*Forecast* *2019* *€'000*
Assets				
Non-Current Assets				
Property, Plant & Equipment	108,391	103,872	165,562	163,128
Investment Property	13,735	19,123	13,805	14,118
Trade & Other Receivables	3,192	845	854	854
Total Non-Current Assets	125,318	123,840	180,221	178,100
Current Assets				
Inventories	21,780	23,807	17,393	26,135
Trade & Other Receivables	22,212	38,033	41,458	22,455
Current Tax Assets	332	650	2,239	2,239
Cash & Cash Equivalents*	11,349	12,489	25,599	11,826
Total Current Assets	55,674	74,979	86,689	62,655
Total Assets	180,992	198,819	266,910	240,755
Equity & Liabilities				
Capital & Reserves				
Share Capital	13,653	13,653	13,653	13,653
Revaluation Reserve	51,378	51,158	90,362	90,362
Retained Earnings	16,356	24,427	50,469	32,980
Total Equity	81,387	89,238	154,483	136,995
Non-Current Liabilities				
Borrowings	54,085	56,010	54,620	56,867
Trade & Other Payables	211	163	86	86
Deferred Tax Liabilities	7,344	7,191	30,283	26,606
Total Non-Current Liabilities	61,640	63,365	84,989	83,559
Current Liabilities				
Borrowings	3,781	2,661	1,286	1,786
Trade & Other Payables	33,791	42,326	24,764	12,708
Current Taxation	393	1,229	1,388	5,708
Total Current Liabilities	37,965	46,216	27,437	20,202
Total Liabilities	99,605	109,581	112,426	103,761
Total Equity & Liabilities	180,992	198,819	266,910	240,756

**Cash balances are net of bank overdrafts*

FY2018 Review

The total asset base of the Guarantor was €266.9 million as at the end of FY2018, a 34.2% increase over the closing position of financial year 2017 (FY2017: €198.8). €165.6 million of SDC's total assets are represented by 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.

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.

Other movement in inventories included the recognition of the sale of the Laguna apartments upon the signing of the final deed. The sale has also impacted cash positions of the Guarantor, which increased to €25.6 million (FY2017: €12.5 million), despite the significant dividend pay-out which the shareholders received in FY2018 of €22.2 million.

Total trade and other receivables increased by 9%, from a total of €38.8 million in FY2017 to €42.3 million by the end of FY2018. In the main, these consist of dues from other companies within the Tumas Group as SDC utilises any excess cash to lend to other companies within the Group on a short-term basis.

On the liabilities side, SDC's borrowings, were largely in line with those reported in FY2017, decreasing marginally to €55.9 million (FY2017: €58.6 million) and in the main consist of the borrowings from Tumas Investments plc (€50 million). On the other hand, total trade and other payables fell from €42.5 million in FY2017 to €24.8 million in FY2018 – this figure included the deposits paid on promise of sale of the Laguna units and which upon signing of the deed would no longer be classifiable as a liability on the company's balance sheet.

SDC's Funding Analysis

SDC's total borrowings fell 4.7% to €55.9 million (FY2017: €58.7 million) and its net borrowings fell 37.4% to €18.6 million (FY2017: €29.7 million) which reflects the increased level of cash balances which more than doubled when compared to the previous financial year due to a significant rise in cash generated from the operating activities mentioned earlier.

As the Tumas Group seeks to minimise its overall finance costs, any excess funds available at SDC level and not immediately required are advanced to other subsidiaries in the form of short-term loans renewable at SDC's discretion depending on its commitments. This amount stood at €11.8 million by the end of FY2018 (FY2017: €16.5 million).

Reported equity increased by 73.1% from €89.2 million in FY2017 to €154.5 million in FY2018, reflecting the level of profit that was generated and retained during FY2018.

The Guarantor's net gearing ratio, calculated as the level of net borrowings in relation to the company's reported equity plus net borrowings, continued to improve from 32% in FY2016 and 24.9% in FY2017, to just 10.7% in FY2018, reflecting the Guarantor's increase in equity and the very healthy cash position as at the end of FY2018.

for the year ended 31 December	*Actual* 2016 *€'000*	*Actual* 2017 *€'000*	*Actual* 2018 *€'000*
Total Borrowings	**58,290**	**58,671**	**55,906**
Less Cash & Cash Equivalents	(11,773)	(12,489)	(25,599)
Less Group Treasury Funds	(7,317)	(16,531)	(11,756)
Less Advances to TI plc (for bond redemption fund)	(932)	-	-
Net Borrowings (A)	**38,268**	**29,651**	**18,551**
Reported Equity (B)	81,387	89,238	154,483
Gearing Ratio (A / A+B)	**31.98%**	**24.94%**	**10.7%**
FV Adjusted Equity (C)	100,026	106,554	177,976
Adjusted Gearing Ratio (A / A+C)	**27.67%**	**21.77%**	**9.44%**

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 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 - FY2019

SDC's financial position as at the end of financial year 2019 is expected to reflect movements in assets in relation to the finalisation works on the adjacent tower and the preparatory capitalised works pertaining to the Halland development.

On the funding side, the company's equity is expected to account for additional dividends declared during the year, and as such, despite the profit expected to be registered during FY2019, retained earnings will decline accordingly. Notwithstanding this increase in dividends, the equity level of the Group is expected to remain robust.

The cash generation during FY2019 is expected to be applied towards a reduction in trade payables, thereby reducing the balance from €24.8 million at the end of FY2018 to €12.7 million at the end of FY2019, taking into account also the transfer of the liabilities in relation to the tower.

7.4 Statement of Cash Flows

for the year ended 31 December	*Actual* **2016** *€'000*	*Actual* **2017** *€'000*	*Actual* **2018** *€'000*	*Forecast* **2019** *€'000*
Net cash generated from operating activities	13,847	7,940	43,149	25,314
Net cash used in investing activities	(11,648)	(4,352)	(4,967)	(6,619)
Net cash used in financing activities	(2,477)	(2,448)	(25,072)	(32,468)
Net movements in cash and cash equivalents	**(279)**	**1,139**	**13,110**	**(13,773)**
Cash and cash equivalents at beginning of year	11,628	11,349	12,489	25,599
Cash and cash equivalents at end of year	**11,349**	**12,489**	**25,599**	**11,826**

FY2018 Review

In FY2018, SDC generated €43.1 million net cash from its operations, which is substantially higher than the preceding financial years. This was mainly due to completion and sale of the majority of the Laguna apartments and the transfer of title and partial delivery of the new office block next to the Portomaso Business Tower.

This cash was applied towards the purchase of a new site annexed to the property and other PPE for a total of €5 million. In FY2018, the company also paid €22.2 million in dividends and repaid €2.8 million of bank debts. By the end of FY2018, SDC's cash balances more than doubled from €12.5 million to €25.6 million.

Forecast - FY2019

Cash flows envisaged for FY2019 are reflective of the remaining cash inflows from the finishing works related to the office building adjacent to the Portomaso Business Tower. The application of these cash balances will be primarily towards the payment of another significant dividend to the company's shareholders which is expected to increase to €35.2 million in FY2019 and further reductions in net bank borrowings.

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.

As the Tumas Group aims to maximise the use of available funds within the group and minimise (external) financing costs, SDC regularly operates within the group treasury function and has arrangements with a number of fellow subsidiaries within the group whereby any excess funds available at SDC are transferred to subsidiaries of the group. 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.

SDC retains the right, at all times, to call on these funds and have such balances transferred to its bank accounts as and when needed. Indeed, such treasury operations are covered by banking facilities or cash at the respective individual companies.

7.6 Ratio Analysis

The below are key ratios applicable to the SDC Group:

	Actual FY2016	*Actual* FY2017	*Actual* FY2018	*Forecast* FY2019
Net Profit Margin (*Net Profit / Revenue*)	12.4%	20.1%	36.1%	24.4%
EBITDA Margin (*EBITDA / Revenue*)	36.3%	41.5%	50.7%	44.2%
Return on Assets (*Profit before Tax / Average Assets*)	3.42%	7.75%	24.18%	8.20%
Return on Equity (*Profit for the Period / Average Equity*)	6.49%	12.97%	37.26%	12.16%
Return on Capital Employed (*Profit for the Period / Average Capital Employed*)	3.76%	7.71%	25.34%	8.73%
Net Debt / EBITDA*	3.05x	2.02x	0.48x	1.46x
Gearing Ratio (1) (*Total Debt / Average Equity + Total Debt*)	42.03%	40.75%	31.45%	28.70%
Gearing Ratio (2) (*Net Debt* / Average Equity + Net Debt*)	0.37x	0.35x	0.20x	0.24x
Gearing Ratio (3) (*Net Debt* / Average FV adjusted Equity + Net Debt*)	31.74%	30.24%	14.55%	22.59%
Current Ratio (*Current Assets / Current Liabilities*)	1.47x	1.62x	3.16x	3.10x
Cash Ratio (*Cash & Equivalents / Current Liabilities*)	0.30x	0.27x	0.93x	0.59x
Interest Cover Ratio (*EBITDA / Net Finance Cost*)	4.60x	10.13x	33.79x	12.84x

**Net Debt excludes the effect of funds extended by SDC to other Tumas Group companies. Applying these to the Net Debt working, ratios will be as follows:*

Net Debt / EBITDA	*2.51x*	*1.30x*	*0.29x*	*1.09x*
Gearing Ratio (2)	*032x*	*0.26x*	*0.13x*	*0.19x*
Gearing Ratio (3)	*27.67%*	*21.77%*	*9.44%*	*17.93%*

In FY2019, it is assumed that the level of funds extended to group companies will be identical to that of FY2018.

SDC's ratios and margins have overall continued to improve in FY2018, supported by the spike in profits, lower net borrowings and strong levels of equity, all of which contributed to margins and returns superior to those reported in earlier years. SDC remains one of the least geared companies in Malta which has listed securities or acts as a guarantor for listed securities on the Malta Stock Exchange. Complemented with a diversified portfolio of assets and operations, the forecast metrics for the group are expected to remain strong with a very healthy EBITDA margin ratio, low gearing and a high interest cover ratio.

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

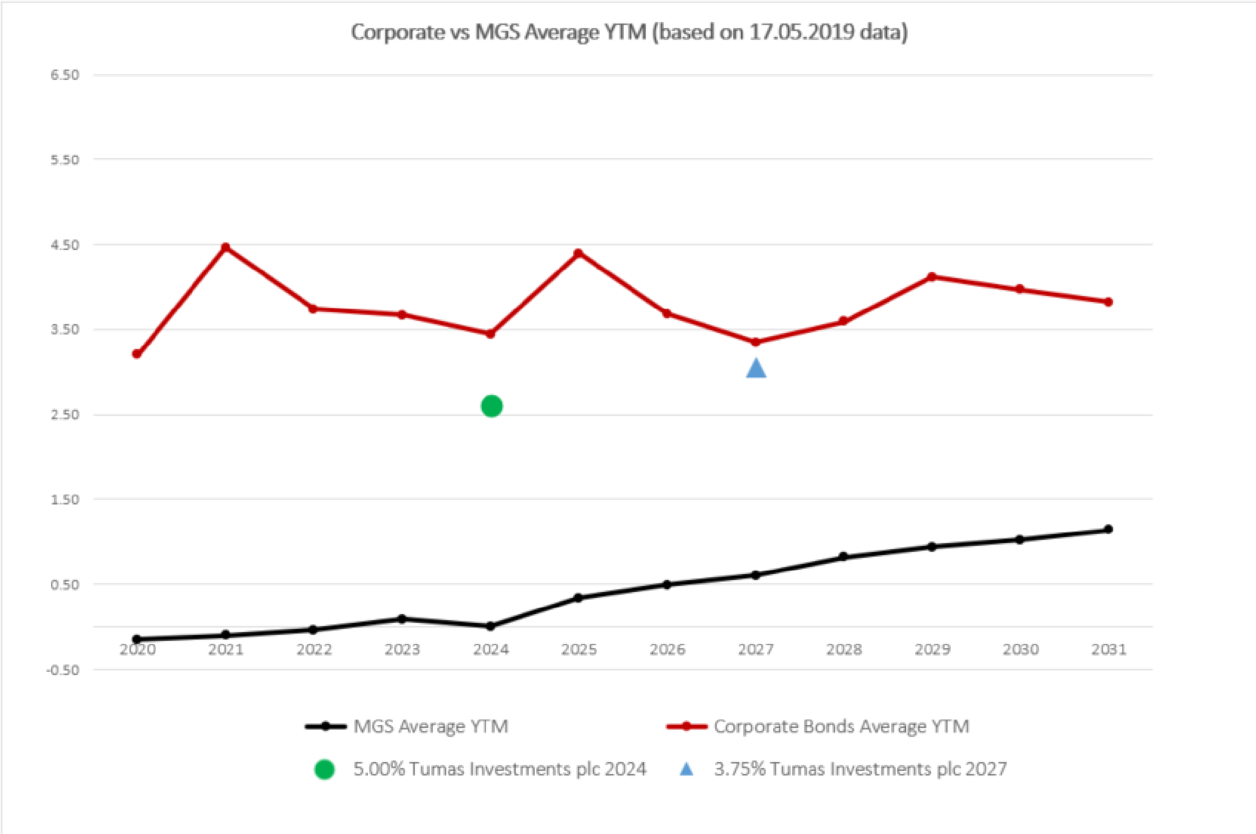
The table below compares TI's financial metrics (as the guarantor to the TI bonds) to those of a few other companies which have debt securities listed on the Malta Stock Exchange and maturing in the same years as the TI securities (or their respective guarantors). It is to be noted, however, that there 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 *(€)*	Total Assets *(€'000)*	Total Equity *(€'000)*	Gearing Ratio *(%)*	Net Debt to EBIDTA *(times)*	Interest Cover *(times)*	YTM (as at 17.05.2019) *%*
5.00% Tumas Investments plc 2024**	**25,000,000**	266,909,572	154,483,224	**16.4%**	**0.48**	**33.79**	**2.60**
6.00% AX Investments plc 2024	40,000,000	325,243,218	214,590,046	18.5%	2.33	6.97	2.02
6.00% International Hotel Investments plc 2024	35,000,000	1,617,853,000	877,620,000	36.4%	7.45	2.36	3.14
5.00% Hal Mann Vella Group plc (secured) 2024	30,000,000	112,005,954	43,513,503	58.3%	9.03	3.05	3.66
5.10% 1923 Investments plc 2024	36,000,000	120,793,742	38,317,721	49.6%	10.25	1.40	4.67
3.75% Tumas Investments plc 2027**	**25,000,000**	266,909,572	154,483,224	**16.4%**	**0.48**	**33.79**	**3.05**
4.35% SD Finance plc 2027	65,000,000	229,882	63,770	53.7%	3.11	5.93	3.54
3.50% Simonds Farsons Cisk plc 2027	20,000,000	170,996	108,273	27.3%	1.43	18.72	2.62
4.00% Eden Finance plc 2027	40,000,000	185,717	103,511	34.2%	4.00	5.70	3.13
3.75% Virtu Finance plc 2027	25,000,000	153,636	90,374	24.1%	1.95	25.40	3.17

Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 17 May 2019. Ratio workings and financial information quoted have been based on the issuer's and their guarantors where applicable, from published financial data for the year ended 2018.

***The Guarantor's ratios exclude the effect of the fair value adjustment to equity as well as the funds which are receivable from the related parties (section 7.5 refers), which would have improved as explained further 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 17 May 2019.



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	Premium (Discount) over Corporate Bond Average	Premium over Average MGS
5.00% TI plc 2024	2.60%	(84 bps)	260 bps
3.75% TI plc 2027	3.05%	(30 bps)	245 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.

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