TUMAS INVESTMENTS PLC
FINANCIAL ANALYSIS SUMMARY

29 MAY 2017

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

ANNEX A – FINANCIAL ANALYSIS SUMMARY

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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

29th May 2017

Dear Sirs

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

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

The purpose of the Analysis is that of summarising key financial data appertaining to Tumas Investments plc (the "**Company**", "**TI**", or "**Issuer**") 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 2014 to 2016 extracted from both the Issuer 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 2017 has been extracted from the forecast financial information provided by the management of the Issuer and the Guarantor;

(c) Our commentary on the results of the Issuer and on its financial position is based on the explanations set out by the Issuer in the audited financial statements and assisted by management of the Issuer and Guarantor;

(d) The ratios quoted in the Analysis have been computed by us applying the definitions set out beneath each ratio;

(e) Relevant financial data 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 potential investors by summarising the more important financial data of the Issuer and the Guarantor. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the securities of the Issuer 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 Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. As with all investments, potential investors are encouraged to seek professional advice before investing.

Yours sincerely,

Vincent E. Rizzo
Director

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IMPORTANT INFORMATION

Purpose of this Document

*The purpose of this document is to present a financial analysis summary of Tumas Investments plc in line with the requirements of the Malta Financial Services Authority (MFSA) Listing Policies dated 5 March 2013 (the "**Financial Analysis Summary**").*

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 due diligence report prepared by PricewaterhouseCoopers pursuant to the Listing Policies of the MFSA and financial and management reports of the Issuer and the Guarantor, including the annual reports.

Historical financial information is being presented in thousands of Euro, unless otherwise stated, and has been rounded to the nearest thousand. The rounding could potentially alter the figures quoted to those presented in full in the annual reports of the Issuer or the Guarantor.

Projections

Projections that are quoted in this document have been prepared by the directors of the Issuer and Guarantor, who undertake full responsibility for the assumptions on which these projections are based.

DEFINITIONS

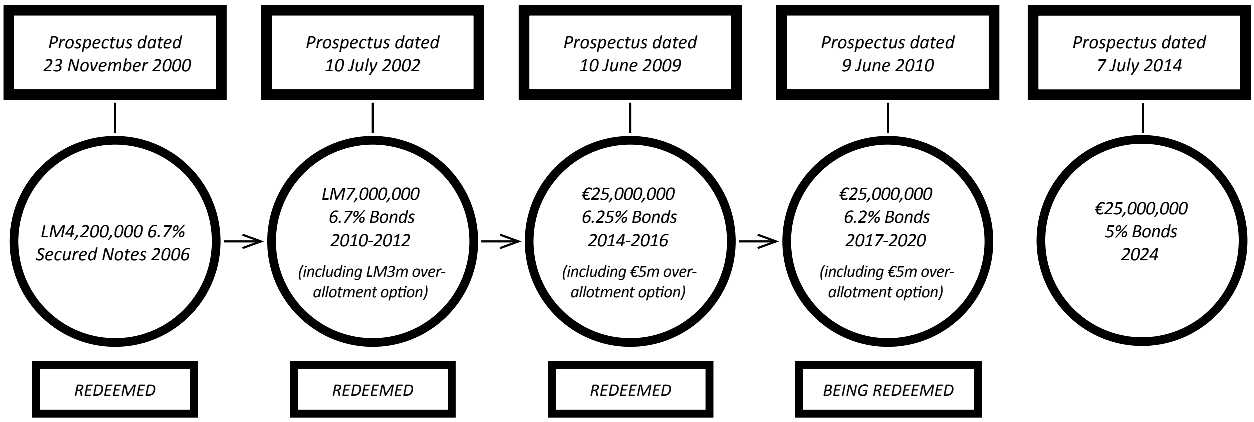
F&B	Food and beverages
Halland Developments Company Limited or **HDCL**	A subsidiary of Spinola Development Company Limited which owns the freehold title of the Halland site and adjoining land.
Halland site	The site in Ibragg (formerly Halland Aparthotel) earmarked for development.
Laguna Project	An 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.
Spinola Development Company Limited or **Guarantor** or **SDC**	A company incorporated in Malta bearing registration number C331. SDC is a wholly-owned subsidiary of the Tumas Group Company Limited and acts as a guarantor to TI bond issues currently listed on the Malta Stock Exchange.
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.
Tumas Investments plc or **Company** or **Issuer** or **TI**	A company incorporated in Malta bearing registration number C27296.

1. BACKGROUND AND HISTORY

1.1 The Issuer – Tumas Investments plc

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 Issuer'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 four times:



The first three bonds, issued in 2000, 2002 and 2009 respectively, have to date been redeemed. Meanwhile, the Issuer has two outstanding bonds, namely the €25.0 million 6.2% bonds maturing between 2017 and 2020 and the €25.0 million 5.0% bonds maturing in 2024.

1.2 The Guarantor – Spinola Development Company Ltd

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.

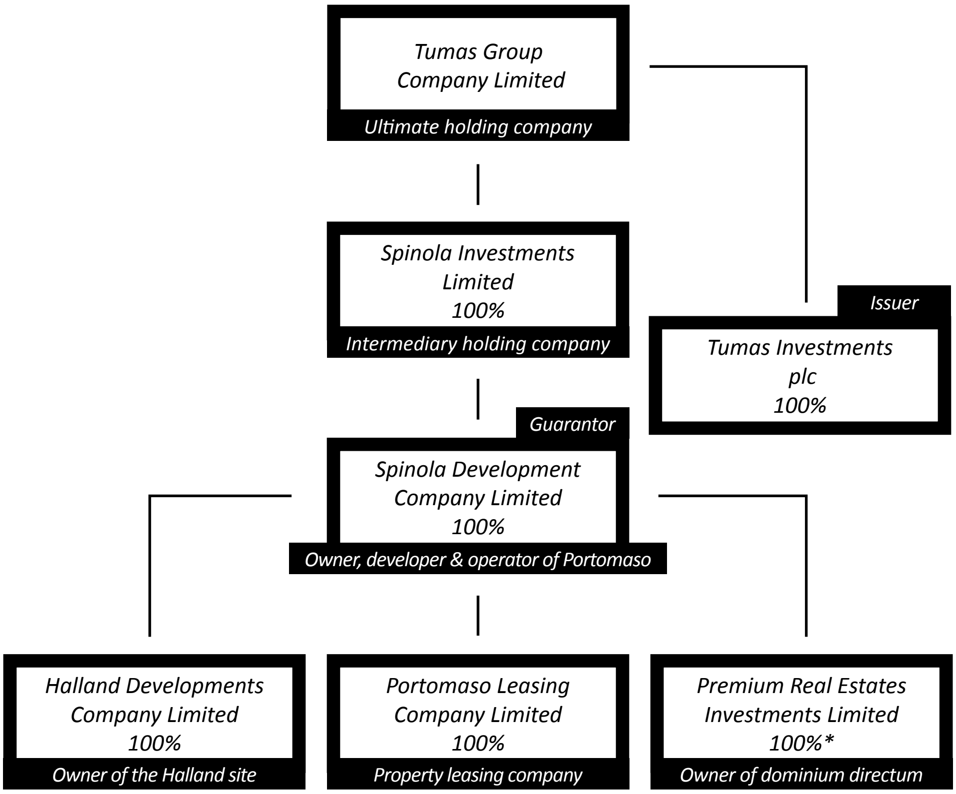
In 1994, the then Malta Hilton Hotel was completely demolished, making way for the development of the Portomaso Complex. The land title was acquired by SDC from the Government of Malta and today the Guarantor benefits from freehold title of the site. For the purpose of management and administration of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

1.3 The Issuer and Guarantor within the Tumas Group

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.

2. DIRECTORS AND SENIOR MANAGEMENT

2.1 Directors

2.1.1 Directors of the Issuer

The directors of the Company who held office during the financial year ended 31 December 2016 were:

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

Mr Kevin Catania and Mr John Zarb were appointed to the Issuer's board on 4 April 2016 and 15 March 2017, respectively.

2.1.2 Directors of the Guarantor

The directors of SDC who held office during the financial year ended 31 December 2016 were:

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

2.2 Senior Management

2.2.1 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.

2.2.2 Senior Management of the Guarantor

The senior management of the Guarantor are the following:

Mr. Ray 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

3. OPERATIONS AND MAJOR ASSETS

3.1 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 2014, 2015 and 2016.

Year	Total Assets €'000	Loans Receivable from SDC €'000	Loans Receivable from SDC as a % of Total Assets
2014	57,163	54,504	95.3%
2015	52,366	49,380	94.3%
2016	52,725	49,380	93.7%

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. The bond issue of 26 July 2010 is being redeemed and in its stead, a new bond of €25 million will be issued, the net proceeds of which (estimated at €450,000) will be onlent to SDC.

Date of Agreement	Amount	Term of Loan	Purpose of Loan	Interest Rate	Financed by TI through
26 July 2010	€24,661,081	8 July 2020	Refinancing of existing borrowings	6.3% p.a.	Bond Proceeds
31 July 2014	€24,718,514	31 July 2024	Refinancing of existing borrowings	5.1% p.a.	Bond Proceeds

3.2 The Guarantor

The principal activities of the Guarantor are 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, 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 is a waterfront development spread over an area of approximately 128,000 square metres, comprising a variety of elements blended together in one development. The Complex enjoys a very central position on Malta's north eastern shore and is situated in the heart of St. Julian's, Malta's popular commercial and leisure district. Portomaso is constructed around a sheltered excavated marina that extends the natural waterfront of the site and serves to enhance the environment of all the constituent components. These comprise the Hilton Malta hotel (including the convention centre), residential apartments, the business tower, commercial areas, catering outlets, extensive underground car parking facilities and the marina itself. More recently, the Guarantor commenced the development of a site adjacent to the Portomaso residential apartments which is referred to as the Laguna project. Furthermore, in early 2017, SDC commenced construction works on a new office block adjacent to the Portomaso business tower, which is expected to be commissioned within the next 12 months.

Portomaso is one of Malta's 13 Special Designated Areas (SDA) which allow both EU and non-EU nationals to purchase property within such areas on the same acquisition rights as Maltese citizens, thus without having to obtain an Acquisition of Immovable Property (AIP) permit which normally applies to other non-SDA areas.

As such, the operations of SDC are sub-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 underground car park, the marina and Level Twenty-Two (a wine lounge on the twenty-second floor of the Portomaso Tower). In 2014, the Guarantor's PPE had a carrying value of €74.6 million increasing to €105.0 million in 2015 mainly as a result of the €28.8 million upward revaluation of the PPE (before deferred tax adjustment) approved by the directors in December 2015 based on the valuation prepared by independent professionally qualified valuers. In 2016, PPE increased to a carrying value of circa €108.4 million or 59.7% of total assets as at the end of FY2016, due to the additions for the year being higher than the depreciation charge.

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.

In 2014, SDC embarked on a major refurbishment of the Hilton Malta hotel and its common areas at an estimated capital expenditure of €15 million. Besides giving a fresh new look to all of the hotel's deluxe bedrooms (excluding the rooms added as part of the 2008 extension), the refurbishment works involve the creation of new terraces, the renovation of bars and restaurants within the hotel, the replacement of lifts, and the upgrading of the soft furnishings in the common areas of the hotel. The refurbishment project 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 this refurbishment are expected to be finished off later this year, although this is not envisaged to be substantial as the major part of the investment has now been undertaken. This operating segment is supported by a number of ancillary operations including an extensive public car park, the yacht marina, and Twenty-Two wine lounge.

ii) Portomaso Car Park

SDC operates underground public car parking facilities of circa 1,130 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. The use of this car park is expected to peak once the Laguna extension and the Portomaso office block are completed, hence increasing the footfall within the complex.

iii) Portomaso Marina

The Portomaso marina has been in operation since 1999 and has a total capacity of approximately 130 berths. The marina comprises three areas, these being the North Basin, for smaller craft and water sports operations; the South Basin, which accommodates up to 45 sailing yachts; and the West Basin, which accommodates up to 60 motor cruisers. 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 wine lounge

Twenty-Two is a wine lounge located on the twenty-second floor of the Portomaso Business Tower. It opened its doors during the summer of 2006, with the intention of creating a new concept in evening entertainment attracting an elite and exclusive customer base.

B. Property Development

SDC has to date completed the development of 455 apartments within the Portomaso complex. As at the end of December 2016, only two apartments remained available for sale whilst another three units were subject to promise of sale agreements. The unsold stock of five apartments have an expected sales value of *circa* €3.7 million.

In 2015, SDC commenced the extension of the Complex which entails 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. This development is referred to as the Laguna Project and involves the construction of 44 premium residential units on the eastern shore of the site, which are expected to be completed in shell form in 2017 with the first deliveries expected in the next 12 months. Out of the 44 exclusive apartments, 40 apartments are currently subject to promise of sale agreements whilst 4 apartments are still held for sale. The 44 apartments have an expected sales value (when fully finished) in excess of €50 million.

The development costs of this extension have been principally funded from the Guarantor's own cash flows and, in part, by way of banking facilities raised by the Guarantor.

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* 10,938 square metres). At present, all the units available for rent within the entire Portomaso Complex are leased out.

Among the main rented properties one can find the Arkadia Supermarket, the Café Portomaso, the Casino at Portomaso, the Luxe Pavilion and various other retail and catering outlets. Occupancy within the Portomaso business tower and within the various commercial elements comprising the complex increased substantially as the project matured and in the past few years SDC's rentable areas were practically fully occupied. Portomaso remains an extremely popular destination to the common benefit of all its tenants.

Earlier this year, SDC commenced the construction of a new office block (the Portomaso office block) over the existing Portomaso cafeteria area, adjacent to the business tower. The new building will add approximately 5,200 square metres of gross floor space. The Portomaso office block is expected to be commissioned in 2018. The capital expenditure in relation to this project is estimated in the region of €12 million which will be funded through a combination of banking facilities raised for this purpose and the Guarantor's own cash flows.

D. Complex Management Operations

SDC is responsible for the management and administration of the Portomaso complex, that is, 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 complex and the Business Tower. SDC apportions the expenses incurred in the management of the Complex and recharges the relative costs to the residential tenants/owners, the Hilton Malta and the office and commercial areas. Moreover, SDC receives a management fee as remuneration for its services for this activity from the various occupants within the Portomaso Complex.

Material Contracts - Guarantor

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

A. Hotel Agreement With Hilton International

As mentioned earlier, SDC has an operating agreement with Hilton International, which is 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.

B. 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 total amount of operating lease commitments of the past three years.

€ thousands	**Actual FY2014 €'000**	**Actual FY2015 €'000**	**Actual FY2016 €'000**
Not later than 1 year	2,425	2,320	2,103
Between 1 and 5 years	2,490	1,629	3,289
More than 5 years	749	594	540
	5,665	**4,543**	**5,931**

C. Capital Commitments

The Guarantor is party to commitments of a capital nature in relation to contracted or upcoming works. As at 31 December 2016, the value of these commitments was €18.7 million. The majority of this amount was in relation to the development of the Laguna apartments while the balance referred to pending works at Hilton hotel.

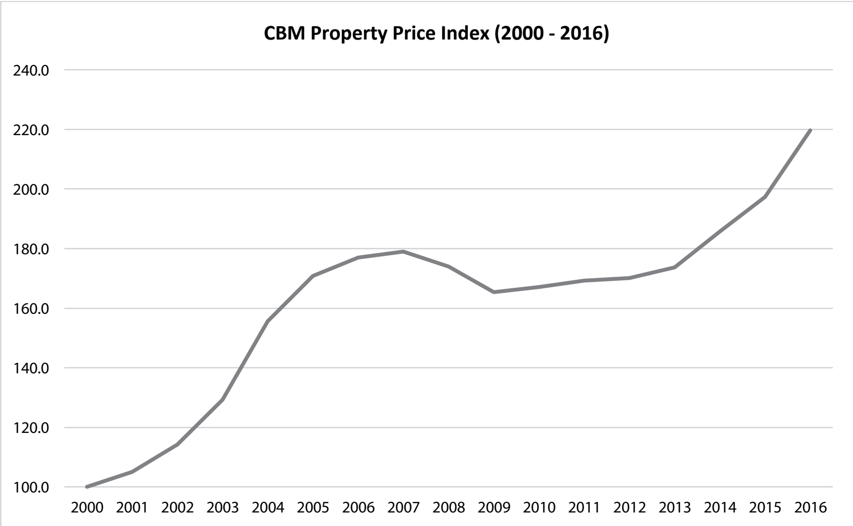
D. Other Agreements with the Tumas Group

In addition to rental and management agreements with Tumas Group companies, SDC has a number of treasury arrangements to provide short-term funding to other subsidiaries within the Tumas Group. These facilities are repayable on demand in line with an established group treasury policy. These companies themselves have stand-by funding facilities which can be accessed whenever SDC requests repayment of these temporary advances. Furthermore, SDC also provides hypothecs and hypothecary guarantees over parts of its immovable property on behalf of fellow subsidiaries. These securities fall within the parameters established and permitted in the prospectuses governing the bonds in issue.

4. Market Overview

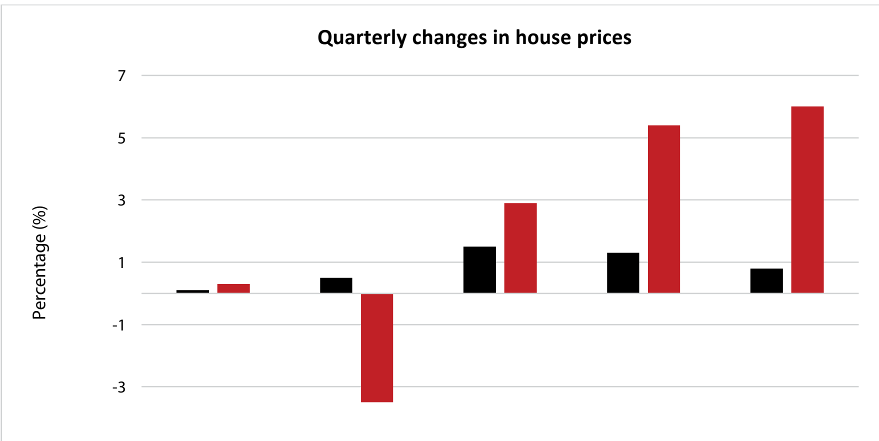
4.1 The Property Market in Malta

The forces of supply and demand in the property market in Malta have shaped the course of property prices. The most recent data issued by the Central Bank of Malta (CBM) indicates that the local property market continued to perform strongly of late[1]. Indeed, as depicted by the graph below, the CBM Property Prices Index, which tracks movements in the advertised prices of the major types of residential property, has hit its highest level ever in 2016.



Source: Central Bank of Malta

The CBM Property Prices Index shows that, on aggregate, prices of residential property enjoyed constant gains from 2000 to 2007. Thereafter followed a transitionary period during which prices generally dipped until in 2010 the local property market started to rebound albeit somewhat slowly. However, recovery in property prices accelerated notably over the past two to four years, with the index surpassing the previous high.



	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Euro zone	0.1	0.5	1.5	1.3	0.8
Malta	0.3	-3.5	2.9	5.4	6

Source: Eurostat (http://ec.europa.eu/eurostat/statistics-explained/index.php/File:House_Price_Index_-_Quarterly_and_annual_growth_rates-2016Q4.png)

[1]*Data as last updated on 23 Feb 2017 which is available through the CBM's website on: https://www.centralbankmalta.org/real-economy-indicators*

According to the Eurostat, house prices in Malta increased by 6% in last year's fourth quarter, compared to the previous quarter, registering the highest increase from among EU countries. In the euro zone house prices in the last year's fourth quarter rose by 0.8%.

The strong upturn in such a relatively short span of time can be attributed to a number of factors, principally, the overall healthy state of the local economy which in 2016 grew by 5% as against the euro zone average of 1.9%[2]. The main drivers behind such a strong economic performance include: (i) a number of Government-induced measures which revived economic activity and sentiment, thus boosting employment levels, domestic demand and investment in general; (ii) the continued relocation of foreign companies and individuals to Malta, particularly those operating within the financial, gaming and IT services industries; and (iii) the record performance of the tourism industry which indeed has a material multiplier effect on the rest of the local economy. The relative economic recovery of the euro zone was supported principally by the depreciation of the Euro, lower oil prices and the ECB's asset purchase programme. In February 2017, Fitch Ratings affirmed Malta's long-term foreign and local currency issuer default at 'A' and also predicted a positive outlook for the country's economy. Fitch's positive outlook reflects the rating agency's view that the public debt/GDP ratio is on a downward trajectory and on the grounds of robust economic increase which will be registered this year and in 2018. In this regard, an average of 3.3%[3] growth was predicted by Fitch over 2017 and 2018 mainly attributable to the rise in the employment levels, and the launch of new projects in the energy, transportation, education and healthcare sectors. Exports are also expected to contribute to Malta's good economic condition driven by a rise in the pharmaceutical, financial services, gaming and tourism sectors. Earlier this May, Moody's also confirmed its A3 rating for Malta and revised upwards its GDP growth forecast to 4.3% in 2017 (in January this was stated at 3.4%) and 3.7% in 2018 (from 3.1%).

On the demand side, the main factors that contributed to the strong upturn of the property market in Malta were: (i) the introduction of a number of tax-benefit measures for certain type of property transactions such as the fiscal incentives for first-time buyers; (ii) the Individual Investor Programme (IIP) which obliges high net worth individuals to purchase property in Malta; (iii) an inflow of foreign workers; and (iv) the record low interest rate scenario which, on the one hand, induces individuals with available cash to invest to search for alternative investment options, including the purchase of property for investment and/or rental purposes in order to seek better returns, and on the other hand, encourages others seeking to purchase a property to do so at substantially lower interest costs than in the past. It is worth noting that according to Fitch, a sharp correction in the housing market constitutes the main domestic risk to the sector through mortgage lending and real estate collateral. However, Fitch also advised that the rise in house prices has moderated and the pace of mortgage lending decreased to 6.2% as of end-September 2016 from the 11% registered in 2015.

On the supply side of the market, the number of permits for residential units issued by the Planning Authority increased significantly during 2016, reaching 7,508, from 3,947 a year earlier (see table below). This marks the third year of growth, following a period of decline. All categories registered increases except for terraced houses. The increase in permits issued in 2016 was mostly driven by the largest residential category, namely apartments, which accounted for 84% of total permits granted. However, national accounts data suggest that activity in the overall construction sector weakened. In particular, value added and investment declined.

Permits Issued for the Construction of Dwellings Units

	2011	2012	2013	2014	2015	2016
Apartments	3,276	2,489	2,062	2,221	3,019	6,316
Maisonettes	401	298	350	414	471	706
Terraced Houses	191	202	209	204	342	297
Other	87	75	84	98	115	189
Total	**3,955**	**3,064**	**2,705**	**2,937**	**3,947**	**7,508**

Source: Planning Authority

The gross value added of the construction industry declined significantly, going down by 6.0% in nominal terms during 2016 (from €352 million to €331 million), following an increase of 16.6% in 2014. This reflected a slight decline in the output of the construction sector (see table below).

[2]*Source: Eurostat website: http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00115&plugin=1*
[3]*Source: Fitch Ratings: https://www.fitchratings.com/site/pr/1019219*

As a consequence, the slight reduction in output in the sector was mirrored in employment data. In the first nine months of 2016, total employment in the construction sector rose marginally by 27, or 0.3%, compared with the corresponding period average in 2015. Higher employment within the private sector was dampened by lower employment in the public sector. As a result, the industry's share in the total gainfully occupied population fell to 5.9% from 6.1% in 2015. Employee compensation in the construction sector rose by 1.5% in 2016, when compared with growth of 5.6% in 2015.

Construction Activity Indicators (1)

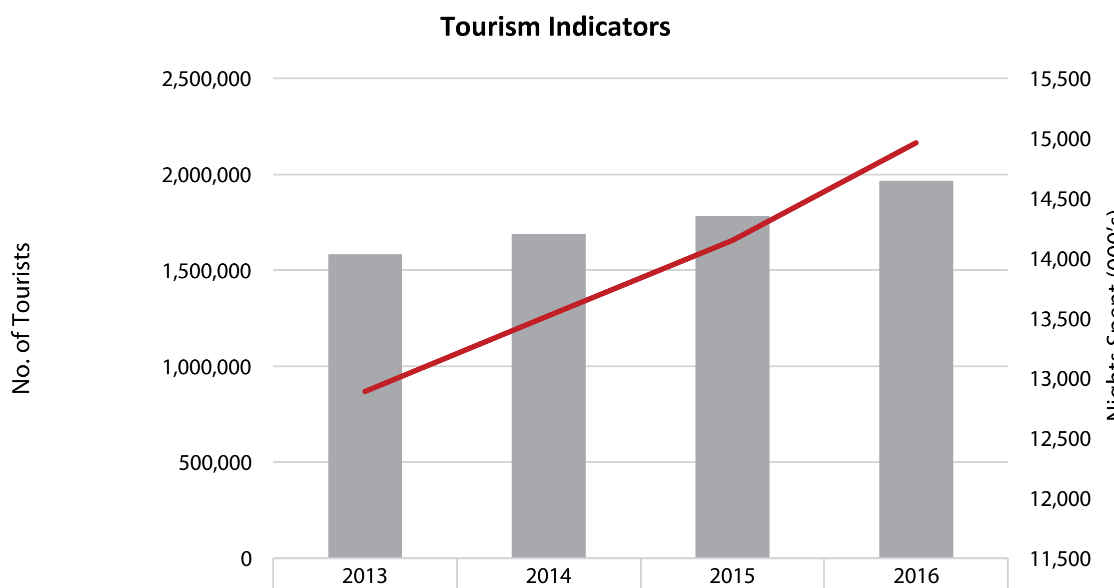
	2013	2014	2015	2016
Gross value added (EUR millions)	**294.6**	**301.7**	**351.7**	**330.7**
Share of gross value added in GDP (%)	3.9	3.6	3.8	3.3
Total Employment (2)	**11,488**	**9,263**	**10,508**	**10,535**
of which private employment	8,807	8,962	9,383	9,502
Share in total gainfully occupied population (%)	7.3	5.7	6.1	5.9

(1) Employment date are averages for the first nine months of the year, and are sourced from administrative records.
(2) The decline in total employment in the construction sector in 2014 reflects the reclassification of employees within the public sector following changes in ministerial responsibilities.
Source: National Statistics Office

Going forward, it is expected that there will be a material pipeline of large scale developments, including various high-rise buildings, pending planning applications. although this could continue to signal a positive growth momentum, prudence at this juncture seems warranted so as not to allow the market to overheat and rise to unsustainable levels.

4.2 The Tourism Industry

As mentioned earlier on, one of the major catalysts for Malta's recent economic successes has been the notable growth of the tourism industry over these past few years. Indeed, the tourism industry is considered to be a crucial pillar of the economy as, directly and indirectly, it is estimated to account for 29% of Malta's GDP *(Source: National Tourism Policy 2015-2020, p. 17)*.



	2013	2014	2015	2016
Inbound Tourists	1,582,153	1,689,809	1,783,366	1,965,928
Nights Spent (000's)	12,890	13,522	14,152	14,962

Source: NSO

The resilient performance in the tourism sector observed since 2010 persisted during 2016 both in terms of inbound tourists and bed-nights spent in Malta. NSO data for 2016 show that tourist arrivals and nights stayed surpassed the levels record¬ed in 2015. Compared with 2015, the number of inbound tourists grew significantly during 2016 as it rose at an annual rate of 10.2% com¬pared with a 5.5% growth rate recorded in 2015. The total number of visitors rose to almost two million, 182,562 tourists more than a year earlier. According to the NSO, this improvement was mostly driven by an increase in the number of leisure tourists, though the number of business and professional travellers also rose on 2015. Conversely, the number of persons that visited Malta for educational, religious, health and other purposes fell. Visitors spent a total of almost 15 million nights in Malta, 5.7% more than in 2015.

With respect to the type of preferred accommodation, the statistics compiled by the NSO indicate that the nights stayed in private accommodation (self-catering apartments, farmhouses, and private residences) recorded the strongest increase as they grew by 724,529, or 13.5%. Nights spent in collective accommodation establishments (hotels, guesthouses, hostels, B&Bs, etc) rose by 85,273, or 1.0%. As private accommodation continued to gain in popularity, its share in the overall nights spent by tourists visiting Malta edged up further, reaching 40.6%. Data gathered by the CBM, the cruise passenger industry also experienced a robust growth in performance. In 2016, the number of foreign cruise liner passengers increased by 4.0%, to 615,198. Tourism expenditure was estimated at €1.71 billion in 2016, an increase of 4.2% over 2015. Since the increase in the tourism expenditure was at a slower pace when compared with arrivals, expenditure per capita fell and decreased by €50 to stand at €869.

Source: Central Bank of Malta

One of the determining factors which contributed tremendously to such growth has been the introduction of low-cost airlines in 2006. According to data gathered by the CBM[4] , the number of tourist departures (equivalent to the number of inbound tourists) from 2007 to 2016 increased by an annual average of 5.9% to reach of record high of almost 2 million in 2016. Growth was particularly intense in the last four years as the yearly increase in the number of tourist departures averaged 8%. Equally impressive is the fact that during 2016, the operator of Malta's only airport, Malta International Airport plc registered a 10% increase in passenger movements to a record of 5.08 million movements (2015: 4.62 million) reflecting a 4.5% increase in aircraft movements which consequently led to an increase of 7.6% in seat capacity.[5]

Another factor which contributed handsomely towards the development of the Maltese tourism industry in recent years has been the gradual shift from a purely holiday destination and efforts are being made in order to attract a more business oriented segment. Thus, in order to achieve this change, noteworthy efforts have been made by all those involved in the industry (both in

[4]*Data as last updated on 06 May, 2016 which is available through the CBM's website on: https://www.centralbankmalta.org/real-economy-indicators*
[5]*MIA Company Announcement dated 11 January, 2017 no. 243/2017. This is available through the MIA's website on: https://miamain.blob.core.windows.net/wp-uploads/wp-content/uploads/2016/03/Traffic-Forecast-for-2017.pdf*

public sphere, like the Government and its entities and bodies of civil society, as well as private operators and entrepreneurs) in order to increase the overall standard of the local tourism product. With regard to tourist markets, the United Kingdom and Italy remained Malta's most important source markets during 2016, accounting in aggregate for 44.5%[6] of total arrivals.

Going forward, the prospects of the local tourism industry continue to look positive. The unstable socio-political and economic situations of some of Malta's closest competitors around the Mediterranean Sea as well as the continuing upgrading of the local tourism product in general are set to remain drivers of growth. Furthermore, Malta's six-month presidency of the Council of the European Union (launched in January 2017) together with Valletta's journey towards the European Capital City of Culture in 2018 also serve to put Malta more in the limelight of potential tourists. On the downside, the uncertainty currently surrounding the national airline Air Malta poses a threat to further growth, and competition from other Mediterranean countries will likely remain strong. More efforts to grow traffic in the winter months and attracting more visitors from new markets is a priority to Malta and such approach will ensure that the Maltese hospitality industry remains competitive and sustainable in the years to come.

[6] *Central Bank Annual Report 2016 which is available through CBM's website on: https://www.centralbankmalta.org/annual-reports*

5. Issuer's Performance and Financial Position Overview

5.1 Historic Financial Performace

NB: The MFSA Listing Policies require a 3-year historical analysis of financial information of the Issuer. The commentary that follows the table below focuses on the financial years from FY2014 to FY2016, both years included. The presented financial information is to be considered in the context of the Issuer being an SPV with the sole objective of raising financing on behalf of SDC.

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.

Income Statement

for the year ended 31 December	Actual 2014 €'000	Actual 2015 €'000	Actual 2016 €'000
Finance Income	3,473	3,069	3,010
Finance Costs	(3,374)	(2,967)	(2,893)
Net Interest Income	**99**	**103**	**117**
Investment income	129	-	-
Administrative expenses	(133)	(91)	(112)
Profit before tax	**95**	**12**	**5**
Tax expense	-	(4)	(2)
Profit for the financial year	**95**	**8**	**3**

The limited scope of the Issuer, as it acts as the financing vehicle of the Guarantor, is reflected in the composition of its income statement. The Issuer on-lends funds that it borrows (through bank loans or capital market issues) to the Guarantor, making a margin on the rate to cover its administrative expenses.

The lower level of finance income generated during FY2015 and FY2016 compared to FY2014 reflects the reduced level of total outstanding debt advanced to SDC as well as the decrease in the interest rate on the refinancing of the €24.7 million loan in FY2014. Similarly, finance costs decreased during each of FY2015 and FY2016, reflecting the combined effect of reduction of bank loan interest payable, the lower coupon payable on the bond refinancing in FY2014 and the repayment of bank loans during FY2015.

Administrative expenses incurred by the Issuer related to listing and compliance costs, directors' remuneration and custodian fees dropped by 31.7% in FY2015 to €0.09 million (FY2014: €0.13 million) reflecting lower recharge of intra-group fees. In FY2016 administrative expenses increased to €0.11 million due to the management fees charged by Tumas Group. In FY2014, there was a one-time gain on investments of €0.13 million when the Issuer disposed of an investment portfolio which was not repeated during FY2015 or FY2016.

Key Profitability Ratios - Issuer:

	Actual FY2014	Actual FY2015	Actual FY2016
Net Income Margin (Net interest income / finance income)	2.85%	3.35%	3.89%
Interest Cover (Finance income / finance costs)	1.03x	1.03x	1.04x

Statement of Financial Position

for the year ended 31 December	**Actual FY2014 €'000**	**Actual FY2015 €'000**	**Actual FY2016 €'000**
Assets			
Non-Current Assets			
Loans and Receivables	51,593	49,380	49,380
Total Non-Current Assets	**51,593**	**49,380**	**49,380**
Current Assets			
Loans and Receivables	2,912	-	-
Trade and Other Receivables	1,504	1,461	1,314
Current Tax Assets	1	2	-
Cash and Cash Equivalents	1,154	1,524	2,031
Total Current Assets	**5,570**	**2,986**	**3,345**
Total Assets	**57,163**	**52,366**	**52,725**
Equity & Liabilities			
Capital & Reserves			
Share Capital	233	233	233
Retained Earnings	352	360	363
Total Equity	**585**	**593**	**596**
Non-Current Liabilities			
Borrowings	51,808	49,677	49,764
Trade and Other Payables	200	549	949
Total Non-Current Liabilities	**52,008**	**50,226**	**50,713**
Current Liabilities			
Borrowings	2,912	-	-
Trade and Other Payables	1,658	1,547	1,416
Total Current Liabilities	**4,570**	**1,547**	**1,416**
Total Liabilities	**56,578**	**51,773**	**52,129**
Total Equity and Liabilities	**57,163**	**52,366**	**52,725**

The Issuer's asset base is reflective of the outstanding borrowings (both from banks and capital market issues) at year end. While in FY2014, the Issuer's total assets stood at €57.2 million, by the end of FY2015 the Issuer's total asset base amounted to €52.4 million, primarily as a result of settlement of loan balances amounting to €5.1 million in FY2015. By the end of FY2016, total assets amounted to €52.7 million, relatively in line with FY2015. During the periods under review, the composition of the Company's assets was in the main the same, consisting of loans and receivables from SDC, and which backed bank loans and outstanding bonds taken by the Issuer on behalf of the Guarantor.

Shareholder's equity, which has remained consistent over the past three years amounts to €0.6 million.

Analysis of Borrowings of the Issuer

The Issuer's borrowings complemented the loans it extended to SDC, and were composed of the following:

	Actual FY2014 *€'000*	Actual FY2015 *€'000*	Actual FY2016 *€'000*
6.20% bonds 2017 - 2020	25,000	25,000	25,000
5.00% bonds 2024	25,000	25,000	25,000
	50,000	**50,000**	**50,000**
Issue Costs	(647)	(647)	(647)
Accumulated Amortisation	242	324	411
Amortised Cost at 31 December	**49,595**	**49,677**	**49,764**
Bank Loans	5,125	-	-
Total Borrowings	**54,720**	**49,677**	**49,764**

During FY2014, the Issuer repaid €2.9 million of bank loans. Furthermore, in FY2014, TI exercised its early redemption option in relation to the €25 million 6.25% bond 2014-2016 and replaced it with a €25 million 5% bond 2024. During FY2015 the Issuer repaid the remaining bank loans amounting to €5.1 million.

Statement of Cash flows

as at 31 December	**Actual 2014 €'000**	**Actual 2015 €'000**	**Actual 2016 €'000**
Net cash generated from operating activities	374	21	108
Net cash generated from investing activities	3,941	5,125	0
Net cash used in financing activities	(4,171)	(5,275)	(100)
Net movement in cash and cash equivalents	**143**	**(130)**	**8**
Cash and cash equivalents at beginning of year	11	154	24
Cash and cash equivalents at end of year	154	24	32
Cash in Bond Redemption Fund	1,000	1,500	2,000
Total Cash Position	**1,154**	**1,524**	**2,032**

Cash flows generated through the operating activities of the Issuer consisted primarily of the net movements in cash of amounts owed to the Issuer from SDC and other trade receivables, netted off by the amounts that the Issuer owed to other related parties and trade creditors, which for FY2014 resulted in a net inflow of €0.4 million, aided by the €0.1 million gain on investments. On the other hand, in FY2015 and FY2016 cash flows from operating activities resulted in a net inflow of €0.02 million and €0.11 million, respectively.

The cash flows from investing activities of the Issuer in FY2014 and FY2015 included a repayment of €2.9 million and €5.1 million received from SDC which was then used to partially repay bank borrowings. Additionally, in FY2014 the Issuer disposed its held-to-maturity financial assets generating additional cash inflow of €1.0 million.

In terms of cash flows used by the Group in its financing activities, during FY2014, the Issuer redeemed the €25 million 6.25% 2014/2016 bond and in exchange offered the €25 million 5% 2024 bond. In this regard, the bond issue costs amounted to circa €0.3 million.

5.2 Variance Analysis and Forecasts of the Issuer

The following is an analysis of the variances between the FY2016 forecasts presented in the FAS dated 28 June 2016 and the actual figures as published in the Issuer's audited financial statements.

The forecasts for FY2017 are based on a number of assumptions all of which are the sole responsibility of the Directors of the Issuer. The principal assumption is that the Issuer will successfully replace its 6.20% 2017-2020 bonds with a new bond of the same nominal value, i.e. €25 million, at a coupon of 3.75%.

The forecasts are also based on the following set of assumptions:

1. Inflation rate of 2% per annum.
2. Tax is assumed to be charged at a corporate tax rate of 35% on the Issuer's profits.
3. On redemption of the 2017/2020 Bonds, SDC will release €2 million cash tied up in the reserve fund set up in relation to these Bonds.
4. Apart from the interest receivable from SDC on the outstanding loans, which is projected to amount to circa €1 million in FY2017, it is assumed that other receivable and prepayments will amount to €0.8 million as at the end of each respective year.
5. Non-current trade and other payables, amounting to €0.9 million as at 31 December 2016 represent amounts due by TI to SDC. This amount is assumed to be repaid in FY2017.
6. Current trade and other payables include primarily the interest accrued but not yet paid by TI on the outstanding bonds, which is projected to amount to €1 million as at the end of each year. Other payables and accruals are assumed to amount to €0.1 million as at the end of each financial year.

Variances and Projections - Income Statement

for the year ended 31 December	**Previous Forecast 2016 €'000**	**Actual 2016 €'000**	**Variance € '000**	**Variance %**	**Forecast 2017 €'000**
Finance Income	2,992	3,010	18	0.6%	2,729
Finance Costs	(2,887)	(2,893)	(6)	0.2%	(2,589)
Net Interest Income	**105**	**117**	**12**	**11.4%**	**140**
Administrative expenses	(102)	(112)	(10)	9.8%	(138)
Profit before tax	**4**	**5**	**1**	**25.0%**	**2**
Tax expense	(1)	(2)	(1)	100.0%	0
Profit for the financial year	**3**	**3**	**0**	**n/a**	**2**

TI's performance during FY2016 was in the main in line with the projected income statement presented last year.

In FY2017, the Issuer is projected to generate €2.7 million finance income compared to €3.0 million in FY2016. Furthermore, it is anticipated that TI incurs €2.6 million finance costs compared to €2.9 million in FY2016. This decrease in finance income and expenses is mainly attributable to the lower interest charged to SDC on the new bonds compared to the 2017/2020 bond being redeemed this year.

In FY2017, interest receivable is projected to decrease given that the 2017/2020 bonds are being refinanced with the new bonds issued at a lower coupon with the interest savings passed on to SDC.

Variances and Projections - Financial Position

for the year ended 31 December	Previous Forecast 2016 €'000	Actual 2016 €'000	Variance € '000	%	Forecast 2017 €'000
Assets					
Non-Current Assets					
Loans and Receivables	49,380	49,380	-	n/a	49,269
Total Non-Current Assets	49,380	49,380	-	n/a	49,269
Current Assets					
Trade and Other Receivables	1,477	1,314	(163)	-11.0%	1,760
Cash and Cash Equivalents	2,098	2,031	(67)	-3.2%	98
Total Current Assets	**3,575**	**3,345**	**(230)**	**-6.4%**	**1,858**
Total Assets	**52,955**	**52,725**	**(230)**	**-0.4%**	**51,127**
Equity and Liabilities					
Capital and Reserves					
Share Capital	233	233	-	n/a	233
Retained Earnings	362	363	1	0.3%	364
Total Equity	595	596	1	0.2%	597
Non-Current Liabilities					
Borrowings	49,764	49,764	-	n/a	49,393
Trade and Other Payables	1,049	949	(100)	-9.5%	-
Total Non-Current Liabilities	**50,813**	**50,713**	**(100)**	**-0.2%**	**49,393**
Current Liabilities					
Trade and Other Payables	1,547	1,416	(131)	-8.5%	1,137
Current Tax Liabilities	-	-			-
Total Current Liabilities	**1,547**	**1,416**	**(131)**	**-8.5%**	**1,137**
Total Liabilities	**52,360**	**52,129**	**(231)**	**-0.4%**	**50,530**
Total Equity and Liabilities	**52,955**	**52,725**	**(230)**	**-0.4%**	**51,127**

There were no material movements in the financial position of the Issuer during FY2016 different from those forecasted in the previous FAS.

Similarly, there is not expected to be any material movement in the balance sheet of the Issuer in FY2017 as the redemption of the 2017/2020 bond in July 2017 is being replaced by a new bond issue of the same amount. With the redemption of the 2017/2020 bond, the Issuer will no longer need to retain the balance of €2 million in the sinking fund. This is also reflected in the net cash position in the cash flows statement.

Variances and Projections - Cash Flows

for the year ended 31 December	Previous Forecast 2016 €'000	Actual 2016 €'000	Variance € '000	Variance %	Forecast 2017 €'000
Net cash generated from operating activities	74	108	34	45.9%	(645)
Net cash generated from / (used in) investing activities	-	-	-	n/a	1,162
Net cash generated from / (used in) financing activities	-	(100)	(100)	100.0%	(450)
Net movement in cash and cash equivalents	**74**	**8**	**(66)**	**-89.2%**	**67**
Cash and cash equivalents at beginning of year	24	24	-	n/a	32
Cash and cash equivalents at end of year	**98**	**32**	**(66)**	**-67.3%**	**99**
Cash in Bond Redemption Fund	2,000	2,000	-	n/a	-
Total Cash Position	**2,098**	**2,032**	**(66)**	**-3.1%**	**99**

The variance in the end cash position of the Issuer between the projections presented in the 2016 FAS and the actual figures for 2016 was minimal.

6. Guarantor's Performance and Financial Position Overview

6.1 Financial Performance - Historic and Forecasts

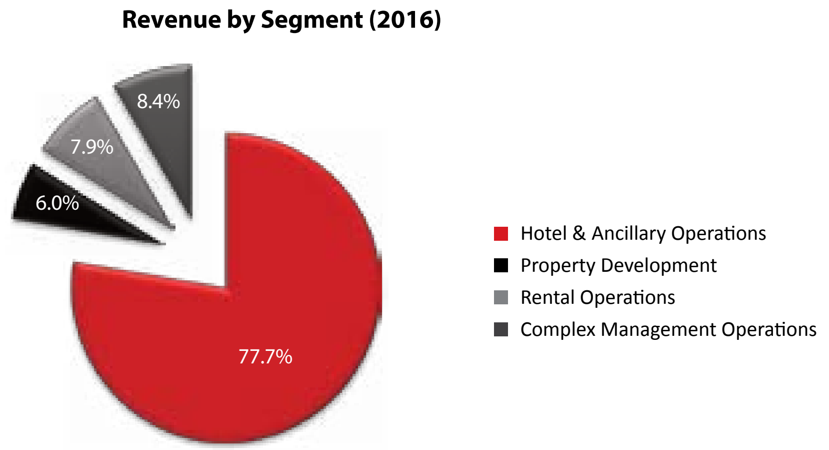
The historic financial analysis of the Guarantor is based on audited financial information published by SDC for the past three financial years ended 31 December 2014, 2015 and 2016.

The forecasts have been prepared by management and the main assumptions in this regard are presented in the narrative on each segment.

6.2 Segmental Analysis

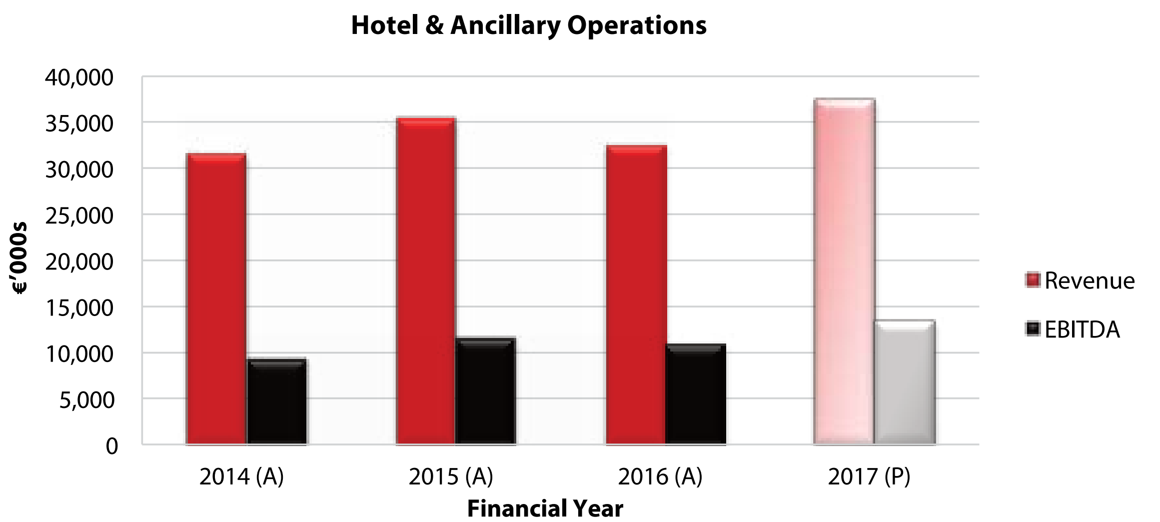
The operations of SDC are split into four main segments: hotel and ancillary operations, rental operations, property development and complex management. At 77.7%, the hotel and ancillary operations remained by far the largest revenue generating segment in FY2016 (FY2015: 76.5%). The other three segments each generated between 6% and 9% of total revenue.

The chart below illustrates the proportion of total revenue generated by SDC from each segmental unit for the year ended December 2016.



A. Hotel and Ancillary Operations (HAO)

HAO, which encompasses the Hilton Malta hotel, the car park, the marina and Twenty-Two wine lounge is the largest income segment of SDC. During FY2016, this segment generated revenue of €32.6 million (FY2015: €35.5 million). The decline in revenue was the direct effect of the 10 weeks during which the hotel was completely closed off for guest room refurbishment and a major upgrade of the common areas, restaurants and the reception area. Gross contribution generated from this segment has been in the region of 50% over the years under review, while EBITDA margin was above the 30% mark consistently between FY2014 and FY2016.



Despite registering a decline in revenue for FY2016, the Hilton Malta retained its dominant superiority in the 5-star segment, both in the average rate index and the revenue generation index. The former compares the occupancy rates achieved at the Hilton Malta to the average of its 5-star peers, whilst the RGI compared the revenue generated per available room of the hotel to the peer set. The market penetration index was markedly lower in FY2016, due to the 10-week refurbishment closure of the hotel. When adjusted to normalise the effect of this closure, the Hilton Malta was once more ahead of its peers and surpassed also the MPI of 2015.

Benchmarking	2014	2015	2016	Normalised 2016*
Market Penetration Index (MPI)	1.07	1.04	0.88	1.09
Average Rate Index (ARI)	1.22	1.22	1.32	1.32
Revenue Generation Index (RGI)	1.28	1.31	1.22	1.52

Source: Competitor Set Analysis: The MHRA Hotel Survey by Deloitte - 2016. 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.*

The Refurbishment

Pursuant to SDC's Management Agreement with Hilton International and SDC's commitment to retain as high a standard as possible, the Guarantor undertook an extensive refurbishment programme totalling €15 million. While this investment was initiated in 2014, the exercise peaked in 2016. This extensive refurbishment project focused on upgrading all the guest rooms, including the total replacement of furniture, fittings and bathrooms, as well as the refurbishment of the common areas. The refurbished Hilton Malta now also features additional terraces and extended F&B areas.

The majority of the above works were carried out during a period of 10 weeks in the early part of 2016, during which the hotel was completely closed for business. The remaining refurbishment works will be completed later on this year.

Variances and Forecasts

Hotel and Ancillary Operations	2016 (A)	2016 (P)	Variances (% / p.p.)	2017 (F)	Comparison to 2016 (A) (% /p.p.)
Revenue	32,554	31,103	4.7%	37,468	15.1%
EBITDA	11,007	9,880	11.4%	13,397	21.7%
EBIDTA Margin	33.8%	31.8%	2.0 p.p.	35.8%	2.0 p.p.

During FY2016, HAO fared better than anticipated, both in terms of revenue (+4.7%) and EBITDA (+11.4%) despite the 10-week period during which the hotel was completely shut down. The projections for FY2017 anticipate a 15.1% and a 21.7% increase in both revenues and EBITDA respectively. This strong growth is mainly attributable to the hotel's 10-week closure which led to lower revenue and EBITDA figures for the comparable FY2016. Nonetheless, revenue is 5.5% higher (EBITDA is forecasted to be 15% higher) than that generated in FY2015, which was a stellar year for the HAO segment.

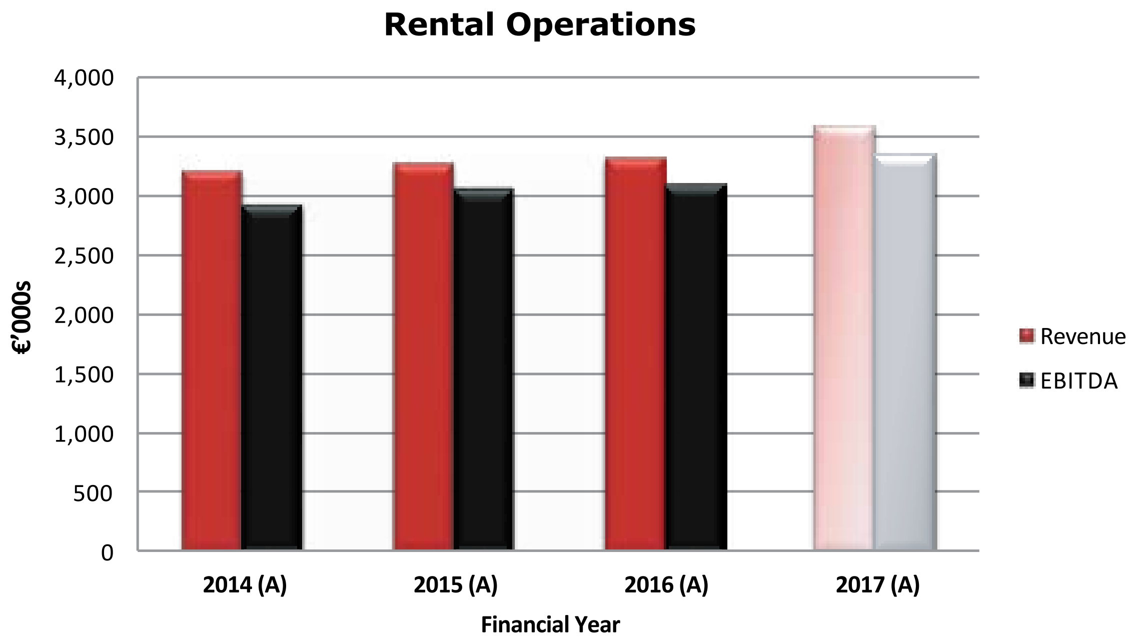
These projections have been based on the directors' expectations that the hotel continued to perform in a similar strong manner as it had in the previous years, supported by the increase in tourism projected by the World Travel & Tourism Council[7] and the substantial upgrades to the hotel. Furthermore, the country's EU Presidency in 2017 is attracting a substantial number of affluent tourists to Malta and this is expected to contribute not only to higher occupancy levels but also to an increase in the average room rates. Direct costs attributable to this segment are expected to increase in line with revenue and the assumed inflation rate of 2% p.a.

B. Rental Operations

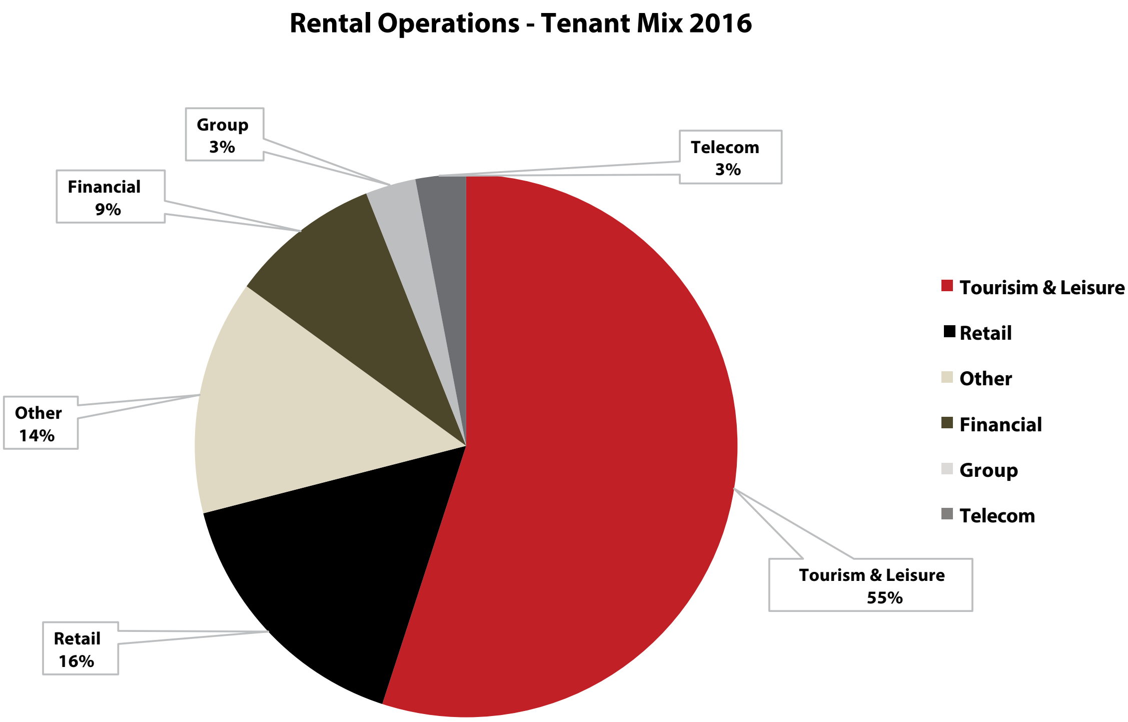
Rental operations consist of areas within the Business Tower and office spaces, the marina, the Lux Pavillion and other retail outlets, including a supermarket adjacent to the underground carpark. This segment operates on a very lean cost structure. In fact, EBITDA stands at over 90% of total segmental revenues.

Revenue from this segment increased marginally in FY2016 in view of the marginal increase in the avereage rental rate per square metre, but also because of an increase in rentable area (mainly related to additional storage areas at the periphery of Portomaso).

[7]Source: https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2017/malta2017.pdf



The tenant mix in this segment was a mix of tourism & leisure (occuping 55% of the rentable area in FY2016), financial sector (9%), retail (16%), telecoms (3%), Tumas group companies (3%) and the balance of 14% occupied by a mix of other tenants. The rentable area is practically fully-occupied.



Variances and Forecasts

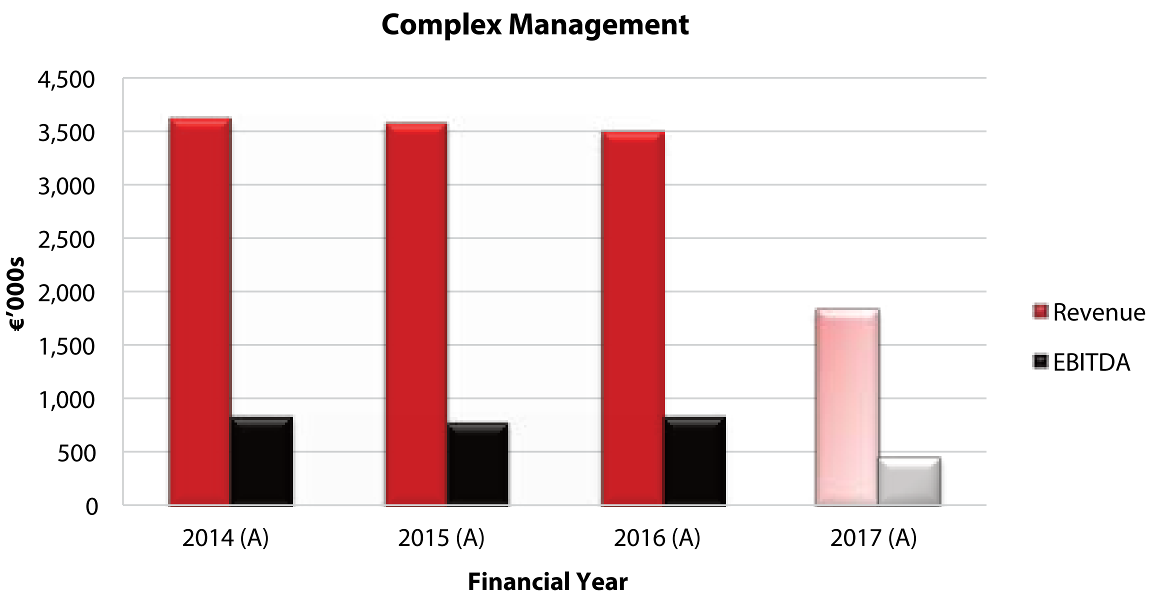
The increase in revenue did not match that envisaged in the forecasts presented by SDC last year, albeit the difference was marginal. The increase in rental income of 8.2% forecasted for FY2017 is driven by the rental increment provided for in the agreements and additional area being leased out within the complex which, for a certain period during FY2016, were not being rented out.

Rental Operations	2016 (A)	2016 (P)	Variances (% / p.p.)	2017 (F)	Comparison to 2016 (A) (% /p.p.)
Revenue	3,318	3,436	-3.4%	3,590	8.2%
EBITDA	3,094	3,150	-1.8%	3,351	8.3%
EBIDTA Margin	93.2%	91.7%	1.5 p.p.	93.3%	0.1 p.p.

The Group is planning on increasing the rentable area and to this effect has embarked on an extension adjacent to the Business Tower. Works have commenced, although it is not anticipated that these will be completed by the end of FY2017 and thus no revenue is recognised from the additional space that would ultimately be made available for rent.

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. The expenses incurred by this segment are recharged to residential apartment tenants, the hotel and commercial and office space tenants. Furthermore, SDC receives a management fee in return for the performance of its functions.



Revenues were stable compared to previous years during FY2016, albeit translating in a higher EBITDA on the back of lower maintenance costs incurred during the year.

Variances and Forecasts

The forecasted figures for this segment were not met in FY2016, although in absolute figures, the variance was immaterial. In FY2017, the forecasts are based on a change in the third party servicing and billing system, and as such SDC will start being remunerated only by way of a management fee which is lower than that of the previous period.

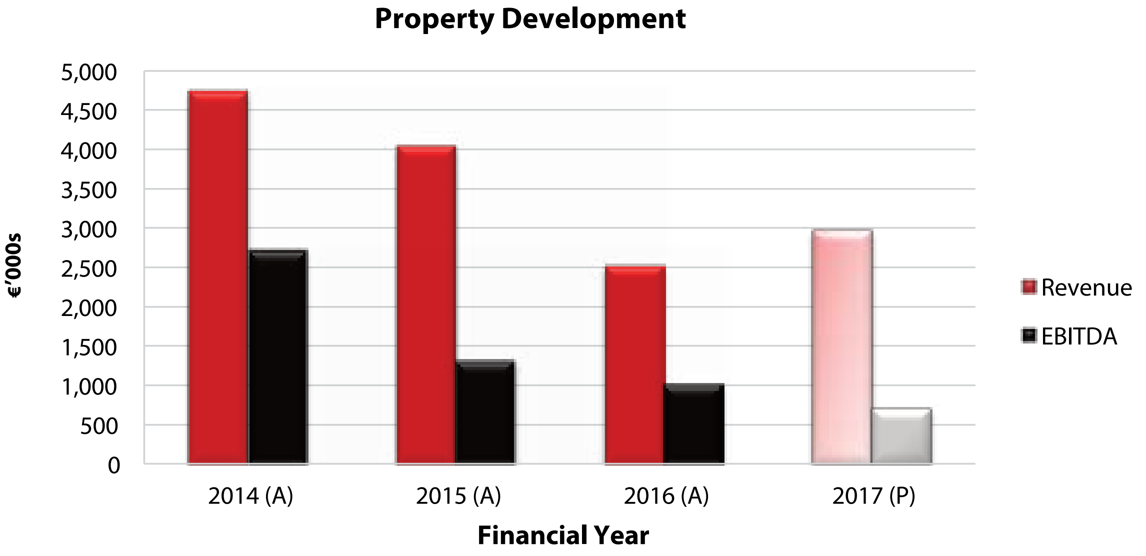
Complex Management	2016 (A)	2016 (P)	Variances (% / p.p.)	2017 (F)	Comparison to 2016 (A) (% /p.p.)
Revenue	3,503	3,772	-7.1%	1,832	-47.7%
EBITDA	923	940	-1.8%	445	-51.8%
EBIDTA Margin	26.4%	24.9%	1.5 p.p.	24.3%	-2.1 p.p.

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 such, the financial performance of this segment is volatile given its dependency on the actual number of apartments available for sale, the timing of new developments and the timing of final contracts with buyers.

Property sales declined from €4.8 million in FY2014 to €2.5 million in FY2016, as the number of apartments available for sale, and their size, declined. As at the end of 2016, only 2 apartments were left available for sale from the Portomaso complex; another 3 were subject to a promise of sale.

EBITDA generated from this segment in FY2016 was €1 million, compared to €1.3 million in FY2015 and €2.7 million in FY2014.



The Laguna Project

The Laguna Project consists of the construction of 44 top-end, low-rise units spread across 8,500 square metres. The project commenced during FY2014 and so far SDC managed to conclude 40 promise of sale agreements. Cash flowing in from such sales is staggered in terms of the promise of sale agreements and will affect revenue once the final deed of sale is signed. SDC expects the bulk of such deliveries to take place between 2018 and 2019.

Variances and Forecasts

The forecasted revenue for this segment was not met in FY2016 as a direct result of the decrease in the remaining stock of apartments which, as at 31 December 2016 amounted to five apartments in the Portomaso complex (2 apartments available for sale and another 3 subject to a promise of sale). In FY2017, the forecasts are based on the assumption that SDC will sell the remaining apartments.

Property Development	2016 (A)	2016 (P)	Variances (% / p.p.)	2017 (F)	Comparison to 2016 (A) (% /p.p.)
Revenue	2,525	4,830	-47.7%	2,971	17.7%
EBITDA	1,014	1,860	-45.5%	706	-30.4%
EBIDTA Margin	40.2%	38.5%	1.7 p.p.	23.8%	-16.4 p.p.

6.3 Income Statement - Consolidated Analysis

for the year ended 31 December	**FY2014 (A) €'000**	**FY2015 (A) €'000**	**FY2016 (A) €'000**
Revenue	43,295	46,416	41,900
HAC	*31,701*	*35,507*	*32,554*
Property Development	*4,761*	*4,056*	*2,525*
Rental	*3,206*	*3,271*	*3,317*
Complex Mgmt	*3,627*	*3,581*	*3,503*
Cost of Sales	(21,095)	(22,592)	(19,615)
Gross Profit	**22,200**	**23,824**	**22,284**
Administrative Expenses	(6,960)	(7,897)	(7,202)
Other Income & Expenses	160	389	146
EBITDA	**15,400**	**16,316**	**15,227**
Depreciation	(5,145)	(5,117)	(5,825)
EBIT (Operating Profit)	**10,254**	**11,199**	**9,403**
Finance Income	245	228	255
Finance Costs	(4,158)	(3,758)	(3,568)
Profit before Tax	**6,342**	**7,669**	**6,091**
Tax Expense	(2,480)	(1,952)	(908)
Profit for the Year	**3,861**	**5,716**	**5,183**

Revenue generated from the four segments analysed above totalled €41.9 million in FY2016, down from €46.4 million in FY2015 and €43.3 million in FY2014. The lower revenue in FY2016 was attributable to the lower property sales during the year (due to the low stock of properties available for sale) and the 10-week period of closure of the hotel which resulted in a lower contribution to SDC's revenue. Gross profit for FY2016, at €22.2 million, was largely in line with that of FY2014, while the €23.8 million generated in FY2015 was attributable to improved performance in the HAO segment when compared to FY2014.

After deducting administrative expenses and adding ancillary net income, SDC generated €15.4 million in EBITDA in FY2014, €16.3 million in FY2015 and €15.2 million in FY2016. This represented an EBITDA margin across the three periods in excess of 35%. Net finance costs declined over the three year-period under review, through a combination of refinancing at lower rates and repayment of bank facilities that reduced the debt servicing costs of the company.

Profit before tax was €6.3 million in FY2014, €7.7 million in FY2015 and €6.1 million in FY2016. After deducting tax expenses, the net profit for the Guarantor went up from €3.9 million in FY2014, to €5.7 million in FY2015, down marginally to €5.2 million in FY2016. The FY2016 net profit was aided by a lower tax charge.

	Actual 2014	**Actual 2015**	**Actual 2016**
Gross Profit Margin (Gross Profit / Revenue)	51.3%	51.3%	53.2%
Net Profit Margin (Net Profit / Revenue)	8.9%	12.3%	12.4%
EBITDA Margin (EBITDA / Revenue)	35.6%	35.2%	36.3%
Interest Cover Ratio (EBITDA / Net Finance Cost)	3.94x	4.62x	4.60x
Net Debt / EBITDA	3.85x	2.86x	3.05x

SDC's margins were healthy and have improved over the period between FY2014 and FY2016. Similarly, the interest cover ratio advanced from 3.94 times to 4.6 times.

6.4 Statement of Financial Position

for the year ended 31 December	**Actual FY2014** *€'000*	**Actual FY2015** *€'000*	**Actual FY2016** *€'000*
Assets			
Non-Current Assets			
Property, Plant & Equipment	74,616	105,000	108,391
Investment Property	15,794	12,992	13,735
Trade & Other Receivables	3,921	3,776	3,192
Total Non-Current Assets	**94,332**	**121,768**	**125,318**
Current Assets			
Inventories	15,052	18,832	21,780
Trade & Other Receivables	30,259	23,137	22,212
Current Tax Assets	-	237	332
Cash & Cash Equivalents	4,409	11,628	11,349
Total Current Assets	**49,719**	**53,835**	**55,674**
Total Assets	**144,051**	**175,603**	**180,992**
Equity & Liabilities			
Capital & Reserves			
Share Capital	13,653	13,653	13,653
Revaluation Reserve	19,028	51,599	51,378
Retained Earnings	17,327	12,966	16,356
Total Equity	**50,008**	**78,218**	**81,387**
Non-Current Liabilities			
Borrowings	59,604	57,079	54,085
Trade & Other Payables	2,295	2,467	211
Deferred Tax Liabilities	12,393	7,183	7,344
Total Non-Current Liabilities	**74,293**	**66,729**	**61,640**
Current Liabilities			
Borrowings	4,162	1,250	3,781
Trade & Other Payables	14,578	27,507	33,791
Current Taxation	1,010	1,899	393
Total Current Liabilities	**19,751**	**30,656**	**37,965**
Total Liabilities	**94,043**	**97,385**	**99,605**
Total Equity & Liabilities	**144,051**	**175,603**	**180,992**

Nearly 60% of SDC's total assets are represented by Property, Plant and Equipment (PPE), which essentially comprises the Hilton Hotel and ancillary assets. The total value of PPE went up from €74.6 million in FY2014 to €105.0 million in FY2015 principally as a result of a revaluation exercise. In FY2016, the increase of PPE to €108.4 million was the result of additions during the year, particularly in relation to the refurbishment undertaken.

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 value of such property declined by €2.8 million to €13.0 million in FY2015 (FY2014: €15.8 million) reflecting the reclassification of a number of Laguna apartments having a carrying value of €2.0 million which were initially held for rental purposes but which were later reclassified as held for sale under inventories. The increase during FY2016 was the result of additions of €1.4 million relating, in the main, to foundation works on the new office block and structural and finishing works at Casino Portomaso. While the net book value of Investment Property showing in the books of the Guarantor at the end of FY2016 stood at €13.7 million, management reported that the fair open market value of the investment property portfolio had an estimated value of €34.4 million (FY2015: €34.2 million; FY2014: €35.2 million).

Inventory in SDC's books consists of the Halland site with a carrying value of €9.2 million; Laguna apartments held for resale and the remaining stock at Portomaso complex with a value of €10.5 million; with the balance made up of the *dominium directum* related to the Portomaso Complex recorded at cost and hotel and ancillary operations inventory.

Total trade and other receivables declined by €7.3 million, from €34.2 million in FY2014 to €26.9 million in FY2015 and to €25.4 million in FY2016. 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. The decrease in receivables reflects both the lower level of dues by SDC's parent company and associated entities as well as an improvement in the Guarantor's trade debtor days.

The year-end net cash balance of SDC increased by €7.2 million to €11.6 million in FY2015 (FY2014: €4.4 million), reflecting deposit payments on account of Laguna Project promise of sale agreements entered into during the year and the Guarantor's overall improved performance throughout FY2015 and was €11.3 million at the end of FY2016.

On the liabilities side, total borrowings of SDC, both current and non-current (excluding the balance of the bank overdraft which is netted against cash and cash equivalents) decreased by nearly €6 million between FY2014 and FY2016, principally due to a repayment of the loan advanced by TI. Total trade and other payables advanced by €13.1 million in FY2015 and by a further €4.1 million in FY2016, largely reflecting the considerable increase in advance deposits in respect to promise of sale agreements of Laguna units that are yet to be recognised as revenue in the financial statements once delivery takes place.

	Actual 2014	Actual 2015	Actual 2016
Return on Assets (Profit before Tax / Total Assets)	4.40%	4.37%	3.37%
Return on Equity (Profit for the year / Total Equity)	7.72%	7.31%	6.37%
Return on Capital Employed (EBIT / Equity + Borrowings)	9.01%	8.20%	6.75%

Despite the overall improved profitability, the return on assets, equity and capital employed came in lower in both FY2015 and FY2016 when compared to the respective previous years, reflecting the notable increases in the value of total assets and equity of the Guarantor in the aforementioned periods.

Capitalisation and Indebtedness

SDC's net borrowings declined from €44.6 million in FY2014 to €38.3 million by the end of FY2016. 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 or overnight deposits, renewable at SDC's discretion depending on its commitments. This amount stood at €7.3 million by the end of FY2016 (FY2015: €5.9 million; FY2014: €14.6 million).

Reported equity increased from €50.0 million in FY2014 to €81.4 million in FY2016, reflecting the profit generated during FY2015 as well as the €32.6 million increase in Revaluation Reserves which in turn is derived from the €25.9 million uplift emanating from revaluation surplus on land (net of deferred tax) and a €6.8 million movement in deferred tax due to a change in tax rates on immovable property to the benefit of SDC (both in FY2015).

The Guarantor's gearing ratio, calculated as the level of net borrowings in relation to the company's reported equity plus borrowings, improved from 47.1% in FY2014 to 32% in FY2016, reflecting both the Guarantor's reduced level of borrowings as well as the significant increase in equity as a result of the revaluation exercise carried out by the Guarantor of its PPE and the retained profits generated over the period.

Gearing Structure

for the year ended 31 December	**Actual 2014 €'000**	**Actual 2015 €'000**	**Actual 2016 €'000**
Total Borrowings	63,934	58,723	58,290
Less Cash & Cash Equivalents	(4,577)	(12,022)	(11,773)
Less Group Treasury Funds	(14,601)	(5,888)	(7,317)
Less Advances to TI plc (for bond redemption fund)	(200)	(549)	(932)
Net Borrowings (A)	44,556	40,264	38,268
Reported Equity (B)	50,008	78,218	81,387
Gearing Ratio (A / A+B)	**47.12%**	**33.98%**	**31.98%**
FV Adjusted Equity (C)	65,356	97,256	100,026
Adjusted Gearing Ratio (A / A+C)	**40.54%**	**29.28%**	**27.67%**

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).

6.5 Statement of Cash Flows

for the year ended 31 December	**Actual FY2014 €'000**	**Actual FY2015 €'000**	**Actual FY2016 €'000**
Net cash generated from operating activities	8,595	29,577	13,847
Net cash generated used in investing activities	(1,347)	(5,706)	(11,648)
Net cash generated used in financing activities	(5,860)	(16,651)	(2,477)
Net movements in cash and cash equivalents	**1,389**	**7,219**	**(279)**
Cash and cash equivalents at beginning of year	3,020	4,409	11,628
Cash and cash equivalents at end of year	**4,409**	**11,628**	**11,349**

In FY2016, SDC generated €13.8 million net cash from its operations, which is substantially lower than the €29.6 million generated in FY2015. The figures for FY2015 and, to a certain extent, those in FY2016, included substantial amounts of cash deposits for the Laguna Project.

On the other hand, net cash used in investing activities came in at €5.7 million in FY2015 as SDC continued to invest in the upkeep and upgrade of its assets, culminating in FY2016, at €11.6 million.

Furthermore, net cash used in financing activities increased to €16.7 million in FY2015 due to a one-time dividend payment of €11.2 million (FY2014: €2.2 million; FY2016: €2 million). The company also reduced its level of borrowings, paying a total of €5.6 million over the period under review.

6.6 Variances and Forecasts of the Guarantor

The actual results of the Issuer for the financial year ended 31 December 2016 varied from the forecasts presented in the FAS last updated on 28 June 2016.

Comparing the performance of the Guarantor in FY2016 to the forecasts issued in the FAS dated 28 June 2016, SDC reported improved profitability. This was achieved principally from the HAO segment which, although it was marginally lower in terms of revenue, the contribution to the net profit from this segment was superior than that forecasted in last year's FAS, offsetting the lower contribution from the property development segment.

The projections of the Guarantor for FY2017 are based on a number of assumptions as listed below, all of which are the sole responsibility of the Directors of the Guarantor:

1. Inflation rate of 2% per annum
2. The Hotel and Ancillary Operations
   - 2.1 Revenue per available room (RevPar) is assumed to increase by 17% in 2017. This increase is due to 2016 being effected by the 10-week period in which the hotel was closed for refurbishment, while FY2017 is expected to be impacted by Malta's EU Presidency;
   - 2.2 Direct costs and ancillary operations are expected to remain at the same current levels, increasing in line with revenues and the assumed inflation rate; and
   - 2.3 The extensive refurbishment project at the Hilton Hotel is expected to finish off this year and the company is expected to draw down €4 million of bank facilities to see this project through.
3. Rental income is expected to increase by 8.2% in FY2017 in view of additional areas leased out and incremental contracted.
4. Complex management operations – a change in the services billing system as referred to in earlier commentary
5. Property Development
   - 5.1 Sale of two apartments in FY2017 and another one will be subject to a promise of sale agreement;
   - 5.2 The Laguna Project, which commenced during 2014, has been sold with the exception of 4 of the 44 units. SDC assumes that one of these will be sold during FY2017. Costs incurred expected to be capitalised during the life of the project development. This project is being financed separately through bank borrowings already committed to.
6. Other Assumptions – Capital Expenditure:
   - 6.1 Furniture, Fixtures & Equipment – allocation of €1.8 million set aside for any recurring expenditure at the Hilton.
   - 6.2 €0.7 million p.a. will be provided for in relation to expenditure necessary for the upkeep of the Portomaso Business Tower.
   - 6.3 The finance costs for the new bond are being assumed at a lower rate than that paid on the maturing bond.
   - 6.4 €9.5 million is expected to be incurred during FY2017 for the Portomaso Office Block (adjacent to the Portomaso Business Tower).

Variances & Forecasts - Income Statement

for the year ended 31 December	Previous Forecast FY2016 €'000	Actual FY2016 €'000	Variance € '000	%	Forecast FY2017 €'000
Revenue	42,855	41,900	(955)	-2.2%	45,860
HAC	*31,103*	*32,554*	*1,451*	*4.7%*	*37,468*
Property Development	*4,830*	*2,525*	*(2,305)*	*-47.7%*	*2,971*
Rental	*3,436*	*3,317*	*(119)*	*-3.4%*	*3,590*
Complex Mgmt	*3,486*	*3,503*	*(17)*	*-0.5%*	*1,832*
Direct costs and administrative expenses	(28,338)	(26,671)	1,667	-5.9%	(29,062)
EBITDA	14,517	15,228	711	4.9%	16,798
Depreciation	(5,967)	(5,825)	142	-2.4%	(6,896)
EBIT	8,550	9,404	854	10.0%	9,902
Finance Income	125	255	130	104.3%	122
Finance Costs	(3,817)	(3,568)	249	-6.5%	(3,300)
Profit before Tax	4,858	6,091	1,233	25.4%	6,724
Tax Expense	(452)	(908)	(456)	100.9%	(2,261)
Profit for the Year	4,406	5,183	777	17.6%	4,463

SDC's performance during FY2016 was in the main in line with the projected income statement presented last year. Overall, total revenue was 2.2% less than that forecasted last year at €42.9 million. The material deviation from forecasts was negatively noted in the revenue generated from property development, but this was counterbalanced by the revenue generated from the HAO segment which superseded forecasts by 4.7%.

In line with the marginal reduction in revenue during the year, direct costs and administrative expenses have also decreased by 5.9% to €26.7 million when compared to that forecasted in the previous FAS. This has translated into an EBITDA of €15.2 million which is 4.9% higher than that envisaged last year.

A noteworthy variance between the forecasts published in the 2016 FAS and the actual figures for FY2016 was the tax expense of €0.91 million, of which €0.2 million represents the deferred tax charge for the year; €1.9 million in FY2015 (of which the deferred tax charge amounted to €0.3 million) and €2.5 million in FY2014 (of which the deferred tax charge amounts to €0.6 million).

In FY2017, SDC is forecasted to generate revenue of €45.9 million, which is 9.5% higher than that generated in FY2016, particularly due to the recent refurbishment of the Hilton hotel and the country's EU Presidency in 2017 which are expected to contribute to higher occupancy levels. On the contrary, lower revenues from the complex management segment are envisaged since SDC will not retain its wholesale margin on utilities. Overall, EBITDA is projected to increase from €15.2 million in FY2016 to €16.8 million in FY2017.

Direct costs and administrative expenses are expected to increase to €29.1 million in line with the increase in revenue. Profit before tax is expected to be €6.7 million, and after a tax charge of €2.3 million, SDC is expected to close FY2017 at a net profit of €4.5 million which is 13.9% lower than that generated in FY2016.

Variances & Forecasts - Statement of Financial Position

for the year ended 31 December	Previous Forecast FY2016 €'000	Actual FY2016 €'000	Variance € '000	Variance %	Forecast FY2017 €'000
Assets					
Property, Plant & Equipment	*111,624*	*108,391*	*(3,233)*	*-2.9%*	*106,981*
Investment Property	*15,793*	*13,735*	*(2,058)*	*-13.0%*	*24,281*
Trade & Other Receivables	*4,276*	*3,192*	*(1,084)*	*-25.3%*	*3,192*
Total non-current assets	**131,693**	**125,318**	**(6,375)**	**-4.8%**	**134,454**
Current assets					
Inventories	26,644	21,780	(4,864)	-18.3%	29,506
Trade & Other Receivables	22,450	22,212	(238)	-1.1%	22,579
Current Tax Assets	237	332	95	40.1%	212
Cash & Cash Equivalents	9,480	11,349	1,869	19.7%	9,760
Total curent assets	**58,811**	**55,674**	**(3,137)**	**-5.3%**	**62,057**
Total assets	**190,504**	**180,992**	**(9,512)**	**-5.0%**	**196,511**
Equity & Liabilities					
Capital & Reserves					
Share Capital	13,653	13,653	(0)	n/a	13,653
Revaluation Reserve	51,600	51,378	(222)	-0.4%	51,197
Retained Earnings	15,159	16,356	1,197	7.9%	17,799
Total Equity	**80,412**	**81,387**	**975**	**1.2%**	**82,649**
Non-current liabilities					
Borrowings	69,423	54,085	(15,338)	-22.1%	63,568
Trade & Other Payables	5,998	211	(5,787)	-96.5%	211
Deferred Tax Liabilities	6,534	7,344	810	12.4%	7,429
Total non-current liabilities	**81,955**	**61,640**	**(20,315)**	**-24.8%**	**71,208**
Current liabilities					
Borrowings	2,750	3,781	1,031	37.5%	4,661
Trade & Other Payables	25,233	33,791	8,558	33.9%	37,248
Current Taxation	154	393	239	155.0%	746
Total current liabilities	**28,137**	**37,965**	**9,828**	**34.9%**	**42,655**
Total liabilities	**110,092**	**99,605**	**(10,487)**	**-9.5%**	**113,863**
Total Equity & Liabilities	**190,504**	**180,992**	**(9,512)**	**-5.0%**	**196,511**

SDC's asset base during FY2016 was in the main in line with the projected financial position presented last year. Trade and other receivables were 25.3% less than that forecasted last year at €4.3 million. In the main these comprise amounts due from customers for property sold or services performed and rendered in the ordinary course of the company's business. The decrease in receivables reflects both the lower level of dues by SDC's parent company and associated entities as well as an improvement in the Guarantor's trade debtor days.

The year-end net cash balance of SDC increased by €1.9 million to €11.3 million in FY2016 when compared with the projections presented in the 2016 FAS, reflecting deposit payments on account of Laguna Project promise of sale agreements entered into during the year and the Guarantor's overall improved performance throughout FY2016.

On the liabilities side, when compared with the projected financial position presented last year, total current trade and other payables increased by €8.6 million to €33.8 million in FY2016, largely reflecting the considerable increase in advance deposits in respect to promise of sale agreements of Laguna units that are yet to be recognised as revenue in the financial statements once delivery takes place.

The total asset base of SDC is projected to increase to €196.5 million in FY2017 (FY2016: €108.4 million) mainly due to the net depreciation charges, which are expected to reduce SDC's PPE from €108.4 million to €107 million.

Total liabilities are projected to increase from €99.6 million in FY2016 to €113.9 million in FY2017 as a result of the drawdown of the facilities raised to fund the Laguna apartments project, the Portomaso Office Block and the Hilton hotel refurbishment.

Shareholders' funds are projected to increase from €81.4 million in FY2016 to €82.6 million in FY2017 as a result of retained profits.

In FY2017, the return on assets, equity and capital employed are expected to be in the same levels or slightly lower when compared to the previous year, reflecting the expected lower profitability for the year.

Variances & Forecasts - Cash Flows Statement

for the year ended 31 December	**Previous Forecast FY2016 €'000**	**Actual FY2016 €'000**	**Variance € '000**	**%**	**Forecast FY2017 €'000**
Assets					
Net cash generated from / (used in) operating activities	*(1,378)*	*13,847*	*15,225*	*-1104.9%*	*7,294*
Net cash generated from / (used in) investing activities	*(12,358)*	*(11,648)*	*710*	*-5.7%*	*(16,032)*
Net cash generated from / (used in) financing activities	*11,588*	*(2,477)*	*(14,065)*	*-121.4%*	*7,148*
Net movement in cash and cash equivalents	**(2,148)**	**(279)**	**1,869**	**-87.0%**	**(1,590)**
Cash and cash equivalents at beginning of year	*11,628*	*11,628*	*0*	*n/a*	*11,349*
Cash and cash equivalents at end of year	**9,480**	**11,349**	**1,869**	**19.7%**	**9,759**

In FY2016, the Issuer generated €13.8 million net cash from operating activities, which represented the most noteworthy variance when compared to the forecasts published in the 2016 FAS. This material increase was due to the fact that Hilton hotel and its ancillary operations (the car park, the marina and Twenty-Two wine lounge) fared better than anticipated, both in terms of revenue and EBITDA despite the 10-week period during which the hotel was completely shut down.

The variance in the net cash used in investing activities of the Issuer between the projections presented in the 2016 FAS and the actual figures for 2016 was minimal. On the other hand, net cash used from financing activities was of €2.5 million in FY2016, reflecting net cash used of €5 million in repayment of borrowings as well as a €4.6 million drawdown of bank loans.

In FY2017, the cash position of the Issuer is expected to remain at the same levels of FY2016. SDC's operations are projected to generate a net cash inflow from operations of €7.3 million by the end of FY2017 reflecting favourable results from the Hilton hotel and its ancillary operations as it is expected that this operating segment continues to perform in a similar strong manner as it had in the previous years, supported by the performance of the tourism industry and the substantial upgrades to the hotel. On the contrary, lower revenues from the complex management segment are envisaged on the back that SDC will not retain its wholesale margin on utilities. Net cash used in investing activities is forecasted to be €16 million while the Issuer's financing activities are expected to generate a net cash inflow of €7.1 million.

6.7 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 for overnight placements and other short-term periods. 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. Related parties also include foreign Hilton Hotels and related affiliates.

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. Comparatives

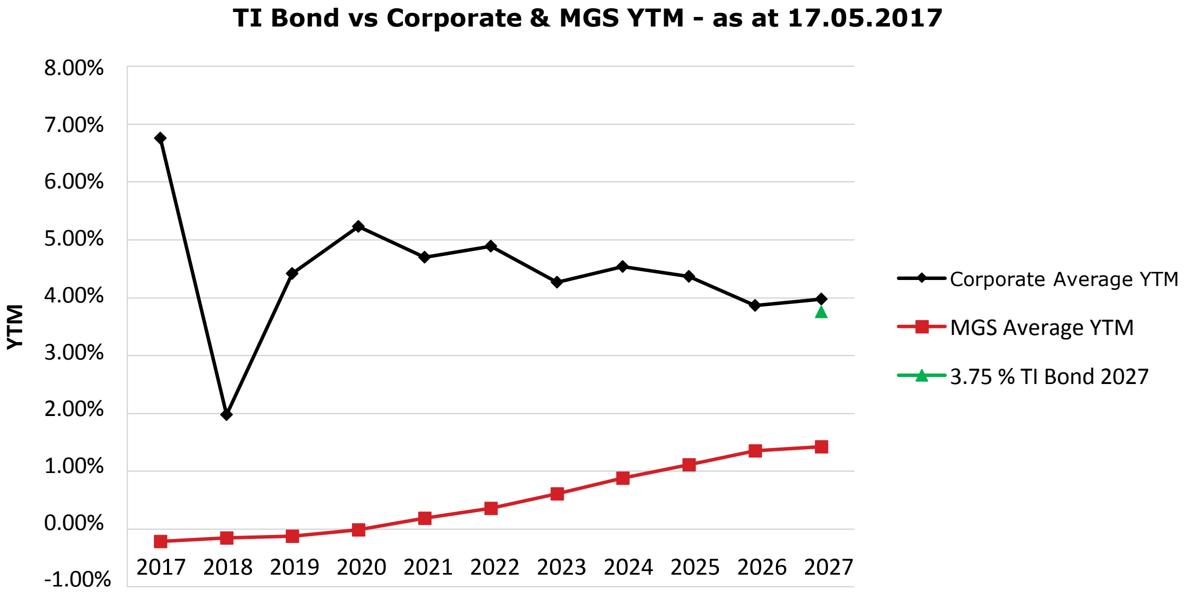
The table below compares SDC's financial metrics to those of other companies which have debt securities listed on the Malta Stock Exchange. It is to be noted, however, that there are significant differences in the business models of each of the listed companies being compared below and an exact match 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.

Bond Details	Outstanding Amount (€)	Total Assets (€'000)	Total Equity (€'000)	Gearing Ratio* (%)	Interest Cover (times)	YTM (as at 17.05.2017) (%)
4.50% Medserv plc 2026 (EUR)	*21,982,400*	121,453	*26,408*	*64.00*	*2.24*	*4.26%*
4.25% Corinthia Finance plc 2026	*40,000,000*	*1,389,627*	*665,357*	*41.84*	*2.39*	*3.71%*
4.00% MIDI plc 2026	*50,000,000*	*203,780*	*67,359*	*40.34*	*0.59*	*3.74%*
4.00% IHI plc 2026 (Secured)	55,000,000	1,220,254	646,822	36.39	6.18	3.74%
3.90% Plaza Centres plc 2026	8,500,000	43,424	26,180	32.24	9.38	3.52%
5.00% Dizz Finance plc 2026	8,000,000	17,039	4,662	63.85	3.15	4.27%
4.80% Med. Maritime Hub Finance plc 2026	15,000,000	22,931	4,463	60.09	n/a	4.35%
3.75% Premier Capital plc 2026	65,000,000	193,351	41,630	58.76	7.44	3.50%
4.00% IHI plc 2026 (Unsecured)	40,000,000	1,220,254	646,822	36.39	6.18	3.75%
4.00% Eden Finance plc 2027	40,000,000	165,496	92,620	34.60	3.98	3.74%
3.75% TUMAS INVESTMENTS PLC 2027	**25,000,000**	**180,992**	**81,387**	**31.98**	**4.60**	**3.75%**

**Gearing: Net borrowings / [Net borrowings + Equity]*
Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 17 May 2017. Ratio workings and financial information quoted have been based on the issuer's published financial data, including:

- *Medserv plc FY2016 annual report;*
- *Corinthia Finance plc - figures based on the Guarantor (Corinthia Palace Hotel Company Limited) FY2016 annual report;*
- *MIDI plc FY2016 annual report;*
- *IHI plc FY2016 annual report;*
- *Plaza Centres plc FY2016 annual report;*
- *Dizz Finance plc FY2016 - figures based on the Guarantor (Dizz Group of Companies Limited) FY2016 annual report;*
- *Med. Maritime Hub plc - figures based on the Guarantor (MMH Holdings Limited) FY2016 annual report;*
- *Premier Capital plc FY2016 annual report;*
- *Eden Finance plc – figures based on the Guarantor (Eden Leisure Group Limited) FY2016 annual report;*
- *Tumas Investments plc – figures based on the Guarantor (Spinola Development Company Limited) FY2016 annual report.*

The chart below shows the average yield to maturity of the new Tumas Bond 2027 compared to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 17 May 2017.



At a coupon of 3.75%, the Tumas Bond 2027 is priced at a premium of just over 230 basis points over MGS maturing in 2027.

Glossary

INCOME STATEMENT EXPLANATORY DEFINITIONS

Revenue	Total revenue generated by the company from its business activity during the financial year.
Cost of Sales	The costs incurred in direct relation to the operations of the Issuer or Guarantor
Gross Profit	The difference between Revenue and Cost of Sales.
EBITDA	Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations.
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.

BALANCE SHEET STATEMENT 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.