RIZZO FARRUGIA
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The Board of Directors
Virtu Finance p.l.c.
Virtu, Ta' Xbiex Terrace
Ta' Xbiex XBX 1034
Malta

27 June 2018

Dear Sirs,

Virtu Finance p.l.c. – Financial Analysis Summary (the "**Analysis**")

In accordance with your instructions and in line with the requirements of the Listing Authority Policies, we have compiled an updated 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 information appertaining to Virtu Finance p.l.c. (the "**Company**", or "**VFP**") and Virtu Maritime Limited (the "**Guarantor**", or "**VML**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the year ended 31 December 2015 and 2016 has been extracted from the audited combined financial statements of the Virtu Maritime Group (the "**Combined Financial Statements**"), prepared by the directors of the Guarantor to present the financial position and results of its Subsidiaries on the basis of the assumption that the Virtu Maritime Group had operated as a single entity in the year ended 31 December 2015 and 2016. Furthermore, the Pro Forma financial information of VML as at 1 January 2017 was prepared for illustrative purposes only, in order to provide information on the financial position the Guarantor.

(b) Historical financial data for the year ended 31 December 2017 has been extracted from the Company's and the Guarantor's audited statutory financial statements.

(c) The updated forecast data for the financial year ending 31 December 2018 has been provided and approved by management of the Company and the Guarantor.

(d) Our commentary on the 2017 financial performance of the Virtu Maritime Group is based on the explanations from management.

(e) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions as set out and defined within the Analysis.

(f) Relevant financial data in respect of competitors as analysed in Part C 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 Analysis is meant to assist potential investors by summarising the more important financial data of the Company and the Guarantor. The Analysis 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 Analysis 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 Analysis 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

Virtu Finance p.l.c.

FINANCIAL ANALYSIS SUMMARY

Update 2018

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

27 June 2018

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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List of Abbreviations

EU	European Union
FAS	Financial Analysis Summary
FY	Financial year 1 January to 31 December
HCVs	Heavy Commercial Vehicles
MGS	Malta Government Stock
PwC	PricewaterhouseCoopers
RoRo	Roll-on/Roll-off
PPE	Property, Plant and Equipment
ROPAX	Roll-on/Roll-off passenger vessel
TEUs	Twenty-foot equivalent unit
VFFL	Virtu Fast Ferries Limited
VFL	Virtu Ferries Limited
VFP	Virtu Finance p.l.c.
VFSRL	Virtu Ferries SRL
VFTL	Virtu Ferries Travel Limited
VHL	Virtu Holdings Limited
VMG	Virtu Maritime Group
VML	Virtu Maritime Limited
VRFL	Virtu Rapid Ferries Limited
VWPL	Virtu Wavepiercer Limited

Important Information

Purpose of the Document

The purpose of this document is to present a financial analysis summary of Virtu Finance p.l.c. (the "**Company**") and Virtu Maritime Group (the "**Guarantor**") in line with the requirements of the Malta Financial Services Authority (MFSA) Listing Policies dated 5th March 2013 (the "**Financial Analysis Summary"** or **"FAS**").

Sources of Information

The information that is presented has been collated from a number of sources, including the company's website (www.virtu.com.mt), the audited Consolidated Financial Statements of the Guarantor for the period ended 31 December 2017, the audited Combined Financial Statements of the Guarantor for the year ended 31 December 2015 and 2016 presenting the financial position and results of its subsidiary companies (referred to as the Virtu Maritime Group), together with the Pro Forma financial information of the Guarantor as at 1 January 2017 and forecasts for 2018.

Historical financial information is being presented in thousands of Euro, unless otherwise stated, and has been rounded to the nearest thousand.

Forecasts and Projections

Forecasts that are included in this document have been prepared and approved for publication by the directors of the Company and the Guarantor, who undertake full responsibility for the assumptions on which these forecasts are based.

PART A THE ISSUER AND GUARANTOR

1. BACKGROUND AND HISTORY

1.1 THE COMPANY – VIRTU FINANCE P.L.C.

Virtu Finance p.l.c. (the "**Company**" or "**VFP**") was registered on 6 July 2017, as a public limited liability company and as such has limited financial history. It was set up as a special purpose vehicle to act as the finance arm to the Virtu Maritime Group (the "**Group**" or "**VMG**"). Its main objective is that of carrying on the business of a finance and investment company, including the financing or re-financing of the funding requirements of the business of the Virtu Maritime Group. Given the nature of the Company's activities, i.e. raising finance for on-lending to the VMG, there is an inherent dependence on the Group's cash flows and operations.

1.2 THE GUARANTOR – VIRTU MARITIME LIMITED

The Guarantor was registered on 30 June 2017 as a private limited liability shipping company. The Guarantor itself also has limited financial history, and it is the holding company of Virtu Wavepiercer Limited ("**VWPL**"), Virtu Fast Ferries Limited ("**VFFL**"), Virtu Ferries Limited ("**VFL**"), Virtu Ferries Travel Limited ("**VFTL**") and Virtu Rapid Ferries Limited ("**VRFL**") (hereinafter collectively referred to as the "**Subsidiaries**"). An organisation chart showing the Group's structure is set out in section 3.

1.3 PRINCIPAL ACTIVITIES AND MARKETS OF VIRTU MARITIME GROUP

The principal part of VMG's business is the operation of the Malta-Sicily route (the "**MLA-SIC line**") by High Speed Passenger and Vehicle Ferries. This core business activity is provided by VFL, which is the main operating entity within the VMG. The MLA-SIC line is currently serviced by one High Speed Passenger and Vehicle Ferry, the *HSC Jean de la Valette* (the "**HSC JDLV**"). This is set to be complemented through the introduction of a second vessel on the MLA-SIC line as from first quarter of 2019.

The chartering of the *HSC Maria Dolores* vessel, currently on a Morocco-Spain route, also forms part of the Group's business.

Additionally, in 2010 the Group was awarded the exclusive use and operation of the sea passenger ferry terminal at the Valletta Grand Harbour, which concession is explained further in section 4.2.

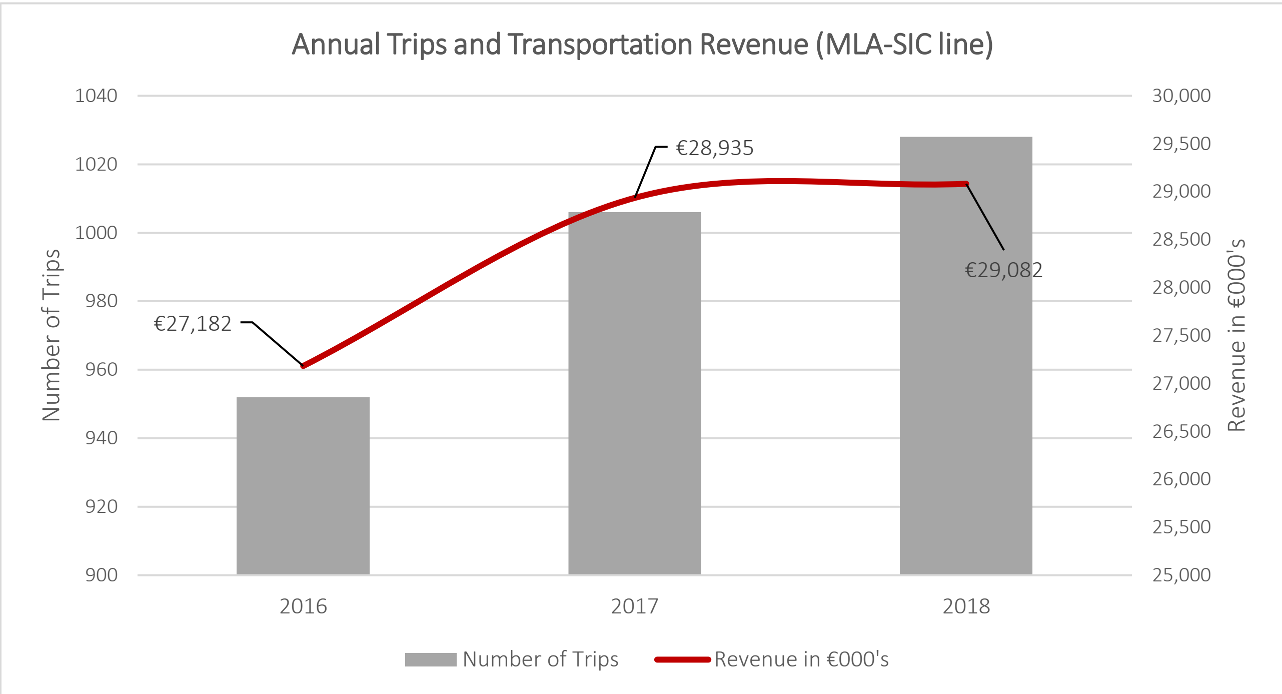
THE MLA-SIC LINE

During FY2017, the *HSC JDLV* completed 1,006 trips on the MLA-SIC line, which generated revenue of €28.9 million. The total number of trips conducted in 2017 is 5.7% higher than the previous year, which led to a 6.4% improvement in revenue year-on-year. It is expected that during FY2018, even before the New Vessel becomes operational (further detail in section 4.1), the number of annual trips will increase by a further 2.2% to 1,028. Once the New Vessel commences operations in 2019, the number of trips using both vessels are expected to increase significantly.

These increases are driven generally by the demand from freight and supported by tourism travelling to and from Sicily.

The number of passengers carried is projected to remain in line with FY2017 given that this segment is relatively mature and dependent to a lesser extent on the performance of the wider inbound tourism sector, which drives the Sicily day excursion market.

Commercial Vehicles demand is expected to grow modestly over the projected period due to the garage capacity limiting factor, with an annual growth rate of 1.0% projected in FY2018.



Source: *Management Information*

The HSC Maria Dolores Charter

During FY2017, the *HSC Maria Dolores* generated revenue of €4.97 million (FY2016: €4.79 million) which is forecast to increase to €5.22 million in FY2018. VRFL, the owner of the *HSC Maria Dolores*, has entered into a charter agreement with a third-party, exclusively chartering the vessel for a period of three years commencing in May 2017. Charter income in FY2018 is assumed at the contracted rate which contract expires on 30 May 2020.

2. Governance and Senior Management

2.1 Directors

Directors of the Company

The members of the Board as at date of this FAS are included hereunder:

Mr Charles Borg	Non-Executive, Independent Chairman
Mr Roderick E D Chalmers	Non-Executive, Independent Director
Mr Stefan Bonello Ghio	Non-Executive Director
Mrs Stephanie Attard Montalto	Executive Director
Mr Matthew Portelli	Executive Director

Directors of the Guarantor

VML's key governance structure is entrusted to a board of directors composed of the following members:

Mr Charles Borg	Non-Executive Director
Mr Francis A Portelli	Executive Director
Mr John M Portelli	Executive Director
Mr Matthew Portelli	Executive Director
Mrs Stephanie Attard Montalto	Executive Director

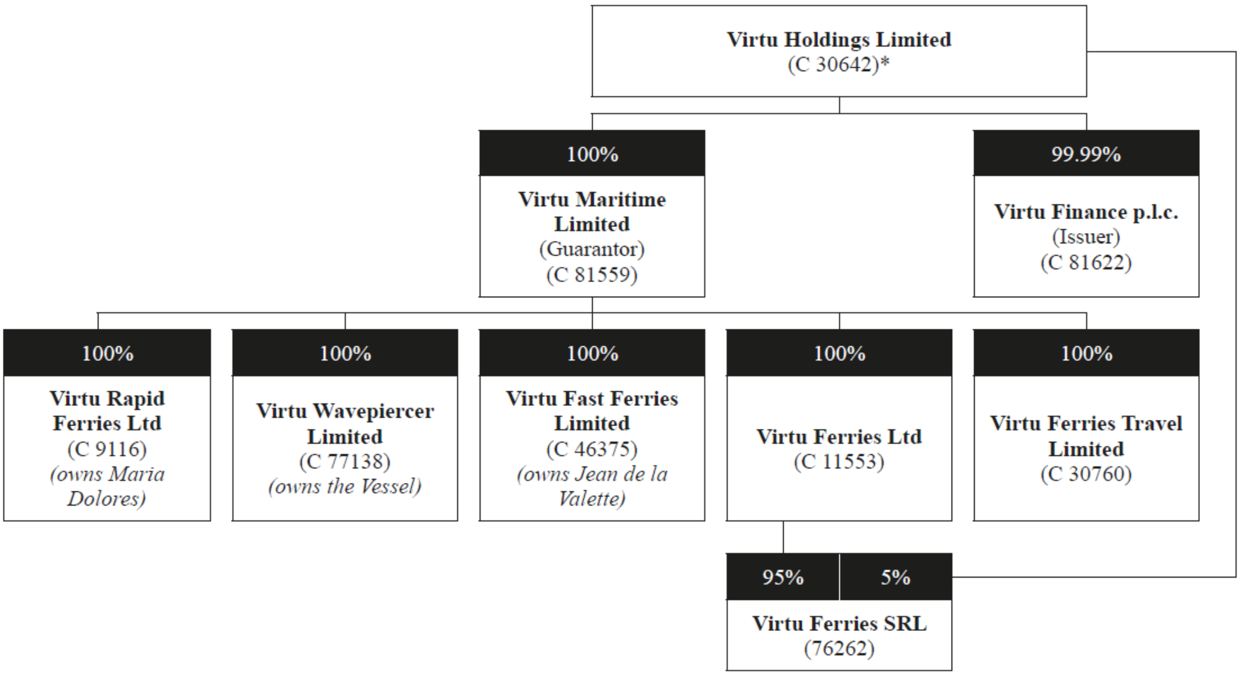
2.2 Senior Management

As at the date of this FAS, no employees are directly engaged by the Company and / or the Guarantor. The Company and the Guarantor rely entirely on the management structures and employees of companies within the Virtu Maritime group. The group structure is explained further in section 3 of this FAS.

3. The Virtu Maritime Group

3.1 The Company and Guarantor

Both the Company and the Guarantor are effectively wholly-owned subsidiaries of Virtu Holdings Limited ("**VHL**") forming part of the wider Virtu Holdings group. The latter is a group of companies with interests in maritime-related activities such as ship-owning, bunkering and ship management as well as tourism and real estate. Today, the core business activity of the wider group is that of owning, managing and operating High Speed Passenger and Vehicle Ferries.



**Virtu Holdings is the parent company of a number of other subsidiaries and associated companies which are unrelated to the Virtu Maritime Group and the business line relevant to the Bond Issue, and which accordingly do not feature in the above chart.*

As indicated in the chart above, the Company is a subsidiary of VHL, which holds all shares in the Company save for one share held by another company with the same ultimate beneficial shareholders. All of the issued share capital of the Guarantor is also held by VHL. The Group's organisational structure is currently set up such that each Subsidiary of the Group carries out a particular business activity, as explained in later parts of this FAS.

3.2 The Subsidiaries

3.2.1 VFL

VFL is the main operating company of the VMG. VFL was set up in 1990 and currently operates the *HSC JDLV* (a high-speed catamaran) between Malta and Sicily.

Previously, VFL operated other vessels on the Malta-Sicily route including two small passenger ferries – the *ACC San Frangisk* and the *ACC San Pawl*. In 2006, VFL operated the *HSC Maria Dolores* which was replaced by the *HSC JDLV* in 2010. VFL also operated the *HSC San Gwann* between 2001 and June 2016 until this vessel was sold. VFL also owns 95% of an Italian company – Virtu Ferries SRL ("**VFSRL**").

3.2.2 VFFL

VFFL owns the *HSC JDLV* which is the vessel deployed on the Malta-Sicily route. Further details on the *HSC JDLV* vessel are presented in section 5.1 of this FAS. In 2010, this vessel replaced the *HSC Maria Dolores* on the Malta-Sicily route.

3.2.3 VFSRL

VFSRL is a company incorporated under the laws of Italy, and manages and operates the booking office in Pozzallo, Sicily. It was established to handle ferry ticket sales and provide other services in relation to ticketing and reservations.

3.2.4 VFTL

VFTL provides incoming and outgoing services to the tourist industry and acts as an in-house travel agent. In collaboration with VFSRL, VFTL offers a number of tourism services including transportation and accommodation arrangements for tourists visiting Sicily and Malta

3.2.5 VRFL

VRFL is the owner of the *HSC Maria Dolores* which is chartered to a third-party for a period of three years commencing in May 2017. The vessel is deployed on the route between Tarifa in Spain and Tangier Ville in

Morocco. The *HSC Maria Dolores* was delivered to the Group in 2006 and is currently operated on a time charter basis by a third-party operator as explained in section 1.3 of this FAS.

Further details on the *HSC Maria Dolores* are presented in section 5.2 of this FAS.

3.2.6 VWPL

VWPL was incorporated to be the owner of the New Vessel. Further details of the New Vessel are provided in section 4.1 and 5.3 of this FAS.

4. Material Contracts

What follows is a summary of the material contracts that the various Subsidiaries within the Group have entered into with third-parties.

4.1 The New Vessel

The Group's track record is marked by its ability to build and maintain an all-year round reliable and efficient ferry operation between Malta and Sicily. To better connect Malta to mainland Europe, the Group has commissioned a second vessel which is expected to operate on the MLA-SIC route as from first quarter of 2019. To this effect, in October 2016, VWPL entered into a Ship Construction and Sale Agreement with Incat Tasmania PTY Ltd ("**Incat**") for the acquisition of a new vessel (the "**New Vessel**"). This vessel was commissioned for the purposes of complementing the operation of the *HSC JDLV* on the Group's MLA-SIC route. It is anticipated that the New Vessel will be delivered in the last quarter of 2018. The acquisition of the New Vessel and its delivery are being financed by the proceeds of the bond issue of 2017, bank financing, shareholder's loan and own funds. The cost of the New Vessel is €75 million.

The New Vessel will commence operations in first quarter of 2019 and it is expected to enhance the Group's operations as a result of additional garage capacity. As at the date of this report, the New Vessel is 61% complete.

4.2 Charter Contracts

Agreement & Counterparty	Nature of Agreement	Agreement Dates
Bareboat Charter Agreement between VFL and VFFL.	Standard BIMCO BARECON charter party agreement for ROPAX[1] vessel *HSC JDLV* between VFL and VFFL.	Agreement dated 30/09/2010. Charter period of 10 years with delivery date 01/10/2010.
Bareboat Charter Agreement between VFL and VWPL.	Standard BIMCO BARECON charter party agreement for the New Vessel between VFL and VWPL.	Agreement dated 21/03/2017. Charter period of 10 years from delivery date (expected in end 2018).
Time Charter Agreement between VRFL and third-party operator.	Standard BIMCO ROPAXTIME charter party agreement for ROPAX vessel <u>*HSC*</u>	Agreement dated 24/05/2017. Charter period of 3 years with delivery date 01/06/2017.

[1] ROPAX is a term used to refer to roll-on/roll-off passengers/vehicle vessel and passenger vessels which also has the capacity for freight vehicle transport along with passengers.

	Maria Dolores between VRFL and Inter Shipping SRA.	
Ship Management Agreement between VFL and VFFL.	Standard ship management agreement for ROPAX vessel *HSC JDLV* between VFL and VFFL.	Agreement dated 30/09/2010. Commencement date 01/10/2010 for a period of 10 years.
Ship Management Agreement between VFL and VWFL.	Standard time charter party agreement for ROPAX vessel *HSC SPJII* between VFL and VWFL.	N/A

4.3 Terminal Concession Agreement

VFL is party to a tripartite agreement between the Valletta Gateway Terminals Limited ("**VGT**"), VFL (as the client) and VHL (which acts as a guarantor of the performance of VFL) whereby VGT granted VFL the exclusive right to use the VGT facilities, including the berth, outbuilding, sea passenger terminal and gates. The concession commenced on1 September 2010 and will expire on 30 June 2036. Under this agreement, VGT is responsible to carry out, at its own expense, any extraordinary repairs of the facilities while VFL is responsible for the maintenance and ordinary repair of the facilities. The terminal also houses operations offices for cargo.

Since 2016, The Virtu Ferries Business Centre, housed in the Sea Passenger Terminal, was opened as a venue to promote trade between Malta and Sicily. Virtu invites Maltese and Sicilian manufacturers and suppliers to exhibit at the Centre. These exhibitions are open to the public. Entrance is free for both exhibitors and viewers.

Source: *Virtu Ferries*

5. Overview of Major Assets

The assets of VMG are predominantly made up of '*vessel and vessel equipment*' ("**VVE**") as shown in the table below:

Year	Total Assets €'000	VVE[2] €'000	VVE % of Total Assets	Asset Under Construction
2015	80,251	65,663	81.82%	-
2016	91,925	66,536	72.38%	-
*2017 pro-forma**	*141,526*	*66,536*	*47.01%*	-
2017	161,959	59,909	37.00%	32,613

**Further information on the pro-forma financial statements may be found in section 7 of this report.*

5.1 HSC JDLV

The *HSC JDLV* is a high speed, all-weather passenger and vehicle catamaran. It is currently the largest vessel of its kind operating in the Mediterranean and the second largest in the world, until the eventual deployment of the New Vessel. The vessel was built by Austal Ships, WA in 2010 and was delivered in August 2010. It began its operations in October 2010, replacing the *HSC Maria Dolores*. The *HSC JDLV* was built to handle the increased cargo and passenger traffic between Malta and Sicily and can carry 156 cars, or a combination of 45 cars and 342 metres of truck lanes. The vessel can accommodate up to 800 passengers and manned by a crew of 24. It is designed to operate at a maximum speed of 38.5 knots.

Source: *Virtu Ferries*

[2] *Related to the net book value of the Group's vessels.*

With at least 900 voyages per annum, the *HSC JDLV* has revolutionised transport and trade between the two Mediterranean islands. Many tourists come to Malta from Sicily on Virtu's service, making the company a material player in the local tourism industry.

5.2 HSC MARIA DOLORES

The Group also owns, through its subsidiary VRFL, the high-speed ferry *HSC Maria Dolores*, which is chartered , on a time charter basis, to Inter Shipping SRA. This third-party operator in turn operates a route between Tarifa in Spain and Tangier Ville in Morocco. The time charter agreement with Inter Shipping SRA has recently been renewed for a three-year period, commencing from 1 June 2017 until 31 May 2020. The vessel was previously chartered to the same operator for a period of 5 years.

Source: *Virtu Ferries*

The *HSC Maria Dolores* had previously been deployed on the Group's MLA-SIC route until 2010. It was built in 2006 by Austal Ships WA. It has a passenger capacity of 600 passengers and a vehicle capacity of 65 cars or 35 cars and 95 truck lane metres. The maximum speed at which it can travel is 36 knots.

5.3 The New Vessel

The New Vessel will be named HSC Saint John Paul II. At 1,000 tons deadweight, the vessel will replace HSC JDLV as the largest RoPax Catamaran ever built for operation in the Mediterranean, and the second largest in the world. The vessel will have a capacity of 900 passengers in four luxury lounges on two passenger decks, and additional outside seating. The full span of the garage deck is designed to carry 23 heavy commercial trailers, equivalent to 490 truck lane meters or 167 cars. It will operate at a cruising speed of 38 knots. The new ferry will be built under DNV-GL Classification Society Rules and will comply with IMO High Speed Craft HSC 2000, the Malta Flag Statutory Regulations and Italian Port State requirements. As with all other Virtu vessels, the New Vessel will fly the Malta Flag.

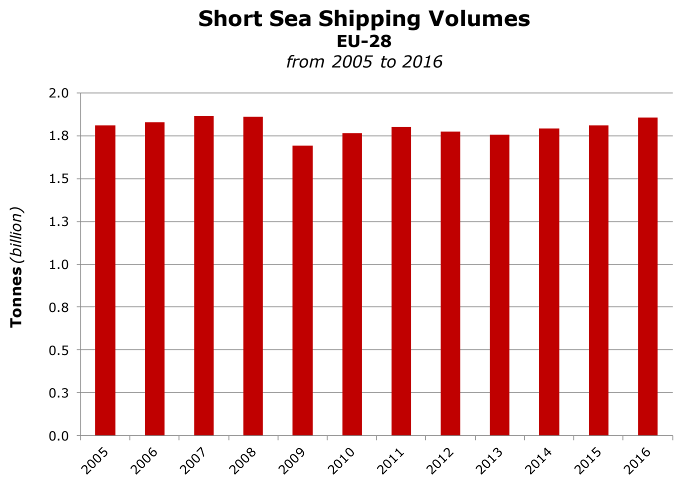
Source: *www.incat.com.au*

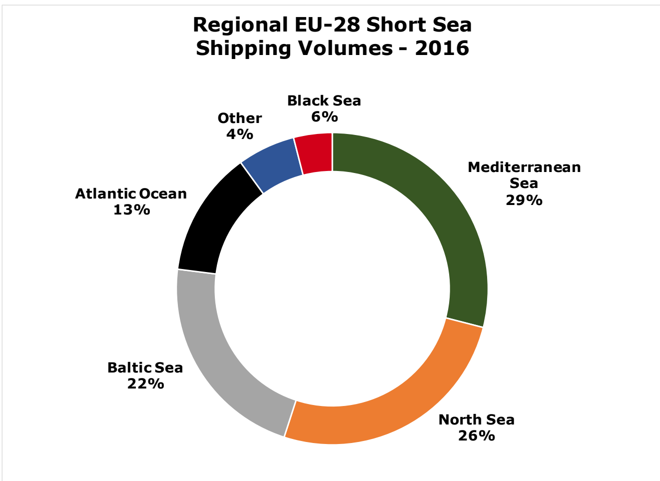
6. Market Overview

6.1 Maritime Cargo Movements: Short Sea Shipping of Goods

Short sea shipping statistics of the European Union ("**EU**") cover the transport of goods across main ports in the EU-28 Member States, as well as across ports situated in Europe and in non-European countries in the Mediterranean and the Black Sea.

According to Eurostat, the total gross weight of goods transported as part of EU short sea shipping amounted to 1.86 billion tonnes in 2016[3]. This represents an increase of 2.6% compared to the previous year and also 60% of the total maritime transport of goods to and from the main ports in the EU in 2016. The further increase in short sea shipments in 2016 is an extension of the recovery registered in recent years from the notable downturn experienced in the aftermath of the 2008 global financial and economic crisis. Nonetheless, the volume of short sea shipments in 2016 was still slightly lower than that of 2008.

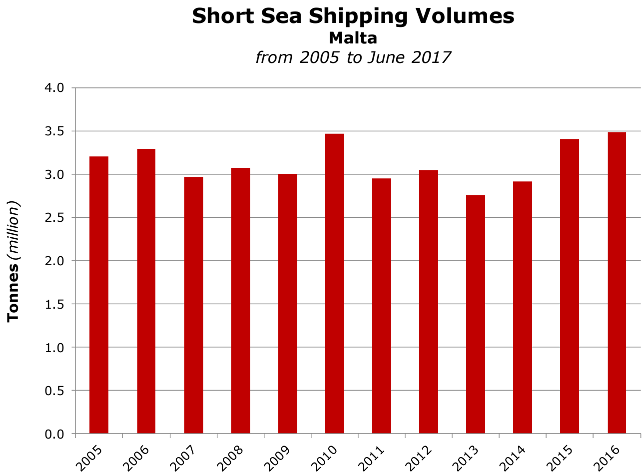


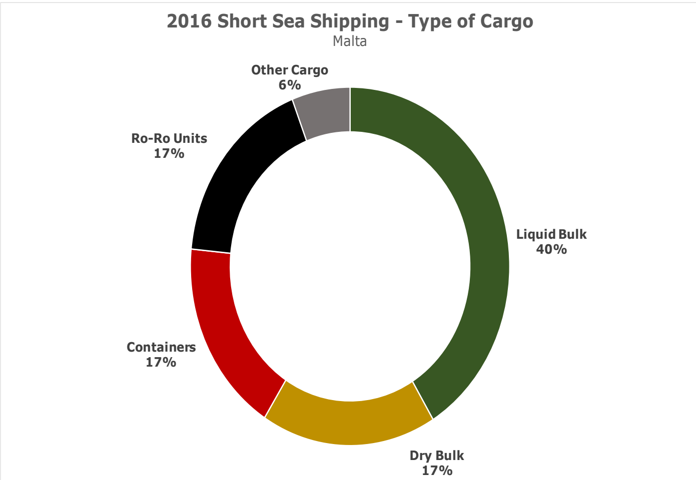


Source: Eurostat

[3] *The latest data available on Eurostat for EU-28 is for 2016. Data for 2017 was not available at the time of publishing of the FAS.*

Across the Mediterranean Sea, short sea shipments between the main ports in the EU in 2016 represented 29% of total volumes, which is also the largest share when compared to other sea regions – namely, the North Sea (26%), the Baltic Sea (22%), the Atlantic Ocean (13%) and the Black Sea (6%).

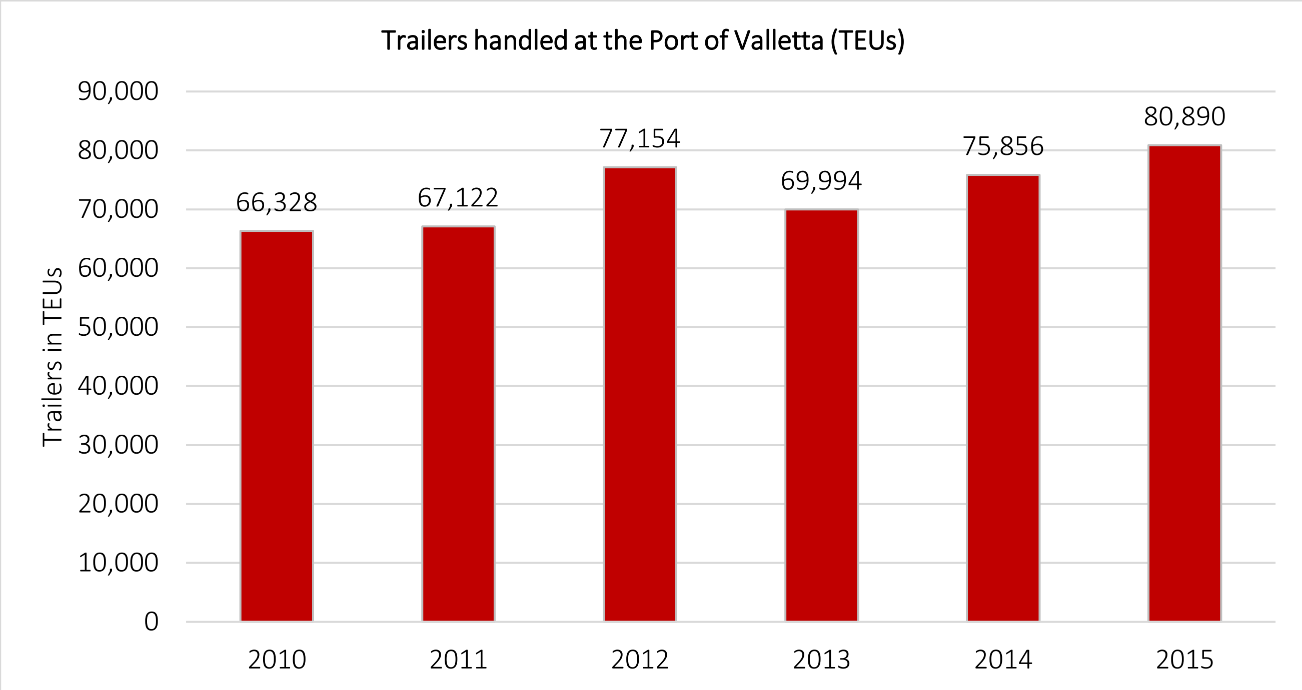




Source: *Eurostat*

With respect to short sea shipping volumes in Malta, the Eurostat statistics show that these amounted to 3.48 million tonnes in 2016, representing an improvement of 2.2% over the previous comparable period and marginally higher than the high of 3.47 million tonnes registered in 2010. In addition, it is also noteworthy to highlight that since 2013, short sea shipping volumes in Malta increased by over 26%. This translates into a compound annual growth rate of 8.1%. Furthermore, short sea shipments accounted for nearly 92% of the total volume of goods transported by sea.

According to information published by Transport Malta (the latest available dates back to 2015)[4], the number of trailers in twenty-foot equivalent units (TEUs) handled at the Port of Valletta increased from 66,328 in 2010 to 80,890 in 2015. These figures represent the number of trailers handled on both legs of the trip. This increase in the number of trailers handled represented an annual average growth rate of 4% over the five-year period.



Source: *Transport Malta*

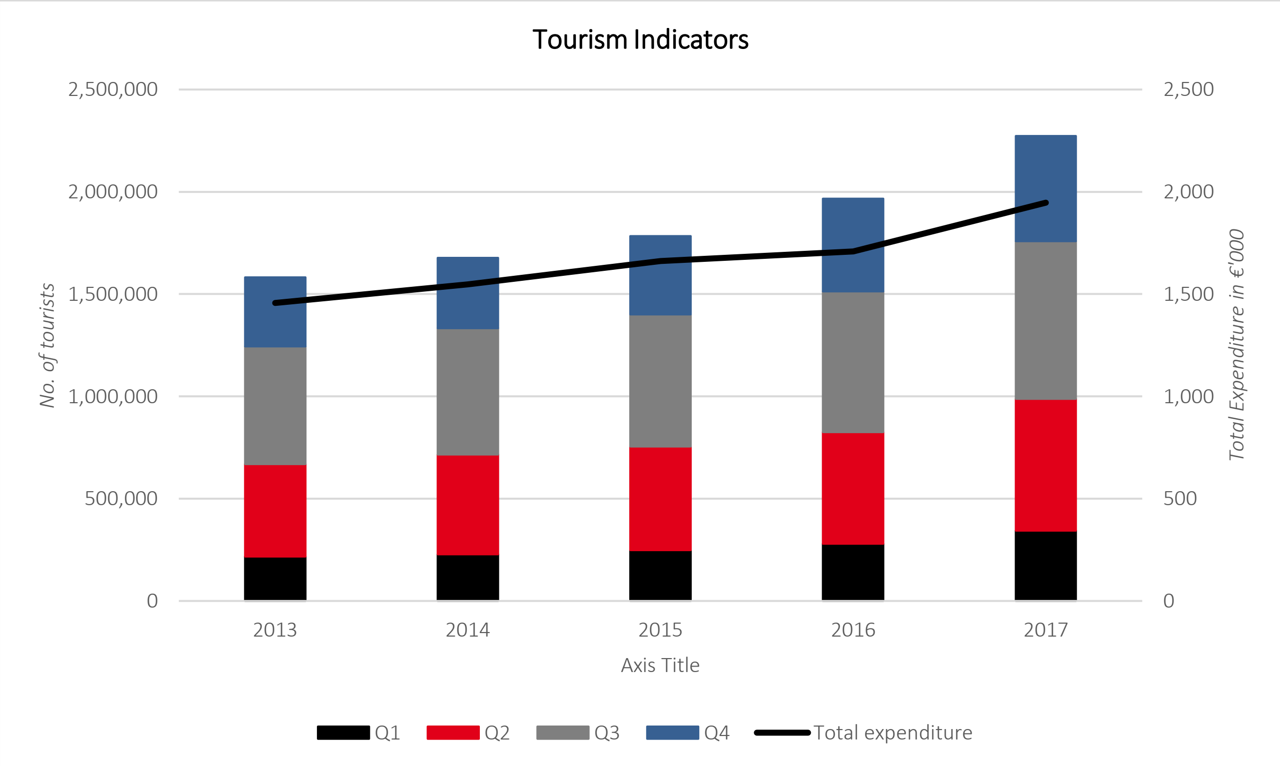
6.2 The Tourism Industry

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.

[4] *http://www.transport.gov.mt/admin/uploads/media-library/files/Cargo%20Throughput%202015.pdf*

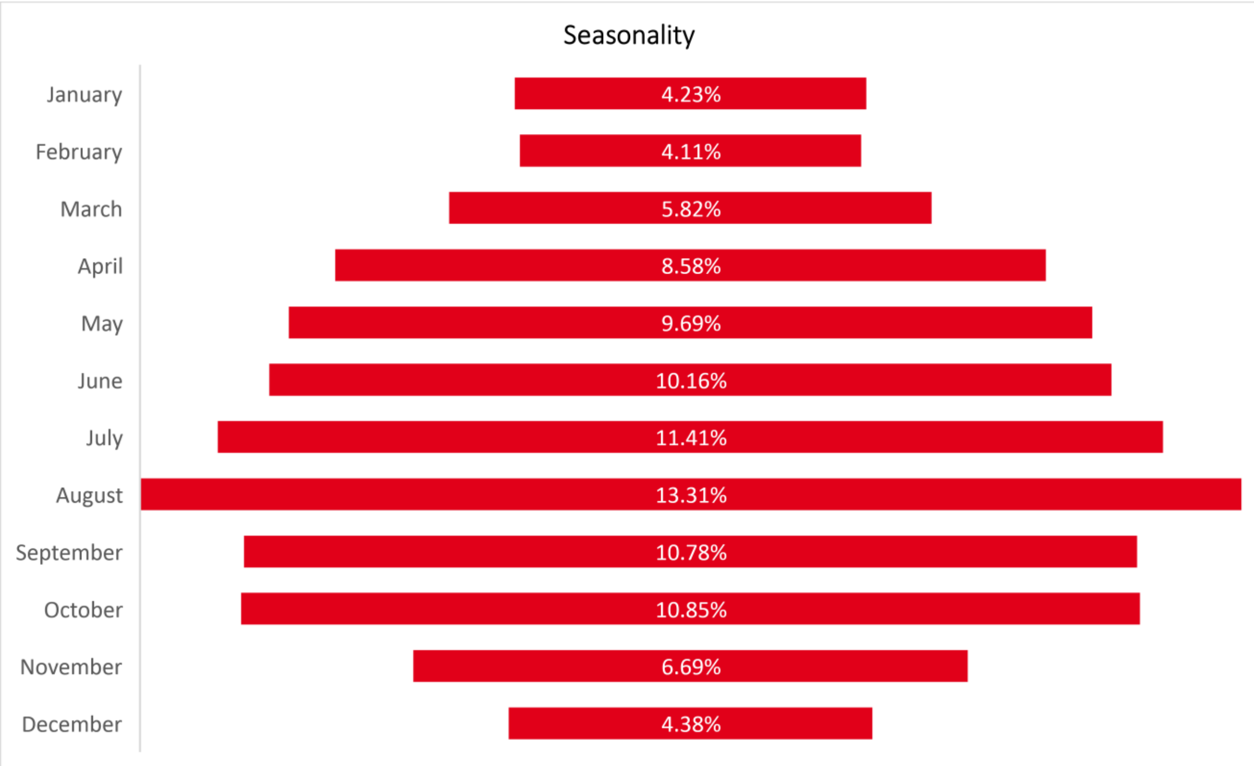
Other statistics published by the Malta Tourism Authority (based on figures compiled by the Malta National Statistics Office, "**NSO**") show that during 2017, total inbound visitors amounted to 2.27 million (excluding overnight cruise passengers), representing an increase of almost 16% over 2016. Furthermore, the total number of guest nights increased by 10.3% whilst tourist expenditure expanded by nearly 14% to €1.95 billion (2016: €1.71 billion). Moreover, over 63% of the total inbound tourists came from Europe UK (25%), Italy (16%), Germany (8.5%), France (7.8%) and Scandinavia (6%).



Source: *NSO*

The increase in tourism numbers in 2017 was mainly driven by the increase in the number of leisure tourists which accounted for 76% of total tourist arrivals in 2017, albeit the number of business, professional and other travellers (including educational, religious and health) also rose significantly.

Just under two-thirds of total inbound tourism takes place between April and September. Figure 2 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.



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 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.

The Virtu Ferries year-round Day Return Excursion to Sicily has made Malta an attractive two-point destination for thousands of visitors. The Seasonal Day Return Malta Excursion enables an increasing number of visitors to Southern Sicily to include Malta in their itinerary as well as introducing the Island as another Mediterranean destination.

6.3 Maritime Links Between Malta and Sicily

The increase of maritime links and better infrastructure connecting the ports of Malta and Sicily was included in the EU's list of transport priorities, through a project better known as the TEN-T network, for the period until 2020.

Furthermore, Malta's accession into the EU in 2004 has led to a growth in passenger and passenger vehicle traffic between Malta and Sicily due to the increase in the number of Maltese families travelling to Sicily by car (especially during the summer school vacation months), and the growing trend of Maltese families owning or renting holiday homes in Sicily. The growth in travel between Malta and Sicily also coincides with the significant growth of the Maltese tourism sector in general, as further explained in section 6.2 above. The increase in both inbound and outbound tourism, has been another key driver of growth on the Malta-Sicily line. Even though the summer period remains the peak season for the tourism sector, demand for the ferry service has increased significantly in other months of the year due to the increasing popularity of *agriturismo* holidays in Italy and Sicily and the appeal of affordable shopping arcades in certain parts of Sicily.

Coupled with the transport of passengers and passenger vehicles, Malta's accession to the EU has also led to a substantial change in how a broad range of products are sourced, particularly from regional logistics centres in Sicily and southern Italy. This, together with the opening of a number of international franchises, as well as the collaboration with foreign retailers targeting the local market, has resulted in a significant increase in the number of the light and heavy commercial vehicles using the MLA-SIC line for the carriage of goods between Malta and Sicily, particularly those transporting fresh produce, fish and other products of a perishable nature for which a fast ferry service is optimal.

7. FINANCIAL INFORMATION - INTRODUCTION

NB: The MFSA Listing Policies require a 3-year historical analysis of financial information of the Company. The Company was incorporated on 6 July 2017 as a special purpose vehicle to act as the financing arm of the Virtu Holdings Group.

The Company, as a stand-alone company, had not conducted any business prior to 6 July 2017 and accordingly, the only financial information to report is that as at 31 December 2017.

Similarly, the Guarantor was incorporated on 30 June 2017 as the holding company of the Virtu Maritime Group and, as a result, the first consolidated set of financial statements of the Guarantor are those as at 31 December 2017. For the purpose of the three-year historic financial information of the Guarantor, however, a set of combined financial statements were presented in the FAS dated 30 October 2017.

Virtu Maritime Limited was interposed in the group of companies owned by Virtu Holdings as the new parent company of the Subsidiaries, which together form the Virtu Maritime Group, as is described in further detail in section 3. The relative transfer of the shares in the Subsidiaries by Virtu Holdings to Virtu Maritime Limited was conducted on 3 August 2017 at the carrying value of the investment in the Subsidiaries in Virtu Holdings as at 31 December 2016.

The financial year-end of the Subsidiaries and Virtu Maritime Limited is 31 December. The financial information in this FAS accordingly represents the following:

a) *The historical financial information in respect of the Subsidiaries as set out in the combined financial statements of the Virtu Maritime Group for the years ended 31 December 2015 and 2016 (the "**Combined Financial Statements**"), prepared by the directors of Virtu Maritime Limited to present the financial position and results of the Subsidiaries on the basis of the assumption that the Virtu Maritime Group had operated as a single entity in the years ended 31 December 2015 and 2016*[5].

   *The Combined Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), as adopted by the European Union, and have been audited by PwC. The Combined Financial Statements have been prepared by aggregating the audited financial statements of the Subsidiaries constituting the Virtu Maritime Group, since all these entities are under common management and control but did not constitute a "group" for the purposes of IAS 27 "Consolidated and*

[5] *Virtu Wavepiercer Limited was incorporated on 5 September 2016, and accordingly no historical information relative to the preceding period is available in respect of this particular Subsidiary.*

Separate Financial Statements". The aggregated financial information has been adjusted to eliminate the impacts of intra-organisation transactions and balances, and to reflect the appropriate classification.

The process described above, adopted for the preparation of the Combined Financial Statements, is similar to a consolidation process, however the financial results and financial position of the Subsidiaries could not be consolidated into the financial statements of Virtu Maritime Limited, since as at 31 December 2015 and 2016 Virtu Maritime Limited did not own or control the Subsidiaries.

b) *The Pro Forma financial information of Virtu Maritime Limited as at 1 January 2017 were prepared for illustrative purposes only, to provide information on the financial position of the Guarantor. The Pro forma financial information, based on the Combined Financial Statements of the Virtu Maritime Group as at 31 December 2016, illustrates the resulting consolidated financial position of the Guarantor after superimposing the transactions giving rise to the re-organisation of the Virtu Maritime Group described in section 3, that are hypothetically assumed to have been carried out as at 1 January 2017.*

   The process for arriving at the Pro Forma financial information therefore builds on the combined position as at 31 December 2016, as described in paragraph (a) above, and further assumes that:

   i. *The incorporation of Virtu Maritime Limited as a private limited liability shipping company;*
   ii. *The acquisition of the Subsidiaries by Virtu Maritime Limited from Virtu Holdings and the initial recognition of the fair value of the Subsidiaries;*
   iii. *The reallocation of the Subsidiaries' fair value to each of their identifiable assets and liabilities, with the difference between the fair value of the Subsidiaries and the aggregate fair value of the identifiable assets and liabilities being allocated to goodwill; and*
   iv. *The drawdown of a €20 million subordinated shareholder's loan from Virtu Holdings to the Guarantor.*

These hypothetical transactions are simulated within a Pro Forma set of financial statements with an effective date of 1 January 2017, to illustrate the financial position of the new group capturing all accounting entries on that date. The legal incorporation of Virtu Maritime Limited and the restructuring entries described above, were concluded on 30 June 2017 and 3 August 2017 respectively.

All figures referred to in the following sections of the report have been supported by management information as necessary, with the exception of the financial ratios, which ratios have been calculated by Rizzo, Farrugia & Co (Stockbrokers) Limited.

All amounts in the tables presented below are in thousands (€'000), unless otherwise specified, and have been subject to rounding.

8. Financial Analysis and Forecasts of the Company

The Company was set up on 6 June 2017 as a special purpose vehicle for the financing of the Virtu Holdings Group. As such, the only historic financial information available is for the period 30 June 2017 to 31 December 2017, which has been audited and is being presented hereunder. Furthermore, in terms of the Listing Policies issued by the MFSA, the Company is required to prepare forecasts for the current year FY2018. In the previous FAS dated 30 October 2017, the Company had presented forecasts and projections for FY2017 and FY2018, respectively.

8.1 Key Assumptions

The updated forecasts for FY2018 have been based on assumptions all of which are the sole responsibility of the Directors of the Company. The actual outcome may be adversely affected by unforeseen situations and the variation between forecasts and actual results may be material.

The key assumptions approved by the Directors of the Company in compiling the forecasts are the following:

i. Tax is assumed to be charged at a corporate tax rate of 35% on the Company's profits.

ii. VML pays VFP the interest on the bond proceeds that were on-lent to VML. Moreover, VML pays VFP a facility fee, which is intended to cover bond amortisation costs, directors' fees and other administrative expenses incurred by VFP. In FY2018, this facility fee is assumed at €100,000.

iii. Finance costs relating to interest costs payable on the Bonds is projected at €937,500 per annum, reflecting the coupon of 3.75% payable on the Bonds.

iv. Administrative expenses cover Directors' fees, legal, audit and professional fees and are assumed at €94,100 for FY2018.

v. The amortisation of bond issuance costs is assumed to be amortised over the life of the Bond, i.e. 10 years. In FY2018, the costs reflect a full year's charge at €49,000.

8.2 Income Statement

for the year ended 31 December	*Actual* **2017** *€'000*	*Updated Forecasts* **2018** *€'000*
Finance income	155	1,088
Finance cost	(84)	(989)
Administrative Expenses	(69)	(94)
Profit before tax	**2**	**5**
Tax expense	(1)	(2)
Profit after tax	**1**	**3**

Source:
Audited financial statements of the Company for the period ending 31 December 2017
Management information

The purpose of the Company is that of raising funds and on-lending them to the Guarantor. In 2017, it generated income of €155,000 from a facility fee and interest charged on loans advanced to VML. Finance costs comprise of interest payable on the outstanding bond issue and amortisation of the issue costs, whilst administrative expenses mainly relate to Directors' emoluments. Overall, the Company posted a marginal net profit of €1,000 in 2017.

The financial performance of the Company is expected to improve in 2018, reflecting a full twelve-month period of operation compared to an effective three-month period of operation in 2017, thereby absorbing the element of fixed administrative costs through the higher income generated in a full year. In fact, revenues are anticipated to amount to €1.09 million. After the deduction of finance costs (€989,000), administrative expenses (€94,000) and tax charges, the resultant forecasted net profit amounts to €3,000.

8.3 Statement of Financial Position

	Actual	Updated Forecasts
for the year ended 31 December	**2017**	**2018**
	€'000	*€'000*
ASSETS		
Non-current assets		
Loans and receivables	24,400	24,400
Current assets		
Trade and other receivables	691	735
Total assets	**25,091**	**25,135**
EQUITY AND LIABILITIES		
Non-current liabilities		
3.75% bonds 2017-2027	25,000	25,000
Bond issuance costs	(590)	(541)
Current liabilities		
Accrued bond interest	80	159
Other payable & accruals	100	13
Total liabilities	**24,590**	**24,631**
EQUITY		
Share capital	500	500
Retained earnings	1	4
Total equity	**501**	**504**
Total equity and liabilities	**25,091**	**25,135**

Source:
Audited financial statements of the Company for the period ending 31 December 2017
Management information

As a financing vehicle, the Company's statement of financial position is limited to the financing requirements of the Group. In this regard, the main asset of the Company is a €24.4 million loan to VML which, in turn, is being used by the Guarantor for the acquisition of the New Vessel. On the liabilities side, the Company has borrowings of €24.5 million reflecting the carrying amount of the 3.75% bonds issued last year.

For FY2018, the Company is not expected to have any significant differences in its statement of financial position when compared to that of FY2017.

8.4 Statement of Cash Flows

for the year ended 31 December	*Actual* 2017 *€'000*	*Updated Forecasts* 2018 *€'000*
Net cash generated from operating activities	**(505)**	**-**
Net cash used for investing activities	**(24,400)**	**-**
Net cash from financing activities	**24,905**	**-**
Net movements in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	-	-
Cash and cash equivalents at end of year	**-**	**-**

Source:
Audited financial statements of the Company for the period ending 31 December 2017
Management information

The cash flows for FY2017 reflect i) the new bond issue proceeds, which were on-lent to the Guarantor; and ii) the proceeds from the Company's share capital. No cash transactions are envisaged for FY2018, as inflows in relation to interest income received will be used to offset the interest costs related to the bond.

9. Virtu Maritime Group

The Guarantor was incorporated on 30 June 2017 as the holding company of the Virtu Maritime Group and, as a result, the first consolidated set of financial statements of the Guarantor are those as at 31 December 2017. For the purpose of the historic financial information of the Guarantor for the years ended 31 December 2015 and 2016, a set of combined financial statements were prepared, combining the financial statements of the various Subsidiaries as though they formed a group for the two financial years 2015 and 2016. For financial year ended 31 December 2017, a set of consolidated financial statements were prepared, consolidating the group companies.

9.1 Segmental Analysis

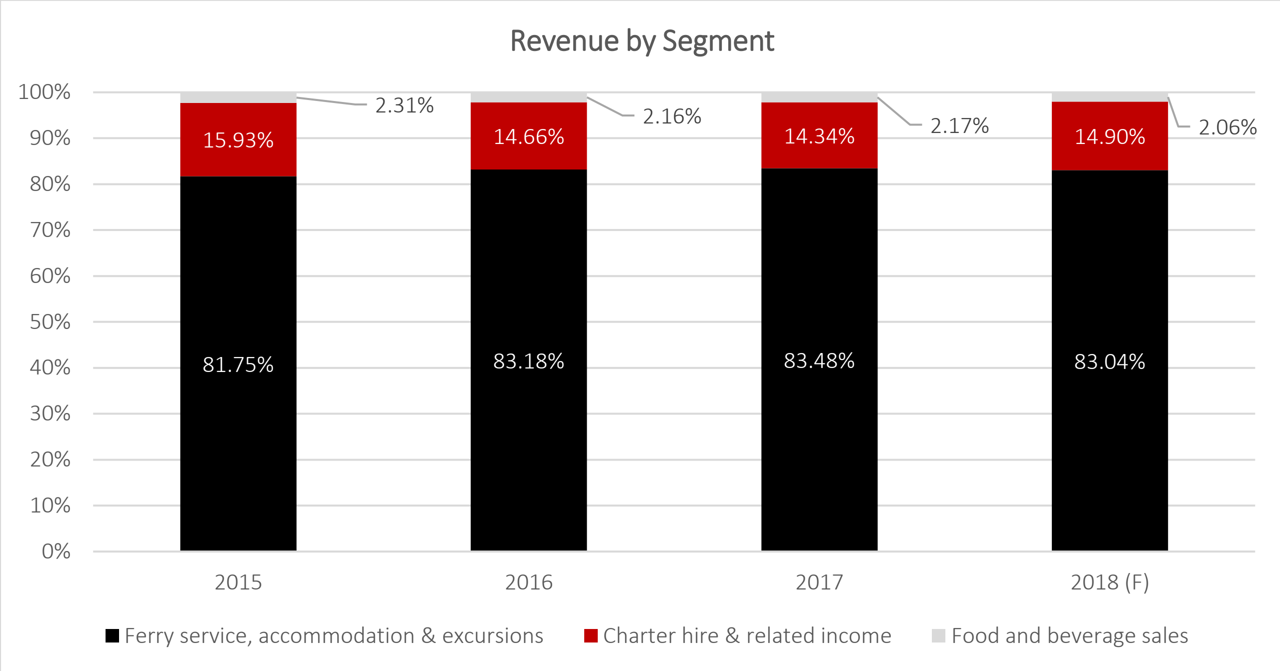
The table below provides a breakdown of revenue generated by the Group for the period under review as well forecasted revenue breakdown for the current financial year ending 31 December 2018. This refers to the ferry service provided by *HSC JDLV* between Malta and Sicily and charter hire of the *HSC Maria Dolores*.

	Combined	*Combined*	*Consolidated*	*Updated*
	Actual	*Actual*	*Actual*	*Forecasts*
	FY2015	FY2016	FY2017	FY2018
Analysis of Revenues	*€'000*	*€'000*	*€'000*	*€'000*
Ferry service, accommodation & excursions	24,904	27,182	28,935	29,082
Charter hire & related income	4,854	4,790	4,971	5,220
Food and beverage sales	704	707	753	720
Total	**30,462**	**32,679**	**34,659**	**35,022**

Source:
Audited combined financial statements of the Virtu Maritime Group for the years ended 31 December 2015 and 2016
Audited consolidated financial statements of the Virtu Maritime Group for the financial year ended 31 December 2017
Updated forecasts as provided by Management

FY2017 Review

As illustrated in the chart overleaf, in the three financial years 2015 to 2017, the '*ferry service, accommodation & excursions*' segment comprised the most significant revenue stream, representing over 80% of total revenue. Revenue from the provision of charter hire represented between 14% and 16% of total revenue. On the other hand, revenue from the sale of food and beverage items aboard the *HSC JDLV* accounted for *circa* 2% during the years under review.



Source: *Management information*

Forecasts – FY2018

The increased number of trips forecasted for FY2018 is expected to result in an uplift in revenues from the '*ferry services, accommodation & excursions*' segment. Similarly, revenue from the '*charter hire & related income*' is expected to increase in FY2018 (+5%), while income from '*food & beverage sales*' is expected to be marginally lower.

9.2 Income Statement

for the year ended 31 December	*Combined Actual* 2015 *€'000*	*Combined Actual* 2016 *€'000*	*Consolidated Actual* 2017 *€'000*	*Updated Forecasts* 2018 *€'000*
Revenue	30,462	32,680	34,659	35,022
Cost of Sales	(16,167)	(15,739)	(17,123)	(17,490)
Gross Profit	**14,295**	**16,941**	**17,536**	**17,532**
Administrative expenses	(3,157)	(3,439)	(3,885)	(3,872)
Other income	254	319	234	312
Normalised EBITDA	**11,393**	**13,821**	**13,885**	**13,972**
	-	-	-	0
Depreciation & amortisation	(3,133)	(3,162)	(3,209)	(3,229)
Normalised operating profit	**8,260**	**10,659**	**10,676**	**10,743**
Net costs from HSC San Gwann^	(1,580)	(805)	-	-
Management fees*	370	370	372	-
Settlement of claim*	-	8,797	-	-
Operating profit	**7,050**	**19,021**	**11,048**	**10,743**
Net finance costs	(1,885)	(1,501)	(1,262)	(1,159)
Profit / (loss) before tax	**5,165**	**17,520**	**9,786**	**9,584**
Tax credit / (expense)	(77)	(327)	(157)	(143)
Profit / (loss) after tax	**5,088**	**17,193**	**9,629**	**9,441**
Adjusted profit after tax, management fees, net costs from the HSC San Gwann, and settlement of claim	***6,298***	***8,831***	***9,257***	***9,441***

**Note: In the audited Combined Financial Statements of VML, the 'management fees' and the 'settlement of claim' form part of the 'other income' line, while the 'net costs from the HSC San Gwann' (^) forms part of the 'cost of sales' line.*

Source:
Audited combined financial statements of the Virtu Maritime Group for the years ended 31 December 2015 and 2016
Audited consolidated financial statements of the Virtu Maritime Group for the financial year ended 31 December 2017
Updated forecasts as provided by Management

FY2017 REVIEW

Between 2015 and 2017, the Group registered an average increase in gross revenues of 6.7% per annum, increasing from €30.5 million in FY2015 to €34.7 million in FY2017. In FY2017, approximately €29.7 million was generated from the operation of the Malta-Sicily ferry service (FY2016: €27.9 million) and €4.97 million from the time charter of the *HSC Maria Dolores* to a third-party operator (FY2016: €4.79 million).

Cost of sales increased over the three-year period mainly due to an increase in excursions, accommodation costs, operational payroll costs and staff expenses, reflecting the increased operational activity of the Group. However, such an increase in costs was partly compensated for by a decrease in fuel expenses as a result of a reduction in fuel prices.

The Group employed *circa* 135 full-time equivalents during FY2017, of whom 56% are involved directly in the operation of the vessels including seamen, cabin crew, deck officers, motormen, engineers and technical shore crew. The technical superintendents, with the assistance of master, chief officer and chief engineer of the *HSC JDLV* oversee the day-to-day operation of the vessel. The Marine and Technical Department, made up of highly qualified master mariners and chief engineers, oversee the technical operations of the Group. The administrative function, which accounts for 44% of the persons employed by the Group, is predominantly made up of reservation, front desk officers and the finance function.

For illustration purposes, EBITDA has been normalised to exclude the management fees received from other related parties, the net costs arising from the *HSC San Gwann* operations (which was sold in 2016), and the other non-recurring income in FY2016 associated with the settlement of a claim with the *HSC JDLV's* shipbuilders. Total normalisation adjustments amounted to €1.21 million in FY2015 and €8.36 million in FY2016. The Group generated an EBITDA of €13.89 million in FY2017 from the MLA-SIC line and from the operations of the *HSC Maria Dolores*, recording an increase of €2.49 million and €0.06 million when compared to FY2015 and FY2016, respectively. The improvement is attributable to the increase in revenues which, over the period under review, was higher than the rate of increase in costs.

Over the three financial years 2015 to 2017, net finance costs relating to the vessels' bank loans, decreased from €1.89 million in FY2015 to €1.26 million in FY2017. Reported profit before tax in FY2017 was of €9.79 million when compared to €17.5 million in FY2016 and €5.17 million in FY2015. However, if one had to exclude from the FY2016 results the €8.8 million settlement related to *HSC JDLV*, the €0.37 million management fees received from other companies within the Virtu Holdings Group, and net costs of €0.81 million incurred for the operation of the high-speed craft *HSC San Gwann*, the profit after tax for FY2017 would be 4.8% higher than the previous comparable period.

FORECASTS – FY2018

Revenue is expected to remain largely in line with 2017 at €35.0 million. Cost of sales are expected to increase marginally due to fuel prices for bunkers not covered by an existing swap contract being forecast at current prices which are higher than the 2017 average.

After accounting for depreciation charges of €3.2 million, the forecast operating profit of the Group for 2018 amounts to €10.7 million. Management fees to related parties are expected to discontinue in 2018.

Net finance costs are not expected to increase in 2018 since the interest on borrowings relating to the acquisition of the New Vessel will be capitalised until delivery of the vessel.

Overall, the Group is forecasting a pre-tax profit of €9.58 million (-2%) and a net profit of €9.44 million (-2%).

9.3 Statement of Cash Flows

for the year ended 31 December	*Combined* *Actual* **2015** *€'000*	*Combined* *Actual* **2016** *€'000*	*Consolidated* *Actual* **2017** *€'000*	*Updated* *Forecasts* **2018** *€'000*
Net cash from operating activities	5,852	11,188	12,728	12,629
Net cash used in investing activities	(102)	(4,141)	(29,209)	(43,620)
Net cash (used in)/from financing activities	(5,960)	(5,754)	26,876	30,131
Net movements in cash and cash equivalents	**(210)**	**1,293**	**10,395**	**(860)**
Cash and cash equivalents at beginning of the year	1,867	1,657	2,950*	13,345
Cash and cash equivalents at end of year	**1,657**	**2,950**	**13,345**	**12,485**

**The cash balance of €2.95m is included in the Net cash from operating activities in the audited financial statements of the Guarantor. This balance was included in the assets acquired in the business combination process through which the Company acquired shares in five subsidiaries of Virtu Holdings Ltd.*

Source:
Audited combined financial statements of the Virtu Maritime Group for the years ended 31 December 2015 and 2016
Audited consolidated financial statements of the Virtu Maritime Group for the financial year ended 31 December 2017
Updated forecasts as provided by Management

FY2017 Review

In total, net operating cash flows over the three-year period from FY2015 to FY2017 amounted to €29.8 million, after accounting for tax expenses of €0.1 million and net finance costs of €4.65 million.

In aggregate, investments in property, plant and equipment amounted to €33.5 million over the past three years, including €32.6 million relating to the advance payment to the shipbuilders for the construction of the New Vessel.

Total net cash generated from financing activities amounted to €15.2 million over the three years, as in 2017 VML received €32.4 million from its ultimate parent company (€7.95 million) and fellow subsidiaries (€24.4 million). The closing cash and cash equivalents as at 31 December 2017 amounted to €13.35 million (FY2016: €2.95 million; FY2015: €1.66 million).

FORECASTS – FY2018

In 2018, the Group is expecting to generate €12.6 million in net cash from operations in line with 2017. On the other hand, net cash used in investing activities is expected to increase to €43.6 million reflecting the payment of the final instalment on the acquisition of the New Vessel. Accordingly, this is expected to give rise to a drawdown of further borrowings, which is reflected in net cash from financing activities of €30.1 million comprising the drawdown of a €40 million new bank facility less capital loan repayments on existing facilities of €9.9 million. Overall, VML is expecting to end 2018 with a positive cash balance of €12.5 million.

9.4 Statement of Financial Position

for the year ended 31 December	*Combined Actual* 2015 €'000	*Combined Actual* 2016 €'000	*Pro Forma* 01.01.2017 €'000	*Consolidated Actual* 2017 €'000	*Updated Forecasts* 2018 €'000
ASSETS					
Intangible assets	655	655	50,006	50,006	50,006
Vessel and vessel equipment	65,663	66,536	66,536	59,909	133,032
Assets in course of construction	-	-	-	32,613	-
Land and buildings and PPE	1,020	1,136	1,136	1,151	1,032
Trade & other receivables	-	-	-	115	115
Deferred taxation	526	234	234	159	159
Total non-current assets	**67,864**	**68,561**	**117,912**	**143,953**	**184,344**
Inventories	245	349	349	249	254
Trade and other receivables	10,432	20,057	20,057	4,404	4,511
Current tax asset	53	8	8	8	-
Cash and cash equivalents	1,657	2,950	3,200	13,345	12,485
Total current assets	**12,387**	**23,364**	**23,614**	**18,006**	**17,250**
Total assets	**80,251**	**91,925**	**141,526**	**161,959**	**201,594**
LIABILITIES					
Borrowings	40,891	34,901	34,901	28,687	57,937
Trade & other payables	-	-	-	32,354	32,354
Total non-current liabilities	**40,891**	**34,901**	**34,901**	**61,041**	**90,291**
Borrowings	5,776	6,012	6,012	6,747	7,625
Trade and other payables	30,225	48,450	28,450	14,667	14,669
Current tax liability	-	-	-	39	103
Total current liabilities	**36,001**	**54,462**	**34,462**	**21,453**	**22,397**
Total liabilities	**76,892**	**89,363**	**69,363**	**82,494**	**112,688**
EQUITY					
Share capital	441	451	4,363	4,363	4,363
Retained earnings	2,918	2,111	-	9,629	19,070
Other reserve	-	-	47,800	45,473	45,473
Capital reserves	-	-	20,000	20,000	20,000
Total equity	**3,359**	**2,562**	**72,163**	**79,465**	**88,906**
Total equity and liabilities	**80,251**	**91,925**	**141,526**	**161,959**	**201,594**

Source:

Audited combined financial statements of the Virtu Maritime Group for the years ended 31 December 2015 and 2016

Pro Forma Statement of Financial Position as at 1 January 2017
Audited consolidated financial statements of the Virtu Maritime Group for the financial year ended 31 December 2017
Updated financial forecasts as provided by Management

FY2017 REVIEW

As at 31 December 2017, the Group had just under €162 million in total assets (FY2016: €91.9 million; FY2015: €80.3 million), mainly comprising of '*vessel and vessel equipment*' (€59.9 million), '*intangible assets*' (€50 million), '*assets in course of construction*' (€32.6 million) and cash balances (€13.3 million). Over the three financial years 2015 to 2017, intangible assets increased considerably following the recognition of goodwill as a result of the corporate restructuring carried out at the level of VML in 2017. Similarly, '*vessel and vessel equipment*' (including '*assets in course of construction*') also increased materially, recognising the course of construction of the New Vessel based on the payments made therefor. On the other hand, current trade and other receivables dropped to €4.4 million in 2017 from the previous years (31 December 2016: €20.1 million; 31 December 2015: €10.4 million), largely due to repayments received from related party loans and balances and the settlement of the claim (further details in section 9.2).

On the liabilities' side, total borrowings of the Group, both current and non-current decreased by just over €11 million between FY2015 and FY2017, principally due to bank loan repayments. Bank borrowings amounted to €35.4 million as at 31 December 2017 while as at 31 December 2015 these amounted to €46.7 million.

Total trade and other payables advanced by €18.2 million in FY2016 and stood at €47 million by the end of FY2017, of which €43.2 million represented amounts due to ultimate parent, fellow subsidiaries, shareholders, and related companies. Current balances amounting to €10.8m and are unsecured, interest free and repayable on demand. Non-current balances amount to €32.4m and relate to amounts due from VWPL for payments made in relation to the New Vessel including the €24.4m funds from the Bond issue.

At the end of FY2017, the Group's total equity amounted to €79.5 million. This consisted of: (i) '*other reserves*' of €45.5 million representing the difference between the fair value attributable to the shares issued for the acquisition of the Subsidiaries within the Virtu Maritime Group amounting to €49.6 million and the nominal amount of shares issued of €4.1 million; (ii) '*capital reserve*' of €20 million related to a subordinated loan granted by Virtu Holdings Limited to VML; (iii) '*retained earnings*' of €9.63 million; and (iv) '*share capital*' amounting to €4.36 million. As such, the equity of the Group increased by just over 10% in 2017 when compared to the pro-forma total equity figure of €72.2 million, largely reflecting the profits generated by VML in 2017.

FORECASTS – FY2018

In 2018, VML is expecting total asset to climb by 24.5% to reach €201.6 million, largely reflecting an increase of €40.5 million in 'vessel and vessel equipment' related to the commissioning of the New Vessel. This is also expected to push total liabilities up by 36.6% to €112.7 million reflecting the additional borrowings related to the New Vessel. Overall, total equity is anticipated to expand by almost 12% to €88.9 million, driven by the profits that are estimated to be generated in FY2018.

ANALYSIS OF BORROWINGS

for the year ended 31 December	*Combined Actual* **2015** *€'000*	*Combined Actual* **2016** *€'000*	*Pro Forma* **01.01.2017** *€'000*	*Consolidated Actual* **2017** *€'000*	*Updated Forecasts* **2018** *€'000*
Short-term borrowings	5,776	6,012	6,012	6,747	7,625
Long-term borrowings	40,891	34,901	34,901	61,041	90,291
Total borrowings	**46,667**	**40,913**	**40,913**	**67,788**	**97,916**
Less: Cash and cash equivalents	1,657	2,950	3,200	13,345	12,485
Net Debt	**45,010**	**37,963**	**37,713**	**54,443**	**85,431**
Equity	3,359	2,562	72,163	79,465	88,906
Total funding	**48,369**	**40,525**	**109,876**	**133,908**	**174,337**

Source:
Audited combined financial statements of the Virtu Maritime Group for the years ended 31 December 2015 and 2016
Pro Forma financial information as at 1 January 2017
Audited consolidated financial statements of the Virtu Maritime Group for the financial year ended 31 December 2017
Updated financial forecasts as provided by Management

VMG's funding base has been composed of short-term and long-term bank loans until FY2016, declining from €46.7 million in FY2015 to just under €41 million in FY2016. A considerable portion of long-term borrowings have been taken out to finance the acquisition of the *HSC JDLV* and *HSC Maria Dolores* vessels, while a smaller proportion of the borrowings have been utilised to finance the sea passenger terminal works, construction of ramps and the purchase of miscellaneous equipment. Following the bond issue by the Company in FY2017, this was lent to the Guarantor, increasing its total borrowing to €67.8 million by the end of the year. This is expected to increase further in FY2018 (€97.9 million) reflecting the additional borrowing required to finance the remaining works on the New Vessel.

10. Ratio Analysis

Profitability Ratios

The below is a set of ratios prepared to assist in measuring a company's ability to generate profitable sales from its assets.

	Combined Actual FY2015	*Combined Actual* FY2016	*Pro Forma* 01.01.2017	*Consolidated Actual* FY2017	*Updated Forecasts* FY2018
Gross Profit margin *(Gross Profit / Revenue)*	46.93%	51.84%	51.84%	50.60%	50.06%
Normalised EBITDA margin *(EBITDA / Revenue)*	37.40%	42.29%	42.29%	40.06%	39.89%
Normalised Operating Profit margin *(Normalised Operating Profit / Revenue)*	27.12%	32.62%	32.62%	30.80%	30.68%
Normalised Net Profit margin *(Normalised Profit for the period / Revenue)*	20.67%	27.02%	27.02%	26.71%	26.96%
Return on Equity *(Normalised Profit attributable to owners of the Company / Average Equity attributable to owners of the Company)*	48.76%	298.29%*	12.24%**	12.21%^	11.21%
Return on Capital Employed *(Normalised Profit for the period / Average Capital Employed)*	10.07%	18.89%	7.81%**	8.12%	7.01%
Return on Assets *(Normalised Profit for the period / Average Assets)*	7.56%	10.26%	6.24%**	6.10%	5.19%

**The return on equity in FY2016 was exceptionally high due to a lower average equity in FY2016 following the significant dividend declaration of retained earnings in each of FY2015 and FY2016.*

*** Calculated based on the pro forma equity, capital employed and assets as at 1 January 2017.*

^Average equity for FY2017 takes pro forma equity figure as at 1 January 2017 and equity as at 31 December 2017.

VMG's gross profit, normalised EBITDA and operating profit margins for FY2017 were somewhat weaker than those of the previous comparable period, as the percentage increase in revenues came with stronger percentage increases in costs. On the other hand, the net profit margin of 26.7% was superior to that of the previous two years, in particular to that of FY2015 (20.67%), principally due to lower net finance costs.

Similarly, the return on equity, on assets and on capital employed improved in FY2017 when compared to the profitability ratios based on pro-forma figures.

In 2018, the Group is expecting its profitability ratios to be largely in line with those reported for FY2017.

LIQUIDITY RATIOS

The below is a set of ratios prepared to assist in measuring a Company's ability to meet its short-term obligations.

	Combined Actual FY2015	*Combined Actual* FY2016	*Pro Forma* 01.01.2017	*Consolidated Actual* FY2017	*Updated Forecasts* FY2018
Current Ratio *(Current assets / Current liabilities)*	0.34x	0.43x	0.69x	0.84x	0.77x
Cash Ratio *(Cash & cash equivalents / Current liabilities)*	0.05x	0.05x	0.09x	0.62x	0.56x

Over the years, the Group's current ratio, representing the amount of current assets available to settle short-term liabilities, has been below one, largely influenced by a high balance of declared dividends to shareholders but not yet paid of which €20 million were converted into a subordinated loan in 2017. The latter helped the current ratio to improve to 0.84 times in 2017 from 0.43 times as at end of 2016. Likewise, the cash ratio climbed to 0.62 times in 2017 from 0.05 times as at the end of 2016, also boosted by a considerable increase in cash balances to €13.3 million as at 31 December 2017 from €2.95 million in FY2016.

In 2018, the current ratio is expected to deteriorate slightly to 0.77 times, mostly due to an anticipated drop in cash balances to €12.5 million (FY2017: €13.3 million) as well as a forecasted increase in short-term borrowings to €7.63 million (FY2017: €6.75 million). Similarly, the cash ratio is expected to drop to 0.56 times from 0.62 times as at the end of 2017.

Solvency Ratios

The below is a set of ratios prepared to assist in measuring a Company's ability to meet its debt obligations.

	Combined Actual FY2015	*Combined Actual* FY2016	*Pro Forma* 01.01.2017	*Consolidated Actual* FY2017	*Updated Forecasts* FY2018
Interest Coverage ratio *(Normalised EBITDA / Net finance costs)*	6.04x	9.21x	9.21x	11.00x	12.06
Gearing Ratio (1) *(Net debt / Total Equity)*	13.40x	14.82x	0.52x	0.69x	0.96x
Gearing Ratio (2) *[Total debt / (Total Debt plus Total Equity)]*	93.29%	94.11%	36.18%	46.04%	52.41%
Net Debt to EBITDA *(Net Debt / Normalised EBITDA)*	3.95x	2.75x	2.73x	3.92x	6.11x

Following the re-organisation and consolidation of the Virtu Maritime Group, the Guarantor's net gearing position improved considerably by the end of 2017 when compared to FY2016 and FY2015. In fact, the net debt to equity ratio dropped to 0.69 times from 14.82 times as at the end of 2016. Likewise, the gearing ratio slipped to just over 46%.

In 2017, the interest coverage ratio climbed to over 11 times from 9.2 times in 2016 and 6 times in 2015, although the net debt to EBITDA multiple retracted to the 2015 level at 3.92 times in view of the higher levels of borrowings necessary for the New Vessel.

For 2018, VML is expecting its gearing levels to increase, reflecting the additional borrowings related with the acquisition of the New Vessel. Likewise, the interest coverage ratio and the net debt to EBITDA multiple are anticipated to decline when compared to 2017. However, these are expected to remain at strong levels.

11. Variance Analysis of the Guarantor's Financial Performance

for the year ended 31 December	*Actual* *2017* *€'000*	*FAS 2017* 2017 Forecasts *€'000*	*Updated Forecasts* *2018* *€'000*	*FAS 2017* 2018 Forecasts *€'000*
Revenue	34,659	32,797	35,022	34,524
Cost of Sales	(17,123)	(15,934)	(17,490)	(16,531)
Gross Profit	**17,536**	**16,863**	**17,532**	**17,993**
Administrative expenses	(3,885)	(3,258)	(3,872)	(3,349)
Other income*	606	308	312	338
Normalised EBITDA	**14,257**	**13,913**	**13,972**	**14,982**
Depreciation, amortisation & Lifecycle provision	(3,209)	(3,998)	(3,229)	(4,502)
Operating profit	**11,048**	**9,915**	**10,743**	**10,480**
Net finance costs	(1,262)	(1,929)	(1,159)	(1,836)
Profit before tax	**9,786**	**7,986**	**9,584**	**8,644**
Tax (expense) / credit	(157)	(197)	(143)	13
Profit after tax	**9,629**	**7,789**	**9,441**	**8,657**

Source:
Audited Financial Statements of the Virtu Maritime Group for the year ended 31 December 2017;
Management information

In 2017, the financial performance of the Guarantor was better than previously forecasted, largely on the back of a higher number of ferry service trips between Malta and Sicily (which comprises the most significant revenue stream). In fact, revenues and EBITDA were 5.7% and 2.5% higher than forecasted.

Depreciation, amortization and the lifecycle provision represent the charge in the income statement for the utilisation of property, plant and equipment, including the respective vessels over their useful life. In line with international financial reporting standards, the financial statements of the Virtu Maritime Group provide for depreciation net of a residual value expected to be recovered at the end of the vessels' useful life. When appropriate, depreciation is accelerated on the basis of the assessment of engine operating hours compared to the expected lifetime hours of the engines before requiring a major overhaul, and also, if material, factoring in a reassessment of the residual values of the vessels.

At the end of 2017 management reassessed the residual values of the vessels based on more recent market information. Based on these revised residual values, the depreciation charges for 2017 and 2018 resulted in a lower amount than that included in the earlier projections for these years.

Net finance costs for the period ended 31 December 2017 are less than those forecasted due to interest charges on loans advanced to related parties that had not been included in the projections, and also due to interest on borrowings for the New Vessel, expensed in the forecasts, being capitalized during the period whilst the vessel is under construction. The updated forecast of net finance costs for financial year 2018 are less than those amounts originally forecast for the same reasons explained above.

Overall, the net profit of €9.63 million generated by VML in 2017 was 23.6% superior to the forecasted figure of €7.79 million.

	Actual	*FAS 2017*	*Updated Forecasts*	*FAS 2017*
	2017	**2017 Forecasts**	***2018***	**2018 Forecasts**
	€'000	*€'000*	*€'000*	*€'000*
Analysis of Revenues	28,935	27,118	29,082	28,405
Charter hire & related income	4,971	4,961	5,220	5,353
Food and beverage sales	753	718	720	766
	34,659	32,797	35,022	34,524

Source: *Management information*

The updated forecasts for FY2018 show an improvement in revenue, as the number of trips are expected to increase and this is expected to result in increased net profit for the year for the Guarantor when compared to the forecasts presented in the FAS dated 30 October 2017.

PART C COMPARISON TO OTHER ISSUERS

The table below compares (for information purposes only) certain data relating to the Company and its proposed bond issue with that of other listed debt on the local market having broadly similar maturities. The list excludes issues by financial institutions. The comparative data includes local groups whose assets, strategy and level of operations vary significantly from those of the Company and are therefore not directly comparable.

Bond Details	Outstanding Amount (€)	Total Assets (€'000)	Total Equity (€'000)	Gearing Ratio*	Net Debt to EBITDA** (times)	Interest Cover*** (times)	YTM (as at 15.06.2018)^
4.50% GHM plc 2027	15,000,000	21,050	2,876	70.69%	4.57	1.81	3.80%
4.35% SD Finance plc 2027	65,000,000	217,599	65,698	47.74%	3.21	5.46	3.74%
4.0% Eden Finance plc 2027	40,000,000	169,936	90,161	36.52%	4.97	4.46	3.45%
4.4% Central Business Centres plc 2027	6,000,000	28,567	15,926	40.16%	72.96	0.87	3.92%
3.75% Tumas Investments plc 2027	25,000,000	198,819	89,238	25.79%	2.10	10.13	3.21%
3.5% Simonds Farsons Cisk plc 2027	20,000,000	163,528	96,632	28.81%	1.81	17.86	2.87%
4.0% Stivala Group Finance plc (secured) 2027	45,000,000	179,732	145,122	6.81%	1.57	9.51	3.43%
3.75% Virtu Finance plc 2027	**25,000,000**	**161,959**	**79,465**	**40.66%**	**3.82**	**11.30**	**3.28%**
3.75% Bortex Group Finance plc 2027	12,750,000	41,988	29,113	19.48%	12.08	2.82	3.31%

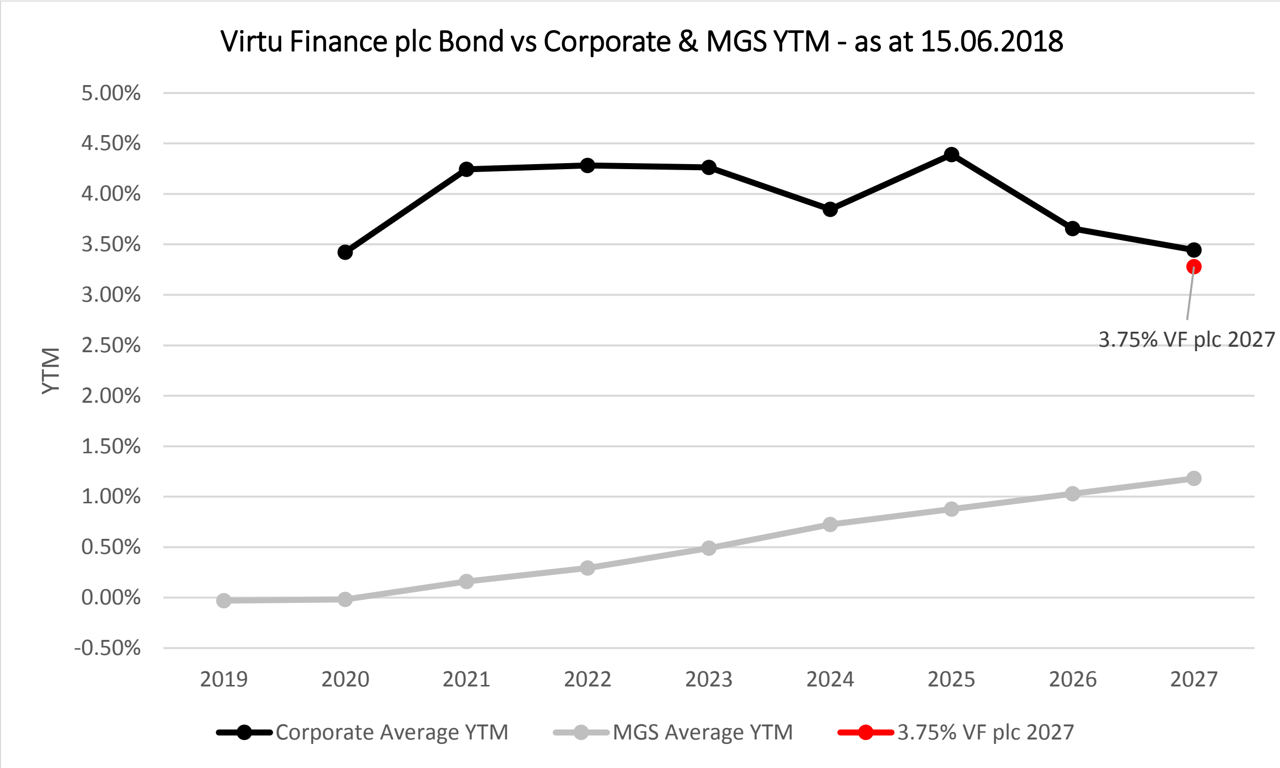
Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 15 June 2018. Ratio workings and financial information quoted have been based on the issuer's and their guarantors where applicable, from published financial data for the year ended 2017.

Gearing **Ratio: This refers to the fundamental analysis ratio of a company's level of long-term debt compared to its equity capital. In the above table this is computed as follows: Net Debt / [Net Debt + 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.*

****Interest Cover: The interest coverage ratio is calculated by dividing a company's EBITDA of one period by the company's net finance costs of the same period.*

^Yield to Maturity (YTM) from rizzofarrugia.com, based on bond prices of 15 June 2018. 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.



The chart above compares the Virtu Finance plc bond to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 15 June 2018.

At a coupon of 3.75% per annum, the Virtu Finance bond 2027 yields 3.28% per annum to maturity, which is approximately 210 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2027 and approximately 17 basis points below the average yield to maturity of corporate bonds maturing in 2027 (data correct as at 15 June 2018).

Glossary and Definitions

Statement of Comprehensive Income 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 Company 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.
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

Gross Profit Margin	Gross profit margin is gross profit achieved during the financial year expressed as a percentage of total revenue.
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 debt by 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.