Financial Analysis Summary

26 September 2018

Issuer

SD Finance p.l.c.

Guarantor

SD Holdings Limited

WEALTH MANAGEMENT • CORPORATE BROKING

WEALTH MANAGEMENT ▪ CORPORATE BROKING

The Directors
SD Finance p.l.c.
Seabank Hotel
Marfa Road, Ghadira
Mellieha MLH 9064
Malta

26 September 2018

Dear Sirs

Financial Analysis Summary

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

The purpose of the financial analysis is that of summarising key financial data appertaining to SD Finance p.l.c. (the "**Issuer**") and SD Holdings Limited (the "**Guarantor**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the period 20 January 2017 (being date of incorporation) to 31 March 2018 has been extracted from the audited financial statements of the Issuer.

(b) Historical financial data for the three years ended 31 March 2016 to 31 March 2018 has been extracted from the audited consolidated financial statements of the Guarantor for the three years in question.

(c) The forecast data for the year ending 31 March 2019 has been provided by management.

(d) Our commentary on the results of db Group and on its financial position is based on the explanations provided by management.

(e) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 5 of the Analysis.

(f) Relevant financial data in respect of the companies included in Part 4 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of db Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek independent professional financial advice before investing in the Issuer's securities.

Yours faithfully,

Evan Mohnani
Head – Corporate Finance

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PART 1 – INFORMATION ABOUT THE DB GROUP

1. KEY ACTIVITIES OF THE ISSUER

SD Finance p.l.c. (the "**Issuer**" or "**Company**") was incorporated in January 2017 as a public limited liability company under the Companies Act with an authorised and fully paid up issued share capital of €250,000. The principal activity of the Company is to carry on the business of a holding and finance company within the Group.

The Issuer is not engaged in any trading activities but is involved in raising debt and advancing same to members of the Group as and when the demands of this business or the demands of a particular project so require. Accordingly, the Issuer is economically dependent on the operations, performance and prospects of the Group.

2. DIRECTORS OF THE ISSUER

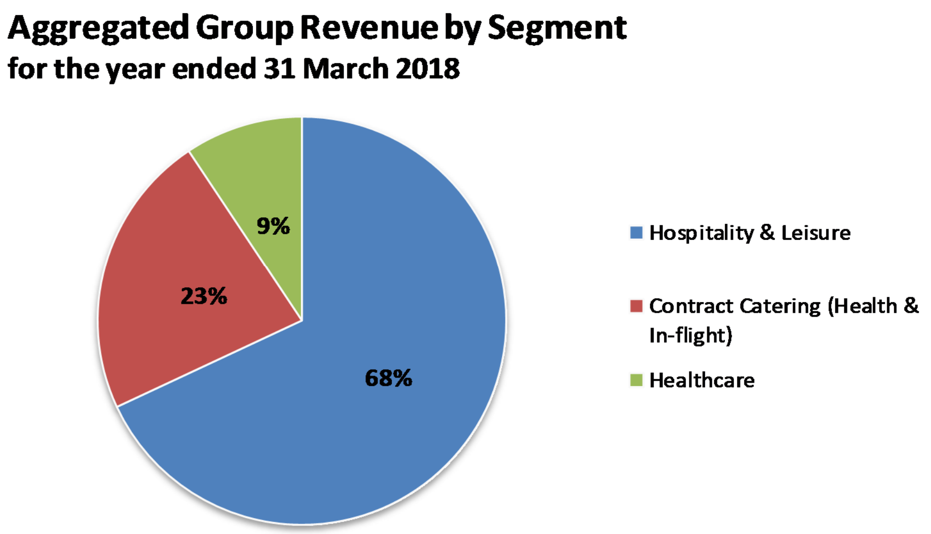
The Issuer is managed by a Board comprising six directors who are entrusted with its overall direction and management. The Board members of the Issuer as at the date of this report are included hereunder:

Board of Directors

Silvio Debono	Chairman
Arthur Gauci	Chief Executive Officer
Robert Debono	Non-Executive Director
Stephen Muscat	Independent Non-Executive Director
Vincent Micallef	Independent Non-Executive Director
Philip Micallef	Independent Non-Executive Director

3. KEY ACTIVITIES OF THE GUARANTOR

SD Holdings Limited (the "**Guarantor**") is the parent holding company of the Group and is principally engaged, through subsidiary companies, in the operation of: db Seabank Resort Spa, Mellieha Bay, Malta; db San Antonio Hotel & Spa, St Paul's Bay, Malta; the Adeera Complex (formerly known as 'Tunny Net Complex'), Mellieha, Malta; and 3 outlets under the Hard Rock Café franchise which are each located at the Valletta Waterfront, Baystreet Complex, St Julians and the Malta International Airport. The Group is also involved, through associated entities, in the provision of contract catering and healthcare services in Malta, and the operation of Porto Azzurro Complex, St Paul's Bay, Malta. Furthermore, the Group has a 99-year concession on a site in St Julians, earmarked for the construction and development of the db City Centre, which will primarily comprise a Hard Rock hotel, residential tower, office space and shopping mall.



Note: The above chart represents the aggregated revenue by division of the Group for the financial year ended 31 March 2018, adjusted accordingly to reflect the percentage shareholding held by the Group in each respective entity.

The authorised share capital of the Guarantor is €5,000,000 divided into 5,000,000 ordinary shares of €1 each. As at 31 March 2016, the Guarantor had an issued share capital of €520,000. By virtue of the capitalisation of amounts payable to the ultimate shareholder, during October 2016, the Guarantor issued and allotted an additional 3,480,000 ordinary shares of €1 each. As a result, the issued share capital is €4,000,000, which is subscribed for, allotted and taken up as fully paid up shares by Silvio Debono.

4. DIRECTORS OF THE GUARANTOR AND SENIOR MANAGEMENT

The Guarantor is managed by a Board comprising six directors who are entrusted with its overall direction and management, including the establishment of strategies for future development. The Board members of the Guarantor as at the date of this report are included hereunder:

Board of Directors

Silvio Debono	Chairman
Arthur Gauci	Chief Executive Officer
Robert Debono	Director
Victoria Debono	Director
Vincent DeGiorgio	Director
Jesmond Vella	Director

In the execution of the strategic direction, investment and management oversight of the Group, the Board is assisted by the following members of senior management:

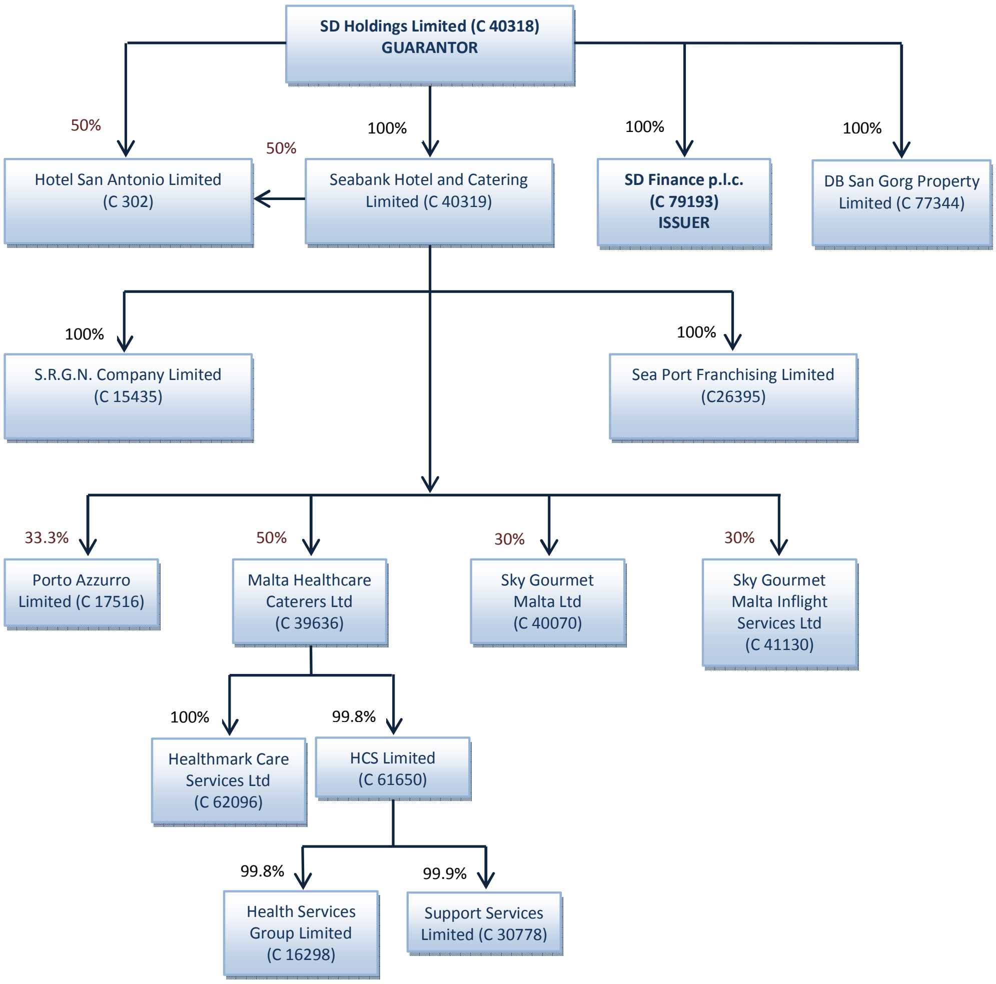
Senior Management of db Group

Silvio Debono	Executive Chairman
Arthur Gauci	Chief Executive Officer and Director of Franchise Operations
Vincent DeGiorgio	Director of Hotel Operations
Jesmond Vella	Head of Purchasing and Logistics
Massimo Azzopardi	General Manager of db Seabank Resort & Spa
Bradley Dingli	General Manager of db San Antonio Hotel & Spa
Robert Debono	Director of Healthcare Operations
Valerie Vella	Chief Financial Officer

The weekly average number of employees engaged by the Group during FY2018 amounted to 600 persons (FY2017: 577).

5. DB GROUP ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the principal subsidiaries and associates within the organisational structure of the db Group and the position within the said group of the Issuer and Guarantor. The complete list of companies forming part of the Group and further information on other investments of the Group are included in the consolidated audited financial statements of the Guarantor for the year ended 31 March 2018. The Group's businesses are described in more detail in Part 2 below.



There were no material changes to the above structure since the last published audited consolidated financial statements of the Guarantor.

PART 2 – OPERATIONAL DEVELOPMENT

6. DB SEABANK RESORT & SPA

Introduction

Seabank Hotel and Catering Limited, a subsidiary of the Guarantor, owns the 539-room four-star db Seabank Resort & Spa, which occupies a land area of over 23,000m^2 and is located in Mellieha Bay, Malta (the "**Seabank Hotel**"). Over a span of 8 months commencing in 2012, the Seabank Hotel was redeveloped at a cost of *circa* €38 million which was financed from bank funding. It was officially re-opened during the financial year ended 31 March 2013 as an all-inclusive resort with 7 themed restaurants, 4 bars, an external pool, a fitness centre and health spa. In 2015, a new entertainment complex was opened at a cost of *circa* €1 million, which includes 3 restaurants, a bowling alley, a sports bar and a children club. The carrying value of the Seabank Hotel as at 31 March 2018 is €61.3 million (FY2017: €62.7 million).

Operational Performance

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

db Seabank Resort & Spa		**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Forecast**
Turnover (€'000)		19,988	21,110	22,733	23,602
Gross operating profit/EBITDA (€'000)		10,351	10,843	12,060	12,500
Gross operating profit margin (%)		52	51	53	53
Occupancy level (%)		82	83	82	85
Revenue per occupied room (RevPOR) (€)	(a)	125	129	137	141
Gross operating profit per available room (GOPAR) (€)	(b)	19,203	20,117	22,375	23,148
Benchmark performance [1]					
Occupancy level (%)		82	82	83	
Revenue per occupied room (RevPOR) (€)	(c)	103	108	114	
Gross operating profit per available room (GOPAR) (€)	(d)	11,817	13,655	14,721	
Revenue Generating Index (RGI)	(a)/(c)	1.21	1.20	1.20	
Gross Operating Profit Generating Index (GOPGI)	(b)/(d)	1.63	1.47	1.52	

[1] Source: MHRA Survey March 2018. The data for FY2016, FY2017 and FY2018 comprise calendar years 2015, 2016 and 2017 respectively.

In the above table, gross operating profit is derived after deducting general and administrative expenses. Furthermore, the data in 'benchmark performance' has been updated as per MHRA Survey March 2018.

The Seabank Hotel has continued to perform positively during FY2016 through FY2018 due to: (i) a favourable trend in tourism in Malta; (ii) its advantage as a newly refurbished property over other competing hospitality establishments; and (iii) the success of management in promoting the all-inclusive service package.

The hotel registered an increase of €1.9 million (+10.8%) in revenue in FY2016, to €20.0 million and a further 5.6% increase in revenue to €21.1 million in FY2017 (+€1.1 million). Thereafter, the hotel reported an increase of €1.6 million (+7.7%) in revenue to €22.7 million in FY2018. Gross operating profit also increased yearly from €10.4 million in FY2016 to €10.8 million in FY2017 (+4.8%) and €12.1 million in FY2018 (+11.2%), whilst gross operating profit margin increased by two percentage points in FY2018 to 53%.

As to competitive set analysis, no hotel within the four-star sector in Malta fully operates on an all-inclusive basis (other than the San Antonio Hotel described hereunder) and therefore, no peer is deemed to be directly comparable to the Seabank Hotel. As such, the Seabank Hotel has been compared to the average four-star sector results published in the Malta Hotels and Restaurants Association (MHRA) Survey.

Seabank Hotel's occupancy level was in line with benchmark in FY2016 (82% as per the industry's average), but surpassed its peer group by 1 percentage point in FY2017 (83% as compared to the industry's 82%). Occupancy level in FY2018 declined from 83% to 82%, whilst its peer group averaged 83% for the said year. Given that the hotel is one of the largest hotels in Malta with 539 rooms, management believes that it is more challenging to outperform the industry average.

As for RevPOR (which incorporates room revenue, food & beverage and other income), the Seabank Hotel performed better than the four-star industry average in each of the historical years under review (as evidenced by the RGI above 1 in FY2016 to FY2018). Furthermore, the Seabank Hotel generated GOPAR in FY2016 to FY2018 well in excess of the four-star average (GOPGI of 1.63, 1.47, and 1.52 respectively), primarily as a result of the hotel benefiting from economies of scale, allowing for greater flexibility in operations and having a leaner structure.

With respect to FY2019, the Seabank Hotel is projected to increase occupancy by 3 percentage points to 85%, whilst RevPOR is expected to improve from €137 in FY2018 to €141. Revenue is forecasted to increase by €0.9 million (year-on-year) to €23.6 million, and gross operating profit is expected to increase from €12.1 million achieved a year earlier to €12.5 million.

7. DB SAN ANTONIO HOTEL & SPA

Introduction

Hotel San Antonio Limited, a db Group subsidiary company, owns the 513-room 10-floor four-star db San Antonio Hotel & Spa, located in St Paul's Bay, Malta (the "**San Antonio Hotel**"). The Group acquired 50% of the San Antonio Hotel in 2000 and purchased the remaining 50% shareholding in December 2013. During the first two quarters of 2014 (Jan-Jun'14), the hotel was closed for refurbishment and development works comprised the extension of the room count from 300 to over 500 rooms. In addition, a number of apartments were developed, which are offered to customers on a long-let basis. The total capital expenditure amounted to *circa* €32 million and was financed from bank funding. The San Antonio Hotel is an all-inclusive hotel with 5 themed restaurants, indoor, outdoor and rooftop pools, a fitness centre, a Hammam spa and conference facilities. The carrying value of the San Antonio Hotel as at 31 March 2018 is €67.6 million (FY2017: €70.0 million).

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the periods indicated therein:

db San Antonio Hotel & Spa		**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Forecast**
Turnover (€'000)		14,727	16,579	18,202	19,587
Gross operating profit/EBITDA (€'000)		6,730	7,252	7,726	8,150
Gross operating profit margin (%)		46	44	42	42
Occupancy level (%)		70	81	78	83
Revenue per occupied room (RevPOR) (€)	(a)	123	124	140	143
Gross operating profit per available room (GOPAR) (€)	(b)	14,319	15,938	16,980	17,912
Benchmark performance [1]					
Occupancy level (%)		82	82	83	
Revenue per occupied room (RevPOR) (€)	(c)	103	108	114	
Gross operating profit per available room (GOPAR)(€)	(d)	11,817	13,655	14,721	
Revenue Generating Index (RGI)	(a)/(c)	1.19	1.15	1.23	
Gross Operating Profit Generating Index (GOPGI)	(b)/(d)	1.21	1.17	1.15	

[1]Source: MHRA Survey March 2018. The data for FY2016, FY2017 and FY2018 comprise calendar years 2015, 2016 and 2017 respectively.

In the above table, gross operating profit is derived after deducting general and administrative expenses. Furthermore, the data in 'benchmark performance' has been updated as per MHRA Survey March 2018.

In FY2016, revenue increased by €5.3 million, from €9.4 million in FY2015 to €14.7 million, reflecting the full-year impact of the renovated all-inclusive hotel. Gross operating profit registered an increase of €3.7 million, from €3.0 million in FY2015 to €6.7 million. In FY2017, revenue increased by €1.9 million (+12.6%) from €14.7 million in FY2016 to €16.6 million. The said growth in revenue was converted to a 7.8% or €0.5 million year-on-year growth in gross operating profit to €7.3 million.

FY2018 was another positive year for the hotel, wherein revenue increased from €16.6 million in FY2017 to €18.2 million (+9.9%), mainly on account of a €16 (+12.9%) increase in revenue per occupied room to €140. As a result, gross operating profit increased in FY2018 by €0.5 million (+6.5%) when compared to the prior year and amounted to €7.7 million.

As to competitive set analysis, no hotel within the four-star sector in Malta fully operates on an all-inclusive basis (other than the Seabank Hotel described above) and therefore, no peer is deemed to be directly comparable to the San Antonio Hotel. As such, the San Antonio Hotel has been compared to the average four-star sector results published in the Malta Hotels and Restaurants Association (MHRA) Survey.

Similar to the Seabank Hotel, the San Antonio Hotel is one of the largest hotels in Malta with 513 rooms (as of FY2018) and thus is more of a challenge to match and surpass the industry's average occupancy level. During FY2016, FY2017 and FY2018, the hotel achieved occupancy levels of 70%, 81% and 78% respectively, which was lower than the sector average of 81%, 82% and 83% respectively. During FY2016, this was primarily due to the fact that the hotel was in a transition period until renovation works were fully executed, whereas in FY2017 and FY2018 the occupancy levels were relatively in line with the industry benchmark. As a newly refurbished property, the hotel managed to attain RevPORs of €123, €124 and €140 in FY2016, FY2017 and FY2018, respectively, which was well above the sector averages of €103, €108 and €114 in FY2016, FY2017 and FY2018, respectively.

With respect to GOPAR, the San Antonio Hotel exceeded the market average in FY2016, FY2017 and FY2018, as management took advantage of economies of scale afforded by the property (in view of the higher room inventory than the sector average). As such, in FY2018, the San Antonio Hotel generated GOPAR of €16,980 (FY2017: €15,938), which was 15.3% higher than the market average of €14,721 (FY2017: €13,655).

As for FY2019, management is projecting revenue to increase by 7.6% from €18.2 million in FY2018 to €19.6 million, and gross operating profit for the reviewed year is estimated at €8.2 million, an increase of 5.5% from a year earlier. Occupancy is expected to increase to 83% (FY2018: 78%), whilst RevPOR is projected to increase from €140 in FY2018 to €143. An increase of 5.5% is being forecasted for GOPAR which should improve to €17,912 in FY2019 (FY2018: €16,980).

8. HARD ROCK CAFÉ MALTA

Introduction

Sea Port Franchising Limited, a db Group subsidiary company, was awarded the Hard Rock Café franchise for Malta in 2000, pursuant to the terms of a franchise agreement entered into with Hard Rock International. This franchise agreement is due to expire on 16 June 2020, subject to renewal.

The Group presently operates 3 Hard Rock Café outlets in the following localities:

- **Bay Street Complex, St Julian's** – The premises is subject to a concession agreement and an operator agreement with Bronville Limited and Baystreet Limited respectively. The term of both agreements commenced on 25 November 2000, and is due to expire on 25 November 2020. The restaurant covers an area of 600m^2, has a seating capacity of *circa* 180 covers, and includes a bar area, merchandise shop and internationally renowned rock 'n' roll memorabilia.
- **Malta International Airport** – Sea Port Franchising Limited operates a Hard Rock Bar at the Malta International Airport pursuant to a lease agreement, entered into with Malta

International Airport p.l.c., the term of which commenced on 1 January 2016 and is due to expire on 31 December 2022, subject to renewal. The Hard Rock Bar is situated in the departures lounge of the airport. In 2015, the Hard Rock Bar was fully refurbished and restyled.

- **Valletta Waterfront** – In 2005, Sea Port Franchising Limited entered into a lease agreement with Valletta Cruise Port p.l.c. (formerly VISET Malta p.l.c.), following which it commenced operating a Hard Rock Bar with a seating capacity of *circa* 140 covers. The term of this lease agreement has been renewed on 1 March 2018 and will expire on 28 February 2030.

Operational Performance

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

Hard Rock Café Malta	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Forecast**	**CAGR FY16-18**	**CAGR FY16-19**
Turnover (€'000)	5,529	5,885	6,532	6,664	8.7%	6.4%
Food and beverage	3,571	3,930	4,252	4,236	9.1%	5.9%
Merchandise	1,958	1,955	2,280	2,428	7.9%	7.4%
EBITDA (€'000)	389	448	639	990	28.2%	36.5%
EBITDA margin (%)	7	8	10	15		

EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

CAGR - Compound annual growth rate.

Source: Management information.

During the three historical financial years under review (FY2016 – FY2018), revenue increased from €5.5 million in FY2016 to €6.5 million in FY2018, an increase of €1.0 million (+18.1%, CAGR of 8.7%). This growth is mainly attributable to an increase in revenue generated from food & beverage, as merchandise sales remained broadly constant over the afore-mentioned years.

EBITDA in FY2016 amounted to €0.39 million (FY2015: €0.29 million), which increased to €0.45 million in FY2017 and €0.64 million in the subsequent financial year. The EBITDA margin improved from 7% in FY2016 to 8% in FY2017, and increased further to 10% in FY2018.

Revenue in FY2019 is projected to increase marginally when compared to the prior year and is expected to amount to €6.7 million (FY2018: €6.5 million). EBITDA is expected to increase by €0.4 million (+54.9%) from a year earlier to €1.0 million, which should result in an EBITDA margin of 15% (FY2018: 10%).

9. ADEERA COMPLEX

Introduction

Adeera Complex (formerly known as Tunny Net Complex) is operated by S.R.G.N. Company Limited, a subsidiary company of the db Group, and is located at Mellieha Bay, Malta (in close proximity to db Seabank Resort & Spa). During FY2018, the complex was renovated at a capital expenditure of €3 million. Adeera Complex houses 3 restaurants, a beach lido and a convenience store to service tourists. The property is leased from a subsidiary company – J.D. Catering Limited (C 15193) – which holds title of temporary emphyteusis granted to it by the Government of Malta and is due to expire on 31 July 2026.

Operational Performance

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

Adeera Complex	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Forecast**	**CAGR FY16-18**	**CAGR FY16-19**
Turnover (€'000)	2,655	2,987	2,788	3,100	2.5%	5.3%
Food and beverage	1,513	1,759	1,614	1,860	3.3%	7.1%
Souvenir shop articles	1,104	1,187	1,140	1,200	1.6%	2.8%
Other income	38	41	34	40	-5.4%	1.7%
EBITDA (€'000)	233	475	357	500	23.8%	29.0%
EBITDA margin (%)	9	16	13	16		

EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

CAGR - Compound annual growth rate.

Source: Management information.

Adeera Complex increased its revenue in FY2017 (from €2.7 million in FY2016 to €3.0 million), but generated a marginally lower amount in FY2018 to €2.8 million (a decrease of €0.2 million y-o-y), mainly due to the renovation works undertaken over a 4-month period. Turnover has been relatively stable over the recent years, which was supported by the positive trends exhibited in the local tourism sector and the resultant spill over effect from the increased occupancy levels at the Seabank Hotel. EBITDA has improved from €0.23 million in FY2016 to €0.48 million in FY2017, but decreased to €0.38 million in FY2018.

During FY2019, management expects revenue to increase to €3.1 million (FY2018: €2.8 million) following the renovations, rebranding and new offerings, whilst EBITDA is projected to increase to €0.5 million from €0.4 million registered in the prior year.

10. HOSPITALITY & LEISURE SECTOR ANALYSIS

10.1 ECONOMIC UPDATE[1]

The robust growth momentum enjoyed by Malta in recent years continued in 2017. Real GDP grew by 6.6% on the back of a significant current account surplus. Growth was predominantly driven by the services sector, which helped to fuel export growth and strengthen the external position. With imports contracting at the same time, net exports accounted for most of the increase in real GDP growth. Private consumption growth remained steady and gross fixed capital formation declined, largely because of exceptional investments in the aviation and energy sectors in previous years.

Following the buoyant performance of 2017, growth is set to remain strong but to ease somewhat over the forecast horizon. Domestic demand is expected to become the main driver of growth in 2018, underpinned by the expansion in private consumption and the recovery in investment. Real GDP growth is forecast to average 5.8% for 2018 as a whole, in a context of favourable labour market conditions and high consumer confidence. The strong performance of the services sector, particularly in areas such as tourism, remote gaming and professional services, is expected to sustain the sizeable current account surplus.

In 2019, investment is expected to pick up further, supported by several projects in the health, technology and telecommunication sectors. With domestic demand projected to remain the main driver of growth, and a modest contribution from net exports, real GDP is set to increase by 5.1%.

10.2 TOURISM MARKET[2]

Tourism in Malta has in recent years been performing at a strong level and this trend continued in 2017 and in the initial half of 2018. Inbound tourism from January to December 2017 amounted to 2.3 million, an increase of 15.7% when compared to the prior year. Total nights spent by inbound tourists went up by 10.3%, surpassing 16.5 million nights. In 2017, total guests in collective accommodation establishments surpassed 1.8 million, an increase of 13.0% over the same period in 2016. Within the collective accommodation establishments, the 5 star, 4 star and 3 star hotels gained 26,348 guests (+6.7%), 81,383 guests (+11.5%) and 82,401 (+20.7%) respectively in 2017 when compared to a year earlier. Total tourism expenditure surpassed €1.9 billion, 13.9% higher than that recorded for 2016. Total expenditure per capita stood at €856, a decrease of 1.5% when compared to 2016.

Inbound tourist trips from January to June 2018 reached 1,162,344, an increase of 17.4% over the same period in 2017. Total nights spent by inbound tourists went up by 17.8%, reaching nearly 7.7 million nights. Total guests residing in collective accommodation establishments, in the first six months of 2018, amounted to 954,759, an increase of 12.5% over the prior comparable period. Guests in 3 star hotels between January to June 2018 increased by 16.5%, when compared to the same period in 2017, to 260,094. Other establishments (comprising guesthouses, hotels and tourist villages) registered an increase of 44.2% to 52,083 guests in the first six months of 2018 (January to June 2017: 36,121).

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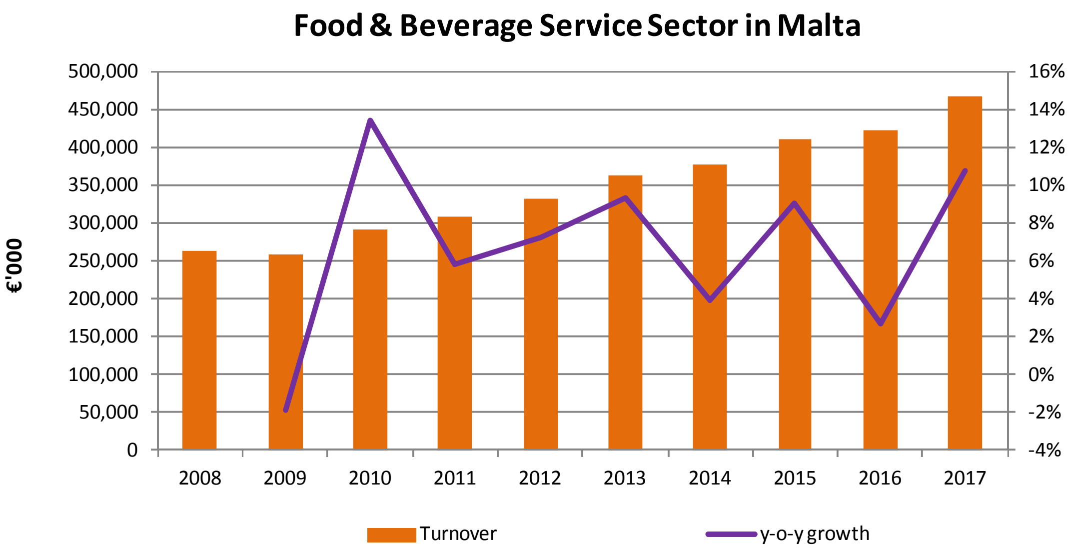
[1] European Economic Forecast – Spring 2018 (European Commission Institutional Paper 077 May'18);
[2] www.nso.gov.mt

The overall outlook for the Group in 2018 is positive with more hotel rooms available for sale and a buoyant tourism market. Malta International Airport has increased its destination network to 100 routes with 16 routes extended into winter. The airport is projecting 6.77 million passengers to pass through the terminal by the end of 2018, which translates to an increase of 13% over 2017. Focus will be maintained on increasing arrivals during the winter months and attracting more visitors from new markets to Malta. This bodes well for the Maltese hospitality industry as the expectation is to continue to grow revenues and increase profitability.

While the future of the tourism industry is positive, one should sound a cautionary note related to the volume of new hotel beds coming onto the market through new properties and extensions of existing ones, as well as the growth of the shared hospitality trend of the likes of Airbnb which continue to compete for the same tourist market as the Group's properties.

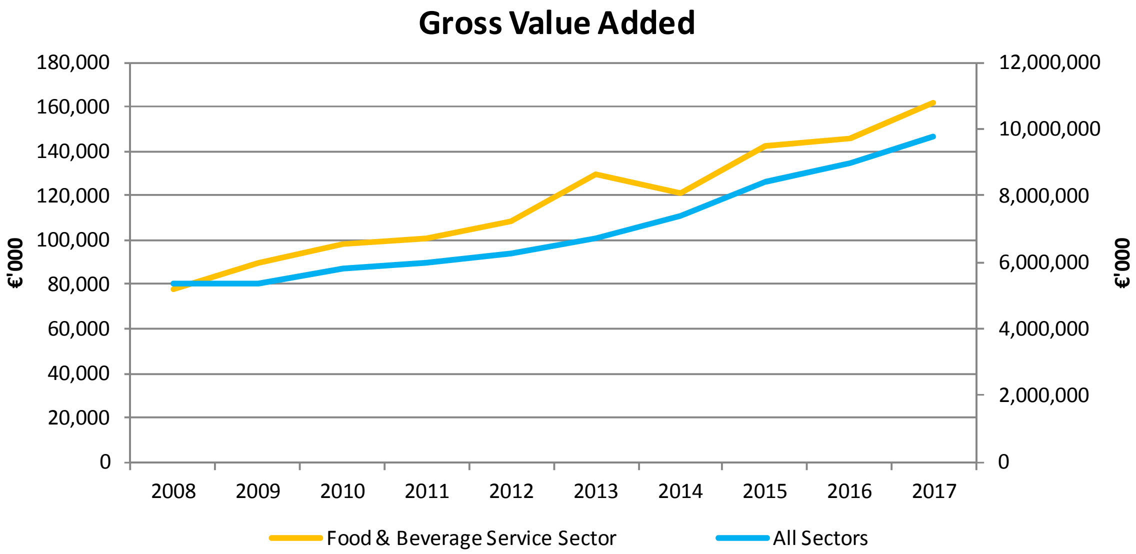
10.3 FOOD & BEVERAGE SERVICE SECTOR

The food & beverage service sector comprises restaurants & mobile food service activities and beverage serving activities. In 2017, the total income from this sector in Malta amounted to €467 million, an increase of 10.7% over the previous year. The chart below illustrates the output from the food & beverage service sector in Malta for the past 10 years (2008 to 2017). As highlighted, market output has progressively increased over the reviewed period, except for 2009 when gross income decreased marginally by €4.8 million (-1.8%) when compared to the prior year. Since 2008, the food & beverage service sector grew at an annual compound rate of 6.6%.



Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

The chart hereunder shows that the gross value added generated by the food & beverage service sector in Malta has grown on a year-to-year basis from €78.1 million in 2008 to €161.7 million in 2017. The chart also highlights the sector's correlation to Malta's economic performance, since over the reported period the food & beverage service sector has maintained the same percentage of gross value added generated by the whole economy of *circa* 1.7%.



Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

11. INVESTMENTS IN ASSOCIATED COMPANIES

11.1 HEALTHCARE AND CATERING SERVICES

Introduction

Malta Healthcare Caterers Limited (the "**MHC Group**") is a joint venture between db Group and James Caterers Limited (C 30139), and is principally engaged in the provision of healthcare and catering services to hospitals and retirement homes, together with other related services, in Malta and Gozo. In 2013, MHC Group acquired a site in Santa Lucija measuring *circa* 4,455m^2 with the intention of eventually developing it into a 300-bed home for the elderly. Furthermore, in 2017, MHC Group was awarded the concession for the construction and operation of an additional 500 beds at St Vincent de Paul Residence, the installation of an onsite fully equipped kitchen and the provision of catering services to residents. The capital investment by MHC Group is estimated at €30 million.

Healthcare Division

The healthcare division of MHC Group comprises the following subsidiary companies:

- Healthmark Care Services Ltd – the company is engaged in the provision of health and social care services and training to the general public, hospitals and elderly retirement and nursing homes;
- Health Services Group Limited – the company is engaged in the provision of nursing services;
- Support Services Limited – the company is engaged in the provision of nursing, medical and clinical services.

The operations of the healthcare division commenced in 2014 with the acquisition by MHC Group of two existing healthcare sector companies. Subsequently, in November 2015, MHC Group substantially increased its headcount to offer services previously provided by Malta Memorial District Nursing Association (which ceased providing community care services in October 2015). At the start of 2016, the MHC Group included domiciliary care for the elderly to its offerings.

At present, the healthcare division has a staff complement of *circa* 2,118 employees, including 155 professional nurses, 163 staff members providing domiciliary care for the elderly and 1,800 trained care assistants. The key agreements include: (i) the provision of nursing and care services under the Active Ageing and Community Care Directorate; (ii) the provision of care worker services at Mater Dei Hospital and other entities within the Health Department; (iii) the provision of care worker services at St Vincent de Paul Residence and Homes for the Elderly Community Care; and (iv) the provision of home help services.

Catering Division

MHC Group initiated operations in contract catering in 2007, after being awarded the contract to supply meals to in-patients at Mater Dei Hospital, St Luke's Hospital and Sir Paul Boffa Hospital. In 2015, MHC Group ceased to supply meals to Sir Paul Boffa Hospital, but instead commenced servicing Sir Anthony Mamo Oncology Centre. This agreement shall expire on 16 November 2022.

MHC Group also provides catering and ancillary services to in-patients and staff of Gozo General Hospital (since 2013) and St Vincent de Paul Residence (since 2014). In aggregate, MHC Group serves in the region of 5,700 meals per day.

Operational Performance

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

Malta Healthcare Caterers Limited	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Projection	CAGR FY15-17	CAGR FY15-18
Turnover (€'000)	25,128	34,242	42,354	44,471	29.8%	21.0%
Catering services	7,436	7,624	8,655	10,228	7.9%	11.2%
Healthcare services	17,692	26,618	33,699	34,243	38.0%	24.6%
Profit for the year (€'000)	848	1,765	1,797	1,920	45.6%	31.3%
Net profit margin (%)	3	5	4	4		
Seabank Group's share of profit at 50%	**424**	**883**	**899**	**960**		

CAGR - Compound annual growth rate.

Source: Management information.

Note 1: The year end of Malta Healthcare Caterers Limited is 31 December, whilst the Seabank Group's year end is 31 March. As such, the last available audited consolidated financial statements of the Seabank Group for the year ended 31 March 2018 includes the share of profits of Malta Healthcare Caterers Limited for the financial year ended 31 December 2017.

The table above summarises the historical financial performance of MHC Group for the years ended 31 December 2015 to 31 December 2017. In FY2015, revenue generated by MHC Group amounted to €25.1 million, of which 70% related to healthcare services. In the subsequent year, income from healthcare services increased by 50% to €26.6 million (FY2015: €17.7 million) and contributed to an increase of €9.1 million to overall revenue to €34.2 million (FY2015: €25.1 million).

In FY2017, revenue increased from €34.2 million in FY2016 to €42.4 million (+24%), which comprised a y-o-y increase of 14% to €8.7 million in catering services revenue and growth of 27% to €33.7 million in healthcare services revenue. Notwithstanding the material growth in revenue, profit in FY2016 and FY2017 remained stable at €1.8 million, mainly on account of substantial competition in the market.

With respect to the forecast financial year, management has assumed an increase in revenue of €2.1 million to €44.5 million, and profit for FY2018 is expected to amount to €1.9 million (FY2017: €1.8 million).

11.2 AIRLINE CATERING SERVICES

Introduction

The Group has a 30% shareholding in Sky Gourmet Malta Ltd, a company principally involved in the provision of catering and commissary services to airlines. On an annual basis, the company serves over 2 million airline meals and snacks. The other shareholders are James Caterers Limited (C 30139) with a 30% ownership, and Do & Co, an Austrian catering company which is active in segments such as airline catering, train catering and international events catering.

During the financial years ended 31 March 2016 to 2018, the company serviced Air Malta, Ryanair and Emirates, and other top-end carriers, on a regular or ad hoc basis. The relevant contract agreements for Air Malta and Ryanair expire on 31 March 2021 and 18 May 2019 respectively. As to Emirates, the contract is automatically renewed for successive periods of one year, subject to applicable conditions.

Operational Performance

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

Sky Gourmet Malta Limited	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Projection**
Turnover (€'000)	5,685	5,620	7,221	7,000
Profit (loss) for the year (€'000)	-227	262	599	500
Net profit (loss) margin (%)	-4	5	8	7
Seabank Group's share of results at 30%	**-68**	**79**	**180**	**150**

CAGR - Compound annual growth rate.

Source: Management information.

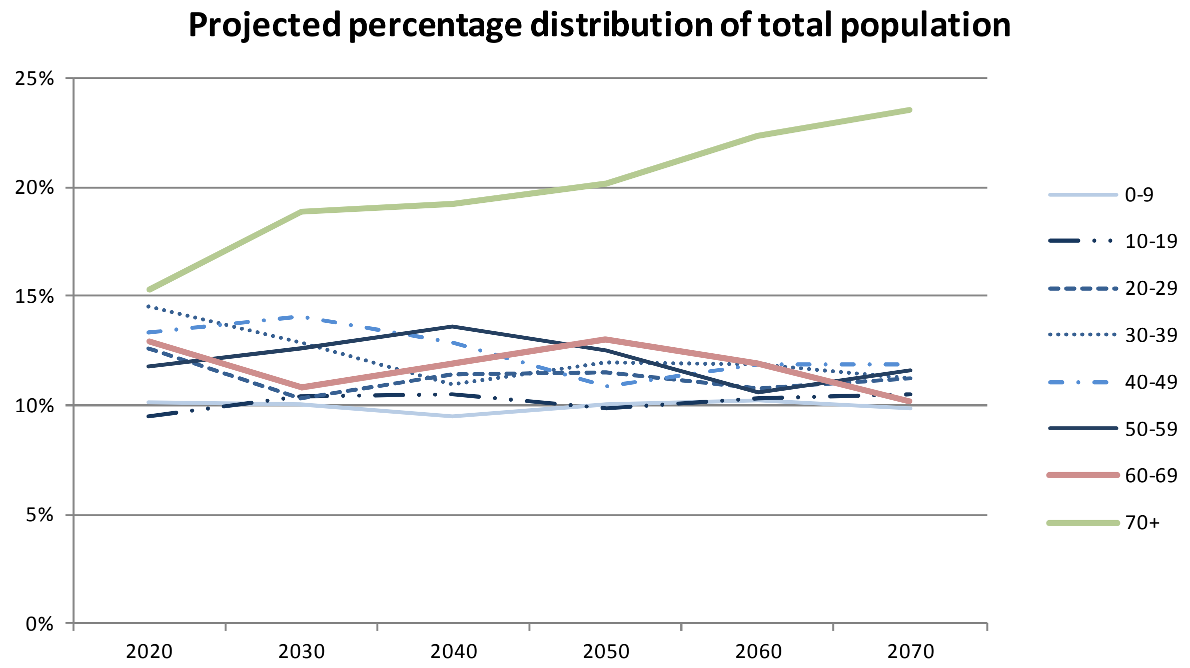
During FY2016, the company's level of business was adversely impacted by contractual changes negotiated with Air Malta. This resulted in a decline of €3.0 million in revenue, from €8.7 million in FY2015 to €5.69 million in FY2016, and the company declared a loss for the year of €0.2 million (FY2015: profit of €0.5 million). The revenue generated in FY2017 amounted to €5.6 million, similar to that achieved in the previous year, but contrary to FY2016, the company managed to report a profit for the year of €0.26 million. In FY2018, revenue increased by €1.60 million (+28.5%) to €7.2 million (FY2017: €5.6 million), whilst also improving the net profit margin by 3 percentage points to 8% (FY2017: 5%). This resulted in a profit for the year of €0.6 million, a €0.3 million increase (+128.6%) compared to the prior year (FY2017: €0.3 million).

Management is projecting revenue to decrease from €7.2 million in FY2018 to €7.0 million in FY2019 (-3.1%) and profit is expected to decrease from €0.6 million in FY2018 to €0.5 million in FY2019.

11.3 LONG-TERM CARE TREND ANALYSIS

Demand for long-term care in Malta is expected to progressively rise in the coming years as the population ages. According to projections published by the NSO, the percentage of the Maltese population over 60 years of age is expected to increase to 28% by 2020 and to 30% by 2030 (vide population distribution chart below). In absolute figures, Malta has *circa* 110,000 seniors above the age of 60 and this is expected to grow to over 135,000 by 2030. As a result of this substantial increase in elderly persons, it is envisaged that this will have a material effect on the growth in demand for care and support services provided to this category of the population.

In line with the above-mentioned statistics, MHC Group foresees a steady increase in demand for nursing, home carers and other healthcare staff in the coming years, as well as a growing need for retirement and long-term care homes. As such, MHC Group plans to continue to focus on this sector and progressively increase its offerings, particularly, by growing the staff complement to meet the demand for long-term care in Malta. Furthermore, as described hereinabove, MHC Group intends to expand its activities in the healthcare sector through the development and operation of a residence for the elderly located in Santa Lucija.



Source: Demographic Review 2014, National Statistics Office, Malta

11.4 CONTRACT CATERING TREND ANALYSIS

The demand for contract catering in Malta has developed substantially over the last ten years, particularly from the healthcare, aviation and canteen catering sectors. In the healthcare sector, demand for such service is mainly generated from state and privately-owned hospitals as well as from retirement homes. The Directors expect this market to grow further in the coming years as more hospitals and care homes are developed to meet the needs of Malta's ageing population. As such, MHC Group intends to remain focused on optimising the contract catering business with a customer centric approach, while continuing to explore appropriate opportunities to profitably grow market share.

As for demand from the aviation industry, inflight catering service is decreasing as a result of airlines reducing their costs on ancillary services such as inflight meals. In this regard, the Group, through its 30% shareholding in Sky Gourmet Malta Ltd, will continue to focus on achieving operating efficiencies so as to safeguard profitability and future viability of this business.

11.5 OTHER INVESTMENTS IN ASSOCIATED COMPANIES

The Group owns 33.3% of Porto Azzurro Limited, a company that owns, manages and operates a three star 125-room aparthotel located in Xemxija, Malta. The rooms and apartments are equipped with en-suite bathrooms, a fully equipped kitchenette and other amenities. The hotel has a 24-hour reception, a launderette, mini market, dedicated restaurant and a pizzeria, as well as a number of leisure facilities. During the year ended 31 March 2018, the company generated revenue amounting to €1.4 million (FY2017: €1.2 million) and profits of €0.3 million (FY2017: €0.7 million).

The Group owns 30% of Sky Gourmet Malta Inflight Services Ltd, a company principally involved in the provision of personnel and administration services to Sky Gourmet Malta Limited. During the year ended 31 March 2018, the company generated €1.6 million (FY2017: €1.6 million) in revenue and registered a profit for the year of €0.02 million (FY2017: €0.02 million).

12. PRINCIPAL FUTURE INVESTMENTS

12.1 DB CITY CENTRE

On 1 February 2017, DB San Gorg Property Limited (a subsidiary company of the Guarantor) entered into a deed of temporary emphyteusis with the Commissioner of Land (on behalf of the Government of Malta) for a site having a total surface area of *circa* 24,000m^2 and located in St George's Bay, St Julians, Malta. The said property is earmarked for the development of the proposed db City Centre, described in further detail below.

The 99-year temporary emphyteutical concession is subject to a cash consideration of €15.0 million, payable over a period of seven years, whereby the first payment of €5.0 million was paid on signing of the said deed. The balance of €10.0 million is payable in seven equal annual instalments as from January 2018. Pursuant to Planning Authority approval on 20 September 2018 (PA Number 03807/17), a further consideration shall be determined on the full extent of the developable area, which amount shall be due to Government or *vice-versa*, as the case may be, payable over a period of seven years in seven equal annual instalments and calculated in accordance with the terms of a schedule annexed to the Emphyteutical Deed. Stamp duty of *circa* €3.0 million was settled upon signing of deed. The payment of *circa* €8.0 million (comprising the said first payment and stamp duty) was financed primarily through a bank facility.

In terms of the deed, a total annual ground rent of €1,562,509 shall be payable to Government, of which a total of €1,169,579 is to be allocated for redemption purposes based on a net floor space area of 51,030m^2 (comprising residential, office space and garage space). The afore-mentioned annual ground rent shall be temporarily reduced to €1,000 per annum until the earlier of: (a) the issuance of a certificate of completion by an architect; or (b) the lapse of five years from date of deed.

On completion, the db City Centre will comprise a five-star 438-room (including 110 suites) Hard Rock Hotel, a casino, an exclusive top-floor bar, catering and dining establishments, a congress hall and conference centre, a three-storey shopping mall, a car park, office suites and 162 residential units. The cost of construction and development of the above-mentioned project is expected to be funded through a combination of own funds, bank facilities as well as cash flows generated by the initial instalment of residential units set to be constructed as part of the project.

As at the date of the report, the Group is at an advanced planning phase, concluding necessary negotiations and agreements to get the project off the ground. Successful agreements with Hard Rock International were concluded and the project designs with the architectural team were commissioned. The target completion for the db City Centre is envisaged for the year 2021 with an investment of *circa* €300 million.

12.2 STARBUCKS

The Group has entered into a licensed partnership agreement with Starbucks Coffee Company to open Starbucks stores in Malta. As such, db Group plans to gradually open Starbucks stores in 2019 in selected locations around Malta and Gozo.

PART 3 – PERFORMANCE REVIEW

13. FINANCIAL INFORMATION RELATING TO SD FINANCE PLC

The Issuer was registered and incorporated on 20 January 2017 as a special purpose vehicle to act as the financing arm of db Group. The financial information relating to the period 20 January 2017 to 31 March 2018 has been extracted from the audited financial statements of SD Finance p.l.c. for the period ended 31 March 2018. The forecast financial information for the year ending 31 March 2019 has been provided by management.

The projected financial statements relate to events in the future and are based on assumptions which the Issuer believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

SD Finance p.l.c. Income Statement for the period from	**20.01.17 to 31.03.18 €'000 Actual**	**01.04.18 to 31.03.19 €'000 Forecast**
Finance income	2,769	2,894
Finance costs	(2,719)	(2,828)
Administrative expenses	(38)	(42)
(Loss)/profit before tax	**12**	**24**
Taxation	(4)	(8)
(Loss)/profit for the period	**8**	**16**

SD Finance p.l.c. Cash Flow Statement for the period from	**20.01.17 to 31.03.18 €'000 Actual**	**01.04.18 to 31.03.19 €'000 Forecast**
Net cash from operating activities	2,735	66
Net cash from investing activities	(62,233)	-
Net cash from financing activities	64,326	(42)
Net movement in cash and cash equivalents	**4,828**	**24**
Cash and cash equivalents at beginning of period	-	4,828
Cash and cash equivalents at end of period	**4,828**	**4,852**

SD Finance p.l.c. Balance Sheet as at 31 March	2018 €'000 Actual	2019 €'000 Forecast
ASSETS		
Non-current		
Loans owed by parent company	62,233	62,233
	62,233	62,233
Current		
Trade and other receivables	1	1
Cash and cash equivalents	4,828	4,852
	4,829	4,853
Total assets	**67,062**	**67,086**
EQUITY		
Capital and reserves		
Called up share capital	250	250
Retained earnings	8	24
	258	**274**
LIABILITIES		
Non-current		
Bonds in issue	64,152	64,224
	64,152	64,224
Current		
Trade and other payables	2,652	2,588
	2,652	2,588
	66,804	**66,812**
Total equity and liabilities	**67,062**	**67,086**

The Issuer is a fully owned subsidiary of SD Holdings Limited, the parent company of db Group, and is principally engaged to act as a finance company. During FY2018, the Issuer on-lent the net proceeds of the €65 million Bond Issue to Group companies. As a result, finance income in the income statement principally represents interest receivable from loans advanced to Group companies and finance costs comprise interest payable to bondholders.

In FP2018, the Issuer generated finance income of €2.8 million and a profit after tax of €8,000. In FY2019, the Issuer expects to generate finance income of €2.9 million and a profit after tax of €16,000.

14. FINANCIAL INFORMATION RELATING TO SD HOLDINGS LIMITED

The financial information provided hereunder is extracted from the audited consolidated financial statements of SD Holdings Limited for each of the years ended 31 March 2016 to 31 March 2018. The forecast financial information for the year ending 31 March 2019 has been provided by management.

The projected financial statements relate to events in the future and are based on assumptions which the Guarantor believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

SD Holdings Limited Consolidated Income Statement for the year ended 31 March	**2016 Actual €'000**	**2017 Actual €'000**	**2018 Actual €'000**	**2019 Forecast €'000**
Revenue	42,963	46,624	50,259	53,003
db Seabank Resort & Spa	*19,988*	*21,110*	*22,733*	*23,602*
db San Antonio Hotel & Spa	*14,727*	*16,579*	*18,202*	*19,587*
Hard Rock Café Malta	*5,529*	*5,885*	*6,532*	*6,664*
Adeera Complex	*2,655*	*2,987*	*2,788*	*3,100*
Other	*64*	*63*	*4*	*50*
Cost of sales	(22,939)	(25,680)	(26,870)	(28,337)
Gross profit	**20,024**	**20,944**	**23,389**	**24,666**
Other net operating costs	(2,220)	(2,235)	(2,693)	(2,747)
EBITDA[1]	**17,804**	**18,709**	**20,696**	**21,919**
db Seabank Resort & Spa	*10,351*	*10,843*	*12,060*	*12,500*
db San Antonio Hotel & Spa	*6,730*	*7,252*	*7,726*	*8,150*
Hard Rock Café Malta	*389*	*448*	*639*	*990*
Adeera Complex	*233*	*475*	*357*	*500*
Other	*101*	*(309)*	*(86)*	*(221)*
Depreciation	(6,093)	(6,440)	(6,739)	(7,052)
Operating profit	**11,711**	**12,269**	**13,957**	**14,867**
Net finance costs	(3,694)	(3,428)	(3,488)	(3,488)
Share of results of associates	424	1,146	912	960
Profit before tax	**8,441**	**9,987**	**11,381**	**12,339**
Taxation	(2,814)	(3,232)	(3,790)	(4,114)
Profit for the year	**5,627**	**6,755**	**7,591**	**8,225**
Other comprehensive income				
Revaluation surplus, net of deferred tax	22,586	-	-	-
Cash flow hedges, net of deferred tax	110	143	35	-
Total comprehesive income for the year, net of tax	**28,323**	**6,898**	**7,626**	**8,225**

[1] *EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*

SD Holdings Limited
Consolidated Balance Sheet

as at 31 March	2016	2017	2018	2019
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
ASSETS				
Non-current assets				
Property, plant and equipment	136,667	133,716	132,848	131,986
Investment property	-	60,140	65,501	82,763
Intangible assets	970	728	486	244
Prepaid operating lease	-	-	-	-
Investments in associates	4,356	5,252	6,164	7,124
Deferred tax assets	3,901	5,101	4,024	3,174
Trade and other receivables	327	97	-	-
	146,221	205,034	209,023	225,291
Current assets				
Inventories	917	1,165	1,207	1,273
Trade and other receivables	8,787	8,503	10,051	10,600
Current tax assets	-	-	-	-
Cash and cash equivalents	508	2,896	9,602	11,755
	10,212	12,564	20,860	23,628
Total assets	**156,433**	**217,598**	**229,883**	**248,919**
EQUITY				
Capital and reserves				
Share capital	520	4,000	4,000	4,000
Reserves	24,409	25,928	35,516	35,516
Retained earnings	20,721	26,217	24,255	32,480
Non-controlling interest	11,047	9,553	-	-
	56,697	**65,698**	**63,771**	**71,996**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	54,745	43,911	72,456	72,385
Other non-current liabilities	6,523	60,603	65,246	75,940
	61,268	104,514	137,702	148,325
Current liabilities				
Borrowings	10,208	19,002	1,293	-
Other current liabilities	28,260	28,384	27,117	28,598
	38,468	47,386	28,410	28,598
	99,736	**151,900**	**166,112**	**176,922**
Total equity and liabilities	**156,433**	**217,598**	**229,883**	**248,919**

SD Holdings Limited Consolidated Cash Flow Statement for the year ended 31 March	2016 Actual €'000	2017 Actual €'000	2018 Actual €'000	2019 Forecast €'000
Net cash from operating activities	15,989	21,892	15,628	24,116
Net cash from investing activities	(10,272)	(20,943)	(10,429)	(17,261)
Net cash from financing activities	(6,082)	3,052	797	(3,553)
Net movement in cash and cash equivalents	**(365)**	**4,001**	**5,996**	**3,302**
Cash and cash equivalents at beginning of year	(1,179)	(1,544)	2,457	8,453
Cash and cash equivalents at end of year	**(1,544)**	**2,457**	**8,453**	**11,755**

Key Accounting Ratios	**FY2016**	**FY2017**	**FY2018**	**FY2019**
Gross profit margin *(Gross profit/revenue)*	47%	45%	47%	47%
Operating profit margin *(EBITDA/revenue)*	41%	40%	41%	41%
Interest cover (times) *(EBITDA/net finance cost)*	4.82	5.46	5.93	6.28
Net profit margin *(Profit after tax/revenue)*	13%	14%	15%	16%
Earnings per share (€)[1] *(Profit after tax/number of shares)*	10.74	1.68	1.90	2.06
Return on equity *(Profit after tax/shareholders' equity)*	10%	10%	12%	11%
Return on capital employed *(EBITDA/total assets less current liabilities)*	15%	11%	10%	10%
Return on assets *(Profit after tax/total assets)*	4%	3%	3%	3%

[1] *In FY2016, the Guarantor had in issue 520,000 shares. As of FY2017, the issued share capital increased to 4,000,000 shares.*

In **FY2016**, revenue of db Group increased by €8.0 million (+22.9%) from €34.9 million in FY2015 to €42.9 million. Revenue generated by the Seabank Hotel increased by €1.9 million (+10.8%) to €20.0 million, whilst the San Antonio Hotel recorded a y-o-y increase of €5.3 million (+56.8%) from €9.4 million in FY2015 to €14.7 million. The growth registered at the San Antonio Hotel was due to an increase in occupancy levels and a significant increase in revenue per occupied room (RevPOR), and is reflective of a full-year's impact of the renovated property, the expansion to 513 rooms and the shift to an all-inclusive business model. Revenue generated by Hard Rock Café Malta and the Adeera Complex increased in aggregate by €0.7 million (+9.3%) from €7.5 million in FY2015 to €8.2 million in FY2016.

EBITDA for the financial year under review increased by €5.9 million from €11.9 million in FY2015 to €17.8 million, substantially generated from the Seabank Hotel and the San Antonio Hotel which registered y-o-y increases of €1.9 million and €3.7 million respectively. As for Hard Rock Café Malta and the Adeera Complex, the respective EBITDA for FY2016 broadly matched the EBITDA registered in FY2015.

After accounting for depreciation of €6.1 million (FY2015: €5.5 million), net finance costs of €3.7 million (FY2015: €4.0 million) and share of results of associates of €0.4 million (FY2015: 0.6 million), the Group registered a profit before tax of €8.4 million, a y-o-y increase of €5.4 million when compared to FY2015 (profit before tax: €3.0 million). In FY2016, the property valuations (net of deferred tax) of the Seabank Hotel and the San Antonio Hotel were revised upwards by an aggregate amount of €22.6 million, and as a consequence, the comprehensive income for FY2016 amounted to €28.3 million (FY2015: €6.7 million).

Revenue for **FY2017** increased by €3.7 million (+8.5%) as compared to the prior year from €43.0 million to €46.6 million, primarily due to an increase in revenue generated from the San Antonio Hotel and the Seabank Hotel of €1.9 million and €1.1 million respectively over FY2016. The other group operations increased year-on-year aggregate revenue by €0.7 million.

Operating profit in FY2017 amounted to €12.3 million, an increase of €0.6 million (+4.8%) when compared to €11.7 million registered in FY2016. Net finance costs was marginally lower by €0.3 million from €3.7 million in FY2016 to €3.4 million as a result of further repayments of bank borrowings made during the year and a reduction in the Group's effective interest rate. Share of results of associates was significantly higher (+170.3%) from €0.4 million in FY2016 to €1.1 million in FY2017, principally due to the doubling of profits at Malta Healthcare Caterers Limited. After accounting for taxation, db Group reported an increase in profits of €1.1 million (+20.0%) in FY2017, from €5.6 million in FY2016 to €6.8 million.

During **FY2018**, revenue generated by the Group amounted to €50.3 million, an increase of €3.6 million (+7.8%) when compared to FY2017. This growth was primarily due to an increase of €1.6 million from each of the Seabank Hotel (+7.7%) and the San Antonio Hotel (+9.8%). The other Group operations increased year-on-year aggregate revenue by €0.4 million.

Operating profit in FY2018 increased by €1.7 million (+13.8%), from €12.3 million in FY2017 to €14.0 million. Net finance costs remained stable in FY2018 when compared to the prior year at *circa* €3.5 million, whereas share of profits from associates was lower by €0.2 million (y-o-y) to €0.9 million. After accounting for taxation, db Group reported an increase in profits of €0.8 million (+12.4%) in FY2018, from €6.8 million in FY2017 to €7.6 million.

As for **FY2019**, revenue is forecasted to increase from €50.3 million in FY2018 to €53.0 million, whilst cost of sales is expected to increase by €1.5 million year-on-year to €28.3 million. The resultant effect on operating profit is an increase of €0.9 million, from €14.0 million in FY2018 to €14.9 million. Overall, profit for the year is projected at €8.2 million, a growth of €0.6 million (+8.4%) from a year earlier.

The estimates for the forward year as presented in this document assume that the carrying values of hotel properties will remain constant in FY2019, and therefore no adjustment has been made as to possible impairment or uplift of assets that may be booked and which may materially affect the consolidated income statement and balance sheet values.

Total non-current assets of the Group as at 31 March 2018 amounted to €209.0 million (FY2017: €205.0 million), and principally comprised the Seabank Hotel (€61.3 million), the San Antonio Hotel (€67.6 million) and the site in St George's Bay, St Julians which is earmarked for the proposed db City Centre and valued at €65.5 million. Other principal assets included investments in associates, deferred tax assets, trade & other receivables and cash & cash equivalents.

Other than equity, the Group was mainly financed in FY2018 through bank borrowings and debt securities. Further analysis of borrowings is provided hereunder:

SD Holdings Limited Consolidated Borrowings as at 31 March	**2016 Actual €'000**	**2017 Actual €'000**	**2018 Actual €'000**	**2019 Forecast €'000**
Borrowings				
Bank overdrafts	2,052	439	1,149	-
Bank loans	59,122	62,174	8,448	8,304
	61,174	**62,613**	**9,597**	**8,304**
Bonds				
4.35% Unsecured Bonds 2027		-	64,152	64,081
	-	**-**	**64,152**	**64,081**
Other loans				
Amounts owed to ultimate shareholder	3,779	300	-	
	3,779	**300**	**-**	**-**
Total borrowings and bonds	**64,953**	**62,913**	**73,749**	**72,385**

Key Accounting Ratios	**FY2016**	**FY2017**	**FY2018**	**FY2019**
Net assets per share (€) *(Net asset value/number of shares)*	109.03	16.42	15.94	18.00
Liquidity ratio (times) *(Current assets/current liabilities)*	0.27	0.27	0.73	0.83
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	53%	48%	50%	46%

Source: Charts Investment Management Service Limited

Variance Analysis

SD Holdings Limited Consolidated Income Statement for the year ended 31 March	2018 Actual €'000	2018 Forecast €'000	Variance €'000
Revenue	50,259	46,828	3,431
db Seabank Resort & Spa	*22,733*	*21,348*	*1,385*
db San Antonio Hotel & Spa	*18,202*	*16,819*	*1,383*
Hard Rock Café Malta	*6,532*	*5,809*	*723*
Adeera Complex	*2,788*	*3,000*	*(212)*
Other	*4*	*(148)*	*152*
Cost of sales	(26,870)	(24,654)	(2,216)
Gross profit	**23,389**	**22,174**	**1,215**
Other net operating costs	(2,693)	(2,030)	(663)
EBITDA[1]	**20,696**	**20,144**	**552**
db Seabank Resort & Spa	*12,060*	*10,900*	*1,160*
db San Antonio Hotel & Spa	*7,726*	*7,556*	*170*
Hard Rock Café Malta	*639*	*822*	*(183)*
Adeera Complex	*357*	*500*	*(143)*
Other	*(86)*	*366*	*(452)*
Depreciation	(6,739)	(5,583)	(1,156)
Operating profit	**13,957**	**14,561**	**(604)**
Net finance costs	(3,488)	(3,085)	(403)
Share of results of associates	912	950	(38)
Profit before tax	**11,381**	**12,426**	**(1,045)**
Taxation	(3,790)	(4,222)	432
Profit for the year	**7,591**	**8,204**	**(613)**
Other comprehensive income	-	-	
Revaluation surplus, net of deferred tax	-	-	-
Cash flow hedges, net of deferred tax	35	-	35
Total comprehesive income for the year net of tax	**7,626**	**8,204**	**(578)**

[1] *EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*

As presented in the above table, actual revenue and costs for FY2017 were higher than expected by €3.4 million and €2.9 million respectively. As a consequence, actual EBITDA was higher than projected by €0.5 million, mainly due to better than expected EBITDA from the Seabank Resort of €1.2 million which compensated for lower EBITDA generated from other operations.

Actual depreciation charge and net finance costs were higher than projected by an aggregate amount of €1.6 million. Share of profits of associates amounted to €0.91 million as compared to the forecast amount of €0.95 million, thus resulting in a marginal adverse difference of €38,000. Taxation was lower than expected by €0.4 million, and an unforeseen gain on cash flow hedges of €35,000 was accounted for in other comprehensive income. Overall, the Group reported a total comprehensive income for the year of €7.6 million, which was lower than the forecast amount of €8.2 million (adverse difference of €0.6 million).

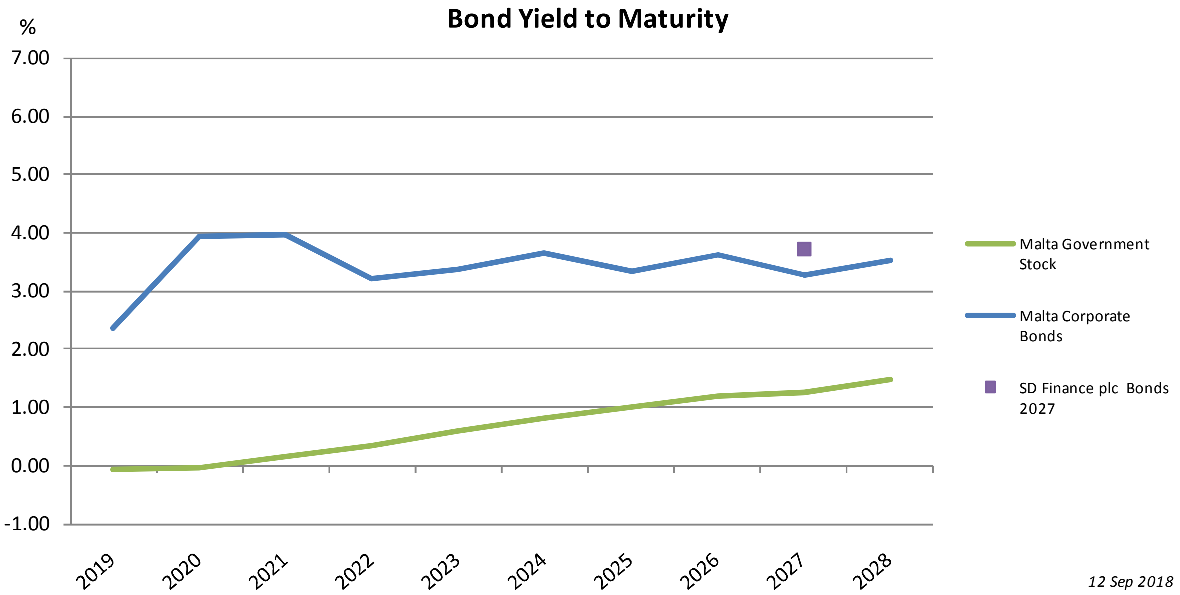
PART 4 - COMPARABLES

The table below compares db Group and its bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Group and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Group.

Comparative Analysis	**Nominal Value (€)**	**Yield to Maturity (%)**	**Interest Cover (times)**	**Total Assets (€'000)**	**Net Asset Value (€'000)**	**Gearing Ratio (%)**
5.5% Pendergardens Dev. plc Secured € 2020 Series	15,000,000	2.44	6.29	68,589	14,418	66.04
6% Pendergardens Dev. plc Secured € 2022 Series I	27,000,000	3.23	6.29	68,589	14,418	66.04
4.25% Gap Group plc Secured € 2023	40,000,000	3.47	2.61	56,906	6,696	85.08
5.3% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.14	1.19	21,625	4,844	69.04
6% AX Investments Plc Unsecured € 2024	40,000,000	3.47	4.44	286,318	173,323	26.09
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	3.45	4.42	77,088	38,701	45.62
5% Hal Mann Vella Group plc Secured Bonds € 202	30,000,000	3.74	3.05	107,801	39,813	54.01
5.1% 1923 Investments plc Unsecured € 2024	36,000,000	4.38	1.69	118,490	33,711	58.11
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.47	1.26	135,879	39,974	68.23
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.51	2.59	1,765,072	901,595	40.43
4.0% International Hotel Invest. plc Secured € 2026	55,000,000	3.43	3.03	1,602,317	884,632	36.36
4.0% MIDI plc Secured € 2026	50,000,000	3.28	- 0.98	235,302	86,621	39.27
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.12	7.90	161,128	47,607	57.32
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.63	39.11	17,088	5,835	30.63
4.35% SD Finance plc € Unsecured Bonds 2027	**65,000,000**	**3.73**	**5.93**	**229,882**	**63,771**	**50.15**
4.0% Eden Finance plc Unsecured 2027	40,000,000	3.46	4.46	169,936	90,162	36.52
4% Stivala Group Finance plc Secured 2027	45,000,000	3.40	6.21	199,560	121,041	31.54

12 Sep '18

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts Investment Management Service Limited



To date, there are no corporate bonds which have a redemption date beyond 2028. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

PART 5 - EXPLANATORY DEFINITIONS AND REFERENCES

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including room reservations, food & beverage and other revenue streams.
Cost of sales	Direct costs include cost of food, beverages, consumables, labour expenses and all other direct expenses.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting operating costs, depreciation & amortisation, finance costs, impairment provisions, share of results from associate and affiliate companies and other operating costs.
Operating costs	Operating costs include all operating expenses other than direct costs and include general & administration expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Share of results of associates	The Guarantor owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the db Group, but the Guarantor's share of profit is shown in the profit and loss account under the heading 'share of results of associates'.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Key Performance Indicators	
Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Revenue per occupied room (RevPOR)	RevPOR is calculated by adding all income generated (room accommodation, food & beverage and other income) and dividing it by the number of occupied rooms. A hotel uses this indicator as a performance measure with other hotels in the same category or market to determine how well the hotel property is yielding.

Gross operating profit per available room (GOPAR)	GOPAR is the total revenue of the hotel less expenses incurred earning that revenue, divided by the available rooms. This indicator is another performance measure used in the hotel industry.
Revenue generating index (RGI)	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per occupied room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Gross operating profit generating index (GOPGI)	A gross operating profit generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) gross operating profit per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Profitability Ratios	
Gross profit margin	Gross profit margin is the difference between revenue and direct costs expressed as a percentage of total revenue.
Operating profit margin	Operating profit margin is operating income or EBITDA 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.
Efficiency Ratios	
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	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	

Cash flow from operating activities	Cash generated from the principal revenue-producing activities (room revenue, food & beverage, hotel services, etc) of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include intangible assets (including goodwill on acquisition), investments in associates (Malta Healthcare Caterers Ltd, Porto Azzurro Ltd, Sky Gourmet Ltd and Sky Gourmet Malta Inflight Services Ltd), property, plant & equipment (hotel properties), and deferred tax assets.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, etc), cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.

Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.