SIMONDS FARSONS CISK PLC

FINANCIAL ANALYSIS SUMMARY

16 July 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.

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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The Board of Directors
Simonds Farsons Cisk plc
The Brewery,
Mdina Road, Mriehel,
Birkirkara BKR 3000,
Malta

16 July 2018

Dear Sirs,

Simonds Farsons Cisk plc – Financial Analysis Summary (the "Analysis")

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

The purpose of the Analysis is that of summarising key financial data appertaining to Simonds Farsons Cisk p.l.c. (C 113) (the "**Company**" or "**Issuer**"). The data is derived from various sources or is based on our own computations and analysis of the following:

(a) Historical financial data for the three years ended 31 January 2018 has been extracted from the Issuer's audited statutory financial statements for the three years in question, as and when appropriate. Furthermore, the Pro Forma financial information of the Company as at 1 February 2017 was prepared for illustrative purposes only, in order to provide information on the financial position the Company following the spin-off of Trident Estates plc.
(b) The forecast data for the financial year ending 31 January 2019 has been provided by management of the Issuer.
(c) Our commentary on the results of the Issuer and on the respective financial position is based on the explanations provided by the Issuer.
(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions as set out and defined within the Analysis.
(e) Relevant financial data in respect of competitors as analysed in part 7 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 provided to assist potential investors by summarising the more important financial data of the Issuer. The Analysis does not contain all data that is relevant to potential investors and is intended to complement, and not replace, information published or issued by the Company. The Analysis does not constitute an endorsement by our firm of the securities of the Issuer and should not be interpreted as a recommendation to invest. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing.

Yours sincerely,

Vincent E Rizzo
Director

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Important Information

Purpose of the Document

The purpose of this document is to present a financial analysis summary of Simonds Farsons Cisk plc (hereinafter, the "**Issuer**" of the "**Company**") in line with the requirements of the Listing Policies of the MFSA dated 5th March 2013.

Sources of Information

The information that is presented has been collated from a number of sources, including the company's website (www.farsons.com) and financial and management reports of the Issuer, including annual reports and financial statements.

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

Forecasts

Forecasts that are included in this document have been prepared by the directors of the Issuer, who undertake full responsibility for the assumptions on which they are based.

Part 1 – Business Overview

1.1 Brief Introduction

From its origins in 1928, Simonds Farsons Cisk plc (the "**Company**", "**Group**" or "**Issuer**") is the result of the amalgamation of L. Farrugia & Sons Limited, H & G Simonds and The Malta Export Brewery. The construction of the brewery in Mriehel was completed in 1950 under the direction of managing director Mr Lewis V. Farrugia. Further enhancements and additions to the brewery were undertaken over the years, extending the facilities to bottling plants for soft drinks as the Group embarked on an expansionary strategy across various segments of the food and beverage industry. Additional properties were acquired over the years in line with the expansionary requirements of the Company and the operations of its subsidiaries. Earlier this year, a spin-off of most of such property interests into a newly-listed company was undertaken (as explained in further detail in section 1.6 of this report).

Today, the Group is made up of three distinct segments:

i. Brewing, production & sale of branded beers & beverages
ii. Importation, wholesale & retail of food & beverages, including wines & spirits
iii. Operation of franchised food retailing establishments

Further information on these segments is included in section 1.5 of this report.

1.2 Directors and Senior Management

The strategic direction of the Company is entrusted to a board of eight directors, the majority of whom act in a non-executive capacity:

Board of Directors	Role
Mr Louis A. Farrugia	Executive Chairman
Mr Marcantonio Stagno d'Alcontres	Non-Executive Vice Chairman
Mr Michael Farrugia	Executive Director
Mr Roderick Chalmers	Non-Executive Director
Dr Max Ganado	Non-Executive Director
Ms Marina Hogg	Non-Executive Director
Marquis Marcus John Scicluna Marshall	Non-Executive Director
Baroness Christiane Ramsay Pergola	Non-Executive Director

The Group's company secretary is Ms Antoinette Caruana.

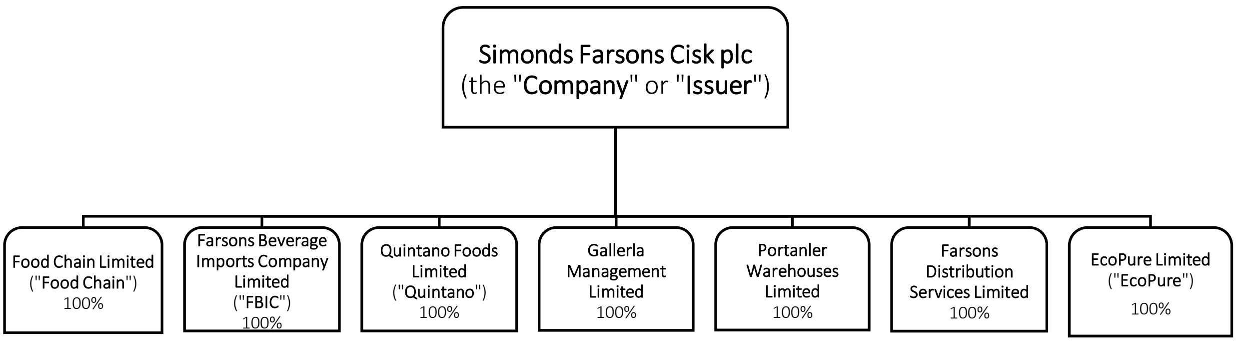
The Company's board is assisted by a complement of senior executive management in the execution of the board's strategic direction, made up of the following:

Senior Management	Position
Mr Norman Aquilina	Group Chief Executive Officer
Mr John Bonello Ghio	Group Head of Food Business
Mr Chris Borg Cardona	Head of Logistics
Ms Antoinette Caruana	Group Human Resources Manager
Ms Stefania Calleja	Head of Sales & Customer Relations
Mr Eugenio Caruana	Chief Operations Officer
Mr Michael Farrugia	Chief Business Development Officer
Mr Philip Farrugia	Group Head of IT & Business Services
Mr Ray Sciberras	Chief Operations Officer *(retired 5th June 2018)*
Mr Pierre Stafrace	General Manager – FBIC Limited
Ms Anne Marie Tabone	Chief Financial Officer
Ms Susan Weenink Camilleri	Head of Marketing & Communications

In addition to senior management, the Group includes a staff complement of 823 (full time equivalent) employees as at the end of the last financial reporting period (31 January 2018) across the various subsidiaries, including the operation of the franchised food retailing establishments.

1.3 THE GROUP

The Company is the parent of a group of companies – the Group. Hereunder is the organisation chart showing the various subsidiaries within the Group:



1.4 MAJOR ASSETS OWNED BY THE ISSUER

Property, plant and equipment (PPE) represents the major component of the Group's assets. This component represents the assets required for the operation of the Group's business, and comprise:

	Net Book Value
Land and Buildings	€78.3 million
Assets in Course of Construction	€8.2 million
Plant, Machinery & equipment	€30.9 million
Total	**€117.5 million**

Assets in course of construction mainly relate to works carried out during financial years 2017 and 2018 on the extension of the Logistics Centre, truck depot and the kegging line project. As at 31 January 2018, PPE made up over 70% of the Group's total asset base.

Trade and other receivables were the next most significant categories of assets of the Group, at €22.8 million, representing 14% of total assets. Inventories, which by the end of FY2018 were €13.7 million, include €3.2 million of raw materials and consumables used for the production and bottling of beverages and food items relating to Food Chain Limited's food products; €7.8 million in finished goods and goods for resale; and €2.6 million relating to containers, other packaging / bottling materials and spare parts.

1.5 GROUP'S SEGMENTS

Until recently, the Group reported four main segments of operations. When the board started exploring the idea of the spin-off and took a firm decision thereon, the segment related to the spin-off was classified as being held for sale and its performance reported as discontinued operations (refer to section 1.6 related to the spin-off). Today, the Group's main operational segments are as outline in Section 1.1 above. Further information relating to these business segments is provided below.

BREWING, PRODUCTION AND SALE OF BRANDED BEERS & BEVERAGES

The 'brewing, production and sale of branded beers and beverages' segment includes Eco Pure and the Company, i.e. Simonds Farsons Cisk plc. This segment represents the core business of the Group and is thus the segment that, from a financial performance point of view, is the most material and the largest contributor to the Group's profitability. The Company produces and distributes its own brands – Kinnie™, Cisk™, Blue Label Ale™, Hopleaf Pale Ale™, Classic Brews™, Shandy™, Lacto™ and San Michel™. The Company is also the exclusive franchisee in Malta to PepsiCo, Budweiser and Carlsberg, having the rights to produce, bottle, sell and distribute the said products, amongst other related products, including Skol™, LikeCola™ and 7Up™. Meanwhile, Eco Pure Ltd is the company responsible for the marketing, sales and distribution of 18.9 and 10 litre bottles of San Michel water, providing also water dispensers and coolers for rental or purchase.

Importation, Wholesale and Retail of Food & Beverages, Including Wines & Spirits

The 'importation, wholesale and retail of food and beverages, including wines & spirits' consists of FBIC and Quintano. While the former focuses mostly on wines and spirits and other beverage brands, the latter imports and distributes food-related items. In the beverage sector, FBIC nurtures and continues to increase its representation of renowned international producers and brands which include Pernod Ricard, Gruppo Campari, Red Bull, Jagermeister, Remy Cointreau, Guinness and Perrier. In the food importation, Quintano also represents international brands which include, Danone, Tropicana, Walkers, Doritos, Quaker, Trevalli and STAR. FBIC also operates Farsonsdirect, through which it retails a selection of these brands.

Operation of Franchised Food Retailing Establishments

In Malta, the internationally-renowned franchises KFC™, Burger King™ and Pizza Hut™ are exclusively operated by Food Chain. This segment '*Operation of franchised food retailing establishments'* operates a total of fourteen outlets under these franchises.

1.6 Material Operational Developments

The Group has consistently invested in innovation across its product range and has recently also invested in operational structures to ensure that the Group increases its production capacity and efficiency, has room for further growth and is in a position to obtain the benefits of economies of scale.

Following a multi-million Euro investment programme, the Group now has a state-of-the-art brewing and beverage production facility, comprising the following:

- A brewhouse with malt silos, unmalted cereal silos, equipment for malt milling and main brewing and wort cooling vessels.
- A beer process block equipped with a tank farm with a capacity that provides flexible brewing capability to the highest standards.
- A soft drinks packaging hall which maximises high standard production efficiency and is capable of handling a variety of PET packages.
- A beer packaging hall, including a centralised warehouse storage facility for raw and packaging materials.
- A logistics centre that complements line output, ensures optimal storage and provides a seamless service to trade and to the Company's export customers.

During the course of the last financial year, the above facilities were complemented with an extension of the dedicated logistics centre, featuring a 40% increase in warehousing capacity and the introduction of a shuttle pallet transfer system resulting in more efficient space utilisation. Furthermore, investment for the modernisation of the packaging capabilities was made in a new Keg Plant which features new filling machines for kegs and 18.9 litre bottles equipped with two robotic arms.

Other significant investments are currently underway and include:

- more energy efficient equipment within the engine room, with groundwork plans for new boilers, chiller and refrigeration pipework and equipment;
- the replacement of over one third of the current delivery truck fleet with the latest eco-friendly models;
- digitilisation of plant and machinery;
- green initiatives to reduce waste and improve refrigeration power consumption; and
- the renovation of the original brewhouse.

The Spin-Off

During 2017, the Group also concluded the process which led to the spin-off a substantial part of its property portfolio through the listing of the Company's shareholding in Trident Estates plc (previously known as Trident Developments Limited, hereinafter, "**Trident**") on the Malta Stock Exchange. The spin-off of Trident was approved at last year's general meeting and in line with this approval, on 20 December 2017 the board of directors declared a dividend of €37.2 million that was settled through the distribution of the Company's entire shareholding in Trident Estates plc to all shareholders pro rata to the number of shares held by them in the Company as at close of business on 21 December 2017. The resulting net asset value as detailed in the prospectus issued in connection with the spin-off amounted to an equivalent of approximately €1.24 per share.

On 30 January 2018, Trident Estates plc was listed on the Malta Stock Exchange and trading commenced on the following day. The board of Trident is composed of eight directors, two of whom represent the general public shareholders, in a similar way that the Company's board is composed. Although to a very large extent Simonds Farsons Cisk plc and Trident Estates plc have common shareholders, they are now separate and distinct groups that are run independently.

PART 2 – MARKET TRENDS

The European food and beverage industry is the largest manufacturing sector, generating a turnover of €1.1 trillion (in 2016) and contributes c. 1.7% to Europe's gross value added. It is estimated that the average household spends approximately 14% of its income on food and beverage in Europe.[1]

Year	2012	2013	2014	2015	2016
Food Industry (C10)	837,000	860,000	870,000	880,000	866,000
Beverage Industry (C11)	140,855	142,801	144,390	151,164	154,120
Production Values (millions of €)	**977,855**	**1,002,801**	**1,014,390**	**1,031,164**	**1,020,120**
Production growth rate	*3.4%*	*2.6%*	*1.2%*	*1.7%*	*-1.1%*
Food Industry (C10)	914,000	940,000	945,000	957,000	950,000
Beverage Industry (C11)	148,000	149,610	150,330	157,750	158,976
Total Turnover Value (millions of €)	**1,062,000**	**1,089,610**	**1,095,330**	**1,114,750**	**1,108,976**
Turnover growth rate	*3.8%*	*2.6%*	*0.5%*	*1.8%*	*-0.5%*

Source: *Eurostat*

Food and beverage production across European Member States declined by 1.1% in 2016, when compared to the previous year. Consequently, turnover growth during the same period fell by 0.5%[2].

THE EUROPEAN MARKET FOR BEVERAGES

The European beverage market grew by a stable rate averaging 1.8% over the period 2012 to 2016. This development can principally be attributed to the global perception of the high quality of European products and increasing incomes driving higher consumer demand for beverage products in emerging countries. The conclusion of a series of free trade agreements with non-EU countries in the last years has also contributed to increased market opportunities.

With other regions acknowledging the value of the high quality of EU products and adopting similar legal frameworks, this competitive edge may weaken in the coming period if no further action is taken. Possible initiatives to maintain or strengthen the competitive edge of the European industry can be categorised into; strengthening the international trade position, supporting productivity, and improving the functioning of the supply chain[3].

[1] *FoodDrinkEurope - http://www.fooddrinkeurope.eu/uploads/publications_documents/DataandTrends_Report_2017.pdf*

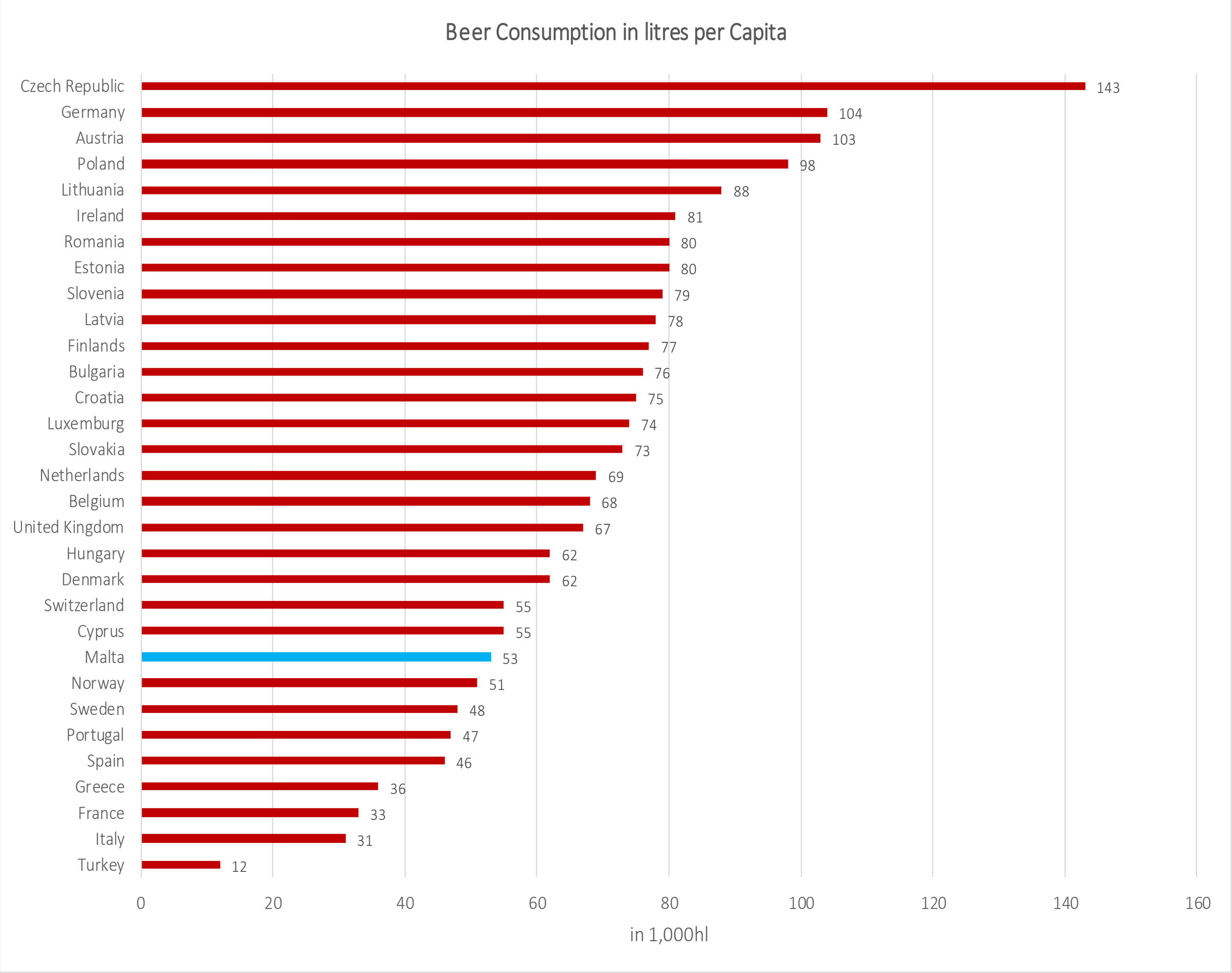
[2] *Eurostat - http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do*

[3] *European Commission – The competitive positions of the European food and drink industry*

The European Beer Market

Latest figures reported by the Brewers of Europe show that production and consumption of beer in Europe have continued to grow, and annual beer production has now moved above 40 billion litres (2015: 36 billion litres) for the first time since the financial crisis. Active breweries in the EU now amounts to 8,500 and it is estimated that twenty new breweries are set up each week. The growing consumer interest in craft beer is one of the main drivers behind the noteworthy expansion of brewers[4]. The graph below shows beer consumption per capita in Europe by country. Malta ranked 23rd in terms of beer consumption per capita (53 litres).

Other key factors contributing to the growth in the beer market are mainly attributable to; the availability of low/non-alcoholic beer; a wider variety of beers with rich flavour and aromas as well as low calorie beers; increase in disposable income; and the effect of creative marketing by brewers.

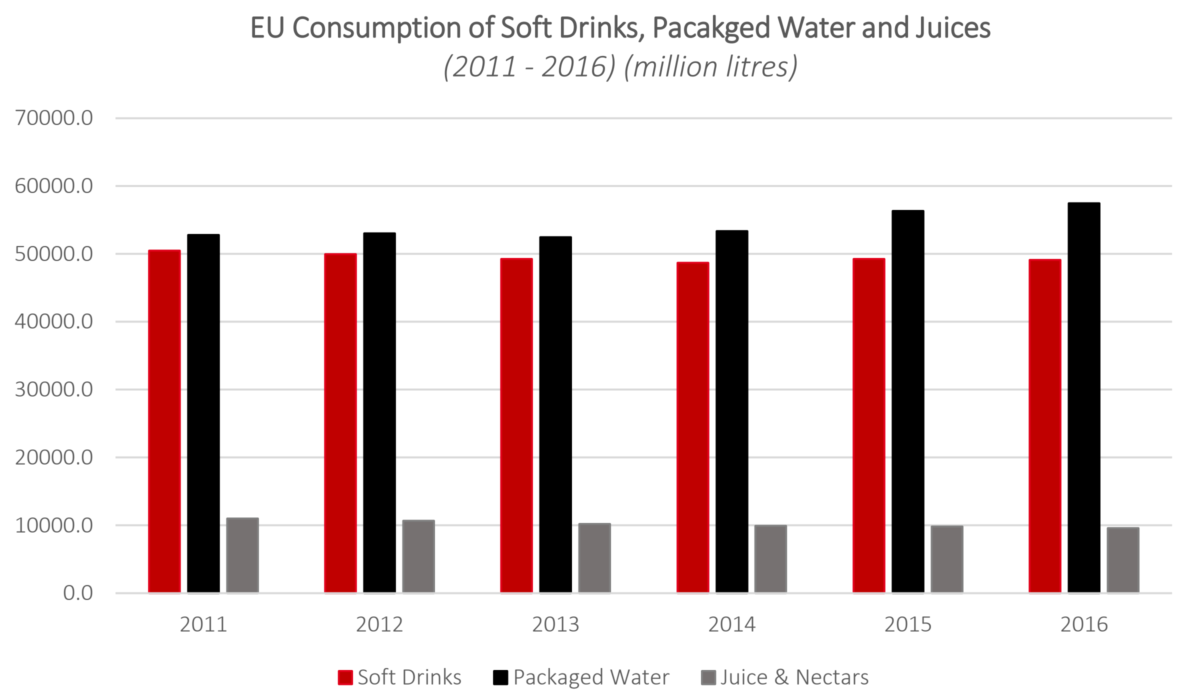


Source: *www.brewersofeurope.org. No update is available as at the date of this report on 2017 figures*

[4] *The Brewers of Europe - https://www.brewersofeurope.org/uploads/mycms-files/.../Statistics-201712-001.pdf*

The European Soft Drinks, Packaged Water and Nectar Market

The soft drinks and nectar markets have seen a marginal decline in consumption over the past couple of years. In response to consumer demands, companies are re-focusing on their product development to re-formulate products which contain lesser sugar content. Accordingly, European consumers as a part of their broader healthier lifestyles, continue to purchase bottled water, resulting in a steady growth rate since 2010.



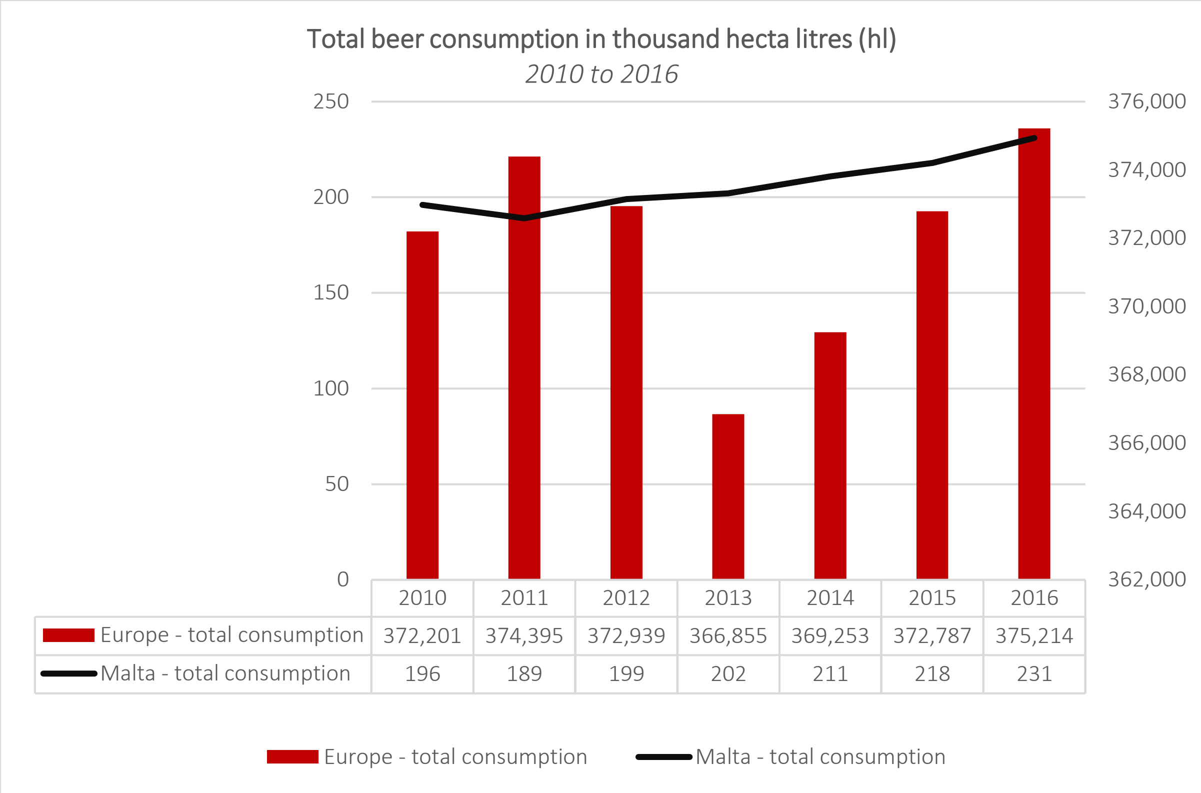
Source: *Unesda*

The Food and Beverage Market in Malta

Overall, the growth experienced in the food and beverage market in Malta has been driven by the growth in Maltese GDP as the population became more affluent. The substantial growth in inbound tourism has also played a very important part. The increasing population of foreign nationals and the changing lifestyles with people resorting to fast food services have also contributed to the patterns seen.

Beer Consumption

After a slight decline in 2011, beer consumption in Malta has increased over the past 5 years at an average growth rate of 4.1% in line with trends experienced in other European countries. This growth is mostly attributed to the country's continued positive economic performance, the sustained growth of the tourism industry, the continuous product innovation and effective marketing initiatives undertaken by the Group together with mass market events hosted during the year.



Source: *www.brewersofeurope.org. No update is available as at the date of this report on 2017 figures*

Part 3 – Company Financial Review

The Company's financial year extends from 1 February to 31 January. In this regard, FY2016 refers to financial year ended 31 January 2016, FY2017 refers to financial year ended 31 January 2017, FY2018 refers to financial year ended 31 January 2018 and FY2019 refers to financial year ending 31 January 2019. The Company prepared a set of pro-forma financial statements for FY2017, as is explained in further detail in section 3.3 of this report.

The forecasts for FY2019 represent management's assessment of the current performance within the context of the local economy, the latest economic trends as well as domestic and international events taking place during the current financial year.

The information included in the sections that follow has been sourced from the published financial statements of the Company, supported by management information and Rizzo Farrugia's own analysis. The figures quoted could be subject to rounding differences when compared to published financial information.

3.1 Analysis of the Income Statement

	Actual	*Actual*	*Actual*	*Forecast*
as at 31 January	***2016***	***2017***	***2018***	***2019***
	€'000	*€'000*	*€'000*	*€'000*
Revenue	86,033	88,119	94,980	100,673
Cost of Sales	(53,039)	(53,683)	(57,920)	(61,157)
Gross Profit	**32,994**	**34,436**	**37,060**	**39,516**
Selling & Distribution Costs	(10,170)	(10,712)	(10,332)	(11,554)
Administrative Expenses	(11,078)	(10,872)	(12,066)	(14,011)
Other Operating Expenses	(271)		-	-
Operating Profit	**11,475**	**12,852**	**14,662**	**13,951**
Depreciation & Amortisation & One-off Adjustments	*7,205*	*7,810*	*7,449*	*8,486*
EBITDA	***18,680***	***20,662***	***22,111***	***22,437***
Investment Gains	14	5	-	-
Finance Costs	(1,377)	(1,470)	(1,207)	(1,211)
Profit before Tax	**10,112**	**11,387**	**13,455**	**12,740**
Tax Income	869	471	949	500
Discontinued Operations	242	274	(642)	-
Profit for the Year	**11,223**	**12,132**	**13,762**	**13,240**
Shares outstanding	30,000	30,000	30,000	30,000
EPS – Earnings Per Share (€)	**0.374**	**0.404**	**0.459**	**0.441**

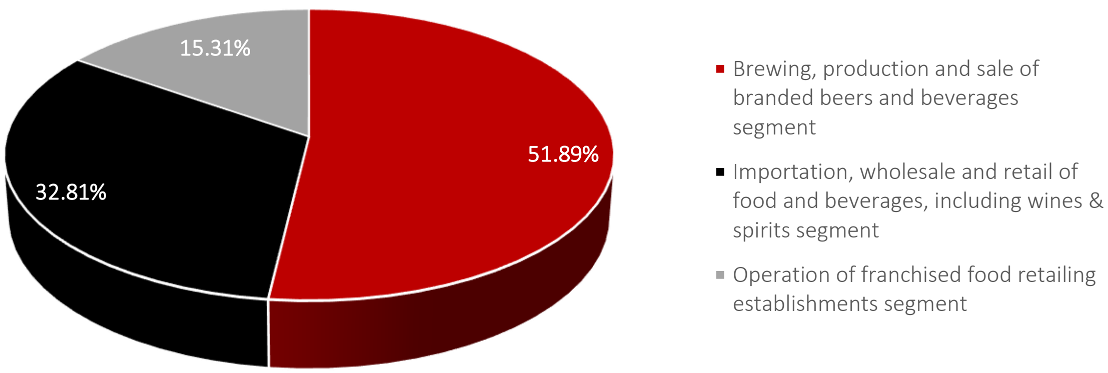
NB: In the FAS as presented in the prospectus dated 31 July 2017, the Income Statement of the Company combined continuing and discontinued operations. The above statements are being presented in a manner consistent with the published financial statements of the Company.

The above table presents the Group's financial results for the periods ending 31 January 2016, 2017 and 2018 along with the forecasts as presented by the management for fiscal year 2019. The comparative EBITDA for FY2016 and FY2017 has been revised in line with computations used for published financial information and now takes account inventory write-downs. It should be noted that the figures for FY2016 and FY2017 both incorporate the previous property segment, which has been successfully spun-off into a new public limited liability company (Trident Estates plc) with its shares listed on the Official List of the Malta Stock Exchange on 30 January 2018. In this respect, for most of FY2018 Trident Estates plc (and its subsidiaries) were still operating companies of the Company. However, the impact of these operations on the income statement was immaterial, and as such does not influence comparability.

FY2018 Review

The Group's total revenue reached €95 million in FY2018, up from €86 million in FY2016, equivalent to a CAGR of 5.1% over the period. The '*brewing, production & sale of branded beers & beverages*' segment remained the largest contributor to the Group's revenue, comprising the activities of Simonds Farsons Cisk plc and EcoPure Limited.

Revenue Generation by Segment – FY2018



The Group experienced growth across all its principal business segments over the last year:

As at 31 January	2016	2017	2018
	€'000	*€'000*	*€'000*
Brewing, production and sale of branded beers and beverages segment	48,070	48,200	52,659
Less inter-segment sales	*(1,831)*	*(2,054)*	*(2,165)*
Importation, wholesale and retail of food and beverages, including wines & spirits segment	32,053	31,738	33,293
Less inter-segment sales	*(4,656)*	*(4,222)*	*(4,333)*
Operation of franchised food retailing establishments segment	12,397	14,457	15,526
Reported Revenue	86,033	88,119	94,980

- ***Brewing, production and sale of branded beers and beverages segment***

This segment is represented by Simonds Farsons Cisk plc and EcoPure. Over the years under review, Farsons maintained its strong market share with its own brands, principally Cisk™ and Kinnie™, with both brands being main contributors to the financial results of this segment. Overall, sales in other beverages remained healthy, with the Company registering an increase in the sales of beer and water, while experiencing a slight decline in the sale of soft drinks. Production efficiencies achieved through the new bottling and packaging facilities and the Group's strategy to tap into the foreign markets contributed to improve the performance of the Company. Meanwhile, EcoPure also reported an improved performance over the years, as the Group maintained its marketing efforts to increase its client base and sales during the periods under review. Additionally, the significant investment made during FY2018 to acquire a new automated water filling line will further contribute to enhance production efficiencies and to ensure the highest quality standards.

- ***Importation, wholesale and retail of food and beverages, including wines & spirits segment***

This segment is represented by FBIC and Quintano. Revenue from the imports of food and beverage segment increased by 4.9% during the last financial year after a marginal decrease over the previous period, notwithstanding increasing competition and a constantly evolving market. The improvement in results is attributed to an increase in the brands portfolio represented by the companies, as well as an increase in the level of unit sales. Consequently, operating margins from the stated segment improved from 6.6% in FY2017 to 8.1% in FY2018 as a result of improved efficiency levels through better stock management and effective in-store marketing campaigns.

- *Operation of franchised food retailing establishments segment*

  This segment is represented by Food Chain. In this segment, the Group operates the franchises of KFC™, Pizza Hut™ and Burger King™ in Malta. The company operates fourteen outlets which have reported consistent growth throughout each year. In FY2018, the company reported sales growth across all brands as revenue reached €15.5 million, an increase of 7.5% over FY2017. Likewise, efficiency levels also improved as operating margins rose to 10.8% from 9.1% over the previous year.

EBITDA and Other Income Statement Components

EBITDA, being the operating profit adjusted for depreciation, amortisation and before charging tax and interest expense, improved from €18.7 million in FY2016 to €22.1 million in FY2018, reflecting a CAGR of 8.8% over the two-year period. Furthermore, the Group registered improved EBITDA margins from 21.7% in FY2016 to 23.3% in FY2018, as it capitalised on the efficiencies generated by the various capital projects that the Group had embarked upon in recent years aimed at achieving cost and production efficiencies.

The Group incurred a finance cost of €1.2 million, a decrease of 17.9% over the previous fiscal year. This is a result of the successful early redemption of the 6% €15 million bond, which has been refinanced with the new issue of the €20 million 3.50% unsecured bonds redeemable in 2027. Because of the higher operating income and lower finance costs, profit before tax and discontinued operations increased by 18.2% over the previous year to €13.5 million.

In FY2018, the Group recognised a one-off consolidation loss of €0.6 million from discontinued operations relating to the spun-off Trident Estates plc (and its subsidiaries). Further to the investment tax credits that are applicable for tax relief to the Group under the Business Promotion Act in respect of the investments made by the Company, the group registered a tax income of €0.95 million. This resulted in a profit for the year of €13.8 million, or the equivalent of €0.459 in earnings per share.

Forecast FY2019

Total revenue is expected to increase to €100.7 million, mainly reflecting local market trends and continued drive to increment the export segment. This implies an increase of 6.0% over FY2018. Moreover, cost of goods sold are expected to increase in line with the increase in sales amounting to €61.2 million representing a gross profit margin of 39.3%, a marginal improvement over the FY2018 figure of 39.0%. This improvement reflects the investment made in capital expenditure embarked upon over the past years.

Selling & distribution costs and administrative expenses are expected to increase, as the Company endeavours to fill existing head-count vacancies with new employees and retain existing ones in the face of increasing as competition for the recruitment and retention of a skilled workforce. Meanwhile, in view of the increase in capital expenditure during FY2018, the depreciation charge is expected to increase substantially, resulting in a charge to the income statement of €8.5 million (FY2018: €7.5 million). Nonetheless, EBITDA is expected to reach €22.4 million, an increase of €0.3 million over FY2018. In contrast, EBITDA margins are expected to marginally decline to 22.3% from 23.3% recorded in FY2018 mainly reflecting the increase in operating costs.

Overall, the Group's net profit for FY2019 is expected to be marginally lower, albeit, if the effect of the decrease in non-cash depreciation charge is considered, the Group's net profit for the year would stand 2.4% higher than the previous period.

3.2 Analysis of the Cash Flow Statement

	Actual	*Actual*	*Actual*	*Forecast*
as at 31 January	***2016***	***2017***	***2018***	***2019***
	€'000	*€'000*	*€'000*	*€'000*
Net cash generated from operating activities	16,453	13,135	20,893	20,483
Net cash used in investing activities	(18,022)	(19,714)	(21,407)	(11,140)
Net cash used in financing activities	(1,713)	4,091	(656)	(6,900)
Net movement in cash & cash equivalents	**(3,282)**	**(2,488)**	**(1,170)**	**2,443**
Cash & cash equivalents at beginning of year	4,448	1,166	(1,322)	(2,492)
Cash & cash equivalents at end year	**1,166**	**(1,322)**	**(2,492)**	**(49)**

FY2018 Review

During FY2018, net cash generated from operations amounted to €20.9 million compared to €13.1 million in FY2017, mainly reflecting the increase in profitability along with improvement in cash collection releasing locked up working capital.

Net cash used in investing activities increased to €21.4 million from €19.7 million reported in the previous year. This incorporates a one-time cash outflow of €6.2 million intended for the spin-off of the property segment, with the remaining €15.2 million being used for capital expenditure purposes.

Meanwhile, net cash used for financing activities amounted to €0.7 million. This reflects the payment of interest on the Company's debt, the refinancing of the €15 million 6% bond as mentioned previously, repayment of borrowings and the payment of €3.4 million in dividends.

Overall, the net movement in cash balance at the end of the year decreased by €1.3 million, which leads to a negative cash balance for the year of €2.5 million, reflecting primarily the substantial capital investments made by the Group during the year and the cash outflow in relation to the Trident spin-off.

Forecast FY2019

The Company's net cash position for the year is expected to improve as management is anticipating a positive net movement in cash & cash equivalents of €2.4 million. Cash used for investing activities is expected to amount to €11.1 million in FY2019 (FY2018: €21.4million) reflecting a lower capital investment programme planned for the year. This figure mainly includes the routine annual capital expenditure incurred by the company and the ongoing investments mentioned in the previous section 1.6 - *Material Operational Developments*.

Net cash generated from operating activities is expected to remain relatively stable at €20.5 million (FY2018: 20.9 million) while net cash used in financing activities is expected to amount to €6.9 million (FY2018: €0.7 million) which reflects interest, dividend and bank loan repayments.

3.3 ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

as at 31 January	Actual 2016 €'000	Actual 2017 €'000	Pro-Forma 2017 €'000	Actual 2018 €'000	Forecast 2019 €'000
Assets					
Non-Current Assets					
Property, Plant & Equipment	89,983	110,889	*110,889*	117,475	120,064
Intangible Assets	658	616	*616*	574	532
Deferred Tax Assets	4,210	3,486	*3,486*	5,341	6,100
Investment in Jointly-controlled Entity	-	-	*12*	-	-
Trade & Other Receivables	2,757	3,002	*3,002*	3,710	3,896
Total Non-Current Assets	97,608	117,993	*118,005*	127,100	130,592
Current Assets					
Inventories	12,334	14,569	*14,569*	13,652	14,335
Trade & Other Receivables	18,495	18,316	*18,308*	19,051	18,150
Current Tax Assets	133	29	*29*	5	5
Cash & Cash Equivalents	2,445	768	*768*	3,720	1,417
Total Current Assets	33,407	33,682	*33,674*	36,428	33,907
Non-Current Assets classified as held for sale	*31,558*	*31,266*	-	-	-
Total Assets	162,573	182,941	*151,679*	163,528	164,498
Equity and Liabilities					
Capital & Reserves					
Share Capital	9,000	9,000	*9,000*	9,000	9,000
Reserves	100,459	114,271	*78,190*	87,632	97,468
Total Equity	109,459	123,271	*87,190*	96,632	106,468
Non-Current Liabilities					
Trade & Other Payables	1,184	905	*905*	764	-
Derivative Financial Instruments	1,083	750	*750*	436	350
Borrowings	23,807	31,581	*31,581*	33,188	29,888
Provision for other liabilities and charges				64	54
Total Non-Current Liabilities	26,074	33,236	*33,236*	34,452	30,292
Current Liabilities					
Provision for Other Liabilities & Charges	54	36	*36*	56	56
Trade & Other Payables	20,056	18,974	*18,974*	21,507	21,597
Current Tax Liabilities	690	570	*570*	910	990
Derivative Financial Instruments	330	335	*335*	325	325
Borrowings	3,026	4,382	*11,338*	9,646	4,766
Total Current Liabilities	24,156	24,297	*31,254*	32,444	27,734
Liabilities attributable to non-current assets held for sale	*2,884*	*2,137*	-	-	-
Total Liabilities	53,114	59,670	*64,489*	66,896	58,026
Total Equity & Liabilities	162,573	182,941	*151,679*	163,528	164,498
Shares Outstanding	*30,000*	*30,000*	*30,000*	*30,000*	*30,000*
Net Asset Value per Share (€)	*3.649*	*4.109*	*2.906*	*3.221*	*3.549*

Note on the Pro-Forma Statement of Financial Position

In 2014, the board of directors of the Company first announced its intention to spin-off the segment related to *Property Management* segment of the Group. During the annual general meeting held on 27 June 2017, the Company's shareholders approved the spin-off of an identified property portfolio to be held by Trident Estates plc. To better explain the effect of the spin-off, management prepared and published in a circular to shareholders a set of pro forma statements which aimed to illustrate the effect of the spin-off on the Group. Such pro-forma statements were subsequently published in the prospectus issued by the Company dated 31 July 2017. The basis of these statements was the closing financial position of FY2017, thereafter reflecting the multiple effects of the spin-off had such transaction been deemed to have taken place on 1 February 2017. Since the impact of the spin-off was material to the *Statement of Financial Position*, the pro-forma figures are included for comparability purposes.

FY2018 Review

The Group's total asset base has inherently been made up to the extent of more than 70% from '*property, plant & equipment'* (PPE). A significant proportion of the increase in PPE over the years is the result of the investment that the Group undertook in the new beer packaging hall at a total cost of close to €26 million.

As a result of the successful spin-off of Trident Estates plc, the portion of non-current assets classified as held for sale as reported in FY2017 is no longer part of the assets included in the balance sheet of the Group Consequently, total assets decreased from €182.9 million in FY2017 to €163.5 million in FY2018. Nevertheless, comparing the pro-forma figures (which present the opening financial position of the Group of FY2017 without the property segment) as presented in the Financial Analysis Summary of 2017, the Company's total assets increased by 7.8% from €151.6 million to €163.5 million. The same concept applies with respect to the changes in the total equity position. Shareholders' equity fell by 21.6% in FY2018 over the actual figures of FY2017. However, shareholder's equity increased by 10.2% when compared to the pro-forma figures. The decrease in shareholders' equity in FY 2018 represents the dividend in kind of €37.2 million distributed to all shareholders upon the 'spin-off'.

as at 31 January	*Actual* ***2016*** *€'000*	*Actual* ***2017*** *€'000*	*Actual* ***2018*** *€'000*
Inventories	12,334	14,569	13,652
Trade & Other Receivables	18,495	18,316	19,051
Trade & Other Payables	(20,056)	(18,974)	(21,507)
Working Capital	**10,773**	**13,911**	**11,196**

During the three-years ended 31 January 2018, the Group experienced a decrease in inventories in line with the Company's strategy to enhance the operations and logistics facilities. In fact, the inventory turnover ratio (the amount inventory is sold and replaced throughout the year) for FY2018 improved to 4.24 times (FY2017: 3.97 times). Additionally, *trade & other receivables* and *trade & other payables* increased, mainly reflecting the increased level of business of the Group. The net effect is a reduction in working capital from €13.9 million in FY2017 to €11.2 million in FY2018.

The base for the Group's operations is supported through a mix of borrowings and equity:

as at 31 January	*Actual* *2016* *€'000*	*Actual* *2017* *€'000*	*Actual* *2018* *€'000*
Borrowings			
Bank overdrafts & short-term borrowings	3,026	4,382	9,646
Bank Borrowings (long-term)	8,976	15,876	12,898
Finance Lease Liability	-	720	585
6.0% Bonds 2017- 2020	14,831	14,985	-
3.5% Bonds 2017 -2027	-	-	19,705
Total Borrowings	**26,833**	**35,963**	**42,834**
Cash & equivalents	**(2,445)**	**(768)**	**(3,720)**
Net Debt	**24,388**	**35,195**	**39,114**
Equity			
Share Capital	9,000	9,000	9,000
Revaluation & Other Reserves	54,105	59,146	49,409
Hedging Reserves	(919)	(705)	(495)
Retained Earnings	47,273	55,830	38,718
Total Equity	**109,459**	**123,271**	**96,632**
Total Funding	**133,847**	**158,466**	**135,746**
Gearing *(Net Debt / Total Net Funding)*	18.2%	22.2%	28.8%

Net debt experienced an increase from €35.2 million in FY2017 to €39.1 million in FY2018. This is principally due to additional borrowings undertaken by the Company to finance the increased capital expenditure together with the injection of additional capital in Trident Estates plc, prior to the spin-off. This in addition with the spin-off of the property segment which decreased the equity position of the Group, caused the reported gearing ratio to increase from 22.2% in FY2017 to 28.8% in FY2018.

FORECAST FY2019

Total assets are expected to remain at much the same levels as those presented in FY2018. Notwithstanding the capital expenditure for the year of €11.1 million, PPE is projected to increase marginally as much of the increase will be offset by the depreciation charge of €8.5 million.

On the liability side, total borrowings are expected to decrease from €42.8 million to €34.7 million mainly resulting from the additional operational cash flow projected and the lower capital investment. Consequently, total liabilities are to decrease to €58.0 million from €66.9 million. Total equity is expected to increase to €106.5 million in FY2019 from the current value of €96.6 million in FY2018, representing a substantial increase of 10.2%.

PART 4 – RATIO ANALYSIS

The following set of ratios have been computed by Rizzo Farrugia & Co. (Stockbrokers) Ltd using the figures extracted from annual reports and management information.

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.

	Actual FY2016	*Actual FY2017*	*Actual FY2018*	*Forecast FY2019*
Gross Profit margin *(Gross Profit / Revenue)*	38.35%	39.08%	39.02%	39.25%
EBITDA margin *(EBITDA / Revenue)*	21.71%	23.45%	23.28%	22.29%
Operating Profit margin *(Operating Profit / Revenue)*	13.34%	14.58%	15.44%	13.86%
Net Profit margin *(Profit for the period / Revenue)*	13.04%	13.77%	14.49%	13.15%
Return on Equity *(Profit for the period / Average Equity)*	10.70%	10.43%	14.97%	13.20%
Return on Capital Employed *(Profit for the period / Average Capital Employed)*	8.61%	8.21%	10.21%	9.30%
Return on Assets *(Profit for the period / Average Assets)*	7.19%	7.02%	8.73%	8.10%

The Group has over the years been able to generate healthy double-digit return margins, with consistent improvements each year. Going forward, the Company is expecting a marginal decline in profitability ratios mainly because of the current shortage of labour supply which is expected to lead to wage inflation and this, in turn, will translate into increases in operating costs.

Notwithstanding that the Company's performance improved over the year, the large increase in return on equity, return on capital employed and return on assets is a result of the spin-off of the previously low yielding property segment which decreased the denominator figure, resulting in a higher value in each respective ratio.

Liquidity Ratios

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

	Actual FY2016	*Actual FY2017*	*Pro-Forma FY2017*	*Actual FY2018*	*Forecast FY2019*
Current Ratio *(Current Assets / Current Liabilities)*	1.38x	1.39x	1.08x	1.12x	1.22x
Cash Ratio *(Cash & cash equivalents / Current Liabilities)*	0.10x	0.03x	0.02x	0.11x	0.05x

The Group's current ratio historically has always stood over 1x. The cash ratio has been low over the years, as the Group utilised banking facilities in addition to cash flow generated from operations to finance its capital investments.

Solvency Ratios

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

	Actual FY2016	*Actual FY2017*	*Pro-Forma FY2017*	*Actual FY2018*	*Forecast FY2019*
Interest Coverage ratio *(EBITDA / Net finance costs)*	13.71x	14.10x	13.53x	18.32x	18.53x
Gearing Ratio (1) *(Net debt / Total Equity)*	0.22x	0.29x	0.48x	0.40x	0.31x
Gearing Ratio (2) *[Total debt / (Total Debt plus Total Equity)]*	19.69%	22.59%	32.99%	30.71%	24.56%
Net Debt to EBIDTA *(Net Debt / EBIDTA)*	1.30x	1.71x	2.11x	1.77x	1.48x

The Group's balance sheet was subject to change because of the spin-off of the property segment. This can be observed by taking the difference between FY2017 and the pro-forma figures of FY2017. Having said that, this modification should not be viewed negatively as it simply represents changes in accounting classifications.

In fact, the Group's financial position improved over the previous year across all metrics and is expected to improve further next year. In FY2018, the interest coverage ratio increased to 18.32 times from 14.10 times in FY2017 (pro-forma FY2017: 13.53 times), as the Group generated a higher EBITDA while simultaneously reducing the cost of finance. Additionally, gearing decreased as a result of the increase in the total equity base. Moreover, the Group's net debt to EBITDA metric is just 1.77, meaning that with the current levels of EBITDA, it would take the Group less than two years' worth of EBITDA to repay debt in full.

PART 5 – VARIATIONS IN THE ISSUER'S FINANCIAL PERFORMANCE

Income Statement *as at 31 January*	*Actual* ***2018*** *€'000*	*Forecast* ***2018*** *€'000*	***Variance*** *€'000*
Revenue	94,980	91,097	*3,883*
Cost of Sales	(57,920)	(56,936)	*(984)*
Gross Profit	**37,060**	**34,161**	***2,899***
Selling & Distribution Costs	(10,332)	(10,726)	*394*
Administrative Expenses	(12,066)	(11,688)	*(378)*
Other Operating Expenses	-	10	*(10)*
Operating Profit	**14,662**	**11,757**	***2,905***
Depreciation & Amortisation & One-off Adjustments	*7,449*	*7,427*	*22*
EBITDA	***22,111***	***19,184***	***2,927***
Finance Costs	(1,207)	(1,260)	*53*
Profit before Tax	**13,455**	**10,497**	***2,958***
Tax Income	949	(399)	*1,348*
Discontinued Operations	(642)	-	*(642)*
Profit for the Year	**13,762**	**10,098**	***3,664***

Total revenue for FY2018 was €3.9 million higher than that forecast last year, mainly resulting from the upturn in the tourism industry, the recorded high temperatures during the year and the unplanned local mass events held during the year. Consequently, cost of goods sold was higher than expected in line with the additional sales.

Selling & distribution costs reported were lower by €0.4 million as a result of the significant level of investment made in enhancing the logistics centre complemented by the new shuttle pallet transfer system, a number of un/loading bays as well as a new truck park. In contrast, administrative costs reported were higher than expected by €0.4 million reflecting the increase in personnel costs. In view of the extensive investments carried out by the Group, the Company has benefitted from tax credits in the form of investment tax credits and conversion tax credits.

PART 6 – LISTED SECURITIES OF THE GROUP

SHARES

SFC's shares have been listed on the Official List of the Malta Stock Exchange since 20 December 1995.

Issued Share Capital:	30,000,000 ordinary shares with a nominal value of €0.30 per share
ISIN:	MT0000070103

DEBT SECURITIES

SFC's listed debt securities comprise:

Bond:	€20,000,000 3.5% unsecured bonds redeemable in 2027
ISIN:	MT0000071234

PART 7 - COMPARABLES

The table below compares the Issuer to other listed debt on the local market having broadly similar maturities. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations may vary significantly from those of the Issuer and are therefore not directly comparable. Nevertheless, the table below provides a sample of some comparatives:

Bond Details	Outstanding Amount (€)	Total Assets (€'000)	Total Equity (€'000)	Gearing Ratio* (%)	Net Debt to EBITDA** (times)	Interest Cover*** (times)	YTM ^ (%)
5.00% Dizz Finance plc 2026	8,000,000	19,262	4,754	66.1	5.16	3.16	4.41
4.80% Med. Maritime Hub Finance plc 2026	15,000,000	29,276	4,784	73.9	8.63	2.13	4.07
4.50% Medserv plc 2026 (EUR)	21,982,400	153,273	28,251	63.5	11.36	1.10	4.37
4.25% Corinthia Finance plc 2026	40,000,000	1,765,072	901,595	42.1	9.55	2.23	3.58
4.00% MIDI plc 2026	50,000,000	235,302	86,621	43.3	25.30	-0.98	3.45
4.00% IHI plc 2026 (Secured)	55,000,000	1,602,317	884,632	36.4	7.91	2.64	3.42
4.00% IHI plc 2026 (Unsecured)	40,000,000	1,602,317	884,632	36.4	7.91	2.64	3.44
3.90% Plaza Centres plc 2026	8,500,000	44,882	27,625	30.2	4.46	6.10	3.82
3.75% Premier Capital plc 2026	65,000,000	161,128	47,607	67.3	1.82	10.15	3.40
4.50% GHM plc 2027	15,000,000	21,050	2,876	70.7	4.57	1.81	3.90
4.35% SD Finance plc 2027	65,000,000	217,599	65,698	47.7	3.21	5.46	3.75
4.00% Eden Finance plc 2027	40,000,000	169,936	90,161	36.5	4.97	4.46	3.44
3.75% Tumas Investments plc 2027	25,000,000	198,819	89,238	25.8	2.10	10.13	3.22
3.50% Simonds Farsons Cisk plc 2027	20,000,000	163,528	96,632	28.8	1.77	18.32	2.87

Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 28 June 2018. Ratio workings and financial information quoted have been based on the financial statements of issuers (or their guarantors where applicable) as published for financial year ended 31 December 2017 (or later, as applicable).

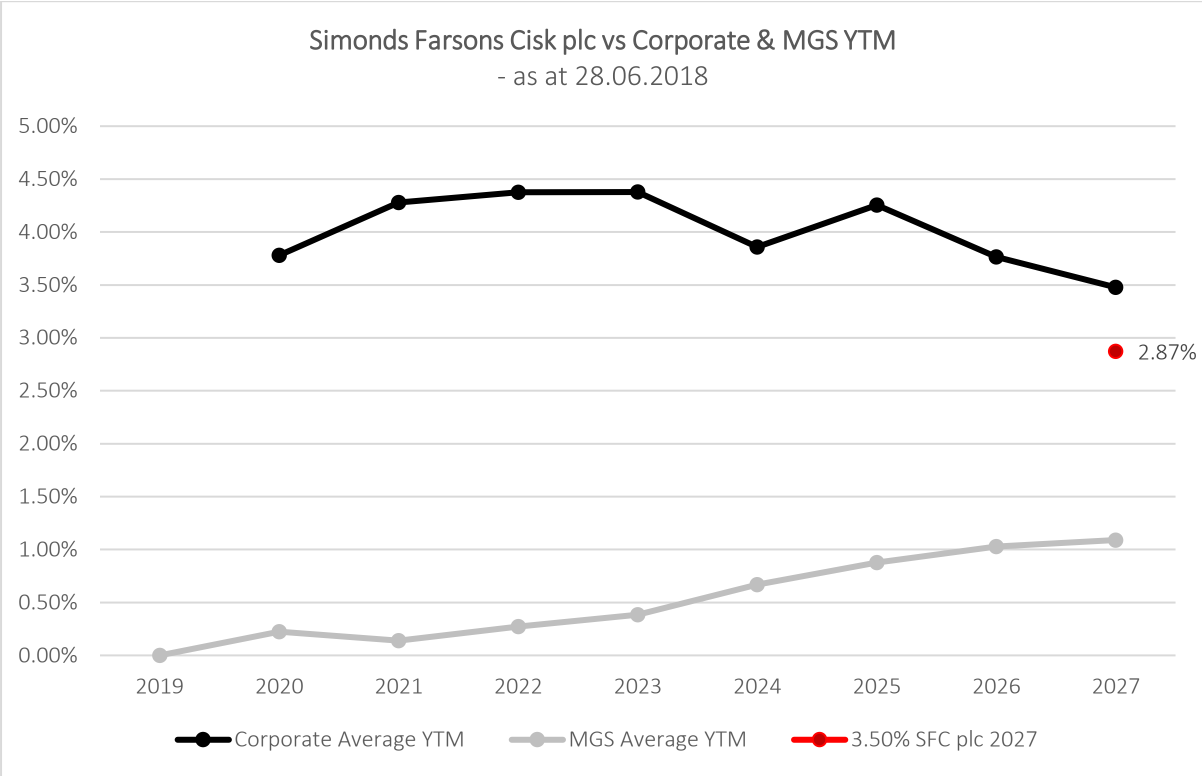
Gearing* ***Ratio**: This refers to the fundamental analysis ratio of a company's level of long-term debt compared to its equity capital. In the above table this is computed as follows: Net Debt / (Net Debt + Equity).*

***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 28 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 below compares the Simonds Farsons Cisk plc bond to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 28 June 2018.



At a coupon of 3.50% per annum, the Simonds Farsons Cisk 2027 yields 2.87% per annum to maturity, which is approximately 178 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2027 and approximately 60 basis points below the average yield to maturity of corporate bonds maturing in 2027 (data correct as at 28 June 2018).

Definitions

STATEMENT OF COMREHENSIVE 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 Issuer
Gross Profit	The difference between Revenue and Cost of Sales.
EBITDA	Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations.
Depreciation and Amortization	An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated.
Finance Income	Interest earned on cash bank balances and from the intra-group companies on loans advanced.
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit generated in one financial year.
CAGR	The compounded annual growth rate is the mean annual growth rate of the specified figure over a specified period longer than one 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.

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.