RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

Rizzo, Farrugia & Co (Stockbrokers) Ltd
Airways House, Fourth Floor, High Street, Sliema SLM1551, Malta
T. +356 22583000 E. info@rizzofarrugia.com W. www.rizzofarrugia.com

The Board of Directors
**MIDI plc**
North Shore,
Manoel Island,
Limits of Gzira, GZR 3016

20 June 2018

Dear Sirs,

**MIDI plc – update to the Financial Analysis Summary** (the **"Update FAS"**)

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

The purpose of the Update FAS is that of summarising key financial data appertaining to MIDI plc (the "**Company**", "**MIDI**", or "**Issuer**") in relation to the €50 million 4% Secured Bonds 2026 issued by the Company in 2016.

The data in this Update FAS is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the three years ended 31 December 2015 to 2017 has been extracted from the Issuer's audited statutory financial statements for the three years in question, as and when appropriate.

(b) The forecast data for the financial year ending 31 December 2018, being updated from the data presented in the previous FAS dated 19 June 2017, 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 Update FAS.

(e) Relevant financial data in respect of competitors as analysed in part 4 has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registry of Companies.

The Update FAS is meant to assist potential investors by summarising the more important financial data of the Issuer. The Update FAS does not contain all data that is relevant to potential investors and is meant to complement, and not replace, financial and/or investment advice. The Update FAS does not constitute an endorsement by our firm of the securities of the 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 Update FAS and no representation or warranty is provided in respect of the reliability of the information contained in this report. As with all investments, potential investors are encouraged to seek professional advice before investing.

Yours sincerely,

**Vincent E Rizzo**
Director

MIDI P.L.C.

FINANCIAL ANALYSIS SUMMARY

20 JUNE 2018

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### PREAMBLE

*In line with the requirements of the Listing Policies as issued and last updated by the MFSA on 5 March 2013, this report constitutes an update to the Financial Analysis Summary (FAS) that was first published on 28 June 2016 as part of the prospectus in relation to the issue of the €50 million 4% Secured Bonds 2026. The purpose of this report is to provide an update on the performance and on the financial position of MIDI plc (the "**Company**", "**MIDI**" or the "**Issuer**").*

## PART 1 - BUSINESS OVERVIEW UPDATE

### 1.1 KEY ACTIVITIES

MIDI plc was established in 1992 as a private consortium and was admitted to listing on the Malta Stock Exchange in December 2010. In June 2000, MIDI acquired the emphyteutical rights to the land at Tigné Point (Sliema) and Manoel Island (Gzira) from the Government of Malta for a period of 99 years. Tigné Point is one of the largest residential, commercial and leisure property development projects in Malta.

### 1.2 KEY ASSETS AND DEVELOPMENTS

#### TIGNÉ POINT

Tigné Point is a residential, commercial and leisure development located in Sliema. The development comprises 379 residential units complemented by office facilities, a shopping mall, parking facilities and Pjazza Tigné which also includes commercial and leisure outlets. The project places a strong emphasis on the restoration of historic sites including Fort Tigné, St. Luke's Garrison Chapel, army barracks and the clock tower. All traffic is routed underground, providing a car-free zone at ground floor level and extensive green areas and public spaces. These attributes make it a unique development for Malta in many respects.

#### Q2

Development of the Q2 residential block continued to progress well, with delivery of the units expected to materialise during 2018. 48 of the 60 units making up the Q2 development were launched during the course of FY2016 and FY017. While one of these units, a penthouse, was delivered during FY2016, the remaining 47 are currently subject to a promise of sale agreement with delivery having started to take place during this year. The remaining 12 units were launched during May 2018. Management expect delivery of most of this last tranche of Q2 units during 2018. This is expected to have a positive impact on MIDI's financial performance of FY2018, as will be discussed later on in this document.

#### T14 – THE CENTRE

The joint venture between MIDI and a third-party investor in 2014 - Mid Knight Holdings Limited - to carry out the construction and development of the T14 Business Centre, now known as The Centre, is now complete. The Centre is fully owned by Mid Knight Holdings Limited save for one floor which was sold during FY2017. The remaining owned floors are now fully tenanted, with the first tenants moving in during Q4 of FY2017.

### Manoel Island Project

During the course of 2017, the Company submitted a masterplan to the Planning Authority for its consideration and to the Environmental and Resources Authority for Environmental Impact Assessment Evaluation. This masterplan envisages the development of a low-rise marina village, the enhancement of the yacht marina, the creation of an 80,000 square metre nature park, the restoration of a number of historical buildings located on Manoel Island, most notably the Lazzaretto which is also envisaged to be converted into a hotel. Furthermore, car parking facilities will be located underground.

In March 2018, the Company entered into a Guardianship Deed with the Manoel Island Foundation, which it founded together with the Gzira Local Council, whereby the Company has provided commitments with respect to the public park, public access to the foreshore, swimming zones, Fort Manoel and building heights on Manoel Island.

## 1.3 Directors and Key Employees

The Board of MIDI consists of nine directors who are entrusted with the overall direction and management of the Company. The Board is currently composed of the following Directors:

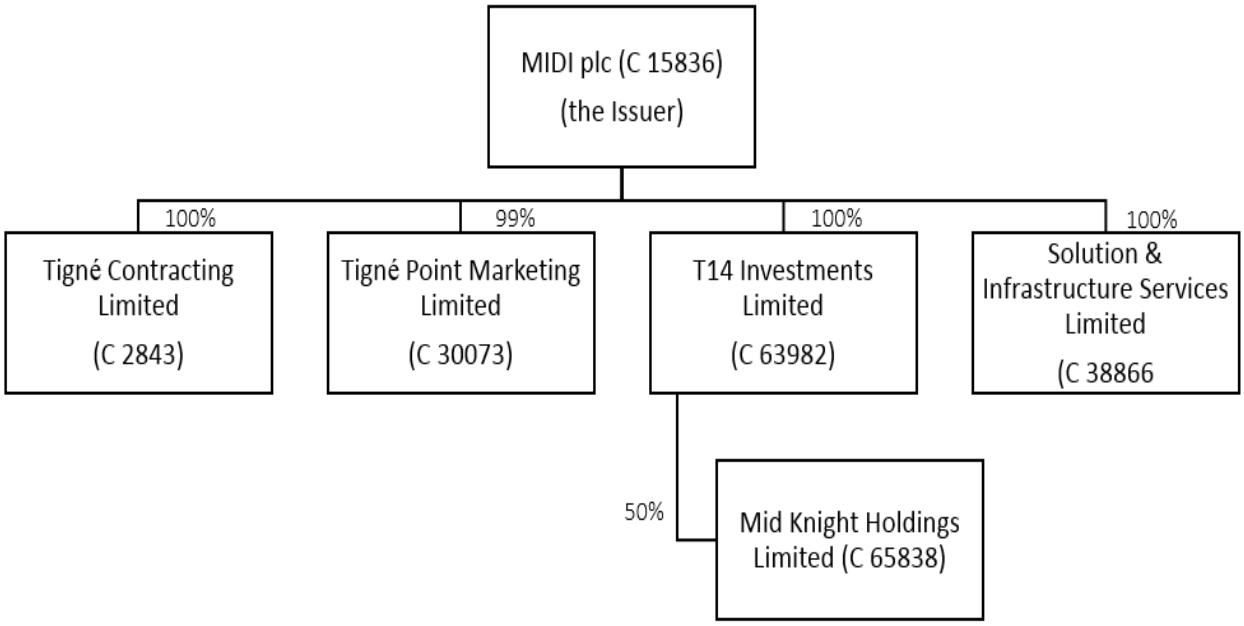
| Board of Directors | Role |
|---|---|
| Mr Alec A. Mizzi | Chairman & Non-Executive Director |
| Mr Joseph Bonello | Non-Executive Director |
| Mr Jonathan Buttigieg *(appointed 20 June 2017)* | Non-Executive Director |
| Mr David G. Curmi | Non-Executive Director |
| Mr David Demarco | Non-Executive Director |
| Mr Joseph A. Gasan | Non-Executive Director |
| Mr Alan Mizzi | Non-Executive Director |
| Mr Joseph Said | Non-Executive Director |
| Mr Mark Weingard *(appointed 20 June 2017)* | Non-Executive Director |

The Issuer has a number of employees of its own. The executive management of MIDI is composed of the following:

| Executive Management | Role |
|---|---|
| Mr Mark Portelli *(appointed 1 September 2017)* | Chief Executive Officer |
| Dr Catherine Formosa (appointed 25 August 2017) | Company Secretary |
| Mr Jesmond Micallef | Chief Financial Officer |
| Mr Ivan Piccinino | Senior Project Manager |
| Mr Ehsan Seyfouri Tabrizi | Chief Commercial Manager |

## 1.4 GROUP STRUCTURE

The MIDI Group is currently composed of the Issuer which is the holding Company of several subsidiary companies as shown in the organigram below.




### MIDI AND ITS SUBSIDIARIES (THE "GROUP")

MIDI is the only shareholder of Tigné Contracting Limited ("**TCL**"), T14 Investments Limited ("**T14L**") and Solutions and Infrastructure Services Limited ("**SIS**") and has 99% shareholding in Tigné Point Marketing Limited ("**TPML**").

### TCL

TCL was established in Malta on 10 July 2001 as a private limited liability company. TCL serves as the Group's main contractor to execute the construction and development of Tigné Point and Manoel Island. As such, the majority of contracts with third party contractors are entered into through this company.

### T14L AND MID KNIGHT HOLDINGS LIMITED

T14L was established in Malta on 21 February 2014 as a private limited liability company. During that same year, T14L entered into a joint venture with Benny Holdings Limited (a company substantially owned by Mr Mark Weingard who sits on the board of MIDI plc) - Mid Knight Holdings Limited – with a view to develop and manage a business centre (known as The Centre) located at Tigné Point.

### SIS

SIS was established in Malta on 5 June 2006 as a private limited liability company. The company was initially set up as a joint venture between MIDI and Siemens S.p.A. On 14 September 2015, MIDI acquired the 50% shareholding owned by Siemens S.p.A.

The principal operations of SIS are now focused on the operation of an HVAC centralised system which consists of the provision of heating and cooling to various residential and commercial components at Tigné Point.

Apart from HVAC, other building technologies such as fire detection, access control and CCTV services are also provided by SIS at Tigné Point, albeit to a lesser extent.

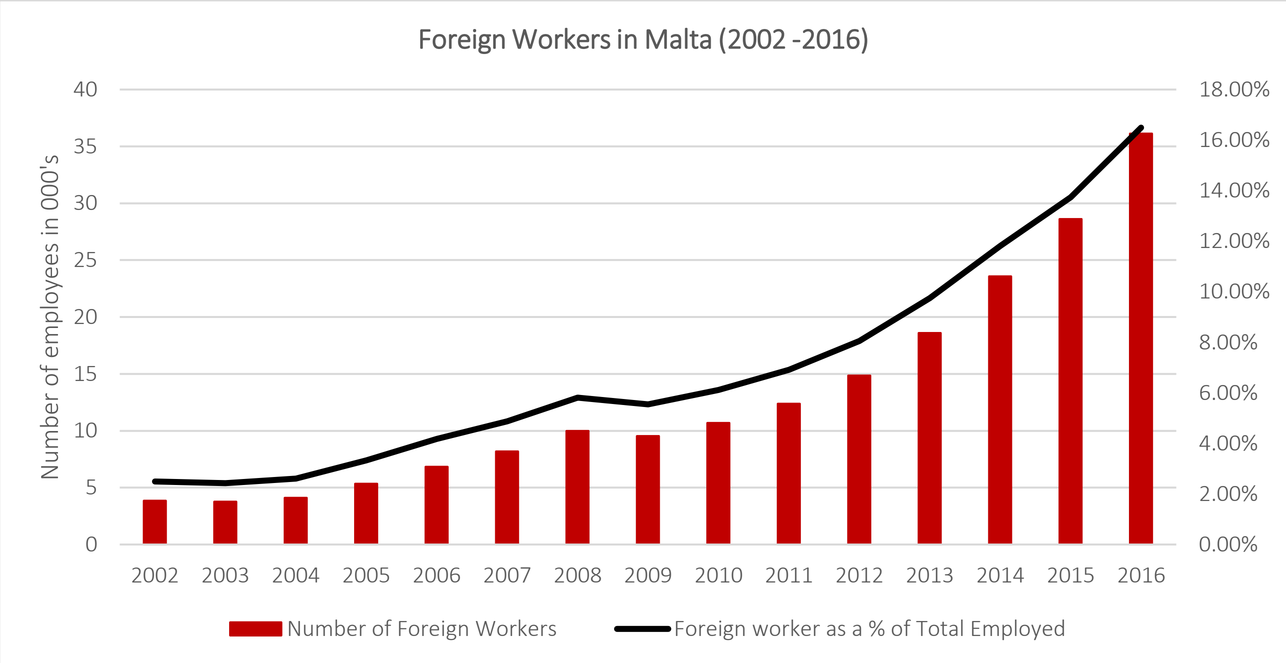
### TPML

TPML was established in Malta on 7 August 2002 as a private limited liability company. TPML handles all marketing and sales activities of the Group. The company has a specialised selling and marketing team, and is the main point of contact with MIDI's customers.

## 1.5 Market Overview

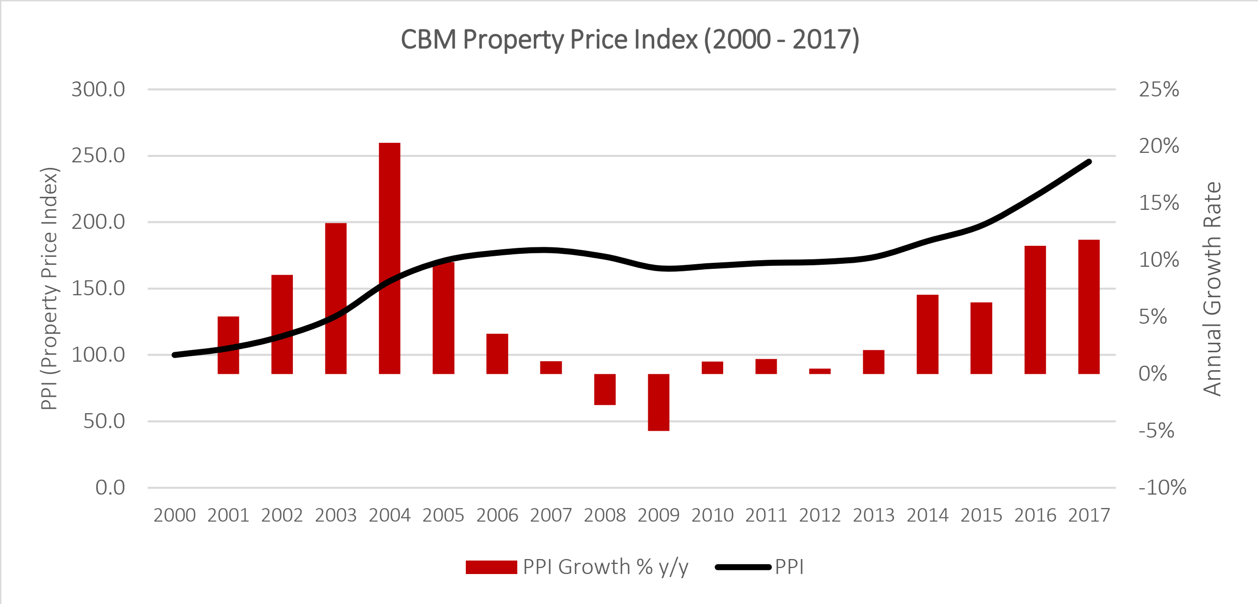
### The Construction and Property Market in Malta

The construction and real estate industry has traditionally been a key driver of growth for the local economy. Moreover, the positive correlation between the performances of the local economy and the construction and real estate industry has been particularly evident in recent years. These have been mainly fuelled by favourable local and external macroeconomic dynamics as well as various initiatives (including fiscal incentives) by the Government of Malta aimed at boosting the overall level of public and private investment, regenerate business/retail and consumer confidence, and increase the participation and relocation of numerous foreigners and foreign companies opting to reside and do business in Malta. The latter also includes the Individual Investor Programme which requires applicants to either acquire real estate in Malta (for a minimum value of €350,000) or lease a property at an annual rental rate of at least €16,000. Amid this background, it is also noteworthy to mention that although the number of foreigners opting to work in Malta exceeded 36,000 in 2016 (representing approximately 16% of the total workforce), Malta still needs to increase this number by a further 24,000 by the end of 2022 (according to a recent study made by Jobsplus) to match current and expected demand for labour.




*Source: Jobsplus*

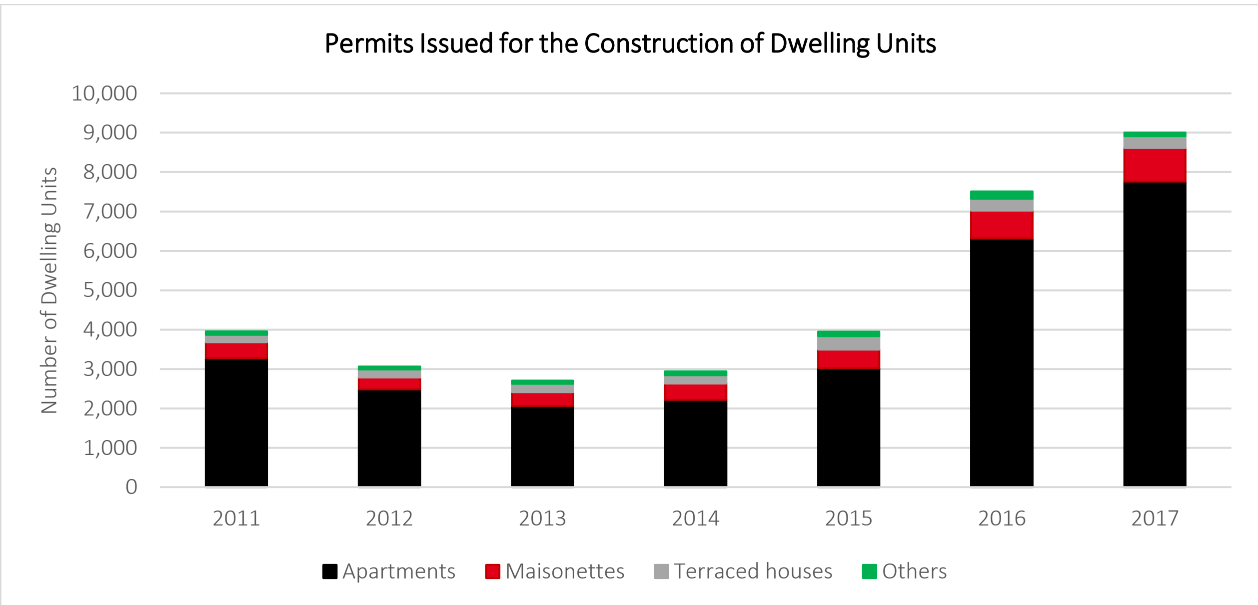
The most recent data issued by the Central Bank of Malta shows that property prices in Malta increased by 12% in 2017 over the previous year. This led the CBM Property Price Index, which tracks movements in the advertised prices of the major types of residential property, to reach a fresh all-time high of 257 points as at the end of 2017 compared to 236.2 points as at the end of 2016.




*Source: Central Bank of Malta*

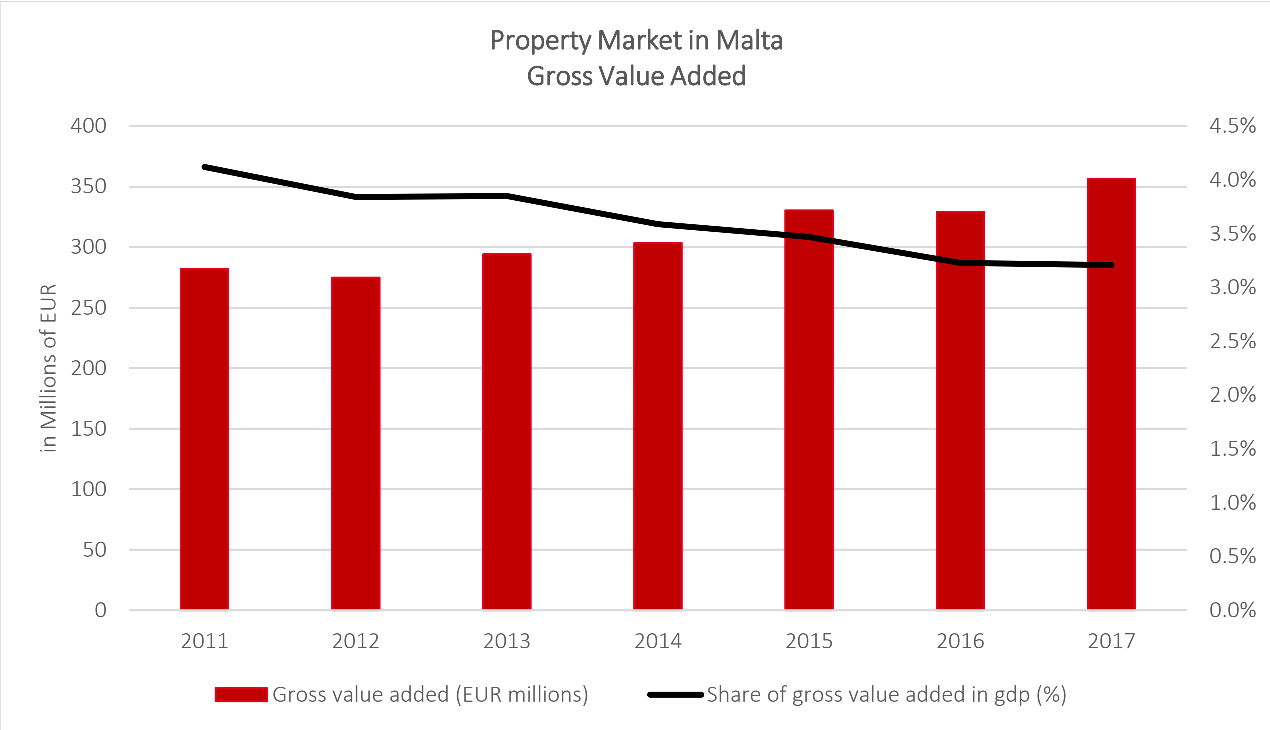
The CBM Property Price Index also shows that property prices in Malta increased by a compound average growth rate ("**CAGR**") of 5.4% per annum (in nominal terms) since 2000. Property prices increased rapidly from 2000 to 2005. Thereafter, the local property market went through a period of subdued growth between 2006 and 2013, also registering some element of contraction in 2008 and 2009. Following that, property prices started to rise again in a significant manner from 2014 with the positive trend continuing till present date.

The most recent upturn in property prices in Malta was mainly demand-driven. In fact, statistics show that the number of permits for residential units issued by the Planning Authority increased significantly over the past two years. In 2017, the Planning Authority sanctioned the development of 9,006 units, compared to 7,508 and 3,947 in 2016 and 2015 respectively. This increase was mostly in apartments (which is also the largest category of residential units), followed by maisonettes and terraced houses.




*Source: Planning Authority*

The improved activity and sentiment across the local property market also reflected in the contribution of this sector to Malta's GDP. In fact, gross value added of the construction sector increased by over 8% to €356 million in 2017 compared to €329 million in the previous year. On the other hand, however, the percentage share of the construction sector to Malta's GDP continued to diminish as other sectors of the local economy grew at a relatively faster pace than the construction sector.




*Source: NSO – National Accounts*

## COMMERCIAL PROPERTY

Although commercial property is a very important niche of the local property market, available statistics are indeed limited. Nonetheless, empirical evidence suggests healthy and buoyant demand, particularly for high-quality office space in line with the increase in the number of foreign companies operating in Malta. Indeed, with the constant influx of foreigners seeking to set up, transfer or expand their business locally, the demand for office space has increased considerably in recent years, mainly driven by Government's efforts at promoting Malta as a prime international business destination particularly for entities operating in financial services, i-gaming, information technology, aircraft maintenance and maritime. Other factors that contributed towards this success are an advanced telecommunications network, highly skilled professionals at competitive labour costs, Malta's strategic location and the implementation of laws in line with EU directives.

# PART 2 - ISSUER PERFORMANCE & FINANCIAL POSITION OVERVIEW

This section provides an analysis of the FY2017 financial figures published by the Company. The historic information is in the main sourced from published annual reports, supported by additional information sourced from management. The projections for the current financial year ending 31 December 2018 have been prepared by management.

Unless otherwise stated, all amounts in the tables below are in thousands (€'000) and have also been subject to rounding.

## 2.1 Financial Statements Review

### 2.1.1 Income Statement

***<u>Note on revenue recognition from sale of property:</u>*** ***In terms of accounting standards, revenue arising from the Company's sale of property can only be recognised in its income statement when significant risks and rewards of ownership of the property being sold are effectively transferred to the buyer. This means that while the Company may enter into a number of promise of sale agreements and receive the relative deposits, no such cash flows can be recognised as revenue until the deed of sale is published for each of the apartments, i.e. when the ownership of the apartment is completely transferred from the Company to the new owner.***

| | *Actual* | *Actual* | *Actual* | *Forecasts* |
|---|---|---|---|---|
| *for the year ended 31 December* | 2015 | 2016 | 2017 | 2018 |
| | *€'000* | *€'000* | *€'000* | *€'000* |
| Revenue | 41,043 | 8,674 | 4,636 | 67,761 |
| Cost of Sales | (31,123) | (3,885) | (3,051) | (39,377) |
| **Gross Profit** | **9,919** | **4,789** | **1,586** | **28,384** |
| Other net operating costs | (1,450) | (2,584) | (3,799) | (3,342) |
| **EBITDA** | **8,469** | **2,205** | **(2,213)** | **25,042** |
| Depreciation | (197) | (573) | (573) | (631) |
| Movement in fair value of investment property | 4,851 | - | - | - |
| **Results from operating activities** | **13,123** | **1,632** | **(2,786)** | **24,411** |
| Net finance costs | (3,204) | (3,726) | (2,255) | (2,141) |
| Share of (loss)/profit of joint venture | (14) | (18) | 26,281 | 1,200 |
| Impairment charge on goodwill | (448) | - | - | - |
| **Profit / (Loss) before tax** | **9,457** | **(2,113)** | **21,240** | **23,470** |
| Tax income / (expense) | 462 | (403) | (465) | (6,941) |
| **Profit / (Loss) for the period** | **9,920** | **(2,516)** | **20,775** | **16,529** |

## FY2017 REVIEW

The Group's main revenue streams can be divided into two main segments – (a) the development and sale of property, which comprises primarily the construction and sale of residential units within Tigné Point and Manoel Island; and (b) rental and management of commercial property, which involves the leasing and management of retail space at Pjazza Tigné and the catering units situated at the foreshore at Tigné Point, the management of the public car park, as well as the operations of SIS (acquired by MIDI in September 2015).

Revenue and Other Income Analysis by Operating Segment

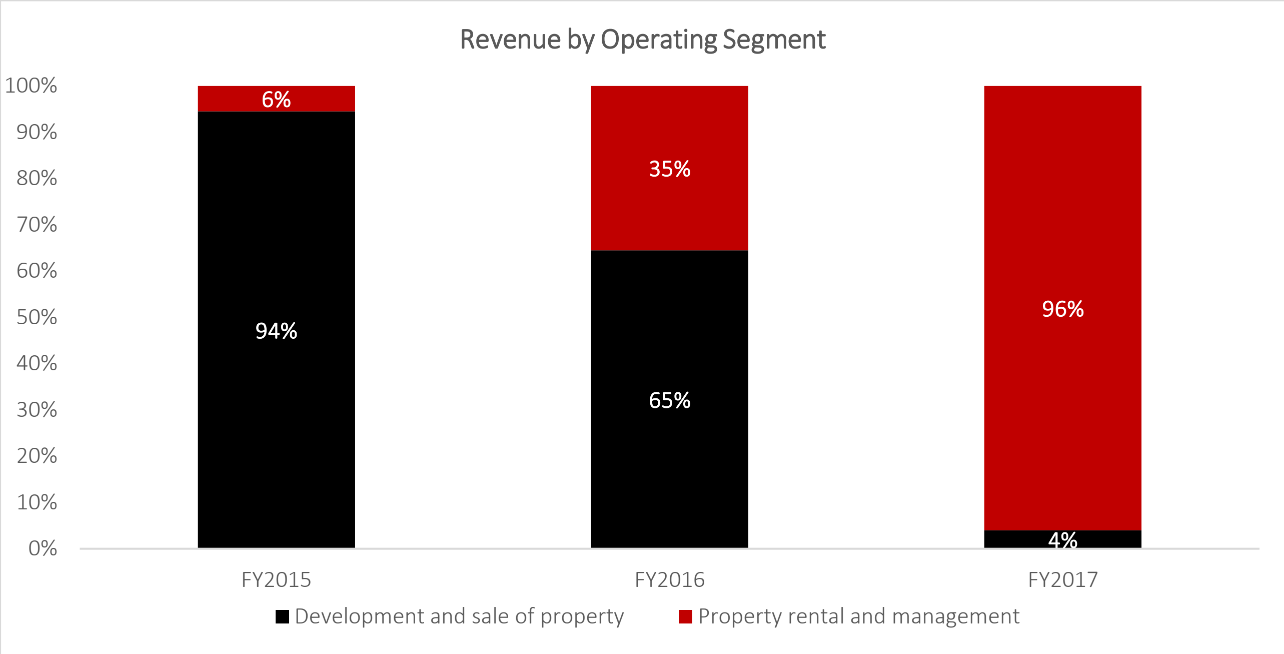
| | Actual | Actual | Actual | Forecasts |
|---|---|---|---|---|
| *for the year ended 31 December* | **2015** | **2016** | **2017** | **2018** |
| | *€'000* | *€'000* | *€'000* | *€'000* |
| Development and sale of property | 38,783 | 5,597 | 184 | 64,088 |
| Rental and management of commercial property | 2,259 | 3,077 | 4,452 | 3,673 |
| **Total Revenue** | 41,043 | 8,674 | 4,636 | 67,761 |

During FY2017, MIDI reported a significant drop in revenue to €4.64 million compared to €8.67 million in FY2016. The drop is largely due to the fact that MIDI could not deliver apartments from its Q2 construction to the respective buyers during the year as these were still under development. In fact, revenue from the '*development and sale of property'* only amounted to €0.18 million in FY2017 (relating to the sale of car park spaces) compared to €5.60 million and €38.78 million in FY2016 and FY2015 respectively. The income in FY2015 reflected the delivery of most of the apartments forming the Q1 residential block. In FY2016, MIDI had recognised a sale of a penthouse from its Q2 development.

During FY2016 and FY2017, the Company launched a total of 48 apartments of the Q2 development. One unit was delivered in FY2016 (thus recognised in the respective year's revenue figure) while the remaining 47 are all subject to a promise of sale. Deeds in relation to these units are expected to be published during FY2018, as all the associated finishing works are now complete and the apartments are ready to be delivered. MIDI has launched the final tranche of 12 units of the Q2 development during May of this year, and is earmarking delivery of nearly all units during 2018

On the other hand, revenue from '*property rental and management'* increased by 44.7% to €4.45 million and related to the rental income generated from the retail units within Pjazza Tigné, rental of the catering establishments within the same Pjazza, income generated by SIS and operator concession fees from the Manoel Island Marina.

The chart overleaf illustrates the proportion of total revenue generated by MIDI from each segmental unit in relation to the years ended 31 December 2015, 2016 and 2017. In view of the lack of income from delivery of apartments in FY2017, the share of revenue from property, rental and management segment dominated and amounted to 96.0% (FY2016: 35.0%) of total revenue.




Cost of sales dropped by 21.5% to €3.05 million, reflecting the fact that no delivery of apartments was made during the said financial year, thus leading to a gross profit of €1.59 million compared to €4.79 million in FY2016.

Administrative expenses increased by 70.9% to €4.51 million over those for FY2016 (€2.64 million). This increase is mainly attributed to an impairment charge of €1 million related to SIS and increased administration expenses related in the main to the capacity building exercise as the Company readied itself for the increased activity associated with the Manoel Island development.

For FY2017, the Group registered an operating loss amounting to €2.79 million compared to an operating profit of €1.63 million in FY2016. Excluding the depreciation charges, the Group's earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to a negative €2.21 million compared to positive EBITDA of €2.20 million in FY2016.

Net finance costs came in lower at €2.26 million in FY2017, reflecting the full-year effect of the refinancing of the €40 million 7% bond in 2016 with a lower coupon €50 million 4% bond maturing in 2026, supported by finance income of €0.24 million.

The Group reported a substantial increase in its share of profit from the joint-venture - Mid Knight Holdings Limited which in turn is involved in the development, management and administration of The Centre at Tigné Point - amounting to €26.24 million. Most of this gain arose from a revaluation exercise of the business centre carried out in FY2017, which increased the market value of The Centre from approximately €36 million to €95 million. The market value of the property was established using a comparative approach of current selling prices and rental values of similar commercial properties in similar localities.

The substantial gain registered in the joint venture holding in Mid Knight Holdings Limited contributed to a pre-tax profit of €21.24 million in FY2017 for MIDI, in contrast to the pre-tax loss of €2.11 million reported in the previous year. Similarly, after accounting for a tax charge of €0.47 million, the net profit for FY2017 stood at €20.78 million compared to a net loss of €2.52 million in FY2016.

## FORECASTS FY2018

The 2018 forecast data of MIDI plc. has been updated from those presented in the previous FAS dated 19 June 2017. Overall, FY2018 is expected to close off in a stronger position than originally anticipated on the basis of the below:

- Total revenue is expected to be marginally lower than previously forecasted at €67.76 million, mainly reflecting the company's lower revenue expectations from the '*property rental and management'* activities segment. Revenue expectations from development and sale of property remained just about the same.

- Costs incurred on the development and completion of the Q2 development are expected to be considerably lower than previously forecasted at €39.38 million. As a result, the gross margin is expected to widen from previous forecasts of 36.5% to 41.9%. The reasons are twofold: i) increase in the selling price per square metre of the apartment which is higher than originally projected; ii) the previous forecasts assumed that all apartments will be delivered during FY2018. The Company has revised this to pace delivery during FY2018 and 2019 thereby recognition of cost of sales will be spread accordingly. Nonetheless, management advised that it is the achieved increase in the rate per square metre that has caused this widening of margins for the Company.

- Additional, administrative and security personnel necessary to support the current team within MIDI is expected to result in an increase in other operating costs reaching €3.34 million.

- MIDI plc is also expected to beef up its senior management team that will be driving the Manoel Island project

- Finance costs are expected to be lower than previously expected decreasing from €2.39 million to €2.14 million in view of re-negotiated terms with banks which led to a lower finance cost for the Company.

- In FY2018, MIDI's share in the results of its joint venture on the T14 development is expected to generate a profit of €1.20 million as opposed to the profit of €0.25 million envisaged in the earlier forecasts. This is in the main due to contracted revenue following the full rental of the business centre which commenced its operations in the latter part of FY2017.

The update in the forecasts of FY2018 after accounting for the above assumptions will result in a better net profit before tax for the year, of €23.47 million against the €19.58 million previously forecasted.

### 2.1.2 Statement of Cash Flows

| | Actual | Actual | Actual | Forecasts |
|---|---|---|---|---|
| *for the year ended 31 December* | **2015** | **2016** | **2017** | **2018** |
| | *€'000* | *€'000* | *€'000* | *€'000* |
| Net cash from / (used for) operating activities | 5,257 | (3,721) | (8,242) | 18,516 |
| Net cash (used for) / from investing activities | (65) | (1,341) | 107 | - |
| Net cash (used for) / from financing activities | (3,951) | 12,895 | 4,190 | (7,979) |
| **Net movements in cash and cash equivalents** | **1,241** | **7,833** | **(3,945)** | **10,537** |
| Cash and cash equivalents at beginning of the year | 4,754 | 5,996 | 13,829 | 9,884 |
| **Cash and cash equivalents at end of year** | **5,996** | **13,829** | **9,884** | **20,421** |

### FY2017 REVIEW

During FY2017, the total amount of net cash used for operating activities amounted to €8.24 million compared to €3.72 million in FY2016, largely due to the construction and finishing works of Q2 block which necessitated outflows to pay for contracted development costs, as well as cash flows utilised for restoration works on the Garden Battery, works on the bridge linking Qui Si Sana with the Pjazza and other remedial works. Furthermore, the FY2016 cash flow statement featured the delivery of one penthouse of the Q2 block which resulted in a substantial cash inflow, which was not the case for FY2017, apart from the fact that the Company had to pay for most of the works carried out on the Q2 block that necessitated substantial cash outflow.

During FY2017, the Company applied €0.29 million to additions in PPE and acquired €0.40 million in proceeds from maturity of investments which are shown in the cash flows related to investing activities arriving to a positive net cash from investing of €0.11 million.

Meanwhile, net cash generated from financing activities amounted to €4.19 million (FY2016: €12.90 million), primarily because of the additional funding obtained from bank borrowings.

### FORECASTS FY2018

After considering the updated forecasts, the Company's net cash position will be €2.97 million better than originally anticipated. Management attribute this improved cash position to the improvement in cost management and efficiency with the development of Q2 apartments than originally anticipated. Furthermore, the Group's operations are expected to generate a net cash inflow from operations of €18.52 million by the end of FY2018, mainly attributable to the delivery of most of the apartments in Q2, thereby receiving cash from the publication of the public deeds on the various apartments. By the end of FY2018, management expect to have a small number of Q2 apartments in stock which are envisaged to be delivered to prospective tenants during 2019. This is expected to generate additional cash inflows both as deposits made by the prospective buyers and final payments upon delivery.

The Company is not expecting to employ cash for capital expenditure during FY2018. In contrast, financing activities are anticipated to generate a cash outflow of €7.98 million mainly reflecting payment of finance costs and the repayment of part of the bank facilities taken to finance the Q2 development.

Nonetheless, this is expected to leave the Company with a cash balance of €20.42 million which will be required in part settlement of loan facilities earmarked for repayment in 2019.

### 2.1.3 Statement of Financial Position

| as at 31 December | *Actual* 2015 *€'000* | *Actual* 2016 *€'000* | *Actual* 2017 *€'000* | *Forecasts* 2018 *€'000* |
|---|---|---|---|---|
| ASSETS | | | | |
| Property, plant and equipment | 21,208 | 21,818 | 20,540 | 19,909 |
| Investment property | 21,728 | 21,728 | 21,728 | 24,391 |
| Investment in joint ventures | 1,981 | 1,963 | 28,244 | 29,444 |
| Available-for-sale financial assets | 726 | 730 | 514 | 514 |
| Trade and other receivables | 1,945 | - | - | - |
| Loans receivable from joint ventures | 9,701 | 9,701 | 9,701 | 9,701 |
| Term placements with banks | 200 | - | - | - |
| Deferred tax assets | 343 | 263 | - | - |
| **Total non-current assets** | **57,832** | **56,203** | **80,727** | **83,959** |
| | | | | |
| Inventories - development project | 115,131 | 127,077 | 140,269 | 114,952 |
| Trade and other receivables | 2,870 | 3,191 | 3,936 | 2,973 |
| Current tax asset | 2,788 | 2,935 | 235 | 235 |
| Term placements with banks | 2,050 | 200 | - | - |
| Cash and cash equivalents | 6,792 | 14,173 | 10,135 | 20,421 |
| **Total current assets** | **129,630** | **145,577** | **154,575** | **138,581** |
| | | | | |
| **Total assets** | **187,462** | **203,780** | **235,302** | **222,540** |
| | | | | |
| LIABILITIES | | | | |
| Borrowings | 48,268 | 60,448 | 62,211 | 62,211 |
| Trade and other payables | 23,573 | 33,425 | 22,752 | 17,108 |
| Deferred tax liabilities | - | - | 179 | - |
| **Total non-current liabilities** | **71,841** | **93,873** | **85,141** | **79,319** |
| | | | | |
| Borrowings | 1,806 | - | 3,926 | - |
| Trade and other payables | 42,567 | 42,547 | 59,614 | 41,573 |
| **Total current liabilities** | **44,373** | **42,547** | **63,540** | **41,573** |
| | | | | |
| **Total liabilities** | **116,214** | **136,420** | **148,681** | **119,391** |
| | | | | |
| EQUITY | | | | |
| Share capital | 42,832 | 42,832 | 42,832 | 42,832 |
| Share Premium | 15,879 | 15,879 | 15,879 | 15,879 |
| Other Reserves | 2,034 | 2,160 | 2,094 | 2,094 |
| Retained earnings | 10,504 | 6,489 | 25,816 | 40,844 |
| **Total equity** | **71,248** | **67,360** | **86,621** | **101,649** |
| | | | | |
| **Total Equity & Liabilities** | **187,462** | **203,780** | **235,302** | **222,540** |
| | | | | |
| **Number of Shares in Issue** | **214,159,922** | **214,159,922** | **214,159,922** | **214,159,922** |
| **Net Asset Value per Share** *(Total Equity / No. of Shares)* | **€0.33** | **€0.31** | **€0.40** | **€0.47** |
| **Earnings per Share (EPS)** *(Profit after Tax / No. of Shares)* | **€0.05** | **(€0.01)** | **€0.10** | **€0.08** |

## FY2017 REVIEW

The Statement of Financial Position as at 31 December 2017 compared to the figures as at 31 December 2016, reveals that total assets increased by 15.5% to €235.30 million (FY2016: €203.78 million) largely reflecting the revaluation of The Centre which increased the value of the Group's investment in joint ventures from €1.96 million in FY2016 to €28.24 million by the end of FY2017. Additionally, the cash balances as at the end of FY2017 were €4.04 million lower largely reflecting the absence of cash inflow from the development and sale of property segment during the year and cash outflows needed to pay for contracted works.

In the same way, total liabilities increased by 9.0% to €148.68 million largely representing the 8.42% increase in total trade payables reflecting the advance payments made by prospective buyers of the Q2 apartments. Overall, shareholders' funds increased by 28.6% to €86.62 million from €67.36 million reflecting both the revaluation of the Business Centre and the cash dividend paid out during the period under review. This translates into a net asset value per share of €0.404 compared to €0.315 as at the end of the 2016 financial year.

The Group's borrowings were principally composed of the €49.12 million bond issued in FY2016 and bank borrowings of €16.93 million (FY2016: €11.33 million). After accounting for the cash balances, the net debt of the Group increased from €46.28 million in FY2016 to €56.00 million by the end of FY2017.

| BORROWINGS | *Actual* | *Actual* | *Actual* |
|---|---|---|---|
| *for the year ended 31 December* | **2015** | **2016** | **2017** |
| | *€'000* | *€'000* | *€'000* |
| **Current** | | | |
| Bank Loans | 1,806 | - | 3,926 |
| **Non-Current** | | | |
| Bank Loans | 6,884 | 11,329 | 13,000 |
| 7% Bonds 2016-2018 | 41,384 | - | - |
| 4% Secured Euro Bonds 2026 | - | 49,119 | 49,211 |
| **Total Borrowings** | **50,074** | **60,448** | **66,137** |
| Cash and cash equivalents | 6,792 | 14,173 | 10,135 |
| **Net Debt** | **43,282** | **46,275** | **56,002** |

## FORECASTS FY2018

In FY2018, the balance sheet is expected to remain at the same levels of FY2017 except for cash at bank where it is expected to be in the region of €20.42 million, as opposed to €10.14 million in FY2017. This largely represents the conversion of inventories (relating to Q2 apartments) into cash as deeds relating to the delivery of apartments of Q2 are signed during the year.

## NET ASSET VALUE

Over the years, MIDI has built up shareholders' value, with the net asset value (NAV) per share going up from €0.33 by the end of 2015 to €0.40 in 2017, supported over the years by the additional works carried out at Tigné and the more-recent revaluation of the Company's joint venture investment in Mid Knight Holdings.

## 2.2 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.

### 2.2.1 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* | *Actual* | *Actual* | *Forecasts* |
|---|---|---|---|---|
| | FY2015 | FY2016 | FY2017 | FY2018 |
| Gross Profit margin<br>*(Gross Profit / Revenue)* | 24.17% | 55.21% | 34.20% | 41.89% |
| EBITDA margin<br>*(EBITDA / Revenue)* | 20.64% | 25.42% | n/a | 36.96% |
| Operating Profit margin<br>*(Operating Profit / Revenue)* | 31.97% | 18.81% | n/a | 36.03% |
| Net Profit margin<br>*(Profit for the period / Revenue)* | 24.17% | n/a | 448.08% | 24.39% |
| Return on Equity<br>*(Profit attributable to owners of the Company / Average Equity attributable to owners of the Company)* | 15.07% | n/a | 26.98% | 17.56% |
| Return on Capital Employed<br>*(Profit for the period / Average Capital Employed)* | 8.46% | n/a | 14.81% | 10.44% |
| Return on Assets<br>*(Profit for the period / Average Assets)* | 5.23% | n/a | 9.46% | 7.22% |

Given the lack of operating profit in FY2017, which effected also EBITDA, ratios such as the EBITDA margin and operating profit margin cannot be determined and commented about. As the sale recognition of the apartments is expected to materialise during FY2018, the Company anticipates these profitability metrics to turn positive in FY2018. Meanwhile, the share of profit in the joint venture contributed to a profit for the Group in FY2017, which in turn resulted in healthy returns on equity, capital employed and total assets of the Company.

### 2.2.2 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* | *Actual* | *Actual* | *Forecasts* |
|---|---|---|---|---|
| | **FY2015** | **FY2016** | **FY2017** | **FY2018** |
| **Current Ratio**<br>*(Current Assets / Current Liabilities)* | 2.92x | 3.47x | 2.43x | 3.33x |
| **Cash Ratio**<br>*(Cash & cash equivalents / Current Liabilities)* | 0.15x | 0.33x | 0.16x | 0.49x |

The Group's short-term liquidity position as at 31 December 2017, represented by the current ratio, was 2.43 times (FY2016: 3.47 times) principally due to the increased payments received on account which represent deposits and amounts acknowledged from prospective purchasers. The Company's current ratio is expected to revert to its prior levels once the delivery of apartments is complete.

Similarly, the Group's cash ratio weakened during the FY2017 at 0.16 times (FY2015: 0.33 times) as the Company had substantial cash used for contracted works. Albeit, its cash position is expected to improve considerably in FY2018 once the final deed of sale is concluded and final balances on the delivery of the apartments are received.

### 2.2.3 Solvency Ratios

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

| | *Actual* | *Actual* | *Actual* | *Forecasts* |
|---|---|---|---|---|
| | **FY2015** | **FY2016** | **FY2017** | **FY2018** |
| **Interest Coverage ratio**<br>*(EBITDA / Net finance costs)* | 2.64x | 0.59x | n/a | 11.70x |
| **Gearing Ratio (1)**<br>*[(Net debt / (Net Debt plus Total Equity)]* | 37.79% | 40.72% | 39.27% | 29.13% |
| **Gearing Ratio (2)**<br>*[Total debt / (Total Debt plus Total Equity)]* | 41.27% | 47.30% | 43.30% | 37.97% |
| **Net Debt to EBITDA**<br>*(Net Debt / EBITDA)* | 5.11x | 20.99x | n/a | 1.67x |

The Company's financial leverage improved over the year end 31 December 2017. This is mainly attributable to the revaluation of The Centre (recognised as *Investment in Joint Ventures*) as its significant increase on the asset side overshadowed the increase in total debt on the liability side.

Given the lack of positive EBITDA in FY2017, the interest coverage ratio and net debt to EBITDA ratio normally presented cannot be determined and commented about.

The recognition of revenue from the final deeds of the Q2 apartments in FY2018 is expected to leave a positive effect across all solvency metrics of the Company.

## 2.3 VARIATIONS IN THE ISSUER'S FINANCIAL PERFORMANCE

| *for the year ended 31 December* | *Actual* 2017 | *Forecasts* 2017 | *Updated Forecasts* 2018 | *Previous Projections* 2018 |
|---|---|---|---|---|
| | *€'000* | *€'000* | *€'000* | *€'000* |
| Revenue | 4,636 | 5,423 | 67,761 | 68,040 |
| Cost of Sales | (3,051) | (3,524) | (39,377) | (43,176) |
| **Gross Profit** | **1,586** | **1,899** | **28,384** | **24,864** |
| Other net operating costs | (3,799) | (2,716) | (3,342) | (2,465) |
| **EBITDA** | **(2,213)** | **(817)** | **25,042** | **22,399** |
| Depreciation | (573) | (742) | (631) | (682) |
| **Results from operating activities** | **(2,786)** | **(1,559)** | **24,411** | **21,717** |
| **Net finance costs** | **(2,255)** | **(2,511)** | **(2,141)** | **(2,386)** |
| Share of profit of joint venture | 26,281 | 200 | 1,200 | 250 |
| **Profit / (Loss) before tax** | 21,240 | (3,870) | **23,470** | **19,581** |
| Tax expense | (465) | (537) | (6,941) | (6,693) |
| ***Profit / (Loss) for the period*** | **20,775** | **(4,407)** | **16,529** | **12,888** |

Total revenue in FY2017 was 14.5% less than that forecasted last year at €4.64 million. Accordingly, cost of sales reported was 13.4% less than that originally anticipated. These declines were in the main related to a works contract that SIS had undertaken which was anticipated to be completed during FY2017 but which has however spilled over into 2018. The substantial increase in net operating costs of nearly 40% over the projected figures is a result of an impairment charge of €1 million on the company's HVAC plant to reflect its current value and due to additional senior, administrative and security personnel required to support the current ground work of the development of Manoel Island. While operating income and EBITDA were lower than anticipated for the stated reasons, the Company reported a profit for the period of €20.78 million compared to the forecasted loss of €4.41 million. This is mainly related to the large share of profit reported of €26.24 million from its joint-venture, namely the 50% shareholding in Mid Knight Holdings Limited as a result of the revaluation estimate of The Centre from approximately €36 million (recognised at cost) to €95 million (fair value estimate).

For FY2018, revenue is generally in line with the previous forecasts. On the other hand, cost of sales is expected to be lower reflecting the delay of some units of the Q2 development to 2019, thereby recognising the respective costs on delivery of the said units. This is expected to trickle down to the rest of the income statement, with an overall improvement in EBITDA and profits. Similarly, given the level of contracted revenue streams for The Centre, the share of profit from the joint venture – Mid Knight Holdings Limited – is forecasted with an increased level of certainty as contracts have been signed with the respective tenants.

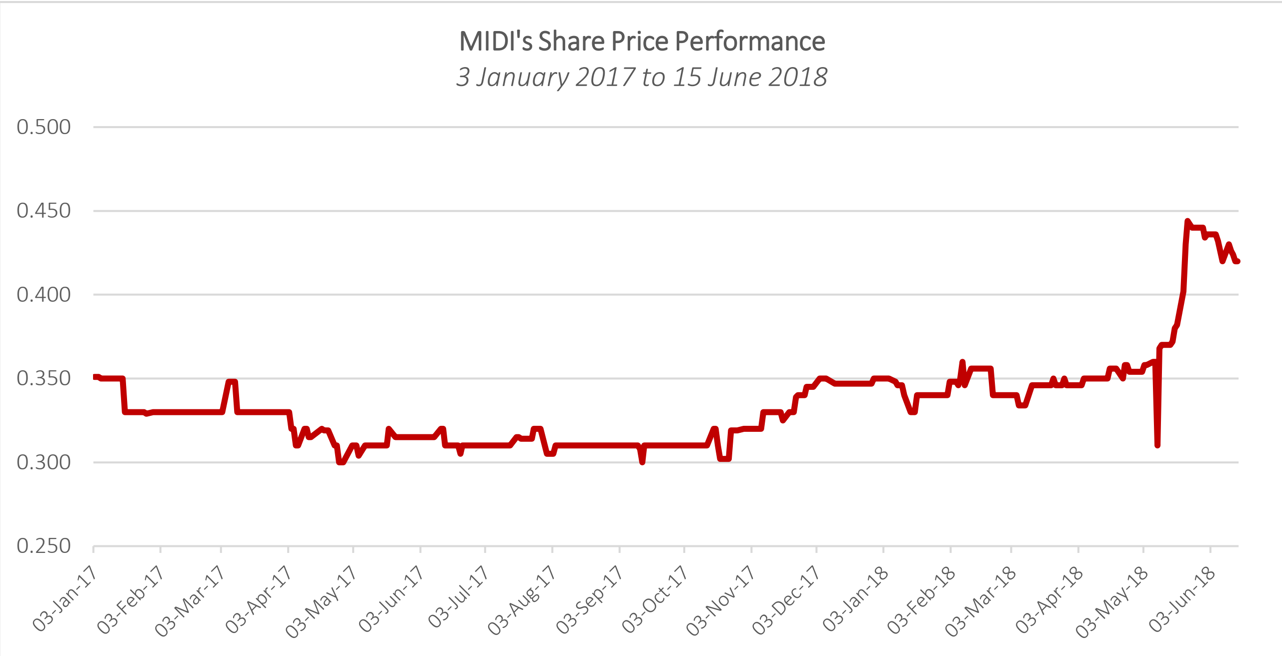
# PART 3 – MIDI'S LISTED SECURITIES

## Shares

MIDI's shares have been listed on the Official List of the Malta Stock Exchange since the IPO in December 2010.

| | |
|---|---|
| Issued Share Capital: | 214,159,922 ordinary shares with a nominal value of €0.20 per share |
| ISIN: | MT0000420126 |
| Highest Price in 2017: | €0.351 |
| Lowest Price in 2017: | €0.30 |
| Current Price: | €0.42 |

*(as at 15 June 2018)*




## Debt Securities

MIDI's listed debt securities comprise:

| | |
|---|---|
| Bond: | €50 million 4% Secured Bonds 2026 |
| ISIN: | MT0000421223 |

## PART 4 – COMPARATIVES

The table below compares MIDI's financial metrics to those of other companies which have debt securities listed on the Malta Stock Exchange with a similar maturity as that of the Company. It is to be noted, however, that there are significant differences in the business models of each of the listed companies being compared below and an exact match to the operations and business of the Issuer is not available. Thus, while the metrics below can be used as a gauge of MIDI's financial strength against other issuers listed locally, they do not capture the quantitative factors such as the differences in business models of each issuer, their competitive position in the market, KPIs, etc.

| Bond Details | Outstanding Amount | Total Assets | Total Equity | Gearing Ratio* | Net Debt to EBIDTA** | Interest Cover*** | YTM (as at 15.06.2018)^ |
|---|---|---|---|---|---|---|---|
| | *(€)* | *(€'000)* | *(€'000)* | | *(times)* | *(times)* | |
| 5.00% Dizz Finance plc 2026 | 8,000,000 | 19,261 | 4,754 | 66.10% | 5.16 | 3.16 | 3.74% |
| 4.80% Med. Maritime Hub Finance plc 2026 | 15,000,000 | 29,276 | 4,784 | 73.89% | 8.60 | 2.13 | 4.12% |
| 4.50% Medserv plc 2026 (EUR) | 21,982,400 | 153,273 | 28,251 | 63.53% | 11.36 | 1.10 | 4.38% |
| 4.25% Corinthia Finance plc 2026 | 40,000,000 | 1,765,072 | 901,595 | 42.07% | 9.50 | 2.23 | 3.58% |
| **4.00% MIDI plc 2026** | **50,000,000** | **235,302** | **86,621** | **39.27%** | **n/a** | **n/a** | **3.35%** |
| 4.00% IHI plc 2026 (Secured) | 55,000,000 | 1,602,317 | 884,632 | 36.26% | 7.90 | 2.64 | 3.43% |
| 4.00% IHI plc 2026 (Unsecured) | 40,000,000 | 1,602,317 | 884,632 | 36.26% | 7.90 | 2.64 | 3.45% |
| 3.90% Plaza Centres plc 2026 | 8,500,000 | 44,882 | 27,625 | 30.23% | 4.46 | 6.10 | 3.82% |
| 3.75% Premier Capital plc 2026 | 65,000,000 | 161,128 | 47,607 | 57.32% | 1.80 | 10.15 | 3.10% |

*Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 15 June 2018. Ratio workings and financial information quoted have been based on the respective issuers' published financial data (or their guarantors, where and as applicable).*

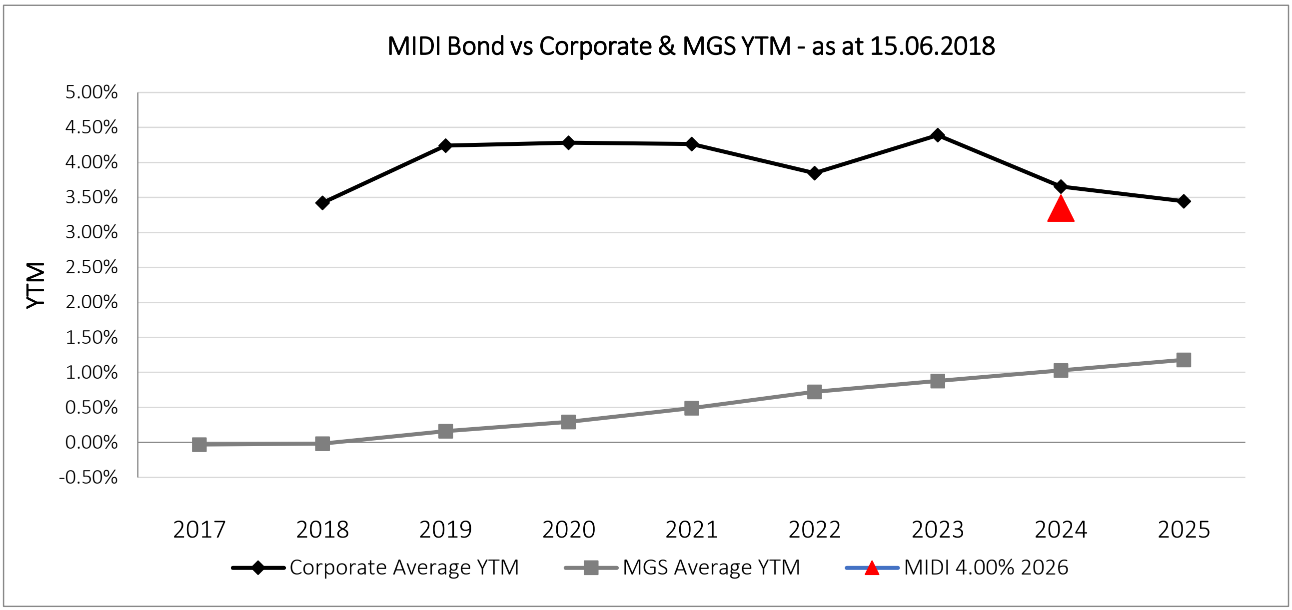
**Gearing: This refers to the fundamental analysis ratio of a company's level of long-term debt compared to its equity capital. In the above table this is computed as follows: Net Debt / [Net Debt + Equity).*

***Net Debt to EBITDA: This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA.*

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

*^Yield to Maturity (YTM) from rizzofarrugia.com, based on bond prices of 15 June 2018. YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.*

The chart overleaf shows the average yield to maturity of the MIDI bond compared to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 15 June 2018.




At a coupon of 4.00% per annum, the MIDI Bond 2026 currently yields 3.35%, which is approximately 232 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2026 and at a discount of approximately 31 basis points over the average yield to maturity of corporate bonds maturing in 2026 (data correct as at 15 June 2018).

# PART 5 - GLOSSARY

**INCOME STATEMENT EXPLANATORY DEFINITIONS**

| | |
|---|---|
| Revenue | Total revenue generated by the company from its business activity during the financial year. |
| Cost of Sales | The costs incurred in direct relation to the operations of the Issuer or Guarantor |
| Gross Profit | The difference between Revenue and Cost of Sales. |
| EBITDA | Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations. |
| Depreciation and Amortization | An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated. |
| Finance Income | Interest earned on cash bank balances and from the intra-group companies on loans advanced. |
| Finance Costs | Interest accrued on debt obligations. |
| Net Profit | The profit generated in one financial year. |

**CASH FLOW STATEMENT EXPLANATORY DEFINITIONS**

| | |
|---|---|
| Cash Flow from Operating Activities | The cash used or generated from the company's business activities. |
| Cash Flow from Investing Activities | The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets. |
| Cash Flow from Financing Activities | The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments. |

**BALANCE SHEET STATEMENT EXPLANATORY DEFINITIONS**

| | |
|---|---|
| Assets | What the company owns which can be further classified in Current and Non-Current Assets. |
| Non-Current Assets | Assets, full value of which will not be realised within the forthcoming accounting year. |
| Current Assets | Assets which are realisable within one year from the statement of financial position date. |
| Liabilities | What the company owes, which can be further classified in Current and Non-Current Liabilities. |
| Current Liabilities | Obligations which are due within one financial year. |
| Non-Current Liabilities | Obligations which are due after more than one financial year. |
| Equity | Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves. |