Financial Analysis Summary

27 September 2019

Issuer

SD Finance p.l.c.

Guarantor

SD Holdings Limited

WEALTH MANAGEMENT • CORPORATE BROKING

CHARTS

A division of MeDirect Bank (Malta) plc

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

27 September 2019

Dear Sirs

Financial Analysis Summary

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

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

(a) Historical financial data relating to the Issuer has been extracted from the audited financial statements of the Issuer for the period 20 January 2017 (being date of incorporation) to 31 March 2018 and the year ended 31 March 2019.

(b) Historical financial data relating to the Guarantor has been extracted from the audited consolidated financial statements of the Guarantor for the three years ended 31 March 2017 to 31 March 2019.

(c) The forecast data for the year ending 31 March 2020 has been provided by management.

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

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

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

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

Yours faithfully,

Evan Mohnani
Head – Corporate Finance

CHARTS - a division of MeDirect Bank (Malta) plc
The Centre, Tigné Point, Sliema TPO 0001 - Tel: 2557 4400

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PART 1 – INFORMATION ABOUT THE DB GROUP

1. KEY ACTIVITIES OF THE ISSUER

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

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

2. DIRECTORS OF THE ISSUER

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

Board of Directors

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

3. KEY ACTIVITIES OF THE GUARANTOR

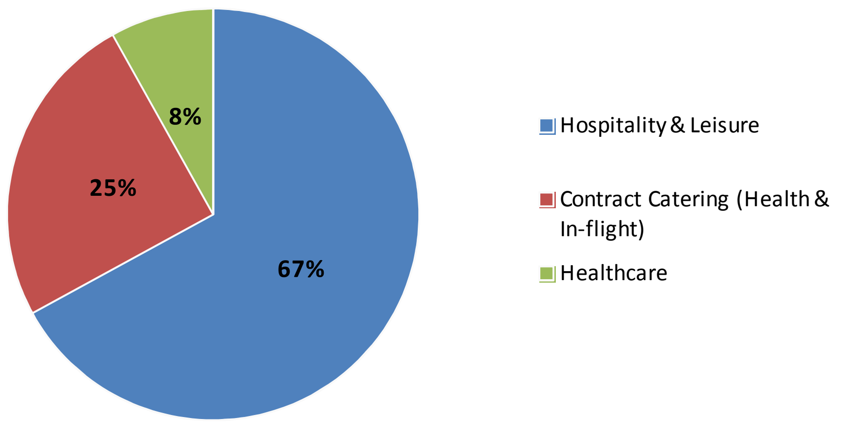
SD Holdings Limited (the "**Guarantor**" or "**db Group**") is the parent holding company of db Group and is principally engaged, through subsidiary companies, in the operation of: db Seabank Resort Spa, Mellieha Bay; db San Antonio Hotel & Spa, St Paul's Bay; the Adeera Complex (formerly known as 'Tunny Net Complex'), Mellieha; and 3 outlets under the Hard Rock Café franchise which are each located at the Valletta Waterfront, Baystreet Complex, St Julians and the Malta International Airport.

During 2019, db Group opened the first 2 Starbucks outlets in Malta at Vault 15, Valletta Waterfront and at the Adeera Complex, Mellieha. Db Group holds the exclusive license to operate and develop the Starbucks brand in Malta and accordingly has plans to open 18 Starbucks stores in the next 5 years.

Pursuant to an investment of €2.5 million, db Group opened in June 2019 the Nine Lives beach club in St Paul's Bay.

The Group is also involved, through associated entities, in the provision of contract catering and healthcare services in Malta, and the operation of Porto Azzurro Complex, St Paul's Bay. Furthermore, the Group has a 99-year concession on a site in St Julians, earmarked for the construction and development of the db City Centre, which will primarily comprise a Hard Rock hotel, residential tower, office space and shopping mall.

Aggregated Group Revenue by Segment
for the year ended 31 March 2019



Note: The above chart represents the aggregated revenue by division of db Group for the financial year ended 31 March 2019, adjusted accordingly to reflect the percentage shareholding held by db Group in each respective entity.

4. DIRECTORS OF THE GUARANTOR AND SENIOR MANAGEMENT

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

Board of Directors

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

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

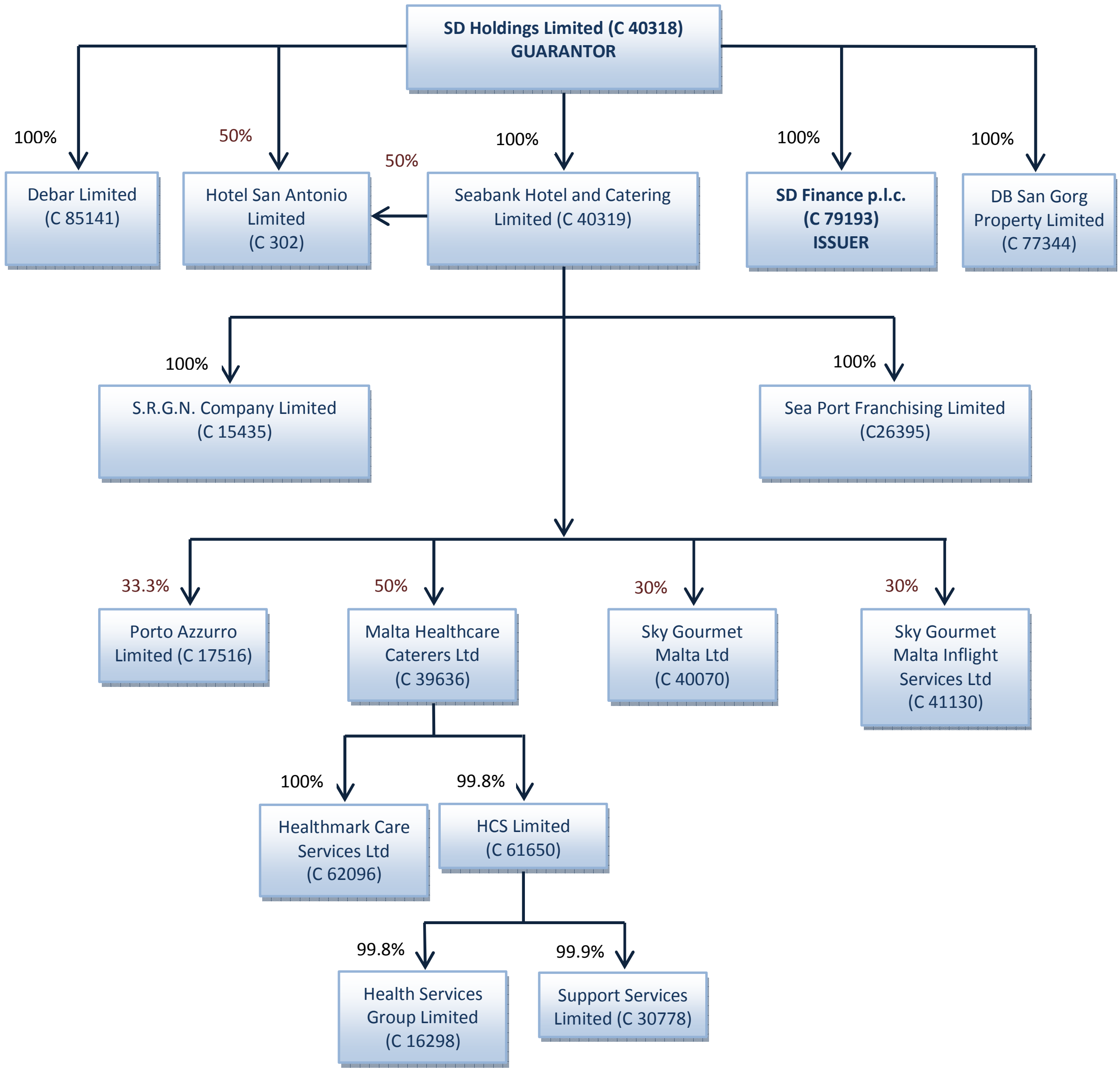
Senior Management of db Group

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

The weekly average number of employees engaged by the Group during FY2019 amounted to 640 persons (FY2018: 600).

5. DB GROUP ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the principal subsidiaries and associates within the organisational structure of db Group and the position within the said group of the Issuer and Guarantor. The complete list of companies forming part of db Group and further information on other investments of db Group are included in the consolidated audited financial statements of the Guarantor for the year ended 31 March 2019. Db Group's businesses are described in more detail in Part 2 below.



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

PART 2 – OPERATIONAL DEVELOPMENT

6. DB SEABANK RESORT & SPA

Introduction

Seabank Hotel and Catering Limited, a subsidiary of the Guarantor, owns the 538-room four-star db Seabank Resort & Spa, which occupies a land area of over 23,000m^2 and is located in Mellieha Bay, Malta (the "**Seabank Hotel**"). Over a span of 8 months commencing in 2012, the Seabank Hotel was redeveloped at a cost of *circa* €38 million which was financed from bank funding. It was officially re-opened during the financial year ended 31 March 2013 as an all-inclusive resort with 7 themed restaurants, 4 bars, an external pool, a fitness centre and health spa. In 2015, a new entertainment complex was opened at a cost of *circa* €1 million, which includes 3 restaurants, a bowling alley, a sports bar and a children club. In 2019, db Group utilised €1.5 million of own funds for the renovation of the pool area comprising a sunk-in bar, a new kids' pool and a club in a designated caved area. The carrying value of the Seabank Hotel as at 31 March 2019 is €109.5 million (FY2018: €61.3 million).

Operational Performance

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

db Seabank Resort & Spa		**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Turnover (€'000)		21,110	22,733	24,743	24,078
Gross operating profit/EBITDA (€'000)		10,843	12,060	10,293	10,600
Gross operating profit margin (%)		51	53	42	44
Occupancy level (%)		83	82	80	82
Revenue per occupied room (RevPOR) (€)	(a)	129	137	158	149
Gross operating profit per available room (GOPAR) (€)	(b)	20,117	22,375	19,132	19,703
Benchmark performance [1]					
Occupancy level (%)		82	80	83	
Revenue per occupied room (RevPOR) (€)	(c)	107	113	118	
Gross operating profit per available room (GOPAR) (€)	(d)	13,261	14,071	15,455	
Revenue Generating Index (RGI)	(a)/(c)	1.21	1.21	1.33	
Gross Operating Profit Generating Index (GOPGI)	(b)/(d)	1.52	1.59	1.24	

[1] Source: MHRA Survey Q4 2018. The data for FY2017, FY2018 and FY2019 comprise calendar years 2016, 2017 and 2018 respectively.

In the above table, gross operating profit is derived after deducting general and administrative expenses. Furthermore, the data in 'benchmark performance' has been updated as per MHRA Survey March 2019.

The Seabank Hotel continued to perform positively during FY2017 through FY2019 due to: (i) a favourable trend in tourism in Malta; (ii) its advantage as a newly refurbished property over other competing hospitality establishments; and (iii) the success of management in promoting the all-inclusive service package.

The hotel registered an increase of €1.1 million (+5.6%) in revenue in FY2017, to €21.1 million (FY2016: €20.0 million) and a further 7.7% increase in revenue to €22.7 million in FY2018 (+€1.6 million). Thereafter, the hotel reported an increase of €2.0 million (+8.8%) in revenue to €24.7 million in FY2019, primarily on account of a 15.3% increase (y-o-y) in RevPOR to €158 (FY2018: €137).

As to gross operating profit, the hotel reported a y-o-y increase of €1.2 million in FY2018 (+11.2%) from €10.8 million in FY2017 to €12.1 million. In FY2019, notwithstanding the 8.8% increase in revenue, gross operating profit decreased by €1.8 million (-14.7%) to €10.3 million (FY2018: €12.1 million), resulting in a decline of 11% in gross operating profit margin from 53% in FY2018 to 42% in FY2019.

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

Seabank Hotel's occupancy level surpassed its peer group by 1 percentage point in FY2017 (83% as compared to the industry's 82%) and 2 percentage points in FY2018 (82% as compared to the industry's 80%). In the subsequent year, the hotel's occupancy level was lower than benchmark by 3 percentage points at 80%. Given that the hotel is one of the largest hotels in Malta with 538 rooms, management believes that it is more challenging to outperform the industry average.

As for RevPOR (which incorporates room revenue, food & beverage and other income), the Seabank Hotel performed better than the four-star industry average in each of the historical years under review (as evidenced by the RGI above 1 in FY2017 to FY2019). Furthermore, the Seabank Hotel generated GOPAR in FY2017 to FY2019 well in excess of the four-star average (GOPGI of 1.52, 1.59 and 1.24 respectively), primarily as a result of the hotel benefiting from economies of scale, allowing for greater flexibility in operations and having a leaner structure.

With respect to FY2020, the Seabank Hotel is projected to increase occupancy by 2 percentage points to 82%, whilst RevPOR is expected to decrease from €158 in FY2019 to €149 (-6%). This is reflective of the industry's trend in Malta as hotels continue to experience increased competitive from the private accommodation sector. Notwithstanding the reduction in RevPOR, management expects gross operating profit to increase marginally from €10.3 million achieved a year earlier to €10.6 million.

7. DB SAN ANTONIO HOTEL & SPA

Introduction

Hotel San Antonio Limited, a db Group subsidiary company, owns the 513-room 10-floor four-star db San Antonio Hotel & Spa, located in St Paul's Bay, Malta (the "**San Antonio Hotel**"). The Group acquired 50% of the San Antonio Hotel in 2000 and purchased the remaining 50% shareholding in December 2013. During the first two quarters of 2014 (Jan-Jun'14), the hotel was closed for refurbishment and development works comprised the extension of the room count from 300 to over 500 rooms. In addition, a number of apartments were developed, which are offered to customers on a long-let basis. The total capital expenditure amounted to *circa* €32 million and was financed from bank funding. The San Antonio Hotel is an all-inclusive hotel with 5 themed restaurants, indoor, outdoor and rooftop pools, a fitness centre, a Hammam spa and conference facilities. The carrying value of the San Antonio Hotel as at 31 March 2019 is €90.5 million (FY2018: €67.6 million).

Operational Performance

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

db San Antonio Hotel & Spa		**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Turnover (€'000)		16,579	18,202	19,774	19,977
Gross operating profit/EBITDA (€'000)		7,252	7,726	12,368	10,600
Gross operating profit margin (%)		44	42	63	53
Occupancy level (%)		81	78	80	82
Revenue per occupied room (RevPOR) (€)	(a)	124	140	150	151
Gross operating profit per available room (GOPAR) (€)	(b)	15,938	16,980	27,183	23,297
Benchmark performance [1]					
Occupancy level (%)		82	80	83	
Revenue per occupied room (RevPOR) (€)	(c)	107	113	118	
Gross operating profit per available room (GOPAR)(€)	(d)	13,261	14,071	15,455	
Revenue Generating Index (RGI)	(a)/(c)	1.16	1.24	1.27	
Gross Operating Profit Generating Index (GOPGI)	(b)/(d)	1.20	1.21	1.76	

[1] Source: MHRA Survey Q4 2018. The data for FY2017, FY2018 and FY2019 comprise calendar years 2016, 2017 and 2018 respectively.

In the above table, gross operating profit is derived after deducting general and administrative expenses. Furthermore, the data in 'benchmark performance' has been updated as per MHRA Survey March 2019.

In FY2017, revenue increased by €1.9 million (+12.6%) from €14.7 million in FY2016 to €16.6 million, and grew by a further €1.6 million (+9.8%) a year later to €18.2 million. The hotel registered an increase of €0.6 million in gross operating profit in FY2017 to €7.3 million (FY2016: €6.7 million), whilst gross operating profit reported in FY2018 amounted to €7.7 million (+6.5%, y-o-y).

FY2019 was another positive year for the hotel, wherein revenue increased from €18.2 million in FY2018 to €19.8 million (+8.6%), mainly on account of a €10 (+7.1%) increase in RevPOR to €150 (FY2018: €140). More importantly, the hotel managed to improve its gross operating profit margin from 42% in FY2018 to 63% in FY2019, which resulted in a €4.6 million (+60.1%) growth in gross operating profit to €12.4 million (FY2018: €7.7 million).

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

Similar to the Seabank Hotel, the San Antonio Hotel is one of the largest hotels in Malta with 513 rooms (as of FY2018) and thus is more of a challenge to match and surpass the industry's average occupancy level. During FY2017 to FY2019, the hotel achieved an average occupancy level of 80%, which was marginally lower than the sector average of 82%. As a newly refurbished property, the hotel managed to attain a higher RevPOR than the industry benchmark in each of the historical years, thereby achieving an RGI above 1.

With respect to GOPAR, the San Antonio Hotel exceeded the market average in FY2017, FY2018 and FY2019, as management took advantage of economies of scale afforded by the property (in view of the higher room inventory than the sector average). A significant positive variance between the hotel and its benchmark was registered in FY2019 as GOPGI increased from 1.21 in FY2018 to 1.76 in FY2019.

As for FY2020, management expects to generate the same revenue level achieved in the prior year, and is therefore projecting revenue at €20.0 million (FY2019: €19.8 million). On the other hand, gross operating profit is forecasted to decrease y-o-y by €1.8 million to €10.6 million (FY2019: €12.4 million), but still considerably higher when compared to FY2018 (+37.2%). Occupancy is expected to increase to 82% (FY2019: 80%), whilst RevPOR is projected to increase marginally from €150 in FY2019 to €151. A decrease of 14.3% is being forecasted for GOPAR, from €27,183 in FY2019 to €23,297.

8. HARD ROCK CAFÉ MALTA

Introduction

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

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

- **Bay Street Complex, St Julian's** – The premises is subject to a concession agreement and an operator agreement with Bronville Limited and Baystreet Limited respectively. The term of both agreements commenced on 25 November 2000, and is due to expire on 25 November 2020. The restaurant covers an area of 600m^2, has a seating capacity of *circa* 180 covers, and includes a bar area, merchandise shop and internationally renowned rock 'n' roll memorabilia.

- **Malta International Airport** – Sea Port Franchising Limited operates a Hard Rock Bar at the Malta International Airport pursuant to a lease agreement, entered into with Malta International Airport p.l.c., the term of which commenced on 1 January 2016 and is due to expire on 31 December 2022, subject to renewal. The Hard Rock Bar is situated in the departures lounge of the airport. In 2015, the Hard Rock Bar was fully refurbished and restyled.

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

Operational Performance

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

Hard Rock Café Malta	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast	CAGR FY17-19	CAGR FY17-20
Turnover (€'000)	5,885	6,532	6,883	6,981	8.1%	5.9%
Food and beverage	3,930	4,252	4,581	4,537	8.0%	4.9%
Merchandise	1,955	2,280	2,302	2,444	8.5%	7.7%
EBITDA (€'000)	448	639	1,061	1,134	53.9%	36.3%
EBITDA margin (%)	8	10	15	16		

EBITDA - Earnings before Interest, Tax, Depreciation and Amorti

CAGR - Compound annual growth rate.

Source: Management information.

During the three historical financial years under review (FY2017 – FY2019), revenue increased from €5.9 million in FY2017 to €6.9 million in FY2019, an increase of €1.0 million (+17.0%, CAGR of 8.1%). Two-thirds of this growth is attributable to an increase in revenue generated from food & beverage, whilst merchandise sales increased by *circa* 35% over the afore-mentioned years.

EBITDA in FY2017 amounted to €0.45 million (FY2016: €0.39 million), which increased to €0.64 million in FY2018 and €1.06 million in the subsequent financial year. The EBITDA margin improved from 8% in FY2017 to 10% in FY2018, and increased further to 15% in FY2019.

Revenue in FY2020 is projected to increase marginally when compared to the prior year and is expected to amount to €7.0 million (FY2019: €6.9 million). EBITDA is expected to increase from €1.06 million in FY2018 to €1.13 million in FY2020, thus resulting in a 1 percentage point increase in EBITDA margin to 16% (FY2019: 15%).

9. ADEERA COMPLEX AND NINE LIVES BEACH CLUB

Introduction

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

In June 2019, db Group commenced operating Nine Lives beach club in St Paul's Bay, Malta, following an investment of €2.5 million. The club is situated on the water's edge with a majestic view of St Paul's Islands and offers a casual dining experience and entertainment facilities.

Operational Performance

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

Adeera Complex and 9 Lives	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast	CAGR FY17-19	CAGR FY17-20
Turnover (€'000)	2,987	2,788	4,720	6,152	25.7%	27.2%
Food and beverage	1,759	1,614	3,329	4,635	37.6%	38.1%
Souvenir shop articles	1,187	1,140	1,346	1,423	6.5%	6.2%
Other income	41	34	45	94	4.8%	31.9%
EBITDA (€'000)	475	357	1,241	1,697	61.6%	52.9%
EBITDA margin (%)	16	13	26	28		

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

CAGR - Compound annual growth rate.

Source: Management information.

Adeera Complex increased its revenue in FY2017 (from €2.7 million in FY2016 to €3.0 million), but generated a marginally lower amount in FY2018 to €2.8 million (a decrease of €0.2 million y-o-y), mainly due to the renovation works undertaken over a 4-month period. Turnover has been relatively stable over the recent years, which was supported by the positive trends exhibited in the local tourism sector and the resultant spill over effect from the increased occupancy levels at the Seabank Hotel. In FY2019, revenue increased substantially from €2.8 million in FY2018 to €4.7 million following the renovations, rebranding and new offerings. This significant improvement in revenue was also reflected in EBITDA as Adeera Complex registered an increase of €0.8 million from €0.5 million in FY2017 to €1.2 million in FY2019.

Management expects FY2020 to be another positive year with the opening of Nine Lives in June 2019. As such, revenue is projected to increase by €1.4 million (+30.3%) to €6.2 million from a year earlier, while EBITDA is expected to improve from €1.2 million in FY2019 to €1.7 million in FY2020.

10. STARBUCKS

During 2019, db Group opened the first 2 Starbucks outlets in Malta at Vault 15, Valletta Waterfront and Adeera Complex, Mellieha. Db Group holds the exclusive license to operate and develop the Starbucks brand in Malta and Gozo, and accordingly plans to open 18 Starbucks outlets over a 5-year period. Revenue for FY2020 is projected to amount to €1.4 million and EBITDA is expected to amount to €141,000.

11. HOSPITALITY & LEISURE SECTOR ANALYSIS

11.1 ECONOMIC UPDATE[1]

Malta's economy grew by 6.7% in 2018, making it the fifth year in a row in which real GDP has grown by over 5%. The structural shift towards a fast growing, internationally-oriented services sector is the main factor behind Malta's recent economic success. Domestic demand was the main growth driver in 2018, replacing net exports. In particular, strong employment growth boosted household disposable income, resulting in record-high private consumption. In the first quarter of 2019, domestic demand was underpinned by public consumption and investment, while private consumption growth eased slightly. At the same time, net exports declined as a result of strong import growth. Consumer confidence remained above its historical average, but overall sentiment began to deteriorate in March, particularly in the services sector.

While growth momentum is expected to remain solid, GDP growth is forecast to moderate in 2019 and 2020 to 5.3% and 4.8%, respectively. This is the result of private consumption growth gradually moderating, mirroring the pace of job creation. Public expenditure is expected to increase faster than private consumption, as the government makes use of the fiscal space it has accumulated over recent years. Investment is expected to remain robust over the forecast horizon, supported by planned infrastructure and health projects. Looking at the external sector, import growth is set to pick up in parallel with investment growth, narrowing the large current account surplus. After reaching 1.7% in 2018, inflation was subdued in the first months of 2019 before accelerating in April, driven by rising food prices. Prices are expected to further increase during the peak tourism season and then slightly decelerate, pushing headline inflation to 1.8% in 2019 and 1.9% in 2020.

11.2 TOURISM MARKET[2]

Inbound tourist trips from January to December 2018 reached nearly 2.6 million, an increase of 14.3% over the same period in 2017. Total nights spent by inbound tourists went up by 12.5%, reaching nearly 18.6 million nights. Total tourism expenditure was estimated at €2.1 billion, 8.0% higher than that recorded for 2017. Total expenditure per capita stood at €809, a decrease of 5.5% when compared to 2017. In 2018, total guests reached almost 2.0 million, an increase of 8.4% over the same period in 2017. Within the collective accommodation establishments, the 5-star lost 4,542 guests (-1.1%), whilst the 4-star and 3-star hotels gained 80,814 guests (+10.2%), and 47,716 (+9.3%) respectively for the year 2018 when compared to a year earlier.

Inbound tourist trips for the initial six months of 2019 amounted to 1.2 million, an increase of 3.9% over the same period in 2018. Total nights spent by inbound tourists went up by 2.4%, reaching nearly 7.9 million nights, 44% of which were in private accommodation. Total guests (residents and non-residents) residing in collective accommodation establishments in the first six months of 2019 amounted to 947,485, a decrease of 0.8% over the prior comparable period. Further analysis shows that 5-star and 3-star hotels registered y-o-y declines of 8.6% and 11.4% respectively, while 4-star

[1] European Economic Forecast – Summer 2019 (European Commission Institutional Paper 108 July '19)
[2] National Statistics Office Malta (www.nso.gov.mt); MHRA Q2 2019 Hotel Survey by Deloitte

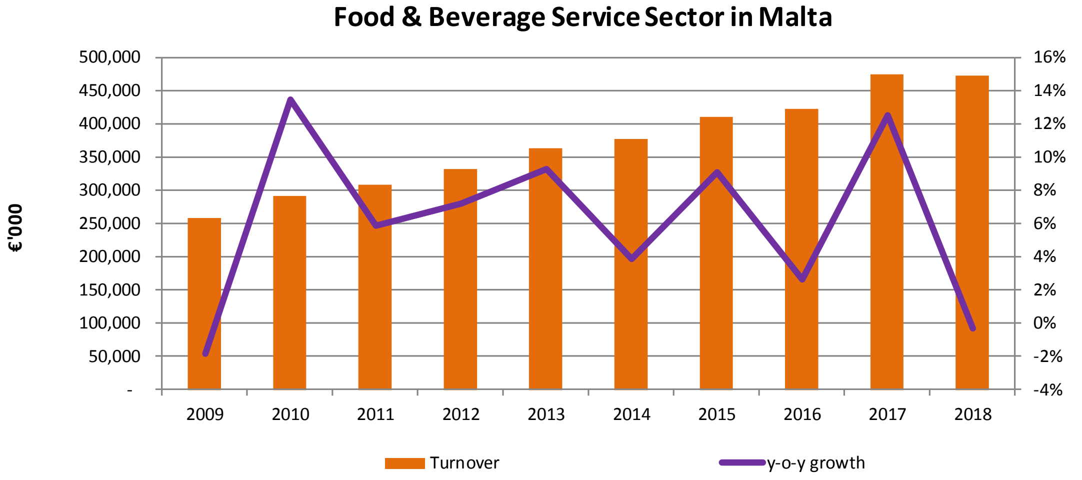
hotels reported an increase of 6.8% when compared to the same period in 2018. Furthermore, the average length of stay continued to shorten, albeit by 1.5%. Tourists staying in hotels have spent an average of 5.5 days in Malta, which is significantly less than the 8.4 days average spent in private accommodation.

During the second quarter of 2019, 5-star hotels reported a decline in both room rates and non-accommodation revenue, whilst occupancy levels declined by 3.3%. Total revenue per available room (RevPAR) decreased by 7.3% when compared to the same quarter in 2018. In contrast, the 4-star sector maintained comparable trends to those registered in the first 3 months of the year. Occupancy levels were at par, whilst average daily rates decreased by 4.9%. As to 3-star hotels, this segment reported a 4.2% improvement in occupancy levels, and average daily rates and non-accommodation income also increased by 5.9% and 7.5% respectively. These trends contributed to an increase in revenue of 10.9% per available room.

The overall outlook for the tourism industry in 2019 is positive with the airport projecting 7.2 million passengers to pass through the terminal by the end of the calendar year, which translates to an increase of 5.8% over 2018. However, bed overcapacity may be a threat to profitability in view of the significant growth in non-collective accommodation (such as AirBnB) experienced in recent years and, to a lesser extent, hotel properties. Competition is expected to increase further in the short to medium term from ongoing development projects earmarked for the hospitality sector and others which are still at planning stage. An increase in competition is also anticipated from other countries, particularly in the southern Mediterranean region, which are reviving their respective hospitality industry as security and safety concerns abate.

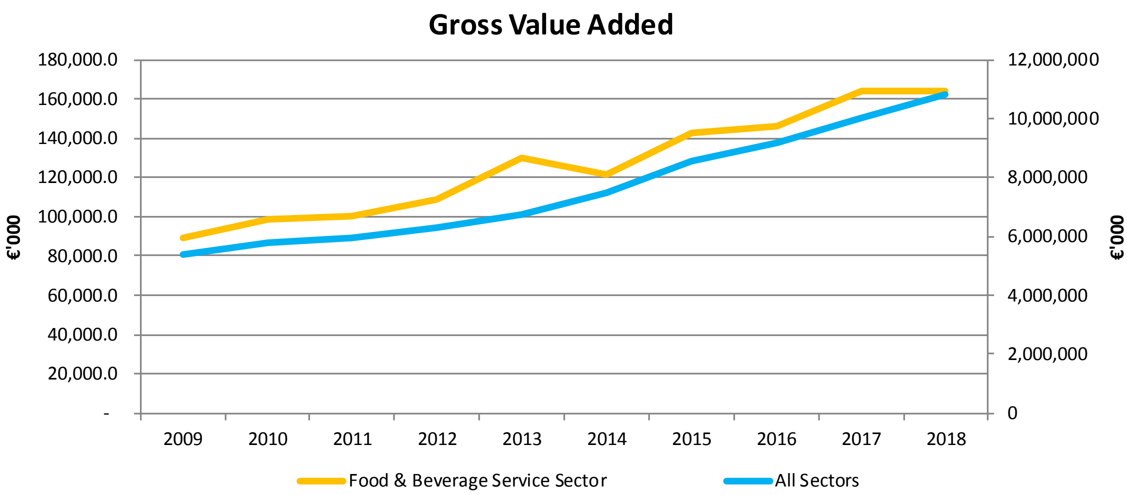
11.3 FOOD & BEVERAGE SERVICE SECTOR

The food & beverage service sector comprises restaurants & mobile food service activities and beverage serving activities. In 2018, the total income from this sector in Malta amounted to €472.6 million, a decrease of 0.3% over the previous year (2017: €474.0 million). Between 2009 and 2017, market output had progressively increased year-on-year, and as such the year-on-year decrease in 2018 marks the first decline in the past 10 years. Albeit, it is worth noting that the 2018 marginal decline follows a 12.5% increase in 2017 over 2016. The chart below illustrates the output from the food & beverage service sector in Malta for the past 10 years (2009 to 2018). Since 2009, the food & beverage service sector grew at a compound annual growth rate of 7.0%.



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

The chart hereunder shows that the gross value added generated by the food & beverage service sector in Malta has grown on a year-to-year basis from €89.5 million in 2009 to €163.8 million in 2018. The chart also highlights the sector's correlation to Malta's economic performance, since over the reported period the food & beverage service sector has maintained the same percentage of gross value added generated by the whole economy of *circa* 1.7%.



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

12. INVESTMENTS IN ASSOCIATED COMPANIES

12.1 HEALTHCARE AND CATERING SERVICES

Introduction

Malta Healthcare Caterers Limited (the "**MHC Group**") is a joint venture between db Group and James Caterers Limited (C 30139), and is principally engaged in the provision of healthcare and catering services to hospitals and retirement homes, together with other related services, in Malta and Gozo. In 2013, MHC Group acquired a site in Santa Lucija measuring *circa* 4,455m^2 with the intention of eventually developing it into a 300-bed home for the elderly.

In 2017, MHC Group was awarded a 15-year concession for the construction of four new blocks and operation of an additional 500 beds at St Vincent de Paul Residence. The capital investment by MHC Group is estimated at €30 million. Furthermore, MHC Group has just completed a €4 million fully equipped kitchen on-site and is providing catering services to the existing 1,100 beds within the residence under a 10-year catering public private partnership agreement.

Healthcare Division

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

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

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

At present, the healthcare division has a staff complement of *circa* 2,250 employees, including 156 professional nurses, 194 staff members providing domiciliary care for the elderly and over 1,900 trained care assistants. The key agreements include: (i) the provision of nursing and care services under the Active Ageing and Community Care Directorate; (ii) the provision of care worker services at Mater Dei Hospital and other entities within the Health Department; (iii) the provision of care worker services at St Vincent de Paul Residence and Homes for the Elderly Community Care; and (iv) the provision of home help services.

Catering Division

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

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

Operational Performance

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

Malta Healthcare Caterers Limited	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Projection	CAGR FY16-18	CAGR FY16-19
Turnover (€'000)	34,242	42,354	56,472	73,482	28.4%	29.0%
Catering services	7,624	8,655	8,931	8,413	8.2%	3.3%
St Vincent de Paul concession agreement			6,471	23,621		
Healthcare services	26,618	33,699	41,070	41,448	24.2%	15.9%
Profit for the year (€'000)	1,765	1,797	4,574	7,126	61.0%	59.2%
Net profit margin (%)	5	4	8	10		
Seabank Group's share of profit at 50%	**883**	**899**	**2,287**	**3,563**		

CAGR - Compound annual growth rate.

Source: Management information.

Note 1: The year end of Malta Healthcare Caterers Limited is 31 December, whilst the Seabank Group's year end is 31 March. As such, the last available audited consolidated financial statements of the Seabank Group for the year ended 31 March 2019 includes the share of profits of Malta Healthcare Caterers Limited for the financial year ended 31 December 2018.

The table above summarises the historical financial performance of MHC Group for the years ended 31 December 2016 to 31 December 2018. In FY2016, revenue generated by MHC Group amounted to €34.2 million, of which 78% related to healthcare services. In the subsequent year, income from healthcare services increased by 26% to €33.7 million (FY2016: €26.6 million) and contributed to an increase of €8.1 million to overall revenue to €42.4 million (FY2016: €34.2 million).

In FY2018, revenue increased from €42.4 million in FY2017 to €56.5 million (+33%), mainly on account of the initial recognition of revenue in relation to the St Vincent de Paul concession agreement amounting to €6.5 million and growth of €7.4 million (+22%) in healthcare services revenue to €41.1 million.

Notwithstanding the material growth in revenue in FY2016 and FY2017, profit generated in both years was stable at €1.8 million, principally due to substantial competition in the market. Profit generated in FY2018 was considerably higher when compared to the prior year, from €1.8 million in

FY2017 to €4.6 million, in consequence of revenue receivable from the St Vincent de Paul concession agreement.

With respect to the forecast financial year, management has assumed stable revenue from catering and healthcare services, but is projecting a substantial increase in income generated from the above-mentioned concession of €17.2 million, from €6.5 million in FY2018 (being a partial year) to €23.6 million. Accordingly, profit for FY2019 is expected to increase by €2.6 million (+56%) from a year earlier to €7.1 million.

12.2 AIRLINE CATERING SERVICES

Introduction

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

During the financial years ended 31 March 2017 to 2019, the company serviced Air Malta and Ryanair, and other top-end carriers, on a regular or ad hoc basis. The relevant contract agreements for Air Malta and Ryanair expire on 31 March 2021 and 31 March 2022 respectively.

Operational Performance

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

Sky Gourmet Malta Limited	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Projection**
Turnover (€'000)	5,620	7,221	6,794	6,965
Profit (loss) for the year (€'000)	262	599	276	283
Net profit (loss) margin (%)	5	8	4	4
Seabank Group's share of results at 30%	**79**	**180**	**83**	**85**

Source: Management information.

The revenue generated in FY2017 amounted to €5.6 million, similar to that achieved in the previous year, but contrary to FY2016, the company managed to report a profit for the year of €0.26 million. In FY2018, revenue increased by €1.60 million (+28.5%) to €7.2 million (FY2017: €5.6 million), whilst also improving the net profit margin by 3 percentage points to 8% (FY2017: 5%). This resulted in a profit for the year of €0.6 million, a €0.3 million increase (+128.6%) compared to the prior year (FY2017: €0.3 million).

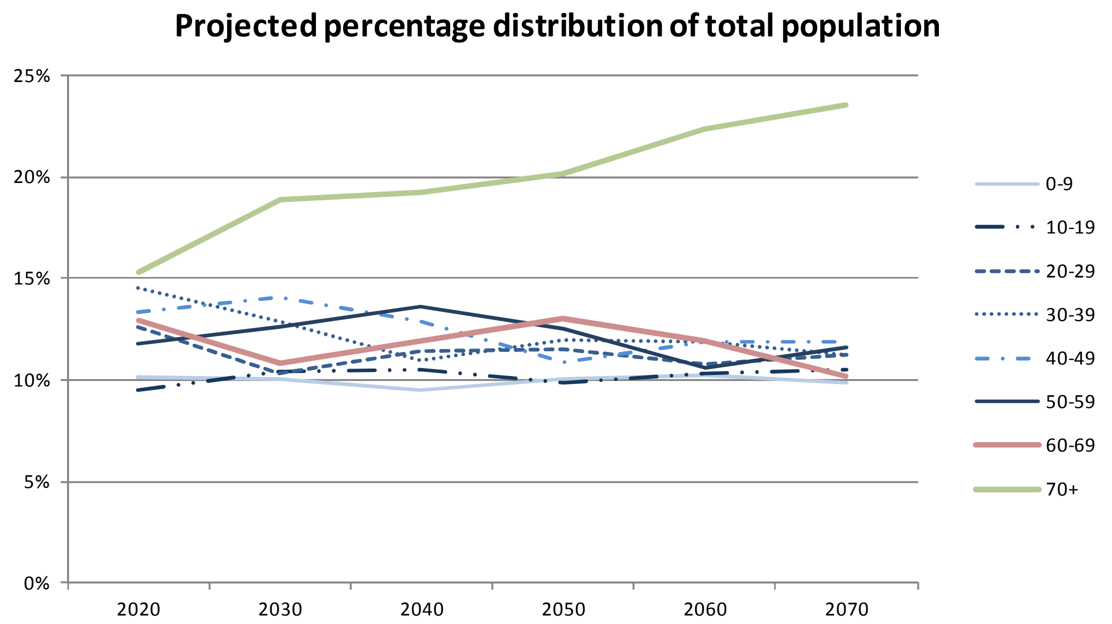
During FY2019, the Company launched a new business class meal concept consisting of a traditional culinary experience served in contemporary Maltese ceramics and chinaware, and the buy-on board concept was initiated to economy class passengers. Revenue for the year amounted to €6.8 million, a decrease of €0.4 million from a year earlier, while profit in FY2019 amounted to €0.3 million (FY2018: €0.6 million).

Management is projecting revenue to improve y-o-y by €0.2 million, from €6.8 million in FY2019 to €7.0 million in FY2020, while profit is expected to remain stable at €0.3 million.

12.3 LONG-TERM CARE TREND ANALYSIS

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

In line with the above-mentioned statistics, MHC Group foresees a steady increase in demand for nursing, home carers and other healthcare staff in the coming years, as well as a growing need for retirement and long-term care homes. As such, MHC Group plans to continue to focus on this sector and progressively increase its offerings, particularly, by growing the staff complement to meet the demand for long-term care in Malta. Furthermore, as described hereinabove, MHC Group is set to expand its activities in the healthcare sector through the development for four new blocks and operation of 500 additional beds at St Vincent de Paul Residence.



Source: Demographic Review 2014, National Statistics Office, Malta

12.4 CONTRACT CATERING TREND ANALYSIS

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

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

12.5 OTHER INVESTMENTS IN ASSOCIATED COMPANIES

The Group owns 33.3% of Porto Azzurro Limited, a company that owns, manages and operates a three star 125-room aparthotel located in Xemxija, Malta. The rooms and apartments are equipped with en-suite bathrooms, a fully equipped kitchenette and other amenities. The hotel has a 24-hour reception, a launderette, mini market, dedicated restaurant and a pizzeria, as well as a number of leisure facilities. During the year ended 31 March 2019, the company generated revenue amounting to €1.6 million (FY2018: €1.4 million) and gross operating profit of €0.5 million (FY2018: €0.3 million).

The Group owns 30% of Sky Gourmet Malta Inflight Services Ltd, a company principally involved in the provision of personnel and administration services to Sky Gourmet Malta Limited. During the year ended 31 March 2019, the company generated €1.2 million (FY2018: €1.6 million) in revenue and registered a profit for the year of €0.01 million (FY2018: €0.02 million).

13. PRINCIPAL FUTURE INVESTMENTS

13.1 DB CITY CENTRE

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

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

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

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

As at the date of this report, db Group is awaiting approval from the Planning Authority to commence development works on the subject project. In the meantime, db Group has concluded necessary negotiations and agreements to get the project off the ground. Successful agreements with Hard Rock International were concluded and the project designs with the architectural team were commissioned. The target completion for the db City Centre is envisaged for the year 2022 with an investment of *circa* €300 million.

PART 3 – PERFORMANCE REVIEW

14. FINANCIAL INFORMATION RELATING TO SD FINANCE PLC

The Issuer was registered and incorporated on 20 January 2017 as a special purpose vehicle to act as the financing arm of db Group. The financial information relating to the period 20 January 2017 to 31 March 2018 and the year ended 31 March 2019 has been extracted from the audited financial statements of SD Finance p.l.c. The forecast financial information for the year ending 31 March 2020 has been provided by management.

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

SD Finance p.l.c. Income Statement for the year ended 31 March	2018 Actual €'000	2019 Actual €'000	2020 Forecast €'000
Finance income	2,769	2,999	3,003
Finance costs	(2,719)	(2,907)	(2,910)
Administrative expenses	(38)	(75)	(75)
Profit before tax	**12**	**17**	**17**
Taxation	(4)	(5)	(6)
Profit for the period/year	**8**	**12**	**11**

FY2018 - relates to the period 20 January 2017 to 31 March 2018.

SD Finance p.l.c. Cash Flow Statement for the year ended 31 March	2018 Actual €'000	2019 Actual €'000	2020 Forecast €'000
Net cash from operating activities	2,735	(117)	92
Net cash from investing activities	(62,233)	-	-
Net cash from financing activities	64,326	-	(75)
Net movement in cash and cash equivalents	**4,828**	**(117)**	**17**
Cash and cash equivalents at beginning of year	-	4,828	4,711
Cash and cash equivalents at end of year	**4,828**	**4,711**	**4,728**

FY2018 - relates to the period 20 January 2017 to 31 March 2018.

SD Finance p.l.c. Balance Sheet as at 31 March	2018 Actual €'000	2019 Actual €'000	2020 Forecast €'000
ASSETS			
Non-current			
Loans owed by parent company	62,233	62,233	62,233
	62,233	62,233	62,233
Current			
Trade and other receivables	1	219	-
Cash and cash equivalents	4,828	4,711	4,728
	4,829	4,930	4,728
Total assets	**67,062**	**67,163**	**66,961**
EQUITY			
Capital and reserves			
Called up share capital	250	250	250
Retained earnings	8	20	31
	258	**270**	**281**
LIABILITIES			
Non-current			
Bonds in issue	64,152	64,232	64,232
	64,152	64,232	64,232
Current			
Trade and other payables	2,652	2,661	2,448
	2,652	2,661	2,448
	66,804	**66,893**	**66,680**
Total equity and liabilities	**67,062**	**67,163**	**66,961**

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

In FY2019, the Issuer generated finance income of €3.0 million compared to €2.8 million in FP2018. Profit after tax amounted to €12,000 compared to €8,000 in FP2018. In FY2020, the Issuer expects to generate finance income of €3.0 million and a profit after tax of €11,000.

15. FINANCIAL INFORMATION RELATING TO SD HOLDINGS LIMITED

The financial information provided hereunder is extracted from the audited consolidated financial statements of SD Holdings Limited for each of the years ended 31 March 2017 to 31 March 2019. The forecast financial information for the year ending 31 March 2020 has been provided by management.

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

SD Holdings Limited Consolidated Income Statement for the year ended 31 March	**2017 Actual €'000**	**2018 Actual €'000**	**2019 Actual €'000**	**2020 Forecast €'000**
Revenue	46,624	50,259	56,121	58,600
Cost of sales	(25,680)	(26,870)	(29,572)	(30,878)
Gross profit	**20,944**	**23,389**	**26,549**	**27,722**
Other net operating costs	(2,235)	(2,693)	(1,705)	(1,739)
EBITDA[1]	**18,709**	**20,696**	**24,844**	**25,983**
Depreciation	(6,440)	(6,739)	(7,408)	(8,077)
Operating profit	**12,269**	**13,957**	**17,436**	**17,906**
Net finance costs	(3,428)	(3,488)	(2,930)	(2,930)
Share of results of associates	1,146	912	1,589	1,650
Profit before tax	**9,987**	**11,381**	**16,095**	**16,626**
Taxation	(3,232)	(3,790)	(5,402)	(5,580)
Profit for the year	**6,755**	**7,591**	**10,693**	**11,046**
Other comprehensive income				
Revaluation surplus, net of deferred tax	-	-	59,120	-
Cash flow hedges, net of deferred tax	143	35	-	
Total comprehensive income for the year, net of tax	**6,898**	**7,626**	**69,813**	**11,046**

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

SD Holdings Limited
Revenue and EBITDA

for the year ended 31 March	**2017**	**2018**	**2019**	**2020**
	Actual	**Actual**	**Actual**	**Forecast**
	€'000	**€'000**	**€'000**	**€'000**
Revenue	**46,624**	**50,259**	**56,121**	**58,600**
db Seabank Resort & Spa	*21,110*	*22,733*	*24,743*	*24,078*
db San Antonio Hotel & Spa	*16,579*	*18,202*	*19,774*	*19,977*
Starbucks				*1,363*
Hard Rock Café Malta	*5,885*	*6,532*	*6,883*	*6,981*
Adeera Complex & 9 Lives	*2,987*	*2,788*	*4,720*	*6,152*
Other	*63*	*4*	*1*	*49*
EBITDA[1]	**18,709**	**20,696**	**24,844**	**25,983**
db Seabank Resort & Spa	*10,843*	*12,060*	*10,293*	*10,600*
db San Antonio Hotel & Spa	*7,252*	*7,726*	*12,368*	*10,600*
Starbucks				*141*
Hard Rock Café Malta	*448*	*639*	*1,061*	*1,134*
Adeera Complex & 9 Lives	*475*	*357*	*1,241*	*1,697*
Other	*(309)*	*(86)*	*(119)*	*1,811*

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

SD Holdings Limited
Consolidated Cash Flow Statement

for the year ended 31 March	**2017**	**2018**	**2019**	**2020**
	Actual	**Actual**	**Actual**	**Forecast**
	€'000	**€'000**	**€'000**	**€'000**
Net cash from operating activities	21,892	15,628	21,620	26,388
Net cash from investing activities	(20,943)	(10,429)	(19,664)	(8,345)
Net cash from financing activities	3,052	797	-	(2,930)
Net movement in cash and cash equivalents	**4,001**	**5,996**	**1,956**	**15,113**
Cash and cash equivalents at beginning of year	(1,544)	2,457	8,453	10,409
Cash and cash equivalents at end of year	**2,457**	**8,453**	**10,409**	**25,522**

SD Holdings Limited				
Consolidated Balance Sheet				
as at 31 March	**2017**	**2018**	**2019**	**2020**
	Actual	**Actual**	**Actual**	**Forecast**
	€'000	**€'000**	**€'000**	**€'000**
ASSETS				
Non-current assets				
Property, plant and equipment	133,716	132,848	205,207	209,357
Investment property	60,140	65,501	71,554	79,899
Intangible assets	728	486	288	46
Investments in associates	5,252	6,164	7,757	9,407
Deferred tax assets	5,101	4,024	1,363	462
Trade and other receivables	97	-	75	-
	205,034	209,023	286,244	299,171
Current assets				
Inventories	1,165	1,207	1,220	1,274
Trade and other receivables	8,503	10,051	18,095	18,894
Cash and cash equivalents	2,896	9,602	11,004	25,522
	12,564	20,860	30,319	45,690
Total assets	**217,598**	**229,883**	**316,563**	**344,860**
EQUITY				
Capital and reserves				
Share capital	4,000	4,000	4,000	4,000
Reserves	25,928	35,516	94,637	94,636
Retained earnings	26,217	24,255	33,945	44,991
Non-controlling interest	9,553	-	-	-
	65,698	**63,771**	**132,582**	**143,627**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	43,911	72,456	72,536	72,465
Other non-current liabilities	60,603	65,246	82,200	99,029
	104,514	137,702	154,736	171,494
Current liabilities				
Borrowings	19,002	1,293	763	-
Other current liabilities	28,384	27,117	28,482	29,740
	47,386	28,410	29,245	29,740
	151,900	**166,112**	**183,981**	**201,234**
Total equity and liabilities	**217,598**	**229,883**	**316,563**	**344,860**

Key Accounting Ratios	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Gross profit margin *(Gross profit/revenue)*	45%	47%	47%	47%
Operating profit margin *(EBITDA/revenue)*	40%	41%	44%	44%
Interest cover (times) *(EBITDA/net finance cost)*	5.46	5.93	8.48	8.87
Net debt to EBITDA (years) *(Net debt/EBITDA)*	3.21	3.10	2.51	1.81
Net profit margin *(Profit after tax/revenue)*	14%	15%	19%	19%
Earnings per share (€) *(Profit after tax/number of shares)*	1.68	1.90	2.67	2.76
Return on equity *(Profit after tax/shareholders' equity)*	10%	12%	8%	8%
Return on capital employed *(EBITDA/total assets less current liabilities)*	11%	10%	9%	8%
Return on assets *(Profit after tax/total assets)*	3%	3%	3%	3%

Source: Charts | A Division of MeDirect Bank (Malta) plc

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

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

During **FY2018**, revenue generated by the Group amounted to €50.3 million, an increase of €3.7 million (+7.8%) when compared to FY2017. This growth was primarily due to an increase of €1.6 million from each of the Seabank Hotel (+7.7%) and the San Antonio Hotel (+9.8%). The other db Group operations increased year-on-year aggregate revenue by €0.4 million.

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

In **FY2019**, db Group's revenue increased by €5.8 million (+11.7%) from €50.3 million in FY2018 to €56.1 million. Db Group registered an increase in revenue across all its business activities, particularly the Seabank Resort (+€2.0 million, y-o-y), San Antonio Hotel (+€1.6 million, y-o-y) and Adeera Complex (+€1.9 million, y-o-y). The main growth driver within hospitality is the improvement in yield on hotel accommodation, while in the leisure segment, the three restaurants at Adeera Complex (namely Amami, Westreme and Blu Beach lido) together with the property's other offerings have continued to gain in popularity.

This positive performance led to an increase of €4.1 million (+20.0%) in EBITDA which amounted to €24.8 million in FY2019 (FY2018: €20.7 million). Further analysis shows that EBITDA generated by Seabank Hotel decreased y-o-y by €1.8 million to €10.3 million. In contrast, San Antonio Hotel reported an increase of 60.1% from €7.7 million in FY2018 to €12.4 million, while EBITDA from Hard Rock Café and Adeera Complex increased from €0.6 million and €0.4 million respectively in FY2018 to €1.1 million (+66%) and €1.2 million (+248%) respectively.

Net finance costs were lower y-o-y by €0.6 million which was offset by an increase in depreciation amounting to €0.7 million. Share of results of associates increased from €0.9 million in FY2018 to €1.6 million, mainly on account of positive performance from Malta Healthcare Caterers Limited. During FY2019, db Group revalued the Seabank Hotel and San Antonio Hotel by an aggregate amount of €59.1 million (net of deferred tax). As a consequence, db Group reported a considerable y-o-y increase in total comprehensive income from €7.6 million in FY2018 to €69.8 million.

As for **FY2020**, revenue is forecasted to increase from €56.1 million in FY2019 to €58.6 million. Management has assumed that revenue generated by the two hotels will remain relatively stable, while income from Starbucks will amount to €1.4 million and revenue from Adeera Complex & Nine Lives will increase y-o-y by €1.4 million. The above-mentioned gain in revenue should impact EBITDA positively by €1.1 million and is expected to amount to €26.0 million. Profit for FY2020 is projected to amount to €11.0 million (FY2019: €10.7 million) as no material changes are expected below EBITDA.

The estimates for the forward year as presented in this document assume that the carrying values of hotel properties will remain constant in FY2020, and therefore no adjustment has been made as to possible impairment or uplift of assets that may be booked and which may materially affect the consolidated income statement and balance sheet values.

Total non-current assets of db Group as at 31 March 2019 increased by €77.2 million to €286.2 million over the comparable period, mainly on account of the uplift in fair value of the Seabank Hotel and San Antonio Hotel. Current assets in FY2019 amounted to €30.3 million and reflected a y-o-y increase of €9.4 million (FY2018: €20.9 million), principally relating to advance payments made to suppliers (in trade and other receivables) amounting to €7.6 million.

Other than equity, db Group was mainly financed in FY2019 through bank borrowings and debt securities. Further analysis of borrowings is provided hereunder:

SD Holdings Limited Consolidated Borrowings as at 31 March	**2017 Actual €'000**	**2018 Actual €'000**	**2019 Actual €'000**	**2020 Forecast €'000**
Borrowings				
Bank overdrafts	439	1,149	595	-
Bank loans	62,174	8,448	8,472	8,304
	62,613	**9,597**	**9,067**	**8,304**
Bonds				
4.35% Unsecured Bonds 2027	-	64,152	64,232	64,161
	-	**64,152**	**64,232**	**64,161**
Other loans				
Amounts owed to ultimate shareholder	300	-	-	
	300	**-**	**-**	**-**
Total borrowings and bonds	**62,913**	**73,749**	**73,299**	**72,465**

Key Accounting Ratios	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Net assets per share (€) *(Net asset value/number of shares)*	16.42	15.94	33.15	35.91
Liquidity ratio (times) *(Current assets/current liabilities)*	0.27	0.73	1.04	1.54
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	48%	50%	32%	25%

Source: Charts | A Division of MeDirect Bank (Malta) plc

Variance Analysis

SD Holdings Limited Consolidated Income Statement for the year ended 31 March 2019	Actual €'000	Forecast €'000	Variance €'000
Revenue	56,121	53,003	3,118
Cost of sales	(29,572)	(28,337)	(1,235)
Gross profit	**26,549**	**24,666**	**1,883**
Other net operating costs	(1,705)	(2,747)	1,042
EBITDA[1]	**24,844**	**21,919**	**2,925**
Depreciation	(7,408)	(7,052)	(356)
Operating profit	**17,436**	**14,867**	**2,569**
Net finance costs	(2,930)	(3,488)	558
Share of results of associates	1,589	960	629
Profit before tax	**16,095**	**12,339**	**3,756**
Taxation	(5,402)	(4,114)	(1,288)
Profit for the year	**10,693**	**8,225**	**2,468**
Other comprehensive income			
Revaluation surplus, net of deferred tax	59,120	-	59,120
Cash flow hedges, net of deferred tax	-	-	-
Total comprehesive income for the year net of tax	**69,813**	**8,225**	**61,588**

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

As presented in the above table, actual revenue for FY2019 was higher than expected by €3.1 million, principally on account of better results generated by Seabank Resort and Adeera Complex. On the expense side, operating costs (being the aggregate of cost of sales and other net operating costs) were broadly in line with expectation as the adverse variance amounted to only €0.2 million. At EBITDA level, db Group reported a higher than projected EBITDA by €2.9 million, mainly due to a substantially higher than expected EBITDA generated by San Antonio Hotel of €4.2 million, which was partly mitigated by an adverse movement of €2.2 million in EBITDA generated by Seabank Resort. Overall, profit for the year was better than projected by €2.5 million.

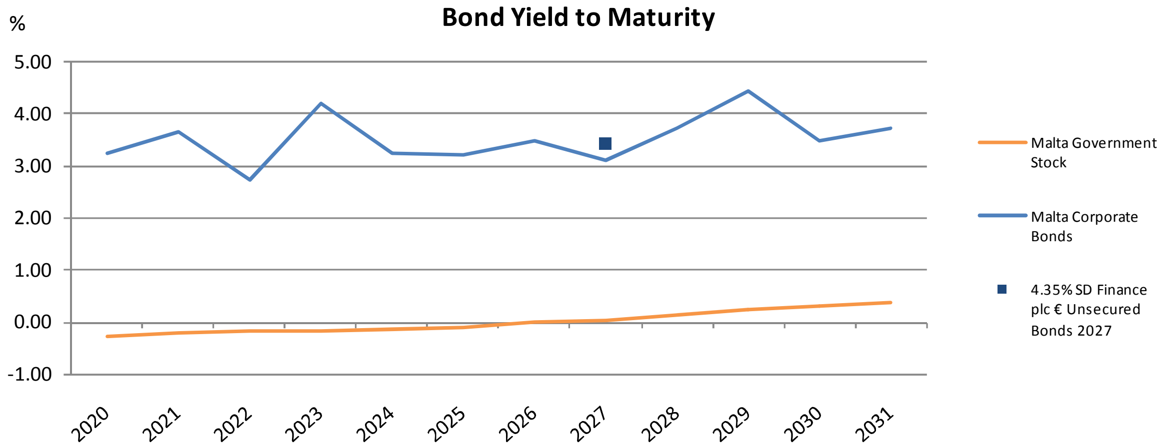
DB Group reported a total comprehensive income of €69.8 million compared to a budgeted figure of €8.2 million. The significant positive variance was due to a revaluation uplift of the Seabank Resort and San Antonio Hotel of €59.1 million (net of deferred tax).

PART 4 - COMPARABLES

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

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.50% Pendergardens Dev. plc Secured € 2020 Series I	14,711,300	3.26	1.23	80,052	25,712	48.95
6.00% Pendergardens Dev. plc Secured € 2022 Series II	26,921,200	2.34	1.23	80,052	25,712	48.95
3.65% GAP Group plc Secured 2022	40,000,000	2.72	4.45	55,237	9,869	71.82
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.22	0.76	27,159	6,916	62.72
6.00% AX Investments Plc Unsecured € 2024	40,000,000	2.52	6.97	325,243	214,590	18.66
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.24	5.33	83,223	44,177	43.99
5.00% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.64	2.29	112,006	43,514	51.65
4.25% Best Deal Properties Holding plc Secured 2024	16,000,000	3.40	4.02	25,986	3,432	82.64
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.84	1.41	120,794	38,318	52.41
4.50% Hili Properties plc Unsecured € 2025	37,000,000	3.84	1.55	154,742	52,242	61.72
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.50	2.09	5,499	- 19,741	-
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.63	2.74	1,784,681	908,883	40.11
4.00% International Hotel Invest. plc Secured € 2026	55,000,000	3.58	3.27	1,617,853	877,620	36.63
4.00% International Hotel Invest. plc Unsecured € 2026	40,000,000	3.60	3.27	1,617,853	877,620	36.63
4.00% MIDI plc Secured € 2026	50,000,000	3.50	9.80	220,613	97,440	31.83
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.14	12.63	179,451	48,701	54.42
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.60	13.74	28,166	6,135	60.96
4.35% SD Finance plc € Unsecured Bonds 2027	**65,000,000**	**3.44**	**8.48**	**316,563**	**132,582**	**31.98**
4.00% Eden Finance plc Unsecured 2027	40,000,000	3.10	5.68	185,717	103,511	31.82
4.00% Stivala Group Finance plc Secured 2027	45,000,000	3.44	3.73	202,425	115,827	32.23
3.85% Hili Finance Company plc Unsecured 2028	40,000,000	3.71	3.44	455,113	86,390	73.98
3.80% Hili Finance Company plc Unsecured 2029	80,000,000	3.77	3.44	455,113	86,390	73.98

19 September '19



Source: Malta Stock Exchange, Central Bank of Malta, Charts | A division of MeDirect Bank (Malta) plc 19 September 2019

To date, there are no corporate bonds which have a redemption date beyond 2031. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

The 2027 bonds are presently trading at a yield of 3.44%, which is *circa* 34 basis points higher than other corporate bonds maturing in the same year. The premium over FY2027 Malta Government Stock is 340 basis points.

PART 5 - EXPLANATORY DEFINITIONS AND REFERENCES

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

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

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

	current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Net debt to EBITDA	The net debt to EBITDA ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.