RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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

21 June 2019

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 2016 to 2018 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 2019 has been provided by management of the Issuer.

(c) Our commentary on the results of the Issuer and on the respective financial position is based on the explanations provided by the Issuer.

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

(e) Relevant financial data in respect of the comparative set as analysed in part D 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

FINANCIAL ANALYSIS SUMMARY

Update 2019

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

21 June 2019

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Important Information

Purpose of the Document

*MIDI plc (the "**Company**", "**MIDI**" or the "**Issuer**")* issued €50 million 4% Secured Bonds 2026 pursuant to a prospectus dated 28 June 2016 (the "**Bond Issue**"). The prospectus included a Financial Analysis Summary ("**FAS**") in line with the requirements of the Listing Policies as issued and last updated by the MFSA on 5 March 2013. The purpose of this report is to provide an update to the FAS (the **"Update FAS**") on the performance and on the financial position of the Company.

Sources of Information

The information that is presented has been collated from a number of sources, including the Company's website (www.midimalta.com), the Company's audited Financial Statements for the years ended 31 December 2016, 2017 and 2018 and forecasts for financial year ending 31 December 2019.

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

Wherever used, FYXXXX refers to financial year covering the period 1st January to 31st December. The financial information is being presented in thousands of Euro, unless otherwise stated, and has been rounded to the nearest thousand.

Previous FAS Issued

The Company has published the following FAS which are available on its website:

FAS dated 28 June 2016 (appended to the prospectus)

FAS dated 19 June 2017

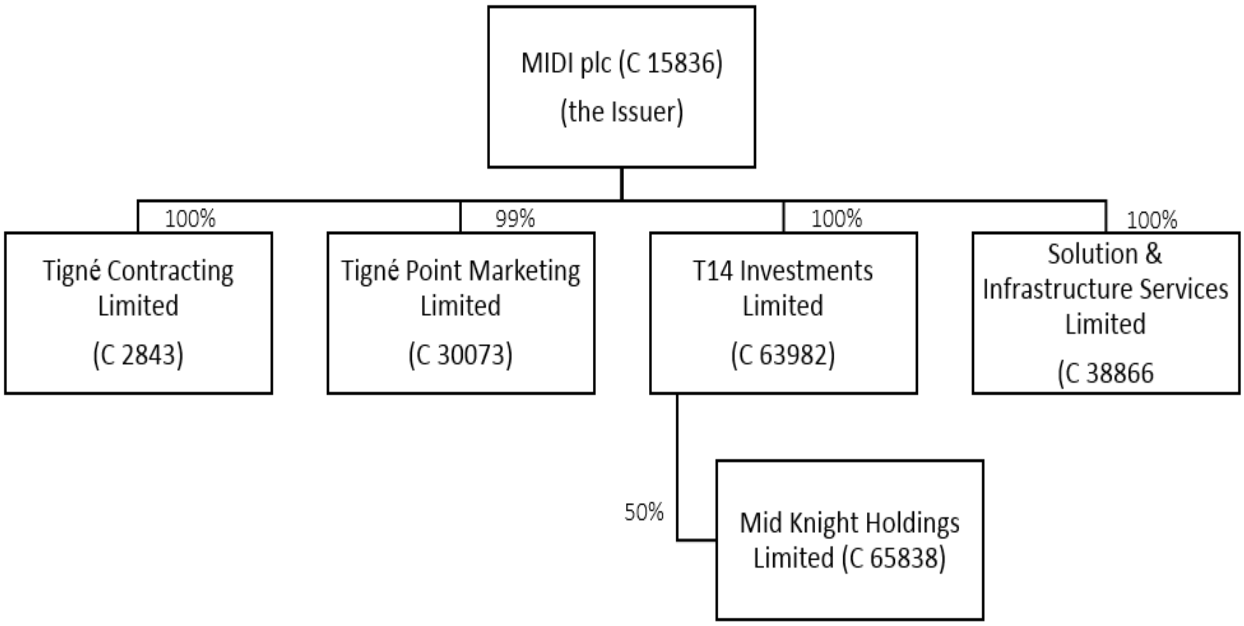
FAS dated 20 June 2018

PART A BUSINESS & MARKET OVERVIEW UPDATE

1. INTRODUCTION

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 to date.

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 (directly or indirectly) of Tigné Contracting Limited ("**TCL**"), T14 Investments Limited ("**T14L**"), Solutions and Infrastructure Services Limited ("**SIS**") and 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 remaining 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.

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 was concluded during 2018, and 45 of the 60 units were delivered during financial year 2018, additional to the penthouse that was delivered during FY2016. This leaves a balance of 14 residential units.

Additionally, the Company has three commercial outlets which are also earmarked for sale. It is estimated that the value of the stock available for sale as at the end of FY2018 (14 residential units and three commercial units) was €26.5 million, of which €13.4 million are the subject of a promise of sale, with the deed of sale expected to be signed during 2019.

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.

Developments in 2019

New Development – the Q3 (ex-T20) Site

MIDI plc has a remaining site within the Tigné Point complex, Q3 (previously known as T20) which will comprise a development of circa 9,000 sqm. This development will comprise of 63 apartments over 17 floors. This development is expected to commence during the first quarter of 2020, should permit is granted by the end of 2019.This will conclude the development of Tigné Point. It is estimated that this last project will necessitate a €30 to €35 million in development costs, although funding will not peak beyond €15 million at any one point in time.

Developments on the 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 an 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. This masterplan was approved during 2019, and the

Company has also received full development permit for enabling works which are due to commence during July 2019.

The Company expects to issue tenders for contracts of works during the third quarter of 2019 and envisages construction to commence during the first quarter of next year. In June 2018, MIDI plc announced that it had entered into preliminary discussions with Tumas Group Company Limited to explore the possibility of establishing a joint venture with respect to the development of Manoel Island. Since then, the Company updated the market that these discussions are still ongoing as the parties are exploring a number of alternative opportunities. Should a transaction be concluded the Company will issue a Company Announcement in line with the Listing Rules requirements.

3. Governance and Senior Management

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 David G. Curmi	Non-Executive Director
Mr David Demarco	Non-Executive Director
Mr Joseph A. Gasan	Non-Executive Director
Mr John Mary *sive* Jimmy Gatt	Non-Executive Director
Mr Alan Mizzi	Non-Executive Director
Mr Joseph Said	Non-Executive Director
Mr Mark Weingard	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	Chief Executive Officer
Dr Catherine Formosa	Company Secretary
Mr Jesmond Micallef	Chief Financial Officer
Mr Ivan Piccinino	Senior Project Manager
Mr Ehsan Seyfouri Tabrizi	Chief Commercial Manager*

** via Company Announcement dated 18 June 2019, the Company announced that Mr Seyfouri Tabziri resigned. His resignation takes effect on 28 June 2019.*

4. Market Overview

The construction and real estate industry has traditionally been a key driver of growth for the local economy. The Maltese property market continues to do exceptionally well and in the past few years there has been a significant upward trend in property prices as well as rental rates. The country's ability to continue to attract service-oriented businesses to Malta (through business-friendly incentives and a favourable tax system) remains paramount in the sustainability of the high-end residential and rental sector. While domestic demand is strong, it is increasingly clear that non-domestic demand is indispensable to absorb the increased supply coming to market. Given recent trends and growth drivers, the country is increasingly reliant on the growth and sustainability of foreign investment, particularly in the financial services sector and the gaming industry, that have altered the dynamics of the rental and commercial real estate sector over the past few years.

As a result of foreign direct investment and the relocation of certain gaming companies to Malta, employment levels have maintained a steady upward trend, with non-Maltese workers clearly growing as supply of Maltese workers in the key growth sectors referred to earlier has been evidently lacking (as implied also by various respondents to the annual Ernst and Young Attractiveness Survey published in October 2018[1]).

In view of the concentration of these sectors around the Gzira, Sliema and St Julian's areas, the attractiveness of properties in this Northern Harbour District remains superior to that in other areas, given the extent of connectivity and activity that this area offers particularly to non-Maltese residents. As such, the demand for properties in these areas as a rental investment has increased.

The most recent data issued by the Central Bank of Malta shows that property prices in Malta increased by 14% in 2018 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 281 points as at the end of 2018 compared to 245.6 points as at the end of 2017.

The CBM Property Price Index shows that property prices in Malta increased by a compound average growth rate ("**CAGR**") of 5.9% 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.

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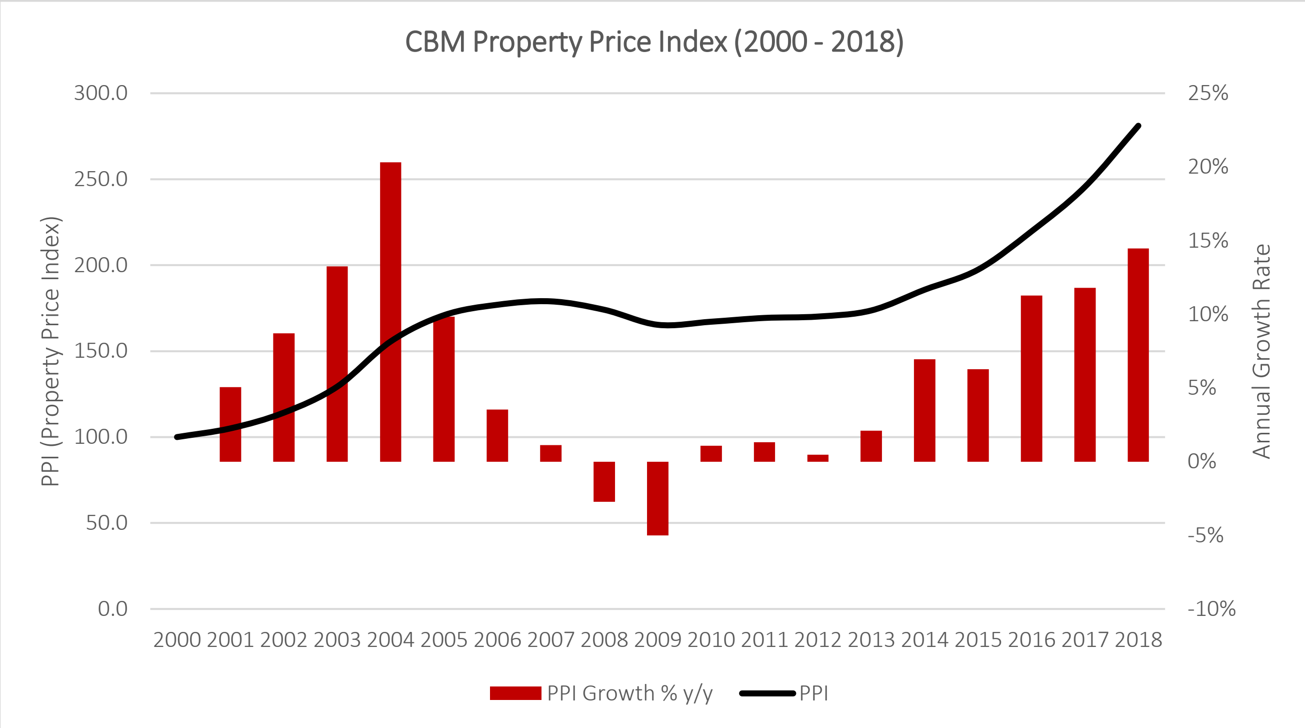
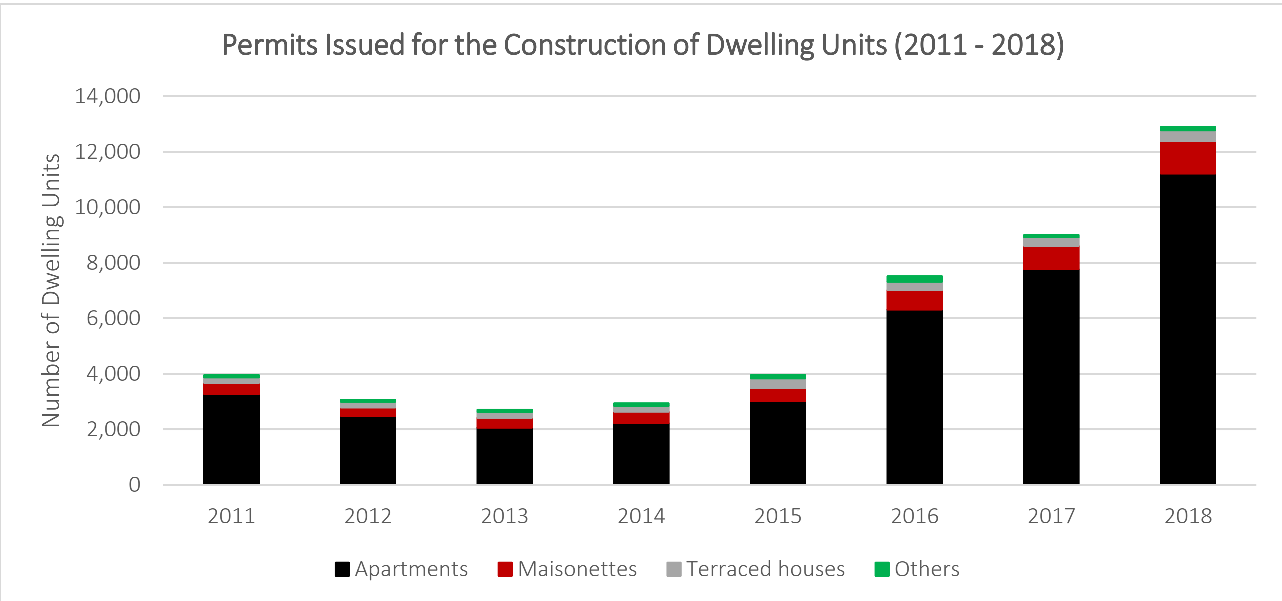
[1] *https://www.ey.com/Publication/vwLUAssets/ey-attractiveness-survey-malta-2018/$FILE/ey-attractiveness-survey-malta-2018.pdf*



Source: Central Bank of Malta

The most recent upturn in property prices in Malta was mainly demand-driven. Statistics show that the number of permits for residential units issued by the Planning Authority increased significantly over the past few years. In 2018, the Planning Authority sanctioned the development of 12,885 units, which compared to the 9,006 units sanctioned in 2007, represents a 43% increase in permits issued. As has been observed in previous years, the increase was mostly in apartments (which is also the largest category of residential units), followed by maisonettes and terraced houses.



Source: Planning Authority

5. REVIEW OF THE INCOME STATEMENT

Note on revenue recognition from sale of property: 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	2016	2017	2018	2019
	€'000	*€'000*	*€'000*	*€'000*
Revenue	8,674	4,636	52,470	16,657
Cost of Sales	(3,885)	(3,051)	(29,932)	(7,326)
Gross Profit	**4,789**	**1,586**	**22,538**	**9,331**
Other net operating costs	(2,584)	(3,799)	(3,500)	(3,375)
EBITDA	**2,205**	**(2,213)**	**19,038**	**5,956**
Depreciation	(573)	(573)	(586)	(325)
Results from operating activities	**1,632**	**(2,786)**	**18,452**	**5,631**
Net finance costs	**(3,726)**	**(2,255)**	**(1,942)**	**(2,177)**
Share of (loss)/profit of joint venture	(18)	26,281	1,348	1,400
(Loss) / Profit before tax	**(2,113)**	**21,240**	**17,858**	**4,854**
Tax income / (expense)	(403)	(465)	(6,224)	(1,344)
(Loss) / Profit for the period	**(2,516)**	**20,775**	**11,634**	**3,510**

FY2018 REVIEW

The Group's revenue streams are 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 (up to November 2018), 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	**2016**	**2017**	**2018**	**2019**
	€'000	*€'000*	*€'000*	*€'000*
Development and sale of property	5,597	184	48,581	13,440
Rental and management of commercial property	3,077	4,452	3,888	3,217
Total Revenue	8,674	4,636	52,469	16,657

In FY2018, MIDI completed its development of the Q2 units, and as such, several apartments which were on promise of sale agreement were delivered and a deed of sale signed. In view of the accounting treatment for revenue as explained in the preamble of this part, the revenue in relation to the delivered apartments to the tune of €48.6 million, was recognised in FY2018. The remaining €3.9 million consisted of rental income and management of commercial property.

After deducting cost of sales of €29.9 million, which in the main consisted of costs in relation to the recognised deeds of the delivered Q2 units, the Company's gross profit stood at €22.5 million. Included in the Group's administrative expenses is a €1.4 million impairment on PPE which relates to the HVAC plant at SIS, to have it reflect its current value in use as at 31 December 2018. After deducting other operating costs (net of other income of €174K), the Company's EBITDA stood at €19 million (in FY2017, EBITDA was negative, at €2.2 million).

Net finance costs for FY2018 came in lower than those of FY2017 (€2.3 million), at €1.9 million, reflecting the substantial net repayment of bank borrowings of approximately €7 million during the year following the inflow of funds from the deeds of sale of the properties delivered during the period under review. The share of profit from the Group's investment in MidKnight Holdings Limited, the joint venture owning and operating The Centre at Tigné Point, was €1.3 million – the comparative of FY2017 was €26.3 million and included the Group's share to the uplift of the market value of the property based on the contracted leases with the tenants and which also reflected the completion of the said business centre.

The tax charge for FY2018 was €6.2 million and net profit came at €11.6 million, which is lower than that of FY2017, although the latter included the significant uplift of the Group's investment in MidKnight Holdings Limited.

Sale and Transfers related to the Car Park

In FY2018 MIDI sold 132 car park spaces to Tigné Mall plc for a consideration of €4.6 million, recognising a revaluation surplus of €1.1 million. This led to a direct adjustment in Other Comprehensive Income and which was subsequently transferred to retained earnings within equity.

Furthermore, the Company took a decision to transfer the operations of the remaining car parking facilities to a third party. As such, in terms of accounting standards, given the fact that the operation of the car park was no longer within the remit of the Company, the asset was transferred from PPE to Investment Property.

Forecasts FY2019

The forecasts for financial year 2019 take into consideration revenue expected to be generated through the signing of the deed of sale of six apartments of the remaining 14 Q2 residential units. At the time of this report, three of these apartments have been delivered to their owners with the other three still subject to a promise of sale agreement. The forecasts also take into account delivery of the three commercial units which are situated on the ground floor of the Q2 development. The total revenue expected to be generated from the sale of these properties amounts to €13.4 million. Revenues generated from the property rental and management activities are expected to amount to €3.2 million. Thus, total revenue expected for 2019 amounts to €16.7 million with an expected Group EBITDA of €6.0 million.

The depreciation charge for FY2019 is estimated to be €0.3 million (reflecting the lower element of PPE upon the transfer of the car park to Investment Property, and the reduced depreciation charge on the HVAC plant following the impairment during FY2018, of its carrying value by €1.4 million) while net finance costs are anticipated to reach €2.2 million. The investment in MidKnight Holdings Limited, which operates The Centre within Tigné Point, is expected to contribute a further €1.4 million. Such estimate is based on contracted revenues as the offices are now fully tenanted.

After accounting for the above and a taxation charge of €1.3 million, the Group's net profit is anticipated to be €3.5 million.

6. Review of Cash Flows Statement

for the year ended 31 December	*Actual* 2016 *€'000*	*Actual* 2017 *€'000*	*Actual* 2018 *€'000*	*Forecasts* 2019 *€'000*
Net cash (used for) / from operating activities	(3,721)	(8,242)	7,327	(2,275)
Net cash (used for) / from investing activities	(1,341)	107	4,459	9,701
Net cash from / (used for) financing activities	12,895	4,190	(8,395)	(11,713)
Net movements in cash and cash equivalents	**7,833**	**(3,945)**	**3,391**	**(4,287)**
Cash and cash equivalents at beginning of the year	5,996	13,829	9,884	13,275
Cash and cash equivalents at end of year	**13,829**	**9,884**	**13,275**	**8,988**

FY2018 Review

The cash position of the Group benefitted from the signing of deeds of sale of the Q2 units during FY2018 and the sale of the car park spaces (described earlier in section 5 of this report). The Group used the cash generated to repay substantial parts of its borrowings. Notwithstanding, the Group closed the year with a positive net movement of its cash position of €3.4 million, which when added to its opening cash balances of €9.9 million, resulted in a closing cash position of €13.3 million.

Forecasts FY2019

The Group's operations are expected to utilise €2.3 million of cash in excess of that generated, particularly in view of the ongoing activity that the Group expects to undertake vis-à-vis the Manoel Island Project in terms of design works of the first phase of the project and initial enabling works expected to commence in July 2019. All such expenditure, estimated in the region of €8 million, will be capitalised in inventory.

The cash inflow from investing activities in FY2019 will include a receipt of €9.7 million as the repayment of the loan extended to the joint venture, while the Group is forecasting to repay the short-term debt obligations (€10 million) and account for dividend payments (circa €1.7 million) as part of its financing activities undertaken during FY2019.

7. Review of Statement of Financial Position

as at 31 December	*Actual* 2016 *€'000*	*Actual* 2017 *€'000*	*Actual* 2018 *€'000*	*Forecasts* 2019 *€'000*
ASSETS				
Property, plant and equipment	21,818	20,540	2,182	1,857
Investment property	21,728	21,728	37,078	37,078
Investment in joint ventures	1,963	28,244	29,593	30,993
Available-for-sale financial assets	730	514	508	508
Loans receivable from joint ventures	9,701	9,701	9,701	-
Deferred tax assets	263	3,107	1,273	1,274
Total non-current assets	**56,203**	**83,834**	**80,335**	**71,710**
Inventories - development project	127,077	140,269	123,627	130,778
Trade and other receivables	3,191	3,936	3,155	2,900
Current tax asset	2,935	235	-	-
Term placements with banks	200	-	-	-
Cash and cash equivalents	14,173	10,135	13,496	8,988
Total current assets	**147,577**	**154,575**	**140,278**	**142,666**
Total assets	**203,780**	**238,409**	**220,613**	**214,376**
LIABILITIES				
Borrowings	60,448	62,211	49,303	49,303
Trade and other payables	33,425	22,931	22,263	18,099
Total non-current liabilities	**93,873**	**85,141**	**71,566**	**67,402**
Borrowings	-	3,926	9,999	-
Trade and other payables	42,547	59,614	41,607	47,737
Total current liabilities	**42,547**	**63,540**	**51,606**	**47,737**
Total liabilities	**136,420**	**148,681**	**123,172**	**115,139**
EQUITY				
Share capital	42,832	42,832	42,832	42,832
Share premium	15,879	15,879	15,879	15,879
Other reserves	2,160	2,094	1,287	1,287
Retained earnings	6,489	25,816	37,442	39,239
Total equity	**67,360**	**86,621**	**97,440**	**99,237**
Total equity and liabilities	**203,780**	**235,302**	**220,612**	**214,376**

FY2018 Review

The Group's asset base stood at €220.6 million at the end of financial year 2018, from €238.4 million at the end of 31 December 2017. The main reason for this decline was related to the delivery of the Q2 apartments, which is reflected in the level of inventories of the Group, and the sale of part of the car park at Tigné Point, as explained further hereunder.

MIDI's *Property, Plant and Equipment* (PPE) declined from €20.5 million to €2.2 million, as a result of two events – the sale of part of the car park (a disposal which reduced PPE by €3.0 million) and the transfer of the remaining car park spaces from *PPE* to *Investment Property* to the tune of €13.3 million as the car park was no longer managed by the Company and its operation was transferred to a third party. Other changes to *PPE* included depreciation charges for the year. Apart from the transfer of the car park spaces to *Investment Property*, the €15.4 million increase during FY2018 included €2 million which was a transfer of capitalised costs from *Inventories* in relation to additional car spaces that came on-line during 2018 and are now subject to a lease agreement.

Cash balances increased by the end of FY2018, despite the repayment of substantial bank borrowings during the year, as explained in the earlier section pertaining to cash flows analysis. The balance stood at €13.5 million as at 31 December 2018.

The Group's asset base was supported by a balanced mix of debt and equity funding. The debt obligations of the Group as at the end of FY2018 consisted primarily of the €50 million bond which is due in 2026 and which carries a coupon of 4% per annum. At the end of financial year 2018, the Group had also short-term borrowings of €10 million which are due within the current financial year. Other components of the Group's liabilities included trade and other payables to the tune of €65.8 million, €49.1 million of which are due to the Government with respect to Tigné Point and Manoel Island - €30.6 million of this amount is classified in the statement of financial position of the Group as at 31 December 2018 as being current, i.e. due within a year, however, the Company quoted in its annual report (Note 17) that only an outflow of €5.8 million is expected in line with contracted repayment schedule.

The Group's equity stood at €97.4 million by the end of the period under review, covering 44% of the Group's total assets. Share capital and retained earnings represent the major components of the equity base of the Group, at €80.3 million (FY2017: €68.6 million) – the increase from the previous year being all in the retained earnings.

Net Asset Value

The Group's net asset value continued to increase and as at the end of financial year 2018 stood at €0.45 per share, up from €0.40 as at the end of FY2017. This has been based on additional value generated by the Group during the year, which translates from the improved performance during FY2018. In FY2019, the Group's net asset value is expected to improve to €0.46 per share on the back of the additional profits made by the Group.

FORECASTS FY2019

Total assets as at the end of FY2019 are expected to be €214.4 million. The main changes in the components of the statement of financial position relate to the repayment of the loan of €9.7 million from MidKnight Holdings Limited; capitalisation of the costs incurred for the Manoel Island project and the delivery of the six residential units and three commercial outlets of the Q2 development during financial year 2019.

It is expected that the Group will pay its short-term debt obligations that were outstanding as at the end of FY2018, and the long-term borrowings that the Group will continue to reflect the outstanding bond issue. The balance of trade and other payables is expected to stand at €47.7 million, which include the amounts due to the Government in relation to Manoel Island only (as amounts due on Tigné Point have been extinguished in 2019). The increase in the Group's equity base at the end of FY2019 (from €97.4 million to €99.2 million) is reflective of the additional profit expected to be made in FY2019 net of dividend payments.

8. 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.

Note: where the ratios were non-comparable because of a negative return or a negative result, the ratio has been recorded as 'n/a'.

Profitability Ratios

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

	Actual FY2016	*Actual* FY2017	*Actual* FY2018	*Forecasts* FY2019
Gross Profit margin *(Gross Profit / Revenue)*	55.21%	34.20%	42.95%	56.02%
EBITDA margin *(EBITDA / Revenue)*	25.42%	n/a	36.28%	35.76%
Operating Profit margin *(Operating Profit / Revenue)*	18.81%	n/a	35.17%	33.81%
Net Profit margin *(Profit for the period / Revenue)*	n/a	448.08%	22.17%	21.07%
Return on Equity *(Profit attributable to owners of the Company / Average Equity attributable to owners of the Company)*	n/a	26.98%	12.64%	3.57%
Return on Capital Employed *(Profit for the period / Average Capital Employed)*	n/a	14.81%	7.52%	2.30%
Return on Assets *(Profit for the period / Average Assets)*	n/a	9.40%	5.07%	1.61%

The delivery of the residential units of the Q2 development during FY2018 led to the recognition of revenue which translated into profits for the year. As such, whereas for financial years 2016 and 2017 the Group could not comment on some of the performance-related ratios because these were negative, the margins for FY2018 were positive throughout the various performance indicators. One needs to note that the positive returns of FY2017 were aided by the uplift in the value of the Group's investment in MidKnight Holdings Limited.

However, in terms of its own operations, as is the case with property companies developing projects, revenue is recognised only upon the delivery of the said properties, and as such it was only during FY2018 that the Group could deliver (and thus recognise the sale of) the units of the Q2 development, reflecting positive returns and margins in all of its performance indicators.

The margins expected to be generated in FY2019 are envisaged to continue to be healthy, and the returns on equity, capital employed and assets, albeit reflective of the lower level of net profit for the year when compared to that in FY2018, are expected to continue to be positive.

Liquidity Ratios

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

	Actual FY2016	*Actual* FY2017	*Actual* FY2018	*Forecasts* FY2019
Current Ratio *(Current Assets / Current Liabilities)*	3.47x	2.43x	2.72x	2.99x
Cash Ratio *(Cash & cash equivalents / Current Liabilities)*	0.33x	0.16x	0.26x	0.19x

The Group's short-term liquidity position as at 31 December 2018 has improved over that of 2017, at 2.72 times, principally as a result of cash inflows on the signing of the deed of sale on the various Q2 residential units during the year. This ratio is expected to improve further by the end of FY2019 as current assets are expected to increase, with the costs on the Manoel Island project being capitalised in inventory, while the level of current liabilities is expected to ease on the back of repayment of short-term debt facilities.

The cash ratio improved to 0.26 times by the end of FY2018, as cash balances were up by over €3 million, while the level of current liabilities declined. This ratio is expected to weaken to 0.19 times again by the end of FY2019 as the cash balances decline when compared to those as at the end of FY2018. This is due to the fact that the Group is expected to use the cash to pay debt obligations and incur additional capital expenditure on the Manoel Island project.

SOLVENCY RATIOS

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

	Actual FY2016	*Actual* FY2017	*Actual* FY2018	*Forecasts* FY2019
Interest Coverage ratio *(EBITDA / Net finance costs)*	0.59x	n/a	9.80x	2.74x
Gearing Ratio *(Net debt / [Net Debt + Total Equity])*	0.41x	0.39x	0.32x	0.29x
Gearing Ratio (2) *[Total debt / (Total Debt plus Total Equity)]*	47.30%	43.30%	37.83%	33.19%
Net Debt to EBIDTA *(Net Debt / EBIDTA)*	20.99x	n/a	2.41x	6.77x

The Group's gearing ratios, comparing the level of debt to the Group's equity, continued to improve in FY2018 to 37.83% (FY2017: 43.3%) and are expected to improve further in FY2019. As has been explained in earlier parts of this report, the Group used the cash from the delivery of the Q2 units to repay some of its debt obligations with the banks. Furthermore, the equity base was also improved on the back of additional profits recognised during the year and retained on the Group's balance sheet. This positive trend is expected to persist also in FY2019, as the cash generated from the units delivered from the Q2 development during the year and the repayment of a loan from its joint venture investment will be applied toward the reduction of short-term debt obligations, while profits will continue to build on the balance of retained earnings of the Group.

The reduction in debt has also led to an improved net debt to EBITDA ratio, which indicator in FY2018 was also boosted by an improved level of EBITDA (when compared to that of FY2017 which was negative). In FY2019, albeit the reduction of debt obligations further, the EBITDA level is expected to be lower than that generated in FY2018, understandably as the Group will not have the same amount of stock of units that may be delivered during the year. As such, this metric will increase to 7.76 times (meaning at that level of EBITDA, it would take the Group 7.76 years to repay its net debt obligations).

Meanwhile, the interest coverage ratio improved considerably in FY2018 for the same reason explained above – improved EBITDA – while the lower level of debt obligations will translate in contained finance costs which results in a healthy interest coverage ratio for the Group in both FY2018 and FY2019.

Additional Ratios

The following additional ratios are being computed in relation to the listed shares of the Company:

	ACTUAL FY2016	*ACTUAL* FY2017	*ACTUAL* FY2018	*PROJECTIONS* FY2019
Earnings per Share (EPS) *(Net profit / No. of shares in issue)*	-€0.0117	€0.0970	€0.0543	€0.0164
Dividend Cover *(EPS / Dividend paid per share)*	-1.68x	13.86x	6.79x	2.06x

Over the years, the Group's EPS was reflective of the level of profits that the Group recorded during that year. As explained, the Group can only recognise revenues upon the delivery of units (i.e. upon the signing of the final deed), and as such, there is an element of volatility reflective of this in the calculation of the earnings per share. Similarly, the increased profitability seen in FY2017 and FY2018 was translated in high dividend cover in both years.

9. VARIANCE ANALYSIS

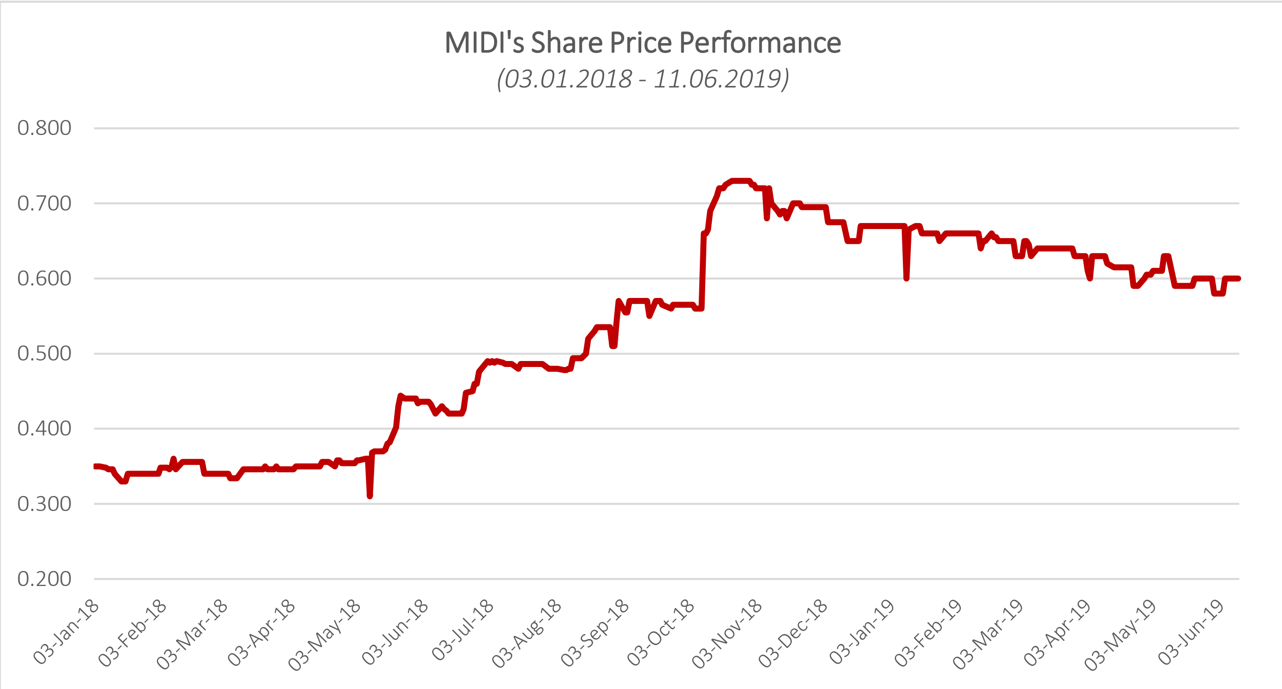
for the year ended 31 December	Projections FY2018 €'000	Actual FY2018 €'000	*Variance*
Revenue	67,761	52,470	*-23%*
Cost of Sales	(39,377)	(29,932)	*-24%*
Gross Profit	**28,384**	**22,538**	*-21%*
Other net operating costs	(3,342)	(3,500)	*5%*
EBITDA	**25,042**	**19,038**	*-24%*
Depreciation	(631)	(586)	*-7%*
Results from operating activities	**24,411**	**18,452**	*-24%*
Net finance costs	(2,141)	(1,942)	*-9%*
Share of profit of joint venture	1,200	1,348	*12%*
Profit before tax	**23,470**	**17,858**	*-24%*
Tax income / (expense)	(6,941)	(6,224)	*-10%*
Profit for the period	**16,529**	**11,634**	*-30%*

The assumptions taken in the FAS published in 2018 had taken into account the delivery of 53 apartments, however the Group delivered 45 apartments during the course of FY2018. This resulted in a lower revenue of €52.5 million compared to a forecasted €67.8 million. This difference in the number of delivered units affected most of the other components of the income statement. The projections published last year for FY2018 did not factor in also the sale of the car park spaces, nor the transfer of the remaining car park operations to a third party, both of which affected the level of depreciation charge for the year. Net finance costs came in lower, as the level of borrowings that the Group anticipated to have during the year was higher than the actual level of borrowings, which thus attracted lower finance charges. The variances described above resulted in a variance in the net profit for the year of approximately €5 million

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 2018:	€0.73
Lowest Price in 2018:	€0.31
Current Price:	€0.60 *(as at 11 June 2019)*



Debt Securities

MIDI's listed debt securities comprise:

Bond:	€50 million 4% Secured Bonds 2026
ISIN:	MT0000421223
Redemption Date:	27 July 2026 at par
Prospectus Dated:	28 June 2016

PART D COMPARATIVES

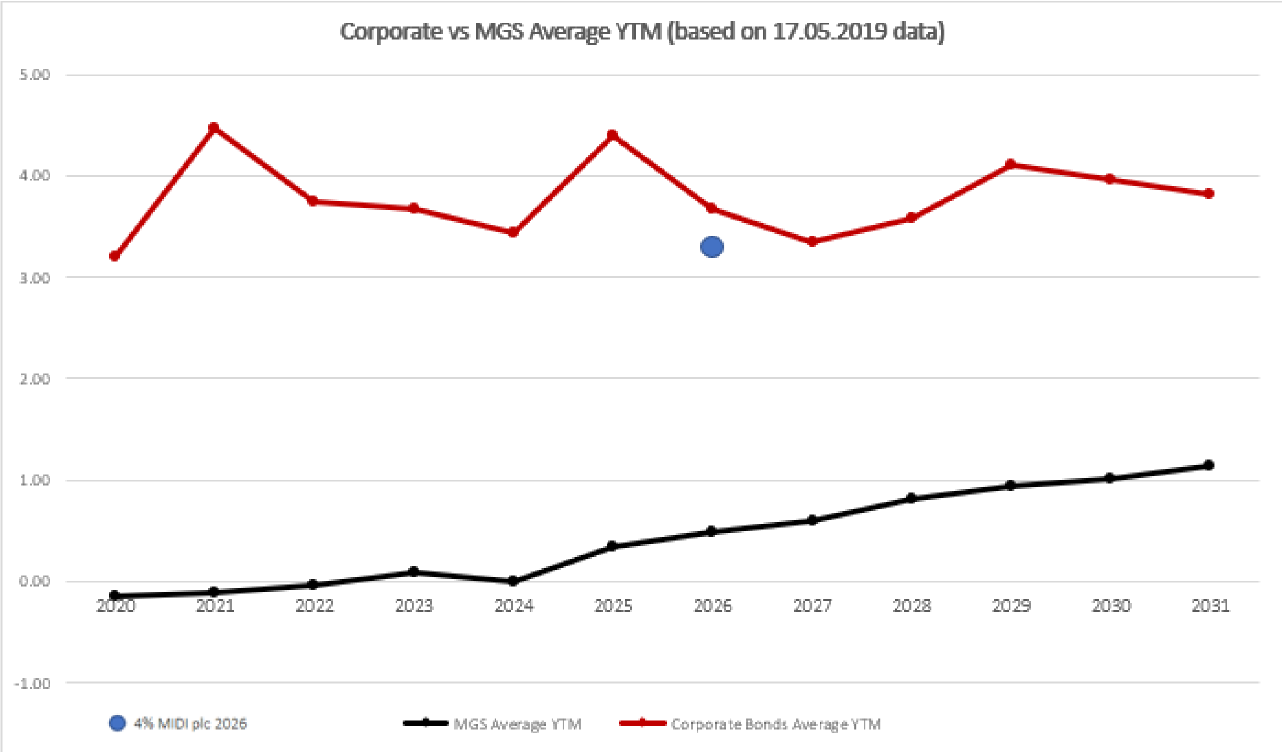
The table below compares MIDI's financial metrics to those of other companies which have debt securities listed on the Malta Stock Exchange with a similar maturity as that of the Company. It is to be noted, however, that there are significant differences in the business models of each of the listed companies 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 *(€'000)*	Total Equity *(€'000)*	Gearing Ratio*	Net Debt to EBIDTA** *(times)*	Interest Cover*** *(times)*	YTM^
5.00% Dizz Finance plc 2026	8,000,000	30,037,905	5,099,013	72.7%	19.91x	1.12x	3.60%
4.80% Med. Maritime Hub Finance plc 2026	15,000,000	34,184,631	3,766,903	83.4%	22.83x	0.94x	4.47%
4.50% Medserv plc 2026 (EUR)	21,982,400	156,777,072	18,696,715	74.2%	7.34x	1.36x	4.50%
4.00% MIDI plc 2026	**50,000,000**	**220,613,004**	**97,440,126**	**32.0%**	**2.41x**	**9.80x**	**3.32%**
4.00% IHI plc 2026 (Secured)	55,000,000	1,617,853,000	877,620,000	36.4%	7.45x	2.36x	3.36%
3.90% Plaza Centres plc 2026	8,500,000	46,036,614	28,034,949	29.4%	4.52x	5.61x	3.66%

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).

Yield to Maturity (YTM) from rizzofarrugia.com based on bond prices as at 17 May 2019.
Interest Cover: EBITDA / Net Finance Cost
Gearing Ratio: Net Debt / (Net Debt + Equity)

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 17 May 2019.



At a coupon of 4.00% per annum, the MIDI Bond 2026 currently yields 3.32%, which is approximately 283 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2026 and at a discount of approximately 36 basis points over the average yield to maturity of corporate bonds maturing in 2026 (data correct as at 17 May 2019).

PART E GLOSSARY

INCOME STATEMENT EXPLANATORY DEFINITIONS

Revenue	Total revenue generated by the company from its business activity during the financial year.
EBITDA	Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations.
Normalisation	Normalisation is the process of removing non-recurring expenses or revenue from a financial metric like EBITDA, EBIT or earnings. Once earnings have been normalised, the resulting number represents the future earnings capacity that a buyer would expect from the business.
EBIT	Earnings before interest and tax.
Depreciation and Amortization	An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated.
Finance Income	Interest earned on cash bank balances and from the intra-group companies on loans advanced.
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit generated in one financial year.

CASH FLOW STATEMENT EXPLANATORY DEFINITIONS

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

STATEMENT OF FINANCIAL POSITION EXPLANATORY DEFINITIONS

Assets	What the company owns which can be further classified in Current and Non-Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Liabilities	What the company owes, which can be further classified in Current and Non-Current Liabilities.
Current Liabilities	Obligations which are due within one financial year.
Non-Current Liabilities	Obligations which are due after more than one financial year.

Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.

Profitability Ratios

EBITDA Margin	EBITDA as a percentage of total revenue.
Operating Profit Margin	Operating profit margin is operating profit achieved during the financial year expressed as a percentage of total revenue.
Net Profit Margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Return on Equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on Capital Employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	This is computed by dividing profit after tax by total assets.

Liquidity Ratios

Current Ratio	The current ratio is a financial ratio that measures whether a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Cash Ratio	Cash ratio is the ratio of cash and cash equivalents of a company to its current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents and nothing else.

Solvency Ratios

Interest Coverage Ratio	This is calculated by dividing a company's EBITDA of one period by the company's net finance costs of the same periobd.
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.
Net Debt to EBITDA	This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA.

Other Definitions

Yield to Maturity	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.

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