MIDI

FINANCIAL ANALYSIS SUMMARY

Update 2021

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

23 June 2021

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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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 2018, 2019 and 2020 and forecasts for financial year ending 31 December 2021.

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

FAS dated 21 June 2019 *(and addendum dated 21 August 2019)*

FAS dated 23 June 2020

PART A BUSINESS & MARKET OVERVIEW UPDATE

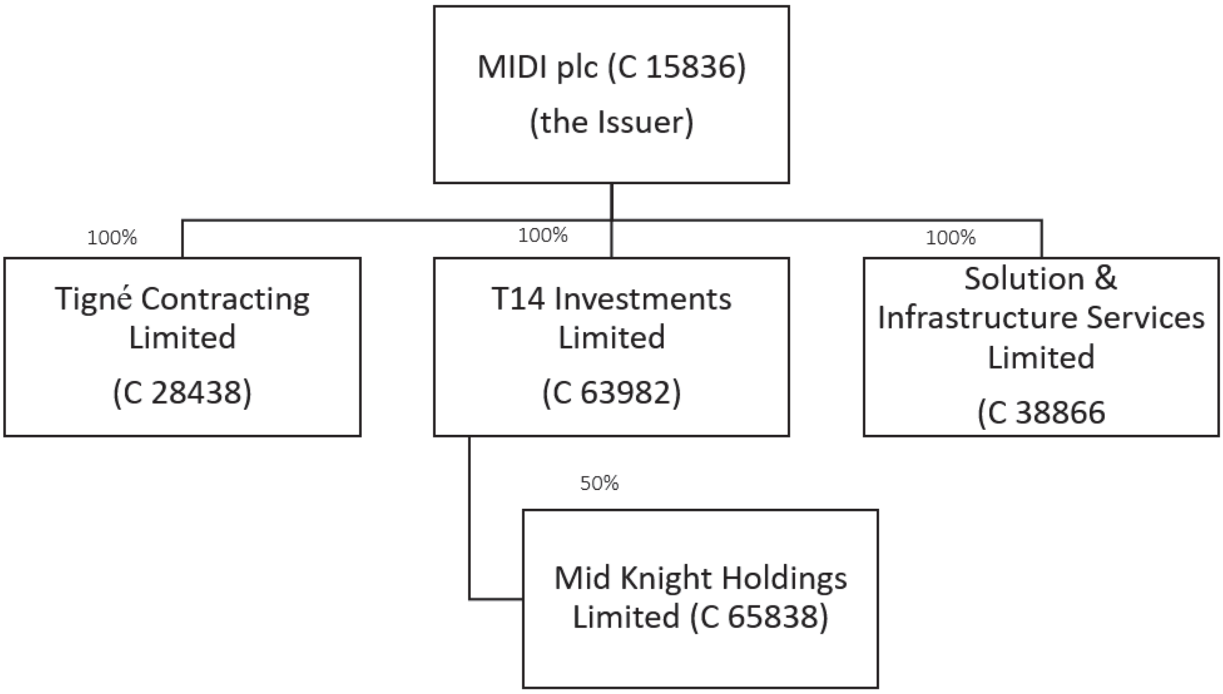
1. INTRODUCTION

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 emphyteutic 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**").



In May 2021, the Company affected a merger of Tigné Point Marketing Limited (C 30073) into Tigné Contracting Limited (C 28438).

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.

T14 Investments Limited and Mid Knight Holdings Limited

T14 Investments Limited ("**T14IL**") was established in Malta on 21 February 2014 as a private limited liability company. During that same year, T14IL entered into a joint venture with Benny Holdings Limited – Mid Knight Holdings Limited – with a view to develop and manage a business centre (known as The Centre) located at Tigné Point.

Solution & Infrastructure Services Limited

Solution & Infrastructure Services Limited ("**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.

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 a penthouse that was delivered during FY2016. A further 11 apartments were delivered during FY2019. As at the end of FY2020, the Company had three units which were unsold, two of which were subject to a promise of sale agreement.

The Centre

The joint venture between MIDI and a third-party investor in 2014 - Mid Knight Holdings Limited – was established to carry out the construction and development of the T14 Business Centre, now known as The

Centre, and was completed in 2017. 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.

Recent Developments

COVID-19 Update

The effects of the COVID-19 pandemic affected MIDI twofold – the Company did not sell its remaining stock of three residential units (as assumed also in last year's projections); and MIDI granted rent concessions to its tenants at the Pjazza and the car park. This resulted in subdued revenues generated during the year.

The projections for FY2021 presented in Part B of this report are cognisant of the effect of COVID-19 on the first half of the year, which has been characterised by further lockdown periods. As such, some rent concessions are projected to extend up to end of June. Meanwhile, however, as such lockdowns are gradually lifted, sentiment is expected to improve. The two residential units that were subject to a promise of sale agreement by the end of FY2020 have been delivered to their owners during the first months of 2021, with only one remaining unit left unsold. The Company is assuming the sale of this third residential unit during the remaining months of FY2021.

New Development – the Q3 (ex-T20) Site

Permits for the development of the last remaining site within the Tigné Point complex, Q3 (previously known as T20), were approved by the Planning Authority in April 2020. The development will comprise 63 residential units spread over 16 floors (including the ground floor), additional car parking facilities, as well as the embellishment of the Garden Battery and adjoining areas. The permits are currently subject to an appeal by the Fort Cambridge Residents Association. However, the Company has commenced preparatory site works to commence construction during the last quarter of 2021.

Developments on the Manoel Island Project

During FY2020, the Company continued to focus on the Manoel Island project. Following an appeal of the 2019 permit, which was found in favour of the appellant, the Company was asked to submit a fresh Environment Impact Assessment ("**EIA**") for the Planning Authority to reconsider the Outline Development Application. Concurrently with this process, the Company carried out additional site investigations, which revealed a part of the site, which was previously earmarked for development, to be of archaeological importance. This necessitated a revised masterplan taking into consideration the findings, and on 18 February 2021, the Company submitted a revised plan to the Planning Authority. The 2021 Masterplan makes a series of key improvements when compared to earlier designs, with focus on preservation, sustainability and public wellbeing, while developing the footprint into a site which is prepared for Malta's future.

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
Dr Alec A. Mizzi	Chairman & Non-Executive Director
Mr Joseph Bonello	Non-Executive Director
Mr David G. Curmi	Non-Executive Director (resigned on 17 June 2021)
Mr David Demarco	Non-Executive Director (*resigned on 1 October 2020; re-appointed on 5 October 2020)*
Mr Joseph A. Gasan	Non-Executive Director
Mr John Mary *sive* Jimmy Gatt	Non-Executive Director (resigned on 17 June 2021)
Mr Alan Mizzi	Non-Executive Director
Mr Joseph Said	Non-Executive Director
Mr Mark Weingard	Non-Executive Director (*resigned on 1 October 2020)*
Mr Mark Portelli	Executive (Managing) Director, CEO (*appointed on 5 October 2020)*
Mr Gordon Polidano	Non-Executive Director (appointed on 17 June 2021)
Mr Alfredo Munoz Perez	Non-Executive Director (appointed on 17 June 2021)

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

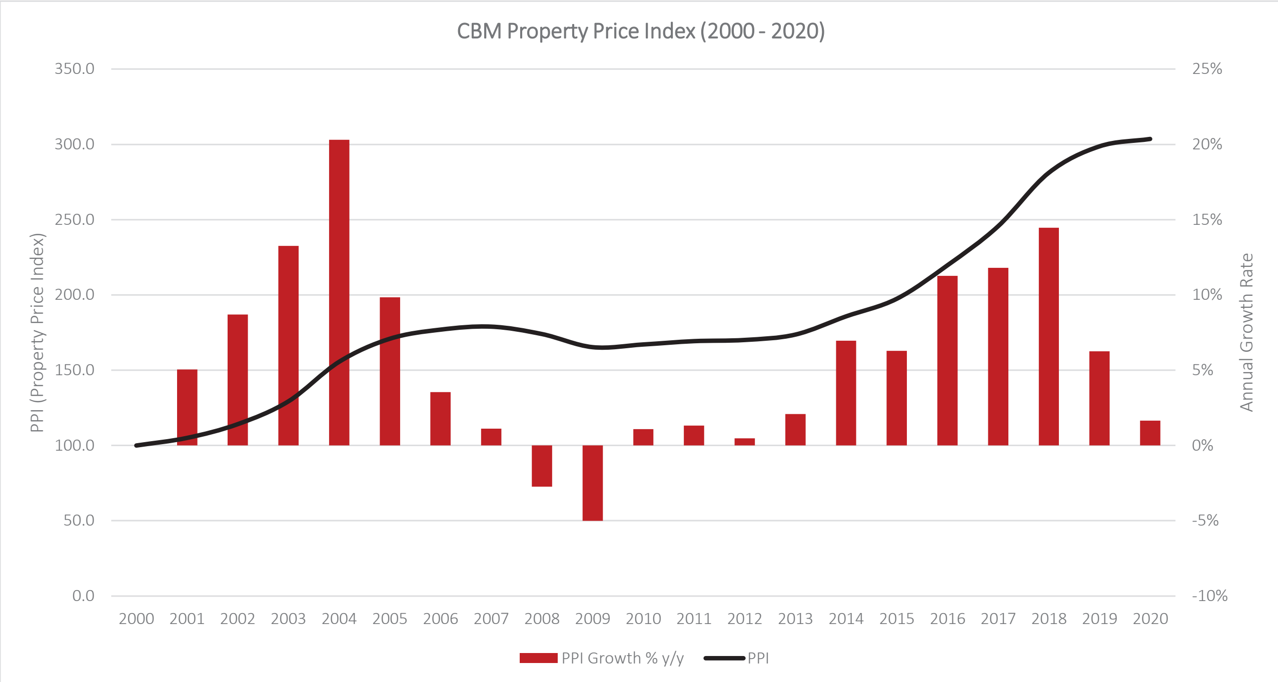
4. Market Overview

The Property Market

The construction and real estate industry has traditionally been a key driver of growth for the local economy. Moreover, the positive correlation between the performances of the local economy and the construction and real estate industry has been particularly evident in recent years. These have been mainly fuelled by favourable local and external macroeconomic dynamics as well as various initiatives (including fiscal incentives) by the Government of Malta aimed at boosting the overall level of public and private investment, regenerate business/retail and consumer confidence, and increase the participation and relocation of numerous foreigners and foreign companies opting to reside and do business in Malta.

The outbreak of COVID-19 disrupted the momentum that was building in the local economy as all sectors were adversely affected. The construction and real estate industry was no exception although the data indicated that the industry has been relatively resilient.

The most recent data issued by the Central Bank of Malta shows that residential property prices in Malta (based on advertised prices) increased by 1.7% in 2020 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 new all-time high of 303.6 points as at the end of 2020 compared to 298.7 points as at the end of 2019.



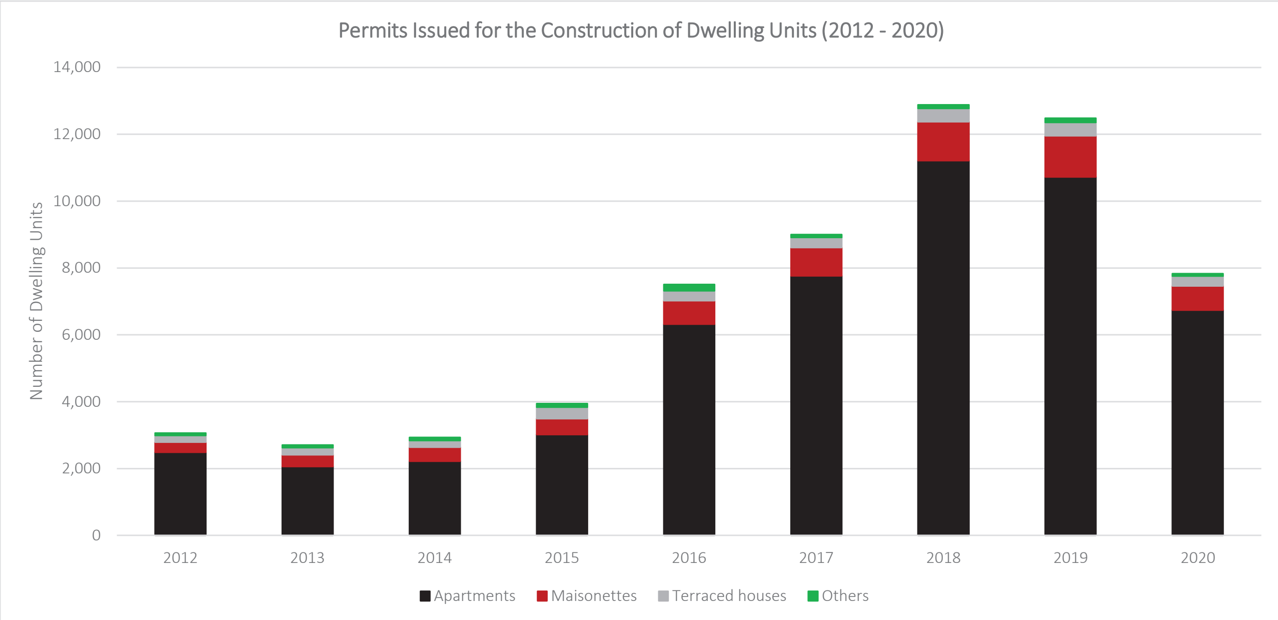
Source: Central Bank of Malta

The CBM Property Price Index also shows that property prices in Malta have increased by a compound average growth rate ("**CAGR**") of 5.4% per annum (in nominal terms) since 2000.

Despite the adverse effects of CVOID-19 on local real-estate market, property prices continued to increase albeit at a much slower pace. The Central Bank of Malta, in its 2020 Annual Report[1], notes that local property prices have been supported by the prevailing low interest rate environment as well as by the various support schemes related to property that were launched by the Government of Malta. Nonetheless, the Central Bank also noted that the decline in the rate of property price increases could also be reflective of "…a degree of stabilisation in the housing market, following a period of above average growth." Moreover, apart from the adverse impact of the pandemic, the Central Bank also attributes this stabilisation to the fact that "…the large

[1] *Central Bank of Malta, 2021, Annual Report 2020, available from https://www.centralbankmalta.org/site/Publications/AR-2020.pdf?revcount=9620, [Accessed 21 May 2021]*

number of permits issued in recent years likely has increased the availability of housing…"[2]. In fact, as demand for residential property moderated because of COVID-19 (reflecting lower household income and lower demand for private rental accommodation as expatriates returned to their respective home country), the number of permits for residential units issued by the Planning Authority sharply contracted to the lowest levels in the last four years. During 2020, the Planning Authority sanctioned the development of 7,831 units contrasting the 12,485 permits issued in 2019. The decline in permit issuance during 2020 was evident across types of residential dwellings[3].



Source: Planning Authority

Commercial Property

Although commercial property is a very important niche of the local property market, available statistics are indeed limited. Nonetheless, the Central Bank of Malta notes that non-residential investment increased at a slower rate than in the previous year with permits issued for the construction of such properties declining significantly from the high levels recorded in 2018 and 2019 but still remained slightly above the historic average.[4]

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[2] *Central Bank of Malta, 2021, Quarterly Review, Vol. 54 No. 2, available from* https://www.centralbankmalta.org/site/Publications/QR-2021-2.pdf?revcount=6882 *[Accessed 21 May 2021]*

[3] *Planning Authority, 2021, Dwelling Unit Approvals for 2000 – 2020, available from* https://www.pa.org.mt/file.aspx?f=34865, *[Accessed 21 May 2021]*

[4] *Central Bank of Malta, 2021, Annual Report 2020, available from* https://www.centralbankmalta.org/site/Publications/AR-2020.pdf?revcount=9620, *[Accessed 21 May 2021]*

Economic Results

Despite all the disruptions, primarily brought about by COVID-19, property remains an important contributor to the country's GDP. In fact, gross value added of the construction sector increased by 2.9% to €494.4 million in 2020 compared to €480.6 million in the previous year. Over the same period, the percentage share of the construction sector to Malta's GDP marginally increased to 4.7% (2019: 4.3%). Meanwhile, during 2020 the real estate activities segment contracted by 0.9% to €748.4 million from €755.2 million in 2019.[5]

CoVID-19 Impact on the Property Sector

The CoVID-19 pandemic has impacted the residential rental market in Malta in a number of ways. Firstly, the demand side from incoming tourism has ceased following the temporary closure of Malta International Airport and the lasting effect on tourism worldwide. Secondly, a substantial number of third-country nationals have been made redundant and have since been repatriated to their home countries and in doing so increasing the number of vacant residential properties. Finally, the strong supply of new properties on the market has also put downward pressure on rental prices. Altogether, this has encouraged short-let property owners to consider renting their properties on a long-let basis at considerably discounted rates when compared to pre-COVID-19 times. The weakened demand has also forced some property owners to sell their properties at discounted rates in order to meet debt obligations with credit institutions.

In cognisance of the importance of the property sector to the Maltese economy, the Government of Malta has so far introduced a number of fiscal measures within this segment including reducing the stamp duty for buyers and withholding tax for sellers which applies to anyone still under a promise of sale agreement and will cover the first €400,000 for deeds published until March 2021. For buyers, the stamp duty was dropped from 5% to 1.5%, while the withholding tax for sellers was dropped from 10% / 8%, as applicable, to 5%. Moreover, going forward owners of small property portions and garages will be eligible as first-time buyers.

[5] *National Statistics Office, Gros Domestic Product:2020, available from https://nso.gov.mt/en/News_Releases/Documents/2021/03/News2021_040.pdf, [Accessed 21 May 2021]*

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.

for the year ended 31 December	ACTUAL FY2018 *€'000*	ACTUAL FY2019 *€'000*	ACTUAL FY2020 *€'000*	FORECASTS FY2021 *€'000*
Revenue	52,469	27,724	2,816	8,884
Cost of Sales	(29,932)	(13,135)	(1,727)	(5,427)
Gross Profit	**22,537**	**14,589**	**1,089**	**3,457**
Other net operating costs	(3,500)	(2,515)	(2,050)	(2,230)
EBITDA	**19,037**	**12,074**	**(961)**	**1,227**
Depreciation	(586)	(392)	(262)	(252)
Results from operating activities	**18,451**	**11,682**	**(1,223)**	**975**
Net finance costs	**(1,942)**	**(2,074)**	**(2,311)**	**(2,430)**
Other income	-	-	50	-
Share of (loss)/profit of joint venture	1,348	1,626	1,893	1,959
(Loss) / Profit before tax	**17,857**	**11,234**	**(1,591)**	**504**
Tax income / (expense)	(6,224)	(3,019)	(525)	(871)
(Loss) / Profit for the period	**11,633**	**8,215**	**(2,116)**	**(367)**

FY2020 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 (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, income from the carpark (which is managed by a third party but which is subject to a fixed fee and a revenue sharing agreement), income from the Manoel Island Marina which is operated by a third party, as well as the operations of SIS.

Revenue and Other Income Analysis by Operating Segment

	ACTUAL	ACTUAL	ACTUAL
	FY2018	FY2019	FY2020
	€'000	*€'000*	*€'000*
Development and sale of property	48,581	24,286	213
Rental and management of commercial property	3,888	3,438	2,603
Total Revenue	52,469	27,724	2,816

At the beginning of FY2020, MIDI had three residential units left unsold from its 2018 development of Q2. There were no residential property sales recorded during FY2020, in part due to the subdued economic activity as a result of COVID-19.

Meanwhile, the rental and management of commercial property segment contributed €2.6 million to the revenue of the Company for FY2020. This was lower than the revenue generated by this segment in earlier years, as the Company granted rent concessions during FY2020 to the tenants of its commercial properties and car park operator, as support during the COVID-19 pandemic.

Operating costs came in lower than in FY2019, at €2.1 million (FY2019: €2.5 million) as the Company adopted a cash-preservation strategy and implemented a number of cost-cutting measures in view of the pandemic. Nevertheless, EBITDA was negative, at €1.0 million, however, this is not comparable to earlier years, which were characterised by the delivery of a stock of apartments in both FY2018 and FY2019.

Depreciation charge for the year stood at €0.3 million (FY2019: 0.4 million).

Net finance costs came marginally higher than FY2019, and this was a result of lower finance income - in FY2019 finance income included interest receivable on a loan to the JV which was earned during most of the months of the year during which the loan was outstanding. Such loan was repaid in Q4 of FY2019 and no such income was receivable in FY2020. MIDI's share of profit from the joint venture (Mid Knight Holdings Limited) that operates The Centre at Tigné Point was €1.9 million in FY2020, reflecting contractual increases in rent rates and lower finance costs following a refinancing exercise carried out by the JV which included the settlement of the JV's shareholders' loans. During FY2020, The Centre remained fully-tenanted.

After deducting a tax charge of €0.5 million, the Company's net loss for the year was €2.1 million.

Forecasts FY2021

The Company started the year having two of the three remaining residential units under promise of sale agreement. By the time of publication of this Update FAS, management have confirmed that the two residential units were delivered to their owners and as such are confirmed as part of revenue for the year, while the third one is being assumed to be sold during the remaining months. In relation to the commercial property operations, MIDI expects the rental concessions given to its tenants at the Pjazza and Tigné front as well as the carpark in relation to COVID-19 to come to an end by June 2021 as restrictions would be completely lifted and that normal rates will become payable thereafter. Such activities are expected to generate a revenue for the Company of €8.9 million.

Cost of sales are characterised by the costs related to the sold units, those related to rental and SIS operations as well as some specific costs related to remedial works which are expected to be incurred in relation to past development on Tigné Point.

Netting off other operating costs, the Company is expecting to register a positive EBITDA of €1.2 million in FY2021. The share of profit from its JV for FY2021 is expected to be in the region of €2 million. After deducting the depreciation charge and interest expense, MIDI is projecting a profit before tax of €0.5 million, an improvement of over €2 million on the loss generated in FY2020. Tax charge for the year is calculated to be circa €0.9 million, and as such, the Company will end FY2021 in a net loss position of €0.4 million.

6. Review of Cash Flows Statement

	ACTUAL	ACTUAL	ACTUAL	FORECASTS
for the year ended 31 December	FY2018	FY2019	FY2020	FY2021
	€'000	*€'000*	*€'000*	*€'000*
Net cash from / (used for) operating activities	7,327	1,118	(11,552)	(4,806)
Net cash from / (used for) investing activities	4,459	(46)	(72)	-
Net cash from / (used for) financing activities	(8,395)	7,416	1,268	(4,482)
Net movements in cash and cash equivalents	**3,391**	**8,488**	**(10,355)**	**(9,288)**
Cash and cash equivalents at beginning of the year	9,884	13,275	21,763	11,407
Cash and cash equivalents at end of year	**13,275**	**21,763**	**11,407**	**2,119**

FY2020 Review

During FY2020, the Company had practically no income from the sale of residential units, as was anticipated also in last year's projections for FY2020. This meant that the Company made significant use of its own cash resources to support its operating activities. In fact, cash used for operating activities including the net interest and taxes paid amounted to €11.6 million (FY2019: €1.1 million, inflow). Meanwhile, the Company's investing activities in FY2020 were minimal, at just under €72,000, while cash from financing activities, at €1.3 million, consisted primarily of dividends received (€1.9 million), net of lease payments of €0.6 million.

The cash balances at the end of the financial year were €11.4 million.

FORECASTS FY2021

The Company's operating cash flows for FY2021 are expected to feature the cash flows from the sale of the three remaining residential units. Notwithstanding, these would not cover all the operating costs paid during FY2021, resulting in a net operating cash outflow of €4.8 million. Similarly, cash used for the purpose of financing activities is expected to amount to €4.5 million consisting of the net drawdowns of a revolving facility available to the Company.

Cash balances are expected to go down from €11.4 million to €2.1 million by the end of FY2021.

7. REVIEW OF STATEMENT OF FINANCIAL POSITION

as at 31 December	ACTUAL FY2018 €'000	ACTUAL FY2019 €'000	ACTUAL FY2020 €'000	FORECASTS FY2021 €'000
ASSETS				
Property, plant and equipment	2,182	2,619	2,429	2,177
Right of Use Asset	-	13,135	12,964	12,800
Investment property	37,078	37,078	37,078	37,078
Investment in joint ventures	29,593	29,843	29,903	30,802
Available-for-sale financial assets	508	532	525	517
Loans receivable from joint ventures	9,701	-	-	-
Deferred tax assets	1,273	607	92	92
Total non-current assets	80,335	83,814	82,990	83,466
Inventories - development project	123,627	125,423	130,287	133,350
Trade and other receivables	3,155	3,417	2,782	2,844
Current tax asset	-	62	62	62
Cash and cash equivalents	13,496	21,901	11,529	2,119
Total current assets	140,278	150,803	144,659	138,375
Total assets	220,613	234,617	227,649	221,841
LIABILITIES				
Borrowings	49,303	49,395	49,395	57,337
Lease Liabilities	-	12,990	13,383	14,439
Trade and other payables	22,263	18,086	13,599	13,045
Total non-current liabilities	71,566	80,471	76,377	84,821
Borrowings	10,000	10,000	10,000	-
Lease Liabilities	-	654	633	633
Trade and other payables	41,607	39,526	38,706	34,912
Total current liabilities	51,607	50,180	49,338	35,545
Total liabilities	123,173	130,651	125,715	120,366
EQUITY				
Share capital	42,832	42,832	42,832	42,832
Share premium	15,879	15,879	15,879	15,879
Other reserves	1,287	1,311	1,304	1,304
Retained earnings	37,442	43,943	41,828	41,460
Total equity	97,440	103,965	101,842	101,475
Total equity and liabilities	220,613	234,616	227,557	221,841

FY2020 REVIEW

MIDI's asset base at the end of FY2020 stood at €227.6 million (FY2019: €234.6 million). The split remained largely unchanged, particularly in the non-current assets. Meanwhile, inventories in FY2020 increased by nearly €5 million, and this was largely related to the capitalised costs on the ongoing development plans related to both Tigné Point Q3 and Manoel Island. Cash balances at the end of FY2020 stood at €11.5 million, €10.4 million lower than the closing balances of FY2019, reflecting the additional cash used in operations as the Company had no cash inflows from any sale of residential units during the year (which would have boosted the cash balances accordingly, as was the case in previous years).

The Company's split between equity and liabilities that fund MIDI's asset base is *quasi* equal. Equity stood at €101.8 million at the end of FY2020, or 44.8% of total assets. The reserves remained unchanged between FY2019 and FY2020, with the net losses of FY2020 effecting retained earning balances (FY2020: €41.8 million; FY2019: 43.9 million).

Meanwhile, liabilities consist of a mix of borrowings, lease liabilities and balances of trade and other payables. Borrowings stood at €59.4 million at the end of FY2020, unchanged from earlier year as the Company's cashflows required for its operations were funded organically from its own cash balances. Lease liabilities represented 11% of the Company's total liabilities. The balances of trade and other payables declined by €5.3 million, the majority of which related to the payment to the Government in respect of the Manoel Island and Tigné Point land.

FORECASTS FY2021

Additional preparatory work capitalised in inventory relating to the upcoming developments at Tigné Point (Q3 block) and Manoel Island are expected to be undertaken during FY2021. These will be netted off by the transfer to the income statement of the costs that were capitalised relating to the three remaining residential units that the Company expects to sell during this year.

The composition of equity and liabilities is not expected to be materially different than that of FY2020. Retained earnings will reflect the net loss for the year, while the Company's composition of borrowings is expecting to shift completely towards the longer term as the Company negotiated a new revolving facility whilst planning to settle its short-term facilities.

Net Asset Value

	ACTUAL FY2018	ACTUAL FY2019	ACTUAL FY2020	FORECASTS FY2021
NAV per Share *(Total equity / Number of shares in issue)*	€0.455	€0.485	€0.476	€0.474

The Group's net asset value declined to €0.476 per share in FY2020 from €0.485 a year earlier, as a result of the net loss for the year which affected retained earnings. In FY2021 this is expected to be marginally lower for the same reason, albeit the effect of the net loss of FY2021 is not expected to have the same magnitude as that of FY2020.

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 FY2018	ACTUAL FY2019	ACTUAL FY2020	FORECASTS FY2021
Gross Profit margin *(Gross Profit / Revenue)*	42.95%	52.62%	38.66%	38.91%
EBITDA margin *(EBITDA / Revenue)*	36.28%	43.55%	n/a	13.81%
Operating Profit margin *(Operating Profit / Revenue)*	35.17%	42.14%	n/a	10.97%
Net Profit margin *(Profit for the period / Revenue)*	22.17%	29.63%	n/a	n/a
Return on Equity *(Profit for the period / Average Equity)*	12.64%	8.16%	n/a	n/a
Return on Capital Employed *(Profit for the period / Average Capital Employed)*	7.52%	5.13%	n/a	n/a
Return on Assets (ROA) *(Profit for the period / Average Assets)*	5.07%	3.61%	n/a	n/a

The lower revenue achieved in FY2020 led to a net loss position for the Company. As such, a number of the return ratios could not be computed as there was no such return. While FY2021 is expected to be better than FY2020, the Company is still not expected to achieve a profitability position at the end of the year. Notwithstanding, contrary to FY2020, in FY2021 MIDI is expected to return to a positive EBITDA and Operating Profit, and as such, the EBITDA and Operating Profit margins are positive 13.81% and 10.97%, respectively.

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 FY2018	ACTUAL FY2019	ACTUAL FY2020	FORECASTS FY2021
Current Ratio *(Current Assets / Current Liabilities)*	2.72x	3.01x	2.93x	3.89x
Cash Ratio *(Cash & cash equivalents / Current Liabilities)*	0.26x	0.44x	0.23x	0.06x

As explained earlier, in FY2020, the Company used up substantial cash to further its operations. This led to a depletion in the cash balances and as such, the current ratio, but more especially, the cash ratio, were impacted negatively. In FY2021, the cash ratio is expected to worsen even further, although the current ratio is expected to improve, as a result of additional works which are capitalised in inventory and the lower level of current borrowings expected by the end of FY2021.

Solvency Ratios

NB – solvency ratios are computed without taking into account the leases as a financing liability.

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

	ACTUAL FY2018	ACTUAL FY2019	ACTUAL FY2020	FORECASTS FY2021
Interest Coverage ratio *(EBITDA / Net finance costs)*	9.80x	5.82x	n/a	0.50x
Gearing Ratio *(Net debt / [Net Debt + Total Equity])*	0.32x	0.27x	0.32x	0.35x
Gearing Ratio (2) *[Total debt / (Total Debt plus Total Equity)]*	37.83%	36.36%	36.84%	36.10%
Net Debt to EBIDTA *(Net Debt / EBIDTA)*	2.41x	3.11x	n/a	45.00x

The composition of the Company's financing of its activities and operations continues to be a mix of bank debt, bonds and equity. As explained earlier, the equity position of the Company was affected by the net losses in

FY2020 (through the retained earnings). Notwithstanding, the mix between debt and equity remained acceptable, at 36.84%. Moreover, since EBITDA was negative in FY2020, some of the ratios using this metric could not be computed.

The Company's profitability is highly dependent on the availability of units for sale. Notwithstanding the fact that the Company has three units available for sale (which are earmarked to be recognised as revenue during FY2021), there is insufficient stock to generate high levels of EBITDA, similar to those seen in earlier comparative years. As such, if one were to base the ability of the Company to repay its debt on the level of the FY2021 EBITDA, this translates to 45 years' equivalent, although this ratio is not forward-looking and as such does not take into account the funds expected to be raised in the future, including from the sale of the Q3 units, which would allow the Company to repay its debts.

ADDITIONAL RATIOS

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

	ACTUAL FY2018	ACTUAL FY2019	ACTUAL FY2020	FORECASTS FY2021
Earnings per Share (EPS) *(Net profit / No. of shares in issue)*	€0.0543	€0.0384	n/a	n/a
Dividend Cover *(EPS / Dividend paid per share)*	6.79x	n/a	n/a	n/a

The EPS and Dividend Cover ratios for FY2020 and FY2021 cannot be worked out in view of zero or negative variables used in the formula.

9. VARIANCE ANALYSIS

STATEMENT OF COMPREHENSIVE INCOME *for the year ended 31 December*	FORECASTED FY2020	ACTUAL FY2020 *€'000*	
Revenue	2,179	2,816	*29%*
Cost of Sales	(1,247)	(1,727)	*39%*
Gross Profit	**932**	**1,089**	*17%*
Other net operating costs	(2,572)	(2,050)	*-20%*
EBITDA	**(1,640)**	**(961)**	*-41%*
Depreciation	(288)	(262)	*-9%*
Results from operating activities	**(1,928)**	**(1,223)**	*-37%*
Net finance costs	(2,340)	(2,311)	*-1%*
Other Income	-	50	*n/a*
Share of (loss)/profit of joint venture	2,300	1,893	*-18%*
(Loss) / Profit before tax	**(1,968)**	**(1,591)**	*-19%*
Tax income / (expense)	-	(525)	*n/a*
(Loss) / Profit for the period	**(1,968)**	**(2,116)**	*8%*

The Company's performance in FY2020 came in very close to what was disclosed as projections in last year's FAS, despite it being a year characterised by uncertainty. The Company's projections for FY2020 took a prudent stance in view of the fact that at the point of issuing the FAS Update for FY2020, the Company had no visibility as to how the effects of the pandemic would pan out during the remaining months of the year. Gross profit was higher than anticipated, affected by higher revenue achieved in particularly from the marina and lower net operating costs. The share of profit from MKH came in lower at €1.9 million (as opposed to that projected of €2.3 million), due to the tax charge for FY2020 being higher than anticipated. The loss before tax for the year was lower than that anticipated at €1.6 million (it was projected to reach €2 million). In last year's FAS, the assumption on tax was that given the operations were projected to net a loss for the year, no tax charge was expected to be incurred. However, a deferred tax asset amounting to €0.5 million related to past tax losses has been written off to the income statement using the matching concept with the rental income generated during 2020 thus increasing the net loss to €2.1 million.

PART C LISTED SECURITIES

SHARES

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

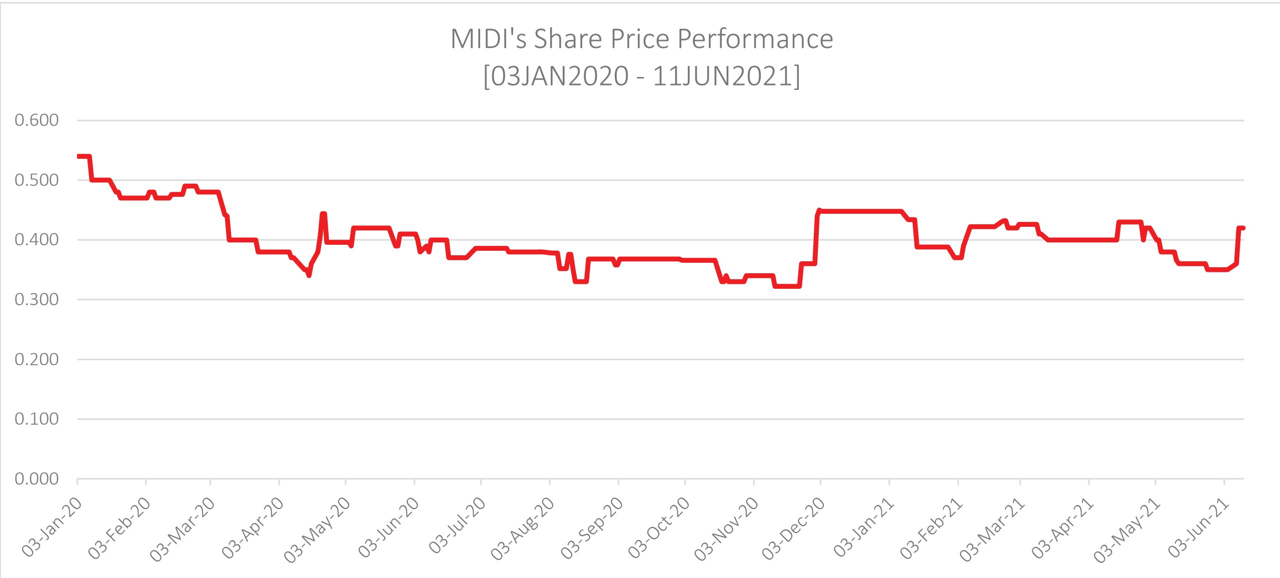
Issued Share Capital: 214,159,922 ordinary shares with a nominal value of €0.20 per share

ISIN: MT0000420126

Highest price in 2020: €0.54

Lowest price in 2020: €0.322

Current price: €0.42 *(as at 11 June 2021)*



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 Equity	Gearing Ratio*	Net Debt to EBIDTA	Interest Cover**	YTM^
4.00% MIDI plc 2026 (Secured)	**50,000,000**	**101,842**	**32.0%**	**n/a**	**n/a**	**3.3%**
4.00% Int. Hotel Investments plc 2026 (Secured)	55,000,000	773,176	41.3%	n/a	n/a	3.4%
4.00% Int. Hotel Investments plc 2026 (Unsecured)	60,000,000	773,176	41.3%	n/a	n/a	3.7%
3.90% Plaza Centres plc 2026 (Unsecured)	7,720,000	26,678	10.6%	1.64x	4.13	3.0%
4.50% Medserv plc 2026 (Unsecured)	21,982,400	4,292	92.4%	9.43x	1.39	5.8%
3.25% AX Group plc 2026 (Unsecured)	15,000,000	217,449	25.6%	28.51x	0.76	2.3%
3.75% Premier Capital plc 2026 (Unsecured)	65,000,000	53,003	56.3%	1.33x	7.39	3.3%

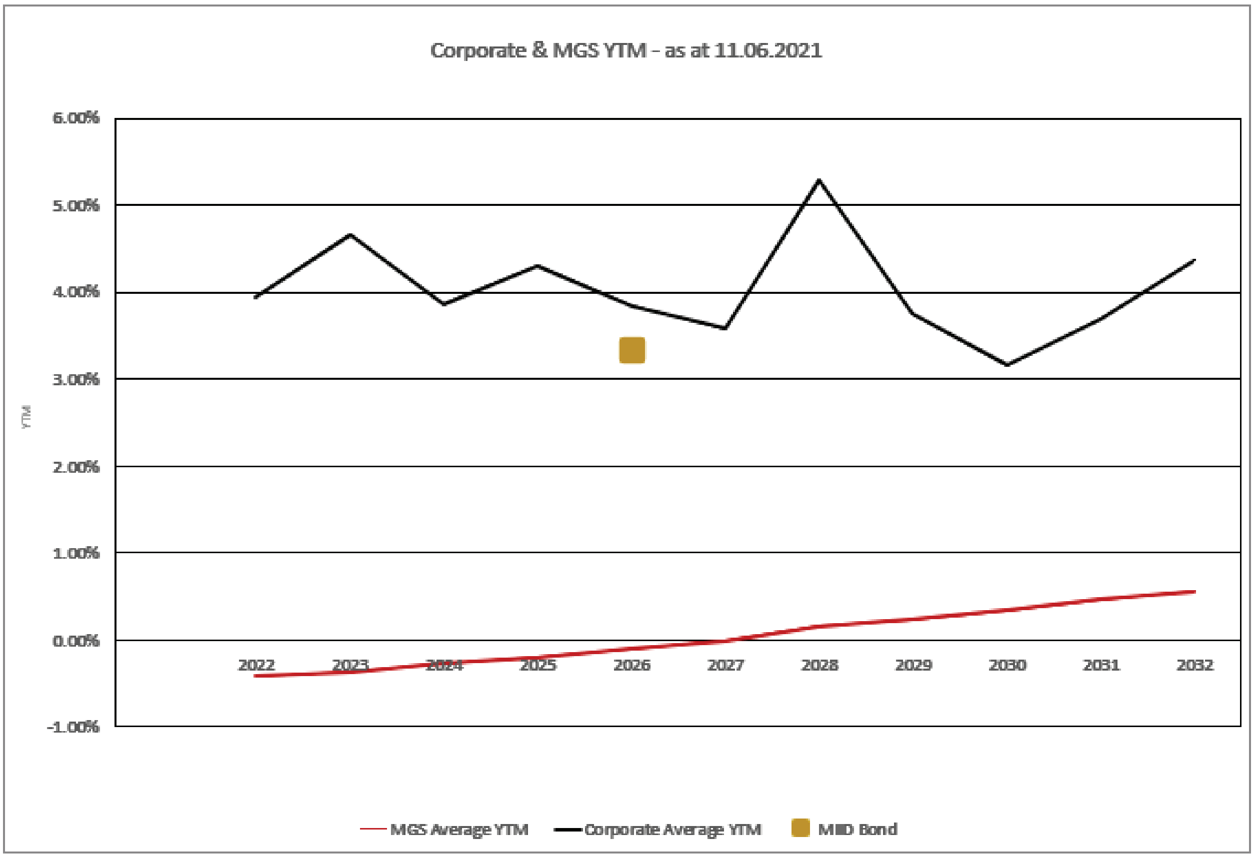
Source: Yield to Maturity from rizzofarrugia.com based on bond prices of 11 June 2021. Ratio workings and financial information quoted have been based on the respective issuers' published financial data (or their guarantors, where and as applicable) available as at 11 June 2021. Where negative, the respective ratios are marked as 'n/a' due to their incomparability.

^Yield to Maturity (YTM) based on bond prices as at 11 June 2021.

**Gearing Ratio: Net Debt / (Net Debt + Equity)*

***Interest Cover: EBITDA / Net Finance Cost*

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 11 June 2021.



At a coupon of 4.00% per annum, the MIDI Bond 2026 currently yields 3.33%, which is approximately 343 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2026 and at a discount of approximately 51 basis points over the average yield to maturity of corporate bonds maturing in 2026 (data correct as at 11 June 2021).

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 amortisation, 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

Gross Profit Margin	Gross profit as a percentage of total revenue.
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 average 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 period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets.
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.

Earnings per Share (EPS)	This is calculated by dividing the company's profit by the number of shares in issue.
Dividend Cover	This is calculated by dividing the EPS by the dividend per share.