

Local Stock Market Report for the period 18 July – 22 July 2016

HIGHLIGHTS

- MSE Share Index posts third consecutive weekly decline
- RF MGS Index rebounds as euro zone sovereign yields ease slightly
- New Malta Government Stock Issues announced

MSE Share Index posts third consecutive weekly decline

The **MSE Share Index** slipped by a further 0.70% this week to 4,465.797 points. On Wednesday, the local equity index closed in positive territory for the first time after previously registering six straight daily declines. However, this uplift was short-lived as the Index resumed its downward trend on Thursday and extended it on Friday.

Overall, trading activity was feeble this week as merely €0.79 million worth of shares changed hands – the lowest volume of equities traded in the last three weeks.

This week's performance of the Index was particularly impacted by the losses in the equities of **RS2** and **IHI**, which between them shed €36.6 in market capitalisation. Indeed, **RS2 Software plc** fell by 5.6% to the €2.01 level after rebounding from an intra-week and four-month low of €1.96 on Thursday. A total of 61,180 RS2 shares change hands this week.

The negative performance of **International Hotel Investments plc** also weighed heavily on the Index. The equity traded only once this week when it declined by 4.4% back to the €0.65 level on Friday on insignificant volumes totalling 4,575 shares. On Thursday, **IHI** announced the outcome of its latest bond offer for which total applications exceeded €148 million. **IHI** will be announcing its allocation policy in the coming days.

Among the large companies, **HSBC Bank Malta plc** and **GO plc** also finished lower this week. On Monday, **HSBC** closed at a fresh twelve-year low of €1.55 but only partially recovered to the €1.57 level – representing a weekly decline of 1.3%. A total of 59,100 **HSBC** shares changed hands this week. The Bank will publish its interim results on 3 August.

GO plc retreated by 1.4% to a fresh fifteen-month low of €2.82 on activity totalling 12,600 shares. Eligible shareholders had until today to submit their relative Acceptance Form in connection with **TT ML Limited's** voluntary offer to acquire **GO** shares at the price of €2.87 per share. Yesterday, the quad-play telecoms operator issued an announcement listing a number of clarifications with respect to its sales process and the Voluntary Bid offer document dated

14 June 2016. One of the statements made by **GO** was that **Tunisie Telecom** confirmed that its financial condition is healthy and it has an existing meaningful excess cash position while the bid for **GO** is fully funded. Moreover, **Tunisie Telecom** stated that it has a strong record of profitability and has consistently posted net profits in the past years with significant dividends being paid out to its shareholders. Further details are available from:

<http://rizzofarrugia.com/news-events/2016/sales-process-go1612/>

6pm Holdings plc and **Medserv plc** also registered declines this week. The sterling denominated equity of **6pm** shed 5.6% to a three-month low of GBP0.85 on volumes of 50,000 shares while **Medserv** fell 2.2% from its 2016 high of €1.84 to the €1.80 level across 30,483 shares. **Medserv** is due to announce its interim results on 26 August.

Simonds Farsons Cisk plc dropped back to the €6.25 level (-0.5%) across 2,525 shares.

Eleven deals totalling 25,300 shares pulled the equity of **Malta Properties Company plc** 0.2% lower to the €0.507 level.

In contrast, the three other property-related companies **Plaza**, **MIDI** and **Malita** all registered gains this week. **Plaza Centres plc** climbed 2.8% to a new all-time high of €1.10 across 10,000 shares. Recently, **Plaza** published its 2016 interim results showing a 6.4% increase in post-tax profits to €0.52 million (H1 2015: €0.49 million). During the first half of the year, the occupancy at **Plaza** increased to 99% compared with 93% during the first six months of 2015.

The equity of **MIDI plc** was rather volatile this week as it fell by 5.4% on Monday to its lowest level since late February 2016 of €0.35. However, on the following day, it rebounded by 7.7% to the €0.377 level and remained inactive for the rest of the week. Week-on-week, the equity gained 1.9% on volumes totalling 50,000 shares. On Wednesday, the Company issued a press release in which it stated that applications for its recent €50 million 4.0% secured bond exceeded €100 million. **MIDI** will be announcing the allocation policy in the coming days.

Within the same segment, **Malita Investments plc** recaptured the €0.89 level (+1.1%) across 45,500 shares.

The best performing equity this week was **FIMBank plc** as it extended this year's run by a further 4.0% (the seventh consecutive positive weekly performance) to the USD1.019 level across 80,750 shares. On Wednesday, the equity managed to reach a fresh seven-year high of USD1.02. The Board of Directors of FIMBank will be meeting on 9 August 2016 to consider and approve the 2016 interim financial statements and also consider the declaration of an interim dividend.

After revealing upbeat June traffic results and 2016 upgraded forecasts last week, the equity of **Malta International Airport plc** advanced by 2.4% to regain the €4.25 level on volumes totalling 7,000 shares. MIA is now expecting 4.97 million passengers to pass through the airport this year, up by 5.1% from the previous 2016 forecast of 4.73 million revealed in January 2016. This would represent a 7.5% uplift on the record number of 4.62 million passenger movements registered in 2015 and the seventh consecutive year of record performances. The interim financial statements of MIA will be published on 17 August.

Lombard Bank Malta plc advanced to a two-week high of €2.25 (+2.3%) across 31,235 shares. The Bank will publish its 2016 half-yearly results on 25 August.

Bank of Valletta plc was the only active equity to finish unchanged this week. In fact, after hitting an intra-week and six-month low of €2.17 on Monday, the equity managed to regain last Friday's closing price of €2.21 across 71,902 shares.

Meanwhile, on Thursday, BOV's insurance associate company, **Mapfre Middlesea plc**, published its half-year financial statements covering the six months ended 30 June 2016 during which gross written premiums advanced by 44.9% to €182.7 million. Despite this growth, the Group's total income from insurance activities decreased substantially to €5.7 million compared to €14.7 million in the previous comparable period. Overall, the insurance specialist suffered a 58.8% decline in post-tax profits attributable to shareholders to €2.2 million (H1 2015: €5.3 million). In line with the Group's dividend policy, the Board of Directors did not propose to pay an interim dividend. Looking ahead, the Group explained that it will continue to take the necessary actions aimed at improving its technical results during the second half of the year. Further details are available from: <http://rizzofarrugia.com/news-events/2016/interim-results-mms1604/>

Within the same segment, on Friday **GlobalCapital plc** held an Extraordinary General Meeting during which shareholders approved a number of resolutions mainly related to the Company's share capital. GlobalCapital will be holding its Annual General Meeting on Friday 29 July.

RF MGS Index rebounds as euro zone sovereign yields pull back slightly

After registering two consecutive weekly declines, the **RF MGS Index** edged up by 0.17% this week to 1,157.911 points.

The increase was mainly due to the relatively strong upturn in the bid prices for MGS's quoted by the Central Bank of Malta on Friday. In fact, the RF MGS Index was only 0.03% higher by Thursday when compared to last Friday's reading. The bid prices for the shorter-dated MGS issued last February – i.e. the 1.5% MGS 2022 IV – and for the 3.3% MGS 2024 I both climbed to their respective all-time highs of 107.17% and 120.56% respectively on Friday.

Movements in the benchmark 10-year German Bund yield continued to be volatile this week, oscillating this week between a low of -0.052% (Tuesday) and a four-week high of +0.030% (Thursday). In contrast, changes in the 10-year yields of the two largest euro zone peripheral countries with similar credit ratings to Malta – Italy and Spain – were less pronounced. However, whilst the 10-year yield of the Italian government bond remained virtually flat, the corresponding Spanish yield lost 8.5 basis points to 1.145% from 1.230% last Friday. As a result, while the spread of the 10-year Italian government bond over the German counterpart gained 1 basis point week-on-week, the corresponding Spanish government bond dropped by 7.1 basis points.

The movements in the 10-year Italian and Spanish yields may be attributed to certain recent developments. On the one hand, the economic situation in Spain seems to be improving. In fact, on Thursday it was announced that in the first five months of this year, Spain's trade deficit fell by nearly 31% to €6.5 billion (the second lowest for the same period in the last 18 years) as exports advanced by 2.4%, overcoming the growth of both the euro zone's average (+0.1%) and that of Germany (+1.5%).

On the other hand, however, the state of the Italian banking sector is continuing to make headlines as a number of Italian banks are continuing in their attempt at restructuring their balance sheets in view of their high

level of non-performing loans. This matter was also mentioned by the President of the European Central Bank (ECB) Mr Mario Draghi when on Thursday, during the customary press conference following the Central Bank's monetary policy meeting, he said that in exceptional circumstances he favoured taxpayer help for banks.

On a more general level, during the press conference, Mr Draghi said that bank lending in the euro zone is improving, with indications that the recently launched 'targeted longer-term refinancing operations' (TLTROs) is contributing well to improved borrowing conditions. He stressed that on the solvency side, banks are now much better off now than some years ago. In fact, the average Common Equity Tier 1 (CET1) ratio of banks described as "significant institutions" increased to 13% from 9% in 2012. He acknowledged however that the main challenge is profitability.

Meanwhile, the Governing Council of the ECB left interest rates and its asset purchase programme unchanged. Mr Draghi showed optimism at the euro zone's resilience in the wake of the UK's vote to leave the EU and said that the ECB will only consider the possibility of additional monetary stimulus when new economic projections will be made available. Mr Draghi reiterated that the ECB is ready to use all tools available if necessary.

Overall, Mr Draghi said that domestic demand in the euro zone was continuing to support economic growth, whilst headwinds included weak emerging markets economies, sluggish reform implementations as well as geo-political risks globally. In contrast, he acknowledged that inflation is likely to remain low, mostly due to subdued energy prices, before recovering later this year.

The **RF Malta Corporate Bond Index** suffered its sixth consecutive weekly decline this week as it eased by a further 0.04% to 1,068.483 points. Trading activity was particular thin as only €0.44 million worth of corporate bonds changed hands this week – the lowest level in the local corporate bond market in the last sixteen weeks.

The most actively traded corporate bond this week was the 3.5% BOV plc 2030 S1T1 which retreated by just 10 basis points to 99.40% on €0.12 million nominal – representing nearly 29% of this week's total trading activity in the local corporate bond market.

New Malta Government Stock issues announced

This morning, the Treasury unveiled the issuance of two new **Malta Government Stocks**: the 1.5% MGS 2022 (IV) Fungibility Issue and the 2.4% MGS 2041 (I). The aggregate amount of stocks will be €100 million with an over-allotment option of a further €60 million. Prices will be determined on Thursday 28 July afternoon. Applications by retail investors (up to a maximum of €100,000 nominal) will open on Monday 1 August and close on Wednesday 3 August or earlier.



ANNOUNCEMENTS

21 July 2016	Mapfre Middlesea plc - Interim Results http://rizzofarrugia.com/news-events/2016/interim-results-mms1604/
21 July 2016	GO plc - Sales Process http://rizzofarrugia.com/news-events/2016/sales-process-go1612/
22 July 2016	Malta Government Stocks - New Issues http://rizzofarrugia.com/news-events/2016/new-issues-mgs1606/

FINANCIAL ARTICLE

Article 444	The resurgence of secured bonds http://rizzofarrugia.com/financial-articles/the-resurgence-of-secured-bonds/ <i>An article by Edward Rizzo analysing the differences between secured and unsecured bonds and other features that investors normally encounter when considering investing in a fixed-interest security.</i>
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UPCOMING EVENTS

27 July 2016	US Federal Reserve – Monetary Policy Meeting
28 July 2016	Malta Government Stocks – Pricing of New Issues
29 July 2016	GlobalCapital plc – Annual General Meeting
01 August 2016	Malta Government Stocks – Opening of Subscriptions
03 August 2016	HSBC Bank Malta plc – Interim Results Malta Government Stocks – Closing of Subscriptions (<i>or earlier in the case of over-subscription</i>)
04 August 2016	Bank of England – Monetary Policy Meeting
08 August 2016	Malta Government Stocks – Deadline for Sealed Bids (<i>at noon</i>)
09 August 2016	FIMBank plc – Interim Results
17 August 2016	Malta International Airport plc – Interim Results
25 August 2016	Lombard Bank Malta plc – Interim Results
26 August 2016	Medserv plc – Interim Results

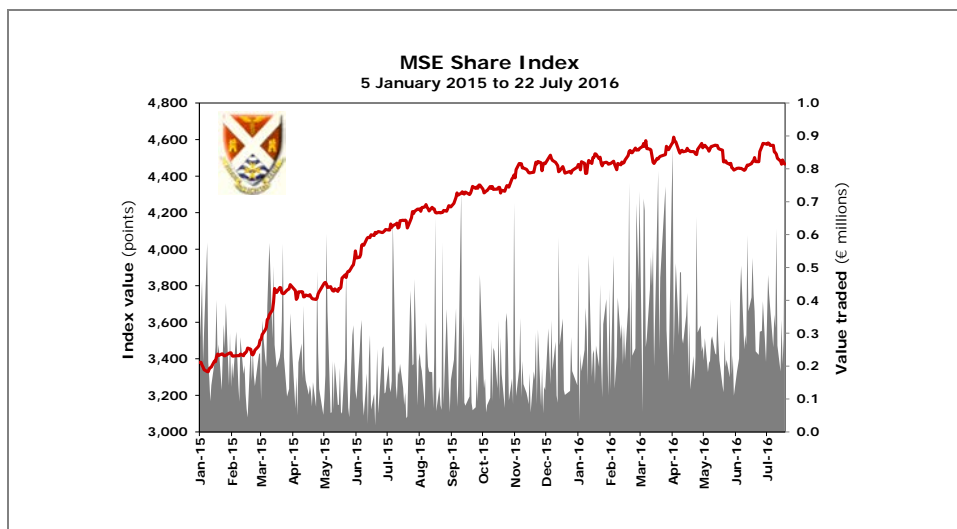


EQUITY MARKET

	No. of shares traded	Market Value (€)	No of Deals	Closing Price (€) 22.07.16	Closing Price (€) 15.07.16	Change in Closing Price (%)	Last Trade Date
OFFICIAL LIST							
Bank of Valletta plc	71,902	157,762	48	2.210	2.210	N/C	(22.07)
HSBC Bank Malta plc	59,100	92,405	20	1.570	1.590	-1.26%	(22.07)
Malta Int. Airport plc	7,000	29,627	5	4.250	4.150	2.41%	(18.07)
Int. Hotel Inv. Plc	4,575	2,984	3	0.650	0.680	-4.41%	(22.07)
GO plc	12,600	35,588	10	2.820	2.860	-1.40%	(22.07)
RS2 Software plc	61,180	122,917	24	2.010	2.129	-5.59%	(22.07)
Mapfre Middlesea plc				2.010	2.010		(12.07)
Simonds Farsons Cisk plc	2,525	15,827	4	6.250	6.280	-0.48%	(22.07)
FIMBank plc (USD)	80,750	73,214	7	1.019	0.980	3.98%	(21.07)
Malita Investments plc	45,500	40,461	7	0.890	0.880	1.14%	(21.07)
Lombard Bank Malta plc	31,235	69,107	8	2.250	2.200	2.27%	(21.07)
Medserv plc	30,483	55,107	12	1.800	1.840	-2.17%	(22.07)
MIDI plc	50,000	18,444	8	0.377	0.370	1.89%	(20.07)
Malta Properties Company plc	25,300	12,861	11	0.507	0.508	-0.20%	(22.07)
MaltaPost plc				1.900	1.900		(14.07)
Tigné Mall plc				1.050	1.050		(07.07)
Pefaco International plc				2.240	2.240		(17.02)
Plaza Centres plc	10,000	10,935	3	1.100	1.070	2.80%	(18.07)
Grand Harbour Marina plc				0.900	0.900		(06.06)
6pm Holdings plc (GBP)	50,000	51,036	3	0.850	0.900	-5.56%	(18.07)
GlobalCapital plc				0.499	0.499		(13.06)
Santumas Shareholdings plc				2.350	2.350		(22.06)
ALT. COMPANIES LIST							
Loqus Holdings plc				0.135	0.135	N/C	(13.07)
TOTALS	542,150	788,277	173				

MSE SHARE INDEX AT 4,465.797 POINTS

CALENDAR YEAR TO DATE PERFORMANCE: +0.79%



MSE Share Index	
1 month	-0.37%
3 months	-1.52%
6 months	-1.22%
1 year	+7.36%
2 years	+32.89%
3 years	+30.58%
5 years	+36.44%

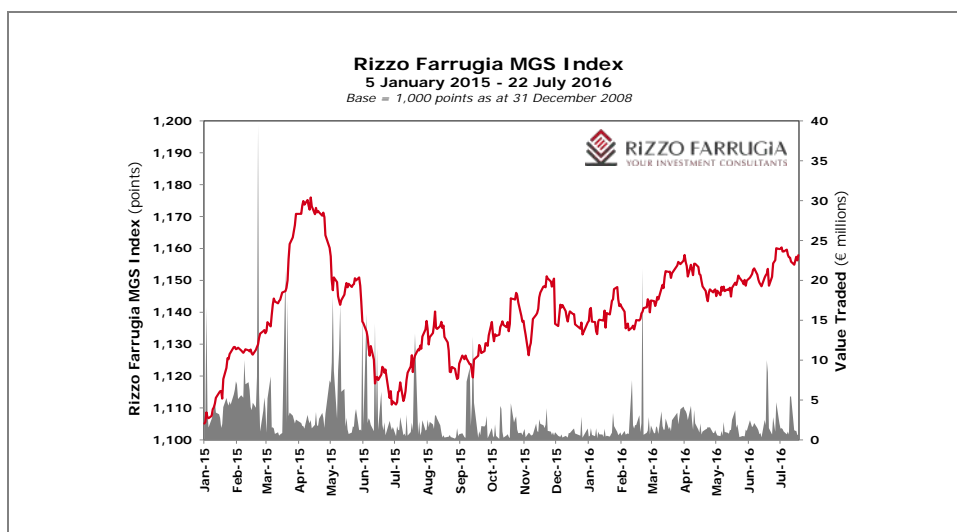


MALTA GOVERNMENT STOCKS

Security	Last Trade Price (€) 22.07.16		Last Trade Price (€) 15.07.16		Change	No. of deals	Volume (Nominal)	Market Value (€)
SHORT-TERM								
4.8% 2016 (II)	101.80	(07.07)	101.80	(07.07)				
4.3% 2016 (IV)	101.99	(25.02)	101.99	(25.02)				
4.25% 2017 (III)	105.46	(19.07)	105.50	(14.07)	-0.04	2	31,500	33,221
3.75% 2017 (IV)	104.32	(22.06)	104.32	(22.06)				
FR% 2017 (V)	-		-					
7.8% 2018	115.44	(19.07)	115.58	(13.07)	-0.14	1	11,647	13,445
FR% 2018 (IV)	-		-					
3.85% 2018 (V)	-		-					
FR% 2018 (VI)	-		-					
FR% 2018 (VII)	-		-					
6.6% 2019 (I)	120.56	(12.07)	120.56	(12.07)				
3.0% 2019 (III)	109.30	(22.07)	109.48	(11.07)	-0.18	2	100,500	109,848
FR% 2019 (IV)	-		-					
3.2% 2019 (V)	110.78	(17.08)	110.78	(17.08)				
FR% 2019 (VI)	-		-					
5.2% 2020 (I)	120.00	(12.07)	120.00	(12.07)				
4.6% 2020 (II)	117.24	(07.07)	117.24	(07.07)				
3.35% 2020 (IV)	-		-					
2.0% 2020 (V)	107.98	(12.07)	107.98	(12.07)				
FR% 2020 (VI)	-		-					
MEDIUM-TERM								
5.0% 2021	125.00	(22.07)	124.43	(13.07)	0.57	10	37,964	47,361
4.3% 2022 (II)	123.09	(21.07)	123.20	(15.07)	-0.11	4	68,200	83,968
5.1% 2022	128.61	(21.07)	128.72	(15.07)	-0.11	3	11,415	14,684
1.5% 2022 (IV)	-		-					
5.5% 2023	134.23	(21.07)	134.38	(13.07)	-0.15	2	23,294	31,268
3.3% 2024 (I)	120.35	(21.07)	120.21	(12.07)	0.14	1	20,900	25,153
LONG-TERM								
4.8% 2028 (I)	139.41	(22.07)	139.40	(14.07)	0.01	3	28,800	40,121
4.5% 2028 (II)	136.22	(22.07)	135.74	(15.07)	0.48	9	133,600	181,505
5.1% 2029 (I)	144.33	(21.07)	145.01	(11.07)	-0.68	4	31,000	44,735
2.3% 2029 (II)	111.05	(22.07)	110.87	(15.07)	0.18	21	278,200	307,969
5.25% 2030	148.00	(19.07)	147.49	(14.07)	0.51	3	17,000	25,092
5.2% 2031	148.70	(22.07)	148.27	(15.07)	0.43	2	10,400	15,396
4.65% 2032 (I)	141.85	(22.07)	141.55	(14.07)	0.30	1	20,000	28,370
4.45% 2032 (II)	139.00	(22.07)	138.92	(12.07)	0.08	9	84,500	117,161
4.3% 2033 (I)	137.13	(22.07)	136.61	(15.07)	0.52	6	96,900	132,646
4.1% 2034 (I)	133.92	(22.07)	133.58	(15.07)	0.34	14	771,200	1,029,163
2.5% 2036 (I)	106.56	(22.07)	106.14	(15.07)	0.42	32	1,614,700	1,717,892
3% MGS 2040 (I)	113.00	(22.07)	112.48	(15.07)	0.52	36	684,000	770,657
TOTALS						165	4,075,720	4,769,655

RF MGS INDEX AT 1,157.911 POINTS

CALENDAR YEAR TO DATE PERFORMANCE: +2.20%



RF MGS Index	
1 month	+0.50%
3 months	+0.85%
6 months	+1.59%
1 year	+3.27%
2 years	+9.30%
3 years	+12.55%
5 years	+18.97%



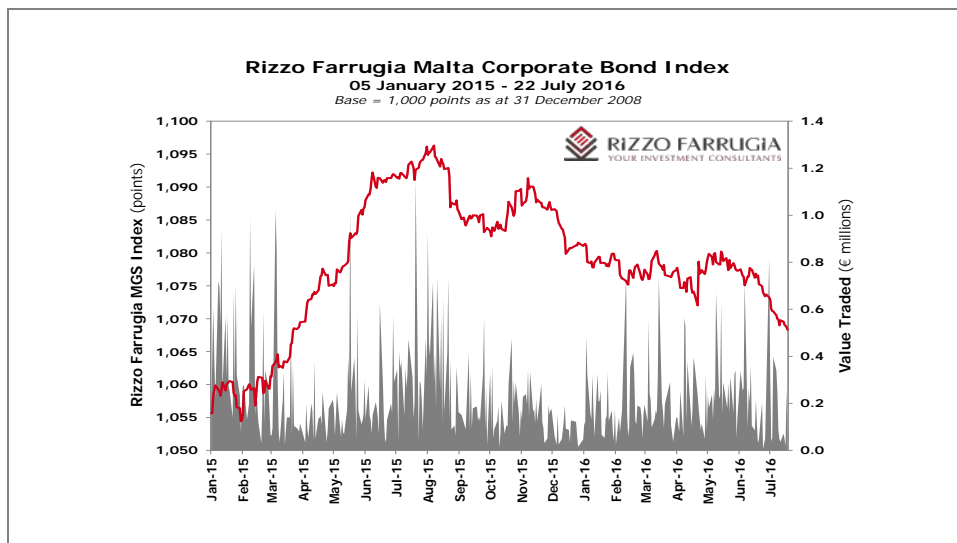
CORPORATE BONDS – OFFICIAL LIST

Security	Last Trade Price (€) 22.07.16		Last Trade Price (€) 15.07.16		Change	No. of deals	Volume (Nominal)	Market Value (€)
4.6% HSBC Bank Malta 2017	101.65	(11.07)	101.65	(11.07)				
7.15% MIH plc EUR 2015-2017	100.00	(21.07)	99.00	(15.07)	1.00	3	19,800	19,770
7.15% MIH plc GBP 2015-2017	100.00	(21.07)	100.00	(04.07)	N/C	3	62,000	74,158
7.15% MIH plc USD 2015-2017	98.50	(22.07)	95.00	(15.07)	3.50	2	5,500	4,889
5.9% HSBC Bank Malta 2018	106.30	(11.07)	106.30	(11.07)				
7% MIDI plc EUR 2016 – 18	102.50	(16.06)	102.50	(16.06)				
7% MIDI plc GBP 2016 – 18	101.33	(22.06)	101.33	(22.06)				
4.8% BOV plc 2018	105.80	(11.07)	105.80	(11.07)				
5.35% BOV plc 2019	105.50	(22.07)	105.60	(05.07)	-0.10	3	12,900	13,635
6.25% Corinthia Fin. 2016 – 19	101.00	(05.07)	101.00	(05.07)				
6.5% IHG Holdings plc 2017 -19	101.60	(11.07)	101.60	(11.07)				
6.2% Mizzi Org. Fin 2016-19	101.10	(22.07)	101.21	(14.07)	-0.11	3	8,700	8,816
7.5% Med Bank EUR 2019	110.25	(11.07)	110.25	(11.07)				
7.5% Med Bank GBP 2019	103.00	(16.03)	103.00	(16.03)				
4.25% BOV plc 2019 Series 2	103.50	(12.07)	103.50	(12.07)				
7% GHM plc 2017 - 20	103.40	(08.07)	103.40	(08.07)				
4.8% BOV plc 2020	106.00	(19.07)	106.49	(12.07)	-0.49	1	11,200	11,872
6.8% Premier Cap. plc 2017-20	102.51	(18.07)	102.60	(11.07)	-0.09	1	5,000	5,126
6.25% IHI plc 2017-20	101.85	(11.07)	101.85	(11.07)				
6% Simonds Farsons 2017-20	104.50	(20.07)	104.50	(14.07)	N/C	3	2,300	2,404
6.6% Eden Finance plc 2017-20	103.35	(08.07)	103.35	(08.07)				
6.2% Tumas Invest. 2017-20	103.22	(22.07)	103.26	(14.07)	-0.04	1	4,500	4,645
5.5% Pendergardens Dev plc 2020	105.01	(14.07)	105.01	(14.07)				
5.5% MIH 2020	104.00	(11.07)	104.00	(11.07)				
4.9% Gasan Finance 2019-21	105.00	(08.07)	105.00	(08.07)				
5.8% IHI plc 2021	103.00	(11.07)	103.00	(11.07)				
5.75% CBC plc 2021 S1T1	101.51	(18.07)	106.00	(15.06)	-4.49	1	8,000	8,121
5.0% GlobalCapital plc 2021	100.50	(22.07)	102.00	(22.06)	-1.50	7	35,000	35,175
6% Corinthia Fin. 2019-22	106.50	(20.06)	106.50	(20.06)				
6% Pendergardens Dev plc 2022	115.00	(10.06)	115.00	(10.06)				
6% Medserv plc 2020-23	109.00	(12.07)	109.00	(12.07)				
6% MIH plc 2021	100.00	(22.07)	100.50	(13.07)	-0.50	1	2,100	2,100
5.8% IHI plc 2023	107.00	(08.07)	107.00	(08.07)				
5.3% United Finance plc 2023	108.60	(18.07)	108.60	(11.07)	N/C	1	5,000	5,430
6.0% IHG Holdings plc 2024	107.00	(14.07)	107.00	(14.07)				
6.0% AX Investments plc 2024	108.01	(18.07)	108.01	(14.07)	N/C	2	20,600	22,251
5.3% Mariner Finance plc 2024	110.63	(14.07)	110.63	(14.07)				
5.0% Tumas Investments plc 2024	108.06	(14.07)	108.06	(14.07)				
5% Hal Mann Vella Group plc 2024	105.80	(18.07)	105.80	(13.07)	N/C	1	4,000	4,232
6.0% Med Bank plc EUR 2019-24	106.15	(21.07)	106.15	(12.07)	N/C	1	35,000	37,153
6.0% Med Bank plc GBP 2019-24	103.01	(28.04)	103.01	(28.04)				
5.1% PTL Holdings plc 2024	106.90	(12.07)	106.90	(12.07)				
4.5% Izola Bank plc 2025	105.26	(22.07)	105.26	(11.07)	N/C	2	8,000	8,421
5.75% IHI plc 2025	108.90	(15.07)	108.90	(15.07)				
5.1% 6PM Holdings plc 2025	109.81	(14.07)	109.81	(14.07)				
4.5% Hili Properties plc 2025	108.00	(19.07)	108.50	(13.07)	-0.50	14	49,100	52,936
5.25% CBC plc 2025 S2T1	104.90	(13.07)	104.90	(13.07)				
4.50% Medserv plc 2026	105.10	(13.07)	105.10	(13.07)				
5.75% Medserv plc USD 2026	106.01	(12.07)	106.01	(12.07)				
4.25% Corinthia Finance plc 2026	102.73	(14.07)	102.73	(14.07)				
3.5% BOV plc 2030 S1T1	99.40	(21.07)	99.50	(04.07)	-0.10	5	120,000	119,018
3.5% BOV plc 2030 S2T1	98.50	(07.07)	98.50	(07.07)				
3.5% BOV plc 2030 S2T2	100.00		100.00					
3.5% BOV plc 2030 S2T2	100.00	(20.06)	100.00	(20.06)				
TOTALS						55	418,700	440,149



RF MALTA CB INDEX AT 1,068.483 POINTS

CALENDAR YEAR TO DATE PERFORMANCE: -1.19%



RF Malta Corporate Bond Index	
1 month	-0.60%
3 months	-0.78%
6 months	-0.88%
1 year	-2.23%
2 years	+2.77%
3 years	+2.97%
5 years	+6.26%

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