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GROUP

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The "Company"

Directors' Interim Report

Date of Announcement
Reference:

19 June 2017
5/2017

Quote

General Update

The Group

As reported in the Dizz Group of Companies Limited financial statements for the year ended 31 December 2016, the Dizz Group's profit for the year was c. €593,000, being €271k higher than forecast, (mainly reflecting the gain made on the fair value of investment property during the year). The Group registered a gross profit margin of 52%, compared to the forecast of 48.4%, generally due to better than expected margins generated from the Group's existing brands, primarily Terranova.

During 2017, the Group continued on its expansion through the investment in additional franchises and outlets, including through the opening of a Golden Point® outlet in Bay Street, the opening of the Brooks Brothers® outlet in Valletta, further opening of Café Pascucci® in Paceville and the further opening of an additional Trussardi® outlet in Baystreet. The Group also entered into agreements to open an Elisabetta Franchi® branded store in Malta together with an agreement for the distribution of Max & Co products in Malta.

The Group also has plans to open additional outlets and represent additional franchises during the forthcoming years.

The Company

The Company continues to act as the financing arm of the Group and to hold the immovable property which it uses either for the purposes of the furtherance of the business of the Group or for rental to third parties for residential purposes. The Company has acquired additional immovable properties, the most notable of which is a promise of sale agreement for the acquisition of a prime property at The Laguna, Portomaso for the price of €1.2m.

Bond Proceeds

The net proceeds generated from the €8 million 5% 2026 Bonds, as issued pursuant to the Prospectus dated 16 September 2016 (the "Prospectus") were, in brief, to be applied as follows:

- (i) €2.9million for the settle payments for the acquisition of certain brands and outlets and purchase of related inventory and refurbishment of outlets, including the Terranova megastore;
- (ii) €2.3million for the reduction in bank debt;
- (iii) €1.2 million for the development of the Hub;
- (iv) €1.3million for general corporate funding purposes.

The application of the abovementioned funds has been instrumental in establishing and securing the growth of the Group during the year 2016 and thereafter, evidenced through expected efficiencies in representing a substantial number of franchises in Malta as well as through increased sales and proper utilisation of properties within the Group. The opening of the megastore in Iklin and Fgura are expected to be large contributors to the overall growth of the Group.

The development of the Hub has incurred some delays for reasons outside the Group's control and therefore whilst the Group has already incurred an initial €234,000 on the said development, no further funds have been disbursed for this purpose. With the exception of the funds allocated for the development of the Hub, the bond proceeds have all been applied in terms of the Prospectus.

Out of the balance of the funds to be allocated for the development of the Hub, the Group has temporarily allocated circa €500,000 to secure a 49 year lease on additional space at the Tigne Point, Sliema to commence on the 1 January 2018, which the Group believes will be of a large potential to the Group and contributed circa €216,000 towards the payment of a deposit on the Laguna apartment, above mentioned. Simultaneously the Group negotiated a fresh overdraft facility in respect of further working capital to the tune of €1,455,000 with Bank of Valletta p.l.c, which facility has been sanctioned by the bank. It is expected that this facility will become available within the coming weeks. Additionally, during the coming days, the Company is expected to receive funds from the anticipated sale of a further immovable property in Sliema in the amount of €343,000. Part of the overdraft and the proceeds from the sale of the said property in Sliema shall be applied in the development of the Hub, which

has now gained momentum and is set for completion within the timelines set out in the Prospectus.

The above is an extract of a letter to Bondholders sent on the 16th June 2017.

UNQUOTE

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long vertical stroke, positioned over the typed name and title.

Dr Sam Abela
Company Secretary