
Financial Analysis Summary

28 June 2019

Issuer

Hili Finance Company p.l.c.

Guarantor

Hili Ventures Limited

The Directors
Hili Finance Company p.l.c.
Nineteen Twenty Three
Valletta Road
Marsa MRS 3000
Malta

28 June 2019

Dear Sirs

Financial Analysis Summary

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Hili Finance Company p.l.c. (the “**Issuer**”) and Hili Ventures Limited (the “**Guarantor**” or “**Hili Ventures**” or “**Group**”). The data 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 31 December 2018 has been extracted from audited consolidated financial statements of the Guarantor for the three years in question.
- (b) Historical financial data for the period 6 April 2018 to 31 December 2018 has been extracted from audited financial statements of the Issuer for the period in question.
- (c) The forecast data in relation to Hili Ventures for the years ending 31 December 2019 and 31 December 2020 has been provided by management.
- (d) Our commentary on the results of the Guarantor and on its financial position is based on the explanations provided by management.

- (e) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 7.
- (f) Relevant financial data in respect of the companies included in Part 6 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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

Yours faithfully,



Evan Mohnani
Head – Corporate Finance

TABLE OF CONTENTS

PART 1 – INFORMATION ABOUT THE ISSUER AND GUARANTOR.....	2
1. Issuer’s Key Activities	2
2. Directors of the Issuer	2
3. Guarantor’s Key Activities.....	2
4. Directors of the Guarantor.....	3
5. Hili Ventures Organisational Structure	4
6. Overview of Hili Ventures’ Revenue Segments	5
7. Principal Investments	7
8. Business Development Strategy.....	8
9. Trend Information	8
PART 3 – GROUP PERFORMANCE REVIEW	9
10. Financial Information relating to the Issuer	9
11. Financial Information relating to the Guarantor	11
PART 4 - COMPARABLES	18
PART 5 - EXPLANATORY DEFINITIONS.....	20

PART 1 – INFORMATION ABOUT THE ISSUER AND GUARANTOR

1. ISSUER’S KEY ACTIVITIES

Hili Finance Company p.l.c. (the “**Issuer**”) was established on 6 April 2018 as a wholly-owned subsidiary of Hili Ventures Limited (the “**Guarantor**”) (the ultimate parent of Hili Ventures), save for 1 Ordinary share which is held by APM Holdings Limited (C 30527). The principal object of the Issuer is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, assets including but not limited to securities and other financial interests.

The Issuer’s intended purpose is to raise finance for the business of the Group through the Guarantor. In this respect, the Issuer is mainly dependent on the business prospects of the Guarantor and Hili Ventures.

2. DIRECTORS OF THE ISSUER

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

Board of Directors

Carmelo <i>sive</i> Melo Hili	Non-Executive Chairman
Geoffrey Camilleri	Executive Director
Dorian Desira	Non-Executive Director
Jacqueline Camilleri	Independent Non-Executive Director
Mario Vella	Independent Non-Executive Director

3. GUARANTOR’S KEY ACTIVITIES

The Guarantor was established in 2012 and principally acts as the investment holding company of the Group to which it provides management and consultancy services. The Guarantor is principally engaged, through Subsidiaries, in investments that are predominantly involved in the business sectors described below:

- **Premier Capital p.l.c.** is involved in the operations of McDonald’s restaurants in Estonia, Greece, Latvia, Lithuania, Malta and Romania.
- **1923 Investments p.l.c.** (formerly PTL Holdings p.l.c.) is primarily engaged in the sale and distribution of Apple products as an Apple Premium Reseller in Poland and Hungary; the sale, maintenance and servicing of information technology solutions, security systems and the provision of electronic payment solutions; and transport and logistics in Malta and Poland.
- **Hili Properties p.l.c.** is the parent company of the property division of Hili Ventures, and owns and manages a property portfolio comprising commercial and retail property in Europe.

- **Motherwell Bridge Industries Limited** (“Motherwell Bridge”) is primarily engaged in providing engineering services related to port equipment and crane assembly. Through the acquisition of Techniplus S.A. in 2016, Motherwell Bridge is also involved in providing maintenance services of port equipment and crane assembly in Morocco and neighbouring countries.
- **Cobalt Leasing Ltd** was established in the UK on 5 February 2019 with company registration number 11808196. The company’s principal objective is to operate a container leasing business.
- **HV Hospitality Limited** was registered in Malta on 17 April 2019 with company registration number C 91217. The primary objective of the company is to operate and manage the hospitality business of Hili Ventures. It is expected that the initial transaction of this company will be the acquisition of Kemmuna Limited (the owner of the Comino Hotel and Bungalows).

As the holding company of Hili Ventures, the Guarantor is ultimately dependent upon the operations, performance and business prospects of the above-mentioned Subsidiaries.

4. DIRECTORS OF THE GUARANTOR

The Guarantor is managed by a Board consisting of five directors entrusted with its overall direction and management, including the establishment of strategies for future development. In the execution of the strategic direction, investment and management oversight of the Group, the Board is assisted by the senior officers of the operating business entities within Hili Ventures.

The Board members of the Guarantor as at the date of this report are included hereunder:

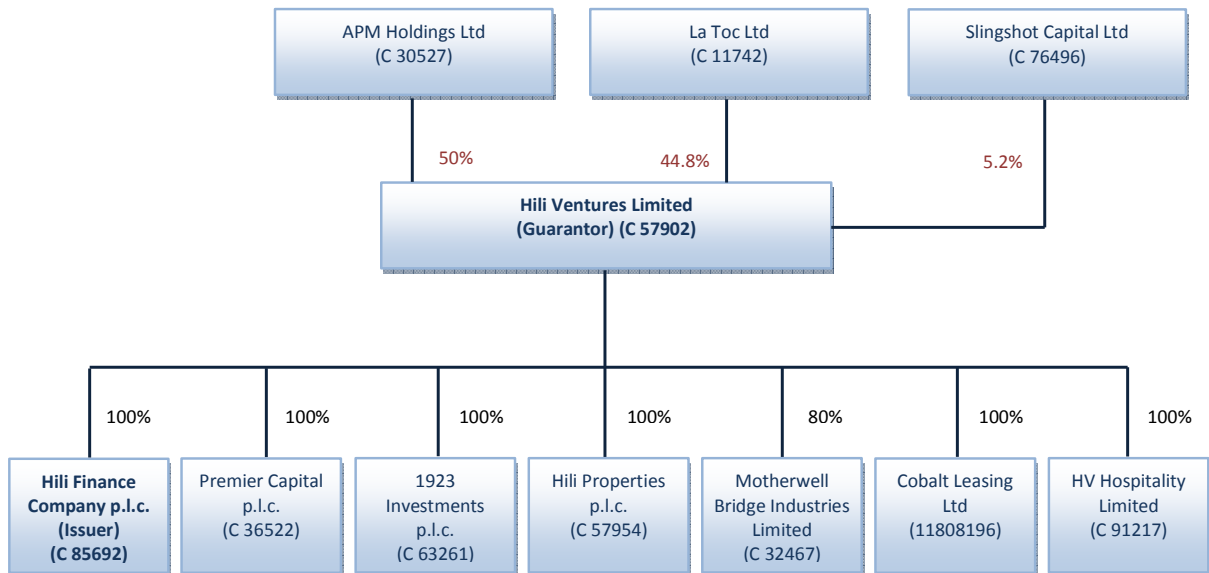
Board of Directors

Steve Tarr	Chairman
Carmelo <i>sive</i> Melo Hili	Chief Executive Officer
Richard Abdilla Castillo	Director
Victor Tedesco	Director
Jesmond Mizzi	Independent Non-Executive Director

The weekly average number of employees engaged with the companies forming part of the Group during FY2018 amounted to 7,292 persons (FY2017: 7,003 persons).

5. HILI VENTURES ORGANISATIONAL STRUCTURE

The diagram below illustrates the principal subsidiaries and associates within the organisational structure of the Group.



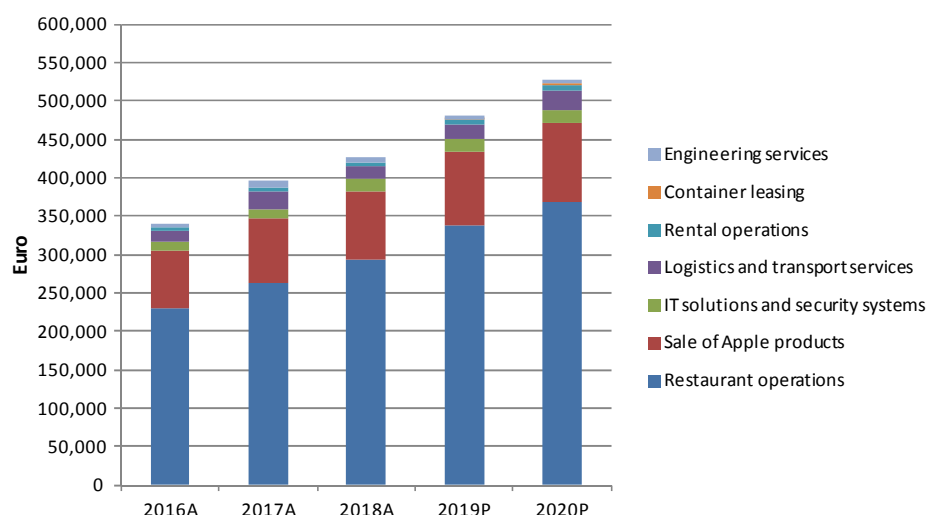
A description and analysis of the operational activities and performance of each of Premier Capital p.l.c., 1923 Investments p.l.c. and Hili Properties p.l.c. is included in their respective financial analysis reports. The said reports have been published and are available on their respective websites: www.premiercapital.com.mt; www.1923investments.com; and www.hiliproperties.com

6. OVERVIEW OF HILI VENTURES' REVENUE SEGMENTS

The following historical information on Hili Ventures has been extracted from the audited consolidated financial statements of the Guarantor for the years ended 31 December 2016 to 2018, while the projections relating to FY2019 and FY2020 have been provided by management.

Hili Ventures Limited					
Group Revenue by Activity					
for the year ended 31 December	2016	2017	2018	2019	2020
	Actual	Actual	Actual	Projection	Projection
	€'000	€'000	€'000	€'000	€'000
Restaurant operations	230,161	263,419	293,650	338,008	367,743
Sale of Apple products	75,623	83,974	89,793	97,044	104,683
IT solutions and security systems	10,065	12,765	15,482	15,089	16,591
Logistics and transport services	15,522	22,907	16,397	18,593	24,598
Rental operations	3,152	4,589	5,250	6,468	6,258
Container leasing	-	-	-	1,401	3,691
Engineering services	6,716	8,835	6,838	4,399	4,549
Total revenue	341,239	396,488	427,410	481,002	528,114

Hili Ventures Limited
Consolidated Revenue by Activity



'Restaurant operations' revenue is generated by Premier Capital p.l.c. and comprises the operation of McDonald's restaurants in Estonia, Greece, Latvia, Lithuania, Malta and Romania. During the past 3 financial years (FY2016 – FY2018), the average number of restaurants increased from 133 restaurants in FY2016 to 146 restaurants. In FY2018, 'restaurant operations' revenue represented *circa* 68% of Hili Ventures' total revenue (FY2017: 66%). In the projected years FY2019 and FY2020, the number of restaurants is set to increase from 146 to 156 and 166 respectively, and revenue is forecasted to increase year-on-year ("y-o-y") by 15% and 9% in FY2019 and FY2020 respectively.

Revenue activities entitled ‘**Sale of Apple products**’, ‘**IT solutions and security systems**’ and ‘**logistics and transport services**’ principally relate to the business operations of iSpot Poland Sp. z.o.o., Harvest Technology Limited and Hili Logistics Limited respectively. The afore-mentioned companies are Subsidiaries of 1923 Investments p.l.c.

‘Sale of Apple products’ primarily refers to the business operations of iSpot Poland Sp. z.o.o. and its Subsidiary (“**iSpot**”), and in 2018 operated 26 stores involved in retailing Apple products in Poland under the iSpot brand (2017: 26 stores), together with a well-developed online proposition. Furthermore, iSpot stores offer an extensive range of third-party products and software. In Q1 2019, iSpot closed 1 retail store and thereby reduced its complement of stores to 25 stores. As an Apple Premium Reseller and Apple Authorised Service Provider, iSpot outlets carry a full range of Apple products, including software and accessories, and through its trained staff also offer support and repair services to customers regardless of where they originally purchased the Apple product. iSpot also operates, through a joint venture, 4 stores in Hungary under the iCentre brand. Up to Q1 2019, iSpot was also present in Bucharest, Romania, through the operation of 1 store. In April 2019, the business operation of iSpot Premium Romania SRL was sold to a third party.

Furthermore, iSpot is involved in turnkey solutions for business customers, and its services comprise the design and construction of networks, data security, and the supply of hardware and software. As a certified Apple Authorised Training Centre, iSpot participates on an ongoing basis in various projects relating to the implementation of Apple technology in higher education.

‘IT solutions and security systems’ comprises the activities of Harvest Technology Limited and its Subsidiaries (“**Harvest**”), which primarily focuses on delivering business solutions and e-commerce systems to diverse clients in Malta, parts of Europe and North Africa. Harvest has four main revenue segments - networking, integration and hardware solutions, and product engineering; payment and security solutions; business applications; and business analytics and intelligence.

‘Logistics and transport services’ refers to the business of Hili Logistics Limited and its Subsidiaries in Malta and Poland (“**Hili Logistics**”) and involves air, road, sea and rail freight forwarding, clearances and deliveries, customs brokerage, parcel services, warehousing, ship agency, ship-to-ship operations and project cargo. Allcom Sp. z.o.o., an intermodal freight forwarding company and customs agency in Poland, generated 70% of Hili Logistics’ revenue in FY2018 (FY2017: 72%). The main sectors serviced by Allcom Sp. z.o.o. include the food, chemical and construction material industries.

In FY2018, operations undertaken by 1923 Investments p.l.c. namely ‘Sale of Apple products’, ‘IT solutions and security systems’ and ‘logistics and transport services’ represented *circa* 28% of Hili Ventures’ total revenue (FY2017: 30%). In FY2019, revenue is projected to increase by €9.0 million or 7% (y-o-y) to €130.7 million, primarily anticipated from iSpot. In the subsequent year (FY2020), revenue is expected to increase by €15.1 million (+12%) from €130.7 million in FY2019 to €145.9 million, principally on account of an increase in revenue at iSpot and Hili Logistics. During FY2020, an investment in a new venture of *circa* €20 million has been projected, which should generate a net income of €2.2 million in the same financial year.

‘**Rental operations**’ revenue is generated by Hili Properties p.l.c. and its Subsidiaries (“Hili Properties”), which principally manages a property portfolio comprising commercial and retail property in Europe. The company relies on active asset management to maximise operating efficiency and profitability at the property level. As at 31 December 2018, the property portfolio of Hili Properties amounted to €119.5 million (31 December 2017: €104.0 million), of which, *circa* 68% and 32% of such property value is rented to third parties and intra-Group tenants respectively.

In FY2018, income from leases to third parties (external to the Group) amounted to €5.3 million, an increase of €0.7 million when compared to the prior year (FY2017: €4.6 million), mainly attributable to a full year's rent receivable from tenants of the ART Business Centre, Romania, which property was acquired in May 2017. In FY2019, revenue from rental operations is projected to increase by 23% to €6.5 million, but is expected to decrease marginally in FY2020 to €6.3 million.

'Engineering services' revenue is derived from the operations of Motherwell Bridge Industries Limited and its Subsidiaries ("Motherwell Bridge"). Operating from a *circa* 15,000m² property in Hal Far Industrial Park, Malta, Motherwell Bridge principally provides customised engineering services and maintenance of port handling equipment and crane assembly. In FY2016, Motherwell Bridge acquired Techniplus S.A., a company engaged in the provision of maintenance services of port equipment and crane assembly in Morocco and neighbouring countries. In FY2018, revenue decreased from €8.8 million in FY2017 to €6.8 million (-23%) due to the suspension of marine division trading activities and restructuring efforts so as to improve the company's profitability. In FY2019, management expects revenue to decrease further by 36% to €4.4 million and stabilise in the subsequent financial year at €4.5 million.

7. PRINCIPAL INVESTMENTS

The principal investments of Hili Ventures are described hereunder:

(a) Premier Capital p.l.c.

During the past three financial years (FY2016 to FY2018), Premier Capital p.l.c. continued to grow its portfolio of McDonald's restaurants and McCafe's, and remodelled and upgraded the ambience and technology of a number of its existing restaurants. The company intends to pursue this growth strategy and accordingly, the capital expenditure budget for the coming two financial years (FY2019 and FY2020) is projected to amount to *circa* €43.4 million, which will be financed primarily from internally generated funds.

(b) Comino Hotel and Bungalows

On 24 May 2019, HV Hospitality Limited, a Subsidiary of the Guarantor, entered into a share purchase agreement for the acquisition of 100% shareholding in Kemmuna Limited (C 15344), a company which owns the Comino Hotel and Bungalows situated in the vicinity of San Niklaw Bay and Santa Marija Bay on the Island of Comino. Subject to conditions precedent including *inter alia* the successful completion of a due diligence exercise, HV Hospitality Limited shall acquire the aggregate of 100% of the issued share capital of Kemmuna Limited, free and clear of any claim, charge and/or other encumbrances, and together with all rights and advantages attaching to the ordinary shares being acquired. The cash consideration for the said acquisition shall amount to €55 million and shall also include an amount as compensation for working capital balances, which shall be calculated in accordance with the terms of the share purchase agreement. A deposit amounting to €2 million has been paid to the sellers on signing of the share purchase agreement.

Hili Ventures has initiated the design process to redevelop the existing properties into an exclusive five-star hotel and luxury serviced bungalows. The vision is to offer guests a one-of-a-kind experience through the creation of an eco-friendly secluded retreat, surrounded by pristine nature. The proposed project is subject to the issuance of necessary approvals and planning permits, and having the required funding in place. The said acquisition will be funded from net proceeds of a proposed bond issue.

(c) Container Leasing Business Operation

The Group plans to initiate a container leasing operation through the newly incorporated company Cobalt Leasing Ltd. As such, the amount of €20 million from proceeds of a proposed bond issue and *circa* an additional €10 million of bank borrowings will be utilised to finance the acquisition of new containers, which in turn will be leased to container shipping lines on a long term basis.

A significant percentage of containers used by shipping lines globally are leased from container leasing companies such as Cobalt Leasing Ltd, as it allows such shipping lines to adjust their container fleets both seasonally and over time and help to balance trade flows. The flexibility offered by container leasing assists container shipping lines in improving their overall fleet management and provides the container shipping lines with an alternative source of financing.

(d) Other Investments

An amount of *circa* €10 million of net proceeds from a proposed bond issue will be applied to fund Group-wide investment opportunities presently being considered, or which may arise in the near term, by the board of directors of the Guarantor, including, but not limited to, the setting up of a marine division. Furthermore, over the next two financial years, Hili Properties p.l.c. plans to acquire property amounting to *circa* €8.4 million and 1923 Investments p.l.c. is projecting to invest *circa* €20 million in a new venture.

8. BUSINESS DEVELOPMENT STRATEGY

The Guarantor's business strategy focuses on two principal elements as described hereunder:

- (a) **Directional strategy** involves the oversight and evaluation by the Guarantor's Board of Directors of each of the businesses owned by Hili Ventures, so as to achieve positive operational results, distribute dividends to the Guarantor on a regular basis and increase shareholder value. The Guarantor monitors and supports Hili Ventures Companies by, *inter alia*:
 - i. regularly monitoring financial and operational performance of Hili Ventures Companies to effectively ensure that set goals and organic growth strategies are achieved; and
 - ii. forming strong subsidiary level boards of directors to support executive management in their development and implementation of strategic goals and objectives.
- (b) **Acquisition strategy** involves the acquisition of businesses that are expected to produce positive earnings and cash flow, and have high growth potential. In this respect, the Guarantor may acquire companies operating in sectors other than those in which Hili Ventures currently operates if the directors believe an acquisition target presents an attractive opportunity.

9. TREND INFORMATION

The Guarantor considers that generally it shall be subject to the normal business risks associated with the business in which Hili Ventures operates, and, barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be considered likely to have a material effect on the upcoming prospects of Hili Ventures and its business, at least with respect to the current financial year.

An analysis of the main trends affecting the principal Subsidiaries of Hili Ventures is included in the respective financial analysis report of Premier Capital p.l.c., 1923 Investments p.l.c. and Hili Properties p.l.c. The afore-

mentioned reports can be downloaded from the following websites: www.premiercapital.com.mt; www.1923investments.com; and www.hiliproperties.com

PART 3 – GROUP PERFORMANCE REVIEW

10. FINANCIAL INFORMATION RELATING TO THE ISSUER

The Issuer was registered and incorporated on 6 April 2018 as a special purpose vehicle to act as a finance and investment company for the Guarantor and Hili Ventures. The following financial information refers to the actual audited results of the Issuer for the period 6 April 2018 to 31 December 2018, and the projections of the Issuer for the financial years ending 31 December 2019 and 31 December 2020. **The projected financial information relates to events in the future and is based on assumptions which the Issuer believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results can be material.**

Hili Finance Company p.l.c.

Statement of Comprehensive Income

for the year ended 31 December

	2018	2019	2020
	Actual	Projection	Projection
	€'000	€'000	€'000
Finance income	817	3,738	5,487
Finance costs	(686)	(3,084)	(4,684)
Gross profit	131	654	803
Administrative expenses	(30)	(62)	(59)
Profit before tax	101	592	744
Taxation	(46)	(207)	(260)
Total comprehensive income	55	385	484

Hili Finance Company p.l.c.			
Balance Sheet			
as at 31 December	2018	2019	2020
	Actual	Projection	Projection
	€'000	€'000	€'000
ASSETS			
Non-current assets			
Loans owed by parent company	41,931	121,931	121,931
	41,931	121,931	121,931
Current assets			
Trade and other receivables	829	2,658	2,658
Cash and cash equivalents	60	129	610
	889	2,787	3,268
Total assets	42,820	124,718	125,199
EQUITY			
Equity and reserves	2,055	2,452	2,935
LIABILITIES			
Non-current liabilities			
Debt securities	40,000	120,000	120,000
Current liabilities			
Trade and other payables	765	2,266	2,264
	40,765	122,266	122,264
Total equity and liabilities	42,820	124,718	125,199

Hili Finance Company p.l.c.			
Cash flow Statement			
for the year ended 31 December	2018	2019	2020
	Actual	Projection	Projection
	€'000	€'000	€'000
Net cash from operating activities	(9)	(278)	(322)
Net cash from investing activities	(41,931)	79,347	803
Net cash from financing activities	42,000	(79,000)	-
Net movement in cash and cash equivalents	60	69	481
Cash and cash equivalents at beginning of period	-	60	129
Cash and cash equivalents at end of period	60	129	610

During the initial half of 2018, the Issuer was incorporated with an issued share capital of €2 million. In July 2018, the Issuer successfully raised €40 million through the issuance of 3.85% Unsecured Bonds 2028. Outstanding loans to parent company as at 31 December 2018 amounted to €41.9 million. The loans bear interest at the rate

of 4.5% per annum, are unsecured and repayable by not later 30 June 2028. As such, finance income comprises interest receivable from the Guarantor, whilst finance costs mainly include bond interest payable.

Following the issue of a proposed bond issue in FY2019, the loans to parent company are expected to increase to €121.9 million as at 31 December 2019. No material changes to the financial position of the Issuer are envisaged in FY2020.

11. FINANCIAL INFORMATION RELATING TO THE GUARANTOR

The financial information provided hereunder is extracted from the audited consolidated financial statements of Hili Ventures Limited for each of the years ended 31 December 2016 to 31 December 2018, while the projected financial information for the years ending 31 December 2019 and 31 December 2020 has been provided by management of the Company. **The projected financial information relates to events in the future and is based on assumptions which the Guarantor believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results can be material.**

Hili Ventures Limited					
Consolidated Statement of Comprehensive Income					
for the year ended 31 December					
	2016	2017	2018	2019	2020
	Actual	Actual	Actual	Projection	Projection
	€'000	€'000	€'000	€'000	€'000
Revenue	341,239	396,488	427,410	481,002	528,114
Cost of sales	(275,404)	(320,344)	(343,430)	(361,327)	(386,850)
Gross profit	65,835	76,144	83,980	119,675	141,264
Net operating expenses	(29,148)	(36,606)	(41,126)	(52,010)	(58,649)
EBITDA¹	36,687	39,538	42,854	67,665	82,615
Depreciation and amortisation	(14,120)	(14,148)	(15,731)	(30,076)	(32,735)
Net investment income/(loss)	1,585	(3,928)	644	308	657
Net finance costs	(11,080)	(12,102)	(11,996)	(13,603)	(14,780)
Profit before tax	13,072	9,360	15,771	24,294	35,757
Taxation	(7,984)	(2,461)	(3,959)	(7,950)	(11,377)
Profit for the year (continuing operations)	5,088	6,899	11,812	16,344	24,380
Loss from discontinued operations	(233)	(5)	-	-	-
Profit for the year	4,855	6,894	11,812	16,344	24,380
Other comprehensive income					
Movement on available-for-sale investments	39	(361)	(39)	-	-
Exchange differences - foreign operations	(1,402)	1,313	(2,311)	(782)	463
Gain on revaluation of assets	45	3,127	4,244	-	-
	(1,318)	4,079	1,894	(782)	463
Total comprehensive income	3,537	10,973	13,706	15,562	24,843

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

Hili Ventures Limited					
Consolidated Statement of Financial Position					
as at 31 December					
	2016	2017	2018	2019	2020
	Actual	Actual	Actual	Projection	Projection
	€'000	€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Goodwill, intangibles & right of use of asset	108,265	104,545	101,432	174,055	164,659
Property, plant and equipment	148,019	185,750	210,892	321,369	359,821
Investments and financial assets	2,207	2,199	1,840	1,037	2,084
Deposit on acquisition of investments	12,500	24,500	26,800	-	-
Loans and receivables	10,388	10,897	13,928	16,848	15,798
Deferred tax asset and restricted cash	2,223	2,606	3,546	7,001	7,911
	283,602	330,497	358,438	520,310	550,273
Current assets					
Inventory	14,376	17,845	22,684	17,969	19,966
Trade and other receivables	22,040	22,469	20,751	24,046	24,310
Other assets	10,370	10,109	12,885	7,840	12,218
Cash and cash equivalents	71,851	27,284	40,354	28,362	18,713
	118,637	77,707	96,674	78,217	75,207
Total assets	402,239	408,204	455,112	598,527	625,480
EQUITY					
Equity and reserves	72,768	82,870	86,390	91,000	109,455
LIABILITIES					
Non-current liabilities					
Borrowings and bonds	195,741	225,888	265,937	341,651	353,685
Lease liability & other non-current liabilities	9,226	8,489	8,399	78,952	68,708
	204,967	234,377	274,336	420,603	422,393
Current liabilities					
Bank overdrafts	4,307	3,577	6,522	5,609	6,012
Borrowings	57,553	26,465	13,491	14,494	17,350
Other current liabilities	62,644	60,915	74,373	66,821	70,270
	124,504	90,957	94,386	86,924	93,632
	329,471	325,334	368,722	507,527	516,025
Total equity and liabilities	402,239	408,204	455,112	598,527	625,480

Hili Ventures Limited**Consolidated Cash Flow Statement
for the year ended 31 December**

	2016	2017	2018	2019	2020
	Actual	Actual	Actual	Projection	Projection
	€'000	€'000	€'000	€'000	€'000
Net cash from operating activities	27,835	10,875	36,261	47,548	64,307
Net cash from investing activities	(71,351)	(56,813)	(34,516)	(108,295)	(59,726)
Net cash from financing activities	105,007	2,582	8,484	49,164	(15,096)
Net movement in cash and cash equivalents	61,491	(43,356)	10,229	(11,583)	(10,515)
Cash and cash equivalents at beginning of year	6,415	67,544	23,707	33,832	22,753
Effect of movements in exchange	(362)	(481)	(104)	504	463
Cash and cash equivalents at end of year	67,544	23,707	33,832	22,753	12,701

Key Accounting Ratios	FY2016	FY2017	FY2018	FY2019	FY2020
	Actual	Actual	Actual	Projection	Projection
EBITDA margin (EBITDA/revenue)	11%	10%	10%	14%	16%
Interest cover (times) (EBITDA/net finance cost)	3.31	3.27	3.57	4.97	5.59
Net profit margin (Profit after tax/revenue)	1%	2%	3%	3%	5%
Earnings per share (€) (Profit after tax/number of shares)	4.86	6.89	11.81	16.34	24.38
Return on equity (Profit after tax/shareholders' equity)	7%	8%	14%	18%	22%
Return on capital employed (EBITDA/total assets less current liabilities)	13%	12%	12%	13%	16%
Return on assets (Profit after tax/total assets)	1%	2%	3%	3%	4%

Source: Charts (a division of MeDirect Bank (Malta) plc)

Hili Ventures reported a turnover of €341.2 million in **2016** (FY2015: €252.4 million), representing an increase of 35% over the prior year. Further analysis shows that 'restaurant operations' revenue increased by €130.2 million (+130%) from €99.9 million in FY2015 to €230.2 million in FY2016, mainly as a consequence of the acquisition in January 2016 of the business operating 67 McDonald's restaurants in Romania. As at year end, Premier Capital operated a total of 133 restaurants (FY2015: 63 outlets). In FY2016, revenue generated from restaurant operations comprised 67% of aggregate Group revenue. In contrast, the other revenue items decreased y-o-y by €41.4 million to €111.1 million (-27%), principally due to the cessation of B2B operations at iSpot.

In FY2016, EBITDA increased by 97% from a year earlier to €36.7 million (FY2015: €18.6 million). As explained above, the new acquisition at Premier Capital more than doubled the number of restaurants under operation and is the primary reason for the y-o-y increase in EBITDA. Profit for the year amounted to €4.9 million as compared to €3.4 million in FY2015 (+44%), which takes into account depreciation and amortisation of €14.1 million (FY2015: €8.6 million), net finance costs of €11.1 million (FY2015: €7.0 million) and taxation amounting to €8.0 million (FY2015: €0.7 million).

Revenue generated in **FY2017** amounted to €396.5 million, an increase of €55.2 million (+16%) when compared to the prior year. All business activities reported y-o-y increases (net of intra-group transactions which are eliminated on consolidation) as follows:

- revenue derived from 'restaurant operations' increased by €33.3 million (+14%) to €263.4 million, principally due to an increase in restaurants from 133 outlets in 2016 to 140 in 2017 and growth in revenue per restaurant;
- turnover from 'Sale of Apple products' increased by €8.4 million (+11%) to €84.0 million in FY2017, wherein iSpot relocated 2 stores and opened 1 new store;
- an increase of 27% or €2.7 million was registered in 'IT solutions and security systems', particularly due to significant growth in new APCOPAY clients (payment gateway solutions);
- income from 'rental operations' increased from €3.2 million in FY2016 to €4.6 million, on account of a newly acquired property in Romania in Q2 2017, which property is fully leased;
- turnover from 'logistics and transport services' increased from €15.5 million in FY2016 to €22.9 million, mainly reflecting a full year's income generated from Allcom Sp. z.o.o. which was acquired in the latter part of FY2016;
- income generated from 'engineering services' increased by 32% y-o-y to €8.8 million, primarily as a result of the acquisition of Techniplus S.A., a company with operations in Morocco and neighbouring countries involved in maintenance and servicing of port cargo handling equipment.

EBITDA for the year under review amounted to €39.5 million, an increase of 8% from a year earlier (FY2016: €36.7 million). Premier Capital's portion of EBITDA amounted to €35.1 million (FY2016: €32.7 million), representing 89% of aggregate EBITDA in FY2017 (FY2016: 89%). Depreciation and amortisation amounted to €14.1 million in each of FY2016 and FY2017. Net finance costs, on the other hand, increased by €1.0 million from €11.1 million in FY2016 to €12.1 million. In FY2017, Hili Ventures reported a net investment loss of €3.9 million, primarily as a consequence of goodwill write-offs amounting to €5.2 million, which was partly mitigated by an increase in fair value of investment property of €2.0 million. Taxation was considerably lower in FY2017 at €2.5 million when compared to the FY2016 tax charge of €8.0 million. After accounting for exchange differences and revaluation gains, the Group reported total comprehensive income amounting to €11 million as compared to €3.5 million registered in FY2016.

Revenue generated in **FY2018** amounted to €427.4 million, an increase of €30.9 million (+8%) when compared to the prior year (FY2017: €396.5 million). The growth in revenue was predominantly achieved from the business expansion at Premier Capital. At the operating level, EBITDA increased by 8% (similar to revenue) and amounted to €42.9 million (FY2017: €39.5 million), of which, 90% was derived from the operations of Premier Capital (2017: 89%). Net investment income amounted to €644,000 and principally comprised net gains on disposal of investment property of €1.0 million, interest income of €0.5 million and a net decrease in fair value of investment

property of €0.9 million. In FY2018, the Group reported a net profit of €11.8 million compared to €6.9 million in FY2017, while total comprehensive income amounted to €13.7 million as compared to €11.0 million achieved in the prior year.

IFRS 16 - Leases

The Group has adopted IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach with transition date taken as the lease commencement date. Under this approach, the right-of-use asset equals the lease liability on transition date, and no equity adjustment will be recognised on initial application of IFRS 16. Comparative information is not restated.

Accordingly, as of FY2019, the Group will need to recognise a right-of-use asset and a lease liability in the Consolidated Balance Sheet for the lease of premises and land currently treated as operating leases. With regard to the impact in the Consolidated Income Statement, the nature of the relevant expense will change from being an operating lease expense to depreciation and interest expense.

In **FY2019**, Hili Ventures is projected to generate revenue of €481.0 million as compared to €427.4.0 million a year earlier (an increase of €53.6 million, +13%), primarily on account of increases at Premier Capital (+€44.4 million) and iSpot (+€7.3 million). All other revenue streams are forecasted to register modest y-o-y gains on an individual basis, which should equate to an aggregate increase of €0.6 million. Furthermore, the Group is expected to commence operations in the container leasing business which should generate €1.4 million in its first year.

EBITDA is expected to increase by €24.8 million (+58%) over the comparative year, substantially due to the effect of IFRS 16, whereby operating lease expenses (previously accounted for in net operating expenses) are reflected in depreciation and net finance costs (both being below EBITDA level). Furthermore, at Premier Capital, a reduction in VAT in Greece and Romania during 2019 is expected to impact the Group's results positively. The Group is projected to register a profit after tax of €16.3 million in FY2019, an increase of €4.5 million (+38%) when compared to €11.8 million expected for FY2018.

Further growth in revenue amounting to €47.1 million (+10% y-o-y) is being projected in FY2020, primarily on account of an increase in turnover at Premier Capital and 1923 Investments of €29.7 million and €15.1 million respectively. The container leasing business is expected to register a y-o-y increase in revenue of €2.3 million. As a consequence, EBITDA is projected to increase by €15.0 million (+22% y-o-y) to €82.6 million, and total comprehensive income is anticipated to grow from €15.6 million in FY2019 to €24.8 million (+60% y-o-y).

The estimates for the forward years as presented in this document assume that the carrying values of non-current assets, and currency exchange rates will remain constant in FY2019 and FY2020, and therefore no adjustments have been made as to possible gains or losses in value of assets and exchange differences that may be booked and which may materially affect the consolidated income statement and balance sheet values.

Non-current assets in the statement of financial position as at 31 December 2018 amounted to €358.4 million (2017: €330.5 million). Notable items include: (i) goodwill and other intangibles amounting to €101.4 million (2017: €104.5 million), which principally relate to goodwill on acquisitions of going concerns, support services license, acquired rights, franchise fees for restaurant operations, patents and trademarks for Apple products and computer software licenses; and (ii) property, plant and equipment amounting to €210.9 million (2017: €185.8 million), which comprises improvements to leased properties, equipment and properties owned by Hili Properties p.l.c.

Current assets as at 31 December 2018 amounted to €96.7 million (2017: €77.7 million) and primarily include inventory, trade receivables, other assets and cash balances. Current liabilities amounted to €94.4 million (2017: €91.0 million), made up of borrowings as to €20.0 million (2017: €30.0 million) and other liabilities of €74.4 million (2017: €60.9 million). Hili Ventures' liquidity ratio (which is measured by dividing current assets by current liabilities and indicates a company's ability to pay its current liabilities from its current assets), as at 31 December 2018, stood at 1.02 times (2017: 0.85 times).

In FY2019, total assets are projected to increase by €143.3 million from a year earlier to €598.5 million, principally on account of the inclusion of 'right of use of asset' pursuant to IFRS 16 (+€73.8 million) as well as investment in new ventures (+€69.0 million). In non-current liabilities, the Group plans to increase debt securities by an additional €80 million and a lease liability of €74.2 million has been included in accordance with IFRS 16.

During FY2020, the Group expects to enter into new ventures in line with its development strategy and as such, has projected additional investments amounting to €20 million. No other significant movements have been noted in the projected statement of financial position as at 31 December 2020 when compared to FY2019.

Other than equity, the Group is financed through bank loans, corporate bonds and other borrowings from related parties, analysed as follows:

Hili Ventures Limited					
Consolidated Net Borrowings					
as at 31 December					
	2016	2017	2018	2019	2020
	Actual	Actual	Actual	Projection	Projection
	€'000	€'000	€'000	€'000	€'000
Bank loans	86,574	90,760	93,782	89,672	95,579
Bank overdrafts	4,307	3,577	6,522	5,609	6,012
Other financial liabilities	23,585	25,591	10,018	11,479	20,211
Debt securities in issue	143,135	136,002	175,628	254,994	255,245
Cash and cash equivalents	(71,851)	(27,284)	(40,354)	(28,362)	(18,713)
Total borrowings less cash balances	185,750	228,646	245,596	333,392	358,334

Key Accounting Ratios	31 Dec'16	31 Dec'17	31 Dec'18	31 Dec'19	31 Dec'20
	Actual	Actual	Actual	Projection	Projection
Net assets per share (€) <i>(Net asset value/number of shares)</i>	72.77	82.87	86.39	91.00	109.46
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	0.95	0.85	1.02	0.90	0.80
Gearing ratio <i>(Net debt/net debt and shareholders' equity)</i>	72%	73%	74%	79%	77%

Source: Charts (a division of MeDirect Bank (Malta) plc)

Net cash flows from operating activities in FY2017, as presented in the statements of cash flows for the year ended 31 December 2017, amounted to €10.9 million as compared to €27.8 million in the prior year. The adverse variance of €16.9 million mainly resulted from a positive movement in operating profit amounting to €8.3 million, which was offset by net cash outflows in working capital movements and interest and tax payments.

In FY2017, Hili Ventures used €56.8 million in investment activities, as compared to €71.4 million in FY2016, primarily to acquire investment property, property, plant and equipment, and other assets. Net cash flows from financing activities amounted to €2.6 million (FY2016: €105.0 million), which comprised cash inflows from banks and related parties of €66.0 million and repayment of bank loans, bonds and payment of dividends of €63.4 million. Cash and cash equivalents at the end of 2017 amounted to €23.7 million, a decrease of €43.8 million from a year earlier (FY2016: €67.5 million).

Net cash from operating activities in FY2018 amounted to €36.3 million compared to €10.9 million generated in the prior year. A further assessment shows that net cash flows from operations decreased by €1.5 million (y-o-y) to €43.9 million, working capital movements were favourable from a cash flow perspective by €36.9 million compared to a favourable movement in FY2017 of €16.6 million, while interest and taxation paid in FY2018 amounted to €14.6 million (FY2017: €17.9 million).

In FY2018, the Group used €36.2 million to acquire assets compared to €60.8 million a year earlier, while the amount of €1.3 million was received from disposal of assets in FY2018 compared to €4.4 million received in FY2017. As for financing activities during FY2018, the Group's cash inflows from bank borrowings, bonds and other parties amounted to €68.9 million (FY2017: €66.0 million), while it repaid bank and related party loans amounting to €50.3 million (FY2017: €61.5 million). Furthermore, the Group paid dividends of €9.0 million in FY2018 and €1.5 million in the prior year.

As to the projected financial years, cash inflows from operating activities is expected to amount to €47.5 million in FY2019 and €64.3 million in FY2020, which is a reflection of the y-o-y projected growth in revenue and profitability. Net cash outflow from investing activities in FY2019 is projected to amount to €108.3 million and represents an investment in new ventures of €79 million, Group capital expenditure amounting to €48.8 million (including expenditure by Premier Capital in relation to new store openings, technology improvements and remodelling of restaurants) and proceeds from the disposal of a number of properties amounting to €19.6 million. In FY2020, cash outflows in relation to investing activities is projected to amount to €59.7 million, which amount is expected to be utilised for the purposes of ongoing Group capital expenditure (*circa* €30.2 million) and property acquisitions and investment in new ventures amounting to €28.4 million.

Net cash inflow from financing activities is estimated at €49.2 million in FY2019, principally comprising the proceeds from a proposed new bond issue less interest and dividend payments, and repayment of bank and other loans. In FY2020, net cash outflow from financing activities is projected at €15.1 million and mainly relates to interest and dividend payments and cash drawdown of €5.9 million from bank facilities.

Debt Securities issued by Group Companies

Security ISIN	Security Name	Amount Listed	Currency
MT0000841206	5.1% 1923 Investments plc Unsecured Bonds 2024	36,000,000	EUR
MT0000941204	4.5% Hili Properties plc Unsecured Bonds 2025	37,000,000	EUR
MT0000511213	3.75% Premier Capital plc Unsecured Bonds 2026	65,000,000	EUR
MT0001891200	3.85% Hili Finance Company p.l.c. Unsecured Bonds 2028	40,000,000	EUR

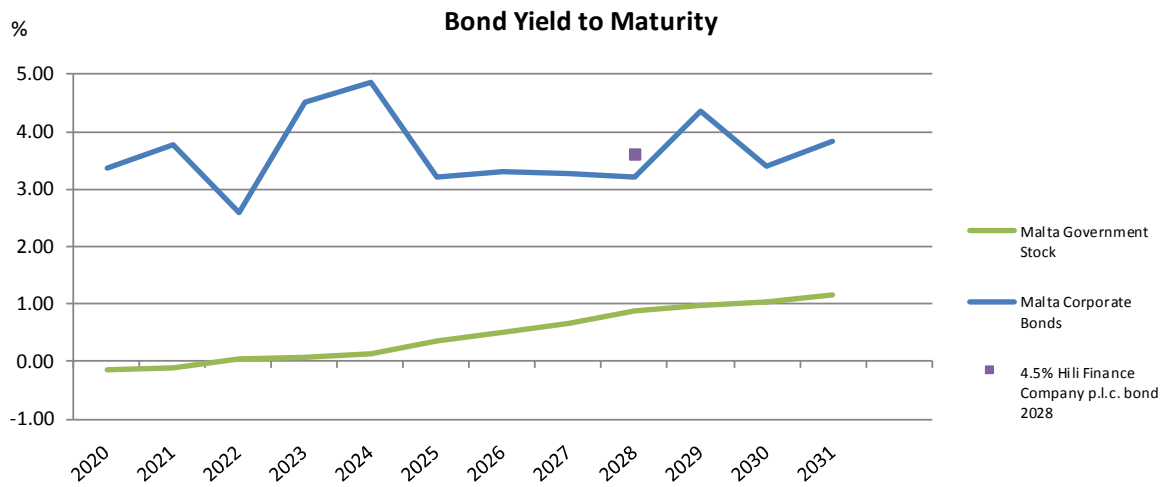
PART 4 - COMPARABLES

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

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.50% Pendergardens Dev. plc Secured € 2020 Series I	14,711,300	3.36	1.23	80,052	25,712	48.95
6.00% Pendergardens Dev. plc Secured € 2022 Series II	26,921,200	2.60	1.23	80,052	25,712	48.95
4.25% Gap Group plc Secured € 2023	19,931,000	3.48	4.45	55,237	9,869	71.82
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.53	1.19	21,625	6,916	62.72
6.00% AX Investments Plc Unsecured € 2024	40,000,000	1.98	6.97	325,243	214,590	18.66
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	4.84	5.33	83,223	44,177	43.99
5.00% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.35	2.29	112,006	43,514	51.65
4.25% Best Deal Properties Holding plc Secured 2024	16,000,000	3.50	4.02	25,986	3,432	82.64
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.41	1.41	120,794	38,318	52.41
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.02	1.55	154,742	52,242	61.72
5.10% GPM Holdings plc Unsecured € 2025	13,000,000	4.81	2.09	5,499	19,741	-
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.91	2.59	1,765,072	901,595	40.43
4.00% International Hotel Invest. plc Secured € 2026	55,000,000	3.43	3.27	1,617,853	877,620	36.63
4.00% International Hotel Invest. plc Unsecured € 2026	40,000,000	3.63	3.27	1,617,853	877,620	36.63
4.00% MIDI plc Secured € 2026	50,000,000	3.30	9.80	220,613	97,440	31.83
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.59	12.63	179,451	48,701	54.42
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.86	10.08	28,166	6,135	60.96
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.75	5.93	229,882	63,771	50.15
4.00% Eden Finance plc Unsecured 2027	40,000,000	3.27	5.68	185,717	103,511	31.82
4.00% Stivala Group Finance plc Secured 2027	45,000,000	3.32	3.73	202,425	115,827	35.12
3.85% Hili Finance Company plc Unsecured 2028	40,000,000	3.63	3.44	455,113	86,390	73.98

10 June '19

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts | A division of MeDirect Bank (Malta) plc



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

10 June 2019

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

PART 5 - EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including restaurant operations, IT retail operations, software and payment services, rental operations, logistics and transport services, and engineering services.
Cost of sales	Direct costs attributable to the production of the goods and supply of services by Hili Ventures.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting operating costs, depreciation & amortisation, finance costs, fair value provisions and other operating costs.
Operating expenses	Operating costs include all operating expenses other than direct costs and include selling & marketing and general & administration expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
EBITDA margin	EBITDA margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.

Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include intangible assets, investment properties, property, plant & equipment, and loans and receivables.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory, cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings, bonds and deferred tax liabilities.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.

Financial Strength Ratios

Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures a company's resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
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.