# FINANCIAL ANALYSIS SUMMARY

27 March 2017

Issuer

**Eden Finance p.l.c.**

Guarantor

**Eden Leisure Group Limited**

CHARTS

WEALTH MANAGEMENT • CORPORATE BROKING

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WEALTH MANAGEMENT • CORPORATE BROKING

The Directors
Eden Finance p.l.c.
Eden Place
St George's Bay
St Julians STJ 3310
Malta

27 March 2017

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 Eden Finance p.l.c. (the "**Issuer**") and Eden Leisure Group Limited (the "**Guarantor**"). 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 2014 to 31 December 2016 has been extracted from the audited financial statements of the Issuer and from the audited consolidated financial statements of the Guarantor for the three years in question.

(b) The forecast data for the years ending 31 December 2017 and 31 December 2018 has been provided by management.

(c) Our commentary on the results of the Eden Group and on its financial position is based on the explanations provided by management.

(d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 5 of the Analysis.

(e) Relevant financial data in respect of the companies included in Part 4 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 Eden 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 and should not be interpreted as a recommendation to invest in any of the Issuer'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 securities.

Yours faithfully,

Wilfred Mallia
Director

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## PART 1 – INFORMATION ABOUT THE EDEN GROUP

### 1. KEY ACTIVITIES OF THE ISSUER

Eden Finance p.l.c. (the "**Issuer**" or "**Company**") was incorporated in August 2000 as a public limited liability company under the Companies Act with an authorised and fully paid up issued share capital of €1,164,686.50. The principal activity of the Company is to carry on the business of a finance and investment company within the Eden Group.

The Issuer is not engaged in any trading activities but is involved in raising debt and advancing same to members of the Eden Group as and when the demands of this business or the demands of a particular project so require. Accordingly, the Issuer is economically dependent on the operations, performance and prospects of the Eden Group.

### 2. DIRECTORS OF THE ISSUER

The Issuer is managed by a Board comprising six 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** | |
|---|---|
| Ian De Cesare | Chairman and Executive Director |
| Kevin De Cesare | Deputy Chairman and Executive Director |
| David Vella | Executive Director |
| Andrea Gera de Petri | Non-Executive Director |
| Paul Mercieca | Independent Non-Executive Director |
| Victor Spiteri | Independent Non-Executive Director |

### 3. KEY ACTIVITIES OF THE GUARANTOR

Eden Leisure Group Limited (the "**Guarantor**") is the parent holding company of the Eden Group and is principally engaged, through subsidiary companies and/or associated entities, in the ownership of a varied portfolio of business entities within the hospitality and entertainment industries in Malta (including a cinema complex, bowling alley, health & fitness club, radio station, a conference & events centre and a car park), the ownership of the InterContinental Malta (which is operated by the InterContinental Hotels Group) and the management of timeshare apartments (which are owned by the Group and leased out to a third party operator on a long-term lease).

Furthermore, the Guarantor holds a number of properties directly in its own name which are leased out to third parties. The Guarantor also leases commercial space to Casino Malta Ltd (a related party) for the operation of a casino.

The authorised and issued share capital of the Guarantor was increased to €60,000,000 on 20 May 2016, following a share issue of €25,000,000 divided into 5,024,000 voting 'A' Ordinary Shares having a nominal value of €2.50 each and 4,976,000 non-voting 'B' Ordinary Shares having a nominal value of €2.50 each. The consideration of this issue was paid in full by way of capitalisation of revaluation reserve.

The authorised and fully paid up issued share capital of €60,000,000 is divided into 12,057,600 voting 'A' Ordinary Shares having a nominal value of €2.50 each and 11,942,400 non-voting 'B' Ordinary Shares having a nominal value of €2.50 each.

### 4. DIRECTORS OF THE GUARANTOR AND SENIOR MANAGEMENT

The Guarantor is managed by a Board comprising five directors who are entrusted with its overall direction and management, including the establishment of strategies for future development. The Board members of the Guarantor as at the date of this report are included hereunder:

**Board of Directors**

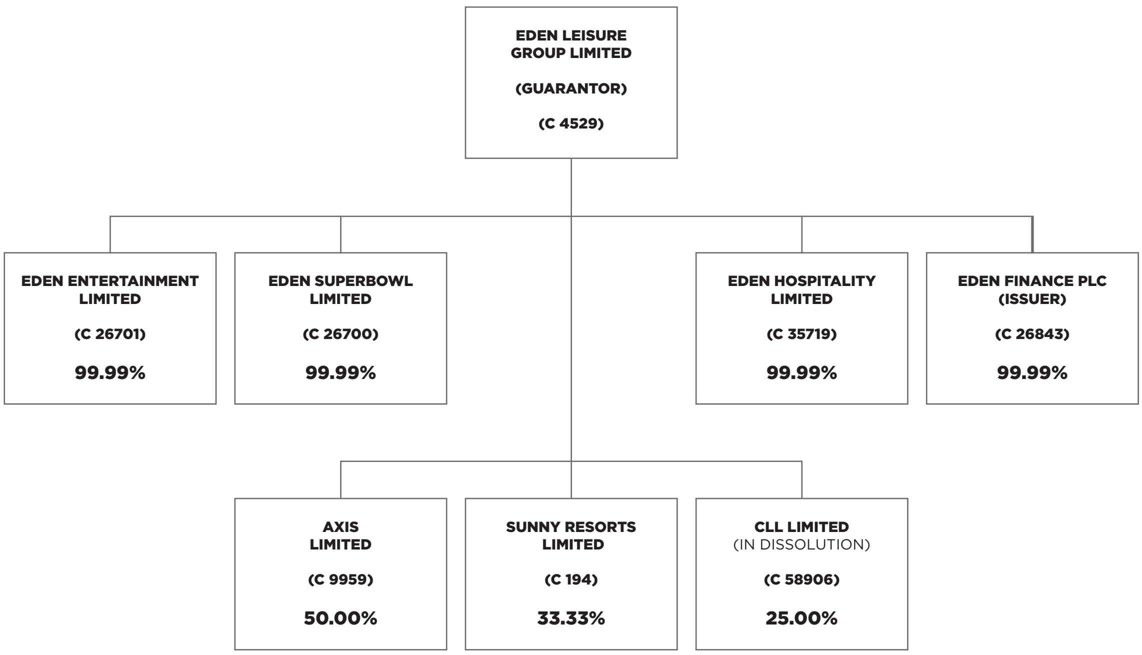
| | |
|---|---|
| Ian De Cesare | Chairman |
| Kevin De Cesare | Managing Director |
| Simon De Cesare | Operations Director |
| Kevin Jnr De Cesare | Executive Director |
| David Vella | Finance Director |

The day-to-day management of the Eden Group is entrusted to the Executive Management Team, comprising the directors of the Guarantor and Kate De Cesare (Director of Marketing & PR). Some of the more important functions carried out by this team include, *inter alia*, the consideration of new business opportunities, the execution of existing and new projects, and the procurement of funding thereof.

The weekly average number of employees engaged by the Eden Group during FY2016 amounted to 480 persons (FY2015: 461).

## 5. EDEN GROUP ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the shareholding structure relative to the Eden Group. The Eden Group's businesses are described in more detail in Part 2 below.




**Eden Entertainment Limited**
EEL was established in Malta on 14 July 2000 as a private limited liability company, and is principally engaged in the operation of the Eden Cinemas, Eden Car Park, Bay Radio and Cynergi Health & Fitness Club.

**Eden SuperBowl Limited**
ESL was established in Malta on 14 July 2000 as a private limited liability company. The company owns and operates the Eden SuperBowl.

**Eden Hospitality Limited**
EHL was established in Malta on 22 February 2005 as a private limited liability company, and is principally engaged in the operation of the InterContinental Malta and the InterContinental Arena & Conference Centre. The company also manages 46 self-catering apartments which are leased to a third party timeshare operator.

**Axis Limited**
The Eden Group has a 50% shareholding in Axis Limited, a company set up in Malta on 27 September 1988 as a private limited liability company. Axis Limited leases from a third party a property formerly occupied by the Axis discotheque in Paceville. In the last 5 years, the property was developed into 11 commercial outlets and are all leased to third parties. The 50% share of results of this company is included in the consolidated financial statements of the Guarantor under the heading "share of results in associated undertakings".

**Sunny Resorts Limited**
Sunny Resorts Limited, a 33.33% owned associated company of the Guarantor is a non-trading company and holds one immovable property in St Julians.

## 6. MAJOR ASSETS OWNED BY THE GROUP

| **Eden Leisure Group Limited**<br>**Major Assets**<br>**as at 31 December** | **2014**<br>**€'000** | **2015**<br>**€'000** | **2016**<br>**€'000** |
|---|---|---|---|
| Property, plant and equipment | 86,496 | 113,684 | 137,040 |
| Assets under development | 7,634 | 12,147 | 8,503 |
| Investment property | 3,247 | 12,200 | 12,200 |
| | **97,377** | **138,031** | **157,743** |

Source: Consoldiated audited financial statements of Eden Leisure Group Limited.

Property, plant and equipment primarily comprises land, buildings, furniture, fittings and equipment used in the Group's hospitality and entertainment operations including the InterContinental Malta, the InterContinental Arena & Conference Centre, the Eden Cinemas, the Eden SuperBowl, Cynergi Health & Fitness Club, Bay Radio, Eden Car Park etc. During the latest financial year ended 31 December 2016, the Group's property was revalued (net of deferred tax) by €14.5 million.

Assets under development as at 31 December 2016 comprise land and buildings relating to a 118-room three star hotel that will be operated by the InterContinental Hotels Group under the Holiday Inn Express brand.

Investment property as at 31 December 2016 includes the Eden Business Centre located in Elia Zammit Street, St Julians valued at €2.2 million and a property, valued at €10.0 million, which is currently leased out as a casino to Casino Malta Limited.

## PART 2 – OPERATIONAL DEVELOPMENT

### 7. INTERCONTINENTAL MALTA

**Introduction**

The Group owns the 481-room 5-star InterContinental Malta located in St Julians, Malta. The hotel is operated by InterContinental Hotels Group under a 15-year management contract till 2028. The hotel offers a wide range of facilities to its guests, including food and beverage offerings, a spa, health and fitness centre and extensive conference facilities.

In 2014, the Group embarked on a project which comprised the development of 30 upmarket suites on 3 additional floors (known as the High Line Suites), the total conversion of the existing 24 hotel suites, a new Executive Business Lounge, and a new rooftop swimming pool on the 19th floor. The project was completed in December 2016 at an aggregate cost of *circa* €9 million.

**Operational Performance**

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

| InterContinental Malta | | FY2014 Actual | FY2015 Actual | FY2016 Actual | FY2017 Projection | FY2018 Projection |
|---|---|---|---|---|---|---|
| Turnover (€'000) | | 19,320 | 20,181 | 22,529 | 26,495 | 28,193 |
| Gross operating profit before mgt fees (€'000) | | 4,808 | 4,457 | 5,488 | 8,608 | 9,457 |
| Gross operating profit margin (%) | | 25 | 22 | 24 | 32 | 34 |
| Occupancy level (%) | | 74 | 67 | 67 | 69 | 70 |
| Average room rate (€) | | 119 | 137 | 139 | 154 | 164 |
| Revenue per available room (RevPAR) (€) | (a) | 128 | 136 | 136 | 151 | 161 |
| *Benchmark performance* | | | | | | |
| Occupancy level (%) | | 77 | 80 | 77 | | |
| Average room rate (€) | | 123 | 145 | 151 | | |
| Revenue per available room (RevPAR) (€) | (b) | 147 | 181 | 182 | | |
| ***Revenue Generating Index (RGI)*** | ***(a)/(b)*** | ***0.87*** | ***0.75*** | ***0.75*** | | |

Source: Management information.

During the three historical years under review, the hotel was adversely affected by construction works in neighbouring properties as well as the hotel's own refurbishment and extension project. On the other hand, the positive trend in tourism in Malta enabled the hotel to increase revenue in each of the aforesaid years, from €19.3 million in FY2014 to €20.2 million and €22.5 million in FY2015 and FY2016 respectively. Gross operating profit margin was lower in FY2015 at 22% as compared to 25% in FY2014, but recovered to 24% in FY2016 and amounted to €5.5 million (FY2015: €4.5 million).

In the forward years, management expects the hotel's performance to improve significantly as a result of the newly renovated property and the termination of construction works. As such, revenue in FY2017 is projected to increase by €4.0 million (+18%) from €22.5 million in FY2016 to €26.5 million, and in the subsequent financial year, revenue is expected to amount to €28.2 million, an increase of €1.7 million (+6%) over the prior year. Gross operating profit margin is projected to improve from 24% in FY2016 to 32% and 34% in FY2017 and FY2018 respectively, and thereby gross operating profit is forecasted to increase from €5.5 million in FY2016 to €8.6 million in FY2017 (+57%) and €9.5 million in FY2018 (+10%). In comparison to its competitive set (being 5-star hotels in the Sliema and St Julians area), the InterContinental Malta's performance indicators were below the benchmark in each of the financial years FY2014 to FY2016, principally due to: (i) the disruptions caused by construction and renovation works at the hotel and neighbouring properties; (ii) the larger room capacity as compared to its competitors;

and (iii) the inland location of the hotel which presents a competitive disadvantage since most 5-star hotels in the Sliema/ St Julians area are seafront properties. Although forecasted benchmark performance indicators for FY2017 and FY2018 are not available, management is anticipating that the current discrepancy of *circa* 25% in RevPAR (FY2016 – Hotel: €136, Benchmark: €182) will be reduced as a consequence of the significant improvement in the hotel's projected operating performance in the aforesaid financial years.

## 8. HOLIDAY INN EXPRESS MALTA

**Introduction**

On 27 October 2014, the Guarantor completed a deed of purchase with Perla Hotels Limited for the Giorgianis Hotel property, situated in St Augustine Street, St Julians, adjacent to the InterContinental Malta, for a total consideration of €5.55 million which was financed through own funds and bank borrowings. The property was subsequently demolished and works commenced in the same year on the development of a 118-room 3-star Holiday Inn Express to be operated by the InterContinental Hotels Group through a 15 year management contract. The hotel development project is expected to cost *circa* €6 million and is being financed through own funds and part of proceeds from the Bond Issue. It is expected that the new hotel will commence operations in 2017.

The Holiday Inn Express, which forms part of the InterContinental Hotels Group hotel portfolio, is a low amenity high quality hotel with an emphasis on the business traveller. The concept focuses on a standardisation of design and highlights comfort in sleep, shower facilities, WIFI and a hot quality breakfast.

**Operational Performance**

The following table sets out the highlights of the hotel's projected operating performance for the last quarter of FY2017 and FY2018 (being first full year of operation):

| Holiday Inn Express Malta | Q4 2017 Projection | FY2018 Projection |
|---|---|---|
| Turnover (€'000) | 464 | 2,842 |
| Gross operating profit before mgt fees (€'000) | 127 | 1,418 |
| Gross operating profit margin (%) | 27 | 50 |
| Occupancy level (%) | 60 | 77 |
| Average room rate (€) | 66 | 81 |
| Revenue per available room (RevPAR) (€) | 43 | 66 |

Source: Management information.

The Holiday Inn Express is expected to commence operations in October 2017. Management will be positioning the hotel as a superior 3-star property, and aims to take advantage of synergies (both on a commercial and operational level) with the adjacent InterContinental Malta. In its first full year of operation (FY2018), the hotel is projected to generate revenue of €2.8 million and gross operating profit is expected at €1.4 million. The hotel is expected to achieve an occupancy of 77% and RevPAR of €66.

## 9. HOSPITALITY SECTOR ANALYSIS

### 9.1 ECONOMIC UPDATE

Economic activity in Malta is expected to remain robust in the near term, supported by both demand and supply factors. In particular, the energy reforms that have taken place in recent years, new investment projects, increased labour market participation and robust services exports are the primary drivers supporting the economic expansion. Real GDP growth is expected at 4.3% for 2016 and thereafter, is projected to decelerate to 4.1% in 2017, 3.7% in 2018 and 3.3% in 2019.

As a result, the labour market is projected to remain tight, with the unemployment rate falling further to 4.9% in 2016, before increasing slightly to 5.3% by 2019. Downward international price pressures are expected to contribute towards a further easing of consumer price inflation in 2016 (annual inflation should ease from 1.2% in 2015 to 0.9% in 2016). It is then projected to trend up to 1.9% by 2019, reflecting a pick-up in international commodity prices and domestic cost pressures.

In terms of public finances, restraint in key expenditure variables is expected to contribute towards a decline in the general government deficit, with the government budget set to become broadly in balance by 2019.

### 9.2 TOURISM MARKET

Tourism in Malta has in recent years been performing at a strong level and this trend continued in 2015 as well as in 2016. Inbound tourism from January to December 2015 amounted to 1.8 million guests, an increase of 6.0% over the same period in 2014. Although tourists residing in collective accommodation (hotels, guesthouses, hostels, B&Bs, etc) made up 71.7% of the market in 2015, preference for private accommodation has been growing in the last years at a faster pace, and actually increased by 18.2% from 2014. Tourism expenditure was estimated at €1.6 billion, 7.5% higher than that recorded for the comparable period in 2014.

Inbound tourist trips from January to December 2016 amounted to 1.99 million, an increase of 10.2% when compared a year earlier. Total nights spent by inbound tourists went up by 5.7%, reaching almost 15.0 million nights. During 2016, total guests in collective accommodation establishments surpassed 1.6 million, an increase of 2.1% over the same period in 2015. Within the collective accommodation establishments, the 5 star and 4 star hotels gained 10,878 guests (+2.8%) and 30,779 guests (+4.5%) respectively in 2016 when compared to a year earlier, while there was a decrease of 24,042 guests (-5.7%) in the 3 star category. Tourism expenditure was estimated at €1.71 billion in 2016, an increase of 4.3% over 2015.

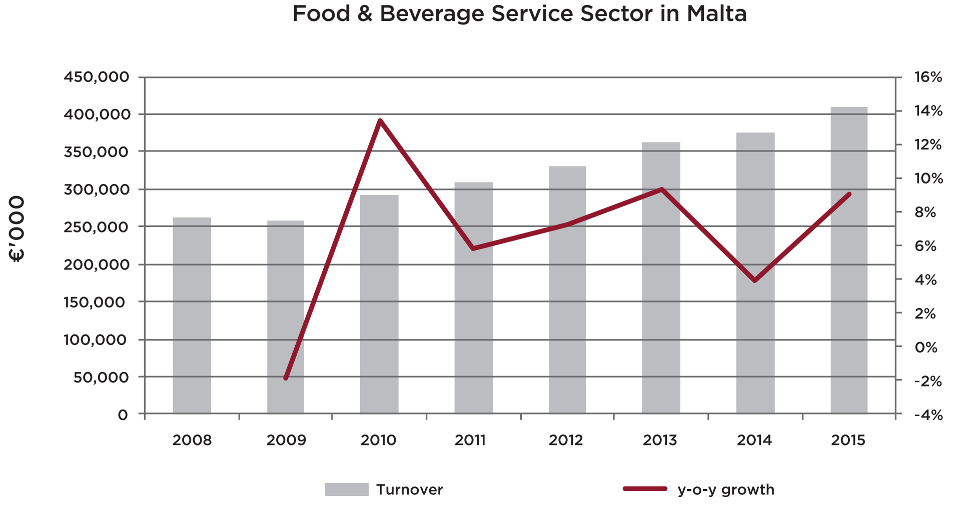
Focus will be maintained on increasing traffic during the winter months and attracting more visitors from new markets to Malta. This bodes well for the Maltese hospitality industry to continue to grow revenues and increase profitability.

Malta's EU Presidency in 2017 together with Valletta serving as the European City of Culture in 2018 are widely expected to generate increased demand for hotels and enhance Malta's image as a tourist and leisure destination, which would in turn generate future growth. Meanwhile, the somewhat uncertain future of the national carrier Air Malta poses a threat to further growth, and competition from other Mediterranean countries will likely remain strong.

This positive trend was also witnessed at the InterContinental Malta, where over the past few years there has been significant year-on-year growth both in revenue streams and profitability, even though operations were partly hampered by construction works in neighbouring properties and at the hotel between 2014 and 2016. As such, given that construction works were substantially completed and operations at the InterContinental Malta fully restored by end 2016, management anticipates that the hotel should achieve further growth in earnings during the current financial year (2017). Moreover, the Eden Group expects to benefit further from the expansion of the local tourism industry with the opening of the Holiday Inn Express in 2017.

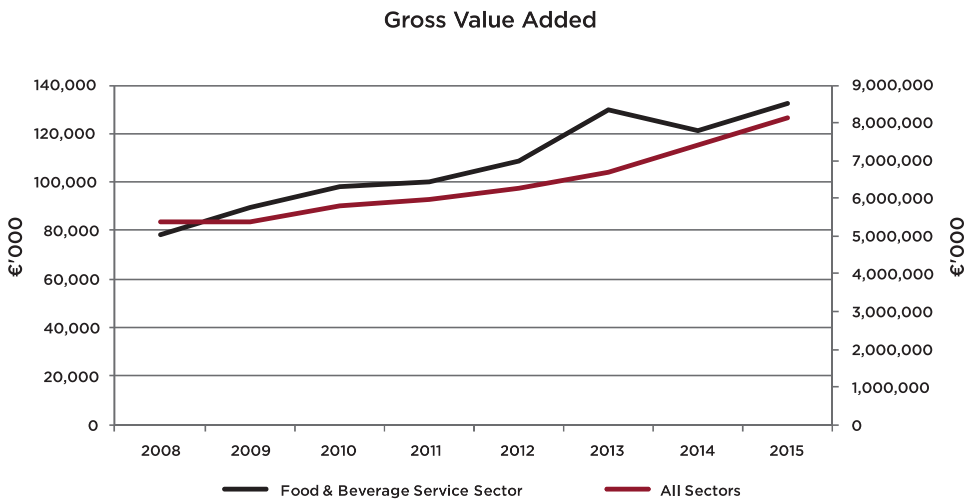
## 9.3 FOOD & BEVERAGE SERVICE SECTOR

The food & beverage service sector comprises restaurants & mobile food service activities and beverage serving activities. In 2015 (being the latest available statistical data), the total income from this sector in Malta amounted to €411 million, an increase of 9.1% over the previous year. The chart below illustrates the output from the food & beverage service sector in Malta for the past 8 years (2008 to 2015). As highlighted, market output has progressively increased over the reviewed period, except for 2009 when gross income decreased marginally by €4.8 million (-1.8%) when compared to the prior year. Since 2008, the food & beverage service sector grew at an annual compound rate of 6.6%.




Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

The chart hereunder shows that the gross value added generated by the food & beverage service sector in Malta has grown on a year-to-year basis from €78.1 million in 2008 to €132.4 million in 2015. The chart also highlights the sector's correlation to Malta's economic performance, since over the reported period the food & beverage service sector has maintained the same percentage of gross value added generated by the whole economy of *circa* 1.7%.




Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

## 10. ENTERTAINMENT & LEISURE

### 10.1 EDEN CINEMAS

The Group is the largest operator of multiplex cinemas in Malta (based on number of screens) with 13 fully digitised screens, situated in St Julians. Prior to 2015, the Group operated 17 screens, but has since converted 4 of the smaller screens into commercial space which is fully leased to a related party. Eden Cinemas generate operating revenue principally from theatre operations, including box office receipts, food and beverages, and on-screen and off-screen advertising.

The Eden Group initiated the conversion of its screens from 35mm film to digital projection technology in 2010, which entailed the replacement of most of the cinematic equipment. With the support of the Malta Government through the Cinema Digitisation Scheme, all screens were converted to digital by 2014.

Digital projection technology allows filmmakers the ability to showcase imaginative works of art exactly as they were intended, with incredible realism and detail. A digitally produced or digitally converted movie can be distributed to theatres via satellite, physical media or fibre optic networks. The digitised movie is stored on a computer server which is connected to a digital projector for each screening of the movie. This format enables cinema operators to more efficiently move titles between auditoriums within a theatre to appropriately address demand for each title. Furthermore, digital projection allows the presentation of three-dimensional (3-D) content and alternative entertainment such as live and pre-recorded sports programmes, concert events, and other special presentations.

**Market Analysis**

The Eden Cinemas is one of the leading cinema venues in Malta in terms of the number of screens and admissions, with a portfolio of 13 screens, representing *circa* 37% of the screens in Malta. It reduced its number of screens from 17 to 13 screens in 2014 to make better use of the space. In 2015 (being the latest available official market data published by the National Statistics Office, Malta), the Eden Cinemas received *circa* 54% of all gross box office receipts to cinemas in Malta.

As illustrated in the table below, in 2015, there were eight cinema establishments with a total of 35 screens and a seating capacity of 6,748. Of these eight cinemas, two were located in Gozo. During 2015, cinemas registered a total of 704,243 admissions, which represented an increase of 7.8% when compared to the prior year (2014), but a marginal increase of 2,004 admissions when compared to 2013. With respect to gross box office receipts, cinemas registered a decline in income of €0.23 million (-5.9%) in 2014, from €3.96 million in 2013 to €3.73 million. As for 2015, an increase in gross receipts of €0.47 million (+13%) from 2014 results was registered to €4.19 million.

**Malta Cinema Statistics**

| | No. of cinema establishments | No. of screens | Seating capacity | No. of film titles | No. of admissions | Total no. of screenings | Gross Box Office receipts | Average Ticket price |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | **€'000** | **€** |
| **2013** | 8 | 38 | 7,107 | 373 | 702,239 | 56,816 | 3,960 | 5.64 |
| **2014** | 8 | 35 | 6,784 | 368 | 653,002 | 47,384 | 3,726 | 5.71 |
| **2015** | 8 | 35 | 6,748 | 375 | 704,243 | 48,887 | 4,194 | 5.96 |

Source: National Statistics Office - Malta

In 2016, the Eden Cinemas registered a growth in gross box office receipts of 1% when compared to the prior year, despite having the UEFA Euro football tournament in June and July 2016. Such major events typically adversely affect cinema revenue by approximately 20% during the period thereof. Official market statistics for calendar year 2016 have not been published and therefore no comparison can be made with industry.

The Group aims to maintain its position as a leading operator of multiplex cinemas in Malta through the on-going investment in the latest technology and by being innovative in seeking alternative revenue streams. The Eden Cinemas expect box office revenue and bar income to progressively increase in the near term.

## 10.2 BAY RADIO

The Group has been operating 89.7 Bay since 1991. The radio station broadcasts 24 hours a day in Maltese and English, and offers the latest selection of music. Bay Radio derives the substantial majority of its revenue from the sale of advertising, but also generates income from the production of adverts.

Radio popularity is regularly surveyed by the independent Malta Broadcasting Authority. In the most recent survey, Bay Radio retained the number one spot as the most popular station with 20.4% of all radio listeners, followed by the next two radio stations with 16.3% and 11.0% respectively. Bay Radio is popular with all those under the age of 50, whereas the second placed radio station attracts more listeners over the age of 50.

The station's affiliation with the most popular music events and activities on the island as well as maintaining close ties with local musicians, coupled with professional and relevant content and on-air competitions are the key success factors of 89.7 Bay.

### Market Analysis

Bay Radio operates in a market which comprises 15 national stations and a number of community stations and as such faces significant competition for both listeners and advertisers. While Bay Radio broadcasts to all categories of audience, the focus is on the youth market, an area that the station has dominated for numerous years. As indicated in the table hereunder, the station has been consistently voted most popular station by reach in October 2014, October 2015 and October 2016.

**Radio Audience Assessment**

| | Population size | Radio audience reach | Radio audience reach/ population | Bay Radio listeners | Second placed radio listeners | Third placed radio listeners |
|---|---|---|---|---|---|---|
| **Oct-14** | 379,268 | 186.200 | 49.09% | 27.79% | 16.58% | 11.05% |
| **Oct-15** | 387,270 | 191,200 | 49.37% | 24.92% | 14.89% | 11.45% |
| **Oct-16** | 391,741 | 186,600 | 47.63.% | 20.41% | 16.26% | 11.08% |

Source: Malta Broadcasting Authority

Management's strategy is to continue to broadcast relevant and up to date content using the latest available technology, to be innovative and to recruit and train quality presenters in order to increase its edge over competition, and in turn grow its listener base and advertising revenue.

## 10.3 CYNERGI HEALTH & FITNESS CLUB

The Club is one of the largest health and fitness venues in Malta and has approximately 1,600 members. The majority of these members use the Club during peak times and therefore preferential memberships are given to off-peak members to fully utilise the capacity of the facility. Apart from generating revenue from memberships, the Club also derives income from studio and squash court rentals, and from the sale of nutritional and beverage products.

In 2016, the Group concluded a deal with international manufacturer of fitness equipment "Life Fitness" for the replacement of all equipment in the Club so as to maintain the high quality experience offered to patrons. As part of this investment, the Group completely redesigned the Club and undertook the renovation of all bathrooms and changing rooms. This expenditure should in the coming years generate additional revenue through increased membership rates and new customers.

Cynergi Health & Fitness Club offers over 100 cardio vascular machines, a comprehensive weights area, 2 squash courts, an aerobics room, a crèche facility as well as an indoor pool equipped with steam bath and sauna. The Spa facilities are leased to a third party international company which has invested considerably in the indoor pool area and the addition of an authentic Turkish Bath or Hamam. The Club is accessed from the InterContinental Malta, the Eden Car Park and directly from the street.

## 10.4 OPERATIONAL PERFORMANCE

The following table sets out the highlights of operating performance relating to the entertainment & leisure segment (comprising Eden Cinemas, Bay Radio and Cynergi Health & Fitness Club) for the years indicated therein:

| Entertainment & Leisure | FY2014 Actual | FY2015 Actual | FY2016 Actual | FY2017 Projection | FY2018 Projection | CAGR FY14-16 | CAGR FY14-18 |
|---|---|---|---|---|---|---|---|
| Turnover (€'000) | 4,704 | 5,265 | 5,563 | 5,554 | 5,721 | 8.7% | 5.0% |
| Gross profit (€'000) | 1,720 | 1,987 | 2,278 | 2,118 | 2,189 | 15.1% | 6.2% |
| Gross profit margin (%) | 37 | 38 | 41 | 38 | 38 | | |

*CAGR - Compound annual growth rate.*

Source: Management information.

During the three historical financial years under review (FY2014 – FY2016), revenue increased from €4.7 million in FY2014 to €5.6 million in FY2016, an increase of €0.9 million (+18%, CAGR of 8.7%). Gross profit in FY2014 amounted to €1.7 million, which increased to €2.0 million and €2.3 million in FY2015 and FY2016 respectively. The gross profit margin improved from 37% in FY2014 to 38% in FY2015, and increased further to 41% in FY2016.

Management is projecting revenue in each of FY2017 and FY2018 to broadly match FY2016, but gross profit margin is expected to decline to 38%, due to plans to bolster middle-management and increase staff complement.

# 11. EDEN SUPERBOWL

The Eden SuperBowl operates the only tenpin bowling alley in Malta. It comprises 20 lanes and is popular with families, youngsters, language schools and corporate groups.

The Malta Ten Pin Bowling Association (MTBA) operates solely at the Eden SuperBowl and organises three national leagues and circa 15 tournaments annually. The Eden SuperBowl also hosts 2 international annual tournaments (the Malta Open and the Seniors Open) which attract over a 100 participants (mainly foreign nationals) per tournament.

On-going investment is made in the facility to maintain the lanes to the high standards required for international professional tournaments. The principal sources of operating revenue for the Eden SuperBowl include: the sale of tenpin bowling games to customers; food and beverages; and amusement machines.

The following table sets out the highlights of Eden SuperBowl's operating performance for the years indicated therein:

| Eden SuperBowl | FY2014 Actual | FY2015 Actual | FY2016 Actual | FY2017 Projection | FY2018 Projection | CAGR FY14-16 | CAGR FY14-18 |
|---|---|---|---|---|---|---|---|
| Turnover (€'000) | 881 | 960 | 992 | 985 | 1,015 | 6.1% | 3.6% |
| Gross profit (€'000) | 413 | 484 | 481 | 466 | 482 | 7.9% | 3.9% |
| Gross profit margin (%) | 47 | 50 | 48 | 47 | 47 | | |

*CAGR - Compound annual growth rate.*

Source: Management information.

Revenue and gross profit generated by Eden SuperBowl has been relatively stable during the historical years under review, and is expected to maintain a similar trend in FY2017 and FY2018. In the current financial year, management plans to refurbish the cafeteria and bar areas to improve the general ambience and increase customer footfall.

## 12. OTHER OPERATIONS

**InterContinental Arena & Conference Centre**

In 2014, the Group executed the conversion of the Bay Arena into a conference centre and meeting rooms at a total cost of *circa* €2 million, and was renamed the InterContinental Arena & Conference Centre (IACC). This 3,000m$^2$ facility is mainly used by the InterContinental Malta as a venue for meetings, conferences and events including live shows. In 2015, the IACC was selected as the CHOGM press centre and was also used for the EU Summit for Migration in November 2015.

**Diamond Suites**

In 2005, Diamond Resorts International acquired from the Eden Group a 49-year lease on an apartment block of 46 self-catering units, known as 'Diamond Suites' (which block is located adjacent to the InterContinental Malta). In addition to the said lease, in 2006, a management contract was entered into with Diamond Resorts International for the provision of housekeeping, security and maintenance service to the 46 self-catering apartments. In April 2014, the afore-mentioned management contract was renegotiated and extended for a further 5 year period.

**Property Leases**

The Group owns and leases the following properties:

(i) **Property on St Augustine Street** – The Group leases on a long term basis a property measuring circa 66m2 which is operated as a Vodafone Malta outlet.

(ii) **Various small outlet**s – The Group rents to third parties a number of eateries which are annexed to the Eden Cinemas and Eden SuperBowl.

(iii) **Eden Business Centre** – This property is situated in Elia Zammit Street, St Julians and comprises a total office space of 784m$^2$ on two levels with access to the Eden Car Park. The Eden Business Centre is leased to a third party.

(iv) **Casino Malta** – A related party of the Group leases 3,000m$^2$ of space, situated under the InterContinental Malta, for the operation of Casino Malta. The lease contract is for a 10-year period as from December 2015.

**Eden Car Park**

The Eden Car Park is a multi-storey car park that spans the footprint of the InterContinental Malta and has a maximum capacity of 310 vehicles. Activity in the area, particularly from the commercial and tourism sectors, has been increasing constantly over the years and has in turn ensured a high utilisation rate of the car park. As such, the Eden Car Park is an important contributor to the Group's financial results. Moreover, the Eden Car Park is of significance to the business entities of the Eden Group, as it provides parking facilities to their respective customers.

## 13. BUSINESS DEVELOPMENT STRATEGY

The Group's objective is to retain its market presence in the local leisure and hospitality sectors, offering quality entertainment, events and products focusing on the youth market and to pioneer innovative products with a focus on the customer experience, as well as continue to consolidate its business relation with the Inter-Continental Hotels Group in order to maximise the potential within the tourism sector in Malta. As such, management will continue to build on the Group's core strengths as follows:

- continue to cross market and cross promote each business unit;
- develop and consolidate the Bay and Eden brands;
- diversifying, identify, invest in and develop new opportunities in the leisure and hospitality sectors;
- maintain high quality standards in its' offerings;
- drive top line growth;
- maintain and improve operational efficiencies; and
- maintain a zero tolerance policy towards any loss making business line.

In the implementation of the above strategies, the Group will continue to maintain an appropriate balance in relation to its exposure to the entertainment sector and the more capital intensive hospitality sector.

## 14. FINANCIAL INFORMATION RELATING TO EDEN FINANCE PLC

The financial information provided hereunder is extracted from the audited financial statements of Eden Finance p.l.c. for each of the years ended 31 December 2014 to 31 December 2016. The forecasted financial information for the years ending 31 December 2017 and 2018 has been provided by management of the Company.

**The projected financial statements relate to events in the future and are 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 may be material.**

**Eden Finance p.l.c.**

**Statement of Comprehensive Income**

| for the year ended 31 December | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| | Audited | Audited | Audited | Projection | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Finance income | 989 | 979 | 979 | 1,569 | 1,680 |
| Finance costs | (932) | (923) | (923) | (1,490) | (1,600) |
| **Gross profit** | **57** | **56** | **56** | **79** | **80** |
| Administrative expenses | (29) | (30) | (33) | (51) | (66) |
| **Profit before tax** | **28** | **26** | **23** | **28** | **14** |
| Taxation | (10) | (9) | (8) | (10) | (5) |
| **Total comprehensive income** | **18** | **17** | **15** | **18** | **9** |

**Eden Finance p.l.c.**

**Cash flow Statement**

| for the year ended 31 December | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| | Audited | Audited | Audited | Projection | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Net cash from operating activities | (26) | (28) | (22) | (54) | (71) |
| Net cash from investing activities | 1,108 | 949 | 946 | 1,569 | 1,680 |
| Net cash from financing activities | (1,082) | (921) | (923) | (1,490) | (1,600) |
| **Net movement in cash and cash equivalents** | **-** | **-** | **1** | **25** | **9** |
| Cash and cash equivalents at beginning of year | 1 | 1 | 1 | 2 | 27 |
| **Cash and cash equivalents at end of year** | **1** | **1** | **2** | **27** | **36** |

Eden Finance p.l.c.

Balance Sheet

| as at 31 December | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| | Audited | Audited | Audited | Projection | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Loans owed by parent company | 13,984 | 13,984 | 13,984 | 40,000 | 40,000 |
| Held-to-maturity investments | 1,165 | 1,165 | 1,165 | 1,165 | 1,165 |
| Deferred tax asset | 20 | 11 | 2 | - | - |
| | **15,169** | **15,160** | **15,151** | **41,165** | **41,165** |
| **Current assets** | | | | | |
| Trade and other receivables | 1,015 | 1,044 | 1,077 | 1,107 | 1,107 |
| Cash and cash equivalents | 1 | 1 | 2 | 27 | 36 |
| | **1,016** | **1,045** | **1,079** | **1,134** | **1,143** |
| **Total assets** | **16,185** | **16,205** | **16,230** | **42,299** | **42,308** |
| | | | | | |
| **EQUITY** | | | | | |
| **Equity and reserves** | **1,567** | **1,584** | **1,599** | **1,617** | **1,626** |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Debt securities | 13,984 | 13,984 | 13,984 | 40,000 | 40,000 |
| **Current liabilities** | | | | | |
| Trade and other payables | 634 | 637 | 647 | 682 | 682 |
| | **14,618** | **14,621** | **14,631** | **40,682** | **40,682** |
| | | | | | |
| **Total equity and liabilities** | **16,185** | **16,205** | **16,230** | **42,299** | **42,308** |

In May 2010, the Issuer entered into a loan agreement with the Guarantor, pursuant to which the Issuer advanced to the Guarantor the proceeds from the €15,000,000 6.6% bonds 2017 - 2020 issued in terms of a prospectus dated 10 May 2010. Interest under the afore-mentioned loan agreement was set at the rate of 7.0% per annum, with interest payable annually in arrears on 31 May of each year, until 31 May 2020. As at 31 December 2016, the amount of €13,984,000 of the said May 2010 bond issue was outstanding.

It is anticipated that the proceeds of the Bonds amounting to €40 million, issued in terms of the prospectus dated 27 March 2017, will be on-lent to the Guarantor at the rate of 4.2% per annum. The above-mentioned loan will be repaid by not later than 16 June 2017.

## 15. FINANCIAL INFORMATION RELATING TO EDEN LEISURE GROUP LIMITED

The financial information provided hereunder is extracted from the audited consolidated financial statements of Eden Leisure Group Limited for each of the years ended 31 December 2014 to 31 December 2016. The forecasted financial information for the years ending 31 December 2017 and 2018 has been provided by management of the Company.

**The projected financial statements relate to events in the future and are 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 may be material.**

| **Eden Leisure Group Limited** | | | | | |
|---|---|---|---|---|---|
| **Consolidated Statement of Comprehensive Income** | | | | | |
| **for the year ended 31 December** | **2014** | **2015** | **2016** | **2017** | **2018** |
| | **Audited** | **Audited** | **Audited** | **Projection** | **Projection** |
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** |
| Revenue | 26,440 | 28,197 | 31,310 | 35,165 | 39,484 |
| Net operating expenses | (20,267) | (21,799) | (22,943) | (24,337) | (26,465) |
| **EBITDA**[1] | **6,173** | **6,398** | **8,367** | **10,828** | **13,019** |
| Depreciation | (2,986) | (3,160) | (3,673) | (4,448) | (4,718) |
| Other net non-operating income | 45 | 218 | 62 | 127 | - |
| Net finance costs | (2,069) | (2,061) | (2,104) | (2,143) | (2,122) |
| **Profit before tax** | **1,163** | **1,395** | **2,652** | **4,364** | **6,179** |
| Taxation | (440) | (77) | 641 | (1,527) | (2,163) |
| **Profit after tax** | **723** | **1,318** | **3,293** | **2,837** | **4,016** |
| | | | | | |
| **Other comprehensive income** | | | | | |
| Revaluation surplus, net of deferred tax | - | 29,523 | 14,479 | - | - |
| **Total comprehensive income** | **723** | **30,841** | **17,772** | **2,837** | **4,016** |

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

**Eden Leisure Group Limited**
**Consolidated Balance Sheet**

| as at 31 December | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| | Audited | Audited | Audited | Projection | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 12 | 9 | 7 | 3 | - |
| Property, plant and equipment | 86,496 | 113,684 | 137,040 | 148,501 | 146,924 |
| Assets under development | 7,634 | 12,147 | 8,503 | - | - |
| Investment property | 3,247 | 12,200 | 12,200 | 12,200 | 12,200 |
| Investment in associated undertakings | 721 | 721 | 721 | 721 | 721 |
| Loans and receivables | - | 1,050 | 730 | 730 | - |
| Financial assets | - | - | - | 4,000 | 9,100 |
| | **98,110** | **139,811** | **159,201** | **166,155** | **168,945** |
| **Current assets** | | | | | |
| Inventory | 1,288 | 1,835 | 1,803 | 1,933 | 1,972 |
| Trade and other receivables | 3,578 | 3,451 | 4,108 | 3,790 | 3,452 |
| Cash and cash equivalents | 773 | 330 | 384 | 435 | 613 |
| | **5,639** | **5,616** | **6,295** | **6,158** | **6,037** |
| **Total assets** | **103,749** | **145,427** | **165,496** | **172,313** | **174,982** |
| | | | | | |
| **EQUITY** | | | | | |
| **Equity and reserves** | **44,218** | **76,648** | **92,620** | **93,280** | **95,296** |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings and bonds | 35,629 | 40,146 | 40,632 | 54,023 | 51,248 |
| Other non-current liabilities | 7,633 | 9,366 | 11,380 | 12,276 | 14,370 |
| | **43,262** | **49,512** | **52,012** | **66,299** | **65,618** |
| **Current liabilities** | | | | | |
| Bank overdrafts | 2,731 | 3,525 | 3,482 | 737 | 1,380 |
| Borrowings | 3,267 | 4,486 | 5,272 | 2,131 | 2,775 |
| Other current liabilities | 10,271 | 11,256 | 12,110 | 9,866 | 9,913 |
| | **16,269** | **19,267** | **20,864** | **12,734** | **14,068** |
| | **59,531** | **68,779** | **72,876** | **79,033** | **79,686** |
| **Total equity and liabilities** | **103,749** | **145,427** | **165,496** | **172,313** | **174,982** |

| Eden Leisure Group Limited | | | | | |
|---|---|---|---|---|---|
| Consolidated Cash flow Statement | | | | | |
| for the year ended 31 December | 2014 | 2015 | 2016 | 2017 | 2018 |
| | Audited | Audited | Audited | Projection | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Net cash from operating activities | 3,822 | 5,075 | 5,484 | 5,947 | 11,174 |
| Net cash from investing activities | (7,501) | (11,765) | (6,614) | (11,401) | (7,508) |
| Net cash from financing activities | 4,287 | 5,453 | 1,227 | 8,250 | (4,131) |
| **Net movement in cash and cash equivalents** | **608** | **(1,237)** | **97** | **2,796** | **(465)** |
| Cash and cash equivalents at beginning of year | (2,566) | (1,958) | (3,195) | (3,098) | (302) |
| **Cash and cash equivalents at end of year** | **(1,958)** | **(3,195)** | **(3,098)** | **(302)** | **(767)** |

| Key Accounting Ratios | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 |
|---|---|---|---|---|---|
| EBITDA margin | 23% | 23% | 27% | 31% | 33% |
| *(EBITDA/revenue)* | | | | | |
| Interest cover (times) | 2.98 | 3.10 | 3.98 | 5.05 | 6.14 |
| *(EBITDA/net finance cost)* | | | | | |
| Net profit margin | 3% | 5% | 11% | 8% | 10% |
| *(Profit after tax/revenue)* | | | | | |
| Earnings per share (€) | 51.64 | 94.14 | 137.21 | 118.21 | 167.33 |
| *(Profit after tax/number of shares)* | | | | | |
| Return on equity | 2% | 2% | 4% | 3% | 4% |
| *(Profit after tax/shareholders' equity)* | | | | | |
| Return on capital employed | 7% | 5% | 6% | 7% | 8% |
| *(EBITDA/total assets less current liabilities)* | | | | | |
| Return on assets | 1% | 1% | 2% | 2% | 2% |
| *(Profit after tax/total assets)* | | | | | |

Source: Charts Investment Management Service Limited

In **2015,** the Eden Group's revenue amounted to €28.2 million, reflecting an increase of €1.8 million on the turnover registered in 2014 (€26.4 million). As in previous years, the majority of income was derived from the hospitality segment of the Group, principally comprising the operation of the InterContinental Malta. During 2015, the Group generated €20.9 million from hospitality, an increase of €0.9 million (+4.5%) when compared to the prior year (2014: €20.0 million). This growth in hospitality revenue was achieved even though the hotel was closed from November 2014 to April 2015 due to construction works undertaken on various projects. During this period the existing complement of hotel suites and the executive lounge were completely renovated and re-launched. Furthermore, works on the addition of 30 luxury Hi Line suites, which commenced in 2014, continued throughout 2015.

The InterContinental Arena & Conference Centre (IACC), which was completely refurbished in 2014, was fully operational during 2015. Of particular note, the IACC was selected as the CHOGM press centre and the EU Summit for Migration in November 2015.

The balance in revenue for 2015 of €7.3 million was generated from entertainment & other related operations as compared to €6.4 million in 2014 (+€0.9 million). All businesses within this segment registered year-on-year growth, principally Eden Cinemas, whereby cinema attendance in 2015 rebounded for the first time since 2010 and revenue increased by 15% from a year earlier.

EBITDA for 2015 at €6.4 million represented an increase of €0.2 million on the EBITDA of €6.2 million reported in 2014. After accounting for depreciation, other net non-operating income and net finance costs, profit before tax for 2015 amounted to €1.4 million (2014: €1.2 million). Other comprehensive income of €29.5 million in 2015 reflected the revaluation of the Group's property, plant and equipment, net of taxation. As a result, total comprehensive income for 2015 amounted to €30.8 million (2014: €0.7 million).

Revenue in **2016** amounted to €31.3 million, an increase of €3.1 million (+11%) when compared to the prior year (FY2015: €28.2 million). The hospitality segment of the Group contributed to the major part of this growth, whereby revenue increased by €2.3 million (+11%) from €20.9 million in FY2015 to €23.2 million. The InterContinental Malta continued to perform positively, principally due to a favourable trend in tourism in Malta. The remaining balance of revenue was derived from entertainment & other related operations and amounted to €8.1 million, an increase of €0.8 million (+12%) over FY2015.

During the financial year under review, the Group's EBITDA increased significantly by €2.0 million (+31%) from €6.4 million in FY2015 to €8.4 million, mainly as a result of the above-mentioned growth registered at the InterContinental Malta, the increase in business at the InterContinental Arena & Conference Centre and the commencement of rental income generated from the casino property of circa €0.5 million. Overall, profit after tax in FY2016 amounted to €3.3 million, a year-on-year increase of €2.0 million (FY2015: €1.3 million). In FY2016, the Group revalued its property by €14.5 million (net of deferred tax) and as such, total comprehensive income amounted to €17.8 million (FY2015: €30.8 million).

Revenue for **FY2017** is projected to increase by €3.9 million (+12%) as compared to the prior year from €31.3 million to €35.2 million, primarily due to a projected increase in revenue generated from the InterContinental Malta. The disruptions caused by construction and refurbishment works at the hotel and neighbouring third party properties are expected to subside in FY2017, which should result in a material improvement in the hotel's operating performance.

EBITDA for FY2017 is forecasted at €10.8 million, an increase of €2.4 million (+29%) when compared to €8.4 million registered in FY2016. Net finance costs are projected to remain stable at €2.1 million, but depreciation is expected to increase by €0.8 million to €4.4 million. After accounting for an adverse year-on-year movement of €2.2 million in taxation, the Eden Group expects to register a net profit of €2.8 million, a decrease of €0.5 million when compared to the prior year.

As for **FY2018**, revenue is projected to increase from €35.2 million in FY2017 to €39.5 million (+12%) as management has factored in a 6% growth in revenue from the InterContinental Malta. Also included in this increase is revenue of €2.8 million expected to be generated by the Holiday Inn Express in its initial full year of operation. Other business interests of the Group are projected to maintain the same level of revenue as in the prior year. As a consequence, EBITDA is projected to increase by €2.2 million (+20%), from €10.8 million in FY2017 to €13.0 million, and total comprehensive income is expected to amount to €4.0 million, an increase of €1.2 million over the comparative year (FY2017).

**The estimates for the forward years as presented in this document assume that the carrying values of Group properties will remain constant in FY2017 and FY2018, and therefore no adjustment has been made as to possible impairment or uplift of assets that may be booked and which may materially affect the consolidated income statement and balance sheet values.**

Total assets of the Eden Group as at 31 December 2016 amounted to €165.5 million (FY2015: €145.4 million), and principally comprise the InterContinental Malta and other properties as detailed in section 6 above. Other than equity, the Eden Group is mainly financed by bank borrowings and bonds as provided hereunder:

| **Eden Leisure Group Limited<br>Consolidated Borrowings<br>as at 31 December** | **2014<br>Actual<br>€'000** | **2015<br>Actual<br>€'000** | **2016<br>Actual<br>€'000** | **2017<br>Projection<br>€'000** | **2018<br>Projection<br>€'000** |
|---|---|---|---|---|---|
| Bank overdrafts | 2,731 | 3,525 | 3,482 | 737 | 1,380 |
| Bank loans | 25,090 | 29,793 | 31,032 | 15,154 | 13,023 |
| Other financial liabilities | - | 1,000 | 1,000 | 1,000 | 1,000 |
| 6.6% Bonds 2017-2020 | 13,806 | 13,839 | 13,872 | - | - |
| 4% Unsecured Bonds 2027 | | | | 40,000 | 40,000 |
| **Total borrowings and bonds** | **41,627** | **48,157** | **49,386** | **56,891** | **55,403** |

| **Key Accounting Ratios** | **31 Dec'14** | **31 Dec'15** | **31 Dec'16** | **31 Dec'17** | **31 Dec'18** |
|---|---|---|---|---|---|
| Net assets per share (€) | 3.16 | 5.47 | 3.86 | 3.89 | 3.97 |
| *(Net asset value/number of shares)* | | | | | |
| Liquidity ratio (times) | 0.35 | 0.29 | 0.30 | 0.48 | 0.43 |
| *(Current assets/current liabilities)* | | | | | |
| Gearing ratio | 48% | 38% | 35% | 38% | 37% |
| *(Net debt/net debt and shareholders' equity)* | | | | | |
| Debt service cover ratio (times) | 1.35 | 1.22 | 1.35 | 3.21 | 3.61 |
| *(EBITDA/net finance cost and loan capital repayment)* | | | | | |

Source: Charts Investment Management Service Limited

## PART 4 - COMPARABLES

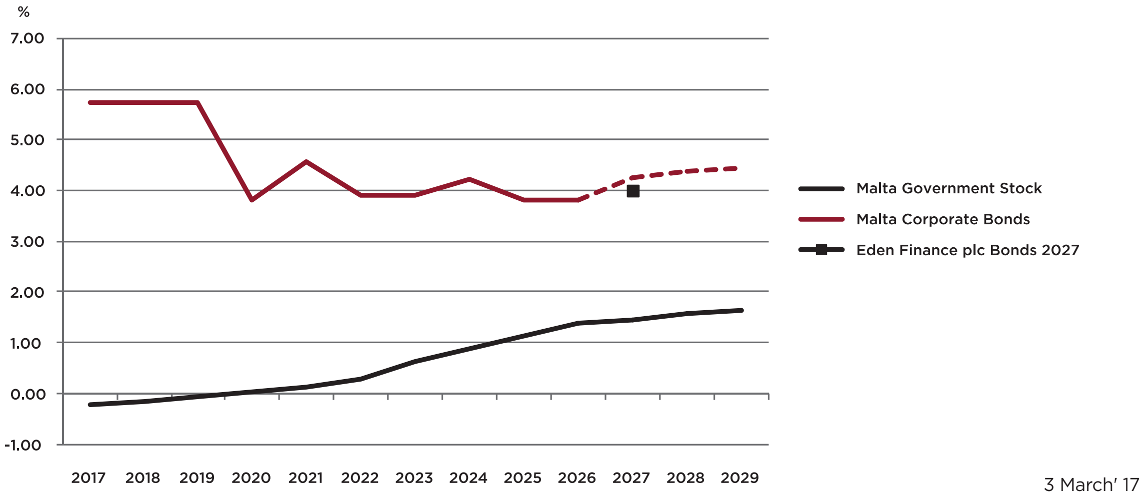
The table below compares the Eden Group and the proposed bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Eden Group and other issuers (including different industries, principal 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 (%) |
|---|---|---|---|---|---|---|
| 6% Pendergardens Dev. plc Secured € 2022 Series II | 27,000,000 | 3.91 | n/a | 58,098 | 11,734 | 61.87 |
| 4.25% Gap Group plc Secured € 2023 | 40,000,000 | 3.98 | n/a | 61,002 | 7,541 | 81.51 |
| 6% AX Investments Plc € 2024 | 40,000,000 | 4.00 | 3.62 | 270,425 | 163,719 | 27.97 |
| 6% Island Hotels Group Holdings plc € 2024 | 35,000,000 | 4.62 | 0.58 | 145,140 | 54,053 | 53.19 |
| 5.3% Mariner Finance plc Unsecured € 2024 | 35,000,000 | 4.25 | 3.49 | 67,669 | 25,823 | 57.66 |
| 5% Hal Mann Vella Group plc Secured Bonds € 2024 | 30,000,000 | 4.22 | 0.05 | 81,842 | 31,150 | 55.46 |
| 5.1% PTL Holdings plc Unsecured € 2024 | 36,000,000 | 4.50 | 2.32 | 70,543 | 6,592 | 86.78 |
| 4.5% Hili Properties plc Unsecured € 2025 | 37,000,000 | 3.81 | 1.50 | 90,867 | 26,315 | 71.30 |
| 4.0% International Hotel Invest. plc Secured € 2026 | 55,000,000 | 3.63 | 1.45 | 1,159,643 | 608,288 | 36.49 |
| 4.0% MIDI plc Secured € 2026 | 50,000,000 | 3.46 | 2.64 | 187,462 | 71,248 | 37.55 |
| 3.75% Premier Capital plc € Unsecured Bonds 2026 | 65,000,000 | 3.50 | 7.93 | 185,070 | 43,401 | 57.85 |
| **4% Eden Finance plc 2027 € Unsecured Bonds 2026** | **40,000,000** | **4.00** | **3.98** | **165,496** | **92,620** | **34.60** |

3 March' 17

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts Investment Management Service Limited

## Bond Yield to Maturity




To date, there are no corporate bonds which have a redemption date beyond 2026 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

## PART 5 - EXPLANATORY DEFINITIONS AND REFERENCES

| | |
|---|---|
| **Income Statement** | |
| Revenue | Total revenue generated by the Group from its business activities during the financial year, including hospitality and entertainment, rental income and other revenue streams. |
| Operating expenses | Operating expenses include all direct (food, beverages, consumables, labour expenses, etc) and indirect (including general and administration expenses) operating costs. |
| 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. |
| **Key Performance Indicators** | |
| Occupancy level | Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available. |
| Average room rate | Average room rate is calculated by dividing hotel rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available. |
| Revenue per available room (RevPAR) | RevPAR is calculated by multiplying a hotel's total revenue by total room nights available. A hotel uses this indicator as a performance measure with other hotels in the same category or market. |
| Revenue generating index (RGI) | A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per occupied room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1. |
| **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 (room revenue, food & beverage, hotel services, etc) 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. |
| 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 (food, beverages, consumables, etc), 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 and bonds. |
| 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 whether or not 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. |
| 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. |
| Debt service cover ratio | The debt service cover ratio measures a company's ability to service its current debts by comparing its EBITDA with its total debt service obligations. |
| 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. |

**References**

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