
Financial Analysis Summary

23 March 2018

Issuer Hudson Malta p.l.c. (C 83425)

Guarantors Time International (Sport) Limited (C 32438)
Hudson International Company Limited (C 48705)

Hudson Malta p.l.c.
Hudson House
Burmarrad Road, Burmarrad
St Paul's Bay SPB 9060
Malta

23 March 2018

Dear Sirs,

Hudson Malta p.l.c. 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 ("**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 Hudson Holdings Limited (the "**Hudson Group**" or "**HHL**"), Hudson Malta p.l.c. (the "**Company**", "**Issuer**" or "**Malta Group**"), and Time International (Sport) Limited and Hudson International Company Limited (the "**Guarantors**"). 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 consolidated financial statements of HHL and the combined financial statements of the Guarantors for the three years in question.
- (b) Interim historical financial data for the 6-month period 1 January 2017 to 30 June 2017 has been extracted from the unaudited interim consolidated financial statements of HHL for the period in question.
- (c) The projections have been extracted from the pro forma forecast consolidated financial information of the Malta Group for the year ended 31 December 2017 and the projected financial information of the Malta Group for the year ending 31 December 2018.
- (d) Our commentary on the results of the Hudson Group, Malta Group and on their respective financial position is based on the explanations provided by the Company.
- (e) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (f) Relevant financial data in respect of the companies included in Part 3 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 Company's securities and potential investors by summarising the more important financial data of the Hudson Group and Malta 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 Company and should not be interpreted as a recommendation to invest in any of the Company'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 professional advice before investing in the Company's securities.

Yours faithfully,



Evan Mohnani
Head – Corporate Finance

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PART 1 – INFORMATION ABOUT THE HUDSON GROUP AND THE MALTA GROUP

1. 1. THE HUDSON GROUP

1.1 AN OVERVIEW

The Hudson Group is involved in the retail and distribution of branded fashion and sportswear in Malta, Europe and Africa. Central operations are all based in Malta and include logistics, purchasing, finance and sales management teams. Some of the key brands presently managed by the Hudson Group are Nike, New Look, Timberland and KIABI, most of which are subject to franchise agreements which have been in effect for a significant number of years and which, to date, have been automatically renewed by the respective franchisors on the same terms and conditions – the indication is that such pattern will carry on in the foreseeable future. In terms of an agreement dated 5 March 2018 between HHL and the Issuer, all business activity carried out in Malta relating to sports and fashion business where HHL acts as franchisee, shall be performed exclusively through the Issuer or any of the Guarantors.

The timeline below illustrates the accumulation of international brands represented by the Hudson Group since incorporation in 2006.

2006 Nike (Malta), Converse (Malta), Urban Jungle (Malta), Nike (Libya), Nike (Algeria - Manager), Urban Jungle (Italy)

2007 Timberland (Malta), Crocs (Malta)

2008 Converse (North Africa excluding Egypt), Timberland (Algeria, Tunisia, Libya)

2010 New Look (Malta)

2011 Nike (Tunisia)

2012 New Look (Libya), Umbro (Malta, North Africa excluding Egypt)

2013 Tommy Hilfiger (North Africa excluding Egypt)

2014 KIABI (Malta), River Island (Malta), Urban Jungle (Spain)

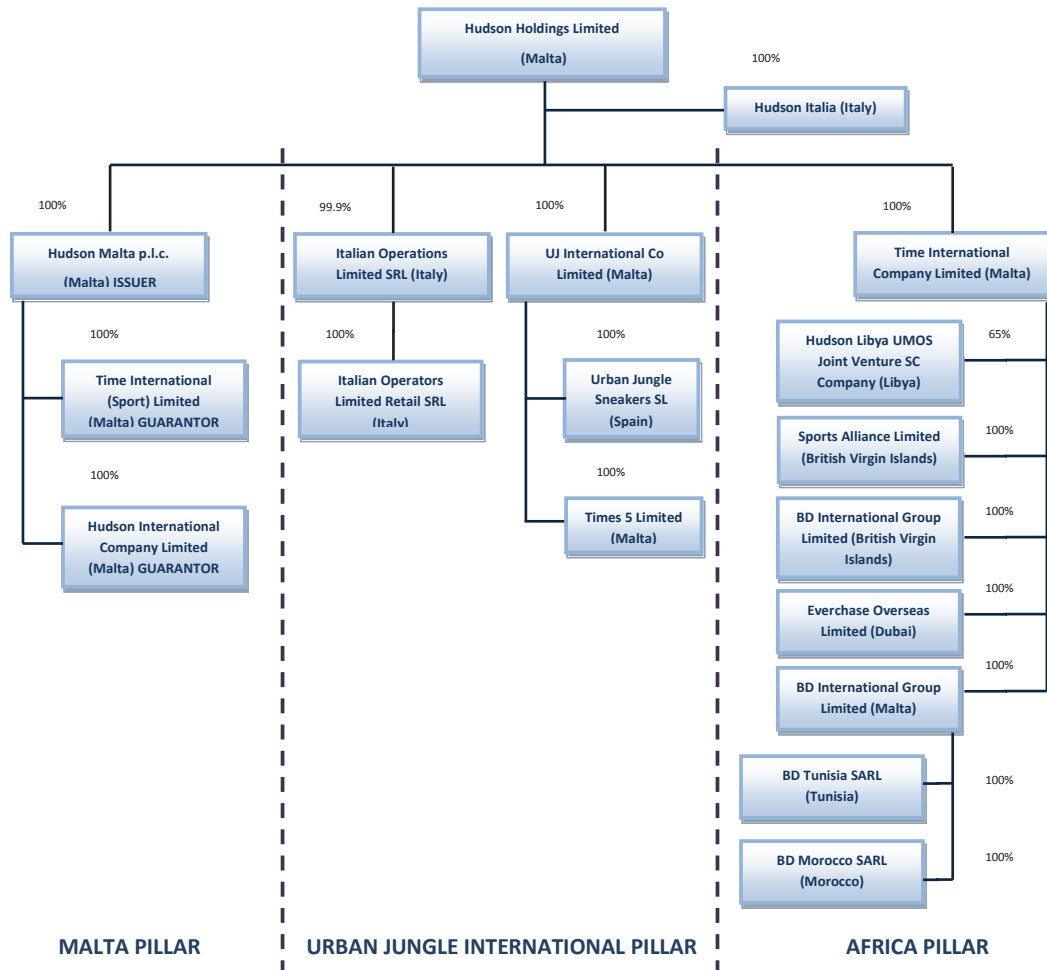
2015 Urban Jungle (France, Morocco), Nike (Distribution & Logistics Hub for Africa)

2016 3INA (Malta), Go Sport (Malta), Benetton (Malta)

2017 Extension of Nike Distribution Agreement to cover an additional 26 territories in Africa

1.2 ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the organisational structure of the Hudson Group.



In 2017, the Hudson Group initiated a re-organisation exercise whereby three principal pillars were formed, comprising the Malta pillar, the Urban Jungle International pillar and the Africa pillar. As such, the subsidiary companies of Time International (Sport) Limited (namely: UJ International Co Limited, Urban Jungle Sneakers SL, Times 5 Limited, Italian Operations Limited Retail SRL and Italian Operations Limited SRL), which operate the Urban Jungle brand outside Malta, were transferred from the said company to HHL to form the Urban Jungle International pillar.

Furthermore, Hudson Libya Utilities Management & Operation Services Joint Venture JSC Company, a subsidiary of Hudson International Company Limited, was transferred to Time International Company Limited, the parent company of the Africa pillar.

On 20 December 2017, the Issuer acquired from HHL the entire issued share capital of each of the Guarantors, in exchange for an issue of new ordinary shares by the Issuer to HHL, to form the Malta pillar of the Hudson Group (also referred to as the Malta Group).

The Issuer is a wholly owned subsidiary of HHL, which in turn is owned by Alfred Borg with 50%; George Amato, Christopher Muscat and Kevin Grech holding 37% between them apportioned equally; 9% shareholding is held by Etienne Camenzuli, and Felice Ilacqua and Gianluca Salute hold 2% each.

1.3 EXECUTIVE MANAGEMENT TEAM

The Hudson Group's executive management team has extensive experience in managing retail and wholesale distribution, in marketing and brand development activities and general commercial practice. The key members are the following:

| | |
|--------------------|---|
| Alfred Borg | Chief Executive Officer and Founder |
| Christopher Muscat | Chief Operations Director |
| Etienne Camenzuli | Senior Merchandising and Product Specialist |
| Kevin Grech | Retail and Fashion Brands Director |
| George Amato | Supply Chain Management Director |
| Martin Gregory | Director of Human Resources |
| Indrek Heinmets | Africa Nike Brand Director |
| Michel Macelli | Director of Finance |

2. THE MALTA GROUP

2.1 KEY ACTIVITIES OF THE ISSUER

The Issuer was established on 10 November 2017 and is a wholly-owned subsidiary of Hudson Holdings Limited (the ultimate parent of the Hudson Group), and is the parent company of the Malta operations of the Hudson Group. The principal object of the Issuer is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, movable and immovable property or other assets, including but not limited to securities and other financial interests. The issue of bonds falls within the objects of the Issuer. The Issuer's intended purpose is to further expand the Malta Group's retail and wholesale distribution operations in Malta of branded fashion and sportswear. Business operations are performed by the Issuer's Subsidiaries (also referred to as the Guarantors), and therefore the Issuer is mainly dependent on the business prospects of the Guarantors. The Issuer operates exclusively in and from Malta.

2.2 KEY ACTIVITIES OF THE GUARANTORS

2.2.1 Time International (Sport) Limited

Time International (Sport) Limited was established in 2003 and is principally engaged in the importation, distribution and retailing of sportswear. The company operates 12 retail outlets and franchises a further 6 stores in Malta and Gozo. The flagship brand operated by the company is Nike, one of the most prominent brands of athletic footwear and apparel globally. In 2016, Time International (Sport) Limited introduced the Go Sport brand in Malta with the opening of a store in Qormi. Go Sport is a sports multi-specialist that offers a vast range of branded sports apparel and accessories. Time International (Sport) Limited is empowered in terms of its Memorandum of Association to secure and guarantee any debt, liability or obligation of any third party.

2.2.2 Hudson International Company Limited

Hudson International Company Limited was established in 2010 and is primarily involved in the importation and retailing of branded fashion wear in Malta. The company operates 13 stores in Malta and Gozo as follows: New Look (4 stores), 3INA (4 stores), Benetton (2 stores), KIABI (2 stores) and River Island (1 Store) and franchises a Benetton store. Hudson International Company Limited is empowered in terms of its Memorandum of Association to secure and guarantee any debt, liability or obligation of any third party.

2.3 DIRECTORS

2.3.1 Directors of the Issuer

The Issuer is managed by a Board consisting of seven directors entrusted with the overall direction and management of the Company.

| | |
|--------------------|------------------------------------|
| George Amato | Executive Director |
| Alfred Borg | Executive Director |
| Kevin Grech | Executive Director |
| Christopher Muscat | Executive Director |
| Victor Spiteri | Independent Non-Executive Director |
| Kevin Valenzia | Independent Non-Executive Director |
| Brian Zarb Adami | Independent Non-Executive Director |

2.3.2 Directors of the Guarantors

Each Guarantor is managed by a Board of Directors entrusted with its overall direction and management, and is composed as follows:

Time International (Sport) Limited

| | |
|--------------------|--------------------|
| George Amato | Executive Director |
| Alfred Borg | Executive Director |
| Etienne Camenzuli | Executive Director |
| Christopher Muscat | Executive Director |

Hudson International Company Limited

| | |
|--------------------|--------------------|
| George Amato | Executive Director |
| Alfred Borg | Executive Director |
| Kevin Grech | Executive Director |
| Christopher Muscat | Executive Director |

2.4 OVERVIEW OF LEASED STORES AND THIRD PARTY OPERATED STORES

As at 31 December 2016, the Malta Group operated 23 retail stores and held franchise agreements with a further 4 stores (operated under third party management). During 2017, the Malta Group increased the number of stores by 2 (25 stores in total and added another 2 stores under franchise for an aggregate of 6 stores).

The table below illustrates the corporate ownership, location, shop floor area and commencement date for each of the stores.

| | Company | Name of Store | Location | Rentable Area (m ²) | Opening Date |
|----|---------|-----------------|---------------------|---------------------------------|---------------|
| 1 | TISL | Shoeshack | The Point, Sliema | 13 | Prior to 2014 |
| 2 | TISL | Shoeshack | Park Towers, Sliema | 98 | Prior to 2014 |
| 3 | TISL | House of Sport | Fgura | 120 | Prior to 2014 |
| 4 | TISL | House of Sport | Sliema | 188 | Prior to 2014 |
| 5 | TISL | Urban Jungle | The Point, Sliema | 200 | Prior to 2014 |
| 6 | TISL | Outta Kontrol | Mriehel | 191 | Prior to 2014 |
| 7 | TISL | Nike | The Point, Sliema | 164 | Prior to 2014 |
| 8 | HICL | New Look | Gozo | 510 | Prior to 2014 |
| 9 | HICL | New Look | Fgura | 579 | Prior to 2014 |
| 10 | HICL | New Look | The Point, Sliema | 1,050 | Prior to 2014 |
| 11 | HICL | KIABI | Qormi | 1,300 | Mar-14 |
| 12 | HICL | River Island | Sliema | 600 | May-14 |
| 13 | TISL | Shoeshack | Sliema | 84 | Dec-14 |
| 14 | TISL | Timberland | Valletta | 100 | Jun-15 |
| 15 | HICL | New Look | Valletta | 676 | Oct-15 |
| 16 | HICL | KIABI | Burmarrad | 1,000 | Apr-16 |
| 17 | HICL | 3INA | Qormi | 34 | Jun-16 |
| 18 | HICL | 3INA | The Point, Sliema | 50 | Aug-16 |
| 19 | TISL | Go Sport | Qormi | 1,300 | Sep-16 |
| 20 | TISL | Urban Jungle | PAMA, Mosta | 123 | Oct-16 |
| 21 | HICL | 3INA | PAMA, Mosta | 32 | Oct-16 |
| 22 | HICL | Benetton | PAMA, Mosta | 320 | Oct-16 |
| 23 | TISL | Go Sport Expert | Burmarrad | 300 | Jun-17 |
| 24 | HICL | 3INA | Valletta | 24 | Jul-17 |
| 25 | HICL | Benetton | The Point, Sliema | 275 | Mar-18 |

FRANCHISED STORES

| | | | | | |
|---|------|----------------|------------------------------------|-----|---------------|
| 1 | TISL | House of Sport | Intercontinental Hotel, St Julians | 120 | Prior to 2014 |
| 2 | TISL | House of Sport | Valletta | 150 | Prior to 2014 |
| 3 | TISL | House of Sport | Gozo | 100 | Prior to 2014 |
| 4 | TISL | Timberland | Sliema | 100 | Prior to 2014 |
| 5 | HICL | Benetton | Gozo | 200 | Mar-17 |
| 6 | TISL | Urban Jungle | Intercontinental Hotel, St Julians | 75 | Apr-17 |

TISL - Time International (Sport) Limited; HICL - Hudson International Company Limited.

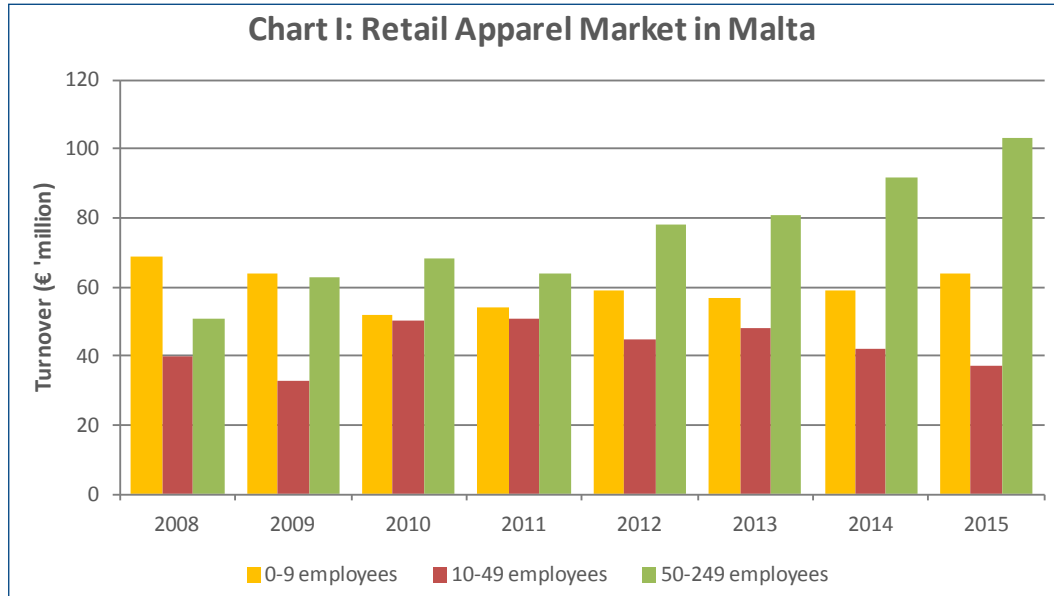
2.5 MARKET OVERVIEW

Data in relation to the size of the apparel market in Malta is not published. Notwithstanding, an estimate of the retail store market has been derived from data obtained from the National Statistics Office of Malta (the latest available information relates to calendar year 2015). Data with respect to online sales generated in Malta is not available and therefore is excluded from the analysis below.

The table below sets out statistics in relation to sales of apparel (excluding textiles, footwear and leather goods) by retail outlets in Malta. The information has been analysed by size of outlet on the basis of the number of staff employed by a retail store.

| Turnover of Apparel Retail Stores in Malta | | | | | | | | | |
|---|------|------|------|------|------|------|------|------|---------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2008-15 |
| 0-9 employees | | | | | | | | | |
| Total turnover (€' million) | 69 | 64 | 52 | 54 | 59 | 57 | 59 | 64 | -1.1% |
| No. of outlets (units) | 703 | 704 | 667 | 675 | 681 | 662 | 675 | 530 | |
| Average turnover (€' million) | 0.10 | 0.09 | 0.08 | 0.08 | 0.09 | 0.09 | 0.09 | 0.12 | |
| Year-on-year growth | | -7% | -14% | 3% | 8% | -1% | 2% | 38% | |
| 10-49 employees | | | | | | | | | |
| Total turnover (€' million) | 40 | 33 | 50 | 51 | 45 | 48 | 42 | 37 | -1.1% |
| No. of outlets (units) | 19 | 17 | 28 | 29 | 29 | 28 | 26 | 25 | |
| Average turnover (€' million) | 2.11 | 1.94 | 1.79 | 1.76 | 1.55 | 1.71 | 1.62 | 1.48 | |
| Year-on-year growth | | -8% | -8% | -2% | -12% | 10% | -6% | -8% | |
| 50-249 employees | | | | | | | | | |
| Total turnover (€' million) | 51 | 63 | 68 | 64 | 78 | 81 | 92 | 103 | 10.6% |
| No. of outlets (units) | 8 | 11 | 12 | 13 | 14 | 14 | 14 | 15 | |
| Average turnover (€' million) | 6.38 | 5.73 | 5.67 | 4.92 | 5.57 | 5.79 | 6.57 | 6.87 | |
| Year-on-year growth | | -10% | -1% | -13% | 13% | 4% | 14% | 4% | |
| Total Turnover (€' million) | | | | | | | | | |
| | 160 | 160 | 170 | 169 | 182 | 186 | 193 | 204 | 3.5% |
| Year-on-year growth | | 0% | 6% | -1% | 8% | 2% | 4% | 6% | |

Source: National Statistics Office Malta (NACE 47.71 data)



Over the seven year period to 2014, the total number of outlets remained relatively unchanged at *circa* 720 units, but decreased to 570 units in 2015. This decline was recorded in the small stores category (0-9 employees). In contrast, the number of outlets in the large store category (50-249 employees) increased from 51 units in 2008 to 103 units in 2015.

Furthermore, consumer spending has also changed and shows a preference towards the larger stores. In fact, in the period 2008 to 2015, smaller outlets registered a compounded annual decrease in turnover of 1.1%, while the larger outlets recorded a compounded annual growth rate in turnover of 10.6%.

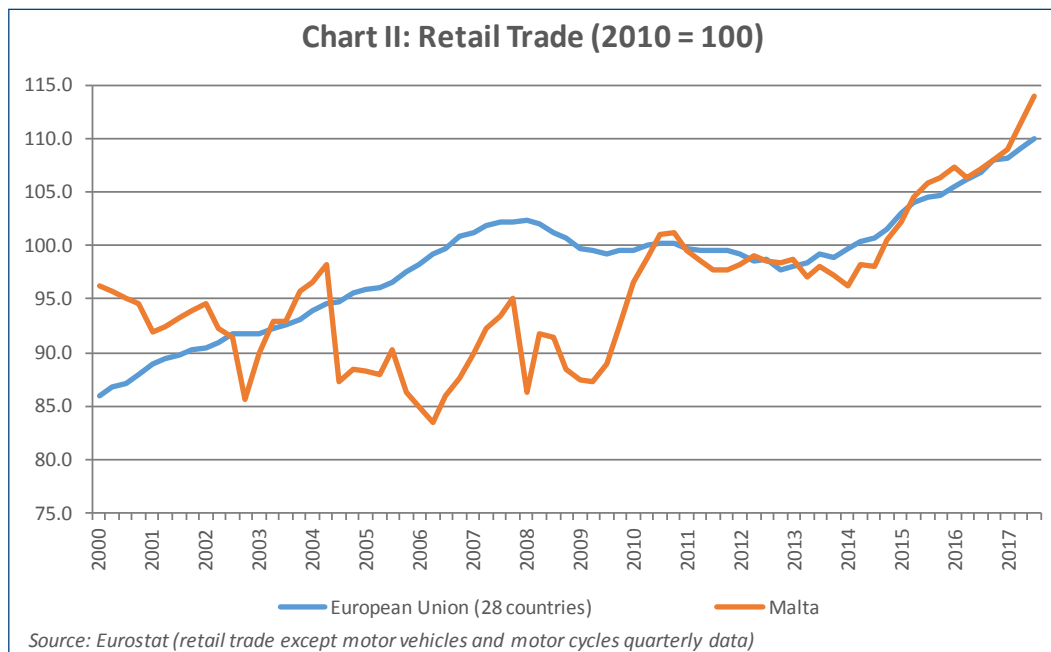


Chart II above provides an indication of the trend in performance of the overall retail sector in Malta as compared to the European Union (2010 being the base year = 100). According to the EU trend line above, retail trade increased at a steady pace till early 2008, which was followed by a decline that lasted until mid-2013. Thereafter, the EU retail sector experienced a constant rate of growth and has now reached a level of almost 8 percentage points above the pre-financial crisis high (Q1 2008).

During the 17 years under review, retail activity in Malta increased by almost 18 percentage points and since Q4 2016 has performed better than the EU average. Further analysis shows that between the years 2004 and 2009, the Maltese retail sector lagged behind the EU average. Post 2009, retail sales generated in Malta recovered to some extent while the EU average reflected lower activity levels. From 2010 to 2016, the Maltese retail sector maintained a similar trajectory when compared to the EU average.

2.6 TREND ANALYSIS AND BUSINESS STRATEGY

The retail market in Malta is subject to stiff competition, both from local retailers as well as from online sales (through the internet). In addition, retailers face competition for consumers' disposable income from gastronomy outlets, the property market and consumers' propensity to save. Furthermore, the retail industry continues to evolve due to shifts in consumer preferences, product trends and shopping habits. Despite such challenges, Malta's economy has continued to perform well, resulting in an expansion of the labour market and higher income levels, to the benefit of retailers. In this regard, the Malta Group remains focused on adapting to the aforementioned trends and the Directors feel that the business strategy of the Malta Group is aligned to capitalise on these opportunities in the future.

The Malta Group's strong focus is to provide a high level of customer service and use information systems to maintain tight controls over inventory and operating costs. The retail stores are connected by brand in a way that gives them access to inventory across the entire chain. This means that if a store does not have a particular size or style of an item desired by a customer, store personnel can locate the item in another store. The Directors believe that having strong logistics support is a critical element of the Malta Group's growth strategy and is central to the business to maintain a low cost operating structure and optimal inventory levels.

A key objective of the Malta Group is to continue to strengthen recognition of each of its brands within their respective target markets through advertising campaigns, sponsorships and customer loyalty schemes. At the same time, the Directors will continue to explore opportunities to invest in other retail concepts that offer features that are attractive to the Malta Group in terms of benefits from possible synergies and revenue expansion.

Additionally, the Malta Group plans to launch an e-commerce platform in the near future, thus enabling the Malta Group to engage with customers specifically in the digital commerce channel. Although revenue generation through retail stores will continue to be a cornerstone of the Malta Group's strategy, the e-commerce initiative will provide a platform to ensure an outstanding customer experience regardless of channel.

PART 2 – PERFORMANCE REVIEW

3. FINANCIAL INFORMATION – HUDSON GROUP

The Issuer has entered into a loan agreement dated 13 March 2018 with HHL pursuant to which the Issuer shall advance to HHL the amount of €4,500,000 from the net proceeds of the Bond Issue. In terms of this loan agreement, interest shall be payable annually in arrears on 6 March of each year at the rate of 5.5% per annum. In addition, HHL has bound itself to repay the loan in accordance with a pre-agreed repayment schedule, which includes a 3-year moratorium period, and shall effect the final repayment by not later than 6 March 2026.

As an entity external to the Issuer and the Malta Group, HHL is not bound by the continuing obligations of the Listing Rules. Therefore, the board of directors of HHL has resolved to publish on an annual basis HHL's audited consolidated financial statements, by not later than two months after the publication of the Issuer's audited financial statements, through a company announcement. Furthermore, condensed financial information relating to HHL and the Hudson Group shall be provided in the annual publication of the Issuer's financial analysis summary. This commitment is being made so as to provide Bondholders and prospective investors with full access to financial information on the Hudson Group.

The tables and discussion included below contain certain alternative performance measures (as defined by the European Securities and Markets Authority (ESMA)), including EBIT and EBITDA, that the Hudson Group's management and other competitors in the industry use. These non-IFRS financial measures are presented as supplemental information as (i) they represent measures that the Directors believe may be relevant for certain investors, securities analysts and other parties in assessing the Hudson Group's operating and financial performance and may contribute to a fuller understanding of the Hudson Group's cash generation capacity and the growth of its business; and (ii) they may be used by the Hudson Group's management as a basis for strategic planning and forecasting.

The following financial information is extracted from the consolidated audited financial statements of Hudson Holdings Limited ("HHL") for the three years ended 31 December 2014 to 31 December 2016, and from the consolidated unaudited financial statements of HHL for the interim period 1 January 2017 to 30 June 2017.

Audited consolidated financial information for the financial years ended 31 December 2014, 2015 and 2016

Hudson Holdings Limited

Consolidated Statement of Comprehensive Income

for the year ended 31 December

| | 2014 | 2015 | 2016 |
|---|---------------|---------------|---------------|
| | €'000 | €'000 | €'000 |
| Revenue | 41,832 | 42,504 | 58,759 |
| <i>Revenue from Malta Group</i> | <i>23,299</i> | <i>26,217</i> | <i>34,409</i> |
| <i>Revenue from the remaining Hudson Group companies</i> | <i>18,533</i> | <i>16,287</i> | <i>24,350</i> |
| Cost of sales | (29,689) | (29,464) | (42,391) |
| Gross profit | 12,143 | 13,040 | 16,368 |
| Net operating costs | (9,918) | (11,887) | (13,685) |
| EBITDA¹ | 2,225 | 1,153 | 2,683 |
| <i>EBITDA from Malta Group</i> | <i>1,468</i> | <i>1,886</i> | <i>2,286</i> |
| <i>EBITDA from the remaining Hudson Group companies</i> | <i>757</i> | <i>(733)</i> | <i>397</i> |
| Depreciation & amortisation | (700) | (732) | (949) |
| EBIT² | 1,525 | 421 | 1,734 |
| Loss on disposal of investment in subsidiary | (292) | - | - |
| Net finance costs | (162) | (296) | (375) |
| Profit before tax | 1,071 | 125 | 1,359 |
| Taxation | (550) | (369) | (548) |
| Profit/(loss) for the year | 521 | (244) | 811 |
| Other comprehensive income | | | |
| Currency translation differences | 611 | 703 | 183 |
| Fair value movements on available-for-sale financial investments, net of deferred tax | - | - | 721 |
| | 611 | 703 | 904 |
| Total comprehensive income | 1,132 | 459 | 1,715 |

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

² EBIT - Earnings before Interest and Tax.

| Hudson Holdings Limited | | | |
|---|----------------------|----------------------|----------------------|
| Consolidated Statement of Financial Position | | | |
| as at 31 December | 2014 | 2015 | 2016 |
| | €'000 | €'000 | €'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 1,334 | 1,292 | 1,278 |
| Property, plant & equipment | 2,993 | 2,985 | 4,570 |
| Available for sale investments | - | 313 | 1,200 |
| Receivables | 587 | 727 | 662 |
| Deferred tax assets | 257 | 323 | 371 |
| | <u>5,171</u> | <u>5,640</u> | <u>8,081</u> |
| Current assets | | | |
| Inventories | 3,988 | 6,470 | 15,822 |
| Trade and other receivables | 14,085 | 8,966 | 11,367 |
| Other current assets | 28 | 39 | 201 |
| Cash and cash equivalents | 3,060 | 4,597 | 4,952 |
| | <u>21,161</u> | <u>20,072</u> | <u>32,342</u> |
| Total assets | <u>26,332</u> | <u>25,712</u> | <u>40,423</u> |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 67 | 67 | 67 |
| Reserves | 1,072 | 1,595 | 2,456 |
| Retained earnings | 4,230 | 4,214 | 4,712 |
| Non-controlling interest | 1,564 | 1,516 | 1,552 |
| | <u>6,933</u> | <u>7,392</u> | <u>8,787</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 1,711 | 1,802 | 2,752 |
| Other non-current liabilities | 1,199 | 982 | 1,388 |
| | <u>2,910</u> | <u>2,784</u> | <u>4,140</u> |
| Current liabilities | | | |
| Bank overdrafts | 1,252 | 1,581 | 1,876 |
| Borrowings | 977 | 2,561 | 2,126 |
| Trade and other payables | 14,012 | 11,298 | 23,162 |
| Other current liabilities | 248 | 96 | 332 |
| | <u>16,489</u> | <u>15,536</u> | <u>27,496</u> |
| | <u>19,399</u> | <u>18,320</u> | <u>31,636</u> |
| Total equity and liabilities | <u>26,332</u> | <u>25,712</u> | <u>40,423</u> |

| Hudson Holdings Limited | | | |
|--|--------------|--------------|--------------|
| Consolidated Cash Flow Statement | | | |
| for the year ended 31 December | | | |
| | 2014 | 2015 | 2016 |
| | €'000 | €'000 | €'000 |
| Net cash from operating activities | 370 | 380 | 2,271 |
| Net cash from investing activities | (2,467) | (1,013) | (2,429) |
| Net cash from financing activities | 2,938 | 1,841 | 218 |
| Net movement in cash and cash equivalents | 841 | 1,208 | 60 |
| Cash and cash equivalents at beginning of year | 967 | 1,808 | 3,016 |
| Cash and cash equivalents at end of year | 1,808 | 3,016 | 3,076 |

| Hudson Holdings Limited | | | |
|---|---------------|---------------|---------------|
| Key Accounting Ratios | | | |
| | FY2014 | FY2015 | FY2016 |
| Gross profit margin <i>(Gross profit/revenue)</i> | 29% | 31% | 28% |
| Operating profit margin <i>(EBITDA/revenue)</i> | 5% | 3% | 5% |
| Interest cover (times) <i>(EBITDA/net finance cost)</i> | 13.73 | 3.90 | 7.15 |
| Net profit margin <i>(Profit after tax/revenue)</i> | 1% | -1% | 1% |
| Earnings per share (€) <i>(Profit after tax/number of shares)</i> | 18.12 | -8.49 | 28.21 |
| Return on equity <i>(Profit after tax/shareholders' equity)</i> | 8% | -3% | 9% |
| Return on capital employed <i>(EBITDA/total assets less current liabilities)</i> | 23% | 11% | 21% |
| Return on assets <i>(Profit after tax/total assets)</i> | 2% | -1% | 2% |
| Liquidity ratio (times) <i>(Current assets/current liabilities)</i> | 1.28 | 1.29 | 1.18 |
| Gearing ratio <i>(Total net debt/net debt and shareholders' equity)</i> | 11% | 15% | 17% |

Source: Charts Investment Management Service Limited

In **FY2015**, the Hudson Group generated aggregate revenue of €42.5 million, an increase of €0.7 million (+2%) when compared to the prior year. During the aforesaid year, the Hudson Group operated 22 stores (FY2014: 15 stores), 15 of which were located in Malta and operated by the Malta Group (FY2014: 14 stores), whilst the remaining 7 stores were located in Morocco, Italy and Spain (FY2014: 1 store). Apart from store operations, the Hudson Group is involved in wholesale and distribution of goods, being the predominant business activity of the Hudson Group when excluding the operations of the Malta Group. This business is relatively dependent on large consignments which tend to fluctuate from one year to another. In FY2015, revenue generated from the 'remaining Hudson Group companies' decreased by €2.2 million (-12%) over FY2014, principally due to trading volatility in the wholesale operations.

EBITDA in FY2015 was lower by €1.1 million when compared to FY2014 and amounted to €1.1 million (FY2014: €2.2 million). EBITDA derived from the 'remaining Hudson Group companies' resulted in a loss of €0.7 million (FY2014: positive EBITDA of €0.8 million), primarily on account of provision on receivables relating to operations in Libya (which operation was subsequently closed) and one-time costs incurred prior to being awarded the Nike distributorship contract for the North Africa region. As a consequence, the Hudson Group reported a loss of €0.2 million in FY2015 as compared to a profit of €0.5 million a year earlier. After accounting for a gain in currency differences, comprehensive income amounted to €0.5 million (FY2014: €1.1 million).

During **FY2016**, the Hudson Group operated 30 stores in 5 countries (FY2015: 22 stores) and employed 326 staff members. All 8 new store openings in FY2016 were located in Malta. Revenue increased by 38% from €42.5 million in 2015 to €58.8 million in 2016, driven by new distribution business and additional retail stores. The improved turnover positively impacted the Hudson Group's profitability of the aforesaid financial year as it reported an increase in EBITDA of €1.5 million, from €1.2 million in 2015 to €2.7 million in 2016. Overall, in FY2016, the Hudson Group reported a profit after tax of €0.8 million (FY2015: loss of €0.2 million).

Unaudited consolidated interim financial information for the period 1 January 2017 to 30 June 2017

| Hudson Holdings Limited | | |
|--|--------------------|---------------------|
| Consolidated Statement of Comprehensive Income | | |
| for the interim period 1 January to 30 June | 2016 | 2017 |
| | €'000 | €'000 |
| Revenue | 25,699 | 51,960 |
| <i>Revenue from Malta Group</i> | <i>14,907</i> | <i>16,590</i> |
| <i>Revenue from the remaining Hudson Group companies</i> | <i>10,792</i> | <i>35,370</i> |
| Cost of sales | <u>(18,188)</u> | <u>(38,541)</u> |
| Gross profit | 7,511 | 13,419 |
| Net operating costs | <u>(6,994)</u> | <u>(8,569)</u> |
| EBITDA¹ | 517 | 4,850 |
| <i>Revenue from Malta Group</i> | <i>712</i> | <i>904</i> |
| <i>Revenue from the remaining Hudson Group companies</i> | <i>(195)</i> | <i>3,946</i> |
| Depreciation & amortisation | <u>(410)</u> | <u>(591)</u> |
| EBIT² | 107 | 4,259 |
| Net finance costs | <u>(125)</u> | <u>(14)</u> |
| Profit/(loss) before tax | (18) | 4,245 |
| Taxation | <u>-</u> | <u>(1,486)</u> |
| Profit/(loss) for the period | <u>(18)</u> | <u>2,759</u> |
| Other comprehensive income | | |
| Currency translation differences | <u>8</u> | <u>-</u> |
| Total comprehensive income | <u>(10)</u> | <u>2,759</u> |

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

² EBIT - Earnings before Interest and Tax.

| Hudson Holdings Limited | | |
|---|----------------------|----------------------|
| Consolidated Statement of Financial Position | | |
| as at | 31 Dec'16 | 30 Jun'17 |
| | €'000 | €'000 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant & equipment | 4,570 | 4,593 |
| Other non-current assets | 3,511 | 3,489 |
| | <u>8,081</u> | <u>8,082</u> |
| Current assets | | |
| Inventories | 15,822 | 14,699 |
| Trade and other receivables | 11,568 | 21,082 |
| Cash and cash equivalents | 4,952 | 6,382 |
| | <u>32,342</u> | <u>42,163</u> |
| Total assets | <u>40,423</u> | <u>50,245</u> |
| EQUITY | | |
| Capital and reserves | | |
| Share capital | 67 | 67 |
| Reserves | 2,456 | 2,423 |
| Retained earnings | 4,712 | 6,584 |
| Non-controlling interest | 1,552 | 2,440 |
| | <u>8,787</u> | <u>11,514</u> |
| LIABILITIES | | |
| Non-current liabilities | | |
| Borrowings | 2,752 | 3,139 |
| Other non-current liabilities | 1,388 | - |
| | <u>4,140</u> | <u>3,139</u> |
| Current liabilities | | |
| Bank overdrafts | 1,876 | 1,209 |
| Borrowings | 2,126 | 7,383 |
| Trade and other payables | 23,162 | 24,520 |
| Other current liabilities | 332 | 2,480 |
| | <u>27,496</u> | <u>35,592</u> |
| | <u>31,636</u> | <u>38,731</u> |
| Total equity and liabilities | <u>40,423</u> | <u>50,245</u> |

| Hudson Holdings Limited | | |
|--|----------------|--------------|
| Consolidated Cash Flow Statement | | |
| for the interim period 1 January to 30 June | 2016 | 2017 |
| | €'000 | €'000 |
| Net cash from operating activities | 915 | (2,348) |
| Net cash from investing activities | (1,587) | (1,165) |
| Net cash from financing activities | (720) | 5,609 |
| Net movement in cash and cash equivalents | (1,392) | 2,096 |
| Cash and cash equivalents at beginning of period | 3,016 | 3,077 |
| Cash and cash equivalents at end of period | 1,624 | 5,173 |

| Hudson Holdings Limited | | |
|--|---------------|---------------|
| Key Accounting Ratios | FP2016 | FP2017 |
| Gross profit margin <i>(Gross profit/revenue)</i> | 29% | 26% |
| Operating profit margin <i>(EBITDA/revenue)</i> | 2% | 9% |
| Net profit margin <i>(Profit after tax/revenue)</i> | 0% | 5% |

Source: Charts Investment Management Service Limited

In the first six months of 2017, the Hudson Group registered an increase in revenue of €26.3 million over the corresponding period the year before. This increase was primarily due to significant growth in the wholesale and distribution business. As a consequence, the Hudson Group reported an increase in EBITDA of €4.3 million, from €0.5 million in 2016 to €4.8 million in the initial half of 2017. During the period under review, the Hudson Group registered a profit after tax of €2.8 million compared to a loss of €18,000 reported in the first half of 2016.

4. FINANCIAL INFORMATION – MALTA GROUP

The historical financial information included hereinafter is extracted from the audited combined financial statements of the Guarantors for the financial years ended 31 December 2014, 2015 and 2016 (together, the “Combined Financial Statements”). The Guarantors were only recently acquired by the Issuer and as such, did not operate as a separate group of entities during the above-mentioned historical financial years. Combined financial statements serve a similar purpose to consolidated financial statements, to present financial data appertaining to a group of companies as if the companies concerned constitute a single enterprise as at the date of the combined financial statements.

The Malta Group in its current state has only been in existence since 10 November 2017 and therefore, the financial information for FY2017 represents pro forma forecast consolidated financial statements. This pro forma information presents what the Issuer’s forecast consolidated financial statements would have looked like had the Malta Group existed in its current form, comprising all its current constituent components, for the financial year 1 January 2017 to 31 December 2017. No adjustments to the results, financial position and cash flow statements of the constituent sub-groups were necessary for the purposes of arriving at the pro forma forecast consolidated financial statements except solely to reflect the entries necessary in any process of accounting consolidation.

The projected financial statements for FY2018 relate to events in the future and are based on assumptions which the Hudson Group 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.

The tables and discussion included below contain certain alternative performance measures (as defined by the European Securities and Markets Authority (ESMA)), including EBIT and EBITDA, that the Malta Group’s management and other competitors in the industry use. These non-IFRS financial measures are presented as supplemental information as (i) they represent measures that the Directors believe may be relevant for certain investors, securities analysts and other parties in assessing the Malta Group’s operating and financial performance and may contribute to a fuller understanding of the Malta Group’s cash generation capacity and the growth of the combined business; and (ii) they may be used by the Malta Group’s management as a basis for strategic planning and forecasting.

| Hudson Malta p.l.c. | | | | | |
|--|-----------------|-----------------|-----------------|------------------|-------------------|
| Statement of Comprehensive Income | | | | | |
| for the year ended 31 December | | | | | |
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| | Combined | Combined | Combined | Pro forma | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Revenue | 23,299 | 26,217 | 34,409 | 35,549 | 37,773 |
| <i>Retail</i> | 13,797 | 16,354 | 21,913 | 24,843 | 27,012 |
| <i>Wholesale and other income</i> | 9,502 | 9,863 | 12,496 | 10,706 | 10,761 |
| Cost of sales | (15,652) | (17,716) | (23,536) | (23,340) | (24,836) |
| Gross profit | 7,647 | 8,501 | 10,873 | 12,209 | 12,937 |
| Net operating costs | (6,179) | (6,615) | (8,587) | (9,823) | (10,035) |
| EBITDA¹ | 1,468 | 1,886 | 2,286 | 2,386 | 2,902 |
| Depreciation & amortisation | (509) | (530) | (629) | (922) | (1,130) |
| EBIT² | 959 | 1,356 | 1,657 | 1,464 | 1,772 |
| Net finance costs | (123) | (89) | (122) | (61) | 23 |
| Profit before tax | 836 | 1,267 | 1,535 | 1,403 | 1,795 |
| Taxation | (313) | (269) | (636) | (491) | (628) |
| Profit for the year | 523 | 998 | 899 | 912 | 1,167 |
| Total comprehensive income | 523 | 998 | 899 | 912 | 1,167 |

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

² EBIT - Earnings before Interest and Tax.

| Hudson Malta p.l.c. | | | | | |
|--|-----------------|-----------------|-----------------|------------------|-------------------|
| Cash Flow Statement | | | | | |
| for the year ended 31 December | | | | | |
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| | Combined | Combined | Combined | Pro forma | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Net cash from operating activities | 798 | 1,374 | 1,611 | 195 | 1,589 |
| Net cash from investing activities | (1,540) | (1,275) | (1,205) | (258) | (488) |
| Net cash from financing activities | 494 | 242 | 288 | (1,149) | 3,014 |
| Net movement in cash and cash equivalents | (248) | 341 | 694 | (1,212) | 4,115 |
| Cash and cash equivalents at beginning of year | (135) | (383) | (42) | 652 | (560) |
| Cash and cash equivalents at end of year | (383) | (42) | 652 | (560) | 3,555 |

| Hudson Malta p.l.c. | | | | | |
|--|-----------------|-----------------|-----------------|------------------|-------------------|
| Statement of Financial Position | | | | | |
| as at 31 December | | | | | |
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| | Combined | Combined | Combined | Pro forma | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant & equipment | 2,041 | 2,180 | 2,890 | 2,306 | 2,236 |
| Other non-current assets | 1,626 | 2,455 | 2,472 | 2,296 | 2,296 |
| Loan to HHL | - | - | - | - | 4,500 |
| Advance to BD Int. Group Ltd | - | - | - | - | 2,250 |
| | <u>3,667</u> | <u>4,635</u> | <u>5,362</u> | <u>4,602</u> | <u>11,282</u> |
| Current assets | | | | | |
| Inventories | 1,753 | 2,488 | 3,958 | 4,415 | 4,731 |
| Trade and other receivables | 4,553 | 3,205 | 3,742 | 3,845 | 3,952 |
| Amounts due from related parties | 783 | 549 | 1,047 | 3,012 | 3,012 |
| Other current assets | - | - | 151 | 87 | 87 |
| Cash and cash equivalents | 649 | 1,117 | 2,117 | 1,127 | 3,555 |
| | <u>7,738</u> | <u>7,359</u> | <u>11,015</u> | <u>12,486</u> | <u>15,337</u> |
| Total assets | 11,405 | 11,994 | 16,377 | 17,088 | 26,619 |
| EQUITY | | | | | |
| Capital and reserves | | | | | |
| Share capital and reserves | 205 | 205 | 204 | 4,148 | 4,148 |
| Retained earnings | 1,917 | 2,916 | 3,815 | 1,686 | 2,853 |
| | <u>2,122</u> | <u>3,121</u> | <u>4,019</u> | <u>5,834</u> | <u>7,001</u> |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Borrowings and bonds | 1,488 | 1,579 | 1,764 | 188 | 11,808 |
| Current liabilities | | | | | |
| Bank overdrafts | 1,032 | 1,159 | 1,465 | 1,687 | - |
| Borrowings | 261 | 413 | 581 | 1,828 | - |
| Trade and other payables | 6,300 | 5,662 | 8,216 | 7,177 | 7,436 |
| Other current liabilities | 202 | 60 | 332 | 374 | 374 |
| | <u>7,795</u> | <u>7,294</u> | <u>10,594</u> | <u>11,066</u> | <u>7,810</u> |
| | <u>9,283</u> | <u>8,873</u> | <u>12,358</u> | <u>11,254</u> | <u>19,618</u> |
| Total equity and liabilities | 11,405 | 11,994 | 16,377 | 17,088 | 26,619 |

| Hudson Malta p.l.c. | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Key Accounting Ratios | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 |
| Gross profit margin <i>(Gross profit/revenue)</i> | 33% | 32% | 32% | 34% | 34% |
| Operating profit margin <i>(EBITDA/revenue)</i> | 6% | 7% | 7% | 7% | 8% |
| Interest cover (times) <i>(EBITDA/net finance cost)</i> | 11.93 | 21.19 | 18.74 | 39.11 | n/a |
| Net profit margin <i>(Profit after tax/revenue)</i> | 2% | 4% | 3% | 3% | 3% |
| Earnings per share (€) <i>(Profit after tax/number of shares)</i> | 0.03 | 0.06 | 0.05 | 0.06 | 0.07 |
| Return on equity <i>(Profit after tax/shareholders' equity)</i> | 25% | 32% | 22% | 16% | 17% |
| Return on capital employed <i>(EBITDA/total assets less current liabilities)</i> | 41% | 40% | 40% | 40% | 15% |
| Return on assets <i>(Profit after tax/total assets)</i> | 5% | 8% | 5% | 5% | 4% |
| Liquidity ratio (times) <i>(Current assets/current liabilities)</i> | 0.99 | 1.01 | 1.04 | 1.13 | 1.96 |
| Gearing ratio <i>(Total net debt/net debt and shareholders' equity)</i> | 50% | 39% | 30% | 31% | 54% |

Source: Charts Investment Management Service Limited

The principal business activities of the Guarantors include the operation of retail stores in Malta, and distribution of Nike products to Urban Jungle Italy and a number of third party stores (operating under the Urban Jungle franchise) in Malta.

Revenue for the year ended 31 December **2015** amounted to €26.2 million, an increase of €2.9 million (+13%) from the previous year (FY2014: €23.3 million), primarily as a result of new openings. Turnover generated from the operation of retail stores amounted to €16.4 million (or 62% of aggregate income) in FY2015 as compared to €13.8 million (or 59% of aggregate income) in FY2014. Wholesale revenue marginally increased from €9.5 million in FY2014 to €9.9 million in FY2015.

The increase in revenue reflected positively on EBITDA, which increased by €0.4 million from €1.5 million in FY2014 to €1.9 million in FY2015. Furthermore, yearly profit doubled in FY2015 to €1.0 million (FY2014: €0.5 million).

In **FY2016**, revenue generated from retail operations increased by €5.6 million (+34%) from €16.4 million in FY2015 to €21.9 million, primarily on account of new store openings, whilst wholesale income amounted to €12.5 million, an increase of €2.6 million (+27%) when compared to a year earlier. In aggregate, revenue in FY2016 was higher than in FY2015 by €8.2 million (+31%) and amounted to €34.4 million.

EBITDA improved by 21% or €0.4 million (year-on-year) to €2.3 million in FY2016 (FY2015: €1.9 million). Profit before tax also reflected a year-on-year increase of 21% to €1.5 million (similar to EBITDA) given that depreciation charge and net finance costs were relatively stable in FY2016 when compared to the prior year. In contrast, profit after tax was marginally lower in FY2016 by €0.1 million to €0.9 million as a result of an increase in taxation of €0.37 million (from €0.27 million in FY2015 to €0.64 million in FY2016).

Non-current assets in the statement of financial position as at 31 December 2016 amounted to €5.4 million (2015: €4.6 million, 2014: €3.7 million), principally made up of intangible assets as to €1.2 million (being goodwill and registered trademarks),

and property, plant & equipment of €2.9 million. The latter amount primarily comprises furniture, fixtures and improvements to stores. The Malta Group does not own any properties and as such leases all stores from third party owners.

Current assets as at 31 December 2016 amounted to €11.0 million (2015: €7.4 million, 2014: €7.7 million) and principally comprise inventory, trade receivables, related party and cash balances. Current assets have increased on a yearly basis in line with the increase in the number of stores and growth in turnover. Current liabilities have also increased as a consequence of increased trading activities and as at 31 December 2016 amounted to €10.6 million (2015: €7.3 million, 2014: €7.8 million). The 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) has improved over the reviewed years from 0.99 times as at 31 December 2014 to 1.01 times as at 31 December 2015 and 1.04 times as at 31 December 2016.

Non-current liabilities mainly include bank loans and as at 31 December 2016 amounted to €1.8 million (2015: €1.6 million, 2014: €1.5 million).

In 2016, share capital was reduced from €205,000 to €204,000 in order to offset a long term balance due by one of the shareholders. Retained earnings as at 31 December 2016 amounted to €3.8 million, an increase of €0.9 million when compared to the prior year (2015: €2.9 million). Capital and reserves have also doubled in the three year period from €2.1 million as at 31 December 2014 to €4.0 million as at 31 December 2016.

In the cash flow statement, net cash generated from operating activities in FY2016 amounted to €1.6 million as compared to €1.4 million in FY2015 and €0.8 million in FY2014. Net cash used in investing activities mainly represents improvements to stores and purchases of fixtures and fittings. In FY2016, the afore-mentioned capital expenditure amounted to €1.2 million (FY2015: €1.3 million, FY2014: €1.5 million). Net cash from financing activities in FY2016 amounted to €0.3 million (FY2015: €0.2 million, FY2014: €0.5 million) and primarily comprised movements in bank borrowings and related party balances.

On a pro forma basis, revenue for the financial year ended 31 December **2017** is expected to amount to €35.5 million, 70% of which being generated by retail stores, and the remaining balance from wholesale revenue primarily relating to the sale of sports retail products to third party retailers in Malta and Urban Jungle franchisees in Italy. When compared to the prior year, retail revenue is expected to increase by €2.9 million (+13%), principally due to the impact of a full year's operating performance of 8 stores which commenced operations during 2016 and the opening of 4 new stores (two of which are franchised stores) in 2017, whilst wholesale revenue is projected to decrease from €12.3 million in 2016 to €10.7 million, entirely due to a decline in sales to Urban Jungle Italy.

EBITDA for FY2017 is projected to amount to €2.4 million, marginally higher when compared to the prior year. After taking into account depreciation & amortisation of €0.9 million, which is expected to increase by 47% (year-on-year) due to an increase in store openings, EBIT is anticipated to amount to €1.5 million (FY2016: €1.7 million). Profit for the year is expected to remain unchanged at €0.9 million (FY2016: €0.9 million).

The Malta Group's statement of financial position as at 31 December 2017 is projected to comprise total assets of €17.1 million, primarily made up of intangible assets and property, plant & equipment as to €4.6 million, inventories, trade & other receivables and related party balances of €11.4 million and cash balances amounting to €1.1 million.

Total liabilities are set to amount to €11.3 million and mainly include trade & other payables of €7.2 million and bank borrowings & overdraft facilities of €3.7 million. The Issuer's gearing ratio (being net debt/net debt and shareholders' equity) as at 31 December 2017 is projected at 31%.

Net movement in cash and cash equivalents in the cash flow statement is expected to amount to an outflow of €1.2 million in FY2017 (FY2016: +€0.7 million), principally due to repayments made to banks and related parties of €1.2 million and capital expenditure of €0.3 million.

It is projected that the Malta Group's revenue will increase by €2.2 million in **FY2018** to €37.8 million when compared to the previous year, principally in consequence of expected improvements in performance of the Group's retail stores and new openings.

EBITDA is projected to increase y-o-y by €0.5 million (+22%) to €2.9 million as the Group expects to improve operating margin from 7% in FY2017 to 8% to FY2018. Due to an increase in depreciation of €0.2 million and taxation of €0.1 million, profit for the year is projected to increase by 28% from €0.9 million in FY2017 to €1.2 million in FY2018.

The Malta Group's gearing ratio is set to increase from 31% in FY2017 to 54% in FY2018 following the issuance of €12 million in bonds, the proceeds of which will be utilised to increase the number of stores, reduce bank borrowings, finance the development of a distribution centre in Malta and advance €4.5 million to the Hudson Group.

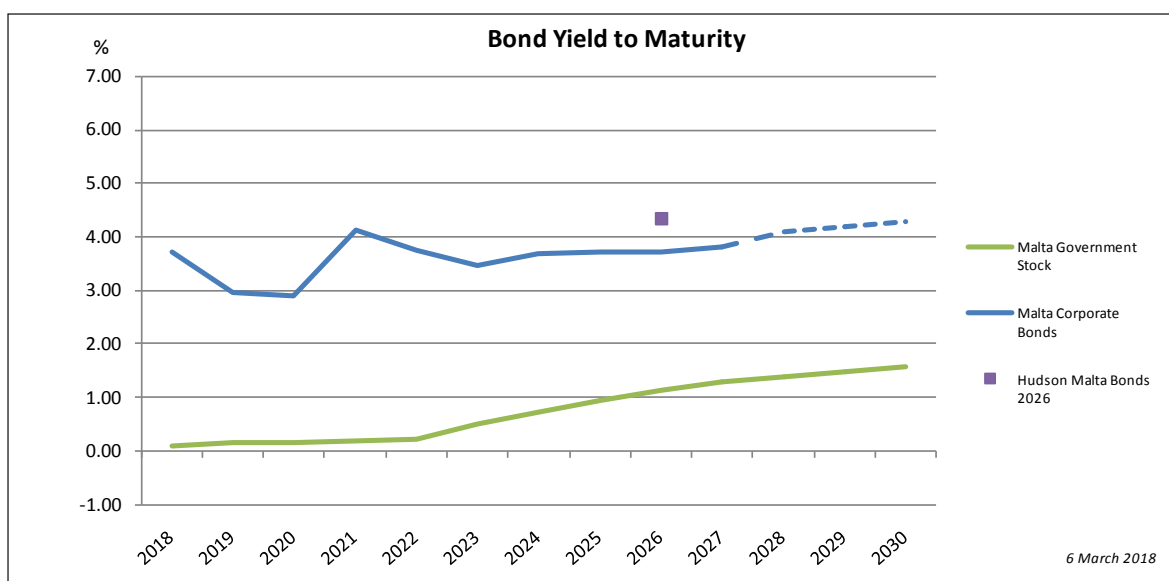
PART 3 - COMPARABLES

The table below compares the Malta Group and the Issuer's 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 Malta Group and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Malta Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Malta Group.

| Comparative Analysis | Nominal Value (€) | Yield to Maturity (%) | Interest Cover (times) | Total Assets (€'000) | Net Asset Value (€'000) | Gearing Ratio (%) |
|---|-------------------|-----------------------|------------------------|----------------------|-------------------------|-------------------|
| 5.5% Pendergardens Dev. plc Secured € 2020 Series I | 15,000,000 | 2.91 | 1.49 | 63,273 | 11,488 | 63.23 |
| 6% Pendergardens Dev. plc Secured € 2022 Series II | 27,000,000 | 3.74 | 1.49 | 63,273 | 11,488 | 63.23 |
| 4.25% Gap Group plc Secured € 2023 | 40,000,000 | 3.45 | 2.48 | 57,086 | 6,004 | 86.39 |
| 5.3% United Finance Plc Unsecured € Bonds 2023 | 8,500,000 | 4.20 | 2.05 | 18,153 | 3,796 | 73.85 |
| 6% AX Investments Plc Unsecured € 2024 | 40,000,000 | 3.91 | 4.44 | 286,318 | 173,323 | 26.09 |
| 5.3% Mariner Finance plc Unsecured € 2024 | 35,000,000 | 3.67 | 4.25 | 72,117 | 30,380 | 52.06 |
| 5% Hal Mann Vella Group plc Secured Bonds € 2024 | 30,000,000 | 4.04 | 0.02 | 82,096 | 32,298 | 54.54 |
| 5.1% 1923 Investments plc Unsecured € 2024 | 36,000,000 | 4.39 | 1.59 | 71,711 | 4,751 | 89.91 |
| 4.5% Hili Properties plc Unsecured € 2025 | 37,000,000 | 3.73 | 1.40 | 97,042 | 28,223 | 66.81 |
| 4.25% Corinthia Finance plc Unsecured € 2026 | 40,000,000 | 3.67 | 1.86 | 1,389,627 | 665,357 | 42.18 |
| 4.0% International Hotel Invest. plc Secured € 2026 | 55,000,000 | 3.44 | 2.46 | 1,220,254 | 646,822 | 36.39 |
| 4.0% MIDI plc Secured € 2026 | 50,000,000 | 3.36 | 0.59 | 203,780 | 67,359 | 40.62 |
| 3.75% Premier Capital plc € Unsecured Bonds 2026 | 65,000,000 | 3.21 | 7.60 | 193,351 | 41,630 | 58.76 |
| 4.35% Hudson Malta plc Unsecured 2026 | 12,000,000 | 4.35 | 39.11 | 17,088 | 5,835 | 30.63 |
| 4.35% SD Finance plc € Unsecured Bonds 2027 | 65,000,000 | 3.82 | 5.46 | 217,599 | 65,698 | 47.74 |
| 4.0% Eden Finance plc Unsecured 2027 | 40,000,000 | 3.78 | 3.98 | 165,496 | 92,620 | 34.60 |
| 4% Stivala Group Finance plc Secured 2027 | 45,000,000 | 3.50 | 6.21 | 199,560 | 121,041 | 31.54 |

6 March '18

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



6 March 2018

To date, there are no corporate bonds which have a redemption date beyond 2027 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 4 - EXPLANATORY DEFINITIONS

INCOME STATEMENT

| | |
|------------------|---|
| Revenue | Total revenue generated by the Group from its business activities during the financial year, including retail and distribution of branded fashion and sportswear. |
| Cost of sales | Cost of sales includes inventory, labour expenses and all other direct 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. |
| EBIT | EBIT is an abbreviation for earnings before interest and tax. EBIT is a measure of a firm's profit that includes all expenses except interest and income tax expenses. It is the difference between operating revenues and operating expenses. |
| 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

| | |
|-------------------------|--|
| Operating profit margin | Operating profit 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

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|-------------------------------------|--|
| 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 allocates 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 purchased. Such assets include intangible assets; property, plant & equipment; and loans receivable. |
| 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, and 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. |
| Net debt | Borrowings before unamortised issue costs less cash and cash equivalents. |
| 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 taxation. |
| 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 EBITDA 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. |
