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Credit Report

Prepared for : FORMACOMPANY & CO. LTD
Enquiry on : BALUMA S.A.
Report Date : 09.03.2015

1. IDENTIFICATION DETAILS

Company's Style : **BALUMA S.A.**
Trade Name : **CONRAD RESORT & CASINO**
Trading Address : Rambla Claudio Williman, Parada 4, La Pastora,
Town : 20100 PUNTA DEL ESTE
State/Province : MALDONADO
Telephone : (598) 4249 1111
Fax : (598) 4248 9999
Country : **URUGUAY**

2. BACKGROUND INFORMATION & BUSINESS PROFILE

LEGAL STRUCTURE

- ▶ Legal Form : Privately-held corporation (Closely-held corporation).
A Closely held corporation (also known as Closed Corporation) is a company in which a small group of shareholders controls the majority of the shares.
- ▶ Date of Incorporation/Established : 1991
- ▶ Mercantile Registry : #867, page 9495, book 2nd., file 8015
- ▶ Subsequent bylaw alterations : 27.10.1992, 22.07.1993, 04.10.1995, 04.07.1996, 22.12.2004,

▶ Company status : ACTIVE

HISTORICAL SUMMARY: The subject company was formed in 1991 to build and operate a hotel, casino and resort facility in Punta del Este beach, the most important seaside resort in Uruguay, on the Atlantic Ocean.

In such year the Uruguayan Government opened the # 24/91 international bidding and invitation to tender comprising the selling of a 42.598 sq. meters land in the district of La Pastora, Punta del Este, to an international investor for the specific construction of a luxury five-star hotel, resort and casino.

Such bidding was granted on 04.08.1992 to BALUMA S.A. which acquired the land on 07.12.1992 at a price of USD 9 million.

The total investment for the construction of the hotel amounted to USD 110.500.000, of which 40 million were supplied by the shareholders, another USD 30 million were borrowed from the Brazilian Government PROEX program, and the further was financed by loans granted by international banks, and by debentures issued through the Montevideo Stock Exchange.

The hotel project was tailored by the U.S. architecture firm RTKL of Los Angeles, California, associated with the local architecture firm Gomez Platero & Lopez Rey, of Montevideo, Uruguay, and the construction of the hotel was carried out by a consortium including Benito Roggio S.A. of Argentina, and CBPO/Companhia Brasileira de Projetos e Obras), of Brazil.

It is to be noted that USD 91 million of such total investment included the civil works, the hotel equipment and other works.

The Uruguayan Government granted to subject the license to operate a casino and gaming facilities on 04.08.1992, and it expires next 31.12.2016, but on 08.05.2012 the Government granted an extension of the company's gaming license through 2036.

It is to be noted that the founder and builder of the hotel & casino was BALUMA HOLDING S.A. a wholly-owned subsidiary of CONRAD INTERNATIONAL HOTELS.

Later in 1992 the 100 % of Baluma Holding S.A. was acquired by BI GAMING CORPORATION (BIGC), a company controlled by CAESARS ENTERTAINMENT CORPORATION (formerly named Harrah's Entertainment Inc.), of Las Vegas, Nevada, USA

In spite of being a privately-owned company, subject launched in October/1996 to the local and international financial markets an issue of Marketable Obligations worth USD 30.000.000 through the Montevideo Stock Exchange, over 5 years and with an annual interest rate of LIBOR+4,5 %.

Years later in August/1999 it launched a second issue of debentures worth USD 50.000.000 in the same conditions as above. Such issues have been rated with "BBB" financial qualification by Fitch IBCA and Thomson BankWatch.

Later on 12.11.2012 the 45 % of subject's shares was acquired by the Chilean ENJOY Group for USD 139,5 million

CAPITAL STRUCTURE & OWNERSHIP : (figures in UYU, Uruguayan pesos)

AUTHORIZED NOMINAL CAPITAL	: UYU 4.193.653.810
ISSUED CAPITAL	: UYU 4.193.653.810
PAID-UP CAPITAL	: UYU 4.193.653.810

Authorized capital is divided into nominative UYU 10.= par value shares.

It is a privately-owned company whose shares are no traded on the Stock Exchange, and whose controlling shareholders are

▶ INVERSIONES ENJOY ACCIONES S.P.A., Santiago, CHILE	45 %
▶ BI GAMING CORPORATION (BIGC), Las Vegas, Nevada, U.S.A.	51 %
▶ Mr. Alexandre GRENDENE BARTELLE, Sao Paulo, Brazil	2 %
▶ Mr. Walter ZEINAL MENENDEZ, Uruguay	2 %

Concerning INVERSIONES ENJOY ACCIONES S.P.A, of Santiago, Chile, it is a wholly-owned subsidiary of ENJOY S.A., a Chile-based company mainly engaged in the leisure and tourism sectors, specializing in the operation and management of 8 casinos and gambling halls (7 in Chile, in the towns of Antofagasta, Coquimbo, Viña del Mar, Rinconada, Santa Cruz, and Pucon, and a casino in the Argentinian city of Mendoza), with 5,718 slot machines, 265 gaming tables, 45 restaurants, snack bars and cafés, and over 1,000 bingo positions, as well as five-star hotels, spas, nightclubs, restaurants and other facilities intended for the entertainment and leisure activities.

It is also active in the real estate sector, and in the import, export and rental of slot and arcade machines

Regarding to BI GAMING CORPORATION (BIGC), it is a wholly-owned subsidiary to HARRA'S INTERNATIONAL HOLDING COMPANY INC, in turn a wholly-owned subsidiary of CAESARS ENTERTAINMENT OPERATING COMPANY INC., which belongs 100 % to CAESARS ENTERTAINMENT CORPORATION

It is noted that on January 15, 2015, B I Gaming Corporation (BIGC). filed a voluntary petition for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the Northern District of Illinois, USA

Mr. Alexandre Grendene Bartelle is a Brazilian millionaire who lives in Sao Paulo, Brazil, and holds important interests in several Brazilian footwear manufacturing companies.

Mr. Walter Zeinal Menendez is a wealthy Uruguayan businessman engaged for years in the import and wholesale trade of cigarettes, liquors, scotch whisky, and other related consumer goods, as well as interests in the hospitality industry, retail currency exchange houses, etc. in Uruguay, Miami (USA) and Colombia.

It is to be noted that the Chilean ENJOY Group will execute its option to purchase the remaining 55 % of the company's shares within the next three years

MANAGEMENT : - Board of Directors:

President	Antonio MARTINEZ
Vice-President	Ramiro ROLDOS
Directors	Charles L. ATWOOD
	Javier MARTINEZ
	Walter ZEINAL MENENDEZ
	Evaristo CHOPITEA
General Manager	Juan Eduardo GARCIA

No negative occurrences on subject's principals are recorded.

TYPE OF BUSINESS : SERVICES

MAIN BUSINESS LINE : HOTEL, GAMING, CASINO AND RESORT OPERATOR

PRINCIPAL ACTIVITIES: Subject's core business is the operation of a five-star hotel, casino and resort facility at Punta del Este beach (Maldonado) which trades under the name of "CONRAD RESORT & CASINO".

It is a 15-story hotel which includes 302 rooms composed by one high luxury "Conrad Suite", one "Presidential Suite", 14 "Executive Suites", 4 "junior suites", 85 king-size one bed rooms, 193 twin-bed rooms, 3 restaurants, 2 snack bars, a ball room for 750 people, a conference room for 1.500 people, 9 poli-functional rooms for different events (meeting rooms, etc.), a 1.000 sq. meters shopping mall, spa and gym area, swimming pool, two tennis courts, 4 paddle courts and 4 squash courts, etc.

The total land area covers 42.598 sq. meters surrounded by Rambla Claudio William, the avenues Chiberta and Artigas, and Biarritz street, at the residential district of La Pastora. Total built area covers 58.800 sq. meters of hotel, casino and resort facilities, plus a further 18.000 sq. meters of outdoor gardens, parking area, etc.

Since opening on 01.01.1997, the Conrad has been a significant contributor to the economic growth and development of Uruguay by attracting many international visitors and hosting large-scale international conventions.

The resort draws customers primarily from Brazil, Argentina and Uruguay.

The casino covers 5.000 sq. meters and a private gaming room with accommodation for 1.500 people, including 542 slot machines, and 75 gaming tables

The current licensed operator of the hotel and casino since 02.05.2013 is ENJOY CONSULTORA S.A., while the management of the Casino and gaming facilities is carried out under contract by PARK PALACE ENTERTAINMENT

The company pays an annual fee worth USD 7.623.629 to the Uruguayan Government for the concession of the license.

It has sales branches at:

- ▶ Manuela Sáenz 323, 5th. floor, Buenos Aires, Argentins
- ▶ Av. Pres. Juscelino Kubitschek 28, 10th. floor, Itaim Bibi, São Paulo, Brazil

Overall Assessment

- Company Size : Midsized
- Business trend : Stable
- Present situation : Operating normally
- Outlook : Favorable
- Organization : Average. No major problems observed.
- Reputation : Well known company of very good reputation. An active company in its line. Excellent market position.
- Management standard: The management seems to be well-known businessmen of good repute, and with years of experience in related fields. Traditional methods of management with good forward planning, and well defined corporate policy

Annual Revenues : USD 114.950.408 (FY 2013)
USD 140.428.567 (FY 2012)

STAFF : 1.278

BANKERS

Banco Itau Uruguay

INSURERS

Banco de Seguros del Estado

2. TANGIBLE FIXED ASSETS, INVESTMENTS, ETC.

REAL ESTATE PROPERTIES : It is owner of premises at the heading address where the hotel and casino are located, consisting of 42.598 sq. meters of lands, with 58.800 sq. meters of buildings plus 18.000 sq. meters of parking spaces, outdoor gardens, etc.

Only the lands where the hotel & casino were built is currently valued USD 28.000.000

Its noted that in 2011 the company faced an renovation of its facilities, comprising a project that was declared as promoted by Government Decree dtd. 30.09.2011, through the Ministry of Industry, Mining & Energy, and according to the Laws # 14.178 and # 16.906, which implied the granting of several tax exemptions (VAT, Income Tax, etc.), and import duties exemptions worth UYU 162.222.825 on the import of all the equipment and materials needed to carry out such project

Later on 22.08.2012 the Government resolution was extended, granting new tax exemptions worth UYU 469.517.308

RELATED COMPANIES: as a wholly-owned subsidiaries operate :

- ▶ BALUMA CAMBIO S.A. Uruguay 100,00 %
- ▶ BALUMA LTDA. Brazil 99,99 %

TAX ID # 21/2303216/0013

4. CREDIT STATUS INFORMATION & PAYMENT PERFORMANCE

BANKING RECORD : Consulted banks have confirmed the subject company as their client.

Its usual banking transactions include:

- ▶ Checking accounts, properly managed, without reporting bounced or NSF checks.
- ▶ Foreign trade transactions,
- ▶ Collections of bills of exchange,
- ▶ Negotiation of LC's.
- ▶ Secured credit lines for working capital financing, receivables discounting, etc.

Total balance of bank loans outstanding in local currency:	UYU 55.846
Total balance of bank loans outstanding in foreign currency :	USD 354.605

Credit Exposure by lender			
	Balance of local-currency loans	Balance of Foreign-Currency loans	Credit rating stipulated by the lending institution:
Bank # 1	UYU 55.846	USD 354.605	1C = VERY GOOD

TRADE CREDIT PAYMENT ANALYSIS : A trade survey has been undertaken among the company's domestic commercial credit grantors at the time this report was produced with the following results :

Type of creditors	Traders & service suppliers
Known since	+ 20 years
Buying terms	30-day O/A
Paying record	PROMPT
Payment Patterns	Good bill-pay habits, within agreed terms, no complaints
NSF checks	NO
Delayed payments	NO
Non-payments	NO
Commercial Morality	GOOD - Commitments are respected
Creditors assessment	Good
Repayment Capacity	Moderate
Negative occurrences & Facts Check	No defaults, delinquencies, legal suits, judgments, collection claims, protested items, returned checks or other detrimental record or adverse references are traced against the subject
Past Information	
Reported since	2001
Experience	Good track record.
Maximum credit figure reported:	USD 992.376

5. FINANCIAL CONDITION:

Balance sheet as of ... (in UYU, Uruguayan pesos)

ASSETS	31.12.2012	31.12.2011
Available Funds (cash & Banks)	542.197.346	543.809.634
Temporary cash Investments	0	291.015.000
Accounts Receivable	448.585.686	314.038.419
Sundry Debtors	86.464.754	62.142.276
Inventories	16.511.855	58.367.469
CURRENT ASSETS	1.093.759.641	1.269.372.798

Long term Investments	16.411.086	19.938.584
Long Term Receivables	0	0
Fixed Assets	4.276.293.375	3.620.031.921
TOTAL ASSETS	5.386.464.102	4.909.343.303
LIABILITIES		
Suppliers	198.922.023	85.808.158
Bank Loans	0	0
Sundry Creditors	671.354.004	643.802.409
CURRENT LIABILITIES	870.276.027	729.610.567
Long-term Debt	612.466.227	543.316.042
TOTAL DEBT	1.482.742.254	1.272.926.609
STOCKHOLDERS' EQUITY	3.903.721.848	3.636.416.694
TOTAL	5.386.464.102	4.909.343.303
NET SALES		
	2.947.547.543	2.821.371.097
Gross Profit	1.097.082.784	959.351.626
EBITDA	443.786.814	232.703.459
Operating Income	293.419.329	104.484.687
Net Income	279.456.716	127.013.966
FINANCIAL STATEMENT ANALYSIS		
Liquidity & Indebtedness		
Current Ratio	1,26	1,74
Quick Ratio (Acid-Test)	1,24	1,66
Defensive test (Cash/Curr. Liabil)	0,62	0,75
Indebtedness Level (Debt/Equity ratio)	38,0%	35,0%
Total Indebtedness	27,5%	25,9%
Current Liabilities-to-Total Assets	16,2%	14,9%
Solvency range	72,5%	74,1%
Interest Expenses-to-Net Sales	0,0%	0,0%
EBITDA to Interest Expenses	#iDIV/0!	#iDIV/0!
Total Debt to EBITDA	3,3	5,5
Efficiency Ratios		
DSO/Days Sales Outstanding	55	40
DPO/Days Payments Outstanding	39	17
Inventory Turnover rate (days)	3	11
Cash Conversion Cycle (days)	19	35
Total Assets Turnover ratio	0,55	0,57
Current Assets Turnover Ratio	2,69	2,22
Accts.Payable to Sales (%)	6,7%	3,0%

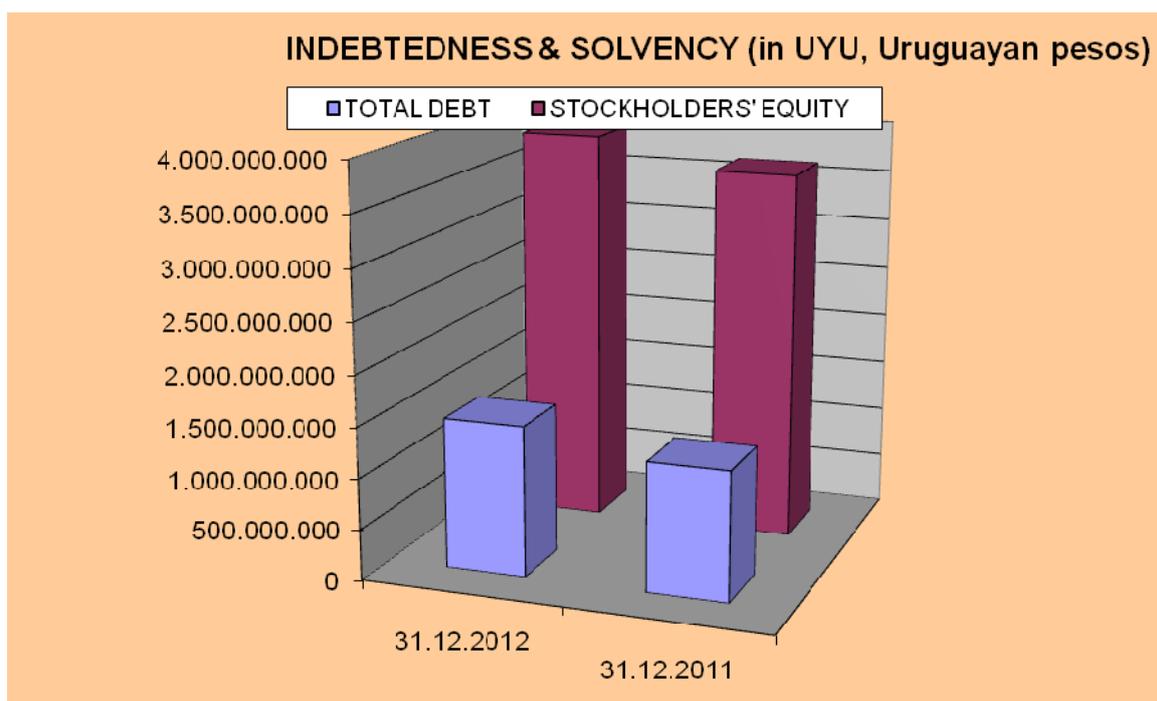
Structure Ratios		
Fixed Assets-to-Total Assets	79,4%	73,7%
Fixed Assets-to-Equity	109,5%	99,5%
Fixed Assets Coverage Ratio	105,6%	115,5%
Profitability Ratios		
Return on Equity (ROE)	7,2%	3,5%
Return on Sales (ROS)	9,5%	4,5%
Return on Assets (ROA)	5,2%	2,6%
Z Score (Insolvency Predictor)	0,27217	0,10995

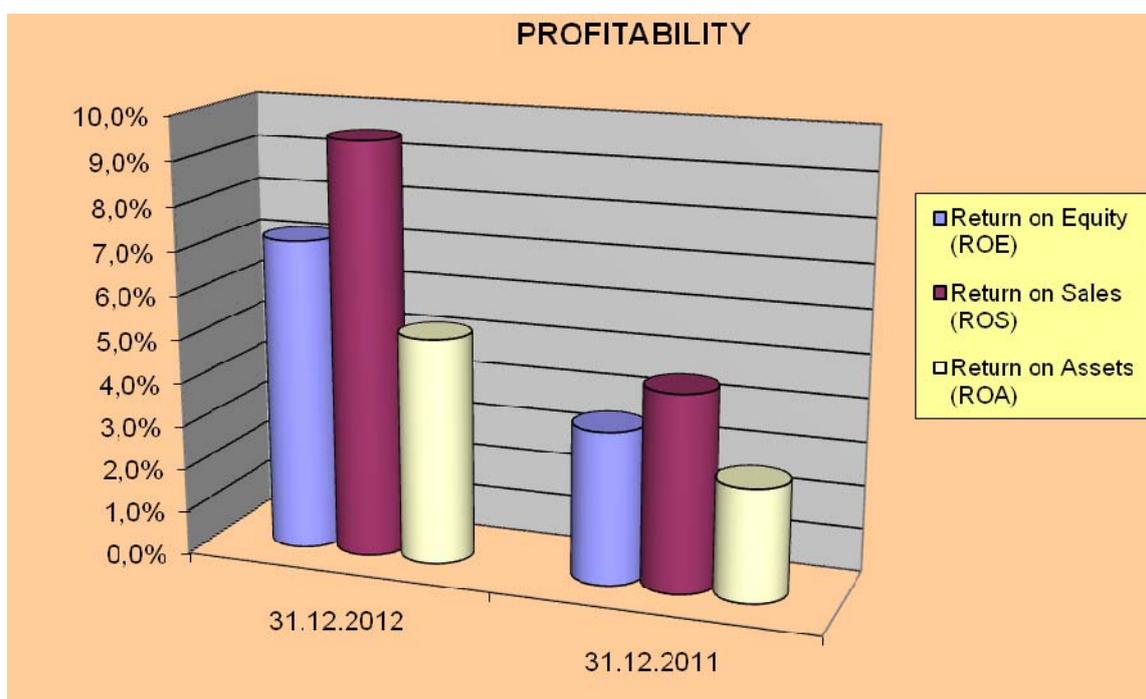
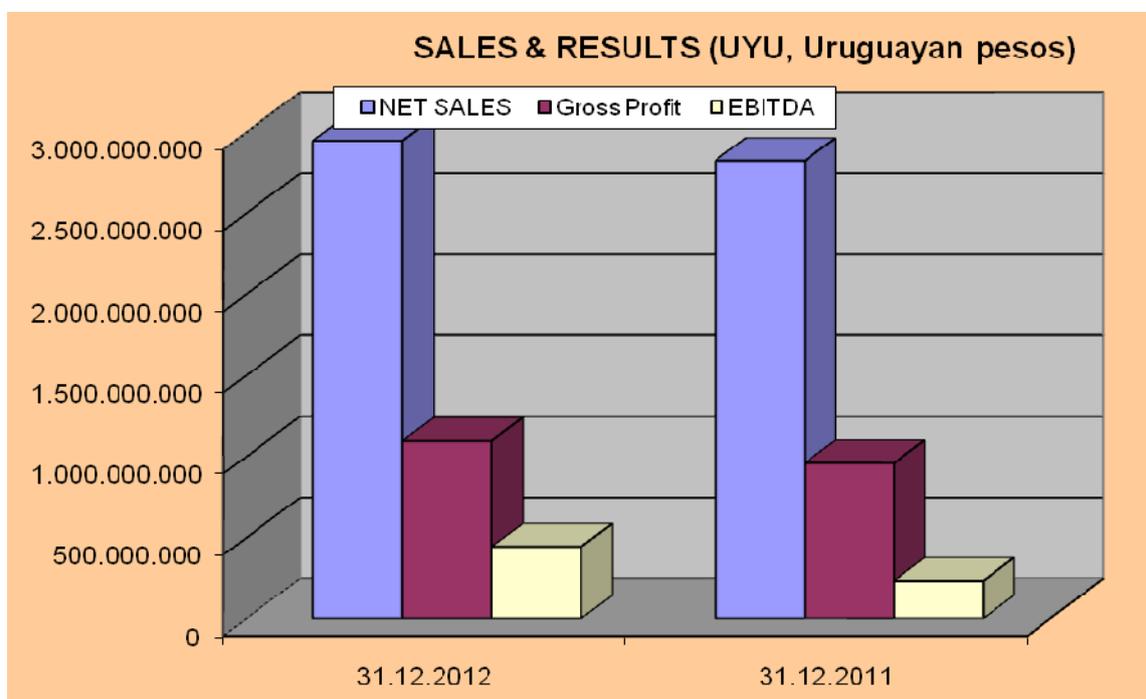
Financial Distress Indicator	-0,766673678	HEALTHY FAIR UNLIKELY
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Exchange rates: USD 1 =

UYU 21.42

UYU 19.40





6. CONCLUSIVE OPINION:

We are reporting upon a midsize company which operates a five-star hotel, casino and resort facilities in Punta del Este beach, the most exclusive seaside resort of the southern cone of South America.

It is a successful business operation, and its future outlook is estimated to be favorable.

The hotel & casino belongs to Chilean and US investors, and its services are mainly focused to wealthy businessmen and tourists, high income Argentinean, Brazilian, Chilean and Paraguayan vacationers, etc.

As far as its commercial morality is concerned, commitments contracted are being met well and no objections or adverse information are recorded upon its current trading position.

Therefore, it qualifies for the extension of credit facilities

7. CREDIT RISK ASSESSMENT & ANALYSIS



- ▶ Credit rating : A
- ▶ Risk profile : Normal-risk buyer (within Standard level)
- ▶ Credit Creditworthiness: Creditworthy - Good credit standing.
Capacity of meeting commercial commitments is satisfactory.
- ▶ Credit Opinion
 - Potential Credit limit : USD 250.000
 - Appraisal : Recommended. A reasonable amount of credit can be extended
- ▶ Surveillance opinion : Subject to regular review & supervision

Exchange rate : USD 1 = UYU 25

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EXPLANATORY NOTES ON OUR "CREDIT RISK ASSESSMENT & ANALYSIS"

The CREDIT RISK ASSESSMENT & ANALYSIS provides is a reliable indicator of the credit worthiness of a company.

For the calculation of the CREDIT RATING are taken into account all significant elements of credit including company history, business performance, management background, financial position, payment history, overall market conditions, market trend and reputation of the company.

When assigning a CREDIT RATING to a company, automatically is determined its RISK PROFILE, which indicates its CREDIT SOUNDNESS.

Concerning the CREDIT RATING, one can distinguish 6 classes:

CREDIT RATING	RISK PROFILE	CREDIT WORTHINESS	CREDIT OPINION
C	Extremely High Risk	Poor Credit Standing	Unacceptable- Deal for cash only
B	High-risk buyer	Modest Credit Standing	Caution - Secured Terms only
B+	Below Average Risk	Fair Credit Standing	Credit against security
A	Normal-risk buyer	Creditworthy	Recommended
A+	Low-risk buyer	Superior Credit Standing	Very Recommended
AA	Minimum-risk buyer	Excelent Credit Standing	Strongly Recommended

1) The rating "C" characterizes an entity (person or business) of which the past and actual experience is TOO RISKY, including bad financial condition, unpaid balances or too slow-pay habits, bad sectorial predictions, incidents, rumors, conflicts, bad management performance, etc. to be still considered as viable in the short term. It is an UNACCEPTABLE credit appraisal. Business dealings should conducted on a cash basis only.

2) The rating "B" characterizes an entity of which the past and actual experience comprises negative factors (i.e. claims and complaints from suppliers and creditors, delays in payments, lawsuits, etc.) or which faces financial difficulties, inciting CAUTION in the granting of credit and suggesting that credit or business dealings are advised upon a close watch, and preferably under secured basis.

3) The rating "B+" characterizes an entity of which the past and actual experience is situated at a low or undetermined level, which is often the case with a young company in its first years of life as the information available is very limited, or the case of those other firms with poor, insufficient or vague credit experience, or which hold no physical assets, etc. Credit or business dealings upon regular monitoring basis.

4) The rating "A" characterizes an entity of which the past and actual experience is situated on a generally right level. Credit or business dealings are recommended.

5) The rating "A+" characterizes an entity of which the past and actual experience is situated on a superior level, and with very good structural and balance factors.

6) The rating "AA" characterizes entity of which the past and actual experience is situated on a very positive and superior trend. Credit or business dealings strongly recommended