



Gasan Finance Company p.l.c.

FINANCIAL ANALYSIS SUMMARY

JUNE 2016



22 June 2016

The Directors
Gasam Finance Company p.l.c.
Mriehel By-Pass
Birkirkara, BKR 3000
Malta

Dear Sirs

Gasam Finance Company p.l.c.– Financial Analysis Summary

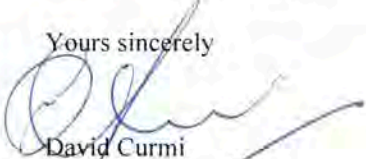
In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have prepared the Financial Analysis Summary Update 2016 (“FAS Update June 2016”) as an update and to the Financial Analysis Summary October 2013 (“FAS Report 2013”) annexed to the Offering Memorandum issued by Gasam Finance Company p.l.c. dated 18th October 2013, to the Financial Analysis Summary Update June 2014 (“FAS Update June 2014”), and to the Financial Analysis Summary Update June 2015 (“FAS Update June 2015”). A copy of the FAS Update June 2016 is attached to this letter.

The purpose of the financial analysis with the FAS Update June 2016 is to provide an update on the performance and the financial position of the Issuer. The data is derived from various sources, as disclosed, or is based on our own computations as follows:

1. Historical financial data for the three years ended 31st December 2013, 31st December 2014 and 31st December 2015 have been extracted from the Issuer’s audited statutory financial statements for the three years in question.
2. The projected data for the financial year ending 31st December 2016 has been extracted from the Issuer’s financial projections as prepared by the directors of the Issuer.
3. Historical financial data for the three years ended 31st December 2013, 31st December 2014 and 31st December 2015 have been extracted from the audited statutory financial statements of Gasam Group Limited (“the Group”) for the three years in question.
4. Our commentary on the results of the Issuer and on its financial position is based on the explanations given by the Issuer.
5. The ratios quoted in the FAS Update June 2016 have been computed by us applying the definitions set out in Section 5 of this report.
6. The principal relevant market players listed in Section 4 of the FAS Update June 2016 have been identified by ourselves. The relevant financial data in respect of such companies has been sourced from publicly available information, mainly the companies’ financial statements.

The FAS Update June 2016 is meant to assist potential investors by summarising the more important financial data of the Issuer. The FAS Update June 2016 does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the information made available in the public domain by the Issuer. The FAS Update June 2016 does not constitute an endorsement by our firm of the securities of the Issuer and should not be interpreted as a recommendation to invest in any such securities. We shall not accept any liability for any loss or damage arising out of the use of the FAS Update June 2016. As with all investments, potential investors are encouraged to seek professional advice before investing in the securities of the Issuer.

Yours sincerely



David Curmi
Managing Director

Table of Contents

1. FINANCIAL ANALYSIS SUMMARY UPDATE	3
2. PERFORMANCE AND FINANCIAL POSITION OF THE ISSUER	3
2.1 Statement of Comprehensive Income	3
2.2 Statement of Cash Flows.....	5
2.3 Statement of Financial Position	6
2.4 Evaluation of Performance and Financial Position	7
3. PERFORMANCE AND FINANCIAL POSITION OF THE GROUP.....	10
3.1 Statements of Comprehensive Income.....	11
3.2 Statements of Cash Flows	14
3.3 Statements of Financial Position.....	15
3.4 Evaluation of Performance and Financial Position	18
3.5 Overview of Projections for the Group.....	20
4. COMPARABLES.....	21
5. GLOSSARY.....	22

1. FINANCIAL ANALYSIS SUMMARY UPDATE

In accordance with requirements of the Listing Authority Policies, the purpose of this Financial Analysis Summary Update June 2016 (“FAS Update June 2016”) is to provide an update on the performance and on the financial position of Gasan Finance Company p.l.c. (“the Issuer” or “GFC”) and, where relevant, of Gasan Group Limited (“the Group” or “the Parent”).

Please refer to the Financial Analysis Summary October 2013 (“FAS Report 2013”) sections 1, 2, and 3 for information relating to the overviews of the Issuer and of the Group, in addition to information on the issue of the €25 million 4.9% bonds due 2019/21 (“Bond 2019/21”). It is noted that no relevant changes or developments relating to the content in these sections were reported during the period since publication of the FAS Report 2013.

Additionally, please refer to FAS Report 2013, together with the FAS updates relating to 2013 and 2014 for detailed reviews of the performance and financial position of the Issuer and the Group for the periods prior to 2015.

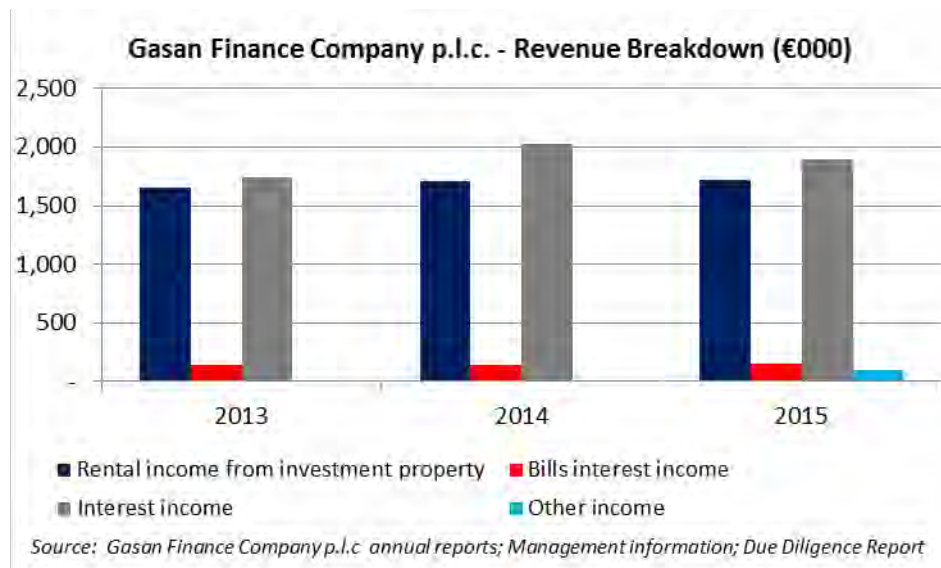
2. PERFORMANCE AND FINANCIAL POSITION OF THE ISSUER

This document makes reference to the financial statements of the Issuer for the financial years ending 31st December 2013, 31st December 2014 and 31st December 2015. The financial statements referred to have been audited by PricewaterhouseCoopers. This section also includes references to forecast financial statements for 2016. These forecasts and projections are based on certain assumptions. Events and circumstances may differ from expectations, and therefore actual results may vary considerably from the projections.

2.1 Statement of Comprehensive Income

Gasan Finance Company p.l.c.	2013	2014	2015	2015	Variance from forecast	2016
<i>Statement of comprehensive income (€ 000) - 31 December</i>	Actual	Actual	Forecast - FAS Update June 2015	Actual		Forecast
Revenue	3,534	3,863	3,785	3,857	2%	3,427
Interest Payable	(1,506)	(1,555)	(1,394)	(1,380)	-1%	(1,249)
Gross Profit	2,028	2,308	2,391	2,477	4%	2,178
Administrative expenses	(298)	(343)	(354)	(357)	1%	(346)
Operating Profit	1,730	1,964	2,037	2,121	4%	1,832
Changes in fair value of investment property	900	-	-	-		-
Profit before tax	2,630	1,964	2,037	2,121	4%	1,832
Tax expense	(634)	(574)	(611)	53	-109%	(550)
Profit for the year - total comprehensive income	1,997	1,390	1,426	2,174	52%	1,282

Source: Gasan Finance Company p.l.c. annual reports; Management information



Total revenue for the year ended 31st December 2015 amounted to €3.9 million, basically unchanged on the previous year. Rental income totalled €1.7 million. Interest receivable was €1.9 million, whilst interest received from bills of exchange was around €0.1 million. Relative proportions of the different income streams were unchanged. The positive impact of the terms of the 2013 Bond issue is reflected in the decrease in interest payable during 2015 to €1.4 million. Administrative expenses amounted to €0.4 million.

Rental income from Gasan Centre is expected to remain unchanged in 2016. The rental income from Piazzetta properties is based on contracts currently in place. Projections assume that upon expiration of a third of these contracts in 2018, revised rents increase by 3% per annum, in line with estimated inflation. Total interest receivable is expected to decrease in 2016 due to a reduction in the outstanding balance of advances to other Group companies.

With no increase or decrease in the fair value of investment property, the change in reported profits for GFC reflects the decrease in interest payable in addition to the above-mentioned trends in rental and interest income. Profit before tax increased during 2015 to €2.1 million, in line with expectations.

Profit before tax is expected to amount to €1.8 million in 2016, with a decrease of €0.3 million resulting from the lower interest receivable. The variances between actual performance during 2015 and forecasts presented in the FAS Update June 2015 are not considered material, except for the tax credit / (expense). Changes to the taxation rules on capital gains arising on the transfer of immovable property impacted the deferred tax liability attributable to the fair valuation of properties. There was a decrease in deferred tax amounting to €0.7 million, which was recognised in other comprehensive income.

2.2 Statement of Cash Flows

Gasan Finance Company p.l.c.	2013	2014	2015	2015	Variance from forecast	2016
<i>Statement of cash flows (€ 000) - 31 December</i>	Actual	Actual	Forecast - FAS Update June 2015	Actual		Forecast
Net cash (used in) / generated from operating activities	(8,580)	5,601	769	769	-	4,612
Net cash generated from / (used in) financing activities	8,580	(5,601)	(769)	(769)	-	(4,612)
Net movement in cash and cash equivalents	-	-	-	-		-
Cash and cash equivalents at beginning of year	-	-	-	-		-
Cash and cash equivalents at end of year	-	-	-	-		-

Source: Gasan Finance Company p.l.c. annual reports; Management information

The cash flow statement for the Issuer reflects its nature as a financing vehicle. Cash flows mainly consist of flows into and out of the company that relate to the raising, servicing, and repayment of debt, in addition to the core income derived from rent and interest receivable. There was no overall cash flow movement during 2015, with net cash generated from operating activities and net cash used in financing activities both amounting to €0.8 million.

During 2016, net cash from operating activities is expected to amount to €4.6 million. This expected inflow relates to the repayment by Group companies of loans extended by the Issuer. In turn, GFC will repay bank borrowings, as reflected in an expected net cash used in financing activities of €4.6 million.

With respect to the Statement of Cash Flows, there was no variance between the forecasts presented in the FAS Update June 2015 and the actual results.

2.3 Statement of Financial Position

Gasan Finance Company p.l.c.	2013	2014	2015	2015	Variance	2016
<i>Statement of financial position (€000) - 31 December</i>	Actual	Actual	Forecast - Report June 2015	Actual	from forecast	Forecast
ASSETS						
Non-current assets						
Investment property	33,400	33,400	33,400	33,400	-	33,400
Trade and other receivables	1,817	1,954	-	-	-	-
Total non-current assets	35,217	35,354	33,400	33,400	0%	33,400
Current assets						
Trade and other receivables	28,109	23,839	26,536	26,233	-1%	23,140
Cash and cash equivalents	-	-	-	-	-	-
Total current assets	28,109	23,839	26,536	26,233	-1%	23,140
Total assets	63,326	59,192	59,936	59,633	-1%	56,540
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	3,500	3,500	3,500	3,500	-	3,500
Other reserves	13,942	13,942	13,942	14,610	5%	14,610
Retained earnings	5,577	6,967	8,393	8,473	1%	9,755
Total Equity	23,019	24,410	25,835	26,584	3%	27,865
Non-current liabilities						
Deferred tax liabilities	3,834	3,806	3,778	3,110	-18%	3,110
Borrowings	29,904	29,216	28,527	28,527	-	24,765
Total non-current liabilities	33,738	33,022	32,306	31,638	2%	27,875
Current liabilities						
Trade and other payables	669	455	429	422	-2%	250
Current tax liabilities	298	537	598	221	-63%	550
Borrowings	5,601	769	769	769	-	-
Total current liabilities	6,568	1,761	1,795	1,412	-21%	800
Total liabilities	40,306	34,783	34,101	33,049	-3%	28,675
Total equity and liabilities	63,326	59,192	59,936	59,633	-1%	56,540

Source: Gasan Finance Company p.l.c. annual reports; Management information

Total assets as at 31st December 2015 amounted to €59.6 million, basically unchanged from the previous year. The increase in trade and other receivables of €2.4 million to €26.2 million mainly reflected an increase in amounts advanced to the parent company as well as the non-current receivable in 2014 becoming current receivable in 2015.

With respect to funding activities, the decrease in non-current borrowings to €28.5 million was driven by a reduction in the outstanding balance of bank loan facilities. Total equity increased by €2.2 million to €26.6 million. This reflects the impact of the profit for the year and an increase in the investment property reserve of €0.7 million. In turn, the movement in this reserve accounts for the effect of changes in the deferred tax provision.

Total assets as at 31st December 2016 are expected to decrease by almost €4 million, driven by a reduction in outstanding balances advanced to Group companies. Borrowings are expected to decrease by a similar amount, with the Issuer utilising the funds to repay bank debt.

The variances between the actual Statement of Financial Position during 2015 and forecasts presented in the FAS Update June 2015 are not considered material, except for a lower-than-expected amount of deferred tax liabilities related to the changes in taxation rules on capital gains.

2.4 Evaluation of Performance and Financial Position

Gasam Finance Company p.l.c.	2013	2014	2015	2016
<i>Profitability Ratios - 31 December</i>	Actual	Actual	Actual	Forecast
Gross Profit Margin <i>(Gross Profit / Revenue)</i>	57%	60%	64%	64%
Operating Profit Margin <i>(Operating Profit / Revenue)</i>	49%	51%	55%	53%
Interest Coverage <i>(Operating Profit adding back interest payable / Interest Payable)</i>	2.2x	2.3x	2.5x	2.5x
Return on Assets <i>(Operating Profit / Average Total Assets)</i>	2.9%	3.2%	3.6%	3.2%
Return on Capital Employed <i>(Operating Profit / Average Capital Employed)</i>	3.1%	3.4%	3.7%	3.2%
Net Profit Margin <i>(Profit for the year / Revenue)</i>	56%	36%	56%	37%
Return on Equity <i>(Profit for the year / Average Total Equity)</i>	8.5%	5.9%	8.5%	4.7%

Source: Gasam Finance Company p.l.c. annual reports; Management information; Curmi & Partners Ltd.

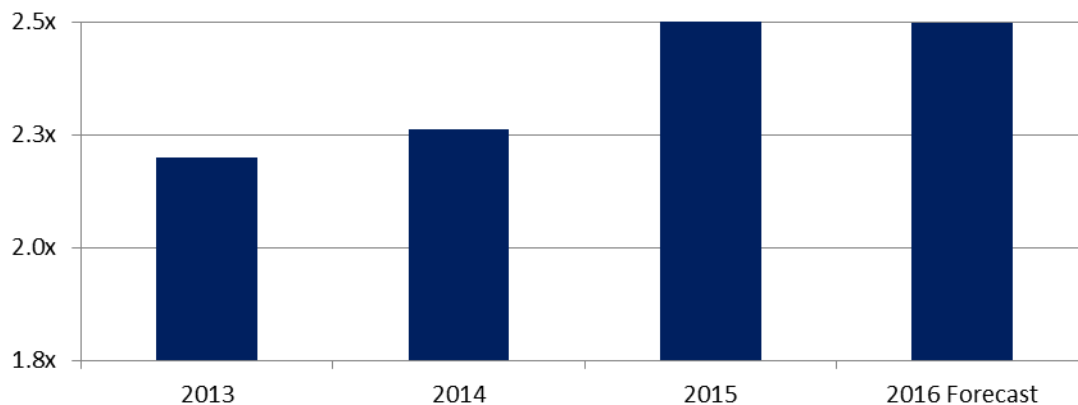
The profitability ratios for the Company generally display a considerable level of stability, reflecting its role as a holder of investment properties and the finance vehicle of the Group. Rental and interest income, in addition to fixed interest payable on the borrowings, drive operations and profits.

Margins tended to improve in recent years and 2015 was another positive year. The gross profit margin and operating margin increased to 64% and 55% respectively during 2015, driven by the decrease in finance costs as a result of new terms of the 2013 Bond issue. The lower interest payable more than compensated for a slight reduction in interest receivable. Margins are expected to decrease slightly in 2016, driven by lower interest receivable due to a reduction in the outstanding balance of advances to other Group companies.

Return on Capital Employed (“ROCE”) and Return on Assets (“ROA”) are estimated on the basis of operating profit. In line with above mentioned trends, ROCE and ROA increased in 2015 and are expected to decline slightly in 2016.

Interest coverage would typically be calculated as the ratio of Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”) or Earnings before Interest, Taxes (“EBIT”) to net finance costs. In the case of the Issuer, the core revenue of the Company consists of rental income and interest earned on financial assets. Therefore, in order to estimate the ability to service the borrowings, interest coverage is estimated as the ratio of this financial income (after adjusting for administrative expenses) to interest payable. Historically, the Issuer has been consistent in achieving a comfortable ratio in excess of 2x, with interest coverage rising progressively to 2.5x in 2015.

Gasan Finance Company p.l.c. - Interest Coverage Ratio



Source: Gasan Finance Company p.l.c. annual reports; Management information; Curmi & Partners Ltd.

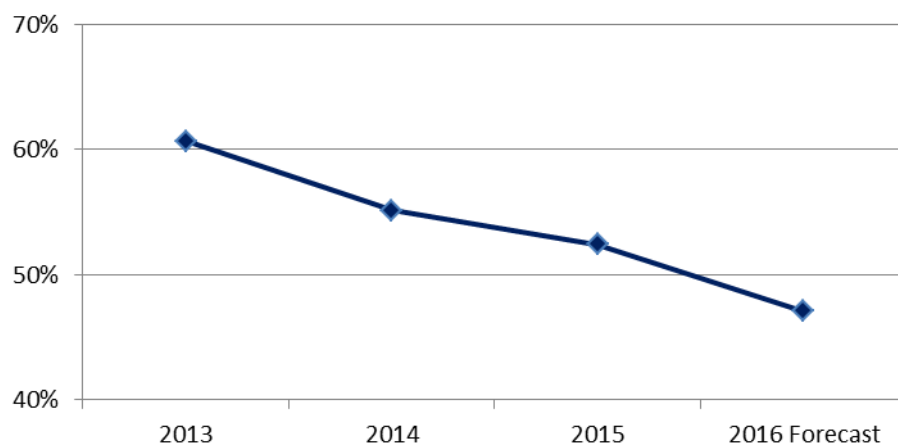
Group balances are all recognised as current assets on the statement of financial position. Additionally, the Issuer does not engage in trade operations and thus does not incur substantial trade-related short term liabilities. Therefore liquidity ratios are historically higher than what would be considered typical for an operating company. During 2015, the current ratio increased to 19x, and is expected to increase further in 2016, due primarily to the expected repayment of bank borrowings.

Gasam Finance Company p.l.c.	2013	2014	2015	2016
<i>Statement of financial position ratios - 31 December</i>	Actual	Actual	Actual	Forecast
Current Ratio <i>(Current Assets / Current Liabilities)</i>	4.3x	13.5x	18.6x	28.9x
Quick Ratio <i>(Current Assets less Inventories / Current Liabilities)</i>	4.3x	13.5x	18.6x	28.9x
Gearing Ratio (1) <i>(Borrowings / {Total Equity + Borrowings})</i>	60.7%	55.1%	52.4%	47.1%
Gearing Ratio (2) <i>(Borrowings / Total Equity)</i>	1.5x	1.2x	1.1x	0.9x

Source: Gasam Finance Company p.l.c. annual reports; Management information; Curmi & Partners Ltd.

Gearing continued to decrease during 2015, reflecting the impact of improved profitability on total equity. In 2016, a further decrease in gearing is expected, driven by the repayment of bank debt and an increase in equity as a result of profit generation.

Gasam Finance Company p.l.c. - Gearing Ratio



Source: Gasam Finance Company p.l.c. annual reports; Management information; Curmi & Partners Ltd.

3. PERFORMANCE AND FINANCIAL POSITION OF THE GROUP

The Issuer's primary role is that of raising funds from capital markets to finance the Group's operations. The Issuer is owned by Gasan Enterprises Limited, which is in turn owned by Gasan Group Limited.

A core part of the Company's operations is centred around loan agreements with Gasan Enterprises Limited and Gasan Group Limited. The Issuer relies on interest receivable on loans to these group companies and on rent receivable from Gasan Properties Limited.

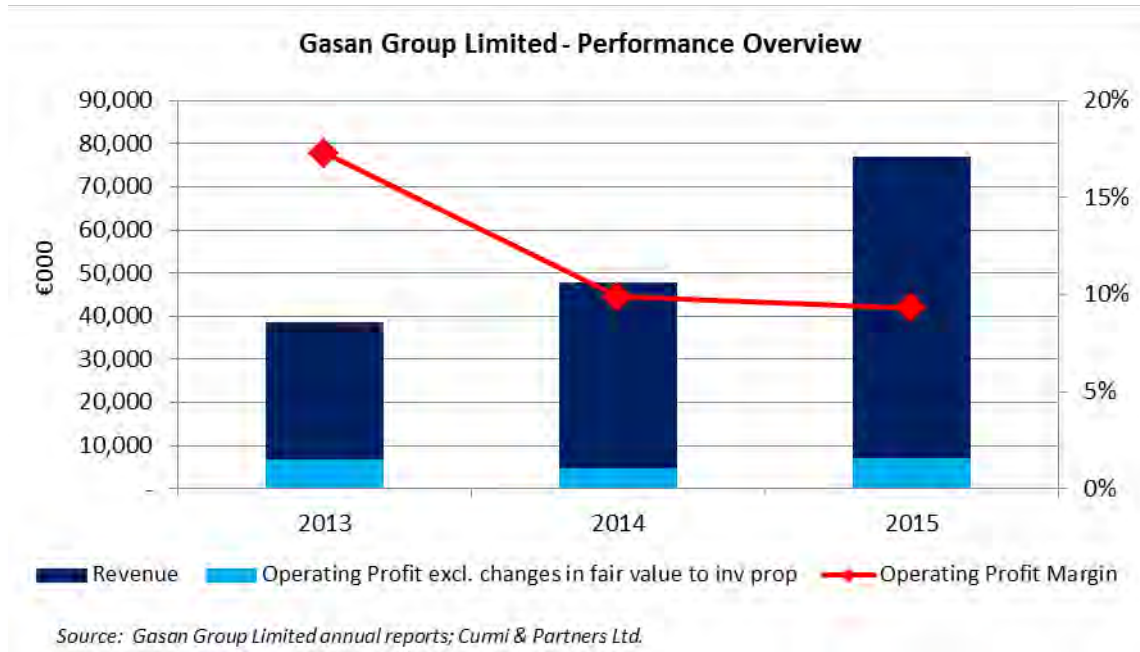
Due to the above mentioned reliance it is relevant to provide an overview of the performance and financial position of the Group.

This document makes reference to the financial statements of the Group for the financial years ended 31st December 2013, and 31st December 2014, and 31st December 2015. The financial statements referred to have been audited by PricewaterhouseCoopers. This section also includes references to group projections prepared by management. These projections are based on certain assumptions. Events and circumstances may differ from expectations, and therefore actual results may vary considerably from the projections.

3.1 Statements of Comprehensive Income

Gasan Group Limited	2013	2014	2015
<i>Statements of comprehensive income (€000) - 31 December</i>	Actual	Actual	Actual
Revenue	38,594	47,736	76,847
Cost of sales	(33,475)	(42,196)	(68,472)
Contribution from insurance operations	4,403	2,414	2,969
Gross Profit	9,522	7,954	11,344
Distribution costs	(184)	(236)	(275)
Administrative expenses	(3,052)	(3,883)	(4,322)
Other income - net	371	844	378
Income from investment property	900	221	4,600
Operating Profit	7,557	4,899	11,725
Investment and other related income	331	6,327	1,899
Finance income	730	784	685
Finance costs	(3,289)	(2,855)	(2,459)
Profit before impairment and before share of results of associates	5,329	9,156	11,850
Available-for-sale investments - impairment	(130)	(1,187)	-
Share of results of associates	203	268	5,280
Profit before tax	5,402	8,237	17,130
Tax expense	(601)	(2,120)	(2,552)
Profit for the year	4,800	6,117	14,577
Other comprehensive income, net of tax	516	(1,377)	4,159
Total comprehensive income for the year	5,316	4,740	18,736
Total comprehensive income attributable to:			
Owners of the Company	3,946	3,696	17,692
Non-controlling interests	1,370	1,044	1,044
Total comprehensive income	5,316	4,740	18,736

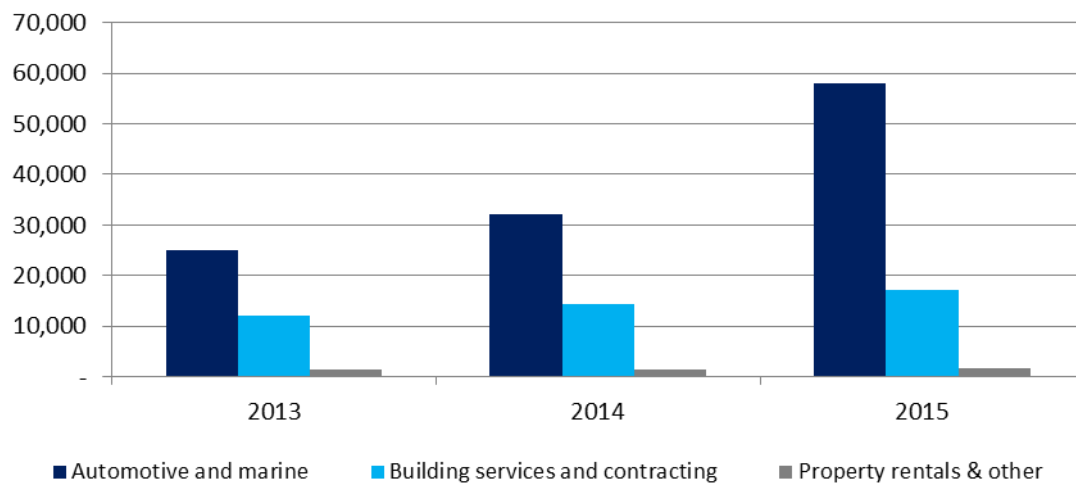
Source: Gasan Group Limited annual reports



The Group delivered a strong performance during 2015, with growth across all the areas in which it operates and total revenue increasing by €29.1 million to €76.8 million (excluding insurance operations). The core automotive and marine (“Auto”) business led the Group’s growth, increasing its relative contribution (76% of total revenues excluding insurance operations) compared to building services and contracting (“Building Services”), equivalent to 22% of total revenues excluding insurance operations. The insurance business, which historically tends to be more volatile due to the impact of claims and investment returns, also improved compared to the previous year.

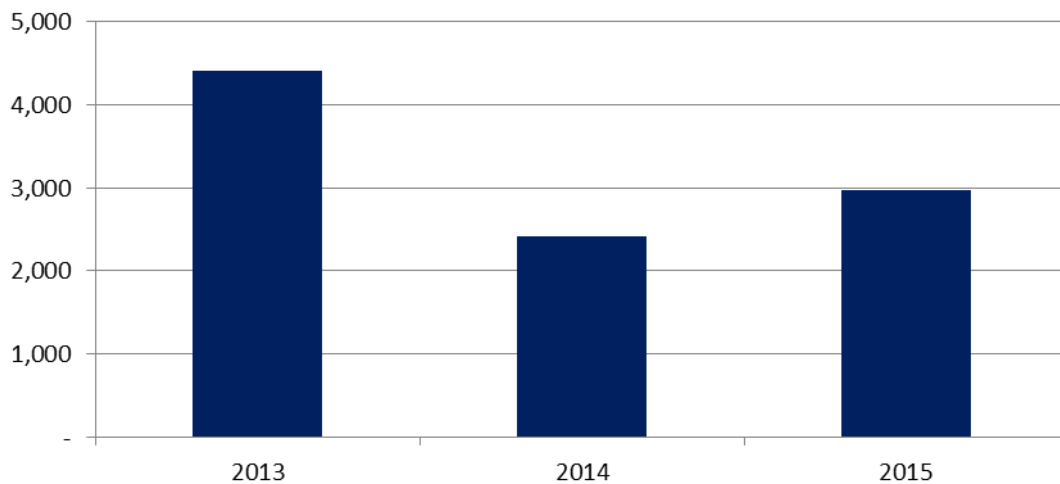
In the Auto sector, sales increased by more than 80% to €58.1 million. Management notes that during 2015 the auto business benefited substantially from the launch of new models in the market. Building Services generated €17.0 million in revenues, reflecting an increase of 19%. The overall contribution from the insurance sector amounted to €3.0 million. This is below the levels typically achieved in the years preceding 2014, primarily due to an increase in claims. However it reflects a 23% increase compared to 2014, mainly driven by increased premiums and only a modest rise in claims.

Gasan Group Limited - Revenue Breakdown excluding Insurance (€000)



Source: Gasan Group Limited annual reports

Gasan Group Limited - Insurance Contribution (€000)



Source: Gasan Group Limited annual reports

Operating profit excluding the impact from changes in fair value of investment property amounted to €7.2 million (2014: €4.7 million), reflecting the improvement across all core business areas. The estimate for EBITDA, which also excludes movements related to property revaluations, increased by €7.5 million to €12.6 million. The Group revalues its property on an annual basis and in 2015 this resulted in an increase in the fair value of investment property amounting to €4.6 million. Management notes that it adopts a prudent approach with respect to property valuations, whilst it regularly assesses the value of its holdings and accounts for movements in fair values in accordance with International Financial Reporting Standards.

In recent years, the profit for the year has been impacted by investment and other related income and impairments to available-for-sale investments. During 2015, there were no impairments to investments. In 2014, Investment and other related income had included the profit on sale of an investment; hence the lower income in 2015 of €1.9 million.

The share of results of associates amounted to €5.3 million in 2015. This includes a significant revaluation of immovable property and it explains the substantial increase over the 2014 results of associates.

It may also be relevant to consider the total comprehensive income, along with the profit for the year, to obtain a better perspective on the consistent performance and profitability of the Group. The Group's other comprehensive income amounted to €4.2 million, driven by the change in fair value of available for sale assets. Total comprehensive income, reflecting the above mentioned positive trends in core operations, share of results in associates and other comprehensive income totalled €18.7 million.

3.2 Statements of Cash Flows

Gasan Group Limited	2013	2014	2015
<i>Statement of cash flows (€000) - 31 December</i>	Actual	Actual	Actual
Net cash generated from operating activities	3,750	5,857	12,496
Net cash (used in) / generated from investing activities	(536)	3,035	(5,893)
Net cash generated from / (used in) financing activities	5,404	(9,958)	(4,693)
Net movement in cash and cash equivalents	8,618	(1,066)	1,910
Cash and cash equivalents at beginning of year	(20,364)	(11,746)	(12,812)
Cash and cash equivalents at end of year	(11,746)	(12,812)	(10,902)

Source: Gasan Group Limited annual reports

The Group's strong performance in 2015 across its major business areas is reflected in a substantial increase in net cash generated from operating activities to €12.5 million (2014: €5.9 million). With respect to investing activities, there was a net outflow of €5.9 million compared to an inflow of €3.0 million the previous year. The outflow reflects a higher level of net investment in insurance assets and a decrease in the proceeds from disposals of financial assets.

Net cash used in financing activities during 2015 amounted to €4.7 million (2014: €10.0 million), with the decrease in outflows reflecting the bond redemption that took place in 2014. Total dividends paid amounted to €3.8 million. Management notes the level of dividend payout is dependent on the level of profit generation, the Group's working capital requirements as well as investment opportunities.

During 2015, there was an overall positive movement in cash and cash equivalents of €1.9 million, compared to an outflow of €1.1 million the previous year. Outstanding short term net borrowings decreased to €10.9 million, consisting of €21.2 million in bank overdrafts and €10.3 million in cash at bank and in hand.

3.3 Statements of Financial Position

Gasan Group Limited	2013	2014	2015
<i>Statements of financial position (€000) - 31 December</i>	Actual	Actual	Actual
ASSETS			
Non-current assets			
Property, plant and equipment	23,458	23,253	23,863
Investment property	32,991	34,772	36,395
Intangible assets	648	648	648
Investment in associates	18,947	19,978	25,985
Other investments	23,322	16,876	21,186
	<u>99,367</u>	<u>95,527</u>	<u>108,077</u>
Other non-current assets			
Deferred tax	3,326	3,178	3,218
Trade and other receivables	9,708	8,798	7,034
	<u>13,033</u>	<u>11,976</u>	<u>10,251</u>
Insurance company			
Investments	24,042	23,454	24,004
Investment property	4,954	4,992	4,657
Cash and cash equivalents	4,269	6,376	9,292
	<u>33,265</u>	<u>34,822</u>	<u>37,953</u>
Total non-current assets	<u>145,665</u>	<u>142,325</u>	<u>156,280</u>
Reinsurers' share of technical provisions	297	909	1,903
Current assets			
Inventories	10,527	13,828	15,577
Property held for resale	170	170	3,670
Trade and other receivables	22,958	24,669	26,323
Current tax assets	2,706	2,914	2,991
Available-for-sale investments	15	31	-
Deferred acquisition costs	2,511	2,556	2,896
Cash and cash equivalents	280	411	1,012
Total current assets	<u>39,167</u>	<u>44,579</u>	<u>52,468</u>
Total assets	<u>185,129</u>	<u>187,812</u>	<u>210,651</u>

Source: Gasan Group Limited annual reports

The Group's total assets as at 31st December 2015 amounted to €210.7 million (2014: €187.8 million) over the previous year. Whilst investment property and property, plant and machinery increased modestly during 2015, investments in associates and other investments combined increased by more than €10 million. This primarily reflects the revaluation of land for commercial development in which the Group holds a 50% interest via a joint venture development, as well as increases in the fair value of other investments. The increase in inventory levels was driven by the activity in the Building Services operation.

Gasam Group Limited	2013	2014	2015
<i>Statements of financial position (€000) - 31 December</i>	Actual	Actual	Actual
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners			
Share capital	1,327	1,327	1,327
Revaluation reserve	12,498	13,138	13,628
Other reserves	19,014	16,982	25,166
Retained earnings	39,679	42,759	48,771
	72,518	74,206	88,891
Non-controlling interests	9,161	9,725	10,337
Total equity	81,679	83,931	99,229
Non-current liabilities			
Deferred tax	7,677	7,594	8,251
Trade and other payables	173	-	-
Borrowings	31,949	30,295	29,327
Total non-current liabilities	39,799	37,889	37,578
Insurance company			
Technical provisions	24,590	27,469	30,934
Current liabilities			
Trade and other payables	15,329	16,932	19,410
Borrowings	23,292	20,861	22,262
Current tax liabilities	441	731	1,240
Total current liabilities	39,061	38,524	42,911
Total liabilities	103,450	103,881	111,423
Total equity and liabilities	185,129	187,812	210,651

Source: Gasam Group Limited annual reports

Total borrowings as at 31st December 2015 amounted to €51.6 million, basically unchanged from the previous year. During 2015 bank overdrafts increased by €1.6 million, with the increase in these short term facilities funding the increase in activity and working capital requirements sustained during the year. The Group's bank overdrafts and loans are secured by general and special hypothecs over the Group's assets (excluding the assets of the Issuer) and a pledge of €2.1 million on insurance investments. Trade and other payables amounted to €19.4 million.

Total equity amounted to €99.2 million as at 31st December 2015 (2014: €83.9 million), consisting of €48.8 million of retained earnings, €38.8 million in reserves and €1.3 million in share capital, with the balance consisting of non-controlling interests. The increase in total equity was driven by higher retained earnings in addition to an increase in reserves that reflects the uplifts in valuations of investment property and financial assets.

3.4 Evaluation of Performance and Financial Position

Gasan Group Limited	2013	2014	2015
<i>Profitability Ratios - 31 December</i>	Actual	Actual	Actual
Gross Profit Margin <i>(Gross Profit / Revenue)</i>	24.7%	16.7%	14.8%
Operating Profit Margin ^(a) <i>(Operating Profit / Revenue)</i>	19.6%	10.3%	15.3%
Operating Profit Margin ^(b) <i>(Operating Profit excluding changes in fair value of investment property / Revenue)</i>	17.3%	9.9%	9.3%
EBITDA margin <i>(EBITDA / Revenue)</i>	18.3%	10.8%	16.4%
Interest Coverage <i>(EBITDA / Net Finance Costs)</i>	2.8x	2.5x	7.1x
Return on Assets ^(a) <i>(Operating Profit / Average Total Assets)</i>	4.1%	2.6%	5.9%
Return on Assets ^(b) <i>(Operating Profit excluding changes in fair value of investment property / Average Total Assets)</i>	3.6%	2.5%	3.6%
Return on Capital Employed ^(a) <i>(Operating Profit / Average Capital Employed)</i>	5.3%	3.3%	7.5%
Return on Capital Employed ^(b) <i>(Operating Profit excluding changes in fair value of investment property / Average Capital Employed)</i>	4.7%	3.2%	4.6%
Net Profit Margin <i>(Profit for the year / Revenue)</i>	12.4%	12.8%	19.0%
Return on Equity <i>(Profit for the year / Average Total Equity)</i>	6.0%	7.4%	15.9%

Source: Gasan Group Limited annual reports; Curmi & Partners Ltd.

The performance of the Group during 2015 was robust, driven by strong growth across its diverse businesses and improved operating margins. A considerable increase in revenues from the automotive segment led the growth, with the Group benefiting from the introduction of new models. Building services also expanded. The positive contribution from the insurance segment increased after experiencing a decline during 2014. Additionally, the Group's results were impacted by valuation gains on properties and investments.

The improvement in core performance is reflected particularly in the increase in the EBITDA margin. At the EBITDA level, with this estimate excluding depreciation and amortisation items in addition to all valuation gains and impairments, the margin increased from 11% to 16%. The operating profit margin also increased, reflecting the performance after distribution and administrative costs, in addition to income from investment properties. However, excluding the income from investment properties, the operating margin decreased slightly.

The increased profitability of the Group resulted in higher ROCE and ROA ratios, notwithstanding the increase in the asset base. The stronger financial position of the Group in terms of its ability to service debt obligations, is reflected in the interest coverage ratio, which increased to above 7x.

The overall bottom-line profitability of the Group was positively impacted by investment income and share of results of associates, in addition to revaluations. The positive trends in these items during 2015 contributed further to the higher net profit and ROE ratios.

Gasan Group Limited	2013	2014	2015
<i>Statements of Financial Position Ratios - 31 December</i>	Actual	Actual	Actual
Current Ratio <i>(Current Assets / Current Liabilities)</i>	1.0x	1.2x	1.2x
Quick Ratio <i>(Current Assets less Inventories / Current Liabilities)</i>	0.7x	0.8x	0.9x
Gearing Ratio (1) <i>(Borrowings / {Total Equity + Borrowings})</i>	40.3%	37.9%	34.2%
Gearing Ratio (2) <i>(Borrowings / Total Equity)</i>	0.7x	0.6x	0.5x
Net Leverage Ratio <i>(Net Borrowings / EBITDA)</i>	7.8x	9.8x	4.0x
Free Cash Flow to Debt <i>(Free cash flow / Borrowings)</i>	8.7%	5.8%	7.2%

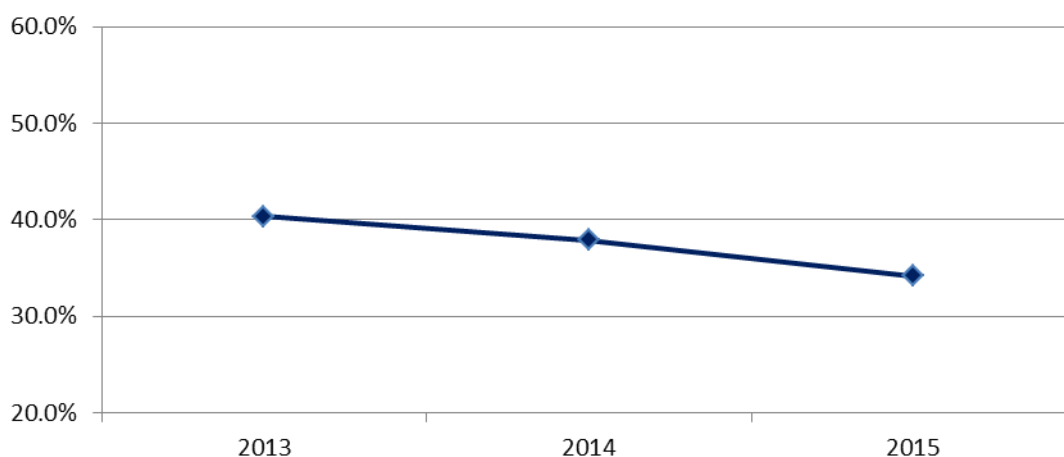
Source: Gasan Group Limited annual reports; Curmi & Partners Ltd.

Free cash flow, hereby estimated by adjusting EBITDA for capital expenditures, changes in trade working capital (including inventories, trade and other receivables, trade and other payables, and excluding movements related to borrowings), and taxes paid, was positive in recent years. For the years 2013-2015 combined, total positive free cash flow was estimated at around €12 million. During 2015, free cash flow increased by around €0.8 million to €3.8 million. The robust improvement in EBITDA and the lower working capital requirement more than compensated for the increased outflows for investing activities.

The decline in net leverage, expressed as net debt to EBITDA, illustrates the positive impact of the Group's strong operating performance on its financial profile. Whilst 2015 was particularly positive in this respect, the Group has generated positive EBITDA through the business cycle in recent years.

The Group's level of gearing has been relatively low and continued to decrease during 2015, with the gearing ratio decreasing to 34%. During 2015 this primarily reflects the reduction in borrowings and the higher level of retained earnings.

Gasan Group Limited - Gearing Ratio



Source: Gasan Group Limited annual reports; Curmi&Partners; Due Diligence Reports

3.5 Overview of Projections for the Group

An overview is hereby provided of the major developments in terms of operating, investing, and financing activities that could have a relevant impact on the overall cash flows of the Group.

Going forward, core activities from the Auto and Building Services businesses are expected to continue to be major contributors to the Group's cash generation from operations. However, the particularly strong revenue growth achieved in the auto sector during 2015 was to a certain extent related to the introduction of new models, which often reflects a cyclical trend. The rental income from major property assets is expected to continue increasing at 2% per annum.

The Group evaluates potential investment opportunities from time to time. A number of these opportunities may be material in nature, but will only be undertaken if the Group is satisfied that suitable funding arrangements are in place. Various investment opportunities are currently being evaluated, the more important ones being described hereunder.

The Group is currently developing the project on the land adjacent to the il-Piazzetta building in Sliema. This project will include a combination of commercial and retail outlets, in addition to residential units. Project completion is expected in 2018. This project is being funded by a combination of the Group's own funds and bank financing.

Permit applications for the planned project in Mriehel are currently at an advanced stage and works are expected to commence by the end of the year. The development is a joint venture with the Tumas Group and is expected to consist of 4 towers around a central piazza, transforming Mriehel into an office and business hub. The project will include office spaces, retail space, recreational facilities, a day care centre, and parking spaces catering for 1,200 cars. Various financing options for the

development are currently being evaluated, but it is likely that this will consist of a mix of internally generated funds, further equity injections, and bank financing.

A sale agreement for the disposal of the Group’s stake in Melita plc (“Melita”) was concluded in 2015, with the actual transaction occurring in 2016. Management notes that the Group had originally made this investment with a view of exiting when deemed appropriate, and this sale fits in with the Group’s long term strategy.

Whilst developments on the project in the energy sector are still ongoing, during 2016 the Group is expected to continue working on its investment through the relevant associate company. The authorised commitment for equity participation in this associate is for an amount between €8 million and €9 million.

Following the decreases in gearing achieved in 2014 and 2015, going forward the Group aims to remain committed to its objective of maintaining a healthy gearing ratio that will allow it to comfortably service its debt obligations through the various business cycles.

4. COMPARABLES

The table below compares historical interest coverage ratios of the Issuer to those of other finance companies which have debt instruments issued on the local capital markets. It is relevant to note that there are considerable variances between the industries in which these corporate groups operate. Additionally, there may be other differences that could include the capital structure of the finance vehicle and characteristics of the specific debt instrument.

However, the below comparison could be considered a useful indication of the relative financial performance and debt servicing capability of the Issuer.

On this basis, the Issuer’s historic cover ratio, in addition to the forecasted and projected indicators referred to in previous sections, demonstrate a healthy position.

Comparables - Finance Companies listed on MSE	2014	2015
<i>Interest Coverage Ratios</i>	Actual	Actual
Gasam Finance Company p.l.c	2.3x	2.5x
Corinthia Finance p.l.c.	1.0x	1.0x
Eden Finance p.l.c.	1.0x	1.0x
Mizzi Organisation Finance p.l.c.	1.0x	1.0x
Tumas Investments p.l.c.	1.0x	1.0x
United Finance p.l.c.	0.9x	1.5x

Source: Annual reports; Curmi & Partners Ltd.

5. GLOSSARY

Non-current assets	Non-current asset are long-term investments, which full value will not be realised within the accounting year.
Current assets	Current assets are all assets that are realizable within one year from the statement of financial position date. Such amounts include trade receivables, inventory, cash and bank balances.
Current liabilities	Current liabilities are liabilities payable within a period of one year from the statement of financial position date, and include trade payables and short-term borrowings.
Non-current liabilities	Long-term financial obligations or borrowings that are not due within the present accounting year. Non-current liabilities include long-term borrowings, bonds and long term lease obligations.
Total Equity	Total equity includes share capital, reserves, retained earnings and minority interests. It relates to the capital and reserves that are attributable to owners of the company.
Cash flow from operating activities	Cash flow from operating activities illustrates the cash-generating abilities of a company's core activities, and includes cash inflows and outflows that are related to operating activities.
Cash flow from investing activities	Cash flows from investing activities reflect the change in cash position resulting from investments and divestments.
Cash flow from financing activities	Cash flows from financing activities shows the cash inflows and outflows related to financing transactions with providers of funding, owners and the creditors.
Free Cash Flow	A measure of the ability to generate the cash flow necessary to maintain operations. It is the balance after all cash flows for operating activities, fixed asset net investments, working-capital expenditures. The definition of free cash flow may vary; for this purpose it was based on Ebitda adjusting for net investments, working capital and tax.
EBITDA	Earnings before interest, tax, depreciation and amortization (EBITDA) is

	a measure of operating profitability. It excludes depreciation and amortization, and is viewed as measure of a company's core profitability and cash generating ability.
Financial Ratios	
Current ratio	The current ratio measures the ability to pay short term debts over the next 12 months. It compares a company's current assets to its current liabilities.
Quick ratio	Similarly to current ratio the quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. It excludes inventories from current assets.
Gearing or leverage ratio	The gearing or leverage ratio indicates the relative proportion of borrowings and equity used to finance a company's assets. It is estimated by dividing total borrowings by total borrowings plus total equity, or as the ratio of total borrowings to total equity.
Interest Coverage ratio	Interest coverage ratio is generally calculated by dividing a company's EBITDA, or EBIT (operating profit) of one period by the company's interest expense of the same period. It measures the ability of the borrower to service the finance costs related to borrowings.
Net Debt to EBITDA	This ratio compares financial borrowings and EBITDA as a metric for estimating debt sustainability, financial health and liquidity position of an entity. It compares the financial obligations to the actual cash profits.
Gross Profit Margin	Gross profit margin is the ratio of gross profit to revenue. It is the percentage by which gross profits exceed cost of sales, and is a measure of profitability at the most fundamental level.
Operating Profit Margin	Operating margin is a measure of profitability that measures the proportion of revenue that is left over after paying for all costs of production incurred in ordinary operations.
EBITDA Margin	Similarly to operating margin, EBITDA margin is a measure of profitability that measures the proportion of revenue that is left over after paying for all costs of production incurred in ordinary operations.

Net Profit Margin	Net profit margin is the ratio of profit for the period to revenues, and is a measure of how much of revenues is converted into bottom line profits.
Return on Assets (ROA)	Return on assets is the ratio of profit for the period or operating profit to average total assets for the period. It measures efficiency in using its assets to generate income.
Return on Capital Employed (ROCE)	Similarly to ROA, this ratio measures efficiency in generating income but takes into consideration the sources of financing. Profit for the period or operating profit is divided by the capital employed (fixed assets plus working capital or total assets less current liabilities)
Return on Equity	Measures the profitability in terms of how much profit is generated in relation to owners' investment.