Gasan Finance Company p.l.c.

FINANCIAL ANALYSIS SUMMARY

JUNE 2018

CURMI & PARTNERS

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26 June 2018

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

Dear Sirs

Gasan 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 2018 ("FAS Update June 2018") as an update to the Financial Analysis Summary October 2013 ("FAS Report 2013) annexed to the Offering Memorandum issued by Gasan Finance Company p.l.c. dated 18th October 2013, to the Financial Analysis Summary Update June 2014 ("FAS Update June 2014"), to the Financial Analysis Summary Update June 2015 ("FAS Update June 2015"), to the Financial Analysis Summary Update June 2016 ("FAS Update June 2016"), and to the Financial Analysis Summary Update June 2017 ("FAS Update June 2017"). A copy of the FAS Update June 2018 is attached to this letter.

The purpose of the financial analysis with the FAS Update June 2018 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 2015, 31st December 2016 and 31st December 2017 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 2018 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 2015, 31st December 2016 and 31st December 2017 have been extracted from the audited statutory financial statements of Gasan 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 2018 have been computed by us applying the definitions set out in Section 7 of this report.
6. The relevant market players listed in Section 6 of the FAS Update June 2018 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.

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The FAS Update June 2018 is meant to assist potential investors by summarising the more important financial data of the Issuer. The FAS Update June 2018 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 2018 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 2018. 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

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1. FINANCIAL ANALYSIS SUMMARY UPDATE

In accordance with requirements of the Listing Authority Policies, the purpose of this Financial Analysis Summary Update June 2018 ("FAS Update June 2018") 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"). Additionally, please refer to Section 2 and Section 4 for an update on relevant developments relating to the content in these sections.

Additionally, please refer to FAS Report 2013, together with the FAS updates relating to 2014 to 2017 for detailed reviews of the performance and financial position of the Issuer and the Group for the periods prior to 2018.

2. MAJOR DEVELOPMENTS RELATING TO THE ISSUER

2.1 Directors and Employees

At the date of this FAS Update June 2018, the Board is composed of the following Directors:

Name of Director	Function
Mr. Joseph Gasan	Chairman
Mr. Mark Gasan	Executive Director
Mr. Ian Sultana	Managing Director
Mr. Anthony R. Curmi	Non-Executive Director
Mr. Michael Soler	Non-Executive Director
Mr. Etienne Borg Cardona	Non-Executive Director
Publio sive Danny Rosso	Non-Executive Director

It is noted that during 2018, the following changes took place:

- Mr Roderick E.D. Chalmers resigned from the role of director on the 1st January 2018, with Mr Publio sive Danny Rosso being appointed as a director on the same date.

Following the resignation of Roderick E. D. Chalmers from director, and the appointment of Publio sive Danny Russo in his stead on 1 January 2018, the Audit Committee is currently composed of the following non-executive directors:

- Publio sive Danny Rosso (Chairman)
- Michael Soler
- Etienne Borg Cardona

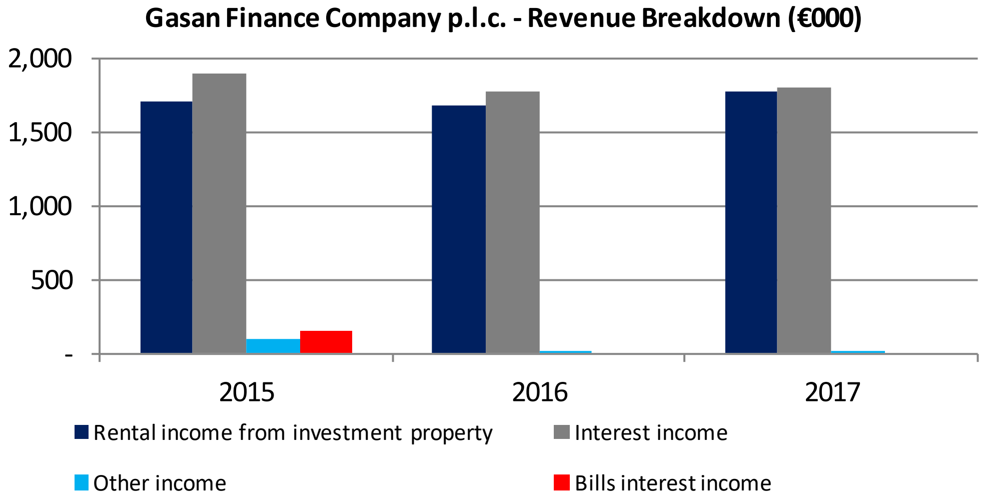
3. PERFORMANCE AND FINANCIAL POSITION OF THE ISSUER

This document makes reference to the financial statements of the Issuer for the financial years ending 31st December 2015, 31st December 2016 and 31st December 2017. The financial statements referred to have been audited by PwC. This section also includes references to management's forecast financial statements for 2018. 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.

3.1 Statement of Comprehensive Income

Gasan Finance Company p.l.c. *Statement of comprehensive income (€000) - 31 December*	**2015** Actual	**2016** Actual	**2017** Forecast - FAS Update June 2017	**2017** Actual	Variance from forecast	**2018** Forecast
Revenue	**3,857**	**3,454**	**3,315**	**3,586**	**8%**	**3,869**
Interest Payable	(1,380)	(1,252)	(1,225)	(1,224)	-	(1,220)
Gross Profit	**2,477**	**2,202**	**2,090**	**2,363**	**13%**	**2,649**
Administrative expenses	(357)	(328)	(355)	(347)	-2%	(349)
Changes in fair value of investment property	-	-	-	851	-	-
Profit before tax	**2,121**	**1,874**	**1,735**	**2,867**	**65%**	**2,300**
Tax credit / (expense)	53	(542)	(517)	(632)	22%	(564)
Profit for the year - total comprehensive income	**2,174**	**1,332**	**1,218**	**2,236**	**84%**	**1,736**

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



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

Total revenue for the year ended 31st December 2017 increased by 4% to €3.6 million when compared to the previous year. Both rental income and interest receivable each amounted to €1.8 million in 2017. Rental income increased as a result of higher lease rates attained from new tenants as well as from annual increments on existing leases. In 2016, hire purchase bills were translated into an intercompany loan to Gasan Enterprises Limited, the original holder of the bills, and as a result no income was generated from these bills in 2016 and 2017. Interest payable decreased to €1.2 million (2016: €1.3 million) due to the full effect of the bank loan repayment in 2016, whilst administrative expenses amounted to €0.3 million, in line with the previous year.

Total revenue is expected to increase to €3.9 million in 2018. Rental income from Gasan Centre is expected to remain relatively unchanged in 2018. The rental income from Il-Piazzetta properties is based on contracts currently in place, which are expected to increase as a result of higher rates obtained from new tenants together with the annual increments on existing lease contracts. Total interest receivable is expected to increase from €1.8 million to €1.9 million, reflecting a higher outstanding balance of advances to other Group companies.

Profit before tax amounted to €2.9 million, a 53% increase over the previous year. The significant improvement in profitability is largely due to a gain from the revaluation of investment property of €0.9 million in 2017 (2016: nil). Management notes that the fair value adjustment relates to 'Il-Piazzetta' units and is based on the rental income streams derived from these units and the applicable capitalisation rates taken on properties in similar locations.

Profit before tax is expected to amount to €2.3 million in 2018, a decrease of €0.6 million from the previous year. However, when excluding the fair value movement in 2017, profitability is expected to improve by 14%, in view of the increase in leasing and interest income.

The only substantial variance between actual performance during 2017 and forecasts presented in the FAS Update June 2017 relates to the changes in fair value of investment property, which was not included in the forecasts presented.

3.2 Statement of Cash Flows

Gasan Finance Company p.l.c. Statement of cash flows (€000) - 31 December	2015 Actual	2016 Actual	2017 Forecast - FAS Update June 2017	2017 Actual	Variance from forecast	2018 Forecast
Net cash (used in) / generated from operating activities	769	4,691	128	187	46%	70
Net cash (used in) / generated from investing activities	-	(72)	(128)	(92)	-28%	(70)
Net cash (used in) / generated from financing activities	(769)	(4,619)	-	(95)	-	-
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 on advances to other Group companies.

There was no overall cash flow movement during 2017. Net cash generated from operating activities and net cash used in both investing and financing activities amounted to €0.2 million. In 2017, the Issuer re-purchased €0.1 million of the Bond 2019/21 issue, which it subsequently cancelled. During 2018, net cash from operating activities is expected to amount to €0.1 million.

With respect to the Statement of Cash Flows, the variances between the forecasts presented in the FAS Update June 2017 and the actual results are not considered material.

3.3 Statement of Financial Position

Gasan Finance Company p.l.c. *Statement of financial position (€000) - 31 December*	2015 Actual	2016 Actual	2017 Forecast - FAS Update June 2017	2017 Actual	Variance from forecast	2018 Forecast
ASSETS						
Non-current assets						
Investment property	33,400	33,472	33,600	34,415	2%	34,485
Total non-current assets	33,400	33,472	33,600	34,415	2%	34,485
Current assets						
Trade and other receivables	26,233	22,874	23,830	24,178	1%	25,984
Cash and cash equivalents	-	-	-	-	-	-
Total current assets	26,233	22,874	23,830	24,178	1%	25,984
Total assets	**59,633**	**56,346**	**57,430**	**58,593**	**2%**	**60,469**
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	3,500	3,500	3,500	3,500	-	3,500
Other reserves	14,610	14,618	14,631	15,563	6%	15,556
Retained earnings	8,473	9,798	11,016	11,088	1%	12,824
Total Equity	26,584	27,915	29,147	30,151	3%	31,880
Non-current liabilities						
Deferred tax liabilities	3,110	3,089	3,105	3,155	2%	3,110
Borrowings	28,527	24,758	24,678	24,744	-	24,796
Total non-current liabilities	31,638	27,847	27,783	27,899	-	27,906
Current liabilities						
Trade and other payables	422	535	500	528	6%	683
Current tax liabilities	221	49	-	15	-	-
Borrowings	769	-	-	-	-	-
Total current liabilities	1,412	584	500	543	9%	683
Total liabilities	33,049	28,431	28,283	28,442	1%	28,589
Total equity and liabilities	**59,633**	**56,346**	**57,430**	**58,593**	**2%**	**60,469**

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

Total assets as at 31st December 2017 amounted to €58.6 million, an increase of €2.2 million from the previous year. This is mainly a result of a gain in fair value of investment property of €0.9 million and a €2.0 million increase in loans to the immediate parent company.

Borrowings amounted to €24.7 million (2016: €24.8 million) as at 31st December 2017, reflecting the Bond 2019/21 issue, of which €0.1 million was re-purchased and subsequently cancelled by the Issuer. Total equity increased by €2.2 million to €30.2 million. This reflects the impact of the revaluation of investment property in other reserves.

Total assets as at 31st December 2018 are expected to increase by €1.9 million, mainly as a result of an increase in intercompany receivables, which are also reflected in the higher accumulated interest receivable for the year.

Total equity is projected to increase by €1.7 million, driven by an increase in retained earnings. The only substantial variance between the actual Statement of Financial Position during 2017 and forecasts presented in the FAS Update June 2017 relates to the impact from the revaluation of investment property, which resulted in an increase in investment property to €34.4 million and other reserves to €15.6 million.

3.4 Evaluation of Performance and Financial Position

Gasan Finance Company p.l.c.	**2015**	**2016**	**2017**	**2018**
Profitability Ratios - 31 December	Actual	Actual	Actual	Forecast
Gross Profit Margin (Gross Profit / Revenue)	64%	64%	66%	68%
Operating Profit Margin (Operating Profit / Revenue)	55%	54%	56%	59%
Interest Coverage (Operating Profit adding back interest payable / Interest Payable)	2.5x	2.5x	2.6x	2.9x
Return on Assets (Operating Profit / Average Total Assets)	3.6%	3.2%	3.5%	3.9%
Return on Capital Employed (Operating Profit / Average Capital Employed)	3.7%	3.3%	3.5%	3.9%
Net Profit Margin (Profit for the year / Revenue)	56%	39%	62%	45%
Return on Equity (Profit for the year / Average Total Equity)	8.5%	4.9%	7.7%	5.6%

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

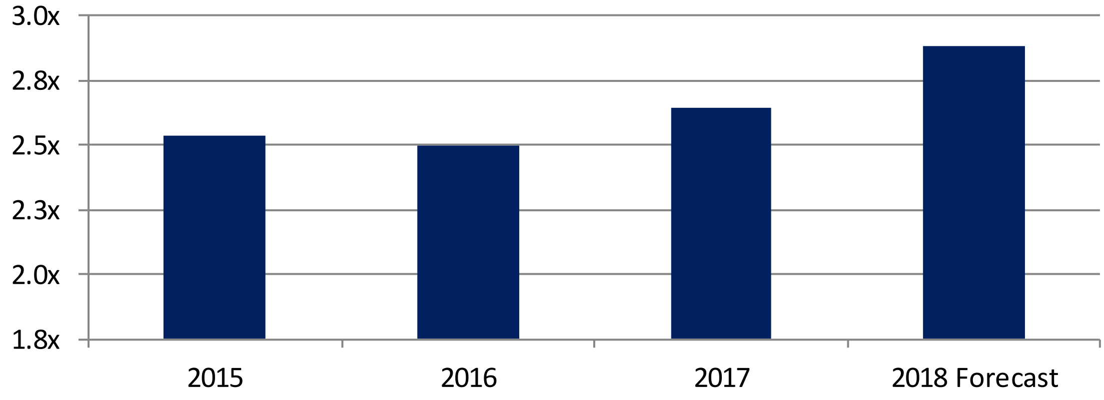
The profitability ratios for the Company generally display a considerable level of stability, reflecting its role as a holder of investment properties and the finance vehicle of the Group. Rental and interest income, in addition to fixed interest payable on borrowings, drive operations and profits. In 2017, the net profit margin and return on equity diverged from the trend by increasing substantially due to the revaluation gain on investment property.

Margins improved in 2017. Both gross profit and operating profit margins, which do not take into account the gain in fair value of investment property, increased by 2%. This improvement was driven by the growth in rental and interest income. Margins are expected to improve further in 2018 and are also expected to be driven by an increase in rental and interest income generated during the year.

Return on Capital Employed ("ROCE") and Return on Assets ("ROA") are estimated on the basis of operating profit. In line with above mentioned trends and the improvement in profitability from the gain in fair value of investment property, ROCE and ROA increased in 2017 and are expected to increase further in 2018, reflecting improvements in operating profit.

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 slightly to 2.6x in 2017 and expected to improve to 2.9x in 2018.

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



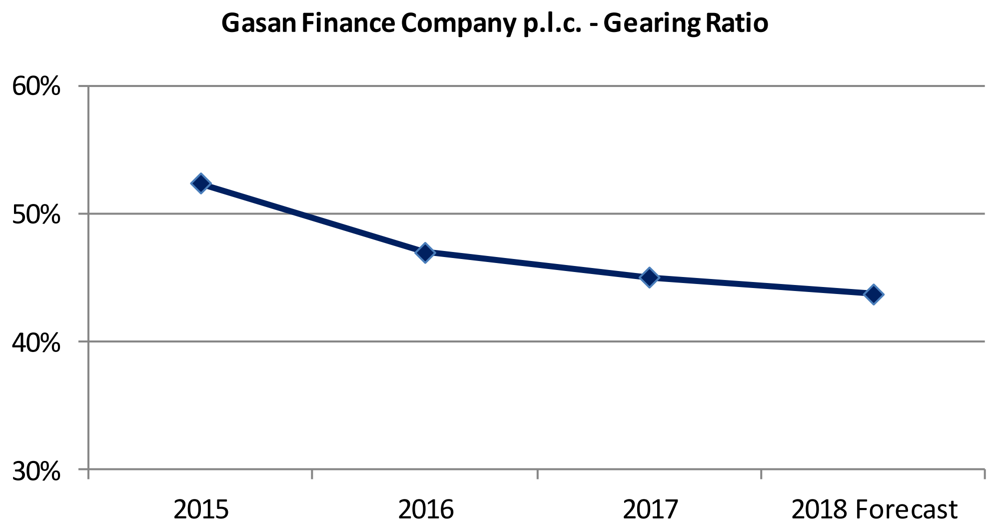
Source: Gasan Finance Company p.l.c annual reports; Management information; Curmi & Partners Ltd.

Group balances are all recognised as current assets in 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 2017, the current ratio increased to 44.5x, primarily due to the increase in intercompany receivables.

Gasan Finance Company p.l.c. *Statement of financial position ratios - 31 December*	**2015** Actual	**2016** Actual	**2017** Actual	**2018** Forecast
Current Ratio (Current Assets / Current Liabilities)	18.6x	39.2x	44.5x	38.0x
Quick Ratio (Current Assets less Inventories / Current Liabilities)	18.6x	39.2x	44.5x	38.0x
Gearing Ratio (1) (Borrowings / {Total Equity + Borrowings})	52.4%	47.0%	45.1%	43.8%
Gearing Ratio (2) (Borrowings / Total Equity)	1.1x	0.9x	0.8x	0.8x

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

Gearing continued to decrease during 2017, reflecting the repayment of bank debt and an increase in equity. In 2018, gearing is expected to decrease further due to a forecasted increase in retained earnings.



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

4. UPDATE RELATING TO 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.

4.1 Major Assets

4.1.1 Piazzetta Business Plaza

GFC currently owns a number of units within the building known as 'Il-Piazzetta' in Sliema. The land adjacent to this building is currently being developed by another company within the Group. The development of the Piazzetta Business Plaza commenced in April 2016 and is expected to be completed in 2019. In 2016 and 2017 the Group acquired two properties adjoining the development, increasing the net foot print of the project. The development will consist of over 250 parkings spaces, 700 square metres of retail space on the Piazza, 8,000 square metres of net office space, two kiosks and an open landscaped Piazza.

During 2017, this site was revalued by an additional €8 million. The Group's valuation exercise takes into account the current market lease rates and the applicable capitalisation rates taken on properties in similair locations.

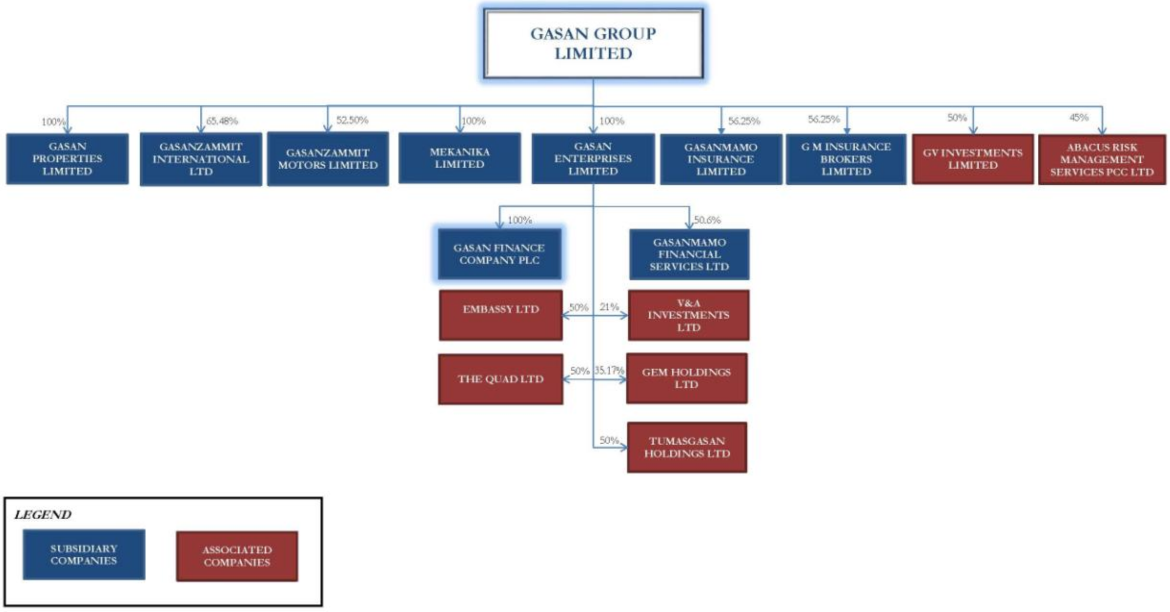
4.1.2 GEM Holdings Ltd

During 2017, the Group increased its investment in the energy sector through its associate company GEM Holdings Limited ("GEM") which was financed through a combination of internally generated funds and a new bank facility. The Group currently holds a 35.17% stake in GEM.

4.2 Organisational Structure of the Group

The Group is engaged in the operation of motor vehicle dealerships and related services, the provision of insurance services, the holding of property for development and leasing as well as the provision of building services and contracting, including the installation of lifts and HVAC. In addition, the Group holds a number of investments in companies operating in various industries including property development and energy. Gasan Group Limited is, directly or indirectly, the holder of all the investments in subsidiaries and associates forming part of the Gasan Group. All the subsidiaries (50%+ of the voting rights) are consolidated within Gasan Group Limited

Below is Gasan Group Limited's updated organisational structure, reflecting Gasan Group Limited's subsidiaries and ongoing investments in the principal associate companies.



5. PERFORMANCE AND FINANCIAL POSITION OF THE GROUP

This document makes reference to the financial statements of the Group for the financial years ending 31st December 2015, and 31st December 2016, and 31st December 2017. The financial statements referred to have been audited by PwC. 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.

5.1 Statements of Comprehensive Income

Gasan Group Limited *Statements of comprehensive income (€000) - 31 December*	**2015** Actual	**2016** Actual	**2017** Actual
Revenue	**76,847**	**60,962**	**53,052**
Cost of sales	(68,472)	(57,245)	(46,631)
	8,375	**3,716**	**6,420**
Contribution from insurance operations	2,969	6,096	7,123
Gross Profit	**11,344**	**9,813**	**13,543**
Distribution costs	(275)	(273)	(280)
Administrative expenses	(4,322)	(4,176)	(3,863)
Other income - net	378	1,078	1,148
Income from investment property	4,600	522	9,478
Operating Profit	**11,725**	**6,963**	**20,026**
Investment and other related income	1,899	2,479	1,922
Profit on sale of available-for-sale financial assets	-	5,765	-
Finance income	685	712	1,140
Finance costs	(2,459)	(2,155)	(2,233)
Profit before impairment and before share of results of associates	**11,850**	**13,764**	**20,855**
Share of results of associates	5,280	862	(474)
Profit before tax	**17,130**	**14,626**	**20,381**
Tax expense	(2,552)	(5,299)	(4,991)
Profit for the year	**14,577**	**9,327**	**15,390**
Other comprehensive income, net of tax	4,159	(1,168)	(253)
Total comprehensive income for the year	**18,736**	**8,159**	**15,137**
Total comprehensive income attributable to:			
Owners of the Company	17,692	5,555	12,113
Non-controlling interests	1,044	2,604	3,024
Total comprehensive income	**18,736**	**8,159**	**15,137**

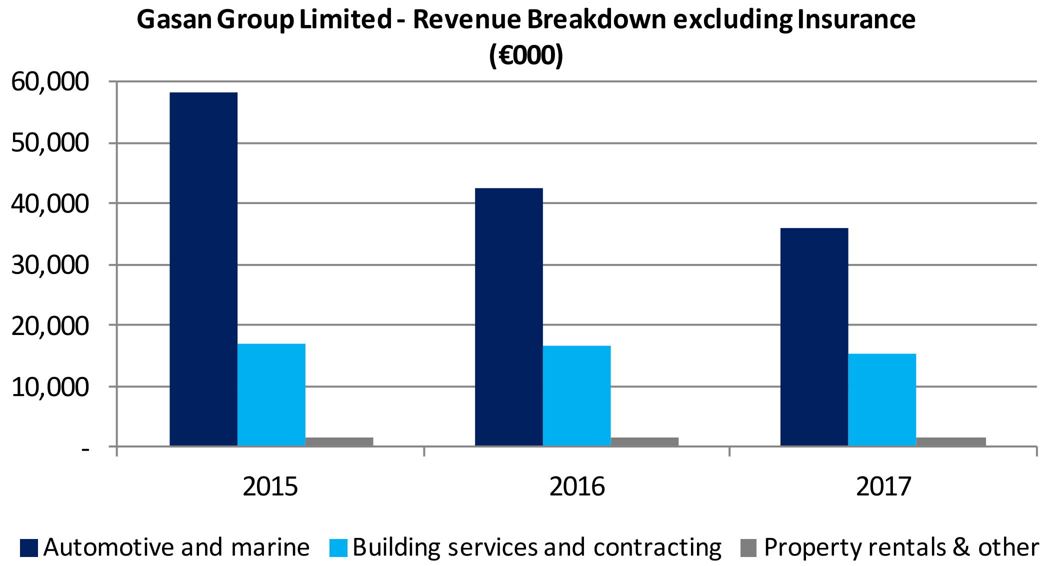
Source: Gasan Group Limited annual reports

The Group's overall profitability improved over the previous year, despite a 13% decrease in revenue in 2017. Revenue decreased across the three main operating segments, with the relative contribution of the core automotive and marine ("Auto") business decreasing for the second consecutive year to 68% of total revenues excluding insurance (2016: 70%). The improvement in profitability and margins was mainly driven by lower costs, particularly lower contract costs incurred throughout the year as well as a higher contribution from the insurance business.

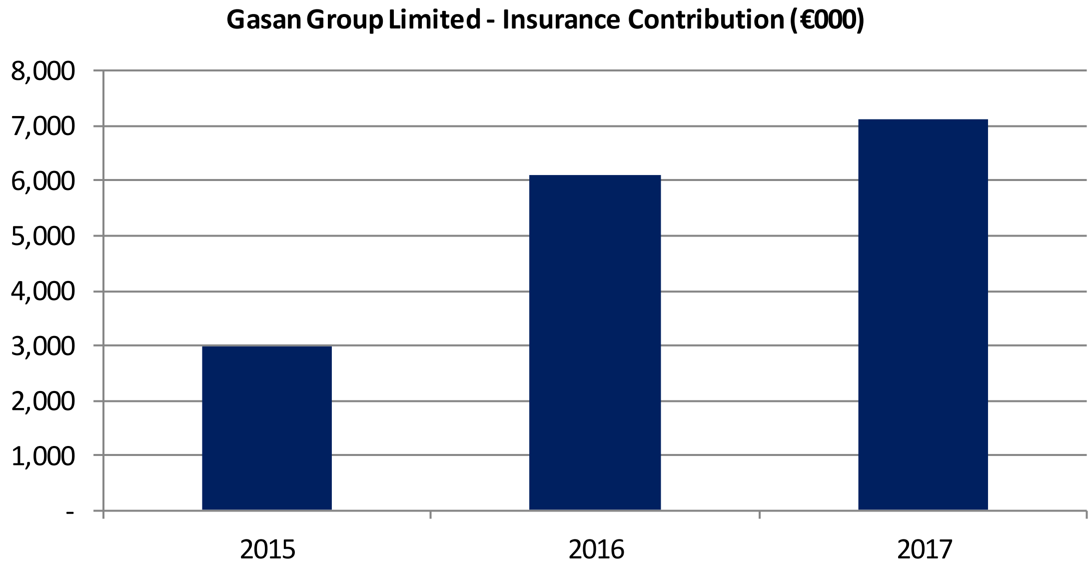
In the Auto sector, revenue decreased by 15% to €36.0 million (2016: €42.6 million), due to the fact that 2015 and 2016 were generally considered as exceptional years. The Auto sector is a highly competitive market and is faced by increased competition from the importation of used cars, which ultimately has an effect on turnover. Despite the increased competitive pressure, management notes that this core business remains healthy, driven by strong brands and growth particularly in commercial vehicles.

The Building Services segment generated €15.4 million in revenue, reflecting a decrease of 8% in 2017. Management noted that the decrease in revenue was mainly a result of a restructuring exercise initiated in 2017 which saw a complete change in management and a more selective approach to business, with a focus on facilities management and core competence. Furthermore, revenue recognition in certain divisions is influenced by the percentage of completion of the underlying project. Given that some projects undertaken span over more than one financial year, the full revenue recognition of a project may be prolonged. The remodelling of this operating segment gave tangible results, with improvements in profitability in 2017 over the previous year.

The overall contribution from the insurance sector amounted to €7.1 million (2016: €6.1 million), with the improvement driven primarily by an increase in net premiums written. Management highlights that the generally conservative policies adopted by the Group are reflected in the stable and profitable contribution over the years.



Source: Gasan Group Limited annual reports



Source: Gasan Group Limited annual reports

Operating profit excluding the impact from changes in fair value of investment property amounted to €10.5 million (2016: €6.4 million). The estimate for EBITDA, which also excludes movement related to property valuations increased by 35% to €9.0 million (2016: €6.7 million), reflecting lower cost of sales and a higher contribution from insurance operations.

The Group revalues its property on an annual basis. The impact of property revaluations was higher than in recent years, amounting to €9.2 million in 2017 (2016: €0.3 million). The gain on the change in fair value of investment property is mainly related to the ongoing development of the Piazzetta Business Plaza which is expected to be completed in Q4 2019. Management notes that it adopts a prudent approach with respect to property valuations and the basis for this valuation takes into consideration the current lease rates and the capitalisation rates applicable to office space in similar locations. The Group regularly assesses the value of its holdings and accounts for movements in fair values in accordance with International Financial Reporting Standards.

Profit before tax amounted to €20.4 million (2016: €14.6 million). As opposed to previous years, profit before tax was not largely impacted by investment and other related income and impairments to available-for-sale investments. In 2016, the Group made a profit of €5.8 million from the sale of available-for-sale financial assets, mainly relating to the disposal of the holding in Melita Limited. The share of results of associates for 2017 amounted to a loss of €0.5 million (2016: profit of €0.9 million).

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 performance and profitability of the Group. The Group's other comprehensive income improved from the previous year, from a loss of €1.2 million to a loss of €0.3 million. The loss in 2016 primarily reflected the release of the fair value gain on disposal amounting to €5 million. The Group generated €15.1 million total comprehensive income for the year ended 31st December 2017, compared to €8.1 million in 2016.

5.2 Statements of Cash Flows

Gasan Group Limited *Statement of cash flows (€000) - 31 December*	**2015** Actual	**2016** Actual	**2017** Actual
Net cash generated from operating activities	12,496	4,170	8,169
Net cash (used in) / generated from investing activities	(5,893)	4,250	(15,511)
Net cash (used in) / generated from financing activities	(4,693)	(10,601)	1,932
Net movement in cash and cash equivalents	**1,910**	**(2,180)**	**(5,410)**
Cash and cash equivalents at beginning of year	(12,812)	(10,902)	(13,082)
Cash and cash equivalents at end of year	**(10,902)**	**(13,082)**	**(18,492)**

Source: Gasan Group Limited annual reports

During 2017, net cash generated from operating activities increased by €4.2 million to €8.2 million, with the movement driven by the increase in cash from operations, reflecting the Group's improved profitability.

Net cash used in investing activities amounted to €15.5 million, compared to an inflow of €4.3 million in the previous year. The outflow was driven by additions to investment of associates which primarily related to the investment in GEM, an increase in insurance investments together with a decrease in proceeds from disposal of assets compared to the previous year.

With respect to financing activities, there was a net inflow of €1.9 million compared to an outflow of €10.6 million the previous year. This amount primarily reflects an increase in borrowings of €6.0 million, offset by dividend payments of €4.0 million. Management notes that the level of dividend payout is dependent on the level of profit generation plus the reserves, in addition to the Group's working capital requirements and available investment opportunities.

The overall negative movement in cash and cash equivalents amounted to €5.4 million, compared to €2.2 million in 2016. The balance of cash at bank and in hand amounted to €6.2 million with short-term bank overdrafts amounting to €24.7 million, for an aggregate short term net debt position of €18.5 million. Management notes that overdraft financing is mostly related to the Auto business, whereby the nature of operations typically requires flexibility in terms of funding requirements.

5.3 Statements of Financial Position

Gasan Group Limited *Statements of financial position (€000) - 31 December*	**2015** Actual	**2016** Actual	**2017** Actual
ASSETS			
Non-current assets			
Intangible assets	648	648	648
Property, plant and equipment	23,863	24,653	24,536
Investment property	36,395	37,225	45,581
Investment in associates	25,985	32,182	44,146
Other investments	21,186	8,722	8,694
	108,077	103,430	123,606
Other non-current assets			
Deferred tax	3,218	1,091	564
Trade and other receivables	7,034	8,191	8,331
	10,251	9,283	8,895
Insurance company			
Investments	24,004	28,076	33,777
Investment property	4,657	7,813	10,515
Cash and cash equivalents	9,292	9,440	5,639
	37,953	45,330	49,931
Total non-current assets	**156,280**	**158,042**	**182,432**
Reinsurers' share of technical provisions	1,903	1,097	1,361
Current assets			
Inventories	15,577	13,833	14,827
Property held for resale	3,670	3,670	3,500
Trade and other receivables	26,323	27,619	25,076
Current tax assets	2,991	2,227	2,319
Deferred acquisition costs	2,896	3,073	3,401
Cash and cash equivalents	1,012	464	573
Total current assets	**52,468**	**50,886**	**49,697**
Total assets	**210,651**	**210,025**	**233,491**

Source: Gasan Group Limited annual reports

Total assets of the Group as at 31st December 2017 amounted to €233.5 million, an increase of €23.5 million over the previous year. The major movements in assets included an increase in investment property which primarily reflects the revaluation of the Piazzetta development, an increase in investments in associates and an increase within the insurance business.

Gasan Group Limited *Statements of financial position (€000) - 31 December*	**2015** Actual	**2016** Actual	**2017** Actual
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners			
Share capital	1,327	1,327	1,327
Revaluation reserve	13,628	16,038	16,537
Other reserves	25,166	22,404	28,659
Retained earnings	48,771	51,170	53,521
	88,891	90,939	100,044
Non-controlling interests	10,337	11,545	13,604
Total equity	**99,229**	**102,484**	**113,648**
Non-current liabilities			
Deferred tax	8,251	7,061	8,124
Borrowings	29,327	24,758	30,744
Total non-current liabilities	37,578	31,819	38,868
Insurance company			
Technical provisions	30,934	31,356	35,546
Current liabilities			
Trade and other payables	19,410	20,007	20,221
Borrowings	22,262	22,994	24,704
Current tax liabilities	1,240	1,364	504
Total current liabilities	42,911	44,365	45,429
Total liabilities	**111,423**	**107,540**	**119,843**
Total equity and liabilities	**210,651**	**210,025**	**233,491**

Source: Gasan Group Limited annual reports

Total borrowings as at 31st December 2017 amounted to €55.4 million, comprising of the bond issue of €24.7 million, bank overdrafts of €24.7 million and a bank loan of €6 million. 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 €20.2 million, basically unchanged from the previous year.

Total equity as at 31st December 2017 amounted to €113.6 million (2016: €102.5 million). The increase in total equity was primarily driven by an increase in other reserves reflecting the uplift in valuation of investment property.

5.4 Evaluation of Performance and Financial Position

Gasan Group Limited *Profitability Ratios - 31 December*	**2015** Actual	**2016** Actual	**2017** Actual
Gross Profit Margin (Gross Profit / Revenue)	14.8%	16.1%	25.5%
Operating Profit Margin(a) (Operating Profit / Revenue)	15.3%	11.4%	37.7%
Operating Profit Margin(b) (Operating Profit excluding changes in fair value of investment property / Revenue)	9.3%	10.9%	20.5%
EBITDA margin (EBITDA / Revenue)	16.0%	11.0%	16.9%
Interest Coverage (EBITDA / Net Finance Costs)	6.9x	4.6x	8.2x
Return on Assets(a) (Operating Profit / Average Total Assets)	5.9%	3.3%	9.0%
Return on Assets(b) (Operating Profit excluding changes in fair value of investment property / Average Total Assets)	3.6%	3.2%	4.9%
Return on Capital Employed(a) (Operating Profit / Average Capital Employed)	7.5%	4.2%	11.4%
Return on Capital Employed(b) (Operating Profit excluding changes in fair value of investment property / Average Capital Employed)	4.6%	4.0%	6.2%
Net Profit Margin (Profit for the year / Revenue)	19.0%	15.3%	29.0%
Return on Equity (Profit for the year /Average Total Equity)	15.9%	9.2%	14.2%

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

The Group's performance during 2017 was positive, as reflected through profitability and margins, albeit with a drop in revenue across the Group's main segments. The contribution from the insurance segment improved over 2016, which was considered a strong year. Profitability in Building Services improved considerably in 2017 as a consequence of the restructuring exercise undertaken by management. Additionally, the Group's bottom line was positively impacted by valuation gains on investment properties.

The Group's improvement in its core operating performance is reflected in the substantial increase in gross profit, operating profit and EBITDA margins. The EBITDA margin, which excludes depreciation and amortisation items in addition to any valuation gains and impairments, improved significantly from 11.0% in 2016 to 16.9% in 2017. The Group's operating profit margin also increased over the previous year. It is relevant to note that the Group's margins have also improved over 2015 levels, which was considered an exceptional year.

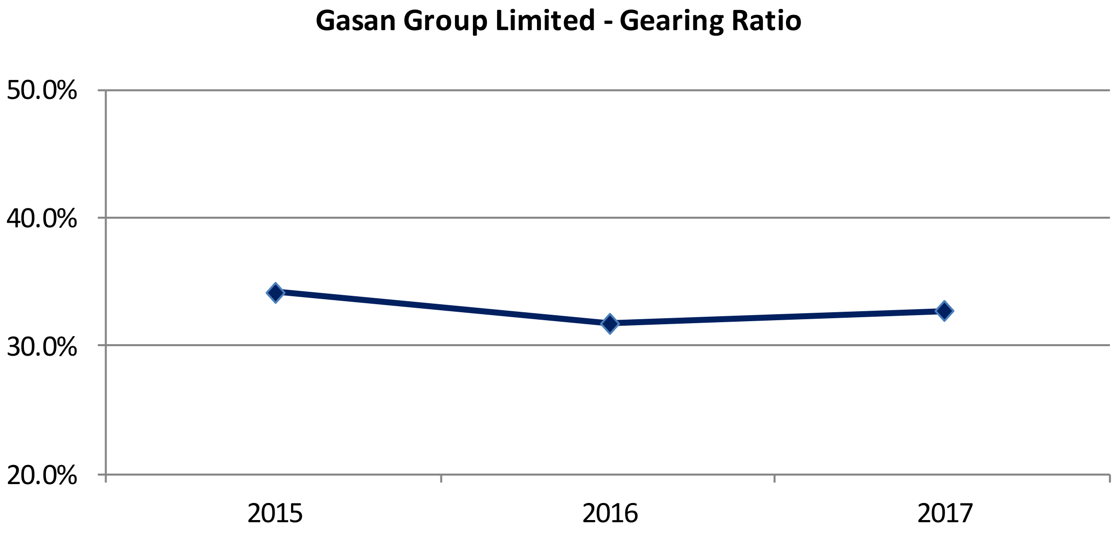
The increased profitability in 2017 is also reflected in the higher ROCE and ROA ratios, despite the increase in the asset base. The Group's interest coverage ratio also improved significantly, increasing to 8.2x from 4.6x.

Gasan Group Limited	**2015**	**2016**	**2017**
Statements of Financial Position Ratios - 31 December	Actual	Actual	Actual
Current Ratio (Current Assets / Current Liabilities)	1.2x	1.1x	1.1x
Quick Ratio (Current Assets less Inventories / Current Liabilities)	0.9x	0.8x	0.8x
Gearing Ratio (1) (Borrowings / {Total Equity + Borrowings})	34.2%	31.8%	32.8%
Gearing Ratio (2) (Borrowings / Total Equity)	0.5x	0.5x	0.5x
Net Leverage Ratio (Net Borrowings / EBITDA)	4.1x	7.1x	6.1x
Free Cash Flow to Debt (Free cash flow / Borrowings)	6.5%	21.3%	-16.2%

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 for the period 2014-2016, however this trend was halted in 2017. During 2017, free cash flow usage amounted to €9.0 million compared to an amount of €10.2 million that was generated in 2016. The negative free cash flow mainly reflects the cash outflow used in investing activities of €15.5 million which were primarily used for investments in associates. Management noted that following a period of divestments and consolidation of the core operations, the Group is now in an investment phase, thus the increase in cash used in investment activities is to be expected. Net tax paid in 2017 also increased from €1.8 million to €4.2 million.

Net leverage, expressed as net debt to EBITDA, decreased. This reflects the stronger performance in terms of EBITDA generated relative to debt levels. The increase in EBITDA compensated for the higher level of net debt, attributable to an increase in borrowings. The Group's level of gearing has been relatively low, increasing marginally in 2017 which also reflects the increase in borrowings.



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

5.5 Overview of Projections for the Group

5.5.1 Core Operations

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.

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. Management noted that the restructuring exercise undertaken in Buildings Services gave tangible results in 2017 and indicated that 2018 targets are above those achieved in 2017. The Auto business is expected to continue reflecting certain cyclical trends and increased competition, but management highlights the quality of its portfolio of brands and the prominent presence in markets that are benefiting from particular growth. The rental income from major property assets is expected to continue increasing at approximately 2% to 3% per annum. The insurance segment delivered positive results in 2017 and management have noted that although it is a volatile business, the conservative policies adopted by the Group should continue to deliver positive contributions over the years.

From a core operations perspective, the group's strategy that was employed in the last few years of consolidating its four business pillars gave tangible results and is deemed to be satisfactory. Management is confident that this consolidation will be sustained in the foreseeable future.

5.5.2 Capital Investment

The Group is entering an investment phase with the major investment opportunities and developments being described hereunder. 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.

With regards to the capital projects currently in progress, the Group is currently working on the Piazzetta Business Plaza. This project will include a combination of commercial and retail outlets. The project is expected to be completed by Q4 2019. This project is being funded by a combination of the Group's own funds and bank financing.

The development of the Mriehel project ("The Quad"), which is a joint venture with the Tumas Group, commenced in 2017. The Quad consists of 4 towers around a central piazza, which project will assist in 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 1,400 vehicles. Management indicates that the plan of the joint venture is to sell one of the four towers, whilst maintaining the rest for leasing purposes. The project is expected to be completed in 2021. The Group is expecting to finance the project through available cash resources, internally generated funds and bank financing.

The Group holds a 50% shareholding in Embassy Limited which through its subsidiaries owns the Embassy Cinema Complex in Valletta and Main Street Complex in Paola. Management have communicated their intention to convert the Embassy Cinema Complex into a four-star hotel, with development aimed to start in January 2019. In 2018, Embassy Limited's subsidiary Paola Complex Limited changed its name to Main Street Complex plc and listed its entire share capital on the Malta Stock Exchange. Following this initial public offering ("IPO"), Embassy Limited's shareholding in Main Street Complex plc now stands at 34%.

The Group continued to work on its investment in the energy sector through the relevant associate company, Gem Holdings Limited, funded through a mix of bank borrowings and Group funds.

After several years of consolidation, the Group has entered an investment stage, with several developments underway. Management have indicated that despite the increased level of investments taking place in the coming years, gearing levels are expected to remain relatively low as part of the planned investments will be financed through internal cash flows. The Group remains committed to its objective of maintaining a healthy financial position that will allow it to comfortably service its debt obligations through the various business cycles.

6. 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	**2016**	**2017**
Interest Coverage Ratios	Actual	Actual
Gasan Finance plc	2.5x	2.6x
Dizz Finance plc	2.0x	1.4x
United Finance plc	1.4x	1.4x
AX Investments plc	1.2x	1.2x
Corinthia Finance plc	1.0x	1.0x
Eden Finance plc	1.0x	1.0x
Tumas Investments plc	1.0x	1.0x

Source: Annual Reports; Curmi & Partners Ltd

7. 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.