



Gasas Finance Company p.l.c.

FINANCIAL ANALYSIS SUMMARY

JUNE 2015



15 June 2015

The Directors
Gasam Finance Company p.l.c.
Mriehel Bypass
Birkirkara BKR 3000
Malta

Dear Sirs

Gasam Finance Company p.l.c. – Financial Analysis Summary Update June 2015

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have prepared the Financial Analysis Summary Update 2015 (“FAS Update June 2015”) as an update to the Financial Analysis Summary Update June 2014 (“FAS Update June 2014”). A copy of the FAS Update June 2015 is attached to this letter.

The purpose of the financial analysis with the FAS Update June 2015 is to provide an update on the performance and the financial position of Gasam Finance Company p.l.c. (“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 2012, 31st December 2013 and 31st December 2014 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 2015 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 2012, 31st December 2013 and 31st December 2014 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 2015 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 2015 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 2015 is meant to assist potential investors by summarising the more important financial data of the Issuer. The FAS Update June 2015 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 2015 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 2015. 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 2015 (“FAS Update June 2015”) is to provide an update on the performance and on the financial position of Gasan Finance Company p.l.c. (“the Issuer”) 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 following: 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 and to Financial Analysis Summary Update June 2014 (“FAS Update June 2014”) for detailed reviews of the performance and financial position of the Issuer and the Group for the periods prior to 2014.

2. PERFORMANCE AND FINANCIAL POSITION OF THE ISSUER

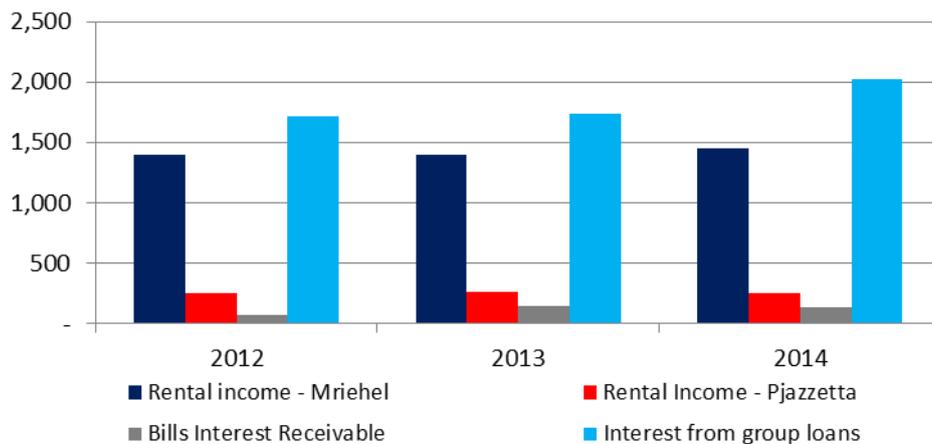
This document makes reference to the financial statements of the Issuer for the financial years ending 31st December 2012, 31st December 2013 and 31st December 2014. The financial statements referred to have been audited by PricewaterhouseCoopers. This section also includes references to forecast financial statements for 2015. 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.	2012	2013	2014	2014	Variance from forecast	2015
<i>Statement of comprehensive income (€000) - 31 December</i>	Actual	Actual	Forecast - FAS Update June 2014	Actual		Forecast
Revenue	3,435	3,534	3,872	3,863	0%	3,785
Interest Payable	(1,497)	(1,506)	(1,624)	(1,555)	-4%	(1,394)
Gross Profit	1,938	2,028	2,248	2,308	3%	2,391
Administrative expenses	(271)	(298)	(245)	(343)	40%	(354)
Operating Profit	1,666	1,730	2,003	1,964	-2%	2,037
Changes in fair value of investment property	2,660	900	-	-		-
Profit before tax	4,326	2,630	2,003	1,964	-2%	2,037
Tax expense	(816)	(634)	(611)	(574)	-6%	(611)
Profit for the year - total comprehensive income	3,510	1,997	1,392	1,390	0%	1,426

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

Revenue Breakdown (€000)



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

Total revenue for the year ended 31st December 2014 amounted to €3.9 million, an increase of 9% on the previous year. Rental income totalled to €1.7 million, including €1.45 million from Gasan Centre and €0.25 million from Piazzetta properties. Interest receivable was €2 million, an increase of 16% over 2013, reflecting higher advances to the Group following the issue of the Bond 2019/21. Interest received from bills of exchange was around €0.1 million.

Interest payable increased by 3% to €1.6 million, with administrative expenses increasing 15% to €0.3 million. The increase in administrative expenses reflects charges from Gasan Group Limited for administrative work.

Rental income from Gasan Centre is expected to remain unchanged in 2015. 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 remain basically unchanged in 2015.

The trend for profits reflects the above-mentioned movements in revenues and costs, with rental and interest income increasing whilst interest payable also increasing following the issue of the Bond 2019/21. As expected, there was a decrease in profit for the year during 2014, since there was no increase in the fair value of investment property (€900,000 in 2013). Going forward, profit growth is expected to remain stable, with profit for 2015 expected to amount to €1.4 million.

It is noted that the actual performance during 2014 is generally in line with the forecasts presented in the FAS Update June 2014, except for the higher than expected administrative expenses referred to above.

2.2 Statement of Cash Flows

Gasan Finance Company p.l.c.	2012	2013	2014	2014		2015
<i>Statement of cash flows (€ 000) - 31 December</i>	Actual	Actual	Forecast - FAS Update June 2014	Actual	Variance from forecast	Forecast
Net cash generated from (used in) operating activities	769	(8,580)	5,769	5,601	-3%	769
Net cash (used in) generated from financing activities	(769)	8,580	(5,769)	(5,601)	-3%	(769)
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.

During 2014, net cash generated from operating activities totalled €5.6 million, mainly reflecting the inflows from the repayment of advances made to group companies. The net cash used in financing activities totalled €5.6 million. This was driven by the redemption of the remaining balance of the 6.0% bonds due 2014/16 (“Bond 2014/16”) for an amount of €4.8 million.

No major cash flow movements are expected during 2015, with net cash generated from operating activities and net cash used in financing activities expected to amount to €0.8 million.

With respect to the Statement of Cash Flows, there were no notable variances between the forecasts presented in the FAS Update June 2014 and the actual results.

2.3 Statement of Financial Position

Gasan Finance Company p.l.c.	2012	2013	2014	2014	Variance from forecast	2015
<i>Statement of cash flows (€ 000) - 31 December</i>	Actual	Actual	Forecast - Report May 2014	Actual		Forecast
ASSETS						
Non-current assets						
Investment property	32,500	33,400	33,400	33,400	-	33,400
Trade and other receivables	1,677	1,817	-	1,954	n/a	-
Total non-current assets	34,177	35,217	33,400	35,354	6%	33,400
Current assets						
Trade and other receivables*	21,361	28,109	25,827	23,839	-8%	26,536
Cash and cash equivalents	-	-	-	-	-	-
Total current assets	21,361	28,109	25,827	23,839	-8%	26,536
Total assets	55,538	63,326	59,227	59,192	-0.1%	59,936
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	3,500	3,500	3,500	3,500	-	3,500
Other reserves	13,150	13,942	13,942	13,942	-	13,942
Retained earnings	7,372	5,577	6,890	6,967	1%	8,393
Total Equity	24,023	23,019	24,332	24,410	0.3%	25,835
Non-current liabilities						
Deferred tax liabilities	3,606	3,834	3,808	3,806	0.0%	3,778
Borrowings	26,015	29,904	29,212	29,216	0.0%	28,527
Total non-current liabilities	29,622	33,738	33,019	33,022	0.0%	32,306
Current liabilities						
Trade and other payables	637	669	476	455	-4%	429
Current tax liabilities	488	298	631	537	-15%	598
Borrowings	769	5,601	769	769	-	769
Total current liabilities	1,894	6,568	1,875	1,761	-6.1%	1,795
Total liabilities	31,516	40,306	34,895	34,783	-0.3%	34,101
Total equity and liabilities	55,538	63,326	59,227	59,192	-0.1%	59,936

* A portion of the forecast Trade and other receivables amounts for 2014 and 2015 relates to non-current assets.
Source: Gasan Finance Company p.l.c. annual reports; Management information

Total assets as at 31st December 2014 amounted to €59.2 million, decreasing €4.1 million compared to the previous year. This decrease was mainly driven by a €5.5 million reduction in the balance of the loan advanced to the parent company.

The major movement in equity and liabilities during 2014 relates to a decrease in current borrowings of €4.8 million, equivalent to the remaining balance of the bond that was redeemed during the year. In 2013, the Issuer embarked on a bond-exchange program when it issued €25 million of the Bond 2019/21, with an amount of €15.2 million being subscribed by existing bond holders of the Bond 2014/16. The remaining balance of the Bond 2014/16 was redeemed on the 31st May 2014. Total

equity as at 31st December 2014 amounted to €24.4 million, reflecting an increase in the retained earnings balance of €1.4 million, equivalent to the profit for the year.

The Statement of Financial Position as at 31st December 2014 is in line with the forecasts of the FAS Update June 2014. The only notable variance relates to trade and other receivables, where advances to the Group were lower than expected at the end of 2014.

2.4 Evaluation of Performance and Financial Position

Gasán Finance Company p.l.c.	2012	2013	2014	2015
<i>Profitability Ratios - 31 December</i>	Actual	Actual	Actual	Forecast
Gross Profit Margin <i>(Gross Profit / Revenue)</i>	56%	57%	60%	63%
Operating Profit Margin <i>(Operating Profit / Revenue)</i>	49%	49%	51%	54%
Interest Coverage <i>(Operating Profit adding back interest payable / Interest Payable)</i>	2.1x	2.2x	2.3x	2.5x
Return on Assets <i>(Operating Profit / Average Total Assets)</i>	3.1%	2.9%	3.2%	3.4%
Return on Capital Employed <i>(Operating Profit / Average Capital Employed)</i>	3.2%	3.1%	3.4%	3.5%
Net Profit Margin <i>(Profit for the year / Revenue)</i>	102%	56%	36%	38%
Return on Equity <i>(Profit for the year / Average Total Equity)</i>	15.8%	8.5%	5.9%	5.7%

Source: Gasán 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. The net profit margin for 2012 diverges from this trend due to the revaluation gain on the property.

During recent years, margins have been stable. The gross profit margin and operating margin increased to 60% and 51% respectively during 2014, driven by the increase in interest receivable from group balances and a more moderate rise in interest payable. The shift in the revenue composition, mainly the increase in the relative importance of interest on the loans to other group companies as opposed to interest on bills receivable, had a moderately positive impact.

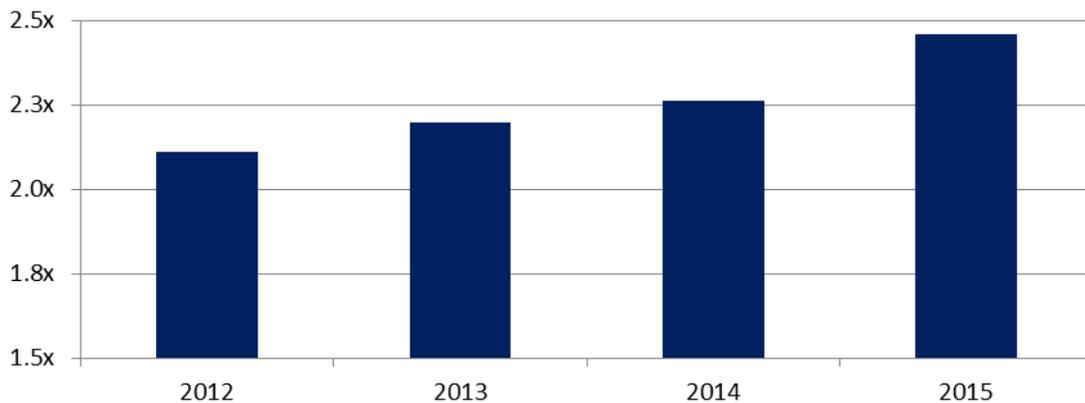
Margins are expected to increase again in 2015, mainly as a result of the decrease in finance costs following the refinancing transaction of 2014. Return on Capital Employed (“ROCE”) and Return on

Assets (“ROA”) were estimated on the basis of operating profit. ROCE and ROA are also expected to improve.

Profit related ratios for the Issuer are driven by the movements in profit after tax, which in turn reflects the property revaluation gain. This is reflected in the higher than average ratios in 2012 and 2013.

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 of 2x, with interest coverage rising slightly to 2.3x during 2014 and expected at 2.5x in 2015.

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



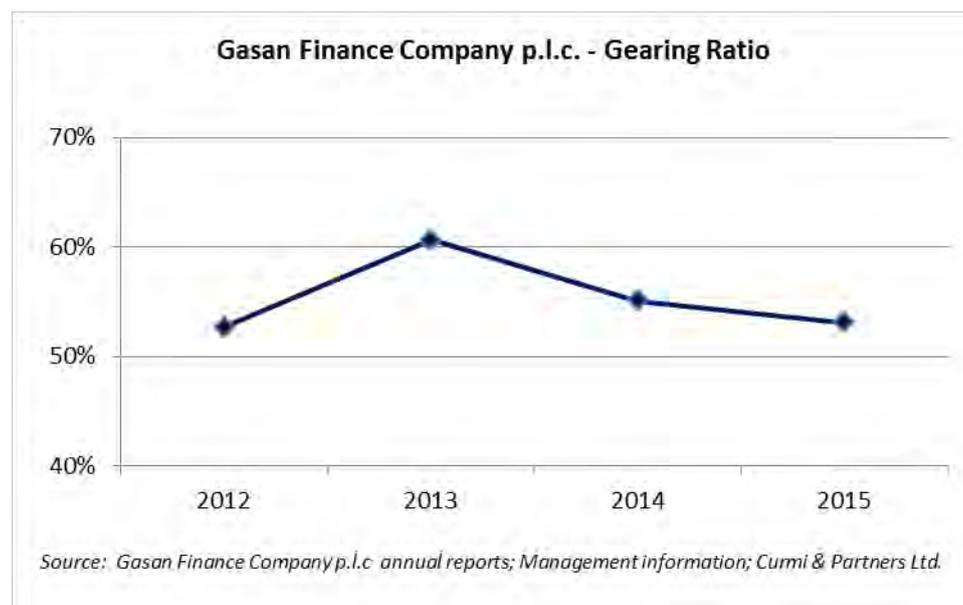
Source: Gasán Finance Company p.l.c. annual reports; Management information; Curmi & Partners Ltd.

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. However, this would not be reflective of inefficient working capital management, due to the characteristics of the Issuer as a finance vehicle. During 2014, the current ratio increased to 14x, with the previous year being impacted by the outstanding balance on the Bond 2014/16.

Gasan Finance Company p.l.c.	2012	2013	2014	2015
<i>Statement of Financial Position Ratios - 31 December</i>	Actual	Actual	Actual	Forecast
Current Ratio <i>(Current Assets / Current Liabilities)</i>	11.3x	4.3x	13.5x	14.8x
Quick Ratio <i>(Current Assets less Inventories / Current Liabilities)</i>	11.3x	4.3x	13.5x	14.8x
Gearing Ratio (1) <i>(Borrowings / {Total Equity + Borrowings})</i>	52.7%	60.7%	55.1%	53.1%
Gearing Ratio (2) <i>(Borrowings / Total Equity)</i>	1.1x	1.5x	1.2x	1.1x

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

As expected, gearing decreased during 2014 reflecting the reduction in borrowings from the redemption of Bond 2014/16. A further progressive decrease in indebtedness until redemption of the Bond 2019/21 is expected going forward, driven by the repayment of the bank loan and an increase in equity.



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 Company 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.

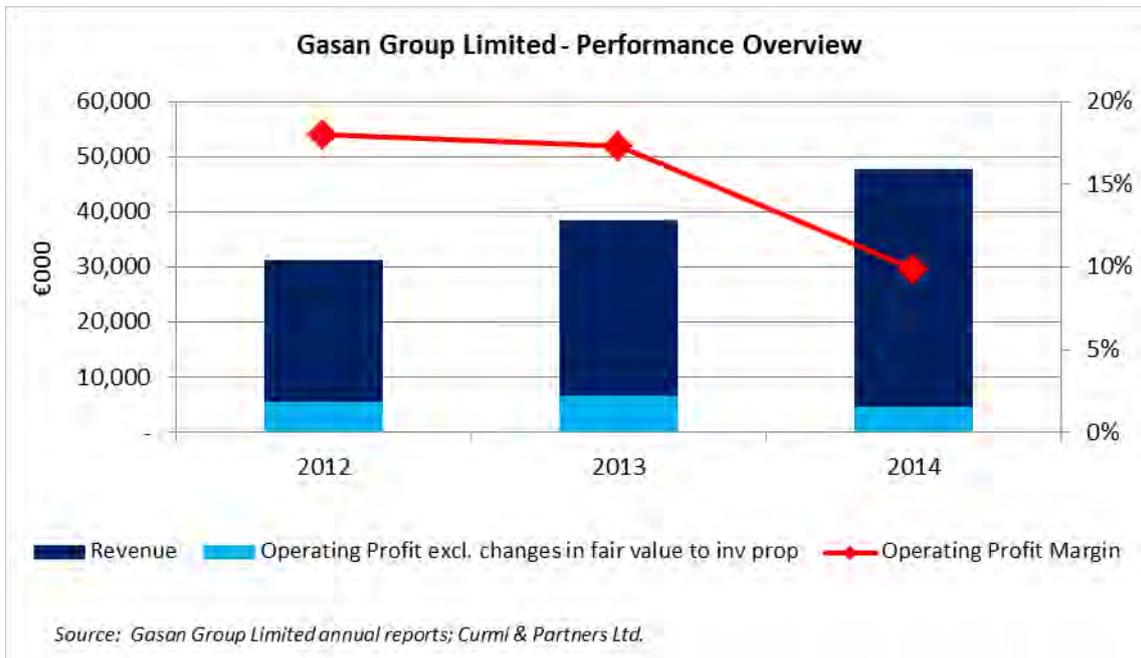
Due to the above mentioned reliance it is relevant to provide an overview of the performance and financial position of the Group.

This document makes reference to the financial statements of the Group for the financial years ended 31st December 2012, and 31st December 2013, and 31st December 2014. 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	2012	2013	2014
<i>Statements of comprehensive income (€ 000) - 31 December</i>	Actual	Actual	Actual
Revenue	31,351	38,594	47,736
Cost of sales	(28,478)	(33,475)	(42,196)
Contribution from insurance operations	5,757	4,403	2,414
Gross Profit	8,631	9,522	7,954
Distribution costs	(115)	(184)	(236)
Administrative expenses	(3,041)	(3,052)	(3,883)
Other income - net	175	371	844
Net gains from investments	2	-	-
Income from investment property	1,741	900	221
Operating Profit	7,392	7,557	4,899
Investment and other related income	746	331	6,327
Finance income	1,233	730	784
Finance costs	(3,386)	(3,289)	(2,855)
Profit before impairment and before share of results of associates	5,984	5,329	9,156
Available-for-sale investments - impairment	(268)	(130)	(1,187)
Share of results of associates	1,642	203	268
Profit before tax	7,358	5,402	8,237
Tax expense	(1,651)	(601)	(2,120)
Profit for the year	5,707	4,800	6,117
Other comprehensive income, net of tax	551	516	(1,377)
Total comprehensive income for the year	6,258	5,316	4,740
Total comprehensive income attributable to:			
Owners of the Company	4,546	3,946	3,696
Non-controlling interests	1,712	1,370	1,044
Total comprehensive income	6,258	5,316	4,740

Source: Gasan Group Limited annual reports

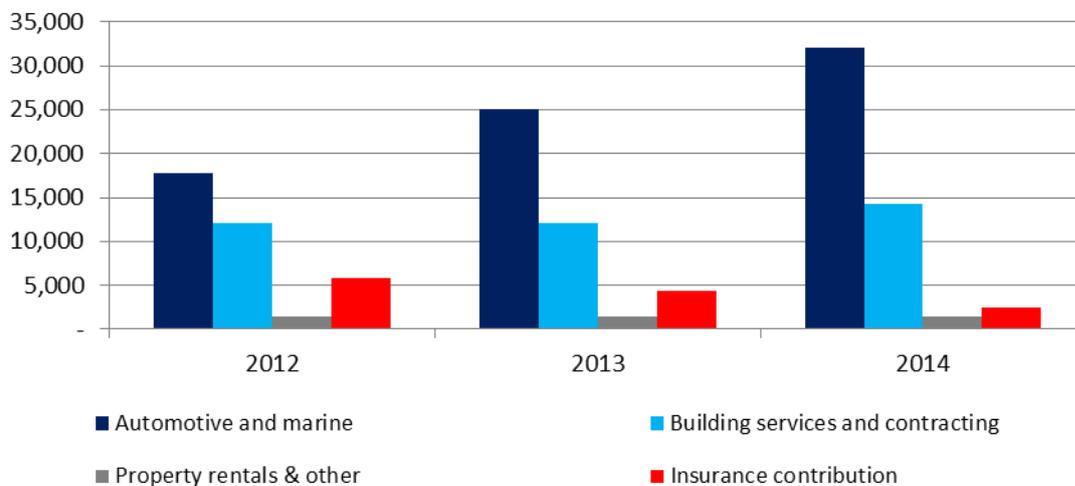


In line with recent years, the Group’s revenues continued to grow during 2014. Total revenues amounted to €47.7 million, an increase of 24% on the previous year. Relative contributions from the different lines of business (excluding insurance operations) were basically unchanged, with the automotive and marine business generating 67% of total revenues, and building services solutions generating 30% of total revenues. The contribution from insurance operations tends to be more volatile, with variations driven by the level of claims incurred and movements in investment returns.

Both the automotive and the building services solutions areas had a year of positive growth during 2014. The automotive business continued to benefit considerably from the formation of GasasZammit Motors Limited (“GasasZammit”) in late 2012, with revenues from the sales of new motor vehicles increasing by 30% to €23 million. Building services solutions had a robust year, with revenues increasing 18% to €14.3 million.

There was a notable decrease in the contribution from insurance operations, with the contribution decreasing by 46% to €2.4 million due to a number of unusually large claims incurred during the first quarter of the 2014.

Gasan Group Limited - Revenue Breakdown (€000)



Source: Gasan Group Limited annual reports

Administrative expenses increased 27% mainly due to a provision on an investment in an associated undertaking operating in Libya. Operating profit excluding the impact from changes in fair value of investment property decreased by 29% to €4.7 million. The impact of property revaluations was more moderate in 2014 compared to recent years. On the other hand, it is noted that the deterioration in operating profit is basically entirely driven by the decrease in contribution from insurance operations. The core performance of other operations (excluding insurance activities) improved slightly. The estimate for EBITDA also reflects these trends, with a decrease of 26% to €5.2 million primarily consisting of the lower contribution from insurance operations.

The profit for the year is impacted by investment and other related income and impairments to available-for-sale investments. During 2014, investment and other related income amounted to €6.3 million. Investments are undertaken by management as opportunities arise and these investments are generally held for the medium to long term with a view to generating a return on exit. The disposal of financial assets during 2014 was in line with this strategy. The impairment on available-for-sale investments increased to €1.2 million during 2014; this relates to equity held in a listed company which investment is marked to market at the year-end.

A prudent approach is adopted each year when an assessment is made of property and financial assets. 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 continued to generate more than €4 million in total comprehensive income in recent years.

3.2 Statements of Cash Flows

Gasas Group Limited	2012	2013	2014
<i>Statement of cash flows (€000) - 31 December</i>	Actual	Actual	Actual
Net cash generated from operating activities	1,408	3,750	5,857
Net cash generated from (used in) investing activities	1,852	(536)	3,035
Net cash (used in) generated from financing activities	(3,216)	5,404	(9,958)
Net movement in cash and cash equivalents	44	8,618	(1,066)
Cash and cash equivalents at beginning of year	(20,408)	(20,364)	(11,746)
Cash and cash equivalents at end of year	(20,364)	(11,746)	(12,812)

Source: Gasas Group Limited annual reports

During 2014, net cash from operating activities increased by €2.1 million to €5.9 million. The investment income more than compensated for the decrease in cash generated from operations.

Net cash generated from investing activities amounted to €3.0 million during 2014, compared to an outflow of €0.5 million for the previous year. This amount was driven by the net inflow from the sale of financial assets, in addition to the disposal of insurance investments.

With respect to financing activities, the net cash used amounted to €10.0 million. The outflow reflects primarily the redemption of the outstanding balance on the Bond 2014/16 in May 2014. Dividends paid amounted to €2.7 million. 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 2014, there was an overall negative movement in cash and cash equivalents of €1.1 million, resulting in an increase of the short term net borrowings balance to €12.8 million. The year-end balance consists of €6.8 million in cash at bank and €19.6 million in bank overdrafts.

3.3 Statements of Financial Position

Gasan Group Limited	2012	2013	2014
<i>Statements of financial position (€ 000) - 31 December</i>	Actual	Actual	Actual
ASSETS			
Non-current assets			
Property, plant and equipment	24,473	23,458	23,253
Investment property	32,388	32,991	34,772
Intangible assets	648	648	648
Investment in associates	17,631	18,947	19,978
Other investments	23,575	23,322	16,876
	98,715	99,367	95,527
Other non-current assets			
Deferred tax	3,324	3,326	3,178
Trade and other receivables	10,368	9,708	8,798
	13,692	13,033	11,976
Insurance company			
Investments	24,254	24,042	23,454
Investment property	3,569	4,954	4,992
Cash and cash equivalents	-	4,269	6,376
	27,823	33,265	34,822
Total non-current assets	140,230	145,665	142,325
Reinsurers' share of technical provisions	450	297	909
Current assets			
Inventories	11,275	10,527	13,828
Stock held for development and resale	170	170	170
Trade and other receivables	24,502	22,958	24,669
Current tax assets	1,718	2,706	2,914
Available-for-sale investments	-	15	31
Financial assets through profit or loss	24	-	-
Deferred acquisition costs	2,439	2,511	2,556
Cash and cash equivalents	4,781	280	411
Total current assets	44,909	39,167	44,579
Total assets	185,589	185,129	187,812

Source: Gasan Group Limited annual reports

The Group's total assets as at 31st December 2014 amounted to €187.8 million, a small increase over the previous year. Property, plant and equipment were basically unchanged at €23.3 million, with investment property increasing by €1.8 million to €34.8 million. The major movement within total assets related to a decrease of €6.4 million in non-current investments, due to the disposal of financial assets. Inventories increased by €3.3 million to €13.8 million, mainly due to higher stock for the automotive business.

Gasan Group Limited	2012	2013	2014
<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	12,009	12,498	13,138
Other reserves	17,987	19,014	16,982
Retained earnings	38,264	39,679	42,759
	69,587	72,518	74,206
Non-controlling interests	8,419	9,161	9,725
Total equity	78,006	81,679	83,931
Non-current liabilities			
Deferred tax	7,283	7,677	7,594
Trade and other payables	-	173	-
Borrowings	29,554	31,949	30,295
Total non-current liabilities	36,836	39,799	37,889
Insurance company			
Technical provisions	25,065	24,590	27,469
Current liabilities			
Trade and other payables	17,684	15,329	16,932
Borrowings	27,351	23,292	20,861
Current tax liabilities	647	441	731
Total current liabilities	45,682	39,061	38,524
Total liabilities	107,583	103,450	103,881
Total equity and liabilities	185,589	185,129	187,812

Source: Gasan Group Limited annual reports

Total borrowings as at 31st December 2014 amounted to €51.2 million, a decrease of €4.1 million from the previous year. Bank overdrafts increased by €3.3 million, with the increase in this short term bank financing utilised to fund the increase in working capital sustained during 2014.

The Group's bank overdrafts and loans are secured by general and special hypothecs over the Group's assets and a pledge of €2.9 million on insurance investments. During 2014, trade and other payables increased by 9% to €16.9 million, driven by a €2.5 million increase in trade payables.

Total equity was €83.9 million as at 31st December 2014, consisting of €42.8 million of retained earnings, €30.1 million in reserves and €1.3 million in share capital, with the balance consisting of non-controlling interests. The increase in total equity mainly reflected the increase in retained earnings.

3.4 Evaluation of Performance and Financial Position

Gasam Group Limited	2012	2013	2014
<i>Profitability Ratios - 31 December</i>	Actual	Actual	Actual
Gross Profit Margin <i>(Gross Profit / Revenue)</i>	27.5%	24.7%	16.7%
Operating Profit Margin ^(a) <i>(Operating Profit / Revenue)</i>	23.6%	19.6%	10.3%
Operating Profit Margin ^(b) <i>(Operating Profit excluding changes in fair value of investment property / Revenue)</i>	18.0%	17.3%	9.9%
EBITDA margin <i>(EBITDA / Revenue)</i>	18.7%	18.3%	10.9%
Interest Coverage <i>(EBITDA / Net Finance Costs)</i>	2.7x	2.8x	2.5x
Return on Assets ^(a) <i>(Operating Profit / Average Total Assets)</i>	4.1%	4.1%	2.6%
Return on Assets ^(b) <i>(Operating Profit excluding changes in fair value of investment property / Average Total Assets)</i>	3.1%	3.6%	2.5%
Return on Capital Employed ^(a) <i>(Operating Profit / Average Capital Employed)</i>	5.3%	5.3%	3.3%
Return on Capital Employed ^(b) <i>(Operating Profit excluding changes in fair value of investment property / Average Capital Employed)</i>	4.1%	4.7%	3.2%
Net Profit Margin <i>(Profit for the year / Revenue)</i>	18.2%	12.4%	12.8%
Return on Equity <i>(Profit for the year / Average Total Equity)</i>	7.5%	6.0%	7.4%

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

The Group's growth during 2014 was generally positive, in line with previous years. Revenue was particularly robust, driven mainly by the increased revenues from the automotive sector. On the other hand, the insurance business has been more volatile, with a notable decrease in its contribution due to abnormally high claims in 2014. The combination of these factors led to a decrease in the overall profit margin.

However, the exposure to the diverse range of sectors in which the Group operates has allowed it to deliver an overall consistent performance. Additionally, the Group's results are impacted by items that include valuation gains/losses on investment property and impairments to financial assets.

The deterioration in the operating profit margin to 10%, reflecting performance after distribution and administrative costs, in addition to income from investment properties, is the result of all the above factors.

Compared to previous years, there was a lower impact of the income from investment properties during 2014. At the EBITDA level, with this estimate excluding depreciation and amortisation items in addition to valuation gains and impairments, the margin decreased from 18% to 10%.

With total assets almost unchanged during 2014, decreases in ROCE and ROA, even when excluding the impact from investment property revaluations, primarily also reflect the decrease in operating profit driven by a lower contribution from insurance activities. The interest coverage for the Group, based on EBITDA, remained at the relatively healthy level of almost 3x. It is noted that the successful refinancing completed during 2014 allowed the Group to reduce its finance costs, compensating for the lower level of EBITDA.

Overall profitability of the Group was impacted by investment income in addition to impairments to financial assets and revaluations. During 2014, profit for the year increased to €6.1 million due to a notable contribution from investment income related to the sale of financial assets and dividend received. The Group maintained a consistent performance in achieving comprehensive income of almost €5 million in 2014.

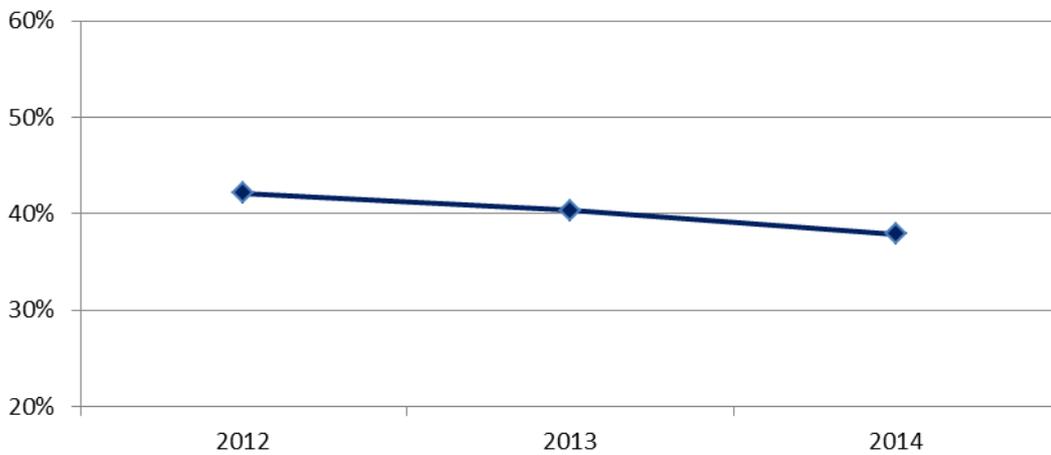
Gasan Group Limited	2012	2013	2014
<i>Statements of Financial Position Ratios - 31 December</i>	Actual	Actual	Actual
Current Ratio <i>(Current Assets / Current Liabilities)</i>	1.0x	1.0x	1.2x
Quick Ratio <i>(Current Assets less Inventories / Current Liabilities)</i>	0.7x	0.7x	0.8x
Gearing Ratio (1) <i>(Borrowings / {Total Equity + Borrowings})</i>	42.2%	40.3%	37.9%
Gearing Ratio (2) <i>(Borrowings / Total Equity)</i>	0.7x	0.7x	0.6x
Net Leverage Ratio <i>(Net Borrowings / EBITDA)</i>	8.9x	7.8x	9.8x
Free Cash Flow to Debt <i>(Free cash flow / Borrowings)</i>	11.7%	8.7%	5.9%

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 2012-2014 combined, free cash flow was estimated at around €15 million. Apart from the decrease in EBITDA, the estimate for 2014 also reflects the notable increase in working capital (even though this was partly compensated for by major divestments in financial assets).

Net leverage in terms of the level of net borrowings to EBITDA, would be considered high. However, it is also relevant to consider that 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 2014, with the gearing ratio decreasing to 38%. 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 Ltd.

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, Mekanika Limited and Gasan Properties Limited will continue to be major contributors to the Group's cash generation from operations. Mekanika's historic performance has been relatively stable, and 2015 is expected to be a positive year for growth. Significant contracts will be undertaken during the year, including work on large scale projects. The rental income from Gasan Properties Limited 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.

In 2015, the Group is expected to commence work on the project relating to Il-Piazzetta land in Sliema ("Il-Piazzetta"). This project will include a combination of commercial and retail outlets, in addition to residential units. The project will be funded partly by the Group's own funds and partly by bank finance.

In 2015, the Group will continue investing in an associate company in the energy sector, with an authorized commitment for equity participation for an amount between €8 million and €9 million.

Permit applications for a major project in Mriehel are currently in process. 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.

Following the decrease in gearing achieved in 2014, 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 these corporate groups operate in. 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	2013	2014
<i>Interest Coverage Ratios</i>	Actual	Actual
Gasam Finance Company p.l.c	2.2x	2.3x
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.	1.1x	0.9x

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.