



VON DER HEYDEN GROUP

FINANCIAL ANALYSIS SUMMARY
Von der Heyden Group Finance p.l.c.
30th January 2017



Calamatta Cuschieri
YOUR PARTNER IN FINANCIAL SERVICES

The Directors
Von der Heyden Group Finance p.l.c.,
Palazzo Spinola Business Centre
46, St. Christopher Street
Valletta, VLT1464
30th January 2017

Dear Sirs,

Von der Heyden Group Finance p.l.c. - Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Von der Heyden Group Finance p.l.c. (“the issuer”). The data is derived from various sources or is based on our own computations as follows:

- (a) The forecast data for the financial years ending 31st December 2017 to 31st December 2018 have been provided by management.
- (b) Our commentary on the results of Von der Heyden Group Finance p.l.c. (“the Group”) and on its financial position is based on the explanations set out by the Issuer in the Prospectus.
- (c) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (d) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

The Analysis is meant to assist potential investors by summarising the more important financial data set out in the Prospectus. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the proposed Bond Issue and should not be interpreted as a recommendation to invest in the Bonds. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the

reliability of the information contained in the Prospectus. Potential investors are encouraged to seek professional advice before investing in the bonds.

Yours sincerely



Nick Calamatta
Director

1.	Information about the Issuer	4
1.1	Issuer and Guarantor’s key activities and structure	4
1.2	History of the Group	6
1.3	Directors and Executive Management.....	7
1.4	Major assets owned by the group	11
2.	Review of the business	19
3.	The Bond Issue and Projects Concerned.....	20
3.1	Use of Proceeds	20
4.	Performance Review	22
4.1	Significant Transactions	22
4.2	Income Statement.....	23
4.3	Financial Position	25
4.4	Cash Flow Statement Review.....	27
5.	Projected Financials	29
5.1	Projected Income Statement	30
5.2	Projected Balance Sheet	31
5.3	Projected Capital Position.....	32
5.4	Projected Cashflow Statement	32
5.5	Key Assumptions Used in forecasts	33
6.	Comparables	34
7.	Glossary and Definitions	36

1. Information about the Issuer

1.1 Issuer and Guarantor's key activities and structure

Von der Heyden Group Finance plc ("VDHGF"), company registration number C 77266, is a limited liability company registered in Malta on 15th September 2016. It is intended that VDHGF will serve as the financing vehicle of the Group. The issued share capital is held by:

Timan Investment Holdings ("TIH") 249,999 A Ordinary shares; and

FJV Management Limited 1 B Ordinary share.

The ultimate beneficial owners of TIH are described in further detail below.

TIH, the guarantor of the debt securities, has company registration number C 63335 and is a limited liability company registered in Malta on 31st December 2013 as a continuing business from the Netherlands (previously Timan Investments Holdings B.V.) under Companies Act 1995. The principal activity of TIH is to hold for capital growth and income generation, investments in subsidiary and associated entities. TIH also currently provides financing to Group and related entities. The Group is involved in real estate development, real estate leasing, hotel management, and hospitality and has operations in Germany, Poland, Spain and Malta.

Currently the authorised share capital of TIH consists of 50,000,000 ordinary shares, comprising 20,000,000 ordinary A Shares of Euro 1 each and 30,000,000 Ordinary B shares of Euro 1 each. The issued share capital is Euro 3,804,641 divided into 3,249,924 ordinary A shares of Euro 1 each and 554,717 ordinary B shares of Euro 1 each and is held as follows:

Von der Heyden Group Holdings S.A.R.L. 3,249,924 A Ordinary shares (85.42%) of Euro 1 each fully paid up; and

Trusthigh Holdings Limited 554,717 B Ordinary shares (14.58%) of Euro 1 each fully paid up.

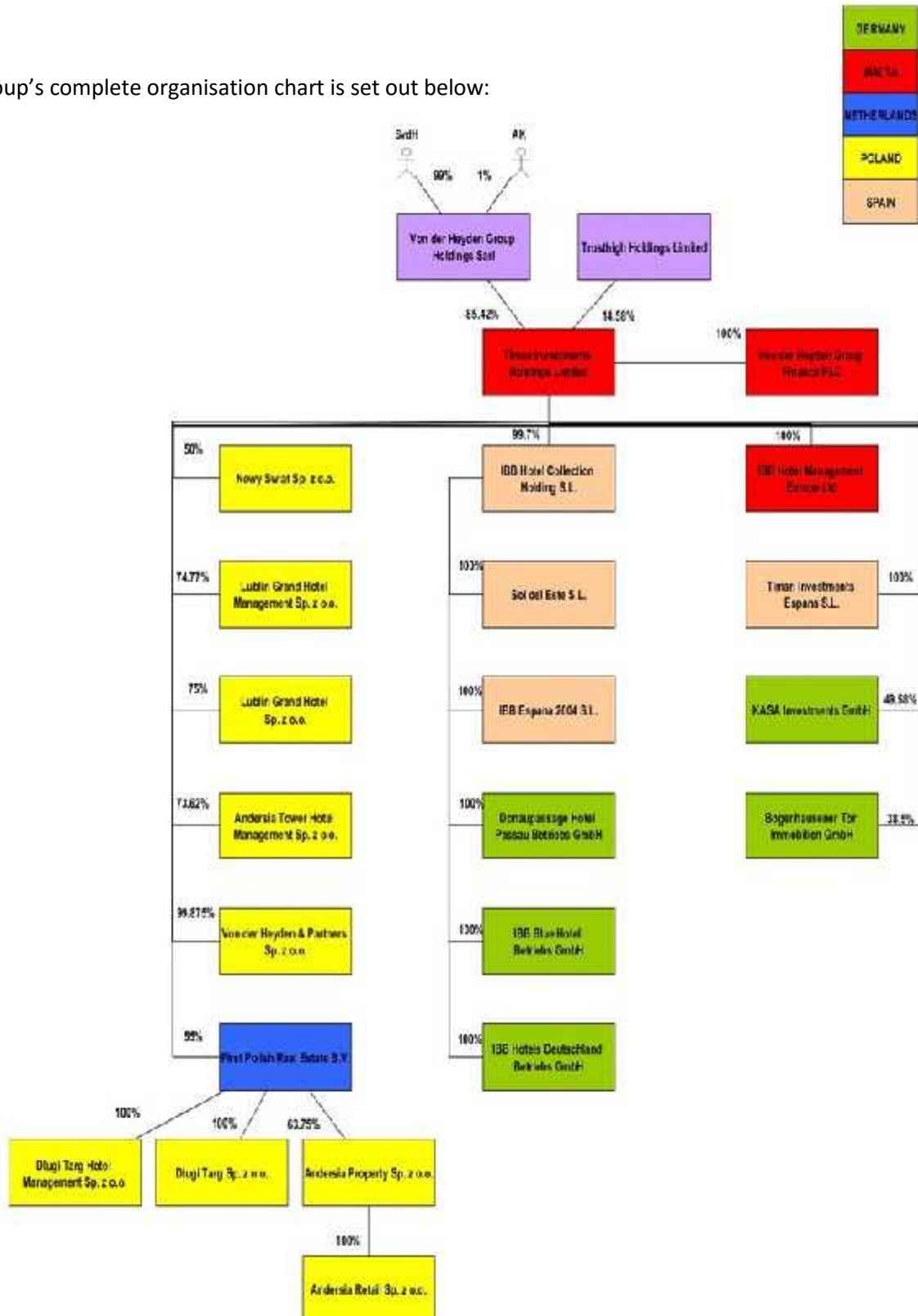
In terms of its Memorandum and Articles of Association, the Guarantor is controlled by Von der Heyden Group Holdings S.A.R.L and, accordingly, the Group is ultimately controlled by Mr. Sven Von Der Heyden. The Group's parent company is TIH. TIH's principal Malta registered subsidiaries are VDHGF and IBB Hotel Management Europe Ltd ("IHME"). As at 4th October 2016, the Group had 25 subsidiary entities and 6 associated entities registered in Germany, Poland, Spain and Holland.

Group associated entities include Bogenhausener Tor Immobilien GmbH ("BTI") that is involved in the development of the Bavaria Towers Munich project and Andersia Retail Sp. z o.o. ("AR") that is involved in the future development of Andersia Silver, an office building in Poznan, Poland.

Where the Group owns and manages a hotel, it normally sets up a property holding entity and a separate hotel operating entity. Where the Group operates a hotel, it normally sets up a hotel operating company. Hotels, whether owned and managed or just managed, are all managed under

the IBB brand. Spanish and German hotels are currently managed by IBB Management 2007 S.L. (“IMSL”) whilst the Polish hotels are managed by IBB Polska Sp. z o.o. (“IPSZ”). These two hotel management companies offer services like a common booking online platform and marketing. In future, the management of IBB Hotels Collection will be centralised under IHME.

The Group’s complete organisation chart is set out below:



1.2 History of the Group

The Group was founded in 1989 and has completed investment programmes in real estate markets with a market value of approximately over Euro 350 million. The Group employs approximately 272 people. The Group has representative offices or investments in Warsaw, Poznan, Lublin, Gdansk, Amsterdam, Berlin, Leipzig, London, Mahón (Menorca), Madrid, Munich, Malta and Luxembourg and also has conducted or still conducts business in Atlanta, Dresden and New York. The Group has established itself as a niche boutique player targeting top quality results developing high quality office buildings, owning and managing hotel and residential properties in Europe and specifically in Germany, Poland and Spain.

The Group's business activities are currently organised primarily across two lines of business:

Property development; and

Hotel management.

Property development

The property development business line includes the identification and development of sites for office, retail, and mix use commercial or residential purposes. The property development business also includes development of hotels that are owned or managed by the Group. The Group has been involved in development projects in:

-) Germany – including the Bavaria Towers Munich development;
-) Poland – including the Liberty Corner Warsaw development and the Andersia Square Poznan development; and
-) Spain – including the Cugó Gran Menorca boutique hotel development (see hotel management below).

Individual property developments are described in further detail in section 1.4.1.

Hotel management

The hotel management business line includes the management of hotels under the IBB Hotel Collection brand, in Germany, Poland, and Spain. Certain hotels under management are also currently owned by the Group. As at FY15, the Group had 8 hotels under management including 3 owned and managed hotels. Hotels under management are discussed in more detail in section 1.4.1.

1.3 Directors and Executive Management

BOARD OF DIRECTORS - ISSUER

The Issuer is currently managed by a Board of five Directors, who are responsible for the overall direction and management of the Company. The Board currently consists of two executive Directors, who are entrusted with the company's day-to-day management, and three non-executive Directors who are also independent of the Issuer, whose main functions are to monitor the operations of the executive Directors and their performance, as well as to review any proposals tabled by the executive Directors.

Name	Designation
Sven von der Heyden	Executive Director, Chairman
Robert Hendrik Rottinghuis	Executive Director, CEO
Francis J. Vassallo	Independent, Non-Executive Director
Kevin Deguara	Independent, Non-Executive Director
Robert Aquilina	Independent, Non-Executive Director

The business address of all of the Directors is the registered office of the Issuer. Below is a short curriculum vitae of each of the Directors.

Sven von der Heyden

Mr von der Heyden is the founder and Chairman of the Group, responsible for its overall direction and strategy. Prior to the setting up of the Group in 1989, Mr von der Heyden was an institutional bond dealer. He was also a co-founder, the main shareholder as well as chairman of the Supervisory Board of the Iberia Motor Company S.A., the general exclusive importer of Seat cars in Poland, sold in 1998 with a revenue of €150 million. Mr von der Heyden has won various personal and project awards, including "Personality of the Year 2002" award granted by the readers of Construction Journal Poland, "Preservation of Historical Buildings" award granted to Mr von der Heyden by the Polish Minister of Culture in 2002 and multiple "Building of the Year" and "CEE Best Projects" awards in recognition of projects carried into effect by the Group over the years. Mr von der Heyden is resident in Malta since January 2014.

Robert Hendrik Rottinghuis

Mr Rottinghuis joined the Group in September 2016 as an executive director and member of the management board, responsible for corporate governance, compliance, corporate finance and business development, after having serviced the Group in different roles working with corporate services providers and banks for over 10 years. Mr Rottinghuis also held the position of managing director of United International Management Malta and director in its Luxembourg office, primarily

servicing private equity and real estate investment funds. Mr Rottinghuis holds a Master in Business Administration degree.

Francis J. Vassallo

Mr Vassallo, founder of the Francis J. Vassallo & Associates Group, is a former Governor of the Central Bank of Malta. He occupied several senior positions during his 25-year international career with Chase Manhattan Bank New York, during which time he was a member of the board of several Chase subsidiaries in Luxembourg, the Channel Islands and in Spain. Between 1987 and 1991, Mr Vassallo was general manager of Chase Manhattan Bank in Spain and responsible for the setting-up of private banking and capital markets. He was then appointed general manager of Chase Private Bank in Switzerland, where he remained in office until September 1993. Back in Malta, and prior to founding the Francis J. Vassallo & Associates Group, Mr Vassallo was appointed Governor of the Central Bank of Malta during the crucial time of the introduction into Maltese legislation of the financial services package, which office he held until 1997. Mr Vassallo is a Professed Knight of the Sovereign Military Order of St. John of Jerusalem, has been awarded the National Order of Merit by the President of Malta and the Order of Isabel La Catolica by the King of Spain. He was also appointed Special Envoy to the previous Malta administration to negotiate double taxation agreements with Latin American countries.

Kevin Deguara

Mr Deguara has a long term background in the real estate sector in Malta, having been actively involved within this industry for over 16 years. He is co-owner in the companies that operate the Remax offices in Blue Harbour in Ta' Xbiex and Remax City in Valletta. In respect of both said companies Mr Deguara also acts as money laundering reporting officer, as well as the person certified for their Financial Intelligence Analysis Unit obligations. In addition, he serves as a board member of the Remax & Friends Foundation which is a charitable foundation set up by Remax Malta to support various organisations and charities. Mr Deguara has studied business studies, accounts and economics as well as various leadership and management courses within the real estate sector.

Robert Aquilina

Mr Aquilina joined the Salvo Grima Group in 1973, being appointed as director in the following year. As from 1988 he served as managing director of the company and in 2003 was appointed as its Chairman and CEO. In line with the company's retirement policy on April 30, 2016 he stepped down as its CEO and remained Salvo Grima's Chairman, a position he continues to occupy to date. Mr Aquilina holds selected board member mandates in various national and international companies, as well as multiple memberships of leading logistics and shipping associations. Furthermore, since 1983 he has been a member of the Malta Chamber of Commerce and in 2016 became Chairman of the newly set up Logistics Business section. Mr Aquilina was also a founding member of the Airport Tax Free Association (ATFA) and Duty Free Port Shops Association, Malta and internationally served on the International Marine Purchasing Association (IMPA) for many years as vice president and council member.

BOARD OF DIRECTORS - GUARANTOR

TIH has a board consisting of four directors, comprising:

Name	Designation
Sven von der Heyden	Executive Director
Javier Errejon Sainz de la Maza	Executive Director
Francis J. Vassallo	Independent, Non-Executive Director
FJV Management Limited	Independent, Non-Executive Director

Below is a short CV about directors not part of the issuer and other key members of the Group's senior executive team.

Mr. Javier Errejon Sainz de la Maza – Executive Director

Mr Errejon joined the Group in September 2006 as its Chief Financial Officer and member of the management board responsible for finance. Prior to that he occupied several senior positions, including that of head of analysis and management control of Aldeasa S.A. and controller and financial management of Grupo Ferrovial. With a bachelor in law and a Master of Business Administration degree from IESE Business School, Mr Errejon is also a professor teaching finance and business valuation at various universities and business schools in Spain and other countries.

Mr. Adam Karol Trybusz – Head of Real Estate Development Poland Von der Heyden Group.

Mr Trybusz joined the Group in 1996 and is responsible for its real estate development projects in Poland, several of which have been award winning projects. Mr Trybusz holds a Master degree from the Faculty of Computer Science and Management in Wroclaw University of Technology and is a member of the Royal Institute of Chartered Surveyors (RICS).

Mr. Vladimir Saal – Chief Executive Officer of IBB Hotel Collection

Mr. Saal joined the Von der Heyden Group in 2009 and is responsible for its hotel operations and development. Prior to that he held several positions as general manager of leading hotels in Germany.

Ms. Carolin Schraishuhn – Head of Financial Controlling Von der Heyden Group

Ms. Schraishuhn joined the Von der Heyden Group in 2014 and is responsible for financial controlling. Prior to that she held the position of head of finance and controlling for a German stock listed company as well as one of the youngest audit manager ever in Ernst & Young.

Ms. Kinga Koninska – Head of PR & Marketing Von der Heyden Group

Ms. Koninska joined the Von der Heyden Group in 1997 after graduating from university and is responsible for PR & Marketing of the entire Group.

Mr Adrian Sciberras – Head of Controlling of IBB Hotel Collection

Mr Sciberras joined the Group in 2016 and is responsible for financial controlling at its hotel division, headquartered in Malta. Prior to joining the Group, Mr Sciberras' prior positions held include that of financial controller at Transport Malta, chief financial officer at Gozo Channel Co Ltd as well as several positions within the private sector in Malta. He holds a bachelor in accounting and an executive master in business administration from the University of Malta.

1.4 Major assets owned by the group

The following table provides a list of the principal assets and operations owned by the respective Group companies as at the date of the Prospectus:

OWNING COMPANY	NAME OF PROPERTY	LOCATION	DESCRIPTION	% OWNERSHIP
Andersia Retail Sp. z o.o.	Andersia Silver	Poland	Property owner	42.5%
Andersia Tower Hotel Management Sp. z o.o.	IBB Andersia Hotel	Poland	Hotel management and operation	73.62%
Bogenhausener Immobilien GmbH	Bavaria Towers	Germany	Property owner of the Blue Tower	38.5%
Długi Targ Sp. z o.o.	IBB Hotel Długi Targ	Poland	Property owner	50%
Długi Targ Hotel Management Sp. z o.o.	IBB Hotel Długi Targ	Poland	Hotel management and operation	50%
Donaupassage Hotel Passau Betriebs GmbH	IBB Hotel Passau City Centre and IBB Hotel Passau Süd	Germany	Hotel management and operation	100%
IBB Blue Hotel Betriebs GmbH	IBB Blue Hotel Berlin-Airport	Germany	Hotel management and operation	100%
IBB España 2004 S.L.	IBB Recoletos Coco Salamanca	Spain	Hotel management and operation	100%
IBB Hotel Collection Holding S.L. (formerly Asturme S.L.)	IBB Hotel Paradis Blau	Spain	Property owner	99.7%
IBB Hotels Deutschland Betriebs GmbH	IBB Hotel Ingelheim, IBB Hotel Kempten Allgäutower and IBB Hotel Paderborn	Germany	Hotel management and operation (future projects)	100%
IBB Hotel Management Europe Ltd	IBB Hotel Valletta Merkanti	Malta	Hotel management and operation (future project)	100%
KASA Investments GmbH	8 residential buildings located in Leipzig, Berlin and Plauen (Germany) totalling 5,937sqm	Germany	Property owner	49.58%
Lublin Grand Hotel Sp. o.o.	IBB Grand Hotel Lublinianka	Poland	Property owner	75%
Lublin Grand Hotel Management Sp. o.o.	IBB Grand Hotel Lublinianka	Poland	Hotel management and operation	74.77%
Nowy Świat Sp. z o.o.	Nowy Świat Atrium	Poland	Property owner (future project)	50%
Sol del Este S.L.	IBB Hotel Paradis Blau	Spain	Hotel management and operation	100%
Timan Investments España S.L.	IBB Hotel Cugó Gran	Spain	Property owner & Hotel management and operation	100%
Von der Heyden & Partners Sp. z o.o.	Plot of undeveloped land in Wegorzewo, Poland measuring 8,361m2	Poland	Property owner	99.875%

1.4.1 Further details about projects and assets owned by the Group

1.4.1.1 Completed Office developments

Prima Court

Project- eight-storey office building located in the centre of Warsaw, a project with an investment value of €18.2 million.

Highlight- A class 'A' office building in Poland, was the first office building in Poland to be entirely leased before construction works began.

Ks. Skorupki 4

Project- a class 'A' office building, with 7,200 m² gross area and 4,000 m² of net usable area and is located in the centre of Warsaw, Poland with an investment value of €14.5 million.

Highlight - was the first building in Poland that was sold turn-key off-plan prior to the start of construction works.

Liberty Corner

Project- class 'A+' office building in Poland located in the heart of Warsaw with an investment value of €21 million.

Highlight - The building comprises modern building management systems and was the first building in Poland built with pre-stressed slabs instead of structural columns which allows a flexibility in space arrangement within the building. Liberty Corner received many prestigious awards, among others: 'Building of the Year 2003' First Prize in the most prestigious contest "Budowa Roku 2003" ("Building of the Year 2003").

Poznań Financial Centre

Project – The first of three constructions developed by the Group at Anders' Square in Poznan, Poland. It is a class 'A' office building with an investment value of €45.5 million and was the first public-private partnership in Poznań in joint venture with the City of Poznań.

Highlight - PFC was granted numerous awards, among others: 'The Most Intelligent Building 2001', second place in the 'Building of the Year 2000' award in the "Construction of the Year 2000".

Andersia Tower

Project - the second stage of the Group's development of the Anders' Square in Poznań in joint venture with the City of Poznań, having an investment value of €84 million. Andersia Tower is a mixed-use development building of 35,000m² which includes office space, hotel space and retail functions, together with an underground two-storey car park.

Highlight - Andersia Tower received prestigious awards like: 'Building of the Year 2007' and 'CEE Best Project Awards 2008' first place in the 'Best Hotel Development Project 2008' category in a competition organized by the CEPIF (Central Eastern European Property and Investment Fair).

Andersia Business Centre

Project – third phase of the Anders Square in joint venture with the City of Poznań, a project with investment value of €39 million.

Highlight - Comprising of 14,000m² gross area and a net usable area of 11,200m² and an underground car park with 140 parking places, is a five-storey business centre.

Residential development in Leipzig, Berlin and Plauen (Germany)

The Group also owns, through its subsidiary company KASA Investments GmbH, a residential property development consisting of 8 residential buildings located in Leipzig, Berlin and Plauen (Germany) with a total surface area of 5,937m² and a current market value of €3.9 million. All buildings are being rented out and have been marked for gradual divestment given the favourable German real estate market at the moment.

Undeveloped land in Wegorzewo (Poland)

The Group also owns, through its subsidiary company Von der Heyden & Partners Sp. z o.o., a plot of undeveloped land in Wegorzewo, Poland. The land in question is held in freehold ownership and consists of eleven registered sub-plots totalling 8,361m² and has a current market value of €133,000. The required permits to develop detached residential houses have recently been obtained by the Group.

1.4.1.2 Office development projects in the pipeline

Bavaria Towers

With a projected investment value of €154 million, the Bavaria Towers forms part of the most spectacular development project in the Bavarian capital in a strategic location in Munich. Situated in the Bogenhausen district on the eastern edge of Munich, the Bavaria Towers project will create a stunning new gateway to the city.

The Bavaria Towers building complex comprises a total of four pentagonal high-rises that account for 77,651m² of total gross rental area, two central underground car parks with a total of 960 spaces.

The project consists of: Blue Tower (18 storeys, 72.3m high, 24,347m² gross rental area, 300 parking spaces), White Tower (15 storeys, 53.6m high, 15,150m² gross rental area, 140 parking spaces), Sky Tower (20 storeys, 83.6m high, 26,246m² gross rental area, 380 parking spaces) and Star Tower (9 storeys, 46.1m high, 11,908m² gross rental area, 140 parking spaces).

The plot belongs to a German registered company, Bogenhausener Tor Immobilien GmbH, of which the Guarantor is 38.5% shareholder, held in co-ownership with Luxembourg based Atlant Capital.

Zurich Insurance acquired the future Sky Tower and Star Tower on a forward-funding basis, in confirmation of the strong reputation which the Group enjoys.

The White Tower and Blue Tower are currently being constructed and are due to obtain certification in accordance with the Leadership in Energy and Environmental Design (LEED) Gold sustainability standard. The 54m high White Tower building was already rented before construction on a twenty year lease, to H-Hotels AG that will operate a 4-star Ramada hotel comprising 345 state-of-the art rooms. Furthermore, in December 2015 shortly after the start of construction, the White Tower building was sold to Swiss Life Insurance Group and is one of the Group's largest hotel transactions to date. Completion is estimated for spring 2018. For more information visit: www.bavaria-towers.de/en

1.4.1.3 Prospective office development projects

Andersia Silver

Andersia Silver, with a planned investment value of €110 million in Poznań, Poland, will be the fourth and final development phase of the contemplated structure at the Anders Square in Poznań which will comprise of two towers to be developed in two stages.

Andersia Silver, with an expected height of 116 metres, will be the highest building in Poznań, previously being Andersia Tower which was 105.2 metres. All necessary planning permits for this project have already been obtained.

Full project and construction completion is expected prior to the end of 2020.

Nowy Swiat Atrium

Nowy Świat Atrium, having a planned investment value of €24 million, is to be realised in a 50-50 joint venture with GLL Real Estate Partners and will be located in the very heart of Warsaw at Nowy Świat 5 Street, close to the Warsaw Stock Exchange, Liberty Corner and the most exclusive retail area in Warsaw.

The project, until now financed with equity and intercompany loans, is currently on hold due to planning and permission procedures, being more complicated than anticipated. In case the development is not possible in the foreseeable future the current shareholders intend to sell their interest in this property.

1.4.1.4 Completed hotel development and refurbishment projects

IBB Grand Hotel Lublinianka renovation

Project - IBB Grand Hotel Lublinianka is a 4-star hotel in the centre of Lublin, Poland, which consisted in a 5,700m² renovation project of an investment value of €11.7 million, completed in 2002.

Highlight - Grand Hotel Lublinianka is the most recognized and one of the most iconic and award-winning buildings in the city of Lublin, dating back to 1899. It has won the "Best Overall Development 2002" award granted by Construction Journal Poland.

IBB Andersia Hotel

Project - IBB Andersia Hotel is a 4-star hotel located in the Andersia Tower (more information on this development project is set out in sub-section 1.4.1.1 above) which was completed in August 2007, right in the centre of Poznań, surrounded by prestigious buildings, including Poznań Financial Centre, Andersia Business Centre and Stary Browar Shopping Mall.

Highlight - It is a modern deluxe hotel which offers 171 rooms and suites with an executive floor, retail outlets, restaurants, conference centre, banquet and ball rooms which can host up to 800 people.

IBB Hotel Cugó Gran

The IBB Hotel Cugó Gran, an exclusive 5-star hotel located in a 250-acre estate in Menorca, Spain, has been meticulously restored by the Group and is today one of the Group's flagship properties.

1.4.1.5 Hotel development and refurbishment projects in the pipeline

IBB Długi Targ

The Długi Targ development project (with an estimated development budget of €11 million) is based on refurbishment and conversion of three historical semi-detached city houses into a unique 90 room hotel with a total area of approximately 4,500m². The building will also have prime retail space on the ground floor of approximately 1,000m².

The IBB Hotel Długi Targ in Gdańsk, Poland is scheduled to open in late summer 2017 and will be managed by the Group's IBB Hotel Collection.

Długi Targ Hotel project will be the Group's first development project in Gdańsk and the Group is actively observing the local market for further opportunities in the region.

1.4.1.6 Hotel operations

The Group manages its hotels through its brand IBB Hotel Collection (www.ibbhoteles.com). The locally registered entity IBB Hotel Management Europe Ltd acts as the franchisor company, franchising each Group franchisee company in the different jurisdictions where hotel operations are located. IBB Hotel Collection currently operates nine 3-star to 5-star hotels.

Apart from operating IBB Grand Hotel Lublinianka and IBB Andersia Hotel in Poland, IBB Hotel Collection also operates one 4-star hotel and two 3-star hotels in Germany, as well as three hotels in Spain: one 5-star hotel, one 4-star hotel and one 3-star hotel.

Hotel operations in Germany

Both **IBB Hotel Passau City Centre** and **IBB Hotel Passau Süd** are operated by the Group through its subsidiary company Donaupassage Hotel Passau Betriebs GmbH, of which the Guarantor is the sole shareholder.

IBB Hotel Passau City Centre is a 4-star 129 room hotel located in the heart of a picturesque city at the convergence of the three rivers Donau, Ilz and Inn.

IBB Hotel Passau Süd is a 3-star hotel located only 3km away from the historical city centre of Passau. The hotel offers 63 elegant rooms and 2 apartments, as well as a conference area that may host up to 85 guests.

The Group also operates IBB Blue Hotel Berlin-Airport in Germany, through its subsidiary company, IBB Blue Hotel Betriebs GmbH, of which the Guarantor is sole shareholder. IBB Blue Hotel Berlin-Airport is a 3-star hotel which offers a comfortable stay in a convenient location – ten minutes away from Brandenburg Berlin Airport. This hotel forms part of the IBB Hotel Collection “Blue” brand, reserved for 3-star hotels providing high quality services in most attractive locations at affordable prices. The hotel comprises 84 double rooms, the ‘Blue Lobby’ bar, one bistro and two meeting rooms.

Hotel operations in Spain

IBB Recoletos Coco Salamanca, a 4-star hotel, is located close to Plaza de Toros in Salamanca - a UNESCO World Heritage city. The hotel was re-opened in 2014 under the operation of the Group’s IBB Hotel Collection through its subsidiary company IBB España 2004 S.L., of which the Guarantor is sole shareholder. The property offers 74 elegant, fully equipped double rooms, 6 single rooms and 2 superior rooms with en-suite hydro-massage shower rooms. The hotel comprises a terrace bar on the ground floor, an external swimming pool and a private car park.

IBB Hotel Paradis Blau is a 3-star hotel located in Calan Porter, a very famous village in the island of Menorca known for its picturesque beaches and caves. After the termination of a lease agreement with an external operator, the Group refurbished the hotel in summer 2014 and added this hotel to its management portfolio. The hotel offers 59 renovated rooms, a bar and a swimming pool located on the terrace and is under the operation of the Group’s IBB Hotel Collection through its subsidiary company Sol del Este S.L., of which the Guarantor is the sole shareholder. Apart from operating this hotel, the Group currently also wholly-owns the hotel through its subsidiary company IBB Hotel Collection Holding S.L.; however, given that this hotel does not fit the criteria of IBB Hotel Collection’s expansion plans, the Group is contemplating the sale of this property.

IBB Hotel Cugó Gran is said to be the gem in the Group’s portfolio. It is a meticulously restored old Menorcan farmhouse which provides guests with the services of a 5-star hotel having the privacy of a luxury villa. Situated in a 250-acre estate, the villa features spacious interiors and terraces, a 25-metre outdoor pool in exquisitely landscaped gardens, its own vineyard, as well as a gym and massage treatment room. Cugó Gran is for exclusive use and can be booked for a minimum three or seven night stay. IBB Hotel Cugó Gran is wholly owned and operated by the Group through its subsidiary company, Timan Investments España S.L. For more information visit: www.cugogranmenorca.com.

1.4.1.7 Hotel operations in the pipeline

IBB Cugo Grand Harbour

IBB Cugo Grand Harbour is a recent project of IBB Hotel Collection, signed and announced in January 2017. It will be based in the former headquarters of the Malta Labour Party, the wedge-shaped Sheer Bastion also known under the name “il-Macina” located in Senglea, Malta. The historic building, consisting of 21 spacious double rooms and suites once fully refurbished, will offer stunning views on the capital Valletta, as well as Fort St. Angelo. Additional facilities will include a café bar on ground floor, a terrace with exclusive use and outside pool on the second floor, as well as an area which is designated for use as a spa. Furthermore, there will be a roof-top terrace and restaurant. The Group will operate this hotel under a management and operating agreement which was entered into on 13 January 2017 through its subsidiary company IBB Hotel Management Europe Ltd, which, in turn, is wholly-owned by the Guarantor. The Group aims to have this hotel operating in August 2017, subject to a punctual delivery of the building.

IBB Hotel Valletta Merkanti

IBB Hotel Valletta Merkanti is a recent project of IBB Hotel Collection, signed and announced in November 2016. It will offer 18 double rooms in a stunning fully refurbished Valletta palazzo in Old Theatre Street, facing the Piazza Merkanti in the downtown city centre of Malta’s historic capital Valletta. Additional facilities will include a restaurant, a bar and coffee shop. The Group aims to have this hotel operating in December 2017, subject to a punctual delivery of the building.

IBB Hotel Ingelheim

IBB Hotel Ingelheim is a recent project of IBB Hotel Collection, announced in October 2015. It will offer 103 double rooms and 6 studios with a 3-star superior standard. Additional facilities will include a boardroom hosting up to 12 guests, a breakfast restaurant, a bar and coffee shop. The hotel is located in the downtown city centre of Ingelheim called Neue Mitte, 300m from the train station and 3km from a motorway exit (A60). The Group aims to have this hotel operating in summer 2017.

IBB Hotel Kempten

IBB Hotel Kempten Allgäutower is a recent project of the IBB Hotel Collection with expected opening in the spring of 2017. Once fully operational, it will offer 100 rooms. The hotel is located in a modern building in the city centre of Kempten, in the south of Germany, close to the shopping area and train station of the old town.

IBB Hotel Paderborn

IBB Hotel Paderborn is another recent project of the IBB Hotel Collection with expected opening in the spring of 2017 which, once fully operational, will offer 50 rooms. The hotel is located in a modern building in the city centre of Paderborn, in the west of Germany, close to the shopping area, university and train station.

All prospective developments will be financed by the Group through equity, shareholder loans or bank financing.

2. Review of the business

The European Commission forecasts that economic growth in Europe is expected to continue at a moderate pace, as recent labour market gains and rising private consumption are being counterbalanced by a number of hindrances to growth and the weakening of supportive factors. The predicted growth levels are still well below the peak years of 2007-2008 which is also expected by the Group's senior management to have an impact on the pace at which the Group's hotel revenues and rental income may grow in the coming year(s).

Furthermore, inflation in the Euro area was very low in the first half of the year 2016 due to falling oil prices, but started to pick up in the third and fourth quarter of 2016 as the impact of past price decreases began to wear off. Inflation is envisaged to climb moderately above 1% in 2017, as oil prices are assumed to rise. In addition to that, it is expected that the European Central Bank will limit its stimulus package in the medium to long run and will gradually phase it out once inflation approaches its 2 percent goal. The directors of the Issuer and Guarantor anticipate that this will have an impact on interest rates throughout Europe, which are expected to gradually rise resulting in a higher cost of (construction and investment) debt financing for the Group's new development and investment projects.

The Group recently secured its first hotel lease in Malta, with another 2 or 3 local projects in its pipeline. Depending on the number of hotels that can be opened in Malta in 2017 and onwards, the creation of economies of scale and, therefore, lower average operating costs per hotel, will likely have an impact on the overall profitability of the Group. In addition to that, the planned openings of several boutique hotels in Valletta by other hotel operators provides for a competitive hotel market with subsequent downward pressure on occupancy and revenue levels.

Save for the matters disclosed in this Financial Analysis Summary, there has been no material adverse change in the prospects of the Guarantor since the date of its last published audited consolidated financial statements dated 31 December 2015.

At the time of publication of this Financial Analysis Summary, the Issuer and the Guarantor consider that their respective future performance is intimately related to the performance of the Group. The Issuer and Guarantor consider that generally they shall be subject to the normal business risks associated with the industries in which the Group and subsidiary companies are involved and operate as disclosed in this Financial Analysis Summary, and, barring unforeseen circumstances, do not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of their respective businesses and that of the Group, at least up to the end of the next financial year.

3. The Bond Issue and Projects Concerned

The issuer is proposing the issuance of debt securities with a total notional value of Euro 25 million unsecured bonds repayable in 2024 with a fixed coupon and a nominal value of Euro 1,000 per debt security to be issued at par. The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €24,625,000, will be used by the Issuer for the following purposes:

3.1 Use of Proceeds

1. Real estate development and investments

-) An amount of Euro 1,750,000 of the net Bond Issue proceeds shall be advanced, pursuant to a loan agreement, by the Issuer to Bogenhausener Tor Immobilien GmbH in connection with the Bavaria Towers development project to finance cash deposit for bank financing and investment expenses (said entity is owned as to 38.5% by the group).
-) an amount of Euro 4,000,000 of the net Bond Issue proceeds shall be advanced, pursuant to loan agreements, by the Issuer to APS and ARS in connection with the Andersia Silver development project for investment purposes and to fulfil expected equity requirements, in such proportion between each of said entities as shall be determined at the time of funding for the project being confirmed; for its real estate development projects the Group has as a general investment rule that it anticipates to double its equity in a period of 3 to 4 years (Andersia Retail Sp. z o.o., which is the entity which owns the said Andersia Silver property, is owned as to 42.5% by the Group)
-) an amount of Euro 936k of the net Bond Issue proceeds shall be advanced, pursuant to a loan agreement, by the issuer to LGHS to fund the refurbishment of the third floor of the IBB Grand Hotel Lublinianka and to purchase the remaining 25% of the shares currently held in LGHS, the owner of the IBB Grand Hotel Lublinianka, pursuant to which said entity would become wholly-owned by the Group (note that said entity is owned as to 75% by the Group)
-) an amount of Euro 250k of the net Bond Issue proceeds shall be advanced, pursuant to a loan agreement, by the issuer to DTS to be applied to the Długi Targ development project (said entity is owned 50% by the group)
-) an amount of Euro 1 million of the net Bond Issue proceeds shall be advanced, pursuant to a loan agreement, by the issuer to VDGH which will, in turn, invest said funds in a 50-50 joint venture Maltese company to be incorporated for the purpose of developing of an office building in Valletta, Malta, with a total expected investment volume of Euro 5 million (of which Euro 2 million will be contributed by way of equity, with the Group contributing 50% of said amount, and Euro 3 million being raised through bank financing);
-) an amount of Euro 3.2 million of the net Bond Issue proceeds shall be advanced, pursuant to loan agreements, by the issuer to Group companies for the purpose of part-funding other prospective development projects in Malta and Europe. For the purpose of identifying such development projects, the Group shall fully adhere to the parameters established in terms of its business development strategy described in further detail in sub-section [6.5] of the Registration Document. With respect to the afore-mentioned Euro 3.2 million the Group's executive management team shall aim to acquire /develop / invest in attractively priced

commercial properties located in European countries. Furthermore, in accordance with the principle of generating sustainable income for the issuer, the Group's executive management team shall select commercial properties that have an anticipated high level of tenancy, in the case of office developments, and/or room rate occupancy, in the case of hotel management operations, as the case may be, in keeping with the Group's current occupancy rates.

2. Investment in hotel expansion

-) An amount of Euro 1,383,000 of the net Bond Issue proceeds shall be advanced, pursuant to loan agreements, by the issuer to Group hotel operating companies to be applied to working capital facilities for the period 2017 to 2019, specifically and principally in respect of the proposed expansion of the IBB Hotel Collection in Europe (including Malta) concerning, in the immediate, the IBB Hotel Ingelheim (Euro 350k), the IBB Hotel Kempten (Euro 150k) and the IBB Hotel Paderborn (Euro 200k)
-) an amount of Euro 1,895,000 of the net Bond Issue proceeds shall be advanced, pursuant to loan agreements, by the issuer to Group hotel operating companies to be applied to rental deposits for the period 2017 – 2019, specifically and principally in respect of the proposed expansion of the IBB Hotel Collection in Europe (including Malta) concerning, in the immediate, the IBB Hotel Ingelheim (Euro 350k), the IBB Hotel Kempten (Euro 200k) and the IBB Hotel Paderborn (Euro 120k)

3. Refinancing

-) an amount of Euro 10 million of the net Bond Issue proceeds shall be used to carry into effect a refinancing of intra Group receivables and in return also a complete repayment of any direct debt of the guarantor, thereby freeing the guarantor of its receivables towards Group companies and further reinforcing its position as a pure holding company.

4. Other purposes

-) The remaining balance of the net Bond Issue proceeds in an amount of Euro 211,000 shall be used for the Group's general corporate funding requirements in Malta, including operational costs.

4. Performance Review

The Issuer was incorporated on 15th September 2016 and, accordingly, has no trading record or history of operations. Furthermore, the Issuer itself does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company solely for the needs of the Group, and, as such, its assets are intended to consist primarily of loans issued to Group companies. For the purpose of this document we shall review the performance of the guarantor which constitutes the entire group of companies. The Guarantor's historical financial information for the three financial years ended 31 December 2013, 2014 and 2015, as audited by RSM Malta, is set out in the audited consolidated financial statements of the Guarantor.

4.1 Significant Transactions

Disposal of ABC- ABC was the entity through which the Group held its interest in Phase 3 of the Andersia development, the Andersia Business Centre.

The Andersia development was undertaken as a joint venture with the City of Poznan as a 15% passive shareholder that made the freehold land available for development and involved the development of this land over four phases:

Phase 1 – Poznan Financial Centre
Phase 3 – Andersia Business Centre

Phase 2 – Andersia Towers
Phase 4 – Andersia Silver (in progress)

4.2 Income Statement

Income statements for the years ended 31 December	2013	2014	2015	1H2015	1H2016
	€000	€000	€000	€000	€000
Revenue	11,950	13,377	13,373	8,158	6,908
Cost of sales	(13,812)	(12,527)	(13,934)	(9,082)	(6,344)
Gross (loss) / profit	(1,862)	849	(562)	(924)	564
Other operating income	410	580	406	100	12
Operating (loss) / profit	(1,452)	1,429	(156)	(824)	576
Investment income	4,714	1,018	574	668	135
Fair value movements	13	(908)	2,347	2,396	496
EBITDA	3,275	1,539	2,765	2,240	1,207
Impairment of goodwill	-	-	(1,240)	(1,240)	-
Finance costs	(3,128)	(3,206)	(914)	(946)	(604)
Depreciation	(1,778)	(907)	(435)	(424)	138
(Loss) / Profit before tax	(1,630)	(2,574)	175	(370)	466
Income tax	408	133	68	199	23
(Loss) / Profit for the year	(1,222)	(2,441)	243	(172)	442
<i>Source: Audited accounts</i>					
Gross Profit Margin	-15.58%	6.35%	-4.20%	-11.33%	8.16%
Operating Profit Margin	-12.15%	10.68%	-1.16%	-10.10%	6.34%
Net Margin	-10.23%	-18.25%	1.82%	-2.11%	6.40%
Return on Capital Employed	-1.54%	1.51%	-0.27%	-0.89%	0.99%
Return on Assets	-1.16%	-2.33%	0.35%	-0.17%	1.31%
Interest Coverage Ratio	N/A	0.45	N/A	N/A	0.73

The principal revenue stream of the Group is income generated from accommodation fees from its managed hotels and food and beverage revenue from these hotels. Accommodation revenue increased during FY2015 by approximately €1.0 million driven by the opening of the second hotel in Passau, IBB Hotel Passau Süd, and the IBB Hotel Cugó Gran in Menorca. Leasing revenue streams in FY2015 decreased due to the disposal of the Andersia Business Centre. The most significant hotel management revenue streams are derived from the two managed hotels in Poland, primarily the IBB Andersia Hotel and the IBB Grand Hotel Lublinianka. Revenues from the hotel management operations in Germany, where the Group managed two hotels in Passau as at FY2015, increased to approximately 29% of total revenue during FY2015 following the opening of the IBB Hotel Passau Süd.

Cost of sales primarily comprises operating expenses and staff costs, primarily incurred by the hotel management business line. Cost of sales increased by 11% during FY2015 to approximately €13.9

million due to an increase of 27% in wages and salaries, which increase was mainly driven by the opening of the two new managed hotels during FY2015. FY2015 cost of sales were also impacted by exchange translation losses of approximately €200,000 and professional fees amounting to approximately €400,000 in relation to key projects that should not be recurring.

Investment income primarily comprises interest income and gains on sale of assets. FY2013 includes a gain of approximately €2.7 million relating to the sale of the previously Group-owned IBB Erfurt Hotel.

Fair value movements comprise fair value adjustments to significant associated entities. The FY2015 fair value movement of approximately €2.4 million was due to the revaluation of Bogenhausener Tor Immobilien GmbH, which entity holds the Group's interest in the Bavaria Towers development.

Goodwill of approximately €1.2 million was impaired during FY2015 relating to goodwill recognised on the acquisition of IBB Hotel Erfurt GmbH & Co. KG. The goodwill arose in the past from the acquisition by the Group of IBB Hotel Erfurt, resulting from the fact that the purchase price was higher than the fair value of the assets and liabilities. The hotel asset though was divested by the entity and the goodwill in its books depreciated.

Depreciation and amortisation constantly decreased during the period following the sale of buildings during FY2013 and FY2014 and the deconsolidation of Andersia Business Centre Sp. z o.o. during FY2015. Andersia Business Centre Sp. z o.o. was the entity through which the Group held its 85% interest in phase 3 of the Andersia Place development, a joint venture with the City of Poznan, consisting of the development and construction of Andersia Business Centre. As mentioned previously, after successful completion and leasing of the building, the shares in Andersia Business Centre Sp. z o.o. were sold to a third party in June 2015.

The Group generated €3.3 million in earnings before interest, tax, depreciation and amortisation in FY2013, €1.5 million in FY2014 and €2.8 million in FY2015 representing an EBITDA margin of 26% in FY2013, 11% in FY2014 and 20% in FY2015.

Operating losses amounted to €1.5 million in FY2013, whilst operating profits of €1.5 million were disclosed in FY2014. FY2015 performance was impacted by the significant operational losses incurred in the first year of opening of the IBB Hotel Cugó Gran and the IBB Hotel Passau Süd.

4.3 Financial Position

Statements of financial position as at 31 December	2013	2014	2015	1H2015	1H2016
	€000	€000	€000	€000	€000
Assets					
Non-current assets					
Intangible assets	1,301	1,292	46	55	43
Property plant and equipment	76,585	72,760	45,097	73,430	45,193
Investment properties	421	-	-	-	-
Loans and receivables	14,021	15,300	8,185	16,652	11,421
Financial assets	2,586	1,688	3,984	4,027	4,491
Deferred tax	244	1,399	766	1,769	750
Total non-current assets	95,158	92,438	58,078	95,933	61,899
Current assets					
Inventories	709	78	100	83	142
Trade and other receivables	4,045	4,358	7,641	3,662	2,478
Current income tax assets	103	174	86		4
Available for sale financial assets	253	59	4	4	0
Cash and cash equivalents	5,364	7,609	3,171	3,364	3,128
Total current assets	10,475	12,279	11,003	7,113	5,752
Total assets	105,633	104,717	69,081	103,046	67,651
Equity and liabilities					
Equity					
Share capital	3,250	3,805	3,805	3,805	3,805
Share premium account	-	4,445	4,445	4,445	4,445
Other reserves	13,919	14,308	12,123	11,780	12,119
Currency translation reserve	298	1,202	1,115	1,043	807
Retained earnings	9,338	3,282	3,255	7,191	3,670
Non-controlling interest	14,407	12,390	10,839	14,990	10,867
Total equity	41,212	39,432	35,582	43,253	35,712
Non-current liabilities					
Borrowings	48,107	50,511	18,472	44,295	18,959
Deferred tax liabilities	4,424	4,852	3,503	4,850	3,460
Provisions for other liabilities and charges	317	118	199	59	78
Total non-current liabilities	52,848	55,480	22,174	49,204	22,497
Current liabilities					
Trade and other payables	4,758	4,277	2,400	4,544	2,203
Current income tax liability	-	159	94	294	94
Borrowings	6,815	5,369	8,831	5,752	7,144
Total current liabilities	11,573	9,805	11,325	10,589	9,442
Total liabilities	64,421	65,285	33,499	59,793	31,939
Total equity and liabilities	105,633	104,717	69,081	103,046	67,651
<i>Source: Audited Accounts</i>					
Current Ratio	0.91	1.25	1.01	0.67	0.61
Net Debt/Total Assets Ratio	51.99%	53.36%	39.52%	44.48%	28.63%
Net Debt/Equity Ratio	120.25%	122.42%	76.73%	105.98%	54.24%

The consolidated Group includes 25 subsidiaries and 6 associates in various countries. Associates are carried at fair value in the Group balance sheet. The FY2013 and FY2014 Group accounts include the consolidation of a significant subsidiary, Andersia Business Centre Sp. z o.o.. As stated above, the Group divested its shares in Andersia Business Centre Sp. z o.o. during FY2015 and the entity was deconsolidated. The deconsolidation of Andersia Business Centre Sp. z o.o. (assets of approximately €30.5 million and borrowings of approximately €26.1 million) impacts the comparability of the Group's consolidated financial position for FY2015.

Group assets primarily consist of land and buildings comprising hotels that are owned by the Group (64% of property, plant and equipment) and land held for redevelopment. Both items are consolidated, primarily comprising the Andersia Silver project (34% of property, plant and equipment in FY2015). Land and buildings are carried at the revalued amounts and approximately €12 million of revaluation reserves are carried in equity representing revaluation amounts to FY2015. The Group's participation in its most significant development is held in Bogenhausener Tor Immobilien GmbH, an associated entity that is not consolidated but carried at fair value as a financial asset. The FY2015 valuation of Bogenhausener Tor Immobilien GmbH amounted to €3.1 million which represents a very conservative value for the project taking into account the potential of the real estate market in the city of Munich. The Group's other principal assets are loans to unconsolidated related parties amounting to approximately €12.8 million and cash and equivalents. The most significant loan in an amount of €4.5 million is to Bogenhausener Tor Immobilien GmbH.

Group borrowings of €27 million in FY2015 are primarily due to banks (51%), other third parties (37%) and related parties (12%). The Group organises its borrowings on a non-recourse basis within the principal asset owning subsidiaries, meaning that the Guarantor is free from guarantees in relation to borrowings of its subsidiaries.

4.4 Cash Flow Statement Review

Cash flow statements for the years ended 31 December	2013	2014	2015
Cash flows from operating activities			
Net cash used in operations	(1,107)	(1,915)	(3,606)
Cash flows from investing activities			
Movement in loans	982	(497)	4,599
Interest received	-	1,137	567
Movement in intangible assets	(1,243)	(11)	(13)
Movement in tangible assets	(1,434)	2,856	27,423
Movement in investment properties	(142)	46	-
Movement in financial assets	6,756	(11)	51
Movement in available for sale financial assets	-	175	36
Exchange rate movements	(3,181)	1,312	(504)
Net cash from investing activities	1,739	5,008	32,160
Cash flows from financing activities			
Issue of shares	-	5,000	-
Movement in borrowings	1,861	3,213	(28,752)
Dividends paid	(304)	(3,600)	(3,500)
Interest paid	(3,128)	(3,206)	(914)
Net cash (used in) / from financing activities	(1,571)	1,407	(33,166)
Net movement in cash and cash equivalents	(940)	4,500	(4,613)
Cash and equivalents at beginning of year	2,585	1,645	6,145
Cash and cash equivalents at end of year	1,645	6,145	1,532
<i>Source: Audited accounts</i>			

Notes:

Normalisation adjustment

Note: the audited cash flow statement as at FY15 was adjusted to reclassify the loan to BTI of Euro 4.6 million from short term to long term, impacting cash flows from operations and net movement in loans to related parties.

Operating activities

-) Cash used in operating activities (which includes net taxation paid), decreased significantly from Euro 1.9 million during FY14 to Euro 1 million cash from operations during FY15 due to a significant improvement in profit before tax. We note that the profit before tax includes the fair value movements from the revaluation of financial assets amounting to Euro 2.5 million and are a non cash movement the reversal of which impacts cash used in operations.

Investing activities

-) The increase in cash from investing activities during FY15 includes the impact of the sale of ABC, specifically in proceeds from sale in tangible assets
-) Cash flows from investing activities reflect the foreign exchange differences for translation of tangible, intangible and other assets denominated in foreign currency and translated at the balance sheet date. PLN decreased in value by 0.2% during FY15 resulting a negative exchange difference
-) Cash outflows for the purchase of tangible assets averaged Euro 1.9 million per annum for the period reviewed

Financing activities

-) Cash flows used in financing activities increased significantly during FY15 due to the impact of the sale of ABC
-) The Group paid dividends of Euro 3.5 million (note includes Euro 500k still due to TH Limited at FY15) during FY15 and Euro 3.6 million during FY14
-) Cash inflows from financing activities during FY14 were impacted by the issue of new shares the proceeds of which generated Euro 5 million
-) TIH disclosed cash inflow of Euro 4.3 million in FY14 on the sale of the Roemerbad Hotel and Euro 3 million from the sale of properties held by KIG.

5. Projected Financials

The Guarantor's financial projections were prepared to reflect a base scenario where the Group successfully obtained alternative funding, which funding was used to:

-) Repay certain of its current external borrowings;
-) Refinance intra Group funding;
-) Provide further equity financing for its two current main property development projects (Bavaria Towers and Andersia Silver which development is scheduled to commence during FY18);
-) Finance a significant expansion of the hotel management business; and
-) Undertake further smaller scale development projects

The main assumptions underpinning the financial projections are the completion and the contemplated exit multiples of Bavaria Towers and Andersia Silver.

Management remain confident that completion risk can be effectively managed and that their experience demonstrates a proven track record of undertaking and exiting property development projects.

The hotel management expansion plan is directed towards concluding lease agreements to manage hotels with a phased growth strategy that is conservative in the first three years of operations. Management remain confident that they will identify the required number of suitable premises and locations to lease and operate in order to achieve the expansion plan.

5.1 Projected Income Statement

The projected Income Statement and Statement of financial position of the Guarantor presented in this section and section 5.2 represent management's financial projections pertaining to the Group for the current year and FY2018.

€000	FY17	FY18
Revenue	18,644	28,712
Cost of sales	(18,156)	(27,257)
Gross Profit	488	1,455
Other operating income	50	51
Operating Profit	538	1,506
Investment Income	643	847
Profit on sale of associate	-	2,951
Profit on sale of subsidiary	-	-
Fair value movements	600	-
EBITDA	1,781	5,304
Finance Costs	(1,799)	(2,095)
Depreciation	(513)	(462)
Profit before tax	(531)	2,748
Income tax Expense	-	(163)
Loss/Profit for the year	(531)	2,584
<i>Gross Profit Margin</i>	<i>2.62%</i>	<i>5.07%</i>
<i>Operating Profit Margin</i>	<i>2.89%</i>	<i>5.25%</i>
<i>Net Margin</i>	<i>-2.85%</i>	<i>9.0%</i>
<i>Return on Capital Employed</i>	<i>-1.47%</i>	<i>7.04%</i>
<i>Return on assets</i>	<i>-0.62%</i>	<i>2.33%</i>
<i>Interest Coverage Ratio</i>	<i>0.30</i>	<i>0.72</i>
<i>Source: Management Information</i>		

The financial statements of FY17 and FY18 would not yet fully reflect the returns from the investments of the capital employed until the key projects are finalised. FY17 is expected to be a transition year, which will then improve drastically from 2018 onwards.

5.2 Projected Balance Sheet

Statements of financial position as at 31 December	FY17	FY18
	€000	€000
Assets		
Non-current assets		
Intangible assets	43	43
Property plant and equipment	47,779	74,075
Investment properties	-	-
Loans and receivables	19,066	14,709
Financial assets	5,291	893
Deferred tax	750	750
Total non-current assets	72,930	90,471
Current assets		
Inventories	128	122
Trade and other receivables	2,380	2,332
Current income tax assets	4	4
Available for sale financial assets	-	-
Cash and cash equivalents	9,768	17,804
Total current assets	12,280	20,262
Total assets	85,210	110,733
Equity and liabilities		
Equity		
Share capital	3,805	3,805
Share premium account	4,445	4,445
Other reserves	12,919	12,919
Currency translation reserve	807	807
Retained earnings	3,260	5,845
Non-controlling interest	10,867	10,867
Total equity	36,103	38,687
Non-current liabilities		
Borrowings	42,823	65,803
Deferred tax liabilities	3,460	3,460
Provisions for other liabilities and charges	78	78
Total non-current liabilities	46,362	69,342
Current liabilities		
Trade and other payables	2,116	2,074
Current income tax liability	94	94
Borrowings	536	536
Total current liabilities	2,746	2,704
Total liabilities	49,108	72,045
Total equity and liabilities	85,210	110,733
Current Ratio	4.47	7.49
Net Debt/Total Assets Ratio	39.42%	43.83%
Net Debt/Equity Ratio	93.04%	125.46%
<i>Source: Management Information</i>		

5.3 Projected Capital Position

The following table sets out the capitalisation and indebtedness of the Group as at 30 June 2016 and the estimate after reflecting the issue of the Bonds:

Capitalisation and indebtedness of the Group as at 30th June 2016

Bank and other borrowings		26,103
Cash and cash equivalents		(3,128)
Net third party debt as at 30th June 2016		22,975
Funding:		
Bond issue	25,000	
Refinancing of Group receivables	(10,000)	
		15,000
		37,975
Equity as at 30th June 2016		35,712

Gearing ratio (Debt/Total Assets) after bond issue **52%**

Gearing ratio (Debt/Equity) after bond issue **106%**

Gearing (Debt/Total Assets) was calculated as net debt after bond issue divided by the aggregate equity and net third party debt.

Gearing (Debt/Equity) was calculated as net debt after bond issue divided by the aggregate equity.

5.4 Projected Cashflow Statement

Cash flow statements for the years ended 31 December	2017	2018
Cash flows from operating activities		
Net cash used in operations	1,150	1,518
Cash flows from investing activities		
Movement in loans	(7,645)	4,357
Interest received	643	847
Movement in intangible assets	-	7,350
Movement in tangible assets	(3,099)	(26,758)
Movement in investment properties	-	-
Movement in financial assets	-	-
Movement in available for sale financial assets	-	-
Exchange rate movements	-	-
Net cash from investing activities	(10,100)	(14,368)
Cash flows from financing activities		
Issue of shares	-	-
Movement in borrowings	16,756	22,980
Dividends paid	-	-
Interest paid	(1,799)	(2,095)
Net cash (used in) / from financing activities	14,957	20,885
Net movement in cash and cash equivalents	6,006	8,035
Cash and equivalents at beginning of year	3,762	9,768
Cash and cash equivalents at end of year	9,768	17,804
<i>Source: Management Information</i>		

5.5 Key Assumptions Used in forecasts

IBB Hotel expansion

	Germany	Poland	Spain	Malta
Rooms	100	140	100	20
Occupancy	67%	65%	65%	65%
Annual increase in occupancy	2.50%	2.50%	2.50%	2.50%
Average room rate (ARR)	65	60	60	180
Annual increase in ARR	2.50%	2.50%	2.50%	2.50%
Days Open	365	365	365	365
Revenue Rooms (EUR)	1,590	1,993	1,424	854

Real estate Developments and Investments

	Bavaria Towers	Andersia Silver	Other
Annual Rental Income	€6.5 million	€7.5 million	n/a
Exit Multiple	22	16	2
Year of Sale	FY18	FY20	3-4 years after investment
Expected Sale Price	€144 million	€120 million	

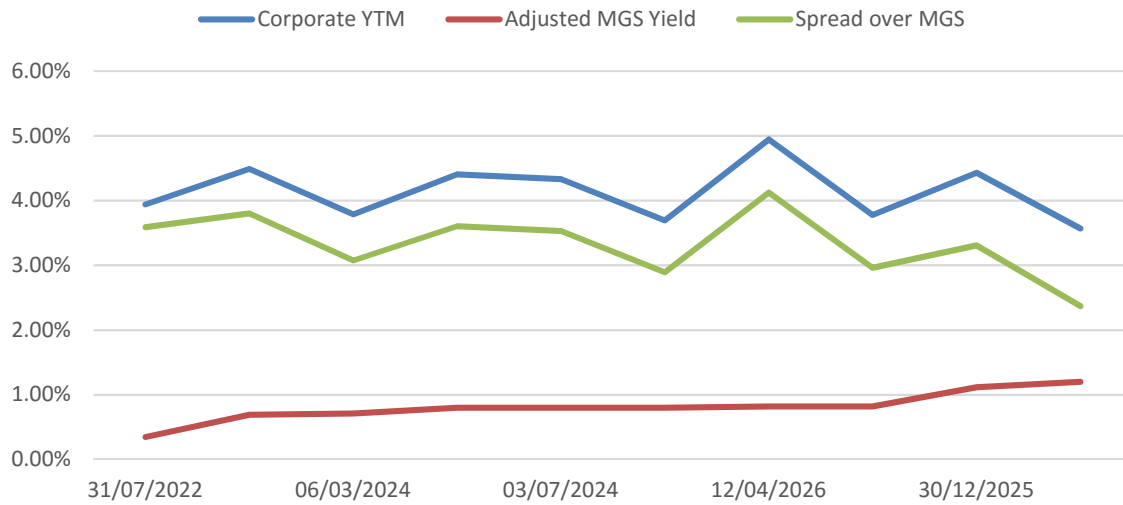
6. Comparables

The purpose of the table below compares the proposed debt issuance of the group to other debt instruments with similar duration. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore also different.

Security	Yield to Maturity (%)	Interest Cover	Total Assets	Net Asset Value	Gearing Ratio
6% Pendergardens Developments plc Secured € 2022 Series II	3.94%	3.63	58.0	11,734.0	61.9%
5.8% International Hotel Investments plc 2023	4.49%	1.45	1,159.6	608.3	36.5%
6% AX Investments Plc € 2024	3.79%	2.88	206.0	111.5	36.7%
5.3% Mariner Finance plc Unsecured € 2024	4.33%	2.82	67.7	25.8	61.8%
5% Tumas Investments plc Unsecured € 2024	3.69%	4.62	175.6	80.4	42.9%
4.4% Von der Heyden Group Finance 2024	4.40%	N/A	69.0	36.0	39.5%
5.75% International Hotel Investments plc Unsecured € 2025	4.95%	1.45	1,159.6	608.3	36.5%
4.5% Hili Properties plc Unsecured € 2025	3.78%	1.50	90.9	26.3	71.3%
5.25% Central Business Centres plc Unsecured € 2025 S2T1	4.43%	1.63	30.0	18.3	38.5%
4.25% Corinthia Finance plc Unsecured € 2026	3.57%	1.13	1,357.9	641.0	41.8%
4% MIDI plc Secured € 2026	4.35%	2.64	187.5	71.3	37.6%
4% International Hotel Investments plc Secured € 2026	3.74%	1.45	1,159.6	608.3	36.5%
Average of Comparables	4.10%				

The debt to equity ratio or gearing ratio demonstrates the degree to which the capital employed in a business is funded by external borrowings as compared to shareholders' funds.

Yield Curve Analysis



As at 23rd January 2017, the average spread over the Malta Government Stock (MGS) for corporates with maturity range of 5-8 years was 308 basis points. The new VDH bond is being priced with a 4.4% coupon issued at par, meaning a spread of 365 basis points over the equivalent MGS, and therefore at a significant premium to the average on the market.

7. Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, that is, from its real estate development and hotel operations
Operating Expenses	Operating expenses include the cost of real estate developments and hotel operations
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Profit before Tax (PBT)	Profit before Tax is the profit is achieved during the financial year after deducting all relevant expenses including interest expenses. This however does not include tax expense.
Efficiency	
Return on Equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Company.
Cash flow from investing activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Company.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Company.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such

	assets include intangible assets (goodwill on acquisition), investment properties, and property, plant & equipment.
Current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include intangible assets (goodwill on acquisition), investment properties, and property, plant & equipment.
Current assets	Current assets are all assets of the Company, which are realisable within one year from the balance sheet date. Such amounts include inventory, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Company within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
Non-current liabilities	The Company's long-term financial obligations that are not due within the present accounting year. The Company's non-current liabilities include bank borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.