Reference: **VDHGF 31-2019**

COMPANY ANNOUNCEMENT

The following is a Company Announcement by Von der Heyden Group Finance p.l.c. [C 77266] (the 'Company') of 14 East, Level 8, Sliema Road, Gzira, GZR 1639, Malta, pursuant to the Listing Rules issued by the Listing Authority (LR 5.16).

QUOTE

The Company is pleased to announce that its updated Financial Analysis Summary prepared by Calamatta Cuschieri is available for inspection at the Company's registered office and on the Company's website: www.vdhgroup.com/reports-and-publications

UNQUOTE

Mr. Luke Coppini
Company Secretary

28 June 2019

FINANCIAL ANALYSIS SUMMARY
Von der Heyden Group Finance p.l.c.
28th June 2019

The Directors
Von der Heyden Group Finance p.l.c.
14 East, Level 8,
Gzira, GZR 1639,
Malta

28th June 2019

Dear Sirs,

In accordance with your instructions, and in line with the requirements of the Listing Authority Rules, we have compiled the Financial Analysis Summary (the "**FAS**" or the "**Analysis**") 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**") and Timan Investments Holdings Ltd (the "**Guarantor**"), where the latter is the parent company of the Von der Heyden "**Group". **The data is derived from various sources or is based on our own computations as follows:

(a) The historical financial data for the three years ended 2016, 2017 and 2018 have been extracted from the Guarantor's audited statutory financial statements.
(b) The forecast data for the financial years ending 31st December 2019 have been provided by management.
(c) Our commentary on the Issuer and Group's results and financial position is based on the explanations set out by the Issuer in the Prospectus and Listing Authority Policies.
(d) The ratios quoted in the FAS have been computed by us applying the definitions set out in Part 4 of the Analysis.
(e) The principal relevant market players listed in Part 3 of the Analysis 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 investors in the Issuer's securities and potential investors by summarising the more important financial data of the Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Issuer's securities.

Yours sincerely,

Nick Calamatta
Director

Table of Contents

Part 1 - Information about the Issuer and the Guarantor

1.1 Issuer and Guarantor's Key Activities and Structure

Von der Heyden Group Finance plc (the "**Issuer**"), with company registration number C 77266, is a limited liability company registered in Malta on 15th September 2016. The Issuer serves as the financing vehicle of the Group. The issued share capital is, expect for one ordinary share, held by Timan Investments Holdings Ltd (the "**Guarantor**").

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 the Guarantor is to hold for capital growth and income generation, investments in subsidiary and associated entities. The Guarantor also provides financing to the Von der Heyden Group (the **"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.

The issued share capital of the Guarantor is held as follows:

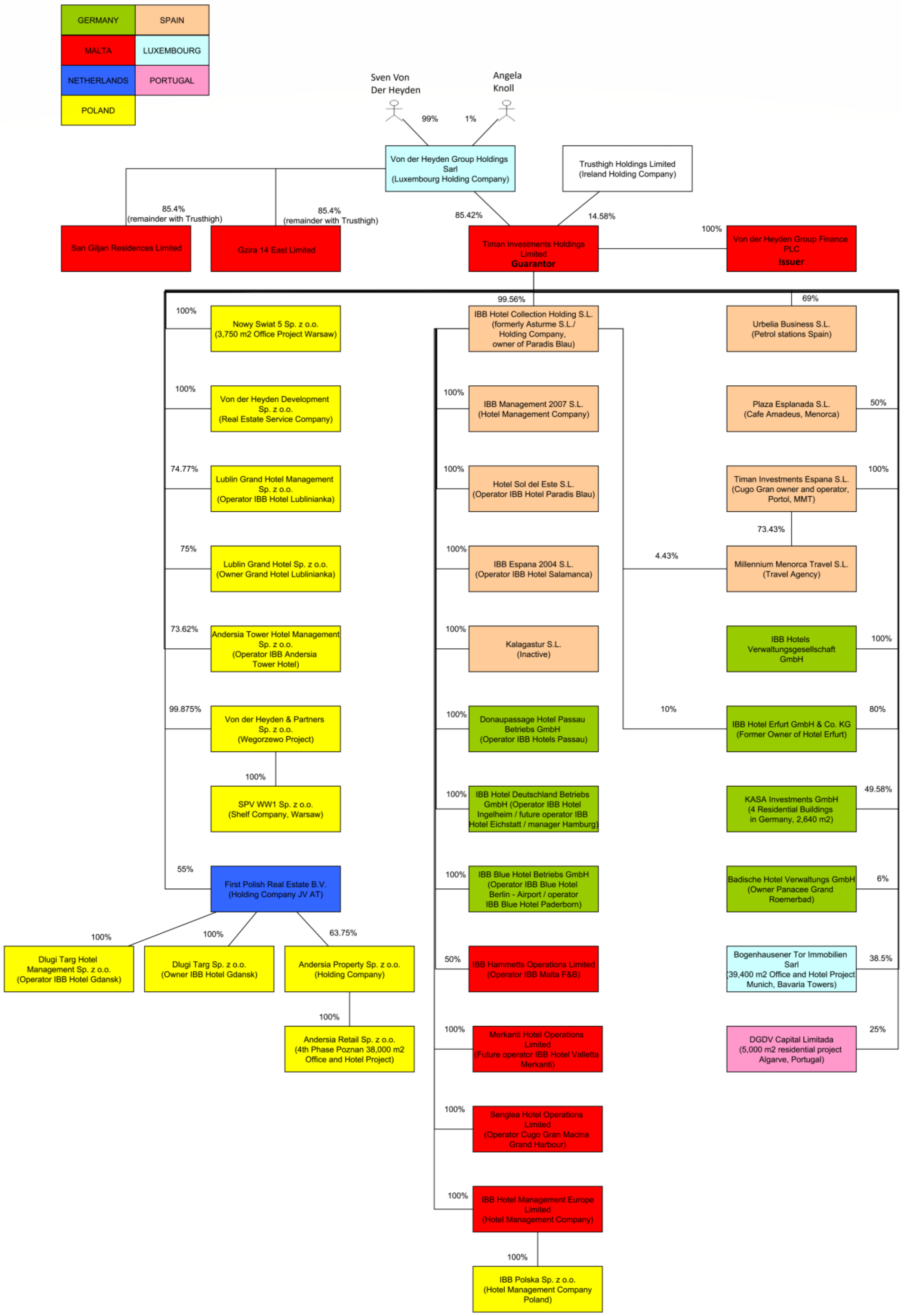
- Von der Heyden Group Holdings S.A.R.L. - 3,249,924 class A Ordinary shares (85.4%) of €1 each fully paid up; and
- Trusthigh Holdings Limited - 554,717 class B Ordinary shares (14.6%) of €1 each fully paid up.

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 Guarantor acts as the parent company of the Group and its principal Malta registered subsidiaries are the Issuer and IBB Hotel Management Europe Ltd ("IHME"). As at 31st December 2018, the Group had 32 subsidiary entities (2 of which are immaterial and as such not consolidated) and 5 associated entities registered in Germany, Poland, Spain, Malta, Portugal, Luxembourg and Netherlands.

Group associated entities include Bogenhausener Tor Immobilien Sarl ("**BTI**") that is involved in the development of the Bavaria Towers Munich project and IBB Hammetts Operations Limited which is the operator of food & beverage outlets and event facilities in Malta.

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. IBB Hotel Management Europe Limited has taken over the management of all the portfolio of hotels held by the Group providing services such as corporate accounting, a common online booking platform and marketing.

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



History of the Von der Heyden Group

The Group was founded in 1989 and has completed investment programmes in real estate markets with a market value of over a half billion Euro and currently employs over 400 people. The Group has representative offices in Warsaw, Poznan, Lublin, Amsterdam, Berlin, London, Menorca, Madrid, Munich, Malta and Luxembourg and has also recorded investments in New York, Atlanta, Dresden and Leipzig. With 30 years sound experience and continuing presence in European markets, the Group enjoys the trust of international financial institutions, funds and big market players, as well as embassies, governmental institutions and cities. 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 four lines of business:

- Real estate developments
- Real estate investments
- Hotel management
- Alternative investments

Real estate developments

The real estate 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. During 2018, the Group was mainly focused on the development project in Munich, Bavaria Towers, as further explained in section 1.3 of the Analysis. Moreover, the Group is currently involved, amongst others, in development projects in:

- Portugal - the Lagoa residential project development; and
- Poland - the Andersia Square Poznan development.

Individual property developments are described in further detail in section 1.3 and 1.4 of the Analysis.

The Group is also involved in the setting up of a regulated real estate investment fund in Ukraine, whose details are further described in section 1.4 of the analysis.

Real estate investments

The real estate investments business line includes a portfolio of various commercial and residential real estate assets in Germany, Poland and Spain for rental income generation as well as capital appreciation (through yield compression and rental increase as well as value add and opportunistic investment strategies).

Hotel management

The hotel management business line includes the management of hotels under the IBB Hotel Collection brand, in Germany, Poland, Malta and Spain. A number of hotels under management are also currently owned by the Group. As at June 2019, the Group has 12 hotels under management including 4 owned and managed hotels. Hotels under management are discussed in more detail in section 1.3 of the Analysis.

Alternative investments

The alternative investments business line provides for further diversification of the Group and includes various hedge fund / private equity type investments including a travel agency, low-cost petrol stations and a portfolio of bankable assets.

1.2 Directors and Key Employees

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. Their 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
Lino Casapinta	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. Mr. Francis J. Vassallo resigned from his role as non-executive director of the Issuer on 27 June 2018, whose role was replaced by Mr. Lino Casapinta.

The Guarantor, has a board consisting of four directors, comprising:

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

Mr. Antonio Fenech was appointed as a director on 13 February 2019.

The senior management team of the Group consists of:

Name	Designation
Mr. Adam Karol Trybusz	Head of Real Estate Development Poland - Von der Heyden Group
Mr. Vladimir Saal	Chief Executive Officer - IBB Hotel Collection
Ms. Carolin Schraishuhn	Head of Financial Controlling - Von der Heyden Group
Mr. Michael Schembri	Senior Financial Controller - Von der Heyden Group
Mr. Roberto Paradero	Head of Controlling - IBB Hotel Collection
Ms. Tiana Vella	Head of Human Resources - Von der Heyden Group

As of 31 December 2018, the average number of persons employed with the Group amounted to 421 employees.

1.3 Major Assets owned by the Guarantor

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

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	73.6%
Bogenhauser Tor Immobilien Sarl	Bavaria Towers	Luxembourg	Property owner of the Blue Tower	38.5%
Długi Targ Sp. z o.o.	IBB Hotel Długi Targ	Poland	Property owner	50%
Dlugi 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 and IBB Blue Hotel Paderborn	Germany	Hotel management and operation	99.6%
IBB España 2004 S.L.	IBB Recoletos Coco Salamanca	Spain	Hotel management and operation	99.6%
IBB Hotel Collection Holding S.L. (formerly Asturme S.L.)	IBB Hotel Paradis Blau	Spain	Property owner	99.6%
IBB Hotels Deutschland Betriebs GmbH	IBB Hotel Ingelheim, IBB Hotel Kempten and Hotel Europaischer Hof Hamburg	Germany	Hotel management and operation (current and future projects)	99.6%
IBB Hotel Management Europe Ltd	IBB Hotel Valletta Merkanti	Malta	Hotel management and operation (future project)	99.6%
KASA Investments GmbH	8 residential buildings located in Leipzig, Berlin and Plauen (Germany) totalling 5,937sqm	Germany	Property owner	49.6%
Lublin Grand Hotel Sp. z o.o.	IBB Grand Hotel Lublinianka	Poland	Property owner	75%
Lublin Grand Hotel Management Sp. z o.o.	IBB Grand Hotel Lublinianka	Poland	Hotel management and operation	74.8%
Nowy Świat Sp. z o.o.	Nowy Świat Atrium	Poland	Property owner (future project)	100%
Sol del Este S.L.	IBB Hotel Paradis Blau	Spain	Hotel management and operation	99.6%
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 8,361m^2	Poland	Property owner	99.9%
Urbelia Business S.L	Urbelia Business Ciudad Real and Urbelia Business Bailen	Spain	Ownership and operation of low cost fuel stations	69%
Senglea Hotel Operations Limited	Cugó Gran Macina Grand Harbour Hotel	Malta	Hotel management and operation	99.6%
IBB Hammetts Operations Limited	Hammett's Gastro Bar, Hammett's Macina Restaurant and Sheer Bastion event facilities	Malta	F&B and event facilities operation	50%

Further details about projects and assets owned by the Group:

Office development projects in development:

- **Bavaria Towers**

With a projected investment value of circa €180 million for White Tower and Blue Tower, forming part of the Bavaria Towers, the project is the most spectacular development 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 development comprises a total of four pentagonal high-rises buildings that account for 77,651 sqm 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, 24,347 sqm gross rental area, 300 parking spaces), White Tower (15 storeys, 53.6m high, 15,150 sqm gross rental area, 140 parking spaces), Sky Tower (20 storeys, 83.6m high, 26,246 sqm gross rental area, 380 parking spaces) and Star Tower (9 storeys, 46.1m high, 11,908 sqm gross rental area, 140 parking spaces).

The Blue Tower is still owned by a Luxembourg registered company, Bogenhausener Tor Immobilien Sarl, of which the Guarantor is 38.5% shareholder, held in co-ownership with Luxembourg based Atlant Capital. Zurich Insurance owns and is developing the Sky Tower and Star Tower.

The White Tower has been successfully handed over by Bogenhausener Tor Immobilien Sarl to H-Hotels as tenant and Swiss Life Insurance Group as buyer on 1 March 2019. The 54m high White Tower building was already rented before construction on a twenty-year lease to H-Hotels, which operates a 4-star hotel comprising of 345 state-of-the art rooms.

The Blue Tower was handed over by the general contractor on 20 May 2019, with the first tenants already having moved in earlier this year. The total lease level occupancy has reached over 95%, with the remaining office space being under option by one of the current tenants. Furthermore, the Group has subsequent to the 2018 financial statements, closed the bank refinancing of the Blue Tower, which has consequently increased the free cash-flows of the Group.

- **Prospective office and residential development projects**

\- **Portugal**

Atrium Liberdade - the Group has concluded a shareholder agreement for a 25% investment into a 5,000sqm residential development project in Lagoa, Algarve, Portugal, consisting of 32 apartments including 4 townhouses. Total development costs are projected at circa €5.3 million with an expected sale proceeds of €6.5 million, resulting in net proceeds of €1.2 million or a development margin of around 22.5%. The co-development, together with the sales process will be overseen by the Group’s local partner, Carvoeiro Clube, which is headed by a Dutch real estate developer.

Financing for the project is expected to be granted by local banks. The project qualifies as an urban redevelopment and therefore provides for a lowering of the real estate transfer tax as well as a lower VAT rate of 6% on construction costs. The project is expected to be completed in 2022.

- **Poland**

Andersia Silver - with a planned investment value of approximately €100 million in Poznań, Poland, will be the fourth and final development phase of the contemplated structure at the Anders Square in Poznań.

Following extensive market research, the Local Project Management Company Board and the real estate advisors Knight Frank concluded that currently major players in the office rental market are looking for large areas on one level rather than on a smaller footprint on two high-rise buildings as was being planned by Andersia Retail originally. The new concept of the project comprises of three underground levels and a tower of 20 floors with 18,000sqm hotel space (approximately 263 rooms) including conference room area and a restaurant and over 20,000sqm office space. The plot would still have additional potential for another smaller building of circa 3,000sqm.

Further updates are being done on the current building permit, including optimisation on the construction costs without sacrificing gross leasable area or quality. In line with the original plans, the new design in architecture and mechanical installations are being performed by Pracownia Architektoniczna Ewy i Stanisława Sipińskich and PKEnergy Paweł Krych studios, respectively. The project is expected to be completed by the end of 2022.

Nowy Świat Atrium – this project 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 options for the final design of this project are currently being contemplated by the Group and hopefully covered by a future new Masterplan in this area of the City of Warsaw. This in order to be able to obtain the necessary building permits for a 3,750sqm office development with a 2-3 floor underlying car park.

<u>Hotel operations:</u>

The Group manages its hotels through its brand IBB Hotel Collection. The Malta 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 twelve 3-star to 5-star hotels.

IBB Hotel Collection manages three 4-star hotels and three 3-star hotels in Germany; one 5-star hotel and one 4-star hotel in Spain, three 4-star hotels in Poland and one 5-star hotel in Malta.

- **Hotel operations in Germany**

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.

IBB Blue Hotel Berlin-Airport - in Germany, 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 conference rooms. The full potential of IBB Blue Hotel Berlin-Airport will unlock with the opening of the new Berlin airport, which is expected to happen during 2019.

IBB Blue Hotel Paderborn - is a 3-star hotel**,** opened by the Group during June 2017 in the heart of East-Westphalia, which is an interesting destination for business people as well as tourists due to its easy accessibility. The hotel is located in a modern building in the city centre of Paderborn, close to the shopping area, university and train station. The hotel comprises of 49 spacious rooms with a modern design finished to very high standards.

IBB Hotel Ingelheim - also opened in June 2017 in line with the Group's expectations. It offers 103 double rooms and 6 studios with a 4-star standard. Additional facilities 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).

Hotel Europäischer Hof Hamburg - was taken over under the Group's portfolio of hotels. The management contract for Hotel Europäischer Hof Hamburg was signed on 27 February, 2017, and the hotel fell under the Group's responsibility as of 1 March, 2017. It is one of the largest privately-owned hotels in Germany featuring 275 rooms with a 4-star standard, the restaurant Paulaner's "Miraculum", a piano bar as well as three conference rooms. The hotel will undergo an extensive restoration process until the year 2022 under the supervision of IBB for the hotel related issues and a project management company for the construction works.

- **Hotel operations in Spain**

IBB Recoletos Coco Salamanca - is a 4-star hotel, 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. 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 Cala'n Porter, a very famous village in the island of Menorca known for its picturesque beaches and caves. The hotel has just undergone a major refurbishment which allowed it to sign a contract with a well-known tour operator resulting in improved room rates and hence revenues. The hotel offers 59 renovated rooms, a bar and a swimming pool located on the rooftop terrace and is under the operation of the Group's IBB Hotel Collection. The Group wholly-owns the property through its subsidiary company IBB Hotel Collection Holding S.L. with a third party tenant currently operating the hotel.

Hotel Cugó Gran Menorca - is considered 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 on a 250-acre estate, the property features 12 superior rooms, a 25-metre outdoor pool in exquisitely landscaped gardens, its own vineyard, as well as a gym and massage treatment room. Cugó Gran is also for exclusive use and can be booked for a minimum three or seven-night stay. Hotel Cugó Gran Menorca is wholly owned and operated by the Group.

- **Hotel operations in Poland**

IBB Grand Hotel Lublinianka - is a 4-star hotel in the centre of Lublin, Poland, which consisted in a 5,700 sqm renovation project with an investment value of €11.7 million, completed in 2002. Grand Hotel Lublinianka is the most recognised and one of the most iconic and award-winning buildings in the city of Lublin, dating back to 1899.

The hotel has won first prize in the "Building of the Year 2007" award organized by the Polish Association of Civil Engineers and Construction Technicians, the Ministry of Infrastructure and the General Office of Building Control; first place in the "CEE Best Project Awards 2008" in the 'Best Hotel Development Project 2008' category in a competition organized by the CEPIF (Central Eastern European Property and Investment Fair) and International Herald Tribune, granted by participants of the Central and Eastern Europe real estate markets during the CEPIF Fairs in 2008 in Warsaw; as well as a second place in the 'Quality Awards' in the "CEE Hotel & Leisure Development of the year 2007" category.

Furthermore, for the Grand Hotel Lublinianka renovation project, Mr Sven von der Heyden received a personal award for 'Preservation of historical buildings', granted by the Polish Minister of Culture in 2002. The Grand Hotel Lublinianka comprises 72 rooms, mostly double rooms, and 6 suites. There are also two restaurants, a banquet room and various fitness facilities, including a sauna, a gym and a Turkish steam bath.

The fully refurbished Grand Hotel Lublinianka, which is partly owned by the Group (75%) through its subsidiary company Lublin Grand Hotel Sp.zo.o. ("LGHS"), opened its doors to guests in 2002. The Grand Hotel Lublinianka is also operated by the Group's IBB Hotel Collection through its subsidiary company Lublin Grand Hotel Management Sp.zo.o. ("LGHM"), of which the guarantor is a 74.77% shareholder. The Management wishes to refurbish some of the areas by the end of 2019 in order to keep its leading position in the City of Lublin.

IBB Hotel Andersia - is a 4-star hotel located in the Andersia Tower 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. It is a modern deluxe hotel which offers 172 rooms and apartments with an executive floor, retail outlets, restaurants, conference centre, banquet and ball rooms which can host up to 800 people. The hotel is also recognisable by its spa and wellness facilities, offering a large pool area, jacuzzi, saunas and a gym. 250 sqm of the ground floor is designated to Casinos Poland. The hotel is operated by the Group's IBB Hotel Collection through its subsidiary company Andersia Tower Hotel Management Sp.zo.o., of which the Guarantor is a 73.62% shareholder.

IBB Dlugi Targ - has been a development project by the Group (with a development budget of approximately €11.5 million) which was based on the refurbishment and conversion of three historical semi-detached city houses into a unique 89 room hotel with a total area of approximately 4,500 sqm. During the course of the development, the Group has upgraded the hotel from a 3-star category to a 4-star category.

The IBB Hotel Długi Targ in Gdańsk opened its doors for business during April 2018 and is managed by the Group's IBB Hotel Collection. The building has also prime retail space on the ground floor of approximately 1,000 sqm which has been rented out to a casino operator. Długi Targ Hotel project is the Group's first development project in Gdańsk and the Group is actively observing the local market for further opportunities in the region.

- **Hotel operations in Malta**

Cugó Gran Macina Grand Harbour Hotel – this addition to the IBB Hotel Collection opened in December 2017. The historic building, which was built in 1554 during the reign of Grand Master Claude de la Sengle, after whom Senglea is named, comprises 21 spacious double rooms and suites fully refurbished, and offers stunning views on the capital Valletta, as well as Fort St. Angelo. The Macina was originally used to hoist masts and other heavy cargo onto ships docked in the Grand Harbour, and was later used at the headquarters of the Labour Party.

The Hotel also includes the "Sheer Bastion", a rooftop venue for exclusive events. Additional facilities include the Hammett's Macina Restaurant on the ground floor with terrace, an outdoor rooftop pool on the second floor, as well as an area which is designated for use as a future spa. The Group operates this hotel, officially named Cugó Gran Macina Grand Harbour, under a management and operating agreement which was entered into on 13 January 2017 through its subsidiary company Senglea Hotel Operations Ltd. which, in turn, is wholly-owned by the Guarantor.

- **Food and Beverage Operations in Malta**

IBB Hammetts Operations Malta - the Group, through its subsidiary IBB Hotel Collection Holding S.L., entered into a joint venture in May 2017 with the principal object being the operation of three (3) catering establishments, namely:

(i) Hammett's Gastro Bar, Tigne Seafront, Sliema Malta, opened in July 2017;
(ii) The Sheer Bastion at Cugó Gran Macina Grand Harbour Hotel, Senglea, Malta, opened in December 2017; and
(iii) Hammett's Macina Restaurant at Cugó Gran Macina Grand Harbour Hotel, Senglea, Malta, opened in March 2018.

Furthermore, this joint venture allows the possibility for the Group to further expand its Food & Beverage operations through any opportunities that may arise in Malta in the future, some of which are currently being actively studied.

1.4 Operational Developments

- **Commenced hotel operations**

During 2018, the Group saw the opening of the in Gdansk, Poland located IBB Dlugi Targ 4-star hotel. It was based on the refurbishment and conversion of three historical semi-detached city houses into a unique 89 room hotel with a total area of approximately 4,500 sqm. Further information can be found above in section 1.3 of the Analysis.

- **Hotel operations in development**

IBB Hotel Eichstätt, Germany - is another new project of the IBB Hotel Collection. The lease contract for the operation of this hotel was signed in early 2017, whose lease is bound by a €350k rental guarantee. Construction works on the hotel by the owners commenced in the spring of 2018. The Group is bound to open the hotel by 1 May 2020. IBB Hotel Eichstätt, will be located in Eichstätt, a small but economically strong city in Germany near Ingolstadt (where the headquarters and main production plant of Audi are located), and will include up to 90 rooms as well as a modern Bavarian Wirtshaus (restaurant) and 40 underground parking spaces.

IBB Hotel Merkanti Valletta, Malta - IBB Hotel Merkanti Valletta was signed and announced in November 2016. It would offer 18 double rooms in a stunning fully refurbished Valletta palazzo in Old Theatre Street, facing Piazza Merkanti in the downtown city centre of Malta's historic capital Valletta. The Group however is still awaiting completion of the building by its owner and a final decision on operating the hotel will be made once there is a clear indication on the hand-over date of the property.

The Group is constantly evaluating new proposals in Poland, Malta, Germany, Spain, Portugal and recently also Ukraine.

- **Other developments**

Fuel Stations Business - Urbelia Business S.L. is a Spanish company set up towards the end of 2017. The Group teamed up with investors having over 25 years' experience in the fuel station business. The company is set up to own, manage and operate 'low-cost' fuel stations and car washing facilities. The first station started operating in the Spanish city of Bailen during the course of 2018 and the second station is expected to start operations imminently in Ciudad Real. The Group's objective is to build a portfolio of locations in Spain and beyond. This venture provides further diversification for the Von der Heyden Group in a business with recurring cash flow, low start-up costs and short payback period. The Group has a 69% stake in this joint venture company.

Real Estate Investment Fund - the Group is preparing for the legal setup of a regulated real estate investment fund and asset management company in Ukraine. The Group believes that the time seems right to enter this emerging market, due to the improved political and economic situation, while still offering 10%+ yields.

Given the dispersed and unreliable banking landscape in Ukraine, the Group foresees a successful fundraising in the region of €50-€100 million from qualified and institutional investors, while at the same time enabling it to spend abroad up to 50% of the funds raised. By incorporating an asset management division into the Group, an additional income stream will be generated contributing to an enhanced Group's cash flow and diversification. This also enables the Group to be an early mover in the Ukrainian market, both from a timing, setup and track-record/reliability perspective, as the Group historically demonstrated by entering in Poland in the 1990's.

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

Part 2 - Historical Performance and Forecasts

During 2017, the Group issued a €25 million 7 year 4.4% bond via a subsidiary company, Von der Heyden Group Finance plc, which are currently listed on the Official List of the Malta Stock Exchange. The allocation of the net bond proceeds is further described in section 5.1 of the Securities Note, forming part of the prospectus. Timan Investments Holdings Limited provided a guarantee in favour of the Bondholders. The subsidiary company is hence intended to serve as a vehicle through which the Group will continue to finance its current and future projects and/or enabling the Group to seize new opportunities arising in the market.

The Directors intend to continue to operate in line with their current business plan. The Group will continue to focus on the current real estate development projects underway while working to increase the Group's IBB Hotel Collection portfolio of hotels in Germany, Spain, Poland and Malta.

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.

The Issuer was incorporated on 15th September 2016 essentially as 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. The Issuer's audited financial statements for the three years ended 31 December 2016, 2017 and 2018 is presented in sections 2.1 to 2.3 of the Analysis.

The Group's historical financial information for the three financial years ended 31 December 2016, 2017 and 2018, is set out in the audited consolidated financial statements of the Group in sections 2.4 to 2.6 of the Analysis. Forecasts are based on management's projections for the coming year. Previously the Group's financials were audited by RSM Malta, however as from 2018 the Group engaged Ernst & Young Malta.

2.1 Issuer's Income Statement

Income Statement	**15/09/2016 31/12/2016A**	**15/09/2016 31/12/2017A**	**Dec-2018A**	**2019F**
	€000s	**€000s**	**€000s**	**€000s**
Finance income	-	1,104	1,544	1,650
Finance cost	-	(895)	(1,142)	(1,100)
Net finance costs	**-**	**209**	**402**	**550**
Administrative expenses	(122)	(444)	(310)	(300)
Movement in expected credit losses of financial instruments	-	-	32	-
Profit/(Loss) before tax	**(122)**	**(235)**	**124**	**250**
Taxation	-	-	-	-
Profit/(Loss) after tax	**(122)**	**(235)**	**124**	**250**

Source: Audited financial statements and management information

Ratio Analysis	Dec-2016A	Dec-2017A	Dec-2018A	Dec-2019F
Gross Profit Margin (Net finance costs / Finance income)	n/a	18.9%	26.0%	26.1%
Net Margin (Profit for the year / Finance Income)	n/a	-21.3%	8.0%	6.8%

Source: Calamatta Cuschieri Investment Services Ltd Workings

As per the above table the financial statements for 2017 captures the period 15 September 2016 (incorporation date) to 31 December 2017, with 2018 capturing the normalised financial year from January to December.

The Issuer recognised a finance income of €1.5 million during 2018, an increase of €0.4 million when compared with 2017. This is mainly as a result of 2018 capturing the full 12-months of operations, whereas 2017 captured part of the year given that the bond was admitted to listing on 17 March 2017. Correspondingly, the €1.1 million finance costs incurred in 2018 are higher than the finance costs of 2017, which amounted to €0.9 million.

As at the end of 2018, the Issuer deployed almost €23 million (2017: €22 million) of bond funds in line with the prospectus, at an arm's length interest rate averaging at 7.5% to the Group's subsidiaries. The additional €1 million distributed in 2018, resulted in the Issuer to improve its net finance income by €0.2 million, where in 2017 it stood at €0.2 million. This translates to a gross profit margin of 26.0% in 2018, compared to 18.9 % achieved in 2017. Net finance income represents the margin between the Issuer's lending rate of 7.5% and the Issuer's borrowing rate of 4.4%.

Administrative expenses incurred during the year amounted to €0.3 million, a decrease of circa €0.1 million from 2017. This is as a result of one time set up costs incurred by the issuer in the period 15 September 2016 to 31 December 2017. Following the implementation of IFRS 9, the Issuer incurred a loss allowance of €60k on balances brought forward from previous years and this allowance was reduced to €28k for the year 2018, thus the income statement for 2018 shows a positive movement of €32k in the expected credit losses of financial instruments.

Taxation incurred by the Issuer was insignificant and amounted to €19 in 2018 and €21 in 2017. Following the improved operational performance of the Issuer in 2018, net profit for the year amounted to €124k, an improvement of €359k, where in 2017 the issuer reported a net loss of €235k.

The Issuer's performance in 2018 was mainly in line with that forecasted in last year's FAS, with actual net profits registering an improvement of less than €0.1 million when compared to that forecasted. Actual net finance income was slightly lower than that forecasted, the difference of which was compensated by lower administrative expenses. Given the inherent unpredictable nature of credit losses on financial instruments, the positive movement of €32k was not anticipated in the forecasts, which resulted in the Issuer to report an improved performance when compared to the previous projections.

The issuer expects to generate finance income of €1.7 million for the financial year 2019. Finance costs are expected to remain in line with that of 2018 at €1.1 million. Administrative expenses are anticipated to be €0.3 million, which translates to a 2019 net profit of €0.3 million.

2.2 Issuer's Financial Position

Statement of Financial Position	Dec-2016A	Dec-2017A	Dec-2018A	Dec-2019F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Loans receivable	-	21,700	20,277	20,026
Current assets				
Loans and other receivables	-	874	4,108	4,108
Cash and cash equivalents	1	3,099	1,402	1,902
	1	**3,973**	**5,510**	**6,010**
Total assets	**1**	**25,673**	**25,787**	**26,036**
Equity and liabilities				
Capital and reserves				
Share capital	50	250	250	250
Accumulated losses	(122)	(235)	(171)	79
Total equity	**(72)**	**15**	**79**	**329**
Non-current liabilities				
Borrowings	-	24,750	24,792	24,791
Current liabilities				
Trade and other payables	73	908	916	916
Total liabilities	**73**	**25,658**	**25,708**	**25,707**
Total equity and liabilities	**1**	**25,673**	**25,787**	**26,036**

Source: Audited financial statements and management information

As at 31 December 2018, the Issuer's total assets of €25.8 million are mainly made up of loans and receivables, which represents the loans granted to the Group's subsidiaries. In 2018, accumulated loans and receivables (both non-current and current assets) amounted to €24.4 million, an increase of €1.8 million from 2017, where they stood at €22.6 million. This represents the loans granted to subsidiaries in 2018 and also a corporate guarantee by the Guarantor in favour of the Issuer to effect the due and punctual performance of all payments by the related party borrowers. This subsequently led to the reclassification of part of the loans and receivables from non-current assets to current assets. Accordingly, the decrease in cash in 2018 represents the granting of loans to the Group's subsidiaries during 2018.

Total liabilities mainly consists of the bonds in issue and this is not expected to change until the eventual maturity of these bonds in 2024. Given the limited trading activity of the Issuer, liabilities in 2018 did not experience any major movements from 2017. Total equity experienced a slight increase in 2018 when compared to prior year, which reflects the net profit reported by the Issuer for financial year 2018.

Actual financial position for 2018 is mainly in line with that of last year's FAS. The main differences is that, actual accumulated loans and receivables granted where €0.7 million higher than forecasted, correspondingly actual cash was €0.7 million lower. The corporate guarantee was not anticipated thus the forecasts anticipated a higher amount of loans classified as non-current assets, rather than current assets.

The Issuer expects minimal movements in its financial position for the forecasted year 2019, except for the cash and cash equivalents which are projected to stand at €1.9 million at the end of 2019. In line with the improved projected performance for 2019, management expect the equity base to increase to €0.3 million.

2.3 Issuer's Cash Flow

Cash Flows Statement	Dec-2016A	Dec-2017A	Dec-2018A	Dec-2019F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
Cash used in operations	(112)	(1,306)	(310)	250
Movement in trade and other receivables	-	(150)	1	-
Movement in trade and other payables	63	908	8	-
Interest paid	-	-	(1,100)	(1,100)
Taxation paid	-	-	-	-
Net cash flows used in / (generated from) operating activities	**(49)**	**(548)**	**(1,401)**	**(850)**
Cash flows from investing activities				
Movement in related parties balances	-	(21,700)	(1,127)	(250)
Interest received	-	380	831	1,600
Net cash flows generated from/(used in) investing activities	**-**	**(21,320)**	**(296)**	**1,350**
Cash flows from financing activities				
Proceeds from the issuance of ordinary shares	50	250	-	-
Net proceeds from the issuance of bonds	-	24,716	-	-
Net cash flows generated from / (used in) financing activities	**50**	**24,966**	**-**	**-**
Movement in cash and cash equivalents	**1**	**3,098**	**(1,697)**	**500**
Cash and cash equivalents at start of year	-	1	3,099	1,402
Cash and cash equivalents at end of year	**1**	**3,099**	**1,402**	**1,902**

Source: Audited financial statements and management information

During 2018, the Issuer reported a net cash outflow of €1.4 million from operating activities. This is a result of reporting interest paid under operating activities rather than financing activities, since the cash used in operations represents the admin expenses for the year. Cash used in investing activities reflect the advances to related parties as discussed above and the corresponding interest received from the related party borrowers. During the year there was no movement in financing activities, with the net movement in cash being of negative €1.7 million.

The Issuer's cash flow for 2018 was mainly in line with the projections of last year's FAS. Albeit, the interest of €1.1 million was omitted in the previous projections.

In line with the projected movement in the income statement, management expect a net cash inflow generated from operating activities of €0.3 million and a net cash balance as at end of year of €1.9 million in 2019.

2.4 Guarantor's Income Statement

Income Statement	Dec-2016A	Dec-2017A	Dec-2018A	Dec-2019F
	€000s	€000s	€000s	€000s
Revenue	17,307	19,031	22,528	26,580
Lease income	-	330	1,314	
Other operating income	115	262	330	22
Total revenue	**17,422**	**19,623**	**24,172**	**26,602**
Cost of sales		(3,914)	(4,647)	(17,564)
Staff costs	(5,473)	(7,193)	(9,033)	
Operating expenses	(11,034)	(9,084)	(10,779)	(9,259)
EBITDA	**915**	**(568)**	**(287)**	**(221)**
Depreciation and amortisation	(503)	(905)	(1,227)	(1,255)
EBIT	**412**	**(1,473)**	**(1,514)**	**(1,476)**
Allowance for expected credit losses	-	-	(872)	-
Other losses	(5)	(691)	(1,273)	(1,000)
Interest income and other related income	975	1,089	1,247	1,486
Interest expense and other related expenses	(1,321)	(1,785)	(2,671)	(2,558)
Share in profit/(loss) from associates	10	2,012	17,867	1,901
Fair value movements	(18)	106	210	-
Profit/(loss) before tax	**53**	**(742)**	**12,994**	**(1,647)**
Income tax credit/(expense)	(54)	(283)	135	(22)
Profit/(loss) after tax	**(1)**	**(1,025)**	**13,129**	**(1,669)**
Other comprehensive (loss)/income:				
Movement in currency translation reserve		945	(499)	-
Other comprehensive income		45	-	-
Movement in fair value	(4)	2,155	3,049	
Total comprehensive (loss) / income for the year	**(5)**	**2,120**	**15,679**	**(1,669)**

Source: Audited financial statements and management information

Ratio Analysis	2016A	2017A[1]	2018A	2019F
Profitability				
Growth in Total Revenue (YoY Revenue Growth)[2]	26.6%	12.6%	23.2%	10.1%
EBITDA Margin (EBITDA / Revenue)	5.3%	-2.9%	-1.2%	-0.8%
Operating (EBIT) Margin (EBIT / Revenue)	2.4%	-7.5%	-6.3%	-5.5%
Net Margin (Profit for the year / Revenue)	0.0%	-5.2%	54.3%	-6.3%
Return on Common Equity (Net Income / Total Equity)[3]	0.0%	-3.1%	32.7%	-3.8%
Return on Assets (Net Income / Total Assets)	0.0%	2.2%	14.6%	-1.6%

Source: Calamatta Cuschieri Investment Services Ltd Workings

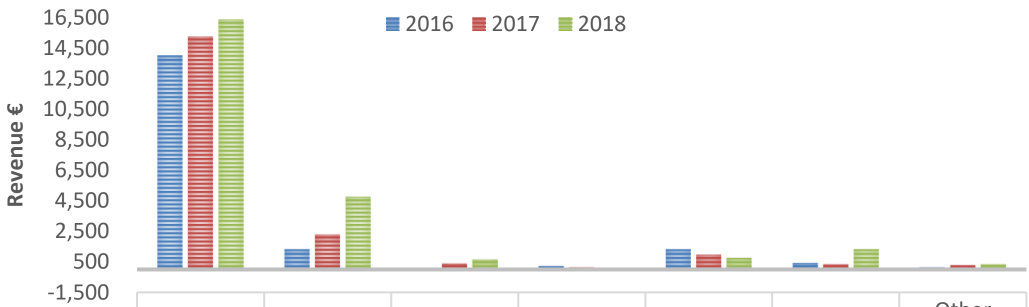
For the year ended 31 December 2018, the Group reported a total revenue of €24.2 million, which represents an increase of 23.2% or €4.5 million from 2017, where it stood at €19.6 million. This was mainly as a result of the opening of the new IBB Hotel Dlugi Targ in Poznan, Poland, which opened its doors in April 2018, in

[1] Net margin and return on assets were computed using consolidated figures for 2017.
[2] The calculation methodology of this year was changed from previous FAS, whereby revenue takes into account total revenue, including lease income.
[3] The calculation methodology of this year takes into account the average equity rather than the end of year equity as calculated in the previous FAS. The glossary section was updated to reflect these changes.

addition to the opening of three hotels in 2017 being; two IBB hotels that opened in Paderborn and Ingelheim Germany, and the Cugo Gran Macina Grand Harbour in Senglea, Malta, which reported their first full year of operations during 2018.

The principal revenue streams of the Group are income generated from accommodation and catering fees from owned and leased hotels and outlets, which in 2018 represented 68% and 20% of the total revenue. The most significant hotel management revenue streams in 2018 were derived from the two managed hotels in Poland and Germany, the IBB Andersia Hotel and the IBB Hotel Passau City Centre respectively. As at the end of 2018, revenues in Poland represent 40% (2017: 44%) of the total hotels' revenue, while Germany represents 43% (2017: 42%) of the total hotels' revenue.

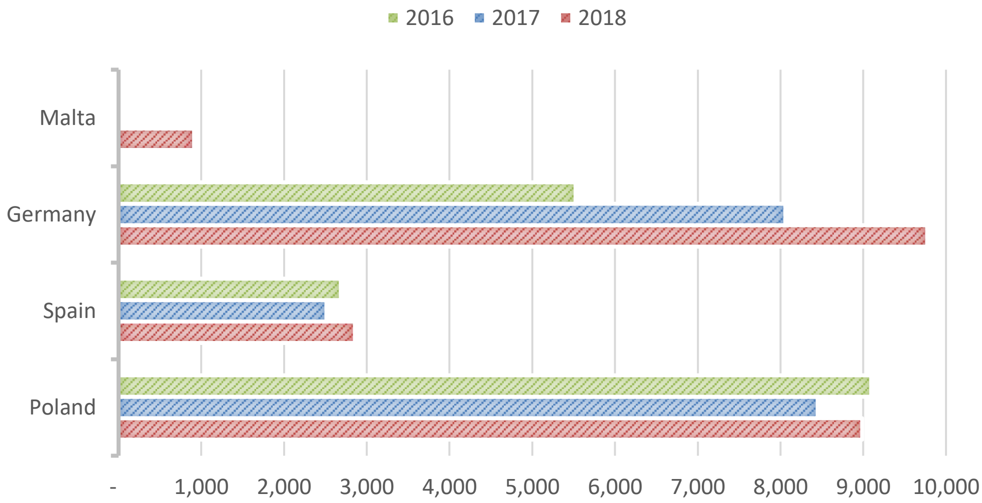
SEGMENT REVENUE BREAKDOWN - €000'S



	Accomodation	Catering	Admin & consulting	Development	Other	Lease income	Other operating income
2016	14,030	1,316	15	205	1,325	416	115
2017	15,257	2,294	386	124	970	330	262
2018	16,374	4,760	641	-	754	1,314	330

As further described above, in 2018 the Group saw the opening of the new IBB Hotel Dlugi Targ in Poznan, Poland, in addition to the opening of three hotels in 2017 being; two IBB hotels that opened in Germany, and the Cugo Gran Macina Grand Harbour in Malta, which reported their first full year of operations during 2018. The positive impact of these additions to the Group's hotel portfolio are reflected in the below graphical analysis.

HOTELS' REVENUE BY COUNTRY - €000'S



As can be analysed from the graph above, in 2018 the Group has improved its revenue generation throughout the four countries in which it operates. The consolidated figures for 2018 show that the Group's revenue experienced an increase in each county of: Malta +100%; Germany +21%, Spain +14% and Poland +6%. This is the first year that revenue generated from Germany exceeded that generated from Poland.

Revenue from operations in Malta were negligible up to 2017. In 2018, revenue from Malta contributed €0.9 million to the Group's hotels revenue. This reflects the full year operations of the Cugó Gran Macina Hotel as well as the start of IBB Hammetts Operations.

In 2018, revenue from operations in Germany contributed €9.8 million to the Group's hotels revenue, which represents an increase of €1.7 million from 2017. This is mainly as a result of the full year operations of two IBB Hotels that opened in Germany during 2017, being IBB Blue Hotel Paderborn that opened in June 2017 and IBB Hotel Ingelheim that also opened in June 2017.

Spain's contribution towards the Group's hotels revenue for 2018 was of €2.9 million, which represents a growth of €0.3 million over 2017. This is mainly due to the fuel station in Spain Bailen.

Poland remained a relatively stable and important region for the Group representing a total 40% of the hotels' revenue. In 2018, revenue from operations in Poland contributed €9.0 million to the Group's hotels revenue, which represents an increase of €0.5 million from 2017. This is mainly as a result of the opening of IBB Hotel Dlugi Targ in Poznan, Poland, which opened its doors in April 2018. Management expects revenue of this hotel to be higher in 2019, given that it will report its full year operations.

In line with the Group's continued expansion and its investment in human resources and improvements in operating procedures, in 2018 it experienced an increase in cost of sales, staff costs and operating expense of €4.3 million. During 2018, both of cost of sales and operating expenses increased by 18.7% and stood at €4.7 million and €10.8 million, respectively. This growth in these costs is in line with the growth of revenue, albeit at a slower rate, which positively impacted the Group.

The Group operates in a labour intensive industry and in the short term is being affected by its expansion programme of its IBB Hotel Collection, which has resulted in the increase of salary costs to outweigh the increase in revenue. During 2018, staff costs increased by 25.6% or €1.8 million when compared 2017. This growth can also be seen in the Group's workforce, which experienced an increase of 39.9%, where the average employees for 2018 stood at 421 employees compared to 2017, where they stood at 301 employees.

These resulted in the Group to marginal improve its negative EBITDA from €0.6 million in 2017 to €0.3 million in 2018.

In 2018, the Group's performance was also impacted by other gains and losses not directly linked to the operations of the Group. The most significant gain recognised by the Group is the share of profit from associate (Bogenhausener Tor Immobilien Sarl) of €17.9 million, which relates to the fair value gain of the Bavaria Towers. The Group's net interest expense increased by €0.7 million from 2017, which is partly as a result of the full year effect of the interest on the bond and partly as a result of increase in the Group's borrowings for financing the newly opened IBB Dlugi Targ. The Group also incurred additional losses of € 0.9 million and €1.3 million, where the former relates to an allowance for expected credit losses as requested by the new IFRS 9 standard and the latter mainly relates to an impairment of goodwill upon acquiring the remaining 50% share in Nowy Swiat 5 Sp z o.o. (Nowy), a previous associate of the Group.

These resulted in the Group to significantly improve its profit after tax, where in 2017 this stood at a net loss of €1.0 million compared to 2018, where the Group reported a net profit of €13.1 million. This translates to a net margin of 58.3% in 2018 and -5.4% in 2017.

Going forward, management expect results to improve, whereby revenue in 2019 is anticipated to reach €26.6 million. This increase in revenue is attributable to the first full year of operations of IBB Dlugi Targ and Urbelia, which are expected to contribute to a material increase in the Group's turnover.

Management expect staff costs and operating expenses in 2019 to increase to €9.3 million and €17.6 million as a result of additional salaries payable and due to costs incurred in relation to the first full year of operations of IBB Dlugi Targ and Urbelia. The Group forecasts a net consolidated loss of €1.6 million for 2019.

The Group is currently undergoing a cost improving exercise throughout the hotels. The hotels are investing in client relationship management software (CRS) and salesforce which is aimed at boosting direct sales and reducing costs through lesser commission fees being paid out to the online travel agencies which consists of a large portion of the hotel revenue. Some hotels are also opting to cut out underperforming departments, with an example being the food and beverage operations in one of the Spanish hotels limiting its activities to only bed and breakfast which will have a direct deduction in staff costs.

The Group has not grown its hotel portfolio as much as had been previously intended and this is mainly due to it being much more selective in what hotels are indeed added on. This enhanced due diligence and selection process is due to the ever-increasing rent being imposed by the landlords of hotel properties throughout Europe as well as delays in the provision of properties by these landlords due to a tightening of the construction market. This results in having fixed costs being still shared on fewer hotels. With 1-2 hotels in the pipeline for next year these fixed costs will eventually be smaller as percentage of revenue.

In its projections, the Group has provided for impairment of €1 million on one of its subsidiaries in line with the impairment provisions required under IFRS9, this was the major contribution to the net consolidated loss 2019. The said subsidiary is in the process of obtaining a building permit for the development of an office building on a prime location in Warsaw, which could have a potential upside in the future.

2.5 Guarantor's Financial Position

Statement of Financial Position	Dec-2016A	Dec-2017A	Dec-2018A	Dec-2019F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Intangible assets	68	113	203	303
Property, plant and equipment	47,166	38,166	42,619	41,364
Investment property	-	16,655	17,441	16,680
Loans and other receivables	11,066	25,908	11,534	12,984
Investment in associates/subsidiaries	233	3,653	21,520	24,122
Other financial assets	61	272	206	205
Deferred tax assets	1,396	1,240	553	553
Total non-current assets	**59,990**	**86,007**	**94,076**	**96,211**
Current Assets				
Inventories	127	180	156	156
Trade and other receivables	1,937	2,796	9,356	2,893
Current tax receivable	14	69	95	95
Available-for-sale financial assets	2	-	-	-
Cash and cash equivalents	2,943	6,907	3,803	3,789
Total current assets	**5,023**	**9,952**	**13,410**	**6,933**
Total assets	**65,013**	**95,959**	**107,486**	**103,144**
Equity and Liabilities				
Share capital	3,805	3,805	3,805	3,805
Share Premium Account	4,445	4,445	4,445	4,445
Other reserves	8,313	4,047	6,245	6,371
Currency translation reserve	1,149	(449)	(649)	(750)
Retained earnings / (Accumulated losses)	(835)	6,285	13,661	12,005
Non-controlling interest	14,888	17,249	17,402	17,365
Total equity	**31,765**	**35,382**	**44,909**	**43,241**
Liabilities				
Non-current Liabilities				
Provisions for other liabilities and charges	13	29	41	41
Borrowings	18,505	44,496	44,048	49,712
Deferred tax liability	3,565	3,938	3,244	3,243
Total non-current liabilities	22,083	48,463	47,333	52,996
Current Liabilities				
Trade and other payables	3,188	4,866	5,752	3,041
Current tax payable	243	173	146	146
Borrowings	7,734	7,075	9,346	3,720
Total current liabilities	**11,165**	**12,114**	**15,244**	**6,907**
Total liabilities	**33,248**	**60,577**	**62,577**	**59,903**
Total equity and liabilities	**65,013**	**95,959**	**107,486**	**103,144**

Source: Audited financial statements and management information

Ratio Analysis	2016A	2017A	2018A	2019F
Financial Strength				
Gearing 1 (Net Debt / Total Equity)[4]	73.3%	126.2%	110.4%	114.8%
Gearing 2 (Total Liabilities / Total Assets)	51.1%	63.1%	58.2%	58.1%
Net Debt / EBITDA	25.5x	(78.6)x	(172.8)x	(224.6)x
Current Ratio (Current Assets / Current Liabilities)	0.4x	0.8x	0.9x	1.0x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.4x	0.8x	0.9x	1.0x
Interest Coverage (EBITDA / Cash interest paid)	0.7x	(0.2)x	(0.1)x	

Source: Calamatta Cuschieri Investment Services Ltd Workings

During 2018, total non-current assets increased from €86.0 million in 2017 to €94.1 million in 2018, mainly as a result of movement in property, plant and equipment, loans and other receivables, and investment in associates. The increase of €4.5 million in property plant and equipment (“**PP&E”)** was mainly due to the construction of the hotel in Poland IBB Dlugi Targ which was opened during April 2018, in addition to a revaluation of €3.3 million on the Group’s land and buildings (shown under other comprehensive income). Loans and other receivables decreased by €14.4 million as a result of repayment by the parent company (netted off against the dividend payment) of the Group and a reclassification of the loan of an associate from long to short term. Investments in associate increased by €17.9 million, which reflects the revaluation of the Bavaria Towers as explained in section 2.1 of this Analysis.

Total current assets increased from €10.0 million in 2017 to €13.4 million in 2018 as a result of an increase in trade and other receivables, and a decrease in cash. In 2018, trade and other receivables increased by €6.6 million mainly as a result of the reclassification of the loan of an associate from long to short term as described above and an increase in the amounts owned by third parties. Cash decreased mainly as a result of a bank guarantee of circa €2 million issued by the Guarantor in relation to Andersia Tower Hotel Management.

In sum, total assets increased from €96.0 million in 2017 to €107.5 million in 2018.

The Group’s total assets for 2018 exceeded that forecasted in last year’s FAS by €14.8 million. Mainly this was a result of the Group’s higher investment in capital assets than it had originally planned and also due to the actual fair value gain on PP&E being higher than anticipated. Additionally, the fair value gain on the Bavaria Towers was not predicted resulting in the actual investments from associates being significantly higher than that forecasted. This significant growth in assets was offsetted as a result of actual trade/loan receivables being lower than forecasted due to the dividend payment declared in 2018 that was netted off against a receivable balance from the Group’s parent company, which was not previously anticipated.

During 2018, non-current liabilities and current liabilities remained at relatively similar levels to those in 2017, with no major movements registered in the financial period. The main movement was in respect of additional debt utilised for financing the newly opened IBB Dlugi Targ. This resulted in the Group’s total borrowings to increase to €53.4 million in 2018 from €51.6 million in 2017.

Borrowings primarily comprised of the bond issue, bank borrowings and loans from third parties. The Management explained that all the Group’s bank borrowings are non-recourse to the Guarantor. Total equity of the Group increased by €9.5 million in 2018 when compared to 2017, where total equity stood at €35.4 million. The increase mainly reflects the total comprehensive income for the year which amounted to €15.7 million less €6.0 million divided that was distributed to the Group’s ordinary shareholders.

[4] Gearing rations (1 &2) were computed using consolidated re-stated figures for 2017.

The Group's equity and liabilities for 2018 was mainly in line with that forecasted in last year's FAS. Albeit, the forecasts did not anticipate the significant fair value gain recognised on the Bavaria Towers and a number of prior year adjustments that are further explained in section 2 of the Group's financial statements for 2018, which resulted in actual total equity to be higher than that forecasted. Additionally, the forecasts did not anticipate a growth in borrowings that as further described above was utilised for financing the newly opened IBB Dlugi Targ.

Management expect total assets to marginally decline to €103 million in 2019. This is mainly attributable to the expected settlement of partial payments payable to the Group, thus contributing towards a significant decline in the Group's trade and other receivables end of year balance. The balances which are expected to be settled during 2019 include amounts payable by third parties and loan principal and interest repayments payable to the Group. Moreover, no property, plant and equipment additions are projected for 2019. Therefore the decline in property, plant, and equipment relates to the expected depreciation charge to be incurred by the Group during 2019.

The Management of the Guarantor is opting for a very prudent approach in accounting for its owned properties with the two main assets being kept at approximately 10% lower value than the market value as proposed by world-renowned professional valuers. Any potential disposals in the future will result in future profits higher than are being now accrued for and therewith releasing hidden reserves.

In 2019 management are also anticipating to settle various outstanding balances payable to third parties, leading to an overall decrease in trade and other payables end of year balance. The Group expects total liabilities to decline in 2019.

2.6 Guarantor's Cash Flow

Cash Flows Statement	Dec-2016A	Dec-2017A	Dec-2018A	Dec-2019F
Cash flows from operating activities	**€000s**	**€000s**	**€000s**	**€000s**
Cash (used in) / from operations	527	(1,045)	(1,190)	(2,315)
Movement in inventories	(27)	(53)	24	-
Movement in trade and other receivables	5,658	(877)	(6,479)	6,095
Movement in trade and other payables	(73)	1,765	23	(2,711)
Movement in provisions	(186)	16	-	1,000
Interest paid (previously shown under financing activities)	(1,321)	(2,401)	(2,396)	(1,284)
Taxes paid	(331)	140	(52)	-
Net Cash used in / generated from operating activities	**4,247**	**(2,455)**	**(10,070)**	**785**
Cash flows used in investing activities				
Purchase of associate	-	(25)	-	(700)
Purchase of other financial assets	(61)	(116)	-	-
Purchase of intangible assets	(27)	(89)	(163)	(100)
Purchase of property, plant & equipment	(2,187)	(5,539)	(3,700)	-
Purchase of investment property	-	-	(651)	-
Proceeds from sale of property, plant & equipment	246	11	773	761
Proceeds from sale of investments & Intangibles	13	-	-	-
Net movement in loans to parent company	-	(10,097)	1,753	-
Net movement in loans to related parties	-	(1,795)	7,373	(948)
Net movement in amount due to ultimate beneficial owner/directors	-	(4)	(51)	(500)
Net movement in loans to third parties	-	(2,740)	54	-
Interest received	976	1,429	1,569	368
Net Cash generated from / (used in) investing activities	**(1,040)**	**(18,965)**	**6,957**	**(1,119)**
Cash flows from financing activities				
Net movement in loans from parent companies	(2,848)	2,840	(867)	-
Net movement in loans from group companies	57	-	-	-
Net movement in related party borrowings	(375)	(3,951)	(367)	646
Net movement in loans from ultimate beneficial owner	2,791	(522)	1,539	-
Net movement in bank borrowings	(470)	3,147	2,440	-
Net movement in third party borrowings	2,426	(132)	(2,003)	(326)
Other borrowings	(5,265)	(757)	(349)	-
Issuance of bonds	-	24,774	-	-
Net cash generated from / (used in) financing activities	**(3,684)**	**25,399**	**393**	**320**
Effect of changes in foreign exchange	249	(15)	(384)	-
Net movement in cash flows	**(228)**	**3,964**	**(3,104)**	**(14)**
Cash and cash equivalents at beg of year	3,171	2,943	6,907	3,803
Cash and cash equivalents at end of year	**2,943**	**6,907**	**3,803**	**3,789**

Source: Audited financial statements and management information

Ratio Analysis	2016A	2017A	2018A	2019F
Cash Flow				
Free Cash Flow (Net cash from operations - Capex)	€2,060	€(7,994)	€(14,421)	€785

Source: Calamatta Cuschieri Investment Services Ltd Workings

During 2018, the Group's cash used in operating activities was of €10.1 million. This mainly reflects the cash used in operations of €1.2 million, movement in trade and other receivables of negative €6.5 million and cash interest paid of €2.4 million. The €6.5 million movement in receivables captures the bank guarantee of circa €2 million issued by the Guarantor in relation to Andersia Tower Hotel Management, which in turn increased receivables in respect of this amount.

Cash flows from investing activities amounted to €7.0 million in 2018. This was mainly generated as a result of the reclassification of the loan of an associate from long to short term as described further in section 2.5 of this analysis. Cash generated from financing activities amounted to €0.4 million in 2018. With the effect of the polish Zloty on the Group's financials amounting to a negative €0.4 million.

These resulted in the Group' cash for 2018 to decrease by €3.1 million, where in 2017 cash stood at €6.9 million and as at end of 2018 decrease to €3.8 million. Management notes that the bank guarantee of circa €2 million will be released in 2019 and accordingly the funds will refunded in the Group's cash reserves.

The Group's cash flow for 2018 was mainly in line with that forecasted in last year's FAS. Albeit, the forecasts did not anticipate the reclassification of the loan of an associate from long to short term, which resulted in actual cash used in operating activities and cash generated from financing activities to vary accordingly when compared to forecasts. Additionally, the forecasted cash flow in the previous projections did not anticipate the above bank guarantee of circa €2 million, consequently actual cash reserves for 2018 were lower than that anticipated.

In 2019 management are anticipating a net cash balance generated from operating activities of €0.8 million. This improvement in net cash generated from operating activities is deemed to be in line with expected movements in working capital during 2019.

Although a lower level of capital expenditure is anticipated to be incurred during 2019, management are expecting to generate a lower interest receivable balance, thus contributing towards an expected net cash used in investing activities of €1.1 million. Also included under investing activities, are projected movements in related parties balances of €1 million which include €0.7 million in loans payable to subsidiaries and €0.3 million payable to a new associate.

In comparison to the previous financial year, the Group expects minimal movements in its financing activities. In such regard, management are anticipating net movements in related party borrowings of €0.6 million and a net movement in third party borrowings of €0.3 million. As a result of the above, management are forecasting a cash balance at end of year of €3.8 million.

2.6.1 Variance Analysis

Income Statement	Dec-2018F	Dec-2018A	Variance - €
	€000s	€000s	€000s
Revenue	24,136	22,528	(294)
Lease income		1,314	
Other operating income	101	330	229
Total Revenue	**24,237**	**24,172**	**(65)**
Staff costs	(7,999)	(9,033)	(1,034)
Cost of sales	(14,848)	(4,647)	(578)
Operating expenses		(10,779)	
EBITDA	**1,390**	**(287)**	**(1,677)**
Depreciation and amortisation	(1,015)	(1,227)	(212)
EBIT	**375**	**(1,514)**	**(1,889)**
Allowance for expected credit losses	-	(872)	(872)
Other losses	-	(1,273)	(1,273)
Interest income and other related income	1,350	1,247	(103)
Interest expense and other related expenses	(2,390)	(2,671)	(281)
Share in profit/(loss) from associates	-	17,867	17,867
Fair value movements	-	210	210
Profit/(loss) before tax	**(665)**	**12,994**	**13,659**
Income tax credit/(expense)	(60)	135	195
Profit/(loss) after tax	**(725)**	**13,129**	**13,854**
Other comprehensive (loss)/income:			-
Movement in currency translation reserve	-	(499)	(499)
Other comprehensive income	-	-	-
Movement in fair value	2,368	3,049	681
Total comprehensive (loss) / income for the year	**1,643**	**15,679**	**14,036**

The Group's total revenue in 2018 is in line with that projected in last year's FAS, except for a slight decline of less than €0.1 million, which is attributable to IBB Dlugi Targ hotel, whose actual performance was slightly lower than expected.

The Group's operational performance in 2018 was mainly impacted by higher than expected costs, being staff costs and cost of sales. Actual staff costs incurred by the Group were €1.0 million higher than expected as a result of higher staff costs across the hotel business of the Group. The hotel business is a labour intensive industry and the ever increasing wages impacted the profitability of the Group. In 2018, cost of sales (including operating expenses) amounted to €15.4 million, a variance of €0.6 million from previous year projections. This was as a result of a one-off impairment charge pertaining to an inter-company loan receivable from an associate. The loan was granted by the Guarantor and therefore the impairment was not born by the Issuer.

In 2018, the Group incurred a higher depreciation charge as during the projections the Group had around €10 million in work in progress, however these have now been reclassified as capital assets, which resulted in the Group incurring an additional depreciation charge of around €0.2 million.

These resulted in the Group's EBIT to vary by €1.9 million from that projected, amounting to a negative €1.5 million for 2018.

The Group's performance was significantly improved by the operations of one of its associates, being Bogenhausener Tor Immobilien GmbH in relation to the fair value gain of the Bavaria Towers. The share of profit from this associate amounted to €17.9 million, which was not captured in previous year projections.

In 2018, the Group's profitability was also impacted by an additional €0.4 million in net interest expense as a result of unplanned additional borrowings amounting to €1.8 million, for the financing of the newly opened IBB Dlugi Targ hotel. Additionally, the Group also incurred additional losses of €0.9 million and €1.3 million, where the former relates to an allowance for expected credit losses as requested by the new IFRS 9 standard and the latter mainly relates to an impairment of goodwill upon acquiring the remaining 50% share in Nowy Swiat 5 Sp z o.o. (Nowy), a previous associate of the Group.

These resulted in the Group to report a profit of €13.1 million, compared to a projected loss of €0.7 million. The Group's actual total comprehensive income amounted to €15.7 million, which is a result of a fair value gain on its land and buildings of €3.0 million. The latter being €0.7 million higher than anticipated in previous year forecasts.

Part 3 - Key Market and Competitor Data

3.1 General Market Conditions

Poland[5]

Poland is the most developed, diversified and mature economy across Central and Eastern Europe. Poland was the only country within the EU to avoid recession over 2008-2010 and has been outpacing EU-average GDP growth for many years. Poland is the largest beneficiary of EU funding and has reached high-income status over a relatively short period of time. Few middle-income countries have experienced such consistent broad-based growth, both fast and stable (on average 3.6% over the past decade). Real GDP grew to 5.1% in 2018 from 4.8% in 2017. Poland's real GDP growth is expected to be 4.2% in 2019 and to decrease to 3.6% in 2020. The inflation rate of Poland in 2018 stood at 1.2% and this expected to increase to 1.8% in 2019.

While Warsaw continues to be the country's key business centre, cities such as Kraków, Wrocław, Łódź, TriCity (Gdańsk, Gdynia, Sopot), Poznań and the Katowice conurbation have developed business-friendly environment and have attracted many foreign investors.

Tourism

The dynamically changing situation in the world, including the growing level of terrorist threats in the cities of Western Europe, changes the stream of demand towards Poland and Warsaw (Eastern Europe), which are perceived as safe areas. During 2018, the international tourist arrivals in Poland have increased by 4.1%, where in 2017 these stood at a growth of 11.4%.

In accordance to the Global Travel Service (GTS) model, the inbound tourism growth forecast of the Central & Baltic area (which includes: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia) is of 4.3% and 3.1% in 2019 and 2020, respectively.

Property market

Poland is the most developed, diversified and mature economy across Central and Eastern Europe. Poland holds the leading position in the CEE region in terms of GDP (about €495 billion in 2018 according to estimation of European Commission), which is the effect of growing wealth of society, high level of consumption and positive situation on the labour market.

Poland ranks high in terms of investment attractiveness among manufacturing companies as well as business service providers, which has been confirmed by a number of rankings as well as investment placements. Investor confidence has been confirmed by, (i) in September 2018 status of Poland was upgraded by FTSE Russell Index to Developed from Advanced Emerging, (ii) Poland's student population exceeding 1.5 million, which drew some of the big companies names in the Electronics, Automotive and Engineering sectors, (iii) Poland may become a beneficiary of BREXIT, attracting financial institutions and other business services that are considering a move away from London.

At the end of 2018 the total stock of modern office space in Warsaw and regional cities reached 10.4 million m^2. Warsaw dominates the office market with the most development, letting and investment activity. Due to the fact that most of big projects in Warsaw are under construction, level of new supply in 2018 was

[5] European Economic Forecast – Spring 2019; European Tourism – Trends & Prospects Q1-2019; and The Polish Real Estate Guide 2019 Edition - EY

relatively low. Therefore, strong demand caused a decrease in vacancy rates without impacting rental rates. Vacancy rates for Warsaw stood at 8.7% (Stock: 5.5 million m^2) and that of Poznan stood at 7.4% (Stock: 0.5 million m^2), with Warsaw having an annual prime rental rate of €240-€288/m^2, with Poznan registering a rate of €144-€162/m^2.

Germany[6]

The largest economy in Europe, Germany experienced a 1.4% growth in real GDP during 2018, a decline when compared to the economic growth of 2017, which amounted to 2.2%. This decelerating economic growth combined with weak export growth, low unemployment and consumer spending restraint contributed towards a decrease in the foreign direct investment of 13%, from 1,124 in 2017 to 973 in 2018. Moreover, FDI was also impacted by sector specific issues, which emerged as a result of heightened potential for a hard Brexit and US tariffs, in addition to a slowdown in demand from China and tougher environmental standards.

As the biggest producer and exporter of manufactured goods in the EU, with high cross border integration of production chains, Germany has a key role in driving both European production and exports. The slump in manufacturing and trade seems to have been the most severe drag on the euro area growth throughout 2018. Consequently, Germany's real GDP growth is expected to decrease to 0.5% in 2019 and to recover back to 1.5% growth in 2020.

Tourism

The number of international arrivals in 2018 increased by 3.8%, which declined when compared to 2017 where it stood at 5.1%. Conversely, international nights experienced a growth of 4.5% in 2018, whereas in 2017 the growth stood at 3.6%. This translates to 87.7 million overnight stays by foreign visitors in 2018, compared to 83.9 million overnight stays in 2017.

As reported by the Federal Statistical Office (Destatis), turnover in the German accommodation and food service activities in March 2019 increased by 1.6% in real terms and by 3.1% in nominal terms compared with the corresponding month of the previous year. Compared with the same period in the previous year, turnover in the German accommodation and food service activities increased by 1.7% in real terms and by 3.5% in nominal terms in the first three months of 2019. After adjustment for calendar and seasonal effects the turnover in March 2019 was in real terms 1.9% and in nominal terms 2.0% lower than that in the previous month.

The Tourism Economics global travel forecasts indicates that visitor growth in Western Europe (Austria, Belgium, France, Germany, Luxembourg, Netherlands, and Switzerland) will be of 2.8% in 2019 and 2.0% in 2020. This shows that the strength of the growth is forecasted to weaken, taking into account that visitor growth for Western Europe in 2018 was of 6.4%.

Office market – Munich

Munich continues to enjoy excellent business perspectives while offering high quality of living. More than 1.5 million people currently live in Munich, and the population is expected to top the 1.7 million mark by the end of 2022. At the end of Q1 2019, user demand was still met by a continuing decline in available space. In the period from January to end-March, the take-up volume in the Big 7 cities (Berlin, Hamburg, Düsseldorf,

[6] European Economic Forecast – Spring 2019; EY Europe Attractiveness Survey 2019; European Tourism – Trends & Prospects Q1-2019; GNTB – Incoming Tourism Germany 2019; Office Market Overview Q1 2019 – JLL; Wirtschaft-Muenchen - Munich Annual Economic Report 2018

Cologne, Munich, Frankfurt am Main and Stuttgart) amounted to about 922,000 sqm, which is around 4% lower than in the previous year. Compared to the five-year average, take-up was 3% higher. Therefore, the cycle is intact.

In the first quarter of 2019, the office letting market in Munich recorded take-up of 192,000 sqm of office space, 7% below the five-year average; an annual take-up volume of 850,000 sqm is expected by the end of the year. Nonetheless, it is difficult for operators of flexible office space to find suitable space in Munich and this is encouraging them to rent space in project developments. An example of this is Design Offices which has secured around 10,000 sqm in the Bavaria Towers.

The supply of space has fallen further and the vacancy rate now stands at 2.6%. Although around 450,000 sqm of office space in project developments (new-builds and refurbishments) will come onto the market in 2019, just under one-fifth of this space is still available. Rental prices have been rising steadily and sometimes rapidly as a result of the shortage of supply, and have risen in all submarkets in the last two quarters. The prime rent is €474/sqm/annually and the average rent across the market is €230/sqm/annually.

Spain[7]

Despite some slow down over the course of the year, real GDP in Spain grew by 2.6% in 2018, above the euro area average for the fourth year in a row. Real GDP is expected to have expanded by 0.6% quarter on quarter ("**q-o-q**") in Q1-2019, the same as in the previous quarter and more than previously anticipated. Activity is projected to moderate mildly in the second quarter of this year and stabilise thereafter at a rate of around 0.5% q-o-q over the forecast horizon, as the projected improvement in external performance compensates for the expected slowdown in domestic demand. Overall, GDP growth is forecast at 2.1% in 2019 and 1.9% in 2020.

Employment growth has continued to exceed expectations. Job creation is expected to remain robust but to slow down as final demand moderates and as a result of the increase in the minimum wage. In turn, the unemployment rate is set to continue falling to 12.2% in 2020, the lowest since 2008. Wage growth is expected to peak in 2019, under the impact of the increase in the minimum wage, and then moderate but still grow above inflation in 2020. As labour productivity is forecast to grow very moderately over the forecast horizon, this should lead to a rise in nominal unit labour costs, especially in 2019. After reaching 1.7% in 2018, HICP inflation is forecast to decline to 1.1% in 2019 and 1.4% in 2020, due to oil price developments and a gradual increase in core inflation.

Tourism

Large Mediterranean destinations struggled over 2018 to maintain momentum in the face of increased competition from resurgent destinations such as Turkey, Tunisia, and Egypt, and also due to the strong performance of Greece and Cyprus. Nevertheless, Spain managed to record an increase of 1.1% in arrivals and register slightly less in terms of overnights (-0.4%). Furthermore, the UK is an important source market for Spain and the prospect of Brexit and the weakness of sterling have motivated UK travellers to look for better value deals for sun-related holidays such as those offered by Bulgaria and Turkey, the latter being cheaper due to the devalued Turkish lira.

Albeit, the number of foreign tourist arrivals in Spain rose 5.7% year-on-year to 7.17 million in April of 2019, following a 4.7% gain in the previous month. Visitors came mostly from the UK (up 3.5%); Germany (up 17.9%); the US (up 10.6%); Italy (up 10.5%) and Portugal (up 16.2%).

[7] Spring 2019 Economic Forecast – Spain; European Tourism – Trends & Prospects Q1-2019; Trading Economics - Spain

Malta[8]

In the third quarter of 2018, the pace of economic expansion in Malta accelerated, with real gross domestic product ("GDP") rising by 7.5% on a quarterly following a growth of 6.1% in the previous quarter. During the same period the rate of economic expansion in the euro area has moderated, with real GDP rising by 0.2% on a quarterly basis following two quarters of constant growth of 0.4%. Growth in Malta was supported by a strong increase in domestic demand, particularly private consumption. Net exports also contributed, albeit to a lesser extent. The slowdown in the euro area's GDP growth during the third quarter of 2018 reflected a negative contribution from external demand with net exports, after having a broadly neutral contribution in the previous quarter. In 2019, real GDP growth is projected to moderate further to 5.2%. As global demand moderates, economic growth is expected to continue relying on domestic demand, underpinned by high private and public consumption.

Tourism

The tourism industry in Malta has been progressively growing over the years, benefiting from a surge in tourism with records broken year-on-year. In 2018, tourists arrivals increased by 0.3 million from 2.3 million in 2017 to 2.6 million in 2018, an increase of 14.3%. This is comparable to previous year when in 2017 tourists arrivals increased by 15.7%, where in 2016 inbound tourists stood at 2.0 million. Hotel accommodations benefited from the increasing number of tourists coming to Malta over the recent years, which translated into higher number of guests and occupancy.

In 2018, total nights spent by inbound tourists to Malta reached 18.6 million, an increase of 12.5% over 2017, where total nights stood at 16.5 million. This shows an improved growth when compared to 2017, where total nights increased by 10.3% or 1.5 million from 2016 (total nights 15.0 million). The increase in tourism activity in 2018, has not resulted in a proportional increase in the total expenditure per capita, where in 2018 it stood at €809 per capita, experiencing a decrease of 5.5% from 2017, where it stood at €856 per capita. This was mainly due to a decrease on other expenditure and a decrease on non-package accommodation expenditure, where compared to 2017 these decreased by 14.5% and 7.1% respectively. The average length of stay in Malta has slightly decreased from 2016, where it stood at 7.6 nights in 2016, decreased to 7.3 nights in 2017 and decreased further to 7.1 nights in 2018.

This trend in the increase in the number of tourist arrivals over the last three years has been stable as can be demonstrated by the table below:

	2016	2017	2018	Change 2018/17
Inbound tourists	1,965,928	2,273,837	2,598,690	14.3%
Tourist guest nights	14,961,366	16,509,141	18,569,716	12.5%
Average length of stay	7.6	7.3	7.1	-2.7%
Tourist expenditure (€'000s)	1,708,952	1,946,894	2,101,765	8.0%
Tourist expenditure per capita (€)	869	856	809	-5.5%

[8] Central Bank of Malta – Quarterly Review No.1 2019; European Economic Forecast – Spring 2019; Inbound Tourism December 2018 (NSO)

3.2 Comparative Analysis

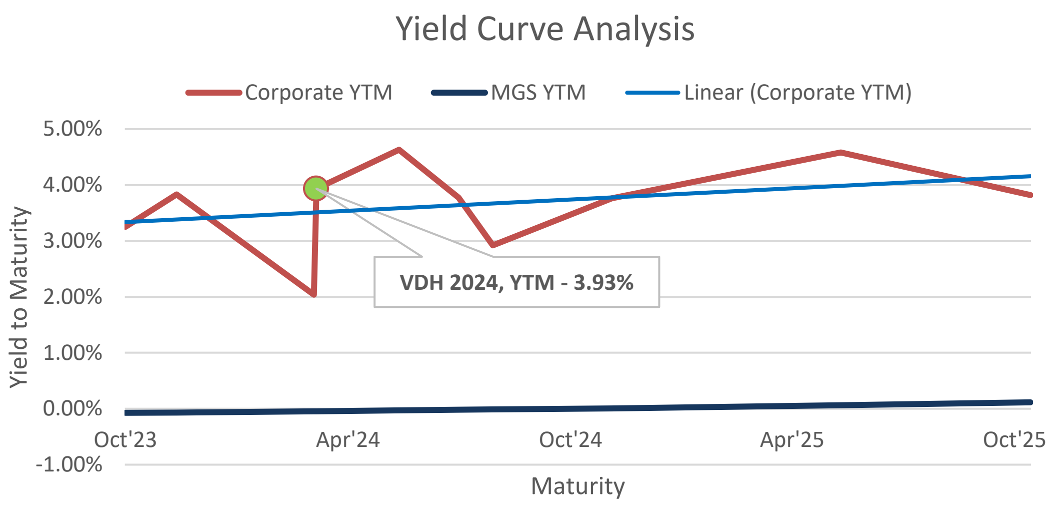
The purpose of the table below compares the proposed debt issuance of the group to other debt instruments with similar duration. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore also different.

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)	Last Closing Price *
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)	
4.25% GAP Group plc Secured € 2023	19,931	3.25%	4.4x	55.2	9.9	82.1%	256.0%	3.6x	6.4x	36.0%	9.8%	103.2%	104.00
5.8% International Hotel Investments plc 2023	10,000	3.83%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	62.3%	108.00
6% AX Investments Plc € 2024	40,000	2.04%	6.9x	325.2	214.6	34.0%	22.9%	2.3x	1.0x	16.5%	56.6%	23.1%	118.00
4.4% Von der Heyden Group Finance plc Unsecured € 2024	**25,000**	**3.93%**	**(.1)x**	**107.5**	**44.9**	**58.2%**	**110.4%**	**(172.3)x**	**0.9x**	**32.7%**	**54.3%**	**23.2%**	**102.00**
6% International Hotel Investments plc € 2024	35,000	4.63%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	62.3%	106.00
5.3% Mariner Finance plc Unsecured € 2024	35,000	3.77%	4.2x	83.2	44.2	46.9%	78.5%	4.1x	1.4x	13.2%	33.2%	-2.2%	107.00
5% Tumas Investments plc Unsecured € 2024	25,000	2.92%	23.0x	266.9	154.5	42.1%	19.6%	0.5x	3.2x	37.3%	36.1%	128.6%	110.00
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000	3.76%	1.7x	112.0	43.5	61.2%	107.6%	9.3x	1.4x	8.6%	21.4%	-9.4%	106.00
5.75% International Hotel Investments plc Unsecured € 2025	45,000	4.58%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	62.3%	106.00
4.5% Hili Properties plc Unsecured € 2025	37,000	3.82%	1.6x	154.7	52.2	66.2%	172.6%	16.6x	0.4x	4.7%	29.0%	15.0%	103.80
Average **		3.62%	5.7x	650.1	350.2	52.2%	92.6%	6.6x	1.9x	13.24%	21.8%	49.5%	

Source: Latest available audited financial statements

* Last price as at 26/06/2019

** Average figures do not capture the financial analysis of the Group



Source: Malta Stock Exchange, Central Bank of Malta and Calamatta Cuschieri Estimates

As can be witnessed in the comparative analysis, the Group's leverage is slightly above the average of its comparable issuers on the Malta Stock Exchange at 58.2% gearing (Total Liabilities/Total Assets), compared to an average of 52.2% or at a gearing (Net Debt / Total Equity) of 110.4% compared to an average of 92.6% for the industry.

As at 26 June 2019, the average spread over the Malta Government Stock (MGS) for corporates with maturity range of 4-6 years was 367 basis points. The 4.4% Von der Heyden Group Finance p.l.c. is currently trading at a 398 basis point spread, therefore at 31 basis points above the average of the market.

Part 4 - Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.
Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by total assets.
Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
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 Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.
Balance Sheet	
Total Assets	What the Group/Company owns which can de further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.

Total Liabilities	What the Group/Company owes which can de further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.
Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity 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 current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio Gearing Ratio Level 1 Gearing Ratio Level 2	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets. Is calculated by dividing Net Debt by Total Equity. Is calculated by dividing Total Liabilities by Total Assets.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.
Other Definitions	
Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.
Occupancy Level	The occupancy level is expressed as a percentage and indicates the number of rooms occupied to the total number of available rooms in a given time period.