Financial Analysis Summary

26 June 2020

Issuer

Hal Mann Vella Group p.l.c.

MZ INVESTMENT SERVICES

MZ INVESTMENT SERVICES

The Directors
Hal Mann Vella Group p.l.c.
The Factory
Mosta Road
Lija LJA 9016

26 June 2020

Dear Sirs

Hal Mann Vella Group p.l.c. Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary ("**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 Hal Mann Vella Group p.l.c. (the "**Group**" or the "**Company**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the three years ended 31 December 2017 to 31 December 2019 has been extracted from the audited consolidated financial statements of the Company.

(b) The forecast data of the Group for the year ending 31 December 2020 has been provided by management of the Company.

(c) Our commentary on the results of the Group and on its financial position is based on the explanations provided by the Company.

(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.

(e) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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The Analysis is meant to assist investors in the Company'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 Company and should not be interpreted as a recommendation to invest in any of the Company'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 Company's securities.

Yours faithfully,

Evan Mohnani
Senior Financial Advisor

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TABLE OF CONTENTS

PART 1 – INFORMATION ABOUT THE GROUP

1. KEY ACTIVITIES

Hal Mann Vella Group p.l.c. (the "**Company**", "**Issuer**" or the "**Group**") is the parent company of the Hal Mann Vella Group. The Group is principally engaged in the running of a diverse portfolio of business entities involved in: the manufacture and business of stone, marble, granite, terrazzo tiles and pre-cast elements; property development, letting and resale; general contracting and other services; as well as operation of photovoltaic (PV) systems.

The Hal Mann Vella Group was established *circa* 60 years ago and at the time was solely involved in the manufacture of terrazzo tiles for the local market. During the six decades the business progressed with the launch of new products to the market, which included the manufacture of other forms of tile, such as resin tiles, and also the supply of stone, marble and granite.

The Group is committed to maintain a strong presence in its target markets, especially in Malta, and is therefore constantly improving its manufacturing processes through investment in the latest machinery and techniques. Moreover, the management team continues to enhance the product range on offer, including the availability of tailor-made solutions, to ensure that the Group meets its customers' demands.

2. DIRECTORS AND SENIOR MANAGEMENT

The Company is managed by a Board consisting of six directors entrusted with its overall direction and management, including the establishment of strategies for future development. The list of Board members is detailed hereunder:

Board of Directors

Martin Vella	Chairman
Mark Vella	Executive Director
Joseph Vella	Executive Director
Miriam Schembri	Non-Executive Director
Arthur Galea Salomone	Independent Non-Executive Director
William Van Buren	Independent Non-Executive Director

The senior management team of the Group is composed as follows:

Senior Management	
Kevin Rapinett	Group Chief Executive Officer
Chris Tonna	Group Financial Controller
Owen Farrugia	Director of Sales
Hugh Vella	Director of Operations
Martin Ciappara	IT Director
Karl Vella	Head of Realty
Rachel Micallef	Head of Supply Chain Management

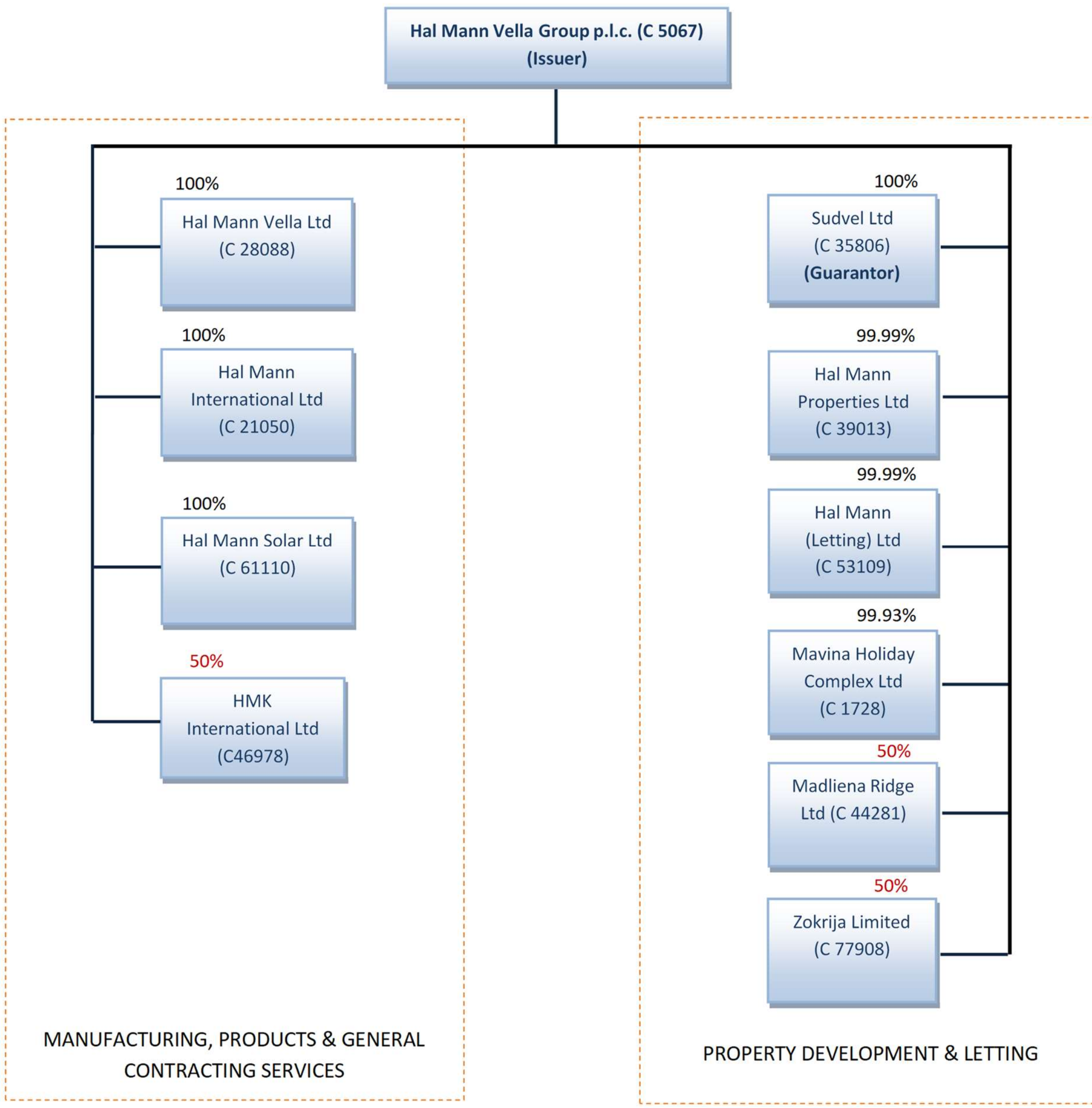
The Executive Directors and the senior management team are entrusted with the Group's day-to-day management. They are also responsible for the identification and execution of new investment opportunities and the funding of the Group's investments.

The main functions of the Non-Executive Directors are to monitor the operations of the Group and the performance of the Executive Directors, as well as to review any proposals tabled by the Executive Directors. In addition, the Non-Executive Directors have the role of acting as an important check on the possible conflicts of interest for the Executive Directors in view of their dual role as Executive Directors of the Company and their role as officers of the Hal Mann Vella Group.

3. GROUP OPERATIONAL DEVELOPMENT

3.1 Organisational Structure

As the holding company of the Group, the Company is ultimately dependent upon the operations and performance of the Group's operating companies. The organisational structure of the Group as at 31 December 2019 is illustrated in the diagram below:



Hal Mann Vella Group p.l.c. is the parent company of Hal Mann Vella Group and is primarily focused on establishing and monitoring strategic direction, and development of the Group.

Zokrija Limited was incorporated on 2 November 2016 and is owned as to 50% each by the Group and a third party. The company owned a site in the Zokrija area, Mosta, which was sold to a third party in FY2019.

Madliena Ridge Ltd has ceased operations and was placed into liquidation.

In addition to the companies highlighted in the above organisational structure, the Issuer has a 50% equity shareholding in Hal Mann Holdings Ltd and a 20% shareholding in Hal Mann Projects Limited. The said companies are non-trading entities and will be liquidated in due course.

3.2 Major Assets Owned by the Group

The Hal Mann Vella Group is the owner of various properties which are included in the consolidated balance sheet under the headings: ‘property, plant & equipment’, ‘investment property’, and ‘property held-for-sale’. The following is a list of major assets owned by the Group.

Hal Mann Vella Group p.l.c.
Major Assets

As at 31 December	**2017**	**2018**	**2019**
	€’000	**€’000**	**€’000**
Hal Mann factory, plant & machinery and adjacent buildings	34,092	36,954	34,730
50% of Warehouse Complex (known as "NAVI Building")	1,840	2,300	2,325
Commercial building (known as "E-Pantar") (5,200m^2)	23,232	23,232	23,232
Ownership of 50% of a quarry in Naxxar (12,000m^2)	3,057	-	-
Site in Lija (17,000m^2)	387	405	508
Villa in Madliena	2,500	2,500	2,500
Mavina and Huli hotels	6,361	6,800	6,800
Merchant Suites, Valletta (temporary emphyteutical grant) ***(note 1)***	-	2,200	-
Spinola apartments ***(note 2)***	2,900	2,170	870
Solar panels	1,322	1,200	1,124
Apartment and garage at tas-Sellum, Mellieha	650	675	675
Site in Kappara (development of 4 semi-detached villas)	-	2,034	2,185
Site in Mosta (development of 17 apartments and car spaces)	-	-	1,365
Commercial property - Old Bakery Street, Valletta	-	-	1,085
Other assets	4,989	4,122	5,307
	81,330	**84,592**	**82,706**

Note 1: In FY2019, the asset was reclassified to "right-of-use assets".

Note 2: In January 2019, the Group sold 5 apartments and 3 car park spaces for €1.3 million.

Source: Consolidated audited financial statements of Hal Mann Vella Group p.l.c. for the years ended 31 December 2017 to 2019.

3.3 Overview of the Principal Business Segments

The Hal Mann Vella Group is organised into two distinct business units – manufacturing, products & general contracting services and property development & letting - as detailed hereunder.

3.3.1 Manufacturing, products & general contracting services

The Group companies forming part of this segment are primarily responsible for: (i) the manufacture of tiles and pre-cast elements; (ii) importation of marble, granite and natural stone; and (iii) tendering for contracts primarily in Malta.

Raw materials are the basic material from which products are manufactured or made. The Hal Mann Vella factory stocks more than 100 natural stones sourced from around the world and include: marble, granite, travertine & onyx, hard stone, composite stone and terrazzo & terrazzo pre-cast elements.

- **Marble** – Just like limestone and sandstone, marble has many uses. It is particularly suitable for kitchens and bathrooms, but is also used for flooring, cladding and vanity tops.
- **Granite** – Its hardness makes it virtually maintenance free and unlike other solid surfaces granite does not scratch or stain. It is applicable for cladding, flooring, paving and work surfaces.
- **Travertine & Onyx** – Travertine is a stone which has an uneven surface, since in its natural state it is typically full of gas bubbles. As a result, when it is manufactured as tiles or slabs, travertine is generally filled with cement and polished or honed. Onyx, like travertine, is a type of stone. It is a very soft stone and is characterised by its translucence.
- **Hard stone** – The Hal Mann Vella Group are quarry operators for Maltese hard stone, which can be applied for cladding, masonry, flooring, paving and work surfaces. This type of stone was used by Architect Renzo Piano for the City Gate Project in Valletta, Malta.
- **Composite stone** – Quartz composite is a manmade stone which is produced by mixing natural quartz crystals and resin, thereby forming very hard, low porosity slabs. This stone is very durable and is typically used for any indoor surfacing application such as in kitchens and bathrooms, and for flooring purposes.
- **Terrazzo** – This is the name given to the process of producing tiles, or pre-cast elements (staircases, risers, pool copings, vanity tops, covings, amongst others), from a cement based marble/granite aggregate mix. The Group uses high performance cements with special additives, combined with graded marble and granite aggregates. The main applications for terrazzo include public areas (such as airports, hospitals, schools, supermarkets and hotels) and private residences.

Apart from exclusively representing international brands such as Dekton, Silestone, Marca Corona and Ceramiche Keope, in 2018, the Group also secured the exclusive distributorship of Infinity Surfaces. Infinity specialises in the production of high performance slabs in porcelain stoneware, which are ideal for a number of applications such as kitchen tops. The introduction of this new range should address the growing demand for engineered stone.

Complementing the manufacturing operations detailed above, the Group provides general contracting services to both corporate and private clients, and include carpentry, building services, tiling and metalwork.

3.3.2 Property development & letting

Hal Mann Properties Ltd is a company set up to acquire property and engage in property development. The company's current portfolio of property developments includes the following:

- 3 apartments situated in Mgarr and forming part of a block of 4 units are subject to preliminary sale agreements. The contracts of sale are expected to be entered into during FY2020 for an aggregate consideration of €0.8 million.
- An apartment block in Zebbiegh comprising 11 apartments was completed in FY2019. All units are subject to promise of sale agreements and the respective final deeds are expected to be signed in FY2020 for an aggregate consideration of €3.1 million.
- The company is presently developing a site in Kappara, which on completion will comprise 4 semi-detached villas. The estimated cost of development is *circa* €600,000 (up to shell form) and completion is scheduled for June 2021. The project is being funded mainly through a bank loan.
- During 2019, the company acquired a site in Mosta for the development of 17 apartments and car parking spaces. The said project is expected to be completed by Q4 2021 at an estimated cost amounting to *circa* €1.5 million and shall be principally financed through bank borrowings.

Hal Mann (Letting) Limited owns 3 apartments and 5 car park spaces within a residential block known as Spinola Residence, located in Spinola Road, St Julians, Malta. The units are presently rented out on a short-term basis.

In FY2018, the company acquired a boutique hotel in Valletta, known as Merchant Suites, by title of temporary emphyteusis for a period of 20 years. The said property has been sub-leased to a third party as from the beginning of 2018.

During FY2019, a property situated in Old Bakery Street, Valletta was acquired by the company for the amount of €1.1 million. Subject to issuance of necessary Planning Authority permits, the company intends to convert the property into a commercial building for the purpose of leasing office space to third parties. The estimated cost of repurposing the building is *circa* €1.1 million.

Furthermore, in 2019, Hal Mann (Letting) Limited leased from a third party a property in Valletta, which is being converted into a boutique hotel and a bistro. It is envisaged that works on the property will be completed by Q4 2020 at an estimated cost of €750,000. The company will not be operating the said property but shall lease same to third parties, as it did with the Merchant Suites.

Sudvel Limited owns a property (known as "E-Pantar") having a footprint of *circa* 5,200m^2 and is located within the premises of Hal Mann Vella Group. Development of an office block on the said site commenced in Q4 2015 and was completed (in a finished state) in Q3 2017 at a cost of €13 million. The property includes *circa* 14,000m^2 of office space and a further 5,000m^2 of common areas and external space. The E-Pantar building has been leased to Transport Malta for a period of 10 years as from Q3 2017.

The company also owns 50% of a warehouse complex (known as "NAVI Building") having a footprint of *circa* 1,200m^2 and situated in Pantar Road, Lija. The said property is leased to third parties.

Sudvel Limited also owns an apartment and a lock-up garage situated at Tas-Sellum, Mellieha, Malta and furthermore, owns a parcel of land in Lija measuring *circa* 17,000m^2, which value as at 31 December 2019 amounted to €0.5 million. In FY2018, the company disposed of its ownership of 50% of a quarry located in the Limits of Naxxar measuring *circa* 12,000m^2 for a consideration amounting to €3.1 million.

- Halmann Vella Showroom & Office Premises
- Halmann Vella Factory & Stores
- Leased Property: Navi Building
- Leased Property: E-Pantar
- Leased Property: Central Office Building Block A

The above picture is an aerial shot of the Group's property situated in Mosta Road, Lija, which is hypothecated in favour of FJV Fiduciary Ltd, as security trustee, for the benefit of the holders of €30,000,000 5% Secured Bonds 2024 (ISIN: MT0000811209). The carrying value as at 31 December 2019 of the subject property is €51.7 million (FY2018: €51.7 million).

3.3.3 Hospitality

Mavina Holiday Complex Ltd is the owner of two hotels, the Mavina Hotel and the Huli Hotel, situated in Bugibba, Malta. Both properties were acquired by the Group in 1999. The former hotel consists of 66 rooms ranging from studio to two-bedroom units. The Mavina Hotel has a swimming pool and a sun terrace. Other facilities include a bar, restaurant and a pizzeria. The Huli Hotel comprises of 26 self-catering one-bedroom and studio apartments, and facilities include a rooftop pool and a restaurant at ground level (known as "Lovage"). The two hotels are located a few minutes away from the Bugibba seafront promenade.

With effect from 1 May 2016, the Group ceased operating the above-mentioned two hotels and leased the properties to a third party for a period of 10 years. As part of the agreement, the lessee undertook the refurbishment of the said properties. The Lovage restaurant was leased for 10 years to a third party as from 1 April 2016.

3.4 Business Development Strategy

In order to maintain its competitive edge in the market, the Group's management reviews operation methodologies and performance on an on-going basis, monitors developments in the industry and ensures that it maintains excellent relations with its clients.

The Board of Directors has conducted a comprehensive evaluation of the impact which the COVID-19 outbreak has had on the Group's business and the likely impact this crisis will have going forward. Undoubtedly this will have an impact on the Group's business going forward. Accordingly, the Group's goals for 2020 are to maintain focus on cost reductions, operational efficiencies and retaining liquidity in the business.

Beyond 2020, the Group's strategy is to develop further its products and assets with a view to realising and maximising its financial potential. The Group intends to further strengthen and develop its core sectors (property development, trading and leasing) by investing in complimentary and related businesses. The key elements of the Group's strategy are described below.

3.4.1 Factory modernisation and showroom expansion

Since 2014, the Group has implemented various measures to improve operational efficiencies relating to manufacturing and increase capacity, mitigate rising costs and reduce lead time.

As such, the Group has executed a complete modernisation of the Lija factory, comprising the acquisition of modern machinery and equipment for the production of stone, marble and other similar products. Works commenced shortly after the Bond Issue in 2014 and were completed in FY2017.

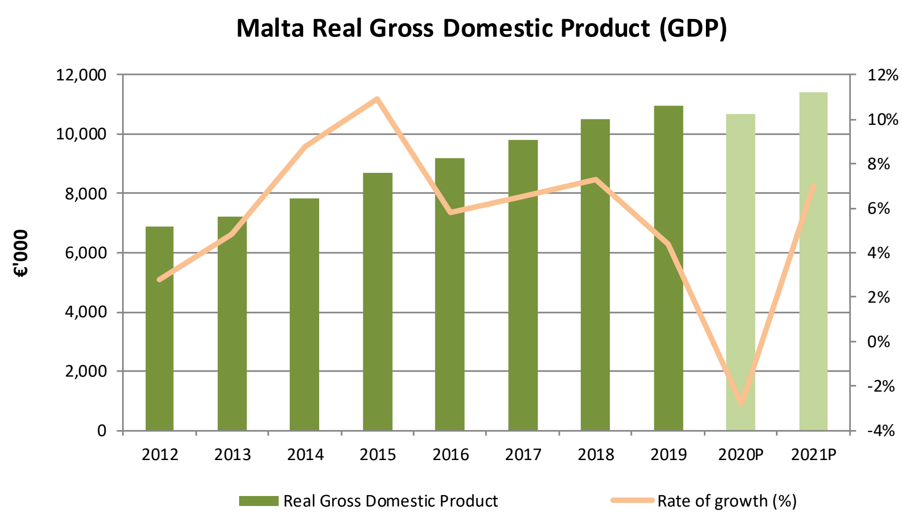
The Lija factory has been designed to enable a re-organisation of processes, to introduce the latest technology in flexible mechanical and electrical systems and to meet international standards. The purpose built open plan factory floor has resulted in a more efficient utilisation of space which will release, for alternative use, part of the area occupied by the current factory.

Furthermore, in 2015, the Group leased a factory in Hal Far from the Malta Enterprise measuring 14,000m^2 for a period of 65 years. The scope for acquiring this factory was to venture in new related business, ease the operational flow at the Lija factory and to have sufficient capacity to consider new projects as and when they arise. During FY2020, the Group plans to develop a warehouse on the Hal Far site at an estimated cost amounting to *circa* €750,000.

In coordination with the modernisation of the manufacturing operations, the Group undertook to expand its showroom space by *circa* 20% so as to accommodate the increase in product lines. In addition, complimentary third party products have been introduced to enable the Group to provide customers complete flooring and cladding solutions (including ceramics and parquet).

The Directors believe that with the modernisation of the Lija factory and the leasing of the Hal Far factory, the Group is in a better position to increase production throughout, improve the quality of products, enhance its line-up of available products and reduce overall cost of production.

3.5 Malta Economic Update[1]



Note: Projected real GDP data for 2020 and 2021 are based on IMF estimates (IMF World Economic Outlook, April 2020)
Source: National Statistics Office Malta

The domestic economy continued to register a healthy rate of economic expansion in 2019, notwithstanding the more challenging environment globally and in the euro area. Although GDP[2] growth moderated to 4.4% from 7.3% in 2018, it remained above its long-term average of around 4.0%. The expansion was driven by domestic demand, particularly government consumption and gross fixed capital formation. Private consumption had a positive impact, although it increased at a slower pace following the very strong outturn in 2018. Meanwhile, the contribution of net exports turned

[1] Fifty-second Annual Report and Statement of Accounts 2019 – Central Bank of Malta, 2020 (pages 13, 14 and 50).

[2] Gross Domestic Product (GDP) is an estimate of the value of goods and services produced in the economy over a period of time.

negative, as imports outpaced exports. Nominal gross value added (GVA)[3] data show that the expansion continued to be largely supported by services, although the manufacturing and construction sectors also expanded.

In the near term, GDP will be affected significantly, mainly on account of the negative effects of COVID-19 on confidence, disruptions in global supply chains and lower demand in a number of services sectors, most notably those related to tourism. However, growth should recover from 2021. At this juncture, projections of economic activity, both for Malta and globally, critically hinge on the duration of the pandemic, as well as the size of the local and global fiscal response.

The International Monetary Fund (IMF) has in their latest projections[4] estimated that the global economy will contract sharply by -3% in 2020, much worse than during the 2008-09 financial crisis. In its baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8% in 2021 as economic activity normalises, helped by policy support. On the same basis, Malta's real GDP is projected to decline by 2.8% in 2020, but is expected to rebound by 7% in 2021. Such outcome may vary significantly as economic performance is dependent on factors that interact in ways that are hard to predict, including *inter alia* the pathway of the pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, shifts in spending patterns, behavioural changes (such as people avoiding shopping malls and public transportation) and confidence effects.

3.6 Market Overview

The manufacturing, products & general contracting services and property development & letting segments of the Group are directly correlated to the property market in Malta.

During the last five years (Q4 2014 to Q4 2019), property prices increased by 56%, primarily on account of a strong economy and a robust labour market. Further analysis of the chart[5] below shows that the 12-month upward trend in prices (in percentage terms) increased at an accelerating rate from Q2 2013 up to Q2 2018, after having gone through a volatile period between FY2008 to FY2012 as a result of the global financial crisis and its aftermath. In the subsequent 6 quarters - Q3 2018 to Q4 2019 - property prices continued to increase albeit at a slower pace.

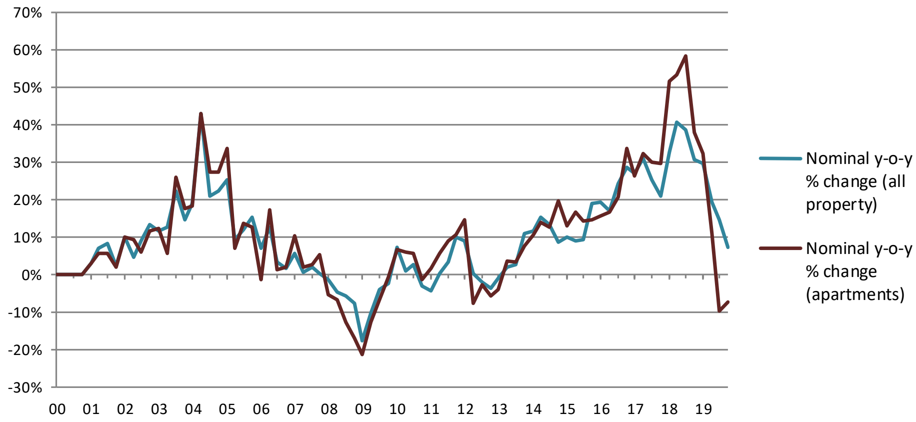
The nominal year-on-year change in apartment prices broadly tracked the aggregate property price movements over the periods under review, except for the periods Q1 2018 to Q4 2019, wherein the yearly increase in prices of apartments between Q1 2018 and Q3 2018 was higher when compared to the broader property market, but declined comparably faster in the subsequent periods (Q4 2018 to Q4 2019). Moreover, in Q3 2019, apartment prices registered a decrease of 10% when compared to Q3 2018 and declined by a further 7% in the subsequent quarter on a comparable basis.

[3] Gross Value Added (GVA) is the value of output less the value of intermediate consumption; it is a measure of the contribution to GDP made by an individual producer, industry or sector.

[4] World Economic Outlook, Chapter 1 The Great Lockdown – International Monetary Fund, May 2020.

[5] https://www.centralbankmalta.org/real-economy-indicators (property prices index based on advertised prices (base 2000 = 100)).

CHART I: Change in Property Prices

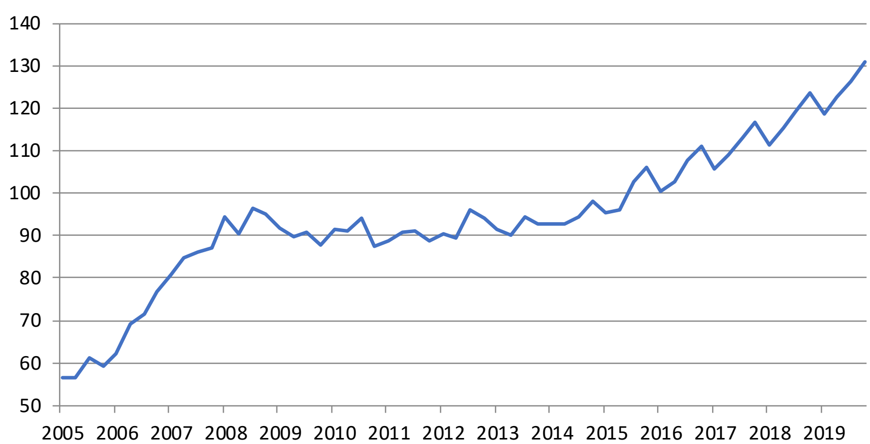


Source: Central Bank of Malta

The above data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place.

Eurostat's House Price Index for Malta[6] – which captures price changes of all residential properties purchased by households (including flats, detached houses, terraced houses, etc) - also indicates that residential property prices increased. The latest data available refers to Q4 2019 and shows that said prices increased by 5.6% compared with the same quarter of 2018, and over a 5-year period (Q4 2014 to Q4 2019), prices increased by 34% (vide Chart II below).

CHART II: Malta House Price Index



Source: Eurostat

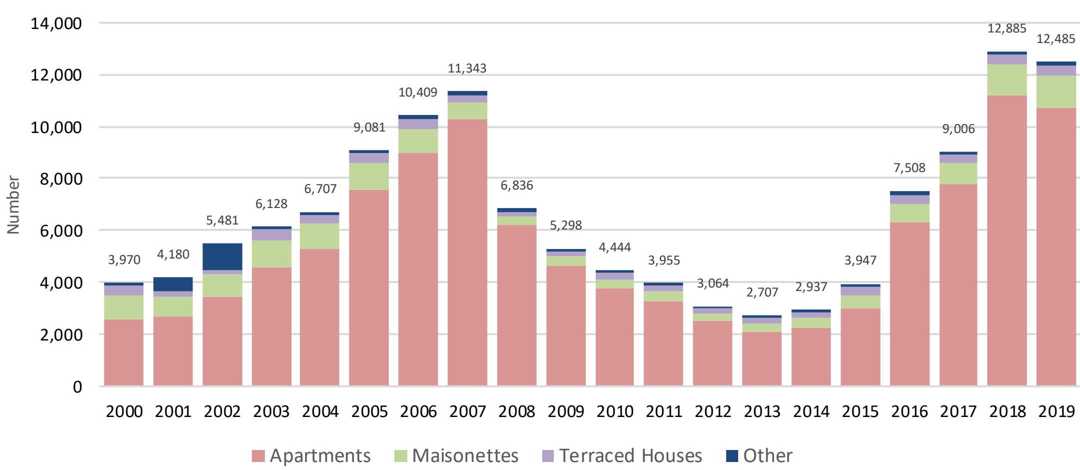
[6] https://ec.europa.eu/eurostat/tgm/download.do?tab=table&plugin=1&language=en&pcode=tipsho40 (the data is expressed as quarterly index (2015 = 100)).

Prior to the pandemic crisis, residential property prices were supported by numerous factors, including the low-interest rate environment that makes property more attractive as an investment, as well as the Government's schemes for first-time and second-time buyers. Demand for residential property was also driven by favourable labour market conditions, strong growth in tourism (particularly in private accommodation), disposable income and an increase in foreign workers. The Individual Investor Programme also contributed, although property acquisitions under this Programme account for a limited proportion of all property transactions.[7]

In 2019, the number of permits issued for the construction of residential dwellings declined following five consecutive years of substantial growth. Permits issued in 2019 remained high from a historical perspective, standing at 12,485 compared to 12,885 in 2018 (see Chart III below). This was entirely due to a lower number of permits issued for the construction of apartments, which were down by 4.3%. Notwithstanding recent developments, apartments still accounted for 85.9% of total residential permits issued in 2019. On the other hand, permits issued for maisonettes and terraced houses rose during the year under review and accounted for 9.8% and 3.2%, respectively of all residential permits issued during the year. Permits issued for other dwellings also increased over the year, reaching a three-year high. However, these continued to account for a very small proportion of all residential permits issued.

Construction investment increased by 12.6% in nominal terms, following an increase of 3.9% in 2018. This acceleration was driven by non-dwelling investment, which rose by 21.6%, after declining by 10.2% in 2018. By contrast, annual growth in residential investment moderated to 4.6%, from 20.8% previously. GVA in the construction sector increased at a faster pace during 2019. It rose by 13.9% following an increase of 7.9% in the preceding year.[8]

CHART III: Development Permits for Dwellings



[7] Central Bank of Malta Quarterly Review 2020:1 (page 43).

[8] Fifty-second Annual Report and Statement of Accounts 2019 – Central Bank of Malta, 2020 (pages 50 and 55).

National statistics relating to commercial property in Malta are currently not captured and therefore it is more difficult to gauge the health of this sector. Prior to COVID-19, general business sentiment and the continued drive to promote Malta as a regional hub for the provision of business-related services (notably in the financial, i-gaming, back-office services, information technology, aircraft registration and maritime) generated a positive trend in the commercial property sector, in particular office space.

It is too early to reliably determine the impact that the pandemic may have on the commercial property sector in Malta. It is possible that landowners will proceed with the completion of projects currently under development, but new projects will be put on hold or commence once the situation stabilises. Rent rates may have to be reduced until there is a return to normality. Despite the uncertainty of the current situation, there is a cautiously optimistic sentiment that business activity can recover to some extent in Q1 2021.

Although the construction and property sectors were not part of the containment measures taken by Government to stem the spread of COVID-19, such sectors will undoubtedly be impacted negatively due to the high level of uncertainty concerning the duration of this pandemic and the resulting adverse effect on the Maltese economy and market sentiment. On 8 June 2020, the Government announced a plan to regenerate the economy following the impact of COVID-19 on the country. Measures relating to immovable property include a reduction in taxation from 8% to 5% on sales of property, whilst stamp duty levied on the acquisition of property will be charged at 1.5%. These reductions will apply to properties with values below €400,000 and the contracts of sale must be concluded by March 2021.

Tourism Property

The Group's performance is also affected by the tourism sector, which has been performing at a strong level in the last few years. This upward trend has increased the demands on Malta's infrastructure and encouraged some hotel owners to upgrade and refurbish their properties. Furthermore, the country has experienced an increase in new hotels, including the development of a number of boutique hotels in the capital city. Such projects tend to generate more demand for the Group's products and services.

Following the COVID-19 outbreak in March 2020, some property developments relating to the hospitality industry might be delayed or shelved, which would in turn affect the demand for the Group's products and services. However, the situation is still very fluid and the full extent of the disruption to the hospitality industry in Malta is yet to be determined and assessed.

PART 2 – GROUP PERFORMANCE REVIEW

The following financial information is extracted from the audited consolidated financial statements of Hal Mann Vella Group p.l.c. (the "**Company**") for the three years ended 31 December 2017 to 2019. The forecast financial information for the year ending 31 December 2020 has been provided by the Company.

The projected financial statements detailed below relate to events in the future and are based on assumptions which the Company believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

The COVID-19 outbreak has negatively impacted various industries across the business spectrum, causing a cutback in business operations across many sectors. In March 2020, the Authorities took preventative and protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their activities outside of their homes.

There remains significant uncertainty in the market and predictions, financial or otherwise, remain highly subjective. The immediate impact of the pandemic on the Group has resulted in temporary closure of hotel operations of its tenants. During the time of such closure, revenue from tenants has ceased and lease payments have been deferred. Showrooms were also closed while factory operations were significantly reduced, whilst certain projects have slowed or have been delayed.

With regard to its commercial properties, the Group has long term lease agreements with in-substance fixed rental receivables in place. Notwithstanding, the Group has had to accept a deferral of rental collections from some of its tenants during this uncertain period.

This situation is rapidly changing and additional impacts to the business may arise that the Group is not aware of currently. While the disruption is presently expected to be temporary, there is uncertainty as to the duration of the crisis and its disruptive effects. The Group expects domestic economic activity to shrink with uncertainty likely to prevail for an extended period.

Hal Mann Vella Group p.l.c. Consolidated Statement of Total Comprehensive Income for the year ended 31 December	2017 Actual €'000	2018 Actual €'000	2019 Actual €'000	2020 Forecast €'000
Revenue	19,708	22,563	22,394	20,513
Manufacturing, products & contracting services	17,033	15,908	19,138	14,105
Property development	1,511	3,993	956	3,947
Rental Income	1,164	2,662	2,300	2,461
Profit on sale of quoted equity securities	-	-	47	-
Profit on sale of investment property	-	40	82	-
Other operating income	776	104	207	-
Cost of sales and other operating charges	(16,074)	(17,660)	(17,190)	(15,310)
EBITDA	**4,410**	**5,047**	**5,540**	**5,203**
Depreciation	(696)	(764)	(922)	(1,071)
Change in fair value of investment property	4,407	2,822	479	-
Share of results of joint ventures	(254)	70	1,314	-
Dividends	-	4	4	-
Net finance costs	(1,446)	(2,206)	(2,076)	(2,182)
Profit before tax	**6,421**	**4,973**	**4,339**	**1,950**
Taxation	(1,800)	(1,382)	(1,454)	(938)
Profit after tax	**4,621**	**3,591**	**2,885**	**1,012**
Other comprehensive income:				
Revaluation surplus on property, plant & equipment	2,872	-	-	-
Other comprehensive income	10	101	58	-
Total comprehensive income	**7,503**	**3,692**	**2,943**	**1,012**

Hal Mann Vella Group p.l.c. EBITDA (Earnings before interest, tax, depreciation and amortisation) for the year ended 31 December	2017 Actual €'000	2018 Actual €'000	2019 Actual €'000	2020 Forecast €'000
EBITDA has been calculated as follows:				
Operating profit	3,714	4,283	4,618	4,132
Add back:				
Depreciation	696	764	922	1,071
EBITDA	**4,410**	**5,047**	**5,540**	**5,203**

Key Accounting Ratios	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Operating profit margin *(EBITDA/revenue)*	22%	22%	25%	25%
Interest cover (times) *(EBITDA/net finance cost)*	3.05	2.29	2.67	2.38
Net profit margin *(Profit after tax/revenue)*	23%	16%	13%	5%
Earnings per share (€) *(Profit after tax/number of shares)*	0.92	0.72	0.58	0.20
Return on equity *(Profit after tax/shareholders' equity)*	12%	8%	6%	2%
Return on capital employed *(EBITDA/total assets less current liabilities)*	5%	5%	6%	5%
Return on assets *(Profit after tax/total assets)*	4%	3%	2%	1%

Source: MZ Investment Services Ltd

Revenue in **FY2017** increased by €8.1 million from €11.6 million in FY2016 to €19.7 million. Revenue generated from manufacturing, products & contracting services increased substantially by €7.3 million (+75.3%, y-o-y) to €17.0 million, primarily due to an increase in private residential projects and large-scale projects. Notable projects include: Malta Central Bank's Laparelli Building, The M&G Garden at the Chelsea Flower Show in London, The Dolmen Resort Hotel, The Phoenicia Hotel, Surfacing works at Valletta City Gate (Triton Fountain and Biskuttin Area), Medbank offices and Cugo Gran Macina Grand Harbour Hotel.

Furthermore, the completion of the transition (since 2014) to factory optimisation levels and revised workflows has drastically reduced inefficiencies and delays, and consequently contributed to this year's revenue growth.

Revenue from property development & letting also increased from €1.8 million in FY2016 to €2.7 million in FY2017 (+€0.9 million, y-o-y). During the reviewed year, the Group sold various properties totalling €1.5 million (including a number of apartments and garages in Xemxjia and Attard). Rental income for the year amounted to €1.2 million (FY2016: €0.5 million). In 2017, the Group leased the E-Pantar Building to Transport Malta.

The increase in revenue of €8.1 million (as stated above) resulted in a substantial turnaround at EBITDA level, as the Group registered an EBITDA of €4.4 million (FY2016: -€0.03 million).

An uplift of €4.4 million in fair value of investments & property was registered in FY2017, and after taking into account depreciation of €0.7 million, share of losses from joint ventures of €0.3 million and net finance costs of €1.4 million, the Group registered a profit before tax from continuing operations of €6.4 million (FY2016: loss of €2.4 million). Total comprehensive income for FY2017 amounted to €7.5 million (FY2016: €1.1 million) after reporting a tax expense of €1.8 million in FY2017 (FY2016: tax credit of €1.6 million) and a revaluation surplus on property, plant & equipment of €2.9 million.

Revenue during **FY2018** increased y-o-y by €2.9 million (+14%) from €19.7 million in FY2017 to €22.6 million. Revenue generated from manufacturing, products & contracting services decreased by €1.1 million (-7%, y-o-y) to €15.9 million, whilst revenue from property development increased from €1.5 million in FY2017 to €4.0 million in FY2018 (+€2.5 million, y-o-y). In 2018, the Group was involved in the following projects: Tipico Tower and the Laguna Development at Portomaso, the Farsons Brewery, The Centre at Tigne Point, Bet365 Offices, Crane Currency and the Ta’ Qali Crafts Village. The Group was also entrusted with works at The Cumberland Hotel, Solana Hotel, Merchant Suites, Sally Port Suites and Corinthia Hotel Budapest.

During the reviewed year, rental income more than doubled from €1.2 million in FY2017 to €2.7 million in FY2018, primarily on account of the lease of E-Pantar Building to Transport Malta in late 2017. Overall, EBITDA improved y-o-y by €0.6 million (+14%) to €5.0 million (FY2017: €4.4 million).

An uplift of €2.8 million in the fair value of investment property was registered in FY2018, and after taking into account depreciation of €0.8 million, share of profits from joint ventures of €0.1 million, and net finance costs of €2.2 million, the Group achieved a profit before tax of €5.0 million, a decrease of €1.4 million from a year earlier (FY2017: €6.4 million). Total comprehensive income in FY2018 amounted to €3.7 million compared to €7.5 million in the prior year. The comparative amount included a revaluation surplus on property, plant & equipment of €2.9 million.

The Group’s revenue in **FY2019** was broadly unchanged when compared to FY2018 and amounted to €22.4 million (FY2018: €22.6 million). Revenue generated from manufacturing, products & contracting services increased by €3.2 million (+20%) to €19.1 million. Major projects during the year included the M.U.S.E.U.M. Auditorium at Blata L-Bajda, the Nubis Centre in Lija, BDO Malta’s headquarters, Beefbar at St Paul’s Bay, Westin Dragonara Resort, Phoenicia Hotel, Marriott Hotel and the Rosselli Hotel.

In contrast, revenue from property development decreased substantially from €4.0 million in FY2018 to €0.9 million in FY2019. During the year, the Group sold one villa at Tal-Virtu, Rabat. Rental income generated in FY2019 was also lower by €0.4 million compared to the prior year and amounted to €2.3 million (FY2018: €2.7 million).

Adoption of IFRS 16 (leases) as from 1 January 2019

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group adopted IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach with transition date taken as the lease commencement date. Under this approach, the right-of-use asset equals the lease liability on transition date, and no equity adjustment will be recognised on initial application of IFRS 16. Comparative information is not restated. Accordingly, the Group has recognised a right-of-use asset and a lease liability in the statement of financial position for the lease of various items of plant, machinery, vehicles and other equipment used in its operations. With regard to the impact in the consolidated statement of total comprehensive income, the nature of the relevant expense has changed from being an operating lease expense to depreciation and interest expense.

The following are the amounts recognised in profit or loss:

Hal Mann Vella Group p.l.c. **As at 31 December**	**2018** **€'000**	**2019** **€'000**
Upon adoption of IFRS 16		
Depreciation expense of right-of-use assets	-	107,833
Interest expense on lease liabilities	-	326,800
Expense relating to short-term leases and leases of low-value assets (included in cost of sales and other operating charges)	-	24,091
	-	458,724
Prior to adoption of IFRS 16		
Interest expense on lease liabilities	71,138	-
Rental expense (included in cost of sales and other operating charges)	298,811	-
	369,949	-
Total amount recognised in profit or loss	**369,949**	**458,724**

EBITDA in FY2019 amounted to €5.5 million, a y-o-y increase of €0.5 million (FY2018: €5.0 million) partly on account of the adoption of IFRS 16. As shown above, in FY2019, cost of sales and other operating charges was lower from the prior year by €274,720 (being €298,811 less €24,091). This had a positive impact on EBITDA. On the other hand, depreciation and interest expense increased due to IFRS 16 by €107,833 and €255,662 (being €326,800 less €71,138) respectively.

During the year, the fair value of the Group's investment property was increased by €479,000 (FY2018: €2.8 million). Share of results of joint ventures amounted to €1.3 million (FY2018: €70,000), primarily generated from the Group's shareholding in Zokrija Limited. As explained elsewhere in this document, Zokrija Limited sold a parcel of land situated in the Zokrija area in Mosta.

Net finance costs in FY2019 amounted to €2.1 million compared to €2.2 million in FY2018, while taxation was comparable on a y-o-y basis at €1.5 million. In FY2019, the Group reported a net profit after tax amounting to €2.9 million, a decrease of €0.7 million from the prior year (FY2018: €3.6 million).

In FY2020, total revenue is projected to decrease by €1.9 million (-8.4%), from €22.4 million in FY2019 to €20.5 million, primarily due to the expected impact of the pandemic on the Group's business activities. Further analysis shows that COVID-19 measures will adversely affect in particular the manufacturing, products & contracting services segment, which is projected to decline y-o-y by €5.0 million (or -26.3%) to €14.1 million. Various medium to large scale third-party property development projects have slowed down or been put on hold and this trend is likely to continue at least during FY2020. In consequence, the Group is anticipating a reduction in demand for its products and related services.

In contrast, revenue generated from property development is expected to increase from €0.9 million in FY2019 to €3.9 million in FY2020, and shall comprise the sale of 3 apartments in Mgarr and 11 apartments in Zebbiegh. The aforementioned 14 residential units are subject to promise of sale agreements. As for rental income, the Group is projecting a marginal y-o-y increase of €161,000 to €2.5 million. EBITDA for the year is expected to decrease by €0.3 million to €5.2 million, while profit after tax is projected to decrease from €2.9 million in FY2019 to €1.0 million. Other than the movement in EBITDA, the material difference emanates from an uplift in fair value of investment property of €0.5 million and share of profit of joint venture of €1.3 million accounted for in FY2019 (FY2020: nil balances).

Key accounting ratios – Operating profit margin improved over the past three financial years, from 22% in each of FY2017 and FY2018 to 25% in FY2019. In contrast, net profit margin decreased from 23% in FY2017 to 13% in the latest financial year (FY2019), principally due to uplifts in fair value of investment property which were highest in FY2017 when compared to FY2018 and FY2019. Interest cover declined from 3.05 times in FY2017 to 2.67 times in FY2019 but remained at a healthy level.

Return on assets has halved over the three-year period from 4% in FY2017 to 2%. In the last financial year, total assets increased by €5.6 million (y-o-y) mainly due to the inclusion of finance lease receivables and right-of-use assets in FY2019 (adoption of IFRS 16 'leases'). On the other hand, return on capital employed remained constant over the reviewed period, due to the fact that finance lease receivables and right-of-use assets are offset by finance lease liabilities.

With regard to the projected year (FY2020), operating profit margin is expected to remain stable at 25%, but net profit margin is set to decline from 13% in FY2019 to 5%. Interest cover is projected to weaken marginally from 2.67 times in the prior year to 2.38 times.

Hal Mann Vella Group p.l.c. **Consolidated Statement of Financial Position** **as at 31 December**	**2017** **Actual** **€'000**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Forecast** **€'000**
ASSETS				
Non-current assets				
Intangible assets	63	63	63	63
Investment properties	44,442	46,690	45,004	44,991
Property, plant and equipment	32,490	33,388	31,476	32,027
Investments in joint ventures	1,715	1,733	1,876	166
Financial assets	836	1,313	833	834
Finance lease receivables	-	-	3,754	3,604
Right-of-use assets	-	-	4,778	4,371
Deferred taxation	3,972	3,645	1,323	3,673
	83,519	86,832	89,107	89,729
Current assets				
Inventories	3,517	3,613	4,093	3,781
Property held-for-sale	4,398	4,514	6,226	6,484
Trade and other receivables	15,670	15,426	15,579	9,929
Other assets	105	91	91	91
Cash and cash equivalents	592	1,530	2,529	3,186
	24,282	25,174	28,518	23,471
Total assets	**107,801**	**112,006**	**117,625**	**113,200**
EQUITY				
Equity and reserves				
Called up share capital	5,000	5,000	5,000	5,000
Other reserves	31,853	29,558	29,665	29,664
Retained earnings	2,961	8,956	10,481	10,767
	39,813	**43,514**	**45,146**	**45,431**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	40,636	41,835	40,737	43,882
Finance lease liability	2,375	2,337	3,489	7,664
Other non-current liabilities	5,547	5,839	4,070	5,978
	48,558	50,011	48,296	57,524
Current liabilities				
Borrowings and bonds	4,297	4,141	5,782	3,161
Finance lease liability	38	38	5,039	167
Other current liabilities	15,094	14,302	13,362	6,917
	19,429	18,481	24,183	10,245
	67,987	**68,492**	**72,479**	**67,769**
Total equity and liabilities	**107,801**	**112,006**	**117,625**	**113,200**

Key Accounting Ratios	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Gearing ratio *(Net debt/net debt and shareholders' equity)*	54%	52%	54%	53%
Net debt to EBITDA (years) *(Net debt/EBITDA)*	10.60	9.28	9.48	9.93
Net assets per share (€) *(Net asset value/number of shares)*	7.96	8.70	9.03	9.09
Liquidity ratio (times) *(Current assets/current liabilities)*	1.25	1.36	1.18	2.29

Source: MZ Investment Services Ltd

Principal movements in the statement of financial position as at 31 December 2019 primarily related to the adoption of IFRS 16 'leases' with the date of initial application of 1 January 2019. In accordance with the transitional provisions of IFRS 16, comparative figures have not been restated.

As lessee, the Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Furthermore, the Group acts as a lessee and an intermediate lessor for some leased assets. The sublease covers the rest of the remaining term of the headlease and there is no difference in the amount charged to/by the Group as a lessee and intermediate lessor, respectively. Accordingly, as at 31 December 2019, the Group recognised finance lease receivables and right-of-use assets amounting to €4.3 million and €4.8 million respectively, and finance lease liability amounting to €8.5 million.

Net debt decreased marginally y-o-y from €44.4 million in FY2018 to €44.0 million, but the gearing ratio increased by 2 percentage points to 54% due to the inclusion of finance lease liability. An alternative to assessing leverage is the net debt to EBITDA ratio, which weakened minimally from 9.28 years in FY2018 to 9.48 years in FY2019. The major portion of borrowings have been directed towards property development either for lease or available for sale.

The expected principal movements in the Statement of Financial Position as at 31 December 2020 are as follows:

- Residential units in Mgarr and Zebbiegh (accounted for as property held-for-sale in current assets) are expected to be sold and released during the current financial year, and replaced by units in Kappara and Mosta (as further described in section 3.3.2 of this report). Accordingly, the aggregate value of property held-for-sale is projected to remain broadly unchanged at €6.5 million in FY2020;
- Due to the expected decrease in business activities in FY2020, trade and other receivables are projected to decline from €15.6 million in FY2019 to €9.9 million;

- The Group is projecting to maintain same level of net borrowings at €43.9 million compared to €44.0 million in FY2019;
- Other current liabilities are expected to decrease from €13.4 million in FY2019 to €6.9 million in line with the projected lower level of activities in manufacturing, products & contracting services.

Hal Mann Vella Group p.l.c. **Consolidated Statement of Cash Flows** **for the year ended 31 December**	**2017** **Actual** **€'000**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Forecast** **€'000**
Net cash from operating activities	5,092	3,630	1,938	3,498
Net cash from investing activities	(12,819)	(1,556)	314	(1,383)
Net cash from financing activities	6,629	(83)	(1,018)	(3,093)
Net movement in cash and cash equivalents	**(1,098)**	**1,991**	**1,234**	**(978)**
Cash and cash equivalents at beginning of year	(125)	(1,223)	768	2,002
Cash and cash equivalents at end of year	**(1,223)**	**768**	**2,002**	**1,024**

Net cash generated from operating activities during 2019 amounted to €1.9 million compared to €3.6 million in the prior financial year, primarily due to an increase in property held-for-sale in inventory amounting to €1.8 million.

With regard to investing activities, in 2019, the Group utilised €2.7 million to acquire property, plant and equipment and investment property (FY2018: €2.3 million) and received cash proceeds of €1.4 million from disposal of investment property (FY2018: €1.1 million). Furthermore, the Group received dividends amounting to €1.3 million (FY2018: €3,779) and proceeds from sale of equity securities of €0.3 million (FY2018: nil).

Net cash used in financing activities in 2019 amounted to €1.0 million compared to €83,645 in the prior year. During the reviewed year, the Group received net advances from banks and other parties amounting to €0.4 million (FY2018: €1.8 million) and received €0.5 million of principal portion of finance lease receivable. In 2019, the Group paid interest on bonds and bank loans amounting to €1.9 million (FY2018: €1.9 million).

In FY2020, net cash from operating activities are expected to amount to €3.5 million, primarily driven by positive working capital movements. With regard to investing activities, the Group is aiming to utilise €750,000 to develop a warehouse in Hal Far and *circa* €633,000 to renovate the two properties situated in Valletta (described in section 3.3.2 of this report). Cash outflows from financing activities are forecasted at €3.1 million and mainly comprise net repayment of bank borrowings amounting to €987,000 and the balance being interest payable on outstanding bank borrowings and bonds.

Variance Analysis

The following financial information relates to the variance analysis between the forecasted financial information for the year ended 31 December 2019 included in the prior year's Financial Analysis Summary dated 4 June 2019 and the audited consolidated financial statements for the year ended 31 December 2019.

Hal Mann Vella Group p.l.c. **Consolidated Statement of Total Comprehensive Income** **for the year ended 31 December 2019**	**Actual** **€'000**	**Forecast** **€'000**	**Variance** **€'000**
Revenue	22,394	21,997	397
Manufacturing, products & contracting services	*19,138*	*16,649*	*2,489*
Property development & rental income	*3,256*	*5,348*	*(2,092)*
Profit on sale of quoted equity securities	47	-	47
Profit on sale of investment property	82	-	82
Other operating income	207	-	207
Cost of sales and other operating charges	(17,190)	(15,265)	(1,925)
EBITDA	**5,540**	**6,732**	**(1,192)**
Depreciation	(922)	(764)	(158)
Change in fair value of investment property	479	250	229
Share of results of joint ventures	1,314	130	1,184
Dividends	4	-	4
Net finance costs	(2,076)	(2,183)	107
Profit before tax	**4,339**	**4,165**	**174**
Taxation	(1,454)	(193)	(1,261)
Profit after tax	**2,885**	**3,972**	**(1,087)**
Other comprehensive income:			
Revaluation surplus on property, plant & equipment	-	-	-
Other comprehensive income	58	-	58
Total comprehensive income	**2,943**	**3,972**	**(1,029)**

As presented in the above table, revenue generated by the Group in FY2019 was marginally higher than expected by €397,000. However, further analysis of revenue shows that manufacturing, products & contracting services was higher than projected by €2.5 million, while property development & rental income was lower by €2.1 million primarily on account of lower property sales than budgeted. Actual EBITDA was lower than forecast by €1.2 million mainly due to higher than expected costs. This adverse variance was also reflected in profit after tax (-€1.1 million) as higher than expected profits from joint ventures of €1.2 million was absorbed by a higher tax charge of €1.3 million.

Hal Mann Vella Group p.l.c. Consolidated Statement of Cash Flows for the year ended 31 December 2019	Actual €'000	Forecast €'000	Variance €'000
Net cash from operating activities	1,938	11,251	(9,313)
Net cash from investing activities	314	(5,289)	5,603
Net cash from financing activities	(1,018)	(3,891)	2,873
Net movement in cash and cash equivalents	**1,234**	**2,071**	**(837)**
Cash and cash equivalents at beginning of year	768	768	-
Cash and cash equivalents at end of year	**2,002**	**2,839**	**(837)**

Actual net movement in cash and cash equivalents was lower than projected by €837,000. Net operating cashflow was lower than expected by €9.3 million, mainly on account of a lower than expected EBITDA and adverse working capital movements.

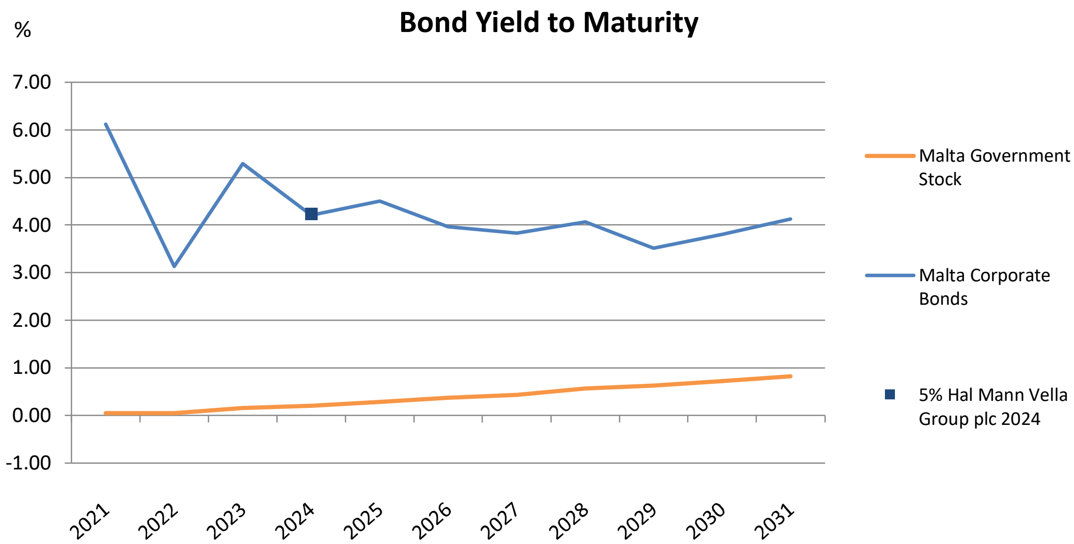
The variance in net cash from investing activities was positive at €5.6 million due to the fact that the Group utilised a lower than anticipated amount of funds on capital expenditure and acquisition of investment properties. Same was reflected in financing activities, as required funding was lower than expected by €2.9 million.

PART 3 - COMPARABLES

The table below compares the Company and its bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes issuers (excluding financial institutions) that have listed bonds. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of Group.

Comparative Analysis	**Nominal Value** (€)	**Yield to Maturity (%)**	**Interest Cover (times)**	**Total Assets** (€'000)	**Net Asset Value** (€'000)	**Gearing Ratio** (%)
5.80% International Hotel Investments plc 2021	20,000,000	6.12	3.27	1,617,853	877,620	36.63
3.65% GAP Group plc Secured € 2022	36,736,000	3.13	4.45	55,237	9,869	71.82
6.00% Pendergardens Developments plc Secured € 2022 Series II	26,921,200	4.38	3.75	81,524	28,343	37.45
4.25% GAP Group plc Secured € 2023	19,443,000	3.85	4.45	55,237	9,869	71.82
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.29	0.76	27,159	6,916	62.72
5.80% International Hotel Investments plc 2023	10,000,000	6.15	3.27	1,617,853	877,620	36.63
6.00% AX Investments Plc € 2024	40,000,000	5.09	5.55	342,395	226,115	19.63
6.00% International Hotel Investments plc € 2024	35,000,000	5.42	3.27	1,617,853	877,620	36.63
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	4.21	4.81	95,310	47,100	48.85
5.00% Hal Mann Vella Group plc Secured € 2024	**30,000,000**	**4.24**	**2.67**	**117,625**	**45,146**	**53.77**
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	5.54	3.30	137,275	45,063	30.57
4.25% Best Deal Properties Holding plc Secured € 2024	16,000,000	4.24	-	27,455	3,366	85.88
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	5.75	3.27	1,617,853	877,620	36.63
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	5.13	4.03	4,066	- 18,883	-
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.50	1.65	150,478	57,635	57.73
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	3.96	13.74	28,166	6,135	60.96
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	4.25	2.74	1,784,681	908,883	40.11
4.00% International Hotel Investments plc Secured € 2026	55,000,000	4.00	3.27	1,617,853	877,620	36.63
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.57	8.99	273,233	57,082	60.43
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	4.01	3.27	1,617,853	877,620	36.63
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	3.25	5.55	341,785	227,069	19.11
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.35	8.48	316,563	132,582	31.98
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.83	6.42	199,265	113,124	26.87
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	4.00	4.92	225,284	123,107	38.32
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	4.07	3.44	455,113	86,390	73.98
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.52	4.92	225,284	123,107	38.32
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	4.20	3.44	455,113	86,390	73.98
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.61	5.55	341,785	227,069	19.11
						01-Jun-20

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd



Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd 1 June 2020

To date, there are no corporate bonds which have a redemption date beyond 2031.

The Malta Government Stock yield curve has been included as it is the benchmark risk-free rate for Malta. The Group's bonds are trading at a yield of 4.24%, which is 3 percentage points higher when compared to other corporate bonds maturing in the same year. The premium over FY2024 Malta Government Stock is 404 basis points.

Due to the global economic fallout from the coronavirus outbreak, the difference between corporate bond yields and benchmark Malta Government Stock yields has widened across the entire yield curve. This unprecedented event has brought about an economic slowdown, which will likely adversely affect operational results of a number of companies.

PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including manufacturing, products & general contracting services and property development & letting.
Net operating expenses	Net operating expenses include the cost of raw materials, labour expenses, inventory and all other direct expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Share of results of joint ventures	The Hal Mann Vella Group owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the Group, but the Group's share of profit is shown in the profit and loss account under the heading 'share of results of joint ventures'.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.

Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Company.
Cash flow from investing activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Company.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Company.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include investment properties, and property, plant & equipment and investments accounted for using the equity method.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include inventory, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include bank borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.

Interest cover	The interest coverage ratio is calculated by dividing a company's EBITDA of one period by the company's interest expense of the same period.
Net debt to EBITDA	The net debt to EBITDA ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.