FINANCIAL ANALYSIS SUMMARY

21 June 2023

ISSUER

HAL MANN VELLA GROUP P.L.C.

(C 5067)

Prepared by:

MZ INVESTMENTS

MZ INVESTMENT SERVICES

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

21 June 2023

Dear Board Members,

Financial Analysis Summary

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

The purpose of this Analysis is that of summarising key financial data appertaining to Hal Mann Vella Group p.l.c. (the "**Group**", "**Issuer**", or "**HMVG**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the most recent three financial years ended 31 December 2020, 31 December 2021, and 31 December 2022 has been extracted from the audited financial statements of the Issuer.

(b) The forecast information for the current financial year ending 31 December 2023 has been provided by HMVG.

(c) Our commentary on the financial performance, cash flows, and financial position of the Issuer is based on explanations provided by the Group.

(d) The ratios quoted in this Analysis have been computed by us applying the definitions set out in Part 4 – 'Explanatory Definitions' of this report.

(e) Relevant financial data in respect of the companies included in Part 3 – 'Comparative Analysis' of this report has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies, as well as other sources providing financial data.

This Analysis is meant to assist investors and potential investors in the Issuer's securities by summarising the more important financial data of the Group. This Analysis does not contain all information that is relevant to investors or potential investors. This 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 will not accept any liability for any loss or damage arising out of the use of this Analysis. As with all investments, potential investors are encouraged to seek independent professional financial advice before investing in the Issuer's securities.

Yours faithfully,

Evan Mohnani
Head Corporate Finance Services

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PART 1 – INFORMATION ABOUT THE GROUP

1. KEY ACTIVITIES

Hal Mann Vella Group p.l.c. is the parent, holding, and finance company of a number of entities which are principally engaged in the following two operating activities:

(i) **Manufacturing, products, and general contracting services –** involves the manufacture and/or importation of natural and composite stone, pre-cast elements, tiles, terrazzo, travertine, onyx, quartzite, porphyry, marble, and granite. The Group is also the exclusive supplier for Silestone quartz and the engineered surface Dekton and Infinity; and is the distributor of several other ceramic brands such as Alpi, AXA, Keope, Marca Corona, and Mirage. HMVG operates from two manufacturing plants, utilising state-of-the-art digital equipment, and a purposely built logistics and distribution hub. Its range of services also include the professional expertise of an in-house team who help on aspects related to design, installation, maintenance, logistics, plant hire, deliveries, and other subcontracted work.

(ii) **Property development and letting:** comprises the acquisition and development of real estate as well as the leasing of office space and residential properties to third parties.

As the holding company of the Group, the Issuer is dependent on the operations and performance of its various subsidiaries. Founded in 1954, HMVG grew extensively over the years and today is one of the leading local players in the field. During this period, it worked with some of the most renowned names and brands in the industry including Renzo Piano, Bovis Lend Lease International, Hilton, and Radisson, and was also heavily involved in some of the largest projects in Malta including City Gate, SmartCity Malta, Skyparks Business Centre, Tigné Point, Marriott Hotel, The Quad, and Trident Park.

The Group is committed to maintaining a strong presence in the local market. As a result, it constantly seeks to have the latest machinery and technology for the purpose of providing competitively priced and attractive products that not only target the mass retail market but also address commercial and tailor-made needs.

2. DIRECTORS AND SENIOR MANAGEMENT

The Group is managed by a Board of Directors, comprising of the following six individuals, who are entrusted with its overall development, direction, and strategy:

Martin Vella	Chairman
Mark Vella	Executive Director
Joseph Vella	Executive Director
Miriam Schembri	Non-Executive Director
Arthur Galea Salomone	Independent Non-Executive Director
Mario P. Galea	Independent Non-Executive Director

The Board of Directors is assisted by a Senior Management team, comprising of the following seven individuals, who are responsible in the execution of the Group's business strategy:

Kevin Rapinett	Group Chief Executive Officer
Chris Tonna	Group Financial Controller
Owen Farrugia	Chief Commercial Officer – Retail
Hugh Vella	Chief Commercial Officer – Contracts
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 day-to-day running of the Group. Moreover, they are responsible for the identification and execution of new investment opportunities, as well as for the funding of the Group's investments and capital expenditure requirements.

The principal role of the Non-Executive Directors is to monitor the operations of the Group and the performance of the Executive Directors, as well as to review any initiatives recommended by the Executive Directors. In addition, the Non-Executive Directors act as an important check on the possible conflicts of interest of the Executive Directors in view of their dual role as Executive Directors and members of the Senior Management team.

3. MAJOR ASSETS

HMVG is the owner of various properties which are included in the Statement of Financial Position under the headings: 'Property, plant and equipment' ("**PPE**"), 'Investment property', and 'Property held-for-sale'. The following is a list of the major assets owned by the Group:

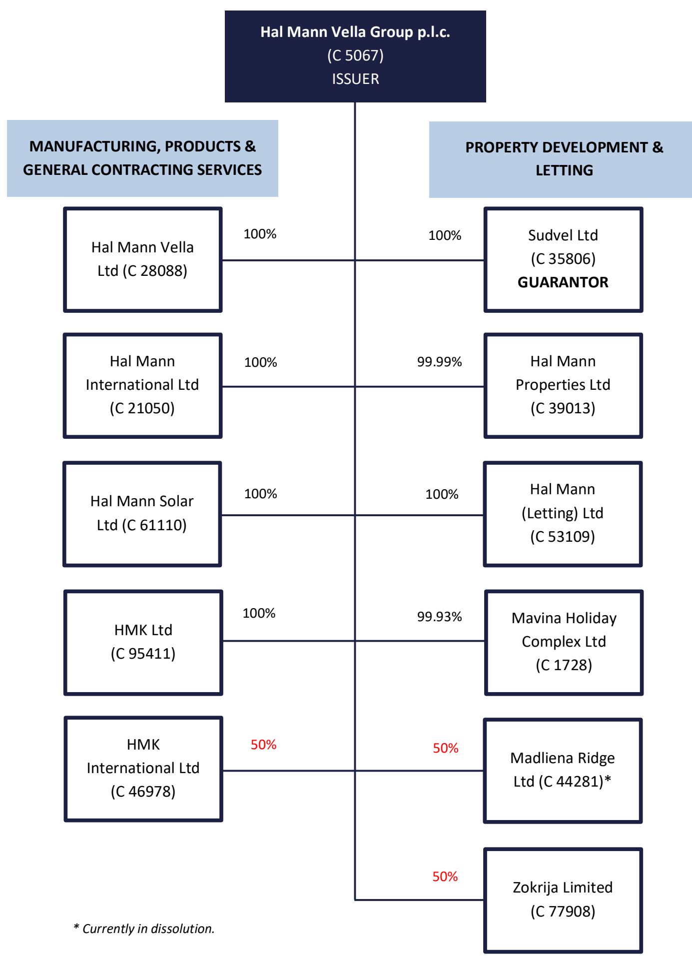
Hal Mann Vella Group p.l.c. **Major Assets** **As at 31 December**	**2020** **€'000**	**2021** **€'000**	**2022** **€'000**
Hal Mann factory, plant, machinery, and adjacent buildings	38,674	38,755	40,570
5,200 sqm commercial building *(a.k.a. "E-Pantar")*	24,198	24,201	24,460
Mavina and Huli hotels	7,575	7,575	8,425
Commercial property *(located in Old Bakery Street, Valletta)*	1,750	2,579	4,015
Site in Kappara *(development of 4 semi-detached villas)*	2,741	2,358	2,535
50% of Warehouse Complex *(a.k.a. "NAVI Building")*	2,432	2,455	2,530
Villa in Madliena	2,500	2,500	2,500
Spinola apartments	925	925	983
Solar panels	1,012	911	820
Apartment and garage at tas-Sellum, Mellieha	675	675	705
17,000 sqm site in Lija	510	510	531
Site in Mosta *(development of 17 apartments and car spaces)*	1,979	2,192	473
Other assets	4,557	3,979	3,932
	89,528	**89,615**	**92,479**

In **FY2021**, the Group leased on temporary emphyteusis from Indis Malta Ltd a plot of land and factory, measuring approximately 8,000 sqm, situated adjacent to the Group's factory in Hal Far. The purpose for this investment, amounting to circa €5.7 million, was to introduce a new range of products in natural stone, target niche concrete supplies, as well as introduce an innovative range of environmentally friendly products. The project is expected to be completed by the end of FY2023.

On 18 January **2023**, the Group announced that it entered into a preliminary agreement for the sale of the Mavina Holiday Complex for €7 million. The promise of sale ("**POS**") agreement is subject to a number of conditions, including the issuance of the relevant Planning Authority permits for the redevelopment of the property which need to be satisfied prior to the execution of the final deed of sale and transfer. The POS agreement is valid and effective up to 31 August 2024. The Mavina Holiday Complex is currently leased out to third parties. Upon execution of the final deed of sale, the proceeds are expected to go towards reducing the Group's indebtedness.

4. ORGANISATIONAL STRUCTURE

The chart below illustrates the organisational structure of the Group.



In addition to the companies included in the organisational structure, the Issuer has a 50% shareholding interest in **Hal Mann Holdings Ltd** and a 20% shareholding interest in **Hal Mann Projects Limited**. These two companies are non-trading entities and are expected to be liquidated in due course.

Hal Mann Properties Ltd (“**HMP**”) is a company set up to acquire property and engage in property development. Between FY2020 and FY2022, the Group generated just over €10 million in income from property development activities, representing almost 14% of overall revenues. As at the date of this report, HMP has a stock of 11 properties which are available for sale on the market comprising of various apartments, penthouses, terraced houses and villas located in Kappara, Madliena, Mgarr, and Ghajnsielem. In aggregate, these properties have a market value of €8 million.

Hal Mann (Letting) Limited (“**HML**”) 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 2018, HML leased from third parties a boutique hotel in Valletta, known as Merchant Suites, by title of temporary emphyteusis for a period of 20 years. The property was subleased to a third party who terminated early the lease agreement. In consequence, the Group’s FY2020 financial statements were impacted by a €0.73 million loss resulting from the difference between the lease receivable and the value of the right-of-use asset of the lease agreement. In Q2 2021, HML entered into a sublease agreement with a new third party.

In 2019, HML leased another boutique hotel in Valletta which lease agreement was terminated by the Group in 2021. As a result, HMVG incurred a loss on derecognition of lease amounting to €0.44 million.

Also in 2019, HML acquired a property situated in Old Bakery Street, Valletta, for the amount of €1.1 million. Following renovation and conversion into a commercial building, the property was leased as office space to a third party in August 2021.

Sudvel Limited owns a property (a.k.a. “E-Pantar”) having a footprint of *circa* 5,200 sqm located within the premises of HMVG. The property includes *circa* 14,000 sqm of office space and a further 5,000 sqm of common areas and external space. The E-Pantar building was leased to Transport Malta for a period of 10 years as from Q3 2017.

Sudvel Limited also owns 50% of a warehouse complex and offices (a.k.a. “NAVI Building”) having a footprint of *circa* 1,200 sqm and situated in Pantar Road, Lija. This property is also leased to third parties.

The aerial image overleaf shows the Group’s properties situated in Mosta Road, Lija, which are hypothecated in favour of FJV Fiduciary Ltd as security trustee for the benefit of holders of the €30 million 5.00% secured bonds 2024 (ISIN: MT0000811209). The carrying value of these properties as at 31 December 2022 stood at €55.9 million (31 December 2021: €54.9 million).

5. ECONOMIC AND SECTOR ANALYSIS

5.1 ECONOMIC UPDATE[1]

The Maltese economy grew strongly by 6.9% in 2022, driven by domestic demand and export of services, benefiting from the further recovery in tourism. Growth is forecast to moderate to 3.9% in 2023, as high inflation affects household disposable incomes and consumption. GDP growth is then set to reach 4.1% in 2024, supported by continuing net migration flows. Sizeable government measures helped to keep energy prices unchanged in Malta. They are expected to remain in place also in 2023. As a result, the general government deficit stood at 5.8% in 2022, among the highest in the EU. It is expected to gradually decrease in 2023 and 2024. In consequence of robust GDP growth, public debt is forecast to remain below 60% of GDP.

Supported by strong growth in private consumption and investment, real GDP growth reached 6.9% in 2022. Growth also benefited from the strong performance of the services sectors in general. Tourism in 2022 rebounded quickly and above earlier expectations, both in terms of total number of visitors and tourism expenditures. The growth impact of a marked jump in gross fixed capital formation, related to a large one-off equipment purchase operation, was compensated by a strong increase in imports, resulting in a negative contribution of net exports.

[1] Economic Forecast – Spring 2023 (European Commission Institutional Paper 200 May ’23).

In 2023, real GDP is forecast to grow at a slower pace, by 3.9%, as high inflation limits private consumption and the positive impulse from tourism, following the post-pandemic re-opening, moderates. In 2024, real GDP growth is expected to pick up to 4.1%.

Malta maintains a high pace of employment growth. Employment increased by an impressive 6.0% in 2022. Demand for labour increased across various sectors of the economy, both public and private, and was especially strong in tourism and administrative services. The labour force is set to continue growing at a robust pace in 2023 and 2024 in line with population growth as the country continued to attract foreign workers. Labour and skills shortages are expected to remain the main limiting factors for the Maltese economy over the forecast horizon. Malta's unemployment rate fell to 2.9% in 2022 and is expected to remain around this level in 2023 and 2024.

Harmonised Index of Consumer Prices (HICP) inflation in 2022 reached 6.1%, even though the energy prices were fixed at 2020 levels by government intervention. The Maltese authorities further confirmed their commitment to limiting energy inflation in 2023 and 2024. Nonetheless, inflation in 2023 is expected to stay high at 5.4%, pushed by increasing prices for imported goods (especially food), tourism services and housing maintenance services. In 2024, inflation is projected to slow to 2.8% as price growth in Malta's main trade partners moderates.

5.2 PROPERTY MARKET

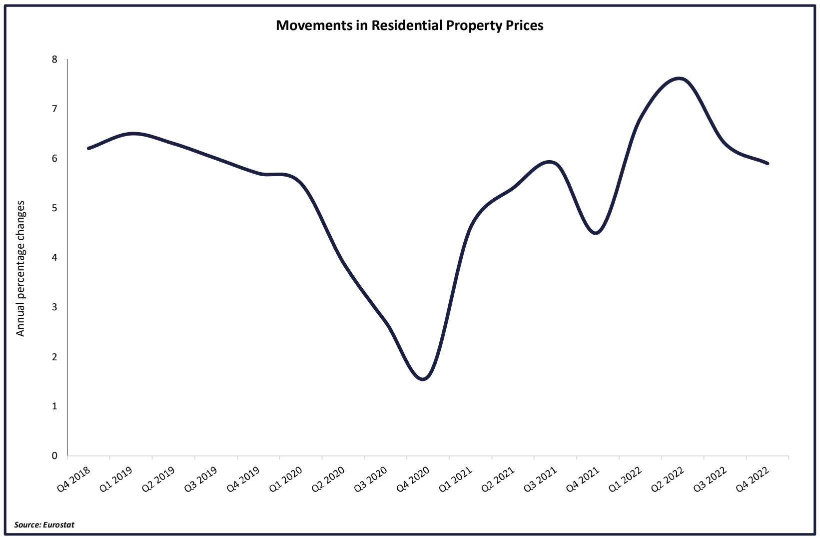
The NSO's Property Price Index – which is based on actual transactions involving apartments, maisonettes, and terraced houses – continued to increase in annual terms, albeit at a slower pace. The annual rate of change stood at 5.9% in the fourth quarter of 2022, from 6.3% in the third quarter of 2022 (see chart below). House price inflation in Malta was higher when compared to the euro area, where prices increased at a rate of 3.0% quarter-on-quarter.

Residential property prices continue to be supported by numerous factors, including the Government schemes supporting demand for property, such as the first-time and second-time buyers' schemes, the purchase of properties located in Urban Conservation Areas, purchases of property in Gozo, as well as refund schemes for restoration expenses. The recovery of tourism and normalisation of migrant workers flows from pandemic lows may have also shored up demand for property and contributed to the recent increase in property prices.[2]

In 2021, the number of final deeds of sale relating to residential property amounted to 14,368 compared to 11,057 deeds in 2020 (+30%). The value of deeds completed in 2021 amounted to €3,161.9 million, an increase of 49% when compared to the prior year (2020: €2,126.6 million).

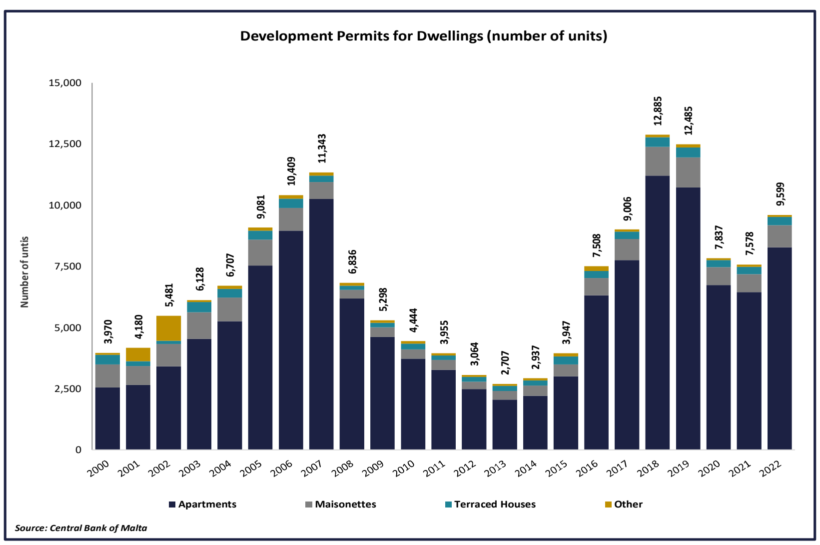
During 2022, 14,305 final deeds of sale were concluded, a decrease of 63 deeds from a year earlier (2021: 14,368 deeds). The value of the afore-mentioned deeds amounted to €3,248.8 million compared to €3,161.9 million in 2021 (+€86.9 million or +2.7%).[3]

[2] Central Bank of Malta Quarterly Review *(2023 Vol. 56 No. 1; page 43)*.
[3] National Statistics Office Malta – News Release 006/2023.



In the first quarter of 2023, 3,088 final deeds were registered, an annual decrease of 9.4%. The value of the deeds registered during this period went up by 3.2% over the same quarter of the previous year and amounted to €789.9 million.[4]

The number of residential building permits issued in 2022 amounted to 1,271 permits (2021: 1,633 permits) for the development of 9,599 residential units (2021: 7,578 residential units). As shown in the below chart, the number of units in 2022 (9,599) reflects a decrease of 26% from the all-time high of 12,885 units in 2018.[5] During the first quarter of 2023, 496 building permits for a total of 2,540 new dwellings were approved. When compared to the same quarter of in the prior year, the number of building permits decreased by 18.6% while the number of approved new dwellings dropped by 20.7%.[6]



[4] National Statistics Office Malta – News Release 059/2023.
[5] https://www.centralbankmalta.org/real-economy-indicators *(Development Permits for Dwellings, by Type)*.
[6] National Statistics Office Malta – News Release 084/2023.

PART 2 – GROUP PERFORMANCE REVIEW

6. FINANCIAL INFORMATION

The following historical financial information is extracted from the audited annual financial statements of the Issuer for the financial years ended 31 December 2020, 31 December 2021, and 31 December 2022.

The projected financial information for the current financial year ending 31 December 2023 has been provided by the Group and relates to events in the future based on assumptions which HMVG believes to be reasonable. Accordingly, the actual outcome may be adversely affected by unforeseen situations and the variation between forecasts and actual results may be material.

Hal Mann Vella Group p.l.c. Statement of Total Comprehensive Income for the financial year 31 December	**2020 Actual €'000**	**2021 Actual €'000**	**2022 Actual €'000**	**2023 Forecast €'000**
Revenue - manufacturing and general contracting services	*18,197*	*19,321*	*18,215*	*20,402*
Revenue - property development	*3,138*	*3,750*	*3,163*	*3,190*
Revenue - rental activities	*2,127*	*2,189*	*2,468*	*2,460*
Total revenue	**23,462**	**25,260**	**23,846**	**26,052**
Other operating income	389	889	620	557
Cost of sales and other operating charges	(18,942)	(20,040)	(18,744)	(21,440)
EBITDA	**4,909**	**6,109**	**5,722**	**5,169**
Depreciation	(1,202)	(1,313)	(1,270)	(1,249)
Operating Profit	**3,707**	**4,796**	**4,452**	**3,920**
Change in fair value of investment property	1,506	-	1,520	-
Share of results of joint ventures	41	14	(17)	-
Loss on derecognition of lease	(729)	(444)	-	-
Finance and similar income	195	1	1	-
Finance costs	(2,405)	(2,354)	(2,366)	(2,409)
Profit before tax	**2,315**	**2,013**	**3,590**	**1,511**
Taxation	(879)	(822)	(1,909)	45
Profit after tax	**1,436**	**1,191**	**1,681**	**1,556**
Other comprehensive income:				
Revaluation on property, plant and equipment, net of deferred tax	734	-	114	-
Other comprehensive income	3	2	3	-
Total comprehensive income	**2,173**	**1,193**	**1,798**	**1,556**

Key Financial Ratios	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast
EBITDA margin (%) *(EBITDA / revenue)*	20.92	24.18	24.00	19.84
Operating profit margin (%) *(Operating profit / revenue)*	15.80	18.99	18.67	15.05
Net profit margin (%) *(Profit after tax / revenue)*	6.12	4.71	7.05	5.97
Return on equity (%) *(Profit after tax / average equity)*	3.11	2.49	3.40	3.05
Return on assets (%) *(Profit after tax / average assets)*	1.20	0.97	1.35	1.23
Return on invested capital (%) *(Operating profit / average equity and net debt)*	3.75	4.71	4.29	3.76
Interest cover (times) *(EBITDA / net finance costs)*	2.22	2.60	2.42	2.15

Income Statement

The Group generated total revenues of €23.46 million in **FY2020**, representing an increase of 4.77% over the €22.39 million figure recorded in the prior year. The growth was driven by the higher level of property sales which amounted to €3.14 million (FY2019: €0.96 million) which outweighed the decline in the contribution from manufacturing (-4.92% to €18.20 million) and rental activities (-7.54% to €2.13 million). The property sales related to 11 residential units which form part of development projects located in Mgarr and Zebbiegh.

Despite the increase in overall revenues, EBITDA contracted by 11.39% to €4.91 million (FY2019: €5.54 million) reflecting higher net operating expenses which increased by €1.75 million (or +10.19%) to €18.94 million (FY2019: €17.19 million). Consequently, the EBITDA margin trended lower to 20.92% compared to 24.74% in FY2019.

The financial performance of the Group was boosted by a €1.51 million positive change in the fair value of investment property (FY2019: €0.48 million). After taking into account depreciation charges of €1.20 million, a contribution of €0.04 million from joint ventures, a loss of €0.73 million in relation to the derecognition of a lease, as well as net finance costs of €2.21 million, HMVG reported a profit before tax of €2.32 million (Fy2019: €4.34 million). In view of the drop in EBITDA and the 6.45% increase in net finance costs, the interest cover deteriorated to 2.22 times compared to 2.67 times in FY2019.

The net profit for the year amounted to €1.44 million (FY2019: €2.89 million) which translated into a return on equity of 3.11% (FY2019: 6.51%) and a return on assets of 1.20% (FY2019: 2.51%).

In **FY2021**, total revenues increased by 7.66% (or +€1.80 million) to €25.26 million as all three business lines of the Group reported growth in activity. Manufacturing and general contracting services contributed the lion's share of the increase in business as revenues from this segment rose by 6.18% (or +€1.12 million) to €19.32 million reflecting higher level of activity in a number of major projects including Trident Park and Project House. In parallel, income from property sales surged by 19.50% to €3.75 million whilst rental income increased by 2.91% to €2.19 million.

Despite the increase in operating costs to €20.04 million, EBITDA still rose considerably to €6.11 million which translated into an EBITDA margin of 24.18% and contributed to a rebound in the interest cover to 2.60 times. Similarly, operating profit increased by nearly 30% to €4.80 million (FY2020: €3.71 million) which translated into an operating profit margin of 18.99% (FY2020: 15.80%) and a return on invested capital of 4.71% (FY2020: 3.75%).

After accounting for a marginal share of profit from joint ventures, a €0.44 million loss emanating from the derecognition of a lease, as well as net finance costs of €2.35 million, HMVG reported a profit before tax of €2.01 million.

The tax charge for the year amounted to €0.82 million (FY2020: 0.88 million), thus leading to a net profit for the year of €1.19 million. The latter translated into a net profit margin of 4.71% (FY2020: 6.12%), a return on equity of 2.49%, and a return on assets of 0.97%.

In **FY2022**, revenues dropped by 5.60% to €23.85 million amid lower level of property sales (-15.65% to €3.16 million) and manufacturing activity (-5.72% to €18.22 million). In contrast, rental income rose considerably by 12.75% to €2.47 million, since in the prior two years rental income was negatively affected by the impact of the COVID-19 pandemic. Furthermore, in FY2022 the Group received a 12-month contribution from the lease of the commercial property situated in Old Bakery Street, Valletta, compared to only 5 months in FY2021.

Due to the year-on-year reduction in revenue, operating costs were lower by 6.47% to €18.74 million. In consequence, EBITDA decreased by 6.33% to €5.72 million but the EBITDA margin remained virtually unchanged at 24.00%. On the other hand, the interest cover moved lower to 2.42 times reflecting a marginal increase in net finance costs to €2.37 million. The depreciation charge stood at €1.27 million, thus leading to an operating profit of €4.45 million which, in turn, translated into a margin of 18.67% and a return on invested capital of 4.29%.

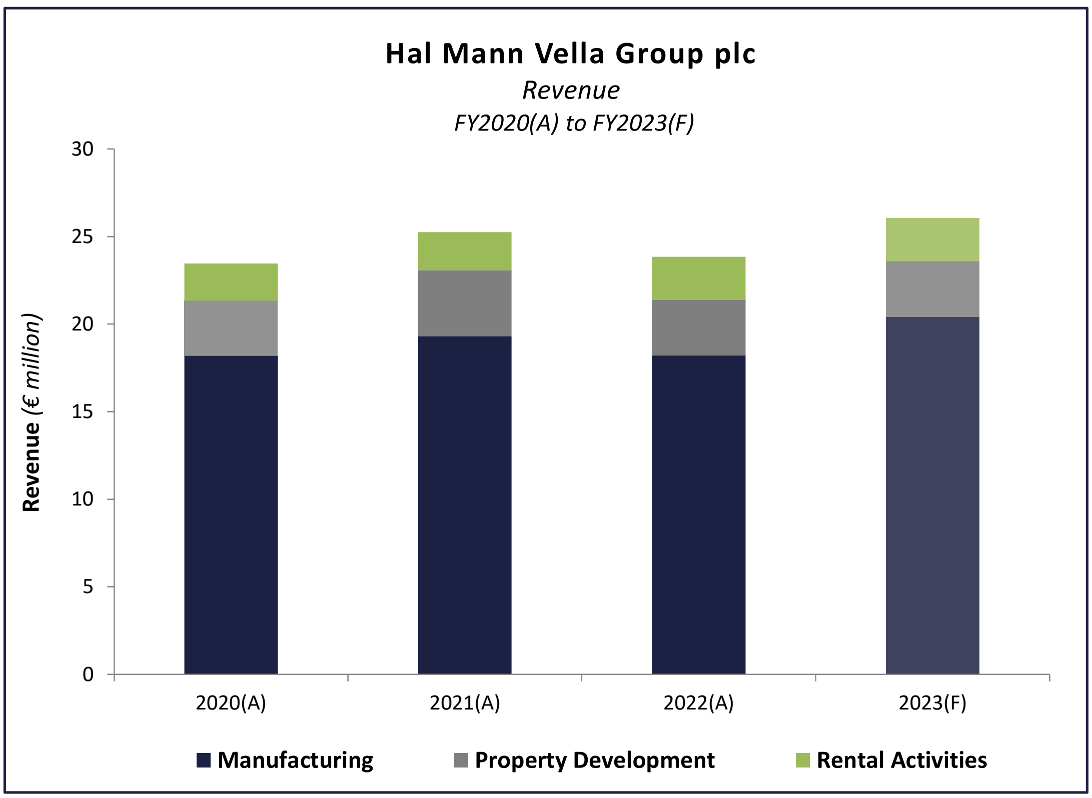
The financial performance of the Group was boosted by a €1.52 million gain in the fair value of investment property. As a result, the profit before tax surged to €3.59 million whilst the net profit for the year amounted to €1.68 million. The latter translated into a return on equity of 3.40% and a return on assets of 1.35%.

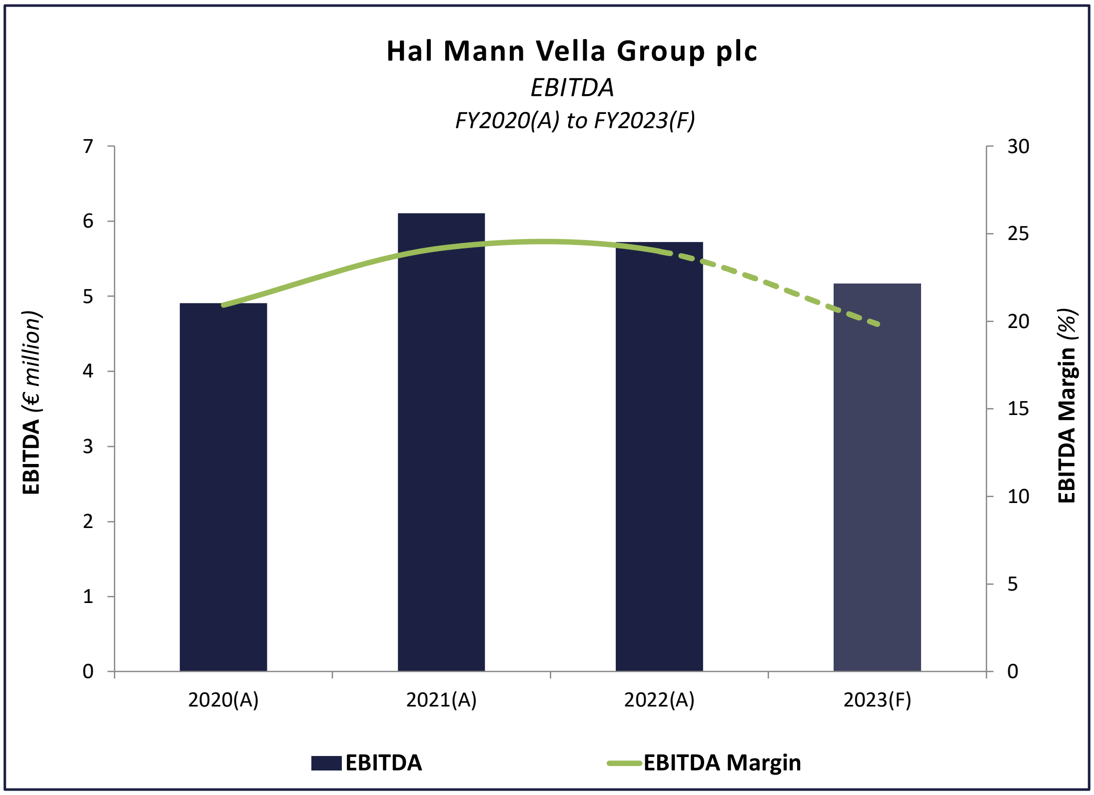
For **FY2023**, HMVG is forecasting a strong increase of 9.25% in revenues to €26.05 million, largely driven by the anticipated growth of 12% in manufacturing and general contracting activities to €20.40 million. This anticipated positive movement is reflective of the Group's consistent pipeline of business (including a number of large-scale projects) as well as the execution of work which was partially delayed in FY2022. On the other hand, income from property sales and rental activities is projected to increase marginally to €5.65 million (in aggregate) compared to €5.63 million in FY2022. In relation to property sales, the Group is projecting the conclusion of the final deeds, generating a total revenue of €3.19m, all of which are subject to a POS agreement.

Despite the projected increase in total revenue, EBITDA is expected to drop by 9.66% to €5.17 million amid a considerable increase in operating expenses to €21.44 million on account of the impact of high inflation as well as tight labour market conditions. As a result, the EBITDA margin is anticipated to decline to 19.84% whilst the interest cover is expected to ease to 2.15 times from 2.42 times in the prior year.

Depreciation charges are anticipated to stay at the €1.25 million level in FY2023, thus leading to an operating profit of €3.92 million which would translate into a margin of 15.05% and a return on invested capital 3.76%.

Overall, HMVG is projecting a net profit of €1.56 million after taking into account tax income of €0.05 million compared to the tax charge of €1.91 million incurred in FY2022. The profit for the year would translate into a margin of 5.97% (FY2022: 7.05%), a return on equity of 3.05%, and a return on assets of 1.23%.





Hal Mann Vella Group p.l.c. Statement of Cash Flows for the financial year 31 December	2020 Actual €'000	2021 Actual €'000	2022 Actual €'000	2023 Forecast €'000
Net cash from / (used in) operating activities	6,373	2,558	6,653	7,320
Net cash from / (used in) investing activities	(5,400)	(1,569)	(3,584)	(3,477)
Net cash from / (used in) financing activities	(1,387)	(2,606)	(4,318)	(1,016)
Net movement in cash and cash equivalents	**(414)**	**(1,617)**	**(1,249)**	**2,827**
Cash and cash equivalents at beginning of year	2,002	1,588	(29)	(1,278)
Cash and cash equivalents at end of year	**1,588**	**(29)**	**(1,278)**	**1,549**

Cash Flow Statement

Net cash generated from operating activities during **FY2020** amounted to €6.37 million compared to €1.94 million in the prior year, primarily due to favourable movements in working capital.

With regard to its investing activities, the Group utilised €2.53 million (FY2019: €1.32 million) for the purchase of PPE and €2.78 million (FY2019: €1.34 million) for the acquisition of investment property. In contrast to FY2019, during FY2020 the Group did not receive any dividends (FY2019: €1.25 million) and did not generate any cash from the sale of investment property (FY2019: €1.39 million) or equity securities (FY2019: €0.33 million).

Net cash used in financing activities amounted to €1.39 million compared to €1.02 in FY2019. During FY2020, HMVG received net advances from banks and other parties amounting to €0.77 million (FY2019: €0.87 million) and settled net lease liabilities of €0.1 million (FY2019: €0.02 million). In addition, the Group paid interest on bonds and bank loans amounting to €2.06 million compared to €1.87 million in FY2019.

Overall, the Group recorded a negative movement of €0.41 million in cash and cash equivalents compared to the positive movement of €1.23 million in FY2019. As a result, the Issuer ended the 2020 financial year with a lower cash balance of €1.59 million compared to €2.00 million as at the end of 2019.

In **FY2021**, net cash from operating activities amounted to €2.56 million – a decrease of €3.82 million from FY2020 – on account of adverse movements in working capital. On the other hand, net cash used in investing activities were much lower and amounted to €1.57 million. These funds were mainly used for a new warehouse forming part of the Hal Far factory, as well as for the renovation of the commercial building situated in Old Bakery Street, Valletta.

Cash outflows relating to financing activities amounted to €2.61 million and principally consisted of interest payments (€1.94 million), lease obligations (€0.36 million), and net movements in borrowings (€0.31 million).

Overall, the Group recorded a negative movement of €1.62 million in cash and cash equivalents. As a result, HMVG ended the 2021 financial year with a marginally negative cash balance of €0.03 million.

In **FY2022**, net cash from operating activities increased substantially to €6.65 million largely on account of favourable working capital movements. Conversely, the Group used higher amounts of cash for investing activities (€3.58 million) and financing activities (€4.32 million), reflecting increased levels of outflows towards the purchase of PPE and investment property, as well as repayments of bank borrowings. Consequently, HMVG recorded an adverse movement of €1.25 million in its cash balances, thus ended the year with a negative cash balance of €1.28 million.

For **FY2023**, the Group is anticipating a further increase in net cash from operating activities to €7.32 million partly on account of the higher level of business activity. Net cash used in investing activities is expected to remain close to the level recorded in FY2022 (€3.48 million), reflecting the completion of property development projects , further improvements to the Hal Far factory, as well as the acquisition of additional machinery and equipment. Meanwhile, net cash used in financing activities is forecasted to drop considerably to €1.02 million largely comprising net bank drawdowns of €1.7 million supporting the capital expenditure to the Hal Far factory, and €2.7 million in payments towards interest and lease obligations.

Overall, the Group is expecting to register a favourable net movement of €2.83 million in cash and cash equivalents in FY2023, thus leading HMVG to close the year with a positive balance of €1.55 million.

Hal Mann Vella Group p.l.c. Statement of Financial Position as at 31 December	2020 Actual €'000	2021 Actual €'000	2022 Actual €'000	2023 Forecast €'000
ASSETS				
Non-current assets				
Intangible assets	63	63	63	63
Investment properties	49,291	50,174	53,537	53,537
Property, plant and equipment	33,845	33,134	34,196	36,706
Investments in joint ventures	1,917	1,722	1,715	1,715
Financial assets	838	756	482	228
Finance lease receivables	-	-	175	175
Right-of-use assets	7,490	7,725	7,499	7,230
Deferred taxation	1,609	1,619	1,200	3,872
	95,053	95,193	98,867	103,526
Current assets				
Inventories	3,786	4,355	4,115	4,522
Property held-for-sale	6,392	6,307	4,746	3,339
Trade and other receivables	14,189	15,987	16,175	13,402
Other assets	91	91	91	91
Cash and cash equivalents	2,885	1,819	572	2,920
	27,343	28,559	25,699	24,274
Total assets	**122,396**	**123,752**	**124,566**	**127,800**
EQUITY				
Equity and reserves				
Called up share capital	5,000	5,000	5,000	5,000
Other reserves	31,739	31,742	32,928	32,929
Retained earnings	10,580	11,770	12,382	13,893
	47,319	**48,512**	**50,310**	**51,822**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	40,658	41,202	38,851	14,940
Finance lease liability	7,762	8,293	7,961	8,223
Other non-current liabilities	4,599	4,717	5,291	6,811
	53,019	54,212	52,104	29,974
Current liabilities				
Borrowings and bonds	7,466	7,148	7,594	31,585
Finance lease liability	52	-	330	350
Other current liabilities	14,540	13,880	14,229	14,069
	22,058	21,028	22,153	46,004
	75,077	**75,240**	**74,256**	**75,978**
Total equity and liabilities	**122,396**	**123,752**	**124,566**	**127,800**
Total debt	*55,938*	*56,643*	*54,736*	*55,098*
Net debt	*52,962*	*54,733*	*54,073*	*52,087*
Invested capital (total equity plus net debt)	*100,281*	*103,245*	*104,383*	*103,909*

Key Financial Ratios	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast
Net debt-to-EBITDA (times) *(Net debt / EBITDA)*	10.79	8.96	9.45	10.08
Net debt-to-equity (times) *(Net debt / total equity)*	1.12	1.13	1.07	1.01
Net gearing (%) *(Net debt / net debt and total equity)*	52.81	53.01	51.80	50.13
Debt-to-asset (times) *(Total debt / total assets)*	0.46	0.46	0.44	0.43
Leverage (times) *(Total assets / total equity)*	2.59	2.55	2.48	2.47
Current ratio (times) *(Current assets / current liabilities)*	1.24	1.36	1.16	0.53

Statement of Financial Position

Total assets as at 31 December **2021** stood at €123.75 million compared to €122.40 million as at the end of 2020, largely comprising investment property (€50.17 million), PPE (€33.13 million), trade and other receivables (€15.99 million), inventories and property held-for-sale (€10.66 million), as well as right-of-use assets (€7.73 million). The latter reflect the present value of the Group's lease contracts for properties and other assets used in its operations.

Total liabilities as at 31 December 2021 stood at €75.24 million (31 December 2020: €75.08 million) of which the largest component is borrowings and lease liabilities of €56.64 million (31 December 2020: €55.94 million). Meanwhile, the Group's equity base stood at €48.51 million which was 0.39 times the value of total assets.

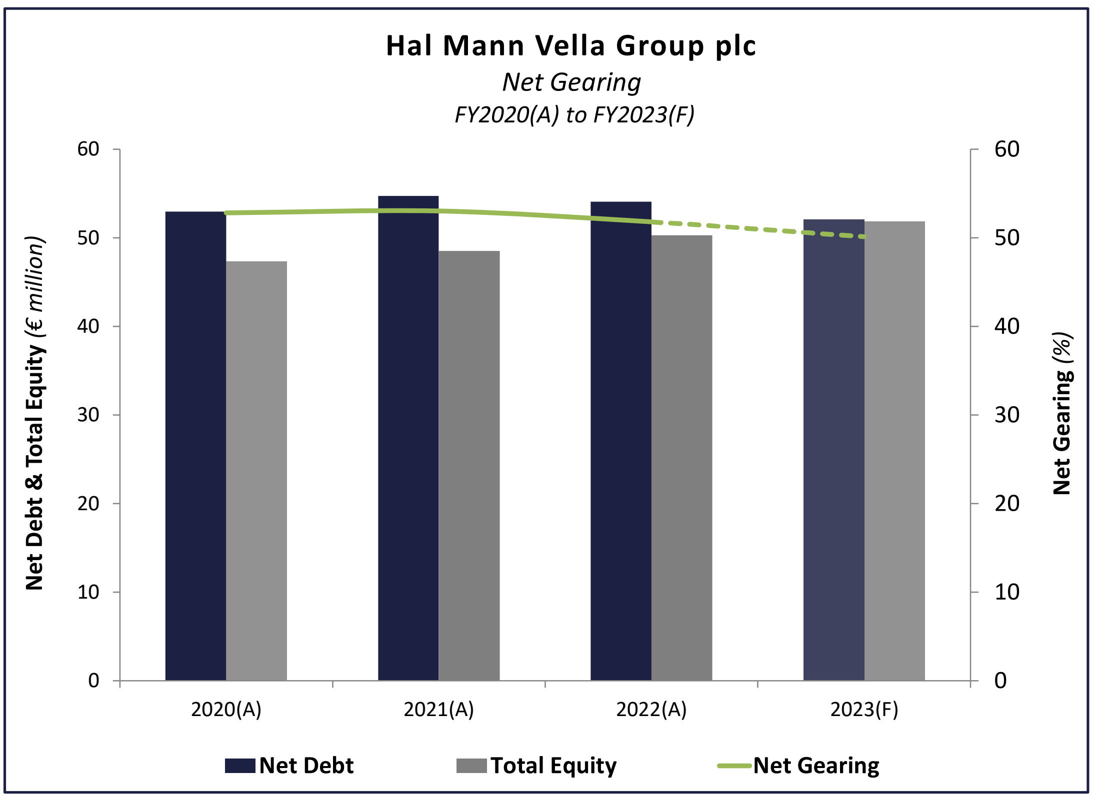
During **FY2022**, total assets increased by 0.66% to €124.57 million as the increase in the value of investment properties (+€3.36 million to €53.54 million) and PPE (+€1.06 million to €34.20 million) marginally offset the drop in property held-for-sale (-€1.56 million to €4.75 million) and cash balances (-€1.25 million to €0.57 million).

Total liabilities contracted by 1.31% to €74.26 million reflecting the 3.37% reduction in total debt to €54.74 million. Nonetheless, in view of the drop in EBITDA, the net debt-to-EBITDA multiple deteriorated to 9.45 times (FY2021: 8.96 times). Conversely, the net debt-to-equity ratio eased to 1.07 times compared to 1.13 times as at the end of FY2021. Likewise, the net gearing ratio and the debt-to-asset ratio trended lower to 51.80% (31 December 2021: 53.01%) and 0.44 times (31 December 2021: 0.46 times) respectively.

For **FY2023**, the Group is expecting its asset base to expand by 2.60% to €127.80 million mostly in view of the forecasted increase in the amount of PPE (+€2.51 million to €53.54 million), deferred taxation

(+€2.67 million to €3.87 million), and cash balances (+€2.35 million to €2.92 million) which would offset the drop in property held-for-sale (-€1.41 million to €3.34 million) and trade and other current receivables (-€2.77 million to €13.40 million).

Total equity is forecasted to increase by 3.01% to €51.82 million (31 December 2022: €50.31 million) reflecting the net profit for the year. Similarly, total liabilities are anticipated to grow by 2.32% to €75.98 million largely on the expected increase in other non-current liabilities (+€1.36 million to €20.88 million). Although total debt is projected to remain virtually unchanged at around €55 million, the net debt-to-equity (1.01 times), the net gearing (50.13%), and the debt-to-asset (0.43 times) ratios are all anticipated to trend lower. On the other hand, the current ratio is expected to decrease to 0.53 times (31 December 2022: 1.16 times) in view of the reclassification of the 5.00% secured bonds which mature on 6 November 2024. Likewise, the net debt-to-EBITDA multiple is projected to deteriorate to 10.09 times in view of the expected contraction in EBITDA.



7. VARIANCE ANALYSIS

The following information relates to the variance analysis between the forecasts for the financial year ended 31 December 2022 included in the Analysis dated 23 June 2022 (the "**2022 FAS**"), and the audited annual financial statements for the financial year ended 31 December 2022.

Hal Mann Vella Group p.l.c. **Statement of Total Comprehensive Income** **for the financial year 31 December**	**2022** **Actual** **€'000**	**2022** **Forecast** **€'000**	**Variance** **€'000**
Revenue - manufacturing and general contracting services	*18,215*	*19,262*	*(1,047)*
Revenue - property development	*3,163*	*2,450*	*713*
Revenue - rental activities	*2,468*	*2,651*	*(183)*
Total revenue	**23,846**	**24,363**	**(517)**
Other operating income	620	81	539
Cost of sales and other operating charges	(18,744)	(19,320)	576
EBITDA	**5,722**	**5,124**	**598**
Depreciation	(1,270)	(1,170)	(100)
Operating Profit	**4,452**	**3,954**	**498**
Change in fair value of investment property	1,520	-	1,520
Share of results of joint ventures	(17)	-	(17)
Loss on derecognition of lease	-	-	-
Finance and similar income	1	-	1
Finance costs	(2,366)	(2,233)	(133)
Profit before tax	**3,590**	**1,721**	**1,869**
Taxation	(1,909)	(572)	(1,337)
Profit after tax	**1,681**	**1,149**	**532**
Other comprehensive income:			-
Revaluation on property, plant and equipment, net of deferred tax	114	-	**114**
Other comprehensive income	3	-	3
Total comprehensive income	**1,798**	**1,149**	**649**

The profitability recorded by HMVG in FY2022 was better-than-expected as despite the marginal underperformance in revenues and the higher tax charge, the Group generated higher other operating income, incurred lower operating costs, and most materially recorded a positive movement in the fair value of investment properties which was not previously anticipated.

Hal Mann Vella Group p.l.c. Statement of Financial Position as at 31 December	2022 Actual €'000	2022 Forecast €'000	2022 Forecast €'000	
ASSETS				
Non-current assets				
Intangible assets	63	63	-	
Investment properties	53,537	50,174	3,363	**(1)**
Property, plant and equipment	34,196	32,846	1,350	**(1)**
Investments in joint ventures	1,715	1,722	(7)	
Financial assets	482	757	(275)	
Finance lease receivables	175	-	175	
Right-of-use assets	7,499	7,462	37	
Deferred taxation	1,200	1,923	(723)	
	98,867	94,947	3,920	
Current assets				
Inventories	4,115	4,018	97	
Property held-for-sale	4,746	8,194	(3,448)	**(2)**
Trade and other receivables	16,175	13,430	2,745	**(3)**
Other assets	91	91	-	
Cash and cash equivalents	572	1,687	(1,115)	
	25,699	27,420	(1,721)	
Total assets	**124,566**	**122,367**	**2,200**	
EQUITY				
Equity and reserves				
Called up share capital	5,000	5,000	-	
Other reserves	32,928	31,742	1,186	**(4)**
Retained earnings	12,382	12,813	(431)	
	50,310	**49,555**	**755**	
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	38,851	38,540	311	
Finance lease liability	7,961	8,255	(294)	
Other non-current liabilities	5,291	4,717	574	
	52,104	51,512	592	
Current liabilities				
Borrowings and bonds	7,594	7,643	(49)	
Finance lease liability	330	-	330	
Other current liabilities	14,229	13,657	572	
	22,153	21,300	853	
	74,256	**72,812**	**1,444**	
Total equity and liabilities	**124,566**	**122,367**	**2,200**	
Total debt	*54,736*	*54,438*	*298*	
Net debt	*54,073*	*52,660*	*1,413*	**(5)**
Invested capital (total equity plus net debt)	*104,383*	*102,215*	*2,168*	

The following are the material variances between the actual and forecast Statement of Financial Position:

(1) The higher value of investment properties and PPE is due to the positive movement in fair value as well as the additional investments undertaken by the Group during the year.

(2) The negative variance in the value of property held-for-sale reflects the lower amount of stock available for sale on the market partly in view of the higher level of property sales concluded throughout the year.

(3) The higher level of trade and other current receivables was impacted by the dynamics in credit terms as well as the timing of contract assets arising from construction and finishing works.

(4) Other reserves were positively impacted by the gain in the fair value of investment properties which was not previously anticipated.

(5) The Group's net debt position was higher than estimated in view of the adverse movements in cash as explained below.

Hal Mann Vella Group p.l.c. Statement of Cash Flows for the financial year 31 December	**2022 Actual €'000**	**2022 Forecast €'000**	**2022 Forecast €'000**
Net cash from / (used in) operating activities	6,653	4,813	1,840
Net cash from / (used in) investing activities	(3,584)	(619)	(2,965)
Net cash from / (used in) financing activities	(4,318)	(3,775)	(543)
Net movement in cash and cash equivalents	**(1,249)**	**419**	**(1,668)**
Cash and cash equivalents at beginning of year	(29)	(29)	-
Cash and cash equivalents at end of year	**(1,278)**	**390**	**(1,668)**

The Issuer registered a negative movement in cash and cash equivalents of €1.25 million compared to the estimated positive figure of €0.42 million as forecasted in the 2022 FAS. Although HMVG generated a higher level of net cash from operating activities than anticipated (reflecting more favourable working capital movements compared to estimates), during the year the Group utilised more cash for its investing and financing activities than forecasted. The additional expenditure was mainly related to the development of the Group's new warehouse in Hal Far.

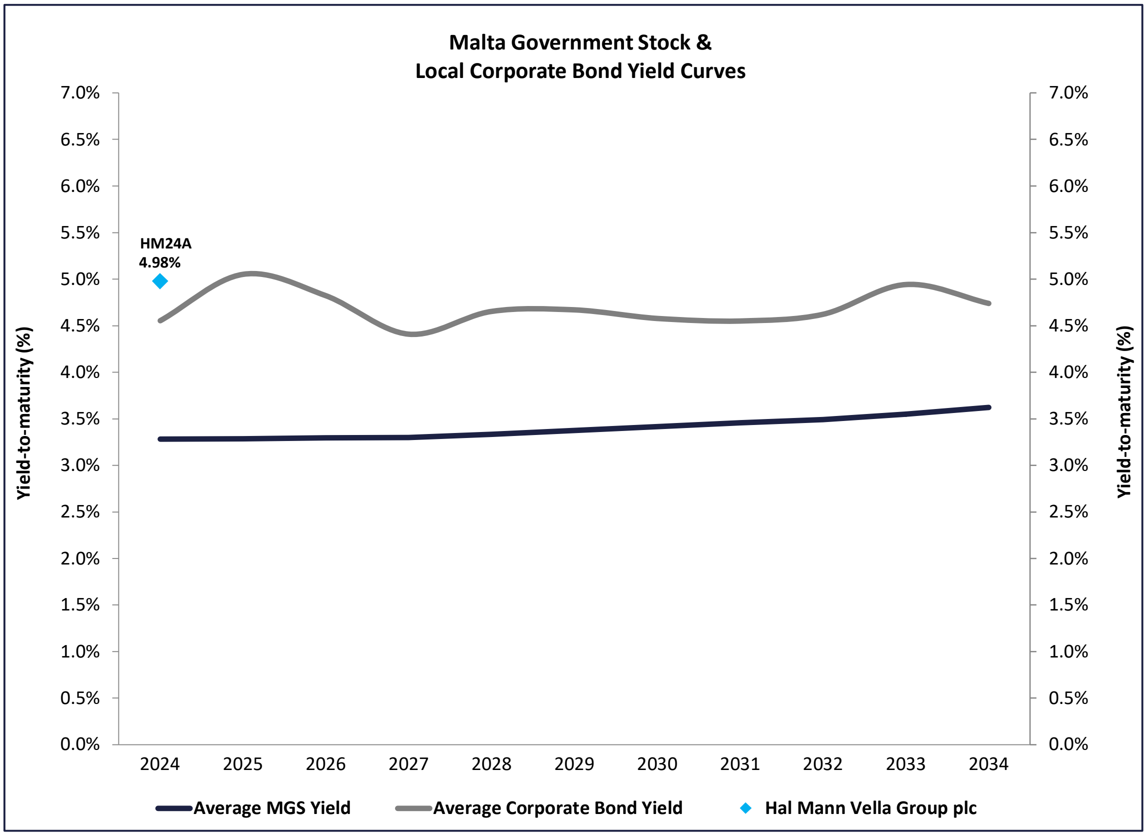
PART 3 – COMPARATIVE ANALYSIS

The table below provides a comparison between the Group and its bonds with other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Group and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis serves as an indication of the financial performance and strength of HMVG.

Comparative Analysis*	Amount Issued	Yield-to-Maturity	Interest Cover	Net Debt-to-EBITDA	Net Gearing	Debt-to-Assets
	(€'000)	(%)	(times)	(times)	(%)	(times)
6.00% AX Investments plc Unsecured & Guaranteed 2024	40,000	5.92	1.75	14.74	30.01	0.28
6.00% International Hotel Investments plc Unsecured 2024	35,000	4.89	1.87	11.42	41.92	0.40
5.30% Mariner Finance plc Unsecured 2024	17,684	4.34	4.72	5.95	49.91	0.49
5.00% Hal Mann Vella Group plc Secured 2024	30,000	4.98	2.42	9.45	51.80	0.44
5.10% 1923 Investments plc Unsecured 2024	36,000	5.08	4.81	2.94	47.79	0.40
4.25% Best Deal Properties Holding plc Secured & Guaranteed 2024	6,465	2.55	13.29	4.71	63.61	0.65
5.75% International Hotel Investments plc Unsecured 2025	45,000	5.46	1.87	11.42	41.92	0.40
5.10% 6PM Holdings plc Unsecured 2025	13,000	5.09	10.95	0.38	11.16	0.17
4.50% Hili Properties plc Unsecured & Guaranteed 2025	37,000	4.90	1.80	12.53	45.87	0.46
3.70% Gap Group plc Secured & Guaranteed 2023/2025	16,618	4.97	33.21	4.85	56.20	0.69
4.35% Hudson Malta plc Unsecured & Guaranteed 2026	12,000	4.54	6.11	4.89	71.67	0.57
4.25% CPHCL Finance plc Unsecured & Guaranteed 2026	40,000	4.63	1.66	12.42	42.46	0.40
4.00% International Hotel Investments plc Secured 2026	55,000	3.66	1.87	11.42	41.92	0.40
5.00% Dizz Finance plc Unsecured & Guaranteed 2026	8,000	5.02	0.56	36.59	79.93	0.59
3.75% Premier Capital plc Unsecured 2026	65,000	4.38	11.25	2.09	61.67	0.56
4.00% International Hotel Investments plc Unsecured 2026	60,000	4.15	1.87	11.42	41.92	0.40
3.25% AX Group plc Unsecured 2026	15,000	3.55	1.75	14.74	30.01	0.28
3.90% Gap Group plc Secured & Guaranteed 2024/2026	21,000	4.05	33.21	4.85	56.20	0.69
4.00% Hili Finance Company plc Unsecured & Guaranteed 2027	50,000	4.29	4.64	4.84	69.79	0.63
4.35% SD Finance plc Unsecured & Guaranteed 2027	65,000	4.35	4.60	2.66	27.22	0.27
4.00% Eden Finance plc Unsecured & Guaranteed 2027	40,000	4.42	4.24	5.37	25.33	0.23
5.25% Mediterranean Investments Holding plc Unsecured & Guaranteed 2027	30,000	4.73	3.79	3.30	22.75	0.21
4.00% Stivala Group Finance plc Secured & Guaranteed 2027	45,000	4.25	4.84	5.58	28.97	0.26
4.75% Best Deal Properties Holding Plc Secured & Guaranteed 2025/2027	15,000	4.62	13.29	4.71	63.61	0.65
4.75% Gap Group plc Secured & Guaranteed 2025/2027	23,000	4.62	33.21	4.85	56.20	0.69
3.85% Hili Finance Company plc Unsecured & Guaranteed 2028	40,000	4.40	4.64	4.84	69.79	0.63
3.65% Stivala Group Finance plc Secured & Guaranteed 2029	15,000	4.50	4.84	5.58	28.97	0.26
3.80% Hili Finance Company plc Unsecured & Guaranteed 2029	80,000	5.96	4.64	4.84	69.79	0.63
3.75% AX Group plc Unsecured 2029	10,000	4.11	1.75	14.74	30.01	0.28
6.25% GPH Malta Finance plc Unsecured & Guaranteed 2030	18,144	5.79	1.56	11.27	94.67	0.83
3.65% International Hotel Investments plc Unsecured 2031	80,000	4.81	1.87	11.42	41.92	0.40
3.50% AX Real Estate plc Unsecured 2032	40,000	4.56	2.31	13.83	42.36	0.41
5.00% Mariner Finance plc Unsecured 2032	36,930	4.73	4.72	5.95	49.91	0.49
4.50% The Ona plc Secured & Guaranteed 2028/2034	16,000	4.74	32.26	9.77	64.11	0.59

As at 31 May 2023

Sources: Malta Stock Exchange
M.Z. Investment Services Limited
Most recent audited annual financial statements except for GPH Malta Finance plc (FY2022/2023 - forecast)



At present, there are no local corporate bonds which have a redemption date beyond 2034. The Malta Government Stock yield curve has been included as it is widely considered as the benchmark 'risk-free' rate for Malta.

The 5.00% Hal Mann Vella Group plc secured bonds 2024 are currently trading at a yield-to-maturity ("YTM") of 4.98% which is 43 basis points higher than the average YTM of other local corporate bonds maturing in the same year. The premium over the corresponding Malta Government Stock yield of equivalent maturity is 170 basis points.

PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total income generated from business activities.
EBITDA	Earnings before interest, taxes, depreciation, and amortisation. It is a metric used for gauging a company's operating performance, excluding the impact of its capital structure, and is usually interpreted as a loose proxy for operating cash flow generation.
Operating profit / (loss)	Profit or loss from operating activities including movements in the fair value of investment property but excluding the share of results of associated undertakings, net finance costs, and taxation.
Profit / (loss) after tax	Net profit or loss recorded from all business activities.

Profitability Ratios	
EBITDA margin	EBITDA as a percentage of revenue.
Operating profit margin	Operating profit or loss as a percentage of total revenue.
Net profit margin	Profit or loss after tax as a percentage of total revenue.
Return on equity	Measures the rate of return on the company's net assets and is computed by dividing the net profit or loss by average equity.
Return on assets	Measures the rate of return on the company's assets and is computed by dividing the net profit or loss by average assets.
Return on invested capital	Measures the rate of return from core operations and is computed by dividing operating profit or loss by the average amount of equity and net debt.

Cash Flow Statement	
Net cash flow from / (used in) operating activities	The amount of cash generated (or consumed) from the normal conduct of business.
Cash flow from / (used in) investing activities	The amount of cash generated (or consumed) from activities related to the acquisition, disposal, and/or development of long-term assets and other investments.
Cash flow from / (used in) financing activities	The amount of cash generated (or consumed) that have an impact on the company's capital structure and thus result in changes to share capital and borrowings.

Statement of Financial Position	
Non-current assets	These represent long-term investments which full value will not be realised within the next twelve months. Such assets, which typically include property, plant, equipment, and investment property, are capitalised rather than expensed, meaning that a company amortises 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 acquired.
Current assets	All assets which could be realisable within a twelve-month period from the balance sheet date. Such amounts may include development stock, accounts receivable, cash and bank balances.
Non-current liabilities	These represent long-term financial obligations which are not due within the next twelve months, and typically include long-term borrowings and debt securities.
Current liabilities	Liabilities which fall due within the next twelve months from the balance sheet date, and typically include accounts payable and short-term debt.
Total equity	Represents the residual value of the business (assets minus liabilities) and typically includes the share capital, reserves, as well as retained earnings.

Financial Strength/Credit Ratios	
Interest cover	Measures the extent of how many times a company can pay its net finance costs from EBITDA.
Net debt-to-EBITDA	Measures how many years it will take a company to pay off its net interest-bearing liabilities (including lease liabilities) from its EBITDA generation capabilities, assuming that net debt and EBITDA are held constant.
Net debt-to-equity	Shows the proportion of net debt (including lease liabilities) to the amount of equity.
Net gearing	Shows the proportion of equity and net debt used to finance a company's business and is calculated by dividing a company's net debt by net debt plus equity.
Debt-to-asset	Shows the degree to which a company's assets are funded by debt and is calculated by dividing all interest-bearing liabilities by total assets.
Leverage	Shows how much equity a company is using to finance its assets.
Current ratio	Measures whether or not a company has enough resources to pay its short-term liabilities from its short-term assets.