Financial Analysis Summary

4 June 2019

Issuer

Hal Mann Vella Group p.l.c.

WEALTH MANAGEMENT • CORPORATE BROKING

CHARTS

A division of MeDirect Bank (Malta) plc

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

4 June 2019

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 2016 to 31 December 2018 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 2019 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.

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
Head – Corporate Finance

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The Centre, Tigné Point, Sliema TPO 0001 - Tel: 2557 4400

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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 supply of natural stone, manufacture of terrazzo tiles and pre-cast elements, general contracting services, property development and letting. Up to the initial half of FY2016, the Group was also involved in hotel operations and fashion retailing. As of 1 May 2016, the aforesaid operations were transferred to third parties as described in further detail below.

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 marble, granite and natural stone.

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.

The Hal Mann Vella Group owns two hotels located in Bugibba, the 66-room Mavina Hotel and the 26-room Huli Hotel, and up to Q2 FY2016 was involved in the operation thereof. With effect from 1 May 2016, the two hotels were leased to a third party for a period of 10 years. Furthermore, the Lovage restaurant, which is situated at ground floor level of the Huli Hotel, was also leased to a third party for a 10-year period as from 1 April 2016.

With effect from 1 May 2016, the Group disposed of its fashion retail business, including inventories, to a third party. The said transaction also comprised the transfer of all franchise/license agreements.

2. DIRECTORS

The Company is managed by a Board consisting of six directors entrusted with its overall direction and management. The list of Board members is detailed hereunder:

Board of Directors

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

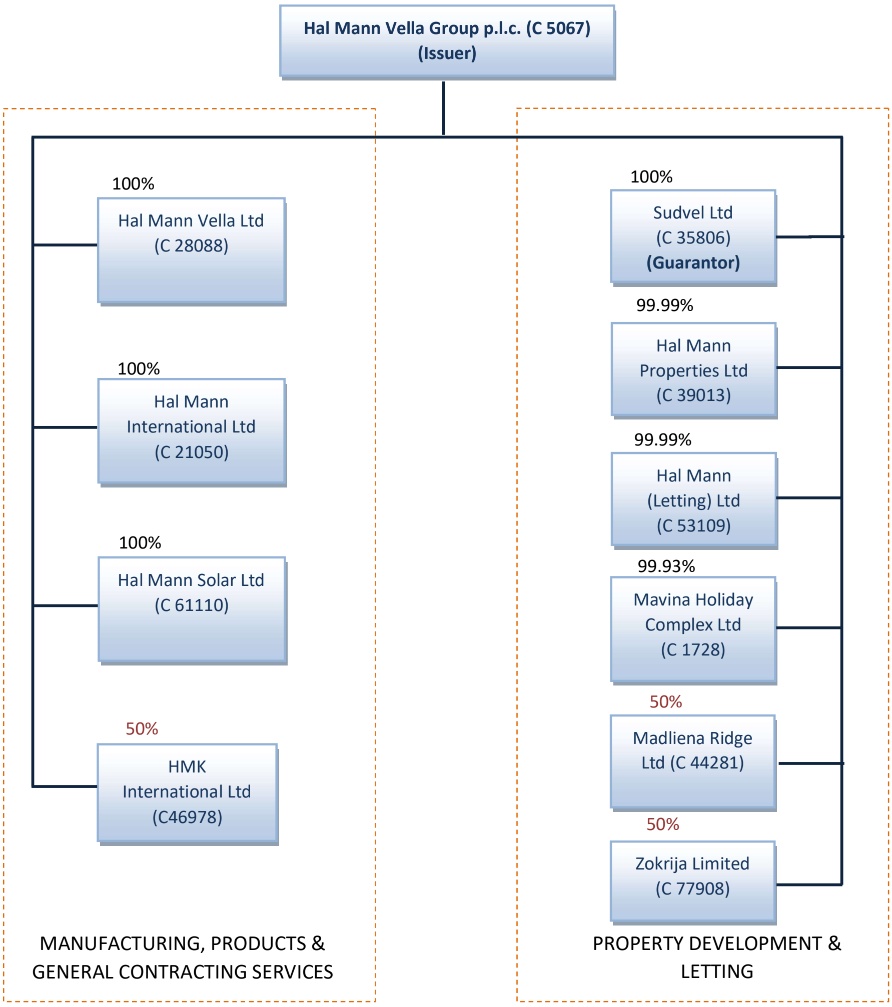
The Executive Directors of the Issuer are entrusted with the company's day-to-day management and are also directors or officers of other companies within the Hal Mann Vella Group. They are also responsible for the identification and execution of new investment opportunities and the funding of the Group's investments.

The main functions of the Non-Executive Directors are to monitor the operations of the Executive Directors and their performance, 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 2018 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.

On 14 April 2015, Hal Mann Industries Ltd (C 8028) and Hal Mann Services Ltd (C 51196) were merged with Hal Mann International Ltd (C 21050) and Hal Mann Vella Ltd (C 28088) respectively, and as such their names were struck off from the register of companies. During 2015, an apartment at Tas-Sellum was transferred from Vinmar Ltd (C 51195) to Sudvel Ltd (C 35806), and subsequently on 30 March 2015 the former company was merged with the Issuer. In the same period, the Issuer increased its shareholding in Hal Mann Solar Ltd (C 61110) from 50% to 100%. This company operates a PV solar plant that generates *circa* 440KW per annum. Late in 2016 another installation of *circa* 400 KW per annum was installed over the Hal Far factory and a 3rd installation was done during the second half of 2017 over the E-pantar development. Furthermore, a reorganisation of the Group was undertaken in order for the Issuer to become the direct holder of shares in each of the Group companies.

During FY2017, the Group liquidated MAC Investments Ltd and SMG Mode Ltd was struck off following a merger with Hal Mann Vella Ltd. It is also the intention of the Group to liquidate Madliena Ridge Ltd in due course.

Zokrija Limited was incorporated on 2 November 2016 and is owned as to 50% each by the Group and a third party. The company owns a site in the Zokrija area, Mosta, which was initially earmarked for the development of 39 units and underlying garages. During FY2018, the company decided to sell the plot of land to a third party and accordingly, is subject to a promise of sale agreement. The contract of sale is expected to be signed in 2019, after which the company shall cease operations and be 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 have ceased operations and will be liquidated in due course. As a result, Hal Mann Holdings Ltd and Hal Mann Projects Limited have not been included in the organisational structure.

3.2 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. Prior to 1 May 2016, the Group was also involved in hospitality and apparel retail.

3.2.1 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 procures Maltese hard stone from quarry operators, 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.

3.2.2 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 immovable property and developments include an apartment block located in Mgarr, an apartment block in Zebbiegh, a villa in Tal-Virtu, and a villa in Madliena.

Furthermore, in 2018, the company acquired a site in Kappara for the development of 4 semi-detached villas. Excavation and foundation works have commenced and development is scheduled to take *circa* 24 months.

As at the date of this report, 3 apartments in Mgarr are subject to preliminary sale agreements which should be executed in FY2020 at an aggregate consideration of €0.8 million. In Zebbiegh, 8 out of 11 apartments valued at €2.1 million (in aggregate) are also subject to preliminary sale agreements and the respective final deeds are expected to be signed in FY2019. Furthermore, the Tal-Virtu villa is subject to a promise of sale agreement for the consideration of €0.9 million. The remaining immovable property available for sale should generate, in aggregate, revenues amounting to *circa* €9.8 million.

As at 1 January 2018, Hal Mann (Letting) Limited owned a block of 12 apartments and 12 car park spaces, known as Spinola Residence. The property is situated in Spinola Road, St Julians, Malta. During FY2018, the company sold 4 out of the 12 apartments and 4 car park spaces to third parties for the amount of €1.2 million, and another 5 apartments and 3 car park spaces were sold in January 2019. The remaining 3 apartments and 5 car park spaces are currently rented out for short term periods. In FY2018, the Company acquired a boutique hotel in Valletta, known as Merchant Suites, from a third party 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.

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. As at 31 December 2018, its carrying value in the statement of financial position amounted to €23.2 million. 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. Furthermore, Sudvel Limited 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 2018 amounted to €0.4 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.

In 2015, the Group developed a property known as “Central Buildings Block A”, situated behind the Hal Mann Vella Group showroom. The property comprises a rentable area of *circa* 1,400m^2 spread on three floors. The Central Buildings Block A has been leased to third parties as office space.

The Group holds a 50% shareholding in Madliena Ridge Ltd, which was established in 2008 to develop 20 villas on a site known as Madliena Ridge in Madliena, Malta. The said villas were developed between 2011 and 2015 and subsequently sold by end FY2016, except for one villa which was taken over by the Group in settlement of shareholders’ advancement throughout the years. It is the intention of the shareholders to dissolve the company in the near term.

Below 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 2018 of the subject property is €51,664,000.

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

3.2.3 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.

3.2.4 Apparel

With effect from 1 May 2016, the Group disposed of its fashion retail business, including inventories, to a third party. The said transaction also comprised the transfer of all franchise/license agreements.

3.3 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 Hal Mann Vella Group's strategy for the foreseeable future is to continue to develop its assets with a view to realising and maximising its financial potential. The key elements of the Group's strategy are detailed below.

3.3.1 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 should result 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. As a consequence, additional costs were incurred to develop and deploy this factory.

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 are being 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.

3.4 Malta Economic Update[1]

Malta's economy performed better than expected in 2018, with real GDP growth reaching the high rate of 6.6%. Economic growth accelerated in the second half of the year, driven by record-high levels of private consumption growth, which increased by 7.3% compared to the previous year. In particular, robust employment growth coupled with modest price pressures in the household consumption basket contributed to boost households' real disposable income. Going forward, private consumption growth is expected to slow down but remain well above its historical average.

Despite the drop in investment in real terms in 2018, which was mostly due to base effects, investment in recent years has stabilised at relatively high levels, with an investment-to-GDP ratio above 20%. In 2019, investment is set to rebound and pick up further in 2020. In particular, non-residential construction is expected to benefit from large investment projects planned in the health, transport and tourism sectors.

The import content of Malta's exports has been steadily declining in the recent past, reflecting the structural shift toward the services sector. As investment rises, import growth is likewise expected to increase, turning the growth contribution of net exports from positive to slightly negative in 2019. Export growth is expected to remain above 2% as a result of the good performance of export-oriented services such as tourism and remote gaming. The current account surplus is set to narrow but to remain among the highest in the EU, underpinned by the large surplus in the services account.

Real GDP growth is expected to remain solid but to gradually ease over the forecast horizon, to an annual rate of 5.5% in 2019 and 4.8% in 2020. Risks to the macroeconomic outlook appear broadly balanced. In particular, global trade tensions and rising uncertainties in some of Malta's trading partners could negatively affect the short-term growth profile. Important upside risks include the possibility of stronger-than-expected private consumption, driven by employment creation and accumulated savings, and a further decline in the import of services.

With the activity rate in Malta quickly approaching the EU average, employment growth is expected to moderate slightly as economic growth slows down, while the unemployment rate is projected to remain below 4% over the forecast horizon. The significant inflow of foreign workers has helped keep wage growth contained; unit labour cost growth is set to rise and reach 1.2% in 2020 as wage pressures gradually materialise.

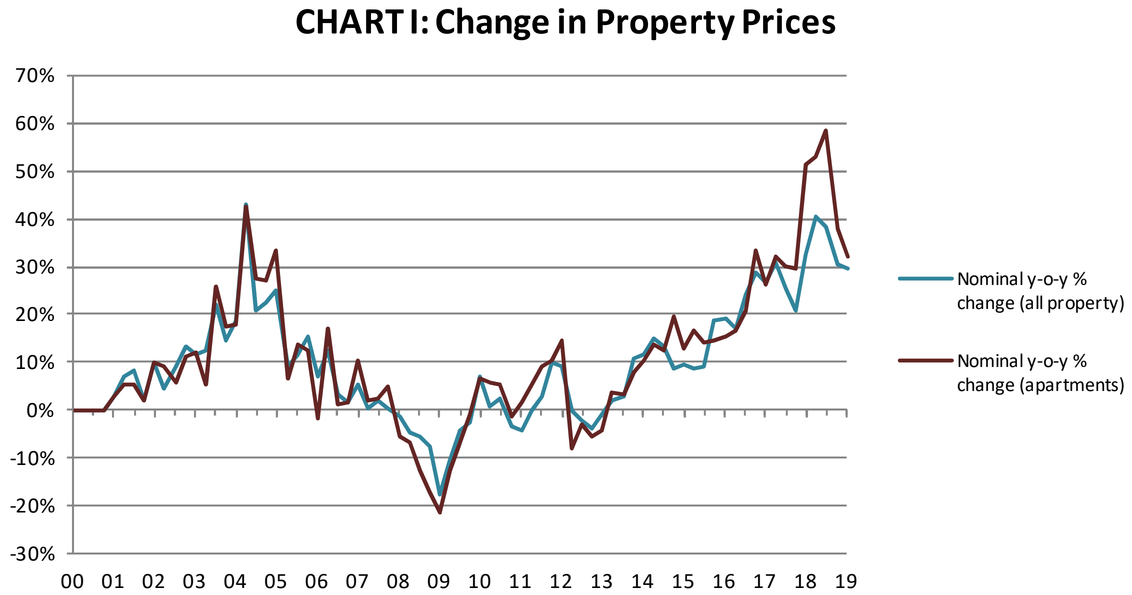
The inflation profile has been influenced by price increases in the services sector, in particular tourism-related expenditure like accommodation services. Inflation is set to increase only marginally over the forecast horizon, reaching 1.9% in 2020.

3.5 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.

[1] European Economic Forecast – Spring 2019 (European Commission Institutional Paper 102 May '19)

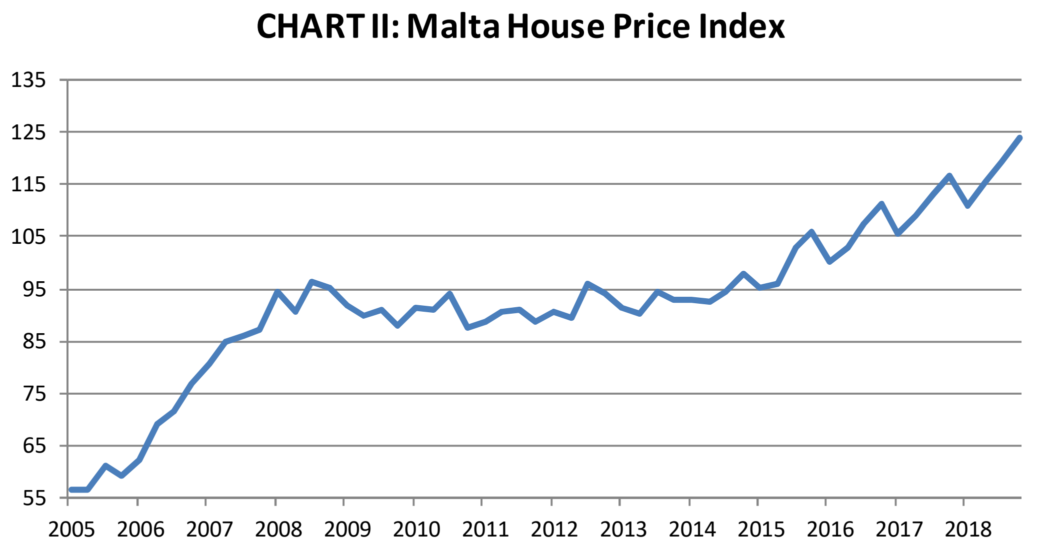
Property prices of residential property in Malta increased by 10.8% in the 12 months to the end of March 2019 compared to a year earlier (see Chart I below), mainly due to a 15.3% increase in prices of terraced houses. This positive trend has been witnessed for just less than six years - during which property prices registered an increase of 77.9% (Q2 2013 to Q1 2019) – primarily due to a strong economy and a robust labour market (such data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place).[2]



Source: Central Bank of Malta

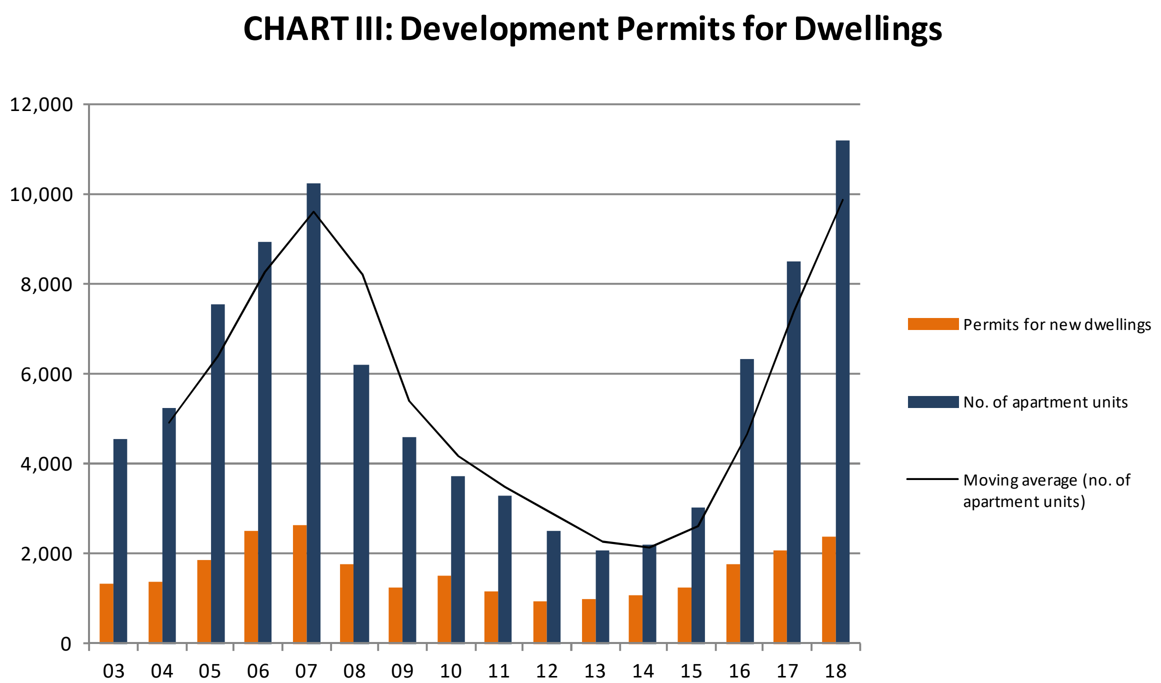
Eurostat's House Price Index for Malta – which is based on transactions covering terraced houses, apartments and maisonettes – also indicates that residential property prices increased. The latest data available refers to Q4 2018 and shows that said prices increased by 6.2% compared with the same quarter of 2017 (vide Charts II below).

[2] Central Bank of Malta, Property Price Index



Source: Eurostat

The percentage change of total permits peaked in 2016 at 90.2%, and thereafter increased by 30.8% and 31.2% in 2017 and 2018 respectively. During 2018, the number of permits issued by the Planning Authority increased to 12,855 from 9,822 recorded during 2017, an increase of 3,033 permits over the prior year. The increase in permits issued in 2018 was mostly driven by the largest residential category, namely apartments, which accounted for 87.0% of total permits granted.



Source: Planning Authority

The gross value added (GVA) from the construction industry rose by 10.3% in 2018 (in nominal terms), from €361.7 million in 2017 to €398.8 million in 2018. Over the past 5 years (2014-2018), GVA from construction increased at a CAGR of 7.3%.[3]

Commercial Property

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. Notwithstanding the lack of such data, 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 has continued to generate a positive trend in the commercial property sector, in particular office space. In addition, Malta's highly skilled and competitive labour costs have also been vital in sustaining this success. This view is substantiated when assessing the lack of availability of large office and commercial space, as well as, the number of projects presently being developed and others earmarked to commence development in the near future.

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 a number of 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, and undoubtedly have a direct positive impact on the Group's business performance.

[3] Malta National Statistics Office (NSO)

3.5 Major Assets

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

Major Assets	**FY2016 €’000**	**FY2017 €’000**	**FY2018 €’000**
Hal Mann factory, plant & machinery and adjacent buildings	30,443	34,092	35,123
50% of Warehouse Complex (known as "NAVI Building")	1,840	1,840	2,300
Commercial building (known as "E-Pantar") (5,200m^2)	7,500	23,232	23,232
Ownership of 50% of a quarry in Naxxar (12,000m^2)	3,057	3,057	-
Site in Lija (17,000m^2)	387	387	405
Villa in Madliena	1,080	2,500	2,500
Mavina and Huli hotels	6,350	6,361	6,800
Merchant Suites, Valletta (temporary emphyteutical grant)	-	-	2,200
Spinola apartments	2,900	2,900	2,170
Solar panels	1,043	1,322	1,200
Apartment and garage at tas-Sellum	650	650	675
Site in Kappara (for development of 4 semi-detached villas)	-	-	2,034
Other assets	5,514	4,989	5,953
	60,764	**81,330**	**84,592**

Source: Consolidated audited financial statements of Hal Mann Vella Group p.l.c. for the years ended 31 December 2016 to 2018.

PART 2 – GROUP PERFORMANCE REVIEW

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 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 2016 to 2018. The forecast financial information for the year ending 31 December 2019 has been provided by the Company.

Hal Mann Vella Group Income Statement for the year ended 31 December	**2016 Actual €'000**	**2017 Actual €'000**	**2018 Actual €'000**	**2019 Forecast €'000**
Revenue	11,648	19,708	19,459	21,997
Manufacturing, products & contracting services	9,718	17,033	16,201	16,649
Property development & letting	1,765	2,675	3,258	5,348
Hotel operations & fashion retail	165	-	-	-
Net operating expenses	(11,678)	(15,298)	(14,412)	(15,265)
EBITDA	**(30)**	**4,410**	**5,047**	**6,732**
Depreciation & amortisation	(628)	(696)	(764)	(764)
Inventory and fixed assets write offs	(3,318)	-	-	-
Change in fair value of investments & property	4,271	4,407	2,822	250
Profit /(loss) on sale of financial assets	(1,083)	-	-	-
Share of results of joint ventures	(261)	(254)	74	130
Net finance costs	(1,353)	(1,446)	(2,206)	(2,183)
Profit / (loss) before tax	**(2,402)**	**6,422**	**4,973**	**4,165**
Taxation	1,622	(1,800)	(1,382)	(193)
Profit / (loss) after tax (continuing operations)	**(780)**	**4,622**	**3,591**	**3,972**
Loss after tax from discontinued operations	(266)	-	-	-
Profit / (loss) after tax	**(1,046)**	**4,622**	**3,591**	**3,972**
Other comprehensive income:				
Revaluation surplus on property, plant & equipment	1,880	2,872	-	-
Other comprehensive income	265	10	100	-
Total comprehensive income	**1,099**	**7,503**	**3,691**	**3,972**

Hal Mann Vella Group Balance Sheet				
as at 31 December	**2016**	**2017**	**2018**	**2019**
	Actual	**Actual**	**Actual**	**Forecast**
	€'000	**€'000**	**€'000**	**€'000**
ASSETS				
Non-current assets				
Intangible assets	63	63	63	63
Investment properties	26,139	44,442	46,690	47,385
Property, plant and equipment	28,561	32,490	33,388	33,499
Investments in joint ventures	2,316	1,715	1,733	1,863
Financial assets	1,033	836	1,313	836
Deferred taxation	4,112	3,972	3,645	3,427
	62,224	83,519	86,832	87,073
Current assets				
Inventories	3,005	3,517	3,613	3,583
Property for resale	6,064	4,398	4,514	7,326
Trade and other receivables	10,546	15,775	15,517	16,718
Cash and cash equivalents	256	592	1,530	3,891
	19,871	24,282	25,174	31,518
Total assets	**82,095**	**107,801**	**112,006**	**118,591**
EQUITY				
Equity and reserves				
Called up share capital	5,000	5,000	5,000	5,000
Other reserves	25,975	31,853	29,558	28,318
Retained earnings	1,323	2,961	8,956	12,928
	32,298	**39,813**	**43,514**	**46,246**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	38,432	43,049	44,172	48,371
Other non-current liabilities	4,088	5,548	5,839	7,007
	42,520	48,597	50,011	55,378
Current liabilities				
Borrowings and bonds	579	4,297	4,179	1,998
Other current liabilities	6,698	15,094	14,302	14,969
	7,277	19,391	18,481	16,967
	49,797	**67,987**	**68,492**	**72,345**
Total equity and liabilities	**82,095**	**107,801**	**112,006**	**118,591**

Hal Mann Vella Group Cash Flow Statement **for the year ended 31 December**	**2016** **Actual** **€'000**	**2017** **Actual** **€'000**	**2018** **Actual** **€'000**	**2019** **Forecast** **€'000**
Net cash from operating activities	(1,818)	5,092	2,646	11,251
Net cash from investing activities	3,623	(12,819)	(478)	(5,289)
Net cash from financing activities	(2,610)	6,629	(177)	(3,891)
Net movement in cash and cash equivalents	**(805)**	**(1,098)**	**1,991**	**2,071**
Cash and cash equivalents at beginning of year	686	(125)	(1,223)	768
Cash and cash equivalents at end of year	**(119)**	**(1,223)**	**768**	**2,839**

Key Accounting Ratios	**FY2016** **Actual**	**FY2017** **Actual**	**FY2018** **Actual**	**FY2019** **Forecast**
Operating profit margin *(EBITDA/revenue)*	0%	22%	26%	31%
Interest cover (times) *(EBITDA/net finance cost)*	-0.02	3.05	2.29	3.08
Net debt to EBITDA (years) *(Net debt/EBITDA)*	n/a	10.60	9.28	6.90
Net profit margin *(Profit after tax/revenue)*	-9%	23%	18%	18%
Earnings per share (€) *(Profit after tax/number of shares)*	-0.21	0.92	0.72	0.79
Return on equity *(Profit after tax/shareholders' equity)*	-3%	12%	8%	9%
Return on capital employed *(Operating profit/total assets less current liabilities)*	0%	5%	5%	7%
Return on assets *(Profit after tax/total assets)*	-1%	4%	3%	3%

Source: Charts | A Division of MeDirect Bank plc

The Group's revenue in **FY2016** decreased by €0.3 million from €11.9 million in FY2015 to €11.6 million. Revenue generated from manufacturing, products & contracting services decreased by €1.2 million (-11%, y-o-y) to €9.7 million, primarily due to a decline in large scale projects and production delays caused as a result of the afore-mentioned transition to factory optimisation levels and revised workflows. In contrast, revenue from property development & letting increased substantially from €0.7 million in FY2015 to €1.9 million in FY2016 (+€1.2 million, y-o-y). During the reviewed year, the

Group sold various properties totalling €1.3 million (including a number of apartments and garages in Xemxjia and Attard). Rental income for the year amounted to €0.5 million (FY2015: €0.2 million).

EBITDA in FY2016 amounted to -€0.03 million (FY2015: €0.6 million) as a consequence of a decrease in revenue (as stated above) of €0.3 million and a y-o-y increase in net operating expenses of €0.4 million. Net operating expenses in FY2016 were impacted by one-off items: a provision for works-in-progress and a provision for bad debts amounting to €1.1 million.

Following the renovation explained elsewhere in the document and a revamp of product offerings, management decided to write-off certain inventories amounting to €3.3 million in FY2016. Moreover, a loss on sale of financial assets of €1.1 million was released during the same year. On the other hand, an uplift of €4.3 million in fair value of investments & property was registered in the income statement. After taking into account depreciation of €0.6 million, share of losses from joint ventures of €0.3 million and net finance costs of €1.4 million, the Group incurred a loss before tax from continuing operations of €2.4 million (FY2015: loss of €0.3 million). Total comprehensive income for FY2016 amounted to €1.1 million (FY2015: €1.1 million) and was positively impacted by a tax credit of €1.6 million and a revaluation surplus on property, plant & equipment of €1.9 million. Loss after tax from discontinued operations amounted to €0.3 million (FY2015: €0.3 million).

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. Moreover, the completion of the transition 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).

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 registering 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** decreased marginally by €0.2 million from €19.7 million in FY2017 to €19.5 million. Revenue generated from manufacturing, products & contracting services decreased by €0.8 million (-4.9%, y-o-y) to €16.2 million, whilst revenue from property development & letting increased from €2.7 million in FY2017 to €3.3 million in FY2018 (+€0.6 million, y-o-y). During the reviewed year, the Group sold various properties totalling €0.9 million (FY2017: €1.5 million), whilst rental income for the year amounted to €2.7 million (FY2017: €1.2 million).

A decrease in net operating expenses of €0.9 million during FY2018 contributed to an increase in EBITDA of 14%, from €4.4 million in FY2017 to €5.0 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 (FY2017: €6.4 million). Total comprehensive income for FY2018 amounted to €3.7 million as compared to €7.5 million a year earlier. The comparative amount included a revaluation surplus on property, plant & equipment of €2.9 million.

In **FY2019**, the Group is projecting an increase in revenue of €2.5 million, from €19.5 million in FY2018 to €22.0 million. Income from manufacturing, products & contracting services is expected to marginally increase by 2.8% (€0.4 million, y-o-y) to €16.6 million, while revenue from property development & letting is expected to increase considerably by €2.1 million (+64.1%) as a consequence of a projected increase in property sales and growth in rental income (primarily rents receivable from E-Pantar Building and Merchant Suites). The Group is forecasting an EBITDA of €6.7 million in FY2019 (+33%, y-o-y) and profit after tax of €4.0 million (+11%, y-o-y).

Principal movements in the balance sheet relate to available-for-sale property, which is expected to increase by €2.8 million from €4.5 million as at 31 December 2018 to €7.3 million as at 31 December 2019. On the liabilities side, borrowings and other non-current liabilities are projected to increase from €54.2 million as at 31 December 2018 to €57.4 million as at 31 December 2019, mainly due to increases in bank loans under Hal Mann Properties Ltd and Hal Mann (Letting) Ltd, which funds are being utilised for the acquisition and development of property.

Borrowings of the Group are analysed hereunder:

Hal Mann Vella Group Borrowings as at 31 December	2016 Actual €'000	2017 Actual €'000	2018 Actual €'000	2019 Forecast €'000
Bank borrowings				
Hal Mann Properties Ltd	-	569	2,572	4,272
Sudvel	-	5,968	5,445	4,860
Hal Mann (Letting) Ltd	1,232	1,120	1,042	2,889
Hal Mann Solar	1,058	990	1,275	1,144
Bank overdrafts	375	1,815	762	1,052
Bank borrowings	**2,665**	**10,461**	**11,096**	**14,217**
Bonds				
5% Secured Bonds 2024	29,486	29,540	29,598	29,658
	29,486	**29,540**	**29,598**	**29,658**
Other borrowings				
Shareholders' Loans	3,065	3,582	3,791	3,791
Amounts due to Joint Ventures	-	1,267	1,367	-
Amounts due to related parties	3,796	2,495	2,499	2,703
(unsecured, interest free and no fixed date repayment)				
	6,861	**7,344**	**7,657**	**6,494**
Total borrowings and bonds	**39,011**	**47,346**	**48,351**	**50,369**

Key Accounting Ratios	31 Dec'16 Actual	31 Dec'17 Actual	31 Dec'18 Actual	31 Dec'19 Forecast
Net assets per share (€) *(Net asset value/number of shares)*	6.46	7.96	8.70	9.25
Liquidity ratio (times) *(Current assets/current liabilities)*	2.73	1.25	1.36	1.86
Gearing ratio *(Net debt/net debt and shareholders' equity)*	55%	54%	52%	50%

Source: Charts | A Division of MeDirect Bank plc

Variance Analysis

Hal Mann Vella Group Income Statement for the year ended 31 December	**2018 Actual €'000**	**2018 Forecast €'000**	**Variance €'000**
Revenue	19,459	27,988	(8,529)
Manufacturing, products & contracting services	16,201	17,498	(1,297)
Property development & letting	3,258	10,489	(7,231)
Net operating expenses	(14,412)	(22,512)	8,100
EBITDA	**5,047**	**5,476**	**(429)**
Depreciation & amortisation	(764)	(703)	(61)
Change in fair value of investments & property	2,822	940	1,882
Share of results of joint ventures	74	150	(76)
Net finance costs	(2,206)	(2,240)	34
Profit before tax	**4,973**	**3,623**	**1,350**
Taxation	(1,382)	(1,135)	(247)
Profit after tax	**3,591**	**2,488**	**1,103**
Other comprehensive income	100	-	100
Total comprehensive income	**3,691**	**2,488**	**1,203**

As presented in the above table, revenue generated by the Group in FY2018 was lower than expected by €8.5 million, mainly due to an underperformance in property development & letting of €7.2 million, accompanied by an underperformance in manufacturing, products and contracting services of €1.3 million. In property development & letting, the Group had assumed that the Madliena villa will be sold during 2018 at an estimated value of *circa* €3.0 million, but is now expected to materialise in 2020. The remaining variance of €4.2 million results from a difference in accounting treatment in relation to the disposal of the quarry in Naxxar and the 4 apartments in Sliema, both of which result in the same amount of earnings recorded at EBITDA level. In fact, the variance between actual EBITDA and that forecasted was marginal and amounted to a decrease of €0.4 million.

Actual total comprehensive income was higher than projected by €1.2 million, mainly on account of a higher than expected uplift in fair value of investments & property (a positive variance of €1.9 million).

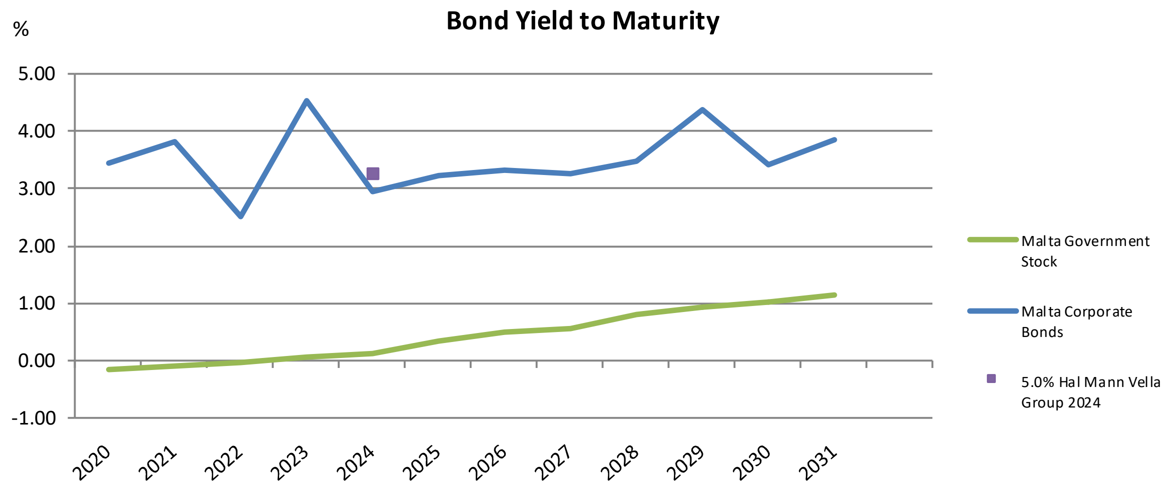
PART 3 - COMPARABLES

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. 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 the Company's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Company.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.50% Pendergardens Dev. plc Secured € 2020 Series I	14,711,300	3.45	1.23	80,052	25,712	48.95
6.00% Pendergardens Dev. plc Secured € 2022 Series II	26,921,200	2.52	1.23	80,052	25,712	48.95
4.25% Gap Group plc Secured € 2023	19,931,000	3.70	4.45	55,237	9,869	71.82
5.30% United Finance Plc Unsecured € Bonds 2023	35,000,000	2.94	1.19	21,625	4,844	69.04
6.00% AX Investments Plc Unsecured € 2024	40,000,000	2.01	6.97	325,243	214,590	18.66
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	2.94	5.33	83,223	44,177	43.99
5.00% Hal Mann Vella Group plc Secured Bonds € 2024	**30,000,000**	**3.27**	**2.29**	**112,006**	**43,514**	**51.65**
4.25% Best Deal Properties Holding plc Secured 2024	16,000,000	3.50	4.02	25,986	3,432	82.64
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.57	1.41	120,794	38,318	54.97
4.50% Hili Properties plc Unsecured € 2025	37,000,000	3.81	1.55	154,742	52,242	61.72
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.53	2.09	5,499	- 19,741	-
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.58	2.59	1,765,072	901,595	40.43
4.00% International Hotel Invest. plc Secured € 2026	55,000,000	3.36	3.27	1,617,853	877,620	36.63
4.00% International Hotel Invest. plc Unsecured € 2026	40,000,000	3.69	3.27	1,617,853	877,620	36.63
4.00% MIDI plc Secured € 2026	50,000,000	3.31	9.80	220,613	97,440	31.83
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.07	12.63	179,451	48,701	54.42
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.70	10.08	28,166	6,135	60.96
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.68	5.93	229,882	63,771	50.15
4.00% Eden Finance plc Unsecured 2027	40,000,000	3.27	5.68	185,717	103,511	31.82
4.00% Stivala Group Finance plc Secured 2027	45,000,000	3.53	3.73	202,425	115,827	32.23
3.85% Hili Finance Company plc Unsecured 2028	40,000,000	3.46	3.27	408,204	82,870	73.40

23 May '19

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts | A division of MeDirect Bank plc



Source: Malta Stock Exchange, Central Bank of Malta, Charts | A division of MeDirect Bank plc 23 May 2019

To date, there are no corporate bonds which have a redemption date beyond 2031. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

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.

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.