Financial Analysis Summary

18 June 2017

Issuer

Hal Mann Vella Group p.l.c.

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING

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

18 June 2017

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 2014 to 31 December 2016 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 2017 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,

Wilfred Mallia
Director

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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

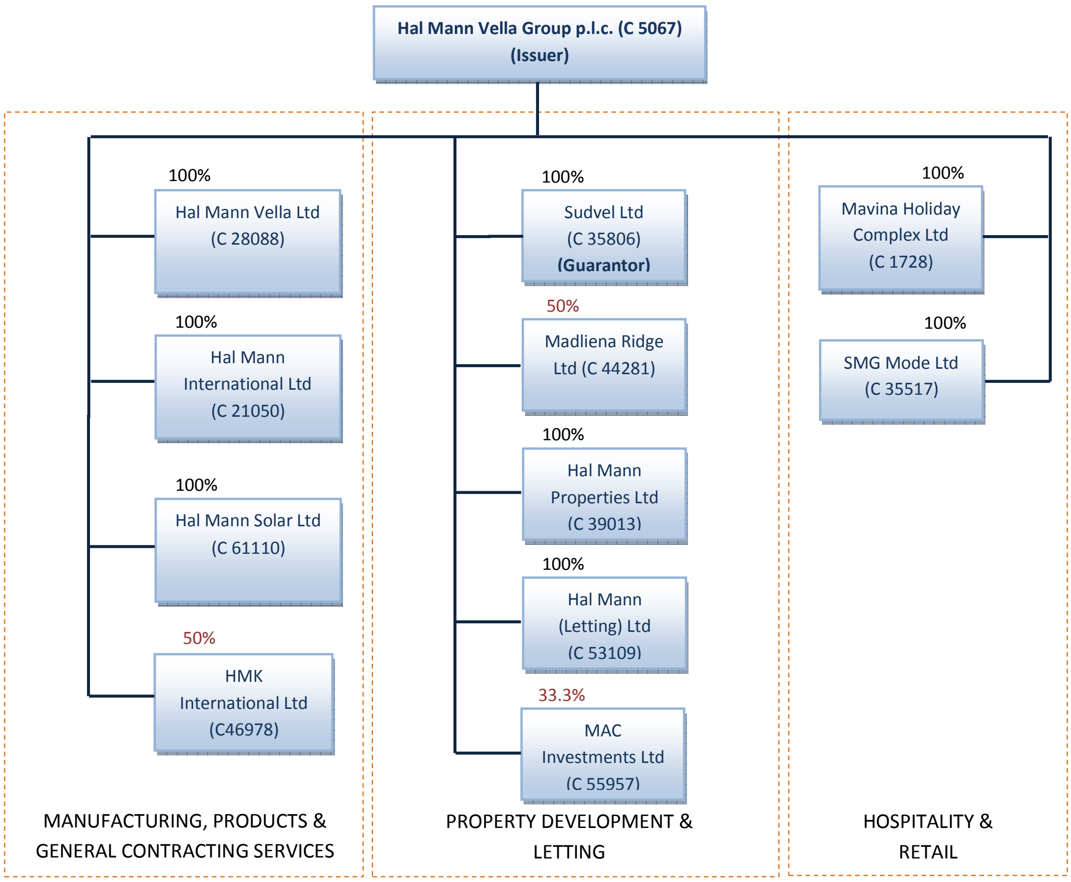
The Executive Directors of the Issuer are entrusted with the company's day-to-day management and are also directors or officers of other companies within the Hal Mann Vella Group. They are also responsible for the identification and execution of new investment opportunities and the funding of the Group's investments. The Executive Directors are supported in this role by Joseph Tabone, the Chief Executive Officer, and several consultants and benefit from the know-how gained by members and officers of the Group.

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 2016 is illustrated in the diagram below:



Hal Mann Vella Group p.l.c. (formerly Hal Mann Velsud Group Ltd) is the parent company of the 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 is planned for Q3 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.

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.

It is the intention of the Group to liquidate MAC Investments Ltd and Madliena Ridge Ltd during the current financial year (FY2017), and to merge SMG Mode Ltd with Hal Mann Vella Ltd. It is furthermore the intention of the Group to appropriately capitalise all of its subsidiaries.

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 are quarry operators for Maltese hard stone, which can be applied for cladding, masonry, flooring, paving and work surfaces. This type of stone was used by Architect Renzo Piano for the City Gate Project in Valletta, Malta.

Composite stone – Quartz composite is a man made 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.

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. Between 2008 and 2011, the company developed the Northport Apartments situated in Xemxija, Malta comprising 2 penthouses, 8 apartments and 13 garages. To date, all units have been sold. The company's portfolio of immovable property currently includes a number of garages, and 2 villas situated in Santa Marija Estate and Madliena.

Hal Mann (Letting) Limited owns a block of 12 apartments and 12 car park spaces, known as Spinola Residence. The property is situated in Spinola Road, St Julians Malta. All apartments are currently leased to third parties. It was decided to change the rental model from long term leases to short term leases, so as to exploit the intrinsic potential of the property's location on Spinola Road. In the latter part of 2017 the Company is set to lease a palazzo in Valletta. This palazzo has been sub-leased 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. Further to the issuance of a full development permit in Q4 2015, the Group commenced development of a commercial property comprising rentable space of *circa* 19,000m^2 and which is due for completion in Q3 2017 at an estimated cost (in a finished state) of *circa* €13 million. The said property 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 50% of a quarry located in the Limits of Naxxar measuring *circa* 12,000m^2 (which is currently subject to a promise of sale agreement) and a parcel of land measuring *circa* 17,000m^2 situated in Lija. The value of said sites as at 31 December 2016 amounted to €3.05 million and €0.38 million respectively. The company also owns an apartment and a lock-up garage situated at Tas-Sellum, Mellieha, Malta.

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, a company incorporated to develop 20 villas on the site known as Madliena Ridge in Madliena, Malta. Development of the villas was undertaken between 2011 and 2015, and all properties were sold by end FY2016. As a consequence, it is intended to liquidate the entity in due course. The last villa was taken over by the Group in settlement of shareholders' advancement throughout the years.

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 was implemented in phases to allow for minimal disruption of production. Including the E-pantar development, the whole project is set to be completed during the latter part of 2017.

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 14,000 square metres 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 are currently being 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).

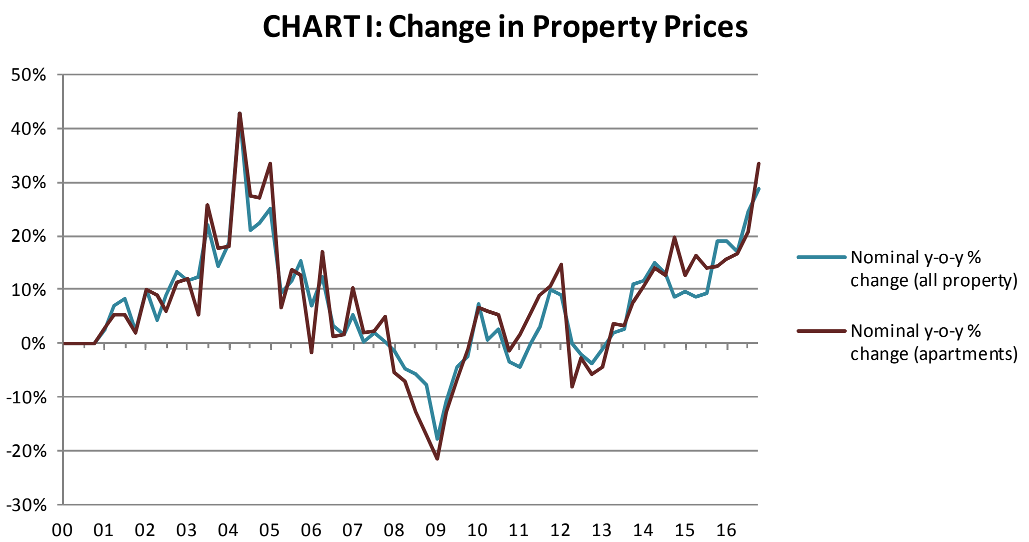
The Directors believe that with the modernisation of the Lija factory and the leasing of the Hal Far factory, the Group is in a better position to increase production throughout, improve the quality of products, enhance its line-up of available products and reduce overall cost of production.

3.4 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.

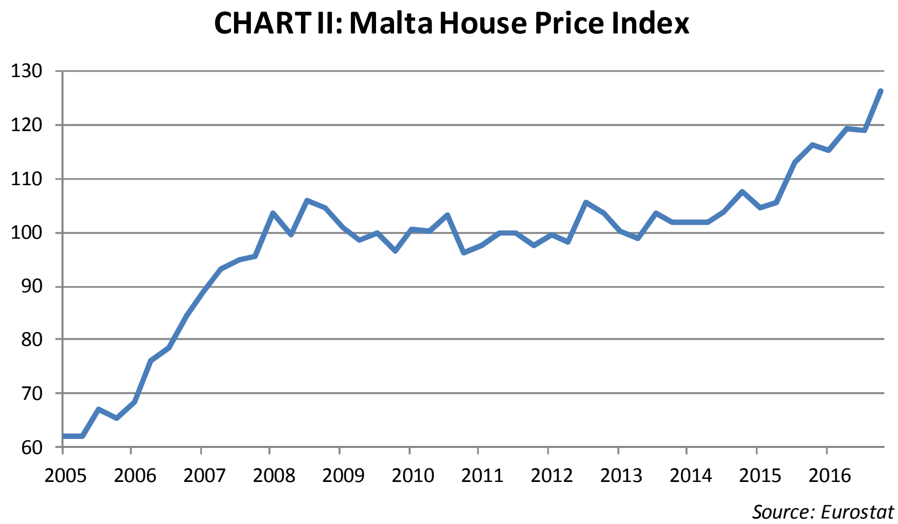
Residential property prices continued to rise during the fourth quarter of 2016 (see Chart I below) and said prices are being supported by a number of factors. The scheme for first-time buyers and a low interest rate environment make property more attractive to purchase. Demand for property is also being supported by growth in disposable income, which continues to benefit from favourable labour market conditions. These factors in turn are contributing to robust growth in lending for house purchases. The rise in foreign workers in Malta and the Individual Investor Programme, have also been supporting residential property prices.

The Central Bank of Malta's advertised property price index shows that house prices rose at an annual rate of 13.8% in the last quarter of 2016. Prices of apartments – the major component – continued to grow strongly in Q4 2016 at 8.9% over the previous quarter (such data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place).

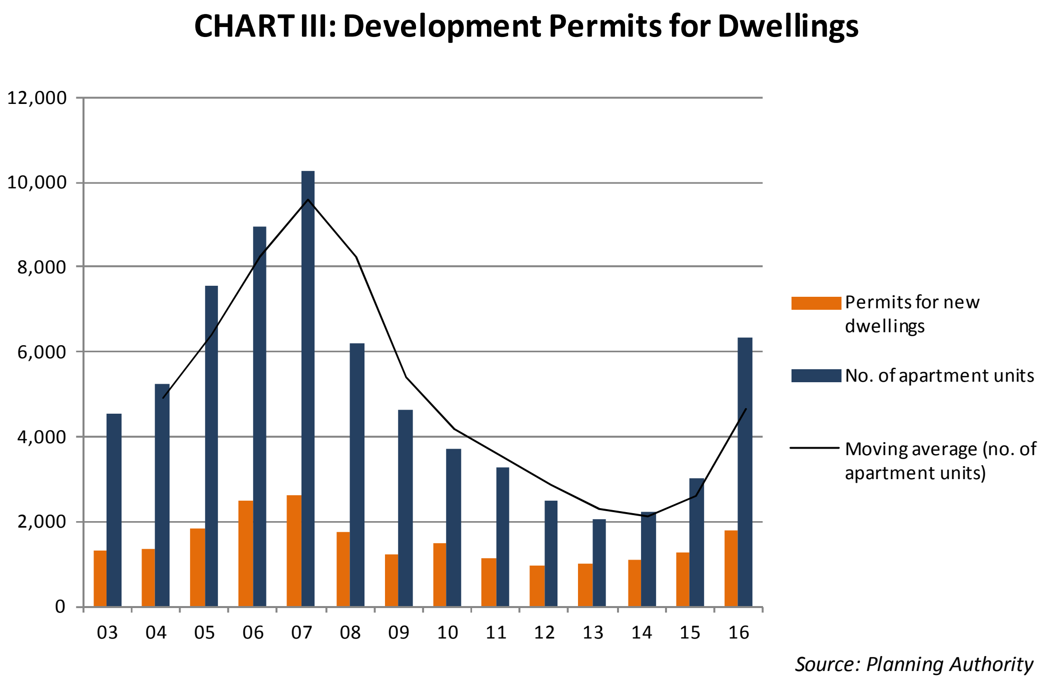


Source: Central Bank of Malta

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 2016 and shows that said prices increased by 8.4% compared with the same quarter of 2015 (vide Charts II below).



With regard to the number of permits, in 2016, the Malta Environment and Planning Authority issued 3,385 permits (2015: 2,425, +40% y-o-y) for the development of 7,508 units (2015: 3,947, +90% y-o-y). The increase in permits issued in 2016 was mostly driven by the largest residential category, namely apartments, which accounted for 84% of total number of units.



Gross value added (being the net result of output valued at basic prices less intermediate consumption valued at purchasers' prices) from the construction industry rose significantly by 16.6% in 2015 (in nominal terms), from €301.7 million in 2014 to €351.7 million, following an increase of just 2.4% in 2014. Although a y-o-y decline of €21.0 million or 6.0% was registered in 2016 to €330.7 million, it was still 8% higher than the average gross value added (€306.0 million) of the last six years (2011 – 2016).

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 earmarked for development and set to commence in the near future.

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	**FY2014 €'000**	**FY2015 €'000**	**FY2016 €'000**
Hal Mann factory, plant & machinery and adjacent buildings	22,888	29,121	30,443
50% of Warehouse Complex (known as 'NAVI Building')	2,000	2,000	1,840
Commercial building currently under construction (known as 'E-Pantar') (5,200m^2)	5,000	5,538	7,500
50% shareholding in quarry in Naxxar (12,000m^2)	3,046	3,057	3,057
Site in Lija (17,000m^2)	380	380	387
Property in Madliena	-	-	1,080
Mavina and Huli hotels	4,934	3,817	6,350
Spinola apartments	2,327	2,327	2,900
Solar panels	522	470	1,043
Northport apartments	747	706	-
Apartment and garage at tas-Sellum	462	462	650
Other assets	3,874	4,068	5,514
	46,180	**51,946**	**60,764**

Source: Consolidated audited financial statements of Hal Mann Vella Group p.l.c. for the years ended 31 December 2014 to 2016.

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 2014 to 2016. The forecast financial information for the year ending 31 December 2017 has been provided by the Company.

Hal Mann Vella Group Income Statement for the year ended 31 December	2014 Restated Actual €'000	2015 Restated Actual €'000	2016 Actual €'000	2017 Forecast €'000
Revenue	12,278	11,909	11,648	21,326
Manufacturing, products & contracting services	10,993	10,937	9,718	14,576
Property development & letting	851	678	1,881	6,750
Hotel operations & fashion retail	434	294	49	-
Net operating expenses	(11,684)	(11,307)	(11,678)	(18,210)
EBITDA	**594**	**602**	**(30)**	**3,116**
Depreciation & amortisation	(568)	(638)	(628)	(630)
Inventory and fixed assets write offs	-	-	(3,318)	-
Change in fair value of investments & property	2,886	(112)	4,271	(65)
Profit / (loss) on sale of financial assets	-	600	(1,083)	-
Share of results of joint ventures	127	(10)	(261)	325
Other income	80	461	-	-
Net finance costs	(1,037)	(1,235)	(1,353)	(2,118)
Profit / (loss) before tax	**2,082**	**(332)**	**(2,402)**	**628**
Taxation	(14)	1,961	1,622	(358)
Profit / (loss) after tax (continuing operations)	**2,068**	**1,629**	**(780)**	**270**
Loss after tax from discontinued operations	(30)	(296)	(266)	-
Profit / (loss) after tax	**2,038**	**1,333**	**(1,046)**	**270**
Revaluation surplus on property, plant & equipment	-	-	1,880	-
Other comprehensive income	-	(265)	265	-
Total comprehensive income	**2,038**	**1,068**	**1,099**	**270**

Hal Mann Vella Group Balance Sheet				
as at 31 December	2014	2015	2016	2017
		Restated		
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
ASSETS				
Non-current assets				
Intangible assets	114	102	63	-
Investment properties	12,753	13,302	26,139	35,339
Property, plant and equipment	29,246	34,038	28,561	32,935
Investments in joint ventures	2,562	2,577	2,316	2,642
Financial assets	11,039	6,575	1,033	50
Deferred taxation	1,117	2,209	4,112	4,112
	56,831	58,803	62,224	75,078
Current assets				
Inventories	6,000	6,154	3,005	3,305
Property for resale	4,182	4,606	6,064	6,807
Trade and other receivables	10,627	10,853	10,410	10,412
Other assets	-	164	136	-
Cash and cash equivalents	764	1,311	256	66
	21,573	23,088	19,871	20,590
Total assets	**78,404**	**81,891**	**82,095**	**95,668**
EQUITY				
Equity and reserves				
Called up share capital	5,000	5,000	5,000	5,000
Other reserves	19,984	19,680	25,975	25,975
Retained earnings	5,154	6,520	1,323	1,594
	30,138	**31,200**	**32,298**	**32,569**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	37,043	38,924	38,432	41,411
Other non-current liabilities	5,140	3,912	4,088	4,209
	42,183	42,836	42,520	45,620
Current liabilities				
Borrowings and bonds	612	1,177	579	936
Other current liabilities	5,471	6,678	6,698	16,543
	6,083	7,855	7,277	17,479
	48,266	**50,691**	**49,797**	**63,099**
Total equity and liabilities	**78,404**	**81,891**	**82,095**	**95,668**

Hal Mann Vella Group Cash Flow Statement for the year ended 31 December	2014	2015	2016	2017
		Restated		
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Net cash from operating activities	(2,949)	(1,275)	(1,818)	1,776
Net cash from investing activities	(12,960)	519	3,623	500
Net cash from financing activities	25,138	865	(2,610)	(2,195)
Net movement in cash and cash equivalents	**9,229**	**109**	**(805)**	**81**
Cash and cash equivalents at beginning of year	(8,697)	577	686	(119)
Cash and cash equivalents at end of year	**532**	**686**	**(119)**	**(38)**

Key Accounting Ratios	FY2014	FY2015	FY2016	FY2017
Operating profit margin *(EBITDA/revenue)*	5%	5%	0%	15%
Interest cover (times) *(EBITDA/net finance cost)*	0.57	0.49	-0.02	1.47
Net profit margin *(Profit after tax/revenue)*	17%	11%	-9%	1%
Earnings per share (€) *(Profit after tax/number of shares)*	0.41	0.27	-0.21	0.05
Return on equity *(Profit after tax/shareholders' equity)*	7%	4%	-3%	1%
Return on capital employed *(Operating profit/total assets less current liabilities)*	1%	1%	0%	4%
Return on assets *(Profit after tax/total assets)*	3%	2%	-1%	0%

Source: Charts Investment Management Service Limited

The income statement for the years ended 31 December 2014 and 31 December 2015 have been restated to reflect the disposal in FY2016 of the fashion retail business. The results of the said business operation have been included in line item entitled "loss after tax from discontinued operations", below profit/loss after tax from continuing operations.

Revenue for **FY2015,** as restated, amounted to €11.9 million as compared to €12.3 million generated in FY2014. The decline of €0.4 million was attributable to a decrease in revenue from property development & letting and hotel operations, as income from manufacturing, products & contracting services remained stable at *circa* €11.0 million.

In FY2015, the Hal Mann Vella Group generated a restated EBITDA of €0.6 million, which was similar to FY2014's restated EBITDA. During the reviewed year, the renovation programme at the factory, which commenced in FY2014, proceeded as planned. Although the upgrades were being implemented in phases to minimise the impact on operations, the execution thereof adversely affected work flows and created temporary inefficiencies, which resulted in an increase in operating costs. Moreover, additional costs were incurred in relation to the development and deployment of the Hal Far factory.

The Group incurred a loss before tax from continuing operations of €0.3 million in FY2015, after accounting for dividends receivable and profit on sale of financial assets totalling €1.1 million (FY2014: nil) and net finance costs of €1.2 million (FY2014: €1.1 million). In comparison, the Group registered a profit before tax in FY2014 of €2.1 million, primarily due to an uplift in fair value of investments & property of €2.9 million. Total comprehensive income for FY2015 amounted to €1.1 million as compared to €2.0 million reported in FY2014.

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).

In **FY2017**, the Group is projecting a material improvement in revenue of €9.7 million, from €11.6 million in FY2016 to €21.3 million. Income from manufacturing, products & contracting services is expected to increase by 50% (€4.9 million, y-o-y) to €14.6 million, on account of an increase in the Group's involvement in major projects, an increase in product offerings at retail level (from stone products to cladding solutions and parquet) and an improved turnaround from the manufacturing part of operations.

Project development & letting is forecasted to increase from €1.9 million in FY2016 to €6.8 million in FY2017. The projected amount comprises proceeds from the sale of properties totalling €5.4 million (FY2016: €1.3 million) and rental income amounting to €1.3 million (FY2016: €0.6 million). The increase in y-o-y rental income of €0.7 million is primarily expected from the leases of the E-Pantar property to Transport Malta (described in section 3.2.2 above). The Group is forecasting an EBITDA of €3.1 million in FY2017 and profit after tax of €0.3 million.

The principal movements in the balance sheet relate to the completion of the E-Pantar property and net movement in other properties. As such, investment properties and property, plant & equipment are expected to increase in aggregate by €13.6 million from €54.7 million as at 31 December 2016 to €68.3 million as at 31 December 2017. On the liabilities side, borrowings and capital creditors are projected to increase from €45.7 million as at 31 December 2016 to €58.9 million as at 31 December 2017.

Borrowings of the Group are analysed hereunder:

Hal Mann Vella Group Borrowings as at 31 December	**2014 Actual €'000**	**2015 Actual €'000**	**2016 Actual €'000**	**2017 Forecast €'000**
Bank borrowings				
Bank loans	3,561	2,446	2,290	6,006
Bank overdrafts	231	625	375	104
Bank borrowings	**3,792**	**3,071**	**2,665**	**6,110**
Bonds				
5% Secured Bonds 2024	29,439	29,434	29,486	29,536
	29,439	**29,434**	**29,486**	**29,536**
Other borrowings				
Shareholders' Loans	3,330	4,178	3,065	3,065
Amounts due to related parties	1,094	3,419	3,796	3,636
(unsecured, interest free and no fixed date repayment)				
	4,424	**7,597**	**6,861**	**6,701**
Total borrowings and bonds	**37,655**	**40,101**	**39,011**	**42,347**

Key Accounting Ratios	31 Dec'14	31 Dec'15	31 Dec'16	31 Dec'17
Net assets per share (€)	6.03	6.24	6.46	6.51
(Net asset value/number of shares)				
Liquidity ratio (times)	3.55	2.94	2.73	1.18
(Current assets/current liabilities)				
Gearing ratio	55%	55%	55%	56%
(Net debt/net debt and shareholders' equity)				

Source: Charts Investment Management Service Limited

Variance Analysis

Hal Mann Vella Group Income Statement for the year ended 31 December	**2016 Actual €'000**	**2016 Forecast €'000**	**Variance €'000**
Revenue	11,648	15,071	(3,423)
Manufacturing, products & contracting services	9,718	13,231	(3,513)
Property development & letting	1,881	1,199	682
Hotel operations & fashion retail	49	641	(592)
Net operating expenses	(11,678)	(17,971)	6,293
EBITDA	**(30)**	**(2,900)**	**2,870**
Inventory and fixed assets write offs	(3,318)	-	(3,318)
EBITDA (adjusted)	**(3,348)**	**(2,900)**	**(448)**
Depreciation & amortisation	(628)	(805)	177
Change in fair value of investments & property	4,271	6,300	(2,029)
Loss on sale of financial assets	(1,083)	(255)	(828)
Share of results of joint ventures	(261)	700	(961)
Other	-	-	-
Net finance costs	(1,353)	(1,706)	353
Profit before tax	**(2,402)**	**1,334**	**(3,736)**
Taxation	1,622	(74)	1,696
Profit after tax	**(780)**	**1,260**	**(2,040)**
Loss after tax from discontinued operations	(266)	-	(266)
Revaluation surplus on PP&E	1,880	-	1,880
Other comprehensive income	265	(505)	770
Total comprehensive income	**1,099**	**755**	**344**

As presented in the above table, revenue generated by the Group in FY2016 was lower than expected by €3.4 million, mainly due to an underperformance in manufacturing, products & contracting services. EBITDA (adjusted) amounted to -€3.3 million as compared to the forecasted amount of -€2.9 million. Actual movement in fair value of investments & property was accounted for in the income statement as to €4.3 million and in comprehensive income as to €1.9 million (forecast fair value movement amounted to €6.3 million and was accounted for in the income statement).

Loss on sale of financial assets was worse than expected by €0.8 million and the variance between actual and forecast in relation to share of losses of joint ventures amounted to -€1.0 million. Overall, the Group's comprehensive income amounted to €1.1 million as compared to a projected figure of €0.8 million.

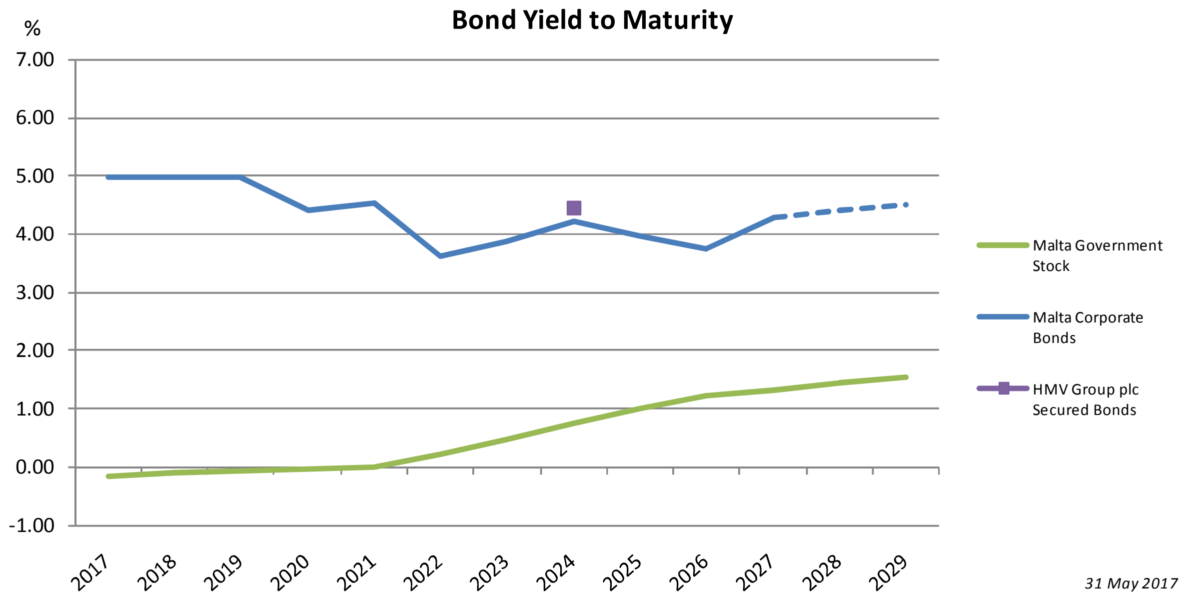
PART 3 - COMPARABLES

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 (%)
5.5% Pendergardens Dev. plc Secured € 2020 Series I	15,000,000	4.41	1.49	63,273	11,488	63.23
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.62	1.49	63,273	11,488	63.23
4.25% Gap Group plc Secured € 2023	40,000,000	3.80	2.48	57,086	6,004	86.39
5.3% United Finance Plc Unsecured € Bonds 2023	8,500,000	3.87	2.05	18,153	3,796	73.85
6% AX Investments Plc € 2024	40,000,000	4.26	3.62	270,425	163,719	27.97
6% Island Hotels Group Holdings plc € 2024	35,000,000	4.71	0.91	144,003	52,994	53.41
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	4.22	4.25	72,117	30,380	52.06
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	4.46	- 0.02	82,096	32,298	54.54
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	4.61	1.59	71,711	4,751	89.91
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.96	1.40	97,042	28,223	72.36
4.0% International Hotel Invest. plc Secured € 2026	55,000,000	3.68	2.46	1,220,254	646,822	36.39
4.0% MIDI plc Secured € 2026	50,000,000	3.58	0.59	203,780	67,359	40.62
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.50	7.60	193,351	41,630	58.76
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	4.28	4.82	156,433	56,697	53.20
4.0% Eden Finance plc 2027	40,000,000	3.75	3.98	165,496	92,620	34.60

31 May'17

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts Investment Management Service Limited



To date, there are no corporate bonds which have a redemption date beyond 2027 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). 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.