Hal Mann Vella Group plc
The Factory
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COMPANY ANNOUNCEMENT

Hal Mann Vella Group plc (the "Company")

The Company publishes the Financial Analysis Summary

Date:	27 June 2016
Reference:	08/2016

In Terms of Chapter 5 of the Listing Rules

The company announces publication of the Financial Analysis Summary as per attached document.

Louis de Gabriele
Company Secretary

Financial Analysis Summary

31 May 2016

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

31 May 2016

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 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 2013 to 31 December 2015 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 2016 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.

CHARTS
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(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 has over the years supplied its products and provided general contracting services to a number of major projects in Malta (including Mater Dei Hospital, Sky Parks at the Malta International Airports, Valletta Waterfront, Hilton Malta and Radisson SAS Golden Sands, amongst others) and abroad (including London City Hall, Manchester Piccadilly Railway Station, Victoria Shopping Centre UK and Corinthia Tripoli, amongst others).

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 Board currently consists of a Non-Executive Director as Chairman, two Executive Directors and two independent Non-Executive Directors.

Board of Directors

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

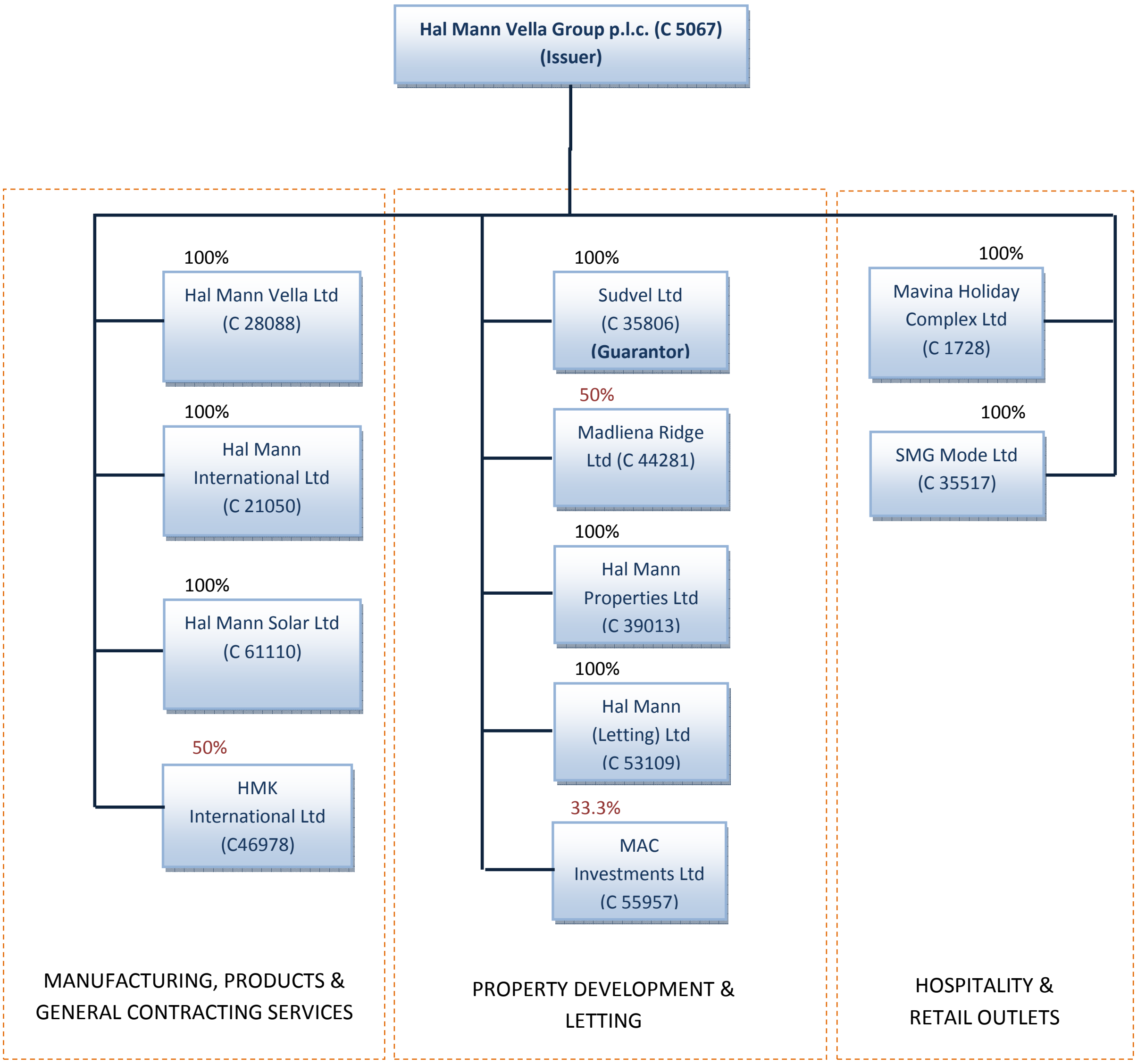
The Executive Directors of the Issuer are entrusted with the company's day-to-day management and are also directors or officers of other companies within the Hal Mann Vella Group. They are also responsible for the identification and execution of new investment opportunities and the funding of the Group's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

In 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 registry 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. 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.

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 in Malta and internationally.

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 a villa situated in Santa Marija Estate.

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.

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 mixed-used commercial property, due for completion in Q2 2017. The cost of development is estimated at €7 million and will include two upper floors earmarked for office space, warehouse facilities at ground level and parking spaces. Upon completion, the Group expects to fully lease the aforementioned property to third parties (rentable space of *circa* 14,000m^2).

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 except for the basement which is mainly utilised by the Group. 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 2015 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 commenced in 2011 and was practically complete by end of 2015. As at the date of this report the company has sold 17 villas and 2 other villas are subject to promise of sale agreements. The company has one remaining villa in stock.

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

During the year under review (FY2015) and the initial four months of FY2016, the Group operated seven retail outlets as indicated hereunder:

Franchise	Address	Size of outlet	Expiry date of lease
Guess	Bay Street Complex, St George's Bay, St Julians	96m^2	2020
Guess	The Point Shopping Mall, Sliema	189m^2	2024
Guess	Bisazza Street, Sliema	70m^2	2025
Brooks Brothers	Republic Street, Valletta	230m^2	2058
7 Camicie	64A, Tower Road, Sliema	80m^2	2019
7 Camicie	Treasury Street, Valletta	20m^2	2019
Warehouse Clearance	254A, Zabbar Road, Fgura	90m^2	2025

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. The said project was largely complete by the fourth quarter of 2015.

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. With the intention to further reduce certain manufacturing operations from the Lija property, the Group leased a second factory in 2016. This property is located in Hal Far and is in the vicinity of the abovementioned factory. As a result, additional costs are currently being incurred to develop and deploy this second 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 factories, 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 construction and property industries in Malta.

The recovery that began in the construction sector in 2013 extended into 2015. This was reflected in increases in the number of permits issued for the construction of residential dwellings, as well as in the value added and investment generated by the sector. This expansion in activity, in turn, has positive effects on employment income.

The improved performance in the construction sector in 2015 was supported by measures aimed at streamlining the issue of permits. The low interest rate environment, the extension of fiscal incentives for first-time buyers, the Individual Investor Programme (IIP) which fuelled demand for top-end properties, and an inflow of foreign workers have also spurred demand for dwellings.

Over €2 billion worth of property was registered in 15,557 contracts of sale concluded in 2015, a 35% increase over 2013 figures when 12,272 contracts, worth €1.3 billion, were concluded. A total 73,402 promises of sales have been registered since 2008 with an indicated value of close to €11 billion. The lowest number of promises of sale was 7,841 in 2011 with €1.074 billion worth of property.

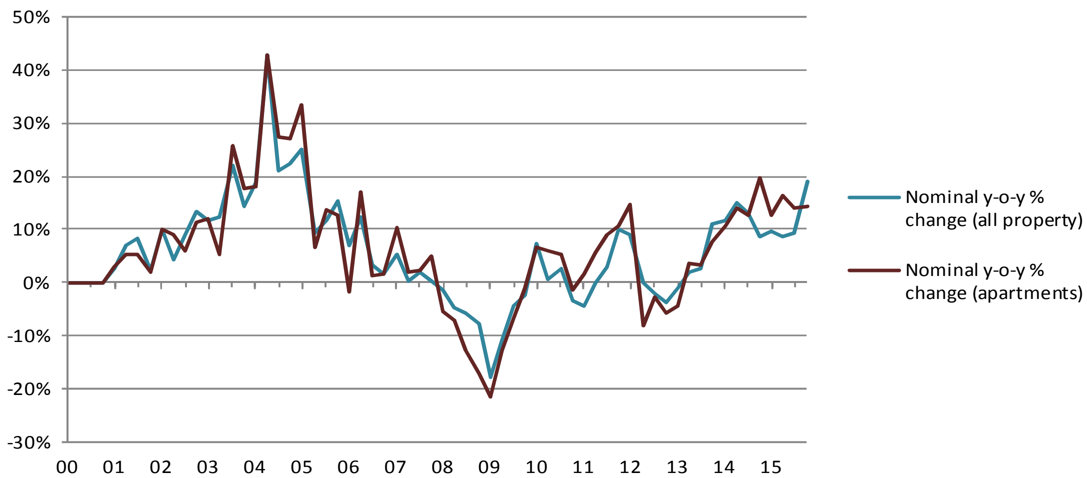
Almost 1,000 properties, worth €400 million, were sold to foreigners (having obtained an Acquisition of Immovable Property Permit (AIP)) over the last four years (2012 – 2015). In 2015, foreigners acquired 280 properties for an aggregate value of €189.5 million (2014: 208 properties, €70.7 million).

Properties Sold to Foreigners	2012	2013	2014	2015	Total
Southern harbour					
Number of units	11	20	21	29	81
Value (€)	3,020,121	3,224,753	5,737,720	24,534,356	36,516,950
Average price (€)	274,556	161,238	273,225	846,012	450,827
Northern harbour					
Number of units	112	111	111	148	482
Value (€)	36,260,476	25,972,957	40,628,063	72,529,586	175,391,082
Average price (€)	323,754	233,991	366,019	490,065	363,882
Northern					
Number of units	61	36	36	42	175
Value (€)	31,253,259	13,699,353	7,139,338	81,913,504	134,005,454
Average price (€)	512,349	380,538	198,315	1,950,322	765,745
Other					
Number of units	62	40	40	61	203
Value (€)	16,510,623	9,970,050	17,214,324	10,489,188	54,184,185
Average price (€)	266,300	249,251	430,358	171,954	266,917

Source: Parliamentary Question 23925

The aforementioned factors also supported the pick-up in house prices (see Chart I below). Residential property prices continued to rise during the fourth quarter of 2015. The Central Bank of Malta's advertised property price index shows that house prices rose at an annual rate of 10.0% in the last quarter of 2015, following a 5.0% increase in the previous quarter. Prices of apartments – the major component – continued to grow strongly in Q4 2015, though at a similar pace as in the previous quarter. Although they indicate trends, advertised property prices may not accurately reflect the prices at which sales actually take place.

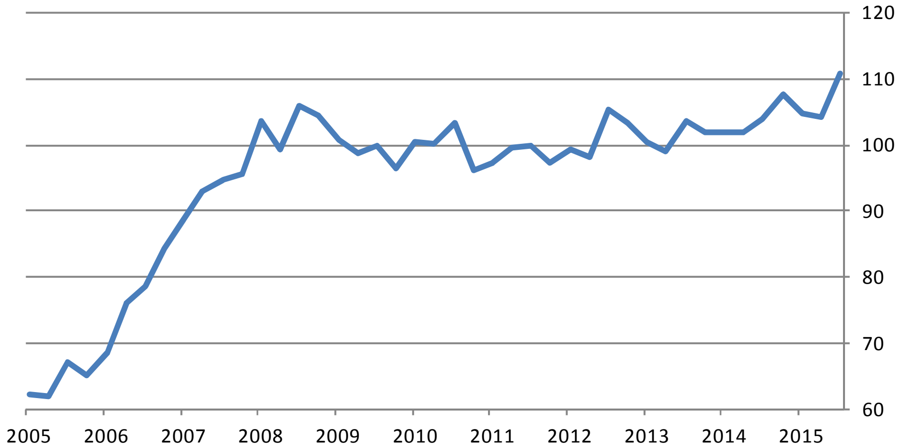
CHART I: CHANGE IN PROPERTY PRICES



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 Q3 2015 and shows that said prices increased by 6.7% compared with the same quarter of 2014 (*vide* Charts II below).

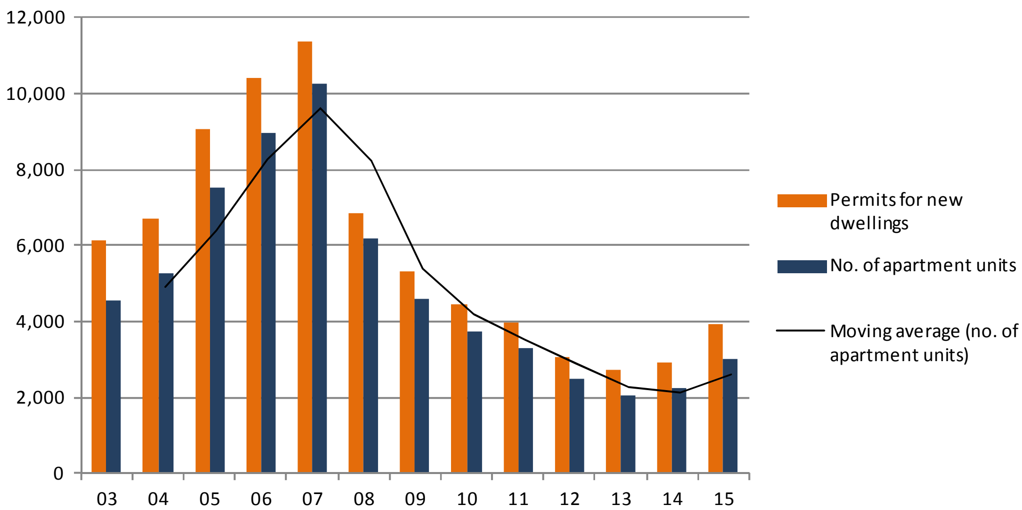
CHART II: MALTA HOUSE PRICE INDEX



Source: Eurostat

With regard to the number of permits, the Malta Environment and Planning Authority issued 3,947 permits during 2015, over one-third more than in 2014. This followed growth of 8.6% in 2014, marking two consecutive years of growth following a period of decline. The increase in permits issued in 2015 was mostly driven by the largest residential category, namely apartments, which accounted for just over three-fourths of total permits granted.

CHART III: DEVELOPMENT PERMITS FOR DWELLINGS



Source: Malta Environment & Planning Authority

The gross value added of the construction industry rose significantly, going up by 9.0% in nominal terms during 2015 (from €296 million to €322 million), following an increase of just 0.9% in 2014. This reflected robust growth in the output of the construction sector.

As a consequence, the expansion in output in the sector was mirrored in employment data. In the first nine months of 2015, total employment in the construction sector rose compared with the corresponding period average in 2014. As a result, the industry's share in the total gainfully occupied population rose to 6.1% from 5.7% in 2014. Employee compensation in the construction sector rose by 2.5% in 2015, when compared with growth of 1.1% in 2014. Notwithstanding this, the construction sector recorded improved profitability.

Construction Activity Indicators[1]	2013	2014	2015
Gross value added (€'million)	**293**	**296**	**322**
Share of gross value added in GDP (%)	3.8	3.7	3.7
Total employment[2]	**11,488**	**9,263**	**10,376**
of which private employment	8,807	8,962	9,250
Share of total gainfully occupied population (%)	7.3	5.7	6.1

[1] Employment data are averages for the first nine months of the year, and are sourced from administrative records.

[2] The decline in total employment in the construction sector in 2014 reflects the reclassification of employeess within the public sector following changes in ministerial responsibilities.

Source: NSO

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.

In public infrastructure, the construction industry in Malta has benefited from EU funding programmes (European Regional Development Fund and Cohesion Fund) that commenced in 2007 and for which a maximum of 85% of approved projects were financed by the EU. Unlike other property sectors, public infrastructure is relatively resistant to economic shocks and cycles, as Governments recognise infrastructure investment as a prerequisite for sustainable economic growth. At EU level, this sector is set to maintain its importance as a tool to enhance economic growth and it is expected that such programmes will continue to form an integral part of the yearly budget. Furthermore, investment in public infrastructure is also driven by the need to replace ageing infrastructure, amplified by concerns over sustainability and carbon reduction.

The Hal Mann Vella Group is exposed to all areas within the property sector and is not reliant on any particular niche market. The target demand for manufacturing, products & general contracting services includes both retail clients (residential and small to medium size commercial entities) and projects (local and international large-scale developments, public tenders and joint venture contracts). In the historical financial years under review, revenue generated from retail and projects was broadly equal. As for FY2016 it is expected that revenue from the retail business will exceed income derived from projects.

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	**FY2013 €’000**	**FY2014 €’000**	**FY2015 €’000**
Hal Mann factory, plant & machinery and adjacent buildings	19,854	22,888	29,121
50% of Warehouse Complex (known as ‘NAVI Building’)	2,151	2,000	2,000
Commercial building currently under construction (known as 'E-Pantar') (5,200m^2)	3,630	5,000	5,538
50% shareholding in quarry in Naxxar (12,000m^2)	3,046	3,046	3,057
Site in Lija (17,000m^2)	380	380	380
Mavina and Huli hotels	4,972	4,934	3,817
Spinola apartments	2,372	2,327	2,278
Northport apartments	1,295	747	706
Apartment and garage at tas-Sellum	462	462	462
Other assets	3,018	4,396	4,539
	41,180	**46,180**	**51,898**

Source: Consolidated audited financial statements of Hal Mann Vella Group p.l.c. for the years ended 31 December 2013 to 2015.

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 2013 to 2015. The financial information for the year ending 31 December 2016 has been provided by the Company.

Hal Mann Vella Group Income Statement for the year ended 31 December	**2013 Actual €'000**	**2014 Actual €'000**	**2015 Actual €'000**	**2016 Forecast €'000**
Revenue	13,156	13,979	14,123	15,070
Manufacturing, products & contracting services	10,487	10,993	10,937	13,231
Property development & letting	1,173	851	678	1,199
Hotel operations & fashion retail	1,496	2,135	2,508	641
Net operating expenses	(11,883)	(13,482)	(14,066)	(17,971)
EBITDA	**1,273**	**497**	**58**	**(2,901)**
Depreciation & amortisation	(558)	(568)	(687)	(805)
Change in fair value of investments & property	5,946	2,886	(112)	6,300
Profit / (loss) on sale of financial assets	-	-	600	(255)
Share of results of joint ventures	779	127	(10)	700
Other	15	80	461	-
Net finance costs	(835)	(1,070)	(1,247)	(1,706)
Profit before tax	**6,620**	**1,952**	**(937)**	**1,333**
Taxation	(780)	86	2,222	(74)
Profit after tax	**5,840**	**2,038**	**1,285**	**1,258**
Other comprehensive income	-	-	(265)	(505)
Total comprehensive income	**5,840**	**2,038**	**1,020**	**754**

Hal Mann Vella Group Balance Sheet				
as at 31 December	**2013**	**2014**	**2015**	**2016**
	Actual	**Actual**	**Actual**	**Forecast**
	€'000	**€'000**	**€'000**	**€'000**
ASSETS				
Non-current assets				
Intangible assets	112	114	102	-
Investment properties	11,581	12,753	13,254	14,194
Property, plant and equipment	26,086	29,246	34,038	39,556
Investments in joint ventures	2,622	2,562	2,577	3,277
Financial assets	1,224	11,039	6,575	1,919
Deferred taxation	-	1,117	2,209	2,207
	41,625	56,831	58,755	61,153
Current assets				
Inventories	4,491	6,000	6,154	3,774
Property for resale	3,512	4,182	4,606	3,908
Trade and other receivables	10,428	10,627	10,852	13,841
Other assets	-	-	164	-
Cash and cash equivalents	494	764	1,311	1,006
	18,925	21,573	23,087	22,530
Total assets	**60,550**	**78,404**	**81,842**	**83,683**
EQUITY				
Equity and reserves				
Called up share capital	5,000	5,000	5,000	5,000
Other reserves	18,680	19,984	19,680	19,686
Retained earnings	4,398	5,154	6,471	7,225
	28,078	**30,138**	**31,151**	**31,910**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	6,698	37,043	38,924	38,614
Other non-current liabilities	3,776	5,140	3,912	3,910
	10,474	42,183	42,836	42,525
Current liabilities				
Borrowings and bonds	15,194	612	1,177	467
Other current liabilities	6,804	5,471	6,678	8,781
	21,998	6,083	7,855	9,248
	32,472	**48,266**	**50,691**	**51,773**
Total equity and liabilities	**60,550**	**78,404**	**81,842**	**83,683**

Hal Mann Vella Group Cash Flow Statement for the year ended 31 December	2013 Actual €'000	2014 Actual €'000	2015 Actual €'000	2016 Forecast €'000
Net cash from operating activities	747	(2,949)	(1,275)	(870)
Net cash from investing activities	(299)	(12,960)	519	1,168
Net cash from financing activities	(2,392)	25,138	865	(219)
Net movement in cash and cash equivalents	**(1,944)**	**9,229**	**109**	**79**
Cash and cash equivalents at beginning of year	(6,753)	(8,697)	577	686
Cash and cash equivalents at end of year	**(8,697)**	**532**	**686**	**765**

The key accounting ratios are set out below:

Key Accounting Ratios	FY2013	FY2014	FY2015	FY2016
Operating profit margin *(EBITDA/revenue)*	10%	4%	0%	-19%
Interest cover (times) *(EBITDA/net finance cost)*	1.52	0.46	0.05	-1.70
Net profit margin *(Profit after tax/revenue)*	44%	15%	9%	8%
Earnings per share (€)[1] *(Profit after tax/number of shares)*	1.17	0.41	0.26	0.25
Return on equity *(Profit after tax/shareholders' equity)*	21%	7%	4%	4%
Return on capital employed *(Operating profit/total assets less current liabilities)*	3%	1%	0%	-4%
Return on assets *(Profit after tax/total assets)*	10%	3%	2%	2%

[1] *Earnings per share calculation set out above has been based on the current number of shares in issue of Hal Mann Vella Group plc of 4,999,820 shares of €1 each.*

Source: Charts Investment Management Service Limited

Revenue for **FY2015** amounted to €14.1 million and was broadly equal to FY2014's revenue figure of €14.0 million. As in prior years, almost 80% of revenue (*circa* €11 million) was generated from 'manufacturing, products & general contracting services'. Income from 'property development & letting' decreased by €0.2 million to €0.7 million in FY2015, and revenue derived from 'hotel operations & fashion retail' increased by 17% from €2.1 million in FY2014 to €2.5 million in FY2015.

Property sales mainly comprised the disposal of units at Northport in Xemxija, Malta.

In FY2015, the Hal Mann Vella Group generated EBITDA of €58,000, being a significant decline when compared to the previous two financial years. The said reduction in EBITDA was principally due to the renovation programme at the factory that commenced during FY2014. 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 second factory located in Hal Far.

The Group incurred a loss before tax of €0.9 million in FY2015 (FY2014: profit of €2.0 million), 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). Due to a net tax credit of €2.2 million in FY2015, the Group registered a profit after tax of €1.3 million (FY2014: 2.0 million).

The Group is projecting total revenue in FY2016 to increase by €0.9 million, from €14.1 million in FY2015 to €15.0 million. The principal contributor for such increase is expected from 'manufacturing, products & general contracting services' which is forecasted to increase from €10.9 million in FY2015 to €13.2 million in FY2016 (+21%). Such increase is expected following the increase in product offerings (from stone products to cladding solutions and parquet) and improved turnaround from the manufacturing part of operations. Project development & letting is forecasted to increase from €0.7 million in FY2015 to €1.2 million in FY2016. The projected amount comprises proceeds from the sale of the last remaining 3 units at Northport, Xemxija and rental income. With respect to hotel operations & fashion retail, revenue for FY2016 will amount to €0.6 million (FY2015: €2.5 million), representing revenue generated during the first four months of the said year (that is, prior to the cessation of operations in May 2016).

Net operating expenses is forecasted to increase in FY2016 by €3.9 million when compared to previous year to €18.0 million (FY2015: €14.1 million). Following the renovation explained elsewhere in the document and a revamp of product offerings, management decided to write-off certain inventories amounting to *circa* €2.5 million. Furthermore, the financial statements as of FY2016 will include a provision for works-in-progress and a provision for bad debts. As such, the net operating expenses for FY2016 comprise a provision for works-in-progress of €600,000 and a provision for bad debts of €500,000. As a consequence of the aforesaid one-off items and a loss of *circa* €500,000 in relation to fashion retail (discontinued operation), EBITDA for FY2016 is forecasted to amount to negative €2.9 million (FY2015: + €58,000).

In the initial months of FY2016, a property valuation exercise was commissioned in relation to the Group's property portfolio. In this regard, the Directors are expected to approve an uplift of €6.3 million in the balance sheet value of the Huli Hotel (+€2.5 million), Spinola Apartments (+€0.8 million) and Hal Mann Vella Lija premises (+€3 million).

After accounting for a net loss in disposal of financial assets of €0.3 million, net finance costs of €1.7 million, share of profits of joint ventures of €0.7 million, and tax charge of €74,000, the Group is projected to register a profit after tax of €1.3 million.

The Directors believe that the financial information for FY2015 reflects a transition period for the Group, in which its principal operations (being manufacturing, products & contracting services) were affected by the implementation of a major renovation programme (including the replacement of machinery and equipment, development of two factories and introduction of new products to the local market). As a result, the income statement for FY2015 has been largely impacted by the aforementioned transition in manufacturing operations, which should reach optimisation level by FY2017.

As for FY2016, the income statement will be impacted by the completion of the renovation programme and the abovementioned one-off items amounting to *circa* €3.6 million, comprising the stock write-off, non-cash provisions and the operational loss incurred in the fashion retail business (discontinued business). Excluding any unforeseen costs, in FY2017, the Group is expected to generate an increase in revenue, lower its net operating costs and register a net profit for the year.

Variance Analysis

Hal Mann Vella Group Income Statement for the year ended 31 December	**2015 Actual €'000**	**2015 Forecast €'000**	**Variance €'000**
Revenue	14,123	13,866	257
Manufacturing, products & contracting services	10,937	10,504	433
Property development & letting	678	845	(167)
Hotel operations & fashion retail	2,508	2,517	(9)
Net operating expenses	(14,066)	(11,754)	(2,312)
EBITDA	**58**	**2,112**	**(2,054)**
Depreciation & amortisation	(687)	(827)	140
Change in fair value of investments & property	(112)	-	(112)
Profit on sale of financial assets	600	-	600
Share of results of joint ventures	(10)	320	(330)
Other	461	-	461
Net finance costs	(1,247)	(1,780)	533
Profit before tax	**(937)**	**(175)**	**(762)**
Taxation	2,222	185	2,037
Profit after tax	**1,285**	**10**	**1,275**
Other comprehensive income	(265)	-	(265)
Total comprehensive income	**1,020**	**10**	**1,010**

As presented in the above table, the Group generated marginally higher revenue in FY2015 than forecasted by €0.3 million, due to better than expected performance in manufacturing, products & contracting services (+€0.4 million) and a decrease in revenue from property development & letting (-€0.2 million). EBITDA for FY2015 was negligible at €57,000 (as compared to the forecast of €2.1 million) due to significantly higher than projected operating costs, primarily as a result of renovations implemented at the Lija and Hal Far factories. The Group incurred a loss before tax for FY2015 of €0.9 million as compared to a projected loss before tax of €0.2 million. After accounting for tax credit of €2.2 million, the Group registered a profit after tax of €1.3 million (forecast profit after tax: €10,000).

Borrowings of the Group are analysed hereunder:

Hal Mann Vella Group Borrowings **as at 31 December**	**2013** **Actual** **€'000**	**2014** **Actual** **€'000**	**2015** **Actual** **€'000**	**2016** **Forecast** **€'000**
Borrowings				
Bank loans	7,408	3,561	2,446	2,359
Bank overdrafts	9,191	231	625	241
	16,599	**3,792**	**3,071**	**2,600**
Bonds				
5% Secured Bonds 2024	-	29,439	29,434	30,000
	-	**29,439**	**29,434**	**30,000**
Other borrowings				
Shareholders' Loans	3,338	3,330	2,167	2,367
Amounts due to related parties	1,955	1,094	5,430	4,115
(unsecured, interest free and no fixed date repayment)				
	5,293	**4,424**	**7,597**	**6,481**
Total borrowings and bonds	**21,892**	**37,655**	**40,101**	**39,081**

The key accounting ratios are set out below:

Key Accounting Ratios	31 Dec'13	31 Dec'14	31 Dec'15	31 Dec'16
Net assets per share (€)[1]	5.62	6.03	6.23	6.38
(Net asset value/number of shares)				
Liquidity ratio (times)	0.86	3.55	2.94	2.44
(Current assets/current liabilities)				
Gearing ratio	43%	55%	55%	54%
(Net debt/net debt and shareholders' equity)				

[1] Net assets per share calculation set out above has been based on the current number of shares in issue of Hal Mann Vella Group plc of 4,999,820 shares of €1 each.

Source: Charts Investment Management Service Limited

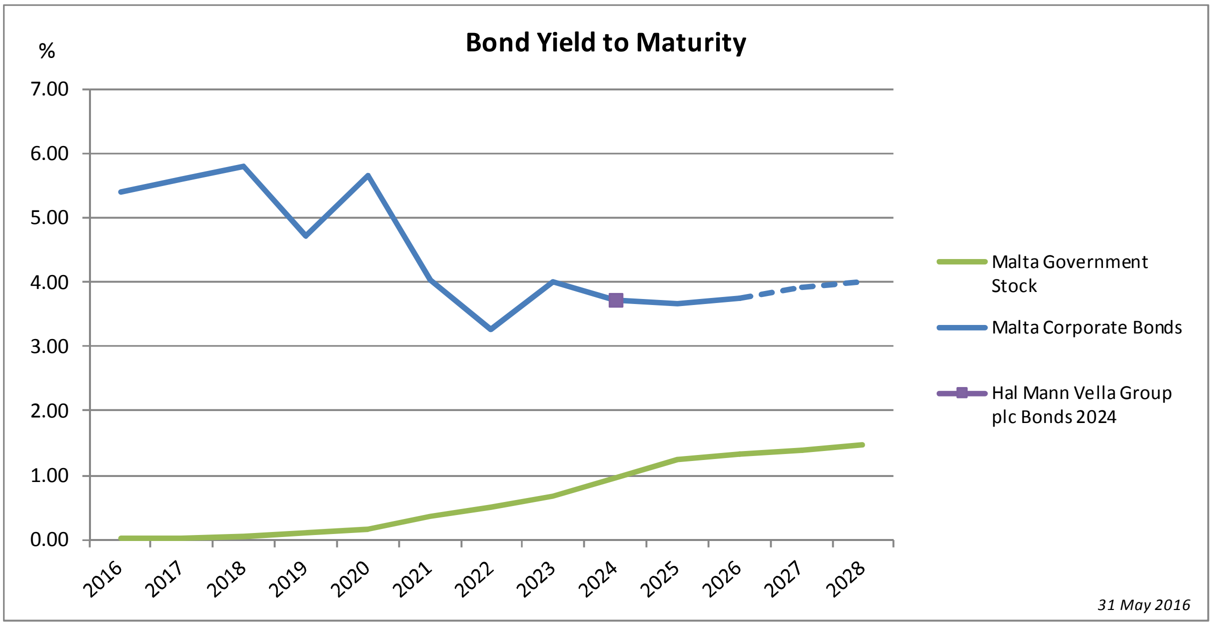
PART 3 - COMPARABLES

The table below compares the Company and its bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes issuers (excluding financial institutions) that have listed bonds maturing in the near to medium term. 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 (%)
6.8% Premier Capital plc € Bond 2017-2020	24,641,000	5.59	4.58	72,208	17,739	64.59
6.6% Eden Finance plc 2017-2020	13,984,000	5.67	3.10	145,427	76,648	38.42
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.27	n/a	58,098	11,734	61.87
5.3% United Finance Plc Unsecured € Bonds 2023	8,500,000	3.80	1.75	17,107	2,731	78.28
6% AX Investments Plc € 2024	40,000,000	4.08	2.88	206,038	111,482	36.65
6% Island Hotels Group Holdings plc € 2024	35,000,000	3.78	0.58	145,140	54,053	53.19
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	3.75	3.49	67,669	25,823	57.66
5% Hal Mann Vella Group plc Secured Bonds € 2024	**30,000,000**	**3.73**	**0.05**	**81,842**	**31,150**	**55.46**
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	4.10	2.32	70,543	6,592	86.78
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.42	1.50	90,867	26,315	71.30
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.76	1.13	1,357,869	641,031	41.81

31 May'16

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 2026 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, property development & letting, hospitality and apparel.
Net operating expenses	Net operating expenses include the cost of raw materials, labour expenses, inventory, food, beverages, consumables 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.