FINANCIAL ANALYSIS SUMMARY

28 JUNE 2023

ISSUER

HUDSON MALTA P.L.C.

(C 83425)

GUARANTOR

HUDSON MALTA SALES LTD

(C 32438)

Prepared by:

MZ INVESTMENTS

Hudson Malta p.l.c.
Hudson House
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Burmarrad, St Paul's Bay SPB 9060
Malta

28 June 2023

Dear Board Members,

Financial Analysis Summary

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

The purpose of this Analysis is that of summarising key financial information appertaining to Hudson Holdings Limited (the "**Group**", "**Hudson Group**" or "**HHL**") and Hudson Malta p.l.c. (the "**Company**", "**Issuer**" or "**Hudson Malta**"). The data is derived from various sources, including our own computations, as follows:

(a) Historical financial information has been extracted from the audited annual financial statements of HHL and the Issuer for the financial years ended 31 December 2020, 31 December 2021, and 31 December 2022.

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

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

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

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

This Analysis is meant to assist investors in the Issuer's securities, as well as potential investors, by summarising the more important financial information of the Group and the Company. This Analysis does not contain all information that is relevant to investors or potential investors. Moreover, this Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest or not invest in any of the Issuer's securities. We will not accept liability for any loss or damage arising out of the use of this Analysis. As with all investments, potential investors are encouraged to seek professional financial advice before investing in the Issuer's securities.

Yours faithfully,

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PART 1 – INFORMATION ABOUT THE GROUP AND THE ISSUER

1. THE HUDSON GROUP

The Group is an international retailer and distributor primarily involved in sports and fashion wear in Southern Europe (namely, Malta, Italy, and Cyprus) and Africa (where it distributes brands like NIKE in 23 countries and has direct offices in Algeria, Morocco, and Nigeria). Its operations are based in Malta including the Group's management and strategy team, the logistics and supply chain arm, human resources, financial reporting, and other support to the business.

Some of the key brands managed by the Group are Armani Exchange, Calvin Klein, Converse, Crocs, Intersport, Kiabi, Mango, NIKE (which is the flagship brand of the Group) and Tommy Hilfiger. Most of the brands managed by the Group are subject to franchise or distribution agreements which have been in place for a long number of years. In this respect, the Group is confident that it will continue enjoying the trust of the respective franchisors for the foreseeable future.

In terms of an agreement dated 5 March 2018 between HHL and the Issuer, all business activity carried out in Malta by the Group relating to sports and fashion wear where Hudson Group acts as franchisee or operator is performed exclusively through the Issuer or via Hudson Malta Sales Ltd (the "**Guarantor**" or "**HMSL**") which is a wholly owned subsidiary of Hudson Malta.

With effect from 14 March 2021, HMSL completed the merger by acquisition of Hudson International Company Limited ("**HICL**") – a company which was involved in the importation and retailing of branded fashion wear in Malta through the operation of a number of outlets. As a result of this transaction, HMSL succeeded to all the assets, rights, liabilities, and obligations of HICL, which, in turn, ceased to exist and was struck off.

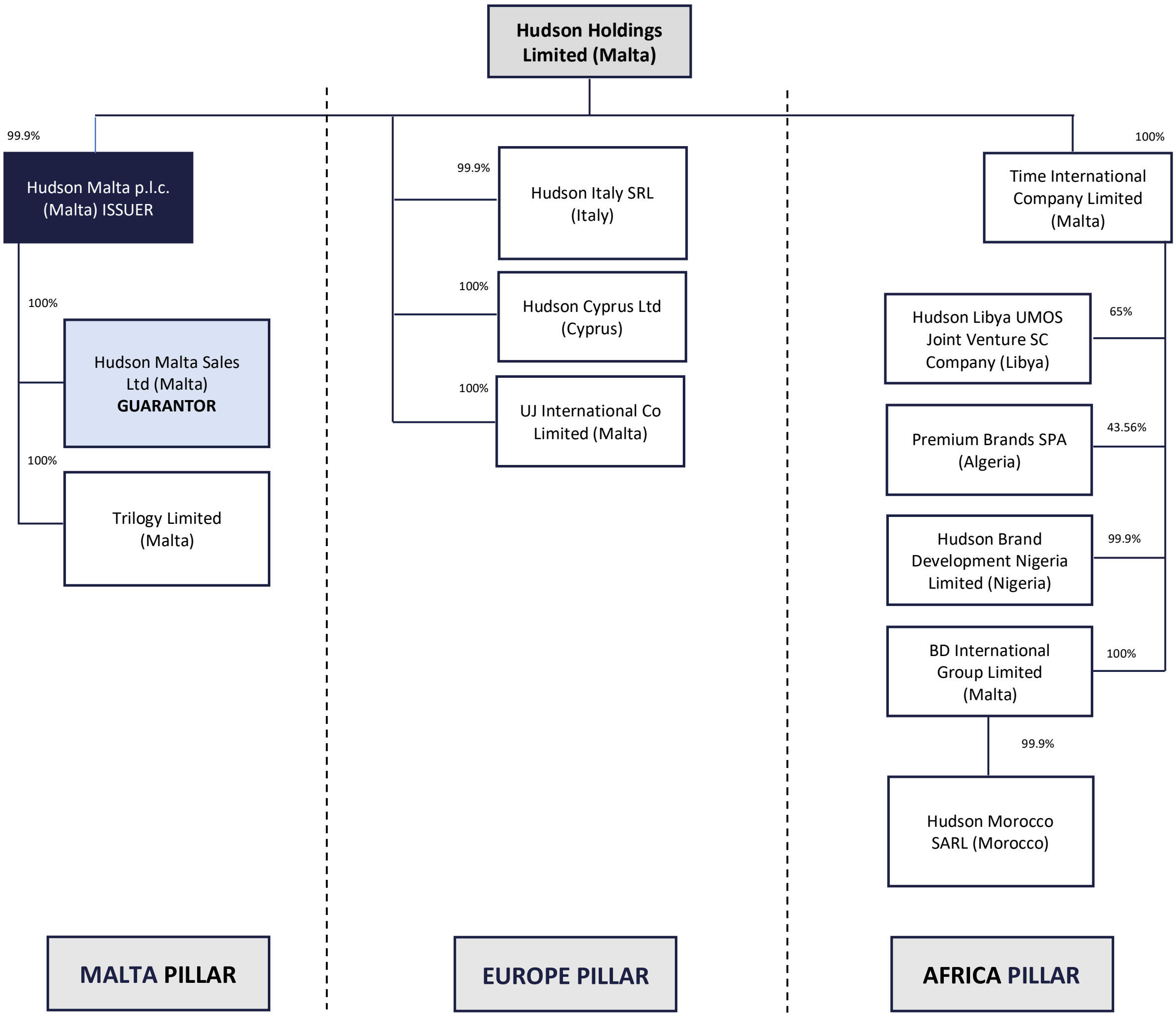
On 30 December 2021, HHL completed the acquisition of Trilogy Limited ("**Trilogy**") – a premium fashion retail company operating 11 stores in Malta representing well-known international brands such as Calvin Klein, Armani Exchange, Mango, Tommy Hilfiger, and Tommy Jeans. The transaction was concluded in exchange for new shares issued by HHL, equivalent to 15% of the Group's issued share capital, and a contingent consideration based on a targeted equity value of HHL for five years following the effective acquisition date. As at the date of the acquisition, the fair value of the 15% equity stake in HHL was determined at €6 million whilst the fair value of the contingent consideration stood at € Nil but capped at a maximum of €1.65 million.

Following the above-mentioned acquisition, HHL transferred its equity stake in Trilogy to the Issuer for a consideration of €6 million which was settled by way of new shares issued in favour of HHL. The legal effective date of the transfer of shares of Trilogy from HHL to the Issuer was 31 December 2021, with the allotment of shares by the Issuer taking place in April 2022. Nonetheless, as the integration of the operations of Trilogy into Hudson Malta started in 2021, and since the effective management and control of Trilogy was taken over by HHL and by the Issuer on 1 July 2021, the Group considers that the effective acquisition date was 1 July 2021.

On 30 August 2022, Hudson Malta transferred its equity stake in Trilogy to HMSL for a consideration of €6 million settled by an issue of shares in favour of Hudson Malta and pursuant to the capitalisation of amounts due by HMSL to the Company. Thereafter, Trilogy merged into HMSL, but the legal merger was not yet concluded by the end of 2022. Nevertheless, given the nature, operations, and financial position of the two entities, and given the certainty of the conclusion of the merger from a legal and practical point of view, the Group has accounted for this transfer and merger in the financial year ended 31 December 2022 with the accounting effective date of the merger being 1 January 2022.

2. ORGANISATIONAL STRUCTURE

The chart below illustrates the organisational structure of Hudson Group:



The average number of persons employed by the Group during FY2022 stood at 713 compared to 568 in FY2021.

3. MALTA OPERATIONS

Hudson Malta was established on 10 November 2017 and is the parent company of the Group's operations in Malta. Furthermore, the Issuer acts as a finance vehicle for HHL by raising capital to support the Group's international expansion. The Company is owned by HHL (which is the ultimate parent entity of the Group) and is the leading retailer and distributor (both brick-and-mortar as well as online) of sports and fashion wear in Malta.

The activities of Hudson Malta are conducted through HMSL which operates various outlets as illustrated in the table overleaf. In addition, Hudson Malta supplies a number of third-party owned stores in Malta and has its own multi-brand franchise concept stores – Urban Jungle and Urban Bratz – of which the former is also present in Italy, Algeria, Morocco, and Nigeria.

In the course of its activities, Hudson Malta has several ties and collaborations with athletes, fitness centres, as well as football and other sports clubs. The Company also supports and sponsors numerous well-known sporting and leisure events such as Corsa, XTERRA Malta, the Malta Marathon, Strictly RnB, and the Isle of MTV Malta.

4. INTERNATIONAL OPERATIONS

Apart from its operations in Malta, the Group has a direct retail presence in Southern Europe and Africa managed via international distribution contracts some of which cover more than 30 territories. These include NIKE products which are also distributed to Urban Jungle stores outside Malta, as well as other brands and operations in more than 20 countries in Africa (particularly the North African and Sub-Saharan markets) that are served from a state-of-the art logistics hub in Malta as well as through various country offices.

Elsewhere, the Group has a retail operation in Cyprus with two Kiabi stores and a high-end streetwear and top tier sneakers concept store – Black Box – with dedicated outlets situated in Bari, Naples, and Rome.

5. DIRECTORS AND SENIOR MANAGEMENT

5.1 DIRECTORS OF THE ISSUER

The Board of Directors of the Issuer consists of the following six individuals who are entrusted with the overall direction, strategy, and management of Hudson Malta:

George Amato	Executive Director
Alfred Borg	Executive Director
Christopher Muscat	Executive Director
Victor Spiteri	Independent Non-Executive Director
Kevin Valenzia	Independent Non-Executive Director
Brian Zarb Adami	Independent Non-Executive Director

	Name of Store	Location	Dec-2020	Dec-2021	Dec-2022
OPERATED BY HUDSON MALTA					
1	Alcott	Qormi	🟢	🟢	🟢
2	Alcott	Fgura	🔴	🟢	🔴
3	Arkadia	Calvin Klein	🔴	🔴	🟢
4	Arkadia	Timberland	🔴	🔴	🟢
5	Arkadia	Tommy Hilfiger	🔴	🔴	🟢
6	Arkadia	Urban Jungle	🔴	🔴	🟢
7	Arkadia	Intersport	🔴	🔴	🟢
8	Arkadia	RiverIsland	🔴	🔴	🟢
9	Arkadia	Alcott	🔴	🔴	🟢
10	Arkadia	Urban Bratz	🔴	🔴	🟢
11	Arkadia	New Look	🔴	🔴	🟢
12	Arkadia	Mango	🔴	🔴	🟢
13	KIABI	Qormi	🟢	🟢	🟢
14	KIABI	Burmarrad	🟢	🟢	🟢
15	KIABI	The Point, Sliema	🟢	🟢	🟢
16	Missguided	Bay Street Complex	🔴	🟢	🔴
17	New Look	Fgura	🟢	🟢	🔴
18	New Look	Baystreet	🔴	🔴	🟢
19	River Island	The Point, Sliema	🟢	🟢	🟢
20	River Island Accessories	Qormi	🟢	🟢	🟢
21	Ted Baker	The Point, Sliema	🟢	🟢	🟢
22	Intersport	Qormi	🟢	🟢	🟢
23	Intersport	Burmarrad	🟢	🟢	🟢
24	Intersport	Fgura	🟢	🟢	🟢
25	Intersport	Sliema	🟢	🟢	🔴
26	Intersport	Pjazzetta, Sliema	🟢	🟢	🟢
27	Intersport	Paceville	🟢	🟢	🟢
28	NIKE	The Point, Sliema	🟢	🟢	🟢
29	Crocs	Sliema	🔴	🟢	🟢
30	Crocs	PAMA, Mosta	🔴	🔴	🟢
31	Urban Jungle	The Point, Sliema	🟢	🟢	🟢
32	Urban Jungle	PAMA, Mosta	🟢	🟢	🟢
33	Urban Jungle	Paceville	🟢	🟢	🟢
34	Urban Bratz	Bay Street Complex	🔴	🟢	🟢
35	Urban Bratz	Sliema	🔴	🔴	🟢
36	Mango	The Point, Sliema	🔴	🟢	🟢
37	Mango	PAMA, Mosta	🔴	🟢	🟢
38	Mango Accessories	PAMA, Mosta	🟢	🟢	🔴
39	Armani Exchange	The Point, Sliema	🔴	🟢	🟢
40	Armani Exchange	Bay Street Complex	🔴	🟢	🟢
41	Calvin Klein	The Point, Sliema	🔴	🟢	🟢
42	Tommy Jeans	The Point, Sliema	🔴	🟢	🟢
43	Tommy Hilfiger F&A	The Point, Sliema	🔴	🟢	🟢
44	Tommy Hilfiger	Bay Street Complex	🔴	🟢	🟢
45	Hudson 360	University	🔴	🔴	🟢
		SUB-TOTAL:	***19***	***31***	***40***
OPERATED BY THIRD PARTIES					
1	Intersport	Valletta	🟢	🟢	🟢
3	Timberland	Sliema	🟢	🟢	🟢
4	Tommy Hilfiger	Valletta	🔴	🟢	🟢
5	Tommy Hilfiger	Arkadia, Gozo	🟢	🟢	🔴
		SUB-TOTAL:	***3***	***4***	***3***
		TOTAL:	***22***	***35***	***43***

5.2 DIRECTORS OF THE GUARANTOR

The Board of Directors of HMSL consists of the following four individuals who are entrusted with the overall direction and management of the Guarantor:

Alfred Borg	Executive Director
Joseph A. Borg	Executive Director
Ritianne Grech	Executive Director
Christopher Muscat	Executive Director

5.3 EXECUTIVE MANAGEMENT TEAM

The Group's Executive Committee ("**EXCO**") is responsible for managing HHL's operations. It is a key decision-making entity set up to implement the Group's strategic business plans consistent with the organisation's vision, ambitions, values, and targets. The EXCO also advises the Hudson Group's Board of Directors on decisions and matters related to business strategy, investments, and risk management. The EXCO is composed of the following individuals:

Alfred Borg	Chairman
Christopher Muscat	Chief Executive Officer
George Amato	Supply Chain Director
Jonathan Briffa	Finance Director
Indrek Heinmets	Brand Director – NIKE
Kalani Weerasinghe	Human Resources Director
Nicolas Vidal	General Manager – Africa
Joseph Borg	Brand Director – Fashion
Alex Cara	Chief Strategy Officer
Eric Berben	Chief Operating Offer

Other individuals who are members of the Group's Senior Management team (as explained in Section 5.4 – 'Senior Management Team' overleaf) may also be invited to contribute to the EXCO as required.

5.4 SENIOR MANAGEMENT TEAM

The EXCO is supported by a Senior Management team in the day-to-day running of the Group. The Senior Management team is composed of the following individuals:

Alfred Borg	Chairman
Christopher Muscat	Chief Executive Officer
George Amato	Supply Chain Director
Jonathan Briffa	Finance Director
Kalani Weerasinghe	Human Resources Director
Peter Gauci	IT Manager
Nicolas Vidal	General Manager – Africa
Kyriacos Zindilis	Country Manager – Cyprus
Luca Moscati	Country Manager – Italy
Ritianne Grech	Country Manager – Malta
Kieran Murphy	Country Manager – Nigeria
Felice Ilaqua	Brand Director – Other Sports Brands
Gianluca Salute	Brand Director – UJ & Blackbox
Indrek Heinmets	Brand Director – NIKE
Joseph Borg	Brand Director – Fashion
Alex Cara	Chief Strategy Officer
Eric Berben	Chief Operating Offer

6. MARKET OVERVIEW

6.1 ECONOMIC UPDATE[1]

The Maltese economy grew strongly by 6.9% in 2022, driven by domestic demand and export of services, benefiting from the further recovery in tourism. Growth is forecast to moderate to 3.9% in 2023, as high inflation affects household disposable incomes and consumption. GDP[2] growth is then set to reach 4.1% in 2024, supported by continuing net migration flows. Sizeable government measures helped to keep energy prices unchanged in Malta. They are expected to remain in place also in 2023 and 2024. As a result, the general government deficit stood at 5.8% in 2022, among the highest in the EU. It is expected to gradually decrease in 2023 and 2024. In consequence of robust GDP growth, public debt is forecast to remain below 60% of GDP.

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

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

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

HICP[3] inflation in 2022 reached 6.1%, even though the energy prices were fixed at 2020 levels by government intervention. The Maltese authorities further confirmed their commitment to limiting energy inflation in 2023 and 2024. Nonetheless, inflation in 2023 is expected to stay high at 5.4%, pushed by increasing prices for imported goods (especially food), tourism services and housing maintenance services. In 2024, inflation is projected to slow to 2.8% as price growth in Malta's main trade partners moderates.

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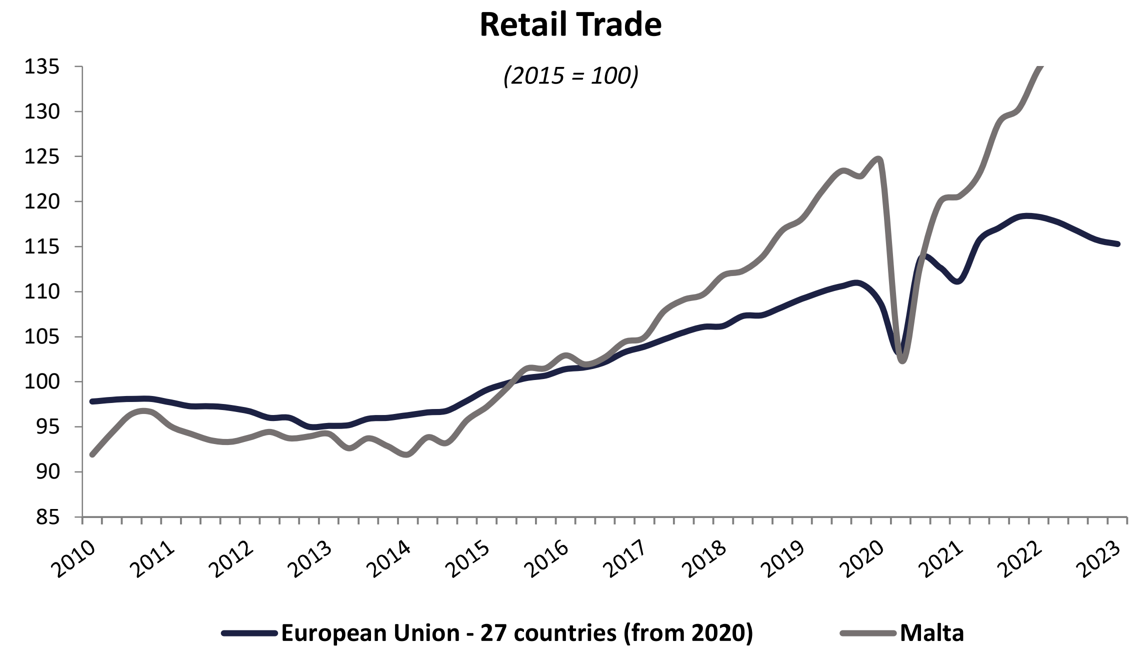
[1] Economic Forecast – Spring 2023 (European Commission Institutional Paper 200 May '23).

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

[3] The Harmonised Indices of Consumer Prices (HICP) measure the changes over time in the prices of consumer goods and services acquired by households.

6.2 RETAIL TRADE SECTOR

The chart below provides an indication of the trend in performance of the overall retail sector in Malta as compared to the European Union (2015 being the base year = 100).



Source: Turnover and volume of sales in wholesale and retail trade - quarterly data

According to the EU trend line above, retail trade was marginally in decline between 2010 and 2013 but increased at a constant rate of growth thereafter, up to Q2 2020. Pursuant to the COVID-19 outbreak in March 2020, retail activity declined 7.6 percentage points in Q2 2020 compared to Q4 2019 but fully recovered by Q3 2020. Between Q3 2020 and Q1 2023, retail activity in the EU increased by only 1.7 percentage points and the trend line is indicating a decline in the growth rate.

Retail activity in Malta has broadly tracked the EU average, except for the outperformance registered in 2018 and 2019. Various factors have contributed to this strong performance, including: (i) the robust overall growth of the Maltese economy and a strong labour market which has outpaced the EU average; and (ii) the increase in population of the expat community in Malta.

In Q2 2020, the fashion retail sector in Malta decreased by 20.3 percentage points from Q4 2019 as a result of the pandemic. Due to the imposition of a lockdown by Government, all non-essential retail outlets were closed during March 2020 till end of April 2020 and re-opened for business on 4 May 2020. The fashion retail sector in Malta recovered to some extent from Q3 2020 to Q2 2021, but short of the level achieved in Q4 2019.

As observed in the above chart, between Q1 2022 and Q1 2023, the fashion retail sector in Malta grew by 6 percentage points compared to a decline of 3 percentage points registered by the EU.

PART 2 – PERFORMANCE REVIEW

7. FINANCIAL INFORMATION – HUDSON GROUP

As an entity external to the Issuer, HHL is not bound by the 'Continuing Obligations' of the Capital Markets Rules. However, the Board of Directors of HHL had resolved to publish, on an annual basis, the Group's audited financial statements by not later than two months after the publication of the Issuer's audited financial statements.

Hudson Holdings Limited			
Consolidated Statement of Comprehensive Income			
for the financial year 31 December	**2020**	**2021**	**2022**
	€'000	**€'000**	**€'000**
	Actual	**Actual**	**Actual**
Revenue - Retail	*33,005*	*51,771*	*62,768*
Revenue - Wholesale and other income	*51,750*	*68,825*	*98,805*
Total revenue	**84,755**	**120,596**	**161,573**
Cost of sales	(62,449)	(85,988)	(114,527)
Gross profit	**22,306**	**34,608**	**47,046**
Net operating costs	(14,130)	(19,427)	(26,953)
EBITDA	**8,176**	**15,181**	**20,093**
Depreciation & amortisation	(6,519)	(7,442)	(9,877)
Operating profit	**1,657**	**7,739**	**10,216**
Share of profit / (loss) in associate	(202)	(29)	245
Net finance costs	(2,230)	(2,248)	(2,889)
Profit / (loss) before tax	**(775)**	**5,462**	**7,572**
Taxation	1	(1,836)	(3,179)
Net profit / (loss)	**(774)**	**3,626**	**4,393**
Other comprehensive income			
Currency translation differences	(103)	152	454
Fair value movements in equity investments, net of deferred tax	(321)	-	-
	(424)	**152**	**454**
Total comprehensive income / (expense)	**(1,198)**	**3,778**	**4,847**

Hudson Holdings Limited **Key Financial Ratios**	**FY2020** **Actual**	**FY2021** **Actual**	**FY2022** **Actual**
Gross profit margin (%) *(Gross profit / revenue)*	26.32	28.70	29.12
EBITDA margin (%) *(EBITDA / revenue)*	9.65	12.59	12.44
Operating profit margin (%) *(Operating profit / revenue)*	1.96	6.42	6.32
Net profit margin (%) *(Profit after tax / revenue)*	(0.91)	3.01	2.72
Return on equity (%) *(Profit after tax / average equity)*	(8.42)	27.72	21.97
Return on assets (%) *(Profit after tax / average assets)*	(0.92)	3.65	3.46
Return on invested capital (%) *(Operating profit / average equity and net debt)*	4.02	16.13	14.31
Interest cover (times) *(EBITDA / net finance costs)*	3.67	6.75	6.95

Income Statement

FY2020 was an unprecedented year for Hudson Group in view of the material negative impact of the COVID-19 pandemic which also led to periods of enforced store closures, low consumer demand, as well as supply chain issues. Consequently, HHL curtailed its physical retail expansion and delayed planned retail openings, with the result that physical retail store openings were limited to 3 whilst 4 retail stores were closed including 1 in Spain. At the same time, however, the Group expanded its online presence by opening a new online store. At the end of 2020, Hudson Group operated 46 stores in 4 countries and 3 e-commerce sites.

In view of the above, revenue generated by the Group in FY2020 decreased by 25.14% to €84.76 million when compared to €113.22 million in FY2019. Revenue from retail operations contracted by €11.24 million (or -25.41%) to €33.0 million (FY2019: €44.25 million) while wholesale revenue decreased by €17.22 million or (-24.97%) to €51.75 million (FY2019: €68.97 million).

Although cost of sales contracted noticeably in view of the reduction in overall business, gross profit decreased by 28.13% to €22.31 million (FY2019: €31.04 million) which impacted the gross profit margin by 109 basis points to 26.32% compared to 27.41% in FY2019.

Depreciation and amortisation charges as well as net finance costs remained virtually unchanged from the prior year at €6.52 million and €2.23 million respectively. On the other hand, an adverse movement of €0.67 million was registered in the share of results in associate, as the Group reported a loss of €0.20 million in FY2020 compared to a positive contribution of €0.47 million in FY2019. Overall, Hudson Group reported a loss for the year of €0.77 million compared to a profit of €1.70 million in FY2019. Furthermore, the total comprehensive expense amounted to €1.20 million compared to the total comprehensive income of €1.16 million registered in the previous year.

During **FY2021**, the financial performance of Hudson Group recovered strongly from the downturn experienced in FY2020, with both turnover and profitability reaching record levels in part due to the acquisition of Trilogy and the contribution from this new business as from 1 July 2021. Furthermore, during the year the Group resumed its retail expansion programme and added the territory of Cyprus to its operations. At year end, the Hudson Group operated 56 stores in 5 countries and also distributed its products to over 25 countries apart from the operation of 3 e-commerce sites.

Revenue generated by HHL in FY2021 amounted to €120.60 million, representing an increase of 42.29% (or +€35.84 million) over the prior year. Income from retail operations increased by almost 57% (or +€18.77 million) to €51.77 million while wholesale revenue increased by 33.00% (or +€17.08 million) to €68.83 million, thereby matching the level of revenue generated prior to the onset of the pandemic.

In view of the above-mentioned increase in business activity, gross profit was higher by 55.15% and amounted to €34.61 million whilst the gross profit margin improved by 238 basis points to 28.70%. The Hudson Group reported a substantial increase in EBITDA of €7.01 million, from €8.18 million in FY2020 to €15.18 million in FY2021, which translated into an EBITDA margin of 12.59% (FY2020: 9.65%). Given the growth in EBITDA and the relatively unchanged net finance costs of €2.25 million, the interest cover increased substantially from 3.67 times in FY2020 to 6.75 times in FY2021.

Depreciation and amortisation charges were higher when compared to the prior year, by €0.92 million to €7.44 million, mainly reflecting the addition of Trilogy within the structure of the Group.

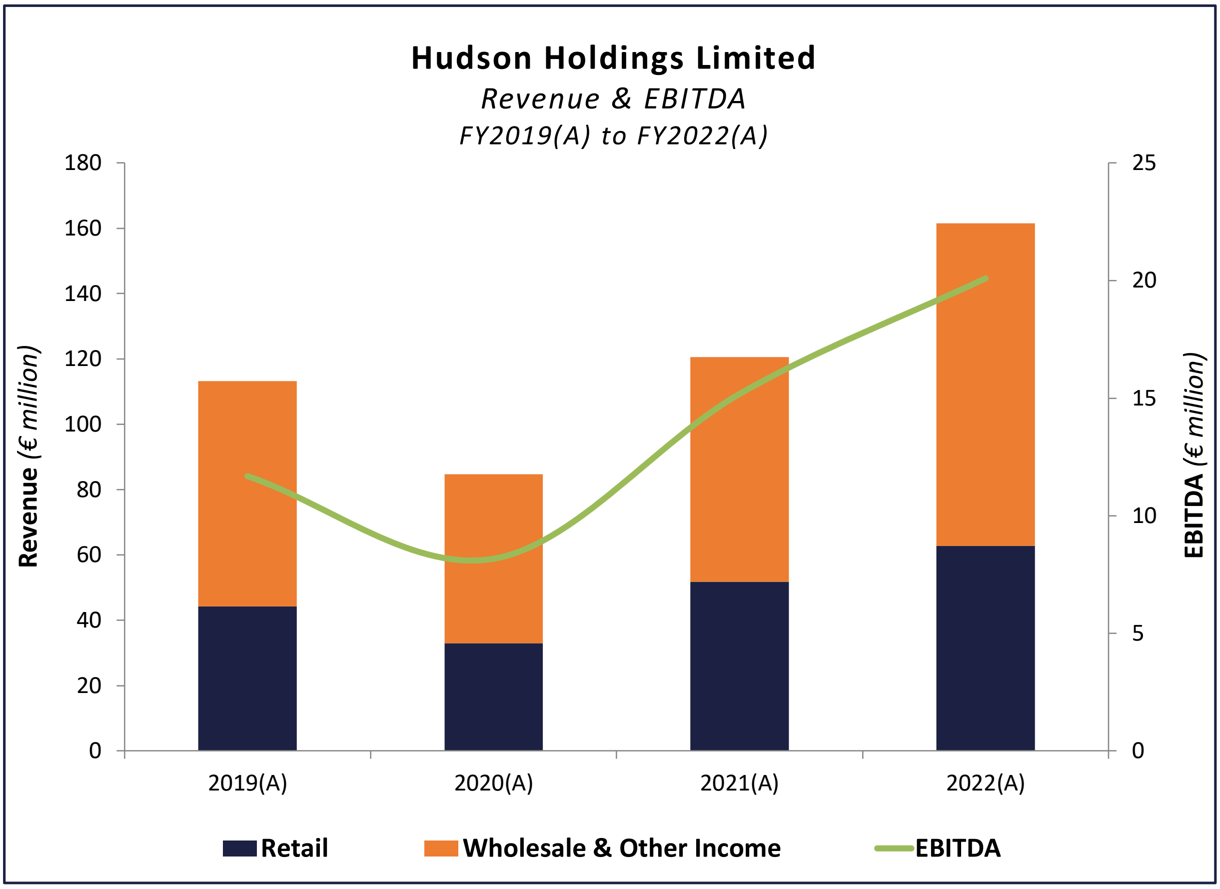
Overall, HHL registered a profit for the year of €3.63 million and total comprehensive income of €3.78 million. The net profit translated into a margin of 3.01% and a return on equity and on assets of 27.72% and 3.65% respectively.

In **FY2022**, revenues increased by almost 34% to €161.57 million. Both the retail and the wholesale operating segments of the Group registered strong double-digit percentage growth in income to €62.77 million (+21.24%) and €98.91 million (+43.56%) respectively amid an improved business backdrop and the continued expansion of the Group's international operations especially in Nigeria and Morocco. During the year, HHL opened further stores to a total of 68 outlets in 6 countries by the end of 2022.

In view of the material growth in turnover, gross profit increased by 35.94% to €47.05 million which translated into a margin of 29.12%. Likewise, EBITDA rose by 32.36% to €20.09 million and resulted into a margin of 12.44%.

Depreciation and amortisation charges also increased markedly to €9.88 million on account of the extension in the Group's retail network. Furthermore, net finance costs were higher by 28.51% and amounted to €2.89 million as during the year the Group took on additional borrowings supporting its international expansion as well as capital investments including an exceptional expense of €0.76 million for the implementation of a new Enterprise Resource Planning software. However, in view of the sharper increase in EBITDA, the interest cover strengthened to 6.95 times.

Overall, HHL reported an increase of 21.15% in net profit to €4.39 million for the 2022 financial year which represented a margin of 2.72%. However, the return on equity and on assets retracted to 21.97% and 3.46% respectively, on account of the year-on-year increase in assets and equity. Similarly, the return on invested capital eased to 14.31% compared to 16.13% in FY2021, despite the growth in operating profit to €10.22 million from €7.74 million in FY2021.



Hudson Holdings Limited Consolidated Cash Flow Statement for the financial year 31 December	2020 €'000 Actual	2021 €'000 Actual	2022 €'000 Actual
Net cash from / (used in) operating activities	6,963	10,088	(6,614)
Net cash from / (used in) investing activities	(2,566)	(8,090)	(9,214)
Net cash from / (used in) financing activities	1,028	3,864	3,688
Net movement in cash and cash equivalents	**5,425**	**5,862**	**(12,141)**
Cash and cash equivalents at beginning of year	11,767	17,192	23,054
Cash and cash equivalents at end of year	**17,192**	**23,054**	**10,913**

Cash Flow Statement

In **FY2020**, net cash from operating activities decreased by 56.32% from the prior year to €6.96 million (FY2019: €15.94 million), mainly due to the impact of the COVID-19 pandemic on the operations of the Group as well as adverse movements in working capital. Net cash used in investing activities amounted to €2.57 million (FY2019: €6.58 million) and was principally directed towards the development of the Group's distribution centre and, to a lesser extent, for improvements to premises, refitting, and other capital expenditure in relation to the Group's stores. In the meantime, net cash inflows from financing activities amounted to €1.03 million compared to an outflow of €6.20 million in FY2019 as the proceeds from loan drawdowns amounting to €4.79 million outweighed the amount of cash used for repayments of borrowings (€0.59 million) and the principal elements of lease payments (€3.17 million).

In **FY2021**, net cash from operating activities increased to €10.09 million largely reflecting the overall rebound in business and a lower amount of tax paid. During the year, the Group used €8.09 million in cash for investing activities, mainly comprising the purchase of intangible assets amounting to €1.65 million (representing computer software and other assets), as well as the purchase of property, plant, and equipment for €4.94 million mainly on account of the expansion of the Hudson Group's business. Furthermore, a loan of €1.50 million was provided to related parties. Elsewhere, net proceeds from loan drawdowns amounted to €8.75 million. This was partly offset by lease and dividend payments of €4.09 million and €0.80 million respectively, thus resulting in net cash inflows of €3.86 million.

In **FY2022**, HHL used €6.61 million for its operating activities as despite the improved profitability, the Group's operating cash flows were negatively impacted by adverse movements in working capital particularly in inventories and trade and other receivables. Net cash used in investing activities increased by 13.89% year-on-year to €9.21 million, mainly on account of the expansion of the Group's business. Meanwhile, net cash from financing activities amounted to €3.69 million as the €8.89 million net increase in bank borrowings was partly offset by lease payments of €5.20 million. No dividends were paid during the year. As a result, Hudson Group ended the 2022 financial year with a cash balance of €10.91 million compared to €23.05 million as at 31 December 2021.

Hudson Holdings Limited Consolidated Statement of Financial Position as at 31 December	2020 €'000 Actual	2021 €'000 Actual	2022 €'000 Actual
ASSETS			
Non-current assets			
Intangible assets	1,915	7,110	8,362
Property, plant & equipment	10,096	13,287	17,042
Right-of-use assets	23,632	30,619	32,080
Investment in associates	533	530	795
Receivables	164	1,683	2,071
Deferred tax assets	860	1,309	1,845
	37,200	54,538	62,196
Current assets			
Inventories	14,138	19,226	35,266
Trade and other receivables	13,703	18,651	28,485
Other current assets	167	-	-
Cash and cash equivalents	17,686	23,446	12,391
	45,694	61,323	76,143
Total assets	**82,894**	**115,861**	**138,339**
EQUITY			
Capital and reserves			
Share capital	85	100	100
Reserves	2,073	8,209	8,663
Retained earnings	6,596	9,422	13,815
Non-controlling interest	(163)	(163)	(163)
	8,591	**17,568**	**22,415**
LIABILITIES			
Non-current liabilities			
Borrowings	16,189	17,393	18,239
Lease liabilities	20,589	27,406	29,098
Other non-current liabilities	45	241	-
	36,823	45,040	47,337
Current liabilities			
Bank overdrafts	494	392	1,478
Borrowings	7,022	14,567	22,610
Lease liabilities	3,475	3,417	3,985
Trade and other payables	25,408	32,658	35,958
Other current liabilities	1,081	2,219	4,556
	37,480	53,253	68,586
	74,303	**98,293**	**115,923**
Total equity and liabilities	**82,894**	**115,861**	**138,339**
Total debt	*47,769*	*63,175*	*75,410*
Net debt	*30,083*	*39,729*	*63,018*
Invested capital (total equity plus net debt)	*38,674*	*57,297*	*85,434*

Hudson Holdings Limited **Key Financial Ratios**	**FY2020** **Actual**	**FY2021** **Actual**	**FY2022** **Actual**
Net debt-to-EBITDA (times) *(Net debt / EBITDA)*	3.68	2.62	3.14
Net debt-to-equity (times) *(Net debt / total equity)*	3.50	2.26	2.81
Net gearing (%) *(Net debt / net debt and total equity)*	77.79	69.34	73.76
Debt-to-asset (times) *(Total debt / total assets)*	0.58	0.55	0.55
Leverage (times) *(Total assets / total equity)*	9.65	6.60	6.17
Current ratio (times) *(Current assets / current liabilities)*	1.22	1.15	1.11

Statement of Financial Position

The Group's total assets amounted to €115.86 million as at 31 December **2021**, an increase of €32.97 million when compared to the level of €82.89 million as at the end of 2020. The principal year-on-year movements were:

(i) The inclusion of Trilogy within the Group which resulted in an increase in assets of €12.6 million.

(ii) Inventories and receivables increased by just under €8 million reflecting the overall recovery in operational activities.

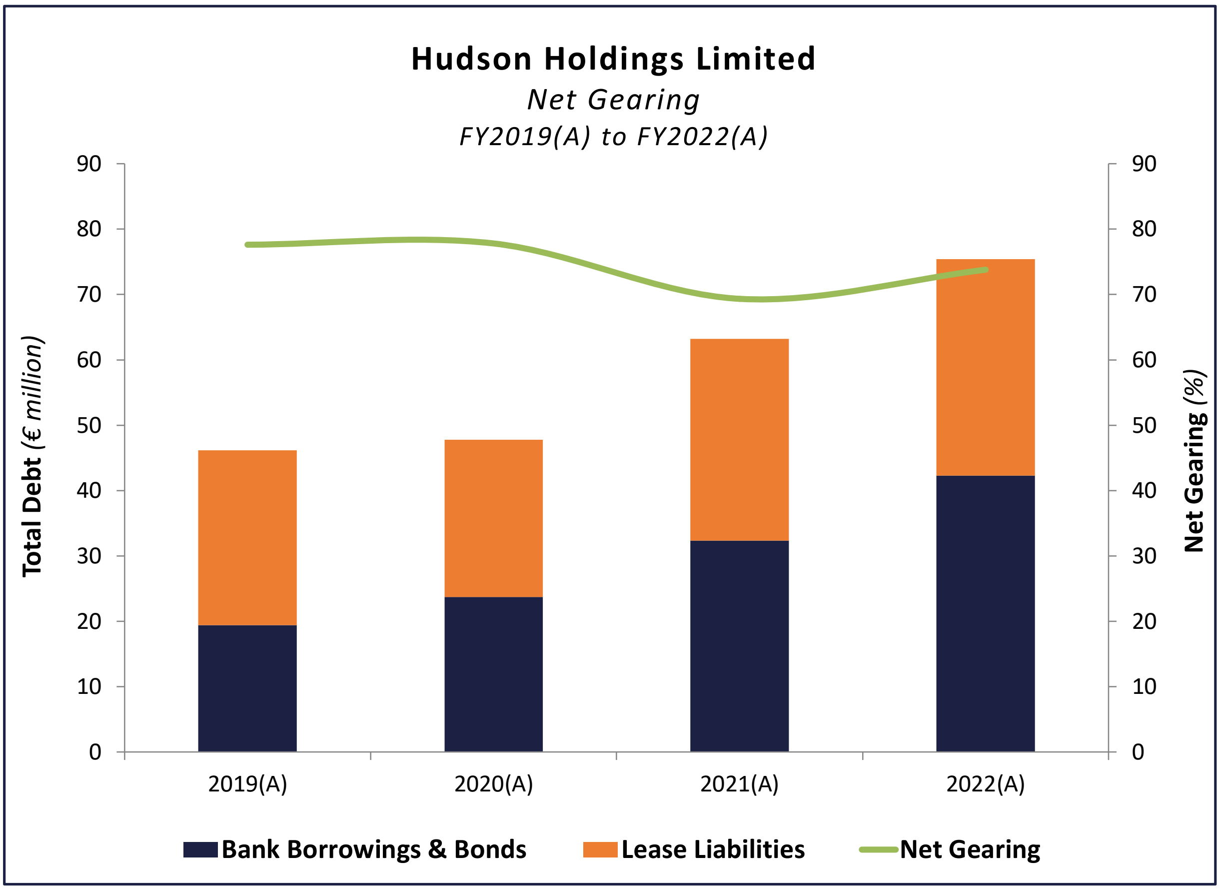
(iii) Cash and cash equivalents increased by €5.76 million as further explained in the review of the cash flow statement above.

(iv) Further investments in property, plant, and equipment, as well as intangible assets which were directly related to the expansion of the Group's business.

Total liabilities also increased in FY2021 and amounted to €98.29 million as at the end of the year compared to €74.30 million as at 31 December 2020. The increase of just under €24 million was mainly on account of the inclusion of Trilogy's liabilities amounting to €6.6 million, an increase in total debt of €15.41 million to €63.18 million, and an increase in trade and other payables due to the growth in business activity.

The net gearing ratio eased to 69.34% as at 31 December 2021 compared to 77.79% as at the end of 2020, reflecting the expansion of €8.98 million in the equity base of HHL to €17.57 million. Similarly, the Group registered an improvement in all other credit metrics including the net debt-to-EBITDA multiple and the debt-to-asset ratio which fell to 2.62 times (FY2020: 3.68 times) and 0.55 times (31 December 2020: 0.58 times) respectively. On the other hand, the current ratio weakened to 1.15 times (FY2020: 1.22 times) although this was in line with the level prior to the onset of the COVID-19 pandemic.

During **FY2022**, total assets expanded by 19.40% to €138.34 million mostly on account of the increases in inventories (+83.43% to €35.27 million) and trade and other receivables (+52.73% to €28.49 million) reflecting the overall growth in the volume of business. Similarly, total liabilities increased by 17.94% to €115.92 million mostly on account of the higher levels of debt supporting the Group's capital expenditure and working capital position. During the year, net debt increased by 58.62% (or +€23.29 million) to €63.02 million (31 December 2021: €39.73 million), resulting in a marginal deterioration in the Group's net gearing and net debt-to-equity ratios to 73.76% and 2.81 times respectively. Likewise, the net debt-to-EBITDA multiple trended higher to 3.14 times.



8. FINANCIAL INFORMATION – HUDSON MALTA

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

Hudson Malta p.l.c. Income Statement for the financial year 31 December	**2020 Actual €'000**	**2021 Actual €'000**	**2022 Actual €'000**	**2023 Forecast €'000**
Revenue - Retail	*21,707*	*32,542*	*42,113*	*47,699*
Revenue - Wholesale and other income	*8,422*	*10,533*	*12,746*	*15,872*
Total revenue	**30,129**	**43,075**	**54,859**	**63,571**
Cost of sales	(21,092)	(28,976)	(36,343)	(40,360)
Gross profit	**9,037**	**14,098**	**18,516**	**23,211**
Net operating costs	(4,489)	(7,606)	(11,855)	(15,847)
Net impairment losses on financial and contract assets	(1,577)	16	(59)	-
EBITDA	**2,971**	**6,508**	**6,602**	**7,364**
Depreciation & amortisation	(3,284)	(3,777)	(4,925)	(5,263)
Operating profit / (loss)	**(313)**	**2,731**	**1,678**	**2,101**
Finance income	446	400	395	400
Finance costs	(1,387)	(1,443)	(1,475)	(1,618)
Profit / (loss) before tax	**(1,254)**	**1,687**	**597**	**883**
Taxation	371	(652)	(390)	(309)
Net profit / (loss)	**(883)**	**1,035**	**208**	**574**

Hudson Malta p.l.c. Key Financial Ratios	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast
Gross profit margin (%) *(Gross profit / revenue)*	29.99	32.73	33.75	36.51
EBITDA margin (%) *(EBITDA / revenue)*	9.86	15.11	12.04	11.58
Operating profit margin (%) *(Operating profit / revenue)*	(1.04)	6.34	3.06	3.30
Net profit margin (%) *(Profit after tax / revenue)*	(2.93)	2.40	0.38	0.90
Return on equity (%) *(Profit after tax / average equity)*	(14.81)	11.45	1.64	4.40
Return on assets (%) *(Profit after tax / average assets)*	(1.93)	2.02	0.34	0.82
Return on invested capital (%) *(Operating profit / average equity and net debt)*	(0.98)	7.82	3.95	4.02
Interest cover (times) *(EBITDA / net finance costs)*	3.16	6.24	6.11	6.05

Income Statement

During the initial two months of **FY2020**, the operational performance of the Company was in line with expectations. However, revenues were significantly negatively impacted during the rest of the year due to the disruptions brought about by the COVID-19 pandemic including the imposition of harsh restrictions on all non-essential retail outlets. Indeed, revenues decreased by 29.63% year-on-year to €30.13 million compared to €42.82 million in FY2019.

In view of the contraction in business, cost of sales dropped by 28.62% to €21.09 million (FY2019: €29.55 million). However, the Issuer still recorded a decline in gross profit which amounted to €9.04 million compared to €13.27 million in the prior year. Nonetheless, as Hudson Malta adopted a more judicious approach to the management of its inventory, the gross profit margin only dropped by 1 percentage point to just under 30%.

The net impairment loss on financial and contract assets of €1.58 million included an amount of €1.4 million which related to receivables from fellow subsidiaries following the Group's decision to close its Spanish operations due to the impact that the COVID-19 pandemic had on this business. On the other hand, the effective cost reduction measures adopted by the Company coupled with the support received from HHL, the rent abatement by landlords, as well as the assistance received from

Government through wage subsidies, resulted in a significant reduction in net operating costs to €4.49 million compared to €8.78 million in FY2019.

The EBITDA generated by the Company amounted to €2.97 million (FY2019: €4.50 million) which translated into a margin of 9.86% (FY2019: 10.51%).

After accounting for depreciation and amortisation charges of €3.28 million (FY2019: 2.98 million) and net finance costs of €0.94 million (FY2019: €0.70 million), Hudson Malta reported a loss before tax of €1.25 million compared to the pre-tax profit of €0.82 million registered in FY2019. Overall, the Issuer posted a net loss of €0.88 million after accounting for tax income of €0.37 million.

In **FY2021**, revenues surged by nearly 43% to €43.08 million mainly on account of the rebound in the Company's retail operations which recorded a stronger increase in income than the Issuer's wholesale segment. Indeed, revenues generated by Hudson Malta's retail arm increased by 49.91% (or +€10.84 million) to €32.54 million (FY2020: €21.71 million) while the wholesale operations reported a growth of 25.07% (or +€2.11 million) to €10.53 million (FY2020: €8.42 million). The Company's performance was boosted by the gradual re-opening of the economy, the relaxation of some of the restrictions brought about by the COVID-19 pandemic particularly in the second half of the year, as well as the six-month contribution of Trilogy which was effectively acquired on 1 July 2021. Furthermore, during the year Hudson Malta expanded its presence on the market and increased the number of outlets to 35 by the end of the year compared to 22 as at 31 December 2020.

Cost of sales amounted to €28.98 million, thus leading to a gross profit of €14.10 million which translated into a margin of 32.73%. After taking into account net operating costs of €7.59 million, EBITDA stood at €6.51 million which translated into a margin of 15.11%. Furthermore, the interest cover improved to 6.24 times (FY2020: 3.16 times) despite the marginal increase in net finance costs to €1.04 million. During FY2021, the Issuer received COVID-19 related wage supplements from Government amounting to €1.05 million (FY2020: €0.99 million) and obtained lease concessions from lessors amounting to €0.33 million (FY2020: €0.47 million).

Depreciation and amortisation charges increased by just over 15% to €3.78 million and included the impact of the inclusion of the stores operated by Trilogy. Overall, Hudson Malta reported a net profit of €1.04 million which translated into a margin of 2.40%, a return on equity of 11.45%, and a return on assets of 2.02%.

In **FY2022**, total revenues increased by 27.36% to €54.86 million on the back of the full twelve-month contribution from Trilogy, the further recovery in business from the adverse effects of the COVID-19 pandemic, as well as the additional growth in terms of number of outlets which increased to 43 by the end of the year. The Company's retail operations were again the main drivers of growth (+29.41% to €42.11 million) whilst the wholesale arm also recorded a double-digit percentage increase in sales to €12.7 million (+21.01%).

The higher level of turnover and the more buoyant consumer sentiment led to an increase in gross profit to €18.52 million (+31.34%) and an improvement in the relative margin to 33.75%. Conversely, net operating costs increased markedly to €11.86 million reflecting the overall growth in business, the impact of high inflation, as well as the material reduction in assistance/subsidies received in relation to the COVID-19 pandemic. As a result, EBITDA only grew by 1.44% to €6.60 million whilst the EBITDA margin contracted to 12.04%.

The company also incurred higher depreciation and amortisation charges of €4.93 million whilst net finance costs remained virtually unchanged at €1.08 million. Although the interest cover remained elevated at over 6 times, in view of the increase in the cost base, Hudson Malta reported a drop of 38.56% in operating profit to €1.68 million compared to €2.73 million in FY2021. As a result, the operating profit margin contracted to 3.06% (FY2021: 6.34%) whilst the return on invested capital retracted to 3.95% from 7.82% in the previous year.

After accounting for tax charges of €0.39 million, the Company posted a net profit of €0.21 million which, in turn, translated into a margin of 0.38%, a return on equity of 1.64%, and a return on assets of 0.34%

In **FY2023**, total revenues are expected to rise by 15.88% to €63.57 million reflecting the positive economic backdrop underpinned by strong consumer demand as well as the continued expansion of the Company's presence in the market through additional store openings.

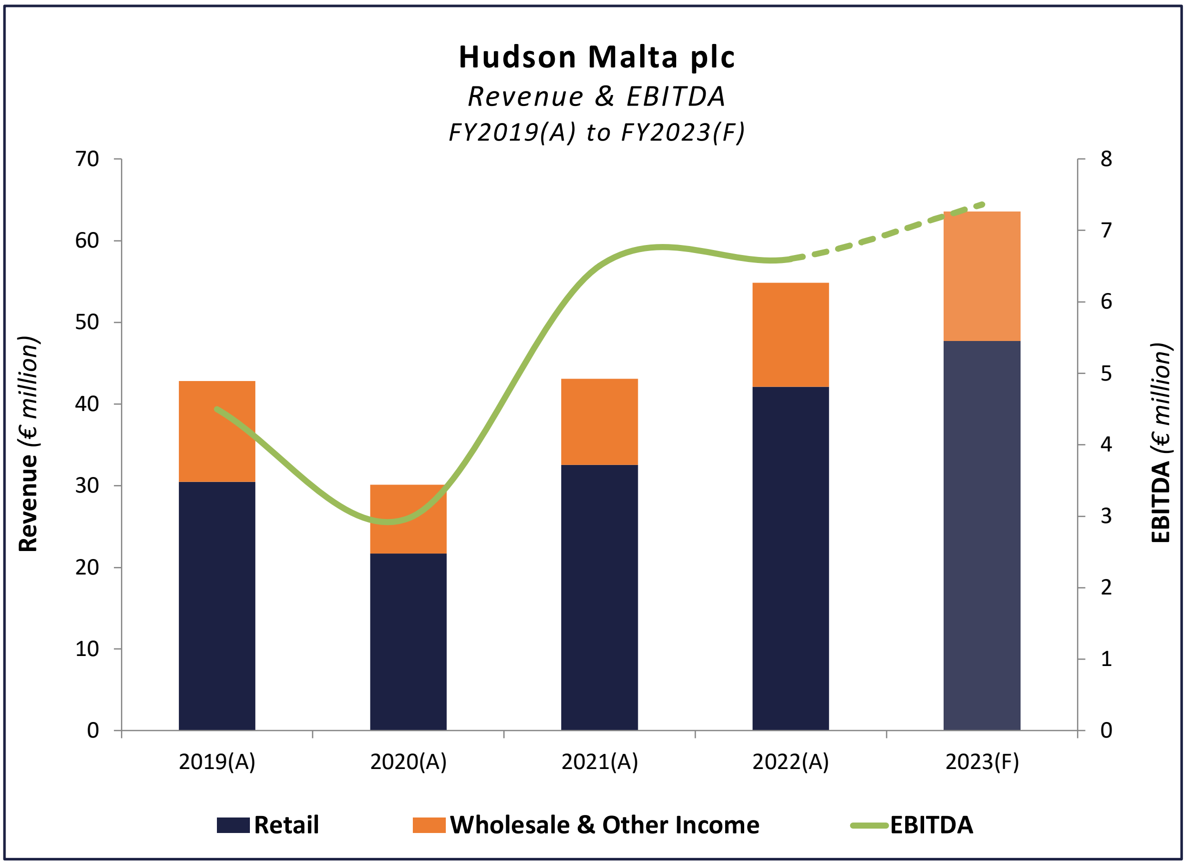
Hudson Malta is set to open 6 new outlets spanning around 2,000 sqm at the Mercury Towers in St. Julians by the end of 2023. As such, these outlets are expected to contribute to the Group's turnover in FY2024.

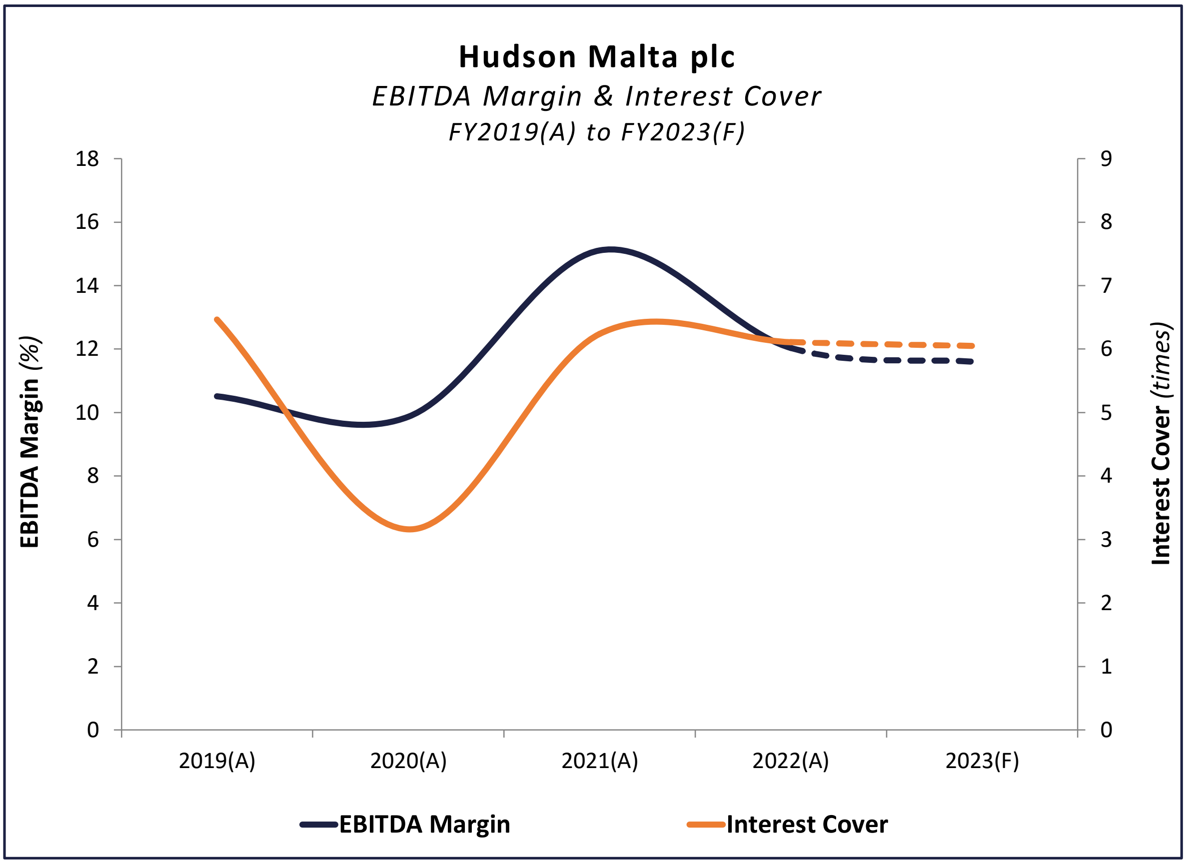
In terms of segment performance, income generated by the retail operations is anticipated to grow by 13.26% to €47.70 million, representing 75.03% of total revenues. On the other hand, the Company's wholesale arm is expected to register an increase of 24.53% in revenues to €15.87 million.

Cost of sales is projected to increase by 11.05% to €40.36 million (FY2022: €36.34 million), thus leading to a gross profit of €23.21 million which would translate into a margin of 36.51%.

Net operating costs and depreciation and amortisation are also expected to increase to €15.85 million (+33.67%) and €5.26 million (+6.86%) respectively, reflecting the overall growth in business as well as the impact of high inflation and tight labour market conditions. Nonetheless, EBITDA and operating are still anticipated to rise considerably to €7.36 million (+11.54%) and €2.10 million (+25.21%) respectively. Although the EBITDA margin is forecasted to decrease to 11.58%, the Company is expecting an improvement in its operating profit margin and return on invested capital to 3.30% and 4.02% respectively. Meanwhile, the interest cover is expected to remain virtually unchanged at around 6 times as the projected increase of 12.78% in net finance costs to €1.22 million will be largely absorbed by the growth in EBITDA.

After accounting for tax charges of €0.31 million, Hudson Malta is forecasting a net profit for the year of €0.57 million which would translate into a margin of 0.90%, a return on equity of 4.40%, and a return on assets of 0.82%.


Hudson Malta plc
Revenue & EBITDA
FY2019(A) to FY2023(F)
Revenue (€ million)
EBITDA (€ million)
70
60
50
40
30
20
10
0
8
7
6
5
4
3
2
1
0
2019(A)
2020(A)
2021(A)
2022(A)
2023(F)
Retail
Wholesale & Other Income
EBITDA


Hudson Malta plc
EBITDA Margin & Interest Cover
FY2019(A) to FY2023(F)
EBITDA Margin (%)
Interest Cover (times)
18
16
14
12
10
8
6
4
2
0
9
8
7
6
5
4
3
2
1
0
2019(A)
2020(A)
2021(A)
2022(A)
2023(F)
EBITDA Margin
Interest Cover

Hudson Malta p.l.c. Cash Flow Statement for the financial year 31 December	2020 Actual €'000	2021 Actual €'000	2022 Actual €'000	2023 Forecast €'000
Net cash from / (used in) operating activities	3,626	4,624	(4)	2,798
Net cash from / (used in) investing activities	(865)	(420)	(1,386)	(4,384)
Net cash from / (used in) financing activities	(1,412)	(1,105)	(3,002)	(290)
Net movement in cash and cash equivalents	**1,349**	**3,099**	**(4,392)**	**(1,876)**
Cash and cash equivalents at beginning of year	2,719	4,068	7,167	2,776
Cash and cash equivalents at end of year	**4,068**	**7,167**	**2,776**	**900**

Cash Flow Statement

In **FY2020**, Hudson Malta reported a positive net movement in cash balances of €1.35 million (FY2019: €0.57 million), mainly on account of net cash inflows from operating activities which amounted to €3.63 million compared to €5.28 million in the prior year.

In terms of investing activities, the Company utilised €0.87 million for capital expenditure relating to the refitting of stores, representing a reduction of €1.41 million compared to the amount of €2.28 million used in FY2019. Similarly, net cash used in financing activities dropped considerably and amounted to €1.41 million (mainly comprising payments of lease obligations) compared to €2.44 million in FY2019.

Hudson Malta registered a net positive movement in cash and cash equivalents of €3.10 million in **FY2021**. Net cash inflows from operating activities increased to €4.62 million as a result of the year-on-year increase in operating profit which was partly offset by adverse movements in working capital.

Cash used in investing activities contracted further to €0.42 million as Hudson Malta opted to preserve its cash resources amid the impact of the COVID-19 pandemic. Meanwhile, the Company utilised a net amount of €1.11 million for its financing activities, including payment of lease obligations (€2.91 million) as well as net loan drawdowns of €1.81 million. During the year, Hudson Malta obtained a new credit facility of €1.85 million under the COVID-19 Guarantee Scheme supported by the Malta Development Bank.

In **FY2022**, the Issuer reported a negative movement of €4.39 million in cash and cash equivalents as Hudson Malta increased its investing activities to €1.39 million with a view of expanding its presence in the market. Furthermore, cash used in financing activities amounted to €3.0 million compared to €1.1 million in the prior year. Repayment of borrowing amounted to €0.3 million (FY2021: net proceeds from borrowings of €1.81 million) and payments of lease obligations amounted to €2.68 million (FY2021: €2.91 million).

Elsewhere, cash generated from operating activities was negatively impacted by the higher incidence of income tax payments as well as unfavourable working capital movements. As a result, Hudson Malta ended the 2022 financial year with cash balance of €2.78 million compared to €7.17 million as at 31 December 2021.

In **FY2023**, the Issuer is expecting a negative movement of €1.88 million in net cash and cash equivalents. Despite the growth in business and profitability, cash flows from operations are anticipated to be negatively affected by unfavourable working capital movements, particularly in relation to inventories and trade and other receivables. Furthermore, cash used in investing activities is anticipated to amount to €4.38 million, which is earmarked for capital expenditure relating to new outlets and refitting of stores. This will be partially supported by cash inflows from new financing which is expected to amount to €3.40 million. Payments of lease obligations are expected to amount to €3.69 million, bringing the net cash flows used in financing activities to a negative movement of €0.29 million. As a result, the Issuer is forecasting to end the 2023 financial year with cash balances of €0.90 million.

Hudson Malta p.l.c. Statement of Financial Position as at 31 December	2020 Actual €'000	2021 Actual €'000	2022 Actual €'000	2023 Forecast €'000
ASSETS				
Non-current assets				
Intangible assets	1,202	4,390	4,069	3,857
Property, plant & equipment	3,486	4,674	5,162	8,095
Right-of-use assets	16,422	20,826	21,341	30,014
Other non-current assets	1,035	954	1,414	1,164
Loan to related undertakings	6,914	6,214	5,382	5,101
	29,059	37,058	37,368	48,231
Current assets				
Inventories	3,494	5,447	7,840	10,060
Trade and other receivables	6,719	8,937	14,398	16,087
Cash and cash equivalents	4,111	7,509	4,228	2,199
	14,324	21,893	26,466	28,346
Total assets	**43,383**	**58,951**	**63,833**	**76,577**
EQUITY				
Capital and reserves				
Share capital and reserves	16,450	22,450	22,450	22,450
Other reserves	(15,995)	(15,995)	(15,995)	(15,995)
Retained earnings	5,067	6,102	6,310	6,884
	5,522	**12,557**	**12,765**	**13,339**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	11,971	13,440	13,016	16,416
Lease liabilities	15,087	18,102	18,544	26,276
	27,058	31,542	31,560	42,692
Current liabilities				
Bank overdrafts	43	342	1,452	1,299
Borrowings	29	369	475	475
Lease liabilities	1,478	2,555	3,031	3,972
Trade and other payables	9,238	10,995	14,303	14,492
Other current liabilities	15	591	248	309
	10,803	14,852	19,509	20,547
	37,861	**46,394**	**51,069**	**63,239**
Total equity and liabilities	**43,383**	**58,951**	**63,833**	**76,577**
Total debt	*28,608*	*34,808*	*36,517*	*48,438*
Net debt	*24,497*	*27,299*	*32,290*	*46,239*
Invested capital (total equity plus net debt)	*30,019*	*39,856*	*45,054*	*59,577*

Hudson Malta p.l.c. Key Financial Ratios	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast
Net debt-to-EBITDA *(times)* *(Net debt / EBITDA)*	8.24	4.19	4.89	6.28
Net debt-to-equity *(times)* *(Net debt / total equity)*	4.44	2.17	2.53	3.47
Net gearing *(%)* *(Net debt / net debt and total equity)*	81.60	68.49	71.67	77.61
Debt-to-asset *(times)* *(Total debt / total assets)*	0.66	0.59	0.57	0.63
Leverage (times) *(Total assets / total equity)*	7.86	4.69	5.00	5.74
Current ratio *(times)* *(Current assets / current liabilities)*	1.33	1.47	1.36	1.38

Statement of Financial Position

The Company's total assets amounted to €58.95 million as at 31 December **2021** compared to €43.38 million as at the end of 2020. The year-on-year changes mainly related to the assets of Trilogy which was effectively acquired by the Company on 1 July 2021.

Total liabilities increased by 22.54% to €46.39 million (31 December 2020: €37.86 million) largely due to the higher level of borrowings (+€2.11 million to €14.15 million) and lease liabilities (+€4.09 million to €20.66 million). In addition, trade and other payables grew by 19.02% year-on-year to just under €11 million compared to €9.24 million as at the end of 2020. Part of these changes were also driven by the consolidation of Trilogy.

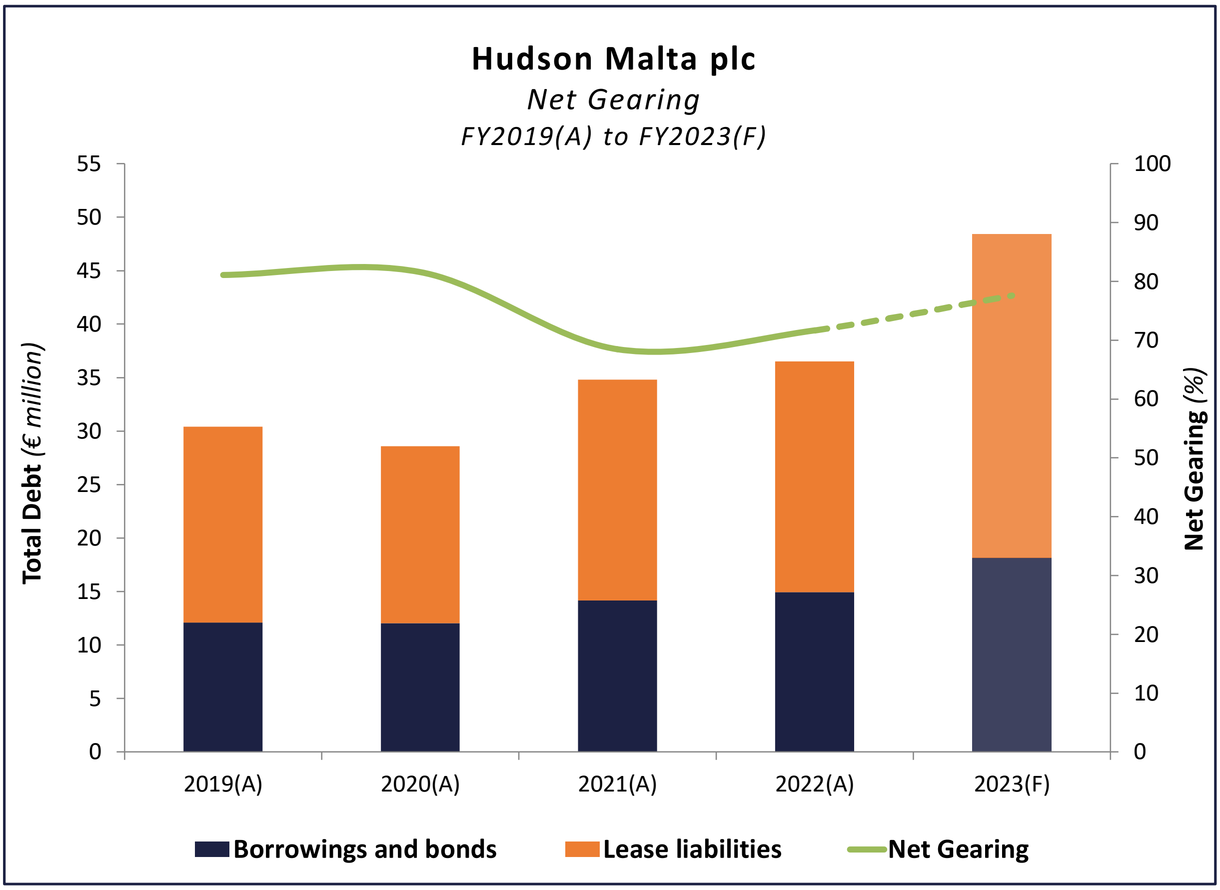
Meanwhile, during the year the equity base of the Company expanded considerably to €12.56 million (31 December 2020: €5.52 million) in view of the €6 million increase in share capital to €22.45 million (on account of the additional capital allocated in settlement for the acquisition of Trilogy) which led to an improvement in all credit metrics of the Company. In fact, the net gearing ratio slipped to 68.49% from 81.60% as at the end of 2020 whilst the net debt-to-equity and the debt-to-asset ratios dropped to 2.17 times (31 December 2020: 4.44 times) and 0.59 times (31 December 2020: 0.66 times) respectively.

In **FY2022**, total assets grew by a further 8.28% to €63.83 million largely due to the higher level of inventories (+€2.39 million to €7.84 million) and trade and other receivables (+€5.46 million to €14.40 million). Similarly, total liabilities increased by 10.08% to €51.07 million as current liabilities rose by €4.66 million to €19.51 million. In this respect, the Company's current ratio deteriorated slightly to 1.36 times compared to 1.47 times as at the end of 2021.

Total equity increased marginally to €12.77 million. However, given the sharper increase in net debt to €32.29 million (31 December 2021: €27.30 million), the net debt-to-equity and the net gearing ratios rose to 2.53 times and 71.67% respectively. Furthermore, despite the growth in EBITDA registered during the year, the net debt-to-EBITDA multiple deteriorated to 4.89 times compared to 4.19 times in FY2021.

During **FY2023**, Hudson Malta is expecting a near 20% increase in total assets to €76.58 million largely reflecting the continued expansion of the Company's operations via new outlets. For this reason, total liabilities are also anticipated to increase markedly to €63.24 million particularly in view of the higher level of lease liabilities (+€8.67 million to €30.25 million) and bank borrowings (+€3.25 million to €18.19 million).

Total equity is anticipated to increase by 4.50% to €13.34 million on account of the profit to be generated by the Company. However, in view of the sharper increase in debt (including lease liabilities), Hudson Malta is expecting its credit metrics to deteriorate since the new outlets will contribute to the Company's EBITDA as of FY2024. The net debt-to-EBITDA is projected to increase to 6.28 times whilst the net gearing ratio is expected to surpass the 77% level.



9. VARIANCE ANALYSIS – HUDSON MALTA

The following information appertains to Hudson Malta and relates to the variance analysis between the forecasts for the financial year ended 31 December 2022 included in the Analysis dated 30 June 2022, and the audited annual financial statements for the financial year ended 31 December 2022.

Hudson Malta p.l.c. Income Statement for the financial year ended 31 December 2022	**Actual €'000**	**Forecast €'000**	**Variance €'000**
Revenue - Retail	*42,113*	*42,020*	*93*
Revenue - Wholesale and other income	*12,746*	*14,799*	*(2,053)*
Total revenue	**54,859**	**56,819**	**(1,960)**
Cost of sales	(36,343)	(36,793)	450
Gross profit	**18,516**	**20,026**	**(1,510)**
Net operating costs	(11,855)	(12,753)	898
Net impairment losses on financial and contract assets	(59)	-	(59)
EBITDA	**6,602**	**7,273**	**(671)**
Depreciation & amortisation	(4,925)	(4,538)	(387)
Operating profit	**1,678**	**2,735**	**(1,057)**
Finance income	395	428	(33)
Finance costs	(1,475)	(1,502)	27
Profit before tax	**597**	**1,661**	**(1,064)**
Taxation	(390)	(581)	191
Net profit	**208**	**1,080**	**(872)**

The profit generated by the Company during FY2022 was below expectations amid a lower level of income from the wholesale segment as well as the higher-than-anticipated costs. As a result, Hudson Malta missed its net profit target by €0.87 million.

Hudson Malta p.l.c. Cash Flow Statement for the financial year ended 31 December 2022	Actual €'000	Forecast €'000	Variance €'000
Net cash from / (used in) operating activities	(4)	6,940	(6,944)
Net cash from / (used in) investing activities	(1,386)	(2,122)	736
Net cash from / (used in) financing activities	(3,002)	(3,463)	461
Net movement in cash and cash equivalents	**(4,392)**	**1,355**	**(5,747)**
Cash and cash equivalents at beginning of year	7,167	7,167	-
Cash and cash equivalents at end of year	**2,776**	**8,522**	**(5,747)**

The negative variance in cash flow mainly related to unfavourable working capital movements in operating activities, which was partially offset by positive variances in cash amounts used in investing and financing activities.

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

(1) The value of right-of-use assets was higher than estimated by €1.60 million.

(2) The negative variance in the amount of loans to related undertaking reflects the settlement of a loan that was not previously anticipated.

(3) Inventories were higher by €1.43 million largely on account of the Company's continued expansion across the local retail market, including a new multi-brand outlet in Arkadia Commercial Centre, Victoria, Gozo.

(4) The positive variance in trade and other receivables is due to an internal reorganisation related with the supply of goods to Italy, as well as higher prepayments made ahead of the opening of new stores.

(5) Net debt was higher than previously anticipated on account of the higher amounts of bank borrowings (+€0.93 million) and lease liabilities (+€1.84 million), as well as the adverse movement in cash balances as explained above.

Hudson Malta p.l.c.
Statement of Financial Position
as at 31 December 2022

	Actual €'000	Forecast €'000	Variance €'000	
ASSETS				
Non-current assets				
Intangible assets	4,069	4,390	(321)	
Property, plant & equipment	5,162	5,410	(248)	
Right-of-use assets	21,341	19,738	1,603	**(1)**
Other non-current assets	1,414	954	460	
Loan to related undertakings	5,382	6,214	(832)	**(2)**
	37,368	36,706	662	
Current assets				
Inventories	7,840	6,408	1,432	**(3)**
Trade and other receivables	14,398	10,366	4,032	**(4)**
Cash and cash equivalents	4,228	8,864	(4,636)	
	26,466	25,638	828	
Total assets	**63,833**	**62,344**	**1,489**	
EQUITY				
Capital and reserves				
Share capital and reserves	22,450	22,450	-	
Other reserves	(15,995)	(15,995)	-	
Retained earnings	6,310	7,763	(1,453)	
	12,765	**14,218**	**(1,453)**	
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	13,016	12,960	56	
Lease liabilities	18,544	16,628	1,916	
	31,560	29,588	1,972	
Current liabilities				
Bank overdrafts	1,452	342	1,110	
Borrowings	475	711	(236)	
Lease liabilities	3,031	3,109	(78)	
Trade and other payables	14,303	13,784	519	
Other current liabilities	248	592	(344)	
	19,509	18,538	971	
	51,069	**48,126**	**2,943**	
Total equity and liabilities	**63,833**	**62,344**	**1,489**	
Total debt	*36,517*	*33,750*	*2,767*	
Net debt	*32,290*	*24,886*	*7,404*	**(5)**
Invested capital (total equity plus net debt)	*45,054*	*39,104*	*5,950*	

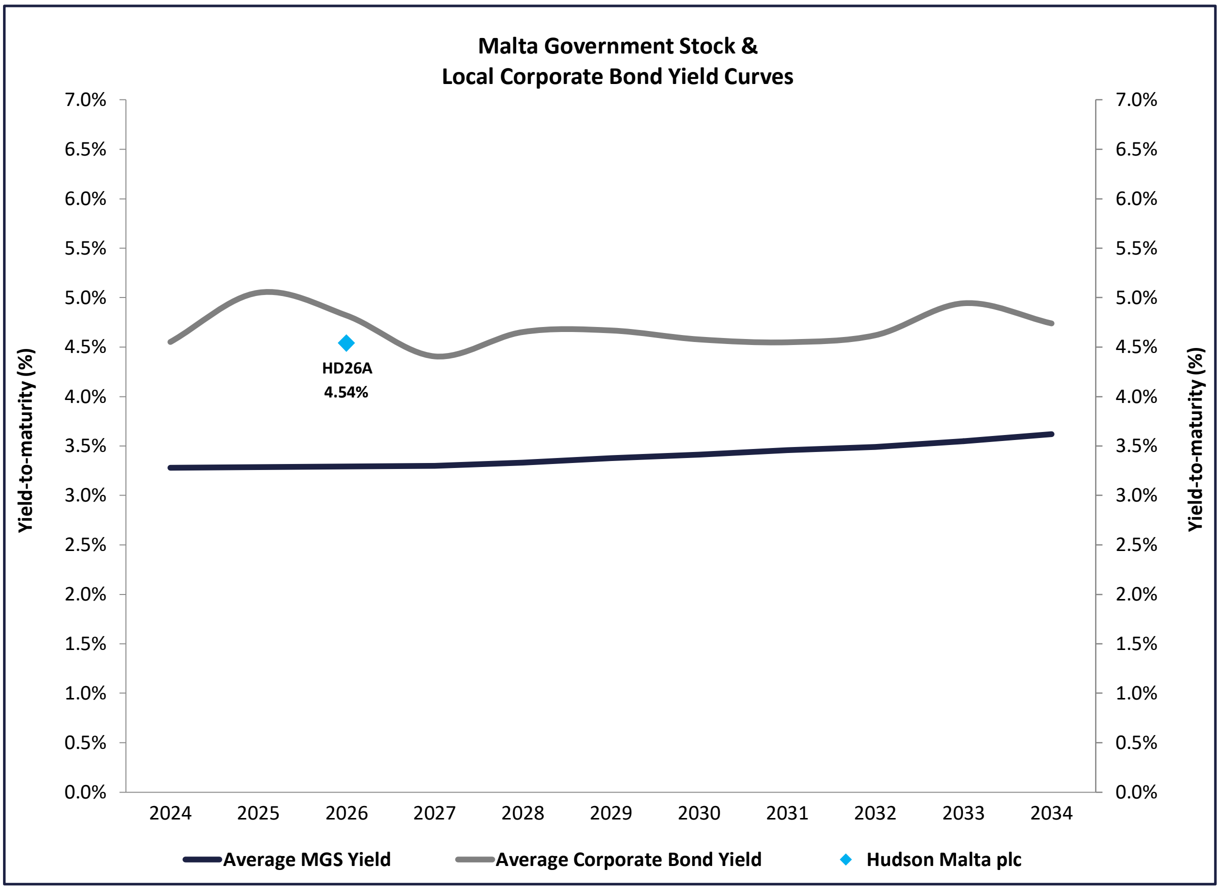
PART 3 – COMPARATIVE ANALYSIS

The table below provides a comparison between the Company and its bonds with other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of Hudson Malta 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 serves as an indication of the financial performance and strength of Hudson Malta.

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

As at 31 May 2023

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



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

The 4.35% Hudson Malta plc unsecured and guaranteed bonds 2026 are currently trading at a yield-to-maturity ("YTM") of 4.54% which is 28 basis points lower than the average YTM of other local corporate bonds maturing in the same year. The premium over the corresponding Malta Government Stock yield of equivalent maturity is 125 basis points.

PART 4 – EXPLANATORY DEFINITIONS

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

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

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

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

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