Financial Analysis Summary

28 June 2024

Issuer

Hudson Malta p.l.c.

(C 83425)

Guarantor

Hudson Malta Sales Ltd

(C 32438)

Prepared by:

MZ INVESTMENTS

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The Board of Directors
Hudson Malta p.l.c.
Hudson House
Burmarrad Road
Burmarrad, St Paul's Bay SPB 9060
Malta

28 June 2024

Dear Board Members,

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the MFSA Listing Policies, we have compiled the Financial Analysis Summary (the "**Analysis**") set out on 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 Malta p.l.c. (the "**Issuer**", "**Company**" or "**Hudson Malta**") and Hudson Holdings Limited (the "**Group**", "**Hudson Holdings**" or "**HHL**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical information for the most recent three financial years ended 31 December 2021, 31 December 2022, and 31 December 2023 has been extracted from the respective audited consolidated annual financial statements.

(b) The forecast information of Hudson Malta for the financial year ending 31 December 2024 has been provided by the Issuer.

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

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

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

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

Yours faithfully,

Evan Mohnani
Head Corporate Broking

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PART 1 – INFORMATION ABOUT THE GROUP

1. KEY ACTIVITIES OF HUDSON HOLDINGS

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 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 and suppliers for the foreseeable future.

In terms of an agreement dated 5 March 2018 between HHL and the Issuer, all retail activity carried out in Malta by the Group relating to sports and fashion wear where Hudson Holdings 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 and became legally effective on 21 February 2024. 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 accounted for this transfer and merger in the 2022 financial year with the accounting effective date of the merger being 1 January 2022. As a result of this transaction, HMSL succeeded to all the assets, rights, liabilities, and obligations of Trilogy, which, in turn, ceased to exist and was struck off.

On 11 October 2023, the shareholders of HHL signed a non-binding letter of intent with Frasers Group p.l.c. ("**Frasers Group**") – an international leader in the retail sector which has its shares listed on the London Stock Exchange – to discuss the possibility of Frasers Group making a significant investment in the Group as well as to franchise their Sports Direct retail concept to Hudson Group for Malta and Africa. HHL's shareholders are of the opinion that such a potential partnership will strengthen the Group's growth and expansion plan. However, notwithstanding the execution of the letter of intent, the discussions are still ongoing and there is no certainty that the negotiations underway will result in the afore-mentioned transaction. The Company will keep the market informed of any developments in respect of the abovementioned subject matter, including material aspects of a corporate and business restructuring that may be undertaken by the Group concerning the Company and HMSL, in accordance with regulatory requirements.

1.1 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 acted as a finance vehicle for HHL by raising capital through the Bond issue 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 of sports and fashion wear in Malta.

The activities of Hudson Malta are conducted through HMSL which operates various retail outlets in Malta. 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.

1.2 INTERNATIONAL OPERATIONS

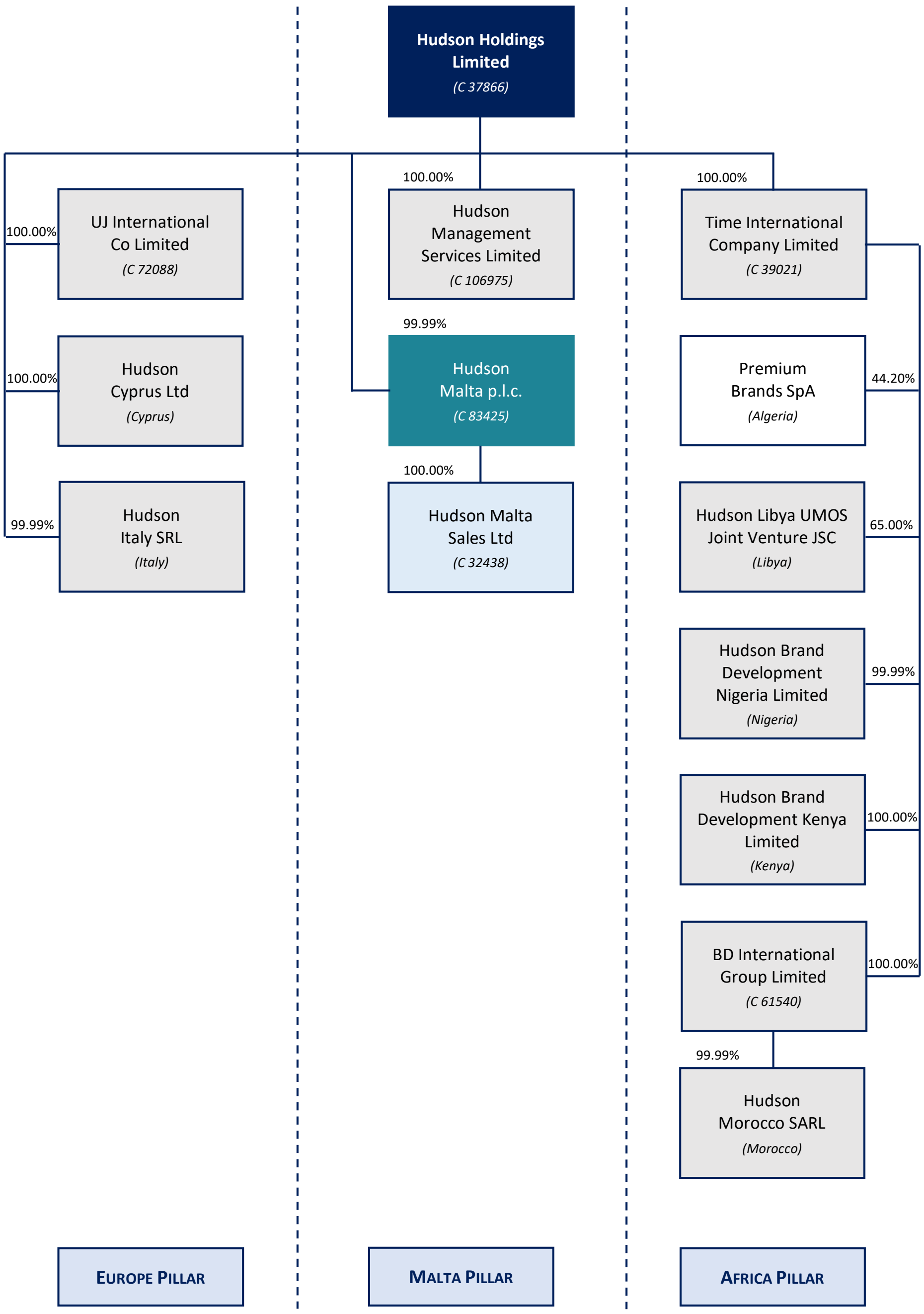
Apart from its operations in Malta, the Group has a direct retail presence in Southern Europe and Africa with over 30 stores in Morocco, 7 stores in Algeria, and 3 stores in Nigeria. The Group also has an international distribution network for some brands which cover more than 30 territories. These include NIKE products which are also distributed to 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 three Kiabi stores, Urban Jungle stores in Italy, and a high-end streetwear and top tier sneakers concept store – Black Box – with dedicated outlets situated in Bari, Naples, and Rome.

2. ORGANISATIONAL STRUCTURE

The diagram below illustrates the organisational structure of the Group:



3. DIRECTORS & MANAGEMENT STRUCTURE

3.1 DIRECTORS OF THE ISSUER

The Board of Directors of Hudson Malta comprises the following six individuals who are entrusted with the overall development, direction, and strategic management of the Company:

Alfred Borg	Executive Director
George Amato	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

3.2 DIRECTORS OF THE GUARANTOR

The Board of Directors of HMSL comprises the following three individuals who are entrusted with the overall development, direction, and strategic management of the Guarantor:

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

3.3 MANAGEMENT STRUCTURE

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 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 while other individuals who are members of the Group's Senior Management Team may also be invited to contribute to the EXCO:

Alfred Borg	Chairman
Christopher Muscat	Chief Executive Officer
George Amato	Supply Chain Director
Jonathan Briffa	Chief Financial Officer

Kalani Weerasinghe	Chief People Officer
Joseph Borg	Brand Director – Fashion
Alex Cara	Chief Commercial Officer
Nigel Curmi	Chief Information Officer

The EXCO is supported by a Senior Management Team in the day-to-day running of the Group which, in turn, is composed of the following individuals:

Alfred Borg	Chairman
Christopher Muscat	Chief Executive Officer
George Amato	Supply Chain Director
Jonathan Briffa	Chief Financial Officer
Kalani Weerasinghe	Chief People Officer
Nigel Curmi	Chief Information Officer
Kyriacos Zindilis	Country Manager – Cyprus
Luca Moscati	Country Manager – Italy
David Shone	Country Manager – Malta (appointed in February 2024)
Magdy Salama	Country Manager – Morocco (appointed in February 2024)
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 Commercial Officer

4. ECONOMIC & SECTOR ANALYSIS

4.1 ECONOMIC UPDATE[1]

The Maltese economy continues to grow robustly driven by strong exports and domestic demand. Tourism flows bounced back to well above pre-pandemic levels and the strong inflow of workers is boosting domestic demand. After reaching 5.60% GDP growth in 2023, the Maltese economy is expected to achieve a growth rate of 4.60% in 2024 and 4.30% in 2025. The government deficit stood at 4.90% of GDP in 2023, and it is expected to only gradually decrease in 2024 and 2025. Thanks to robust nominal GDP growth, the public debt-to-GDP ratio is forecast to increase only slightly despite the still high primary deficit.

In 2023, real GDP growth reached 5.60%, 1.6 percentage points higher than projected in autumn. Both private consumption and exports came much stronger than expected, resulting from significantly higher immigration and tourism flows. Besides exceptionally strong immigration, Malta's economy continues to benefit from a low pass-through of monetary policy to retail interest rates and from government measures that have kept energy prices stable at 2020 levels.

Tourism reached pre-pandemic levels in 2023. The number of tourist arrivals increased by more than 26% in the first two months of 2024, although tourism expenditure grew at a slightly slower pace. Strong growth is also forecast in exports of electronics and entertainment, professional and financial services.

Construction investment is expected to stabilise and recover moderately after a sharp fall in 2023, growing at 2.50% in 2024 and 3.90% in 2025. The increase of private consumption and activity in the service sector is expected to lead to higher imports of goods and services. Overall, the forecast for GDP growth was revised upward to 4.60% in 2024 and 4.30% in 2025.

With employment growth at 6.50% in 2023, Malta's labour market exceeded expectations. Employment growth is set to remain strong at 4% also in 2024 and 2025 as the country continues to attract foreign workers. Labour and skills shortages are still mentioned as the main limiting factors for the Maltese economy.

The unemployment rate was revised upwards from 2.90% to 3.50% in 2022 due to an updated demographic survey. In 2023, the unemployment rate fell to 3.10% and it is expected to drop marginally to 3% and 2.90% in 2024 and 2025. Nominal wages were, however, still growing at relatively weak rates in 2023 as employment expanded in the low wage sectors, resulting in negative real wage growth per head.

HICP inflation in 2023 reached 5.60% despite the government intervention to keep energy prices at 2020 levels. The Maltese authorities confirmed their commitment to limiting energy inflation in 2024 and 2025. Inflation in Malta slowed down in the first quarter of 2024 mainly due to lower services

[1] **Source:** European Commission, '*European Economic Forecast Spring 2024*', 15 May 2024.

inflation. Headline inflation is forecast at 2.80% in 2024 and 2.30% in 2025, with food prices set to remain the fastest growing component.

In 2023, the debt-to-GDP ratio fell by 1.2 percentage points to 50.40% due to strong nominal growth and despite the high primary deficit. A positive stock-flow adjustment related to the equity injection in the national airline is expected to drive the increase of the public debt to 52% of GDP in 2024. For 2025, a smaller primary deficit and a favourable interest growth differential will lead to a smaller increase of public debt to 52.60% of GDP.

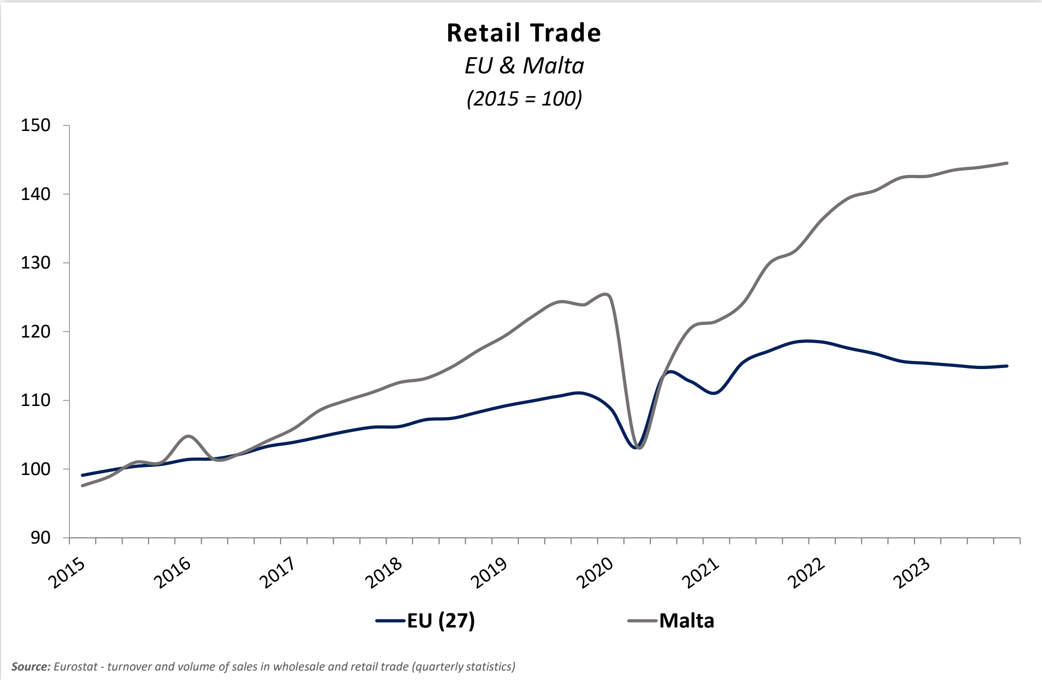
Key Economic Indicators [1]	**2021 Actual**	**2022 Actual**	**2023 Forecast**	**2024 Forecast**	**2025 Projection**
Malta					
Real GDP growth *(%, year-on-year)*	12.50	8.10	5.60	4.60	4.30
Real GDP growth per capita *(%, year-on-year)*	11.90	5.30	2.40	1.90	1.70
Inflation *(%, year-on-year)* [2]	0.70	6.10	5.60	2.80	2.30
Unemployment (%)	3.80	3.50	3.10	3.00	2.90
Primary balance *(% of GDP)*	(6.50)	(4.60)	(3.80)	(3.10)	(2.60)
General balance *(% of GDP)*	(7.60)	(5.50)	(4.90)	(4.30)	(3.90)
Gross public debt *(% of GDP)*	53.90	51.60	50.40	52.00	52.60
Current account balance *(% of GDP)*	5.70	0.60	4.20	3.40	3.60
Euro area (20)					
Real GDP growth *(%, year-on-year)*	5.90	3.40	0.40	0.80	1.40
Real GDP growth per capita *(%, year-on-year)*	5.90	2.90	(0.20)	0.50	1.10
Inflation *(%, year-on-year)* [2]	2.60	8.40	5.40	2.50	2.10
Unemployment (%)	7.80	6.80	6.60	6.60	6.50
Primary balance *(% of GDP)*	(3.80)	(2.00)	(1.90)	(1.10)	(0.90)
General balance *(% of GDP)*	(5.20)	(3.70)	(3.60)	(3.00)	(2.80)
Gross public debt *(% of GDP)*	96.60	92.40	90.00	90.00	90.40
Current account balance *(% of GDP)*	3.70	1.00	2.90	3.20	3.20
EU					
Real GDP growth *(%, year-on-year)*	6.00	3.50	0.40	1.00	1.60
Real GDP growth per capita *(%, year-on-year)*	6.10	3.30	0.00	0.80	1.50
Inflation *(%, year-on-year)* [2]	2.90	9.20	6.40	2.70	2.20
Unemployment (%)	7.10	6.20	6.10	6.10	6.00
Primary balance *(% of GDP)*	(3.40)	(1.80)	(1.80)	(1.20)	(0.90)
General balance *(% of GDP)*	(4.70)	(3.40)	(3.50)	(3.00)	(2.90)
Gross public debt *(% of GDP)*	89.00	84.80	82.90	82.90	83.40
Current account balance *(% of GDP)*	3.30	0.90	2.90	3.10	3.10

[1] **Source:** *European Commission, 'European Economic Forecast Spring 2024, 15 May 2024.*

[2] *Harmonised Indices of Consumer Prices ("HICP")*

4.2 RETAIL TRADE SECTOR[2]

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).



According to the EU trend line above, retail trade increased at a constant rate of growth from Q1 2015 to Q2 2020. Following the COVID-19 pandemic outbreak in March 2020, retail activity declined by 7.8 percentage points in Q2 2020 compared to Q4 2019 but fully recovered by Q3 2020. Between Q3 2020 and Q4 2023, retail activity in the EU increased marginally with a declining trend line as from Q1 2022.

Retail activity in Malta outperformed the EU average in 2018 and 2019 on account of: (i) the robust overall growth of the Maltese economy; (ii) strong labour market dynamics which outpaced the EU average; and (iii) the increase in population of the expat community in Malta.

In Q2 2020, the fashion retail sector in Malta decreased by 20.6 percentage points from Q4 2019 as a result of the COVID-19 pandemic. From Q3 2020 to Q4 2022, the fashion retail sector in Malta grew strongly by 28.8 percentage points compared to an increase of 2.1 percentage points registered by the EU. Conversely, the pace of growth eased considerably during 2023 as the retail sector in Malta expanded by 2.1 percentage points which, however, still outpaced the EU average which registered a contraction of 0.7 percentage points.

[2] **Source:** Eurostat.

PART 2 – PERFORMANCE REVIEW

5. FINANCIAL INFORMATION RELATING TO HUDSON HOLDINGS

The historical information is extracted from the audited consolidated annual financial statements of the Group for the financial years ended 31 December 2021, 31 December 2022, and 31 December 2023.

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 Hudson Holdings had resolved to publish, on an annual basis, the Group's audited consolidated annual financial statements by not later than two months after the publication of the Issuer's audited financial statements.

Hudson Holdings Limited **Income Statement** **for the financial year 31 December**	**2021** **€'000** **Actual**	**2022** **€'000** **Actual**	**2023** **€'000** **Actual**
Retail	*51,771*	*62,768*	*85,587*
Wholesale	*68,825*	*98,805*	*96,254*
Total revenue	**120,596**	**161,573**	**181,841**
Cost of sales	(85,988)	(114,527)	(128,260)
Gross profit	**34,608**	**47,046**	**53,581**
Net operating costs	(19,427)	(26,953)	(36,020)
EBITDA	**15,181**	**20,093**	**17,561**
Depreciation and amortisation	(7,442)	(9,877)	(12,279)
Operating profit	**7,739**	**10,216**	**5,282**
Share of profit / (loss) in associate	(29)	245	589
Net finance costs	(2,248)	(2,889)	(5,123)
Profit before tax	**5,462**	**7,572**	**748**
Taxation	(1,836)	(3,179)	(1,763)
Profit / (loss) after tax	**3,626**	**4,393**	**(1,015)**
Other comprehensive income			
Currency translation differences	152	454	(1,173)
Fair value movements in equity investments, net of deferred tax	-	-	313
Total comprehensive income / (loss)	**3,778**	**4,847**	**(1,875)**

Hudson Holdings Limited Key Financial Ratios	FY2021 Actual	FY2022 Actual	FY2023 Actual
Gross profit margin (%) *(Gross profit / revenue)*	28.70	29.12	29.47
EBITDA margin (%) *(EBITDA / revenue)*	12.59	12.44	9.66
Operating profit margin (%) *(Operating profit / revenue)*	6.42	6.32	2.90
Net profit margin (%) *(Profit after tax / revenue)*	3.01	2.72	(0.56)
Return on equity (%) *(Profit after tax / average equity)*	27.72	21.98	(4.73)
Return on assets (%) *(Profit after tax / average assets)*	3.65	3.46	(0.68)
Return on invested capital (%) *(Operating profit / average equity and net debt)*	16.13	14.32	5.68
Interest cover (times) *(EBITDA / net finance costs)*	6.75	6.96	3.43

INCOME STATEMENT

During **FY2021**, the financial performance of Hudson Holdings 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, Hudson Holdings operated 56 stores in 5 countries and also distributed its products to over 25 countries apart from the operation of 3 e-commerce sites.

Revenues amounted to €120.60 million, representing a year-on-year increase of 42.29% (or +€35.84 million). Income from retail operations surged by almost 57% to €51.77 million while wholesale revenue increased by 33.00% to €68.83 million, thereby matching the level of revenue generated prior to the onset of the COVID-19 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%. Hudson Holdings also reported a substantial increase in EBITDA to €15.18 million which translated into a margin of 12.59%. Given the growth in EBITDA and the relatively unchanged net finance costs of €2.25 million, the interest cover rose substantially to 6.75 times.

Depreciation and amortisation charges were higher when compared to the prior year as these increased 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.

Revenues increased by almost 34% to €161.57 million in **FY2022**. Both the retail and the wholesale operating segments of the Group registered strong double-digit percentage growth 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 expansion of 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 growth 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 6.96 times.

Overall, Hudson Holdings reported an increase of 21.15% in net profit to €4.39 million which translated into a margin of 2.72%. However, the return on equity and on assets retracted to 21.98% and 3.46% respectively, on account of the year-on-year increase in assets and equity. Similarly, the return on invested capital eased to 14.32% compared to 16.13% in FY2021, despite the growth in operating profit to €10.22 million from €7.74 million in FY2021.

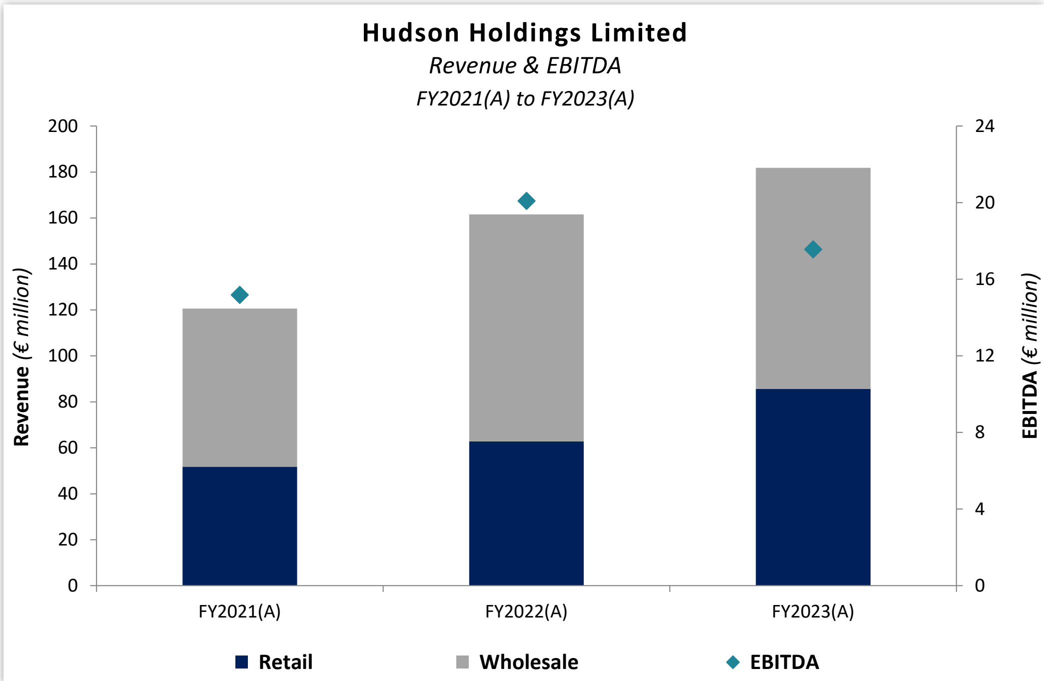
Total revenues increased by a further 12.54% to €181.84 million in **FY2023** as the strong increase of 36.35% registered by the retail segment to €85.59 million outweighed the marginal drop of 2.58% to €96.25 million recorded by the wholesale division. The increased reported by the retail segment was principally the result of new store openings which took place in 2022 and 2023. In fact, during 2023, the Group continued with its fast pace of retail expansion and opened 29 stores across 6 countries with most of the openings happening in Morocco, followed by Malta. In aggregate, Hudson Holdings ended the year with 93 stores across 6 countries.

Despite the significant growth in retail turnover generated by the new stores the Group felt the impact of the decreased demand for retail goods mainly caused by inflation and, as such, the achieved retail turnover was significantly below expectations. This decreased demand was also felt in the wholesale business, but this was mostly absorbed by the onboarding of new clients.

Given the upsurge in overall business, cost of sales rose by almost 12% to €128.26 million (FY2022: €114.53 million). Nonetheless, the Group still recorded an increase of 13.89% in gross profit to €53.58 million whilst the relative margin improved, albeit marginally, to 29.47%, reflecting the larger share of retail revenue of the total, which is at higher margin, although this was lower than expected due to the downward pressure on retail prices in a challenging business climate and high inventory levels.

Net operating costs also increased markedly by 33.64% to €36.02 million (FY2022: €26.95 million) amid overall inflationary pressures, the expansion of the Group's operations including the opening of a significant number of new retail stores, adverse movements in foreign currency related to HHL's operations in Africa particularly in Nigeria which resulted in a loss of €2.50 million, as well as higher payroll and I.T. costs. As a result, EBITDA contracted by 12.60% year-on-year to €17.56 million whilst the EBITDA margin retracted to 9.66%. Furthermore, in view of the reduction in EBITDA and the rise in net finance costs due to the increase in the cost of debt and the higher level of bank borrowings, the interest cover deteriorated to 3.43 times.

During FY2023, the Group also incurred higher depreciation and amortisation charges as these amounted to €12.28 million reflecting the additional investments pursued by the Group to sustain its expansion. Accordingly, the operating profit dropped to €5.28 million which translated into a margin of 2.90% (FY2022: 6.32%) and a return on invested capital of 5.68%. After deducting net finance costs of €5.12 million, the Group reported a profit before tax of €0.75 million. Overall, the Group reported a loss for the year of €1.02 million after taking into account tax charges of €1.76 million. The total comprehensive loss amounted to €1.88 million (FY2022: total comprehensive income of €4.85 million) and was mostly adversely impacted by negative currency translation differences of €1.17 million.



Hudson Holdings Limited Statement of Cash Flows for the financial year 31 December	2021 €'000 Actual	2022 €'000 Actual	2023 €'000 Actual
Net cash from / (used in) operating activities	10,088	(6,614)	12,035
Net cash from / (used in) investing activities	(8,090)	(9,215)	(8,082)
Free cash flow	**1,998**	**(15,829)**	**3,953**
Net cash from / (used in) financing activities	3,864	3,688	(5,283)
Net movement in cash and cash equivalents	**5,862**	**(12,141)**	**(1,330)**
Cash and cash equivalents at beginning of year	17,192	23,054	10,913
Cash and cash equivalents at end of year	**23,054**	**10,913**	**9,583**

STATEMENT OF CASH FLOWS

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 net cash for its 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 ("**PPE**") for €4.94 million mainly on account of the expansion of HHL'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 in net cash 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 inventories and trade and other receivables.

Net cash used in investing activities increased by 13.89% to €9.22 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. As a result, Hudson Holdings ended the 2022 financial year with a cash balance of €10.91 million compared to €23.05 million as at 31 December 2021.

During **FY2023**, HHL generated €12.04 million in net cash from its operating activities reflecting the inflows from business activity which were partly offset by a marginal negative movement in working capital as well as other outflows. On the other hand, net cash used in investing and financing activities amounted to €8.08 million and €5.28 million respectively and these comprised the purchase of PPE (€7.20 million) and intangible assets (€0.88 million), as well as lease payments (€6.64 million) and proceeds from drawdowns of bank borrowings (€1.36 million). Overall, the Group ended the 2023 financial year with a cash balance of €9.58 million, representing a year-on-year drop of €1.33 million.

Hudson Holdings Limited Statement of Financial Position as at 31 December	2021 €'000 Actual	2022 €'000 Actual	2023 €'000 Actual
ASSETS			
Non-current assets			
Intangible assets	7,110	8,362	8,627
Property, plant, and equipment	13,287	17,042	19,014
Right-of-use assets	30,619	32,080	44,659
Investment in associates	530	795	1,372
Available for sale investments	-	-	313
Receivables	1,683	2,071	1,816
Deferred tax assets	1,309	1,845	1,208
	54,538	**62,195**	**77,009**
Current assets			
Inventories	19,226	35,266	46,446
Trade and other receivables	18,650	28,485	24,875
Other current assets	-	-	201
Cash and cash equivalents	23,446	12,391	11,773
	61,322	**76,142**	**83,295**
Total assets	**115,860**	**138,337**	**160,304**
EQUITY			
Capital and reserves			
Share capital	100	100	100
Reserves	8,209	8,663	8,560
Retained earnings	9,422	13,815	12,043
Non-controlling interest	(163)	(163)	(163)
	17,568	**22,415**	**20,540**
LIABILITIES			
Non-current liabilities			
Bonds	11,878	11,906	11,936
Lease liabilities	27,406	29,098	40,720
Bank borrowings	5,514	6,332	5,601
Other non-current liabilities	241	-	46
	45,039	**47,336**	**58,303**
Current liabilities			
Lease liabilities	3,417	3,985	6,802
Bank borrowings	14,959	24,087	26,863
Trade and other payables	32,658	35,958	45,496
Other current liabilities	2,219	4,556	2,300
	53,253	**68,586**	**81,461**
Total liabilities	**98,292**	**115,922**	**139,764**
Total equity and liabilities	**115,860**	**138,337**	**160,304**

Total debt	*63,174*	*75,408*	*91,922*
Net debt	*39,728*	*63,017*	*80,149*
Invested capital (total equity plus net debt)	*57,296*	*85,432*	*100,689*

Hudson Holdings Limited **Key Financial Ratios**	**FY2021** **Actual**	**FY2022** **Actual**	**FY2023** **Actual**
Net debt-to-EBITDA (times) *(Net debt / EBITDA)*	2.62	3.14	4.56
Net debt-to-equity (times) *(Net debt / total equity)*	2.26	2.81	3.90
Net gearing (%) *(Net debt / net debt and total equity)*	69.34	73.76	79.60
Debt-to-assets (times) *(Total debt / total assets)*	0.55	0.55	0.57
Leverage (times) *(Total assets / total equity)*	6.59	6.17	7.80
Current ratio (times) *(Current assets / current liabilities)*	1.15	1.11	1.02

STATEMENT OF FINANCIAL POSITION

The Group's total assets increased by €32.97 million during **FY2021** and amounted to €115.86 million as at 31 December 2021. 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.

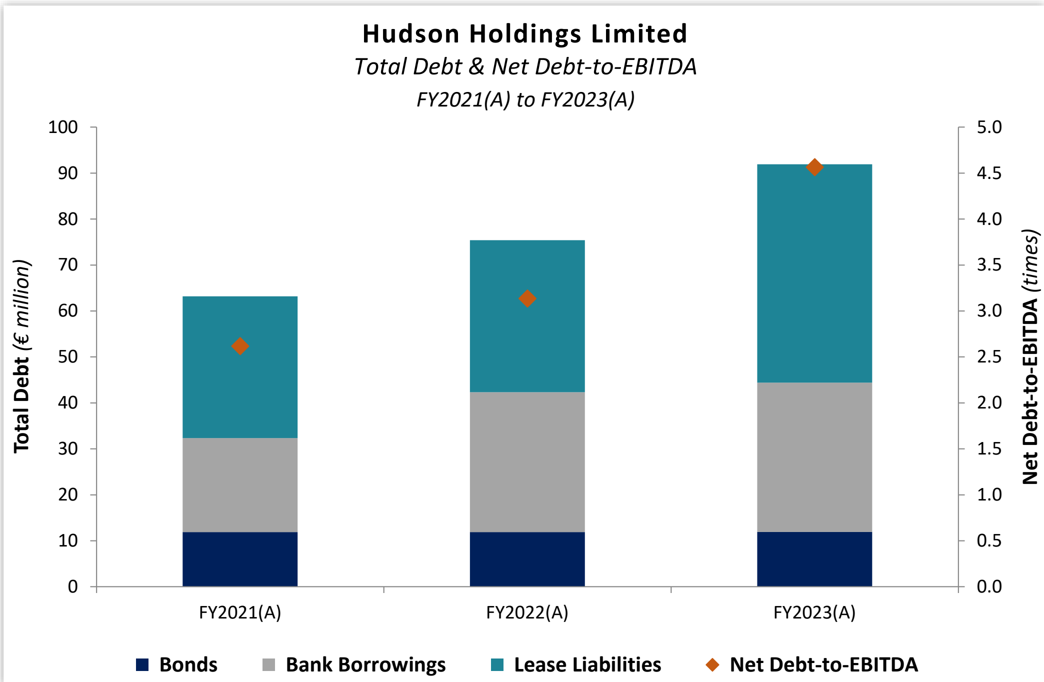
(iv) Further investments in property, plant, and equipment, as well as intangible assets which were directly related to the expansion of the Group's business.

Total liabilities also increased in FY2021 and amounted to €98.29 million as at the end of the year. The increase of just under €24 million was mainly on account of the inclusion of Trilogy's liabilities amounting to €6.60 million, an increase in total debt of €15.41 million to €63.17 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 reflecting the expansion of €8.98 million in the equity base to €17.57 million. Similarly, the Group registered an improvement in all other debt ratios including the net debt-to-EBITDA multiple and the debt-to-assets ratio which fell to 2.62 times and 0.55 times respectively. On the other hand, the current ratio weakened to 1.15 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% to €63.02 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. On the other hand, the debt-to-assets ratio remained at 0.55 times whilst the leverage ratio trended marginally lower to 6.17 times from 6.59 times as at 31 December 2021.

Total assets increased by 15.88% in **FY2023** to €160.30 million principally driven by higher levels of right-of-use assets, inventories, and PPE which outweighed the drops in trade and other receivables, cash, and other non-current assets. Total liabilities expanded by 20.57% to €139.76 million mostly reflecting the higher level of lease liabilities (+€14.44 million to €47.52 million) and the increase in trade and other payables (+€9.54 million to €45.50 million). As the Group's equity base contracted by 8.36% to €20.54 million (reflecting the total comprehensive loss incurred during the year), and in view of the increase in total debt to €91.92 million from €75.41 million as at the end of FY2022, the net debt-to-equity ratio and the net gearing ratio trended higher to 3.90 times and 79.60% respectively. Likewise, HHL's other principal debt ratios deteriorated year-on-year, including the net debt-to-EBITDA multiple and the leverage ratio which rose to 4.56 times and 7.80 times respectively. On the other hand, the current ratio remained above 1 times, meaning that the Group had enough current assets to cover its short-term obligations.



6. FINANCIAL INFORMATION RELATING TO HUDSON MALTA

The historical information is extracted from the audited annual financial statements of the Issuer for the financial years ended 31 December 2021, 31 December 2022, and 31 December 2023.

The forecast information for the current financial year ending 31 December 2024 has been provided by Hudson Malta and relates to events in the future based on assumptions which the Company 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	**2021 Actual €'000**	**2022 Actual €'000**	**2023 Actual €'000**	**2024 Forecast €'000**
Revenue - Retail	*32,542*	*42,113*	*45,827*	*51,619*
Revenue - Wholesale and other income	*10,533*	*12,746*	*13,937*	*11,371*
Total revenue	**43,075**	**54,859**	**59,764**	**62,990**
Cost of sales	(28,977)	(36,343)	(38,794)	(38,143)
Gross profit	**14,098**	**18,516**	**20,970**	**24,847**
Net operating costs	(7,591)	(11,914)	(14,129)	(16,240)
EBITDA	**6,507**	**6,602**	**6,841**	**8,607**
Depreciation & amortisation	(3,778)	(4,924)	(5,154)	(6,203)
Operating profit / (loss)	**2,729**	**1,678**	**1,687**	**2,404**
Finance income	400	395	476	475
Finance costs	(1,443)	(1,476)	(1,688)	(1,740)
Profit / (loss) before tax	**1,686**	**597**	**475**	**1,139**
Taxation	(653)	(390)	(362)	(399)
Net profit / (loss)	**1,033**	**207**	**113**	**740**

Hudson Malta p.l.c. Key Financial Ratios	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast
Gross profit margin (%) *(Gross profit / revenue)*	32.73	33.75	35.09	39.45
EBITDA margin (%) *(EBITDA / revenue)*	15.11	12.03	11.45	13.66
Operating profit margin (%) *(Operating profit / revenue)*	6.34	3.06	2.82	3.82
Net profit margin (%) *(Profit after tax / revenue)*	2.40	0.38	0.19	1.17
Return on equity (%) *(Profit after tax / average equity)*	11.43	1.63	0.88	7.19
Return on assets (%) *(Profit after tax / average assets)*	2.02	0.34	0.16	0.98
Return on invested capital (%) *(Operating profit / average equity and net debt)*	7.81	3.95	3.32	4.63
Interest cover (times) *(EBITDA / net finance costs)*	6.24	6.11	5.64	6.80

INCOME STATEMENT

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 stronger growth than the wholesale segment. Indeed, revenues generated by Hudson Malta's retail arm increased by 49.91% to €32.54 million while the wholesale operations reported an increase in income of 25.07% to €10.53 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. Furthermore, during the year, Hudson Malta expanded its presence on the market and increased the number of outlets by 13 to 35 by the end of the year.

Cost of sales amounted to €28.98 million, thus leading to a gross profit of €14.10 million which, in turn, 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 despite the marginal increase in net finance costs to €1.04 million. During the year, the Issuer received COVID-19 related wage supplements from Government amounting to €1.05 million and obtained lease concessions from lessors amounting to €0.33 million.

Depreciation and amortisation charges increased by just over 15% to €3.78 million and included the inclusion of the stores operated by Trilogy. Overall, Hudson Malta reported a net profit of €1.03 million which translated into a margin of 2.40%, a return on equity of 11.43%, 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 driver of growth (+29.41% to €42.11 million) whilst the wholesale arm also recorded a double-digit percentage increase in sales to €12.75 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 €11.91 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 relative margin contracted to 12.03%.

The Company also incurred higher depreciation and amortisation charges of €4.92 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 7.81% in the prior year.

After accounting for tax charges of €0.39 million, the Issuer reported a net profit of €0.21 million which, in turn, translated into a margin of 0.38%, a return on equity of 1.63%, and a return on assets of 0.34%.

Revenues continued to increase in **FY2023** as these rose by 8.94% to €59.76 million reflecting growth in both retail activity (+8.82% to €45.83 million) and wholesale trading (+9.34% to €13.94 million).

Although cost of sales increased by 6.74% to €38.79 million (FY2022: €36.34 million), Hudson Malta still reported a 13.25% increase in gross profit to €20.97 million which, in turn, translated into a margin of 35.09%. Similarly, despite the higher level of operating costs (+18.59% to €14.13 million) and depreciation and amortisation charges (+4.67% to €5.15 million), EBITDA and operating profit increased by 3.62% and 0.54% to €6.84 million and €1.69 million respectively.

Net finance costs amounted to €1.21 million (+12.12%). In this regard, in view of the sharper percentage increase in net finance costs than the growth in EBITDA, the interest cover drifted lower to 5.64 times.

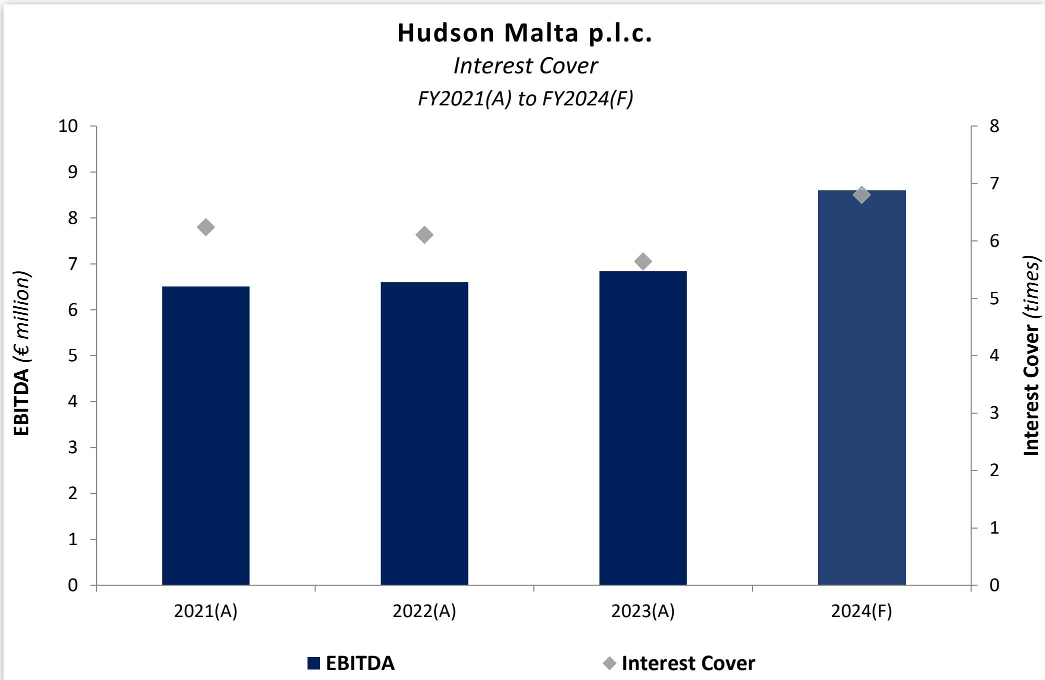
After accounting for tax charges of €0.36 million, the Issuer reported a net profit of €0.11 million which translated into a return on equity of 0.88% and a return on assets of 0.16%.

In **FY2024**, revenues are expected to rise by 5.40% to just under €63 million reflecting the growth to be achieved by the Company's retail operations to €51.62 million (+12.64%) which is anticipated to offset the drop in business in the wholesale segment. The latter is envisaged to record a year-on-year drop of 18.41% in revenues to €11.37 million reflecting an expected shift from wholesale to retail given the increase in the number of retail stores operated by the Company. In 2024, the income from retail operations will include for the first time a twelve-month contribution from the six new outlets situated within Mercury, St Julian's, which were inaugurated in November 2023.

Despite, the increase in revenues, cost of sales is projected to decline by 1.68% to €38.14 million, thus leading to an upsurge of 18.49% in gross profit to €24.85 million and a corresponding strengthening of the gross profit margin to 39.45%. Similarly, notwithstanding the expected increase of almost 15% in net operating costs to €16.24 million (reflecting the Issuer's broader network of retail outlets), EBITDA is still anticipated to grow by 25.81% to €8.61 million which would translate into a margin of 13.66% (FY2023: 11.45%). The interest cover is also estimated to increase markedly to 6.80 times as net finance costs are only anticipated to edge marginally higher to €1.27 million.

The targeted operating profit of €2.40 million would represent a year-on-year uplift 42.50% and an increase of 100 basis points in the relative margin to 3.82% (FY2023: 2.82%). Likewise, the return on invested capital is also anticipated to improve and reach 4.63% compared to 3.32% in FY2023.

After accounting for tax charges of €0.40 million, Hudson Malta is forecasting a net profit for the year of €0.74 million which would translate into a margin of 1.17%, a return on equity of 7.19%, and a return on assets of 0.98%.



Hudson Malta p.l.c. Statement of Cash Flows for the financial year 31 December	2021 Actual €'000	2022 Actual €'000	2023 Actual €'000	2024 Forecast €'000
Net cash from / (used in) operating activities	4,624	(4)	4,755	5,304
Net cash from / (used in) investing activities	(420)	(1,386)	(3,116)	(104)
Free cash flow	**4,204**	**(1,390)**	**1,639**	**5,200**
Net cash from / (used in) financing activities	(1,105)	(3,002)	(1,076)	(5,264)
Net movement in cash and cash equivalents	**3,099**	**(4,392)**	**563**	**(64)**
Cash and cash equivalents at beginning of year	4,068	7,167	2,775	3,338
Cash and cash equivalents at end of year	**7,167**	**2,775**	**3,338**	**3,274**

STATEMENT OF CASH FLOWS

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 amounted to just €0.42 million as Hudson Malta opted to preserve its cash resources amid the impact of the COVID-19 pandemic. Meanwhile, the Company used net cash 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.

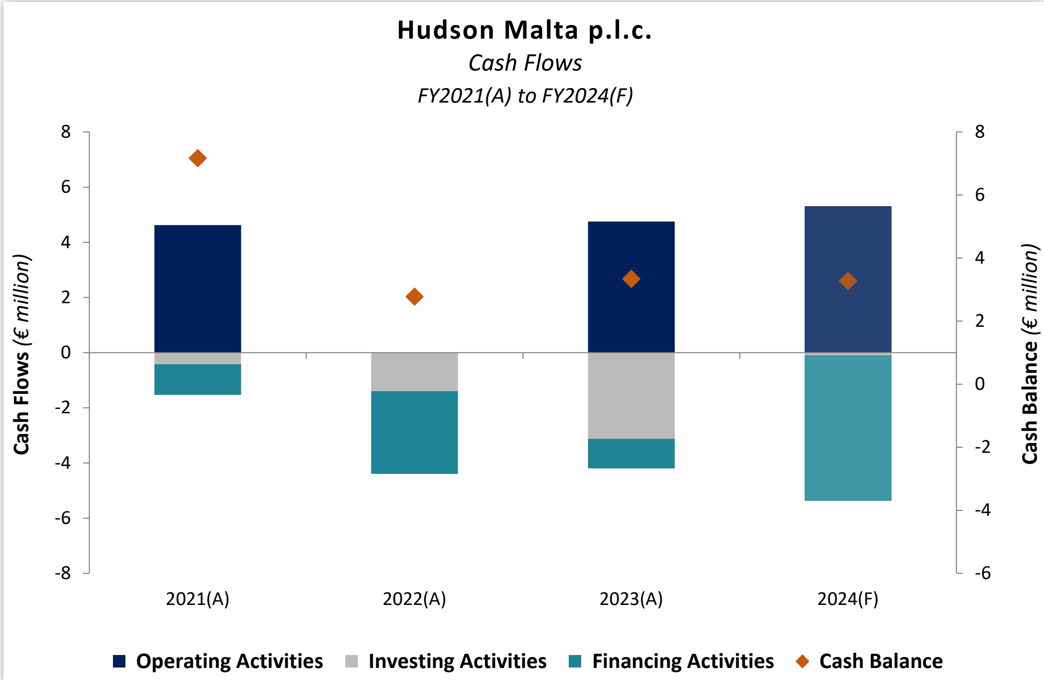
In **FY2022**, the Issuer reported a negative movement of €4.39 million in cash and cash equivalents as it increased its investing activities to €1.39 million with a view of expanding its presence in the market. Furthermore, cash used in financing activities amounted to €3.00 million reflecting the repayment of borrowings (€0.32 million) and payments of lease obligations (€2.68 million).

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 FY2022 with cash balance of €2.78 million compared to €7.17 million as at 31 December 2021.

The Company's cash balances increased by €0.56 million in **FY2023** as net cash generated from operating activities amounted to €4.76 million whilst net cash used in investing (€3.12 million – representing purchases of PPE) and financing (€1.08 million) activities in aggregate amounted to €4.19 million. Throughout the year, Hudson Malta received €1.99 million in net proceeds from borrowings whilst principal elements of lease payments amounted to €3.07 million.

Overall, the Issuer ended the FY2023 with cash and cash equivalents of €3.34 million.

In **FY2024**, Hudson Malta is expecting a marginal negative movement of €0.06 million in net cash and cash equivalents. Net cash inflows from operating activities, amounting to €5.30 million, are expected to be entirely used for investing (€0.10 million) and financing (€5.26 million) activities, thus resulting in a virtually unchanged cash balance of €3.27 million. Included in the Company's estimates is the payment of an interim dividend, amounting to €5.90 million, which is tied to a dividend distribution by the Guarantor to the Issuer.



Hudson Malta p.l.c. Statement of Financial Position as at 31 December	2021 Actual €'000	2022 Actual €'000	2023 Actual €'000	2024 Forecast €'000
ASSETS				
Non-current assets				
Intangible assets	4,390	4,068	3,854	3,642
Property, plant & equipment	4,674	5,163	6,696	4,868
Right-of-use assets	20,825	21,342	30,607	27,769
Loan to related undertakings	6,214	5,383	5,382	1,051
Other non-current assets	954	1,414	1,391	5,382
	37,057	**37,370**	**47,930**	**42,712**
Current assets				
Inventories	5,447	7,840	10,136	11,957
Trade and other receivables	8,937	14,398	16,501	13,827
Cash and cash equivalents	7,509	4,228	3,734	4,474
	21,893	**26,466**	**30,371**	**30,258**
Total assets	**58,950**	**63,836**	**78,301**	**72,970**
EQUITY				
Capital and reserves				
Share capital and reserves	22,450	22,450	22,450	22,450
Other reserves	(15,995)	(15,995)	(15,995)	(15,995)
Retained earnings	6,102	6,310	6,423	1,263
	12,557	**12,765**	**12,878**	**7,718**
LIABILITIES				
Non-current liabilities				
Bonds	11,878	11,907	11,936	11,936
Bank borrowings	1,561	1,109	698	-
Lease liabilities	18,102	18,544	27,860	23,540
	31,541	**31,560**	**40,494**	**35,476**
Current liabilities				
Bank borrowings	711	1,927	3,274	4,398
Lease liabilities	2,555	3,031	3,575	4,229
Trade and other payables	10,995	14,304	17,846	20,749
Other current liabilities	591	249	234	400
	14,852	**19,511**	**24,929**	**29,776**
Total liabilities	**46,393**	**51,071**	**65,423**	**65,252**
Total equity and liabilities	**58,950**	**63,836**	**78,301**	**72,970**
Total debt	*34,807*	*36,518*	*47,343*	*44,103*
Net debt	*27,298*	*32,290*	*43,609*	*39,629*
Invested capital (total equity plus net debt)	*39,855*	*45,055*	*56,487*	*47,347*

Hudson Malta p.l.c. Key Financial Ratios	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast
Net debt-to-EBITDA (times) *(Net debt / EBITDA)*	4.20	4.89	6.37	4.60
Net debt-to-equity (times) *(Net debt / total equity)*	2.17	2.53	3.39	5.13
Net gearing (%) *(Net debt / net debt and total equity)*	68.49	71.67	77.20	83.70
Debt-to-assets (times) *(Total debt / total assets)*	0.59	0.57	0.60	0.60
Leverage (times) *(Total assets / total equity)*	4.69	5.00	6.08	9.45
Current ratio (times) *(Current assets / current liabilities)*	1.47	1.36	1.22	1.02

STATEMENT OF FINANCIAL POSITION

Total assets amounted to €58.95 million as at 31 December **2021** and included 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 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. 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 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. This led to an improvement in all debt ratios of the Company. In fact, the net gearing ratio slipped to 68.49% whilst the net debt-to-equity and the debt-to-assets ratios dropped to 2.17 times and 0.59 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.

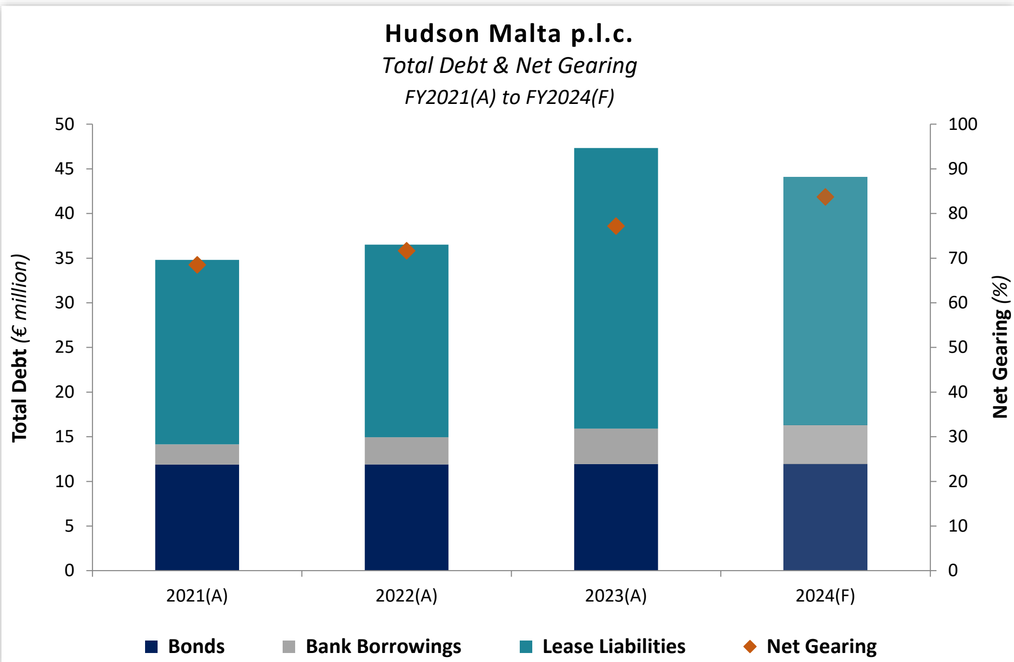
Total equity increased marginally to €12.77 million. However, given the sharper increase in net debt to €32.29 million (31 December 2021: €27.30 million), the net debt-to-equity and the net gearing ratios rose to 2.53 times and 71.67% respectively. Furthermore, despite the growth in EBITDA, the net debt-to-EBITDA multiple deteriorated to 4.89 times compared to 4.20 times in FY2021.

In **FY2023**, Hudson Malta registered further increases in its total assets and liabilities, to €78.30 million (+22.66%) and €24.93 million (+28.10%) respectively, whilst the Company's equity base remained virtually unchanged at €12.88 million. A major component of the increase in assets and liabilities was the addition of new outlets which resulted in a corresponding growth in the level of right-of-use assets (+€9.27 million to €30.61 million) and lease liabilities (+€9.86 million to €31.44 million). Elsewhere, the Issuer also saw increases in the level of inventories, trade and other receivables, PPE, trade and other payables, and bank borrowings.

In view of the increase of circa €11 million in indebtedness to €47.34 million, all debt ratios of the Company deteriorated year-on-year including the net debt-to-equity ratio and the net gearing ratio which trended higher to 3.39 times and 77.20% respectively. Likewise, despite the growth in EBITDA, the net debt-to-EBITDA multiple surpassed the 6 times level.

During **FY2024**, Hudson Malta is expecting a 6.81% contraction in total assets to €72.97 million amid a projected reduction in loans to related parties, right-of-use assets, trade and other receivables, and PPE. On the other hand, the Company is anticipating higher levels of inventories and other non-current assets.

Total liabilities are estimated to remain virtually unchanged year-on-year at €65.25 million, albeit total debt and net debt are anticipated to drop by over €3 million reflecting lower levels of lease liabilities. Nonetheless, in view of the forecasted reduction in total equity to €7.72 million reflecting the payment of an interim dividend, the net debt-to-equity ratio and the net gearing ratio are expected to inch higher to 5.13 times and 83.70% respectively. The leverage ratio is also envisaged to deteriorate year-on-year to 9.45 times compared to 6.08 times as at the end of FY2023. On the other hand, the debt-to-assets ratio is anticipated to remain unchanged at 0.60 times whilst the net debt-to-EBITDA ratio is projected to move back below the 5 times level to 4.60 times.



7. VARIANCE ANALYSIS

The following is an analysis of the major variances between the forecast financial information for the year ended 31 December 2023 included in the Analysis dated 28 June 2023 and the audited consolidated annual financial statements for the year ended 31 December 2023.

Hudson Malta p.l.c. **Income Statement** **for the financial year 31 December**	**2023** **Actual** **€'000**	**2023** **Forecast** **€'000**	
Revenue - Retail	*45,827*	*47,699*	***(1)***
Revenue - Wholesale and other income	*13,937*	*15,872*	***(2)***
Total revenue	**59,764**	**63,571**	***(3)***
Cost of sales	(38,794)	(40,360)	***(4)***
Gross profit	**20,970**	**23,211**	
Net operating costs	(14,136)	(15,847)	***(5)***
Net movement in expected credit losses	7	-	
EBITDA	**6,841**	**7,364**	***(6)***
Depreciation & amortisation	(5,154)	(5,263)	
Operating profit / (loss)	**1,687**	**2,101**	
Finance income	476	400	
Finance costs	(1,688)	(1,618)	
Profit / (loss) before tax	**475**	**883**	
Taxation	(362)	(309)	
Net profit / (loss)	**113**	**574**	***(7)***

The Group reported a profit for the year of €0.11 million compared to the estimated figure of €0.57 million ***(7)*** as total revenues missed forecasts by almost 6% ***(3)*** amid weaker than anticipated performances by both the Company's retail segment ***(1)*** and its wholesale arm ***(2)***.

Partly compensating for the relative underperformance in revenues were the lower amounts incurred in cost of sales ***(4)*** and net operating costs ***(5)***. As a result, the EBITDA of €6.84 million generated in FY2023 represented a shortfall of 7.10% compared to the targeted figure of €7.36 million ***(6)***.

Hudson Malta p.l.c. **Statement of Cash Flows** **for the financial year 31 December**	**2023** **Actual** **€'000**	**2023** **Forecast** **€'000**	
Net cash from operating activities	4,755	2,798	*(1)*
Net cash used in investing activities	(3,116)	(4,384)	*(2)*
Free cash flow	**1,639**	**(1,586)**	*(3)*
Net cash used in financing activities	(1,076)	(290)	*(4)*
Net movement in cash and cash equivalents	**563**	**(1,876)**	
Cash and cash equivalents at beginning of year	2,775	2,775	
Cash and cash equivalents at end of year	**3,338**	**899**	*(5)*

In terms of major variances in the movements of its cash flows, the Company ended the 2023 financial year with a much higher cash balance of €3.34 million compared to the forecasted figure of €0.90 million ***(5)***. This was due to the higher amount of net cash generated from operating activities ***(1)*** and the lower amount of net cash used in investing activities ***(2)***, thus contributing to a positive free cash flow of €1.64 million compared to the estimated figure of negative €1.59 million ***(3)***. On the other hand, the amount of net cash used in financing activities exceeded forecasts by €0.79 million ***(4)*** as this totalled €1.08 million compared to the forecasted figure of €0.29 million.

Meanwhile, the material variances between the actual and forecast Statement of Financial Position as at 31 December 2023 were as follows:

(i) Total assets amounted to €78.30 million compared to the estimated figure of €76.58 million ***(2)***, as the relatively lower amount of PPE compared to forecast ***(1)*** was outweighed by higher balances in virtually all other components of the Company's assets.

(ii) The Group's equity position stood at €12.88 million compared to the forecasted figure of €13.34 million ***(3)*** as the variance reflects the weaker profitability registered by the Company in FY2023 as explained above.

(iii) Total liabilities exceeded forecasts by €2.18 million ***(5)*** as the higher level of trade and other current payables ***(4)*** offset the relative lower amount of debt ***(6)***. The latter totalled €47.34 million compared to the estimated figure of €48.44 million.

Hudson Malta p.l.c. Statement of Financial Position as at 31 December	2023 Actual €'000	2023 Forecast €'000	
ASSETS			
Non-current assets			
Intangible assets	3,854	3,857	
Property, plant & equipment	6,696	8,096	(1)
Right-of-use assets	30,607	30,014	
Loan to related undertakings	5,382	5,102	
Other non-current assets	1,391	1,164	
	47,930	**48,233**	
Current assets			
Inventories	10,136	10,060	
Trade and other receivables	16,501	16,087	
Cash and cash equivalents	3,734	2,199	
	30,371	**28,346**	
Total assets	**78,301**	**76,579**	(2)
EQUITY			
Capital and reserves			
Share capital and reserves	22,450	22,450	
Other reserves	(15,995)	(15,995)	
Retained earnings	6,423	6,884	
	12,878	**13,339**	(3)
LIABILITIES			
Non-current liabilities			
Bonds	11,936	16,417	
Bank borrowings	698		
Lease liabilities	27,860	26,276	
	40,494	**42,693**	
Current liabilities			
Bank borrowings	3,274	1,774	
Lease liabilities	3,575	3,972	
Trade and other payables	17,846	14,492	(4)
Other current liabilities	234	309	
	24,929	**20,547**	
Total liabilities	**65,423**	**63,240**	(5)
Total equity and liabilities	**78,301**	**76,579**	
Total debt	*47,343*	*48,439*	(6)
Net debt	*43,609*	*46,240*	
Invested capital (total equity plus net debt)	*56,487*	*59,579*	

PART 3 – COMPARATIVE ANALYSIS

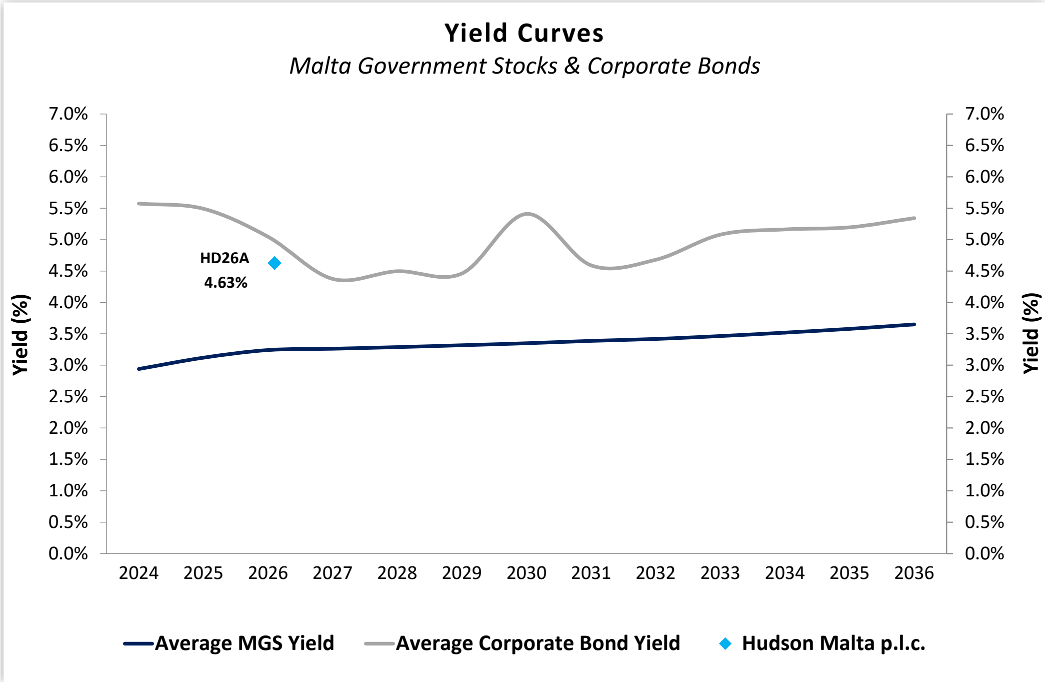
The Table below provides a comparison between the Group and its bonds with other debt issuers and their respective debt securities listed on the Regulated Main Market (Official List) of the Malta Stock Exchange. Although there are significant variances between the activities of the Group and those of other debt issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Group's business/es and those of other debt issuers, the comparative analysis illustrated in the Table below serves as an indication of the relative financial strength and creditworthiness of the Group.

Comparative Analysis*	Amount Issued	Yield-to-Maturity / Worst	Interest Cover	Net Debt-to-EBITDA	Net Gearing	Debt-to-Assets
	(€'000)	*(%)*	*(times)*	*(times)*	*(%)*	*(times)*
5.00% Hal Mann Vella Group p.l.c. Secured 2024	30,000	3.81	2.21	9.47	51.49	0.43
4.25% Best Deal Properties Holding p.l.c. Secured & Guaranteed 2024	1,267	4.17	57.57	9.38	69.21	0.64
5.75% International Hotel Investments p.l.c. Unsecured 2025	45,000	5.75	1.61	10.49	43.07	0.41
5.10% 6PM Holdings p.l.c. Unsecured 2025**	13,000	6.86	16.04	0.65	17.79	0.20
4.50% Hili Properties p.l.c. Unsecured & Guaranteed 2025	37,000	4.11	1.80	8.70	46.06	0.45
4.35% Hudson Malta p.l.c. Unsecured & Guaranteed 2026	12,000	4.63	5.64	6.37	77.20	0.60
4.25% CPHCL Finance p.l.c. Unsecured & Guaranteed 2026	40,000	4.25	1.45	11.49	43.52	0.41
4.00% International Hotel Investments p.l.c. Secured 2026	55,000	3.99	1.61	10.49	43.07	0.41
5.00% Dizz Finance p.l.c. Unsecured & Guaranteed 2026	8,000	4.99	2.27	8.24	80.39	0.57
3.75% Premier Capital p.l.c. Unsecured 2026	65,000	4.38	10.89	2.16	65.14	0.57
4.00% International Hotel Investments p.l.c. Unsecured 2026	60,000	5.34	1.61	10.49	43.07	0.41
3.25% AX Group p.l.c. Unsecured 2026	15,000	3.33	1.24	21.28	39.42	0.36
3.90% Gap Group p.l.c. Secured & Guaranteed 2024-2026	16,702	3.89	n/a	3.15	52.66	0.56
4.00% Hili Finance Company p.l.c. Unsecured & Guaranteed 2027	50,000	3.62	4.60	4.44	69.59	0.61
4.35% SD Finance p.l.c. Unsecured & Guaranteed 2027	65,000	4.26	4.68	1.74	22.08	0.26
4.00% Eden Finance p.l.c. Unsecured & Guaranteed 2027	40,000	4.04	5.43	4.21	26.73	0.24
5.25% Mediterranean Investments Holding p.l.c. Unsecured & Guaranteed 2027	30,000	5.24	5.42	2.67	20.40	0.19
4.00% Stivala Group Finance p.l.c. Secured & Guaranteed 2027	45,000	3.99	5.67	4.17	22.93	0.21
4.75% Best Deal Properties Holding p.l.c. Secured & Guaranteed 2025-2027	15,000	5.06	57.57	9.38	69.21	0.64
4.75% Gap Group p.l.c. Secured & Guaranteed 2025-2027	23,000	4.74	n/a	3.15	52.66	0.56
3.85% Hili Finance Company p.l.c. Unsecured & Guaranteed 2028	40,000	4.27	4.60	4.44	69.59	0.61
5.85% Mediterranean Investments Holding p.l.c. Unsecured & Guaranteed 2028	20,000	5.19	5.42	2.67	20.40	0.19
5.75% PLAN Group p.l.c. Secured & Guaranteed 2028	12,000	4.62	7.37	9.26	54.58	0.48
3.65% Stivala Group Finance p.l.c. Secured & Guaranteed 2029	15,000	3.78	5.67	4.17	22.93	0.21
3.80% Hili Finance Company p.l.c. Unsecured & Guaranteed 2029	80,000	4.87	4.60	4.44	69.59	0.61
3.75% AX Group p.l.c. Unsecured 2029	10,000	3.75	1.24	21.28	39.42	0.36
5.25% Best Deal Properties Holding p.l.c. Secured & Guaranteed 2024	15,000	4.98	57.57	9.38	69.21	0.64
6.25% GPH Malta Finance p.l.c. Unsecured & Guaranteed 2030	18,144	6.24	1.73	7.63	94.01	0.75
3.65% International Hotel Investments p.l.c. Unsecured 2031	80,000	4.69	1.61	10.49	43.07	0.41
3.50% AX Real Estate p.l.c. Unsecured 2032	40,000	5.10	2.04	12.44	49.30	0.45
5.00% Mariner Finance p.l.c. Unsecured 2032	36,930	4.85	4.89	6.08	50.77	0.50
5.85% AX Group p.l.c. Unsecured 2033	40,000	5.19	1.24	21.28	39.42	0.36
6.00% International Hotel Investments p.l.c. Unsecured 2033	60,000	5.34	1.61	10.49	43.07	0.41
4.50% The Ona p.l.c. Secured & Guaranteed 2028-2034	16,000	4.63	3.09	16.34	74.89	0.65
5.50% Juel Group p.l.c. Secured & Guaranteed 2035	32,000	5.20	3.35	11.26	55.24	0.51

As at 15 May 2024

***** The financial ratios pertain to Idox p.l.c..***

Sources: Malta Stock Exchange
M.Z. Investment Services Limited
Most recent audited annual financial statements except for Juel Group p.l.c. (FY2024 forecast, as included in the Financial Analysis Summary dated 6 June 2023).



The closing market price as at 15 May 2024 for the **4.35% Hudson Malta p.l.c. unsecured and guaranteed bonds 2026** (HD26A) was 99.50%. This translated into a yield-to-maturity ("**YTM**") of 4.63% which was 42 basis points below the average YTM of 5.05% of other local corporate bonds maturing in the same year. The premium over the corresponding average Malta Government Stock yield of equivalent maturity stood at 139 basis points.

PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total income generated from business activities.
EBITDA	Earnings before interest, tax, depreciation, and amortisation. It is a metric used for gauging operating performance excluding the impact of capital structure. EBITDA is usually interpreted as a loose proxy for operating cash flows.
Adjusted operating profit / (loss)	Profit (or loss) from core operations, excluding movements in the fair value of investment property, share of results of associates and joint ventures, net finance costs, and taxation.
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 associates and joint ventures, net finance costs, and taxation.
Share of results of associates and joint ventures	Share of profit (or loss) from entities in which the company does not have a majority shareholding.
Profit / (loss) after tax	Net profit (or loss) registered 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 net assets and is computed by dividing the net profit (or loss) for the year by average equity.
Return on assets	Measures the rate of return on assets and is computed by dividing the net profit (or loss) for the year by average assets.
Return on invested capital	Measures the rate of return from operations and is computed by dividing operating profit (or loss) for the year by the average amount of equity and net debt.

Statement of Cash Flows	
Net cash from / (used in) operating activities	The amount of cash generated (or consumed) from the normal conduct of business.
Net cash 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.
Net cash from / (used in) financing activities	The amount of cash generated (or consumed) that have an impact on the capital structure, and thus result in changes to share capital and borrowings.
Free cash flow	Represents the amount of cash generated (or consumed) from operating activities after considering any amounts of capital expenditure.

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 the amortisation of the cost of the asset takes place over the number of years for which the asset will be in use. This is done 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 date of the Statement of Financial Position. 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 date of the Statement of Financial Position, 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 sustain 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 EBITDA, 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 net debt by the level of invested capital.
Debt-to-assets	Shows the degree to which a company's assets are funded by debt and is calculated by dividing all interest-bearing liabilities (including lease liabilities) by total assets.
Leverage	Shows how many times a company is using its equity to finance its assets.
Current ratio	Measures the extent of how much a company can sustain its short-term liabilities from its short-term assets.