

M&Z p.l.c.

Condensed Interim Financial Statements
30 June 2023

For the period 1 January 2023 to 30 June 2023

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Directors' report

The directors of M&Z plc (C 23061) (hereinafter referred to as the “**Company**”) present their annual report and the condensed interim financial statements for the six-month period ended 30 June 2023. The underlying accounting policies are the same as those adopted by the Company in its annual report for the financial year ended 31 December 2022. The figures have been extracted from the Company's unaudited accounts for the six months ended 30 June 2023, as approved by the Board of Directors on 29 August 2023 and are in accordance with accounting standards as adopted by the EU for interim financial statements, (International Accounting Standard 34, 'Interim Financial Reporting').

Principal activities

The principal activity of the Company remains entrenched in the importation, distribution and marketing of fast-moving consumer goods (FMCG) in Grocery and Pharma sectors including the following categories: ambient, chilled, frozen & fresh food, wines & spirits, ice-cream, baby & kids care and home & personal care.

Review of business

In H1, the Company is reporting core revenue of €15,136,978 up 12.75% for the period on 2022 (€13,424,766). This continued to be buoyed by inflationary pressures from producer prices which were, to some extent, caused by the ripple effects of the Ukrainian conflict.

The Company continues to benefit from solid demand for branded consumer products, broader coverage in other channels, management's strong operational drive towards attaining predetermined targets and further brand representation and the integration of the Red October business. As part of its diversification strategy, the Company remains focused on growth brand-building strategies.

The business continues to be hard hit by Brexit since products of EU origin imported from the UK remain subject to substantial tariff charges and an increased bureaucratic process. The Company is therefore suffering margin compression as a result of having to absorb part of the costs which cannot be passed-on fully to consumer.

In common with other sectors in the market the Company continues to navigate significant headwind arising from mounting operational costs, as indicated below.

Financial performance

Inevitably the abovementioned factors have weighed on the Company's overall profitability despite stronger gross profit performance in H1 amounting to €2,959,459 (2022: €2,847,537) and representing a 3.9% increase on 2022.

After taking into consideration administrative costs of €1,527,794 (2022: €1,517,502), the company registered an EBITDA of €1,895,421 (2022: €1,771,750) and a profit before tax of €1,300,521 (2022: €1,213,815).

The strong operational results however fall marginally short of covering the impact of a significant surge in administrative and operational costs for the Company. These expenses are being pushed higher by substantial wage inflation, increased headcount, as well as the extraordinary market driven wage hikes—especially in the selling and distribution sector. All of these factors are intensifying pricing pressure, that may not always be fully recoverable, particularly given the current challenge consumers and businesses face in dealing with unprecedented high inflation across the board.

Directors' report - continued

Principal Risks, Uncertainties & Forecast

Clearly, higher costs and margin shrinkage are also impacting the Company's customers who inevitably turn to distributors to mitigate effects on their business. Invariably this is further increasing the Company's cost to retain a strong market presence for its business.

Retailers are also stocking substitute (look alike) products in lieu of and at the expense of branded products from traditional distributors. Understandably, today's consumers who are also squeezed by spiral price-inflation seek cheaper products. This notwithstanding, the Company is forecasting a stronger second half of 2023 and is fairly confident in delivering the revenue target for this year.

To sustain the business, the Company plans to continue its focus on innovation and diversification, which it believes will help mitigate the impact of market turbulence and foreign competition encroaching on the traditional market.

The Company is doing its utmost to manage costs with efficacy by maintaining its vision to continue to diversify the Company's portfolio, extending its customer base and also its service channels. This is being carried out via a disciplined approach of maximising on cost and efficiencies aimed to help the business turn over reasonable growth and profitability in 2024.

Results and dividends

The condensed interim statement of comprehensive income is set out on page 5.

The directors are approving the payment of a net interim dividend of €396,000 equivalent to €0.009c per ordinary share.

Directors

The directors of the Company who held office during the period were:

Mr. Matthew A. Camilleri
Mr. Paul S. Camilleri
Mrs. Erika Pace Bonello
Mr. Thomas Agius Vadala
Ms. Greta Camilleri Avallone
Mr. Charles J. Farrugia
Ms. Emma Pullicino
Mr. Kevin Rapinett
Mrs. Frances Fenech (collectively hereinafter referred to as the "**Board**")

The Company's Articles of Association do not require any directors to retire.

Directors' report - continued

Directors' statement pursuant to Capital Market Rule 5.75.3

We hereby confirm that to the best of our knowledge:

1. the condensed half-yearly report gives a true and fair view of the financial position of the Company as at 30 June 2023, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).
2. the interim directors' report includes a fair review of the information required in terms of Capital Market Rule 5.81.



Kevin Rapinett
Director

29 August 2023



Greta Camilleri Avallone
Director

Registered office:
MMGH Complex,
Industrial Estate,
Marsa MRS 3000
Malta

Condensed interim statement of financial position

	As at 30 June	As at 31 December
	2023 € (unaudited)	2022 € (audited)
ASSETS		
Total non-current assets	4,397,696	4,733,714
Total current assets	14,227,190	14,287,363
Total assets	18,624,886	19,021,077
EQUITY AND LIABILITIES		
Total equity	9,155,688	9,168,934
LIABILITIES		
Total non-current liabilities	1,516,390	1,663,277
Total current liabilities	7,952,808	8,188,866
Total liabilities	9,469,198	9,852,143
Total equity and liabilities	18,624,886	19,021,077

The notes on pages 8 and 9 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 3 to 9 were authorised for issue by the Board on 29 August 2023 and were signed on its behalf by:


Kevin Rapinett
Director


Greta Camilleri Avallone
Director

Condensed interim statement of comprehensive income

	Period from 1 January to 30 June	
	2023	2022
	€	€
	(unaudited)	(unaudited)
Revenue	15,136,978	13,424,766
Cost of sales	(12,177,519)	(10,577,229)
Gross profit	2,959,459	2,847,537
Administrative expenses	(1,527,794)	(1,517,502)
Operating profit	1,431,665	1,330,035
Finance costs	(131,144)	(116,220)
Profit before tax	1,300,521	1,213,815
Tax expense	(455,677)	(424,833)
Profit for the period – total comprehensive income	844,844	788,982
Earnings per share for the period attributable to Shareholders	0.019	0.018

The notes on pages 8 and 9 are an integral part of these condensed interim financial statements.

Condensed interim statements of changes in equity

	Ordinary share capital €	Preference share capital €	Retained Earnings €	Total €
Balance at 1 January 2022	5,500,000	1,500,000	1,214,211	8,214,211
Profit for the period	-	-	788,982	788,982
Total comprehensive income	-	-	788,982	788,982
Balance at 30 June 2022	5,500,000	1,500,000	2,003,193	9,003,193
Balance at 1 January 2023	5,500,000	1,500,000	2,168,934	9,168,934
Profit for the period	-	-	844,844	844,844
Total comprehensive income	-	-	844,844	844,844
Transactions with owners:				
Dividends	-	-	(858,090)	(858,090)
Balance at 30 June 2023	5,500,000	1,500,000	2,155,688	9,155,688

The notes on pages 8 and 9 are an integral part of these condensed interim financial statements.

Condensed interim statement of cash flows

	Period from 1 January to 30 June	
	2023 € (unaudited)	2022 € (unaudited)
Net cash (used in)/generated from operating activities	(179,016)	2,452,015
Net cash used in investing activities	(153,157)	(1,742,406)
Net cash used in financing activities	(643,247)	(171,125)
Net movement in cash and cash equivalents	(975,420)	538,484
Cash and cash equivalents at beginning of period	(1,763,575)	(1,599,532)
Cash and cash equivalents at end of period	(2,738,995)	(1,061,048)

The notes on pages 8 and 9 are an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements

1. General information

The Company is a public limited liability company domiciled and incorporated in Malta.

The financial statements for the year ended 31 December 2022 can be accessed from the Company's website at the following link: <https://mz.com.mt/investors/> and are also available upon request from the Company's registered office at MMGH Complex, Industrial Estate, Marsa MRS 3000, Malta.

This condensed unaudited interim financial information was approved for issue by the Board on 29 August 2023.

2. Basis of preparation

The condensed interim financial information for the six-month period ended 30 June 2023 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34, 'Interim Financial Reporting'. The condensed interim financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2022, which have been prepared in accordance with IFRSs as adopted by the EU.

3. Summary of significant accounting policies

The accounting policies applied in the preparation of the condensed interim financial information are the same as those applied in the financial statements for the year ended 31 December 2022.

4. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2022.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

6. Intangible assets

	€
As at 1 January 2023	1,519,256
Amortisation	(64,900)
As at 30 June 2023	<u>1,454,356</u>

Intangible assets include also goodwill related to the Company's acquisition of various brand representations from third parties. The recoverable amount is reassessed annually based on estimates of expected future cash flows as identified through a management approved business plan. On the basis of the latest business plan and current market data available to the Board, no impairment charge was recognised during the period.

Notes to the condensed interim financial statements - continued

7. Property, plant and equipment

The Company holds various property, plant and equipment to support its business operations. The movement in property, plant and equipment during the period relates to:

	€
As at 1 January 2023	1,178,882
Additions	153,158
Depreciation	(260,235)
As at 30 June 2023	<u>1,071,805</u>

8. Inventories

Inventory write-downs during the period amounted to €249,606 (2022: €234,404).

9. Related parties

M&Z Group Limited is the majority shareholder of the Company. M&Z Group Limited and its subsidiaries are considered by the directors to be related parties of the Company. Due to common shareholding, PSC Limited and its subsidiary are also considered to be related parties of the Company.

The principal transactions carried out by the Company with related parties during the six-month period ended 30 June 2023 are:

Director's emoluments amounting to €306,508 (2022: €278,206).