



30 August, 2022

COMPANY ANNOUNCEMENT

Reference: (09/2022)

Approval of Half-Yearly Financial Report

This is a company announcement issued by M&Z plc (C 23061) (the "**Company**") pursuant to Chapter 5 of the Capital Markets Rules issued by the Malta Financial Services Authority, in accordance with the provisions of the Financial Markets Act (Chapter 345 of the Laws of Malta), as they may be amended from time to time.

QUOTE

The Board of Directors of the Company has approved the Company's unaudited interim Financial Statements for the six months ended 30 June 2022.

The Interim Financial Statements are attached to this announcement and can also be viewed on the Company's website: <https://mz.com.mt/investors/>.

The Directors of the Company have also approved the payment of a net interim dividend of €396,000 or €0.009 per share, payable by the 23rd September 2022 to the shareholders of the Company on the Company's share register at the Malta Stock Exchange as at close of business on 9th September 2022.

UNQUOTE

A handwritten signature in blue ink, appearing to be 'C. P. P.', written over a light blue circular stamp.

nited

Company Secretary

- M&Z p.l.c.

Condensed Interim Financial Statements
30 June 2022

For the period 1 January 2022 to 30 June 2022

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Directors' report

The directors present their annual report and the condensed interim financial statements for the six month period ended 30 June 2022. The underlying accounting policies are the same as those adopted by the Company in its annual report for the financial year ended 31 December 2021. The figures have been extracted from the Company's unaudited accounts for the six months ended 30 June 2022, as approved by the Board of Directors on 30 August 2022 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 and distribution of fast-moving consumer goods (FMCG), essentially in grocery and pharma categories (94%) that include ambient, chilled and frozen products.

Since 21 February 2022 the Company has been in the process of gradually onboarding the acquired Red October business mostly comprised of alcohol and confectionery.

Review of business

The Company is reporting core revenue up 26% for the period on 2021 which to some extent was buoyed by the ripple effects on the market from the Ukrainian conflict and also significant commodity price-inflation.

Sales from the acquired business (relevant for 70% of the reported period), accounted for just 6.4% of total revenue. This has had a dampening effect on the very positive overall revenue performance and mainly resulted from the slow start to the year as well as the complicated process of integrating a business which is taking more time than anticipated to consolidate in a coherent and efficient manner.

The Company is working hard to recover lost ground in bringing the merged business on board in H2. Total sales from this business in 2022 are expected to close around €2.2m down 15% from €2.6m that was originally estimated for full year.

Overall the Company is expecting a more moderate second half on the first six months of the year. However it is fairly confident of delivering the revenue target for 2022, despite the shortfall suffered from the initial setback of the acquired business.

H1 '22 gross profit is up 23% on same period 2021 or +0.52% better than forecast. The strong results however fall marginally short of covering the impact of the +8% surge in projected administration and operational costs which are driven by increased headcount and the extraordinary market cost-increases in wages particularly in the areas of selling and distribution. The resulting effect is increased pricing pressure that may not always be fully recoverable particularly at a time when consumers and businesses alike are struggling to grapple with unparalleled inflation on all fronts.

The Company is nevertheless doing its utmost to manage costs with efficacy and resolve, particularly as the threat of margin compression is becoming ever more real. This compression is resulting from a) the inflationary spiral and b) the ongoing expansion of the hard discounters encroaching on traditional retailers.

The Company's foray since 2007 in bolting on diverse though complementary product categories should broaden its product offering and also extend its customer base as part of the process of increasing market reach.

Going forward, our strategy for sustainability of the business is through innovation and diversification. This ought to mitigate and to some extent insulate the Company's business from market turbulence that is expected to intensify from the ensuing struggle by foreign players encroaching on the traditional market.

Directors' report - continued

Principal Risks and Uncertainties

In addition to the broad inflationary pressures, the Company is also absorbing part of Brexit related costs on the UK managed business. Inevitably, the Company is forecasting a calming effect in total revenue and gross profit in H2 on H1, this because we are seeing material consumer retrenchment from unprecedented cost increases across the board and also because consumers are looking for cheaper product alternatives.

The unprecedented increase in consumer pricing is seen to be diverting consumer spend away from the traditional outlets (even key players), to the hard discounters who are reported to be benefitting from increased footfall. In addition, market conditions are expected to become tighter still, with the launch of another major retailer in November which will inevitably have a bearing on the traditional market as a whole.

Financial performance

Revenue for the company for the period ended 30 June 2022 amounts to €13,424,766 (2021: €10,641,689). Gross profit during the period amounted to €2,847,537 (2021: €2,310,271) representing a 21% (2021: 22%) gross profit margin.

After taking into consideration administrative costs of €1,517,502 (2021: €1,040,345) the company registered an EBITDA of €1,915,381 (2021: €1,618,814) and a profit before tax of €1,213,815 (2021: €1,195,797).

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' report - continued

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 – appointed on 10 January 2022

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


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 2022, 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.



Charles J. Farrugia
Chairman



Greta Camilleri Avallone
Managing Director

30 August 2022

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

Condensed interim statement of financial position

	As at 30 June	As at 31 December
	2022 € (unaudited)	2021 € (audited)
ASSETS		
Total non-current assets	5,153,711	3,670,444
Total current assets	12,811,864	10,789,412
Total assets	18,065,575	14,459,856
EQUITY AND LIABILITIES		
Total equity	9,003,193	8,214,211
LIABILITIES		
Total non-current liabilities	1,802,652	1,801,829
Total current liabilities	7,259,730	4,443,816
Total liabilities	9,062,382	6,245,645
Total equity and liabilities	18,065,575	14,459,856

The notes on pages 8 to 11 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 3 to 11 were authorised for issue by the board on 30 August 2022 and were signed on its behalf by:



Charles J. Farrugia
Chairman



Greta Camilleri Avallone
Managing Director

Condensed interim statement of comprehensive income

	Period from 1 January to 30 June	
	2022 € (unaudited)	2021 € (unaudited)
Revenue	13,424,766	10,641,689
Cost of sales	(10,577,229)	(8,331,418)
Gross profit	2,847,537	2,310,271
Administrative expenses	(1,517,502)	(1,040,345)
Operating profit	1,330,035	1,269,926
Finance costs	(116,220)	(74,129)
Profit before tax	1,213,815	1,195,797
Tax expense	(424,833)	(418,499)
Profit for the period – total comprehensive income	788,982	777,298
Earnings per share for the year attributable to shareholders	0.018	0.074

The notes on pages 8 to 11 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 €	Advances for shares to be issued €	Other reserves €	Total €
Balance at 1 January 2021	6,401,557	1,500,000	1,311,821	4,142,203	(5,082,797)	8,272,784
Impact on reorganisation	4,142,203	-	-	(4,142,203)	-	-
Profit for the period	-	-	777,298	-	-	777,298
Total comprehensive income	-	-	777,298	-	-	777,298
Balance at 30 June 2021	10,543,760	1,500,000	2,089,119	-	(5,082,797)	9,050,082
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

The notes on pages 8 to 11 are an integral part of these condensed interim financial statements.

Condensed interim statements of cash flows

	Period from 1 January to 30 June	
	2022 € (unaudited)	2021 € (unaudited)
Net cash generated from/(used in) operating activities	2,452,015	(291,707)
Net cash used in investing activities	(1,742,406)	(151,791)
Net cash used in financing activities	(171,125)	(147,147)
Net movement in cash and cash equivalents	538,484	(590,645)
Cash and cash equivalents at beginning of period	(1,599,532)	1,073,183
Cash and cash equivalents at end of period	(1,061,048)	482,538

The notes on pages 8 to 11 are an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements

1. General information

M&Z p.l.c. ("the Company") is a limited liability company domiciled and incorporated in Malta.

The financial statements for the year ended 31 December 2021 are 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 of Directors on 30 August 2022.

2. Basis of preparation

The condensed interim financial information for the six-month period ended 30 June 2022 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 2021, 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 2021.

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 2021.

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

The Company concluded negotiations for the acquisition of the representation rights of various brands and related assets from Red October Company Limited. Through this transaction, the Company is expanding its range of product categories through the acquisition of a number of wine, confectionery, spirits and tobacco brands. The final contract was signed on 22 December 2021, with an effective date of 15 January 2022 and the representation rights relating to the portfolio of brands held by Red October Company Limited was consolidated within the Company's portfolio as from the first quarter of 2022. This acquisition will aid the Company to increase its presence in the market and strengthen the Company's HORECA offering. The purchase consideration for this acquisition is €1,492,783 and includes intellectual property and goodwill.

Notes to the condensed interim financial statements - continued

Intangible assets include also goodwill related to the Company's acquisition of various brands from a third party. As a result of the acquisition, the Company increased its presence in the market. The recoverable amount is reassessed annually based on estimates of expected future cash flows as identified from a business plan approved by management. On the basis of the latest business plan and current market data available to the board, no impairment charge was recognised during the period.

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 2022	1,355,625
Additions	249,407
Depreciation	(261,981)
As at 30 June 2022	<u>1,343,051</u>

8. Inventories

Inventory write-downs during the period amounted to €234,404 (2021: €81,357).

9. Share capital

On 10 January 2022, the Company resolved to change the nominal value of the Ordinary shares from €1 to €0.125 each. Pursuant to the re-nominalisation, the Company's issued share capital consists of €7,000,000 divided into 44,000,000 fully paid ordinary shares having a nominal value of €0.125 each and 1,500,000 cumulative redeemable preference share capital of €1 each.

On 13 January 2022 M&Z (Marketing) Limited changed its name to M&Z p.l.c. and converted its status from a private to a public limited liability company. Certain shareholders of the Company offered for sale 11,550,000 ordinary shares of the Company at an offer price of €0.72, pursuant to a prospectus dated 25 January 2022 for the listing of the Company's ordinary shares on the official list of the Malta Stock Exchange.

The share offer was over-subscribed and on 11 March 2022, the Company officially listed 44,000,000 ordinary shares of a nominal value of €0.125 per share on the official list of the Malta Stock Exchange.

10. Related parties

M&Z p.l.c. forms part of M&Z Group. M&Z Group Limited and its subsidiaries are considered by the directors to be related parties of M&Z p.l.c.. Due to common shareholding, PSC Limited and its subsidiary are also considered to be related parties of M&Z p.l.c.

The principal transactions carried out by the Company with related parties during the six-month period ended 30 June 2022 are:

Director's emoluments amounting to €223,628 (2021: €180,035).